INVESTOR PACK

FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

Suncorp Group ('Group', 'the Group', 'the Company' or 'Suncorp') is comprised of Suncorp Group Limited (SGL) and its subsidiaries, its interests in associates and jointly controlled entities. The 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 2019 and comparatives are for 31 December 2018, 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 or 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 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 the glossary.

DISCLAIMER

This report contains general information on the Group and its operations, which is current as at 11 February 2020. It is information given in summary form and does not purport to be complete.

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

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

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

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

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1.0 GROUP RESULTS

1.1 RESULT HIGHLIGHTS

		Half Year Ended			Dec-19	Dec-19
		Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
Profit after tax from ongoing functions (1)	$M	396	768	422	(48.4)	(6.2)
Profit after tax from functions	$M	397	770	450	(48.4)	(11.8)
Cash earnings	$M	365	702	413	(48.0)	(11.6)
Net profit after tax	**$M**	**642**	**(75)**	**250**	**n/a**	**156.8**
Cash earnings per share - Diluted	(cents)	28.04	52.44	31.54	(46.5)	(11.1)
Cash return on average shareholders' equity	(%)	5.7	10.9	6.0		
Insurance trading ratio (1)	(%)	6.0	15.8	7.5		
Underlying insurance trading ratio (1)	(%)	9.3	12.3	12.2		
Bank net interest margin (interest-earning assets) (2)	(%)	1.92	1.90	1.89		
Ordinary dividends per ordinary share	(cents)	26.0	44.0	26.0	(40.9)	-
Payout ratio (excluding special dividend) - cash earnings	(%)	89.5	81.1	81.4		
Special dividends per ordinary share	(cents)	-	8.0	-		
General Insurance total capital PCA coverage	(times)	1.72	1.85	1.67		
Bank Common Equity Tier 1 ratio (3)	(%)	9.69	9.27	9.16		
Group reserve releases	$M	58	156	172	(62.8)	(66.3)
Group reserve releases as a percentage of net earned premium	(%)	1.3	3.6	4.0		

Refer to the Glossary for definitions.
(1) Prior period comparatives have been restated to adjust for the sale of the Capital S.M.A.R.T and ACM Parts businesses in October 2019.
(2) Comparative figures for NIM have been restated to reflect the new NIM calculation methodology.
(3) Jun-19 comparatives have been restated to reflect immaterial changes in Bank credit risk-weighted assets as set out in the revised Jun-19 APS 330 disclosures published on the Suncorp Group website on 31 January 2020.

- **Group net profit after tax of $642m**, up 156.8% on the pcp includes the $293m after tax profit on sale of Capital S.M.A.R.T and ACM Parts.
- **Profit after tax from ongoing functions declined 6.2%**. The result was impacted by lower reserve releases, an uplift in regulatory project costs, the impact of the low yield environment, the timing of natural hazards events vs pcp and an increasingly competitive mortgage market.
- **Cash earnings declined 11.6%** on the pcp to $365m. Excluding the impact of profit after tax from discontinued functions **cash earnings declined 5.5%.**
- **Interim ordinary dividend of 26 cents per share** fully franked has been declared and is flat on the pcp, reflecting a cash earnings payout ratio of 89.5%. The Group maintains a strong capital position. The proforma **excess CET1 position after adjusting for the interim dividend is $691m**.
- **Insurance (Australia) profit after tax declined 3.9%** to $123m, primarily due to the impact of lower reserve releases, higher regulatory costs, increased reinsurance costs and the impact of the low yield environment.
- **Australian Home and Motor gross written premium increased 3.1%** (excluding fire service levies) with unit growth of 1.1%, reflecting improved new business performance and strong renewal rates.
- **New Zealand General Insurance gross written premium increased 5.4%** (in New Zealand dollar terms), driven by premium increases across all portfolios and unit growth in the direct business. Profit after tax of NZ$108m (A$102m) declined 10.0%, reflecting a normalisation of natural hazard costs, an increase in project costs, reserve strengthening and a remediation provision.
- Group General Insurance **underlying insurance trading ratio was 9.3%** impacted primarily by the increase in the natural hazard allowance, an increase in reinsurance costs, the impact of lower yields and higher regulatory costs.
- **Net reserve releases of $58m**, representing 1.3% of net earned premium, below the pcp, primarily reflecting lower personal injury reserve releases in line with scheme reform and the one-off strengthening of prior period claims in New Zealand.
- **Banking & Wealth** profit after tax of $171m, down 6.6% on the pcp, benefitted from **strong at-call deposit growth well above system, a stable net interest margin of 1.92%,** up 2 bps over the half, and **low impairment charges of 0 bp** of gross loans and advances, offset by one-off fee impacts and elevated operating expenses. Home lending growth was impacted by low system growth and elevated processing times, particularly within the broker network.

1.2 CONTRIBUTION TO PROFIT BY FUNCTION

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Insurance (Australia) (1)					
Gross written premium	4,176	4,144	4,101	0.8	1.8
Net earned premium	3,681	3,603	3,689	2.2	(0.2)
Net incurred claims (1)	(2,861)	(2,595)	(2,854)	10.3	0.2
Operating expenses	(771)	(787)	(769)	(2.0)	0.3
Investment income - insurance funds	99	319	125	(69.0)	(20.8)
Insurance trading result	148	540	191	(72.6)	(22.5)
Other income	27	107	(15)	(74.8)	n/a
Profit before tax	175	647	176	(73.0)	(0.6)
Income tax (1)	(52)	(194)	(48)	(73.2)	8.3
Insurance (Australia) profit after tax (1)	**123**	**453**	**128**	**(72.8)**	**(3.9)**
Banking & Wealth					
Net interest income	594	578	585	2.8	1.5
Net non-interest income	12	27	23	(55.6)	(47.8)
Operating expenses	(361)	(341)	(341)	5.9	5.9
Profit before impairment losses on loans and advances	245	264	267	(7.2)	(8.2)
Impairment losses on loans and advances	(1)	(6)	(7)	(83.3)	(85.7)
Banking profit before tax	244	258	260	(5.4)	(6.2)
Income tax	(73)	(77)	(78)	(5.2)	(6.4)
Banking profit after tax	**171**	**181**	**182**	**(5.5)**	**(6.0)**
Wealth profit after tax	**-**	**-**	**1**	**n/a**	**(100.0)**
Banking & Wealth profit after tax	**171**	**181**	**183**	**(5.5)**	**(6.6)**
New Zealand					
Gross written premium	827	798	768	3.6	7.7
Net earned premium	703	676	641	4.0	9.7
Net incurred claims	(375)	(339)	(315)	10.6	19.0
Operating expenses	(217)	(216)	(201)	0.5	8.0
Investment income - insurance funds	5	14	7	(64.3)	(28.6)
Insurance trading result	116	135	132	(14.1)	(12.1)
Other income	6	13	2	(53.8)	200.0
Profit before tax	122	148	134	(17.6)	(9.0)
Income tax	(33)	(39)	(39)	(15.4)	(15.4)
General Insurance profit after tax	**89**	**109**	**95**	**(18.3)**	**(6.3)**
Life Insurance profit after tax	**13**	**25**	**16**	**(48.0)**	**(18.8)**
New Zealand profit after tax	**102**	**134**	**111**	**(23.9)**	**(8.1)**
Profit after tax from ongoing functions	**396**	**768**	**422**	**(48.4)**	**(6.2)**
Profit after tax from discontinued business (1)	**1**	**2**	**28**	**(50.0)**	**(96.4)**
Profit after tax from functions	**397**	**770**	**450**	**(48.4)**	**(11.8)**
Life stranded costs net of TSA revenue	(11)	(13)	-	(15.4)	n/a
Customer remediation	-	(60)	-	(100.0)	n/a
Other profit (loss) before tax (2)	(21)	(10)	(40)	110.0	(47.5)
Income tax	-	15	3	(100.0)	(100.0)
Other profit (loss) after tax	**(32)**	**(68)**	**(37)**	**(52.9)**	**(13.5)**
Cash earnings	**365**	**702**	**413**	**(48.0)**	**(11.6)**
Net profit (loss) on sale of ceased operations (after tax) (3)	293	(754)	(145)	n/a	n/a
Acquisition amortisation (after tax)	(16)	(23)	(18)	(30.4)	(11.1)
Net profit after tax	**642**	**(75)**	**250**	**n/a**	**156.8**

(1) Profit after tax from discontinued business incorporates the performance of the Capital SMART and ACM Parts businesses sold on 31 October 2019. Insurance (Australia) comparatives have been restated to adjust for the participating Capital SMART and ACM Parts business performance. The Dec-18 period also includes the contribution from the Australian Life business prior to it being sold.

(2) 'Other' includes investment income on capital held at the Group level (Dec-19: $9m; Jun-19: $17m; Dec-18: $10m), consolidation adjustments and transaction costs (Dec-19: nil ; Jun-19: $9m; Dec-18: loss $11m), non-controlling interests (Dec-19: loss $8m; Jun-19: loss $11m; Dec-18: loss $9m) and net external funding expense (Dec-19: $22m; Jun-19: $25m; Dec-18: $30m).

(3) Net profit (loss) on sale of ceased operations includes a gain on sale of the Capital SMART and ACM Parts businesses (Dec-19: $293m; Jun-19: n/a; Dec-18: n/a), loss on sale of the Australian Life Insurance and Participating Wealth Business (Dec-19: n/a; Jun-19: loss $765m; Dec-18: loss $145m) and gain on sale of Resilium (Dec-19: n/a; Jun-19: $11m; Dec-18: n/a).

1.3 GROUP RATIOS AND STATISTICS

		Half Year Ended			Dec-19	Dec-19
		Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
					%	%
Performance ratios						
Earnings per share [1] [2]						
Basic	(cents)	50.16	(5.80)	19.34	n/a	159.4
Diluted	(cents)	48.27	(5.80)	19.34	n/a	149.6
Cash earnings per share [1] [2]						
Basic	(cents)	28.52	54.28	31.95	(47.5)	(10.7)
Diluted	(cents)	28.04	52.44	31.54	(46.5)	(11.1)
Return on average shareholders' equity [1]	(%)	10.0	(1.2)	3.6		
Cash return on average shareholders' equity [1]	(%)	5.7	10.9	6.0		
Cash return on average shareholders' equity pre-goodwill [1]	(%)	9.0	17.1	9.3		
Return on average total assets	(%)	1.33	(0.15)	0.50		
Insurance trading ratio [4]	(%)	6.0	15.8	7.5		
Underlying insurance trading ratio [4]	(%)	9.3	12.3	12.2		
Bank net interest margin (interest-earning assets)	(%)	1.92	1.90	1.89		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	26.0	44.0	26.0	(40.9)	-
Special dividends per ordinary share	(cents)	-	8.0	-	(100.0)	-
Payout ratio (excluding special dividend) [1]						
Net profit after tax	(%)	50.9	(758.7)	134.5		
Cash earnings	(%)	89.5	81.1	81.4		
Payout ratio (including special dividend) [1]						
Net profit after tax	(%)	50.9	(896.7)	134.5		
Cash earnings	(%)	89.5	95.8	81.4		
Weighted average number of shares						
Basic	(m)	1,280.0	1,293.2	1,292.6	(1.0)	(1.0)
Diluted	(m)	1,369.4	1,380.5	1,382.2	(0.8)	(0.9)
Number of shares at end of period [3]	(m)	1,257.1	1,293.3	1,293.1	(2.8)	(2.8)
Net tangible asset backing per share	($)	5.81	5.93	6.26	(2.0)	(7.2)
Share price at end of period	($)	12.96	13.47	12.63	(3.8)	2.6
Productivity						
Australian General Insurance expense ratio	(%)	20.9	21.8	20.8		
Banking cost to income ratio	(%)	59.6	56.4	56.1		
New Zealand General Insurance expense ratio	(%)	30.9	32.0	31.3		
Financial position						
Total assets	($M)	95,184	96,235	99,315	(1.1)	(4.2)
Net tangible assets	($M)	7,308	7,673	8,095	(4.8)	(9.7)
Net assets	($M)	12,717	13,133	13,624	(3.2)	(6.7)
Average Shareholders' Equity	($M)	12,796	12,995	13,709	(1.5)	(6.7)
Capital						
General Insurance total capital PCA coverage	(times)	1.72	1.85	1.67		
General Insurance Common Equity Tier 1 PCA coverage	(times)	1.28	1.39	1.21		
Bank total capital ratio	(%)	13.82	13.45	13.35		
Bank Common Equity Tier 1 ratio [5]	(%)	9.69	9.27	9.16		
Common Equity Tier 1 Capital held within SGL & Corp Services	($M)	328	137	208	139.4	57.7

(1) Refer to Glossary for definitions.
(2) Refer to Appendix 3.3 (page 64) for detailed earnings per share calculations.
(3) Excluding treasury shares. Number of diluted shares at the end of the period was 1,346.5m.
(4) Prior period comparatives have been restated to adjust for the sale of the SMART and ACM Parts businesses in October 2019.
(5) Jun-19 comparatives have been restated to reflect immaterial changes in Bank credit risk-weighted assets as set out in the revised Jun-19 APS 330 disclosures published on the Suncorp Group website on 31 January 2020.

1.4 GROUP RESULT OVERVIEW

Group net profit after tax (NPAT) of $642m, up 156.8% on the pcp, included the profit after tax on the sale of Capital S.M.A.R.T ("SMART") and ACM Parts to AMA Group Limited ("AMA") of $293m. Suncorp cash earnings were down 11.6% to $365m. Excluding the impact of profit after tax from discontinued functions, cash earnings declined 5.5%.

Key features of the result include:

— Improved unit trajectory in consumer lines flowing from the creation of virtual brand teams and targeted marketing campaigns.

— Strong growth in the commercial portfolio is being achieved through rate increases and volume growth in targeted market segments.

— Digital distribution channels are driving new business growth across the three businesses.

— Banking continues to report low impairment levels, a stable net interest margin (NIM) and continued growth in at-call deposits.

— New Zealand was driven by strong growth in the direct channel and a refocus on partner channels.

— Sale of SMART and ACM Parts completed and Suncorp's competitive advantage in claims maintained through a long-term strategic partnership with AMA.

— Strong balance sheet with proforma excess CET1 position of $691m providing capital flexibility.

— The series of catastrophic bushfire events over the period resulted in natural hazard costs above allowance for the period. The enhanced reinsurance program put in place for FY20 provides strong earnings protection in 2H20.

Insurance (Australia) GWP increased 1.8%, reflecting growth in Home, Motor and Commercial portfolios offset by an 8.9% decline in the CTP portfolio, in line with the expectations around the impacts of scheme reforms and market pricing dynamics. Excluding the impact of portfolio exits and remediation actions, GWP growth was 3.1%. Profit after tax (PAT) declined 3.9% on the pcp to $123m, primarily due to the impact of lower reserve releases, higher regulatory costs, increased reinsurance costs and the impact of the low yield environment. ***For further information on the performance of Insurance (Australia) please refer to page 24.***

New Zealand GWP increased 5.4%, driven by premium increases across all portfolios and supported by unit growth in the direct business. PAT of NZ$108m was down 10.0% on the pcp, impacted by a normalisation of natural hazard costs over the half, following a benign year in FY19, a 6.0% increase in operating costs reflecting growth-related higher commission costs and higher technology and project costs. The result includes a NZ$8m remediation provision which is captured in GWP. ***For further information on the performance of the New Zealand function please refer to page 49.***

The Group's General Insurance result includes reserve releases of $58m, a decline of 66.3% on the pcp, representing 1.3% of net earned premium, marginally below the Group's expectations of 1.5%. Insurance (Australia) reserve releases for 1H20 were equivalent to 1.8% of Australia NEP with the New Zealand short tail strengthening reducing the overall Group result below 1.5%. The primary drivers of the lower reserve releases include one-off strains in the Commercial Australia book following a review of the bodily injury portfolio and a large single claim; natural volatility in the short tail books in Australia and New Zealand with modest strengthening across a range of prior events; and the effect of scheme reform across the personal injury portfolio resulting from lower premiums and more certainty in claims outcomes over time. Despite personal injury reserve releases being lower than pcp, they remain well above the Group's long-term target of 1.5%.

The General Insurance businesses' CET1 position was 1.28 times the PCA, above its target operating range of 1.0 to 1.2 times PCA.

The Banking & Wealth result was supported by strong growth in at-call deposits, a stable NIM and low impairment charges. The result was offset by elevated regulatory and technology expenses and a contraction in home lending over the half, with low system growth and elevated processing times, particularly within the broker network. Banking and Wealth delivered PAT of $171m, down 6.6% on the pcp. Total net non-interest income was $12m, down 47.8% on the pcp, due to a one-off GST adjustment. Elevated expenses and lower non net-interest income impacted the cost to income ratio of 59.6%, up 3.5% on the pcp. The result benefitted from an easing in funding costs, with NIM increasing 2 bps over the half to 1.92%. Credit quality remains strong, impairment charges were negligible and continue to remain below the Group's revised through-the-cycle operating range of 5-15 bps of gross loans and advances. The Bank's CET1 Ratio was 9.69%, above the top of its revised target operating range of 9.00% to 9.50%.

Wealth PAT was broadly flat on the pcp and reflects the business ceasing collection of grandfathered commissions from 1 October 2019 and the impact of elevated regulatory costs. ***For further information on the performance of the Banking & Wealth function please refer to page 35.***

Suncorp continued to leverage the investment in digital and data initiatives over the last three years to deliver further improvements in both the customer interface and back end processes across the three core businesses. The adoption of digital channels by customers continued to grow strongly and is expected to benefit from further investment in 2H20.

Suncorp's Business Improvement Program (BIP) generated incremental benefits of $28m in 1H20. The program continues to drive operational excellence, with disciplines being embedded in each business unit focusing on end-to-end process improvement and a day-to-day emphasis on operational excellence. These include automated triage, prioritisation and pathing of insurance claims, as well as process automation to support growth.

Group total operating expenses (excluding FSL) were down 0.4% on the prior half to $1.3bn. After adjusting for the reduction in operating costs following the sale of the Australian Life business, operating expenses were up 1.1% on 2H19. This was driven primarily by an increase in project costs, partially offset by lower deferred acquisition costs (DAC).

Cash earnings of $365m includes $11m of stranded costs, net of the transitional services agreement, post the sale of the Australian Life Business.

In October 2019, Suncorp successfully completed the sale of SMART and ACM parts to AMA. Suncorp retained a 10% interest in the SMART business and holds a board seat on the Capital SMART Group Holding entity. The sale of the two businesses generated approximately $300m of excess CET1 capital. PAT on the sale was $293m and is reflected in the Group NPAT.

The Group maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $691m after adjusting for the final dividend.

The Group's cash earnings, strong balance sheet position and comprehensive Reinsurance program has led to the Board declaring a fully franked interim dividend of 26 cents per share (cps) equating to a payout ratio of 89.5%. ***For further information on the dividend and Group capital position, please refer to page 21.***

1.5 FY20 GROUP OUTLOOK AND PRIORITIES

Suncorp's 2H20 activities will be focused on the delivery of key initiatives designed to achieve the Group's four key priorities:

Ensure Suncorp's people and programs of work are aligned to improve the performance of our core businesses.

Implementing programs that will reinvigorate growth in the core Insurance and Banking businesses, with targeted initiatives and investments that have been identified to deliver both near-and longer-term benefits for customers.

For specific information on the Insurance (Australia) outlook please refer to page 25.
For specific information on the Banking & Wealth outlook please refer to page 36.
For specific information on the New Zealand outlook please refer to page 50.

Embracing regulatory change to deliver improved customer outcomes

Suncorp's regulatory program of work is both extensive and complex and to a large extent its implementation is dependent on regulators and the passage of new or amended legislation however the priority is to embrace regulatory change to strengthen trust and drive improved customer outcomes. 2H20 programs include:

— Insurance (Australia) will continue to focus on changes to systems, processes and procedures to adhere to the new General Insurance Code of Practice, with a focus on providing extra support to customers experiencing vulnerability.

— The New Zealand business will focus on delivering the Conduct Uplift Program in response to the joint RBNZ and FMA review of Conduct and Culture and addressing the Government's proposed draft.

— The data architecture upgrade to improve regulatory reporting will proceed into delivery phase in 2H20, with implementation to be phased over multiple years. Remaining work associated with the Payments Card Industry Data Security Standard will also be completed.

— The Design and Distribution Obligations will be implemented in Insurance to ensure correct customer offerings and the review of unfair contract terms will be completed, delivering changes to PDS's, processes, people and systems. Banking & Wealth will also progress on its Design & Distribution Obligations program over 2H20.

— The Culture & People Program will conduct a Group-wide culture assessment program in line with regulatory requirements.

— The Wealth Program of work will include the implementation of APRA Prudential Standard SPS515.

For further detail on Suncorp's regulatory agenda and programs please refer to slide 47 in the HY20 Data Pack.

Leveraging our investment in digital and data to meet the needs of customers and improve end-to-end operational efficiency

Activities will be based on leveraging prior year investment to embed digital and data in product design and distribution across all business functions. 2H20 programs include:

— Artificial intelligence (AI) enhancements in processes for both banking and insurance claims and further developing of the Scout chatbox service capability and Intelligent Virtual Assistant for Suncorp.

A continued focus on developing a single digital customer view will provide a timelier and more personalised user experience.

— Leveraging existing application programming interfaces (APIs) to unlock data and improve speed to market for new digital assets and continuing to build re-usable APIs to create digital experiences in a fast, cost-effective and secure manner.

— Progressing identity management capabilities to support Open Banking through new APIs and developing the foundations for the new identity platform to improve capability, security and customer authentication.

— Leveraging the Suncorp App's foundations, dedicated Insurance apps will be created on the same platform, commencing with AAMI in 2H20. This platform for insurance brands will allow new mobile app features to be deployed at minimal effort and cost, driving stronger digital engagement with brand-aligned customers and increasing digital users across the Group.

Driving operational excellence

— Investment within the BIP program of work will continue in 2H20 focused on both the claims supply chain and programs designed to reduce operating expenses. The program remains on track to deliver net benefits at least in line with the upgraded forecast of $380m at 30 June 2019. This is the final period of the three-year program, with insights and key learnings to be embedded into business-as-usual activities in the business functions.

— Further leveraging capabilities across the Group such as process improvement, partnering, AI and digital to reduce the cost to serve and improve efficiency.

— Focus on further simplifying the Group structure following the sale of the Australian Life and the SMART and ACM businesses.

— Suncorp recently moved to exit its financial advice business and has commenced a review of the Wealth business.

Other factors impacting the FY20 results will include:

— Suncorp's reinsurance program, including the $200m aggregate stop loss cover acquired for FY20, should provide strong protection for FY20 earnings. This cover is aimed at limiting the full year natural hazard costs to the $820m allowance. ***For further information on the Group's reinsurance program and the current position in relation to the utilisation of the layers of the program, please refer to section 1.9.3 Group reinsurance on page 18 and slides 37 and 38 in the HY20 Data Pack.***

— The low yield environment is expected to continue for the foreseeable future. While further RBA policy easing would lead to mark-to-market gains in the near-term, this would drive lower running yield income in future periods. Although risk sentiment has been impacted by the recent outbreak of the coronavirus epidemic, the improvement in international trade relations and the low interest rate backdrop is supporting equity and credit markets. While this should continue to underpin markets over coming months, future investment returns look set to be lower relative to the past year. Refer Section 1.9.2 for further detail on the net impacts from yields and investment markets.

— Based on current projections, reserve releases for FY20 are expected to be above 1.5% of NEP, provided the benign inflationary environment continues.

— The spend on regulatory project costs is expected to be $155m. From FY21, regulatory project costs are expected to gradually decline but remain elevated, reflecting the slower than anticipated pace of legislation flowing from the Royal Commission and the requirement for investment in programs outside this envelope due to other regulatory changes being introduced.

— Suncorp continues to target an operating cost base, excluding FSL, of approximately $2.7bn.

— The Group's dividend policy will remain unchanged. Suncorp will seek to maintain an ordinary dividend payout ratio of 60-80% of cash earnings and remains committed to returning capital that is surplus to the needs of the business.

1.6 GROUP TOP-LINE GROWTH

	Dec-19 $M	Jun-19 $M	Dec-18 $M	Dec-19 vs Jun-19 %	Dec-19 vs Dec-18 %
Insurance (Australia)					
General Insurance gross written premium (ex FSL)	4,103	4,079	4,025	0.6	1.9
Banking & Wealth					
Net interest income	594	578	585	2.8	1.5
Net non-interest income	12	27	23	(55.6)	(47.8)
Banking total lending	58,490	59,293	59,170	(1.4)	(1.1)
Wealth funds under management	6,439	6,377	6,011	1.0	7.1
New Zealand (AUD)					
General Insurance gross written premium	827	798	768	3.6	7.7
Life funds under management and administration	698	693	643	0.7	8.6
Life in-force premium	262	255	249	2.7	5.2
New Zealand (NZD)					
General Insurance gross written premium	876	839	831	4.4	5.4
Life funds under management and administration	727	725	677	0.3	7.4
Life in-force premium	273	267	262	2.2	4.2

— Insurance (Australia) delivered GWP growth of 1.9% (ex FSL). Excluding portfolio exits in FY19 and the impact of remediation of certain channels, Insurance (Australia) GWP growth was 3.1%. The portfolio comprised growth of 3.1% in Home and Motor, 2.5% growth in Commercial and 20.1% in Workers Compensation and Other, offset by the impact of regulatory reforms in CTP which drove a 8.9% decline in GWP on the pcp. Normalising for the impact of portfolio exits in Commercial, GWP growth was 7.7% in this segment, with strong premium rate increases in a hardening market, and a focus on growing volume in target markets and maintaining portfolio profitability.

— Total income in the Bank was flat on the pcp, reflecting a 1.5% increase in net interest income and a decline in net non-interest income driven primarily by a one-off over recovery of historical GST. Customer fees collected were broadly in line with the previous period.

— New Zealand GWP grew 5.4% (in New Zealand dollar terms) on the pcp, driven by premium increases across all portfolios and supported by unit growth in the direct business. Excluding customer remediation impacts, GWP growth on the pcp was 6.4%.

1.7 GROUP OPERATING EXPENSES

Group total operating expenses (excluding FSL) were $1.3bn, down 0.4% on the prior half. Excluding the reduction in operating expenses following the sale of the Australian Life Insurance and Participating Wealth Business, operating costs were up 1.1% on 2H19 and reflect the Group's investment to deliver on the four key strategic priorities outlined for the year.

The key drivers impacting the movement in operating expenses from 2H19 are outlined in the table below:

— $28m increase in project costs, primarily driven by higher spend on systems and growth projects as well as the continued elevation of regulatory project costs.

— $5m increase in technology costs.

— $3m increase in regulatory BAU costs.

— $6m reduction in marketing and advertising spend, largely due to timing related factors.

— $16m of incremental BIP net benefits.

Operating expenses movements

	Movement Jun-19 vs Dec-19 $M
2H19 operating expenses (excluding FSL)	**1,343**
Australian Life Business operating expenses	(20)
2H19 operating expenses (excluding Australian Life Business)	**1,323**
Project costs (included in operating expenses)	28
Technology costs	5
Regulatory BAU costs	3
Marketing and advertising costs	(6)
BIP incremental net benefits	(16)
1H20 operating expenses (excluding FSL)	**1,337**

Operating expenses by function

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Insurance (Australia) operating expenses					
Acquisition expenses	490	508	497	(3.5)	(1.4)
Other underwriting expenses	211	202	188	4.5	12.2
Insurance (Australia) operating expenses	**701**	**710**	**685**	**(1.3)**	**2.3**
New Zealand operating expenses					
Acquisition expenses	157	153	149	2.6	5.4
Other underwriting expenses	60	63	52	(4.8)	15.4
Life operating expenses	22	19	17	15.8	29.4
New Zealand operating expenses	**239**	**235**	**218**	**1.7**	**9.6**
Banking & Wealth operating expenses					
Banking operating expenses	361	341	341	5.9	5.9
Wealth operating expenses	36	37	33	(2.7)	9.1
Banking & Wealth operating expenses	**397**	**378**	**374**	**5.0**	**6.1**
Group total operating expenses from ongoing functions	**1,337**	**1,323**	**1,277**	**1.1**	**4.7**
Australian Life Business operating expenses	**-**	**20**	**65**	**(100.0)**	**(100.0)**
Group total operating expenses	**1,337**	**1,343**	**1,342**	**(0.4)**	**(0.4)**
FSL	70	76	85	(7.9)	(17.6)
Group total operating expenses (including FSL)	**1,407**	**1,419**	**1,427**	**(0.8)**	**(1.4)**

Business Improvement Program

Investment in the BIP streams of work delivered a net benefit to operating expenses of $103m in 1H20. Programs in the claims area delivered net benefits of $110m in 1H20. For details of the BIP streams of work over the half, refer to the business function sections of the pack. The focus of all streams of work is on embedding end-to-end operational excellence in business operations. BIP is on track to exceed the FY20 net benefits target of $380m.

1H20 BIP incremental benefits – movements on prior half

	Gross costs (total) [2]			Net benefits (incremental) [1]		
	Opex	Claims	Total	Opex	Claims	Total
	$M	$M	$M	$M	$M	$M
1H18	(38)	(12)	(50)	(32)	4	(28)
2H18	(37)	(17)	(54)	63	33	96
1H19	(32)	(10)	(42)	7	20	27
2H19	(15)	(14)	(29)	49	41	90
1H20	(8)	(7)	(15)	16	12	28
1H20 net benefits				**103**	**110**	**213**

(1) Represents change on preceding period.

(2) Represents total costs for each half year period.

1H20 BIP outcomes by function

	1H20 Gross benefits[2]			1H20 Gross costs[3]			1H20 Net benefits		
	Opex	Claims	Total	Opex	Claims	Total	Opex	Claims	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Insurance (Australia)	73	117	190	(3)	(7)	(10)	70	110	180
Banking & Wealth [1]	38	-	38	(5)	-	(5)	33	-	33
Total	**111**	**117**	**228**	**(8)**	**(7)**	**(15)**	**103**	**110**	**213**

(1) Total Banking & Wealth net operating expense benefit of $33m is split between Banking $32m and Wealth $1m.

(2) Gross benefits are the in-year P&L benefits flowing from the Business Improvement Program initiatives that have been delivered since the program commenced in July 2017.

(3) Gross costs are the in-year P&L cost of the Business Improvement Program.

1.8 CUSTOMER AND DIGITAL

	Dec-19	Jun-19	Dec-18
Customers Advocacy			
Consumer Net Promoter Score (NPS)	+4.6	+5.0	+5.8
Business Net Promoter Score (NPS)	+6.4	+2.1	+1.2
Customer engagement via digital channels			
Number of digital [1] users (m)	3.61	3.35	3.03
Proportion of digital claims [2]	18%	18%	16%
Proportion of digital claims that are 'zero touch' [3]	40%	38%	37%
Proportion of Insurance new business sales via digital [4]	28%	27%	26%
Proportion of Banking new business sales via digital [5]	59%	46%	41%

Note: Customer statistics are reported on a 12-month rolling basis.

(1) Digital users are Australian visitors that have logged into Suncorp's authenticated digital assets like internet banking, mobile banking app, insurance policy self-service web and mobile applications. Half year numbers have been calculated on an updated 12-month rolling basis. (Dec-18 previously disclosed as 3.20m, prior to changes at the FY19 Result that restated it to 3.07m to account for digital assets launched in FY19).

(2) Relates to Australian Home and Motor claims only. Calculated using an updated methodology to account for 'Report Only' claims that were not previously included in total claims. 'Report Only' refers to claims that are initiated digitally and completed via another channel. Previously disclosed as: Jun-19: 20%, Dec-18:15%.

(3) Relates to Australian Home and Motor claims only.

(4) Relates to Australian General Insurance new business sales only. Calculated using updated methodology to exclude CTP in South Australia as it is not available via the digital channel. Previously disclosed as: Jun-19: 25%, Dec-18: 24%.

(5) Relates to at-call deposit account openings only.

Driving customer advocacy continues to be an important focus for the Group. Over the half, business NPS saw a significant increase, across both Banking and Insurance. Vero was awarded Large General Insurer of the Year by the National Insurance Brokers Association (NIBA) and brand consideration for business banking customers in Queensland has improved, supported by the refocus of Suncorp brand positioning in Queensland. Suncorp Bank was awarded Bank of the Year by Money Magazine, reflecting the Bank's focus on our customers and product needs.

Key 1H20 initiatives included the reinvigoration of the multi-brand strategy, the continued rollout of the workbench core platform and knowledge management solution across 4,000+ users and the development of the regulatory program of work to strengthen trust and reputation to lead better customer outcomes.

Investment in digital capabilities driving momentum and improved competitive position:

— Insurance (Australia) digital sales increased 13% on the pcp, assisted by personalisation and customer experience enhancements.

— Digital users across the Insurance (Australia) and the Bank increased by 19% on the pcp, driven by increased adoption of the Suncorp App and One Suncorp Portal and other digital initiatives delivered over the half.

— Strong growth was achieved in digital transactions across the Bank, with 59% of at-call deposit accounts originated online in 1H20, following enhancements to the digital account opening process.

— Enhancing self-service functionality has continued to reduce calls into the call centre and the number and cost of mailpacks.

— Continued focus on leveraging AI and data analytics has resulted in enhanced AI fraud monitoring, improved AI claims assessment to fast-track claims and the implementation of a next-best-action pilot in the contact centre.

Delivering new value for customers, meeting more of their needs and driving retention:

— Improvements to the user interface design of the Suncorp App have been delivered, including account opening functionality through a conversational Chatbot service and expansion of banking functionality.

— The Group has developed a new motor insurance product, Bingle Go, with a full digital experience that utilises telematics data to provide greater customer value through extended coverage and premium rebates, to be launched in 2H20.

— Delivery of initiatives to streamline digital purchases by pre-populating key customer data and simplifying the quote process. For example, the AAMI Home digital experience redesign supported a significant uplift in online sales, with AAMI Home Insurance digital sales up 33% on the pcp. Motor digital sales also increased 12% on the pcp.

— The AAMI and GIO Intelligent Virtual Assistant (IVA) and Scout chatbot service on the Suncorp App, are AI solutions that enable real-time digital conversations with customers. The IVAs handled over 40,000 customer conversations in 1H20, while Scout continues to answer more than 60,000 customer messages each month. In 2H20, IVA functionality will be extended to the Suncorp brand.

1.9 GROUP GENERAL INSURANCE

1.9.1 Group reported and underlying ITR

Reconciliation of reported ITR to underlying ITR

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	$M	$M	$M
Reported ITR [1]	**264**	**675**	**323**
Reported reserve releases (above) below long-run expectations	7	(90)	(108)
Natural hazards above (below) allowances	109	(91)	220
Investment income mismatch	2	30	82
Other:			
Risk margin	19	(40)	(1)
Abnormal (Simplification/restructuring) expenses	8	20	14
Additional Reinsurance Premium	-	25	-
Underlying ITR	**409**	**529**	**530**
Underlying ITR ratio	**9.3%**	**12.3%**	**12.2%**

(1) Prior period comparatives have been restated to adjust for the sale of the SMART and ACM Parts businesses in October 2019.

Underlying ITR movements – June 2019 to December 2019

	Dec-19 vs Jun-19
	%
2H19 underlying ITR	**12.3**
Natural hazard allowance	(0.9)
Aggregate Stop Loss costs	(0.5)
Present value adjustment and Investment Income	(0.8)
Expenses (excluding commissions)	0.3
Claims handling expenses	(0.6)
Margin	(0.5)
1H20 underlying ITR	**9.3**

As set out in the table above, the Group underlying ITR has decreased from 12.3% in 2H19 to 9.3% in 1H20, reflecting:

— A $50m uplift in the Group's natural hazard allowance which increased from $360m in 2H19 to $410m in 1H20.

— $22m increase in reinsurance costs reflecting the purchase of the new Aggregate Stop Loss cover which cost $45m for FY20.

— The impact of lower yields which reduce underlying investment income and results in a lower present value adjustment on new claims (due to the discounting effect).

— Lower underlying operating expenses, net of BIP benefits and commissions.

— An increase in claims handling expenses reflecting the natural hazard events that occurred in 1H20 and higher project costs.

— The Commercial portfolio maintained a strong underlying margin in line with expectations, with a slight decrease from 2H19 reflecting the impact of large fire losses in SME and strata following benign claims experience in 2H19. CTP continues to be impacted by scheme reform and competitive market dynamics while margins in the Australian Consumer portfolio and New Zealand remained broadly flat.

1.9.2 Net impact of yields and investment markets

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	$M	$M	$M
Insurance (Australia)			
Investment income (Insurance funds)	99	319	125
Impact of risk-free discount rates on outstanding claims	(35)	(285)	(139)
	64	34	(14)
Present value adjustment on newly recognised claims	31	55	79
Investment income (Shareholder funds)	37	118	(3)
	132	**207**	**62**
New Zealand (AUD)			
Investment Income (Insurance funds)	5	14	7
Investment Income (Shareholders funds)	6	14	2
	11	**28**	**9**
Net impact of yields and Investment markets	**143**	**235**	**71**

Insurance (Australia)

For Insurance fund assets, a key objective is to match the overall risk-free interest rate sensitivity to the Insurance claims liabilities. The aim is to neutralise, as far as possible, the impact of a movement in risk-free interest rates, so that for each 1 bp movement in interest rates, the dollar impact on assets and liabilities are equal and opposite. The residual net impact of $64m shown in the table reflects the additional income from credit spreads, breakeven inflation, a risk-free component reflecting income on assets backing the undiscounted portion of the liabilities (unearned premium) and a mismatch component, largely due to the matching process being based on the APRA assessment of liabilities and not the accounting approach.

The present value adjustment on newly recognised claims reflects the initial discounting applied to new claims to recognise them at present value.

The investment income on Shareholder funds is the absolute return on an investment portfolio of bonds, equities and alternative assets.

For further detail on investment income for Insurance (Australia), please refer to page 32.

New Zealand

The New Zealand portfolio represents the investment returns on a portfolio comprising bonds and equities.

For further detail on investment income for New Zealand, please refer to page 56.

1.9.3 Group reinsurance

Reinsurance spend and security

General Insurance outwards reinsurance expense for the half year was $572m, an increase of $16m from 1H19 mainly due to the placement of the new Aggregate Stop Loss (ASL) (full year cost $45m).

Reinsurance security has been maintained for the FY20 year program, with over 85% of business protected by reinsurers rated 'A+' or better.

Main catastrophe program

The Group's FY20 main catastrophe program is similar to prior years.

The FY20 upper limit on the main catastrophe program, which covers the Home, Motor and Commercial Property portfolios across Australia and New Zealand for major events remains at $7.2bn, in excess of Australia and New Zealand regulatory requirements.

The Group's maximum event retention remains at $250m. The main catastrophe program includes one prepaid reinstatement which covers losses up to $7.2bn for a second event and two further prepaid reinstatements at the lower layer which covers losses up to $500m for the third and fourth events.

In addition to the main catastrophe program, the Group has purchased dropdown aggregate protection in the form of three dropdowns:

— Dropdown 1 (50m xs 200m xs 50m) provides $50m of cover, for events greater than $200m, once the cumulative impact of qualifying events reach $50m.

— Dropdown 2 (100m xs 150m xs 200m) provides $100m of cover, for events greater than $150m, once the cumulative impact of qualifying events reach $200m.

— Dropdown 3 (100m xs 50m xs 200m) provides $100m of cover, for events greater than $50m, once the cumulative effect of qualifying events reach $200m.

The Group also has in place prepaid reinstatements for Dropdown 2 and Dropdown 3.

In aggregate, the dropdowns provide an additional $450m of protection against large natural hazard events. The manner in which the dropdowns interact with the main catastrophe program and Natural Hazard Aggregate Protection (NHAP) and the ASL depends on the size and frequency of natural hazard events. The extent to which the horizontal dropdown layer has been eroded will determine when a dropdown may be triggered and the amount of recoveries available.[1]

For New Zealand, the Group has purchased cover to reduce the first event retention to NZ$50m and the second and third event retentions to NZ$25m. An internal reinsurance agreement with Insurance (Australia) reduces Suncorp New Zealand's retention for a first and second New Zealand event to NZ$20m. However, this arrangement exists for capital purposes only and does not impact the Group's net exposure of NZ$50m.

[1] In general, the Group would make recoveries under the dropdowns where available, prior to utilising the natural hazard aggregate protection or the aggregate stop loss.

Natural Hazard Aggregate Protection (NHAP)

Suncorp's NHAP remains in place for FY20. This cover provides $300m of cover for events greater than $10m once aggregate costs have reached $515m (deductible). An additional premium is payable proportionate to the first $100m of recoveries made under the NHAP. This amount is capped at $35m once recoveries reach $100m.

Aggregate Stop Loss (ASL)

For FY20 the Group has purchased an ASL protection aimed at limiting natural hazards exposure to the natural hazards allowance. This new protection provides an additional $200m of cover for all retained natural hazard losses, not just those events greater than $10m, in excess of the natural hazards allowance of $820m (deductible).

The increase in the allowance and the stop loss cover improves the predictability of earnings and provides further earnings protection countering the inherently volatile impact weather events can have on the results.

Quota share arrangements

The Group's main quota share arrangement is the 30% multi-year quota share arrangement covering the Queensland home insurance portfolio. Suncorp maintains a strong market share within this market and the quota share reduces concentration risk in this region.

Suncorp has a 50% quota share in place for its retained share of CTP business in ACT. The quota share for CTP business in South Australia has declined to 32.5% in FY20 from 50% in FY19. The quota share on large global property risks remains at 50%.

Other quota share arrangements continue to be investigated and will be implemented where they provide sufficient capital and earnings benefits to offset the profit ceded to reinsurance partners.

1.9.4 Natural hazards

There have been a number of large natural hazard events over the half, including the catastrophic bushfires that have caused significant destruction right across the county. Suncorp's primary focus when events happen is to support our customers and our people and has done this by:

- Deploying dedicated response teams on the ground as needed to ensure customers are supported when they need it most.
- Continuing ongoing engagement with all levels of government, in partnership with other insurers and the Insurance Council of Australia to ensure quick resolution of key issues, such as site access and the removal of debris.
- Instating unlimited paid emergency response leave for employees, who are members of volunteer organisations, when they are called upon to assist during an emergency or natural disaster.
- Donating to the Australian Red Cross to help deliver emergency assistance to communities affected by disaster.
- Activating a financial relief package for Bank customers impacted by natural disasters, to further assist with the recovery process.

As at 31 January, 45,479 claims in Australia and 3,260 claims in New Zealand have been lodged. 90% of Australian bushfire assessments are complete with the balance coming from newly lodged claims and areas in Victoria that have only recently reopened. 27% of New Zealand claims have been finalised.

Natural hazard costs

The natural hazard allowance is the Group's estimate of the net impact of all natural hazard costs incurred in a fiscal year. The allowance was increased from $720m to $820m in FY20.

The Group's natural hazard allowance is determined through a process combining the Group's view of risk through modelled catastrophe losses in conjunction with the reinsurance program.

The natural hazard allowance is a long-term calculation based on experience over many years, therefore in any year the actual experience will vary and as a result there is uncertainty as to the exact allowance.

The Group's robust reinsurance program, including NHAP and quota share covers, is also taken into account in determining the final natural hazard allowance. The ASL protection was implemented to protect the natural hazard allowance.

Date	Event	Net costs $M
Nov 19	NSW QLD November Bushfire	35
Nov 19	SEQLD November Hail	88
Nov 19	Northern Sydney November Storms	22
Nov 19	NZ Canterbury Storms	18
Dec 19	SEQLD Northern NSW December Hail	18
Dec 19	NSW SA December Bushfires	34
Dec 19	VIC NSW TAS December Bushfires	145
Total events over $10 million		**360**
Other natural hazards attritional claims		159
Total natural hazards		**519**
Less: allowance for natural hazards		(410)
Natural hazards costs above allowance		**109**
Events (1 January 2020 to 31 January 2020)		
Jan 20	VIC NSW TAS December Bushfires	
Jan 20	South East States Hail	155
Jan 20	SEQ/NSW Heavy Rain	

For additional information on natural hazard events, please refer to page 30 for events in Australia and page 54 for events in New Zealand.

Natural hazard costs for 1H20 of $519m were $109m above the allowance of $410m. The losses have been driven by the events listed above. This figure includes the 30 to 31 December losses but not the 1 to 5 January losses for the VIC NSW TAS December bushfire event.

At the close of 1H20, the NHAP limit of $300m and ASL limit of $200m remained available should the accumulation of natural hazards costs exceed the respective aggregate deductibles. During the first half, the natural hazards cost of $519m contributed to the ASL deductible of $820m and $360m of events greater than $10m contributed to the NHAP deductible of $515m however did not trigger any reinsurance recoveries.

Since the start of 2H20 there have been three natural hazard events; the continuation of the VIC NSW TAS December Bushfires event, the South East States Hail and the SEQ/NSW Heavy Rain.

While it is still relatively early to quantify the gross costs, the expected net retained cost for these three events is capped at $300m. The reinsurance program in place for FY20 provides confidence that the natural hazard cost should remain within the allowance of $820m.

This includes:

- Significant capacity remaining under the dropdown covers, noting the Group has prepaid reinstatements of dropdown 2 and 3. Any recoveries under the dropdowns would depend on the size and frequency of natural hazard events in the second half.
- Residual cover under the NHAP of approximately $150-170m post the three events in January.
- Remaining $200m capacity under the ASL.

Refer to slide 39 in the HY20 Data Pack for an illustration of the forecast recoveries under dropdown aggregate cover and the NHAP for these events.

1.10 CAPITAL AND DIVIDENDS

1.10.1 Capital

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

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

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

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

Capital position at 31 December 2019

During the half year, the Group issued $389m of Additional Tier 1 Capital through Suncorp Group Limited (SGL) as part of its capital management strategy. As part of the transaction, $206m of the existing CPS3 securities were redeemed under a reinvestment offer.

Over the half year, the Group's excess CET1 (after payment of the dividend) decreased to $691m. The main impacts on the Group's excess capital position were:

— NPAT after the payment of dividends, including the profit from the sale of the SMART and ACM Parts businesses.

— An increase in the General Insurance PCA due to an increase in the Insurance Risk Charge, primarily driven by an increase in natural hazard costs from Consumer portfolios.

— A reduction in the General Insurance Excess Technical Provision, largely due to the seasonality of natural hazards.

— An increase in the Bank CET1 Target, largely due to a 25 bp increase to finalise the transition to APRA's 'unquestionably strong' capital benchmarks.

— Amortisation of intangibles driven by past acquisition intangibles and capitalised project costs.

— The return of the final $506m of capital from the sale of the Australian Life Insurance Business to shareholders via a pro-rata capital return and share consolidation.

	As at 31 December 2019					
	General Insurance [2]	Bank [2]	Life	SGL, Corp Services & Consol	Total	Total 30 June 2019 [3]
	$M	$M	$M	$M	$M	$M
CET1	3,198	3,219	174	328	6,919	7,341
CET1 target	2,748	3,072	102	(22)	5,900	5,781
Excess to CET1 target (pre div)	450	147	72	350	1,019	1,560
Group dividend					(328)	(571)
Group excess to CET1 target (ex div)					691	989
Common Equity Tier 1 ratio [1]	1.28x	9.69%				
Total capital	4,293	4,589	174	536	9,592	9,849
Total target capital	3,747	4,235	102	(50)	8,034	7,903
Excess to target (pre div)	546	354	72	586	1,558	1,946
Group dividend					(328)	(571)
Group excess to target (ex div)					1,230	1,375
Total capital ratio [1]	1.72x	13.82%				

(1) Capital ratios are expressed as coverage of the PCA for General Insurance 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) Jun-19 comparatives have been restated to reflect immaterial changes in Bank credit risk-weighted assets as set out in the revised Jun-19 APS 330 disclosures published on the Suncorp Group website on 31 January 2020.

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

— The General Insurance businesses' CET1 position was 1.28 times the PCA, above its target operating range of 1.0 to 1.2 times PCA.

— The Bank's CET1 Ratio was 9.69%, above the top of its target operating range of 9.00% to 9.50%.

— Life businesses' excess CET1 to target was $72m.

— An additional $350m 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 $691m after adjusting for the interim dividend.

1.10.2 Dividends

The Group aims to pay annual dividends based on a target payout ratio of 60% to 80% of cash earnings. The Group's profit result and strong balance sheet position for the half year has led to a fully franked interim ordinary dividend of 26 cents per share, which equates to a payout of 89.5% of cash earnings.

The Group intends to acquire existing shares under the Dividend Reinvestment Plan for the interim dividend. The interim dividend will be paid on 31 March 2020. The ex-dividend date is 19 February 2020. The Group's franking credit balance is set out in the table below.

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**96**	**59**	**152**

1.11 INCOME TAX

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Reconciliation of prima facie income tax expense to actual tax expense:					
Profit before tax from continuing operations [1]	516	985	545	(47.6)	(5.3)
Profit (loss) before tax from discontinued operations [1]	352	(831)	(197)	n/a	n/a
Profit before tax	868	154	348	463.6	149.4
Prima facie domestic corporate tax rate of 30% (2019: 30%)	260	47	104	453.2	150.0
Effect of tax rates in foreign jurisdictions	(3)	(4)	(3)	(25.0)	-
Effect of income taxed at non-corporate tax rate - Life	-	-	1	n/a	(100.0)
Tax effect of amounts not deductible (assessable) in calculating taxable income:					
Non-deductible expenses [2]	7	167	52	(95.8)	(86.5)
Non-deductible expenses - Life	3	11	10	(72.7)	(70.0)
Amortisation of intangible assets [2]	3	3	3	-	-
Dividend adjustments	12	5	11	140.0	9.1
Tax exempt revenues	(4)	(11)	-	(63.6)	n/a
Current year rebates and credits	(12)	(7)	(14)	71.4	(14.3)
Prior year over provision	(1)	-	(72)	n/a	(98.6)
Other	(47)	7	(3)	n/a	n/a
Total income tax expense on pre-tax profit	218	218	89	-	144.9
Total income tax expense on pre-tax profit from continuing operations [1]	160	295	161	(45.8)	(0.6)
Total income tax expense (benefit) on pre-tax profit from discontinued operations [1]	58	(77)	(72)	n/a	n/a
Effective tax rate	25.1%	141.6%	25.6%	(116.5)	(0.5)
Effective tax rate from continuing operations [1]	31.0%	29.9%	29.5%	1.1	1.5

(1) Continuing and discontinued operations represented in the Income Tax table are presented in line with the statutory accounts and relate to the sale of the SMART and ACM Parts businesses in Oct-19 and Australian Life Insurance and Participating Wealth Business in Feb-19. Prior period comparatives have been restated to adjust for the sale of the Capital SMART and ACM Parts businesses.

(2) $44m of prior period income tax expense relating to the impairment of the Australian Life Insurance and Participating Wealth Business in Dec-18 has been reclassified as a non-deductible expense for consistency with the Jun-19 disclosures.

The overall effective tax rate of 25.1% is primarily due to differences between the tax and accounting gains and losses on sale from discontinued operations, as well as utilising unbooked capital losses on the disposal of the SMART business.

A number of factors resulted in a tax rate of 31.0% from continuing operations (rather than 30.0%). The most significant single factor is interest expense relating to certain hybrid instruments which is not deductible for income tax purposes.

2.0 FUNCTIONAL RESULTS

2.1 INSURANCE (AUSTRALIA)

2.1.1 Insurance (Australia) result overview

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Gross written premium by product					
Motor	1,457	1,474	1,403	(1.2)	3.8
Home	1,138	1,117	1,113	1.9	2.2
Commercial	806	720	786	11.9	2.5
Compulsory third party	523	520	574	0.6	(8.9)
Workers' compensation and other	179	248	149	(27.8)	20.1
Fire Service Levies	73	65	76	12.3	(3.9)
Total gross written premium	**4,176**	**4,144**	**4,101**	**0.8**	**1.8**
Net earned premium	3,681	3,603	3,689	2.2	(0.2)
Net incurred claims [(1)]	(2,861)	(2,595)	(2,854)	10.3	0.2
Total operating expenses	(771)	(787)	(769)	(2.0)	0.3
Insurance trading result [(1)]	148	540	191	(72.6)	(22.5)
Insurance (Australia) profit after tax [(1)]	**123**	**453**	**128**	**(72.8)**	**(3.9)**
	%	**%**	**%**		
Total operating expenses ratio	20.9	21.8	20.8		
Insurance trading ratio [(1)]	4.0	15.0	5.2		

(1) Prior period comparatives have been restated to adjust for the sale of the Capital SMART and ACM Parts businesses in October 2019.

— Insurance (Australia) delivered profit after tax of $123m, down 3.9% on the pcp. The insurance trading result was $148m, representing an ITR of 4.0%, impacted by lower prior year reserve releases and natural hazard costs.
— GWP increased 1.8% to $4.2bn. Excluding the impact of portfolio exits and remediation activities undertaken in the Vero Broker brand, GWP growth was 3.1%.
— Home and Motor GWP increased by 3.1%, driven by improved unit growth and moderating average written premium increases, reflecting product and brand mix impacts.
— Commercial GWP increased by 2.5%. Removing the impact of portfolio exits, growth was 7.7%, achieved through strong premium rate increases and volume growth in targeted market segments.
— CTP GWP decreased by 8.9% due to the ongoing impacts of scheme reforms and market pricing dynamics.
— Workers’ compensation and other growth of 20.1% was driven primarily by premium rate increases and increases in the wage pool of insured workforces.
— Net incurred claims increased by 0.2%, driven by lower prior year releases and the unfavourable impact of lower yields on discounting new claims, partly offset by lower natural hazard claims compared to prior periods.
— Reserve releases were $65m, representing 1.8% of Insurance (Australia) NEP, down $105m on the pcp. The reserve releases were the net result of Personal Injury long tail releases well above the Group’s long-term target of 1.5%, partially offset by strains in the Commercial long tail portfolios and an overall short tail strain of $6m, some of which were one-off in nature.
— Total investment income increased by 11.5% to $136m, benefitting from favourable movements in breakeven inflation, credit spreads and equities compared to the pcp.
— Operating expenses ratio increased by 0.1% on the pcp (0.4% excluding FSL), primarily due to an increase in regulatory costs.

2.1.2 Insurance (Australia) outlook and priorities

Insurance (Australia)'s focus in 2H20 and over the medium term is to build on the momentum to date and continue to make progress in delivering on the Group's four strategic priorities as set out below.

Improving the performance of our core businesses

Product innovation and improving our core Insurance businesses are at the centre of the Insurance (Australia) strategy over the medium term. The focus will be on further progress in the following;

— Product innovation including, Bingle Go to be launched in 2H20, continued enhancement of existing product offerings and a strategic partnership with Car Next Door.

— Reinvigorating the multi-brand strategy with specific brand and state-based campaigns. This is expected to lead to stable retention with the business continuing to target at least flat unit growth in FY20 compared to FY19.

— Continued investment in claims process improvement, with a focus on delivering better outcomes for both our customers and Suncorp.

— The Commercial portfolio will focus on improving profitability through disciplined underwriting and risk selection. The focus will move towards growing volume in profitable market segments, although overall premium growth in the short-term will continue to be impacted by the remaining realignment actions, including portfolio exits.

— Worker's Compensation continues to exercise disciplined underwriting with a focus on growth in Western Australia, Tasmania and the ACT.

Embracing regulatory change

— Continued focus on regulatory compliance, leveraging our scale and compliance capability to deliver better outcomes for customers.

— Ongoing reforms and change in the CTP operating environment will continue to drive reduced volatility across the schemes and improved customer outcomes. This has led to heightened competition in the market which Suncorp, with its presence in every scheme, is well positioned to leverage. Suncorp's focus is to remain competitive whilst monitoring the development of NSW common law claims as they emerge, with early experience in line with expectations.

— Regulatory costs associated with policy and claims handling are expected to be in line with 1H20.

Leveraging digital and data

There will be continued focus on building a seamless digital, end-to-end sales and service functionality across mass brands including targeted initiatives such as:

— Leveraging Suncorp's App foundations.

— Enabling contact centres to continue supporting more complex and valuable interactions through technology investment.

Driving operational excellence

— Ongoing focus on end-to-end improvements in claims and operations processes.

Profit contribution and General Insurance ratios

Profit contribution

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Gross written premium	**4,176**	**4,144**	**4,101**	**0.8**	**1.8**
Gross unearned premium movement	(16)	(55)	52	(70.9)	n/a
Gross earned premium	4,160	4,089	4,153	1.7	0.2
Outwards reinsurance expense	(479)	(486)	(464)	(1.4)	3.2
Net earned premium	**3,681**	**3,603**	**3,689**	**2.2**	**(0.2)**
Net incurred claims					
Claims expense [1]	(3,160)	(3,552)	(3,508)	(11.0)	(9.9)
Reinsurance and other recoveries revenue	299	957	654	(68.8)	(54.3)
Net incurred claims	**(2,861)**	**(2,595)**	**(2,854)**	**10.3**	**0.2**
Total operating expenses					
Acquisition expenses	(490)	(508)	(497)	(3.5)	(1.4)
Other underwriting expenses	(281)	(279)	(272)	0.7	3.3
Total operating expenses	**(771)**	**(787)**	**(769)**	**(2.0)**	**0.3**
Underwriting result	49	221	66	(77.8)	(25.8)
Investment income - insurance funds	99	319	125	(69.0)	(20.8)
Insurance trading result	**148**	**540**	**191**	**(72.6)**	**(22.5)**
Managed schemes, joint ventures and other	3	4	5	(25.0)	(40.0)
Insurance (Australia) operational earnings	**151**	**544**	**196**	**(72.2)**	**(23.0)**
Investment income - shareholder funds	37	118	(3)	(68.6)	n/a
Insurance (Australia) profit before tax and capital funding	**188**	**662**	**193**	**(71.6)**	**(2.6)**
Capital funding	(13)	(15)	(17)	(13.3)	(23.5)
Insurance (Australia) profit before tax	**175**	**647**	**176**	**(73.0)**	**(0.6)**
Income tax [1]	(52)	(194)	(48)	(73.2)	8.3
Insurance (Australia) profit after tax	**123**	**453**	**128**	**(72.8)**	**(3.9)**

(1) Prior period comparatives have been restated to adjust for the sale of the SMART and ACM Parts businesses in October 2019.

General Insurance ratios

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	%	%	%
Acquisition expenses ratio	13.3	14.1	13.5
Other underwriting expenses ratio	7.6	7.7	7.3
Total operating expenses ratio	**20.9**	**21.8**	**20.8**
Loss ratio	77.8	72.0	77.4
Combined operating ratio	98.7	93.8	98.2
Insurance trading ratio	**4.0**	**15.0**	**5.2**

General Insurance trading results (excluding FSL, discount rate movement & unwind)

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Gross written premium	4,103	4,079	4,025	0.6	1.9
Net earned premium	3,611	3,526	3,605	2.4	0.2
Net incurred claims (1)	(2,826)	(2,310)	(2,715)	22.3	4.1
Acquisition expenses	(490)	(508)	(497)	(3.5)	(1.4)
Other underwriting expenses	(211)	(202)	(188)	4.5	12.2
Total operating expenses	(701)	(710)	(685)	(1.3)	2.3
Investment income - insurance funds	64	34	(14)	88.2	n/a
Insurance trading result	**148**	**540**	**191**	**(72.6)**	**(22.5)**

(1) Prior period comparatives have been restated to adjust for the sale of the SMART and ACM Parts businesses in October 2019 and exclusion of discount unwind.

General Insurance ratios (excluding FSL, discount rate movement & unwind)

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	%	%	%
Acquisition expenses ratio	13.6	14.4	13.8
Other underwriting expenses ratio	5.8	5.7	5.2
Total operating expenses ratio	**19.4**	**20.1**	**19.0**
Loss ratio	78.3	65.5	75.3
Combined operating ratio	97.7	85.6	94.3

2.1.3 General Insurance

Gross written premium

GWP portfolio breakdown

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Gross written premium by product					
Motor	1,457	1,474	1,403	(1.2)	3.8
Home	1,138	1,117	1,113	1.9	2.2
Commercial	806	720	786	11.9	2.5
Compulsory third party	523	520	574	0.6	(8.9)
Workers' compensation and other	179	248	149	(27.8)	20.1
Total GWP	**4,103**	**4,079**	**4,025**	**0.6**	**1.9**
Fire Service Levies					
Motor	8	5	8	60.0	-
Home	44	40	41	10.0	7.3
Commercial	21	20	27	5.0	(22.2)
Total FSL	**73**	**65**	**76**	**12.3**	**(3.9)**
Total GWP including FSL	**4,176**	**4,144**	**4,101**	**0.8**	**1.8**

GWP geographic breakdown

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Gross written premium by geography (1)					
Queensland	1,077	1,025	1,063	5.1	1.3
New South Wales	1,314	1,249	1,273	5.2	3.2
Victoria	963	966	937	(0.3)	2.8
Western Australia	331	371	315	(10.8)	5.1
South Australia	169	190	191	(11.1)	(11.5)
Tasmania	88	94	81	(6.4)	8.6
Other	161	184	165	(12.5)	(2.4)
Total GWP	**4,103**	**4,079**	**4,025**	**0.6**	**1.9**
Fire Service Levies					
New South Wales	72	64	75	12.5	(4.0)
Tasmania	1	1	1	-	-
Total FSL	**73**	**65**	**76**	**12.3**	**(3.9)**
Total GWP including FSL	**4,176**	**4,144**	**4,101**	**0.8**	**1.8**

(1) Prior period comparatives have been restated with an updated state split of premium from joint ventures and international brokers.

Motor

Motor GWP grew by 3.8% to $1,457m, with unit growth of 1.2%. Rate increases across the brands were on average 2-4%, resulting in an overall average written premium increase of 2.6%.

Home

Home GWP grew by 2.2% to $1,138m, with unit growth of 0.8%. Normalising for the remediation activities undertaken in the Vero Broker brand, Home GWP growth was 3.3%, with unit growth of 1.7%. Rate increases in the individual brands were in the range of 4-6%.

Growth in units on the pcp in both the Home and Motor portfolios was a result of improved new business performance and strong renewal rates. New business performance benefited from refreshed marketing campaigns in support of the multi-brand strategy.

Commercial

Commercial GWP increased by 2.5% to $806m. Normalising for the impact of portfolio exits, premium growth was 7.7%, driven by a single large new business win, combined with strong premium rate increases amid continued market corrections and a focus on growing volume in target markets while maintaining portfolio profitability.

Compulsory Third Party

CTP GWP decreased 8.9% to $523m due to the impact of successful scheme reform and the resultant heightened competition amongst insurers. Suncorp continues to maintain a national market-leading position of 31% of the CTP market.

In the SA CTP scheme, the transition to competitive underwriting and the market pricing to the floor of the scheme has resulted in GWP decline of 41.7%.

In the ACT CTP scheme, there has been heightened competition as the scheme prepares for reform in February 2020, resulting in GWP decline of 30.6%.

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Compulsory third party GWP by geography					
Queensland	221	195	221	13.3	-
New South Wales	242	240	257	0.8	(5.8)
Australian Capital Territory	25	30	36	(16.7)	(30.6)
South Australia	35	55	60	(36.4)	(41.7)
Total compulsory third party GWP	**523**	**520**	**574**	**0.6**	**(8.9)**

Workers' compensation and other

Workers' Compensation and Other growth of 20.1% was driven primarily by premium rate increases, strong retention rates on existing accounts and increases in the wage pool of insured workforces.

Net incurred claims

Net incurred claims were $2,861m, an increase of 0.2% on the pcp. Excluding discount movements, net incurred claims increased by 4.1%. The increase was due to lower prior year reserve releases and the unfavourable impact of falling yields on the discounting of new claims, partially offset by lower natural hazard costs.

BIP benefits continue to be realised as claims improvements are optimised and embedded, through automated triage, prioritisation and pathing of claims, fraud minimisation and investment to improve return-to-work outcomes.

Motor

BIP initiatives and the Suncorp preferred repairer network continue to benefit average repair cost, containing inflationary pressures to low single digits. Claims frequency was slightly down the pcp.

Home

Cost strain in water claims seen in the second half of the prior year has stabilised, benefiting from actions taken to expedite claims assessment and finalisation. There has been continued pressure from large losses, partially offset by lower claims frequency mainly in smaller claims.

Commercial

Commercial performance benefited from the impact of portfolio exits and an improvement in underlying loss ratios, despite some adverse experience associated with infrequent fire losses. The remaining portfolio remediation activities are expected to drive further improvement.

CTP and Workers' Compensation

CTP claims experience remained stable and supported reserve releases in excess of 1.5% of Insurance (Australia) NEP.

Workers' Compensation claims experience remains stable, benefiting from favourable prior period experience.

Natural hazards

Total natural hazard costs were $489m, $104m above the $385m allowance for the first half of the year, however down from $573m in the pcp.

Natural hazard attritional claims were $147m in 1H20, compared to $166m in the pcp.

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

Date	Event	Net costs $M
Nov 19	NSW QLD November Bushfire	35
Nov 19	SEQLD November Hail	88
Nov 19	Northern Sydney November Storms	22
Dec 19	SEQLD Northern NSW December Hail	18
Dec 19	NSW SA December Bushfires	34
Dec 19	VIC NSW TAS December Bushfires	145
Total events over $10 million		**342**
Other natural hazards attritional claims		147
Total natural hazards		**489**
Less: allowance for natural hazards		(385)
Natural hazards costs above allowance		**104**

Outstanding claims provision breakdown

The valuation of outstanding claims has resulted in central estimate releases of $65m, above the expectation for reserve releases of 1.5% of Insurance (Australia) NEP.

Natural volatility in the short tail book, combined with a modest strengthening across a range of prior events, was partially offset by favourable experience in the Commercial Insurance short-tail portfolios.

Long-tail claims reserve releases of $71m 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 by deterioration in the commercial long tail classes, including some one-off strengthening following a review of the bodily injury portfolio and a large single claim.

As at Dec-19	Actual	Net central estimate (discounted)	Risk margin (90th percentile discounted)	Change in net central estimate [1]
	$M	$M	$M	$M
Short-tail	1,820	1,656	164	6
Long-tail	6,077	5,197	880	(71)
Total	**7,897**	**6,853**	**1,044**	**(65)**

(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-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Gross outstanding claims liabilities	9,597	9,686	9,514	(0.9)	0.9
Reinsurance and other recoveries	(1,700)	(2,117)	(1,691)	(19.7)	0.5
Net outstanding claims liabilities	**7,897**	**7,569**	**7,823**	**4.3**	**0.9**
Expected future claims payments and claims handling expenses	7,110	6,814	7,271	4.3	(2.2)
Discount to present value	(257)	(264)	(459)	(2.7)	(44.0)
Risk margin	1,044	1,019	1,011	2.5	3.3
Net outstanding claims liabilities	**7,897**	**7,569**	**7,823**	**4.3**	**0.9**
Short-tail	1,820	1,491	1,848	22.1	(1.5)
Long-tail	6,077	6,078	5,975	(0.0)	1.7
Total	**7,897**	**7,569**	**7,823**	**4.3**	**0.9**

Risk margins

Risk margins represent approximately 13.2% of outstanding claims reserves, giving an approximate level of confidence of 90%.

Risk margins increased by $25m during the period to $1,044m. The assets notionally backing risk margins had a net gain of $5m. The net impact was therefore $20m, which is excluded from the underlying ITR calculation.

Operating expenses

Operating expenses were $771m, up 0.3% on the pcp. Excluding FSL, operating expenses increased by 2.3% on the pcp, driven by higher regulatory costs, investment in technology, increased marketing expenses and cost inflation on salaries and other business costs, partially offset by the realisation of BIP benefits.

The operating expenses ratio increased by 0.1% to 20.9%. Excluding FSL, the operating expenses ratio increased by 0.4%.

Managed schemes, joint ventures and other

Suncorp continues to be part of a scheme arrangement with the New South Wales 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 was also recently chosen as one of the claims partners for Treasury Managed Funds (NSW Government entities).

Investment income

Suncorp's primary objective is to optimise investment returns relative to investment risk appetite. This process inherently has regard to capital and the insurance liabilities that the investment assets are supporting and seeks to substantially offset the associated interest rate and claims inflation risks. Investment grade fixed interest securities and inflation-linked bonds play a central role in achieving this objective.

The key market metrics for the year are set out in the table below.

	Dec-19	Jun-19	Dec-19 vs Jun-19
3 year bond yield (%)	0.90	0.96	-6bp
10 year bond yield (%)	1.37	1.32	+5bp
10 year breakeven inflation rate (%)	1.41	1.38	+3bp
AA 3 year credit spreads (bp)	59	66	-7bp
Australian fixed interest (Bloomberg composite index)	10,240	10,176	+0.6%
Australian equities (total return)	72,445	70,292	+3.1%
International equities (hedged total return)	1,920	1,763	+8.9%

The Australian General Insurance investment portfolio includes insurance funds and shareholders' funds. For Insurance fund assets, a key objective is to match the overall risk-free interest rate sensitivity to the Insurance claims liabilities. The aim is to neutralise, as far as possible, the impact of a movement in risk-free interest rates, so that for each 1 bp movement in interest rates, the dollar impact on assets and liabilities are equal and opposite. The residual net impact reflects the additional income from credit spreads, breakeven inflation, a risk-free component reflecting income on assets backing the undiscounted portion of the liabilities (unearned premium) and a mismatch component, largely due to the matching process being based on the APRA assessment of liabilities and not the accounting approach. The shareholders' funds assets support the capital position and have an absolute-return based strategy.

Asset allocation

Suncorp continues to invest in line with the Group's risk appetite and the Board approved investment strategy. 5.4% of shareholders' funds is allocated to impact investing which includes Green Bonds, Renewable Energy Infrastructure and Social Impact Bonds.

	Half Year Ended					
	Dec-19		Jun-19		Dec-18	
	$M	%	$M	%	$M	%
Insurance funds						
Cash and short-term deposits	168	2	158	2	118	1
Inflation-linked bonds	2,119	22	1,965	21	1,830	20
Corporate bonds	6,447	67	6,340	67	6,153	68
Semi-Government bonds	515	5	317	3	251	3
Commonwealth Government bonds	311	4	616	7	758	8
Total Insurance funds	**9,560**	**100**	**9,396**	**100**	**9,110**	**100**
Shareholders' funds						
Cash and short-term deposits	120	5	101	3	102	3
Australian interest-bearing securities	1,006	38	1,171	39	1,297	43
Global interest-bearing securities (hedged)	741	28	845	29	763	25
Equities	294	11	343	12	322	11
Infrastructure and property	335	12	337	11	353	12
Alternative investments	158	6	178	6	182	6
Total shareholders' funds	**2,654**	**100**	**2,975**	**100**	**3,019**	**100**
Total	**12,214**		**12,371**		**12,129**	

Credit quality

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

	Dec-19 %	Jun-19 %	Dec-18 %
AAA	39.0	38.9	40.2
AA	19.8	19.8	19.8
A	20.9	21.7	21.0
BBB	20.3	19.6	19.0
	100.0	**100.0**	**100.0**

Duration

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

	Dec-19 Years	Jun-19 Years	Dec-18 Years
Insurance funds			
Interest rate duration	2.8	2.8	2.6
Credit spread duration	1.3	1.4	1.3
Shareholders' funds			
Interest rate duration	1.9	1.8	1.2
Credit spread duration	2.4	1.5	1.6

Investment performance

Total investment income on insurance funds and shareholders' funds was $136m, representing an annualised return of 2.2% for the half year.

Insurance funds

Investment income on insurance funds was $99m, representing an annualised return of 2.1%.

Underlying yield

The underlying yield income was $70m, or 1.5% annualised, after adjusting the investment income of $99m for the following market valuation impacts:

— Gains of $4m due to a decrease in short term risk-free rates.

— Gains of $13m due to a narrowing in credit spreads.

— Gains of $12m due to an increase in breakeven inflation.

Adjustment to ITR for investment market volatility

Consistent with prior periods, an adjustment has been made to the ITR to normalise for the impact of investment market volatility.

The adjustment is broken into four parts, as follows:

- Risk free rates: a net favourable impact of $4m due to market gains from a reduction in short term yields has been deducted from the ITR.
- Credit spreads: the $13m favourable impact due to the narrowing of credit spreads is deducted from the ITR.
- Inflation-linked bonds: the $12m favourable impact from breakeven inflation is deducted from the ITR.
- Market rate adjustment on premium liabilities: the unwind of prior risk-free changes on assets backing unearned premium resulted in $28m being added back to the ITR.

The combined impact of these adjustments to ITR is negative $1m.

Shareholders' funds

Investment income on shareholders' funds was $37m, representing an annualised return of 2.6%.

The positive performance in Shareholder funds was primarily driven by favourable movements in equities compared to the pcp.

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	3	5	5	(40.0)	(40.0)
Interest-bearing securities and other	96	314	120	(69.4)	(20.0)
Total	**99**	**319**	**125**	**(69.0)**	**(20.8)**
Investment income on shareholders' funds					
Cash and short-term deposits	-	1	-	(100.0)	n/a
Interest-bearing securities	20	63	25	(68.3)	(20.0)
Equities	9	72	(32)	(87.5)	n/a
Infrastructure and property	12	(13)	11	n/a	9.1
Alternative investments	(4)	(5)	(7)	20.0	42.9
Total	**37**	**118**	**(3)**	**(68.6)**	**n/a**
Total investment income	**136**	**437**	**122**	**(68.9)**	**11.5**

2.2 BANKING & WEALTH

2.2.1 Banking & Wealth result overview

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Banking profit after tax	**171**	**181**	**182**	**(5.5)**	**(6.0)**
Wealth profit after tax	**-**	**-**	**1**	**n/a**	**(100.0)**
Banking & Wealth profit after tax	**171**	**181**	**183**	**(5.5)**	**(6.6)**
Total home lending	47,157	47,811	47,982	(1.4)	(1.7)
Consumer lending	152	149	162	2.0	(6.2)
Commercial (SME)	6,797	6,843	6,662	(0.7)	2.0
Agribusiness	4,384	4,490	4,364	(2.4)	0.5
Total lending	**58,490**	**59,293**	**59,170**	**(1.4)**	**(1.1)**
At-call deposits	25,154	22,502	21,330	11.8	17.9
Term deposits	14,496	16,401	18,027	(11.6)	(19.6)
Total customer funding	**39,650**	**38,903**	**39,357**	**1.9**	**0.7**
Wealth funds under management and administration	6,439	6,377	6,011	1.0	7.1
	%	**%**	**%**		
Customer funding growth (annualised)	3.82	(2.33)	4.09		
Lending growth (annualised)	(2.69)	0.42	1.53		
Net interest margin (interest-earning assets)	1.92	1.90	1.89		
Cost to income ratio	59.6	56.4	56.1		
Impairment losses to gross loans and advances (annualised)	0.00	0.02	0.02		

Note: Prior period comparative figures for NIM have been restated to reflect the new NIM calculation methodology.

— Banking & Wealth delivered PAT of $171m, down 6.6% on the pcp. The result benefitted from a stable NIM and low credit impairment losses, offset by one-off fee impacts and elevated operating expenses.

— The at-call portfolio grew well above system at 11.8% to $25.2bn. At the same time, Banking moderated its negotiated retail and corporate term deposit portfolios to achieve intended funding and margin outcomes.

— NIM increased 2 bps to 1.92% over the half, primarily driven by the favourable shift in the funding mix from the growth in at-call deposits. The recent RBA rate reductions compressed margins and put pressure on capital earnings. This was partly offset by more favourable conditions in benchmark interest rates.

— Impairment losses were neglible (rounding to 0 bps of gross loans and advances) for the period, remaining well below the historical operating range of 10-20 bps. The through-the-cycle operating range has been adjusted to 5-15 bps of gross loans and advances, reflecting the long-term view of the lending portfolio and benign external environment. Banking increased the management overlay in the collective provision in recognition of potential impacts from ongoing drought conditions and bushfires.

— The home lending portfolio contracted 1.4% over the half, reflecting low system growth and elevated processing times, particularly within the broker network. The business lending portfolio contracted 1.3% over the half, primarily driven by a reduction in Agribusiness lending reflecting ongoing drought conditions. The commercial portfolio reduced marginally over the half, driven by early project completion and increased customer repayments.

— Operating expenses increased 5.9% on the pcp, primarily due to investment in regulatory projects and technology. Investment in digital capability continues with new payment and self-service options introduced over the half. This was partially offset by savings from operational efficiency programs. Elevated expenses and lower net non-interest income drove a cost to income ratio of 59.6%, up 3.5% on the pcp.

— Wealth underlying profit after tax was largely in line with the pcp, impacted by increased industry-wide regulatory costs within the superannuation portfolio. The Wealth business is currently under strategic review.

2.2.2 Banking & Wealth outlook and priorities

Banking & Wealth's second half activities will be focused on meeting the Group's four key priorities as set out below.

Improving the performance of our core business

- Continuing strong momentum in the deposit portfolio, both in customer growth and digital offerings, including the build out of the New Payments Platform feature set and market-competitive app functionality.
- Building momentum in home lending through investment in a targeted program of work. This program includes:
  - Implementing process automation to lower costs and improve productivity.
  - Segmenting brokers to improve servicing and establish deeper more targeted engagement.
  - Increasing flexibility at the point of loan assessment, allowing bankers the ability to apply expertise and judgement in the approval process.
  - Leveraging digital assets to improve the broker on-line application process.
  - A focus on improving capabilities and alignment within stores and contact centres.
  - Improving turnaround times through process re-engineering delivering consistent, scalable and reliable service.
- Monitoring and supporting Agribusiness customers impacted by drought conditions and offering a range of financial and non-financial assistance solutions to both drought and bushfire affected customers.
- Continuing to target a 50% cost to income ratio over the medium-term. Banking expects to achieve this as compliance and regulatory costs moderate from current levels, improved growth in lending and optimised operational costs through simplification, automation and digitisation initiatives.
- Continuing to monitor funding markets to maintain a strong balance sheet.
- Leveraging brand strength, relationships and community presence in Queensland to improve momentum in the business.
- Maintaining a strong capital position and readiness for regulatory change. To support this, Banking's CET1 target increased by 25 basis points to a range of 9.0 to 9.5% from 31 December 2019.
- Maintaining a Net Stable Funding Ratio (NSFR) comfortably above 105%.
- Maintaining NIM around the mid-point of the target operating range of 1.85 to 1.95%.
- Maintaining impairment losses within the revised operating range of 5 to 15 basis points of gross loans and advances over the medium-term.
- In Wealth, the focus is on driving funds under administration inflows, particularly through the digital channel through robo-advice and virtual assistance.

Embracing regulatory change

- Regulatory costs are expected to moderate somewhat in the medium-term but will remain elevated compared to prior periods. The regulatory investment will help deliver improved outcomes for customers over time, for example through investment in consumer data rights, supporting vulnerable customers, and the delivery of the Design and Distribution Obligations.
- The Wealth business will continue to implement a significant regulatory change program in the second half for the overall benefit of members.

Leveraging digital and data

— Developing open banking capabilities to enable our customers to make better use of their data.

— Above-system growth in at-call deposits remains a priority and will be driven by the continued delivery of enhanced digital banking capabilities and by utilising digital foundations built to date by:

  — Leveraging the Suncorp App, New Payments Platform and deposit origination functionality, and

  — Improving customer experience through expanded self-service capabilities and faster response times.

Driving operational excellence

— Banking & Wealth will continue to focus on improving end-to-end performance and efficiency of operations, encompassing the interface between Suncorp employees and customers, the distribution network and the impact of regulatory change on key processes.

— The Wealth business is currently under a strategic review.

Profit contribution

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Banking					
Net interest income	**594**	**578**	**585**	**2.8**	**1.5**
Net non-interest income					
Net banking fee income and commission	17	18	17	(5.6)	-
Gain on derivatives and other financial instruments	-	8	4	(100.0)	(100.0)
Other revenue	(5)	1	2	n/a	n/a
Total net non-interest income	**12**	**27**	**23**	**(55.6)**	**(47.8)**
Total income	**606**	**605**	**608**	**0.2**	**(0.3)**
Operating expenses	(361)	(341)	(341)	5.9	5.9
Profit before impairment losses on loans and advances	**245**	**264**	**267**	**(7.2)**	**(8.2)**
Impairment losses on loans and advances	(1)	(6)	(7)	(83.3)	(85.7)
Banking profit before tax	**244**	**258**	**260**	**(5.4)**	**(6.2)**
Income tax	(73)	(77)	(78)	(5.2)	(6.4)
Banking profit after tax	**171**	**181**	**182**	**(5.5)**	**(6.0)**
Wealth profit after tax	**-**	**-**	**1**	**n/a**	**(100.0)**
Banking & Wealth profit after tax	**171**	**181**	**183**	**(5.5)**	**(6.6)**

Banking ratios and statistics

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	%	%	%
Lending growth (annualised)	(2.69)	0.42	1.53
Customer funding growth (annualised)	3.82	(2.33)	4.09
Net interest margin (interest-earning assets)	1.92	1.90	1.89
Cost to income ratio	59.6	56.4	56.1
Impairment losses to gross loans and advances (annualised)	0.00	0.02	0.02
Common Equity Tier 1 ratio [(1)]	9.69	9.27	9.16
Deposit to loan ratio	67.8	65.6	66.5
NSFR	116	112	112

(1) Jun-19 comparatives have been restated to reflect immaterial changes in Bank credit risk-weighted assets as set out in the revised Jun-19 APS 330 disclosures published on the Suncorp Group website on 31 January 2020.

2.2.3 Banking

Loans and advances

	Dec-19 $M	Jun-19 $M	Dec-18 $M	Dec-19 vs Jun-19 %	Dec-19 vs Dec-18 %
Housing loans	41,861	40,922	40,663	2.3	2.9
Securitised housing loans and covered bonds	5,296	6,889	7,319	(23.1)	(27.6)
Total housing loans	**47,157**	**47,811**	**47,982**	**(1.4)**	**(1.7)**
Consumer loans	152	149	162	2.0	(6.2)
Retail loans	**47,309**	**47,960**	**48,144**	**(1.4)**	**(1.7)**
Commercial (SME)	6,797	6,843	6,662	(0.7)	2.0
Agribusiness	4,384	4,490	4,364	(2.4)	0.5
Total business loans	**11,181**	**11,333**	**11,026**	**(1.3)**	**1.4**
Total lending	**58,490**	**59,293**	**59,170**	**(1.4)**	**(1.1)**
Other lending	-	3	6	(100.0)	(100.0)
Gross loans and advances	**58,490**	**59,296**	**59,176**	**(1.4)**	**(1.2)**
Provision for impairment	(136)	(142)	(145)	(4.2)	(6.2)
Total loans and advances	**58,354**	**59,154**	**59,031**	**(1.4)**	**(1.1)**
Geographical breakdown - Total lending					
Queensland	31,223	31,600	31,266	(1.2)	(0.1)
New South Wales	15,639	15,858	15,904	(1.4)	(1.7)
Victoria	5,812	5,920	6,063	(1.8)	(4.1)
Western Australia	3,449	3,524	3,528	(2.1)	(2.2)
South Australia and other	2,367	2,391	2,409	(1.0)	(1.7)
Outside of Queensland loans	27,267	27,693	27,904	(1.5)	(2.3)
Total lending	**58,490**	**59,293**	**59,170**	**(1.4)**	**(1.1)**

Retail loans

The home lending portfolio contracted 1.4% over the half to $47.2bn reflecting low system growth and elevated processing times, particularly within the broker network. This has impacted momentum in the portfolio and Banking has launched a targeted work program to improve efficiencies in loan processing.

Direct lending disbursements through digital, stores and the contact centre network improved over the half, benefiting from changes to the direct operating model.

Banking maintains a high-quality lending portfolio. At the end of the half, the home lending portfolio was conservatively positioned as follows:

— Owner occupier: 72%, Investor: 28%.

— Principal and interest: 82%, Interest only: 18%.

— Proportion of portfolio with loan-to-value ratio (LVR) <80%: 80%.

Commercial (SME)

Commercial lending contracted 0.7% to $6.8bn over the half. The reduction was primarily driven by increased repayments from customers, particularly in the Construction and Development sector as customer projects reached successful completion ahead of schedule due to favourable weather conditions over the last six months.

Disbursements within the Commercial portfolio increased over the half, with the market responding to Banking's consistent and targeted offerings. Lending to new building developments was focused on existing customers with strong track records and supported by satisfactory pre-sales.

The Commercial portfolio continues to be of high quality with acceptable risk profiles, low arrears and low impairment charges. The portfolio remains diversified and weighted towards facilities less than $5m.

Commercial (SME) portfolio breakdown

	QLD %	NSW %	Other %	Total %	Total $M
Commercial (SME) breakdown					
Property Investment	30%	4%	5%	39%	2,651
Hospitality & Accommodation	11%	1%	1%	13%	884
Construction & Development	8%	1%	1%	10%	680
Services (Inc. professional services) (1)	10%	5%	4%	19%	1,291
Retail	5%	0%	1%	6%	408
Manufacturing & Mining	3%	1%	0%	4%	272
Other	6%	2%	1%	9%	611
Total %	**73%**	**14%**	**13%**	**100%**	
Total $M	**4,962**	**952**	**883**		**6,797**

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

Agribusiness

The Agribusiness portfolio contracted 2.4% over the half to $4.4bn, primarily driven by ongoing drought conditions which have restricted new investment and expansion.

Customers in Northern New South Wales have been impacted by prolonged dry conditions, particularly customers with grain and mixed-farming operations. The drought has recently intensified in Southern Queensland, impacting crop and livestock customers. Banking continues to monitor conditions and support its Agribusiness customers and the community. Banking will continue to provide assistance to customers impacted by drought, bushfires and other climate-related events.

The low Australian dollar and robust commodity prices will continue to assist customers in the second half of the financial year. Rural land values have remained firm despite ongoing drought conditions, reflecting the long-term confidence in the sector.

Banking continues to target medium-to-large family-owned farming operations in understood sectors with mid-size lending requirements.

Agribusiness portfolio breakdown

	QLD	NSW	Other	Total	Total
	%	%	%	%	$M
Agribusiness breakdown					
Beef	37%	4%	0%	41%	1,797
Grain & Mixed Farming	13%	13%	1%	27%	1,184
Sheep & Mixed Livestock	2%	4%	1%	7%	307
Cotton	4%	4%	0%	8%	351
Sugar	2%	0%	0%	2%	88
Fruit	3%	0%	0%	3%	132
Other	6%	2%	4%	12%	525
Total %	**67%**	**27%**	**6%**	**100%**	
Total $M	**2,937**	**1,184**	**263**		**4,384**

Funding

Funding composition

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Customer funding					
Customer deposits					
At-call deposits	25,154	22,502	21,330	11.8	17.9
Term deposits	14,496	16,401	18,027	(11.6)	(19.6)
Total customer funding	**39,650**	**38,903**	**39,357**	**1.9**	**0.7**
Wholesale funding					
Domestic funding					
Short-term wholesale	5,154	5,376	5,165	(4.1)	(0.2)
Long-term wholesale	4,532	4,032	4,363	12.4	3.9
Covered bonds	1,839	2,788	2,787	(34.0)	(34.0)
Subordinated notes	672	672	672	-	-
Total domestic funding	**12,197**	**12,868**	**12,987**	**(5.2)**	**(6.1)**
Overseas funding [(1)]					
Short-term wholesale	2,398	2,272	2,111	5.5	13.6
Long-term wholesale	3,513	3,538	3,452	(0.7)	1.8
Total overseas funding	**5,911**	**5,810**	**5,563**	**1.7**	**6.3**
Total wholesale funding	**18,108**	**18,678**	**18,550**	**(3.1)**	**(2.4)**
Total funding (excluding securitisation)	**57,758**	**57,581**	**57,907**	**0.3**	**(0.3)**
Securitisation					
APS 120 qualifying [(2)]	3,396	3,825	4,256	(11.2)	(20.2)
APS 120 non-qualifying	-	6	22	(100.0)	(100.0)
Total securitisation	**3,396**	**3,831**	**4,278**	**(11.4)**	**(20.6)**
Total funding (including securitisation)	**61,154**	**61,412**	**62,185**	**(0.4)**	**(1.7)**
Total funding is represented on the balance sheet by:					
Deposits	39,650	38,903	39,357	1.9	0.7
Short-term borrowings	7,552	7,648	7,276	(1.3)	3.8
Securitisation	3,396	3,831	4,278	(11.4)	(20.6)
Debt issues	9,884	10,358	10,602	(4.6)	(6.8)
Subordinated notes	672	672	672	-	-
Total funding	**61,154**	**61,412**	**62,185**	**(0.4)**	**(1.7)**
Deposit to loan ratio	**67.8%**	**65.6%**	**66.5%**		

(1) Foreign currency borrowings are hedged back into Australian dollars.
(2) Qualifies for capital relief under APS120.

Suncorp continues to maintain a conservative approach to managing liquidity and funding risk, to ensure a sustainable funding profile to support balance sheet growth.

Suncorp's key funding and liquidity management strategies include:

— Increasing stable deposit base combined with an appropriate Net Stable Funding Ratio position.

— Maintaining a sustainable and diversified funding base across a range of long-term wholesale markets such as covered bonds, domestic and offshore senior unsecured, and Residential Mortgage-backed Securities (RMBS).

— Minimising the impact of market volatility by maintaining a smooth profile of long-term wholesale funding maturities with an appropriate weighted average tenor.

— 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 67.8% remains within the target operating range of 60% to 70%.

At-call deposits portfolio growth of 11.8% to $25.2bn was significantly above system, driven by continued momentum from improved digital capabilities delivered over the last three years. Banking will focus on further enhancing digital functionality and the customer onboarding experience.

Banking has continued to optimise the customer deposit portfolio and reduce reliance on relatively more expensive term deposit funding, which has decreased 11.6% over the half to $14.5bn. The decline was primarily driven through targeted reductions in negotiated retail and corporate term deposits. The contraction in the term deposit portfolio is a direct response to the strong growth in the at-call portfolio and reduced funding requirements in line with lending growth.

Wholesale funding

Wholesale funding instruments maturity profile

	Short-term $M	Long-term $M	Dec-19 $M	Jun-19 $M	Dec-18 $M	Dec-19 vs Jun-19 %	Dec-19 vs Dec-18 %
Maturity							
0 to 3 months	4,880	302	5,182	5,882	5,649	(11.9)	(8.3)
3 to 6 months	2,622	1,449	4,071	3,553	3,724	14.6	9.3
6 to 12 months	50	2,405	2,455	2,140	2,470	14.7	(0.6)
1 to 3 years	-	5,115	5,115	5,738	5,659	(10.9)	(9.6)
3+ years	-	4,681	4,681	5,196	5,326	(9.9)	(12.1)
Total wholesale funding instruments	**7,552**	**13,952**	**21,504**	**22,509**	**22,828**	**(4.5)**	**(5.8)**

Long-term wholesale funding reduced over the half, driven by lower funding requirements and a corresponding reduction in the amount of issuance relative to maturities.

Suncorp demonstrated responsiveness to attractive market conditions by issuing $1.2bn of domestic senior unsecured with a weighted average term of 3.6 years, including a $750m 5-year issuance in July 2019.

Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)

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

The NSFR increased above the typical operating range over the half to 116%. This was due to strong growth in retail and small business customer deposits, in a subdued lending growth environment, and a reduction in required stable funding associated with a decrease in covered bonds outstanding. The NSFR is expected to reduce over time to be in line with previous periods.

The average LCR over the half was 127%, ending the period at 124%, above APRA's 100% limit. Banking 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 RBA.

Net interest income

Net interest income of $594m was up 1.5% on the pcp.

NIM increased 2 bps over the half to 1.92%, primarily driven by a favourable change to the funding mix following significant growth in relatively cheaper at-call deposits. The recent RBA rate reductions have compressed margins and put pressure on capital earnings. This was partly offset by more favourable conditions in benchmark interest rates.

Net interest margin movements

	%
2H19 net interest margin	**1.90**
Movement in funding mix	0.03
Movement in lending mix	-
Movement in lending/funding spreads	0.04
Balance sheet and liquidity management	(0.03)
Movement in earnings on invested capital	(0.02)
1H20 net interest margin	**1.92**

As announced in FY19, Banking now discloses the average balance sheet and NIM using a net of offset balance methodology which is consistent with peer disclosures. As a result of the changes to the calculation and the operating outlook, the target NIM operating range was increased to 1.85% to 1.95%.

Average banking balance sheet

	Half Year Ended Dec-19			Half Year Ended Jun-19 [3]		
	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]	6,430	63	1.94	6,228	80	2.59
Gross loans and advances	55,044	1,060	3.82	55,092	1,175	4.30
Total interest-earning assets	**61,474**	**1,123**	**3.62**	**61,320**	**1,255**	**4.13**
Non-interest earning assets						
Loan balances subject to mortgage offsets	3,661			3,647		
Other assets (inc. loan provisions)	1,154			1,232		
Total non-interest earning assets	**4,815**			**4,879**		
Total assets	**66,289**			**66,199**		
Liabilities						
Interest-bearing liabilities						
Customer deposits	35,279	276	1.55	35,096	353	2.03
Wholesale liabilities	21,738	242	2.21	21,894	311	2.86
Subordinated loans	672	11	3.25	672	13	3.90
Total interest-bearing liabilities	**57,689**	**529**	**1.82**	**57,662**	**677**	**2.37**
Non-interest bearing liabilities						
Other customer deposits	3,661			3,647		
Other liabilities	585			671		
Total non-interest bearing liabilities	**4,246**			**4,318**		
Total liabilities	**61,935**			**61,980**		
Average Net Assets	**4,354**			**4,219**		
Non-Shareholder accounting equity	(19)			(7)		
Convertible preference shares	(585)			(557)		
Average Ordinary Shareholders' equity	**3,750**			**3,655**		
Goodwill allocated to banking business	(240)			(240)		
Average Ordinary Shareholders' equity (ex goodwill)	**3,510**			**3,415**		
Analysis of interest margin and spread						
Interest-earning assets	61,474	1,123	3.62	61,320	1,255	4.13
Interest-bearing liabilities	57,689	529	1.82	57,662	677	2.37
Net interest spread			**1.80**			**1.76**
Net interest margin (interest-earning assets)	**61,474**	**594**	**1.92**	**61,320**	**578**	**1.90**
Net interest margin (lending assets)	**55,044**	**594**	**2.14**	**55,092**	**578**	**2.12**

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

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

(3) Comparative figures for average banking balance sheet have been restated to reflect the new NIM calculation methodology.

Net non-interest income

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Net banking fee income and commission	17	18	17	(5.6)	-
Gain/(loss) on derivatives and other financial instruments	-	8	4	(100.0)	(100.0)
Other revenue	(5)	1	2	n/a	n/a
Total net non-interest income	**12**	**27**	**23**	**(55.6)**	**(47.8)**

Total net non-interest income was $12m, down 47.8%. The reduction in net banking fee income and commission was primarily driven by a one-off adjustment due to a one-off GST adjustment. Excluding this issue, customer fees collected were broadly in line with previous periods. The result on derivatives and other financial instruments was driven by market movements.

Operating expenses

Operating expenses increased $20m on the pcp to $361m due to:

— increase in projects spend, including regulatory change and system enhancements.

— increase in spend for risk and compliance.

— increase in technology and advertising spend.

BIP delivered a total net benefit to Banking & Wealth operating expenses of $33m (31 Dec 2018: $14m; FY19 $45m). Process automation to support home lending growth and store consolidation continues to drive further efficiencies.

The increase in operating expenses combined with lower net non-interest income drove a cost to income ratio of 59.6%, up 3.5% on the pcp. Banking continues to target a 50% cost to income ratio over the medium-term. Banking expects to achieve this as compliance and regulatory costs moderate from current levels, improved top line growth and optimised operational costs through simplification, automation and digitisation initiatives.

Credit quality

Impairment losses on loans and advances

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Collective provision for impairment	(8)	-	-	n/a	n/a
Specific provision for impairment	8	2	3	300.0	166.7
Actual net write-offs	1	4	4	(75.0)	(75.0)
Impairment losses	**1**	**6**	**7**	**(83.3)**	**(85.7)**
Impairment losses to gross loans and advances (annualised)	**0.00%**	**0.02%**	**0.02%**		

Impairment losses on loans and advances over the half were $1m, reflecting Banking's continued focus on sound credit quality and the benefit of loans being repaid or returned to performing, offsetting newly impaired assets, as well as sustained asset values. Banking has revised its through-the-cycle operating range to 5-15 bps from 10-20 bps, reflecting the improvement in the lending portfolio's risk profile over recent periods.

Impaired assets and non-performing loans

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Retail lending	58	56	61	3.6	(4.9)
Agribusiness lending	31	32	37	(3.1)	(16.2)
Commercial/SME lending	64	58	66	10.3	(3.0)
Gross impaired assets	**153**	**146**	**164**	**4.8**	**(6.7)**
Impairment provision [1]	(42)	(40)	(42)	5.0	-
Net impaired assets	**111**	**106**	**122**	**4.7**	**(9.0)**
Gross impaired assets to gross loans and advances	**0.26%**	**0.25%**	**0.28%**		
Size of gross individually impaired assets					
Less than one million	47	46	43	2.2	9.3
Greater than one million but less than ten million	82	85	106	(3.5)	(22.6)
Greater than ten million	24	15	15	60.0	60.0
Gross impaired assets	**153**	**146**	**164**	**4.8**	**(6.7)**
Past due loans not shown as impaired assets	**528**	**551**	**524**	**(4.2)**	**0.8**
Gross non-performing loans	**681**	**697**	**688**	**(2.3)**	**(1.0)**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	146	164	144	(11.0)	1.4
Recognition of new impaired assets	41	27	57	51.9	(28.1)
Increases in previously recognised impaired assets	1	3	2	(66.7)	(50.0)
Impaired assets written off/sold during the half year	(4)	(3)	(6)	33.3	(33.3)
Impaired assets which have been reclassed as performing assets or repaid	(31)	(45)	(33)	(31.1)	(6.1)
Balance at the end of the half year	**153**	**146**	**164**	**4.8**	**(6.7)**

(1) Comparative figures for impairment provision have been restated

Gross impaired assets increased marginally over the half to $153m, representing 26 bps of gross loans and advances.

Retail impaired loans remained relatively flat at $58m, assisted by a rerate in the residential housing market and sound risk selection.

Agribusiness impairments decreased $1m and are expected to increase in the second half of the financial year if ongoing drought conditions continue.

Commercial impairments increased $6m, driven by one medium size customer in Western Australia and movements in a small number of other customers.

Provision for impairment

	Dec-19 $M	Jun-19 $M	Dec-18 $M	Dec-19 vs Jun-19 %	Dec-19 vs Dec-18 %
Collective provision					
Balance at the beginning of the period	111	111	91	-	22.0
AASB 9 transition adjustments	-	-	20	n/a	(100.0)
Charge against impairment losses	(8)	-	-	n/a	n/a
Balance at the end of the period	**103**	**111**	**111**	**(7.2)**	**(7.2)**
Specific provision					
Balance at the beginning of the period	31	34	39	(8.8)	(20.5)
Charge against impairment losses	8	2	3	300.0	166.7
Impairment provision written off	(4)	(3)	(6)	33.3	(33.3)
Unwind of discount	(2)	(2)	(2)	-	-
Balance at the end of the period	**33**	**31**	**34**	**6.5**	**(2.9)**
Total provision for impairment - Banking activities	**136**	**142**	**145**	**(4.2)**	**(6.2)**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	104	111	88	(6.3)	18.2
AASB 9 transition adjustments	-	-	9	n/a	(100.0)
Transfer (to) from retained earnings	(18)	(7)	14	157.1	n/a
Balance at the end of the period	**86**	**104**	**111**	**(17.3)**	**(22.5)**
Pre-tax equivalent coverage	123	149	159	(17.4)	(22.6)
Total provision for impairment and equity reserve for credit loss - Banking activities	**259**	**291**	**304**	**(11.0)**	**(14.8)**

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	**21.6**	**21.2**	**20.7**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.18	0.19	0.19
Specific provision	0.06	0.05	0.06
Total provision	0.24	0.24	0.25
ERCL coverage	0.21	0.25	0.27
Total provision and ERCL coverage	0.45	0.49	0.52

The total provision and ERCL coverage was 45 bps of gross loans and advances.

The collective provision declined by $8m over the half. The collective provision was favourably impacted by buoyancy in national residential house prices, an improvement in the arrears profile of residential mortgages and movements in the risk profile of a small number of customers. This movement was offset by the impact of the drought and other climate conditions, with additional management overlays raised in preparation for continued drought conditions and customers affected by the recent bushfires.

The specific provision increased $2m over the half, primarily driven by two newly provisioned business customers and other retail lending customers.

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	467	58	9	30	45	16%
Agribusiness lending	37	31	5	32	6	63%
Commercial/SME lending	24	64	19	41	72	150%
Total	**528**	**153**	**33**	**103**	**123**	**38%**

Retail lending past due loans declined over the half by $26m. The decrease in retail past due arrears was predominately driven by increased customer communication and engagement early in the arrears cycle, normal seasonal patterns and the impact of the Townsville floods being remedied. Ensuring that customers in financial difficulty are well supported remains paramount and central to any change in processes. Suncorp customers in hardship reduced over the half, with this number expected to increase from recent bushfires and other climate-related impacts and normal seasonal patterns.

Agribusiness and Commercial lending past due loans remained relatively flat over the half. An increased level of past due agribusiness customers is expected in the second half of the financial year if drought conditions persist.

2.2.4 Wealth

Wealth manufactures, administers and distributes superannuation through the Everyday Super and Brighter Super products. Wealth will discontinue its financial advice services from the end of March 2020. Customers who wish to access financial advice will be able to select a financial advisor from a new independent panel of advisory firms.

Profit contribution

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Underlying profit after tax	-	-	1	n/a	(100.0)
Profit attributed to shareholders	**-**	**-**	**1**	**n/a**	**(100.0)**

The Wealth business continues to be impacted by increased industry-wide regulatory costs within the superannuation portfolio and this is expected to continue over the medium term. Wealth is embracing regulatory reform and executing an extensive program of work with a sharp focus on improving member outcomes.

Funds under administration

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Funds under administration					
Opening balance at the start of the period	6,377	6,011	6,411	6.1	(0.5)
Inflows	320	282	283	13.5	13.1
Outflows	(479)	(454)	(466)	5.5	2.8
Investment income and other	221	538	(217)	(58.9)	n/a
Balance at the end of the period	**6,439**	**6,377**	**6,011**	**1.0**	**7.1**

Funds under administration grew 1.0% over the half to $6.4bn.

An increase in inflows over the half was driven by increased contributions from existing members, including unclaimed super money from the ATO, and the onboarding of new members into the fund. The increase in outflows was primarily due to the transfer of unclaimed super money to the ATO, with the underlying outflow volumes broadly consistent with previous periods.

The movements in ‘investment income and other’ was primarily driven by continuing favourable investment market conditions.

2.3 NEW ZEALAND

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

2.3.1 New Zealand result overview

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
General Insurance					
Gross written premium by product					
Motor	209	208	198	0.5	5.6
Home	281	288	270	(2.4)	4.1
Commercial	373	333	352	12.0	6.0
Other	13	10	11	30.0	18.2
General Insurance gross written premium	**876**	**839**	**831**	**4.4**	**5.4**
Net earned premium	744	710	693	4.8	7.4
Net incurred claims	(397)	(357)	(340)	11.2	16.8
Total operating expenses	(230)	(227)	(217)	1.3	6.0
Insurance trading result	123	141	143	(12.8)	(14.0)
General Insurance profit after tax	**94**	**114**	**103**	**(17.5)**	**(8.7)**
Life Insurance					
Underlying profit after tax	12	23	16	(47.8)	(25.0)
Life Insurance profit after tax	**14**	**27**	**17**	**(48.1)**	**(17.6)**
New Zealand profit after tax	**108**	**141**	**120**	**(23.4)**	**(10.0)**
	%	**%**	**%**		
Total operating expenses ratio	30.9	32.0	31.3		
Insurance trading ratio	16.5	19.9	20.6		

- New Zealand achieved profit after tax of $108m, down 10.0% on the pcp. As previously flagged, the result demonstrates a return to normalised natural hazard experience following the benign conditions which benefitted pcp results.
- The New Zealand General Insurance business delivered profit after tax of $94m, down 8.7% on the pcp. This was largely driven by increased natural hazard costs, up $24m on the pcp and remediation provisions of $8m, which is captured in GWP and predominantly relates to issues identified with customer discounts in prior periods. Partially offsetting this impact is the continued disciplined portfolio management delivering strong top-line and earned premium growth.
- GWP grew by 5.4% to $876m (6.4% excluding remediation impacts). GWP growth was driven by premium increases across all portfolios and supported by unit growth in the direct business.
- Net incurred claims were $397m, up 16.8% on the pcp. This was driven by unit growth, a higher frequency of large loss house fires and a normalisation of natural hazard costs in the period.
- Operating expenses increased by 6.0%, of which 2.3% was related to a 3.1% rise in commissions driven by premium growth, and 3.7% increase related to higher underwriting expenses attributable to increased technology and project costs. While expenses have increased, the total operating expense ratio has decreased from the pcp as a result of earnings growth.
- Reported ITR of 16.5% is down from 20.6% in the pcp.
- The New Zealand Life Insurance business delivered profit after tax of $14m, down $3m on the pcp. This decrease is due to costs associated with IFRS17, increased technology costs relating to Life systems following the sale of the Australia Life business and adverse claims experience. In-force premium grew by 4.2%, supported by CPI and age-indexed premium growth.

2.3.2 New Zealand outlook and priorities

New Zealand's 2H20 performance will be guided by the Group's four key priorities as set out below.

Improving the performance of our core businesses

1H20 has seen New Zealand's top-line growth return to mid single-digit levels. As expected, claims have returned to more normalised levels. These trends are expected to continue in 2H20.

Life planned profit levels are expected to be maintained through 2H20 with no significant movement in underlying experience anticipated. Lapse rates and new business are favourable to current market trends.

Investment returns are expected to remain subdued due to lower running yields, driven by a downward shift in the yield curve.

Embracing regulatory change

Delivery of the Conduct Uplift Program will be a focus in 2H20 to address the joint RBNZ and FMA review of Conduct and Culture. As the program develops, progress updates will be provided to the Board and regulators. The implementation of the program will see regulatory expenses increase in 2H20, which is expected to be incurred market wide.

The Government's proposed legislation relating to the conduct of insurers, banks and non-bank deposit takers was introduced to Parliament in December 2019. Changes will be captured in the Conduct Uplift Program, with the legislation expected to come into force 2022/2023.

A customer remediation program of work has been established to provide the necessary governance around the identified remediations and accelerate the resolution of issues over 2H20

Leveraging Digital and Data

New Zealand is leveraging the Group's digital foundations and investing in digitising the business to create better outcomes for customers and intermediaries. These investments include digitisation of interactions with Corporate Partners and Intermediaries. In 2H20, the focus is to continue to build digital and data capabilities, digitise and automate processes and improve customer communication.

Driving operational excellence

New Zealand's efficiency program continues to be a focus and is embedded as part of normal business operations. Initiatives around operational excellence and efficiency improvements are well underway, with the diagnostic task of assessing a number of internal processes largely complete. The planning and implementation stages are expected to commence in 2H20.

Profit contribution (NZ$)

	Half Year Ended				
	Dec-19	Jun-19	Dec-18	Dec-19 vs Jun-19	Dec-19 vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
General Insurance					
Gross written premium	**876**	**839**	**831**	**4.4**	**5.4**
Gross unearned premium movement	(33)	(26)	(38)	26.9	(13.2)
Gross earned premium	843	813	793	3.7	6.3
Outwards reinsurance expense	(99)	(103)	(100)	(3.9)	(1.0)
Net earned premium	**744**	**710**	**693**	**4.8**	**7.4**
Net incurred claims					
Claims expense	(456)	(378)	(385)	20.6	18.4
Reinsurance and other recoveries revenue	59	21	45	181.0	31.1
Net incurred claims	**(397)**	**(357)**	**(340)**	**11.2**	**16.8**
Total operating expenses					
Acquisition expenses	(166)	(161)	(161)	3.1	3.1
Other underwriting expenses	(64)	(66)	(56)	(3.0)	14.3
Total operating expenses	**(230)**	**(227)**	**(217)**	**1.3**	**6.0**
Underwriting result	**117**	**126**	**136**	**(7.1)**	**(14.0)**
Investment income - insurance funds	6	15	7	(60.0)	(14.3)
Insurance trading result	**123**	**141**	**143**	**(12.8)**	**(14.0)**
Joint venture and other expense	-	(1)	-	(100.0)	n/a
General Insurance operational earnings	**123**	**140**	**143**	**(12.1)**	**(14.0)**
Investment income - shareholder funds	7	15	2	(53.3)	250.0
General Insurance profit before tax	**130**	**155**	**145**	**(16.1)**	**(10.3)**
Income tax	(36)	(41)	(42)	(12.2)	(14.3)
General Insurance profit after tax	**94**	**114**	**103**	**(17.5)**	**(8.7)**
Life Insurance					
Underlying profit after tax	**12**	23	16	(47.8)	(25.0)
Market adjustments	**2**	4	1	(50.0)	100.0
Life Insurance profit after tax	**14**	**27**	**17**	**(48.1)**	**(17.6)**
New Zealand profit after tax	**108**	**141**	**120**	**(23.4)**	**(10.0)**

General Insurance ratios (NZ$)

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	%	%	%
Acquisition expenses ratio	22.3	22.7	23.2
Other underwriting expenses ratio	8.6	9.3	8.1
Total operating expenses ratio	**30.9**	**32.0**	**31.3**
Loss ratio	53.4	50.3	49.1
Combined operating ratio	84.3	82.3	80.4
Insurance trading ratio	**16.5**	**19.9**	**20.6**

Profit contribution (A$)

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	A$M	A$M	A$M	%	%
General Insurance					
Gross written premium	**827**	**798**	**768**	**3.6**	**7.7**
Gross unearned premium movement	(31)	(24)	(35)	29.2	(11.4)
Gross earned premium	796	774	733	2.8	8.6
Outwards reinsurance expense	(93)	(98)	(92)	(5.1)	1.1
Net earned premium	**703**	**676**	**641**	**4.0**	**9.7**
Net incurred claims					
Claims expense	(430)	(358)	(357)	20.1	20.4
Reinsurance and other recoveries revenue	55	19	42	189.5	31.0
Net incurred claims	**(375)**	**(339)**	**(315)**	**10.6**	**19.0**
Total operating expenses					
Acquisition expenses	(157)	(153)	(149)	2.6	5.4
Other underwriting expenses	(60)	(63)	(52)	(4.8)	15.4
Total operating expenses	**(217)**	**(216)**	**(201)**	**0.5**	**8.0**
Underwriting result	**111**	**121**	**125**	**(8.3)**	**(11.2)**
Investment income - insurance funds	5	14	7	(64.3)	(28.6)
Insurance trading result	**116**	**135**	**132**	**(14.1)**	**(12.1)**
Joint venture and other expense	-	(1)	-	(100.0)	n/a
General Insurance operational earnings	**116**	**134**	**132**	**(13.4)**	**(12.1)**
Investment income - shareholder funds	6	14	2	(57.1)	200.0
General Insurance profit before tax	**122**	**148**	**134**	**(17.6)**	**(9.0)**
Income tax	(33)	(39)	(39)	(15.4)	(15.4)
General Insurance profit after tax	**89**	**109**	**95**	**(18.3)**	**(6.3)**
Life Insurance					
Underlying profit after tax	**11**	22	15	(50.0)	(26.7)
Market adjustments	**2**	3	1	(33.3)	100.0
Life Insurance profit after tax	**13**	**25**	**16**	**(48.0)**	**(18.8)**
New Zealand profit after tax	**102**	**134**	**111**	**(23.9)**	**(8.1)**

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 (A$)

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	%	%	%
Acquisition expenses ratio	22.3	22.6	23.2
Other underwriting expenses ratio	8.5	9.3	8.1
Total operating expenses ratio	**30.8**	**32.0**	**31.3**
Loss ratio	53.3	50.1	49.1
Combined operating ratio	84.1	82.1	80.4
Insurance trading ratio	**16.5**	**20.0**	**20.6**

2.3.3 General Insurance

Gross written premium

	Dec-19	Half Year Ended Jun-19	Dec-18	Dec-19 vs Jun-19	Dec-19 vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
Gross written premium by product					
Motor	209	208	198	0.5	5.6
Home	281	288	270	(2.4)	4.1
Commercial	373	333	352	12.0	6.0
Other	13	10	11	30.0	18.2
Total	**876**	**839**	**831**	**4.4**	**5.4**

Motor

Motor GWP grew 5.6% to $209m, with growth predominantly achieved through corporate partners and direct channels. Unit growth in the intermediated channel continues to be subdued following a period of product and pricing adjustments to address profitability. In response to the subdued growth, targeted pricing changes have been introduced to stimulate unit growth.

Home

Home GWP grew 4.1% to $281m. Growth was driven by pricing increases and strong unit growth in the direct channel, with the intermediated and corporate partners channels flat on pcp. Targeted pricing changes are being introduced to stimulate unit growth in the intermediated and corporate partners channels.

Commercial

Commercial GWP grew 6.0% to $373m, driven by rate increases across the portfolio and unit growth in the commercial motor portfolio. The commercial property and liability portfolios continue to perform strongly, supported by modest new business volume growth and strategic renewal pricing.

Other

Other business contributed GWP of $13m for the period, with continued growth being achieved within the personal marine portfolio.

Remediation

During the current period, provisions of $8m have been recognised in respect of issues identified predominantly relating to the incorrect application of customer discounts in prior periods. Suncorp NZ has notified regulators in respect of these discounting issues and will ensure appropriate remediation actions are taken for customers.

Net incurred claims

Net incurred claims costs have increased 16.8% to $397m, driven by increased levels of natural hazard claims, unit growth across the home and motor portfolios in the direct channel and higher levels of larger loss home claims.

Home claims are up on the pcp due to an increase in claims severity of larger value house fires in the period. Unit growth in the direct channel has also driven the increase in claims.

Motor claims costs are up on pcp, driven by the impact of the Timaru hailstorm and unit growth in the direct channel. In the intermediated channel, working claims have benefited from changes to windscreen replacement and excess levels.

Commercial claims are favourable to pcp due to lower levels of large loss commercial fire claims. This was partially offset by an increase in natural hazard claims and working claims due to growth in the commercial motor and marine portfolios.

Natural hazards

Total Natural Hazard costs were $32m for 1H20, $5m above the allowance and $24m above the pcp. The Timaru hailstorm has contributed $19m to the net incurred cost to date.

Date	Event	Net costs NZ$M
Nov 19	NZ Canterbury Storms	19
Total events over $10 million [1]		**19**
Other natural hazards attritional claims		13
Total natural hazards		**32**
Less: allowance for natural hazards		(27)
Natural hazards costs above/(below) allowance		**5**

[1] Events with a gross cost over $10m, shown net of recoveries from reinsurance.

Outstanding claims provision

	Actual NZ$M	Net central estimate (discounted) NZ$M	Risk margin (90th percentile discounted) NZ$M	Change in net central estimate [1] NZ$M
Short-tail	236	201	35	7
Long-tail	95	81	14	-
Total	**331**	**282**	**49**	**7**

[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 a net central estimate strengthening of $7m on prior year claims. Short-tail claims reserve strengthening was primarily attributable to the Vero domestic fire book.

There has been a strengthening of reserves relating to the Canterbury earthquakes as settlements reach the tail-end and consist of the more complex claims. Total claims paid for the Canterbury events have reached 99% of the ultimate net loss (UNL), with $33m in claims paid over the half year. The only significant exposure remaining relates to the February 2011 Canterbury event. As at 31 December 2019 total claims paid for this event were A$3.47bn, representing 98% of the UNL. Due to reinsurance arrangements for the February 2011 event, Suncorp will retain 15 cents in the dollar for additional claims costs exceeding A$3.4bn up to A$3.5bn. Suncorp's retention increases to 33 cents in the dollar once claims costs exceed A$3.5bn (up to A$5.6bn).

Outstanding claims provisions over time

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
Gross outstanding claims liabilities	691	812	881	(14.9)	(21.6)
Reinsurance and other recoveries	(360)	(496)	(564)	(27.4)	(36.2)
Net outstanding claims liabilities	**331**	**316**	**317**	**4.7**	**4.4**
Expected future claims payments and claims handling expenses	288	270	276	6.7	4.3
Discount to present value	(5)	(4)	(6)	25.0	(16.7)
Risk margin	48	50	47	(4.0)	2.1
Net outstanding claims liabilities	**331**	**316**	**317**	**4.7**	**4.4**
Short-tail	236	225	228	4.9	3.5
Long-tail	95	91	89	4.4	6.7
Total	**331**	**316**	**317**	**4.7**	**4.4**

The above 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, 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 $27m this half year, largely attributed to higher allowances for future new over-caps.

Risk margins

Risk margins decreased by $2m to $48m from the prior half, representing approximately 15.8% of net outstanding claims reserves. This gives an approximate level of confidence of 90%, in line with Suncorp Group policy.

Operating expenses

Total operating expenses increased 6.0% to $230m. Commissions grew 3.1% on the pcp, due to strong top line growth. Excluding commissions, operating expenses grew 10.1% on the pcp, driven by technology, regulatory and project costs. The total operating expense ratio is marginally favourable to the pcp.

The increase in underlying commission expenses reflects the strong top-line growth. Offsetting this is reduced profit shares to corporate partners due to higher claims experience in the current period.

Investment income

Suncorp's primary objective is to optimise investment returns relative to investment risk appetite. This process inherently has regard to capital and the insurance liabilities that the investment assets are supporting and seeks to substantially offset the associated interest rate risk.

The New Zealand investment portfolio includes insurance funds and shareholders' funds. The insurance funds are matched from an interest rate sensitivity perspective to the technical reserves within the balance sheet. The shareholders' funds support the capital position, whilst maintaining sufficient liquidity to enable the business to meet its commitments.

Asset allocation

Asset allocations within funds remain largely consistent with the pcp and in accordance with risk appetite.

	Half Year Ended					
	Dec-19		Jun-19		Dec-18	
	NZ$M	%	NZ$M	%	NZ$M	%
Insurance funds						
Cash and short-term deposits	194	33	262	41	205	35
Corporate bonds	314	54	309	48	298	52
Local government bonds	72	12	71	11	65	11
Government bonds	3	1	3	-	10	2
Total Insurance funds	**583**	**100**	**645**	**100**	**578**	**100**
Shareholders' funds						
Cash and short-term deposits	70	17	77	18	35	12
Interest-bearing securities	217	54	218	52	160	53
Equities	116	29	124	30	106	35
Total shareholders' funds	**403**	**100**	**419**	**100**	**301**	**100**
Total	**986**		**1,064**		**879**	

Credit quality

The average credit rating for New Zealand investment assets remained largely consistent with prior periods.

	Dec-19	Jun-19	Dec-18
	%	%	%
AAA	8.1	8.0	10.0
AA	63.5	58.6	61.0
A	25.2	30.9	26.7
BBB	3.2	2.5	2.3
	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 comprise of outstanding claims and premium liabilities.

	Dec-19	Jun-19	Dec-18
	Years	Years	Years
Insurance funds			
Interest rate duration	1.4	1.3	1.3
Shareholders' funds			
Interest rate duration	3.1	3.0	2.8

Investment performance

Total investment income on insurance funds and shareholders' funds was $13m, representing an annualised return of 1.3%.

Insurance funds

Investment income on insurance funds was $6m, representing an annualised return of 1.0%. This reflected the unfavourable interest rate environment which saw rising bond yields drive unfavourable mark-to-market movements.

Shareholders' funds

Investment income on shareholders' funds was $7m up $5m on the pcp, representing an annualised return of 1.7%. The pcp was impacted by volatility in equity markets resulting in unfavourable returns for global equity investments.

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	2	2	1	-	100.0
Interest-bearing securities and other	4	13	6	(69.2)	(33.3)
Total	**6**	**15**	**7**	**(60.0)**	**(14.3)**
Investment income on shareholders' funds					
Cash and short-term deposits	1	1	1	-	-
Interest-bearing securities	2	4	3	(50.0)	(33.3)
Equities	4	10	(2)	(60.0)	n/a
Total	**7**	**15**	**2**	**(53.3)**	**250.0**
Total investment income	**13**	**30**	**9**	**(56.7)**	**44.4**

2.3.4 Life Insurance

Profit after tax was $14m, $3m lower than the pcp. This decrease is due to costs associated with IFRS17, increased technology costs relating to Life systems following the sale of the Australia Life business and adverse claims experience. Planned margins were $17m in line with the pcp, supported by continued in-force growth.

Claims experience reflected general volatility of claims and is unfavourable to the pcp. Claims experience was impacted by unfavourable mortality experience and higher than expected claim incidence for Income Protection.

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
Planned profit margin	17	17	17	-	-
Experience	(7)	3	(5)	n/a	40.0
Other	2	3	4	(33.3)	(50.0)
Underlying profit after tax	**12**	**23**	**16**	**(47.8)**	**(25.0)**
Market adjustments	**2**	**4**	**1**	**(50.0)**	**100.0**
Net profit after tax	**14**	**27**	**17**	**(48.1)**	**(17.6)**

Life risk in-force annual premium by channel

In-force premium increased 4.2% to $273m, supported by premium growth. New business is in line with the pcp and ahead of system growth. Retention rates were favourable to system.

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
Advised	217	213	210	1.9	3.3
Direct	42	42	41	-	2.4
Group and other	14	12	11	16.7	27.3
Total	**273**	**267**	**262**	**2.2**	**4.2**
Total new business	**11**	**11**	**11**	**-**	**-**

Invested shareholder assets

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
Cash	27	20	19	35.0	42.1
Fixed interest securities	255	255	227	-	12.3
Total	**282**	**275**	**246**	**2.5**	**14.6**

Investment income experience

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	NZ$M	NZ$M	NZ$M	%	%
Shareholder investment income on invested assets	2	6	4	(66.7)	(50.0)
Less underlying investment income	(2)	(3)	(3)	(33.3)	(33.3)
Investment income experience	**-**	**3**	**1**	**(100.0)**	**(100.0)**

3.0 APPENDICES

3.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Consolidated statement of comprehensive income (statutory view)

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Revenue					
Insurance premium income	5,077	4,979	5,000	2.0	1.5
Reinsurance and other recoveries income	360	1,001	715	(64.0)	(49.7)
Interest income on					
financial assets not at fair value through profit or loss	1,116	1,245	1,278	(10.4)	(12.7)
financial assets at fair value through profit or loss	196	210	239	(6.7)	(18.0)
Net gains on financial assets and liabilities at fair value through profit or loss	-	246	-	(100.0)	n/a
Dividend and trust distribution income	43	77	20	(44.2)	115.0
Fees and other income	262	293	257	(10.6)	1.9
Total revenue	**7,054**	**8,051**	**7,509**	**(12.4)**	**(6.1)**
Expenses					
Claims expense and movement in policyowner liabilities [1]	(3,653)	(3,996)	(3,922)	(8.6)	(6.9)
Outwards reinsurance premium expense	(591)	(601)	(575)	(1.7)	2.8
Underwriting and policy maintenance expenses	(1,087)	(1,101)	(1,071)	(1.3)	1.5
Interest expense on					
financial liabilities not at fair value through profit or loss	(545)	(685)	(707)	(20.4)	(22.9)
financial liabilities at fair value through profit or loss	(23)	(32)	(43)	(28.1)	(46.5)
Net losses on financial assets and liabilities at fair value through profit or loss	(40)	122	(122)	100.0	100.0
Impairment loss on loans and advances	(1)	(6)	(7)	(83.3)	(85.7)
Impairment loss on goodwill and intangible assets	-	(8)	-	(100.0)	n/a
Amortisation and depreciation expense	(131)	(83)	(86)	57.8	52.3
Fees, overheads and other expenses	(455)	(567)	(469)	(19.8)	(3.0)
Outside beneficial interests in managed funds	(12)	(110)	38	(89.1)	n/a
Total expenses	**(6,538)**	**(7,067)**	**(6,964)**	**(7.5)**	**(6.1)**
Profit before income tax	**516**	**984**	**545**	**(47.6)**	**(5.3)**
Income tax expense [1]	(160)	(294)	(161)	(45.6)	(0.6)
Profit after tax from continuing operations	356	690	384	(48.4)	(7.3)
Profit (loss) after tax from discontinued operations [1]	294	(754)	(125)	n/a	n/a
Profit for the period	**650**	**(64)**	**259**	**n/a**	**151.0**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	21	10	10	110.0	110.0
Net change in financial assets at fair value through other comprehensive income	(3)	9	(6)	n/a	(50.0)
Net change in net investment hedge of foreign operations	-	(3)	-	(100.0)	n/a
Exchange differences on translation of foreign operations	2	8	27	(75.0)	(92.6)
Income tax expense	(5)	(3)	(3)	66.7	66.7
	15	21	28	(28.6)	(46.4)
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on defined benefit plans	-	(15)	(7)	(100.0)	(100.0)
Income tax benefit	-	4	2	(100.0)	(100.0)
	-	(11)	(5)	(100.0)	(100.0)
Total other comprehensive income for the period	**15**	**10**	**23**	**50.0**	**(34.8)**
Total comprehensive income for the period	**665**	**(54)**	**282**	**n/a**	**135.8**
Profit for the period attributable to:					
Owners of the Company	642	(75)	250	n/a	156.8
Non-controlling interests	8	11	9	(27.3)	(11.1)
Profit for the period	**650**	**(64)**	**259**	**n/a**	**151.0**
Total comprehensive income for the period attributable to:					
Owners of the Company	657	(65)	273	n/a	140.7
Non-controlling interests	8	11	9	(27.3)	(11.1)
Total comprehensive income for the period	**665**	**(54)**	**282**	**n/a**	**135.8**

[1] Profit after tax from discontinued business incorporates the performance of the SMART and ACM Parts sold on 31 October 2019. Prior period comparatives have been restated to adjust for the participating SMART and ACM Parts business performance.

Consolidated statement of financial position (statutory view)

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	2,265	1,086	1,542	108.6	46.9
Receivables due from other banks	470	499	351	(5.8)	33.9
Trading securities	897	1,227	1,540	(26.9)	(41.8)
Derivatives	639	666	420	(4.1)	52.1
Investment securities	19,210	19,243	18,570	(0.2)	3.4
Loans and advances	58,354	59,154	59,031	(1.4)	(1.1)
Premiums outstanding	2,722	2,802	2,568	(2.9)	6.0
Reinsurance and other recoveries	2,109	2,656	2,288	(20.6)	(7.8)
Deferred reinsurance assets	579	898	554	(35.5)	4.5
Deferred acquisition costs	742	723	723	2.6	2.6
Property, plant and equipment	609	208	210	192.8	190.0
Deferred tax assets	204	242	210	(15.7)	(2.9)
Goodwill and other intangible assets	5,409	5,460	5,529	(0.9)	(2.2)
Other assets	975	1,371	1,247	(28.9)	(21.8)
Assets held for sale	-	-	4,532	n/a	(100.0)
Total assets	**95,184**	**96,235**	**99,315**	**(1.1)**	**(4.2)**
Liabilities					
Payables due to other banks	289	353	273	(18.1)	5.9
Deposits and short-term borrowings	46,782	46,190	46,160	1.3	1.3
Derivatives	451	456	236	(1.1)	91.1
Amounts due to reinsurers	268	776	270	(65.5)	(0.7)
Payables and other liabilities	1,547	1,437	1,199	7.7	29.0
Current tax liabilities	29	62	31	(53.2)	(6.5)
Unearned premium liabilities	5,175	5,123	5,039	1.0	2.7
Provisions and employee benefit liabilities	494	543	294	(9.0)	68.0
Outstanding claims liabilities	10,419	10,611	10,496	(1.8)	(0.7)
Deferred tax liabilities	131	155	131	(15.5)	-
Managed funds units on issue	1,062	847	956	25.4	11.1
Securitisation liabilities	3,396	3,831	4,278	(11.4)	(20.6)
Debt issues	9,884	10,358	10,602	(4.6)	(6.8)
Loan capital	2,540	2,360	2,357	7.6	7.8
Liabilities held for sale	-	-	3,369	n/a	(100.0)
Total liabilities	**82,467**	**83,102**	**85,691**	**(0.8)**	**(3.8)**
Net assets	**12,717**	**13,133**	**13,624**	**(3.2)**	**(6.7)**
Equity					
Share capital	12,398	12,889	12,880	(3.8)	(3.7)
Reserves	204	207	193	(1.4)	5.7
Retained profits	98	17	536	476.5	(81.7)
Total equity attributable to owners of the Company	**12,700**	**13,113**	**13,609**	**(3.1)**	**(6.7)**
Non-controlling interests	17	20	15	(15.0)	13.3
Total equity	**12,717**	**13,133**	**13,624**	**(3.2)**	**(6.7)**

Consolidated statement of financial position by function

	General Insurance Dec-19 $M	Banking Dec-19 $M	Life Dec-19 $M	Corporate Dec-19 $M	Eliminations Dec-19 $M	Consolidation Dec-19 $M
Assets						
Cash and cash equivalents	457	1,529	72	122	85	2,265
Receivables due from other banks	-	470	-	-	-	470
Trading securities	-	897	-	-	-	897
Derivatives	85	543	11	2	(2)	639
Investment securities	12,942	3,926	591	14,620	(12,869)	19,210
Loans and advances	-	58,354	-	-	-	58,354
Premiums outstanding	2,720	-	2	-	-	2,722
Reinsurance and other recoveries	2,045	-	64	-	-	2,109
Deferred reinsurance assets	579	-	-	-	-	579
Deferred acquisition costs	740	-	2	-	-	742
Property, plant and equipment	85	-	5	519	-	609
Deferred tax assets	5	34	27	138	-	204
Goodwill and other intangible assets	4,814	262	64	269	-	5,409
Other assets	629	159	87	95	5	975
Due from related parties	356	372	16	1,076	(1,820)	-
Total assets	**25,457**	**66,546**	**941**	**16,841**	**(14,601)**	**95,184**
Liabilities						
Payables due to other banks	-	289	-	-	-	289
Deposits and short-term borrowings	-	47,202	-	-	(420)	46,782
Derivatives	35	417	-	2	(3)	451
Amounts due to reinsurers	266	-	2	-	-	268
Payables and other liabilities	699	256	60	534	(2)	1,547
Current tax liabilities	16	-	-	13	-	29
Unearned premium liabilities	5,174	-	1	-	-	5,175
Provisions and employee benefits liabilities	59	3	-	432	-	494
Outstanding claims liabilities	10,261	-	158	-	-	10,419
Deferred tax liabilities	13	-	113	-	5	131
Managed funds units on issue (1)	-	-	-	-	1,062	1,062
Securitised liabilities	-	3,396	-	-	-	3,396
Debt issues	-	9,884	-	-	-	9,884
Loan capital	553	672	-	1,915	(600)	2,540
Due to related parties	280	30	27	896	(1,233)	-
Total liabilities	**17,356**	**62,149**	**361**	**3,792**	**(1,191)**	**82,467**
Net assets	**8,101**	**4,397**	**580**	**13,049**	**(13,410)**	**12,717**
Equity						
Share capital						12,398
Reserves						204
Retained profits						98
Total equity attributable to owners of the Company						**12,700**
Non-controlling interests						17
Total equity						**12,717**

(1) Following the sale of the Australian Life Insurance and Participating Wealth Business, managed funds units on issue are now consolidated in the non-operating holding company SGL.

3.2 SGL STATEMENT OF FINANCIAL POSITION, PROFIT CONTRIBUTION AND INVESTMENTS

SGL statement of financial position

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Current assets					
Cash and cash equivalents	56	27	13	107.4	330.8
Financial assets at fair value through profit or loss	1,192	1,075	534	10.9	123.2
Derivatives	2	2	-	-	n/a
Due from related parties	145	31	67	367.7	116.4
Other assets	2	40	72	(95.0)	(97.2)
Total current assets	**1,397**	**1,175**	**686**	**18.9**	**103.6**
Non-current assets					
Investment in subsidiaries	13,450	13,898	13,954	(3.2)	(3.6)
Due from related parties	586	592	603	(1.0)	(2.8)
Deferred tax assets	24	57	10	(57.9)	140.0
Other assets	53	61	65	(13.1)	(18.5)
Total non-current assets	**14,113**	**14,608**	**14,632**	**(3.4)**	**(3.5)**
Total assets	**15,510**	**15,783**	**15,318**	**(1.7)**	**1.3**
Current liabilities					
Derivatives	2	2	1	-	100.0
Payables and other liabilities	55	58	5	(5.2)	n/a
Current tax liabilities	13	-	-	n/a	n/a
Due to related parties	425	603	109	(29.5)	289.9
Total current liabilities	**495**	**663**	**115**	**(25.3)**	**330.4**
Non-current liabilities					
Loan capital	1,915	1,736	1,733	10.3	10.5
Total non-current liabilities	**1,915**	**1,736**	**1,733**	**10.3**	**10.5**
Total liabilities	**2,410**	**2,399**	**1,848**	**0.5**	**30.4**
Net assets	**13,100**	**13,384**	**13,470**	**(2.1)**	**(2.7)**
Equity					
Share capital	12,457	12,964	12,957	(3.9)	(3.9)
Retained profits	643	420	513	53.0	25.3
Total equity	**13,100**	**13,384**	**13,470**	**(2.1)**	**(2.7)**

SGL profit contribution

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Revenue					
Dividend and interest income from subsidiaries	785	353	644	122.4	21.9
Interest and trust distribution income on financial assets at fair value through profit or loss	14	20	15	(30.0)	(6.7)
Other income	2	3	1	(33.3)	100.0
Total revenue	801	376	660	113.0	21.4
Expenses					
Interest expense on financial liabilities at amortised cost	(32)	(36)	(48)	(11.1)	(33.3)
Impairment loss on investment in subsidiaries	-	-	(153)	n/a	(100.0)
Operating expenses	(4)	(52)	(2)	(92.3)	100.0
Total expenses	(36)	(88)	(203)	(59.1)	(82.3)
Profit before income tax	765	288	457	165.6	67.4
Income tax benefit	29	61	-	(51.9)	n/a
Profit for the period	**794**	**349**	**457**	**127.6**	**73.8**

SGL investment portfolio

Suncorp Group Limited's investment portfolio supports the Group non-operating holding company (NOHC) structure and distributions to shareholders. Investment assets were $1,240m at 31 December 2019 and comprised 80% cash and 20% high quality fixed income securities, with an interest rate duration of 0.5 years, credit spread duration of 0.5 years and an average credit rating of 'AAA'. Investment income was $10m, representing an annualised return of 1.7%.

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Investment income					
Cash and short-term deposits	6	8	6	(25.0)	-
Interest-bearing securities and other	4	9	5	(55.6)	(20.0)
Total	**10**	**17**	**11**	**(41.2)**	**(9.1)**

3.3 GROUP EPS CALCULATIONS

Earnings per share

Numerator	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	$M	$M	$M
Earnings:			
Profit attributable to ordinary equity holders of the company (basic)	642	(75)	250
Interest expense on convertible preference shares (net of tax)	6	7	8
Interest expense on convertible capital notes (net of tax)	13	15	15
Profit attributable to ordinary equity holders of the company (diluted)	**661**	**(53)**	**273**

Denominator			
	No. of shares	No. of shares	No. of shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,279,963,321	1,293,232,399	1,292,568,325
Effect of conversion of convertible preference shares	29,410,167	30,356,101	31,188,991
Effect of conversion of convertible capital notes	59,999,236	56,917,690	58,479,358
Weighted average number of ordinary shares (diluted)	**1,369,372,724**	**1,380,506,190**	**1,382,236,674**

	cents	cents	cents
Earnings per share			
Basic	50.16	(5.80)	19.34
Diluted [1]	48.27	(5.80)	19.34

(1) Capital notes and preference shares will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations as per AASB 133 Earnings per share.

Cash earnings per share

Numerator	Half Year Ended		
	Dec-19	Jun-19	Dec-18
	$M	$M	$M
Earnings:			
Cash profit attributable to ordinary equity holders of the company (basic)	365	702	413
Interest expense on convertible preference shares (net of tax)	6	7	8
Interest expense on convertible capital notes (net of tax)	13	15	15
Cash profit attributable to ordinary equity holders of the company (diluted)	**384**	**724**	**436**

Denominator			
	No. of shares	No. of shares	No. of shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,279,963,321	1,293,232,399	1,292,568,325
Effect of conversion of convertible preference shares	29,410,167	30,356,101	31,188,991
Effect of conversion of convertible capital notes	59,999,236	56,917,690	58,479,358
Weighted average number of ordinary shares (diluted)	**1,369,372,724**	**1,380,506,190**	**1,382,236,674**

	cents	cents	cents
Cash earnings per share			
Basic	28.52	54.28	31.95
Diluted	28.04	52.44	31.54

3.4 ASX LISTED SECURITIES

	Half Year Ended		
	Dec-19	Jun-19	Dec-18
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,260,950,777	1,298,503,953	1,298,503,953
Dividend declared for the period (cents per share)	26	44	26
Convertible preference shares (SUNPE) each fully paid			
Number at the end of the period	1,936,281	4,000,000	4,000,000
Dividend declared for the period ($ per share) (1)	1.52	1.74	1.87
Convertible Capital Notes (SUNPF) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Distribution for the period ($ per note) (1)	1.77	1.99	2.12
Convertible Capital Notes (SUNPG) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Distribution for the period ($ per note) (1)	1.61	1.83	1.96
Convertible Capital Notes (SUNPH) each fully paid			
Number at the end of the period	3,890,000	-	-
Distribution for the period ($ per note) (1)	0.68	-	-
Floating Rate Capital Notes (SBKHB)			
Number at the end of the period	715,383	715,383	715,383
Interest per note	0.84	1.27	1.36

(1) Classified as interest expense.

3.5 GENERAL INSURANCE ITR SPLIT

Insurance (Australia) — Consumer Insurance [1]

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Gross written premium	2,658	2,646	2,575	0.5	3.2
Net earned premium	2,335	2,280	2,319	2.4	0.7
Net incurred claims [2]	(1,858)	(1,582)	(1,828)	17.4	1.6
Acquisition expenses	(289)	(288)	(273)	0.3	5.9
Other underwriting expenses	(186)	(175)	(177)	6.3	5.1
Total operating expenses	(475)	(463)	(450)	2.6	5.6
Underwriting result	**2**	**235**	**41**	**(99.1)**	**(95.1)**
Investment income - insurance funds	28	33	12	(15.2)	133.3
Insurance trading result	**30**	**268**	**53**	**(88.8)**	**(43.4)**

	%	%	%
Ratios			
Acquisition expenses ratio	12.3	12.6	11.8
Other underwriting expenses ratio	8.0	7.7	7.6
Total operating expenses ratio	**20.3**	**20.3**	**19.4**
Loss ratio	79.6	69.4	78.8
Combined operating ratio	99.9	89.7	98.2
Insurance trading ratio	**1.3**	**11.8**	**2.3**

(1) Consumer Insurance includes Home, Motor, Boat and Travel Insurance.

(2) Prior period comparatives have been restated to adjust for the sale of the SMART and ACM Parts businesses in October 2019.

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

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Gross written premium	1,518	1,498	1,526	1.3	(0.5)
Net earned premium	1,346	1,323	1,370	1.7	(1.8)
Net incurred claims	(1,003)	(1,013)	(1,026)	(1.0)	(2.2)
Acquisition expenses	(201)	(220)	(224)	(8.6)	(10.3)
Other underwriting expenses	(95)	(104)	(95)	(8.7)	-
Total operating expenses	**(296)**	**(324)**	**(319)**	**(8.6)**	**(7.2)**
Underwriting result	**47**	**(14)**	**25**	**n/a**	**88.0**
Investment income - insurance funds	71	286	113	(75.2)	(37.2)
Insurance trading result	**118**	**272**	**138**	**(56.6)**	**(14.5)**

	%	%	%
Ratios			
Acquisition expenses ratio	14.9	16.6	16.4
Other underwriting expenses ratio	7.1	7.8	6.9
Total operating expenses ratio	**22.0**	**24.4**	**23.3**
Loss ratio	74.5	76.7	74.9
Combined operating ratio	96.5	101.1	98.2
Insurance trading ratio	**8.8**	**20.6**	**10.1**

General Insurance short-tail (includes New Zealand)

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Short-tail					
Gross written premium	4,001	3,888	3,837	2.9	4.3
Net earned premium	3,425	3,334	3,353	2.7	2.1
Net incurred claims [1]	(2,529)	(2,155)	(2,423)	17.4	4.4
Acquisition expenses	(521)	(531)	(517)	(1.9)	0.8
Other underwriting expenses	(291)	(293)	(276)	(0.7)	5.4
Total operating expenses	**(812)**	**(824)**	**(793)**	**(1.5)**	**2.4**
Underwriting result	**84**	**355**	**137**	**(76.3)**	**(38.7)**
Investment income - insurance funds	37	54	21	(31.5)	76.2
Insurance trading result	**121**	**409**	**158**	**(70.4)**	**(23.4)**

	%	%	%
Ratios			
Acquisition expenses ratio	15.2	15.9	15.4
Other underwriting expenses ratio	8.5	8.8	8.2
Total operating expenses ratio	**23.7**	**24.7**	**23.6**
Loss ratio	73.8	64.7	72.3
Combined operating ratio	97.5	89.4	95.9
Insurance trading ratio	**3.5**	**12.3**	**4.7**

(1) Prior period comparatives have been restated to adjust for the sale of the SMART and ACM Parts business in October 2019.

General Insurance long-tail (includes New Zealand)

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Long-tail					
Gross written premium	1,002	1,054	1,032	(4.9)	(2.9)
Net earned premium	959	945	977	1.5	(1.8)
Net incurred claims	(707)	(779)	(746)	(9.2)	(5.2)
Acquisition expenses	(126)	(130)	(129)	(3.1)	(2.3)
Other underwriting expenses	(50)	(49)	(48)	2.0	4.2
Total operating expenses	**(176)**	**(179)**	**(177)**	**(1.7)**	**(0.6)**
Underwriting result	**76**	**(13)**	**54**	**n/a**	**40.7**
Investment income - insurance funds	67	279	111	(76.0)	(39.6)
Insurance trading result	**143**	**266**	**165**	**(46.2)**	**(13.3)**

	%	%	%
Ratios			
Acquisition expenses ratio	13.2	13.8	13.2
Other underwriting expenses ratio	5.2	5.1	4.9
Total operating expenses ratio	**18.4**	**18.9**	**18.1**
Loss ratio	73.7	82.4	76.4
Combined operating ratio	92.1	101.3	94.5
Insurance trading ratio	**14.9**	**28.1**	**16.9**

3.6 GROUP CAPITAL

Group capital position

	As at 31 December 2019					
	General Insurance	Banking	Life	SGL, Corp Services & Consol	Total	As at 30 June 2019 Total
	$M	$M	$M	$M	$M	$M
Common Equity Tier 1 capital						
Ordinary share capital	-	-	-	12,367	12,367	12,873
Subsidiary share capital (eliminated upon consolidation)	7,375	3,976	1,403	(12,811)	(57)	(75)
Reserves	29	(966)	322	791	176	192
Retained profits and non-controlling interests	142	715	(1,144)	401	114	37
Insurance liabilities in excess of liability valuation	483	-	-	-	483	533
Goodwill and other intangible assets	(4,793)	(460)	(65)	(287)	(5,605)	(5,666)
Net deferred tax liabilities/(assets) [(1)]	(26)	(37)	86	(133)	(110)	(126)
Policy liability adjustment [(2)]	-	-	(428)	-	(428)	(419)
Other Tier 1 deductions	(12)	(9)	-	-	(21)	(8)
Common Equity Tier 1 capital	**3,198**	**3,219**	**174**	**328**	**6,919**	**7,341**
Additional Tier 1 capital						
Eligible hybrid capital	540	585	-	208	1,333	1,150
Additional Tier 1 capital	**540**	**585**	**-**	**208**	**1,333**	**1,150**
Tier 1 capital	**3,738**	**3,804**	**174**	**536**	**8,252**	**8,491**
Tier 2 capital						
General reserve for credit losses	-	128	-	-	128	146
Eligible Subordinated notes	555	600	-	-	1,155	1,155
Transitional Subordinated notes [(3)]	-	57	-	-	57	57
Tier 2 capital	**555**	**785**	**-**	**-**	**1,340**	**1,358**
Total capital	**4,293**	**4,589**	**174**	**536**	**9,592**	**9,849**
Represented by:						
Capital in Australian regulated entities	3,408	4,583	35	-	8,026	8,382
Capital in New Zealand regulated entities	551	-	102	-	653	641
Capital in unregulated entities [(4)]	334	6	37	536	913	826

(1) Deferred tax assets in excess of deferred tax liabilities are deducted in arriving at CET1. Under the RBNZ's regulations, a net deferred tax liability is added back in determining CET1 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) Tier 2 instruments subject to the transitional arrangements outlined in APRA's prudential standard APS111 Attachment L.

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

General Insurance capital

	GI Group [(1)] Dec-19 $M	GI Group [(1)] Jun-19 $M
Common Equity Tier 1 capital		
Ordinary share capital	7,375	7,375
Reserves	29	28
Retained profits and non-controlling interests	142	309
Insurance liabilities in excess of liability valuation	483	533
Goodwill and other intangible assets	(4,793)	(4,819)
Net deferred tax assets	(26)	-
Other Tier 1 deductions	(12)	(13)
Common Equity Tier 1 capital	**3,198**	**3,413**
Additional Tier 1 capital	**540**	**565**
Tier 1 capital	**3,738**	**3,978**
Tier 2 Capital		
Eligible subordinated notes	555	555
Transitional subordinated notes	-	-
Tier 2 capital	**555**	**555**
Total capital	**4,293**	**4,533**
Prescribed Capital Amount		
Outstanding claims risk charge	978	946
Premium liabilities risk charge	581	568
Total insurance risk charge	1,559	1,514
Insurance concentration risk charge	250	250
Asset risk charge	905	918
Operational risk charge	319	306
Aggregation benefit	(535)	(537)
Total Prescribed Capital Amount (PCA)	**2,498**	**2,451**
Common Equity Tier 1 ratio	**1.28**	**1.39**
Total capital ratio	**1.72**	**1.85**

(1) GI Group represents Suncorp Insurance Holdings Ltd and its subsidiaries (including New Zealand subsidiaries).

Bank capital

	Regulatory Banking Group	Other Entities	Statutory Banking Group	Statutory Banking Group
	Dec-19	Dec-19	Dec-19	Jun-19
	$M	$M	$M	$M
Common Equity Tier 1 capital				
Ordinary share capital	2,754	1,222	3,976	3,870
Reserves	21	(987)	(966)	(979)
Retained profits	704	11	715	703
Goodwill and other intangible assets	(220)	(240)	(460)	(475)
Net deferred tax assets	(37)	-	(37)	(39)
Other Tier 1 deductions	(9)	-	(9)	5
Common Equity Tier 1 capital	**3,213**	**6**	**3,219**	**3,085**
Additional Tier 1 capital				
Eligible hybrid capital	585	-	585	585
Additional Tier 1 capital	**585**	**-**	**585**	**585**
Tier 1 capital	**3,798**	**6**	**3,804**	**3,670**
Tier 2 capital				
General reserve for credit losses	128	-	128	146
Eligible Subordinated notes	600	-	600	600
Transitional Subordinated notes	57	-	57	57
Tier 2 capital	**785**	**-**	**785**	**803**
Total capital	**4,583**	**6**	**4,589**	**4,473**
Risk-Weighted Assets				
Credit risk [1]	29,493	-	29,493	29,646
Market risk	183	-	183	90
Operational risk	3,539	-	3,539	3,530
Total Risk-Weighted Assets [1]	**33,215**	**-**	**33,215**	**33,266**
Common Equity Tier 1 ratio [1]	**9.67%**		**9.69%**	**9.27%**
Total capital ratio	**13.80%**		**13.82%**	**13.45%**

(1) Jun-19 comparatives have been restated to reflect immaterial changes in Bank credit risk-weighted assets as set out in the revised Jun-19 APS 330 disclosures published on the Suncorp Group website on 31 January 2020.

Capital Instruments

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	31 December 2019 GI $M	Bank $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Debt [1]	320 bps	Oct 2022	Oct 2016	330	-	-	330	329
AAIL Subordinated Debt [1]	330 bps	Nov 2020	Nov 2015	225	-	-	225	224
SGL Subordinated Debt [1] [2]	215 bps	Dec 2023	Sep 2018	-	600	-	600	597
SML FRCN [3]	75 bps	Perpetual	Dec 1998	-	57	-	57	72
Total subordinated debt				**555**	**657**	**-**	**1,212**	**1,222**
SGL CPS3 [1]	340 bps	Jun 2020	May 2014	-	-	194	194	193
SGL Capital Notes [1] [2]	410 bps	Jun 2022	May 2017	-	375	-	375	372
SGL Capital Notes 2 [1] [2]	365 bps	Jun 2024	Nov 2017	165	210	-	375	370
SGL Capital Notes 3 [1] [2]	300 bps	Jun 2026	Dec 2019	375	-	14	389	383
Total Additional Tier 1 capital				**540**	**585**	**208**	**1,333**	**1,318**
Total				**1,095**	**1,242**	**208**	**2,545**	**2,540**

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	30 June 2019 GI $M	Bank $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Debt [1]	320 bps	Oct 2022	Oct 2016	330	-	-	330	328
AAIL Subordinated Debt [1]	330 bps	Nov 2020	Nov 2015	225	-	-	225	224
SGL Subordinated Debt [1] [2]	215 bps	Dec 2023	Sep 2018	-	600	-	600	596
SML FRCN [3]	75 bps	Perpetual	Dec 1998	-	57	-	57	72
Total subordinated debt				**555**	**657**	**-**	**1,212**	**1,220**
SGL CPS3 [1] [2]	340 bps	Jun 2020	May 2014	400	-	-	400	399
SGL Capital Notes [1] [2]	410 bps	Jun 2022	May 2017	-	375	-	375	371
SGL Capital Notes 2 [1] [2]	365 bps	Jun 2024	Nov 2017	165	210	-	375	370
Total Additional Tier 1 capital				**565**	**585**	**-**	**1,150**	**1,140**
Total				**1,120**	**1,242**	**-**	**2,362**	**2,360**

(1) Unamortised transaction costs related to external issuance are deducted from the "Accounting 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.

(3) Tier 2 instruments subject to the transitional arrangements outlined in APRA's prudential standard APS111 Attachment L.

3.7 STATEMENT OF ASSETS AND LIABILITIES

General Insurance

	Half Year Ended			Dec-19	Dec-19
	Dec-19	Jun-19	Dec-18	vs Jun-19	vs Dec-18
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	457	382	368	19.6	24.2
Derivatives	85	63	32	34.9	165.6
Investment securities	12,942	13,081	12,776	(1.1)	1.3
Premiums outstanding	2,720	2,800	2,567	(2.9)	6.0
Reinsurance and other recoveries	2,045	2,591	2,227	(21.1)	(8.2)
Deferred reinsurance assets	579	898	554	(35.5)	4.5
Deferred acquisition costs	740	721	720	2.6	2.8
Due from related parties	356	131	151	171.8	135.8
Property, plant and equipment	85	58	58	46.6	46.6
Deferred tax assets	5	-	53	n/a	(90.6)
Goodwill and intangible assets	4,814	4,842	4,880	(0.6)	(1.4)
Other assets	629	948	851	(33.6)	(26.1)
Total assets	**25,457**	**26,515**	**25,237**	**(4.0)**	**0.9**
Liabilities					
Payables and other liabilities	758	831	707	(8.8)	7.2
Derivatives	35	51	64	(31.4)	(45.3)
Due to related parties	280	331	242	(15.4)	15.7
Deferred tax liabilities	13	42	19	(69.0)	(31.6)
Unearned premium liabilities	5,174	5,122	5,037	1.0	2.7
Outstanding claims liabilities	10,261	10,460	10,352	(1.9)	(0.9)
Loan capital	553	552	552	0.2	0.2
Current tax liabilities	16	60	29	(73.3)	(44.8)
Amount due to reinsurers	266	774	268	(65.6)	(0.7)
Total liabilities	**17,356**	**18,223**	**17,270**	**(4.8)**	**0.5**
Net assets	**8,101**	**8,292**	**7,967**	**(2.3)**	**1.7**

Reconciliation of net assets to Common Equity Tier 1 capital

Net assets - GI businesses	**8,101**	**8,292**	**7,967**
Insurance liabilities in excess of liability valuation	483	533	505
Reserves excluded from regulatory capital	(15)	(15)	(14)
Additional Tier 1 capital	(540)	(565)	(565)
Goodwill allocated to GI businesses	(4,401)	(4,405)	(4,409)
Other intangibles (including software assets)	(418)	(414)	(527)
Other Tier 1 deductions	(12)	(13)	(13)
Common Equity Tier 1 capital	**3,198**	**3,413**	**2,944**

Bank

	Dec-19 $M	Jun-19 $M	Dec-18 $M	Dec-19 vs Jun-19 %	Dec-19 vs Dec-18 %
Assets					
Cash and cash equivalents	1,529	638	1,124	139.7	36.0
Receivables due from other banks	470	499	351	(5.8)	33.9
Trading securities	897	1,227	1,540	(26.9)	(41.8)
Derivatives	543	593	381	(8.4)	42.5
Investment securities	3,926	3,954	3,972	(0.7)	(1.2)
Loans and advances	58,354	59,154	59,031	(1.4)	(1.1)
Due from related parties	372	357	370	4.2	0.5
Deferred tax assets	34	42	47	(19.0)	(27.7)
Other assets	159	169	162	(5.9)	(1.9)
Goodwill and intangible assets	262	262	262	-	-
Total assets	**66,546**	**66,895**	**67,240**	**(0.5)**	**(1.0)**
Liabilities					
Deposits and short-term borrowings	47,202	46,551	46,633	1.4	1.2
Derivatives	417	409	173	2.0	141.0
Payables due to other banks	289	353	273	(18.1)	5.9
Payables and other liabilities	256	419	340	(38.9)	(24.7)
Due to related parties	30	14	73	114.3	(58.9)
Provisions	3	5	-	(40.0)	n/a
Securitisation liabilities	3,396	3,831	4,278	(11.4)	(20.6)
Debt issues	9,884	10,358	10,602	(4.6)	(6.8)
Subordinated notes	672	672	672	-	-
Total liabilities	**62,149**	**62,612**	**63,044**	**(0.7)**	**(1.4)**
Net assets	**4,397**	**4,283**	**4,196**	**2.7**	**4.8**

Reconciliation of net equity to Common Equity Tier 1 capital			
Net equity - Banking	**4,397**	**4,283**	**4,196**
Additional Tier 1 capital	(585)	(585)	(550)
Goodwill allocated to Banking Business	(240)	(240)	(240)
Regulatory capital equity adjustments	(6)	(8)	(8)
Regulatory capital adjustments	(266)	(269)	(283)
Other reserves excluded from Common Equity Tier 1 ratio	(86)	(104)	(111)
Common Equity Tier 1 capital	**3,213**	**3,077**	**3,004**

GLOSSARY

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium
Australian Life Business	Incorporates the performance of the Australian Life Insurance and Participating Wealth Business (Suncorp Life and Superannuation Limited) sold on 28 February 2019, as well as other distribution activities ceasing operation
Australian Life Insurance and Participating Wealth Business	Refers to the entity Suncorp Life and Superannuation Limited, which was sold to TAL Dai-ichi Life Australia Pty Ltd on 28 February 2019
Banking & Wealth function	Suncorp's Banking & Wealth business provides banking and wealth solutions to personal, small to medium enterprises 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, recoverable amount adjustments on intangibles, the profit or loss on divestment 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
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables
Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period, adjusted for potential ordinary shares that are dilutive, in accordance with AASB 133 Earnings per Share
Effective tax rate	Income tax expense divided by profit before tax
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 and personal injury products to the Australian market. Consumer insurance products include home and contents insurance, motor insurance and travel and boat 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	Following the sale of the Australian Life Insurance and Participating Wealth Business on 28 February 2019, Suncorp’s life insurance businesses include the New Zealand life insurance business and the remaining Wealth business reported within the Banking & Wealth function. 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
Life planned profit margin release	Includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
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

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	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 (net of offset accounts). 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
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 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. For a detailed overview of Suncorp's reinsurance program, please refer to section 1.9 of the Investor Pack
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

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

FINANCIAL CALENDAR

Ordinary Shares (SUN)

Half year results and interim dividend announcement	**11 February 2020**
Ex-dividend date	19 February 2020
Dividend payment	31 March 2020
Full year results and final dividend announcement	**6 August 2020**
Ex-dividend date	12 August 2020
Dividend payment	23 August 2020
Annual General Meeting	**24 September 2020**

Floating Rate Capital Notes (SBKHB)

Ex-interest date	14 February 2020
Interest payment	3 March 2020
Ex-interest date	14 May 2020
Interest payment	1 June 2020
Ex-interest date	14 August 2020
Interest payment	1 September 2020
Ex-interest date	13 November 2020
Interest payment	1 December 2020

Convertible Preference Shares 3 (SUNPE)

Ex-dividend date	2 March 2020
Dividend payment	17 March 2020
Ex-dividend date	1 June 2020
Dividend payment	17 June 2020
Ex-dividend date	2 September 2020
Dividend payment	17 September 2020
Ex-dividend date	2 December 2020
Dividend payment	17 December 2020

Suncorp Capital Notes (SUNPF)

Ex-distribution date	2 March 2020
Distribution payment	17 March 2020
Ex-distribution date	1 June 2020
Distribution payment	17 June 2020
Ex-distribution date	2 September 2020
Distribution payment	17 September 2020
Ex-distribution date	2 December 2020
Distribution payment	17 December 2020

Suncorp Capital Notes 2 (SUNPG)

Ex-distribution date	2 March 2020
Distribution payment	17 March 2020
Ex-distribution date	1 June 2020
Distribution payment	17 June 2020
Ex-distribution date	2 September 2020
Distribution payment	17 September 2020
Ex-distribution date	2 December 2020
Distribution payment	17 December 2020

Suncorp Capital Notes 3 (SUNPH)

Ex-distribution date	2 March 2020
Distribution payment	17 March 2020
Ex-distribution date	1 June 2020
Distribution payment	17 June 2020
Ex-distribution date	2 September 2020
Distribution payment	17 September 2020
Ex-distribution date	2 December 2020
Distribution payment	17 December 2020

Note: All dates are subject to change.