SUNCORP GROUP LIMITED

ABN 66 145 290 124

ANALYST PACK

Financial results for the

HALF YEAR ENDED
31 DECEMBER 2017

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 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 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 half year ended 31 December 2017 and comparatives are for the half year ended 31 December 2016, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology. Movements within the financial tables have been labelled 'n/a' where there has been a percentage movement greater than 500% or less than (500%), or if a line item changes from negative to positive (or vice versa) between periods.

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 9.

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		Half Year Ended			Dec-17	Dec-17
		Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
Net earned premium - Insurance (Australia)	$M	3,643	3,520	3,552	3.5	2.6
Net Interest Income - Banking & Wealth	$M	598	573	558	4.4	7.2
Net earned premium - New Zealand	$M	564	542	557	4.1	1.3
Profit after tax from functions	$M	522	592	613	(11.8)	(14.8)
Cash earnings	$M	472	561	584	(15.9)	(19.2)
Net profit after tax	**$M**	**452**	**538**	**537**	**(16.0)**	**(15.8)**
Cash earnings per share - Diluted [1]	(cents)	36.11	42.91	44.61	(15.8)	(19.1)
Cash return on average shareholders' equity [1]	(%)	6.8	8.2	8.5		
Insurance trading ratio	(%)	8.0	11.2	12.5		
Underlying ITR ratio (adjusted for BIP costs)	(%)	10.2	12.0	11.0		
Bank net interest margin (interest-earning assets)	(%)	1.86	1.87	1.78		
Ordinary dividends per ordinary share	(cents)	33.0	40.0	33.0	(17.5)	-
Payout ratio - cash earnings [1]	(%)	90.1	91.6	72.5		
General Insurance Group PCA coverage	(times)	1.66	1.77	1.78		
Bank Common Equity Tier 1 ratio	(%)	9.01	9.23	9.20		

(1) Refer to Appendix 9 for definitions.

- Group top-line growth of 2.5% driven by solid growth in both Consumer General Insurance and Banking
- Group net profit after tax (NPAT) impacted by natural hazard events in December 2017 and the investment made in both the Business Improvement Program (BIP) ($50 million) and accelerating the Marketplace ($36 million)
- Total operating expenses increased 3.3% excluding the net investment in BIP (5.7% increase including the net investment in BIP)
- The combined Australia and New Zealand General Insurance underlying insurance trading ratio (ITR) adjusted for BIP costs was 10.2%; underlying ITR inclusive of BIP costs was 9.4%
- Total ordinary dividends of 33 cents per share fully franked, cash earnings payout ratio of 90.1%
- Cash return on average shareholders' equity (ROE) of 6.8%; Cash return on average shareholders' equity pre-goodwill of 10.6%
- Banking's Common Equity Tier 1 (CET1) capital ratio of 9.01% and General Insurance holds CET1 of 1.22 times the Prescribed Capital Amount (PCA)
- Australian General Insurance gross written premium (GWP) down 0.7% due to regulatory reform to Compulsory Third Party (CTP) in New South Wales (NSW) and Queensland
- Australian General Insurance Home and Motor GWP up 3.9% (excluding FSL)
- Natural hazards were $395 million, $65 million above the allowance for the period driven primarily by the Victorian hailstorm (current estimate $167 million)
- Net reserve releases of $129 million in Australia were well above the long-run expectation of 1.5% of net earned premium (NEP)
- Australian Life Insurance NPAT up 173% (underlying profit after tax up 56.0%), driven by higher planned margins and an improvement in mark-to-market adjustments
- Banking annualised lending growth of 8.7%, materially above system; credit quality remains sound
- New Zealand General Insurance GWP increased 7.6% and Life Insurance in-force premium grew 5.0% in New Zealand dollar terms.

GROUP

Result overview

Suncorp's result for the half year ended 31 December 2017 was driven by solid top-line growth of 2.5%, the phasing of investment in the Group's two major strategic programs and the timing of natural hazards.

A fully franked interim ordinary dividend of 33 cents was declared, reflecting a payout ratio of 90.1%.

The timing of natural hazards, including the Victorian hailstorm (current estimate $167 million), resulted in the Group being above its natural hazard allowance and reporting an increase in risk margin ($18 million). The increase in risk margin is expected to unwind over the second half of the financial year.

An increased focus on Suncorp's four strategic pillars, in particular, elevating the needs of customers, has delivered strong growth in Consumer and Commercial insurance premiums in Australia and New Zealand, as well as Banking lending growth. Regulatory reform has impacted CTP premium income and home insurance fire service levies, which has reduced headline growth rates.

Suncorp has progressed its two strategic programs, the Marketplace acceleration program and the BIP, over the period with a view to improving customer experience, lowering the Group's cost base and delivering a more resilient business model embedding a culture of continuous improvement across the organisation.

The Group has also had to manage the short-term costs of increased regulation (an increase of $17 million) compared to the prior corresponding period, which are expected to deliver longer term competition benefits.

Function results overview

Insurance (Australia) delivered 3.9% GWP growth for Home and Motor lines (excluding FSL) and 1.5% GWP growth in Commercial lines. CTP premium growth was impacted by regulatory reform in NSW and Queensland. Total Insurance (Australia) NEP grew by 2.6%.

Net incurred claims were impacted by discount rate movements, natural hazards events in December 2017 and a shift in the mix of premiums towards long-tail classes.

Claims inflation continues to be an industry-wide issue for Consumer lines. Combined with repricing, Suncorp has successfully offset claims cost pressures by driving benefits from an intense focus on managing claims and its vertically integrated motor supply chain and improved home repair processes.

Reserve releases of $129 million remain well above long-term expectations, reflecting the continued benign inflationary environment.

NPAT of $264 million declined by 28.5% primarily due to higher natural hazard costs and the timing of expenses relating to the BIP.

Australian Life Insurance profit after tax increased to $30 million, up 173% (underlying profit after tax up 56.0%), driven by higher planned margins and improved mark-to-market adjustments. *For further information on the performance of Insurance (Australia) in 1H18 please refer to page 11.*

Banking & Wealth annualised lending growth of 8.7% reflected strong consumer and commercial lending growth within risk appetite. Net interest margin (NIM) of 1.86% remained strong supported by asset repricing and improvements in funding.

Impairment losses increased to $13 million, representing 4 basis points (annualised) of gross loans and advances, remaining below the long-run operating target of 10 to 20 basis points of gross loans and advances.

The cost to income ratio of 54.9% increased relative to the prior corresponding period driven by investment in a number of growth related activities as well as investment in BIP.

Reported NPAT of $197 million reflects higher net interest income offset by growth-related expenses and the timing of the investment in the BIP.

The Wealth business reported a 20% increase in NPAT to $6 million, driven by positive investment returns and the performance of the annuity and participating business. *For further information on the performance of Banking & Wealth in 1H18 please refer to page 27.*

New Zealand GWP growth of 7.6%, in New Zealand dollar terms, was driven by both consumer and commercial classes.

New Zealand General Insurance NPAT increased to A$46 million, as higher net earned premium, reduced natural hazard costs and improvements in claims processes led to lower loss ratios.

New Zealand Life Insurance delivered NPAT of A$15 million, down 11.8%. *For further information on the performance of the New Zealand business in 1H18 please refer to page 45.*

Strategic programs

Suncorp continues to focus on its four strategic priorities to drive shareholder value: elevate the customer; create the Marketplace; inspire our people; and maintain momentum and growth.

Over 1H18 Suncorp invested in two strategic programs of work: BIP and the Marketplace acceleration program, that have been designed to support the Group's four strategic priorities.

The BIP commenced during the half with a focus on programs that improve the customer experience, drive efficiencies and embed a culture of continuous improvement. BIP is a company-wide program focusing on the following five streams of work: digitisation of customer experiences, sales and service channel optimisation, end-to-end process improvement, claims supply chain re-design and smarter procurement and streamlining our business.

The Group invested $50 million in BIP over the period. BIP spending between functions was as follows: $35 million to Insurance (Australia) (includes $1 million attributable to the Australian life insurance business) and $15 million to Banking & Wealth.

BIP is on-track to deliver net benefits of $10 million, $195 million and $329 million over FY18, FY19 and FY20 respectively. The BIP benefits will help drive the Group's operating cost base to $2.7 billion in FY19. *For further information please refer to page 58.*

Suncorp invested $36 million over the half in the Marketplace acceleration program. Progress has been made on each of the six Marketplace deliverables being: single customer experience, national roll-out of brand refresh, journeys and integrated offers, third party partnerships, customer reward and recognition and other enabling technology. *For further information please refer to page 59.*

Dividend and capital

The Board has determined a fully franked interim dividend of 33 cents per share. This represents a dividend payout ratio of 90.1% of cash earnings above the top end of the Group's 60% to 80% dividend payout range, reflecting the Board's commitment to neutralise the impact of accelerated investment in the Marketplace and confidence in Group's outlook.

After payment of the dividend, the franking account balance will be $158 million. The Group remains well capitalised with $381 million in CET1 capital held above its CET1 operating target. *For further information please refer to page 61.*

Outlook

Suncorp's NPAT is expected to be higher for the six months ending 30 June 2018 compared to the six months ended 31 December 2017.

The key drivers for the stronger second half include:

— The swing from a net investment in 1H18 to a net benefit in 2H18 from the BIP as material cost efficiencies flow through to earnings

— The ongoing benefits from improving customer metrics

— Leveraging the generally favourable operating conditions to build on the strong GWP and loan growth in the first half.

In the second half of the 2018 financial year, Suncorp also expects to address:

— The shareholding in Tower Limited (Tower) New Zealand, and

— The strategic review of the Australian Life business.

Specifically, expectations of the business units in the second half include:

Insurance (Australia):

— GWP growth to remain positive for consumer classes, combined with improvements in claims processes offsetting industry-wide claims inflation

— GWP growth to remain stable for commercial classes as underwriting discipline is maintained

— The CTP portfolio will continue to be a headwind to GWP and will impact the underlying ITR

— Underlying ITR is expected to improve as the benefits of BIP are realised, while reported ITR remains subject to natural hazards costs, reserve releases and the performance of the investment portfolio

— Life Insurance profit will increase as the optimisation program delivers repricing improvements.

Banking & Wealth:

— Lending growth above system, with net interest margin remaining within a target range of 1.80% – 1.90%

— The cost to income ratio is expected to improve as the benefits of BIP begin to be realised and the revenue benefits from the strong balance sheet growth and improved margin outlook flow through

— Wealth profits are expected to remain broadly stable.

New Zealand:

— GWP growth to remain positive for consumer and commercial lines, offsetting industry wide claims inflation and reinsurance premium increases

— Underlying ITR to remain strong

— Life insurance underlying profit to remain stable

— Maximise the value of its investment in Tower New Zealand.

Group:

Group investment returns are expected to be impacted by firming inflation, which is likely to weigh on bond returns, however inflation-linked bonds will perform well in this environment. Current high equity valuations are expected to result in lower equity returns.

Investment in the key strategic programs, BIP and the Marketplace acceleration program, will continue and are expected to support growth and cost benefits to the existing core business. Further, they are expected to open up new opportunities for growth through third party partnerships.

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

For the 2018 financial year, the Board intends to increase the dividend payout ratio for the full year dividend above the top end of the target range of 60% to 80% to offset the impact on cash earnings of the additional investment in the Marketplace.

FY19 targets

Suncorp is confident that the streams of work around its two strategic programs currently being undertaken will deliver significant improvement to earnings in FY19. In addition, at, or above system lending growth in Banking & Wealth combined with price increases and unit growth in Insurance (Australia) and New Zealand will drive achievement of Suncorp's key FY19 targets as set out below:

— Group top-line growth of 3% to 5%, driven by strategic initiatives and targeted growth in selected product classes

— An underlying ITR of at least 12%, supported by BIP, in particular the benefits of claims supply chain redesign, and the earned impact of repricing and unit growth throughout FY18

— Banking cost to income ratio of around 50% and NIM of 1.80% to 1.90%, supported by BIP initiatives including channel optimisation, and targeted growth initiatives within risk appetite

— Expense base of $2.7 billion as smarter procurement and streamlining the Group, in addition to other BIP benefits, more than offset underlying inflation and growth-related investment.

Achieving the above targets will produce a cash ROE of 10%.

Reserve releases are expected to be above 1.5% of NEP, provided the benign inflationary environment continues.

Suncorp will also maintain a dividend payout ratio of 60% to 80% of cash earnings and return surplus capital to shareholders.

FY19 targets are subject to natural hazards at or below budget, movements in investment markets and unforeseen regulatory reform.

Contribution to profit by function

	Half Year Ended Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Insurance (Australia)					
Gross written premium	4,004	4,080	4,031	(1.9)	(0.7)
Net earned premium	3,643	3,520	3,552	3.5	2.6
Net incurred claims	(2,724)	(2,549)	(2,374)	6.9	14.7
Operating expenses	(773)	(720)	(722)	7.4	7.1
Investment income - insurance funds	120	170	35	(29.4)	242.9
Insurance trading result	266	421	491	(36.8)	(45.8)
Other income	62	48	17	29.2	264.7
Profit before tax	328	469	508	(30.1)	(35.4)
Income tax	(94)	(138)	(150)	(31.9)	(37.3)
General Insurance profit after tax	**234**	**331**	**358**	**(29.3)**	**(34.6)**
Life Insurance profit after tax	**30**	**23**	**11**	**30.4**	**172.7**
Insurance (Australia) profit after tax	**264**	**354**	**369**	**(25.4)**	**(28.5)**
Banking & Wealth					
Net interest income	598	573	558	4.4	7.2
Net non-interest income	34	37	39	(8.1)	(12.8)
Operating expenses	(347)	(329)	(307)	5.5	13.0
Profit before impairment losses on loans and advances	285	281	290	1.4	(1.7)
Impairment losses on loans and advances	(13)	(6)	(1)	116.7	n/a
Banking profit before tax	272	275	289	(1.1)	(5.9)
Income tax	(81)	(82)	(86)	(1.2)	(5.8)
Banking profit after tax	**191**	**193**	**203**	**(1.0)**	**(5.9)**
Wealth profit after tax	**6**	**(1)**	**5**	**n/a**	**20.0**
Banking & Wealth profit after tax	**197**	**192**	**208**	**2.6**	**(5.3)**
New Zealand					
Gross written premium	703	666	679	5.6	3.5
Net earned premium	564	542	557	4.1	1.3
Net incurred claims	(319)	(339)	(354)	(5.9)	(9.9)
Operating expenses	(182)	(180)	(186)	1.1	(2.2)
Investment income - insurance funds	7	9	4	(22.2)	75.0
Insurance trading result	70	32	21	118.8	233.3
Other income	(3)	5	5	n/a	n/a
Profit before tax	67	37	26	81.1	157.7
Income tax	(21)	(11)	(7)	90.9	200.0
General Insurance profit after tax	**46**	**26**	**19**	**76.9**	**142.1**
Life Insurance profit after tax	**15**	**20**	**17**	**(25.0)**	**(11.8)**
New Zealand profit after tax	**61**	**46**	**36**	**32.6**	**69.4**
Profit after tax from functions	**522**	**592**	**613**	**(11.8)**	**(14.8)**
Marketplace acceleration investment	(36)	-	-	n/a	n/a
Other profit (loss) before tax [(1)]	(31)	(31)	(27)	-	14.8
Income tax	17	-	(2)	n/a	n/a
Other profit (loss) after tax	**(50)**	**(31)**	**(29)**	**61.3**	**72.4**
Cash earnings	**472**	**561**	**584**	**(15.9)**	**(19.2)**
Acquisition amortisation (after tax)	(20)	(23)	(47)	(13.0)	(57.4)
Net profit after tax	**452**	**538**	**537**	**(16.0)**	**(15.8)**

(1) 'Other' includes investment income on capital held at the Group level (Dec-17: $9 million, Jun-17: $8 million), consolidation adjustments (Dec-17: loss $1 million, Jun-17: loss $3 million), customer strategy investment (Dec-17: nil, Jun-17: loss $9 million), recognition of deferred consideration on Tyndall disposal (Dec-17: nil, Jun-17: $3 million), non-controlling interests (Dec-17: loss $9 million, Jun-17: loss $5 million), external interest expense and transaction costs (Dec-17: $30 million, Jun-17: $25 million).

Statement of financial position

	Half Year Ended Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Assets					
Cash and cash equivalents	1,143	1,840	1,870	(37.9)	(38.9)
Receivables due from other banks	470	567	473	(17.1)	(0.6)
Trading securities	1,512	1,520	1,597	(0.5)	(5.3)
Derivatives	154	188	696	(18.1)	(77.9)
Investment securities	22,533	22,327	23,984	0.9	(6.0)
Loans and advances	57,635	55,197	54,047	4.4	6.6
Premiums outstanding	2,544	2,620	2,428	(2.9)	4.8
Reinsurance and other recoveries	2,746	3,353	2,630	(18.1)	4.4
Deferred reinsurance assets	550	837	644	(34.3)	(14.6)
Deferred acquisition costs	699	704	691	(0.7)	1.2
Gross policy liabilities ceded under reinsurance	536	585	408	(8.4)	31.4
Property, plant and equipment	216	200	200	8.0	8.0
Deferred tax assets	208	226	228	(8.0)	(8.8)
Goodwill and other intangible assets	5,768	5,821	5,836	(0.9)	(1.2)
Other assets	1,145	1,124	1,069	1.9	7.1
Total assets	**97,859**	**97,109**	**96,801**	**0.8**	**1.1**
Liabilities					
Payables due to other banks	54	50	512	8.0	(89.5)
Deposits and short-term borrowings	45,612	45,105	46,048	1.1	(0.9)
Derivatives	312	376	508	(17.0)	(38.6)
Amounts due to reinsurers	312	799	360	(61.0)	(13.3)
Payables and other liabilities	1,735	1,999	1,559	(13.2)	11.3
Current tax liabilities	2	106	99	(98.1)	(98.0)
Unearned premium liabilities	4,889	4,965	4,925	(1.5)	(0.7)
Outstanding claims liabilities	10,660	10,952	10,234	(2.7)	4.2
Gross policy liabilities	2,807	2,917	2,843	(3.8)	(1.3)
Deferred tax liabilities	121	121	118	-	2.5
Managed funds units on issue	1,256	911	1,601	37.9	(21.5)
Securitisation liabilities	4,111	3,088	2,204	33.1	86.5
Debt issues	9,722	9,216	9,585	5.5	1.4
Loan capital	2,527	2,714	2,553	(6.9)	(1.0)
Total liabilities	**84,120**	**83,319**	**83,149**	**1.0**	**1.2**
Net assets	**13,739**	**13,790**	**13,652**	**(0.4)**	**0.6**
Equity					
Share capital	12,820	12,766	12,722	0.4	0.8
Reserves	117	161	186	(27.3)	(37.1)
Retained profits	789	855	734	(7.7)	7.5
Total equity attributable to owners of the Company	**13,726**	**13,782**	**13,642**	**(0.4)**	**0.6**
Non-controlling interests	13	8	10	62.5	30.0
Total equity	**13,739**	**13,790**	**13,652**	**(0.4)**	**0.6**

INSURANCE (AUSTRALIA)

Result overview

Financial highlights

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
General Insurance					
Gross written premium by product					
Motor	1,350	1,337	1,289	1.0	4.7
Home	1,093	1,074	1,062	1.8	2.9
Commercial	768	741	757	3.6	1.5
Compulsory third party	609	682	722	(10.7)	(15.7)
Workers' compensation and other	120	191	105	(37.2)	14.3
Fire Service Levies	64	55	96	16.4	(33.3)
General Insurance gross written premium	**4,004**	**4,080**	**4,031**	**(1.9)**	**(0.7)**
Net earned premium	3,643	3,520	3,552	3.5	2.6
Net incurred claims	(2,724)	(2,549)	(2,374)	6.9	14.7
Total operating expenses	(773)	(720)	(722)	7.4	7.1
Insurance trading result	266	421	491	(36.8)	(45.8)
General Insurance profit after tax	**234**	**331**	**358**	**(29.3)**	**(34.6)**
	%	**%**	**%**		
Total operating expenses ratio	21.2	20.5	20.3		
Insurance trading ratio	7.3	12.0	13.8		

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Life Insurance					
Underlying profit after tax	39	28	25	39.3	56.0
Life Insurance profit after tax	**30**	**23**	**11**	30.4	172.7
Insurance (Australia) profit after tax	**264**	**354**	**369**	(25.4)	(28.5)

Insurance (Australia) achieved a profit after tax of $264 million for the half year ended 31 December 2017.

The Australian General Insurance business contributed profit after tax of $234 million. The insurance trading result was $266 million, representing an ITR of 7.3%. The result was impacted by higher natural hazard costs and investment in BIP, which will deliver future benefits. This was partially offset by targeted price increases across the portfolio and continued improvement in working claims.

GWP decreased by 0.7% (increase of 0.1% excluding the FSL impact) to $4,004 million which reflects strong rate increases in Consumer and Commercial, offset by reduced CTP premiums.

Home and Motor achieved GWP growth of 3.9% (excluding FSL impact) through 0.5% unit growth and average written premium increases of 3.4%. Commercial insurance GWP increased by 1.5% (excluding FSL impact), with Suncorp continuing to maintain a disciplined approach to underwriting, prioritising margin over growth achieving rate increases ranging from mid-single digit to the high-teens.

CTP GWP decreased by 15.7%, primarily driven by NSW scheme reform. Workers' Compensation benefited from rate and wage growth in Western Australia.

Net incurred claims were $2,724 million, an increase of 14.7% on the prior corresponding period, impacted by discount rate movements, natural hazards events in December 2017 and a shift in the mix of premiums towards long-tail classes. Consumer working claims loss ratios continue to improve with operating efficiencies offsetting increased inflation. Strong claims performance continues across CTP in NSW with improved frequency experience. Queensland has continued to experience an increase in frequency, which is occurring across the industry.

Reserve releases of $129 million remain well above long-term expectations. This was primarily attributable to a continued focus on long-tail claims management and a benign environment for wage and super-imposed inflation.

Total operating expenses were $773 million. As a result of the $23 million investment in BIP, the operating expense ratio increased by 0.9%, which will be offset by expected BIP benefits in future periods.

Investment income on insurance funds of $120 million was impacted by the outperformance on inflation-linked bonds, gains from narrowing credit spreads, partially offset by losses from an increase in risk-free rates. Investment income on shareholders' funds of $72 million was a result of improved returns from equities.

The Australian Life Insurance business underlying profit after tax of $39 million was up 56.0%. This reflects higher planned profit margins due to favourable claims experience at the end of last financial year as well as reduced expenses and repricing benefits.

In-force premium grew 0.9% from 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.

Life Insurance profit after tax of $30 million was up 173% from the prior corresponding period.

Outlook

Insurance (Australia) continues to benefit from operating a diverse portfolio while targeting profitable growth through pricing discipline, meeting more customer and intermediary needs and successfully entering new markets. Investment in technology and the BIP are expected to deliver benefits.

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. Operational claims metrics in Consumer portfolios have stabilised and are improving, with further investment being made to improve operational efficiencies via the BIP.

In the Commercial portfolio, price increases will continue to restore profitability as the business prioritises margin over growth.

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 Insurance (Australia) is well placed.

In the long-term, CTP reform aims to deliver reduced margin volatility and improved customer outcomes. In NSW CTP, short-term results will be impacted by reduced premiums however improvements in claims profiles will emerge over the medium term. In Queensland CTP, premium reduction coupled with increased claims frequency is expected to continue, putting pressure on profitability.

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, the portfolio continues to move towards more profitable non-mining and SME segments across all competitively underwritten states.

Insurance (Australia) remains committed to improving the profitability of the Australian Life Insurance business by continuing with the optimisation program focused on generating long-term sustainable returns despite ongoing industry disruption and regulatory scrutiny. The optimisation program has delivered favourable results to date. Life planned margins have improved due to favourable claims experience, ongoing expense initiatives and industry repricing. Life planned margins and experience have remained relatively stable, however, continued elevated claim incidence within the income protection business is being carefully monitored.

Profit contribution including discount rate movements and FSL

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
General Insurance					
Gross written premium	**4,004**	**4,080**	**4,031**	**(1.9)**	**(0.7)**
Gross unearned premium movement	90	(61)	(17)	n/a	n/a
Gross earned premium	4,094	4,019	4,014	1.9	2.0
Outwards reinsurance expense	(451)	(499)	(462)	(9.6)	(2.4)
Net earned premium	**3,643**	**3,520**	**3,552**	**3.5**	**2.6**
Net incurred claims					
Claims expense	(3,149)	(3,864)	(2,911)	(18.5)	8.2
Reinsurance and other recoveries revenue	425	1,315	537	(67.7)	(20.9)
Net incurred claims	**(2,724)**	**(2,549)**	**(2,374)**	**6.9**	**14.7**
Total operating expenses					
Acquisition expenses	(485)	(445)	(462)	9.0	5.0
Other underwriting expenses	(288)	(275)	(260)	4.7	10.8
Total operating expenses	**(773)**	**(720)**	**(722)**	**7.4**	**7.1**
Underwriting result	146	251	456	(41.8)	(68.0)
Investment income - insurance funds	120	170	35	(29.4)	242.9
Insurance trading result	**266**	**421**	**491**	**(36.8)**	**(45.8)**
Managed schemes, joint venture and other	5	4	-	25.0	n/a
General Insurance operational earnings	**271**	**425**	**491**	**(36.2)**	**(44.8)**
Investment income - shareholder funds	72	63	35	14.3	105.7
General Insurance profit before tax and capital funding	**343**	**488**	**526**	**(29.7)**	**(34.8)**
Capital funding	(15)	(19)	(18)	(21.1)	(16.7)
General Insurance profit before tax	**328**	**469**	**508**	**(30.1)**	**(35.4)**
Income tax	(94)	(138)	(150)	(31.9)	(37.3)
General Insurance profit after tax	**234**	**331**	**358**	(29.3)	(34.6)
Life Insurance					
Underlying profit after tax	39	28	25	39.3	56.0
Market adjustments	(9)	(5)	(14)	80.0	(35.7)
Life Insurance profit after tax	**30**	**23**	**11**	30.4	172.7
Insurance (Australia) profit after tax	**264**	**354**	**369**	(25.4)	(28.5)

General Insurance ratios

	Half Year Ended		
	Dec-17	Jun-17	Dec-16
	%	%	%
Acquisition expenses ratio	13.3	12.7	13.0
Other underwriting expenses ratio	7.9	7.8	7.3
Total operating expenses ratio	**21.2**	**20.5**	**20.3**
Loss ratio	74.8	72.4	66.8
Combined operating ratio	96.0	92.9	87.1
Insurance trading ratio	**7.3**	**12.0**	**13.8**

Profit contribution excluding discount rate movements and FSL

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
General Insurance					
Gross written premium	**3,940**	**4,025**	**3,935**	**(2.1)**	**0.1**
Gross unearned premium movement	92	(92)	(5)	n/a	n/a
Gross earned premium	4,032	3,933	3,930	2.5	2.6
Outwards reinsurance expense	(451)	(499)	(462)	(9.6)	(2.4)
Net earned premium	**3,581**	**3,434**	**3,468**	**4.3**	**3.3**
Net incurred claims					
Claims expense	(3,139)	(3,802)	(3,055)	(17.4)	2.7
Reinsurance and other recoveries revenue	425	1,315	537	(67.7)	(20.9)
Net incurred claims	**(2,714)**	**(2,487)**	**(2,518)**	**9.1**	**7.8**
Total operating expenses					
Acquisition expenses	(485)	(445)	(462)	9.0	5.0
Other underwriting expenses	(226)	(189)	(176)	19.6	28.4
Total operating expenses	**(711)**	**(634)**	**(638)**	**12.1**	**11.4**
Underwriting result	156	313	312	(50.2)	(50.0)
Investment income - insurance funds	110	108	179	1.9	(38.5)
Insurance trading result	**266**	**421**	**491**	**(36.8)**	**(45.8)**
Managed schemes, joint venture and other	5	4	-	25.0	n/a
General Insurance operational earnings	**271**	**425**	**491**	**(36.2)**	**(44.8)**
Investment income - shareholder funds	72	63	35	14.3	105.7
General Insurance profit before tax and capital funding	**343**	**488**	**526**	**(29.7)**	**(34.8)**
Capital funding	(15)	(19)	(18)	(21.1)	(16.7)
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Life Insurance					
Underlying profit after tax	39	28	25	39.3	56.0
Market adjustments	(9)	(5)	(14)	80.0	(35.7)
Life Insurance profit after tax	**30**	**23**	**11**	30.4	172.7
Insurance (Australia) profit after tax	**264**	**354**	**369**	(25.4)	(28.5)

General Insurance ratios

	Half Year Ended		
	Dec-17	Jun-17	Dec-16
	%	%	%
Acquisition expenses ratio	13.6	13.0	13.3
Other underwriting expenses ratio	6.3	5.5	5.1
Total operating expenses ratio	**19.9**	**18.5**	**18.4**
Loss ratio	75.8	72.4	72.6
Combined operating ratio	95.7	90.9	91.0

General Insurance

Gross Written Premium

Gross Written Premium excluding FSL

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Gross written premium by product					
Motor	1,350	1,337	1,289	1.0	4.7
Home	1,093	1,074	1,062	1.8	2.9
Commercial	768	741	757	3.6	1.5
Compulsory third party	609	682	722	(10.7)	(15.7)
Workers' compensation and other	120	191	105	(37.2)	14.3
Total	**3,940**	**4,025**	**3,935**	**(2.1)**	**0.1**
Fire Service Levies [1]	64	55	96	16.4	(33.3)
Total	**4,004**	**4,080**	**4,031**	**(1.9)**	**(0.7)**

[1] Home $45 million, Commercial $16 million and Motor $3 million.

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Gross written premium by geography					
Queensland	1,066	1,075	1,058	(0.8)	0.8
New South Wales	1,274	1,307	1,307	(2.5)	(2.5)
Victoria	904	885	857	2.1	5.5
Western Australia	294	328	287	(10.4)	2.4
South Australia	186	180	217	3.3	(14.3)
Tasmania	77	87	75	(11.5)	2.7
Other	139	163	134	(14.7)	3.7
Total	**3,940**	**4,025**	**3,935**	**(2.1)**	**0.1**
Fire Service Levies [1]	64	55	96	16.4	(33.3)
Total	**4,004**	**4,080**	**4,031**	**(1.9)**	**(0.7)**

[1] New South Wales $63 million, Tasmania $1 million.

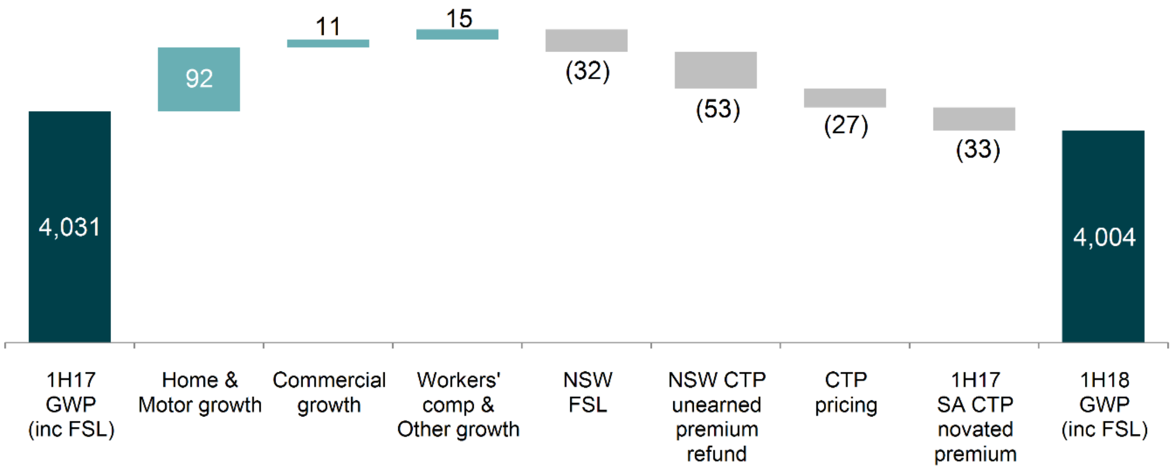
Gross Written Premium (continued)

Gross Written Premium including FSL

	Half Year Ended				
	Dec-17	Jun-17	Dec-16	Dec-17 vs Jun-17	Dec-17 vs Dec-16
	$M	$M	$M	%	%
Gross written premium by product (Incl FSL)					
Motor	1,353	1,341	1,293	0.9	4.6
Home	1,138	1,110	1,123	2.5	1.3
Commercial	784	756	787	3.7	(0.4)
Compulsory third party	609	682	722	(10.7)	(15.7)
Workers' compensation and other	120	191	106	(37.2)	13.2
Total	**4,004**	**4,080**	**4,031**	**(1.9)**	**(0.7)**

	Half Year Ended				
	Dec-17	Jun-17	Dec-16	Dec-17 vs Jun-17	Dec-17 vs Dec-16
	$M	$M	$M	%	%
Gross written premium by geography (Incl FSL)					
Queensland	1,066	1,075	1,058	(0.8)	0.8
New South Wales	1,337	1,361	1,401	(1.8)	(4.6)
Victoria	904	885	857	2.1	5.5
Western Australia	294	328	287	(10.4)	2.4
South Australia	186	180	217	3.3	(14.3)
Tasmania	78	88	77	(11.4)	1.3
Other	139	163	134	(14.7)	3.7
Total	**4,004**	**4,080**	**4,031**	**(1.9)**	**(0.7)**

Gross Written Premium movements including FSL ($m)



Gross Written Premium (continued)

Consumer

Motor GWP increased 4.7% to $1,350 million and Home GWP increased 2.9% to $1,093 million, excluding emergency services levy.

Motor premium increases of 3.5% were achieved with unit growth of 1.2% due to new business performing strongly and retention holding steady.

Home premium increase of 3.7% was partially offset by unit loss of 0.8% as the portfolio is repriced for increases in natural hazard costs and underlying inflation.

The NSW government's reversal of FSL late last year, resulted in a requirement for Suncorp to pay $32 million to the NSW government with two years to recover this amount.

Commercial

Commercial GWP increased 1.5% to $768 million.

Suncorp continues to maintain a disciplined approach to underwriting, prioritising margin over growth with achieved rate increases ranging from low single digit to the high teens. These increases have impacted volumes in some classes, more specifically in the top end corporate market where the portfolio has been subject to selective de-risking.

Compulsory Third Party

CTP GWP decreased 15.7% to $609 million.

Suncorp continues to be a significant participant in the NSW CTP market. Under the new scheme and benefit design, customers have seen reduced premiums as at 1 December 2017. The new scheme has been implemented on a claims incurred basis, so customers who paid premiums before this date will be entitled to a pro-rata refund, which resulted in a $53 million payment to the NSW government during the period. Suncorp expects to maintain a market share of around 25% whilst achieving targeted profitability.

In the Queensland CTP market, GWP contracted by 6.6% (including the FY16 NIIS claw-back) driven by reductions in ceiling price by the regulator. Suncorp has maintained around 50% market share and will focus on maintaining sustainable underwriting results.

In the South Australian market, Suncorp's allocation of 30% market share will continue until 30 June 2019 at which point the scheme will transition to become fully competitive.

Suncorp's market share in the ACT CTP scheme has continued to grow, reaching 41% since entering the market in 2013.

Compulsory third party GWP by geography and one-off movements

	Half Year Ended Dec-17 $M	Dec-16 $M	Dec-17 vs Dec-16 %
Compulsory third party GWP by geography (before one-off movements)			
Queensland	221	253	(12.6)
New South Wales	352	366	(3.8)
ACT	31	31	-
South Australia	58	55	5.5
Total	**662**	**705**	**(6.1)**
Compulsory third party GWP one-off movements			
New South Wales refunds	(53)	-	n/a
South Australia FY16 novated premium	-	33	n/a
Queensland FY16 NIIS claw-back	-	(16)	n/a
Total compulsory third party GWP	**609**	**722**	**(15.7)**

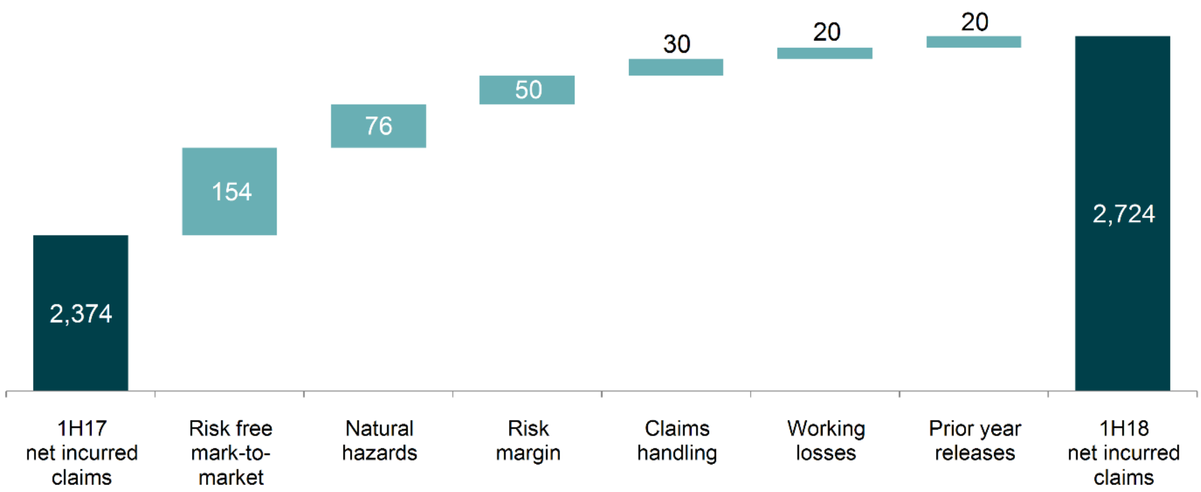
Workers' compensation and other

GWP growth of 14.3% was due to strong retention further benefited by rate increases and wage growth predominantly in Western Australia.

Net incurred claims

Net incurred claims costs increased 14.7% to $2,724 million.

Net incurred claims movements ($m)



Natural hazards

Natural hazard costs were $395 million, $65 million above the allowance for the period. The natural hazard allowance for the full year is $660 million for Insurance (Australia). The Group has a full year natural hazard allowance of $692 million which also includes New Zealand.

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

Date	Event	Net costs $M
Oct 2017	Toowoomba Newcastle Hail	37
Nov 2017	Lismore Bundaberg Hail	27
Dec 2017	Southern Flooding	20
Dec 2017	Grafton Hail	15
Dec 2017	Victoria Hail	167
Total events over $10 million		**266**
Other natural hazards attritional claims		129
Total natural hazards		**395**
Less: allowance for natural hazards		(330)
Natural hazards costs above allowance		**65**

Outstanding claims provision breakdown

The valuation of outstanding claims has again resulted in central estimate releases of $129 million, well above the Group's long-run expectation for reserve releases of 1.5% of Group NEP.

Short-tail strengthening of $32 million was primarily due to unfavourable prior year average claims size cost in Motor third-party demand costs in the Consumer and Commercial portfolios. The unfavourable claims experience in the property portfolios was due partly to increase costs in water damage claims.

Long-tail claims reserve releases of $161 million were primarily attributable to favourable claims experience. The impact of benign wage inflation in the CTP portfolios contributed to the majority of the releases. 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	1,644	1,494	149	32
Long-tail	5,902	5,030	872	(161)
Total	**7,546**	**6,524**	**1,021**	**(129)**

(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. Figures in brackets imply 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			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Gross outstanding claims liabilities	9,217	9,175	8,445	0.5	9.1
Reinsurance and other recoveries	(1,671)	(1,989)	(1,273)	(16.0)	31.3
Net outstanding claims liabilities	**7,546**	**7,186**	**7,172**	**5.0**	**5.2**
Expected future claims payments and claims handling expenses	7,063	6,731	6,791	4.9	4.0
Discount to present value	(538)	(523)	(587)	2.9	(8.3)
Risk margin	1,021	978	968	4.4	5.5
Net outstanding claims liabilities	**7,546**	**7,186**	**7,172**	**5.0**	**5.2**
Short-tail	1,644	1,411	1,569	16.5	4.8
Long-tail	5,902	5,775	5,603	2.2	5.3
Total	**7,546**	**7,186**	**7,172**	**5.0**	**5.2**

Risk margins

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

Risk margins increased by $43 million during the period to $1,021 million from $978 million. The assets notionally backing risk margins had a net gain of $11 million. The net impact was therefore $32 million, which is excluded from the underlying ITR calculation.

Operating expenses

The total operating expense ratio was 0.9% higher as Suncorp began to invest in BIP initiatives which will be offset by expected benefits in future periods.

Managed schemes, joint venture and other

During the year Suncorp entered into a new managed scheme arrangement with the NSW Government whereby, Suncorp receives revenue as one of three claims management providers, to manage its existing portfolio as well as the portfolio of the exiting scheme agents. Suncorp continues to participate in the joint venture with the Royal Auto club in Tasmania and have distribution arrangements with other third party suppliers. Other income and expenses includes the amortisation of intangibles and other miscellaneous 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

Suncorp continues to invest in line with the Group's risk appetite.

To increase asset class diversification, additional investments to infrastructure and alternative assets were made in the shareholders' fund. These allocations are in line with the Board approved investment strategy.

	Half Year Ended					
	Dec-17		Jun-17		Dec-16	
	$M	%	$M	%	$M	%
Insurance funds						
Cash and short-term deposits	209	2	446	5	185	2
Inflation-linked bonds [(1)]	2,416	27	2,380	26	2,131	23
Corporate bonds	5,479	62	5,494	60	5,909	65
Semi-Government bonds	211	2	291	3	497	5
Commonwealth Government bonds	591	7	587	6	429	5
Total Insurance funds	**8,906**	**100**	**9,198**	**100**	**9,151**	**100**
Shareholders' funds						
Cash and short-term deposits	140	5	106	4	109	4
Australian interest-bearing securities	1,243	42	1,285	47	1,965	71
Global interest-bearing securities (hedged)	686	24	613	22	65	2
Equities	349	12	340	12	369	14
Infrastructure and property	301	10	245	9	249	9
Alternative investments	191	7	148	5	-	-
Total shareholders' funds	**2,910**	**100**	**2,737**	**100**	**2,757**	**100**
Total	**11,816**		**11,935**		**11,908**	

(1) The total notional exposure to inflation-linked securities, after accounting for both physical bonds and derivatives, in the insurance funds is: Dec-17 $2.4 billion, Jun-17 $2.4 billion and Dec-16 $2.8 billion.

Credit quality

The average credit rating for the Insurance (Australia) investment assets remained stable at AA. The increase in BBB-rated holdings over the six months to 30 June 2017 was primarily driven by the introduction of a new, dedicated allocation to global investment grade credit in the shareholders' fund, which has a higher exposure to BBB-rated securities compared to the rest of the portfolio, as well as the S&P Global Ratings downgrade of some Australian bank paper. The slight increase in BBB-rated holdings over the first half was the result of underlying managers favouring the additional carry from holding BBB-rated bonds.

	Dec-17	Jun-17	Dec-16
	%	%	%
AAA	42.0	44.1	43.0
AA	19.3	17.3	21.8
A	22.0	23.0	27.3
BBB	16.7	15.6	7.9
	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.

	Dec-17 Years	Jun-17 Years	Dec-16 Years
Insurance funds			
Interest rate duration	2.7	2.6	3.0
Credit spread duration	1.4	1.1	1.3
Shareholders' funds			
Interest rate duration	1.5	1.3	2.2
Credit spread duration	2.4	2.4	2.1

Investment performance

Total investment income was $192 million representing an annualised return of 3.2% for the half year.

Insurance funds

Investment income on insurance funds was $120 million including market valuation impacts from:

— Losses of $24 million from an increase in risk-free rates

— Gains of $30 million from a narrowing of credit spreads

— Gains of $8 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 $106 million, or 2.3% annualised.

Investment income on insurance funds and the changes in the value of outstanding claims are reported in the ITR. The change in risk-free rates increased the value of outstanding claims by $10 million and led to market valuation losses on investment assets of $24 million. The net impact of risk-free rate changes was $34 million and is due to differences in the asset/liability matching process and the treatment of liabilities on the balance sheet. This amount includes market valuation losses on the assets backing unearned premiums which are not discounted.

In calculating the underlying ITR, an adjustment of $3 million has been made to materially remove the impact of investment market volatility. This adjustment unwinds the following market volatility impacts:

— $30 million gain from the narrowing of credit spreads

— $8 million gain from inflation-linked bond outperformance

— $34 million net reduction from changes in risk-free rates

— $1 million loss from a timing adjustment due to the unwind of prior risk-free changes on assets backing unearned premium.

Shareholders' funds

Investment income on shareholders' funds was $72 million representing an annualised return of 5.1%. The portfolio was impacted by improving equity markets and narrower credit spreads.

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	3	3	3	-	-
Interest-bearing securities and other	117	167	32	(29.9)	265.6
Total	**120**	**170**	**35**	**(29.4)**	**242.9**
Investment income on shareholders' funds					
Cash and short-term deposits	-	4	1	(100.0)	(100.0)
Interest-bearing securities	28	31	1	(9.7)	n/a
Equities	31	26	24	19.2	29.2
Infrastructure and property	10	4	9	150.0	11.1
Alternative investments	3	(2)	-	n/a	n/a
Total	**72**	**63**	**35**	**14.3**	**105.7**
Total investment income	**192**	**233**	**70**	**(17.6)**	**174.3**

Life Insurance

Life underlying profit of $39 million is up 56.0% reflecting higher planned profit margins and the benefits of repricing.

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 compared to the prior corresponding period is due to the implementation of revised expense and lump sum claims assumptions at the end of June 2017.

Other and investments include some benefits of loss recognition reversal due to repricing activity on the in-force Income Protection and Trauma portfolios. Underlying investment income remains stable.

Market adjustments were negative due to higher long-term bond yields over the period, resulting in mark-to-market losses on the index linked bonds and a negative policy liability revaluation impact.

In-force premium increased by 0.9%, driven by growth in the Retail portfolios, partially offset by the run-off of the closed Group Risk book.

Profit contribution

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Planned profit margin release	12	10	9	20.0	33.3
Experience	2	(4)	(2)	n/a	n/a
Other and investments	25	22	18	13.6	38.9
Underlying profit after tax	**39**	**28**	**25**	**39.3**	**56.0**
Market adjustments [1]	(9)	(5)	(14)	80.0	(35.7)
Net profit after tax	**30**	**23**	**11**	**30.4**	**172.7**

(1) Market adjustments consist of life risk policy discount rate changes and investment income experience.

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Life risk policy liability impact (DAC)	(1)	1	1	n/a	n/a
Investment income experience [1]	(8)	(6)	(15)	33.3	(46.7)
Total market adjustments	**(9)**	**(5)**	**(14)**	**80.0**	**(35.7)**

(1) Underlying investment income - 1H18: $13 million, 2H17: $11 million, 1H17: $12 million.

Life risk in-force annual premium by channel

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Advised	661	658	653	0.5	1.2
Direct via General Insurance brands	69	68	66	1.5	4.5
Group and other	78	80	82	(2.5)	(4.9)
Total	**808**	**806**	**801**	**0.2**	**0.9**

Life risk new business

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	Dec-16
	$M	$M	$M	%	%
Total new business	32	29	33	10.3	(3.0)

BANKING & WEALTH

Result overview

Financial highlights

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Banking profit after tax	**191**	**193**	**203**	**(1.0)**	**(5.9)**
Wealth profit after tax	**6**	**(1)**	**5**	**n/a**	**20.0**
Banking & Wealth profit after tax	**197**	**192**	**208**	**2.6**	**(5.3)**
Total housing loans	46,940	44,844	44,075	4.7	6.5
Consumer loans	250	254	268	(1.6)	(6.7)
Commercial (SME)	6,160	5,729	5,462	7.5	12.8
Agribusiness	4,409	4,497	4,383	(2.0)	0.6
Total lending	**57,759**	**55,324**	**54,188**	**4.4**	**6.6**
Wealth funds under management and administration	7,556	7,511	7,490	0.6	0.9
	%	**%**	**%**		
Lending growth (annualised)	8.73	4.23	(0.34)		
Net interest margin (interest-earning assets)	1.86	1.87	1.78		
Cost to income ratio	54.9	53.9	51.4		
Impairment losses to gross loans and advances (annualised)	0.04	0.02	0.00		

Banking & Wealth delivered a net profit after tax of $197 million, down 5.3% from the prior corresponding period. The result for the period was driven by:

— An increase in net interest income of 7.2% compared to the prior corresponding period, primarily driven by selected lending growth.

The benefits of the strong top-line growth were offset by:

— Increased investment in the business primarily associated with BIP activities and investment in digital capabilities, the returns of which will be reflected from FY19 onwards

— An increase in costs associated with ensuring Suncorp meets its commitments in the changing regulatory environment

— A small increase in impairment losses from a low base, partly driven by asset growth, and partly due to two specific customers with complex issues.

Banking annualised lending growth of 8.7%, materially above system, reflects initiatives implemented to improve processes resulting in higher customer retention, a focus on ensuring the portfolio is positioned for growth in the context of increased regulatory constraints, proactive risk selection in target markets and Suncorp's competitive position in the market. Despite continuing competition in the residential mortgage market, the NIM of 1.86% was stable over the half, supported by targeted growth within risk settings and management of the funding portfolio mix.

Operating expenses increased 13.0% from the prior corresponding period to $347 million. The increase in the cost to income ratio to 54.9% reflects a temporary increase in business investment in FY18. This investment is expected to normalise in FY19, and combined with the benefits from strategic programs, will support the trend back to the Bank's long-term cost to income ratio target of around 50%.

Banking continues to maintain disciplined lending practices, with deliberate management action delivering sound credit quality. New business credit quality was strong over the period with asset growth remaining within macroprudential limits and continued low exposure to market segments deemed as higher risk, such as inner-city apartments. The sound credit quality of the portfolio and reduced retail arrears contributed to a reduction in collective provision as a proportion of the portfolio balance. While impairment losses increased over the half, representing 4 basis points (annualised) of gross loans and advances, they remain low and well below the through-the-cycle operating range of 10 to 20 basis points.

Banking maintained its measured approach to managing funding and liquidity risk, ensuring a strong and sustainable funding profile that supports balance sheet growth. Continued focus on growing transaction and savings accounts was reflected in at-call deposit growth of 5.1% over the half, primarily driven by higher digital engagement, improved account origination capabilities and attractive customer offerings. Banking's Net Stable Funding Ratio (NSFR) has been consistently above 105%, ending the half year at 113%.

Banking's CET1 ratio ended the half at the top of the operating range at 9.01%. The reduction in the CET1 ratio reflects the lending growth delivered over the half, particularly within business lending, and an overall reduction in CET1. Return on CET1 of 11.9% was below the target range, driven by the increase in strategic investments over the half and costs associated with higher than usual Additional Tier 1 (AT1) capital levels for the majority of the half year due to the early financing of maturing securities. AT1 capital levels returned to normal levels in December.

Wealth profit after tax of $6 million, up $1 million from the prior corresponding period, was driven by positive investment returns and the performance of annuity and participating business. This result was partially offset by the cost of heightened regulatory change activity and transitioning to the new administration platform.

Outlook

Banking is expected to continue to benefit from the investment in customer retention, with growth momentum extending into the second half to deliver lending growth above system for the 2018 financial year. Maintaining satisfactory lending quality, diversification of the lending portfolio and compliance with macroprudential limits will remain core to the ongoing lending proposition. Growth in transactional banking will continue to be a priority through investment in digital self-service and payment capabilities to meet evolving customer expectations.

The stable, diverse and flexible funding options available to Suncorp are expected to partially mitigate potential NIM headwinds from the persistently low interest rate environment and increased competition for both retail lending and deposits throughout the second half of the year.

The Banking industry is currently experiencing an unprecedented level of regulatory and political activity. This activity, coupled with the ongoing low interest rate environment and pricing pressure, will likely impact the Banking sector over the medium term. Suncorp is committed to maintaining confidence and stability in the Australian banking system and supports any measures that deliver improved outcomes for customers.

Through disciplined credit selection within risk appetite, portfolio credit quality is expected to remain sound, with impairment losses estimated at or below the bottom of the through-the-cycle operating range of 10 to 20 basis points. The continuing benign economic environment will support ongoing low impairment losses, however potential impacts from high house prices, low wage growth, and the inherent volatility in agricultural conditions could impact the level of future impairments.

Notwithstanding the expected increase in regulatory compliance, Banking & Wealth remains committed to reducing the cost-to-income ratio with significant operational efficiencies, including enhanced digital capabilities and customer services, from the investment in BIP, expected to be realised from FY19. Revenue benefits from the strong balance sheet growth and improved margin outlook will also help reduce the cost-to-income ratio.

Wealth will continue to focus on opportunities to improve the digital experience for customers and deliver operational efficiencies through its new administrative system. The portfolio is expected to grow through its simple, everyday super product with a focus on retention in the more complex portfolios. Wealth will incur increased regulatory costs in the second half due to compulsory legislative changes and new reporting requirements.

The Banking & Wealth function will target:

— Sustainable retail lending growth above system

— A cost to income ratio of around 50%

— NIM of 1.80% to 1.90%

— A stable and diverse funding profile with a NSFR comfortably above 105%

— A return on CET1 capital of 12.5% to 15.0%.

Profit contribution

	Half Year Ended Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Banking					
Net interest income	**598**	**573**	**558**	**4.4**	**7.2**
Net non-interest income					
Net banking fee income and commission	23	29	35	(20.7)	(34.3)
Gain on derivatives and other financial instruments	6	5	2	20.0	200.0
Other revenue	5	3	2	66.7	150.0
Total net non-interest income	**34**	**37**	**39**	**(8.1)**	**(12.8)**
Total income	**632**	**610**	**597**	**3.6**	**5.9**
Operating expenses	(347)	(329)	(307)	5.5	13.0
Profit before impairment losses on loans and advances	**285**	**281**	**290**	**1.4**	**(1.7)**
Impairment losses on loans and advances	(13)	(6)	(1)	116.7	n/a
Banking profit before tax	**272**	**275**	**289**	**(1.1)**	**(5.9)**
Income tax	(81)	(82)	(86)	(1.2)	(5.8)
Banking profit after tax	**191**	**193**	**203**	**(1.0)**	**(5.9)**
Wealth profit after tax	**6**	**(1)**	**5**	**n/a**	**20.0**
Banking & Wealth profit after tax	**197**	**192**	**208**	**2.6**	**(5.3)**

Banking ratios and statistics

	Half Year Ended Dec-17 %	Jun-17 %	Dec-16 %
Lending growth (annualised)	8.73	4.23	(0.34)
Customer funding growth (annualised)	6.36	2.38	0.99
Net interest margin (interest-earning assets)	1.86	1.87	1.78
Cost to income ratio	54.9	53.9	51.4
Impairment losses to gross loans and advances (annualised)	0.04	0.02	0.00
Common Equity Tier 1	9.01	9.23	9.20
Return on Common Equity Tier 1	11.9	12.5	13.5
Deposit to loan ratio	65.8	66.6	67.2

Banking

Loans and advances

	Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Housing loans	40,164	38,722	38,743	3.7	3.7
Securitised housing loans and covered bonds	6,776	6,122	5,332	10.7	27.1
Total housing loans	**46,940**	**44,844**	**44,075**	**4.7**	**6.5**
Consumer loans	250	254	268	(1.6)	(6.7)
Retail loans	**47,190**	**45,098**	**44,343**	**4.6**	**6.4**
Commercial (SME)	6,160	5,729	5,462	7.5	12.8
Agribusiness	4,409	4,497	4,383	(2.0)	0.6
Total Business loans	**10,569**	**10,226**	**9,845**	**3.4**	**7.4**
Total lending	**57,759**	**55,324**	**54,188**	**4.4**	**6.6**
Other lending	7	13	7	(46.2)	-
Gross loans and advances	**57,766**	**55,337**	**54,195**	**4.4**	**6.6**
Provision for impairment	(131)	(140)	(148)	(6.4)	(11.5)
Total loans and advances	**57,635**	**55,197**	**54,047**	**4.4**	**6.6**
Credit-risk weighted assets	**26,935**	**26,543**	**26,459**	**1.5**	**1.8**
Geographical breakdown - Total lending					
Queensland	30,170	29,288	28,935	3.0	4.3
New South Wales	15,372	14,469	13,925	6.2	10.4
Victoria	6,071	5,684	5,532	6.8	9.7
Western Australia	3,740	3,683	3,707	1.5	0.9
South Australia and other	2,406	2,200	2,089	9.4	15.2
Outside of Queensland loans	27,589	26,036	25,253	6.0	9.3
Total lending	**57,759**	**55,324**	**54,188**	**4.4**	**6.6**

Retail loans

Retail lending grew 4.6% over the first half to $47.2 billion.

Above-system growth in the home lending portfolio was underpinned by improvements in customer experience including reduced loan processing times and simplified origination processes, an increased focus on customer retention and capacity within macroprudential limit settings. Competitive price offerings and enhanced broker partnerships also contributed to asset growth and geographic diversification, with momentum expected to continue into the second half to deliver growth above system in the 2018 financial year.

Focus also remains on appropriate risk selection to maintain sound asset quality. Banking continued to maintain a high-quality lending portfolio as indicated through a range of measures including serviceability, customer credit ratings and average loan-to-value (LVR) ratio. Lending growth also continued to comply with macroprudential limit settings.

Commercial (SME)

Commercial lending increased 7.5% to $6.2 billion over the half.

The above-system result in the Commercial portfolio was driven by deliberate management action to achieve targeted growth within selected well-known market segments to balance the total lending portfolio mix. Commercial lending growth was achieved within conservative risk appetite settings, which consider geographical diversity, industry, security, and customer profile. Prudent growth was achieved in Development Finance, Services businesses and Property Investment located in Eastern capital cities. The majority of commercial loans remain diversified and less than $5 million.

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. As at 31 December, drawn loan balances for developments in these areas totalled $74 million with approved limits of $201 million and zero impairments. Suncorp only lends to experienced developers, with the majority of individual development finance loans under $20 million, supported by satisfactory pre-sales, and with completion dates of 12 to 18 months. Approximately 65% of the approved facilities will be practically complete by December 2018.

Commercial (SME) portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Commercial (SME) breakdown					
Property Investment	25%	4%	2%	31%	1,909
Hospitality & Accommodation	12%	1%	1%	14%	862
Construction & Development	9%	1%	1%	11%	678
Services (Inc. professional services) [1]	11%	6%	4%	21%	1,294
Retail	5%	1%	1%	7%	431
Manufacturing & Mining	3%	1%	1%	5%	308
Other	7%	2%	2%	11%	678
Total %	**72%**	**16%**	**12%**	**100%**	
Total $M	**4,435**	**986**	**739**		**6,160**

(1) Includes a portion of small business loans, with limits below $1 million, that are not classified.

Agribusiness

The Agribusiness portfolio ended the half year at $4.4 billion, following higher than expected seasonal repayments, including large repayments from grain farming customers due to favourable agricultural conditions, and repayments by Graziers following reductions in livestock due to dry winter conditions.

Suncorp continues to balance growth with sound credit quality in the Agribusiness industry, while maintaining a strong brand in this sector based on an established history, market credibility and a deep understanding of farming operations. Suncorp focuses on medium to large family-owned farming operations with mid-size lending requirements. Suncorp is known for having a strong local presence and a deep understanding and resilience for the inherent volatility of the industry.

Agribusiness portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Agribusiness breakdown					
Beef	31%	3%	0%	34%	1,499
Grain & Mixed Farming	13%	15%	1%	29%	1,279
Sheep & Mixed Livestock	2%	4%	1%	7%	309
Cotton	4%	4%	0%	8%	353
Sugar	3%	0%	0%	3%	132
Fruit	3%	0%	0%	3%	132
Other	8%	2%	6%	16%	705
Total %	**64%**	**28%**	**8%**	**100%**	
Total $M	**2,822**	**1,234**	**353**		**4,409**

Bank funding composition

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Customer funding					
Customer deposits					
At-call deposits	19,905	18,945	18,951	5.1	5.0
Term deposits	18,117	17,895	17,451	1.2	3.8
Total customer funding	**38,022**	**36,840**	**36,402**	**3.2**	**4.5**
Wholesale funding					
Domestic funding					
Short-term wholesale	5,739	6,118	6,972	(6.2)	(17.7)
Long-term wholesale	4,861	4,062	3,913	19.7	24.2
Covered bonds	2,036	2,491	2,490	(18.2)	(18.2)
Subordinated notes	742	742	742	-	-
Total domestic funding	**13,378**	**13,413**	**14,117**	**(0.3)**	**(5.2)**
Overseas funding [1]					
Short-term wholesale	2,263	2,469	3,103	(8.3)	(27.1)
Long-term wholesale	2,825	2,663	3,182	6.1	(11.2)
Total overseas funding	**5,088**	**5,132**	**6,285**	**(0.9)**	**(19.0)**
Total wholesale funding	**18,466**	**18,545**	**20,402**	**(0.4)**	**(9.5)**
Total funding (excluding securitisation)	**56,488**	**55,385**	**56,804**	**2.0**	**(0.6)**
Securitisation					
APS 120 qualifying [2]	4,053	2,973	2,051	36.3	97.6
APS 120 non-qualifying	58	115	153	(49.6)	(62.1)
Total securitisation	**4,111**	**3,088**	**2,204**	**33.1**	**86.5**
Total funding (including securitisation)	**60,599**	**58,473**	**59,008**	**3.6**	**2.7**
Total funding is represented on the balance sheet by:					
Deposits	38,022	36,840	36,402	3.2	4.5
Short-term borrowings	8,002	8,587	10,075	(6.8)	(20.6)
Securitisation	4,111	3,088	2,204	33.1	86.5
Debt issues	9,722	9,216	9,585	5.5	1.4
Subordinated notes	742	742	742	-	-
Total funding	**60,599**	**58,473**	**59,008**	**3.6**	**2.7**
Deposit to loan ratio	**65.8%**	**66.6%**	**67.2%**		

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

(2) Qualifies for capital relief under APS120.

Funding

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

Suncorp exercised its ability to fund in a range of long-term wholesale markets during the half year, taking advantage of favourable market conditions. Banking continued to strengthen relationships with customers through enhanced digital offerings, resulting in greater access to stable at-call funding and a reduction in the reliance on relatively expensive term deposits.

The Net Stable Funding Ratio (NSFR) is compliant with regulatory requirements 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 combined 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 and offshore 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.

Customer funding

Banking's deposit-to-loan ratio of 65.8% remains within the target operating range of 60% to 70%.

The 5.1% increase in at-call deposits over the half was driven by customer growth through attractive customer offers and increased retention through investment in digital self-service, enhanced payment capabilities and simplified processes. Due to heightened competition for term deposits, Banking continues to rebalance the customer deposit portfolio and reduce reliance on this relatively expensive funding option, which increased 1.2% over the half.

Net Stable Funding Ratio

Banking is well placed to meet the NSFR requirements, which were introduced on 1 January 2018. The NSFR was 113% as at 31 December based on current APRA guidelines.

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

Liquidity Coverage Ratio

The average LCR for the half year ended 31 December 2017 was 123%, ending the half at 140%, above internal operating targets and APRA's 100% limit.

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 half, Suncorp demonstrated its ability to execute across multiple markets by completing $3.8 billion in term wholesale issuance at a weighted average margin of 69 basis points over the BBSW 90 day rate and a weighted average term of 3.5 years. This included issuance under domestic and offshore senior unsecured, covered bond and RMBS programs.

Suncorp credit remains in high demand given the Group’s stable ratings profile and conservatively positioned balance sheet.

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

Through deliberate management action to take advantage of favourable market opportunities, long-term wholesale funding instruments increased by $1.5 billion over the half. The amount of wholesale liabilities maturing within the next 12 months was consistent over the period, with a reduction in short-term wholesale instruments offsetting an increase in the amount of long-term wholesale instruments.

Wholesale funding instruments maturity profile

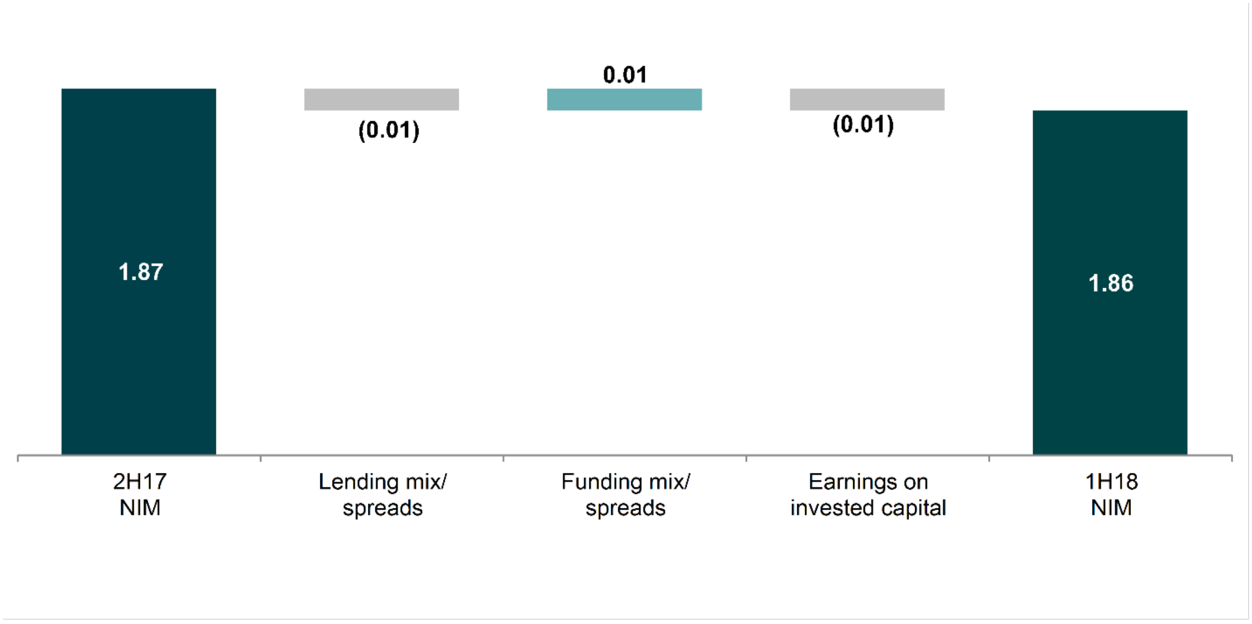
	Short-term $M	Long-term $M	Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Maturity							
0 to 3 months	5,387	512	5,899	6,703	8,998	(12.0)	(34.4)
3 to 6 months	2,327	261	2,588	3,806	2,730	(32.0)	(5.2)
6 to 12 months	288	2,459	2,747	819	2,051	235.4	33.9
1 to 3 years	-	6,689	6,689	5,874	4,651	13.9	43.8
3+ years	-	4,654	4,654	4,431	4,176	5.0	11.4
Total wholesale funding instruments	**8,002**	**14,575**	**22,577**	**21,633**	**22,606**	**4.4**	**(0.1)**

Net interest income

Net interest income of $598 million represented an increase of 7.2% on the prior corresponding period, primarily driven by increased lending volumes.

The NIM averaged 1.86% during the half and remained at the top end of the target range. The result was shaped by sound lending growth, decreasing wholesale funding costs and stable cash rates. The lending spread continued to be impacted by competitive market pressures, partially offset by selective portfolio repricing. During the half, the NIM was favourably impacted by opportunities taken in the wholesale funding market to lengthen duration and replace relatively expensive term deposits. Earnings on invested capital declined slightly as the RBA cash rate and term yields remain at historic lows.

NIM movements (%)



Average banking balance sheet

	Half Year Ended Dec-17			Half Year Ended Jun-17		
	Average Balance (1)	Interest	Average Rate	Average Balance (1)	Interest	Average Rate
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities (2)	7,522	96	2.53	7,497	96	2.58
Gross loans and advances	56,349	1,174	4.13	54,193	1,124	4.18
Total interest-earning assets	**63,871**	**1,270**	**3.94**	**61,690**	**1,220**	**3.99**
Non-interest earning assets						
Other assets (inc. loan provisions)	1,157			1,103		
Total non-interest earning assets	**1,157**			**1,103**		
Total assets	**65,028**			**62,793**		
Liabilities						
Interest-bearing liabilities						
Customer deposits	36,980	349	1.87	35,880	342	1.92
Wholesale liabilities	22,233	307	2.74	21,304	289	2.74
Subordinated loans	742	16	4.28	742	16	4.35
Total interest-bearing liabilities	**59,955**	**672**	**2.22**	**57,926**	**647**	**2.25**
Non-interest bearing liabilities						
Other liabilities	729			687		
Total non-interest bearing liabilities	**729**			**687**		
Total liabilities	**60,684**			**58,613**		
Average Shareholders' equity	**4,344**			**4,180**		
Non-Shareholder accounting equity	21			9		
Convertible preference shares	(802)			(567)		
Average Ordinary Shareholders' equity	**3,563**			**3,622**		
Goodwill allocated to banking business	(240)			(240)		
Average Ordinary Shareholders' equity (ex goodwill)	**3,323**			**3,382**		
Analysis of interest margin and spread						
Interest-earning assets	63,871	1,270	3.94	61,690	1,220	3.99
Interest-bearing liabilities	59,955	672	2.22	57,926	647	2.25
Net interest spread			**1.72**			**1.74**
Net interest margin (interest-earning assets)	**63,871**	**598**	**1.86**	**61,690**	**573**	**1.87**
Net interest margin (lending assets)	**56,349**	**598**	**2.11**	**54,193**	**573**	**2.13**

(1) Calculated based on daily balances over the period.

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

Net non-interest income

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Net banking fee income and commission	23	29	35	(20.7)	(34.3)
Gain on derivatives and other financial instruments	6	5	2	20.0	200.0
Other revenue	5	3	2	66.7	150.0
Total net non-interest income	**34**	**37**	**39**	**(8.1)**	**(12.8)**

Total net non-interest income was $34 million for the half, down 12.8% compared to the prior corresponding period, as low fee banking products continue to be a focus in the market. Net banking fee income and commission reduced due to a reclassification of Treasury Foreign Exchange fees to other revenue and an increase in broker commissions aligned to the growth in lending. Gain on derivatives and other financial instruments was flat compared to the prior corresponding period and remain influenced by market movements.

Operating expenses

Operating expenses increased $40 million from the prior corresponding period to $347 million, resulting in the cost-to-income ratio increasing to 54.9%. This increase is attributable to:

— Investment in BIP which will deliver operational efficiencies to enable broadly flat costs as Suncorp grows the core business and customer base ($14 million)

— Investment in digital payments and self-service capability, and modernisation of the store network ($13 million)

— Increased marketing investment to support growth ($6 million)

— Other expenses, including an increase in costs associated with regulatory compliance and inquiry responses, which are expected to continue over the medium term ($7 million).

Impairment losses on loans and advances

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Collective provision for impairment	(2)	(6)	(6)	(66.7)	(66.7)
Specific provision for impairment	12	9	-	33.3	n/a
Actual net write-offs	3	3	7	-	(57.1)
Impairment losses	**13**	**6**	**1**	**116.7**	**n/a**
Impairment losses to gross loans and advances (annualised)	**0.04%**	**0.02%**	**0.00%**		

Impairment losses on loans and advances of $13 million for the half year represents 4 basis points of gross loans and advances (annualised), and remains below the through-the-cycle operating range of 10 to 20 basis points. The result is consistent with recent prior periods with impairment losses remaining low following deliberate management actions to drive sound account and arrears management and a robust and balanced credit risk appetite framework in addition to record low interest rates and improved Agriculture conditions.

Despite an increase in the overall lending portfolio, collective provision for impairment reduced over the half due to an improvement in quality of the Retail Banking portfolio.

Specific provisions for impairment expense totalled $12 million over the half, representing a net increase of $3 million, due to a sophisticated customer fraud in the equipment finance portfolio and one large agribusiness exposure.

Net write-offs for the half year remained low at $3 million and relate to a large number of smaller retail exposures.

Impaired assets

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Retail lending	47	34	30	38.2	56.7
Agribusiness lending	50	79	96	(36.7)	(47.9)
Commercial/SME lending	39	60	59	(35.0)	(33.9)
Gross impaired assets	**136**	**173**	**185**	**(21.4)**	**(26.5)**
Specific provision for impairment	(37)	(44)	(46)	(15.9)	(19.6)
Net impaired assets	**99**	**129**	**139**	**(23.3)**	**(28.8)**
Gross impaired assets to gross loans and advances	**0.24%**	**0.31%**	**0.34%**		

Gross impaired assets decreased by 21.4% over the half to $136 million, representing 24 basis points of gross loans and advances.

Impairment levels tracked favourably for Agribusiness and Commercial customers, decreasing by a combined $50 million during the half year. This is reflective of improving credit quality in the portfolios, an improvement in the Agriculture environment, the finalisation of longer running Banking recovery exposures and receipts from secured asset sales.

Retail impaired assets increased by $13 million over the half to $47 million, partially due to higher Mortgagee in Possession (MIP) property sales late in the period with more active management of long dated arrears. The increase is expected to be temporary as the majority of the loans are mortgage insured.

The average work-out period for impaired assets continues to reduce, driven by the reduction in Agribusiness impaired exposures. Impairments in the Agribusiness portfolio typically have longer work-out periods with customers to achieve the best outcome, and frequently involve Farm Debt Mediation.

Non-performing loans

	Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Gross balances of individually impaired loans					
Gross impaired assets	136	173	185	(21.4)	(26.5)
Specific provision for impairment	(37)	(44)	(46)	(15.9)	(19.6)
Net impaired assets	**99**	**129**	**139**	**(23.3)**	**(28.8)**
Size of gross individually impaired assets					
Less than one million	46	38	26	21.1	76.9
Greater than one million but less than ten million	74	73	102	1.4	(27.5)
Greater than ten million	16	62	57	(74.2)	(71.9)
Gross impaired assets	**136**	**173**	**185**	**(21.4)**	**(26.5)**
Past due loans not shown as impaired assets	**411**	**426**	**338**	**(3.5)**	**21.6**
Gross non-performing loans	**547**	**599**	**523**	**(8.7)**	**4.6**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	173	185	206	(6.5)	(16.0)
Recognition of new impaired assets	53	40	55	32.5	(3.6)
Increases in previously recognised impaired assets	2	1	3	100.0	(33.3)
Impaired assets written off/sold during the half year	(17)	(9)	(7)	88.9	142.9
Impaired assets which have been reclassed as performing assets or repaid	(75)	(44)	(72)	70.5	4.2
Balance at the end of the half year	**136**	**173**	**185**	**(21.4)**	**(26.5)**

Gross non-performing loans decreased 8.7% over the half to $547 million. This result was primarily driven by $75 million of impaired exposures reclassified as performing assets or repaid, including one large Agricultural exposure following successful support from the Bank. Lower volumes of new impaired loans, better arrears management and an increase in written off accounts due to the finalisation of three larger exposures also contributed to the result.

Net impaired assets have consistently decreased since the 2016 financial year in line with an overall improvement in portfolio credit quality.

The Development Finance Portfolio continues to exhibit nil arrears and no impaired assets.

Provision for impairment

	Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Collective provision					
Balance at the beginning of the period	96	102	108	(5.9)	(11.1)
Charge against impairment losses	(2)	(6)	(6)	(66.7)	(66.7)
Balance at the end of the period	**94**	**96**	**102**	**(2.1)**	**(7.8)**
Specific provision					
Balance at the beginning of the period	44	46	56	(4.3)	(21.4)
Charge against impairment losses	12	9	-	33.3	n/a
Impairment provision written off	(17)	(9)	(7)	88.9	142.9
Unwind of discount	(2)	(2)	(3)	-	(33.3)
Balance at the end of the period	**37**	**44**	**46**	**(15.9)**	**(19.6)**
Total provision for impairment - Banking activities	**131**	**140**	**148**	**(6.4)**	**(11.5)**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	82	85	85	(3.5)	(3.5)
Transfer (to) from retained earnings	2	(3)	-	(166.7)	n/a
Balance at the end of the period	**84**	**82**	**85**	**2.4**	**(1.2)**
Pre-tax equivalent coverage	120	117	121	2.6	(0.8)
Total provision for impairment and equity reserve for credit loss - Banking activities	**251**	**257**	**269**	**(2.3)**	**(6.7)**

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	**27.2**	**25.4**	**24.9**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.16	0.17	0.19
Specific provision	0.06	0.08	0.09
Total provision	0.22	0.25	0.28
ERCL coverage	0.21	0.21	0.23
Total provision and ERCL coverage	0.43	0.46	0.51

Total provision and equity reserve for credit loss (ERCL) coverage was 43 basis points of gross loans and advances.

The decrease of $2 million in collective provision over the half was primarily driven by a continuing improvement in arrears for retail assets. The specific provision reduced by $7 million over the half to $37 million, with specific provision coverage also reducing to 6 basis points of gross loans and advances. This reduction was predominately due to the closure of three heavily provisioned exposures.

Suncorp continues to hold management and operational overlays within the collective provision. The coverage recognises the fluctuating nature of market conditions and their impacts on the lending portfolios. Suncorp continuously reviews its management and operational overlays and is comfortable that the levels adopted are adequate and reflect current market conditions. The total management and operational overlay as a percentage of total collective provision remained relatively stable.

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	360	47	8	35	51	23%
Agribusiness lending	20	50	16	33	19	97%
Commercial/SME lending	31	39	13	26	50	127%
Total	**411**	**136**	**37**	**94**	**120**	**46%**

Retail lending past due loans decreased $26 million during the half to $360 million, predominately due to improving credit quality, focused arrears management and full implementation of previous changes to Suncorp's hardship policy and procedures. Small increases in past due loans for Agribusiness and Commercial/SME customers occurred during the half, however remain low relative to portfolio size.

Suncorp also remains cognisant of the potential for deterioration in higher risk loans from changes in economic conditions or a customer's specific financial circumstances. Suncorp conducts regular reviews of all non-performing loans for early identification of any material deterioration that may drive the requirement to impair an exposure or increase its collective or specific provision coverage.

Wealth

Profit contribution

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Wealth underlying profit	-	(4)	3	n/a	n/a
Underlying investment income	4	5	6	(20.0)	(33.3)
Underlying profit after tax	**4**	**1**	**9**	**300.0**	**(55.6)**
Market and other adjustments	1	(3)	6	n/a	(83.3)
Investment income experience	1	1	(10)	-	n/a
Profit attributed to shareholders	**6**	**(1)**	**5**	**n/a**	**20.0**

Wealth profit attributed to shareholders was $6 million for the half year, driven by the annuity and participating businesses and improved investment experience. The underlying result was impacted by the cost to implement regulatory changes and transition to the new administration platform post completion of Super Simplification Program (SSP).

During the half, the Wealth business continued to improve customer service capability through digital enhancements and providing self-service options for members and intermediaries. Improvements with transaction processing automation, offshore business processing and decommissioning a legacy administration platform has improved operational efficiency and reduced operational risk. The Wealth business is now focused on embedding the changes, stabilising the new operating model, customer retention and targeting growth through the Marketplace.

Funds under management and administration

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Funds under management and administration					
Opening balance at the start of the period	7,511	7,490	7,452	0.3	0.8
Inflows	322	397	336	(18.9)	(4.2)
Outflows	(452)	(582)	(433)	(22.3)	4.4
Investment income and other	175	206	135	(15.0)	29.6
Balance at the end of the period	**7,556**	**7,511**	**7,490**	**0.6**	**0.9**

The total funds under management and administration increased to $7.6 billion. Wealth flows have been impacted by the migration to the new platform and Suncorp's advice channel realignment.

NEW ZEALAND

Note: All figures and commentary in the New Zealand section are displayed in New Zealand dollars unless otherwise specified.

Result overview

Financial highlights

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
General Insurance					
Gross written premium by product					
Motor	183	176	164	4.0	11.6
Home	250	247	226	1.2	10.6
Commercial	326	273	298	19.4	9.4
Other	9	14	26	(35.7)	(65.4)
General Insurance gross written premium	**768**	**710**	**714**	**8.2**	**7.6**
Net earned premium	616	577	586	6.8	5.1
Net incurred claims	(348)	(363)	(372)	(4.1)	(6.5)
Total operating expenses	(199)	(191)	(196)	4.2	1.5
Insurance trading result	76	33	22	130.3	245.5
General Insurance profit after tax	**50**	**28**	**19**	**78.6**	**163.2**
	%	**%**	**%**		
Total operating expenses ratio	32.3	33.1	33.4		
Insurance trading ratio	12.3	5.7	3.8		

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Life Insurance					
Underlying profit after tax	14	18	24	(22.2)	(41.7)
Life Insurance profit after tax	**17**	**22**	**18**	(22.7)	(5.6)
New Zealand profit after tax	**67**	**50**	**37**	34.0	81.1

New Zealand achieved a profit after tax of $67 million (A$61 million) for the half year, an improvement of 81.1% over the prior corresponding period. The New Zealand general insurance business has maintained strong growth and underlying performance. Natural hazard experience is significantly lower than the prior year's earthquake-affected result. The New Zealand life insurance business continues to see solid growth across in-force premiums and planned margins, with some year-on-year volatility in lapse and claims experience.

The General Insurance business delivered profit after tax of $50 million, with premium increases, unit growth, strong claims management and expense control offsetting the impacts of increased reinsurance premiums and claims cost inflation. As a result, margins have improved with an ITR of 12.3% for the half year, up from 3.8% in the prior corresponding period.

GWP grew by 7.6% on the prior corresponding period to $768 million, driven by price and unit growth across the direct and corporate partner channels. Pricing changes have been implemented in response to claims inflation, increased reinsurance costs and to support an increased natural hazards allowance.

Net incurred claims were $348 million, down 6.5% on the prior corresponding period, with favourable experience in the Commercial portfolios.

Operating expenses increased 1.5% over the prior corresponding period, with cost control initiatives largely offsetting the impacts of inflation and new software amortisation ($1 million).

Overall investment income decreased $5 million to $4 million, driven by mark-to-market losses of $12 million over the period on the Tower shareholding, which was partly offset by gains on the fixed-income portfolio due to a decrease in bond yields.

The New Zealand Life Insurance business delivered profit after tax of $17 million, down $1 million on the prior corresponding period. This was driven by short-term volatility in experience with prior year favourable experience reversing over the half. In-force premium grew 5.0% to $252 million, driven by new business and policy retention.

Outlook

Suncorp continues to focus on building a more resilient business to meet a greater number of customer and business partner needs. The key initiatives in progress support New Zealand's earning performance, which is expected to be maintained at the current strong levels through FY18.

GWP growth across the portfolio will continue to be supported by strong new business performance and the pricing response to both claims cost trends and the reinsurance impacts of recent natural hazard events. Price increases implemented during the half year will continue to flow into the renewal book.

Motor claims cost inflation remains an area of focus. This continues to be managed by both pricing for risk and improving claims management processes, including the development of improved tools such as ClaimCentre. SMART repair centres are a key response to motor repair cost inflation. Increasing repair volumes are being processed through the existing three SMART centres in North Auckland, South Auckland and Christchurch and the newly established SMART Plus Centre in South East Auckland which opened during the period.

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 the business is confident that adequate coverage is in place for key risks.

Life in-force premium continues to grow strongly, driven by a continued focus on sustainable commissions, strong intermediary relationships and market leading retention. The newly launched AsteronConnect online service for advisers is expected to drive new business growth in the second half year.

Profit contribution (NZ$)

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
General Insurance					
Gross written premium	**768**	**710**	**714**	**8.2**	**7.6**
Gross unearned premium movement	(50)	(19)	(36)	163.2	38.9
Gross earned premium	718	691	678	3.9	5.9
Outwards reinsurance expense	(102)	(114)	(92)	(10.5)	10.9
Net earned premium	**616**	**577**	**586**	**6.8**	**5.1**
Net incurred claims					
Claims expense	(396)	(570)	(1,327)	(30.5)	(70.2)
Reinsurance and other recoveries revenue	48	207	955	(76.8)	(95.0)
Net incurred claims	**(348)**	**(363)**	**(372)**	**(4.1)**	**(6.5)**
Total operating expenses					
Acquisition expenses	(141)	(132)	(139)	6.8	1.4
Other underwriting expenses	(58)	(59)	(57)	(1.7)	1.8
Total operating expenses	**(199)**	**(191)**	**(196)**	**4.2**	**1.5**
Underwriting result	**69**	**23**	**18**	**200.0**	**283.3**
Investment income - insurance funds	7	10	4	(30.0)	75.0
Insurance trading result	**76**	**33**	**22**	**130.3**	**245.5**
General Insurance operational earnings	**76**	**33**	**22**	**130.3**	**245.5**
Investment income - shareholder funds	(3)	5	5	n/a	n/a
General Insurance profit before tax	**73**	**38**	**27**	**92.1**	**170.4**
Income tax	(23)	(10)	(8)	130.0	187.5
General Insurance profit after tax	**50**	**28**	**19**	**78.6**	**163.2**
Life Insurance					
Underlying profit after tax	**14**	18	24	(22.2)	(41.7)
Market adjustments	**3**	4	(6)	(25.0)	n/a
Life Insurance profit after tax	**17**	**22**	**18**	**(22.7)**	**(5.6)**
New Zealand profit after tax	**67**	**50**	**37**	34.0	81.1

General Insurance ratios

	Half Year Ended		
	Dec-17	Jun-17	Dec-16
	%	%	%
Acquisition expenses ratio	22.9	22.9	23.7
Other underwriting expenses ratio	9.4	10.2	9.7
Total operating expenses ratio	**32.3**	**33.1**	**33.4**
Loss ratio	56.5	62.9	63.5
Combined operating ratio	88.8	96.0	96.9
Insurance trading ratio	**12.3**	**5.7**	**3.8**

Profit contribution (AU$)

	Half Year Ended Dec-17 AU$M	Jun-17 AU$M	Dec-16 AU$M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
General Insurance					
Gross written premium	**703**	**666**	**679**	**5.6**	**3.5**
Gross unearned premium movement	(46)	(18)	(34)	155.6	35.3
Gross earned premium	657	648	645	1.4	1.9
Outwards reinsurance expense	(93)	(106)	(88)	(12.3)	5.7
Net earned premium	**564**	**542**	**557**	**4.1**	**1.3**
Net incurred claims					
Claims expense	(364)	(535)	(1,262)	(32.0)	(71.2)
Reinsurance and other recoveries revenue	45	196	908	(77.0)	(95.0)
Net incurred claims	**(319)**	**(339)**	**(354)**	**(5.9)**	**(9.9)**
Total operating expenses					
Acquisition expenses	(129)	(124)	(132)	4.0	(2.3)
Other underwriting expenses	(53)	(56)	(54)	(5.4)	(1.9)
Total operating expenses	**(182)**	**(180)**	**(186)**	**1.1**	**(2.2)**
Underwriting result	**63**	**23**	**17**	**173.9**	**270.6**
Investment income - insurance funds	7	9	4	(22.2)	75.0
Insurance trading result	**70**	**32**	**21**	**118.8**	**233.3**
General Insurance operational earnings	**70**	**32**	**21**	**118.8**	**233.3**
Investment income - shareholder funds	(3)	5	5	n/a	n/a
General Insurance profit before tax	**67**	**37**	**26**	**81.1**	**157.7**
Income tax	(21)	(11)	(7)	90.9	200.0
General Insurance profit after tax	**46**	**26**	**19**	**76.9**	**142.1**
Life Insurance					
Underlying profit after tax	**13**	16	23	(18.8)	(43.5)
Market adjustments	**2**	4	(6)	(50.0)	n/a
Life Insurance profit after tax	**15**	**20**	**17**	**(25.0)**	**(11.8)**
New Zealand profit after tax	**61**	**46**	**36**	**32.6**	**69.4**

Note: Transactions denominated in foreign currencies, including New Zealand dollars, are translated into Australian dollars using the spot exchange rates at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated into Australian dollars using the spot exchange rates current on that date.

General Insurance ratios

	Half Year Ended Dec-17 %	Jun-17 %	Dec-16 %
Acquisition expenses ratio	22.9	22.9	23.7
Other underwriting expenses ratio	9.4	10.3	9.7
Total operating expenses ratio	**32.3**	**33.2**	**33.4**
Loss ratio	56.6	62.5	63.6
Combined operating ratio	88.9	95.7	97.0
Insurance trading ratio	**12.4**	**5.9**	**3.8**

General Insurance

Gross Written Premium

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Gross written premium by product					
Motor	183	176	164	4.0	11.6
Home	250	247	226	1.2	10.6
Commercial	326	273	298	19.4	9.4
Other	9	14	26	(35.7)	(65.4)
Total	**768**	**710**	**714**	**8.2**	**7.6**

Motor

Motor GWP grew 11.6% to $183 million.

Double digit GWP growth in Motor has been achieved across all channels, with strong performance continuing through the AA Insurance direct business and corporate partnerships. Growth has been supported by both price and units (1.0%), with unit growth strong through direct channels.

Home

Home GWP grew 10.6% to $250 million.

Pricing adjustments in response to increased reinsurance premiums have supported Home GWP over the first half. Retention has been a key driver of unit growth (2.1%) in all channels as there has been lower turnover across the New Zealand housing market. A quick quote tool has been launched in the ANZ corporate partner channel, aimed at ensuring insurance referrals can be completed promptly by bank staff.

Commercial

Commercial lines include property, commercial motor, liability, marine and engineering insurances. Commercial GWP grew 9.4% to $326 million.

Overall Commercial growth is strong, driven by pricing increases in business insurance across several channels. The disciplined approach to underwriting of Commercial motor vehicle renewals and new business has resulted in improvements in GWP growth. Vero Liability continues to perform strongly, with new business volume growth and strategic renewal pricing. Vero Marine grew 4.8% driven by pleasure craft and cargo.

Other

In prior corresponding periods, ‘Other’ includes personal accident, pleasure craft and consumer credit. The prior corresponding periods include the Autosure motor warranty book, which was sold in March 2017.

Net incurred claims

Net incurred claims costs decreased 6.5% to $348 million, with the prior corresponding period impacted by Kaikoura.

Natural hazard event costs were $19 million, $2 million above allowance. There were two natural hazard weather events in the half year with the balance in attritional claims.

While there was some development of prior year events, this was mitigated by the Group's aggregate cover and the main catastrophe program.

Major natural hazard events are shown in the table below.

Date	Event	Net costs NZ$M
Jul 17	Winter Storm	3
Jul 17	Major Storm	7
Total events over $2 million [1]		**10**
Other natural hazards attritional claims		9
Total natural hazards		**19**
Less: allowance for natural hazards		(17)
Natural hazards costs above allowance		**2**

[1] Events with a gross cost over $2 million, shown net of recoveries from reinsurance.

The backlog of prior period event claims reduced over the half, with the current year claims experience favourable to expectations.

Motor claims continue to be impacted by strong unit growth and industry-wide trends in cost inflation. Claims frequency is slightly higher than prior corresponding period due to windscreen claims. Excluding these, motor claims frequency is down. Average repair costs were impacted by a greater mix of newer vehicles on the road, more complex parts and increasing labour costs. New Zealand has launched a fourth SMART centre over the half in South East Auckland, with plans for further centres.

Home claims were up marginally on the prior corresponding period with working claims growth in line with premium growth.

There have been fewer large Commercial claims this half year, reflecting general volatility.

Outstanding claims provision

	Actual	Net central estimate (discounted)	Risk margin (90th percentile discounted)	Change in net central estimate [1]
	NZ$M	NZ$M	NZ$M	NZ$M
Short-tail	214	174	40	6
Long-tail	82	70	12	(1)
Total	**296**	**244**	**52**	**5**

(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. Figures in brackets imply there has been a release from outstanding reserves.

The valuation of outstanding claims resulted in net central estimate increases of $5 million. Short-tail strengthening was due to deteriorating claims experience on the Property portfolio. Long-tail claim reserve releases were primarily attributable to the Liability book.

There have been releases in prior year event provisions this half as settlements continue to progress on Canterbury and Kaikoura earthquakes. Total claims paid on Canterbury are now over 95% of the ultimate net loss (UNL), with a further $104 million in claims settled during the half. For the Kaikoura event, 82% of domestic property and 87% of domestic contents claim numbers have now been settled. The sum insured environment and Suncorp's relationship with the New Zealand Earthquake Commission have assisted Suncorp to deliver quicker outcomes for Kaikoura event customers.

The only significant exposure remaining on Canterbury relates to the February 2011 event. This event is now 96% paid as a proportion of the UNL and provisioned with a risk margin at the 90th percentile, with more than A$1.4 billion of further reinsurance cover remaining.

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 UNL for the Canterbury earthquakes has increased by $4 million in the half year, largely due to higher than expected development on small commercial business. However, the profit impact associated with this increase is minimal 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			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Gross outstanding claims liabilities	1,274	1,526	1,600	(16.5)	(20.4)
Reinsurance and other recoveries	(978)	(1,206)	(1,285)	(18.9)	(23.9)
Net outstanding claims liabilities	**296**	**320**	**315**	**(7.5)**	**(6.0)**
Expected future claims payments and claims handling expenses	249	274	274	(9.1)	(9.1)
Discount to present value	(5)	(8)	(10)	(37.5)	(50.0)
Risk margin	52	54	51	(3.7)	2.0
Net outstanding claims liabilities	**296**	**320**	**315**	**(7.5)**	**(6.0)**
Short-tail	214	239	240	(10.5)	(10.8)
Long-tail	82	81	75	1.2	9.3
Total	**296**	**320**	**315**	**(7.5)**	**(6.0)**

Risk margins

Risk margins represent approximately 17.5% of outstanding claims reserves, giving an approximate level of confidence of 90%, in line with Suncorp Group policy.

Risk margins decreased by $2 million to $52 million. The decrease is broadly in line with the reduction in the outstanding claims provision.

Operating expenses

Total operating expenses increased 1.5% to $199 million.

Acquisition costs increased 1.4% to $141 million. Commission expenses grew in line with intermediated GWP growth.

Other underwriting expenses increased 1.8% to $58 million. Any cost inflation has been mitigated through a partnering program, with a number of processing roles migrated in June. Expenses in the direct business were flat, with capacity generated from completion of the NextGen project invested in contact centre resourcing to support the strong volume growth. Amortisation of the NextGen system improvement program has begun, resulting in a $1 million increase in costs over the prior corresponding period. All New Zealand employees (excluding the AA joint ventures) have now migrated to one employment contract, with consistent benefit schemes. This alignment has resulted in a small increase in overall staff costs, however significantly reduces risk and improves employee equity and engagement.

Asset allocation

Asset allocations within funds remains relatively consistent with the prior corresponding period and in accordance with risk appetite.

	Half Year Ended					
	Dec-17		Jun-17		Dec-16	
	NZ$M	%	NZ$M	%	NZ$M	%
Insurance funds						
Cash and short-term deposits	140	34	129	29	149	30
Corporate bonds	239	57	256	59	283	58
Local government bonds	35	8	43	10	52	11
Government bonds	4	1	8	2	6	1
Total Insurance funds	**418**	**100**	**436**	**100**	**490**	**100**
Shareholders' funds						
Cash and short-term deposits	34	9	45	12	48	15
Interest-bearing securities	180	50	200	54	183	57
Equities	146	41	129	34	89	28
Total shareholders' funds	**360**	**100**	**374**	**100**	**320**	**100.0**
Total	**778**		**810**		**810**	

Credit quality

	Dec-17	Jun-17	Dec-16
	%	%	%
AAA	8.4	5.4	7.4
AA	64.9	65.7	66.2
A	24.3	26.3	23.9
BBB	2.4	2.6	2.5
	100.0	**100.0**	**100.0**

Duration

	Dec-17 Years	Jun-17 Years	Dec-16 Years
Insurance funds			
Interest rate duration	1.3	1.2	1.2
Shareholders' funds			
Interest rate duration	2.6	2.4	2.5

Investment performance

Total investment income for the half of $4 million, representing an annualised return of 0.5%, was lower than the prior corresponding period ($9 million), primarily due to the mark-to-market losses on the shareholding in Tower. Normalising for this impact, the annualised investment return is 2.0%. Underlying investment income was steady throughout the period, with movements in global bonds yields generating mark-to-market gains. Investment income generating assets were lower over the half year compared to the prior corresponding period primarily due to cash outflows related to natural hazard claim events.

Investment income on insurance funds was $7 million, representing an annualised return of 1.5%, which included mark-to-market gains of $0.4 million.

Investment income on shareholders' funds was a net loss of $3 million. Mark-to-market losses were $10 million, which includes $12 million relating to the shareholding in Tower. Excluding these losses, underlying investment income on shareholders' funds was $9 million, representing an annualised return of 2.6%. To preserve its investment, New Zealand participated fully in Tower's capital raising rights issue which occurred in the period.

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	1	1	1	-	-
Interest-bearing securities and other	6	9	3	(33.3)	100.0
Total	**7**	**10**	**4**	**(30.0)**	**75.0**
Investment income on shareholders' funds					
Cash and short-term deposits	-	1	1	(100.0)	(100.0)
Interest-bearing securities	4	3	1	33.3	300.0
Equities (excluding Tower shareholding)	5	4	3	n/a	n/a
Tower shareholding	(12)	(3)	-	n/a	n/a
Total	**(3)**	**5**	**5**	**n/a**	**n/a**
Total investment income	**4**	**15**	**9**	**(73.3)**	**(55.6)**

Life Insurance

Profit after tax was $17 million, with an underlying profit after tax of $14 million. The lower result over the prior corresponding period is due to short-term volatility in experience, with prior year favourable experience reversing this half. The nature and size of the life book generates short-term volatility in results, however planned profit margins reflect the long-run expectations for this business.

Planned margins reflected favourable growth in in-force premiums.

Claims experience reflected general volatility of mortality claims, with experience investigations showing no adverse underlying trends in claims volumes or costs. Closure and settlement of disability income claims remains strong.

Lapse assumptions were strengthened following retention improvements over the past few years, however experience over the half has shown a slight reversal of this trend.

Growth remained strong with in-force premium increasing 5.0% to $252 million. The revised hybrid incentive structure rolled out in October 2017 and the implementation of AsteronConnect quote and online application capability are expected to lead to improvements in the new business outlook.

Profit contribution

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Planned profit margin	16	16	15	-	6.7
Experience	(5)	1	5	n/a	n/a
Other	3	1	4	200.0	(25.0)
Underlying profit after tax	**14**	**18**	**24**	**(22.2)**	**(41.7)**
Market adjustments	**3**	**4**	**(6)**	**(25.0)**	**n/a**
Net profit after tax	**17**	**22**	**18**	**(22.7)**	**(5.6)**

Life risk in-force annual premium by channel

In-force premium increased 5.0% to $252 million, driven by new business and policy retention. Suncorp continues to lead the New Zealand market with low cancellation rates and a strong customer and retention focus fully embedded in the business.

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Advised	203	198	194	2.5	4.6
Direct	40	39	39	2.6	2.6
Group and other	9	8	7	12.5	28.6
Total	**252**	**245**	**240**	**2.9**	**5.0**

Life risk new business

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Total new business	12	11	15	9.1	(20.0)

New business was $3 million lower than the prior corresponding period at $12 million. Direct new business volumes were impacted by lower marketing activity during the transition of call centres to a new model, which is now in place.

The Group Life business continues to build on strong momentum, with several large schemes written and consistent gains in medium-sized schemes.

AsteronConnect quote capability was launched in August, with online application capability available in November. The system generated immediate interest, with the number of online submissions rapidly growing. The focus on sustainable adviser commission options continues, with an update made to the reduced initial commission offer.

Funds under management and administration

Policyholder funds under management and administration of $721 million relate to legacy life and superannuation products which are closed to new business. The value of funds has increased this half, as investment earnings and contractual contributions have been higher than policyholder withdrawals. However, funds are expected to reduce over the longer term.

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Funds under management and administration					
Opening balance at the start of the period	693	704	739	(1.6)	(6.2)
Net inflows (outflows), investment income and other	28	(11)	(35)	n/a	n/a
Balance at the end of the period	**721**	**693**	**704**	**4.0**	**2.4**

Market adjustments

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Life risk policy liability impact	2	2	(4)	-	n/a
Annuities market adjustments	-	-	1	-	(100.0)
Investment income experience	1	2	(3)	(50.0)	n/a
Total market adjustments	**3**	**4**	**(6)**	**(25.0)**	**n/a**

Market adjustments are mainly comprised of balance sheet revaluations of policy liabilities and shareholder investment assets, which are expected to neutralise through the cycle. Market adjustments were impacted by a decrease of approximately 20 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 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 profit of $2 million for the half.

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 6.

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Shareholder investment income on invested assets	4	4	-	-	n/a
Less underlying investment income	(3)	(2)	(3)	50.0	-
Investment income experience	**1**	**2**	**(3)**	**(50.0)**	**n/a**

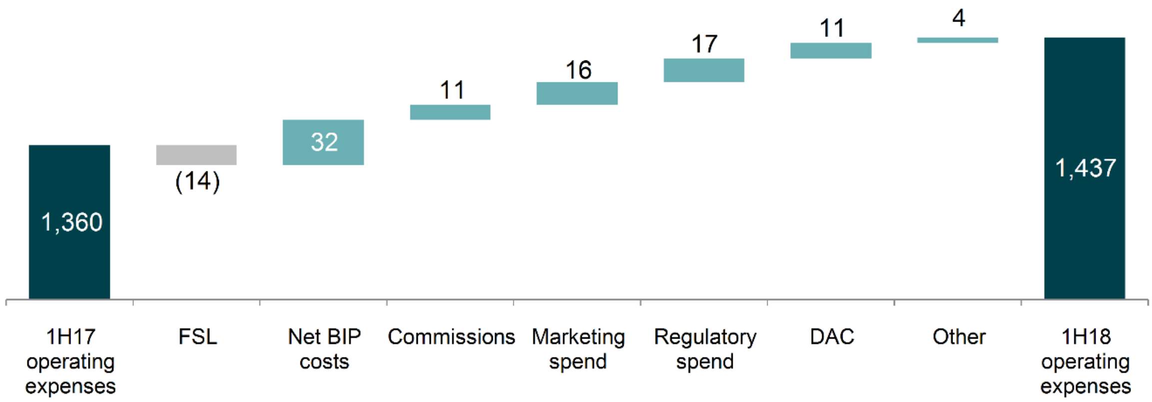
New Zealand Life Insurance shareholder assets are invested in cash and fixed interest securities. The decrease in market yields in the period generated capital gains, resulting in returns above the assumed rate.

GROUP OPERATING EXPENSES

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	Jun-17	Dec-16
	$M	$M	$M	%	%
Insurance (Australia) operating expenses					
Acquisition expenses	485	445	462	9.0	5.0
Other underwriting expenses	288	275	260	4.7	10.8
Life operating expenses	76	92	82	(17.4)	(7.3)
Insurance (Australia) operating expenses	**849**	**812**	**804**	**4.6**	**5.6**
New Zealand operating expenses					
Acquisition expenses	129	124	132	4.0	(2.3)
Other underwriting expenses	53	56	54	(5.4)	(1.9)
Life operating expenses	16	17	17	(5.9)	(5.9)
New Zealand operating expenses	**198**	**197**	**203**	**0.5**	**(2.5)**
Banking & Wealth operating expenses					
Banking operating expenses	347	329	307	5.5	13.0
Wealth operating expenses	43	48	46	(10.4)	(6.5)
Banking & Wealth operating expenses	**390**	**377**	**353**	**3.4**	**10.5**
Group total operating expenses	**1,437**	**1,386**	**1,360**	**3.7**	**5.7**

Note: $36 million accelerated investment in the Marketplace is below the line and therefore not included in the total operating expenses presented above. Total 1H18 BIP costs were $50 million: $38 million in operating expenses (included in the table above) and $12 million in claims handling expenses.

Group operating expenses movements ($m)



Note: $32 million of net BIP costs within operating expenses are made up of $38 million in gross costs offset by $6 million in gross benefits. Refer to page 58 for more information.

Group total operating expenses were $1,437 million, up 5.7% driven by strong top-line growth and the up-front investment in BIP. Excluding the net investment in BIP, total operating expenses were up 3.3%.

A number of factors contributed to the increase in operating expenses, including:

— Up-front investment in BIP

— Commission increases as a result of growth in commercial insurance and a change in the mix of distribution channels in Insurance (Australia)

— Marketing spend to drive growth

— Increased short-term regulatory expenses

— DAC movements reflecting an adjustment in acquisition expense ratios in Insurance (Australia)

— Other expenses including investment in new capability and project expenses.

BUSINESS IMPROVEMENT PROGRAM

	Half Year Ended		Full Year Ended		
	Dec-17	Jun-18	Jun-18	Jun-19	Jun-20
	$M	$M	$M	$M	$M
Business Improvement Program					
Expenses	(50)	(47)	(97)	(79)	(62)
Benefits	22	85	107	274	391
Net benefits	**(28)**	**38**	**10**	**195**	**329**

Note: Total 1H18 BIP gross costs were $50 million: $38 million in operating expenses and $12 million in claims handling expenses. Total 1H18 BIP gross benefits were $22 million: $6 million in operating expense benefits and $16 million in claims handling expense benefits.

The Group invested $50 million in BIP over the period with $38 million in total operating expenses and $12 million in claims handling expenses. The BIP spend between functions was as follows: $35 million to Insurance (Australia) (includes $1 million attributable to Australian life insurance business) and $15 million to Banking & Wealth.

BIP is on track to deliver net benefits of $10 million, $195 million and $329 million over FY18, FY19 and FY20 respectively. As previously flagged, FY18 BIP benefits will be skewed to the second half of the year.

BIP is a company-wide program focusing on the following five streams of work:

- Digitisation of customer experiences – improve capability for customers to interact digitally by encouraging self-service and control over policies and accounts
- Sales and service channel optimisation – reduce handling time, optimise physical footprint and ensure focus on services that drive the most value for customers, such as in-store sales and face-to-face interactions
- End-to-end process improvement – drive operational excellence to improve customer satisfaction and retention, and attract new customers in Insurance and Banking & Wealth
- Claims supply chain re-design – transform claims management from lodgement to closure, simultaneously reducing claims loss and handling costs while improving the customer experience in Motor, Property (commercial and home) and Personal Injury
- Smarter procurement and streamlining our business – reduce costs by reviewing arrangements with our strategic partners and suppliers. This steam of work will also optimise Suncorp's support functions and partnering arrangements.

The BIP will assist in driving the Group's operating expenses back to $2.7 billion in FY19.

CUSTOMER

Suncorp remains focused on its four key priorities to elevate the customer, create the Marketplace, maintain momentum and grow, and inspire our people.

The Marketplace is a key enabler for Suncorp to deliver improved customer experience outcomes across both digital and physical channels. Importantly, the Marketplace also represents the essential investment required to ensure that Suncorp can deliver sustained and resilient growth across Suncorp's core business areas. The additional $142 million (pre-tax) investment in FY18 is allowing Suncorp to execute the key deliverables of the Marketplace faster – accelerating the delivery of improved customer experience outcomes, business performance and benefits for shareholders.

Suncorp invested $36 million over the half to accelerate the Group's Marketplace strategic priority and has made good progress against each of the six deliverables.

Key achievements include:

— Reward and Recognition pilot was launched, attracting 55,000 registered customers

— Suncorp and AAMI customers were given a single view across insurance and banking products

— Four Integrated Offers were launched, providing customers incentives to connect to other key products

— Successful opening of the Sydney Discovery Store in the Pitt Street Mall and 34 stores updated to support Suncorp's new brand

— Home Buyers Guide was launched to assist customers with the complex steps required to purchase a property

— Home Inspection Plus was launched in December, connecting customers to qualified home inspection experts to assist customers when buying a home

— Marketplace app is due to be completed within six months and will enable customers to manage their financial wellbeing in one place among other unique features.

Outlook

The execution of the Marketplace program is expected to deliver strong business outcomes and will contribute to the achievement of the Group's FY19 targets by driving:

— An ongoing increase in the volume of customer transactions completed online

— An increase in the volume of customers retained

— An increase in the number of products per customer

— Strong Net Promoter Score performance.

GENERAL INSURANCE REINSURANCE

Outwards reinsurance expense for the half-year was $545 million, a reduction of $5 million.

Suncorp reduces its concentration risk arising from its significant share of the Queensland home insurance market through a multi-year, 30% quota share arrangement.

In addition, Suncorp has a 50% quota share in place for its retained share of CTP business in ACT and South Australia.

The upper limit on Suncorp's main catastrophe program, which covers the Group's home, motor and commercial property portfolios for major events such as earthquakes, cyclones, storms, floods and bushfires is $6.9 billion for the 2018 financial year. In line with Reserve Bank of New Zealand (RBNZ) regulatory requirements, New Zealand protection is 100% placed to $6.3 billion. Additional protection for New Zealand, up to $6.9 billion is partially placed at 65%.

The Group's maximum event retention is $250 million. Additional cover is in place 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 has 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.

Due to the increased frequency and severity of natural hazards in recent years, Suncorp has a natural hazards aggregate protection cover in place. 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.

Reinsurance security has been maintained for the 2018 financial year program, with over 85% of business protected by reinsurers rated 'A+' or better.

GROUP CAPITAL AND DIVIDENDS

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 RBNZ.

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

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 and Tier 2 instruments. Capital targets are structured according to risk appetite, business lines 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. 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.

The Group's profit result for the half year has led to a fully franked interim dividend of 33 cents per share, which equates to a payout ratio of 90.1% of cash earnings. The interim dividend is in line with the prior corresponding period interim dividend of 33 cents per share and is supported by the Group's strong capital position.

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

The interim ordinary dividend of 33 cents per share will be fully franked and paid on 5 April 2018. The ex-dividend date is 21 February 2018. The Group's franking credit balance is set out below.

	Half Year Ended		
	Dec-17	Jun-17	Dec-16
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**158**	**235**	**230**

Capital position at 31 December 2017

During the half year, the Group issued $375 million of Additional Tier 1 capital notes through SGL as part of its capital management strategy. These notes, along with the $375 million of SGL Capital Notes issued in May 2017, facilitated the repayment of the $560 million CPS2 Additional Tier 1 capital securities. The additional $190 million of capital raised over and above that required to repay CPS2 has been deployed to the following businesses:

— $100 million to Bank to support continued growth in the Bank balance sheet

— $35 million to the Australian Life business, to improve the efficiency of the Life capital structure.

A further $55 million is currently held by SGL and is expected to be deployed to the New Zealand General Insurance business in early 2018, in the form of RBNZ compliant perpetual capital securities, to improve the efficiency of the New Zealand capital structure.

Over the half year, the Group's Excess CET1 (ex dividend) remained relatively stable at $381 million. The main impacts on the Group's excess capital position were:

— NPAT less the interim dividend (net of DRP)

— An increase in the General Insurance PCA due to a combination of higher Assets Risk Charge and higher Insurance Risk Charge

— A reduction in excess technical provisions due to normal seasonality arising as Suncorp enters the peak natural hazard season

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

— A reduction in the Life Insurance policy liability adjustment (DAC)

— Unwind of the temporary increase in Group Target that was established at 30 June 2017.

	As at 31 December 2017					
	General Insurance [(2)]	Bank [(2)]	Life	SGL, Corp Services & Consol	Total	Total 30 June 2017
	$M	$M	$M	$M	$M	$M
CET1	2,948	2,930	535	193	6,606	6,625
CET1 target	2,655	2,846	331	-	5,832	5,772
Excess to CET1 target (pre div)	293	84	204	193	774	853
Group dividend [(3)]					(393)	(476)
Group excess to CET1 target (ex div)					381	377
Common Equity Tier 1 ratio [(1)]	1.22x	9.01%	2.37x			
Total capital	4,013	4,381	670	248	9,312	9,512
Total target capital	3,620	3,985	391	(19)	7,977	7,880
Excess to target (pre div)	393	396	279	267	1,335	1,632
Group dividend [(3)]					(393)	(476)
Group excess to target (ex div)					942	1,156
Total capital ratio [(1)]	1.66x	13.47%	2.96x			

(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 1.22 times the PCA, above its target operating range of 1.0 - 1.2 times PCA

— The Bank's CET1 Ratio was 9.01%, at the top of its target operating range of 8.5% - 9.0%

— Life businesses' excess CET1 to target was $204 million

— An additional $193 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 $381 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

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.

The primary objective is to optimise Suncorp's 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.

During the half, the Board approved the Responsible Investment Policy (available on the Suncorp Group website) which will see the progressive integration of environmental, social and governance (ESG) issues in investment processes.

The key market metrics for the year are tabled below.

	Dec-17	Jun-17	Dec-17 vs Jun-17
3 year bond yield	2.13	1.91	+22bp
10 year bond yield	2.63	2.60	+3bp
10 year breakeven inflation rate	1.89	1.81	+8bp
AA 3 year credit spreads	57	81	-24bp
Semi-government spreads	22	29	-7bp
Australian fixed interest (Bloomberg composite index)	9,133	9,009	+1.4%
Australian equities (total return)	60,426	55,759	+8.4%
International equities (hedged total return)	1,639	1,489	+10.1%

Suncorp Group Limited investment portfolio

Suncorp Group Limited's investment portfolio supports the Group non-operating holding company (NOHC) structure and distributions to shareholders. Investment assets were $609 million at 31 December 2017 and comprised 47% cash and 53% high quality fixed income securities, with an interest rate duration of 1.0 years, credit spread duration of 1.5 years and an average credit rating of 'AA-'. Investment income was $9 million, representing an annualised return of 3.3%.

During the half, an investment was made in the Churches of Christ Qld YouthCONNECT social impact bond. This is the Group's first social impact investment under the new Responsible Investment Policy and funds programs aimed at reducing homelessness among young people.

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Investment income (pre-tax)					
Cash and short-term deposits	3	3	2	-	50.0
Interest-bearing securities and other	6	6	4	-	50.0
Total	**9**	**9**	**6**	**-**	**50.0**

INCOME TAX

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Reconciliation of prima facie income tax expense to actual tax expense:					
Profit before tax	675	796	812	(15.2)	(16.9)
Prima facie domestic corporate tax rate of 30% (2017: 30%)	202	239	243	(15.5)	(16.9)
Effect of tax rates in foreign jurisdiction	(2)	(1)	(1)	100.0	100.0
Effect of income taxed at non-corporate tax rate - Life	1	1	1	-	-
Tax effect of amounts not deductible (assessable) in calculating taxable income:					
Non-deductible expenses	12	12	15	-	(20.0)
Non-deductible expenses - Life	18	11	15	63.6	20.0
Amortisation of intangible assets	3	3	3	-	-
Dividend adjustments	10	6	15	66.7	(33.3)
Tax exempt revenues	(9)	(6)	(1)	50.0	n/a
Current year rebates and credits	(13)	(11)	(18)	18.2	(27.8)
Prior year under/over provision	(7)	-	(3)	n/a	133.3
Other	(1)	(1)	1	-	n/a
Total income tax expense (benefit) on pre-tax profit	214	253	270	(15.4)	(20.7)
Effective tax rate	31.7%	31.8%	33.3%	(0.3)	(4.8)
Income tax expense recognised in profit consists of:					
Current tax expense					
Current tax movement	199	256	300	(22.3)	(33.7)
Current year rebates and credits	(13)	(11)	(18)	18.2	(27.8)
Adjustments for prior financial years	1	(2)	(2)	n/a	n/a
Total current tax expense	187	243	280	(23.0)	(33.2)
Deferred tax expense					
Origination and reversal of temporary differences	35	8	(9)	337.5	n/a
Adjustments for prior financial years	(8)	2	(1)	n/a	n/a
Total deferred tax expense	27	10	(10)	170.0	n/a
Total income tax expense	214	253	270	(15.4)	(20.7)
Income tax expense (benefit) by business unit					
Insurance (Australia)	109	148	158	(26.4)	(31.0)
Banking & Wealth	94	92	97	2.2	(3.1)
New Zealand	31	18	17	72.2	82.4
Other	(20)	(5)	(2)	300.0	n/a
Total income tax expense	**214**	**253**	**270**	**(15.4)**	**(20.7)**

The effective tax rate was 31.7% and in line with the half year tax rate to June 2017 (HY17: 31.8%).

Prima facie income tax at 30% was affected by the non-deductibility of certain claim payments and premiums within the life company.

Appendix 1 – Consolidated statement of comprehensive income and financial position

Consolidated statement of comprehensive income

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

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Revenue					
Insurance premium income	5,270	5,171	5,173	1.9	1.9
Reinsurance and other recoveries income	611	1,689	1,591	(63.8)	(61.6)
Interest income on					
financial assets not at fair value through profit or loss	1,259	1,217	1,247	3.5	1.0
financial assets at fair value through profit or loss	268	302	289	(11.3)	(7.3)
Net gains on financial assets and liabilities at fair value through profit or loss	123	91	-	35.2	n/a
Dividend and trust distribution income	32	19	55	68.4	(41.8)
Fees and other income	278	268	283	3.7	(1.8)
Total revenue	**7,841**	**8,757**	**8,638**	**(10.5)**	**(9.2)**
Expenses					
Claims expense and movement in policyowner liabilities	(3,850)	(4,739)	(4,489)	(18.8)	(14.2)
Outwards reinsurance premium expense	(694)	(751)	(694)	(7.6)	-
Underwriting and policy maintenance expenses	(1,207)	(1,165)	(1,222)	3.6	(1.2)
Interest expense on					
financial liabilities not at fair value through profit or loss	(671)	(662)	(707)	1.4	(5.1)
financial liabilities at fair value through profit or loss	(45)	(38)	(35)	18.4	28.6
Net losses on financial assets and liabilities at fair value through profit or loss	-	65	(65)	(100.0)	(100.0)
Impairment loss on loans and advances	(13)	(6)	(1)	116.7	n/a
Amortisation and depreciation expense	(85)	(93)	(75)	(8.6)	13.3
Fees, overheads and other expenses	(539)	(488)	(445)	10.5	21.1
Outside beneficial interests in managed funds	(62)	(84)	(93)	(26.2)	(33.3)
Total expenses	**(7,166)**	**(7,961)**	**(7,826)**	**(10.0)**	**(8.4)**
Profit before income tax	**675**	**796**	**812**	**(15.2)**	**(16.9)**
Income tax expense	(214)	(253)	(270)	(15.4)	(20.7)
Profit for the period	**461**	**543**	**542**	**(15.1)**	**(14.9)**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	(2)	(24)	(36)	(91.7)	(94.4)
Net change in fair value of available-for-sale financial assets	(3)	6	7	n/a	n/a
Exchange differences on translation of foreign operations	(43)	(8)	7	437.5	n/a
Income tax (expense) benefit	2	4	10	(50.0)	(80.0)
	(46)	(22)	(12)	109.1	283.3
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on defined benefit plans	-	8	-	(100.0)	n/a
Income tax (expense) benefit	-	(3)	-	(100.0)	n/a
	-	5	-	(100.0)	n/a
Total other comprehensive income (loss)	**(46)**	**(17)**	**(12)**	**170.6**	**283.3**
Total comprehensive income for the period	**415**	**526**	**530**	**(21.1)**	**(21.7)**
Profit for the period attributable to:					
Owners of the Company	452	538	537	(16.0)	(15.8)
Non-controlling interests	9	5	5	80.0	80.0
Profit for the period	**461**	**543**	**542**	**(15.1)**	**(14.9)**
Total comprehensive income for the period attributable to:					
Owners of the Company	406	521	525	(22.1)	(22.7)
Non-controlling interests	9	5	5	80.0	80.0
Total comprehensive income for the period	**415**	**526**	**530**	**(21.1)**	**(21.7)**

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

Consolidated statement of financial position

	General Insurance Dec-17 $M	Banking Dec-17 $M	Life Dec-17 $M	Corporate Dec-17 $M	Eliminations Dec-17 $M	Consolidation Dec-17 $M
Assets						
Cash and cash equivalents	590	363	513	57	(380)	1,143
Receivables due from other banks	-	470	-	-	-	470
Trading securities	-	1,512	-	-	-	1,512
Derivatives	22	117	15	-	-	154
Investment securities	12,136	4,576	5,283	14,605	(14,067)	22,533
Loans and advances	-	57,635	-	-	-	57,635
Premiums outstanding	2,517	-	27	-	-	2,544
Reinsurance and other recoveries	2,553	-	193	-	-	2,746
Deferred reinsurance assets	550	-	-	-	-	550
Deferred acquisition costs	696	-	3	-	-	699
Gross policy liabilities ceded under reinsurance	-	-	536	-	-	536
Property, plant and equipment	49	-	3	164	-	216
Deferred tax assets	50	47	10	101	-	208
Goodwill and other intangible assets	4,924	262	215	367	-	5,768
Other assets	761	147	129	105	3	1,145
Due from related parties	210	317	16	1,185	(1,728)	-
Total assets	**25,058**	**65,446**	**6,943**	**16,584**	**(16,172)**	**97,859**
Liabilities						
Payables due to other banks	-	54	-	-	-	54
Deposits and short-term borrowings	-	46,024	-	-	(412)	45,612
Derivatives	15	294	3	-	-	312
Amounts due to reinsurers	280	-	32	-	-	312
Payables and other liabilities	648	405	201	483	(2)	1,735
Current tax liabilities	-	-	2	-	-	2
Unearned premium liabilities	4,885	-	4	-	-	4,889
Outstanding claims liabilities	10,368	-	292	-	-	10,660
Gross policy liabilities	-	-	2,807	-	-	2,807
Deferred tax liabilities	17	-	104	-	-	121
Managed funds units on issue	-	-	1,274	-	(18)	1,256
Securitised liabilities	-	4,111	-	-	-	4,111
Debt issues	-	9,722	-	-	-	9,722
Loan capital	552	742	100	1,903	(770)	2,527
Due to related parties	296	25	18	615	(954)	-
Total liabilities	**17,061**	**61,377**	**4,837**	**3,001**	**(2,156)**	**84,120**
Net assets	**7,997**	**4,069**	**2,106**	**13,583**	**(14,016)**	**13,739**
Equity						
Share capital						12,820
Reserves						117
Retained profits						789
Total equity attributable to owners of the Company						**13,726**
Non-controlling interests						13
Total equity						13,739

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

SGL statement of financial position

	Half Year Ended Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Current assets					
Cash and cash equivalents	18	18	21	-	(14.3)
Financial assets designated at fair value through profit and loss	589	516	484	14.1	21.7
Due from related parties	64	152	150	(57.9)	(57.3)
Other assets	19	5	3	280.0	n/a
Total current assets	**690**	**691**	**658**	**(0.1)**	**4.9**
Non-current assets					
Investment in subsidiaries	14,063	14,288	13,921	(1.6)	1.0
Due from related parties	770	770	770	-	-
Deferred tax assets	7	8	6	(12.5)	16.7
Other assets	88	81	83	8.6	6.0
Total non-current assets	**14,928**	**15,147**	**14,780**	**(1.4)**	**1.0**
Total assets	**15,618**	**15,838**	**15,438**	**(1.4)**	**1.2**
Current liabilities					
Payables and other liabilities	5	21	9	(76.2)	(44.4)
Current tax liabilities	-	103	97	(100.0)	(100.0)
Due to related parties	46	21	22	119.0	109.1
Total current liabilities	**51**	**145**	**128**	**(64.8)**	**(60.2)**
Non-current liabilities					
Loan capital	1,903	2,090	1,719	(8.9)	10.7
Total non-current liabilities	**1,903**	**2,090**	**1,719**	**(8.9)**	**10.7**
Total liabilities	**1,954**	**2,235**	**1,847**	**(12.6)**	**5.8**
Net assets	**13,664**	**13,603**	**13,591**	**0.4**	**0.5**
Equity					
Share capital	12,921	12,869	12,825	0.4	0.7
Retained profits	743	734	766	1.2	(3.0)
Total equity	**13,664**	**13,603**	**13,591**	**0.4**	**0.5**

SGL profit contribution

	Half Year Ended Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Revenue					
Dividend and interest income from subsidiaries	567	432	456	31.3	24.3
Interest and trust distribution income on financial assets at fair value through profit or loss	8	9	6	(11.1)	33.3
Other income	2	2	2	-	-
Total revenue	577	443	464	30.2	24.4
Expenses					
Interest expense on financial liabilities at amortised cost	(48)	(43)	(42)	11.6	14.3
Operating expenses	(2)	(3)	(2)	(33.3)	-
Total expenses	(50)	(46)	(44)	8.7	13.6
Profit before income tax	527	397	420	32.7	25.5
Income tax expense	(1)	(3)	(2)	(66.7)	(50.0)
Profit for the period	**526**	**394**	**418**	**33.5**	**25.8**

Appendix 2 – Ratio calculations

Ratios and statistics

		Half Year Ended			Dec-17	Dec-17
		Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
					%	%
Performance ratios						
Earnings per share [(1)]						
Basic	(cents)	35.12	41.91	41.93	(16.2)	(16.2)
Diluted	(cents)	34.66	41.21	41.13	(15.9)	(15.7)
Cash earnings per share [(1)]						
Basic	(cents)	36.67	43.70	45.60	(16.1)	(19.6)
Diluted	(cents)	36.11	42.91	44.61	(15.8)	(19.1)
Return on average shareholders' equity [(1)]	(%)	6.5	7.9	7.8		
Cash return on average shareholders' equity [(1)]	(%)	6.8	8.2	8.5		
Cash return on average shareholders' equity pre-goodwill[(1)]	(%)	10.6	12.9	13.3		
Return on average total assets	(%)	0.92	1.11	1.11		
Insurance trading ratio	(%)	8.0	11.2	12.5		
Underlying insurance trading ratio (inclusive of BIP costs)	(%)	9.4	12.0	11.0		
Underlying insurance trading ratio (adjusted for BIP costs)	(%)	10.2	12.0	11.0		
Bank net interest margin (interest-earning assets)	(%)	1.86	1.87	1.78		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	33.0	40.0	33.0	(17.5)	-
Special dividends per ordinary share	(cents)	-	-	-	-	-
Payout ratio [(1)]						
Net profit after tax	(%)	94.1	95.5	78.8		
Cash earnings	(%)	90.1	91.6	72.5		
Weighted average number of shares						
Basic	(million)	1,287.2	1,283.7	1,280.7	0.3	0.5
Diluted	(million)	1,382.0	1,358.7	1,354.1	1.7	2.1
Number of shares at end of period	(million)	1,288.9	1,284.9	1,282.2	0.3	0.5
Net tangible asset backing per share	($)	6.18	6.20	6.10	(0.3)	1.3
Share price at end of period	($)	13.86	14.82	13.52	(6.5)	2.5
Productivity						
Australian General Insurance expense ratio	(%)	21.2	20.5	20.3		
Banking cost to income ratio	(%)	54.9	53.9	51.4		
New Zealand General Insurance expense ratio	(%)	32.3	33.2	33.4		
Financial position						
Total assets	($ million)	97,859	97,109	96,801	0.8	1.1
Net tangible assets	($ million)	7,971	7,969	7,816	0.0	2.0
Net assets	($ million)	13,739	13,790	13,652	(0.4)	0.6
Average Shareholders' Equity	($ million)	13,699	13,638	13,625	0.4	0.5
Capital						
General Insurance Group PCA coverage	(times)	1.66	1.77	1.78		
Bank capital adequacy ratio - Total	(%)	13.47	14.59	13.48		
Bank Common Equity Tier 1 ratio	(%)	9.01	9.23	9.20		
Suncorp Life total capital	($ million)	670	561	625	19.4	7.2
Additional capital held by Suncorp Group Limited	($ million)	248	86	121	188.4	105.0

(1) Refer to Appendix 9 for definitions.

Appendix 2 – Ratio calculations (continued)

Earnings per share

Numerator	Half Year Ended		
	Dec-17	Jun-17	Dec-16
	$M	$M	$M
Earnings:			
Profit attributable to ordinary equity holders of the company (basic)	452	538	537
Interest expense on convertible preference shares (net of tax)	18	20	20
Interest expense on convertible capital notes (net of tax)	9	2	-
Profit attributable to ordinary equity holders of the company (diluted)	**479**	**560**	**557**

Denominator	Half Year Ended		
	Dec-17 No. of Shares	Jun-17 No. of Shares	Dec-16 No. of Shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,287,194,972	1,283,666,294	1,280,693,895
Effect of conversion of convertible preference shares	62,565,335	66,852,101	73,384,999
Effect of conversion of convertible capital notes	32,227,479	8,223,778	-
Weighted average number of ordinary shares (diluted)	**1,381,987,786**	**1,358,742,173**	**1,354,078,894**

Cash earnings per share

Numerator	Half Year Ended		
	Dec-17	Jun-17	Dec-16
	$M	$M	$M
Earnings:			
Cash profit attributable to ordinary equity holders of the company (basic)	472	561	584
Interest expense on convertible preference shares (net of tax)	18	20	20
Interest expense on convertible capital notes (net of tax)	9	2	-
Cash profit attributable to ordinary equity holders of the company (diluted)	**499**	**583**	**604**

Denominator	Half Year Ended		
	Dec-17 No. of Shares	Jun-17 No. of Shares	Dec-16 No. of Shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,287,194,972	1,283,666,294	1,280,693,895
Effect of conversion of convertible preference shares	62,565,335	66,852,101	73,384,999
Effect of conversion of convertible capital notes	32,227,479	8,223,778	-
Weighted average number of ordinary shares (diluted)	**1,381,987,786**	**1,358,742,173**	**1,354,078,894**

Appendix 2 – Ratio calculations (continued)

ASX listed securities

	Half Year Ended		
	Dec-17	Jun-17	Dec-16
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,296,020,378	1,292,699,888	1,290,197,330
Dividend declared for the period (cents per share)	33	40	33
Convertible preference shares (SUNPC) each fully paid			
Number at the end of the period	-	5,600,000	5,600,000
Dividend declared for the period ($ per share) (1)	1.11	2.28	2.20
Subordinated Notes (SUNPD)			
Number at the end of the period	7,700,000	7,700,000	7,700,000
Interest per note	2.30	2.28	2.31
Convertible preference shares (SUNPE) each fully paid			
Number at the end of the period	4,000,000	4,000,000	4,000,000
Dividend declared for the period ($ per share) (1)	1.80	1.83	1.77
Convertible Capital Notes (SUNPF) each fully paid			
Number at the end of the period	3,750,000	3,750,000	-
Dividend declared for the period ($ per note) (1)	2.04	1.52	-
Convertible Capital Notes (SUNPG) each fully paid			
Number at the end of the period	3,750,000	-	-
Dividend declared for the period ($ per note) (1)	1.19	-	-
Floating Rate Capital Notes (SBKHB)			
Number at the end of the period	715,383	715,383	715,383
Interest per note	1.24	1.25	1.27

(1) Classified as interest expense.

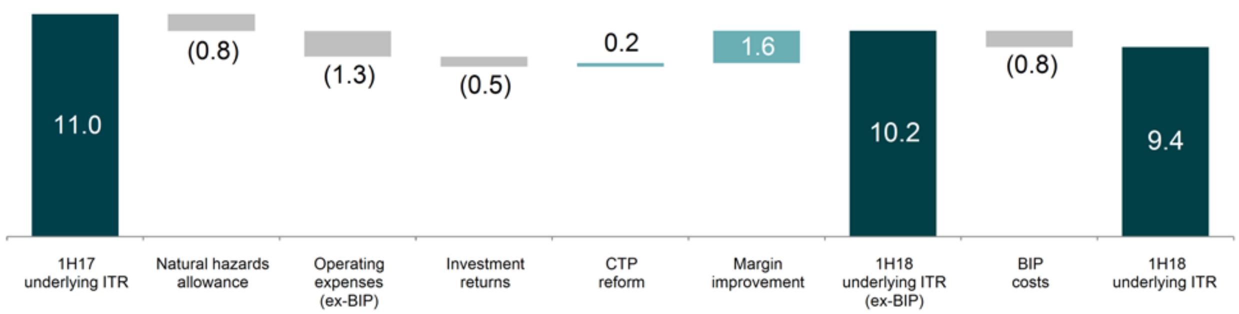
Appendix 3 – Reported and underlying ITR

Reconciliation of reported ITR to underlying ITR

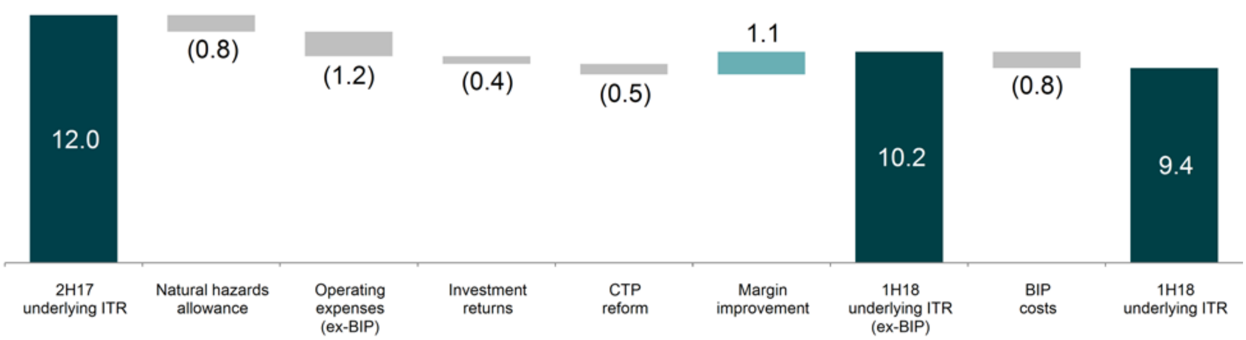
	Half Year Ended		
	Dec-17	Jun-17	Dec-16
	$M	$M	$M
Reported ITR	**336**	**453**	**512**
Reported reserve releases (above) below long-run expectations	(62)	(96)	(70)
Natural hazards above (below) long-run allowances	67	49	40
Investment income mismatch	(3)	7	(53)
Other:			
Risk margin	30	(7)	(12)
Abnormal (Simplification/restructuring) expenses	29	27	34
Reinsurance backup cover	-	53	-
Underlying ITR (inclusive of BIP costs)	**397**	**486**	**451**
Business improvement program (BIP) costs	34	-	-
Underlying ITR (adjusted for BIP costs)	**431**	**486**	**451**
Underlying ITR ratio (inclusive of BIP costs)	**9.4%**	**12.0%**	**11.0%**
Underlying ITR ratio (adjusted for BIP costs)	**10.2%**	**12.0%**	**11.0%**

Note: BIP costs of $34 million shown in the table above reflects the Insurance (Australia) general insurance business investment over the half. The Insurance (Australia) life insurance business investment in BIP of $1 million over the half is not included in this amount.

Underlying ITR movements - December 2016 to December 2017 (%)



Underlying ITR movements - June 2017 to December 2017 (%)



Appendix 4 – General Insurance ITR split

Insurance (Australia) — Consumer Insurance

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Gross written premium	2,502	2,462	2,428	1.6	3.0
Net earned premium	2,206	2,118	2,146	4.2	2.8
Net incurred claims	(1,731)	(1,541)	(1,560)	12.3	11.0
Acquisition expenses	(249)	(243)	(251)	2.5	(0.8)
Other underwriting expenses	(174)	(143)	(152)	21.7	14.5
Total operating expenses	**(423)**	**(386)**	**(403)**	**9.6**	**5.0**
Underwriting result	**52**	**191**	**183**	**(72.8)**	**(71.6)**
Investment income - insurance funds	28	32	51	(12.5)	(45.1)
Insurance trading result	**80**	**223**	**234**	**(64.1)**	**(65.8)**

	%	%	%
Ratios			
Acquisition expenses ratio	11.3	11.5	11.7
Other underwriting expenses ratio	7.9	6.8	7.1
Total operating expenses ratio	**19.2**	**18.2**	**18.8**
Loss ratio	78.5	72.8	72.7
Combined operating ratio	97.7	91.0	91.5
Insurance trading ratio	**3.6**	**10.5**	**10.9**

Note: Consumer Insurance includes Home, Motor, Boat and Travel Insurance.

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

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Gross written premium	1,502	1,618	1,603	(7.2)	(6.3)
Net earned premium	1,437	1,402	1,406	2.5	2.2
Net incurred claims	(993)	(1,008)	(814)	(1.5)	22.0
Acquisition expenses	(236)	(202)	(211)	16.8	11.8
Other underwriting expenses	(114)	(132)	(108)	(13.6)	5.6
Total operating expenses	**(350)**	**(334)**	**(319)**	**4.8**	**9.7**
Underwriting result	**94**	**60**	**273**	**56.7**	**(65.6)**
Investment income - insurance funds	92	138	(16)	(33.3)	n/a
Insurance trading result	**186**	**198**	**257**	**(6.1)**	**(27.6)**

	%	%	%
Ratios			
Acquisition expenses ratio	16.4	14.4	15.0
Other underwriting expenses ratio	8.0	9.4	7.7
Total operating expenses ratio	**24.4**	**23.8**	**22.7**
Loss ratio	69.1	71.9	57.9
Combined operating ratio	93.5	95.7	80.6
Insurance trading ratio	**12.9**	**14.1**	**18.3**

Appendix 4 – General Insurance ITR split (continued)

New Zealand (AU$)

	Half Year Ended Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Gross written premium	703	666	679	5.6	3.5
Net earned premium	564	542	557	4.1	1.3
Net incurred claims	(319)	(339)	(354)	(5.9)	(9.9)
Acquisition expenses	(129)	(124)	(132)	4.0	(2.3)
Other underwriting expenses	(53)	(56)	(54)	(5.4)	(1.9)
Total operating expenses	**(182)**	**(180)**	**(186)**	**1.1**	**(2.2)**
Underwriting result	**63**	**23**	**17**	**173.9**	**270.6**
Investment income - insurance funds	7	9	4	(22.2)	75.0
Insurance trading result	**70**	**32**	**21**	**118.8**	**233.3**

	%	%	%
Ratios			
Acquisition expenses ratio	22.9	22.9	23.7
Other underwriting expenses ratio	9.4	10.3	9.7
Total operating expenses ratio	**32.3**	**33.2**	**33.4**
Loss ratio	56.6	62.5	63.6
Combined operating ratio	88.9	95.7	97.0
Insurance trading ratio	**12.4**	**5.9**	**3.8**

General Insurance short-tail (includes New Zealand)

	Half Year Ended Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Short-tail					
Gross written premium	3,675	3,586	3,585	2.5	2.5
Net earned premium	3,142	2,999	3,063	4.8	2.6
Net incurred claims	(2,303)	(2,167)	(2,147)	6.3	7.3
Acquisition expenses	(478)	(453)	(472)	5.5	1.3
Other underwriting expenses	(275)	(265)	(259)	3.8	6.2
Total operating expenses	**(753)**	**(718)**	**(731)**	**4.9**	**3.0**
Underwriting result	**86**	**114**	**185**	**(24.6)**	**(53.5)**
Investment income - insurance funds	39	53	56	(26.4)	(30.4)
Insurance trading result	**125**	**167**	**241**	**(25.1)**	**(48.1)**

	%	%	%
Ratios			
Acquisition expenses ratio	15.2	15.1	15.4
Other underwriting expenses ratio	8.8	8.8	8.5
Total operating expenses ratio	**24.0**	**23.9**	**23.9**
Loss ratio	73.3	72.3	70.1
Combined operating ratio	97.3	96.2	94.0
Insurance trading ratio	**4.0**	**5.6**	**7.9**

Appendix 4 – General Insurance ITR split (continued)

General Insurance long-tail (includes New Zealand)

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Long-tail					
Gross written premium	1,032	1,160	1,125	(11.0)	(8.3)
Net earned premium	1,065	1,062	1,046	0.3	1.8
Net incurred claims	(740)	(721)	(581)	2.6	27.4
Acquisition expenses	(136)	(116)	(122)	17.2	11.5
Other underwriting expenses	(66)	(65)	(55)	1.5	20.0
Total operating expenses	**(202)**	**(181)**	**(177)**	**11.6**	**14.1**
Underwriting result	**123**	**160**	**288**	**(23.1)**	**(57.3)**
Investment income - insurance funds	88	126	(17)	(30.2)	n/a
Insurance trading result	**211**	**286**	**271**	**(26.2)**	**(22.1)**

	%	%	%
Ratios			
Acquisition expenses ratio	12.8	10.9	11.6
Other underwriting expenses ratio	6.2	6.1	5.3
Total operating expenses ratio	**19.0**	**17.0**	**16.9**
Loss ratio	69.5	67.9	55.5
Combined operating ratio	88.5	84.9	72.4
Insurance trading ratio	**19.8**	**26.9**	**25.9**

Appendix 5 – Group Capital

Group capital position

	As at 31 December 2017					
	General Insurance	Banking	Life	SGL, Corp Services & Consol	Total	As at 30 June 2017 Total
	$M	$M	$M	$M	$M	$M
Common Equity Tier 1 capital						
Ordinary share capital	-	-	-	12,839	12,839	12,797
Subsidiary share capital (eliminated upon consolidation)	7,375	3,870	1,980	(13,225)	-	-
Reserves	2	(1,007)	302	819	116	154
Retained profits and non-controlling interests	95	572	(211)	335	791	861
Insurance liabilities in excess of liability valuation	459	-	-	-	459	502
Goodwill and other intangible assets	(4,899)	(503)	(215)	(372)	(5,989)	(6,022)
Net deferred tax liabilities/(assets) [(1)]	(78)	(33)	104	(102)	(109)	(120)
Policy liability adjustment [(2)]	-	-	(1,425)	-	(1,425)	(1,461)
Other Tier 1 deductions	(6)	31	-	(101)	(76)	(86)
Common Equity Tier 1 capital	**2,948**	**2,930**	**535**	**193**	**6,606**	**6,625**
Additional Tier 1 capital						
Eligible hybrid capital	510	550	35	55	1,150	1,335
Additional Tier 1 capital	**510**	**550**	**35**	**55**	**1,150**	**1,335**
Tier 1 capital	**3,458**	**3,480**	**570**	**248**	**7,756**	**7,960**
Tier 2 capital						
General reserve for credit losses	-	159	-	-	159	155
Eligible Subordinated notes	555	670	100	-	1,325	1,325
Transitional Subordinated notes	-	72	-	-	72	72
Tier 2 capital	**555**	**901**	**100**	**-**	**1,556**	**1,552**
Total capital	**4,013**	**4,381**	**670**	**248**	**9,312**	**9,512**
Represented by:						
Capital in Australian regulated entities	3,488	4,365	523	-	8,376	8,748
Capital in New Zealand regulated entities	446	-	88	-	534	552
Capital in unregulated entities [(3)]	79	16	59	248	402	212

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

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

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

Appendix 5 – Group Capital (continued)

General Insurance capital

	GI Group [1] Dec-17 $M	GI Group [1] Jun-17 $M
Common Equity Tier 1 capital		
Ordinary share capital	7,375	7,375
Reserves	2	26
Retained profits and non-controlling interests	95	208
Insurance liabilities in excess of liability valuation	459	502
Goodwill and other intangible assets	(4,899)	(4,922)
Net deferred tax assets	(78)	(67)
Other Tier 1 deductions	(6)	(7)
Common Equity Tier 1 capital	**2,948**	**3,115**
Additional Tier 1 capital	**510**	**510**
Tier 1 capital	**3,458**	**3,625**
Tier 2 capital	**555**	**555**
Total capital	**4,013**	**4,180**
Prescribed Capital Amount		
Outstanding claims risk charge	932	900
Premium liabilities risk charge	565	569
Total insurance risk charge	1,497	1,469
Insurance concentration risk charge	250	250
Asset risk charge	883	848
Operational risk charge	304	294
Aggregation benefit	(521)	(503)
Total Prescribed Capital Amount (PCA)	**2,413**	**2,358**
Common Equity Tier 1 ratio	**1.22**	**1.32**
Total capital ratio	**1.66**	**1.77**

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

Appendix 5 – Group Capital (continued)

Bank capital

	Regulatory Banking Group	Other Entities	Statutory Banking Group	Statutory Banking Group
	Dec-17	Dec-17	Dec-17	Jun-17
	$M	$M	$M	$M
Common Equity Tier 1 capital				
Ordinary share capital	2,648	1,222	3,870	3,870
Reserves	(20)	(987)	(1,007)	(1,003)
Retained profits	551	21	572	591
Goodwill and other intangible assets	(263)	(240)	(503)	(486)
Net deferred tax assets	(33)	-	(33)	(38)
Other Tier 1 deductions	31	-	31	29
Common Equity Tier 1 capital	**2,914**	**16**	**2,930**	**2,963**
Additional Tier 1 capital				
Eligible hybrid capital	550	-	550	825
Additional Tier 1 capital	**550**	**-**	**550**	**825**
Tier 1 capital	**3,464**	**16**	**3,480**	**3,788**
Tier 2 capital				
General reserve for credit losses	159	-	159	155
Eligible Subordinated notes	670	-	670	670
Transitional Subordinated notes	72	-	72	72
Tier 2 capital	**901**	**-**	**901**	**897**
Total capital	**4,365**	**16**	**4,381**	**4,685**
Risk-Weighted Assets				
Credit risk	29,019	-	29,019	28,621
Market risk	70	-	70	62
Operational risk	3,441	-	3,441	3,424
Total Risk-Weighted Assets	**32,530**	**-**	**32,530**	**32,107**
Common Equity Tier 1 ratio	**8.96%**		**9.01%**	**9.23%**
Total capital ratio	**13.42%**		**13.47%**	**14.59%**

Appendix 5 – Group Capital (continued)

Life capital

	Life Co Australia	Life Co New Zealand [1]	Other Entities [2]	Total Life Group	Total Life Group
	Dec-17	Dec-17	Dec-17	Dec-17	Jun-17
	$M	$M	$M	$M	$M
Common Equity Tier 1 capital					
Ordinary share capital	730	204	1,046	1,980	1,980
Reserves	-	19	283	302	320
Retained profits and non-controlling interests	665	159	(1,035)	(211)	(261)
Goodwill and other intangible assets	-	-	(215)	(215)	(217)
Net deferred tax liabilities [3]	-	104	-	104	102
Policy liability adjustment [4]	(1,027)	(398)	-	(1,425)	(1,461)
Other Tier 1 deductions	-	-	-	-	(2)
Common Equity Tier 1 capital	**368**	**88**	**79**	**535**	**461**
Additional Tier 1 capital	**35**	**-**	**-**	**35**	**-**
Tier 1 capital	**403**	**88**	**79**	**570**	**461**
Tier 2 capital	**100**	**-**	**-**	**100**	**100**
Total capital	**503**	**88**	**79**	**670**	**561**
Prescribed Capital Amount					
Insurance risk charge	-	26	-	26	32
Asset risk charge	73	17	-	90	97
Operational risk charge	31	-	-	31	31
Aggregation benefit	-	-	-	-	(4)
Combined stress scenario adjustment	58	-	-	58	57
Other regulatory requirements	-	-	21	21	17
Total Prescribed Capital Amount (PCA) [5]	**162**	**43**	**21**	**226**	**230**
Common Equity Tier 1 ratio	**2.27**	**2.05**	**3.76**	**2.37**	**2.00**
Total capital ratio	**3.10**	**2.05**	**3.76**	**2.96**	**2.44**

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

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

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

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

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

Appendix 5 – Group Capital (continued)

Capital Instruments

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	31 December 2017 GI $M	Bank $M	Life $M	SGL $M	Total Balance $M	Regulatory Capital $M
AAIL Subordinated Debt [(1)]	320 bps	Oct 2022	Oct 2016	328	-	-	-	328	330
AAIL Subordinated Debt [(1)]	330 bps	Nov 2020	Nov 2015	224	-	-	-	224	225
SGL Subordinated Debt [(1) (2)]	285 bps	Nov 2018	May 2013	-	669	100	-	769	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total subordinated debt				**552**	**741**	**100**	**-**	**1,393**	**1,397**
SGL CPS3 [(1) (2)]	340 bps	Jun 2020	May 2014	396	-	-	-	396	400
SGL Capital Notes [(1) (2)]	410 bps	June 2022	May 2017	-	369	-	-	369	375
SGL Capital Notes 2 [(1) (2)]	365 bps	June 2024	Nov 2017	109	172	34	54	369	375
Total Additional Tier 1 capital				**505**	**541**	**34**	**54**	**1,134**	**1,150**
Total				**1,057**	**1,282**	**134**	**54**	**2,527**	**2,547**

	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) (2)]	465 bps	Dec 2017	Nov 2012	110	449	-	-	559	560
SGL CPS3 [(1) (2)]	340 bps	June 2020	May 2014	396	-	-	-	396	400
SGL Capital Notes [(1) (2)]	410 bps	June 2022	May 2017	-	368	-	-	368	375
Total Additional Tier 1 capital				**506**	**817**	**-**	**-**	**1,323**	**1,335**
Total				**1,058**	**1,556**	**100**	**-**	**2,714**	**2,732**

(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) 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 – 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.

The components of value are shown in the table below:

Embedded Value

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Adjusted net worth	**203**	**86**	**132**	**136.0**	**53.8**
Value of distributable profits	1,637	1,647	1,670	(0.6)	(2.0)
Value of imputation credits	214	228	234	(6.1)	(8.5)
Value of in-force	**1,851**	**1,875**	**1,904**	**(1.3)**	**(2.8)**
Traditional Embedded Value	**2,054**	**1,961**	**2,036**	**4.7**	**0.9**

Change in Embedded Value

	Jun-17 to Dec-17
	$M
Opening Embedded Value	**1,961**
Expected return	**63**
Experience and future assumption changes	
Discount rate and FX	(15)
Other [(1)]	20
Closing Embedded Value prior to	**2,029**
Dividends / transfers [(2)]	34
Release of franking credits	(9)
Closing Embedded Value	**2,054**

(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.

	Dec-17	Jun-17
	$M	$M
Base Embedded Value	**2,054**	**1,961**
Embedded Value assuming		
Discount rate and returns 1% higher	2,047	1,926
Discount rate and returns 1% lower	2,062	1,997
Discontinuance rates 10% lower	2,247	2,153
Renewal expenses 10% lower	2,082	1,987
Claims 10% lower	2,263	2,177

Appendix 6 – Life Embedded Value (includes New Zealand and other) (continued)

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)

	Dec-17 % per annum	Jun-17 % per annum
Investment return for underlying asset classes (gross of tax)		
Risk-free rate (at 10 years)	2.7	2.7
Cash	2.0	2.7
Fixed interest	3.0	3.7
Australian equities (inc. allowance for franking credits)	6.7	6.7
International equities	7.0	7.0
Property	6.9	6.9
Investment returns (net of tax)	**2.5**	**2.7**
Inflation		
Benefit indexation	2.5	2.5
Expense Inflation	2.5	2.5
Risk discount rate	**6.7**	**6.7**

Life risk assumptions (New Zealand)

	Dec-17 % per annum	Jun-17 % per annum
Investment return for underlying asset classes (gross of tax)		
Risk-free rate (at 10 years)	3.7	3.8
Cash	3.2	3.3
Fixed interest	3.1	3.3
Australian equities (inc. allowance for franking credits)	7.4	7.5
International equities	6.4	6.5
Property	5.4	5.5
Investment returns (net of tax)	**2.2**	**2.4**
Inflation		
Expense Inflation	2.3	2.3
Risk discount rate	**6.8**	**7.0**

Appendix 7 – Statement of assets and liabilities

General Insurance

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	590	621	517	(5.0)	14.1
Derivatives	22	36	27	(38.9)	(18.5)
Investment securities	12,136	12,186	12,421	(0.4)	(2.3)
Premiums outstanding	2,517	2,603	2,403	(3.3)	4.7
Reinsurance and other recoveries	2,553	3,135	2,460	(18.6)	3.8
Deferred reinsurance assets	550	837	644	(34.3)	(14.6)
Deferred acquisition costs	696	700	688	(0.6)	1.2
Due from related parties	210	198	185	6.1	13.5
Property, plant and equipment	49	47	53	4.3	(7.5)
Deferred tax assets	50	35	65	42.9	(23.1)
Goodwill and intangible assets	4,924	4,952	4,977	(0.6)	(1.1)
Other assets	761	781	718	(2.6)	6.0
Total assets	**25,058**	**26,131**	**25,158**	**(4.1)**	**(0.4)**
Liabilities					
Payables and other liabilities	648	758	631	(14.5)	2.7
Derivatives	15	19	194	(21.1)	(92.3)
Due to related parties	296	331	325	(10.6)	(8.9)
Deferred tax liabilities	17	16	16	6.3	6.3
Unearned premium liabilities	4,885	4,959	4,921	(1.5)	(0.7)
Outstanding claims liabilities	10,368	10,624	9,957	(2.4)	4.1
Loan capital	552	552	762	-	(27.6)
Current tax liabilities	-	3	2	(100.0)	(100.0)
Amount due to reinsurers	280	737	343	(62.0)	(18.4)
Total liabilities	**17,061**	**17,999**	**17,151**	**(5.2)**	**(0.5)**
Net assets	**7,997**	**8,132**	**8,007**	**(1.7)**	**(0.1)**

Reconciliation of net assets to Common Equity Tier 1 capital

Net assets - GI businesses	**7,997**	**8,132**	**8,007**
Insurance liabilities in excess of liability valuation	459	502	415
Reserves excluded from regulatory capital	(15)	(12)	(13)
Additional Tier 1 capital	(510)	(510)	(510)
Goodwill allocated to GI businesses	(4,402)	(4,410)	(4,412)
Other intangibles (including software assets)	(575)	(580)	(634)
Other Tier 1 deductions	(6)	(7)	(5)
Common Equity Tier 1 capital	**2,948**	**3,115**	**2,848**

Appendix 7 – Statement of assets and liabilities (continued)

Life Insurance and Wealth

	Half Year Ended Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Assets					
Invested assets	2,187	2,359	2,138	(7.3)	2.3
Assets backing annuity policies	119	123	125	(3.3)	(4.8)
Assets backing participating policies	2,228	2,292	2,314	(2.8)	(3.7)
Deferred tax assets	10	23	24	(56.5)	(58.3)
Reinsurance ceded	536	585	408	(8.4)	31.4
Other assets	371	398	315	(6.8)	17.8
Goodwill and intangible assets	215	217	218	(0.9)	(1.4)
Total assets	**5,666**	**5,997**	**5,542**	**(5.5)**	**2.2**
Liabilities					
Payables	257	508	182	(49.4)	41.2
Subordinated debt	100	100	100	-	-
Outstanding claims liabilities	292	328	277	(11.0)	5.4
Deferred tax liabilities	104	105	102	(1.0)	2.0
Policy liabilities	2,530	2,670	2,559	(5.2)	(1.1)
Unvested policyholder benefits [1]	277	247	284	12.1	(2.5)
Total liabilities	**3,560**	**3,958**	**3,504**	**(10.1)**	**1.6**
Net assets	**2,106**	**2,039**	**2,038**	**3.3**	**3.3**
Policyholder assets					
Assets					
Invested assets	689	705	747	(2.3)	(7.8)
Assets backing annuity policies	119	123	125	(3.3)	(4.8)
Assets backing participating policies	2,228	2,292	2,314	(2.8)	(3.7)
Other assets	35	16	33	118.8	6.1
Total Policyholder assets	**3,071**	**3,136**	**3,219**	**(2.1)**	**(4.6)**
Liabilities					
Payables	-	-	-	n/a	n/a
Policy liabilities	2,794	2,889	2,935	(3.3)	(4.8)
Unvested policyholder benefits [1]	277	247	284	12.1	(2.5)
Total Policyholder liabilities	**3,071**	**3,136**	**3,219**	**(2.1)**	**(4.6)**
Policyholder net assets	**-**	**-**	**-**	**-**	**-**
Shareholder assets					
Assets					
Invested assets	1,498	1,654	1,391	(9.4)	7.7
Deferred tax assets	10	23	24	(56.5)	(58.3)
Reinsurance ceded	536	585	408	(8.4)	31.4
Other assets	336	382	282	(12.0)	19.1
Goodwill and intangible assets	215	217	218	(0.9)	(1.4)
Total Shareholder assets	**2,595**	**2,861**	**2,323**	**(9.3)**	**11.7**
Liabilities					
Payables	257	508	182	(49.4)	41.2
Subordinated debt	100	100	100	-	-
Outstanding claims liabilities	292	328	277	(11.0)	5.4
Deferred tax liabilities	104	105	102	(1.0)	2.0
Policy liabilities	(264)	(219)	(376)	20.5	(29.8)
Total Shareholder liabilities	**489**	**822**	**285**	**(40.5)**	**71.6**
Shareholder net assets	**2,106**	**2,039**	**2,038**	**3.3**	**3.3**
Reconciliation of net assets to Common Equity Tier 1 capital					
Net assets - Life businesses	**2,106**	**2,039**	**2,038**		
Goodwill & intangibles	(215)	(217)	(218)		
Policy liability adjustment and deferred tax	(1,321)	(1,359)	(1,294)		
Additional Tier 1 capital	(35)				
Other Tier 1 deductions	-	(2)	(1)		
Common Equity Tier 1 capital	**535**	**461**	**525**		

(1) Includes participating business policyholder retained profits.

Appendix 7 – Statement of assets and liabilities (continued)

Bank

	Dec-17 $M	Jun-17 $M	Dec-16 $M	Dec-17 vs Jun-17 %	Dec-17 vs Dec-16 %
Assets					
Cash and cash equivalents	363	903	1,323	(59.8)	(72.6)
Receivables due from other banks	470	567	473	(17.1)	(0.6)
Trading securities	1,512	1,520	1,597	(0.5)	(5.3)
Derivatives	117	138	729	(15.2)	(84.0)
Investment securities	4,576	4,560	5,304	0.4	(13.7)
Loans and advances	57,635	55,197	54,047	4.4	6.6
Due from related parties	317	316	332	0.3	(4.5)
Deferred tax assets	47	51	48	(7.8)	(2.1)
Other assets	147	147	185	-	(20.5)
Goodwill and intangible assets	262	262	262	-	-
Total assets	**65,446**	**63,661**	**64,300**	**2.8**	**1.8**
Liabilities					
Deposits and short-term borrowings	46,024	45,427	46,477	1.3	(1.0)
Derivatives	294	354	377	(16.9)	(22.0)
Payables due to other banks	54	50	512	8.0	(89.5)
Payables and other liabilities	405	357	366	13.4	10.7
Due to related parties	25	63	61	(60.3)	(59.0)
Securitisation liabilities	4,111	3,088	2,204	33.1	86.5
Debt issues	9,722	9,216	9,585	5.5	1.4
Subordinated notes	742	742	742	-	-
Total liabilities	**61,377**	**59,297**	**60,324**	**3.5**	**1.7**
Net assets	**4,069**	**4,364**	**3,976**	**(6.8)**	**2.3**

Reconciliation of net assets to Common Equity Tier 1 capital			
Net assets - Banking business	**4,069**	**4,364**	**3,976**
Additional Tier 1 capital	(550)	(825)	(450)
Goodwill allocated to Banking business	(240)	(240)	(240)
Regulatory capital equity adjustments	(16)	(16)	(17)
Regulatory capital deductions	(265)	(254)	(287)
Other reserves excluded from Common Equity Tier 1 ratio	(84)	(82)	(85)
Common Equity Tier 1 capital	**2,914**	**2,947**	**2,897**

Appendix 8 – Life and Wealth invested shareholder assets

Australia Life and Wealth invested shareholder assets (AU$)

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	$M	$M	$M	%	%
Cash	402	352	324	14.2	24.1
Fixed interest securities	828	999	827	(17.1)	0.1
Equities	41	84	29	(51.2)	41.4
Property	5	10	3	(50.0)	66.7
Total	**1,276**	**1,445**	**1,183**	**(11.7)**	**7.9**

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

	Half Year Ended			Dec-17	Dec-17
	Dec-17	Jun-17	Dec-16	vs Jun-17	vs Dec-16
	NZ$M	NZ$M	NZ$M	%	%
Cash	27	23	9	17.4	200.0
Fixed interest securities	217	196	207	10.7	4.8
Total	**244**	**219**	**216**	**11.4**	**13.0**

Appendix 9 – Definitions

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium
Acquisition expense ratio – life insurance	Acquisition expenses, including upfront commissions, as a percentage of new business
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
Banking & Wealth function	Suncorp's Banking & Wealth business provides banking and wealth solutions to personal, small to medium enterprise and agribusiness customers
Basis points (bps)	A 'basis point' is 1/100th of a percentage point
Business Improvement Program (BIP)	A three-year, company-wide program focusing on five streams of work including digitising of customer experiences, sales and service channel optimisation, end-to-end process improvement, claims supply chain re-design and smarter procurement and streamlining the business
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
Cash return on average shareholders' equity pre-goodwill	Cash earnings divided by average equity attributable to owners of the Company less goodwill. Averages are based on monthly balances over the period. The ratio is annualised for half years
Claims Handling Expenses (CHE)	Costs incurred in the investigation, assessment and settlement of a claim
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
Commercial Insurance	Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, and public liability and professional indemnity insurance
Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 Ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank
Connected customers	A customer is considered to be connected if they have two or more needs met across the need categories of Home, Self, Mobility and Money, or if they hold four or more Suncorp products
Consumer Insurance	Consumer Insurance products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Credit risk-weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables

Appendix 9 – Definitions (continued)

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) – Insurance (Australia)	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
Fire service levies (FSL) – New Zealand	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by Fire and Emergency New Zealand. Fire service levies were established to cover corresponding fire brigade charges
Funds under management and administration	Funds where the Wealth business, in Australia and New Zealand, receives a fee for the administration and management of an asset portfolio
General insurance businesses	General insurance businesses include Insurance (Australia)'s general insurance business and New Zealand's general insurance business. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure rather than business functions structure
Gross earned premium	The total premium on insurance earned by an insurer during a specified period on premiums underwritten in the current and previous underwriting years
Gross non-performing loans	Gross impaired assets plus past due loans
Gross written premium	The total premium on insurance underwritten by an insurer during a specified period, before deduction of reinsurance premium
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 (Australia) function	Suncorp's Insurance (Australia) business provides consumer, commercial, personal injury and life insurance products to the Australian market. Consumer insurance products include home and contents insurance, motor insurance and travel insurance. Commercial insurance products include commercial motor insurance, commercial property insurance, industrial special risk insurance, public liability and professional indemnity insurance. Personal injury insurance products includes CTP insurance and workers' compensation insurance
Insurance funds	Insurance funds explicitly back insurance liabilities. They are designed to match the insurance liabilities and are managed separately from shareholders' funds
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 businesses	Life insurance businesses include Insurance (Australia)'s life insurance business, the wealth business within Banking & Wealth and New Zealand's life insurance business. This term is used when describing Suncorp's capital position, statement of financial position and embedded value which are structured around the Group's legal entity structure rather than business functions structure
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 planned profit margin release	It 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
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)

Appendix 9 – Definitions (continued)

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
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consists of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Maintenance (or renewal) expense ratio	Expenses related to servicing in-force life insurance policies, including renewal or trail commissions, policy management and claim costs, expressed as a percentage of in-force premiums
Marketplace	Suncorp's Marketplace is a connected network of brands, solutions, partners, and channels to empower customers to improve their financial wellbeing and deliver outstanding customer experiences and deepen Suncorp's relationships with its customers. This involves building an ecosystem of partners that will provide a suite of relevant products and offers that meet the needs of the customer in the key moments that matter in their lives
Maximum Event Retention	This is an estimate of the largest accumulated property loss (from a single event) to which Suncorp will be exposed (taking into account the likelihood of this event is up to one in 200 years), after netting off any potential reinsurance recoveries
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year
Net incurred claims – Insurance (Australia)	The amount of claims incurred during an accounting period after deducting reinsurance recoveries
Net incurred claims - New Zealand	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries
Net interest margin (NIM)	Net interest income divided by average interest earning assets. NIM is the percentage difference between revenue earned on interest bearing assets (loans) minus the cost of interest bearing liabilities (funding)
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 (NPAT)	Net profit after tax attributable to owners of Suncorp derived in accordance with Australian Accounting Standards
Net Stable Funding Ratio (NSFR)	The NSFR measures the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF is the amount of capital and liabilities that are expected to be a reliable source of funds over a 1-year time horizon. The amount of RSF is based on the liquidity characteristics and residual maturity of assets and off-balance sheet activities. The requirement to maintain an NSFR of at least 100% was introduced on 1 January 2018
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
New Zealand function	Suncorp's New Zealand business distributes consumer, commercial and life insurance products through intermediaries and corporate partners as well as directly to customers via joint ventures
Operating functions	Suncorp has three operating functions - Insurance (Australia), Banking & Wealth and New Zealand. The operating functions are responsible for product design, manufacturing, claims management and end-to-end responsibility for the statutory entities within Suncorp Group
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid

Appendix 9 – Definitions (continued)

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
Prescribed capital amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance risk, insurance concentration risk, operational risk, combined stress scenario and aggregation benefit as required by APRA
Profit after tax from functions	The net profit after tax for the Insurance (Australia), Banking & Wealth and New Zealand functions
Reinsurance	A form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all or a share of certain claims incurred by the insurance company. Suncorp's reinsurance arrangements currently include a main catastrophe program, a 30 percent, multi-year, proportional quota share arrangement to reduce geographic concentration to the Queensland home insurance market and a natural hazards aggregate protection cover
Reserve releases	Reserve releases occur when provisions made to cover insurance claims made against underwritten policies are assessed as higher than long-run trends in actual experience
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
Shareholders' funds	Shareholders' funds are part of the investment portfolio and are managed separately from insurance funds
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months
Top-line growth	Top-line growth is derived from a weighted-average calculation of underlying year-on-year growth in Suncorp Group's key business segments. Top-line growth percentage is calculated as growth in short-tail and long-tail insurance gross written premium (excluding impacts of one-off items from time to time that can distort the underlying trend, such as South Australia CTP in 1H17 in recognition of the impact of acquiring that book in 1H 18) (65% weighting), growth in retail and business lending assets (weighting 25%) and growth in life insurance in-force premium (10% weighting)
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 – general insurance	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
Ultimate net loss (UNL) – New Zealand	Financial obligation when an insured event occurs, net of the catastrophe treaty
Underlying Insurance Trading Ratio (Underlying ITR)	The insurance trading ratio is adjusted for reported prior year reserve releases and natural hazards claims costs above/below long-run expectations, investment income mismatch and any abnormal expenses

Appendix 10 – 2017/18 key dates [(1)]

Ordinary Shares (SUN)

Half year results and interim dividend announcement	**15 February 2018**
Ex-dividend date	21 February 2018
Dividend payment	5 April 2018
Full year results and final dividend announcement	**9 August 2018**
Ex-dividend date	15 August 2018
Dividend payment	19 September 2018
Annual General Meeting	**20 September 2018**

Subordinated Notes (SUNPD)

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

Convertible Preference Shares 3 (SUNPE)

Ex-dividend date	2 March 2018
Dividend payment	19 March 2018
Ex-dividend date	31 May 2018
Dividend payment	18 June 2018
Ex-dividend date	31 August 2018
Dividend payment	17 September 2018
Ex-dividend date	30 November 2018
Dividend payment	17 December 2018

Suncorp Capital Notes (SUNPF)

Ex-distribution date	2 March 2018
Distribution payment	19 March 2018
Ex-distribution date	31 May 2018
Distribution payment	18 June 2018
Ex-distribution date	31 August 2018
Distribution payment	17 September 2018
Ex-distribution date	30 November 2018
Distribution payment	17 December 2018

Suncorp Capital Notes 2 (SUNPG)

Ex-distribution date	2 March 2018
Distribution payment	19 March 2018
Ex-distribution date	31 May 2018
Distribution payment	18 June 2018
Ex-distribution date	31 August 2018
Distribution payment	17 September 2018
Ex-distribution date	30 November 2018
Distribution payment	17 December 2018

Floating Rate Capital Notes (SBKHB)

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

[(1)] All dates are subject to change.