Suncorp Group Limited ABN 66 145 290 124

Analyst Pack

Financial results for the half year ended 31 December 2015

One Company
Many Brands

SUNCORP GROUP

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.

Net profit after tax (NPAT) for the Group is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars rounded to the nearest million unless otherwise denoted. All figures relate to the half year ended 31 December 2015 and comparatives are for the half year ended 31 December 2014, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology.

In financial summary tables, where there has been a percentage movement greater than 500% or less than (500%), this has been labelled 'large'. If a line item changes from negative to positive (or vice versa) between periods, this has been labelled "n/a".

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

This report should be read in conjunction with the definitions in Appendix 4.

Disclaimer

This report contains general information which is current as at 11 February 2016. It is information given in summary form and does not purport to be complete.

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

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

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

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

Registered office

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

Investor Relations

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

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Financial results summary

- Group net profit after tax (NPAT) of $530 million (HY15: $631 million)
- Profit after tax from business lines* of $544 million (HY15: $681 million)
- Group growth of 2.7% was driven by growth across all three business lines
- Statutory Return on Average Shareholders' Equity (ROE) of 7.9% (HY15: 9.4%). Cash ROE of 8.3% (HY15: 9.8%)
- Interim dividend of 30 cents per share fully franked (HY15: 38 cents)
- Based on capital levels at 31 December 2015 on an ex-dividend basis, the Suncorp Group has $506 million in CET1 capital above its operating targets
- The Bank Common Equity Tier 1 (CET1) ratio improved to 9.45%. General Insurance holds CET1 of 1.25 times the Prescribed Capital Amount (PCA)
- General Insurance NPAT of $297 million (HY15: $419 million) with natural hazards of $362 million, $28 million above the half-year allowance
- Reserve releases of $137 million were well above the long-run expectation of 1.5% of net earned premium (NEP), driven by improved long-tail claims management and a benign inflationary environment
- After adjusting for natural hazards, investment market volatility and reserve releases, the underlying insurance trading ratio (ITR)* was 10.1% (HY15:14.8%)
- Gross written premium (GWP) up 1.4% to $4,417 million (HY15: $4,357 million)
- Bank NPAT increased to $194 million (HY15: $176 million) due to lower impairment losses
- Bank lending growth of 5.1% reflected a focus on quality, lower risk lending as demonstrated by the reduction in impairment losses (down 74.4%) and non-performing loans (down 15.1%)
- Life NPAT was $53 million (HY15: $86 million). Underlying profit increased to $58 million (HY15: $52 million) due to higher planned margins
- Life Embedded Value increased to $1,936 million (HY15: $1,845 million) and the value of one year's sales (VOYS) has increased to $23 million (HY15: $18 million)
- Suncorp's New Zealand operations, across General and Life Insurance, provided strong earnings diversification with an after tax contribution of over A$75 million

* Refer Appendix 4 for definition of 'profit after tax from business lines' and page 13 for underlying ITR.

Operational summary

- Following the success of the Building Blocks and Simplification programs, Suncorp is on track with the Optimisation program which will provide $170 million in efficiency benefits in the 2018 financial year
- Optimisation will deliver further efficiencies from transformation of claims processes, ongoing rollout of the SMART repair network, Super Simplification, Business Intelligence, Technology and Procurement
- Business Intelligence transformation continues to progress well, moving off legacy systems and into the Group's new data and analytics environment
- The Group continues to drive strong customer satisfaction and retention scores. General Insurance customer retention improved 0.9% and Suncorp Bank's customer satisfaction scores peaked at 90.5% in October 2015, the highest in the market
- Suncorp's Australian Personal Insurance products delivered top-line growth for the first time in five halves
- Rectification activities commenced to restore Suncorp's market leading personal insurance claims management capability
- Personal Insurance has successfully implemented a number of key initiatives including further expansion of SMART and SMARTPlus sites and the introduction of the Roadside Assist offering to multiple brands
- Suncorp was awarded a significant share of the South Australian CTP market commencing on 1 July 2016
- Good progress is being made in New Zealand with the Christchurch earthquake settlements. Over NZ$4.7 billion (89%) of total expected costs have been paid
- Vero New Zealand was awarded Intermediated Insurance Company of the Year and AA Insurance was recognised as Direct Insurer of the Year at the New Zealand Insurance Industry Awards
- The Group's core operating subsidiaries have retained an issuer credit rating of 'A+/A1' with a stable outlook. Standard and Poor's upgraded the Suncorp Bank stand-alone credit profile to 'a-' from 'bbb+'
- Suncorp Bank's new banking platform, Ignite, remains on track for completion in June 2016
- Suncorp has successfully promoted positive changes in the Banking and Life regulatory environments that will improve its competitive position and customer outcomes
- Suncorp Life has continued to address the profitability of the risk business and focus on value over volume
- Suncorp Life has simplified the business by exiting the self-employed aligned channel and has commenced work on simplifying the superannuation business

Result overview

Suncorp has delivered an NPAT of $530 million for the six months ended 31 December 2015.

Suncorp Bank, Suncorp Life and the New Zealand operations delivered strong underlying performances demonstrating the value of operating a diversified business model with multiple earnings streams. The General Insurance result was impacted by claims cost inflation and lower investment returns partially offset by a continuation of strong prior year reserve releases.

Suncorp Group remains focused on delivering exceptional service and increasing value for customers. Material financial benefits from the Simplification and Optimisation programs have also translated to high levels of customer satisfaction, which combined with competitive pricing have resulted in:

- improved retention rates and positive premium growth in the Australian Personal Insurance business;
- above system growth in the Australian Commercial Insurance business;
- unit growth and increased market share in the New Zealand business;
- 5.1% lending growth in Suncorp Bank; and
- 20% growth in Suncorp Life direct products sold to the Group’s general insurance customers.

General Insurance profit after tax was $297 million. Reported ITR of 9.4% and underlying ITR of 10.1% reflect the increased cost of settling claims and lower investment returns. Reported ITR benefitted from continued prior year long-tail reserve releases.

Personal Insurance GWP returned to growth, increasing by 0.6% as a result of targeted premium increases. Commercial Insurance GWP grew 2.2% as declines in workers compensation were more than offset by continued growth in the SME segment underpinned by strong offerings across multiple distribution channels.

Compulsory Third Party (CTP) GWP grew 6.8% with Suncorp leveraging the scale of its national CTP model to continue expansion into the ACT market as well as benefitting from the withdrawal of competitors in key markets.

New Zealand GWP was up 2.6% (in $A terms) due to strong growth in personal lines.

Suncorp Bank delivered profit after tax of $194 million, up 10.2%. The result was driven by lending growth and ongoing improvement in credit quality. Home lending growth of 8.2% reflects the Banks’ ongoing progress in its goal to be the ‘Genuine Alternative’, offering attractive products while also maintaining conservative lending standards.

The net interest margin (NIM) improved by 2 basis points over the half to 1.85%, benefiting from improvements in retail funding which offset margin compression driven by intense price competition. Improved earnings and a stable cost base resulted in a reduced cost to income ratio of 53.0%.

Impairment losses reduced to $11 million, or 4 basis points of gross loans, well below the expected range of 10 to 20 basis points of gross loans. Gross impaired assets reduced by 32.8% and total gross non-performing loans reduced by 15.1%.

Suncorp Life’s profit after tax was $53 million, down 38.4%. Underlying profit was $58 million, up 11.5%. Underlying profit benefited from positive claims and lapse experience. Profit after tax was impacted by investment market volatility with actual returns being lower than long term assumptions.

Suncorp Life has continued to focus on value over volume with annual in-force premiums increasing to $1,007 million and Value of One Year’s Sales up 27.8% to $23 million.

The Board has declared a **fully franked interim dividend of 30 cents per share** representing a dividend payout ratio of 69% of cash earnings.

The Group has continued to improve its risk management capability, further embedding the risk based capital modelling process into assessment of risk appetite, reinsurance strategy and capital targets and triggers. RBC is also increasingly being used to inform capital allocation and investment decisions.

After accounting for the interim dividend payment, the Group remains well capitalised with $506 million in CET1 capital held above its operating targets. The General Insurance CET1 ratio is 1.25 times PCA and the Bank CET1 ratio is 9.45%.

Outlook

The outlook for the Australian economy is expected to remain volatile as it transitions from mining-led growth to a more sustainable, broad-based expansion in sectors that benefit from a lower Australian dollar. Global and domestic long-term yields are also expected to remain near historic lows creating challenges for product pricing and investment management. Global uncertainty is also created by climate change and other factors such as cyber security.

In this context, the **Suncorp Group** is refining its strategy to invigorate growth and drive more resilience to volatility. The Group is well capitalised and has a diversified earnings base that provides a strong foundation to create value for customers and shareholders with the 'One Company. Many Brands' business model. The Group will continue to look to maximise its strategic assets of Cost, Capital, Customer and Culture (the "4 Cs"), demonstrated by:

- Cost – a stable operating expense base as a result of leveraging the Group's scale, buying power and supplier relationships;
- Capital – the use of RBC modelling to drive optimal long-term decision making in the Group;
- Customer – enhancing the connection with the Group's nine million customers by broadening their relationships with the Group's brands; and
- Culture – employee engagement and enablement scores above the global high-performing norms which is positioning Suncorp as THE place to work in Australia and New Zealand.

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

Suncorp's strategy to elevate the customer is focused on broadening relationships with existing customers. It is not reliant on increasing the number of customers. The approach to deliver value for Suncorp customers means that the Group will take a 'Customer Platform' approach – providing and measuring outcomes to customers from the platform.

As part of the 'Customer Platform' approach, customers will satisfy their needs by accessing any of the products and services, from any Suncorp brand, via branches, contact centres, intermediaries and increasingly digitally. This will include products and services from selected third parties currently outside of Suncorp. Suncorp's reach with significant scale in General Insurance, Life Insurance and Banking, means the Group can uniquely meet customers' needs in relation to Motor, Contents, Building, Liquidity, Longevity, Trauma, Life and Health.

The Optimisation program, which completes the redesign of the Group's operating systems, remains on track to deliver $170 million of efficiency benefits in the 2018 financial year. The Optimisation program builds on the success of the Building Blocks and Simplification programs and will deliver improved efficiency of claims processing, motor vehicle repairs, home repairs, procurement, technology and business intelligence.

In addition to the Optimisation program, creating a more resilient Suncorp will involve recalibrating costs. Immediate actions include an adjustment to discretionary spending, brands rationalisation and realisation of project benefits from past and current investments. These benefits will both flow to shareholders and also provide re-investment opportunities.

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

- Broadening of customer relationships;
- Improving underlying NPAT;
- Sustainable ROE of at least 10%, which implies an underlying ITR of at least 12%;
- Maintaining a dividend payout ratio of 60% to 80% of cash earnings; and
- Returning excess capital.

Suncorp General Insurance is on target to deliver lower working claims costs for the second half of the 2016 financial year, which together with other initiatives, will drive a higher underlying ITR for the full year.

Personal Insurance expects low single digit GWP growth. While the operating environment remains highly competitive, the market has stabilised following the unprecedented natural catastrophes in 2015 enabling modest premium increases reflective of higher input costs. New business is likely to remain challenging, however retention levels should remain stable as claims and repair process improvements translate to ongoing customer satisfaction improvements. Initiatives to rectify claims issues in the Home and Motor portfolios will deliver a lower working claims result which, together with other initiatives, will drive a higher underlying ITR for the full year.

Commercial Insurance has implemented a number of pricing and claims management initiatives to improve profitability in the second half of the financial year. Suncorp will continue to demonstrate the benefits of being Australia's largest personal injury insurer and expects to report higher than long-run average releases (1.5% of NEP) over the short to medium term. Suncorp was pleased to be awarded a significant share of the South Australian CTP market which will introduce competitive tendering in July 2016.

The New Zealand business is well positioned to take advantage of opportunities arising from changes in the competitive landscape. The business will continue to replicate the success of the Australian simplification program and vertical integration to drive greater efficiency.

Suncorp Bank's "Genuine Alternative" strategy centres on genuinely connecting with customers and helping them succeed financially. The Bank is focused on offering products and services that are attuned to customer needs, being strong in managing risk and capital, connecting with communities and customers, and making it easy for customers to bank with Suncorp.

The Bank is successfully implementing a number of key initiatives to deliver on this strategy. A new core banking platform, Ignite, is on track to be in place by June 2016 and integrating the digital capability is key. In addition, the Bank has implemented advanced risk practices, is engaging with APRA regarding Basel II Advanced Accreditation and maintaining a simple, robust balance sheet.

The Bank will continue to deliver targeted low-risk growth supported by its diversified funding base, "A+/A1" credit ratings, strong capital position and the implementation of its key initiatives.

As the Genuine Alternative, Suncorp Bank will deliver quality long-term growth, the agility to respond to changing markets and the opportunity to meet more customer needs, when they need them, to help them succeed financially.

Suncorp Life is well placed to deliver stable growth despite the extensive disruption that is occurring throughout the industry as a result of extensive regulatory changes.

The Direct segment is likely to accelerate its evolution to offer more comprehensive Life products, with Suncorp Life well placed to take a leading role through its existing Direct channel and the inherent advantage of being part of the wider Suncorp Group platform.

The IFA industry remains an important segment for Suncorp Life. While the industry's transition to a more sustainable footing will be challenging, attractive opportunities are expected to emerge over time.

Suncorp Group's RBC modelling framework is now embedded throughout the Group, and being used for assessment of capital risk appetite and targets, product pricing and business plan sensitivity analysis. RBC is a key driver in long-term strategic decision making for the lines of business and the Group and, for example, is being applied for the purposes of reinsurance analysis and strategic asset allocation. Going forward, RBC will continue to be used to quantify the Group's capital diversification benefit and explore opportunities to further optimise the Group's capital structure.

Suncorp targets a full year ordinary dividend payout ratio of 60% to 80% of cash earnings. The Suncorp Board also remains committed to returning to shareholders capital that is surplus to the needs of the business.

Contribution to profit by division

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
General Insurance					
Gross written premium	4,417	4,515	4,357	(2.2)	1.4
Net earned premium	3,992	3,918	3,947	1.9	1.1
Net incurred claims	(2,822)	(2,782)	(2,805)	1.4	0.6
Operating expenses	(892)	(881)	(902)	1.2	(1.1)
Investment income - insurance funds	99	133	266	(25.6)	(62.8)
Insurance trading result	377	388	506	(2.8)	(25.5)
Other income - managed schemes and joint venture	13	9	20	44.4	(35.0)
Investment income - shareholder funds	34	81	82	(58.0)	(58.5)
Capital funding	(12)	(12)	(14)	-	(14.3)
Profit before tax	412	466	594	(11.6)	(30.6)
Income tax	(115)	(129)	(175)	(10.9)	(34.3)
General Insurance profit after tax	**297**	**337**	**419**	**(11.9)**	**(29.1)**
Bank					
Net interest income	566	550	553	2.9	2.4
Net non-interest income	49	43	64	14.0	(23.4)
Operating expenses	(326)	(324)	(322)	0.6	1.2
Profit before impairment losses on loans and advances	289	269	295	7.4	(2.0)
Loss on sale of loans and advances	-	-	-	n/a	n/a
Impairment losses on loans and advances	(11)	(15)	(43)	(26.7)	(74.4)
Bank profit before tax	278	254	252	9.4	10.3
Income tax	(84)	(76)	(76)	10.5	10.5
Bank profit after tax	**194**	**178**	**176**	**9.0**	**10.2**
Life					
Underlying profit after tax	58	61	52	(4.9)	11.5
Market adjustments after tax	(5)	(22)	34	(77.3)	n/a
Life profit after tax	**53**	**39**	**86**	**35.9**	**(38.4)**
Profit after tax from business lines	**544**	**554**	**681**	**(1.8)**	**(20.1)**
Other profit (loss) before tax [(1)]	30	(20)	(17)	n/a	n/a
Income tax	(18)	(3)	(4)	large	350.0
Other profit (loss) after tax	**12**	**(23)**	**(21)**	**n/a**	**n/a**
Cash earnings	**556**	**531**	**660**	**4.7**	**(15.8)**
Acquisition amortisation (after tax)	(26)	(29)	(29)	(10.3)	(10.3)
Net profit after tax	**530**	**502**	**631**	**5.6**	**(16.0)**

(1) ‘Other’ includes investment income on capital held at the Group level (Dec-15: $7 million, Jun-15: $11 million), consolidation adjustments (Dec-15: $2 million, Jun-15: loss $3 million), recognition of deferred consideration on Tyndall disposal (Dec-15: $9 million, Jun-15: nil), Group short-term incentive adjustment (Dec-15: $40 million, Jun-15: nil), non-controlling interests (Dec-15: loss $3 million, Jun-15: loss $2 million) and external interest expense and transaction costs (Dec-15: loss $25 million, Jun-15:loss $26 million).

Statement of financial position

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	1,203	1,216	880	(1.1)	36.7
Receivables due from other banks	464	595	566	(22.0)	(18.0)
Trading securities	1,119	1,384	2,298	(19.1)	(51.3)
Derivatives	691	659	701	4.9	(1.4)
Investment securities	25,025	26,130	26,521	(4.2)	(5.6)
Loans and advances	52,673	51,735	50,111	1.8	5.1
Premiums outstanding	2,366	2,493	2,414	(5.1)	(2.0)
Reinsurance and other recoveries	2,204	2,413	2,494	(8.7)	(11.6)
Deferred reinsurance assets	582	813	520	(28.4)	11.9
Deferred acquisition costs	656	661	648	(0.8)	1.2
Gross policy liabilities ceded under reinsurance	419	476	485	(12.0)	(13.6)
Property, plant and equipment	180	191	199	(5.8)	(9.5)
Deferred tax assets	176	197	80	(10.7)	120.0
Goodwill and other intangible assets	5,845	5,783	5,751	1.1	1.6
Other assets	842	905	928	(7.0)	(9.3)
Total assets	94,445	95,651	94,596	(1.3)	(0.2)
Liabilities					
Payables due to other banks	401	297	314	35.0	27.7
Deposits and short-term borrowings	43,504	43,899	44,630	(0.9)	(2.5)
Derivatives	478	536	591	(10.8)	(19.1)
Amounts due to reinsurers	366	707	274	(48.2)	33.6
Payables and other liabilities	1,362	1,599	1,273	(14.8)	7.0
Current tax liabilities	14	278	115	(95.0)	(87.8)
Unearned premium liabilities	4,687	4,708	4,668	(0.4)	0.4
Outstanding claims liabilities	9,713	9,998	10,015	(2.9)	(3.0)
Gross policy liabilities	5,699	5,924	5,996	(3.8)	(5.0)
Deferred tax liabilities	109	93	60	17.2	81.7
Managed funds units on issue	279	233	180	19.7	55.0
Securitisation liabilities	3,144	3,639	2,858	(13.6)	10.0
Debt issues	8,871	7,869	7,720	12.7	14.9
Subordinated notes	1,423	1,406	1,382	1.2	3.0
Preference shares	949	947	945	0.2	0.4
Total liabilities	80,999	82,133	81,021	(1.4)	(0.0)
Net assets	13,446	13,518	13,575	(0.5)	(1.0)
Equity					
Share capital	12,675	12,684	12,678	(0.1)	(0.0)
Reserves	185	167	251	10.8	(26.3)
Retained profits	570	632	624	(9.8)	(8.7)
Total equity attributable to owners of the Company	13,430	13,483	13,553	(0.4)	(0.9)
Non-controlling interests	16	35	22	(54.3)	(27.3)
Total equity	13,446	13,518	13,575	(0.5)	(1.0)

General Insurance

Result overview

General Insurance achieved an after tax profit of $297 million for the half year ended 31 December 2015.

The insurance trading result was $377 million, representing an ITR of 9.4%. The result reflects the increased cost of settling claims and lower investment returns, partly offset by continued prior year long-tail reserve releases.

On an underlying basis, the ITR decreased to 10.1% from 14.8%. This reduction is due to the following factors, with the financial impact shown relative to the prior corresponding period:

- $36 million due to an increase in the natural hazard budget;
- $95 million from increased working claims costs in the Home and Motor portfolios;
- $22 million from Commercial Insurance large losses;
- $11 million from CTP pricing;
- $13 million from lower underlying investment returns, and;
- $5 million from Vero New Zealand large losses, expenses and other minor adjustments.

GWP increased 1.4% to $4,417 million with growth in all business units.

The Australian Personal Insurance business GWP grew as a result of inflationary price increases and improved retention. Overall unit growth was impacted by a reduction in the intermediated and corporate partner channels.

Commercial Insurance maintained its strong position in a competitive market due to its diverse portfolio, commitment to underwriting discipline and long-tail claims management.

CTP GWP grew 6.8% with targeted risk selection and leverage of the national CTP model. The success of this model is further demonstrated by the Group’s entry into the South Australian privatised CTP scheme from 1 July 2016.

Net incurred claims were $2,822 million with natural hazard claims of $362 million, $28 million above the allowance for the period.

Reserve releases of $137 million continue to be above expectations of 1.5% ($60 million) of net earned premium (NEP). This was primarily attributable to the proactive management of long-tail claims and a benign wage and super-imposed inflation environment.

Total operating expenses were $892 million with the operating expense ratio remaining stable at 22.4%.

Investment income on Insurance Funds was $99 million, with losses from widening credit spreads and the relative underperformance of inflation-linked bonds, partially offset by mark-to-market gains from a reduction in risk-free rates. Investment income on Shareholders’ Funds of $34 million was impacted by the reduction in risk-free rates and lower than expected returns from equities.

Profit contribution including discount rate movements and FSL

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Gross written premium	4,417	4,515	4,357	(2.2)	1.4
Gross unearned premium movement	51	(80)	83	n/a	(38.6)
Gross earned premium	4,468	4,435	4,440	0.7	0.6
Outwards reinsurance expense	(476)	(517)	(493)	(7.9)	(3.4)
Net earned premium	3,992	3,918	3,947	1.9	1.1
Net incurred claims					
Claims expense	(3,495)	(3,842)	(3,739)	(9.0)	(6.5)
Reinsurance and other recoveries revenue	673	1,060	934	(36.5)	(27.9)
Net incurred claims	(2,822)	(2,782)	(2,805)	1.4	0.6
Total operating expenses					
Acquisition expenses	(574)	(564)	(563)	1.8	2.0
Other underwriting expenses	(318)	(317)	(339)	0.3	(6.2)
	(892)	(881)	(902)	1.2	(1.1)
Underwriting result	278	255	240	9.0	15.8
Investment income - insurance funds	99	133	266	(25.6)	(62.8)
Insurance trading result	377	388	506	(2.8)	(25.5)
Managed schemes net contribution	10	7	16	42.9	(37.5)
Joint venture and other income	3	2	4	50.0	(25.0)
General Insurance operational earnings	390	397	526	(1.8)	(25.9)
Investment income - shareholder funds	34	81	82	(58.0)	(58.5)
General Insurance profit before tax and capital funding	424	478	608	(11.3)	(30.3)
Capital funding	(12)	(12)	(14)	-	(14.3)
General Insurance profit before tax	412	466	594	(11.6)	(30.6)
Income tax	(115)	(129)	(175)	(10.9)	(34.3)
General Insurance profit after tax	**297**	**337**	**419**	(11.9)	(29.1)

General Insurance ratios

	HALF YEAR ENDED		
	DEC-15	JUN-15	DEC-14
	%	%	%
Acquisition expenses ratio	14.4	14.4	14.3
Other underwriting expenses ratio	8.0	8.1	8.6
Total operating expenses ratio	22.4	22.5	22.9
Loss ratio	70.7	71.0	71.1
Combined operating ratio	93.1	93.5	94.0
Insurance trading ratio	**9.4**	**9.9**	**12.8**
	DEC-15	JUN-15	DEC-14
	$M	$M	$M
Reported ITR	**377**	**388**	**506**
Reported reserve releases (above) below long-run expectations	(77)	(154)	(155)
Natural hazards (below) above long-run allowances	28	301	172
Investment income mismatch	59	18	67
Other:			
Risk margin	(7)	2	(28)
Abnormal (Simplification/restructuring) expenses	24	17	24
Underlying ITR	**404**	**572**	**586**
Underlying ITR ratio	**10.1%**	**14.6%**	**14.8%**

Profit contribution excluding discount rate movements and FSL

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Gross written premium	4,338	4,443	4,288	(2.4)	1.2
Gross unearned premium movement	57	(76)	81	n/a	(29.6)
Gross earned premium	4,395	4,367	4,369	0.6	0.6
Outwards reinsurance expense	(476)	(517)	(493)	(7.9)	(3.4)
Net earned premium	3,919	3,850	3,876	1.8	1.1
Net incurred claims					
Claims expense	(3,524)	(3,873)	(3,557)	(9.0)	(0.9)
Reinsurance and other recoveries revenue	673	1,060	934	(36.5)	(27.9)
Net incurred claims	(2,851)	(2,813)	(2,623)	1.4	8.7
Total operating expenses					
Acquisition expenses	(574)	(564)	(563)	1.8	2.0
Other underwriting expenses	(245)	(249)	(268)	(1.6)	(8.6)
	(819)	(813)	(831)	0.7	(1.4)
Underwriting result	249	224	422	11.2	(41.0)
Investment income - insurance funds	128	164	84	(22.0)	52.4
Insurance trading result	377	388	506	(2.8)	(25.5)
Managed schemes net contribution	10	7	16	42.9	(37.5)
Joint venture and other income	3	2	4	50.0	(25.0)
General Insurance operational earnings	390	397	526	(1.8)	(25.9)
Investment income - shareholder funds	34	81	82	(58.0)	(58.5)
General Insurance profit before tax and capital funding	424	478	608	(11.3)	(30.3)
Capital funding	(12)	(12)	(14)	-	(14.3)
General Insurance profit before tax	412	466	594	(11.6)	(30.6)
Income tax	(115)	(129)	(175)	(10.9)	(34.3)
General Insurance profit after tax	**297**	**337**	**419**	**(11.9)**	**(29.1)**

General Insurance ratios

	HALF YEAR ENDED		
	DEC-15	JUN-15	DEC-14
	%	%	%
Acquisition expenses ratio	14.6	14.6	14.5
Other underwriting expenses ratio	6.3	6.5	6.9
Total operating expenses ratio	20.9	21.1	21.4
Loss ratio	72.7	73.1	67.7
Combined operating ratio	93.6	94.2	89.1

Statement of assets and liabilities

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Assets					
Cash and cash equivalents	285	419	233	(32.0)	22.3
Investment securities	12,086	12,273	12,225	(1.5)	(1.1)
Derivatives	37	24	23	54.2	60.9
Loans, advances and other receivables	2,612	2,785	2,682	(6.2)	(2.6)
Reinsurance and other recoveries	2,035	2,282	2,370	(10.8)	(14.1)
Deferred insurance assets	1,312	1,540	1,235	(14.8)	6.2
Due from Group entities	165	164	117	0.6	41.0
Property, plant and equipment	38	33	32	15.2	18.8
Other assets	164	188	180	(12.8)	(8.9)
Goodwill and intangible assets	5,061	5,051	5,097	0.2	(0.7)
Total assets	23,795	24,759	24,194	(3.9)	(1.6)
Liabilities					
Payables and other liabilities	828	1,249	674	(33.7)	22.8
Derivatives	139	154	193	(9.7)	(28.0)
Due to Group entities	182	345	213	(47.2)	(14.6)
Deferred tax liabilities	34	68	145	(50.0)	(76.6)
Unearned premium liabilities	4,681	4,697	4,661	(0.3)	0.4
Outstanding claims liabilities	9,479	9,735	9,751	(2.6)	(2.8)
Subordinated notes	588	572	550	2.8	6.9
Total liabilities	15,931	16,820	16,187	(5.3)	(1.6)
Net assets	**7,864**	**7,939**	**8,007**	**(0.9)**	**(1.8)**

Reconciliation of Net assets to Common Equity Tier 1 Capital

	DEC-15 $M	JUN-15 $M	DEC-14 $M
Net assets	**7,864**	**7,939**	**8,007**
Insurance liabilities in excess of liability valuation	505	658	601
Reserves excluded from regulatory capital	(11)	(8)	(8)
Additional Tier 1 capital	(510)	(510)	(510)
Goodwill allocated to GI business	(4,461)	(4,450)	(4,464)
Other intangibles (including software assets)	(586)	(555)	(581)
Other Tier 1 deductions	(4)	(5)	(5)
Common Equity Tier 1 Capital	**2,797**	**3,069**	**3,040**

General Insurance’s net assets reduced by $75 million, reflecting dividend payments offset by profit for the six months.

Personal Insurance Australia

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Gross written premium	2,383	2,344	2,369	1.7	0.6
Net earned premium	2,144	2,104	2,171	1.9	(1.2)
Net incurred claims	(1,610)	(1,708)	(1,545)	(5.7)	4.2
Acquisition expenses	(243)	(236)	(243)	3.0	-
Other underwriting expenses	(153)	(155)	(172)	(1.3)	(11.0)
Total operating expenses	(396)	(391)	(415)	1.3	(4.6)
Underwriting result	138	5	211	large	(34.6)
Investment income - insurance funds	11	39	14	(71.8)	(21.4)
Insurance trading result	149	44	225	238.6	(33.8)
	%	%	%		
Ratios					
Acquisition expenses ratio	11.3	11.2	11.2		
Other underwriting expenses ratio	7.1	7.4	7.9		
Total operating expenses ratio	18.4	18.6	19.1		
Loss ratio	75.1	81.2	71.2		
Combined operating ratio	93.5	99.8	90.3		
Insurance trading ratio	6.9	2.1	10.4		

Result overview

Australian Personal Insurance delivered an insurance trading result of $149 million, representing a reduced ITR of 6.9% due to lower NEP and higher working claims. Underlying margins also reduced as a result of the increased natural hazard allowance and higher working claims costs.

GWP returned to growth with an increase of 0.6% to $2,383 million in a highly competitive market. The result was impacted by reduced premiums from intermediated channels and corporate partners. Retention rates have remained stable despite premium increases.

Home working claims saw significant deterioration primarily due to an increase in large loss claims costs associated with fire and water damage. Motor working claims were impacted by higher average repair costs driven by an increase in parts prices and higher total losses.

Total operating expenses ratio has reduced to 18.4% from 19.1% due to continued focus on operating costs.

Outlook

Personal Insurance expects low single digit GWP growth, with the market expected to remain competitive. Growth will continue to be supported by pricing action, a focus on retention activity, increased product holdings per customer and targeted growth in specialised portfolios.

Increases in pricing across home and motor have been implemented to address margin challenges, however the earnings impact will lag claims experience. In home, a significant program of work is underway to review claims processes, including working with the panel builders in order to further improve cost management. In the motor business, the implementation of a new damage assessment system, claims processing platform and the rollout of SMART Plus and ACM initiatives are expected to deliver claims cost savings.

Commercial Insurance Australia

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Gross written premium	1,413	1,571	1,383	(10.1)	2.2
Net earned premium	1,336	1,323	1,297	1.0	3.0
Net incurred claims	(936)	(791)	(1,019)	18.3	(8.1)
Acquisition expenses	(211)	(209)	(206)	1.0	2.4
Other underwriting expenses	(117)	(117)	(121)	-	(3.3)
Total operating expenses	(328)	(326)	(327)	0.6	0.3
Underwriting result	72	206	(49)	(65.0)	n/a
Investment income - insurance funds	82	82	239	-	(65.7)
Insurance trading result	154	288	190	(46.5)	(18.9)
	%	%	%		
Ratios					
Acquisition expenses ratio	15.8	15.8	15.9		
Other underwriting expenses ratio	8.8	8.8	9.3		
Total operating expenses ratio	24.6	24.6	25.2		
Loss ratio	70.1	59.8	78.6		
Combined operating ratio	94.7	84.4	103.8		
Insurance trading ratio	11.5	21.8	14.6		

Result overview

The Australian Commercial Insurance trading result of $154 million was achieved through continued focus on underwriting and claims management processes.

The business delivered GWP growth of 2.2% due to continued focus on the value for customers in a competitive market. CTP continues to perform well, achieving 6.8% growth due to Suncorp's ability to leverage the scale of its national CTP model.

The insurance trading ratio reduced to 11.5% with lower investment returns offset by reserve releases above long-run expectations of 1.5% NEP. Long-tail reserve releases of $206 million were due to claims management and a benign inflationary environment.

The total operating expense ratio improved due to ongoing expense discipline.

Outlook

Australian Commercial Insurance has a competitive advantage due to a diverse portfolio, well progressed Simplification journey, highly engaged staff and high customer and broker metrics. This positions the business well in a competitive market that is continuously evolving.

Margins remain under pressure as a result of low investment yields and a challenging pricing environment. The business remains focused on underwriting discipline and claims management, which is likely to continue to deliver reserve releases above long-run expectations.

As Australia's largest personal injury insurer, Suncorp continues to benefit from the scale of its national CTP model, recently becoming an approved insurer for South Australia's CTP scheme to be privatised in July 2016.

New Zealand

This table is shown in A$.

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Gross written premium	621	600	605	3.5	2.6
Net earned premium	512	491	479	4.3	6.9
Net incurred claims	(276)	(283)	(241)	(2.5)	14.5
Acquisition expenses	(120)	(119)	(114)	0.8	5.3
Other underwriting expenses	(48)	(45)	(46)	6.7	4.3
Total operating expenses	(168)	(164)	(160)	2.4	5.0
Underwriting result	68	44	78	54.5	(12.8)
Investment income - insurance funds	6	12	13	(50.0)	(53.8)
Insurance trading result	74	56	91	32.1	(18.7)
	%	%	%		
Ratios					
Acquisition expenses ratio	23.4	24.2	23.8		
Other underwriting expenses ratio	9.4	9.2	9.6		
Total operating expenses ratio	32.8	33.4	33.4		
Loss ratio	53.9	57.6	50.3		
Combined operating ratio	86.7	91.0	83.7		
Insurance trading ratio	14.5	11.4	19.0		

Result overview

New Zealand delivered an insurance trading result of $74 million (NZ$83 million) despite pricing challenges in the commercial market and strengthening of earthquake provisions.

GWP growth of 2.6% (NZ$ 2.7%) was achieved through both direct and intermediated distribution channels. Growth was achieved due to significant growth in personal line units and moderate rate increases.

The loss ratio increased to 53.9% from 50.3% as a result of increased frequency in commercial large loss claims and a $10 million increase primarily due to an increase in the risk margin associated with earthquake claims.

The total operating expenses ratio improved to 32.8% from 33.4%, largely attributable to lower acquisition costs relative to NEP.

Outlook

New Zealand is building a balanced multi-channel business across both personal and commercial classes and is positioned for profitable growth in a challenging market.

While the current market remains competitive, above system growth is expected. Simplification work is advancing well, with new platforms enabling additional opportunities in direct and corporate partnership business.

Progress in settling Christchurch earthquake claims continues with over NZ$4.7 billion, 89% of total expected claims costs, paid. Suncorp remains protected against further significant deterioration in earthquake costs due to the original catastrophe reinsurance and the additional adverse development cover purchased for the February 2011 event.

General Insurance

This table is shown in NZ$.

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	NZ$M	NZ$M	NZ$M	%	%
Gross written premium	681	635	663	7.2	2.7
Net earned premium	562	517	525	8.7	7.0
Net incurred claims	(303)	(298)	(264)	1.7	14.8
Acquisition expenses	(131)	(125)	(125)	4.8	4.8
Other underwriting expenses	(52)	(48)	(50)	8.3	4.0
Total operating expenses	(183)	(173)	(175)	5.8	4.6
Underwriting result	76	46	86	65.2	(11.6)
Investment income - insurance funds	7	13	14	(46.2)	(50.0)
Insurance trading result	83	59	100	40.7	(17.0)
	%	%	%		
Ratios					
Acquisition expenses ratio	23.3	24.2	23.8		
Other underwriting expenses ratio	9.3	9.3	9.5		
Total operating expenses ratio	32.6	33.5	33.3		
Loss Ratio	53.9	57.6	50.3		
Combined operating ratio	86.5	91.1	83.6		
Insurance trading ratio	14.8	11.4	19.0		

Gross Written Premium (GWP)

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Gross written premium by product					
Australia					
Motor	1,273	1,254	1,262	1.5	0.9
Home	1,097	1,077	1,092	1.9	0.5
Commercial	846	989	852	(14.5)	(0.7)
Compulsory third party	567	581	531	(2.4)	6.8
Other	13	14	15	(7.1)	(13.3)
Australia	**3,796**	**3,915**	**3,752**	**(3.0)**	**1.2**
New Zealand					
Motor	140	135	127	3.7	10.2
Home	190	192	178	(1.0)	6.7
Commercial	269	250	278	7.6	(3.2)
Other	22	23	22	(4.3)	-
New Zealand	**621**	**600**	**605**	**3.5**	**2.6**
Total					
Motor	1,413	1,389	1,389	1.7	1.7
Home	1,287	1,269	1,270	1.4	1.3
Commercial	1,115	1,239	1,130	(10.0)	(1.3)
Compulsory third party	567	581	531	(2.4)	6.8
Other	35	37	37	(5.4)	(5.4)
Gross Written Premium	**4,417**	**4,515**	**4,357**	**(2.2)**	**1.4**

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Gross written premium by geography					
Queensland	1,120	1,099	1,125	1.9	(0.4)
New South Wales	1,254	1,305	1,267	(3.9)	(1.0)
Victoria	824	806	778	2.2	5.9
Western Australia	250	355	285	(29.6)	(12.3)
South Australia	129	126	128	2.4	0.8
Tasmania	81	79	72	2.5	12.5
Other	138	145	97	(4.8)	42.3
Total Australia	**3,796**	**3,915**	**3,752**	**(3.0)**	**1.2**
New Zealand	621	600	605	3.5	2.6
Total	**4,417**	**4,515**	**4,357**	**(2.2)**	**1.4**

Gross Written Premium (GWP) (continued)

Motor

In Australia, Motor GWP grew 0.9% to $1,273 million with average premiums increasing 1.1%. Unit growth in direct channels was positive, however overall growth was impacted by reductions from the intermediated and corporate partner channels. Retention has remained strong, however new business volumes continue to be impacted by the competitive environment.

New Zealand Motor GWP increased 10.2% (NZ$ 10.4%) to $140 million, driven by strong unit growth across all channels.

Home

In Australia, Home GWP increased 0.5% to $1,097 million with moderate average premium increases partially offset by a small loss of units. The key drivers of GWP growth were the successful promotion of home insurance to AAMI motor customers and the continued strength of the specialised brands including Terri Sheer and Shannons. The unit loss was primarily due to the impact of intermediated and corporate partner channels.

New Zealand Home GWP increased 6.7% (NZ$ 6.7%) to $190 million. Growth was due to a combination of increases in new business, stable retention and premium increases as a result of improved product offerings.

Commercial

Australian commercial lines GWP decreased 0.7%. Excluding Workers Compensation, GWP increased 3.3%. The business maintained its disciplined approach to underwriting, with a focus on margin in a market that continues to be competitive. Retention rates remain high across all commercial lines with the exception of Workers Compensation which decreased 33% as a result of slowing economic conditions in Western Australia.

Broker satisfaction scores remain high due to Commercial Insurance's consistency in pricing and service levels. A combination of excellent claims service and a focus on a customer-first culture are core to Commercial Insurance's ability to better meet customer needs.

New Zealand commercial lines GWP decreased 3.2% (NZ$ 3.1%) to $269 million. The reduction was due to continued underwriting discipline in an increasingly competitive market for existing and new business.

Compulsory Third Party (CTP)

CTP GWP increased 6.8% to $567 million.

Suncorp's market share in the ACT CTP has continued to grow, reaching 31% after entering the market in 2013.

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

Suncorp is a significant participant in the NSW CTP market, with new business growth resulting from the two-brand strategy and successful motor dealer channel initiatives.

Other

Other GWP, which includes boat insurance, direct travel insurance and other specialist New Zealand products, decreased $2m to $35 million.

Reinsurance expense

Outwards reinsurance expense for the year was $476 million, a reduction of $17 million.

As a result of exposure growth and updated modelling, the upper limit on Suncorp's main catastrophe program, which covers the Group's home, motor and commercial property portfolios for major events such as earthquakes, cyclones, storms, floods and bushfires, has increased from $6.1 billion to $6.9 billion for the 2016 financial year.

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

The maximum event retention is $250 million. Additional cover has been fully purchased to reduce this retention to $200 million for a second Australian event and to $50 million for third and fourth events.

Cover is also in place to reduce the first event retention for risks underwritten in New Zealand to NZ$50 million and the second and third event retentions to NZ$25 million.

Reinsurance security has been maintained for the 2016 financial year program, with over 85% of business protected by reinsurers rated 'A+' or better.

The table below shows risk retention for the Suncorp Group for the remainder of the financial year.

	MAXIMUM SINGLE RISK RETENTION	MAXIMUM EVENT RISK RETENTION
	$M	$M
Property	10	250
General liability	10	10
Workers' compensation	10	10
CTP	10	10
Motor	10	250
Professional indemnity	5	5
Travel & Personal Accident	5	5
Marine	3	3

Net incurred claims

Net incurred claims costs increased 0.6% to $2,822 million.

Natural hazard event costs were $362 million, $28 million above the allowance.

Major natural hazard events are shown in the table below.

DATE	EVENT	NET COSTS $M
Aug 2015	South Coast NSW and Sydney Storms	29
Sep 2015	NSW Central Coast Hail	21
Oct 2015	Fernvale Chinchilla Hail	44
Nov 2015	Sunnybank Hail	16
Nov 2015	Pinery Bushfire	15
Nov 2015	Darling Downs Storms	25
Dec 2015	Kurnell Tornado	63
Dec 2015	Great Ocean Road Bushfire	31
	Other natural hazards attritional claims (Australia)	114
	Other natural hazards attritional claims (New Zealand)	4
Total		362
	Less: allowance for natural hazards	(334)
	Natural hazards costs above allowance	28

In Personal Insurance, Motor claims cost increases were above expectations as average repair costs increased due to parts costs, total loss proportions and changes to the claims mix. Home claims experienced a significant increase in average repairs costs, partly due to the impacts of the high volume of natural hazard claims during the first half of 2015. Home claims costs have also been impacted by the escalating volume, severity and cost of large loss claims associated with fire and water damage. These claims tend to be highly complex and difficult to estimate accurately.

In Commercial Insurance, current year claims experience has been impacted by large losses and lower premium rates, particularly large corporate clients. In addition, the CTP portfolio observed an increase in small-claims frequency in NSW. Despite the increase, profitability remains well within target ranges and Suncorp's performance remains ahead of the industry. The issue is a focus for the entire industry and Suncorp expects to maintain strong claims performance.

Outstanding claims provision breakdown

The valuation of outstanding claims resulted in central estimate releases of $137 million, well above the Group's long-run expectation for reserve releases of $60 million for the half year (1.5% of net earned premium).

Short-tail strengthening was primarily due to an increase in average claims size cost in the home and motor portfolios as well as losses in commercial portfolio.

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

	ACTUAL	NET CENTRAL ESTIMATE (DISCOUNTED)	RISK MARGIN (90TH PERCENTILE DISCOUNTED)	CHANGE IN NET CENTRAL ESTIMATE [1]
	$M	$M	$M	$M
Short-tail				
Australian short-tail and other	1,490	1,347	143	66
New Zealand	113	98	15	6
Long-tail				
Australia long-tail	5,686	4,821	865	(206)
New Zealand	155	129	26	(3)
Total	**7,444**	**6,395**	**1,049**	**(137)**

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

Outstanding claims provisions over time

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

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Gross outstanding claims liabilities	9,479	9,735	9,751	(2.6)	(2.8)
Reinsurance and other recoveries	(2,035)	(2,282)	(2,370)	(10.8)	(14.1)
Net outstanding claims liabilities	**7,444**	**7,453**	**7,381**	**(0.1)**	**0.9**
Expected future claims payments and claims handling expenses	6,962	7,010	6,944	(0.7)	0.3
Discount to present value	(567)	(594)	(597)	(4.5)	(5.0)
Risk margin	1,049	1,037	1,034	1.2	1.5
Net outstanding claims liabilities	**7,444**	**7,453**	**7,381**	**(0.1)**	**0.9**
Short-tail					
Australia short-tail and other	1,490	1,472	1,178	1.2	26.5
New Zealand	113	116	126	(2.6)	(10.3)
Long-tail					
Australia long-tail	5,686	5,695	5,869	(0.2)	(3.1)
New Zealand	155	170	208	(8.8)	(25.5)
Total	**7,444**	**7,453**	**7,381**	**(0.1)**	**0.9**

Risk margins

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

Risk margins increased $12 million during the period to $1,049 million from $1,037 million. The assets notionally backing risk margins had a net return of $19 million, after allowing for movements in the risk-free rate. The net impact was therefore $7 million, which is excluded in the underlying ITR calculation.

Operating expenses

Total operating expenses ratio decreased to 22.4%, with total operating expenses of $892 million demonstrating Suncorp's continued focus on cost discipline and the benefits of Simplification and Optimisation.

Other underwriting expenses reduced 6.2% to $318 million. Acquisition costs were $574 million, with the acquisition expense ratio increasing to 14.4% from 14.3%.

Managed schemes

Managed schemes contribution of $10 million is attributable to Suncorp's Australian Commercial Insurance business administering various governments' Workers' Compensation schemes.

The Australian Commercial Insurance business successfully secured an additional 5% market share from WorkCover NSW through the NSW Managed Funds tender that became effective on 1 July 2015.

Joint venture and other income

The Group participates in a joint venture with the motoring club in Tasmania. Joint venture and other income was $3 million.

General Insurance short-tail and long-tail (includes NZ)

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Short-tail					
Gross written premium	3,472	3,418	3,413	1.6	1.7
Net earned premium	3,010	2,957	2,988	1.8	0.7
Net incurred claims	(2,197)	(2,352)	(2,038)	(6.6)	7.8
Acquisition expenses	(448)	(441)	(441)	1.6	1.6
Other underwriting expenses	(255)	(255)	(268)	-	(4.9)
Total operating expenses	(703)	(696)	(709)	1.0	(0.8)
Underwriting result	110	(91)	241	n/a	(54.4)
Investment income - insurance funds	20	56	31	(64.3)	(35.5)
Insurance trading result	130	(35)	272	n/a	(52.2)
	%	%	%		
Ratios					
Acquisition expenses ratio	14.9	14.9	14.7		
Other underwriting expenses ratio	8.5	8.6	9.0		
Total operating expenses ratio	23.4	23.5	23.7		
Loss ratio	73.0	79.5	68.2		
Combined operating ratio	96.4	103.0	91.9		
Insurance trading ratio	4.3	(1.2)	9.1		

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Long-tail					
Gross written premium	945	1,097	944	(13.9)	0.1
Net earned premium	982	961	959	2.2	2.4
Net incurred claims	(625)	(430)	(767)	45.3	(18.5)
Acquisition expenses	(126)	(123)	(122)	2.4	3.3
Other underwriting expenses	(63)	(62)	(71)	1.6	(11.3)
Total operating expenses	(189)	(185)	(193)	2.2	(2.1)
Underwriting result	168	346	(1)	(51.4)	n/a
Investment income - insurance funds	79	77	235	2.6	(66.4)
Insurance trading result	247	423	234	(41.6)	5.6
	%	%	%		
Ratios					
Acquisition expenses ratio	12.8	12.8	12.7		
Other underwriting expenses ratio	6.4	6.5	7.4		
Total operating expenses ratio	19.2	19.3	20.1		
Loss ratio	63.7	44.7	80.0		
Combined operating ratio	82.9	64.0	100.1		
Insurance trading ratio	25.2	44.0	24.4		

Investment income

General Insurance's investment portfolio includes Insurance Funds that explicitly back insurance liabilities and Shareholders' Funds that further support the capital position. Insurance Funds are designed to match the insurance liabilities and are managed separately from Shareholders' Funds.

Asset allocation

In the Insurance funds, Suncorp continues to invest in line with the Group's risk appetite while implementing a manager diversification strategy.

In the Shareholders' Funds, to increase asset class diversification and reduce risk, an allocation to commercial property was introduced. Further modest asset class diversification is planned over the near future. The value of equity holdings reduced due to negative market movements.

	HALF YEAR ENDED				DEC-15	DEC-15
	DEC-15		JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	%	$M	$M	%	%
Insurance funds						
Cash and short-term deposits	254	3	247	100	2.8	154.0
Inflation-linked bonds	2,190	24	2,299	2,404	(4.7)	(8.9)
Corporate bonds	5,896	64	5,643	4,900	4.5	20.3
Semi-Government bonds	841	9	1,286	1,909	(34.6)	(55.9)
Commonwealth Government bonds	5	-	5	13	-	(61.5)
Total Insurance funds	**9,186**	**100**	**9,480**	**9,326**	**(3.1)**	**(1.5)**
Shareholders' funds						
Cash and short-term deposits	125	4	188	119	(33.5)	5.0
Interest-bearing securities	2,250	75	2,356	2,244	(4.5)	0.3
Equities	443	15	518	480	(14.5)	(7.7)
Infrastructure and property	173	6	138	139	25.4	24.5
Total shareholders' funds	**2,991**	**100**	**3,200**	**2,982**	**(6.5)**	**0.3**
Total	**12,177**		**12,680**	**12,308**	**(4.0)**	**(1.1)**

Credit quality

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

AVERAGE	DEC-15 %	JUN-15 %	DEC-14 %
AAA	39.1	39.3	39.7
AA	25.0	29.8	32.9
A	28.1	25.6	23.1
BBB	7.8	5.3	4.3
	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 are comprised of outstanding claims and premium liabilities.

Duration

	DEC-15	JUN-15	DEC-14
Insurance funds			
Interest rate duration (Yrs)	2.7	2.6	2.6
Credit spread duration (Yrs)	1.2	1.2	1.2
Shareholders' funds			
Interest rate duration (Yrs)	1.9	2.4	1.1
Credit spread duration (Yrs)	2.8	2.9	2.9

Investment performance

Total investment income was $133 million representing an annualised return of 2.2% for the half year.

Investment income on Insurance Funds was $99 million including mark-to-market impacts from:

- gains of $31 million from decreases in risk-free rates;
- losses of $29 million from a widening of credit spreads; and
- losses of $27 million from the underperformance of inflation-linked bonds relative to Commonwealth Government nominal bonds as break-even inflation fell.

After removing the above mark-to-market impacts, the underlying yield income was $124 million (HY15: $137 million), or 2.7% annualised.

Investment income on Insurance Funds is reported as part of the ITR along with changes in the value of outstanding claims. The decrease in risk-free rates increased the value of outstanding claims by $29 million and led to mark-to-market gains on investment assets of $31 million. The net impact of risk-free rate changes was $2 million and is attributable to mark-to-market gains on the assets backing unearned premiums which are not discounted.

In calculating the underlying ITR, an adjustment of $59 million has been made to materially remove the impact of investment market volatility. This adjustment unwinds mark-to-market volatility aspects:

- $29 million loss from the widening of credit spreads;
- $27 million loss from inflation-linked bond underperformance;
- $2 million net gain (reduction) from changes in risk-free rates and;
- a timing adjustment of $5 million from the unwind of prior risk-free changes on assets backing unearned premium.

Investment income on Shareholders' Funds was $34 million representing an annualised return of 2.2%. The portfolio was affected by volatile equity markets and a lower yield environment, however this was partially offset by improving returns from a growing infrastructure portfolio.

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	2	-	2	n/a	-
Interest-bearing securities and other	97	133	264	(27.1)	(63.3)
Total	**99**	**133**	**266**	**(25.6)**	**(62.8)**
Investment income on shareholder funds					
Cash and short-term deposits	1	1	2	-	(50.0)
Interest-bearing securities	19	58	54	(67.2)	(64.8)
Equities	5	20	26	(75.0)	(80.8)
Infrastructure and property	9	2	-	350.0	n/a
Total	**34**	**81**	**82**	**(58.0)**	**(58.5)**
Total investment income	**133**	**214**	**348**	**(37.9)**	**(61.8)**

Bank

Result overview

Suncorp Bank delivered net profit after tax of $194 million, up 10.2% compared with the prior corresponding period. The result was supported by strong credit quality experience and a continued focus on sustainable, quality lending in a highly competitive environment. The Bank performed well against its medium-term market commitments whilst achieving critical milestones in major transformational programs.

Net interest income increased 2.4% to $566 million. The Bank's NIM improved 2 bps over the half to 1.85% to sit at the top of the 1.75% to 1.85% target operating range, with market-wide repricing offsetting increases in funding costs and heightened competition.

The cost to income ratio reduced to 53.0% over the half, underpinned by disciplined cost management to support investment in strategic programs.

The Bank remains focused on profitable, quality growth within its target segments as it continues to build a strong, resilient and future-proof bank for its customers. Continued investment in key strategic initiatives such as Ignite, the new banking platform, Basel II Advanced Accreditation, Business Intelligence and Group Customer Extensions will ensure the Bank can meet current market challenges and remain competitive in the long-term. Ignite provides the foundation for the Bank's optimised platform with scalable end-to-end infrastructure. The Bank is well progressed having implemented the core retail lending system including origination, collateral and collections.

Home lending grew 8.2% to $43.0 billion despite intense price competition particularly in the Bank's traditional owner-occupied segment given the current regulatory landscape. The Bank pursued growth outside its traditional Queensland market with 60% of new business originating interstate supported by strengthened capability in the intermediary channel. A disciplined approach to investor lending has seen growth reduce below 10% year-on-year. Business lending contracted 3.0% during the half to $9.5 billion, partially driven by better than expected seasonal repayments from cropping and livestock proceeds in the agribusiness portfolio.

Retail deposits remain the core source of funding, with a deposit to loan ratio of 65.6%, comfortably within the Bank's 60% to 70% target range. The Group's A+/A1 rating continued to provide a competitive advantage allowing access to both secured and unsecured funding markets and significant diversification and flexibility.

Credit rating agency, Standard and Poor's, upgraded the Bank's stand-alone credit profile from 'bbb+' to 'a-' during the half. This was a formal recognition of the Bank's strengthened balance sheet and improved business position due to diversification of the book, customer engagement and on-going improvement in risk management. The drive to establish, maintain and optimise 'connected' customer relationships is well advanced, enabling the Bank to build deeper relationships and a greater understanding of customer needs. This is highlighted by strong customer satisfaction outcomes relative to the major banks.

The Bank's significant investment in risk management capability, culture and technology, including the Basel II Advanced Accreditation program, has driven better understanding of the underlying risk and profit drivers. This has enabled the Bank to deliver strong credit experience in a low growth, low rate environment through the run-off of poor quality assets and by continuing its cautious and prudent lending approach. Impairment losses on loans and advances were $11 million, representing 4 bps of gross loans and advances. Gross non-performing loans reduced 15.1% to $557 million. Gross impaired assets decreased 32.8% to $176 million, representing 33 bps of gross loans and advances. Provision coverage remains appropriate and the Bank continues to retain the prudent $8 million drought overlay.

The CET1 ratio increased 30 bps to 9.45%, above the top end of the 8.5% - 9.0% target range. The Bank is well positioned in light of industry and regulatory developments and management believes the target remains appropriate. Return on CET1 of 13.1% was within the target range.

Outlook

To enhance the Bank's competitive position, focus remains on the strength of the balance sheet, credit quality and delivering an optimised and flexible platform. This will enable the Bank to create value for customers and drive sustainable, profitable growth in an industry that is likely to remain challenged by heightened competition, digital innovation and regulatory changes.

System implementation of Project Ignite, the core infrastructure of the Bank's new optimised platform, is on track for June 2016, with decommissioning of legacy systems to follow. This will ensure a powerful, flexible platform, enabling the Bank to rapidly respond to changing customer and regulatory demands, as well as leverage digital opportunities. Ignite will deliver superior customer experience by enabling adoption of digital experiences and the flexibility of seamless integration to meet their financial needs.

The Bank continues to ensure a disciplined approach to risk management through operating as an advanced bank. Consequently, engagement continues with APRA regarding Basel II Advanced Accreditation. The Bank's enhanced risk and capital management is improving decision making and the benefits of these capabilities will continue to be realised through improved risk selection and business performance.

The current competitive nature of the banking industry combined with changes in regulatory capital and lending requirements is driving the outlook for steady margins. The Bank's relative competitive position is expected to improve due to recently announced regulatory changes to capital and risk weighted assets. Potential changes from the upcoming 'Basel IV' framework are not yet able to be determined. Further economic volatility and regulatory changes may impact wholesale funding markets resulting in increased competition for deposits, increased credit spreads and lengthened duration.

Maintaining a simple, sustainable, prudently managed and robust balance sheet continues to be a priority for the Bank. The focus remains on strengthening funding and liquidity to ensure the Bank is well placed to meet changing regulatory requirements, including the Net Stable Funding Ratio in 2018.

Sustainable, profitable growth will be underpinned by operational excellence, disciplined risk management, optimised funding and digital capability. A cautious, prudent and resolute approach to growth in target segments remains the cornerstone of the Bank's strategy.

The Bank maintains a conservative approach to provisioning and remains well placed to perform against its medium-term operating targets of:

- sustainable retail lending growth of 1 to 1.3 times system;
- a retail deposit to lending ratio of 60% to 70% supported by the Bank's ability to leverage its 'A+/A1' credit ratings to raise diverse wholesale funding;
- NIM of 1.75% to 1.85%;
- disciplined cost management and ongoing investment in strategic programs to support a cost to income ratio of sub-50%;
- impairment losses in the range of 10 to 20 basis points of gross loans and advances;
- CET1 range of 8.5% - 9.0%; and
- return on CET1 of 12.5% to 15.0%.

Profit contribution

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	DEC-14
	$M	$M	$M	%	%
Net interest income	566	550	553	2.9	2.4
Net non-interest income					
Net banking fee income	35	34	35	2.9	-
MTM on financial instruments	2	-	10	n/a	(80.0)
Other income	12	9	19	33.3	(36.8)
Total net non-interest income	49	43	64	14.0	(23.4)
Total income	615	593	617	3.7	(0.3)
Operating expenses					
Staff expenses	(181)	(179)	(188)	1.1	(3.7)
Equipment and occupancy expenses	(52)	(58)	(51)	(10.3)	2.0
Hardware, software and dataline expenses	(21)	(22)	(20)	(4.5)	5.0
Advertising and promotion	(14)	(17)	(13)	(17.6)	7.7
Office supplies, postage and printing	(15)	(15)	(15)	-	-
Other	(43)	(33)	(35)	30.3	22.9
Total Operating expenses	(326)	(324)	(322)	0.6	1.2
Profit before impairment losses on loans and advances	289	269	295	7.4	(2.0)
Impairment losses on loans and advances	(11)	(15)	(43)	(26.7)	(74.4)
Bank profit before tax	**278**	**254**	**252**	**9.4**	**10.3**
Income tax	(84)	(76)	(76)	10.5	10.5
Bank profit after tax	**194**	**178**	**176**	**9.0**	**10.2**

Bank ratios and key statistics

	HALF YEAR ENDED		
	DEC-15	JUN-15	DEC-14
	%	%	%
Lending growth (annualised)	3.58	6.49	1.37
Net interest margin (interest-earning assets)	1.85	1.83	1.86
Cost to income ratio	53.01	54.64	52.19
Impairment losses to gross loans and advances (annualised)	0.04	0.06	0.17
Return on Common Equity Tier 1	13.11	12.21	12.13
Deposit to loan ratio	65.6	65.3	66.1

Statement of assets and liabilities

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	765	591	521	29.4	46.8
Receivables due from other banks	464	595	566	(22.0)	(18.0)
Trading securities	1,119	1,384	2,298	(19.1)	(51.3)
Derivatives	663	651	710	1.8	(6.6)
Investment securities	5,520	6,245	6,634	(11.6)	(16.8)
Loans, advances and other receivables	52,673	51,735	50,111	1.8	5.1
Due from Group entities	268	226	169	18.6	58.6
Deferred tax assets	47	81	95	(42.0)	(50.5)
Other assets	190	182	223	4.4	(14.8)
Goodwill and intangible assets	262	262	262	-	-
Total assets	61,971	61,952	61,589	0.0	0.6
Liabilities					
Deposits and short-term borrowings	44,022	44,431	45,104	(0.9)	(2.4)
Derivatives	358	401	424	(10.7)	(15.6)
Payables due to other banks	401	297	314	35.0	27.7
Payables and other liabilities	323	400	386	(19.3)	(16.3)
Due to Group entities	99	199	152	(50.3)	(34.9)
Securitisation liabilities	3,154	3,651	2,872	(13.6)	9.8
Debt issues	8,891	7,876	7,727	12.9	15.1
Subordinated notes	742	742	742	-	-
Total liabilities	57,990	57,997	57,721	(0.0)	0.5
Net assets	**3,981**	**3,955**	**3,868**	**0.7**	**2.9**

Reconciliation of net equity to Common Equity Tier 1 Capital			
Net equity - Banking line of business	3,981	3,955	3,868
Additional Tier 1 capital	(450)	(450)	(450)
Goodwill allocated to Banking Business	(240)	(240)	(235)
Regulatory capital equity adjustments	(23)	(4)	12
Regulatory capital deductions	(299)	(320)	(300)
Other reserves excluded from Common Equity Tier 1	(96)	(146)	(144)
Common Equity Tier 1 Capital	**2,873**	**2,795**	**2,751**

The CET1 ratio increased 30 bps to 9.45%, sitting above the top end of the target range of 8.5% to 9.0%. The appropriateness of the Bank's target is regularly reviewed, taking into account industry and regulatory changes, such as 'Basel IV' developments.

The Bank's Return on CET1 continues to improve, up 90 bps to 13.1% and is within the Bank's 12.5% to 15.0% target range. This improvement has been supported by the Bank's Advanced Accreditation program, with a better understanding of risk selection, pricing and capital planning.

Loans, advances and other receivables

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Housing loans	36,691	34,977	33,152	4.9	10.7
Securitised housing loans and covered bonds	6,355	6,808	6,618	(6.7)	(4.0)
Total housing loans	43,046	41,785	39,770	3.0	8.2
Consumer loans	345	380	403	(9.2)	(14.4)
Retail loans	43,391	42,165	40,173	2.9	8.0
Commercial (SME)	5,203	5,353	5,593	(2.8)	(7.0)
Agribusiness	4,258	4,400	4,534	(3.2)	(6.1)
Total Business lending	9,461	9,753	10,127	**(3.0)**	**(6.6)**
Total lending	**52,852**	**51,918**	**50,300**	**1.8**	**5.1**
Other receivables	-	25	44	(100.0)	(100.0)
Gross banking loans, advances and other receivables	52,852	51,943	50,344	1.7	5.0
Provision for impairment	(179)	(208)	(233)	(13.9)	(23.2)
Loans, advances and other receivables	**52,673**	**51,735**	**50,111**	**1.8**	**5.1**
Credit-risk weighted assets	**25,613**	**25,487**	**25,532**	**0.5**	**0.3**
Geographical breakdown - Total lending					
Queensland	28,735	28,792	28,565	(0.2)	0.6
New South Wales	13,162	12,773	12,168	3.0	8.2
Victoria	5,295	5,012	4,665	5.6	13.5
Western Australia	3,660	3,468	3,252	5.5	12.5
South Australia and other	2,000	1,873	1,650	6.8	21.2
Outside of Queensland loans	24,117	23,126	21,735	4.3	11.0
Total lending	**52,852**	**51,918**	**50,300**	**1.8**	**5.1**

Total lending

Total lending receivables, including securitised assets, grew 1.8% to $52.9 billion over the half.

Consumer and business confidence indicators improved, assisted by stable interest rates which supported the Bank’s continued focus on loan quality.

The Bank maintains a disciplined approach to responsible lending practices to ensure portfolio quality is not compromised in an increasingly competitive market. In line with this, home lending serviceability assessment processes were further strengthened over the half. 88% of new home loans written had a loan to valuation ratio (LVR) of 80% or less. Interstate lending now accounts for 46% of the total lending portfolio.

In line with risk appetite, the Bank had minimal growth in high density residential development over the half. The focus for business lending remains on family-owned businesses in the agribusiness, property, small and medium business and commercial sectors.

Retail loans

The home lending portfolio grew 8.2% to $43.0 billion in line with system, in a competitive, low-interest rate environment.

The competitive landscape for home lending was shaped by re-pricing across both investor and owner-occupier segments as the industry responded to regulatory guidance on appropriate growth rates, risk weightings and capital strength. Competition in this segment remains high however the Bank is resolute in its pursuit of quality, profitable growth.

Strong relationships with intermediaries remain integral to building a presence outside traditional Queensland markets. Over 60% of new home lending business originated outside Queensland during the half.

The Bank continued to grow its Connected Customer base over the half through its successful home lending proposition. Focus remains on building the Bank's technological capabilities to improve digital and online loan processing.

Commercial (SME)

The commercial (SME) portfolio contracted 2.8% to $5.2 billion during the half. The Bank has maintained its focus on pricing for risk and management of its portfolio with a prudent risk appetite.The market's increased appetite to take on new credit in the current highly competitive environment has provided an opportunity for the managed removal or refinance of exposures outside risk appetite.

The Bank continues to pursue growth within its target market segments. The portfolio is heavily weighted towards less than $5 million lending, with 99% of customer groups with loans within this range. The Bank has limited exposure to Development Finance, and maintains conservative risk settings for this portfolio. Additionally, the Bank has very minimal direct exposure to the resources sector, including oil and energy.

Significant investment has been made to uplift the Bank's business lending capability and redesign organisational structures to better support customers, which delivered better than expected retention rates.

Commercial (SME) portfolio breakdown [(1)]

	QLD %	NSW %	Other %	Total %	Total $M
Commercial (SME) breakdown					
Property Investment	27%	4%	4%	35%	1,883
Hospitality & Accommodation	14%	1%	1%	16%	804
Construction & Development	7%	0%	1%	8%	425
Services (Inc. professional services)	10%	4%	3%	17%	882
Retail	5%	2%	1%	8%	397
Manufacturing & Mining	3%	1%	1%	5%	247
Other	8%	1%	2%	11%	565
Total %	74%	13%	13%	100%	
Total $M	3,875	681	647		5,203

(1) The methodology for the breakdown above has been amended to include newly available enhanced data from source systems.

Agribusiness

The agribusiness portfolio reduced 3.2% to $4.3 billion during the half driven partially by better than expected seasonal repayments from cropping and livestock proceeds. The impact to the portfolio from ongoing drought conditions across Queensland and Northern NSW was reduced as a result of rainfall in some regions and rising commodity prices.

The Bank has a long heritage in agribusiness, a collaborative customer approach and remains committed to supporting customers, employees and communities in drought affected regions through a broad range of initiatives. The Bank extended its financial relief package for drought impacted customers during the half. As part of Suncorp Bank's commitment to supporting regional communities, a series of education programs were held to give farmers and businesses in remote locations access to industry thought leaders and specialists to support community resilience.

The Bank will continue to pursue diversified growth across regions and industries, targeting family-operated farms. A clear risk appetite continues to guide decisions around new business and management of customers in drought-affected areas.

Agribusiness portfolio breakdown [1]

	QLD	NSW	Other	Total	Total
	%	%	%	%	$M
Agribusiness breakdown					
Beef	28%	2%	0%	30%	1,293
Grain & Mixed Farming	11%	17%	2%	30%	1,285
Sheep & Mixed Livestock	5%	4%	1%	10%	421
Cotton	4%	4%	0%	8%	355
Sugar	3%	0%	0%	3%	128
Fruit	3%	0%	0%	3%	124
Other	8%	2%	6%	16%	652
Total %	62%	29%	9%	100%	
Total $M	2,628	1,232	398		4,258

[1] The methodology for the breakdown above has been amended to include newly available enhanced data from source systems.

Bank funding composition

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Retail funding					
Retail deposits					
Transaction	7,602	6,642	5,827	14.5	30.5
Investment	10,097	9,504	8,732	6.2	15.6
Term deposits	11,141	12,246	14,108	(9.0)	(21.0)
Total retail deposits	28,840	28,392	28,667	1.6	0.6
Retail treasury deposits	5,833	5,533	4,566	5.4	27.7
Total retail funding	34,673	33,925	33,233	2.2	4.3
Wholesale funding					
Domestic funding sources					
Short-term wholesale	6,816	7,730	8,406	(11.8)	(18.9)
Long-term wholesale	3,600	2,400	3,075	50.0	17.1
Covered bonds	2,648	2,648	2,647	-	-
Subordinated notes	742	742	742	-	-
	13,806	13,520	14,870	2.1	(7.2)
Overseas funding sources [1]					
Short-term wholesale	2,533	2,776	3,465	(8.8)	(26.9)
Long-term wholesale	2,643	2,828	2,005	(6.5)	31.8
	5,176	5,604	5,470	(7.6)	(5.4)
Total wholesale funding	18,982	19,124	20,340	(0.7)	(6.7)
Total funding (excluding securitisation)	**53,655**	**53,049**	**53,573**	**1.1**	**0.2**
Securitised funding					
APS 120 qualifying [2]	2,911	3,344	2,497	(12.9)	16.6
APS 120 non-qualifying	243	307	375	(20.8)	(35.2)
Total securitised funding	3,154	3,651	2,872	(13.6)	9.8
Total funding (including securitisation)	**56,809**	**56,700**	**56,445**	**0.2**	**0.6**
Total funding is represented on the balance sheet by:					
Deposits	34,673	33,925	33,233	2.2	4.3
Short-term borrowings	9,349	10,506	11,871	(11.0)	(21.2)
Securitisation liabilities	3,154	3,651	2,872	(13.6)	9.8
Bonds, notes and long-term borrowings	8,891	7,876	7,727	12.9	15.1
Subordinated notes	742	742	742	-	-
Total	**56,809**	**56,700**	**56,445**	**0.2**	**0.6**
Deposit to loan ratio	**65.6%**	**65.3%**	**66.1%**		

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

Funding

The Bank strategically manages its funding portfolio to support lending growth, margin and liquidity requirements. The Bank's funding objective is to ensure a stable, diverse and robust funding base to support the business through changing and dynamic market conditions.

The Bank's funding position is strengthened by Suncorp Group's 'A+/A1' credit rating and the ability to execute covered bonds, senior domestic and offshore debt, and securitisation transactions. Access to both secured and unsecured markets provides substantial funding diversification and flexibility, supporting the capacity for future growth.

The Bank has undertaken the following initiatives to strengthen its liquidity management, including:

- targeted growth in quality transaction deposit volume to gain greater access to stable funding through established customer relationships and improved retail funding quality;
- managing the Bank's maturity profile across assets and liabilities to manage the impact of any market volatility;
- conservative management of wholesale funding instrument duration profiles in-line with the Bank's stable retail deposit to lending ratio;
- continuing to lengthen the average tenure of the short-term wholesale book and optimise the weighted average term of long-term wholesale funding, currently 2.5 years; and
- shifting the composition of funding from lower quality deposits to higher quality and non-financial institution deposits to focus on long-term stable sources of funding to meet Net Stable Funding Ratio requirements in January 2018.

The retail deposit to lending ratio of 65.6% is within the target operating range of 60% to 70%.

During the half, the Bank successfully completed A$1.6 billion in long-term funding. This included A$200 million senior unsecured 18 month floating rate notes (FRN) in August, A$750 million domestic senior unsecured 5 year debt issuance in October and a further A$675 million in private placements.

The Bank received approval from APRA for a Committed Liquidity Facility (CLF) of $4.2 billion for the 2016 calendar year (2015 calendar year: $4.8 billion).

The Bank maintains its prudent approach to managing liquidity. At 31 December, the Liquid Assets Ratio was 15.2% and Liquidity Coverage Ratio (LCR) was 139%. Accumulation of additional government securities to accommodate the CLF reduction on 1 January 2016 temporarily increased the LCR at the balance date.

Wholesale funding instruments maturity profile[1]

	Short-term $M	Long-term $M	DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Maturity							
0 to 3 months	7,074	951	8,025	7,275	9,030	10.3	(11.1)
3 to 6 months	2,275	1,206	3,481	4,169	3,968	(16.5)	(12.3)
6 to 12 months	-	1,132	1,132	1,857	1,226	(39.0)	(7.7)
1 to 3 years	-	4,096	4,096	5,112	3,979	(19.9)	2.9
3+ years	-	5,402	5,402	4,362	5,009	23.8	7.8
Total wholesale funding instruments	9,349	12,787	22,136	22,775	23,212	(2.8)	(4.6)

[1] Includes wholesale debt, securitisation liabilities and subordinated notes.

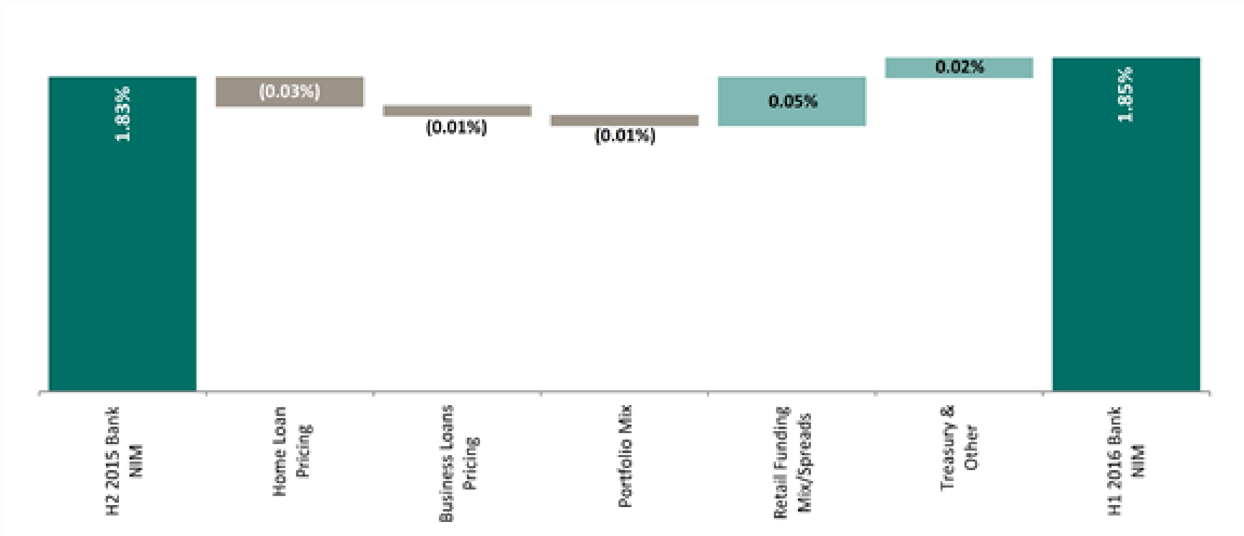
Net interest income

Net interest income increased to $566 million representing growth of 2.4% on the previous corresponding period. The Bank's NIM improved 2 bps over the half to 1.85% to sit at the top end of the 1.75% to 1.85% target operating range.

The half year result was shaped by:

- margin compression on lending assets due to price competition, which was partially offset by increases in investor and owner-occupied housing variable lending rates;
- improvement in deposit margins due to both retail funding mix and term deposit pricing; and
- optimisation of liquidity levels offset by changes in wholesale funding costs.

NIM movements



Average banking balance sheet

	HALF YEAR ENDED DEC-15			HALF YEAR ENDED JUN-15		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities	8,406	127	3.01	9,072	146	3.25
Gross loans, advances and other receivables	52,448	1,208	4.58	51,435	1,236	4.85
Total interest-earning assets	60,854	1,335	4.36	60,507	1,382	4.61
Non-interest earning assets						
Other assets (inc. loan provisions)	966			858		
Total non-interest earning assets	966			858		
TOTAL ASSETS	61,820			61,365		
Liabilities						
Interest-bearing liabilities						
Retail deposits	34,297	395	2.29	33,606	442	2.65
Wholesale liabilities	22,132	356	3.20	22,340	372	3.36
Debt capital	742	18	4.83	742	18	4.89
Total interest-bearing liabilities	57,171	769	2.68	56,688	832	2.96
Non-interest bearing liabilities						
Other liabilities	719			763		
Total non-interest bearing liabilities	719			763		
TOTAL LIABILITIES	57,890			57,451		
AVERAGE SHAREHOLDERS' EQUITY	3,930			3,914		
Non-Shareholder Accounting Equity	34			20		
Convertible Preference Shares	(450)			(450)		
Average Shareholders' Equity	3,514			3,484		
Goodwill allocated to Banking Business	(240)			(240)		
Average Shareholders' Equity (ex Goodwill)	3,274			3,244		
Analysis of interest margin and spread						
Interest-earning assets	60,854	1,335	4.36	60,507	1,382	4.61
Interest-bearing liabilities	57,171	769	2.68	56,688	832	2.96
Net interest spread			1.68			1.65
Net interest margin (interest-earning assets)	60,854	566	1.85	60,507	550	1.83
Net interest margin (lending assets)	52,448	566	2.15	51,435	550	2.16

Net non-interest income

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Net banking fee income	35	34	35	2.9	-
MTM on financial instruments	2	-	10	n/a	(80.0)
Other income	12	9	19	33.3	(36.8)
Total net non-interest income	49	43	64	14.0	(23.4)

Net non-interest income was $49 million. Underlying customer fee revenue was in line with the prior half.

Operating expenses

Operating expenses were $326 million for the half. Disciplined cost management continues, notwithstanding extensive transformational investment. This encompassed organisational restructures and capability enhancements in advance of Ignite completion. The cost to income ratio reduced to 53.0% over the half.

Ignite achieved major milestones that support the Bank's customer value proposition. The Bank has implemented personal loans, home lending functionality and migrated customer and collateral data. These developments realise elements of the Bank's simplification strategy, with legacy collateral and collections systems now able to be decommissioned.

In addition to the redesign of distribution teams across personal and business customers, the Bank has also undertaken the re-alignment of customer support teams to optimise the implementation of Ignite and Advanced Basel. The new organisational model underpins the Bank's continued focus on customer service excellence which is crucial to maintaining the Bank's reputation of superior customer satisfaction.

Impairment losses on loans and advances

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Collective provision for impairment	(7)	(3)	9	133.3	n/a
Specific provision for impairment	16	14	32	14.3	(50.0)
Actual net write-offs	2	4	2	(50.0)	-
	11	**15**	**43**	**(26.7)**	**(74.4)**
Impairment losses to gross loans and advances (annualised)	**0.04%**	**0.06%**	**0.17%**		

Impairment losses of $11 million, representing 4 bps of gross loans and advances, were well below the Bank's normal operating range. The result was driven by the Bank's more disciplined risk management approach and also reflects the current economic environment.

Provision coverage remains conservative and includes $8 million of the drought overlay originally introduced in June 2014, given the continued uncertain outlook for weather conditions.

Impaired assets

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Retail lending	25	31	33	(19.4)	(24.2)
Agribusiness lending	109	125	162	(12.8)	(32.7)
Commercial/SME lending	42	62	67	(32.3)	(37.3)
Gross impaired assets	176	218	262	(19.3)	(32.8)
Specific provision for impairment	(60)	(82)	(104)	(26.8)	(42.3)
Net impaired assets	116	136	158	(14.7)	(26.6)
Gross impaired assets to gross loans and advances	**0.33%**	**0.42%**	**0.52%**		

Gross impaired assets decreased $42 million to $176 million, with improvements in all segments. This balance represents 33 bps of gross loans and advances, a significant improvement from the December 2014 position demonstrating the Bank's ongoing drive to improve credit quality across its lending portfolio.

Agribusiness impaired assets decreased $16 million over the half as some businesses benefited from stronger market prices, assisted by the weaker Australian dollar and improved weather conditions in some areas.

The Bank continues to monitor emerging issues on a portfolio and an individual exposure basis.

Non-performing loans

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Gross balances of individually impaired loans					
Gross impaired assets	176	218	262	(19.3)	(32.8)
Specific provision for impairment	(60)	(82)	(104)	(26.8)	(42.3)
Net impaired assets	116	136	158	(14.7)	(26.6)
Size of gross individually impaired assets					
Less than one million	20	21	29	(4.8)	(31.0)
Greater than one million but less than ten million	100	115	137	(13.0)	(27.0)
Greater than ten million	56	82	96	(31.7)	(41.7)
	176	218	262	(19.3)	(32.8)
Past due loans not shown as impaired assets	381	399	394	(4.5)	(3.3)
Gross non-performing loans	557	617	656	(9.7)	(15.1)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	218	262	333	(16.8)	(34.5)
Recognition of new impaired assets	48	59	64	(18.6)	(25.0)
Increases in previously recognised impaired assets	2	4	4	(50.0)	(50.0)
Impaired assets written off/sold during the half year	(35)	(32)	(29)	9.4	20.7
Impaired assets which have been reclassed as performing assets or repaid	(57)	(75)	(110)	(24.0)	(48.2)
Balance at the end of the half year	**176**	**218**	**262**	**(19.3)**	**(32.8)**

Past due loans decreased 3.3% to $381 million. Total gross non-performing loans have declined by 15.1% to $557 million.

Provision for impairment

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Collective provision					
Balance at the beginning of the period	126	129	120	(2.3)	5.0
Charge against contribution to profit	(7)	(3)	9	133.3	n/a
Balance at the end of the period	119	126	129	(5.6)	(7.8)
Specific provision					
Balance at the beginning of the period	82	104	106	(21.2)	(22.6)
Charge against impairment losses	16	14	32	14.3	(50.0)
Write-off of impaired assets	(35)	(32)	(29)	9.4	20.7
Unwind of interest	(3)	(4)	(5)	(25.0)	(40.0)
Balance at the end of the period	60	82	104	(26.8)	(42.3)
Total provision for impairment - Banking activities	179	208	233	(13.9)	(23.2)
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	146	144	151	1.4	(3.3)
Transfer (to) from retained earnings	(50)	2	(7)	n/a	large
Balance at the end of the period	96	146	144	(34.2)	(33.3)
Pre-tax equivalent coverage	137	209	206	(34.4)	(33.5)
Total provision for impairment and equity reserve for credit loss - Banking activities	316	417	439	(24.2)	(28.0)

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	34.1	37.6	39.7
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.23	0.24	0.26
Specific provision	0.11	0.16	0.21
Total provision	0.34	0.40	0.47
ERCL coverage	0.26	0.40	0.41
Total provision and ERCL coverage	0.60	0.80	0.87

Total provision and ERCL coverage was 60 bps of gross loans and advances.

Following completion of Advanced Basel modelling, a new collective provision model was implemented allowing a more granular and comprehensive view of the differentiation of risk in the Bank's portfolio. This has informed better quality risk selection over time, both on new business and portfolio management. The Bank undertakes on-going monitoring of the performance and outcomes of the model.

The specific provision decreased $22 million over the half. A small number of new loans were provided for with limited material additions above $1 million. As a result of improved conditions and favourable voluntary sales being completed, there was a material decrease in agribusiness specific provisioning.

The Bank remains cognisant of a potential deterioration in economic conditions and collective and specific provisioning levels are considered appropriate for the current assessed level of risk and immediate term outlook.

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	305	25	8	37	69	35%
Agribusiness lending	40	109	22	44	19	57%
Commercial/SME lending	36	42	30	38	49	150%
Total	381	176	60	119	137	57%

Collective provisioning for retail has increased $6 million since June 2015. This includes an overlay as a contingency whilst the Bank implements and embeds changes to the lending and collections systems and processes. This is in line with the Bank's adoption of a cautious, prudent approach to system implementation.

Life

Result overview

Suncorp Life's profit after tax for the half year was $53 million. Underlying profit was $58 million, up 11.5%. The business's underlying profit included positive claims and lapse experience of $8 million, the third consecutive half where both have been favourable. Profit after tax was impacted by investment market volatility with actual returns being lower than longer term assumptions.

Suncorp Life has delivered across a range of outcomes in the first half of the 2016 financial year:

- continued to address the profitability and sustainability of risk business through pricing and product changes;
- progressed simplification of the superannuation business including partnering technology and business processes and commenced the transition to a new platform and product simplification;
- exited the self-employed aligned channel to remove complexity, thus enabling focus on IFA, salaried bank planners and Direct; and
- delivered innovative solutions including a needs assessment tool for a new customer proposition and an 'Adviser Toolbox' app in New Zealand.

Suncorp Life has continued to create a common service language and improved processes that have led to positive customer net promotor scores and a number of Australian and New Zealand industry awards.

Suncorp Life continues to drive sustainable growth across the portfolio with a focus on value over volume. Total in-force premium increased to $1,007 million, an increase of 5.2%.

- In-force premiums for products sold through General Insurance continue to show strong growth increasing by 20.0%. New business sales volumes were impacted by the winding down of the outbound call centre as the Life business continues to diversify and adjust towards an optimal channel mix. Online developed new ways to reach customers leveraging the Group's Business Intelligence capabilities.
- IFA risk in-force growth was impacted by new business sales volumes trending below prior periods as a result of industry change and pricing changes. However better than expected retention has benefited in-force premium levels.
- The New Zealand business has continued to grow its in-force portfolio to $209 million through its development of value-adding and sustainable intermediary relationships and a market leading customer retention strategy.

Superannuation funds under administration of $8,128 million reflected the new business growth from WealthSmart and Suncorp Everyday Super and benefits from investment returns. Super volumes are down compared to the prior year where there were strong pension sales ahead of regulatory change.

Outlook

The Suncorp Life business outlook reflects the improved stability of financial results and the clarity provided by the retail life industry reforms that include changes to the adviser remuneration structure and more stringent professional standards. The industry reforms are largely playing out as anticipated with additional regulatory oversight resulting in a more orderly transition.

The risk of some degree of industry disruption remains. In the short term, product economics will be challenged, however, this is expected to normalise once the transition is completed. Market dynamics such as repricing and consolidation are also likely to feature during the transition. The IFA market remains an important segment for Suncorp Life and its customers. The reforms will support a more customer centric and sustainable industry.

The Direct segment is likely to accelerate its evolution to more comprehensive Life propositions. Suncorp Life is well placed to lead this transition through the existing Direct Channel and the inherent advantage of being part of the wider Suncorp customer platform.

Profit contribution

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Life Risk					
Planned profit margin release [1]	22	21	17	4.8	29.4
Claims experience	3	2	6	50.0	(50.0)
Lapse experience	5	6	1	(16.7)	400.0
Other experience	(6)	(3)	(5)	100.0	20.0
Underlying investment income	16	16	15	-	6.7
Life Risk	**40**	**42**	**34**	**(4.8)**	**17.6**
Superannuation	18	19	18	(5.3)	-
Total Life underlying profit after tax	**58**	**61**	**52**	**(4.9)**	**11.5**
Market adjustments [2]	**(5)**	**(22)**	**34**	**(77.3)**	**n/a**
Net profit after tax	**53**	**39**	**86**	**35.9**	**(38.4)**

(1) Planned profit margin release includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time.

(2) Market adjustments consist of life risk policy discount rate changes, investment income experience and annuities market adjustments.

Life Risk in-force annual premium by channel

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Advised	642	631	621	1.7	3.4
Direct via General Insurance brands	60	56	50	7.1	20.0
New Zealand [1]	209	189	196	10.6	6.6
Group and other	96	94	90	2.1	6.7
Total [2]	**1,007**	**970**	**957**	**3.8**	**5.2**
Total new business	**50**	**55**	**69**	**(9.1)**	**(27.5)**

(1) NZ$ in-force figures are Dec-15 $223 million, Jun-15 $213 million, Dec-14 $205 million. NZ in-force annual premium includes NZ Group. The NZ$ Group in-force figures are Dec-15 $6 million, Jun-15 $6 million, Dec-14 $5 million.

(2) Total individual in-force premiums were Dec-15 $934 million, Jun-15 $900 million, Dec-14 $892 million.

Funds under administration

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Funds under administration					
Opening balance at the start of the period	8,076	7,958	7,789	1.5	3.7
Net inflows (outflows)	(45)	(68)	(92)	(33.8)	(51.1)
Investment income and other	97	186	261	(47.8)	(62.8)
Balance at the end of the period	**8,128**	**8,076**	**7,958**	**0.6**	**2.1**
New business	**213**	**215**	**281**	**(0.9)**	**(24.2)**

Operating expenses

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Total operating expenses [(1)]	**142**	**139**	**142**	**2.2**	**-**

(1) Consistent with prior disclosures, sales commissions have been excluded from total operating expenses.

Shareholder investment income

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Shareholder investment income on invested assets	13	3	29	333.3	(55.2)
Less underlying investment income:					
Life Risk	(16)	(16)	(15)	-	6.7
Superannuation	(7)	(5)	(6)	40.0	16.7
Investment income experience	**(10)**	**(18)**	**8**	**(44.4)**	**(225.0)**

Invested shareholder assets

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Cash	431	414	337	4.1	27.9
Fixed interest securities	987	890	868	10.9	13.7
Equities	18	24	22	(25.0)	(18.2)
Property	9	5	4	80.0	125.0
Total	**1,445**	**1,333**	**1,231**	**8.4**	**17.4**

In-force premiums

Advised

In-force growth of 3.4% was driven by new business and lower lapse rates. New business was subdued continuing a trend from the prior year.

A number of initiatives have been implemented to improve momentum in new business volumes, this includes:

- being the first to guarantee no price increases during the two year claw back period;
- the introduction of wholesale rates; and
- the early availability of the new commission rates to help advisers transition.

These initiatives provide advisers with greater flexibility and control over their businesses as they transition through the industry reforms.

Suncorp Life also announced the simplification of its distribution footprint, exiting the self-employed adviser channel. The Acclaim program, which recognises advisers who are working in a partnership with Suncorp Life for the benefit of customers and the long-term sustainability of the industry, will continue to be refined.

Direct Australia

The Direct market continues to evolve from the above the line marketing of simple Life products to a segment which can provide a more comprehensive offering and ultimately more value for customers. Business intelligence (BI) will be an important part of this segment, already Suncorp Life is using BI by leveraging the Group's customer base and deploying tailored marketing in social media channels.

Direct sold via General Insurance brands experienced in-force growth of 20.0%. New business sales of $14 million were slightly down against the prior year, reflecting the impact of a further reduction in the outbound call centre. Diversification of product mix and distribution channels continues to be a focus as Suncorp Life focuses on value-driven growth.

The Direct business will continue to progress and is well placed to become a significant part of the Group's customer platform.

New Zealand

New Zealand in-force premium increased 6.6% to $209 million (up 8.8% in local currency) with new business stable at $12 million. The New Zealand market continues to see elements of unsustainable practices. Suncorp Life through the Asteron Brand continues to promote sustainable market practices and providing innovative solutions for IFAs to help them create value for customers.

The regulatory environment in New Zealand is uncertain, Suncorp expects that some elements of the reforms currently being implemented in Australia will emerge in New Zealand over time.

Superannuation Australia

Superannuation funds under administration (FUA) of $8,128 million reflected new business of $213 million. The new business decrease was primarily due to strong pension sales in FY15 due to the changes in pension rules.

The Superannuation business made significant progress in simplifying its business during the period. The benefits of partnering technology and business processes will be reinvested into the re-platforming of the business and simplification of the product offering. This will provide a simplified scalable business.

Underlying profit after tax

Planned profit margin release

Planned margins of $22 million increased against prior periods representing in-force growth and the benefits of repricing.

Experience

Claims and lapse experience achieved a favourable outcome for the half year.

The positive claims experience was primarily driven by the Australian business. Disability income claims, whilst still at heightened levels, have decreased against the prior year. Lump sum reflected normal volatility.

The positive lapse experience was primarily driven by favourable lapse experience in the lump sum business. Lapses will continue to be monitored following the reprice of the in-force book.

The impacts of the industry transformation remain uncertain and this continues to be reflected in Suncorp Life's assumptions.

Expense management

Operating expenses increased to $142 million representing the investment in super simplification, the investment in the Group's optimised platform and costs associated with the decision to exit the aligned self employed adviser channel.

Investment income

Shareholders' Funds investment income was $13 million, representing an average annualised pre-tax return of 2.7%.

As previously disclosed, the underlying investment income methodology has been simplified and the FY16 rates are the same as those applied in FY15.

Market adjustments

Market adjustments are mainly comprised of balance sheet revaluations of policy liabilities and shareholder investment assets, which are expected to neutralise through the cycle. During the year market adjustments benefited from a reduction in long-term interest rates which will unwind as rates increase.

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Life risk policy liability impact (DAC)	5	(5)	26	n/a	(80.8)
Investment income experience	(10)	(18)	8	(44.4)	n/a
Annuities market adjustments	-	1	-	(100.0)	n/a
Total market adjustments	**(5)**	**(22)**	**34**	**(77.3)**	**n/a**

Life Risk policy liability impact (DAC)

Risk-free rates are used to discount Life Risk policy liabilities. Due to deferred acquisition costs (DAC) there are net negative policy liabilities (an asset). An increase in discount rates leads to a loss while a decrease leads to a gain. This volatility represents the impact of an accounting revaluation adjustment to reflect the movements of interest rates and the impact on the DAC. This impact was $5 million.

Investment income experience

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

Life Embedded Value

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

During the half, Value of One Year's Sales (VOYS) has been impacted by volume pressures in the New Zealand market. Suncorp Life anticipates product economics in FY17 in the Australian market to be impacted by the new retail reforms, particularly the impact of the new commission structure.

The components of value are shown in the table below:

Embedded Value and Value of One Year's Sales

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Adjusted net worth	**85**	**104**	**78**	**(18.3)**	**9.0**
Value of distributable profits	1,623	1,554	1,544	4.4	5.1
Value of imputation credits	228	212	223	7.5	2.2
Value of in-force	**1,851**	**1,766**	**1,767**	**4.8**	**4.8**
Traditional Embedded Value	**1,936**	**1,870**	**1,845**	**3.5**	**4.9**
Value of One Year's Sales (VOYS)	**23**	**25**	**18**	**(8.0)**	**27.8**

Change in Embedded Value

	JUN-15 TO DEC-15
	$M
Opening Embedded Value	**1,870**
Expected return	64
Experience and future assumption changes	
Discount rate and FX	43
Other (claims, lapses, modelling)	(3)
Value added from new business	12
Closing Embedded Value prior to	**1,986**
Dividends / transfers [1]	(40)
Release of franking credits	(10)
Closing Embedded Value	**1,936**

[1] Dividends/transfers include all dividends recommended or paid up to the parent company over the period.

Assumptions

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

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

VOYS calculations are based on forecast new business and acquisition costs for FY16. New business includes new policies as well as voluntary increases to existing policies, whereas the EV includes contractual increases (age and CPI) on retail business but excludes voluntary increases.

	DEC-15		JUN-15	
	AUSTRALIA	NEW ZEALAND	AUSTRALIA	NEW ZEALAND
	% PER ANNUM	% PER ANNUM	% PER ANNUM	% PER ANNUM
Investment return for underlying asset classes (gross of tax)				
Risk-free rate (at 10 years)	3.0	4.8	3.2	5.5
Cash	3.0	3.8	3.2	4.0
Fixed interest	3.5	3.9	3.7	4.0
Australian equities (inc. allowance for franking credits) [1]	7.0	8.1	7.2	8.2
International equities	7.0	7.1	7.2	7.2
Property	5.5	6.1	5.7	6.2
Investment returns (net of tax)	**3.0**	**2.8**	**2.9**	**2.9**
Inflation				
Expense Inflation	2.5	2.3	2.0	2.3
Risk discount rate	**7.0**	**7.5**	**7.2**	**7.5**

(1) New Zealand assumption covers Australasian equities.

	AS AT	
	DEC-15	JUN-15
	$M	$M
Base Embedded Value	**1,936**	**1,870**
Embedded Value assuming		
Discount rate and returns 1% higher	1,890	1,822
Discount rate and returns 1% lower	1,993	1,912
Discontinuance rates 10% lower	2,127	2,039
Renewal expenses 10% lower	1,987	1,916
Claims 10% lower [1]	2,124	2,045
Base value of one year's new business	**23**	**25**
Value of one year's new business assuming		
Discount rate and returns 1% higher	16	20
Discount rate and returns 1% lower	29	31
Discontinuance rates 10% lower	40	41
Acquisition expenses 10% lower	32	35
Claims 10% lower [1]	41	45

(1) Claims decrements include mortality, lump sum morbidity, disability income incidence and disability income recovery rates.

Statement of assets and liabilities

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Total assets					
Assets					
Invested assets	4,957	5,074	5,088	(2.3)	(2.6)
Assets backing annuity policies	130	131	139	(0.8)	(6.5)
Assets backing participating policies	2,247	2,289	2,233	(1.8)	0.6
Deferred tax assets	53	42	1	26.2	large
Reinsurance ceded	419	476	485	(12.0)	(13.6)
Other assets	271	289	303	(6.2)	(10.6)
Goodwill and intangible assets	223	225	228	(0.9)	(2.2)
	8,300	**8,526**	**8,477**	**(2.7)**	**(2.1)**
Liabilities					
Payables	257	277	193	(7.2)	33.2
Subordinated debt	100	100	100	-	-
Outstanding claims liabilities	234	263	267	(11.0)	(12.4)
Deferred tax liabilities	91	81	45	12.3	102.2
Policy liabilities	5,381	5,635	5,635	(4.5)	(4.5)
Unvested policyholder benefits (1)	318	289	361	10.0	(11.9)
	6,381	**6,645**	**6,601**	**(4.0)**	**(3.3)**
Total net assets	**1,919**	**1,881**	**1,876**	**2.0**	**2.3**
Policyholder assets					
Invested assets	3,512	3,741	3,857	(6.1)	(8.9)
Assets backing annuity policies	130	131	139	(0.8)	(6.5)
Assets backing participating policies	2,247	2,289	2,233	(1.8)	0.6
Other assets	65	50	49	30.0	32.7
	5,954	**6,211**	**6,278**	**(4.1)**	**(5.2)**
Liabilities					
Payables	-	-	-	n/a	n/a
Policy liabilities	5,636	5,922	5,917	(4.8)	(4.7)
Unvested policyholder benefits (1)	318	289	361	10.0	(11.9)
	5,954	**6,211**	**6,278**	**(4.1)**	**(5.2)**
Policyholder net assets	**-**	**-**	**-**	**n/a**	**n/a**
Shareholder assets					
Assets					
Invested assets	1,445	1,333	1,231	8.4	17.4
Deferred tax assets	53	42	1	26.2	large
Reinsurance ceded	419	476	485	(12.0)	(13.6)
Other assets	206	239	254	(13.8)	(18.9)
Goodwill and intangible assets	223	225	228	(0.9)	(2.2)
	2,346	**2,315**	**2,199**	**1.3**	**6.7**
Liabilities					
Payables	257	277	193	(7.2)	33.2
Subordinated debt	100	100	100	-	-
Outstanding claims liabilities	234	263	267	(11.0)	(12.4)
Deferred tax liabilities	91	81	45	12.3	102.2
Policy liabilities	(255)	(287)	(282)	(11.1)	(9.6)
	427	**434**	**323**	**(1.6)**	**32.2**
Shareholder net assets	**1,919**	**1,881**	**1,876**	**2.0**	**2.3**

Reconciliation of net equity to Common Equity Tier 1 Capital	DEC-15	JUN-15	DEC-14
Net equity - Life line of business	1,919	1,881	1,876
Goodwill & intangibles	(223)	(225)	(228)
Policy liability adjustment and Deferred tax	(1,254)	(1,217)	(1,234)
Other Tier 1 Deductions	(1)	(1)	(2)
Common Equity Tier 1 Capital	**441**	**438**	**412**

(1) Includes participating business policyholder retained profits.

Group Capital

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

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

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

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

For regulatory purposes, capital is classified as follows:

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

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

The Group aims to pay annual dividends based on a target payout ratio of 60% to 80% of cash earnings. Profit result over the half year has led to a fully franked interim dividend of 30 cents per share (equating to 69% of cash earnings), a reduction of 21.1% relative to the FY15 interim dividend (38 cents per share). The reduction in interim dividend reflects both lower cash earnings during the half year and an alignment to the middle of the target payout range.

Risk Based Capital (RBC)

The Group's RBC models, first introduced in 2013, are embedded in capital and risk processes. In particular, the RBC models enable enhanced articulation of aspects of risk appetite across the Group, including reviews of the risk appetite, and associated capital targets and triggers.

In addition to assessment of capital targets, the Group's RBC modelling framework is increasingly used to drive optimal decision making in the Group, including: product pricing, assessment of growth opportunities, informing business planning via sensitivity analysis, further development of risk appetite, reinsurance strategy and strategic asset allocation. Going forward, RBC will continue to be used to explore opportunities to further optimise the Group's capital structure.

Capital position at 31 December 2015

During the half year the General Insurance business issued $225 million of Tier 2 subordinated notes. These subordinated notes were issued directly out of the Australian licensed insurer. The General Insurance business also redeemed $199 million of transitional Tier 2 subordinated debt at its first call date.

The table below summarises both the CET1 and Total Capital positions, adjusted to reflect the payment of the interim dividend, as at 31 December 2015.

The reduction in excess capital is due to a reduction in insurance excess technical provisions, an increase in capital requirements (due to insurance and asset risk charges in General Insurance and lower bond yields in Life Insurance) and capitalised project costs, offset by retained profits, a release of Bank reserves for credit losses, a positive reserve impact due to movements in the NZD and a reduction in deferred tax assets.

	AS AT 31 DECEMBER 2015					
	GENERAL INSURANCE [2]	BANKING [2]	LIFE	SGL, CORP SERVICES & CONSOL	TOTAL	TOTAL 30 JUNE 2015
	$M	$M	$M	$M	$M	$M
CET1	2,797	2,885	441	243	6,366	6,629
CET1 Target	2,346	2,672	356	100	5,474	5,416
Excess to CET1 Target (pre div)	451	213	85	143	892	1,213
Group Dividend					(386)	(643)
Group Excess to CET1 Target (ex div)					506	570
Common Equity Tier 1 Ratio [1]	1.25x	9.45%	1.70x			
Total Capital	3,860	4,266	541	243	8,910	9,176
Total Capital Target	3,352	3,741	456	81	7,630	7,555
Excess to Target (pre div)	508	525	85	162	1,280	1,621
Group Dividend					(386)	(643)
Group Excess to Target (ex div)					894	978
Total Capital Ratio [1]	1.73x	13.97%	2.09x			

(1) Capital ratios are expressed as coverage of the PCA for General Insurance and Life, and as a percentage of Risk Weighted Assets for the Bank.
(2) The Bank and General Insurance targets are shown as the midpoint of the target operating ranges.

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

- the General Insurance business's CET1 position was 1.25 times the PCA, above its target operating range of 0.95 - 1.15 times PCA;
- the Bank's CET1 Ratio was 9.45%, above its target operating range of 8.5% - 9.0%;
- Suncorp Life's excess CET1 to Target was $85 million; and
- an additional $143 million of excess CET1 was held at the SGL and Corporate Services level.

The Group maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $506 million after adjusting for the interim dividend.

Appendix 3 contains further information on the capital position of the Suncorp Group.

Investments

Investment strategy and arrangements

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

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

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

Investment markets commentary

Consistent with expectations, investment returns over the period have been relatively low. Less expected, however, were a number of global developments that generated significant market volatility – particularly for equities.

Early in the half, the Greek financial crisis returned to centre stage while, by August, volatility in Chinese equities was being felt in developed share markets. From an Australian perspective, the continued slide in commodity prices impacted sentiment along with elevated concern regarding the sustainability of dividends in the banking sector. Finally, in December, market volatility increased as the US Federal Reserve raised official interest rates for the first time since 2006.

Asset class returns were modest for fixed interest and slightly negative for equities. Inflation-linked bonds underperformed (relative to nominal bonds) given the reduction in the breakeven inflation rate.

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

Investment Variables	DEC-15	JUN-15	DEC-15 vs JUN-15
3 year bond yield	2.02	2.02	-
10 year bond yield	2.88	3.01	-13bp
10 year breakeven inflation rate	2.19	2.30	-11bp
AA 3 year credit spreads	112	96	+16bp
Semi-government spreads	44	47	-3bp
Australian fixed interest (Bloomberg composite index)	8,561	8,397	+2.0%
Australian equities (total return)	48,346	48,602	-0.5%
International equities (hedged total return)	1,237	1,253	-1.3%

Looking forward, the Group continues to anticipate that investment returns will be low relative to long term history, and that volatility will remain elevated.

Suncorp Group Limited

Suncorp Group Limited's investment portfolio supports the Group NOHC structure and distributions to shareholders. Investment assets were $512 million at 31 December 2015 and comprised 42% cash and 58% high quality fixed income securities, with an interest rate duration of 0.9 years, credit spread duration of 1.5 years and an average credit rating of 'A+'. Investment income was $7 million, representing an annualised return of 2.7%.

(Pre-tax)	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M	DEC-15 vs JUN-15 %	DEC-15 vs DEC-14 %
Investment income					
Cash and short-term deposits	3	5	4	(40.0)	(25.0)
Interest-bearing securities and other	4	6	9	(33.3)	(55.6)
Total	**7**	**11**	**13**	**(36.4)**	**(46.2)**

Dividends

The interim dividend of 30 cents per share will be fully franked and paid on 1 April 2016. The ex-dividend date is 18 February 2016.

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**156**	**152**	**168**

Income tax

	HALF YEAR ENDED DEC-15 $M	JUN-15 $M	DEC-14 $M
Profit before income tax expense	759	724	938
Income tax using the domestic corporation tax rate of 30% (2015: 30%)	228	218	281
Effect of tax rates in foreign jurisdictions	(2)	(2)	(3)
Increase in income tax expense due to:			
Effect of Life policyholder tax adjustment	3	8	17
Non-deductible expenses	7	8	8
Income tax offsets and credits	(6)	-	(12)
Intangible assets write-down	3	-	-
Other items	-	(12)	15
	233	220	306
Over-provision in prior financial years	(7)	-	(4)
Income tax expense on profit before tax	**226**	**220**	**302**
Effective tax rate	**29.8%**	**30.4%**	**32.2%**
Income tax expense (benefit) by business unit			
General Insurance	115	129	175
Banking	84	76	76
Life	16	18	54
Other	11	(3)	(3)
Total income tax expense	**226**	**220**	**302**

The effective tax rate was lower at 29.8% compared to the December 2014 rate of 32.2%. Income tax expense adjustments include the following:

- effect of Life policyholder tax adjustment of $3 million (December 2014: $17 million) income tax expense. Accounting standards require that the tax expense from an increase in net market values of policyowner assets be recognised as part of the Suncorp Group's income tax expense. Whereas the net profit before tax of the Suncorp Group includes a partially offsetting transfer to policyowner liabilities. Consequently, the tax expense is disproportionate relative to the net profit before tax. The reverse, a tax credit, is required in periods where the market values of policyowner assets decrease; and
- non-deductible interest paid in respect of preference shares increased income tax expense by $7 million (December 2014: $8 million).

Appendix 1 – Consolidated statement of comprehensive income and financial position

Consolidated statement of comprehensive income

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

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Revenue					
Insurance premium income	4,962	4,920	4,917	0.9	0.9
Reinsurance and other recoveries income	792	1,182	1,052	(33.0)	(24.7)
Interest income on					
- financial assets not at fair value through profit or loss	1,324	1,372	1,437	(3.5)	(7.9)
- financial assets at fair value through profit or loss	298	335	356	(11.0)	(16.3)
Net gains on financial assets or liabilities at fair value through profit or loss	-	104	324	(100.0)	(100.0)
Dividend and trust distribution income	121	64	77	89.1	57.1
Fees and other income	300	281	301	6.8	(0.3)
Total revenue	7,797	8,258	8,464	(5.6)	(7.9)
Expenses					
Claims expense and movement in policyowner liabilities	(3,824)	(4,265)	(4,169)	(10.3)	(8.3)
Outwards reinsurance premium expense	(589)	(651)	(633)	(9.5)	(7.0)
Underwriting and policy maintenance expenses	(1,195)	(1,218)	(1,209)	(1.9)	(1.2)
Interest expense on					
- financial liabilities not at fair value through profit or loss	(756)	(832)	(889)	(9.1)	(15.0)
- financial liabilities at fair value through profit or loss	(48)	(38)	(57)	26.3	(15.8)
Net losses on financial assets and liabilities not at fair value through profit or loss	(133)	-	-	n/a	n/a
Impairment loss on loans and advances	(11)	(15)	(43)	(26.7)	(74.4)
Amortisation and depreciation expense	(71)	(76)	(79)	(6.6)	(10.1)
Fees, overheads and other expenses	(411)	(439)	(447)	(6.4)	(8.1)
Total expenses	(7,038)	(7,534)	(7,526)	(6.6)	(6.5)
Profit before tax	759	724	938	4.8	(19.1)
Income tax expense	(226)	(220)	(302)	2.7	(25.2)
Profit for the period	**533**	**504**	**636**	**5.8**	**(16.2)**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	21	12	25	75.0	(16.0)
Net change in fair value of available-for-sale financial assets	(3)	(11)	3	(72.7)	n/a
Exchange differences on translation of foreign operations	56	(85)	31	n/a	80.6
Income tax expense	(6)	(2)	(7)	200.0	(14.3)
	68	(86)	52	n/a	30.8
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains on defined benefit plans	-	(1)	-	(100.0)	n/a
Income tax on other comprehensive income	-	-	-	n/a	n/a
	-	(1)	-		
Total other comprehensive income	68	(87)	52	n/a	30.8
Total comprehensive income for the period	**601**	**417**	**688**	**44.1**	**(12.6)**
Profit for the period attributable to:					
Owners of the Company	530	502	631	5.6	(16.0)
Non-controlling interests	3	2	5	50.0	(40.0)
Profit for the period	**533**	**504**	**636**	**5.8**	**(16.2)**
Total comprehensive income for the period attributable to:					
Owners of the Company	598	415	683	44.1	(12.4)
Non-controlling interests	3	2	5	50.0	(40.0)
Total comprehensive income for the period	**601**	**417**	**688**	**44.1**	**(12.6)**

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

Consolidated statement of financial position

	GENERAL INSURANCE	BANKING	LIFE	CORPORATE	ELIMINATIONS	CONSOLIDATION
	DEC-15	DEC-15	DEC-15	DEC-15	DEC-15	DEC-15
	$M	$M	$M	$M	$M	$M
Assets						
Cash and cash equivalents	285	765	646	25	(518)	1,203
Receivables due from other banks	-	464	-	-	-	464
Trading securities	-	1,119	-	-	-	1,119
Derivatives	37	663	21	1	(31)	691
Investment securities	12,086	5,520	8,061	14,376	(15,018)	25,025
Loans and advances	-	52,673	-	-	-	52,673
Premiums outstanding	2,338	-	28	-	-	2,366
Reinsurance and other recoveries	2,035	-	169	-	-	2,204
Deferred reinsurance assets	582	-	-	-	-	582
Deferred acquisition costs	652	-	4	-	-	656
Gross policy liabilities ceded under reinsurance	-	-	419	-	-	419
Property, plant and equipment	38	-	3	139	-	180
Deferred tax assets	-	47	53	95	(19)	176
Goodwill and other intangible assets	5,061	262	223	299	-	5,845
Other assets	516	190	67	67	2	842
Due from Group entities	165	268	-	1,131	(1,564)	-
Total assets	23,795	61,971	9,694	16,133	(17,148)	**94,445**
Liabilities						
Payables due to other banks	-	401	-	-	-	401
Deposits and short-term borrowings	-	44,022	-	-	(518)	43,504
Derivatives	139	358	10	2	(31)	478
Amounts due to reinsurers	311	-	55	-	-	366
Payables and other liabilities	517	323	167	359	(4)	1,362
Current tax liabilities	-	-	-	14	-	14
Unearned premium liabilities	4,681	-	6	-	-	4,687
Outstanding claims liabilities	9,479	-	234	-	-	9,713
Gross policy liabilities	-	-	5,699	-	-	5,699
Deferred tax liabilities	34	-	91	3	(19)	109
Managed funds units on issue	-	-	1,393	-	(1,114)	279
Securitisation liabilities	-	3,154	-	-	(10)	3,144
Debt issues	-	8,891	-	-	(20)	8,871
Subordinated notes	588	742	100	763	(770)	1,423
Preference shares	-	-	-	949	-	949
Due to Group Entities	182	99	20	487	(788)	-
Total liabilities	15,931	57,990	7,775	2,577	(3,274)	80,999
Net assets	7,864	3,981	1,919	13,556	(13,874)	**13,446**
Equity						
Share capital						12,675
Reserves						185
Retained profits						570
Total equity attributable to owners of the Company						13,430
Non-controlling interests						16
Total equity						**13,446**

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

SGL statement of financial position

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Current assets					
Cash and cash equivalents	2	3	4	(33.3)	(50.0)
Investment securities	510	620	640	(17.7)	(20.3)
Due from Group entities	84	338	198	(75.1)	(57.6)
Other assets	5	5	4	-	25.0
Total current assets	**601**	**966**	**846**	**(37.8)**	**(29.0)**
Non-current assets					
Investment in subsidiaries	13,905	13,889	13,852	0.1	0.4
Due from Group entities	770	770	770	-	-
Deferred tax assets	6	6	4	-	50.0
Other assets	83	71	74	16.9	12.2
Total non-current assets	**14,764**	**14,736**	**14,700**	**0.2**	**0.4**
Total assets	**15,365**	**15,702**	**15,546**	**(2.1)**	**(1.2)**
Current liabilities					
Payables and other liabilities	9	9	9	-	-
Current tax liabilities	13	275	91	(95.3)	(85.7)
Due to Group entities	20	13	43	53.8	(53.5)
Total current liabilities	**42**	**297**	**143**	**(85.9)**	**(70.6)**
Non-current liabilities					
Subordinated notes	763	762	760	0.1	0.4
Preference shares	949	947	945	0.2	0.4
Total non-current liabilities	**1,712**	**1,709**	**1,705**	**0.2**	**0.4**
Total liabilities	**1,754**	**2,006**	**1,848**	(12.6)	(5.1)
Net assets	**13,611**	**13,696**	**13,698**	**(0.6)**	**(0.6)**
Equity					
Share capital	12,775	12,773	12,770	0.0	0.0
Reserves	-	-	-	n/a	n/a
Retained profits	836	923	928	(9.4)	(9.9)
Total equity	**13,611**	**13,696**	**13,698**	**(0.6)**	**(0.6)**

SGL profit contribution

	HALF YEAR ENDED			DEC-15	DEC-15
	DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
	$M	$M	$M	%	%
Revenue					
Dividend and interest income from subsidiaries	594	524	685	13.4	(13.3)
Other investment revenue	7	10	14	(30.0)	(50.0)
Other income	2	1	1	100.0	100.0
Total revenue	603	535	700	12.7	(13.9)
Expenses					
Interest expense	(44)	(45)	(48)	(2.2)	(8.3)
Operating expenses	(2)	(3)	(1)	(33.3)	100.0
Total expenses	(46)	(48)	(49)	(4.2)	(6.1)
Profit before income tax	557	487	651	14.4	(14.4)
Income tax benefit (expense)	(2)	(3)	(3)	(33.3)	(33.3)
Profit for the period	**555**	**484**	**648**	**14.7**	**(14.4)**

Appendix 2 – Ratio calculations

Ratios and statistics

		HALF YEAR ENDED			DEC-15	DEC-15
		DEC-15	JUN-15	DEC-14	vs JUN-15	vs DEC-14
					%	%
Performance ratios						
Earnings per share [(1)]						
Basic	(cents)	41.45	39.26	49.35	5.6	(16.0)
Diluted	(cents)	40.56	38.87	48.44	4.3	(16.3)
Cash earnings per share [(1)]						
Basic	(cents)	43.49	41.53	51.61	4.7	(15.7)
Diluted	(cents)	42.47	41.01	50.59	3.6	(16.0)
Return on average shareholders' equity [(1)]	(%)	7.9	7.6	9.4		
Cash return on average shareholders' equity [(1)]	(%)	8.3	8.0	9.8		
Return on average total assets	(%)	1.11	1.06	1.32		
Insurance trading ratio	(%)	9.4	9.9	12.8		
Underlying insurance trading ratio	(%)	10.1	14.6	14.8		
Bank net interest margin (interest-earning assets)	(%)	1.85	1.83	1.86		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	30.0	38.0	38.0	(21.1)	(21.1)
Special dividends per ordinary share	(cents)	-	12.0	-	(100.0)	-
Payout ratio (excluding special dividend) [(1)]						
Net profit after tax	(%)	72.4	96.8	77.0		
Cash earnings	(%)	69.0	91.5	73.6		
Payout ratio (including special dividend) [(1)]						
Net profit after tax	(%)	72.4	127.4	77.0		
Cash earnings	(%)	69.0	120.4	73.6		
Weighted average number of shares						
Basic	(million)	1,278.5	1,278.6	1,278.7	(0.0)	(0.0)
Diluted	(million)	1,358.5	1,350.8	1,348.0	0.6	0.8
Number of shares at end of period	(million)	1,278.3	1,278.8	1,278.5	(0.0)	(0.0)
Net tangible asset backing per share	($)	5.95	6.05	6.12	(1.7)	(2.8)
Share price at end of period	($)	12.14	13.43	14.06	(9.6)	(13.7)
Productivity						
General Insurance expense ratio	(%)	22.4	22.5	22.9		
Bank cost to income ratio	(%)	53.0	54.6	52.2		
Financial position						
Total assets	($ million)	94,445	95,651	94,596	(1.3)	(0.2)
Net tangible assets	($ million)	7,601	7,735	7,824	(1.7)	(2.9)
Net assets	($ million)	13,446	13,518	13,575	(0.5)	(1.0)
Average Shareholders' Equity	($ million)	13,261	13,328	13,361	(0.5)	(0.7)
Capital [(1)]						
General Insurance Group PCA coverage	(times)	1.73	1.86	1.93		
Bank capital adequacy ratio - Total	(%)	13.97	13.85	13.41		
Bank Common Equity Tier 1 ratio	(%)	9.45	9.15	8.82		
Suncorp Life total capital	($ million)	541	538	512	0.6	5.7
Additional capital held by Suncorp Group Limited	($ million)	243	320	488	(24.1)	(50.2)

[(1)] Refer to Appendix 4 for definitions.

Appendix 2 – Ratio calculations (continued)

Earnings per share

Numerator	HALF YEAR ENDED		
	DEC-15	JUN-15	DEC-14
	$M	$M	$M
Earnings:			
Earnings used in calculating basic earnings per share	530	502	631
Interest expense on convertible preference shares (net of tax)	21	23	22
Earnings used in calculating diluted earnings per share	551	525	653

Denominator	HALF YEAR ENDED		
	DEC-15	JUN-15	DEC-14
	NO. OF SHARES	NO. OF SHARES	NO. OF SHARES
Weighted average number of shares:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,278,526,717	1,278,611,992	1,278,748,714
Effect of conversion of convertible preference shares	79,932,669	72,147,105	69,293,393
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,358,459,386	1,350,759,097	1,348,042,107

Cash earnings per share

Numerator	HALF YEAR ENDED		
	DEC-15	JUN-15	DEC-14
	$M	$M	$M
Earnings:			
Earnings used in calculating basic earnings per share	556	531	660
Interest expense on convertible preference shares (net of tax)	21	23	22
Earnings used in calculating diluted earnings per share	577	554	682

Denominator	HALF YEAR ENDED		
	DEC-15 NO. OF SHARES	JUN-15 NO. OF SHARES	DEC-14 NO. OF SHARES
Weighted average number of shares:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,278,526,717	1,278,611,992	1,278,748,714
Effect of conversion of convertible preference shares	79,932,669	72,147,105	69,293,393
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,358,459,386	1,350,759,097	1,348,042,107

Appendix 2 – Ratio calculations (continued)

ASX listed securities

	HALF YEAR ENDED		
	DEC-15	JUN-15	DEC-14
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,286,600,980	1,286,600,980	1,286,600,980
Dividend declared for the period (cents per share)	30	50	38
Convertible preference shares (SUNPC) each fully paid			
Number at the end of the period	5,600,000	5,600,000	5,600,000
Dividend declared for the period ($ per share) (1)	2.41	2.51	2.57
Convertible preference shares (SUNPE) each fully paid			
Number at the end of the period	4,000,000	4,000,000	4,000,000
Dividend declared for the period ($ per share) (1)	1.98	2.07	2.13
Subordinated Notes (SUNPD)			
Number at the end of the period	7,700,000	7,700,000	7,700,000
Interest per note	2.51	2.53	2.80
Floating Rate Capital Notes (SBKHB)			
Number at the end of the period	715,383	715,383	715,383
Interest per note	1.48	1.64	1.72

(1) Classified as interest expense.

Appendix 3 – Group capital

Group capital position

	AS AT 31 DECEMBER 2015					
	GENERAL INSURANCE	BANKING	LIFE	SGL, CORP SERVICES & CONSOL	TOTAL	AS AT 30 JUNE 2015 TOTAL
	$M	$M	$M	$M	$M	$M
Common Equity Tier 1 Capital						
Ordinary share capital	-	-	-	12,717	12,717	12,717
Subsidiary share capital (eliminated upon consolidation)	7,375	3,870	1,970	(13,215)	-	-
Reserves	16	(983)	312	798	143	83
Retained profits and non-controlling interests	(47)	538	(362)	457	586	669
Insurance liabilities in excess of liability valuation	505	-	-	-	505	658
Goodwill and other intangible assets	(5,021)	(473)	(224)	(317)	(6,035)	(5,957)
Net deferred tax liabilities/(assets) (1)	(26)	(51)	91	(92)	(78)	(128)
Policy liability adjustment (2)	-	-	(1,345)	-	(1,345)	(1,298)
Other Tier 1 deductions	(5)	(16)	(1)	(105)	(127)	(115)
Common Equity Tier 1 Capital	**2,797**	**2,885**	**441**	**243**	**6,366**	**6,629**
Additional Tier 1 Capital						
Preference shares	510	450	-	-	960	960
Additional Tier 1 Capital	**510**	**450**	**-**	**-**	**960**	**960**
Tier 1 Capital	**3,307**	**3,335**	**441**	**243**	**7,326**	**7,589**
Tier 2 Capital						
General reserve for credit losses	-	189	-	-	189	245
Eligible subordinated notes	225	670	100	-	995	770
Transitional subordinated notes	328	72	-	-	400	572
Tier 2 Capital	**553**	**931**	**100**	**-**	**1,584**	**1,587**
Total Capital	**3,860**	**4,266**	**541**	**243**	**8,910**	**9,176**
Represented by:						
Capital in Australian regulated entities	3,348	4,254	394	-	7,996	8,065
Capital in New Zealand regulated entities	444	-	108	-	552	610
Capital in unregulated entities (3)	68	12	39	243	362	501

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

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

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

Appendix 3 – Group capital (continued)

General Insurance Capital

	GI GROUP [1] DEC-15 $M	GI GROUP [1] JUN-15 $M
Common Equity Tier 1 Capital		
Ordinary share capital	7,375	7,375
Reserves	16	(21)
Retained profits and non-controlling interests	(47)	67
Insurance liabilities in excess of liability valuation	505	658
Goodwill and other intangible assets	(5,021)	(5,005)
Net deferred tax assets	(26)	-
Other Tier 1 deductions	(5)	(5)
Common Equity Tier 1 Capital	**2,797**	**3,069**
Preference shares	510	510
Additional Tier 1 Capital	**510**	**510**
Tier 1 Capital	**3,307**	**3,579**
Tier 2 Capital		
Eligible subordinated notes	225	-
Transitional subordinated notes	328	500
Tier 2 Capital	**553**	**500**
Total Capital	**3,860**	**4,079**
Prescribed Capital Amount		
Outstanding claims risk charge	891	893
Premium liabilities risk charge	532	506
Total insurance risk charge	1,423	1,399
Insurance concentration risk charge	250	250
Asset risk charge	719	684
Operational risk charge	286	281
Aggregation benefit	(443)	(426)
Total Prescribed Capital Amount (PCA)	**2,235**	**2,188**
Common Equity Tier 1 Ratio	**1.25**	**1.40**
Total Capital Ratio	**1.73**	**1.86**

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

Appendix 3 – Group capital (continued)

Bank capital

	REGULATORY BANKING GROUP	OTHER ENTITIES	STATUTORY BANKING GROUP	STATUTORY BANKING GROUP
	DEC-15	DEC-15	DEC-15	JUN-15
	$M	$M	$M	$M
Common Equity Tier 1 Capital				
Ordinary share capital	2,648	1,222	3,870	3,870
Reserves	4	(987)	(983)	(981)
Retained profits	520	18	538	473
Goodwill and other intangible assets	(232)	(241)	(473)	(459)
Net deferred tax assets	(51)	-	(51)	(79)
Other Tier 1 deductions	(16)	-	(16)	(22)
Common Equity Tier 1 Capital	**2,873**	**12**	**2,885**	**2,802**
Additional Tier 1 Capital				
Eligible hybrid capital	450	-	450	450
Transitional hybrid capital	-	-	-	-
Additional Tier 1 Capital	**450**	**-**	**450**	**450**
Tier 1 Capital	**3,323**	**12**	**3,335**	**3,252**
Tier 2 Capital				
General reserve for credit losses	189	-	189	245
Eligible Subordinated notes	670	-	670	670
Transitional Subordinated notes	72	-	72	72
Tier 2 Capital	**931**	**-**	**931**	**987**
Total Capital	**4,254**	**12**	**4,266**	**4,239**
Risk Weighted Assets				
Credit risk	27,099	-	27,099	27,160
Market risk	136	-	136	172
Operational risk	3,304	-	3,304	3,278
Total Risk Weighted Assets	**30,539**	**-**	**30,539**	**30,610**
Common Equity Tier 1 Ratio	**9.41%**		**9.45%**	**9.15%**
Total Capital Ratio	**13.93%**		**13.97%**	**13.85%**

Appendix 3 – Group capital (continued)

Life Capital

	LIFE CO AUSTRALIA DEC-15 $M	LIFE CO NEW ZEALAND [1] DEC-15 $M	OTHER ENTITIES [2] DEC-15 $M	TOTAL LIFE GROUP DEC-15 $M	TOTAL LIFE GROUP JUN-15 $M
Common Equity Tier 1 Capital					
Ordinary share capital	699	204	1,067	1,970	1,970
Reserves	-	29	283	312	290
Retained profits and non-controlling interests	574	137	(1,073)	(362)	(379)
Goodwill and other intangible assets	-	-	(224)	(224)	(225)
Net deferred tax liabilities [3]	-	92	(1)	91	81
Policy liability adjustment [4]	(992)	(353)	-	(1,345)	(1,298)
Other Tier 1 deductions	-	(1)	-	(1)	(1)
Common Equity Tier 1 Capital	**281**	**108**	**52**	**441**	**438**
Additional Tier 1 Capital	-	-	-	-	-
Tier 1 Capital	**281**	**108**	**52**	**441**	**438**
Tier 2 Capital					
Eligible Subordinated notes	100	-	-	100	100
Tier 2 Capital	100	-	-	100	100
Total Capital	**381**	**108**	**52**	**541**	**538**
Prescribed Capital Amount					
Insurance risk charge	46	34	-	80	76
Asset risk charge	72	33	-	105	97
Asset concentration risk charge	-	-	-	-	-
Operational risk charge	37	-	-	37	38
Aggregation benefit	(25)	-	-	(25)	(24)
Combined stress scenario adjustment	48	-	-	48	46
Other regulatory requirements	-	-	14	14	14
Total Prescribed Capital Amount (PCA) [5]	**178**	**67**	**14**	**259**	**247**
Common Equity Tier 1 Ratio	**1.58**	**1.61**	**3.71**	**1.70**	**1.77**
Total Capital Ratio	**2.14**	**1.61**	**3.71**	**2.09**	**2.18**

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

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

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

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

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

Appendix 3 – Group capital (continued)

Capital Instruments

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	31 DECEMBER 2015 GI $M	Bank $M	Life $M	SGL $M	Total Balance $M	Regulatory Capital $M
AAIL Subordinated Debt [1]	330 bps	Nov 2020	Nov 2015	225	-	-	-	225	225
AAIL Subordinated Debt	6.75%	Oct 2016	Oct 2006	101	-	-	-	101	108
AAIL Subordinated Debt [2]	-	June 2017	Oct 2007	265	-	-	-	265	220
SGL Subordinated Debt [1] [3]	285 bps	Nov 2018	May 2013	-	670	100	-	770	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total Subordinated Debt				**591**	**742**	**100**	**-**	**1,433**	**1,395**
SGL CPS2 [1] [3]	465 bps	Dec 2017	Nov 2012	110	450	-	-	560	560
SGL CPS3 [1] [3]	340 bps	June 2020	May 2014	400	-	-	-	400	400
Total Additional Tier 1 Capital				**510**	**450**	**-**	**-**	**960**	**960**
Total				**1,101**	**1,192**	**100**	**-**	**2,393**	**2,355**

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	30 JUNE 2015 GI $M	Bank $M	Life $M	SGL $M	Total Balance $M	Regulatory Capital $M
AAIL Subordinated Debt [1]	6.15%	Sept 2015	Sept 2005	122	-	-	-	122	105
	70 bps	Sept 2015	Sept 2005	77	-	-	-	77	67
AAIL Subordinated Debt	6.75%	Oct 2016	Oct 2006	103	-	-	-	103	108
AAIL Subordinated Debt [2]	-	June 2017	Oct 2007	272	-	-	-	272	220
SGL Subordinated Debt [1] [3]	285 bps	Nov 2018	May 2013	-	670	100	-	770	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total Subordinated Debt				**574**	**742**	**100**	**-**	**1,416**	**1,342**
SGL CPS2 [1] [3]	465 bps	Dec 2017	Nov 2012	110	450	-	-	560	560
SGL CPS3 [1] [3]	340 bps	June 2020	May 2014	400	-	-	-	400	400
Total Additional Tier 1 Capital				**510**	**450**	**-**	**-**	**960**	**960**
Total				**1,084**	**1,192**	**100**	**-**	**2,376**	**2,302**

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

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

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

Appendix 4 – Definitions

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

Appendix 4 – Definitions (continued)

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

Appendix 5 – 2016 key dates [1]

Ordinary shares (SUN)

Half year results announcement	**11 February 2016**
Ex-dividend date	18 February 2016
Dividend payment	1 April 2016
Full year results and final dividend announcement	**4 August 2016**
Ex-dividend date	12 August 2016
Dividend payment	21 September 2016
Annual General Meeting	**22 September 2016**

Convertible Preference Shares 2 (SUNPC)

Ex-dividend date	9 March 2016
Dividend payment	17 March 2016
Ex-dividend date	9 June 2016
Dividend payment	17 June 2016
Ex-dividend date	9 September 2016
Dividend payment	19 September 2016
Ex-dividend date	9 December 2016
Dividend payment	19 December 2016

Convertible Preference Shares 3 (SUNPE)

Ex-dividend date	1 March 2016
Dividend payment	17 March 2016
Ex-dividend date	1 June 2016
Dividend payment	17 June 2016
Ex-dividend date	2 September 2016
Dividend payment	19 September 2016
Ex-dividend date	2 December 2016
Dividend payment	19 December 2016

Subordinated Notes (SUNPD)

Ex-interest date	11 February 2016
Interest payment	22 February 2016
Ex-interest date	13 May 2016
Interest payment	23 May 2016
Ex-interest date	12 August 2016
Interest payment	22 August 2016
Ex-interest date	11 November 2016
Interest payment	22 November 2016

Floating Rate Capital Notes (SBKHB)

Ex-interest date	11 February 2016
Interest payment	1 March 2016
Ex-interest date	13 May 2016
Interest payment	31 May 2016
Ex-interest date	12 August 2016
Interest payment	30 August 2016
Ex-interest date	14 November 2016
Interest payment	30 November 2016

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