

Suncorp-Metway Ltd ABN 66 010 831 722

Consolidated Financial Results

for the half year ended 31 December 2010

Release date 23 February 2011



Consolidated financial results

for the half year ended 31 December 2010

Basis of Preparation

The Suncorp-Metway Ltd Group (Suncorp Group) comprises Suncorp-Metway Ltd and its subsidiaries and the Group's interests in associates and jointly controlled entities.

For the half year ended 31 December 2010, Suncorp-Metway Ltd was the ultimate holding company of the Suncorp Group. On 7 January 2011, Suncorp-Metway Ltd completed a restructure under a court approved scheme of arrangement, which resulted in Suncorp Group Limited becoming the new parent entity of the Suncorp Group, listed on the Australian Securities Exchange. On this date, Suncorp-Metway Ltd became a wholly owned subsidiary of Suncorp Group Limited. This restructure has no impact on the financial results for the half year ended 31 December 2010.

The results have been determined in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars unless otherwise denoted and have been rounded to the nearest million.

All figures relate to the half year to 31 December 2010 and comparatives are for the half year ended 31 December 2009 unless otherwise stated.

The Core and Non-core Bank results are presented separately in this report, with the consolidated result available in Appendix 8. The Core and Non-core banking tables represent an indicative view of relative performance. Whilst every effort has been made to ensure that the tables are as accurate as possible, necessary assumptions around the allocation of funding and expenses have been made.

Disclaimer

This report contains general information which is current as at 23 February 2011. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to Suncorp Group Limited, Suncorp-Metway Ltd or any product or service offered by the Suncorp Group. 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 Group Limited filed with the Australian Securities Exchange.

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 our 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 securities exchange disclosure requirements).

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Consolidated financial results

for the half year ended 31 December 2010

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Financial Results Summary

- Group net profit after tax (NPAT) of \$223 million. Profit after tax from business lines of \$356 million
- Interim ordinary dividend of 15 cents per share, fully franked, representing a payout ratio of 54% of cash earnings excluding divestments
- General Insurance NPAT of \$292 million. Underlying ITR of 10.5%, up from 9% in FY10
- Gross Written Premium up 2.1% on a reported basis and 4.3% excluding product exits
- Core Bank profit after tax of \$110 million. Net interest margin of 1.83%
- Non-core Bank loss after tax of \$107 million. Non-core run-off progressing ahead of plan with total lending reducing to \$9.8 billion.
- \$35 million provision overlay for expected weather event impacts on Suncorp Bank
- Suncorp Life NPAT of \$61 million including underlying profit after tax of \$71 million.
- Suncorp Life Embedded Value remained stable at \$2.4 billion
- Capital levels remain strong with the General Insurance MCR coverage at 2.03 times and the Bank Net Tier 1 ratio at 13.74%

Operational Summary

- Business stabilised. Bank S&P credit rating upgraded to 'A+'
- Building Blocks program progressing ahead of schedule
- One view of our employees – single enterprise agreement approved
- One view of group finances – single general ledger completed
- One view of customers – single customer data warehouse operating
- AAMI home and motor products moved to the Group's single pricing engine
- Single claims system and Repairlink progressing well
- Tyndall Investments and New Zealand Guardian Trust divested
- Transition to Non-Operating Holding Company structure approved

Review of Consolidated Operations

In November 2009, Suncorp CEO Patrick Snowball outlined the immediate priorities for the Group. These were **to stabilise** the business; **appoint** a new executive team; **strengthen** the balance sheet, provisions and reserves; **simplify the business**; and outline a **plan for future growth**. The half year to 31 December 2010 provided further evidence of Suncorp executing a range of initiatives under these key areas.

A comprehensive program to stabilise the Group through improved operational performance, simplification and the communication of a clear strategy resulted in an upgrade to the Standard & Poor's credit rating for the Bank to 'A+' with a stable outlook.

During the half, the Suncorp Senior Leadership Team was further strengthened with the appointment of Amanda Revis, Group Executive Human Resources.

With the business stabilised and the executive team in place, the Group has focused on the three remaining priorities.

On-going simplification

In the year to June 2010, the Group began the process of simplifying its structures and eliminating management distractions. Initiatives included divestment of LJ Hooker and the 50% joint venture positions in the insurance arms of Royal Automobile Club of Queensland (RACQI) and Royal Automobile Association of South Australia (RAAI). The Group also commenced a number of projects referred to as 'building blocks' which are designed to provide a single view of the Group's employees, customers, financial management and insurance pricing and claims.

There has been substantial progress in the delivery of these key projects and other initiatives to simplify the business during the past six months.

Building block projects

The Group has moved to significantly simplify its people processes by consolidating multiple terms and conditions into consistent employment arrangements for all employees in Australia. In November 2010, Suncorp employees voted in favour of a single Group-wide Enterprise Agreement. The Suncorp Group Enterprise Agreement 2011 has now been approved by Fair Work Australia and will come into effect on 26 February 2011.

During the half, the Group also successfully moved to one general ledger accounting system providing a single view of the Group's finances.

Suncorp now has a single view of its direct customer base with the commissioning of a single customer data warehouse. This initiative, completed in November 2010, is already allowing the Group to better target its marketing through its personal insurance business. It has also enabled the Group to successfully develop life insurance products that can be marketed through general insurance brands including Apia, Suncorp and GIO.

The general insurance building block projects are progressing ahead of schedule. In pricing, AAMI home and motor products were successfully moved to the general insurance pricing engine (GIPE); thereby enabling pricing to be tailored to individual risk and improving risk selection overall. In claims, the move to a single system for home and motor repair is progressing well, with the continued roll out of Guidewire ClaimCentre and the introduction of Repairlink assessing teams, representing all brands.

SMART (Small-Medium Accident Repair Technique) Repair centres continue to be rolled out with shops operational in Melbourne (3), Adelaide (1) and Perth (1). Sydney's first SMART shop will open in mid 2011.

Non-Operating Holding Company (NOHC)

On 7 January 2011, Suncorp completed its transition to a Non-Operating Holding Company (NOHC) structure. This further simplifies the Group's legal structures, provides a more transparent view of the way capital is managed throughout the Group and enhances strategic flexibility. The new Group holding company is Suncorp Group Limited and the Group's ASX code remains 'SUN'.

Divestments

During the half year, the Group announced the divestment of its ownership of Tyndall Investments (Tyndall) and New Zealand Guardian Trust (NZGT) for \$80 million and NZ\$42 million respectively. These divestments continue the program of re-focusing and simplifying Suncorp Life's core life insurance business.

Strengthening the balance sheet / capital management

The Group remains focused on strengthening its balance sheet and capital reserves. The Group's capital levels have further improved during the half allowing it to set a dividend payout ratio towards the midpoint of the Group's target range of 50% to 60% of cash earnings (excluding divestments) despite the increased costs associated with recent natural hazard events.

The Bank continues to achieve run-off of the non-core portfolio ahead of schedule providing further support to the Group's future capital outlook. The non-core book reduced by \$2.8 billion during the half.

The Group expects current regulatory uncertainty will be substantially resolved over the remainder of the 2011 financial year. This will allow the Group to establish appropriate capital targets for each of its businesses and, in turn, direct capital that is surplus to those targets to the Group NOHC. A key priority for the Group over the remainder of the year will be to outline a capital management program under the NOHC structure and to identify capital that is surplus to the requirements of the business.

Execution of growth plans

Each of the businesses is making good progress on the plans outlined to the market.

The three **General Insurance** (GI) businesses are committed to:

- At least 3% improvement in underlying GI margins by FY12. **(The underlying margin for FY10 was 9% and this increased to 10.5% in this result);**
- \$235 million in annual benefits from the building blocks program;
- A personal insurance business with one functionally aligned, customer focused team delivering portfolio growth and using its scale in pricing and claims;
- A commercial insurance business targeting market share growth of 3% based on a significant opportunity in SME and targeted growth in Corporate and Specialty sectors; and
- The potential to double the Group's scale and profit footprint in New Zealand.

Suncorp Bank has outlined plans to capitalise on its regional bank leadership position and realise its vision to be recognised as the best bank for middle Australia within its chosen areas of personal banking, SME and agribusiness. The Core Bank is committed to:

- Achieving 1 to 1.3 times system growth in housing lending by December 2010. **(This was surpassed in the half to December with home loan growth of 4.7%, representing 1.5 times system growth levels)**
- Delivering a sustained Return on Equity greater than 15%, and by 2013:
 - to grow the total customer base to greater than one million;
 - in Western Australia and New South Wales, double the branch footprint and treble the number of customers;
 - increase 'main financial institution' (MFI) bank customers by 50%; and
 - to reduce the cost to income ratio to the mid 40's.

Suncorp Life plans to lead the Independent Financial Adviser (IFA) market and build a direct distribution business of scale. Life is committed to:

- More than double new business volumes (**new business increased by 16% in the first half**);
- Reduce acquisition expenses as a percentage of new business premium;
- Reduce maintenance expenses as a percentage of in-force premium;
- Generate double digit in-force premium growth with an active focus on retention; and
- Improve disability claims experience.

Driving each of these metrics will enhance profit, improve Return on Equity and grow Embedded Value (EV).

Financial performance for the half year to 31 December 2010

The **General Insurance** profit after tax was \$292 million. Natural hazard claims were \$182 million above allowances. Improvements in the management of long-tail claims and reduced claims handling costs have resulted in central estimate reserve releases that were \$151 million above the Group's normal expectations. The underlying ITR has improved from 9% in FY10 to 10.5% in the first half as the early benefits of claims and pricing initiatives flow through.

In the **Core Bank**, profit after tax was \$110 million, with a half year net interest margin of 1.83%. The margin against lending assets was 2.10% for the half. Both measures improved when compared to the December 2009 half year.

The **Non-core Bank** incurred a loss after tax of \$107 million. The run-off of the portfolio progressed ahead of expectations with total lending reducing 22% or \$2.8 billion over the half year. Impairment losses were significantly lower than the December 2009 half.

Suncorp Life's profit after tax was \$61 million. Underlying profit after tax of \$71 million was impacted by higher than expected claims incidences and policy lapses. The EV of Suncorp Life was stable at \$2.4 billion and value of one year's sales amounted to \$40 million.

The combined **profit after tax from business lines** was \$356 million for the half year.

The after tax loss from divestments of Tyndall and NZGT was \$77 million. This, along with the amortisation of intangibles, resulted in a Group **net profit after tax** of \$223 million.

Cash earnings per share (excluding divestments) which forms the basis of the Group's dividend payout was 27.7 cents. The **interim dividend of 15 cents** represents a payout ratio of 54%.

Post balance date events and implications

Natural Hazard events since 1 January 2011

Since 1 January 2011, there has been a succession of major natural hazard events in Australia including:

- flooding in Brisbane, Toowoomba, Ipswich and the Lockyer Valley from 8 January 2011;
- flooding in regional Victoria from 13 January 2011;
- impacts of Cyclone Yasi in North Queensland from 2 February 2011; and
- flooding and storms in Victoria from 4 February 2011.

The Group has engaged additional resources to assist in the processing and assessment of claims and the management of repair activity. The Group's comprehensive reinsurance program, including a property catastrophe treaty and aggregate cover, has significantly limited the net financial costs associated with these events. The estimated net costs of the events are calculated in the table below.

EVENT	APPROX. NUMBER OF CLAIMS	ESTIMATED GROSS COST \$M	RECOVERABLE FROM CATASTROPHE PROGRAM \$M	RECOVERABLE FROM AGGREGATE PROGRAM \$M	ESTIMATED NET COST \$M
South East Queensland floods (from 8 January)	10,500	750 - 850	550 - 650	118	72
Regional Victoria floods (from 13 January)	2,600	30	n/a	20	10
Tropical Cyclone Yasi North Queensland (from 2 February)	15,000	200	n/a	190	10
Storms and flooding Victoria (from 4 February) ⁽¹⁾	12,000	110 - 120	n/a	72	38 - 48

⁽¹⁾ The Group received preliminary meteorological advice to suggest that weather related claims in Victoria from 4 February were caused by the same Cyclone Yasi weather system that impacted North Queensland and therefore should be treated as one event for reinsurance purposes. While this opinion was initially supported by one of the Group's reinsurance partners, another has recently advised the Group that it disputes this interpretation. Accordingly, the financial impacts have been shown above assuming the impacts of the Cyclone Yasi system are treated as two separate events.

Status of Aggregate Cover

As a consequence of these events, the Group has fully utilised the \$400 million of capacity under the aggregate cover.

Reinsurance reinstatements and costs

Given the frequency and severity of recent natural hazard events, the Group believes it has been appropriate to continue to maintain significant catastrophe reinsurance coverage including:

- The purchase of additional cover to reduce the Group's maximum event retention for New Zealand risks to NZ\$60 million. The cost of this cover is \$13 million and is included in the first half results.
- Two reinstatements providing coverage for losses between \$200 million and \$500 million following the New Zealand earthquake and south-east Queensland flooding events. The cost of these additional covers is \$120 million.
- The purchase of additional reinstatement coverage for losses between \$500 million and \$1 billion following the development of the south-east Queensland flooding event. The cost of this cover is \$40 million.

Following the purchase of these additional reinsurance covers, the Group's property catastrophe treaty will be restored to provide a similar level of coverage to that available at the beginning of the financial year.

Suncorp Bank impact

The Group has estimated the potential financial impact of all of the weather events on Suncorp Bank and, in particular, the potential impact on credit quality. In the financial results to 31 December 2010, an allowance of \$35 million has been included in the collective provision to cover possible downgrades to credit quality in the book. The Group does not expect to make any additional provision overlays in the second half.

Suncorp Life impact

While the events may have an impact on new business sales and claims duration in Suncorp Life, this is likely to be short-term in nature and no specific allowance is considered necessary.

Contribution to Profit by Division

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
General Insurance					
Gross written premium	3,563	3,537	3,490	0.7	2.1
Net earned premium	3,266	3,166	3,144	3.2	3.9
Net incurred claims	(2,284)	(2,446)	(2,191)	(6.6)	4.2
Operating expenses	(795)	(858)	(812)	(7.3)	(2.1)
Investment income - insurance funds	169	342	260	(50.6)	(35.0)
Insurance trading result	356	204	401	74.5	(11.2)
Managed schemes net income	3	(4)	8	n/a	(62.5)
Joint venture and other income	12	30	23	(60.0)	(47.8)
Investment income - shareholder funds	87	94	100	(7.4)	(13.0)
Profit before tax and capital funding	458	324	532	41.4	(13.9)
Capital funding	(43)	(41)	(41)	4.9	4.9
Profit before tax	415	283	491	46.6	(15.5)
Income tax	(123)	(73)	(144)	68.5	(14.6)
General Insurance profit after tax	292	210	347	39.0	(15.9)
Banking					
Core Bank profit after tax	110	114	154	(3.5)	(28.6)
Non-core Bank profit/(loss) after tax	(107)	(74)	(150)	44.6	(28.7)
Total Bank profit after tax	3	40	4	(92.5)	(25.0)
Life					
Underlying profit after tax	71	103	85	(31.1)	(16.5)
Market adjustments after tax	(10)	14	20	n/a	n/a
Life profit after tax	61	117	105	(47.9)	(41.9)
Profit after tax from business lines	356	367	456	(3.0)	(21.9)
Other					
Contribution from LJ Hooker	-	-	4	n/a	(100.0)
Sale of subsidiaries and investment in joint ventures ⁽¹⁾	(106)	165	50	n/a	n/a
Consolidation adjustments ⁽²⁾	5	10	(1)	(50.0)	n/a
Amortisation of acquisition intangible assets	(76)	(98)	(112)	(22.4)	(32.1)
Integration costs	-	-	(59)	n/a	(100.0)
Profit/(loss) before tax	(177)	77	(118)	n/a	50.0
Income tax	48	(22)	29	n/a	65.5
Profit/(loss) on other items	(129)	55	(89)	n/a	44.9
Profit after tax before non-controlling interests	227	422	367	(46.2)	(38.1)
Non-controlling interests	(4)	(6)	(3)	(33.3)	33.3
Net profit after tax	223	416	364	(46.4)	(38.7)

⁽¹⁾ Includes the loss before tax on the sale of Tyndall and NZGT of \$106 million in the half year to 31 December 2010, profit before tax of the sale from the RACQI and RAAI joint ventures of \$165 million in the half year to 30 June 2010 and profit before tax from sale of LJ Hooker of \$50 million in the half year to 31 December 2009.

⁽²⁾ Represents elimination of Group transactions including treasury shares and transactions between lines of business.

Statement of Financial Position

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Assets					
Cash and cash equivalents	1,496	883	1,499	69.4	(0.2)
Receivables due from other banks	91	232	123	(60.8)	(26.0)
Trading securities	4,868	8,233	7,050	(40.9)	(31.0)
Derivatives	376	833	384	(54.9)	(2.1)
Investment securities	23,969	21,091	20,469	13.6	17.1
Assets classified as held for sale	118	-	-	n/a	n/a
Loans, advances and other receivables	52,311	53,724	55,552	(2.6)	(5.8)
Reinsurance and other recoveries receivable	2,166	1,878	1,560	15.3	38.8
Deferred insurance assets	918	748	880	22.7	4.3
Investments in associates and joint ventures	58	62	220	(6.5)	(73.6)
Property, plant and equipment	337	358	367	(5.9)	(8.2)
Deferred tax assets	170	101	159	68.3	6.9
Investment property	146	144	156	1.4	(6.4)
Other assets	464	425	414	9.2	12.1
Goodwill and intangible assets	6,368	6,627	6,707	(3.9)	(5.1)
Total assets	93,856	95,339	95,540	(1.6)	(1.8)
Liabilities					
Deposits and short-term borrowings	36,912	34,098	34,638	8.3	6.6
Derivatives	3,266	2,461	2,460	32.7	32.8
Payables due to other banks	18	28	20	(35.7)	(10.0)
Payables and other liabilities	1,233	1,874	1,635	(34.2)	(24.6)
Current tax liabilities	171	1	72	large	137.5
Liabilities classified as held for sale	12	-	-	n/a	n/a
Employee benefit obligations	238	280	239	(15.0)	(0.4)
Unearned premium liabilities	3,674	3,672	3,582	0.1	2.6
Outstanding claims liabilities	8,358	8,028	7,550	4.1	10.7
Gross policy liabilities	5,650	5,583	5,888	1.2	(4.0)
Unvested policyowner benefits	452	404	452	11.9	-
Deferred tax liabilities	3	-	-	n/a	n/a
Managed funds units on issue	581	437	788	33.0	(26.3)
Securitisation liabilities	4,011	4,710	4,336	(14.8)	(7.5)
Debt issues	12,680	16,759	17,236	(24.3)	(26.4)
Total liabilities excluding loan capital	77,259	78,335	78,896	(1.4)	(2.1)
Loan capital					
Subordinated notes	1,814	2,182	2,207	(16.9)	(17.8)
Preference shares	871	869	867	0.2	0.5
Total loan capital	2,685	3,051	3,074	(12.0)	(12.7)
Total liabilities	79,944	81,386	81,970	(1.8)	(2.5)
Net assets	13,912	13,953	13,570	(0.3)	2.5
Equity					
Share capital	12,614	12,618	12,526	(0.0)	0.7
Reserves	4	74	93	(94.6)	(95.7)
Retained profits	1,273	1,241	942	2.6	35.1
Total equity attributable to owners of the Company	13,891	13,933	13,561	(0.3)	2.4
Non-controlling interests	21	20	9	5.0	133.3
Total equity	13,912	13,953	13,570	(0.3)	2.5

The consolidated statement of financial position includes the assets and liabilities of the statutory funds of the Group's life insurance businesses which are subject to restrictions under the *Life Insurance Act 1995*.

Ratios and Statistics

		HALF YEAR ENDED			DEC-10	DEC-10
		DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
					%	%
Performance ratios						
Earnings per share ⁽¹⁾						
Basic	(cents)	17.51	32.81	28.97	(46.6)	(39.6)
Diluted	(cents)	17.51	31.90	28.28	(45.1)	(38.1)
Cash earnings per share ⁽¹⁾						
Basic	(cents)	31.61	38.22	35.21	(17.3)	(10.2)
Diluted	(cents)	31.61	35.21	32.53	(10.2)	(2.8)
Cash earnings per share excluding divestments						
Basic	(cents)	27.71	28.38	32.43	(2.4)	(14.6)
Diluted	(cents)	27.71	26.14	29.97	6.0	(7.5)
Return on average shareholders' equity	(%)	3.2	6.1	5.4		
Cash return on average shareholders' equity	(%)	5.7	7.1	6.6		
Return on average total assets	(%)	0.47	0.88	0.75		
Insurance trading ratio	(%)	10.9	6.4	12.8		
Core Bank net interest margin (interest earning assets)	(%)	1.83	1.84	1.76		
Shareholder summary						
Dividend per ordinary share	(cents)	15.0	20.0	15.0	(25.0)	-
Payout ratio						
Net profit after tax	(%)	85.6	61.2	52.0		
Cash earnings	(%)	47.4	52.5	42.8		
Cash earnings excluding divestments	(%)	54.1	70.8	46.5		
Weighted average number of shares						
Basic	(million)	1,272.7	1,267.8	1,256.4	0.4	1.3
Diluted	(million)	1,272.7	1,376.4	1,359.8	(7.5)	(6.4)
Number of shares at end of period	(million)	1,272.2	1,273.2	1,262.6	(0.1)	0.8
Net tangible asset backing per share	(\$)	5.91	5.74	5.43	3.0	8.8
Share price at end of period	(\$)	8.61	8.04	8.70	7.1	(1.0)
Productivity						
Core Bank cost to income ratio	(%)	52.99	51.35	49.67		
General Insurance expense ratio	(%)	24.40	27.10	25.80		
Financial position						
Total assets	(\$ million)	93,856	95,339	95,540	(1.6)	(1.8)
Net assets	(\$ million)	13,912	13,953	13,570	(0.3)	2.5
Capital						
Bank capital adequacy ratio - Total	(%)	14.20	14.71	13.70		
Bank capital adequacy ratio - Net Tier 1	(%)	13.74	13.23	11.96		
General Insurance Group MCR coverage	(times)	2.03	1.89	1.88		

⁽¹⁾ Refer Appendix 2 for details of Earnings per share and Return on average shareholders' equity calculations. Refer Appendix 9 for definitions.

Group Capital

The Group's capital position has strengthened due to retained earnings and as the Non-core Bank continues to run-off.

The Bank's capital adequacy ratio of 14.2% has reduced slightly due to the redemption of \$220 million of subordinated debt in September 2010. Importantly, the quality of capital has improved with the Net Tier 1 core ratio increasing by 51 basis points to 13.74%. The General Insurance Minimum Capital Requirement (MCR) has increased to 2.03 times from 1.89 times, in preparation for implementation of the NOHC structure.

Due to the ongoing uncertainty in the regulatory capital frameworks for banks and insurers, and the increased incidence of natural hazard events, the Board continues to believe it is prudent to retain appropriate capital buffers. Once regulatory uncertainties are resolved, the Group believes it will be in a position to provide further clarity regarding revised capital targets and its capital management strategy. The Board remains strongly of the view that capital, surplus to the requirements of the Group, should be returned to shareholders.

Given the strength of the capital position, and despite the impact of recent weather events, the Board has:

- Declared an interim ordinary dividend of 15 cents per share, towards the midpoint of the stated 50% to 60% target range of cash earnings per share excluding divestments.
- As a result of pursuing the transition to a NOHC, agreed to the redemption of \$42 million in Reset Preference Shares; and
- Maintained a zero discount on the Dividend Reinvestment Plan (DRP).

AS AT 31 DECEMBER 2010

	GENERAL INSURANCE	BANKING	LIFE	OTHER	CONSOLIDATION & NON REGULATED ENTITIES	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M
Net Tier 1 capital	3,061	4,983	1,684	(42)	(1,281)	8,405
Net Tier 1 capital ratios	1.63 times	13.74%				
Total capital	3,824	5,151	1,684	-	181	10,840
Total capital ratios	2.03 times	14.20%				

Detailed Group capital tables (including consolidation entries) are provided in Appendix 3.

Pro-forma capital on a NOHC basis

The NOHC restructure was approved by shareholders on 15 December 2010 and final capital transactions were executed on 7 January 2011. The intention of the NOHC restructure is to continue to manage capital in accordance with the existing internal capital targets, however, the new Group holding company, Suncorp Group Limited (SGL) may hold some of the capital to meet the internal targets of the operating businesses. Additionally, SGL will hold capital for risks associated with the service companies.

Shown below is a pro-forma capital position as at 31 December 2010. On this pro-forma basis, the Bank net Tier 1 ratio is 9.32% and the GI MCR is 1.81 times. Capital of \$538 million is held at the NOHC level.

	SGL & SERVICE COMPANIES	GENERAL INSURANCE	BANKING	LIFE	CONSOLIDATION	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M
Net Tier 1 capital	538	2,650	3,368	1,644	205	8,405
Net Tier 1 capital ratios		1.41 times	9.32%			
Total capital	538	3,413	5,024	1,644	221	10,840
Total capital ratios		1.81 times	13.91%			

Dividends

The final dividend of 15 cents per share is fully franked and due to be paid on 1 April 2011. The record date for determining entitlements to the dividend is 4 March 2011.

	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
	\$M	\$M	\$M
Franking credits			
Franking credits available for subsequent financial years based on a tax rate of 30% after proposed dividend	636	521	561

Income Tax

	DEC-10	JUN-10	DEC-09
	\$M	\$M	\$M
Profit before income tax expense	364	551	567
Income tax using the domestic corporation tax rate of 30%	109	165	170
Increase in income tax expense due to:			
Non-deductible expenses	10	8	7
Imputation gross-up on dividends received	1	11	1
Statutory funds	17	(29)	28
Income tax offsets and credits	(2)	(37)	(2)
Amortisation of Promina acquisition intangible assets	4	4	3
Other	-	11	2
	139	133	209
(Over) provision in prior years	(2)	(4)	(9)
Income tax expense on pre-tax net profit	137	129	200
Effective tax rate	37.6%	23.4%	35.3%
Income tax expense by segment			
General Insurance	123	73	144
Banking	13	25	9
Life	49	9	76
Other	(48)	22	(29)
Total income tax expense	137	129	200

The Group's consolidated effective tax rate for the six months ended 31 December 2010 was 37.6%. The effective tax rate varies from the corporate tax rate mainly due to the following:

- The statutory fund adjustment of \$17 million. Accounting standards require that the tax expense from an increase in net market values of policyowner assets be recognised as part of the Group's income tax expense, whereas the net profit before tax of the 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.
- Non-deductible expenses includes interest paid in respect of convertible preference shares (\$6 million) and reset preference shares (\$1 million).

Segment Information – General Insurance

Basis of preparation

During the prior financial year, the General Insurance segments of Commercial Insurance, Personal Insurance and New Zealand were aligned with the internal management structure. Accordingly, the Compulsory Third Party (CTP) portfolio is now included in Commercial Insurance and historical comparatives have been adjusted to reflect this change.

Financial information in this section includes both fire service levies and the impact of discount rate movements. These impacts are eliminated in the General Insurance profit contribution table in Appendix 7. Appendices 4 to 7 contain supplementary General Insurance tables and include the underlying General Insurance ITR calculation.

Result overview

General Insurance recorded an after tax profit of \$292 million for the half year to 31 December 2010.

The Insurance Trading Result (ITR) was \$356 million, representing an insurance trading ratio of 10.9%. The headline ITR has reduced due to adverse natural hazard claims experience of \$182 million above allowances. Favourable long-tail claims experience, resulted in reserve releases above normal expectations.

Gross Written Premium (GWP) increased 2.1% to \$3.6 billion.

Short-tail classes experienced solid growth, with Home up 8.8% and Motor up 4.7%. Premium rates in these classes have continued to increase following ongoing adverse weather experience and higher reinsurance costs. Despite these premium increases, retention rates have remained strong.

Compulsory Third Party (CTP) GWP increased 5.4% despite a headline ceiling rate reduction in the Queensland scheme. Commercial insurance GWP reduced 6.3% on a headline basis, however, after excluding exited product lines, GWP increased by 2.3%.

Net incurred claims totalled \$2.3 billion. Short-tail claims expenses were impacted by a number of major weather events resulting in net natural hazard claims being \$182 million above the Group's allowance. In long-tail claims, reserve releases of \$176 million were primarily attributable to improved claims management and favourable claims experience.

Total operating expenses decreased by \$17 million to \$795 million. Acquisition expenses and other underwriting expenses reduced by \$4 million and \$13 million respectively primarily due to the run off of the exited Covermore business.

Investment income on insurance funds was \$169 million. This included a benefit of \$42 million from the narrowing of credit spreads and other mismatches. Investment returns on shareholder funds was \$87 million.

Joint ventures and other income contributed \$12 million. This is lower than prior years due to the divestment of the RACQ and RAA joint ventures.

The Group's New Zealand operations were significantly impacted by the Christchurch earthquake in September 2010. Despite being one of the largest global events for the 2010 calendar year, a prudent reinsurance program which included a Maximum Event Retention (MER) of A\$47 million, enabled NZ operations to report a minor pre-tax loss of \$5 million.

Profit contribution

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Gross written premium	3,563	3,537	3,490	0.7	2.1
Gross unearned premium movement	(16)	(85)	(53)	(81.2)	(69.8)
Gross earned premium	3,547	3,452	3,437	2.8	3.2
Outwards reinsurance expense	(281)	(286)	(293)	(1.7)	(4.1)
Net earned premium	3,266	3,166	3,144	3.2	3.9
Net incurred claims					
Claims expense	(3,044)	(3,299)	(2,667)	(7.7)	14.1
Reinsurance and other recoveries revenue	760	853	476	(10.9)	59.7
	(2,284)	(2,446)	(2,191)	(6.6)	4.2
Total operating expenses					
Acquisition expenses ⁽¹⁾	(447)	(514)	(451)	(13.0)	(0.9)
Other underwriting expenses ⁽¹⁾	(348)	(344)	(361)	1.2	(3.6)
	(795)	(858)	(812)	(7.3)	(2.1)
Underwriting result	187	(138)	141	n/a	32.6
Investment income - insurance funds	169	342	260	(50.6)	(35.0)
Insurance trading result	356	204	401	74.5	(11.2)
Managed schemes net contribution	3	(4)	8	n/a	(62.5)
Joint venture and other income	12	30	23	(60.0)	(47.8)
General Insurance operational earnings	371	230	432	61.3	(14.1)
Investment income - shareholder funds	87	94	100	(7.4)	(13.0)
General Insurance profit before tax and capital funding	458	324	532	41.4	(13.9)
Capital funding ⁽²⁾	(43)	(41)	(41)	4.9	4.9
General Insurance profit before tax	415	283	491	46.6	(15.5)
Income tax	(123)	(73)	(144)	68.5	(14.6)
General Insurance profit after tax	292	210	347	39.0	(15.9)

⁽¹⁾ Comparative information for New Zealand has been restated to be consistent with the current treatment of expense disclosures between acquisition costs and underwriting expenses in the Group.

⁽²⁾ Includes interest expense on subordinated notes allocated to General Insurance.

General Insurance ratios

	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
	%	%	%
Acquisition expenses ratio	13.7	16.2	14.3
Other underwriting expenses ratio	10.7	10.9	11.5
Total operating expenses ratio	24.4	27.1	25.8
Loss ratio	69.9	77.3	69.7
Combined operating ratio	94.3	104.4	95.5
Insurance trading ratio	10.9	6.4	12.8

Consolidated financial results

for the half year ended 31 December 2010

General Insurance

Statement of financial position

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Assets					
Cash and cash equivalents	167	156	515	7.1	(67.6)
Investment securities	11,259	11,151	10,455	1.0	7.7
Derivatives	15	36	28	(58.3)	(46.4)
Loans, advances and other receivables	1,792	2,273	1,654	(21.2)	8.3
Reinsurance and other recoveries	1,824	1,551	1,249	17.6	46.0
Deferred insurance assets	898	726	858	23.7	4.7
Investments in associates and joint ventures	57	61	217	(6.6)	(73.7)
Due from subsidiaries	7	-	-	n/a	n/a
Investment property	146	144	156	1.4	(6.4)
Property, plant and equipment	37	39	41	(5.1)	(9.8)
Other assets	146	138	146	5.8	-
Goodwill and intangible assets	5,553	5,616	5,690	(1.1)	(2.4)
Total assets	21,901	21,891	21,009	0.0	4.2
Liabilities					
Payables and other liabilities	711	705	419	0.9	69.7
Derivatives	107	49	95	118.4	12.6
Due to subsidiaries	-	237	193	(100.0)	(100.0)
Deferred tax liabilities	50	119	96	(58.0)	(47.9)
Employee benefit obligations	106	104	107	1.9	(0.9)
Unearned premium liabilities	3,665	3,670	3,582	(0.1)	2.3
Outstanding claims liabilities	8,200	7,886	7,410	4.0	10.7
Other financial liabilities	17	56	55	(69.6)	(69.1)
Subordinated notes	655	689	695	(4.9)	(5.8)
Total liabilities	13,511	13,515	12,652	(0.0)	6.8
Net assets	8,390	8,376	8,357	0.2	0.4

Gross written premium

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Gross written premium by product					
Australia					
Motor	1,192	1,180	1,140	1.0	4.6
Home	861	780	791	10.4	8.8
Commercial	670	667	722	0.4	(7.2)
Compulsory third party	428	431	406	(0.7)	5.4
Workers' compensation and Other	70	160	93	(56.3)	(24.7)
	3,221	3,218	3,152	0.1	2.2
New Zealand					
Motor	70	66	65	6.1	7.7
Home	82	78	76	5.1	7.9
Commercial	170	146	174	16.4	(2.3)
Other	20	29	23	(31.0)	(13.0)
	342	319	338	7.2	1.2
Total					
Motor	1,262	1,246	1,205	1.3	4.7
Home	943	858	867	9.9	8.8
Commercial	840	813	896	3.3	(6.3)
Compulsory third party	428	431	406	(0.7)	5.4
Workers' compensation and Other	90	189	116	(52.4)	(22.4)
	3,563	3,537	3,490	0.7	2.1

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Gross written premium by geography					
Queensland	928	936	921	(0.9)	0.8
New South Wales	1,153	1,142	1,114	1.0	3.5
Victoria	742	739	733	0.4	1.2
Western Australia	197	204	190	(3.4)	3.7
South Australia	108	103	99	4.9	9.1
Tasmania	52	51	55	2.0	(5.5)
Other	41	43	40	(4.7)	2.5
Total Australia	3,221	3,218	3,152	0.1	2.2
New Zealand	342	319	338	7.2	1.2
Total	3,563	3,537	3,490	0.7	2.1

Gross written premium (continued)**Motor**

In Australia, Motor GWP grew by 4.6%. This was evenly split between net written units and average written premium. Unit growth in AAMI was particularly strong, despite aggressive pricing and high visibility marketing campaigns by new entrants. New market entrants are having a limited impact on market share and retention rates.

Across the motor portfolio, underlying profit remains strong.

The growth in business being written online continues, and Suncorp is investing to support this channel. Bingle, Suncorp's online motor insurance brand, continues to pick up new business.

In New Zealand growth remains strong, with an increase in gross written premium of 7.7%, or 10.7% in NZ\$ terms. Both ANZ National and AAI continue to see strong unit growth, attributable in part to online sales. Vero NZ has also seen solid growth due principally to rate increases.

Home

In Australia, Home GWP grew by 8.8%. This was largely due to average premium increases following significant natural hazard claims and increased reinsurance costs. The single pricing engine, GIPE, has enabled premium changes to be targeted at relevant policies rather than across the entire portfolio.

Unit growth and retention figures have remained stable.

New Zealand is showing good momentum, up 7.9%, or 10.3% in NZ\$ terms. An increased marketing presence, strong conversion rates and online sales growth has driven unit increases in AAI.

Commercial Insurance

Commercial Insurance GWP income decreased 6.3% to \$840 million.

As a result of a portfolio review in early 2010, Suncorp ceased writing Home Warranty, Aviation and Farm policies. These exited portfolios had contributed \$75 million in the prior comparative period and, accordingly, after excluding their impact, Australian commercial insurance underlying GWP grew by 3.5%. This is driven by favourable new business performance along with rate increases across targeted channels. Retention has remained stable.

New Zealand Commercial GWP is down 2.3% due to aggressive pricing strategies from some market participants.

Compulsory Third Party (CTP)

CTP GWP increased 5.4% to \$428 million.

CTP GWP growth for the period to 31 December 2010 was solid, with increases in the New South Wales portfolio coming from an increase in new business as well as solid renewal rates. The Group's niche offerings have also performed well, growing their book by targeting preferred risks. In Queensland, the headline CTP rate has been reduced by \$11 and \$24 in recent quarters, however unit growth in both the Suncorp and AAMI brands has resulted in Queensland CTP GWP remaining flat.

Suncorp continues to be the leading CTP insurance provider in Queensland with over 50% market share. In New South Wales, Suncorp remains the second largest CTP provider and utilises a two-brand strategy, primarily focused on attracting and retaining preferred risks.

Workers' Compensation and other

Workers' Compensation GWP was lower primarily due to premium reductions in the Western Australian gazette rate and some aggressive competition. Suncorp has maintained its underwriting discipline in this soft market. Workers' Compensation is underwritten by GIO in Western Australia, ACT, Tasmania and Northern Territory.

'Other' premium income relates to direct travel insurance and Deposit Power products. It was stable at \$14 million for the half.

Reinsurance expense

Outwards reinsurance expense for the half year was \$281 million, representing a decrease of \$12 million. This reduction reflects reduced reinsurance cover required for Aviation and Builders Warranty portfolios as well as a reduced upper limit on the catastrophe program due to the divestment of joint venture partners.

The Property Catastrophe treaty is the largest element of the Group's reinsurance program, which covers home, motor and commercial property accounts against major catastrophes such as windstorm, hail, bushfire, flood and earthquake. The maximum event retention under this program is \$200 million, however, in respect of New Zealand risks, additional cover is purchased to further reduce the retention to NZ\$60 million. An additional reinstatement premium of \$13 million was incurred during the half to reinstate this additional level of protection following the Christchurch earthquake.

In addition, the Group purchased Aggregate reinsurance cover where events with claim losses above \$10 million can be aggregated until the retention of \$300 million is exceeded. The treaty has \$400 million reinsurance capacity.

Reinsurance security was maintained for the 2011 financial year program, with over 87% of long-tail business and 85% short-tail business protected by reinsurers rated 'A+' or better.

	MAXIMUM SINGLE RISK RETENTION DEC-10 \$M	MAXIMUM EVENT RISK RETENTION DEC-10 \$M
Property ⁽¹⁾	10	200
General liability	10	10
Global liability	10	10
Workers' compensation	10	10
CTP	10	10
Motor ⁽¹⁾	10	200
Home owners' warranty	5	5
Professional Indemnity	5	5
Travel & Personal Accident	5	5
Marine	3	3

⁽¹⁾ \$200 million is the maximum retention. These classes are also protected by the property aggregate treaty. Once the \$300 million aggregate deductible is eroded, the maximum event retention is \$10 million. This treaty provides \$400 million of capacity.

Net incurred claims

Total claims costs increased \$377 million to \$3,044 million.

The allowance for natural hazard claims of \$230 million for the half was exceeded by \$182 million as a result of the Christchurch earthquake, major storm events across the eastern seaboard and other natural hazard events throughout the period. Major natural hazard events in the half were as follows:

DATE	EVENT	\$M
Sept 2010	Victorian floods (3-6 Sept 10)	26
Sept 2010	Christchurch earthquake (4 Sep 10) ⁽¹⁾	47
Oct 2010	Brisbane storms/floods (7-11 Oct 10)	12
Oct 2010	Eastern Australia storms (15-16 Oct 10)	13
Dec 2010	Eastern Australia rain (2-6 Dec 10)	16
Dec 2010	South Australian storms (7-8 Dec 10)	10
Dec 2010	QLD-NSW hail/rain (15-17 Dec 10)	51
Dec 2010	Central and Southwest QLD flooding (from 25 Dec 10)	143
Total		318

⁽¹⁾ Results shown in \$AUD and net of catastrophe reinsurance recoveries

Working loss claims ratios have reduced, reflecting improved risk selection, improved claims processes as well as reduced procurement costs. Event related claims inflation is limited. To date this is isolated to Melbourne following the March 2010 hail storms due to a lack of competitive tension between Victorian repairers.

The valuation of outstanding claims at December 2010 resulted in central estimate releases of \$151 million above the Group's normal expectation for reserve releases (1.5% of net earned premium). This is primarily due to favourable claims experience and ongoing improvements in claims management.

Risk margins

The Group has not significantly changed its approach to setting risk margins since 30 June 2009, with these remaining at approximately 18% of outstanding claim reserves and giving an approximate level of confidence of 90%.

Risk margins decreased by \$19 million over the year, mainly owing to increases in interest rates. The assets notionally backing risk margins returned \$4 million. The net financial impact of risk margins on the ITR is \$23 million. This is reversed in calculating the underlying margin in Appendix 4.

Outstanding claims provisions over time

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

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Gross outstanding claims liabilities	8,200	7,886	7,410	4.0	10.7
Reinsurance and other recoveries	(1,824)	(1,551)	(1,249)	17.6	46.0
Net outstanding claims liabilities	6,376	6,335	6,161	0.6	3.5
Expected future claim payments and claims handling expenses	6,488	6,385	6,294	1.6	3.1
Discount to present value	(1,074)	(1,031)	(1,093)	4.2	(1.7)
Risk margin	962	981	960	(1.9)	0.2
Net outstanding claims liabilities	6,376	6,335	6,161	0.6	3.5
Personal					
Australia short-tail	846	687	661	23.1	28.0
New Zealand	51	51	41	-	24.4
Commercial					
Australia long-tail	5,101	5,224	5,124	(2.4)	(0.4)
Australia short-tail	258	250	217	3.2	18.9
New Zealand	120	123	118	(2.4)	1.7
Total	6,376	6,335	6,161	0.6	3.5

Outstanding claims provision breakdown

This table shows the net outstanding claim reserves split between the net central estimate (discounted) and the risk margin (90th percentile, discounted), broken down by class of business. It also shows the change in net central estimate by class of business.

	ACTUAL	NET CENTRAL ESTIMATE (DISCOUNTED)	RISK MARGIN (90TH PERCENTILE DISCOUNTED)	CHANGE IN NET CENTRAL ESTIMATE ⁽¹⁾
	\$M	\$M	\$M	\$M
Personal				
Short-tail and other	846	774	72	(9)
New Zealand	51	46	5	(4)
Commercial				
Australia long-tail	5,101	4,261	840	(174)
Australia short-tail	258	233	25	(11)
New Zealand	120	100	20	(2)
Total	6,376	5,414	962	(200)

⁽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 net central estimate. A negative sign implies that there has been a release from outstanding reserves.

Operating expenses

Total operating expenses have decreased by \$17 million to \$795 million. As a result of premium growth, the total operating expense ratio has decreased from 25.8% to 24.4%.

Acquisition costs have decreased 0.9%. The key elements of this decrease are a reduction of commissions following the exit from the Covermore business last year. The acquisition expenses ratio has decreased from 14.3% to 13.7%.

Other underwriting expenses have decreased \$13 million over the half year to \$348 million. The decrease in expenses is primarily due to the run-off from the exit of the Covermore business and reduced one-off New Zealand expenses relating to the ANZ National Bank distribution arrangement. This decrease was offset by one-off costs relating to specific initiatives around revenue generation and cost reduction. The other underwriting expense ratio has decreased from 11.5% to 10.7%.

Managed schemes

Net profit from managed scheme business was \$3 million, down from \$8 million in the prior year. This is largely due to a loss of market share and reduced incentive fees.

Joint ventures and other income

The Group participates in an insurance joint venture with the motoring club in Tasmania. The joint venture and other income contribution for the half year to 31 December 2010 was \$12 million, down from \$23 million in the prior corresponding period. The Group divested its joint venture interests with the motoring clubs in Queensland and South Australia in early 2010.

Investment income

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	2	4	8	(50.0)	(75.0)
Interest bearing securities and other	167	338	252	(50.6)	(33.7)
Total	169	342	260	(50.6)	(35.0)
Investment income on shareholder funds					
Cash and short-term deposits	-	1	2	(100.0)	(100.0)
Interest bearing securities	69	105	87	(34.3)	(20.7)
Overseas equities ⁽¹⁾	4	(6)	4	n/a	-
Property and other	14	(6)	7	n/a	100.0
Total	87	94	100	(7.4)	(13.0)
Total investment income	256	436	360	(41.3)	(28.9)

⁽¹⁾ Refers to investments held by the New Zealand entities.

The total investment income on technical reserves was \$169 million. This result comprises:

- Underlying yield income of \$224 million.
- A negative \$97 million mark-to-market movement due to interest rate changes. This is offset by the corresponding reduction in claims expense resulting from the change in discount rates.
- A negative accounting mismatch of \$20 million caused by the impact of an increase in interest rates on asset backed liabilities that are not marked to market for accounting purposes, namely unearned premium net of insurance debtors. It is referred to as an 'accounting mismatch' because the liability is, in reality, interest rate sensitive.
- A positive economic mismatch of \$62 million caused by credit spreads, inflation linked bonds returns and other duration and yield curve movements.

Investment income on Shareholder funds for the half year was \$87 million down 13%, largely attributable to an increase in interest rates.

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Allocation of investments held against:					
Insurance funds					
Cash and short-term deposits	90	129	330	(30.2)	(72.7)
Interest bearing securities and other	8,191	8,193	7,514	-	9.0
Total	8,281	8,322	7,844	(0.5)	5.6
Shareholders' funds					
Cash and short-term deposits	63	239	146	(73.6)	(56.8)
Interest bearing securities	2,784	2,605	2,818	6.9	(1.2)
Overseas equities ⁽¹⁾	78	77	67	1.3	16.4
Property and other	319	190	137	67.9	132.8
Total	3,244	3,111	3,168	4.3	2.4

⁽¹⁾ Refers to investments held by the New Zealand entities.

The majority of the Australian General Insurance Technical Reserve portfolios are managed against a uniform benchmark allocation of 60% credit, 10% inflation, 10% Government and 20% Semi-Government Bonds.

Credit risk exposure – fixed interest investments

AVERAGE	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
	%	%	%
AAA	45.5	44.0	45.3
AA	41.0	43.2	39.5
A	12.3	11.6	12.6
BBB	1.2	1.2	2.6
	100.0	100.0	100.0

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for the half year ended 31 December 2010

General Insurance

Personal Lines Australia

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Gross written premium	2,067	1,977	1,945	4.6	6.3
Net earned premium	1,883	1,788	1,784	5.3	5.5
Net incurred claims	(1,452)	(1,448)	(1,158)	0.3	25.4
Acquisition expenses	(216)	(279)	(248)	(22.6)	(12.9)
Other underwriting expenses	(187)	(181)	(188)	3.3	(0.5)
Total operating expenses	(403)	(460)	(436)	(12.4)	(7.6)
Underwriting result	28	(120)	190	n/a	(85.3)
Investment income - insurance funds	58	46	48	26.1	20.8
Insurance trading result	86	(74)	238	n/a	(63.9)
	%	%	%		
Ratios					
Acquisition expenses ratio	11.5	15.6	13.9		
Other underwriting expenses ratio	9.9	10.1	10.5		
Total operating expenses ratio	21.4	25.7	24.4		
Loss ratio	77.1	81.0	64.9		
Combined operating ratio	98.5	106.7	89.3		
Insurance trading ratio	4.6	(4.1)	13.3		

Market overview

Australian personal lines delivered a solid underlying result amid ongoing weather volatility. The ITR for the six months to 31 December 2010 was \$86 million. This was primarily influenced by severe weather in Queensland resulting in natural hazard claims exceeding allowances by \$126 million.

While down on the prior year's ITR result, the underlying ITR momentum remained positive due to premium increases, solid retention rates and unit growth in key portfolios. Working loss ratios have reduced as the Group begins to see the benefits of building block initiatives and improved risk selection. GWP increased 6.3% with positive increases in both net written units and average written premium. AAMI and the niche brands were the stand-out performers.

Outlook

Personal Insurance continues to lay the foundations for margin improvement through the implementation of its building blocks program. Progress is continuing to achieve the Group's commitment of at least a 3% improvement in the underlying general insurance margin. Specific initiatives include:

- During the half, the AAMI home and motor portfolios successfully transferred onto the Suncorp/GIO GIPE platform. This platform enables pricing of individual risks such as flood and theft, and therefore, over the long term, improves both risk selection and financial returns. The Apia brand will transfer to GIPE before 30 June 2011.
- In claims, the shift to a single system for home and motor has progressed well, with the continued rollout of Guidewire ClaimCentre and the introduction of Repairlink uniting all brands under one assessing banner. Motor assessment centres are being consolidated across all brands.

Premium rates are expected to increase following the sequence of natural hazard events that have continued into the 2011 calendar year.

Commercial Lines Australia

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Gross written premium	1,154	1,241	1,207	(7.0)	(4.4)
Net earned premium	1,094	1,090	1,074	0.4	1.9
Net incurred claims	(623)	(831)	(873)	(25.0)	(28.6)
Acquisition expenses	(162)	(172)	(136)	(5.8)	19.1
Other underwriting expenses	(138)	(134)	(141)	3.0	(2.1)
Total operating expenses	(300)	(306)	(277)	(2.0)	8.3
Underwriting result	171	(47)	(76)	n/a	n/a
Investment income - insurance funds	104	289	205	(64.0)	(49.3)
Insurance trading result	275	242	129	13.6	113.2
	%	%	%		
Ratios					
Acquisition expenses ratio	14.8	15.8	12.7		
Other underwriting expenses ratio	12.6	12.3	13.1		
Total operating expenses ratio	27.4	28.1	25.8		
Loss ratio	56.9	76.2	81.3		
Combined operating ratio	84.3	104.3	107.1		
Insurance trading ratio	25.1	22.2	12.0		

Market overview

The Australian commercial insurance market was variable during the six months to 31 December 2010, with modest hardening in property and casualty lines being offset by some aggressive competition in SME and Workers' Compensation markets.

Claims management improvements and favourable experience across the Group's long-tail classes have resulted in reserve releases being well above normal expectations. GWP growth has remained solid despite significant headline rate reductions in the Queensland scheme. Along with headline rate reductions, the CTP regulator has banned commission payments to motor distributors and prohibited cross-subsidisation.

Suncorp welcomes the announcement from the Victorian Government that it will remove Fire Services Levies in 2012 and continues to support the removal of these duties in New South Wales and Tasmania.

Outlook

SME conditions are likely to remain challenging due to limited system growth and a small number of competitors aggressively discounting to attract new business from incumbents. Suncorp's strategy continues to focus on increasing share of SME business through leveraging the Group's range of products and distribution channels. This strategy balances growth with profitability, and is underpinned by sound underwriting and pricing discipline.

In property classes, the recent weather events may cause inflationary pressures, and this, combined with the potential for an increase in reinsurance costs, may result in market hardening.

Progress continues on schedule for delivering the building block benefits. Strategic initiatives include establishing a functional model for key operational and business support areas and leveraging the scale benefits of the Group's Personal Insurance and Commercial Insurance resources.

Consolidated financial results

for the half year ended 31 December 2010

General Insurance

New Zealand

This table is shown in A\$. Appendix 6 shows a copy of this table restated in NZ\$.

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Gross written premium	342	319	338	7.2	1.2
Net earned premium	289	288	286	0.3	1.0
Net incurred claims	(209)	(167)	(160)	25.1	30.6
Acquisition expenses	(69)	(63)	(67)	9.5	3.0
Other underwriting expenses	(23)	(29)	(32)	(20.7)	(28.1)
Total operating expenses	(92)	(92)	(99)	-	(7.1)
Underwriting result	(12)	29	27	n/a	n/a
Investment income - insurance funds	7	7	7	-	-
Insurance trading result	(5)	36	34	n/a	n/a
	%	%	%		
Ratios					
Acquisition expenses ratio	23.9	21.9	23.4		
Other underwriting expenses ratio	8.0	10.1	11.2		
Total operating expenses ratio	31.9	32.0	34.6		
Loss ratio	72.3	58.0	55.9		
Combined operating ratio	104.2	90.0	90.5		
Insurance trading ratio	(1.7)	12.5	11.9		

Market overview

On 4 September 2010, New Zealand experienced a major earthquake in Christchurch. Gross losses for Vero NZ and AAI will take some time to calculate precisely, however, due to prudent reinsurance protections, net claims costs are limited to A\$47 million. As a result of this event, natural hazards were A\$45 million above allowances which offset a strong underlying performance.

GWP increased by 1.2% in A\$ terms and was offset by adverse exchange rate movements. In NZ\$ terms, GWP increased by 5% supported by a combination of rate increases and new business growth.

Outlook

The New Zealand operations remain committed to their market leading approach to risk selection and pricing. The focus is on providing world class service and processes to customers while continuing to reduce operational expenses. Strong customer satisfaction and high calibre employees provide a competitive edge over other underwriters in the New Zealand market. Vero NZ was once again awarded the prestigious 'Insurer of the Year' award by New Zealand insurance brokers.

The New Zealand market, particularly in commercial property and personal lines, is slowly starting to harden as a result of the impact of the Christchurch earthquake event. Some markets however, remain competitive as brokers negotiate discounts to offset premium increases in other classes.

The New Zealand operations have taken a leading role in responding to the Christchurch earthquake event and continue to work with local and central Governments to ensure a satisfactory outcome for impacted customers.

Positive momentum in the AA Insurance joint venture and distribution arrangements with AMP and the ANZ National Bank will contribute to the Group's commitments to improve the underlying ITR.

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Segment Information – Core Bank

Result overview

Core Bank profit after tax for the half year to 31 December 2010 was \$110 million.

Core Bank performance for the half year has been solid with a return to above system growth levels in home lending, stable net interest margins and the maintenance of the deposit to core loan ratio at the top end of the target range.

After reaching the top end of the deposit to core loan ratio target, the Bank focused on restoring lending growth and achieved an increase in housing loan receivables (including securitised assets) of 4.7% over the half year to \$30.5 billion.

Consumer lending decreased 2.1% over the half to \$557 million as customers continued to focus on repaying existing debt.

Core Bank business lending assets totalled \$7.7 billion at 31 December 2010, an increase of 1% during the half year.

The Bank continued its focus on attracting retail deposits and developing MFI relationships with customers. The deposit to core lending ratio was maintained at the top end of the Bank's target range although deposit growth was moderated to match lending growth and provide support to the net interest margin.

Net interest income for the half year was \$400 million, representing a net interest margin of 1.83%, while net interest income to lending assets was 2.10%.

Net banking fee income of \$42 million was 27.6% down on the December 2009 half and reflected low fee lending offers and reductions in deposit fees.

Operating expenses in the Core Bank were \$239 million. The Bank continued to invest in the business to stimulate growth through increases in front line staff, new branch openings as well as advertising and promotion. The Core Bank cost-to-income ratio of 53% is expected to reduce as the growth in average receivables balances normalises towards current lending growth rates over coming periods.

The Bank took the prudent step of increasing the collective provision by \$25 million during the half year to allow for potential losses and portfolio credit quality deterioration that may arise in the Bank's core lending portfolios due to the recent flood events. Historical credit losses relating to natural weather events have been immaterial, however, the Bank took a conservative approach to provide for the dislocation impacts that could potentially arise given the breadth of these events.

Excluding this \$25 million increase relating to weather events, the collective provision reduced by \$7 million for the half reflecting a reduction in retail arrears and the migration of several accounts to impaired status. The specific provision charge was \$25 million during the half year, primarily reflecting the movement of four small secured accounts to impaired status during the September 2010 quarter.

Excluding the additional provision for weather-related events, impairment charges represent 17 basis points of credit risk weighted assets.

Outlook

The Bank has demonstrated good progress in returning to solid lending growth levels and at the same time has maintained its deposit to core loan ratio at the top end of its target 60-70% range. While mortgage system growth is slowing and the business lending market remains constrained, investment in distribution capability is expected to deliver a continuation of improving performance trends.

Net interest margin, while flat half on half, is showing an improving trend. Margins have benefited from the out-of-cycle mortgage rate increase late in the half and the improved ability to optimise the composition of the retail deposit base.

Profit contribution – Core Bank

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Net interest income	400	382	371	4.7	7.8
Non-interest income					
Net banking fee income	42	55	58	(23.6)	(27.6)
MTM on financial instruments	7	-	17	n/a	(58.8)
Other income	2	7	3	(71.4)	(33.3)
Total non-interest income	51	62	78	(17.7)	(34.6)
Total income	451	444	449	1.6	0.4
Operating expenses	(239)	(228)	(223)	4.8	7.2
Profit before impairment losses on loans and advances	212	216	226	(1.9)	(6.2)
Impairment losses on loans and advances	(43)	(49)	(2)	(12.2)	large
Core Bank profit before tax	169	167	224	1.2	(24.6)
Income tax	(59)	(53)	(70)	11.3	(15.7)
Core Bank profit after tax	110	114	154	(3.5)	(28.6)

Ratios and statistics

	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
	%	%	%
Net interest margin (interest earning assets)	1.83	1.84	1.76
Net interest (lending assets)	2.10	2.10	2.01
Cost to income ratio	52.99	51.35	49.67
Impairment losses to gross loans and advances	0.22	0.26	0.01
Impairment losses to risk weighted assets	0.42	0.51	0.02
Deposit to core loan ratio	70.05	71.11	68.98

Consolidated financial results

for the half year ended 31 December 2010

Core Bank

Loans, advances and other receivables

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Housing loans	25,954	23,904	23,756	8.6	9.3
Securitised housing loans	4,510	5,202	4,638	(13.3)	(2.8)
Total housing loans	30,464	29,106	28,394	4.7	7.3
Consumer loans	557	569	596	(2.1)	(6.5)
Retail loans	31,021	29,675	28,990	4.5	7.0
Commercial (SMEs)	4,374	4,273	4,147	2.4	5.5
Agribusiness	3,371	3,397	3,440	(0.8)	(2.0)
Business loans	7,745	7,670	7,587	1.0	2.1
Total lending	38,766	37,345	36,577	3.8	6.0
Other receivables ⁽¹⁾	137	111	451	23.4	(69.6)
Gross banking loans, advances and other receivables	38,903	37,456	37,028	3.9	5.1
Provision for impairment	(123)	(102)	(79)	20.6	55.7
Loans, advances and other receivables	38,780	37,354	36,949	3.8	5.0
Risk weighted assets	20,455	19,488	19,002	5.0	7.6

⁽¹⁾ Other receivables are primarily collateral deposits provided to derivative counterparties.

Total Core Bank lending was \$38.8 billion at 31 December 2010, an increase of 3.8% during the half year.

Market conditions remained subdued, with lower levels of system growth across all categories. Higher interest rates, increased wholesale funding costs and general de-leveraging continued, reducing home loan growth levels and small business growth.

The positive momentum in home lending growth achieved during the latter part of the 2010 financial year continued into this half. The Bank continued to focus on advertising and promotion at the local level and achieved home lending growth of 4.7% for the half year, representing 1.5 times system growth levels (as measured by the RBA).

Growth conditions are expected to remain difficult over coming months with recent flooding events and storms likely to reduce overall housing activity in Queensland in the short-term. Strong growth levels are emerging in New South Wales and Victoria as the Bank continues to utilise the intermediary channel to supplement growth.

Personal Lending

Housing lending

Home loan receivables, including securitised assets grew 4.7% over the half.

The strong growth momentum that emerged late in the previous period continued during the half. Distribution expansion in New South Wales and Western Australia, complemented by competitive offerings and increased marketing activity, has resulted in growth being maintained at above system levels.

Consumer lending

Consumer lending decreased 2.1% over the half. Consumers remain cautious in taking on new debt, with a focus on repaying existing debt.

Business Lending

Business lending conditions were generally weak but with some positive signs beginning to emerge late in the half. Competitive price offerings and a further focus on staff development resulted in some increase in the pipeline late into the half.

Core Bank business lending assets increased 1% over the half.

Commercial (SME)

Commercial loans to small to medium business increased 2.4% during the half year.

Difficult trading conditions continued, with customers delaying investments and focusing on paying down debt. The Bank maintained its focus on the SME segment with the expansion of regional business banking centres and local area marketing to increase presence and brand awareness. Strong deposit and transactional banking growth during the previous period have enabled expansion into all service offerings, including loans in the sub \$20 million category.

Continuing growth in branches and business banking centres, along with the increase in dedicated SME specialists in branch, provide the Bank with emerging growth momentum in this core market.

Agribusiness

The agribusiness portfolio reduced by 0.8% over the half. Agribusiness customers began the half with renewed optimism, restocking and taking opportunities to reduce debt levels. The higher Australian dollar reduced some returns in what was generally an improved trading environment. Customers continued to focus on existing commitments without needing to increase debt levels.

Recent flooding and storm activity in Queensland is likely to have a short-term impact on some agribusiness customers. Suncorp continues to increase its presence in regional communities and remains committed and well placed to support customers as they capitalise on the medium to long-term benefits the high rainfall will have on productive capacity.

Consolidated financial results

for the half year ended 31 December 2010

Core Bank

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Retail funding					
<i>Retail deposits</i>					
Transaction	5,238	5,051	5,646	3.7	(7.2)
Investment	3,651	3,670	3,990	(0.5)	(8.5)
Term	14,702	14,518	12,874	1.3	14.2
Core retail deposits	23,591	23,239	22,510	1.5	4.8
Retail treasury deposits	3,564	3,318	2,721	7.4	31.0
Total retail funding	27,155	26,557	25,231	2.3	7.6
Wholesale funding					
<i>Domestic funding sources</i>					
Short-term wholesale	5,703	6,378	4,493	(10.6)	26.9
Long-term wholesale	919	323	525	184.5	75.0
Subordinated notes	309	289	375	6.9	(17.6)
Reset preference shares	95	60	78	58.3	21.8
Convertible preference shares	476	303	390	57.1	22.1
	7,502	7,353	5,861	2.0	28.0
<i>Overseas funding sources ⁽¹⁾</i>					
Short-term wholesale	2,165	982	1,489	120.5	45.4
Long-term wholesale	1,120	735	1,472	52.4	(23.9)
Subordinated notes	452	335	442	34.9	2.3
	3,737	2,052	3,403	82.1	9.8
Total wholesale funding	11,239	9,405	9,264	19.5	21.3
Total funding (excluding securitisation)	38,394	35,962	34,495	6.8	11.3
Securitised funding					
APS 120 qualifying	1,998	3,338	2,902	(40.1)	(31.2)
APS 120 non-qualifying	2,140	1,568	1,806	36.5	18.5
Total securitised funding	4,138	4,906	4,708	(15.7)	(12.1)
Total funding (including securitisation)	42,532	40,868	39,203	4.1	8.5
Total funding is represented on the balance sheet by:					
Deposits	27,155	26,557	25,231	2.3	7.6
Short-term borrowings	7,868	7,360	5,982	6.9	31.5
Securitisation liabilities	4,138	4,906	4,708	(15.7)	(12.1)
Bonds, notes and long-term borrowings	2,039	1,058	1,997	92.7	2.1
Subordinated notes	761	624	817	22.0	(6.9)
Preference shares	571	363	468	57.3	22.0
Total	42,532	40,868	39,203	4.1	8.5
Deposit to core loan ratio	70.05%	71.11%	68.98%		

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

Retail funding

Core retail deposits grew 1.5% for the half. The Bank's deposit to core lending ratio remained at the upper end of the target range at 70% at December 2010. The Bank moderated deposit growth to match lending growth during the half, improving margins while maintaining an attractive price proposition. The Bank continues to focus on attracting customers through its differentiated customer value proposition and on acquiring MFI customers.

The targeted expansion of the branch network in Queensland, Western Australia and New South Wales, along with the expansion of the ATM network and customer service improvements, has increased the Bank's reach and future growth opportunities. In addition to opening five new branches during the half, business banking operations in a range of regional centres were expanded to include personal banking facilities.

Wholesale funding

The Bank has maintained its conservative approach to liquidity management with stable liquid asset balances and a strong wholesale funding profile.

With the Bank operating at the top of its target deposit to core lending ratio and slowing levels of system growth, the Bank has been selective in undertaking wholesale funding as opportunities have arisen.

Wholesale funding activities undertaken during the half included the re-establishment of Suncorp's US Commercial Paper program following interest expressed by investors in new Australian bank credit. Target issuance is expected to be up to A\$2 billion. Total offshore short-term wholesale funding will be kept at low levels to avoid reliance on markets considered less stable for Australian issuers in times of dislocation.

Term wholesale funding undertaken during the half centered on Suncorp's first unguaranteed domestic senior unsecured transaction since May 2008. The Bank moved to capitalise on strong domestic investor demand following Standard & Poor's ratings upgrade to 'A+' in October 2010. A transaction, initially sized at \$500 million, was increased to \$900 million to accommodate investor demand. The success of this transaction means that Suncorp has minimal term funding requirements and only \$750 million is planned to be completed in the second half of the financial year.

Following investor support in both senior term funding and RMBS in 2010, Suncorp has the ability to access multiple term wholesale markets. The Bank can now afford to target those markets which offer the best transaction execution and investor diversification.

Wholesale funding including securitisation maturity profile

	DEC-10	JUN-10	DEC-09 ⁽¹⁾	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Maturity					
0 to 3 months	7,413	7,118	5,900	4.1	25.6
3 to 12 months	2,089	2,263	1,921	(7.7)	8.7
1 to 3 years	4,719	3,220	3,848	46.6	22.6
3+ years	1,156	1,710	2,303	(32.4)	(49.8)
Total wholesale funding	15,377	14,311	13,972	7.4	10.1

⁽¹⁾ Comparative information has been restated to be consistent with current accounting treatment to additionally include subordinated notes, reset preference shares and convertible preference shares.

Net interest income

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Interest revenue lending assets	1,376	1,257	1,160	9.5	18.6
Interest revenue other assets ⁽¹⁾	161	131	107	22.9	50.5
Interest expense deposits and funding	(1,123)	(994)	(886)	13.0	26.7
	414	394	381	5.1	8.7
Interest expense preference shares	(14)	(12)	(10)	16.7	40.0
Net interest income	400	382	371	4.7	7.8
Net interest margin (interest earning assets)	1.83%	1.84%	1.76%		
Net interest margin (lending assets)	2.10%	2.10%	2.01%		

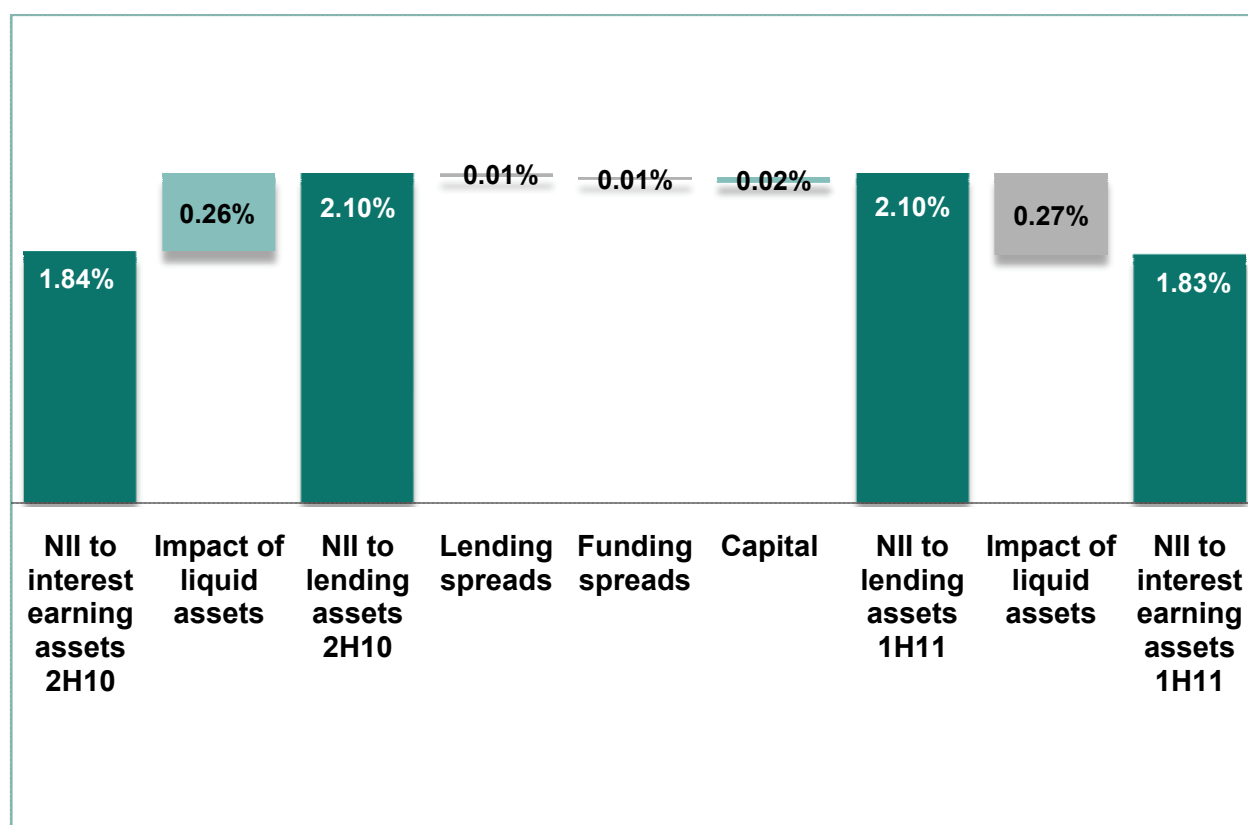
⁽¹⁾ Includes liquid asset portfolio.

Net interest income for the half was 7.8% higher than the December 2009 half year at \$400 million, driven by higher asset balances and an improved margin outcome. The higher weighted average cost of funding has been offset by a higher yield curve, improved deposit pricing and mix, as well as increases to home and business lending rates.

The net interest margin as measured against average lending assets was steady at 2.10% for the half, while the net interest margin as measured against average interest earning assets was 1.83%.

The extent of the difference between the two ratios reflects the Bank's conservative approach to liquidity management, with higher liquid asset balances than the industry average, diluting the margin on average interest earnings assets. It is important to note that the impact and associated cost of holding liquid assets is factored into both measures. As such, the margin on lending assets is a better reflection of the total profitability of the Bank against its customer franchise.

Whilst funding cost increases continue to flow through the balance sheet, the Bank's strong liquidity and funding position enabled it to focus on improving the quality and cost composition of its retail deposit base, whilst maintaining a 70% deposit to core loan ratio. This supported the net interest margin result over the period.



Lending spreads were relatively constant for the half, with a net reduction of one basis point. Changes in the mix of the lending portfolio contributed to the small decline in lending spreads.

Funding spreads resulted in a one basis point decrease in margin for the half. Downward pressure on the margin resulted from continued competition in deposit markets plus the flow-through effect of the official interest rate rises which occurred in the prior half as the fixed rate deposit portfolio continued to reprice upwards at rollover. These downward pressures were offset by repricing and portfolio mix initiatives undertaken by the Bank to manage funding costs.

These impacts were offset by the increase in interest rates which occurred in the latter part of the half, increasing the free funding benefit of capital.

Consolidated financial results

for the half year ended 31 December 2010

Core Bank

Net banking fee income

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Net lending fees	4	7	10	(42.9)	(60.0)
Transaction fees	28	39	40	(28.2)	(30.0)
Interchange fees	10	9	8	11.1	25.0
	42	55	58	(23.6)	(27.6)

Net banking fee income was \$42 million for the half year with low fee lending offers and reductions in deposit fees as customers have switched to low fee transaction accounts.

Other operating revenue

Net mark-to-market gains for the half were \$7 million.

As part of its ordinary balance sheet management operations, the Bank purchases liquid assets and uses short-dated hedging instruments for interest rate risk management purposes that do not qualify for hedge accounting and are accounted for on a mark-to-market basis. These instruments are often held to maturity and as such will unwind, with the impact realised in net interest income until maturity.

The movement in the unrealised mark-to-market position on these balance sheet management instruments during the period is as follows:

Unrealised mark-to-market movement

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Balance at the beginning of the half year	7	19	(1)	(63.2)	n/a
Unwind to net interest income	1	(8)	4	n/a	(75.0)
Unrealised gains for the period	-	(4)	16	(100.0)	(100.0)
Balance at the end of the half year	8	7	19	14.3	(57.9)

Expected unwind profile

	JUN-11	DEC-11	JUN-12	DEC-12
	\$M	\$M	\$M	\$M
Balance at the beginning of the half year	8	5	3	1
Movement future periods	(3)	(2)	(2)	(1)
Balance at the end of the half year	5	3	1	-

Operating expenses

Operating expenses for the half year were \$239 million, resulting in a Core Bank cost to income ratio of 53.0%.

During the half the Bank continued its investment in the business. Increases in front line staff, new branch openings and advertising and promotions were partially offset by savings through servicing and administration costs.

Impairment losses on loans and advances

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Collective provision for impairment	18	32	(19)	(43.8)	n/a
Specific provision for impairment	25	(3)	4	n/a	large
Actual net write-offs	-	20	17	(100.0)	(100.0)
	43	49	2	(12.2)	large
Impairment losses to risk weighted assets	0.42%	0.51%	0.02%		

Impairment losses on loans and advances in the Core Bank were \$43 million for the half year. Included in the impairment losses for loans is a \$25 million allowance for recent flood events.

Excluding the allowance for flood impacts and the impact of methodology changes in the previous half, underlying impairment losses have decreased significantly from 40 to 17 basis points. Economic conditions have further stabilised as housing arrears have improved and unemployment levels reduced.

This \$25 million collective provision has been determined to allow for the credit quality deterioration of the portfolio for both direct and indirect impacts of the flood events in Queensland. Whilst actual historical loss experience from natural hazard events is immaterial, the Bank took a prudent approach given the scale of the dislocation.

The provision includes an allowance for internal credit rating portfolio downgrades and assesses various factors including location, insurance coverage, severity of loss, mortgage insurance and loan equity levels. While actual losses are not expected to be known for some time, adequate provision has been established.

Total movement in Core Bank specific provisions was \$25 million for the half as impaired assets moved through the cycle. New provisions continue to be weighted towards SME and Agribusiness accounts.

Impaired assets

Impaired asset balances have increased \$29 million over the half. Trading conditions are mixed across the portfolio with some Agribusiness and SME customers still experiencing the impact of previous disruptions.

Impaired asset balances

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Gross balances of individually impaired loans					
with specific provisions set aside	179	150	142	19.3	26.1
without specific provisions set aside	-	-	-	n/a	n/a
Gross impaired assets	179	150	142	19.3	26.1
Specific provision for impairment	(40)	(37)	(46)	8.1	(13.0)
Net impaired assets	139	113	96	23.0	44.8
Size of gross impaired assets					
Less than one million	12	15	22	(20.0)	(45.5)
Greater than one million but less than ten million	111	101	97	9.9	14.4
Greater than ten million	56	34	23	64.7	143.5
	179	150	142	19.3	26.1
Past due loans not shown as impaired assets	224	241	172	(7.1)	30.2
Gross non-performing loans	403	391	314	3.1	28.3
Interest income on impaired assets recognised in the contribution to profit	1	1	1	-	-
Analysis of movements in gross impaired assets					
Balance at the beginning of the half year	150	142	145	5.6	3.4
Recognition of new impaired assets	78	39	35	100.0	122.9
Increases in previously recognised impaired assets	2	3	9	(33.3)	(77.8)
Impaired assets written off/sold during the half year	(12)	(12)	(13)	-	(7.7)
Impaired assets which have been restated as performing assets or repaid	(39)	(22)	(34)	77.3	14.7
Balance at the end of the half year	179	150	142	19.3	26.1

Provision for impairment

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Collective provision					
Balance at the beginning of the period	65	33	52	97.0	25.0
Charge against contribution to profit	18	32	(19)	(43.8)	n/a
Balance at the end of the period	83	65	33	27.7	151.5
Specific provision					
Balance at the beginning of the period	37	46	42	(19.6)	(11.9)
Charge against impairment losses	25	9	17	177.8	47.1
Specific provision used	(17)	(12)	(13)	41.7	30.8
Charge against interest income	(5)	(6)	-	(16.7)	n/a
Balance at the end of the period	40	37	46	8.1	(13.0)
Total provision for impairment - Banking activities	123	102	79	20.6	55.7
Equity reserve for credit loss					
Balance at the beginning of the period	84	55	62	52.7	35.5
Transfer (to)/from retained earnings	(12)	29	(7)	n/a	71.4
Balance at the end of the period	72	84	55	(14.3)	30.9
Pre-tax equivalent coverage	103	120	79	(14.2)	30.4
Total provision for impairment and equity reserve for credit loss coverage - Core Banking activities	226	222	158	1.8	43.0
	%	%	%		
Provision for impairment expressed as a percentage of gross impaired assets are as follows:					
Collective provision	46.37	43.33	23.24		
Specific provision	22.35	24.67	32.39		
Total provision	68.72	68.00	55.63		
Equity reserve for credit loss coverage	57.54	80.00	55.63		
Total provision and equity reserve for credit loss coverage	126.26	148.00	111.27		

Consolidated financial results

for the half year ended 31 December 2010

Core Bank

Average banking balance sheet

	HALF YEAR ENDED DEC-10			HALF YEAR ENDED JUN-10		
	AVERAGE	INTEREST	AVERAGE	AVERAGE	INTEREST	AVERAGE
	BALANCE		RATE	BALANCE		RATE
	\$M	\$M	%	\$M	\$M	%
ASSETS						
Interest earning assets						
Trading and Investment securities	5,490	161	5.82	5,224	131	5.06
Gross loans, advances and other receivables	37,811	1,376	7.22	36,658	1,257	6.91
Other interest earning assets	-	-	-	-	-	n/a
Total interest earning assets	43,301	1,537	7.04	41,882	1,388	6.68
Non-interest earning assets						
Other assets (inc. loan provisions)	855			464		
Total non-interest earning assets	855			464		
TOTAL ASSETS	44,156			42,346		
LIABILITIES						
Interest bearing liabilities						
Retail deposits	27,004	706	5.19	26,039	626	4.85
Wholesale liabilities	13,557	402	5.88	13,147	354	5.43
Debt capital	1,043	29	5.52	1,001	26	5.24
Total interest bearing liabilities	41,604	1,137	5.42	40,187	1,006	5.05
Non-interest bearing liabilities						
Other liabilities	950			782		
Total non-interest bearing liabilities	950			782		
TOTAL LIABILITIES	42,554			40,969		
Analysis of interest margin and spread						
Interest earning assets	43,301	1,537	7.04	41,882	1,388	6.68
Interest bearing liabilities	41,604	1,137	5.42	40,187	1,006	5.05
Net interest spread			1.62			1.63
Net interest margin (interest earning assets)	43,301	400	1.83	41,882	382	1.84
Net interest margin (lending assets)	37,811	400	2.10	36,658	382	2.10

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Segment Information – Non-core Bank

Result overview

The key priority in the Non-core Bank continues to be the responsible run-off of the portfolio in a manner that maximises the amount of distributable capital that can be returned to the Group.

Gross loans and advances in the Non-core Bank reduced by \$2.8 billion over the half year to \$9.8 billion at 31 December 2010. This continued strong run-off was achieved across all segments.

The Bank continues to explore opportunities for sale of individual loans as well as selected portfolios of loans. Conditions have improved, with investors and financiers returning to the market, thereby stabilising prices and increasing opportunities for sale and refinance.

The Bank has maintained its strategy of match funding the non-core book, enabling a reduction in funding risk through to portfolio maturity. The Bank currently holds excess liquid assets over prudential requirements which has enabled the comfortable repayment of significant funding maturities occurring during the half year. The Bank is also well positioned to meet any regulator imposed requirements to strengthen liquidity reserves across the industry.

The significant holding of liquid assets and an overall increase in the weighted average cost of funding continue to have a material impact on the non-core net interest margin. Partially offsetting this impact, the Bank has continued to reprice facilities for risk and increased funding costs where contractually possible.

Non-core impaired assets increased to \$2.3 billion at 31 December 2010. Six new accounts were individually impaired during the half in the Development Finance and Property Investment segments. Improvement in market conditions across the sectors has allowed some resolution of accounts. Where new problems are emerging they generally relate to individual exposures where projects reach completion and refinancing and sale is required.

Non-core impairment losses for the half year were \$170 million, a reduction of 37.5% on the December 2009 half, with a significant improvement in the December 2010 quarter. A collective provision of \$10 million has been established to account for potential credit quality deterioration that might arise in the non-core lending portfolios due to the recent flooding events in Queensland.

Outlook

Good success has been achieved in portfolio run-off activities in the performing part of the portfolio. Conditions suggest this should continue, although risks remain and the balance sheet funding and liquidity position has been set to provide a buffer to any slowdown.

The trend in impairment losses is positive, however, the book has a high concentration of large exposures and as such risk exists due to its lumpy nature.

The release of capital from the portfolio has gained momentum over the half and this is expected to continue.

Profit contribution – Non-core Bank

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Net interest income	38	80	95	(52.5)	(60.0)
Non-interest income					
Net banking fee income	21	21	21	-	-
Other income	(2)	(6)	(1)	(66.7)	100.0
Total non-interest income	19	15	20	26.7	(5.0)
Total income	57	95	115	(40.0)	(50.4)
Operating expenses	(40)	(41)	(54)	(2.4)	(25.9)
Profit before impairment losses on loans and advances	17	54	61	(68.5)	(72.1)
Impairment losses on loans and advances	(170)	(156)	(272)	9.0	(37.5)
Non-core Bank profit/(loss) before tax	(153)	(102)	(211)	50.0	(27.5)
Income tax	46	28	61	64.3	(24.6)
Non-core Bank profit/(loss) after tax	(107)	(74)	(150)	44.6	(28.7)

Ratios and statistics

	HALF YEAR ENDED		
	DEC-10 %	JUN-10 %	DEC-09 %
Net interest margin (interest earning assets)	0.36	0.71	0.78
Net interest (lending assets)	0.67	1.10	1.13
Cost to income ratio	70.18	43.16	46.96
Impairment losses to gross loans and advances	2.79	2.19	3.15
Impairment losses to risk weighted assets	3.07	2.48	3.39

Loans, advances and other receivables

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Corporate	1,971	2,548	3,004	(22.6)	(34.4)
Development finance	3,229	4,286	5,579	(24.7)	(42.1)
Property investment	4,021	4,961	5,909	(18.9)	(32.0)
Lease finance	599	843	1,153	(28.9)	(48.0)
Non-core portfolio	9,820	12,638	15,645	(22.3)	(37.2)
Other receivables ⁽¹⁾	2,288	1,724	1,508	32.7	51.7
Gross banking loans, advances and other receivables	12,108	14,362	17,153	(15.7)	(29.4)
Provision for impairment	(479)	(570)	(741)	(16.0)	(35.4)
Loans, advances and other receivables	11,629	13,792	16,412	(15.7)	(29.1)
Risk weighted assets	10,987	12,661	15,932	(13.2)	(31.0)

⁽¹⁾ Other receivables are primarily collateral deposits provided to derivative counterparties.

Non-core loans reduced 22.3% or \$2.8 billion during the half to \$9.8 billion.

The Bank has continued to achieve successful run-off of the non-core portfolio across all sectors. Investors and financiers for property assets continue to return to the market, thereby stabilising prices and increasing opportunities for orderly sale and refinance. The property and development finance market continues to show positive signs with an increase in sales and refinancing opportunities.

Business Portfolios

Corporate lending

The corporate lending book has continued to run-off ahead of expectations, reducing by 22.6% over the half to \$2 billion.

The return of confidence to funding markets, combined with increased investor activity, has enabled solid run-off over the period. Opportunities for customers to sell underlying assets or refinance with other financiers have continued to develop. Appetite remains exposure-specific.

Development finance

The balance of Development Finance loans continued to decline over the half, reducing 24.7% to \$3.2 billion.

Conditions in development finance markets remained stable during the half. Surplus levels of existing commercial properties, combined with static business confidence, has resulted in reduced appetite for new property. Sale opportunities continue for completed projects, particularly in attractive locations at the sub \$30 million level.

Some customers have been able to complete asset sales to reduce leverage levels, enabling them to refinance with other institutions.

With recent flooding throughout south-east Queensland, delays to property completion and sales are anticipated.

Property investment

Property investment includes assets such as shopping centres, commercial offices, and industrial warehouses and excludes construction projects.

Property investment loans reduced 18.9% during the half to \$4.0 billion.

With a stabilising market outlook and vacancy rates continuing at relatively low rates, appetite has slowly continued to improve for investors and financiers, although loan to valuation ratios following property price depreciation serves to constraints refinance activity. As conditions improve, purchasers are showing interest in acquiring quality properties in strong locations.

Lease finance

In line with the natural portfolio amortisation, the lease finance receivables balance reduced by 28.9% for the half, to \$599 million.

Consolidated financial results

for the half year ended 31 December 2010

Non-core Bank

Funding

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Wholesale funding					
<i>Domestic funding sources</i>					
Short-term wholesale	1,574	303	2,782	419.5	(43.4)
Long-term wholesale	4,962	4,709	4,829	5.4	2.8
Subordinated notes	162	403	321	(59.8)	(49.5)
Reset preference shares	50	84	66	(40.5)	(24.2)
Convertible preference shares	250	422	333	(40.8)	(24.9)
	6,998	5,921	8,331	18.2	(16.0)
<i>Overseas funding sources ⁽¹⁾</i>					
Short-term wholesale	598	47	830	large	(28.0)
Long-term wholesale	6,041	11,277	10,768	(46.4)	(43.9)
Subordinated notes	237	465	374	(49.0)	(36.6)
	6,876	11,789	11,972	(41.7)	(42.6)
Total funding (excluding securitisation)	13,874	17,710	20,303	(21.7)	(31.7)
Securitised funding					
APS 120 qualifying	-	-	-	n/a	n/a
APS 120 non-qualifying	-	-	-	n/a	n/a
Total securitised funding	-	-	-	n/a	n/a
Total funding (including securitisation)	13,874	17,710	20,303	(21.7)	(31.7)
Total funding is represented on the balance sheet by:					
Short-term borrowings	2,172	350	3,612	large	(39.9)
Securitisation liabilities	-	-	-	n/a	n/a
Bonds, notes and long-term borrowings	11,003	15,986	15,597	(31.2)	(29.5)
Subordinated notes	399	868	695	(54.0)	(42.6)
Preference shares	300	506	399	(40.7)	(24.8)
Total funding (including securitisation)	13,874	17,710	20,303	(21.7)	(31.7)

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

Wholesale funding including securitisation maturity profile

	DEC-10	JUN-10	DEC-09 ⁽¹⁾	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Maturity					
0 to 3 months	2,301	444	3,027	418.2	(24.0)
3 to 12 months	4,508	7,111	4,846	(36.6)	(7.0)
1 to 3 years	7,007	6,526	8,678	7.4	(19.3)
3+ years	58	3,629	3,752	(98.4)	(98.5)
Total wholesale funding	13,874	17,710	20,303	(21.7)	(31.7)

⁽¹⁾ Comparative information has been restated to be consistent with current accounting treatment to additionally include subordinated notes, reset preference shares and convertible preference shares.

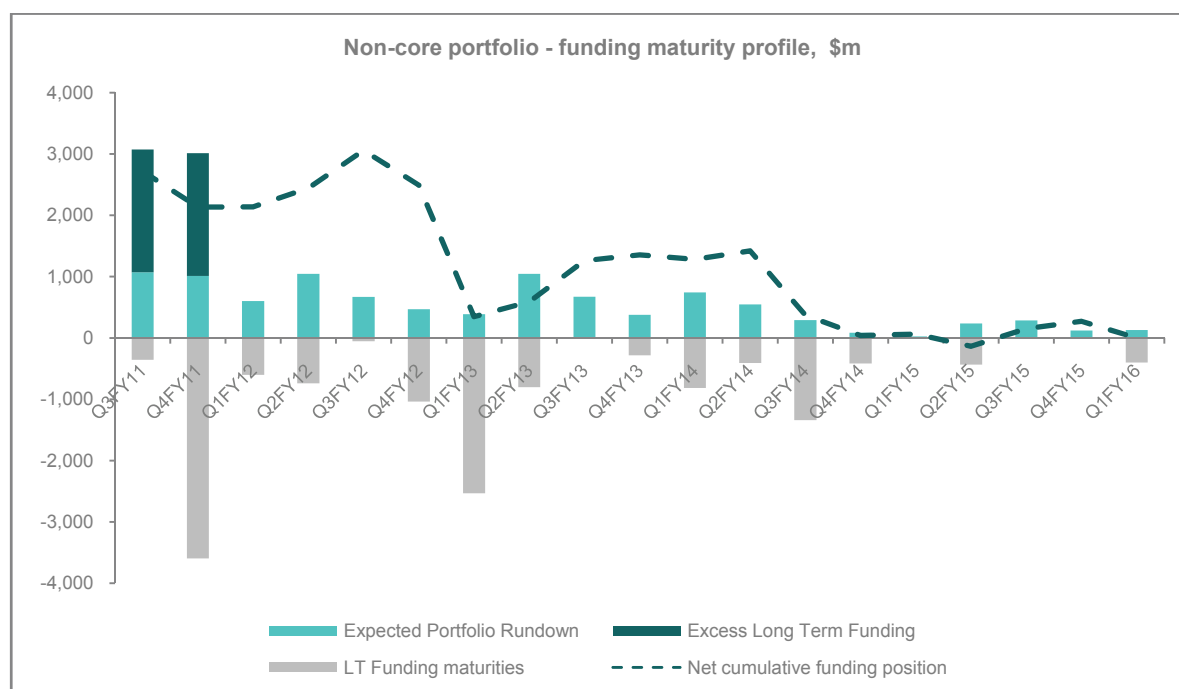
The Bank has maintained its strategy of match funding the non-core book, enabling a reduction in funding risk through to portfolio maturity.

Total wholesale funding across the Bank has been apportioned to the core and non-core portfolios, enabling the separate management of balance sheet and funding risk. The asset maturity of the non-core portfolio has been modelled based upon expected run-off over time, taking into account individual account management plans and repayment profiles. From this, a liability profile has been constructed based on the following principles:

- The non-core portfolio is to be positively funded to maturity;
- Short-term funding is to fund liquid assets only; and
- Liquid assets are to be maintained to ensure adequate pay down of maturities as and when they occur.

These principles have allowed the Bank to match fund the non-core portfolio to maturity, reducing refinancing risk and allowing flexibility to repay debt when required.

The chart below illustrates the cumulative funding position of the Non-core Bank, showing that the portfolio remains positively funded to maturity.



The Bank repaid a significant funding maturity in December 2010 with another significant series of maturities scheduled in the fourth quarter of the 2011 financial year. The Bank currently holds excess liquid assets over prudential requirements that effectively pre-fund these maturities.

The significant holding of liquid assets to pre-fund wholesale maturities and the cost of holding excess liquid assets funded by long-term liabilities, continues to have a significant impact on the non-core net interest margin. As these long-term funding maturity windows are repaid, the short-term liquid assets will be funded from less expensive short-term wholesale funding.

Net interest income

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Interest revenue lending assets	447	530	527	(15.7)	(15.2)
Interest revenue other assets	230	169	143	36.1	60.8
Interest expense deposits and funding	(630)	(610)	(566)	3.3	11.3
	47	89	104	(47.2)	(54.8)
Interest expense preference shares	(9)	(9)	(9)	-	-
Net interest income	38	80	95	(52.5)	(60.0)
Net interest margin (interest earning assets)	0.36%	0.71%	0.78%		
Net interest margin (lending assets)	0.67%	1.10%	1.13%		

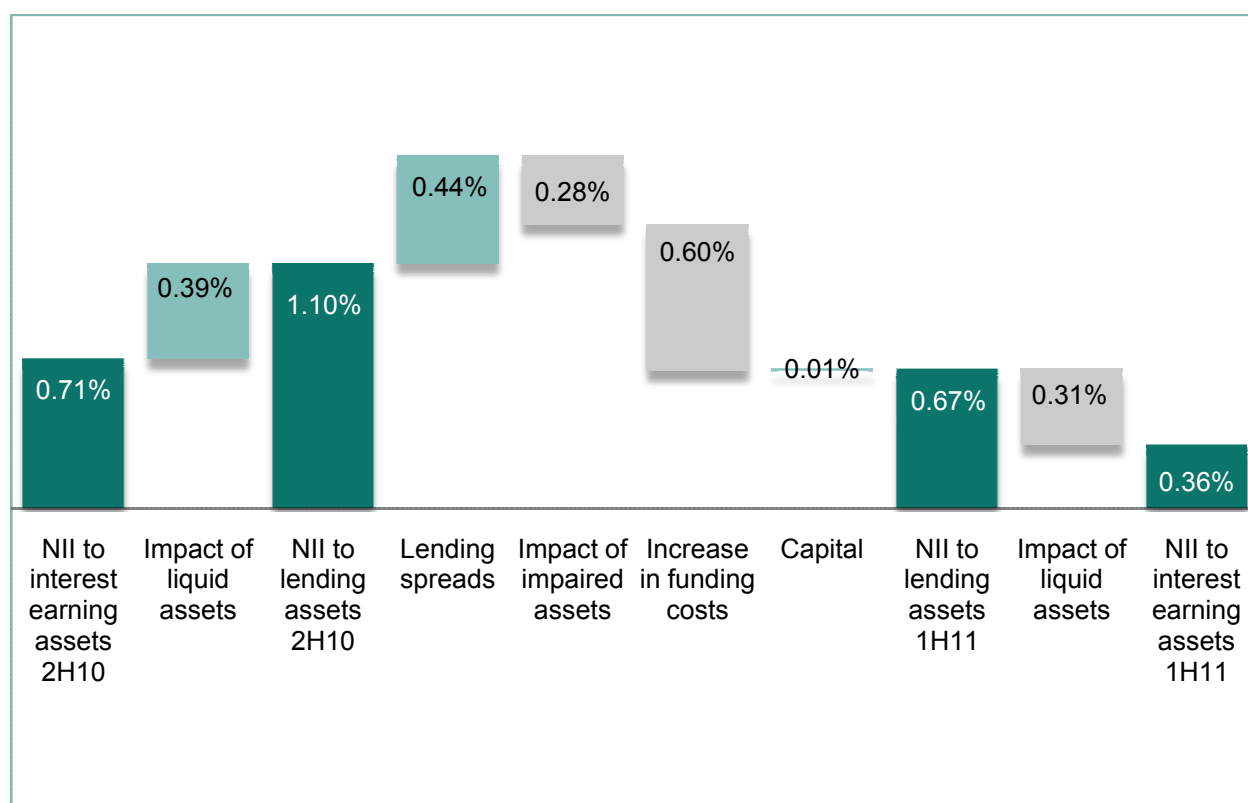
Net interest income was \$38 million for the half year and was impacted by continued higher costs of long-term wholesale funding and declining non-core balances.

The Bank's strategy to de-risk the funding profile of the non-core book by match funding to maturity has resulted in higher funding costs across the non-core book.

The Bank continues to run down the non-core portfolio ahead of expectations, with lower average balances reducing net interest income over the year. The Bank also has a higher ratio of impaired assets in the portfolio, where interest is not brought to account. This has a significant impact on net interest income and will continue to do so until the market for realisation of these exposures improves further.

For the half year to December 2010, the net interest margin as measured against average interest earning assets was 0.36%, while the net interest margin as measured against average lending assets was 0.67%.

The extent of the difference between the two ratios reflects the Bank's conservative approach to liquidity management, with higher liquid asset balances diluting the margin on average interest earnings assets, however the cost impact of holding liquid assets is factored into both measures.



Increased funding costs have, where possible, been repriced into the non-core lending assets, resulting in an increase in lending spreads of 44 basis points. The Bank continued to reprice facilities for risk and increased funding costs where contractually possible.

The run-off of the non-core lending portfolio has resulted in a change in the mix of the asset portfolio, with the impaired asset portfolio representing a larger proportion of the reducing book. This, along with the absolute increase in yield curve interest rates as a result of the increase in official rates, has magnified the margin impact of the impaired asset portfolio, where interest is not brought to account. The impaired asset portfolio contributed an additional 28 basis point reduction in the net interest margin.

Funding costs increased by 60 basis points during the half. Whilst no new term debt was issued for the non-core portfolio, the faster than expected run-off of the non-core lending portfolio led to a change in the mix of funding, with short-term wholesale debt reduced from the surplus cash. This combined with the maturities of older debt issued in more favourable debt markets and resulted in an overall increase in the weighted average cost of funding for the non-core portfolio.

Consistent with the de-risking of the portfolio and increase in capital allocated to the non-core portfolio, along with higher yield curve interest rates, the margin benefited by 1 basis point as a result of the 'free-funding' benefit of capital.

Consolidated financial results

for the half year ended 31 December 2010

Non-core Bank

Net banking fee income

	HALF YEAR ENDED		DEC-09	DEC-10	DEC-10
	DEC-10	JUN-10		vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Net lending fees	20	20	19	-	5.3
Transaction fees	1	1	2	-	(50.0)
	21	21	21	-	-

Net banking fee income was \$21 million for the half.

It is expected that future non-core fee income will reduce in line with receivables balances.

Operating expenses

Operating expenses of the non-core portfolio were \$40 million for the half to 31 December 2010.

The Bank has continued its program of cost extraction in line with portfolio run-off. This program has reduced the cost base associated with the management of the non-core portfolio, namely direct management and servicing costs. It is anticipated that this cost management program will continue until the end of 2013, albeit on a lagged profile compared to the portfolio amortisation.

While the Bank has continued its cost extraction program for the non-core portfolio, this has been offset by several one-off costs associated with Group projects designed to simplify the business.

Impairment losses on loans and advances

	HALF YEAR ENDED		DEC-09	DEC-10	DEC-10
	DEC-10	JUN-10		vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Collective provision for impairment	(31)	(54)	(40)	(42.6)	(22.5)
Specific provision for impairment	191	(57)	155	n/a	23.2
Actual net write-offs	10	267	157	(96.3)	(93.6)
	170	156	272	9.0	(37.5)
Impairment losses to risk weighted assets	3.07%	2.48%	3.39%		

Impairment losses on non-core loans and advances were \$170 million for the half, a reduction of 37.5% on the December 2009 half year.

An increase in collective provisions of \$10 million has been established in the non-core portfolio to allow for recent flooding events in Queensland.

Assets continue to work through the cycle, moving from collective provisioning to specific and in some cases to write-off. Impairment charges continue to be focused on the property and development portfolios. Reductions in valuations and extended work-out periods continue to increase impairment costs.

Impaired asset balances

	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Gross balances of individually impaired loans					
with specific provisions set aside	2,337	1,972	2,077	18.5	12.5
without specific provisions set aside	-	-	-	n/a	n/a
Gross impaired assets	2,337	1,972	2,077	18.5	12.5
Specific provision for impairment	(374)	(434)	(551)	(13.8)	(32.1)
Net impaired assets	1,963	1,538	1,526	27.6	28.6
Size of gross impaired assets					
Less than one million	16	39	33	(59.0)	(51.5)
Greater than one million but less than ten million	229	243	211	(5.8)	8.5
Greater than ten million	2,092	1,690	1,833	23.8	14.1
	2,337	1,972	2,077	18.5	12.5
Past due loans not shown as impaired assets	107	103	123	3.9	(13.0)
Gross non-performing loans	2,444	2,075	2,200	17.8	11.1
Interest income on impaired assets recognised in the contribution to profit	-	-	-	n/a	n/a
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	1,972	2,077	1,329	(5.1)	48.4
Recognition of new impaired assets	713	479	1,019	48.9	(30.0)
Increases in previously recognised impaired assets	15	14	25	7.1	(40.0)
Impaired assets written off/sold during the half year	(159)	(237)	(154)	(32.9)	3.2
Impaired assets which have been restated as performing assets or repaid	(204)	(361)	(142)	(43.5)	43.7
Balance at the end of the half year	2,337	1,972	2,077	18.5	12.5

Gross impaired assets in the non-core portfolio increased to \$2.3 billion at December 2010. Past due loans, which are not impaired assets, remained relatively flat at \$107 million.

Six new accounts were individually impaired during the half in the Development Finance and Property Investment segments. Credit issues relating to individual facilities and property security is causing this deterioration.

Market conditions continue to improve across the sectors, allowing some realisation of exposures. Where new problems are emerging they generally relate to individual exposures where projects reach completion and refinancing and sale is required.

It is expected that these conditions will remain for the short-term, adding some period to period volatility to impaired balances. The Bank remains appropriately provisioned and capitalised and is managing impaired asset workouts in a measured way to maximise shareholder value extraction.

Consolidated financial results

for the half year ended 31 December 2010

Non-core Bank

Provision for impairment

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Collective provision					
Balance at the beginning of the period	136	190	230	(28.4)	(40.9)
Charge against contribution to profit	(31)	(54)	(40)	(42.6)	(22.5)
Balance at the end of the period	105	136	190	(22.8)	(44.7)
Specific provision					
Balance at the beginning of the period	434	551	435	(21.2)	(0.2)
Charge against impairment losses	191	169	310	13.0	(38.4)
Specific provision used	(179)	(226)	(155)	(20.8)	15.5
Charge against interest income	(72)	(60)	(39)	20.0	84.6
Balance at the end of the period	374	434	551	(13.8)	(32.1)
Total provision for impairment - Banking activities	479	570	741	(16.0)	(35.4)
Equity reserve for credit loss					
Balance at the beginning of the period	142	236	133	(39.8)	6.8
Transfer (to)/from retained earnings	(52)	(94)	103	(44.7)	n/a
Balance at the end of the period	90	142	236	(36.6)	(61.9)
Pre-tax equivalent coverage	128	203	337	(36.9)	(62.0)
Total provision for impairment and equity reserve for credit loss coverage - Non-core Banking activities	607	773	1,078	(21.5)	(43.7)
	%	%	%		
Provision for impairment expressed as a percentage of gross impaired assets are as follows:					
Collective provision	4.49	6.90	9.15		
Specific provision	16.00	22.01	26.53		
Total provision	20.50	28.90	35.68		
Equity reserve for credit loss coverage	5.52	10.29	16.23		
Total provision and equity reserve for credit loss coverage	26.02	39.20	51.90		

Average banking balance sheet

	HALF YEAR ENDED DEC-10			HALF YEAR ENDED JUN-10		
	AVERAGE	INTEREST	AVERAGE	AVERAGE	INTEREST	AVERAGE
	BALANCE		RATE	BALANCE		RATE
	\$M	\$M	%	\$M	\$M	%
ASSETS						
Interest earning assets						
Financial assets	9,401	231	4.87	7,789	169	4.38
Gross loans, advances and other receivables	11,273	435	7.65	14,610	524	7.23
Other interest earning assets	395	11	5.52	208	6	5.82
Total interest earning assets	21,069	677	6.37	22,607	699	6.24
Non-interest earning assets						
Other assets (inc. loan provisions)	(1,231)			(1,264)		
Total non-interest earning assets	(1,231)			(1,264)		
TOTAL ASSETS	19,838			21,343		
LIABILITIES						
Interest bearing liabilities						
Wholesale liabilities	17,662	619	6.95	18,974	599	6.37
Debt capital	695	20	5.71	804	20	5.02
Total interest bearing liabilities	18,357	639	6.91	19,778	619	6.31
Non-interest bearing liabilities						
Other liabilities	24			27		
Total non-interest bearing liabilities	24			27		
TOTAL LIABILITIES	18,381			19,805		
Analysis of interest margin and spread						
Interest earning assets	21,069	677	6.37	22,607	699	6.24
Interest bearing liabilities	18,357	639	6.91	19,778	619	6.31
Net interest spread			(0.54)			(0.07)
Net interest margin (interest earning assets)	21,069	38	0.36	22,607	80	0.71
Net interest margin (lending assets)	11,273	38	0.67	14,610	80	1.10

Segment Information – Life

Result overview

Suncorp Life is a trans-Tasman life risk specialist with a complementary business in superannuation and investments. Products are distributed through Independent Financial Advisers (IFAs) and directly to customers via Group brands.

Suncorp Life reported an underlying profit after tax of \$71 million for the half year, down 16.5%. Net profit after tax was \$61 million. In-force premium grew to \$801 million and Embedded Value (EV) was up marginally on 30 June 2010 at \$2,410 million. Value of one year's sales (VOYS) was \$40 million for the half.

Life Risk profit after tax was \$38 million down 35.6%. This is comprised of planned profit margin release of \$49 million (up 11.4%), mortality experience of \$1 million and underlying investment income of \$22 million (down 12%). Morbidity experience losses of \$15 million also contribute to the Life Risk profit and relate to higher than expected disability income claims incidence. Claims incidence has been partially offset by early termination of new claims, benefiting from recently implemented specific claims initiatives. Other experience losses were \$19 million, which includes lapse and other persistency experience and an allocation of distribution expenses. Recent lapse losses are largely confined to pockets within legacy products. Life's overall lapse rates remain below market average and progress is being made on its ongoing retention program. Retention for current products remain within expectations.

Suncorp Life has a clear strategy in place as a life insurance specialist with specific focus on:

- Leading the IFA market; and
- Building a direct distribution business of scale.

This is underpinned by a focus on increasing the value of in-force driven by simplification, claims management and retention initiatives.

Significant progress has been made against this strategy with new business sales in both channels up solidly and further simplification of the business with two divestments announced during the reporting period.

Overall Life Risk new business sales increased by 16.7% to \$49 million. Individual Life Risk new business is up 15% to \$46 million reflecting strong momentum in the IFA and direct distribution channels. The Australian IFA channel new business sales were up 12.5% on the back of similar growth at the full year 2010. This improvement has been driven by market leading products, underwriting enhancements and strong Australian Financial Services Licence (AFSL) group engagement.

In the direct channel, sales to the Group's general insurance customer base are gaining traction with three new products and campaigns launched to the Suncorp, GIO and Apia customer bases. There has also been improvement in bank channel performance.

In Superannuation & Investments (S&I), funds under administration (FUA) was up 1.6% over the half to \$12.5 billion. Net profit after tax was \$26 million, up 44.4% reflecting a stable underlying result and improvement in investment income. The S&I result includes an allocation of distribution expenses.

In the recently divested Asset Management business, funds under management (FUM) was flat at \$24.9 billion, with profit down 12.5% to \$7 million.

Market Adjustments, while not impacting underlying performance, impact net profit after tax and are negative by \$10 million. This is largely due to the impact of discount rate movements on policy liabilities.

Suncorp Life's operating expenses increased by 6.2% to \$155 million, in line with in-force premium growth, reflecting the investment in growing the business and realising its strategic goals.

Outlook

While the first half 2010/11 financial result was impacted by adverse experience in claims and lapses, Suncorp Life remains committed to its overall strategy. Suncorp Life will continue to execute against its stated goals of building growth in the IFA and direct channels while focusing on customer retention, claims management, and operational efficiency as key drivers of profitability.

Suncorp Life will continue using the Asteron brand to lead the IFA market and maximise emerging opportunities through specialisation, relationship management, product innovation and delivery. This is proving to be successful with independent recognition as a leading life insurance specialist.

Suncorp Life will continue to leverage the Group customer base in Australia and the Automobile Association (AA) customer base in New Zealand to grow the direct distribution business. Suncorp Life has recently renewed the AA Life contract.

The Sunsuper Group Risk contract will conclude on 1 July 2011. The loss of this business will not have a material impact on the Suncorp Life result or its EV.

In S&I, regulatory change is anticipated to mandate simplification and streamlining of the superannuation industry. The significant simplification program undertaken over the last two years by Suncorp Life to migrate legacy products and consolidate funds, positions the business well to take advantage of the emerging changes.

In line with the strategy to simplify and focus on the core life insurance business, Suncorp Life announced two major transactions during the reporting period. These were the divestments of Tyndall and NZGT. Completion of these transactions is a key focus for the quarter ending 31 March 2011.

Overall, over the next 3 years, Suncorp Life expects to:

- More than double new business volumes;
- Reduce acquisition expenses as a percentage of new business premium;
- Reduce maintenance expenses as a percentage of in-force premium;
- Achieve double digit in-force premium growth including an active focus on retention; and
- Improve disability claims experience.

Driving each of these metrics will enhance profit, improve return on equity and grow EV.

Consolidated financial results

for the half year ended 31 December 2010

Life

Profit contribution

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Life Risk					
Planned profit margin release ⁽¹⁾⁽²⁾	49	47	44	4.3	11.4
Mortality experience	1	5	(1)	(80.0)	n/a
Morbidity experience	(15)	3	3	n/a	n/a
Other experience ⁽²⁾	(19)	(7)	(12)	171.4	58.3
Loss capitalisation	-	1	-	(100.0)	n/a
Underlying investment income	22	25	25	(12.0)	(12.0)
Life Risk	38	74	59	(48.6)	(35.6)
Superannuation & Investments	26	23	18	13.0	44.4
Asset Management	7	6	8	16.7	(12.5)
Total Life underlying profit after tax	71	103	85	(31.1)	(16.5)
Market adjustments					
Annuities market adjustments	3	(3)	6	n/a	(50.0)
Life Risk policy liability discount rate changes ⁽³⁾	(12)	34	(7)	n/a	71.4
Investment income experience ⁽²⁾	(1)	(17)	21	(94.1)	n/a
Market adjustments	(10)	14	20	n/a	n/a
Net profit after tax and including non-controlling interests	61	117	105	(47.9)	(41.9)

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

⁽²⁾ Previous disclosures reported the entire Group Risk result, which is calculated on an accumulation basis, within 'Other experience'. For consistency, the Group Risk result has been presented on a projection basis. Comparatives for Planned profit margin release, Other experience and Investment income experience have been restated to reflect this change.

⁽³⁾ Risk free rates are used to discount Life Risk policy liabilities. Due to deferred acquisition costs there are net negative policy liabilities (an asset). An increase in discount rates leads to a loss whilst a decrease leads to a gain.

Shareholder investment income

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Shareholder investment income on invested assets	29	15	50	93.3	(42.0)
Less underlying investment income:					
Life Risk	(22)	(25)	(25)	(12.0)	(12.0)
Superannuation & Investments	(7)	(6)	(4)	16.7	75.0
Asset Management	(1)	(1)	-	-	n/a
Investment income experience	(1)	(17)	21	(94.1)	n/a

Investment income experience represents the difference between actual shareholder investment income on invested assets and underlying investment income. Underlying investment income has been derived by applying long-term expected earning rates, consistent with those used in the prior periods EV calculations, to actual shareholder assets.

Operating expenses

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Total operating expenses ⁽¹⁾	155	151	146	2.6	6.2

⁽¹⁾ The operating expense definition has been modified to exclude stamp duty and medical fees. Comparatives have been adjusted. Consistent with prior disclosures sales commissions have been excluded.

Statement of financial position

	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Total Assets					
Assets					
Invested assets	4,989	5,018	5,004	(0.6)	(0.3)
Assets backing annuity policies	135	142	138	(4.9)	(2.2)
Assets backing participating policies	2,409	2,290	2,501	5.2	(3.7)
Reinsurance ceded	341	327	311	4.3	9.6
Assets classified as held for sale	118	-	-	n/a	n/a
Other assets ⁽¹⁾	281	286	263	(1.7)	6.8
Goodwill and intangible assets ⁽¹⁾	734	917	944	(20.0)	(22.2)
	9,007	8,980	9,161	0.3	(1.7)
Liabilities					
Payables ⁽¹⁾	159	232	149	(31.5)	6.7
Outstanding claims liabilities	156	141	145	10.6	7.6
Deferred tax liabilities ⁽¹⁾	84	72	104	16.7	(19.2)
Liabilities classified as held for sale	12	-	-	n/a	n/a
Policy liabilities	5,650	5,583	5,888	1.2	(4.0)
Unvested policyholder benefits ⁽²⁾	452	404	452	11.9	-
	6,513	6,432	6,738	1.3	(3.3)
Total Net Assets	2,494	2,548	2,423	(2.1)	2.9
Policyholder assets					
Invested assets	3,646	3,653	3,791	(0.2)	(3.8)
Assets backing annuity policies	135	142	138	(4.9)	(2.2)
Assets backing participating policies	2,409	2,290	2,501	5.2	(3.7)
Deferred tax assets	11	34	12	(67.6)	(8.3)
Other assets ⁽¹⁾	60	58	46	3.4	30.4
	6,261	6,177	6,488	1.4	(3.5)
Liabilities					
Payables	-	-	16	n/a	(100.0)
Policy liabilities	5,809	5,773	6,020	0.6	(3.5)
Unvested policyholder benefits ⁽²⁾	452	404	452	11.9	-
	6,261	6,177	6,488	1.4	(3.5)
Policyholder Net Assets	-	-	-	n/a	n/a
Shareholder Assets					
Assets					
Invested assets	1,343	1,365	1,213	(1.6)	10.7
Reinsurance ceded	341	327	311	4.3	9.6
Assets classified as held for sale	118	-	-	n/a	n/a
Other assets ⁽¹⁾	221	228	217	(3.1)	1.8
Goodwill and intangible assets ⁽¹⁾	734	917	944	(20.0)	(22.2)
	2,757	2,837	2,685	(2.8)	2.7
Liabilities					
Payables ⁽¹⁾	159	232	133	(31.5)	19.5
Outstanding claims liabilities	156	141	145	10.6	7.6
Deferred tax liabilities ⁽¹⁾	95	106	116	(10.4)	(18.1)
Liabilities classified as held for sale	12	-	-	n/a	n/a
Policy liabilities	(159)	(190)	(132)	(16.3)	20.5
	263	289	262	(9.0)	0.4
Shareholder Net Assets	2,494	2,548	2,423	(2.1)	2.9

⁽¹⁾ Certain asset and liability balances in the prior periods have been restated to include acquisition intangible assets and related tax balances allocated to Life as part of the Legal Entity Restructure project.

⁽²⁾ Consists of participating business policyholder retained profits.

Consolidated financial results

for the half year ended 31 December 2010

Life

Invested shareholder assets ⁽¹⁾

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Cash	240	220	232	9.1	3.4
Fixed interest securities	1,006	907	797	10.9	26.2
Equities	91	219	173	(58.4)	(47.4)
Property	5	18	10	(72.2)	(50.0)
Other	1	1	1	-	-
Total	1,343	1,365	1,213	(1.6)	10.7

⁽¹⁾ Excludes assets backing annuity and participating business.

⁽²⁾ The reduction in equity allocation reflects implementation of a de-risked investment strategy for some non-participating liabilities.

Life Risk

Regulatory change and market consolidation has increased the relevance and importance of independent life insurance providers in the IFA market.

Suncorp Life is making significant progress in positioning Asteron as a viable product alternative for institutional owned dealer groups and will continue to pursue this strategy through quality dealer support and competitive offerings.

Asteron has been successful in building its profile as a leading life insurance specialist. It was awarded the 2010 CoreData Life Company of the Year, for the second year running, and was ranked second out of the top 10 insurers for business capability in the 2010 NMG business capability report.

The economic and market environment continues to place pressure on lapses and disability claims. Close attention to claims duration management and customer retention initiatives has mitigated some of this impact. This will continue to be an area of focus for the business.

There is a growing appetite for direct life insurance products and Suncorp Life is in a unique position to capture this opportunity through the Group customer base in Australia and the AA customer base in New Zealand.

Life Risk new business by product

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Term and TPD	18	16	15	12.5	20.0
Trauma	10	9	9	11.1	11.1
Disability income	12	11	11	9.1	9.1
Other	6	5	5	20.0	20.0
Total individual	46	41	40	12.2	15.0
Group	3	3	2	-	50.0
Total	49	44	42	11.4	16.7

Life Risk new business sales were up 16.7% to \$49 million. Individual new business sales were up by 15% to \$46 million. In keeping with Suncorp Life's strategy, new business growth has risen 12.5% in the core Australian IFA distribution channel and there has been substantial growth in the direct channels albeit off a small base.

Life Risk in-force annual premium ⁽¹⁾

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Term and TPD	301	290	282	3.8	6.7
Trauma	125	118	112	5.9	11.6
Disability income	194	190	184	2.1	5.4
Other	22	25	24	(12.0)	(8.3)
Total individual	642	623	602	3.0	6.6
Group	159	161	155	(1.2)	2.6
Total	801	784	757	2.2	5.8

⁽¹⁾ Annual premiums reflect the balance at the end of the period, 31 December 2010.

Overall, in-force premiums on risk products increased to \$801 million with individual in-force up to 6.6% to \$642 million.

Superannuation & Investments

The S&I business continues to simplify and focus on improving the customer experience. The recent launch of Employer Administration Super Exchange (EASE), an automated online contribution system, compliments the major simplification program completed in recent years and positions the business well for the emerging superannuation environment.

Superannuation & Investments new business

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Superannuation	97	83	91	16.9	6.6
Pensions	58	56	56	3.6	3.6
Investment	13	18	16	(27.8)	(18.8)
Total	168	157	163	7.0	3.1

S&I new business sales increased by 3.1% to \$168 million. Investment in sales campaign activity has resulted in a modest uplift in bank planner sales, while redemptions have remained steady.

Funds Under Administration

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Funds under administration					
Opening balance at start of period	12,307	13,016	11,851	(5.4)	3.8
Net inflows/(outflows)	48	(1)	(4)	n/a	n/a
Investment income and other	153	(708)	1,169	n/a	(86.9)
Balance at end of period	12,508	12,307	13,016	1.6	(3.9)

FUA increased by 1.6% to \$12.5 billion over the half, underpinned by strong retention through the migration of customers to the WealthSmart product. FUA predominantly comprises the Australian S&I business but also includes around \$2.7 billion from NZGT.

Consolidated financial results

for the half year ended 31 December 2010

Life

Funds under Supervision

	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Funds under supervision					
Opening balance at start of period	43,013	41,772	47,874	3.0	(10.2)
Investment income and other	276	1,241	(6,102)	(77.8)	n/a
Balance at end of period	43,289	43,013	41,772	0.6	3.6

Funds under supervision (FUS) have increased by 0.6% to \$43.3 billion half on half.

Asset Management

Asset Management returned a profit of \$7 million, down 12.5%, due primarily to market volatility. The sale of Tyndall is expected to complete before the end of March 2011.

Funds under Management

	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Opening balance at start of period	24,926	24,921	23,385	-	6.6
Net inflows/(outflows)	(773)	25	(457)	n/a	69.1
Investment income and other	763	(20)	1,993	n/a	(61.7)
Balance at end of period	24,916	24,926	24,921	-	-

Funds under Management by source

	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
General Insurance	11,361	11,216	10,836	1.3	4.8
Life Companies	6,638	6,651	6,425	(0.2)	3.3
External	6,917	7,059	7,660	(2.0)	(9.7)
Total funds under management	24,916	24,926	24,921	-	-

FUM were stable at \$24.9 billion.

Life Embedded Value

Suncorp Life includes the two Australian life companies (Asteron Life Ltd and Suncorp Life & Superannuation Limited), the New Zealand life company (Asteron Life Limited) and various other legal entities in the Suncorp Life group of companies.

The EV is the sum of the net present value of all future cashflows distributable to the shareholder 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 the company is expected to write.

The components of value are shown in the table below:

Embedded Value

	DEC-10	JUN-10	DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	%	%
Adjusted Net Worth	163	127	191	28.3	(14.7)
Value of distributable profits	1,867	1,878	1,766	(0.6)	5.7
Value of imputation credits	380	401	344	(5.2)	10.5
Value of in-force	2,247	2,279	2,110	(1.4)	6.5
Traditional Embedded Value	2,410	2,406	2,301	0.2	4.7
Value of one year's sales (VOYS)	40	38	46	5.3	(13.0)

Note that in relation to the above values:

- The components of value relate to Suncorp Life in its entirety;
- The risk discount rate was equal to 4% above the risk-free rate;
- Value of in-force is the present value of distributable profits emerging (in excess of target capital), together with value of associated franking credits; and
- VOYS includes an allowance for the cost of holding target capital.

Change in Embedded Value

EV increased marginally from \$2,406 million at 30 June 2010 to \$2,410 million at 31 December 2010.

There were a number of structural changes in Suncorp Life's portfolio that have impacted EV in this half. This includes the sale of Tyndall and the NZGT businesses and the conclusion of the Sunsuper Group risk contract as at 1 July 2011. Sunsuper is reflected in 'Other experience' reducing the EV by \$40 million, or 1.7% of the starting EV. A further adjustment has been made to reflect the difference between the carrying value of Tyndall and NZGT, and the agreed sale prices, included in 'Other Assumptions'.

The increase in the risk free discount rate over the half year decreased the EV but this was partly offset by economic assumptions (i.e. greater future expected long-term returns). The change in discount rates also reduced the value added from new business relative to 30 June 2010.

The change in EV over the current year is shown in more detail below:

	JUN-10 TO DEC-10
	\$M
Embedded Value at the start of the period	2,406
Expected return	99
Earnings on net worth	3
Experience	
Economic	10
Loss of contract Sunsuper	(40)
Other	(20)
Changes in assumptions	
Discount rate	(65)
Economic	33
Other	(10)
Value Added from new business	17
Embedded Value at the end of the period prior to	2,433
Dividends/transfers ⁽¹⁾	(12)
Release of franking credits	(11)
Embedded Value as at end of the period after transfers	2,410

⁽¹⁾ Dividends/transfers include dividends recommended but not yet paid up to the parent company.

Assumptions

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

Maintenance unit costs were based on assumptions underlying the statement of 31 December 2010 profit results for Suncorp Life, and where expressed in dollar amounts (as opposed to percentage of claims, for example), were assumed to grow in line with inflation. The valuations do not assume any improvements in future unit costs from efficiency gains. Discontinuance and claim (mortality and morbidity) assumptions are best estimate assumptions based on company experience and are consistent with those used for profit reporting.

In relation to VOYS:

- New business is based on the mix and volume of business sold in the half year to 31 December 2010, together with forecast volumes for the remainder of the year.
- Acquisition costs are the actual costs incurred in the half year to 31 December 2010, together with forecast costs for the remainder of the year.
- New business includes new policies as well as voluntary increases (i.e. benefit increases) to existing policies.

EV includes contractual increases (age and CPI) on retail business but excludes voluntary increases to existing retail policies.

The Australian Life Companies are required to hold regulatory capital in excess of policy liabilities. In addition, they hold an additional amount of capital ('target surplus') based on internal requirements. Asteron Life Ltd New Zealand holds capital as prescribed in Professional Standard 5 (PS5), 'Solvency Reserving for Life Insurance Business', issued by the New Zealand Society of Actuaries and an additional amount of target surplus is held within that company. In determining the EV, the value of this capital is discounted based on the expected time it is required to be held prior to being available for distribution to shareholders.

The Suncorp Life EV also includes the value of entities other than the life companies, such as Suncorp Portfolio Services Limited for which values were based on discounted cash flow projections. The values of Suncorp Metway Investment Management Ltd, Tyndall Investment Management Ltd, Tyndall Investment Management New Zealand Ltd and New Zealand Guardian Trust Ltd were held at their balance sheet value based on anticipated sale proceeds on formal completion of the sales. In addition, a number of smaller entities within the division were valued at net assets.

Economic assumptions are shown below.

	DEC-10		JUN-10	
	AUSTRALIA % PER ANNUM	NEW ZEALAND % PER ANNUM	AUSTRALIA % PER ANNUM	NEW ZEALAND % PER ANNUM
Investment return for underlying asset classes (gross of tax)				
Risk-free rate (at 10 years)	5.6	6.0	5.2	5.4
Cash	6.3	5.7	5.7	5.5
Fixed interest	6.4	6.3	5.8	5.8
Australian equities (inc. allowance for franking credits) ⁽¹⁾	10.7	10.6	10.3	10.0
International equities	9.7	9.6	9.2	9.9
Property	8.2	8.6	7.7	8.0
Investment returns (net of tax) ⁽²⁾	4.5	5.0	4.4	4.8
Inflation				
Benefit indexation	3.0	2.5	3.0	2.5
Expenses inflation	3.0	2.5	3.0	2.5
Risk discount rate	9.6	10.0	9.2	9.4

⁽¹⁾ New Zealand assumption covers Australasian equities.

⁽²⁾ Investment Returns (net of tax) are based on the assumed investment returns for underlying asset classes, applied to the invested shareholder assets. Projected returns for assets backing policyholder liabilities will also depend on the mix of policyowner assets from time to time.

Sensitivity analysis

The tables below set out the sensitivity of the EV and value of new business as at 31 December 2010 to changes in key economic and business assumptions.

	AS AT DEC-10 \$M
Base Embedded Value	2,410
Embedded Value assuming	
Discount rate 1% higher	2,262
Investment returns 1% higher	2,495
Discontinuance rates 10% higher	2,250
Renewal expenses 10% higher	2,356
Claims 10% higher ⁽¹⁾	2,214
Base value of one year's new business	40
Value of one year's new business assuming	
Discount rate 1% higher	28
Investment returns 1% higher	42
Discontinuance rates 10% higher	23
Renewal expenses 10% higher	34
Claims 10% higher ⁽¹⁾	12

⁽¹⁾ Claims decrements includes mortality, lump sum morbidity, disability income incidence and 10% worse for disability income recovery rates.

These sensitivities are indicative only as the variations caused by changes to assumptions are not always linear, symmetrical, or independent.

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Appendix 1 – Consolidated income statement for the half year ended 31 December 2010

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

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Revenue					
Banking interest revenue	2,213	2,085	1,937	6.1	14.2
Banking interest expense	(1,773)	(1,624)	(1,466)	9.2	20.9
	440	461	471	(4.6)	(6.6)
Banking fee and commission revenue	103	116	118	(11.2)	(12.7)
Banking fee and commission expense	(40)	(40)	(39)	-	2.6
General insurance premium revenue	3,547	3,452	3,437	2.8	3.2
Life insurance premium revenue	398	377	379	5.6	5.0
Reinsurance and other recoveries revenue	857	942	564	(9.0)	52.0
General insurance investment revenue					
- insurance funds	154	334	254	(53.9)	(39.4)
- shareholder funds	101	106	94	(4.7)	7.4
Life insurance investment revenue/(loss)	451	(40)	804	n/a	(43.9)
Gain on sale of subsidiaries and investment in joint ventures	-	165	50	(100.0)	(100.0)
Other revenue	237	258	221	(8.1)	7.2
	6,248	6,131	6,353	1.9	(1.7)
Expenses					
Operating expenses	(1,532)	(1,625)	(1,606)	(5.7)	(4.6)
General insurance claims expense	(3,044)	(3,299)	(2,667)	(7.7)	14.1
Life insurance claims expense	(269)	(225)	(252)	19.6	6.7
Outwards reinsurance premium expense	(380)	(377)	(389)	0.8	(2.3)
(Increase)/decrease in net policy liabilities	(266)	162	(527)	n/a	(49.5)
(Increase)/decrease in unvested policyowner benefits	(49)	49	(55)	n/a	(10.9)
Outside beneficial interests in managed funds	(3)	(30)	(16)	(90.0)	(81.3)
Fair value remeasurement of assets and liabilities classified as held for sale	(106)	-	-	n/a	n/a
Non-banking interest expense	(25)	(39)	(20)	(35.9)	25.0
	(5,674)	(5,384)	(5,532)	5.4	2.6
Share of profits of associates and joint ventures	3	9	20	(66.7)	(85.0)
Profit before impairment losses on loans and advances and tax	577	756	841	(23.7)	(31.4)
Impairment losses on loans and advances	(213)	(205)	(274)	3.9	(22.3)
Profit before tax	364	551	567	(33.9)	(35.8)
Income tax expense	(137)	(129)	(200)	6.2	(31.5)
Profit for the period	227	422	367	(46.2)	(38.1)
Attributable to:					
Owners of the Company	223	416	364	(46.4)	(38.7)
Non-controlling interests	4	6	3	(33.3)	33.3
Profit for the period	227	422	367	(46.2)	(38.1)

Appendix 2 – Ratio Calculations

Earnings per share

Numerator	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
	\$M	\$M	\$M
Earnings:			
Earnings used in calculating basic earnings per share	223	416	364
Interest expense on reset preference shares (net of tax)	-	3	4
Interest expense on convertible preference shares (net of tax)	-	20	17
Earnings used in calculating diluted earnings per share	223	439	385

Denominator	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
	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	1,272,704,720	1,267,822,711	1,256,407,901
Effect of conversion of reset preference shares	-	18,015,915	17,159,799
Effect of conversion of convertible preference shares	-	90,523,478	86,221,804
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,272,704,720	1,376,362,104	1,359,789,504

Return on average shareholders' equity

Numerator

Earnings for return on average shareholders' equity – is as per 'earnings per share' information above.

Denominator

	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
	\$M	\$M	\$M
Adjusted average shareholders' equity			
Opening total equity	13,953	13,570	13,229
Less non-controlling interests	(20)	(9)	(6)
Opening adjusted equity	13,933	13,561	13,223
Closing total equity	13,912	13,953	13,570
Less non-controlling interests	(21)	(20)	(9)
Closing adjusted equity	13,891	13,933	13,561
Average adjusted equity	13,912	13,747	13,392

Appendix 2 – Ratio Calculations (continued)

Issued shares

	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
Ordinary shares each fully paid			
Number at the end of the period	1,281,390,524	1,281,390,524	1,270,897,282
Dividend declared for the period (cents per share)	15	20	15
Reset preference shares (classified as liability) each fully paid			
Number at the end of the period	1,440,628	1,440,628	1,440,628
Dividend declared for the period (\$ per share) ⁽¹⁾	2.55	2.51	2.55
Convertible preference shares (classified as liability) each fully paid			
Number at the end of the period	7,350,000	7,350,000	7,350,000
Dividend declared for the period (\$ per share) ⁽¹⁾	2.82	2.65	2.29

⁽¹⁾ Classified as interest expense.

Appendix 3 – Group Capital

Group capital position

The Group has three distinct business lines with different regulatory requirements for capital. The corporate structure of the Group has the Bank as the holding company for subsidiaries operating General Insurance, Life Insurance and other businesses.

To assist in understanding the regulatory capital position within the Group the following table (including consolidation entries) demonstrates the distribution of regulatory capital and risk-based capital requirements across the consolidated segments. Consolidated segments include companies that are excluded from regulatory reporting groups.

AS AT 31 DECEMBER 2010						
	GENERAL INSURANCE ⁽¹⁾	BANKING ⁽¹⁾	LIFE	OTHER	CONSOLIDATION	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M
Tier 1						
Ordinary share capital	-	12,730	-	-	-	12,730
Subsidiary share capital (eliminated upon consolidation)	8,321	-	2,264	-	(10,585)	-
Reserves	(75)	57	237	-	(254)	(35)
Retained profits ⁽²⁾	(72)	953	(9)	(42)	188	1,018
Preference shares	-	879	-	-	-	879
Insurance liabilities in excess of liability valuation	494	-	-	-	-	494
Less goodwill, brands	(5,546)	(7,690)	(718)	-	7,675	(6,279)
Less software assets	(7)	(66)	(16)	-	-	(89)
Less other intangible assets	-	(107)	-	-	-	(107)
Less deferred tax asset	-	(251)	-	-	131	(120)
Less other required deductions ⁽³⁾	(12)	(1)	(73)	-	-	(86)
Less Tier 1 deductions for investments in subsidiaries, capital support	-	(1,486)	-	-	1,486	-
Net Tier 1 capital	3,103	5,018	1,685	(42)	(1,359)	8,405
Tier 2						
APRA general reserve for credit losses	-	275	-	-	-	275
Asset revaluation reserves	-	6	-	-	-	6
Subordinated notes	763	1,391	-	-	-	2,154
Less Tier 2 deductions for investments in subsidiaries, capital support	-	(1,486)	-	-	1,486	-
Net Tier 2 capital	763	186	-	-	1,486	2,435
Total capital base	3,866	5,204	1,685	(42)	127	10,840
Represented by:						
Capital in regulated entities	3,824	5,151	1,684	-	-	10,659
Capital in unregulated entities	42	53	1	(42)	127	181
	3,866	5,204	1,685	(42)	127	10,840
Target capital base ⁽⁴⁾	3,198	4,716	1,580	-	-	9,494

⁽¹⁾ These numbers are for the consolidated segments. They do not align with the regulatory reporting groups used in the Banking adequacy and General Insurance minimum capital requirement calculations.

⁽²⁾ For Banking and domestic General Insurance, this represents the business line retained profits determined using the APRA calculation. New Zealand General Insurance retained profits are on a statutory basis. APRA requires accrual of expected dividends in the Bank and General Insurance current year profits. To allow for consistency across the Group, expected dividends are also included for Life.

⁽³⁾ Other required deductions includes surpluses in defined benefit funds and internal funding transactions of a capital nature.

⁽⁴⁾ APRA requires regulated entities to have internal capital targets. For the Banking business, the capital target is a 13% capital adequacy ratio. The target capital for the General Insurance business is 1.7 times the Minimum Capital Requirement. The Life business capital target is an amalgamation of target capital for Statutory Funds, minimum capital required for Shareholder Funds and net tangible asset requirements for investment management entities.

Appendix 3 – Group Capital (continued)

Group capital position (continued)

	AS AT 31 DECEMBER 2010					
	GENERAL INSURANCE	BANKING	LIFE	OTHER	CONSOLIDA TION ⁽¹⁾	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M
Reconciliation of total capital base to net assets						
Net assets	8,390	13,696	2,494	-	(10,668)	13,912
Difference relating to APRA definition of retained profits	(213)	-	-	(42)	-	(255)
Equity items not eligible for inclusion in capital for APRA purposes						
Reserves (Post AIFRS)	(4)	55	-	-	1	52
Non-controlling interests	-	-	(2)	-	-	(2)
Additional items allowable for capital for APRA purposes						
Preference shares	-	879	-	-	-	879
Subordinated notes	763	1,391	-	-	-	2,154
Technical provisions in excess of liability valuation	494	-	-	-	-	494
Holdings of own shares	-	103	-	-	16	119
Collective provision (net of tax effect)	-	113	-	-	-	113
Other items, adjustments	1	54	-	-	-	55
Deductions from capital for APRA purposes						
Goodwill ⁽²⁾ , brands	(5,546)	(7,690)	(718)	-	7,675	(6,279)
Software assets	(7)	(66)	(16)	-	-	(89)
Deductible capitalised expenses (includes share raising costs)	-	(107)	-	-	-	(107)
Deferred tax asset	-	(251)	-	-	131	(120)
Other assets excluded from regulatory capital	(12)	(1)	(73)	-	-	(86)
Funding of capital and guarantees by Bank holding company	-	(2,972)	-	-	2,972	-
Total capital base	3,866	5,204	1,685	(42)	127	10,840

⁽¹⁾ Consolidation mainly represents the Bank's investments in non-banking subsidiaries.

⁽²⁾ APRA requires the intangible component of the book value of investments in non-banking subsidiaries to be deducted from Tier 1 capital. As it relates to non-banking subsidiaries, it is not amortised at the Banking level. Amortisation and impairment testing occurs within General Insurance and Life and when the entire Group is consolidated. The total intangible deduction from Group capital in the table above of \$6,279 million represents the total amortised balance of goodwill and brands etc for the Group.

	AS AT 31 DECEMBER 2010					
	GENERAL INSURANCE \$M	BANKING \$M	LIFE \$M	OTHER \$M	CONSOLIDA TION \$M	TOTAL \$M
Reconciliation of business line retained profits to reported retained profits						
Reported retained profits (losses)	141	953	(9)	-	188	1,273
Expected group dividend net of Dividend Reinvestment Plan	-	-	-	(192)	-	(192)
Expected intragroup dividends	(150)	-	-	150	-	-
Other differences in retained profits for APRA purposes	(63)	-	-	-	-	(63)
	(213)	-	-	(42)	-	(255)
Business line retained profits/(losses) used in Group capital position	(72)	953	(9)	(42)	188	1,018

Appendix 3 – Group Capital (continued)

Pro-forma NOHC Group Capital Position

The NOHC restructure was approved by shareholders on 15 December 2010 and final capital transactions were executed on 7 January 2011. The intention of the NOHC restructure is to continue to manage capital in accordance with the existing internal capital targets, however, the new Group holding company, Suncorp Group Limited (SGL) may hold some of the capital to meet the internal targets of the operating businesses. Additionally, SGL will hold capital for risks associated with the service companies. The table below outlines the pro-forma capital position of the Suncorp Group under a NOHC structure.

	AS AT 31 DECEMBER 2010					
	SGL & SERVICE COMPANIES \$M	GENERAL INSURANCE \$M	BANKING \$M	LIFE \$M	CONSOLIDATION \$M	TOTAL \$M
Tier 1						
Ordinary share capital	12,730	-	-	-	-	12,730
Subsidiary share capital (eliminated upon consolidation)	-	8,220	1,844	2,224	(12,288)	-
Reserves and non-controlling interests	57	(75)	-	237	(254)	(35)
Retained profits ⁽¹⁾	258	(382)	963	(9)	188	1,018
Preference shares	-	-	851	-	28	879
Insurance liabilities in excess of liability valuation	-	494	-	-	-	494
Less goodwill, brands	-	(5,546)	(22)	(718)	7	(6,279)
Less software assets	(66)	(7)	-	(16)	-	(89)
Less other intangible assets	(55)	-	(52)	-	-	(107)
Less deferred tax asset	(96)	-	(155)	-	131	(120)
Less other required deductions ⁽²⁾	(1)	(12)	-	(73)	-	(86)
Less Tier 1 deductions for investments in subsidiaries, capital support	(12,289)	-	(26)	-	12,315	-
Net Tier 1 capital	538	2,692	3,403	1,645	127	8,405
Tier 2						
Preference shares not included in Tier 1	-	-	28	-	(28)	-
APRA general reserve for credit losses	-	-	275	-	-	275
Asset revaluation reserves	-	-	6	-	-	6
Subordinated notes	-	763	1,391	-	-	2,154
Less Tier 2 deductions for investments in subsidiaries, capital support	-	-	(26)	-	26	-
Net Tier 2 Capital	-	763	1,674	-	(2)	2,435
Total capital base	538	3,455	5,077	1,645	125	10,840
Represented by:						
Capital in regulated entities	-	3,413	5,024	1,644	-	10,081
Capital in unregulated entities	538	42	53	1	125	759
	538	3,455	5,077	1,645	125	10,840
Target capital base ⁽³⁾	458	3,104	4,516	1,580	(44)	9,614

⁽¹⁾ For Banking and General Insurance, this represents the business line retained profits determined using the APRA calculation. New Zealand General Insurance retained profits are on a statutory basis. APRA require accrual of expected dividends in the Bank and General Insurance current year profits. To allow consistency across the Group, expected dividends are also included for Life.

⁽²⁾ Other required deductions include surpluses in defined benefit funds and internal funding transactions of a capital nature.

⁽³⁾ Internal business capital targets remain the same with an additional amount of capital held at SGL for the Life Insurance business, the service companies and other target requirements pertaining to operational risk and unregulated non-banking entities.

Banking capital adequacy

	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M
Consolidated banking capital			
Tier 1			
Fundamental Tier 1			
Ordinary share capital	12,787	12,783	12,694
Retained profits	913	847	848
	13,700	13,630	13,542
Residual Tier 1			
Reset preference shares	144	144	144
Convertible preference shares	735	735	735
	879	879	879
Tier 1 deductions			
Goodwill and other intangibles arising on acquisition	(7,690)	(7,809)	(7,837)
Software assets	(66)	(61)	(59)
Other intangible assets	(107)	(95)	(98)
Deferred tax asset	(228)	(191)	(224)
Other Tier 1 deductions	(1)	-	(1)
Tier 1 deductions for investments in subsidiaries, capital support	(1,504)	(1,428)	(1,413)
	(9,596)	(9,584)	(9,632)
Total Tier 1 Capital	4,983	4,925	4,789
Tier 2			
Upper Tier 2			
APRA general reserve for credit losses	275	346	448
Perpetual subordinated notes	170	170	170
Asset revaluation reserves	6	7	6
	451	523	624
Lower Tier 2			
Subordinated notes	1,221	1,458	1,483
	1,221	1,458	1,483
Tier 2 Deductions			
Tier 2 deductions for investments in subsidiaries, capital support	(1,504)	(1,428)	(1,413)
	(1,504)	(1,428)	(1,413)
Total Tier 2 Capital	168	553	694
Capital base	5,151	5,478	5,483
Risk-weighted exposures	32,873	33,568	36,488
Market risk capital charge	334	572	544
Operational risk capital charge	3,072	3,094	2,994
Total assessed risk	36,279	37,234	40,026
Risk weighted capital ratio	14.20%	14.71%	13.70%
Adjusted Fundamental Tier 1 core capital	2,600	2,618	2,497
AFT1 ratio	7.17%	7.03%	6.24%

Appendix 3 – Group Capital (continued)

Banking capital adequacy (continued)

	DEC-10 \$M	JUN-10 ⁽¹⁾ \$M	DEC-09 \$M
Reconciliation of deduction for investments in subsidiaries			
Investment securities	16,503	13,730	13,659
Less debt securities held in the banking book	(5,850)	(3,117)	(2,980)
Add back investments in banking subsidiaries not included in regulatory consolidation	36	36	36
Less securities held by entities not consolidated for APRA purposes	(1)	-	(68)
Less intangible component deducted from Tier 1 capital - non-banking subsidiaries	(7,668)	(7,787)	(7,815)
Less investments risk weighted for capital adequacy purposes	(12)	(11)	(11)
Deduction for net tangible investment in subsidiaries	3,008	2,851	2,821
Capital support provided to subsidiaries	-	5	5
Capital deduction for investments in subsidiaries, capital support	3,008	2,856	2,826
50% deduction from Tier 1 capital	(1,504)	(1,428)	(1,413)
50% deduction from Tier 2 capital	(1,504)	(1,428)	(1,413)
Deductions for investments in subsidiaries, capital support	(3,008)	(2,856)	(2,826)
(1) June 2010 capital deductions for investment in subsidiaries, capital support has been restated due to a reclassification of assets			
Retained profits movement			
Retained profits opening for the half year	847	848	859
Add Banking profit after tax for the half year	-	34	25
Less profit after tax of entities not consolidated for APRA purposes	-	(35)	(1)
Add/(less) APRA adjustments	66	76	(103)
Less dividend expense/accrual	-	(256)	(191)
Less estimated change in dividend reinvestment plan	-	(67)	(21)
Add dividends from non-banking subsidiaries	-	247	280
Retained profits closing for the half year	913	847	848
Reconciliation of banking deduction for intangible assets to Group intangible assets			
Deduction for banking subsidiaries intangible assets	22	22	22
Deduction for non-banking entities intangible assets	7,668	7,787	7,815
Banking deduction for intangible assets	7,690	7,809	7,837
APRA adjustments	-	-	(8)
Goodwill reflected in investments in associates	(73)	-	(39)
Amortisation of non-banking goodwill and intangible assets	(1,314)	(1,242)	(1,137)
Software assets ⁽¹⁾	66	61	59
Intangible assets not deducted from capital	-	(1)	(5)
Group intangible assets	6,369	6,627	6,707

⁽¹⁾ This amount represents the Banking group capital deduction for software assets. Software assets held elsewhere in the Group are included in the capital deduction for goodwill, brands etc.

Appendix 3 – Group Capital (continued)

Banking capital adequacy (continued)

	CARRYING VALUE			AVERAGE RISK WEIGHTS	RISK WEIGHTED BALANCE		
	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M		DEC-10 \$M	JUN-10 \$M	DEC-09 \$M
Risk weighted assets							
Assets							
Cash items	227	210	199	8%	18	21	13
Claims on Australian and foreign governments	886	691	683	0%	3	3	2
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	6,454	4,031	4,358	20%	1,291	806	872
Claims secured against eligible residential mortgages	29,362	26,594	26,528	40%	11,795	10,674	10,609
Past due claims	2,522	2,712	2,856	138%	3,472	3,124	3,118
Other assets and claims	16,000	18,118	20,791	93%	14,863	17,521	20,320
Total Banking assets⁽¹⁾	55,451	52,356	55,415		31,442	32,149	34,934

⁽¹⁾ Total Banking assets differ from Banking segment assets due to the adoption of the APRA classification of intangible assets, deferred taxation, incorporation of the trading book in the market risk capital charge and general reserve for credit losses for capital adequacy purposes.

	NOTIONAL AMOUNT	CREDIT EQUIVALENT	AVERAGE RISK WEIGHTS	RISK WEIGHTED BALANCE		
	DEC-10 \$M	DEC-10 \$M		DEC-10 \$M	JUN-10 \$M	DEC-09 \$M
Off balance sheet positions						
Guarantees entered into in the normal course of business	194	192	90%	173	165	150
Commitments to provide loans and advances	5,855	1,997	53%	1,060	956	1,123
Capital commitments	23	23	100%	23	23	14
Foreign exchange contracts	15,664	264	32%	85	139	127
Interest rate contracts	54,048	78	115%	90	136	140
Total off balance sheet positions	75,784	2,554		1,431	1,419	1,554
Market risk capital charge				334	572	544
Operational risk capital charge				3,072	3,094	2,994
Total risk weighted assets				31,442	32,149	34,934
Total assessed risk				36,279	37,234	40,026
Risk weighted capital ratios				%	%	%
Tier 1				13.74	13.23	11.96
Tier 2				0.46	1.48	1.74
Total risk weighted capital ratios				14.20	14.71	13.70

Appendix 3 – Group Capital (continued)

General Insurance minimum capital requirement

	DOMESTIC GI GROUP ⁽¹⁾			GI GROUP ⁽²⁾		
	DEC-10	JUN-10	DEC-09	DEC-10	JUN-10	DEC-09
	\$M	\$M	\$M	\$M	\$M	\$M
Tier 1						
Ordinary share capital	2,758	2,758	2,758	2,886	2,894	2,893
Reserves	5	10	6	5	10	6
Retained profits	735	667	529	951	900	742
Insurance liabilities in excess of liability valuation	677	561	554	706	606	581
Less: Tax effect of excess insurance liabilities	(203)	(168)	(166)	(212)	(182)	(174)
	3,972	3,828	3,681	4,336	4,228	4,048
Less:						
Goodwill and other intangible assets	(1,111)	(1,111)	(1,111)	(1,175)	(1,188)	(1,179)
Other Tier 1 deductions	(93)	(36)	(59)	(100)	(36)	(69)
Total deductions from Tier 1 capital	(1,204)	(1,147)	(1,170)	(1,275)	(1,224)	(1,248)
Net Tier 1 capital	2,768	2,681	2,511	3,061	3,004	2,800
Tier 2						
Subordinated notes	763	778	767	763	778	767
APRA capital base	3,531	3,459	3,278	3,824	3,782	3,567
Outstanding claims risk capital charge	804	802	778	822	822	796
Premium liabilities risk capital charge	421	424	405	457	460	439
Total insurance risk capital charge	1,225	1,226	1,183	1,279	1,282	1,235
Investment risk capital charge	347	469	424	402	514	463
Catastrophe risk capital charge	200	200	200	200	200	200
Total minimum capital requirement (MCR)	1,772	1,895	1,807	1,881	1,996	1,898
MCR coverage (times)	1.99	1.83	1.81	2.03	1.89	1.88

	\$M	\$M	\$M	\$M	\$M	\$M
Retained profits movement						
Retained profits opening for the half year	667	529	168	900	742	355
Add General Insurance profit after tax for the half year	250	51	84	250	68	101
Add profit after tax of entities not consolidated for APRA purposes	35	181	229	35	181	229
Add/(less) APRA adjustments	(245)	121	138	(262)	124	147
Less dividends received/(paid)	28	(215)	(90)	28	(215)	(90)
Retained profits closing for the half year	735	667	529	951	900	742

⁽¹⁾ Domestic GI Group - Suncorp's Australian licensed insurers.

⁽²⁾ GI Group - Sum of MCR for the Domestic GI Group and Vero NZ.

Appendix 4 – Underlying General Insurance ITR

In May 2010, the Suncorp Group outlined operational strategies and building blocks projects that would drive an improvement of at least 3% in the underlying Insurance Trading Ratio (ITR) for the year to 30 June 2012. The underlying ITR for the full year to 30 June 2010 was 9%.

The methodology for calculating the underlying ITR is the **reported ITR** adjusted for the following:

Reserve releases

The adjustment is the difference between actual reserve releases and the long run average 'expected' release. Based on the Group's conservative approach to reserving, the expected release in any discrete full year period calculated to be around 1.5% of Net Earned Premium (NEP).

Natural hazards

The adjustment is the total of all natural hazard claims above or below the allowance.

Investment income mismatch

This adjustment removes the impact of changes in credit spreads and the volatility in the value of index-linked bonds ('economic mismatch' of \$62 million), together with timing mismatches on premium liabilities ('accounting mismatch' of \$20 million). There was also a \$7 million unwind of the previous accounting mismatch.

Other adjustments

This adjustment captures any material and abnormal one-off items including material movements in risk margins. For the six months to 31 December 2010, the adjustments were a \$13 million reinstatement premium following the Christchurch earthquake and a \$23 million impact from reduced risk margins.

The calculation of the underlying ITR for the half year to December 2010 is displayed in the table below:

	\$M	DEC-10 \$M	ITR %
Reported ITR		356	10.9%
Reported reserve releases	(200)		
Less: 1.5% of NEP	49	(151)	
Natural hazards above long-run allowances		182	
Investment income mismatch		(35)	
Other:			
New Zealand reinsurance reinstatement		13	
Risk Margin		(23)	
Underlying ITR		342	10.5%

Appendix 5 – General Insurance Profit – Short-tail and Long-tail (includes NZ)

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Short-tail					
Gross written premium	2,753	2,670	2,651	3.1	3.8
Net earned premium	2,452	2,360	2,358	3.9	4.0
Net incurred claims	(1,858)	(1,762)	(1,464)	5.4	26.9
Acquisition expenses	(330)	(392)	(365)	(15.8)	(9.6)
Other underwriting expenses	(258)	(258)	(269)	-	(4.1)
Total operating expenses	(588)	(650)	(634)	(9.5)	(7.3)
Underwriting result	6	(52)	260	n/a	(97.7)
Investment income - insurance funds	69	57	59	21.1	16.9
Insurance trading result	75	5	319	large	(76.5)
	%	%	%		
Ratios					
Acquisition expenses ratio	13.5	16.6	15.5		
Other underwriting expenses ratio	10.5	10.9	11.4		
Total operating expenses ratio	24.0	27.5	26.9		
Loss ratio	75.8	74.7	62.1		
Combined operating ratio	99.8	102.2	89.0		
Insurance trading ratio	3.1	0.2	13.5		
	\$M	\$M	\$M	%	%
Long-tail					
Gross written premium	810	867	839	(6.6)	(3.5)
Net earned premium	814	806	786	1.0	3.6
Net incurred claims	(426)	(684)	(727)	(37.7)	(41.4)
Acquisition expenses	(117)	(122)	(86)	(4.1)	36.0
Other underwriting expenses	(90)	(86)	(92)	4.7	(2.2)
Total operating expenses	(207)	(208)	(178)	(0.5)	16.3
Underwriting result	181	(86)	(119)	n/a	n/a
Investment income - insurance funds	100	285	201	(64.9)	(50.2)
Insurance trading result	281	199	82	41.2	242.7
	%	%	%		
Ratios					
Acquisition expenses ratio	14.4	15.1	10.9		
Other underwriting expenses ratio	11.1	10.7	11.7		
Total operating expenses ratio	25.5	25.8	22.6		
Loss ratio	52.3	84.9	92.5		
Combined operating ratio	77.8	110.7	115.1		
Insurance trading ratio	34.5	24.7	10.4		

Appendix 6 – General Insurance New Zealand Segment Results Expressed in NZ\$

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	NZ\$M	NZ\$M	NZ\$M	%	%
Gross written premium	441	406	420	8.6	5.0
Net earned premium	373	365	355	2.2	5.1
Net incurred claims	(269)	(211)	(199)	27.5	35.2
Acquisition expenses	(89)	(81)	(83)	9.9	7.2
Other underwriting expenses	(29)	(36)	(40)	(19.4)	(27.5)
Total operating expenses	(118)	(117)	(123)	0.9	(4.1)
Underwriting result	(14)	37	33	n/a	n/a
Investment income - insurance funds	8	9	9	(11.1)	(11.1)
Insurance trading result	(6)	46	42	n/a	n/a
	%	%	%		
Ratios					
Acquisition expenses ratio	23.9	22.2	23.4		
Other underwriting expenses ratio	7.8	9.9	11.3		
Total operating expenses ratio	31.7	32.1	34.7		
Loss ratio	72.1	57.8	56.1		
Combined operating ratio	103.8	89.9	90.8		
Insurance trading ratio	(1.6)	12.6	11.8		

Appendix 7 – General Insurance Profit Excluding the Discount Rate Movements and FSL

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Gross written premiums ⁽¹⁾	3,434	3,418	3,359	0.5	2.2
Gross unearned premium movement	(12)	(86)	(38)	(86.0)	(68.4)
Gross earned premiums	3,422	3,332	3,321	2.7	3.0
Outwards reinsurance expense	(281)	(286)	(293)	(1.7)	(4.1)
Net earned premium	3,141	3,046	3,028	3.1	3.7
Net incurred claims					
Claims expense	(3,141)	(3,255)	(2,569)	(3.5)	22.3
Reinsurance and other recoveries revenue	760	853	476	(10.9)	59.7
	(2,381)	(2,402)	(2,093)	(0.9)	13.8
Total operating expenses					
Acquisition expenses ⁽²⁾	(447)	(514)	(451)	(13.0)	(0.9)
Other underwriting expenses ⁽²⁾	(223)	(224)	(245)	(0.4)	(9.0)
	(670)	(738)	(696)	(9.2)	(3.7)
Underwriting result	90	(94)	239	n/a	(62.3)
Investment income - insurance funds	266	298	162	(10.7)	64.2
Insurance trading result	356	204	401	74.5	(11.2)
Managed schemes net contribution	3	(4)	8	n/a	(62.5)
Joint venture and other income	12	30	23	(60.0)	(47.8)
General Insurance operational earnings	371	230	432	61.3	(14.1)
Investment revenue - shareholder funds	87	94	100	(7.4)	(13.0)
General Insurance profit before tax and capital funding	458	324	532	41.4	(13.9)
Capital funding ⁽³⁾	(43)	(41)	(41)	4.9	4.9
General Insurance profit before tax	415	283	491	46.6	(15.5)
Income tax	(123)	(73)	(144)	68.5	(14.6)
General Insurance profit after tax	292	210	347	39.0	(15.9)

⁽¹⁾ Net of Fire Service Levies (FSL) of \$129 million (30 June 2010: \$119 million, 31 December 2009: \$131 million).

⁽²⁾ Comparative information for New Zealand has been restated to be consistent with the current treatment of expense disclosures between acquisition costs and underwriting expenses.

⁽³⁾ Includes interest expense on subordinated notes allocated to General Insurance.

	HALF YEAR ENDED		
	DEC-10	JUN-10	DEC-09
	%	%	%
Acquisition expenses ratio	14.2	16.9	14.9
Other underwriting expenses ratio	7.1	7.4	8.1
Total operating expenses ratio	21.3	24.3	23.0
Loss ratio	75.8	78.9	69.1
Combined operating ratio	97.1	103.2	92.1
Insurance trading ratio	11.3	6.7	13.2

Appendix 8 – Consolidated Bank

Profit contribution – Consolidated Bank

	HALF YEAR ENDED						DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
	CORE DEC-10	NON-CORE DEC-10	TOTAL DEC-10	TOTAL JUN-10	TOTAL DEC-09			
	\$M	\$M	\$M	\$M	\$M			
Net interest income	400	38	438	462	466	(5.2)	(6.0)	
Non-interest income								
Net banking fee income	42	21	63	76	79	(17.1)	(20.3)	
MTM on financial instruments	7	-	7	-	17	n/a	(58.8)	
Other income	2	(2)	-	1	2	(100.0)	(100.0)	
Total non-interest income	51	19	70	77	98	(9.1)	(28.6)	
Total income from Banking activities	451	57	508	539	564	(5.8)	(9.9)	
Operating expenses	(239)	(40)	(279)	(269)	(277)	3.7	0.7	
Consolidated Bank profit before impairment losses on loans and advances	212	17	229	270	287	(15.2)	(20.2)	
Impairment losses on loans and advances	(43)	(170)	(213)	(205)	(274)	3.9	(22.3)	
Consolidated Bank profit before tax	169	(153)	16	65	13	(75.4)	23.1	
Income tax	(59)	46	(13)	(25)	(9)	(48.0)	44.4	
Consolidated Bank profit after tax	110	(107)	3	40	4	(92.5)	(25.0)	

Ratios and statistics

	HALF YEAR ENDED		
	DEC-10 %	JUN-10 %	DEC-09 %
Net interest margin (interest earning assets)	1.35	1.44	1.40
Net interest (lending assets)	1.77	1.82	1.74
Cost to income ratio	54.92	49.91	49.11
Impairment losses to gross loans and advances	0.83	0.80	1.00
Impairment losses to risk weighted assets	1.34	1.29	1.56

Appendix 8 – Consolidated Bank (continued)

Statement of financial position – Consolidated Bank

	CORE DEC-10 \$M	NON-CORE DEC-10 \$M	TOTAL DEC-10 \$M	JUN-10 \$M	DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Assets							
Cash and cash equivalents	63	770	833	329	550	153.2	51.5
Receivables due from other banks	91	-	91	232	123	(60.8)	(26.0)
Trading securities	894	3,974	4,868	8,233	7,050	(40.9)	(31.0)
Derivatives	303	47	350	733	355	(52.3)	(1.4)
Investment securities ⁽¹⁾	4,764	11,739	16,503	13,730	13,659	20.2	20.8
Bank acceptances from customers	-	1	1	1	2	-	(50.0)
Loans, advances and other receivables ⁽²⁾	38,780	11,628	50,408	51,145	53,359	(1.4)	(5.5)
Due from subsidiaries	187	-	187	315	268	(40.6)	(30.2)
Property, plant and equipment	106	188	294	311	318	(5.5)	(7.5)
Deferred tax assets	42	257	299	293	355	2.0	(15.8)
Other assets ⁽³⁾	212	80	292	264	247	10.6	18.2
Intangible assets	28	60	88	102	73	(13.7)	20.5
Total assets	45,470	28,744	74,214	75,688	76,359	(1.9)	(2.8)
Liabilities							
Deposits and short-term borrowings	35,023	2,172	37,195	34,267	34,825	8.5	6.8
Derivatives	450	2,708	3,158	2,356	2,364	34.0	33.6
Payables due to other banks	18	-	18	28	20	(35.7)	(10.0)
Bank acceptances	-	1	1	1	2	-	(50.0)
Payables and other liabilities	636	-	636	876	762	(27.4)	(16.5)
Current tax liabilities	171	-	171	-	72	n/a	137.5
Employee benefit obligations	44	84	128	172	126	(25.6)	1.6
Due to subsidiaries ⁽²⁾	-	-	-	15	86	(100.0)	(100.0)
Securitisation liabilities	4,138	-	4,138	4,906	4,708	(15.7)	(12.1)
Debt issues	2,039	11,003	13,042	17,044	17,594	(23.5)	(25.9)
Subordinated notes	761	399	1,160	1,492	1,512	(22.3)	(23.3)
Preference shares	571	300	871	869	867	0.2	0.5
Total liabilities	43,851	16,667	60,518	62,026	62,938	(2.4)	(3.8)
Net assets	1,619	12,077	13,696	13,662	13,421	0.2	2.0
Less: Investment in non-banking subsidiaries	-	10,641	10,641	10,664	10,663	(0.2)	(0.2)
Net assets - banking line of business	1,619	1,436	3,055	2,998	2,758	1.9	10.8

Reconciliation of net equity to Adjusted Fundamental Tier 1 Capital

Net equity - Banking line of business	3,055	2,998	2,758
Add: regulatory capital equity adjustments	206	233	417
Less: regulatory capital deductions	(424)	(347)	(382)
Less: other reserves excluded from AFT1 ratio	(237)	(266)	(296)
Adjusted Fundamental Tier 1 Capital	2,600	2,618	2,497

⁽¹⁾ Includes investment in subsidiaries of \$10.6 billion (30 June 2010: \$10.7 billion; 31 December 2009: \$10.7 billion).

⁽²⁾ Core Bank continues to recognise some assets and liabilities attributed to the Non-core Bank and other subsidiaries as part of the holding company for the Group.

⁽³⁾ Other assets is mainly made up of accrued interest and prepayments. Other assets also includes interdivisional loans and clearing accounts between core and non-core.

Appendix 8 – Consolidated Bank (continued)

Loans, advances and other receivables

	CORE DEC-10 \$M	NON-CORE DEC-10 \$M	TOTAL DEC-10 \$M	TOTAL JUN-10 \$M	TOTAL DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Housing loans	25,954	-	25,954	23,904	23,756	8.6	9.3
Securitised housing loans	4,510	-	4,510	5,202	4,638	(13.3)	(2.8)
Total housing loans	30,464	-	30,464	29,106	28,394	4.7	7.3
Consumer loans	557	-	557	569	596	(2.1)	(6.5)
Retail loans	31,021	-	31,021	29,675	28,990	4.5	7.0
Commercial (SME's)	4,374	-	4,374	4,273	4,147	2.4	5.5
Corporate	-	1,971	1,971	2,548	3,004	(22.6)	(34.4)
Development finance	-	3,229	3,229	4,286	5,579	(24.7)	(42.1)
Property investment	-	4,021	4,021	4,961	5,909	(18.9)	(32.0)
Lease finance	-	599	599	843	1,153	(28.9)	(48.0)
Agribusiness	3,371	-	3,371	3,397	3,440	(0.8)	(2.0)
Business loans	7,745	9,820	17,565	20,308	23,232	(13.5)	(24.4)
Total lending	38,766	9,820	48,586	49,983	52,222	(2.8)	(7.0)
Other receivables ⁽¹⁾	137	2,288	2,425	1,835	1,959	32.2	23.8
Gross banking loans, advances and other receivables	38,903	12,108	51,011	51,818	54,181	(1.6)	(5.9)
Provision for impairment	(123)	(479)	(602)	(672)	(820)	(10.4)	(26.6)
Loans, advances and other receivables	38,780	11,629	50,409	51,146	53,361	(1.4)	(5.5)
Risk weighted assets	20,455	10,987	31,442	32,149	34,934	(2.2)	(10.0)
Geographical breakdown - gross banking loans, advances and other receivables							
Queensland	24,912	6,725	31,637	31,948	33,392	(1.0)	(5.3)
New South Wales	7,272	3,264	10,536	10,887	11,137	(3.2)	(5.4)
Victoria	3,640	1,531	5,171	5,564	6,394	(7.1)	(19.1)
Western Australia	2,129	414	2,543	2,463	2,508	3.2	1.4
South Australia and other	950	174	1,124	956	750	17.6	49.9
Outside of Queensland loans	13,991	5,383	19,374	19,870	20,789	(2.5)	(6.8)
Gross banking loans, advances and other receivables	38,903	12,108	51,011	51,818	54,181	(1.6)	(5.9)

⁽¹⁾ Other receivables are primarily collateral deposits provided to derivative counterparties.

Appendix 8 – Consolidated Bank (continued)

Funding and deposits

	CORE DEC-10 \$M	NON-CORE DEC-10 \$M	TOTAL DEC-10 \$M	TOTAL JUN-10 \$M	TOTAL DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Retail funding							
<i>Retail deposits</i>							
Transaction	5,238	-	5,238	5,051	5,646	3.7	(7.2)
Investment	3,651	-	3,651	3,670	3,990	(0.5)	(8.5)
Term	14,702	-	14,702	14,518	12,874	1.3	14.2
Core retail deposits	23,591	-	23,591	23,239	22,510	1.5	4.8
Retail treasury deposits	3,564	-	3,564	3,318	2,721	7.4	31.0
Total retail funding	27,155	-	27,155	26,557	25,231	2.3	7.6
Wholesale funding							
<i>Domestic funding sources</i>							
Short-term wholesale	5,703	1,574	7,277	6,681	7,276	8.9	0.0
Long-term wholesale	919	4,962	5,881	5,032	5,354	16.9	9.8
Subordinated notes	309	162	471	692	696	(31.9)	(32.3)
Reset preference shares	95	50	145	144	144	0.7	0.7
Convertible preference shares	476	250	726	725	723	0.1	0.4
	7,502	6,998	14,500	13,274	14,193	9.2	2.2
<i>Overseas funding sources ⁽¹⁾</i>							
Short-term wholesale	2,165	598	2,763	1,029	2,318	168.5	19.2
Long-term wholesale	1,120	6,041	7,161	12,012	12,240	(40.4)	(41.5)
Subordinated notes	452	237	689	800	816	(13.9)	(15.6)
	3,737	6,876	10,613	13,841	15,374	(23.3)	(31.0)
Total wholesale funding	11,239	13,874	25,113	27,115	29,567	(7.4)	(15.1)
Total funding (excluding securitisation)	38,394	13,874	52,268	53,672	54,798	(2.6)	(4.6)
Securitised funding							
APS 120 qualifying	1,998	-	1,998	3,338	2,902	(40.1)	(31.2)
APS 120 non-qualifying	2,140	-	2,140	1,568	1,806	36.5	18.5
Total securitised funding	4,138	-	4,138	4,906	4,708	(15.7)	(12.1)
Total funding (including securitisation)	42,532	13,874	56,406	58,578	59,506	(3.7)	(5.2)
Total funding is represented on the balance sheet by:							
Deposits	27,155	-	27,155	26,557	25,231	2.3	7.6
Short-term borrowings	7,868	2,172	10,040	7,710	9,594	30.2	4.6
Securitisation liabilities	4,138	-	4,138	4,906	4,708	(15.7)	(12.1)
Bonds, notes and long-term borrowings	2,039	11,003	13,042	17,044	17,594	(23.5)	(25.9)
Subordinated notes	761	399	1,160	1,492	1,512	(22.3)	(23.3)
Preference shares	571	300	871	869	867	0.2	0.5
Total	42,532	13,874	56,406	58,578	59,506	(3.7)	(5.2)

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

Appendix 8 – Consolidated Bank (continued)

Wholesale funding including securitisation maturity profile

	CORE DEC-10	NON-CORE DEC-10	TOTAL DEC-10	TOTAL JUN-10	TOTAL DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	\$M	\$M	%	%
Maturity							
0 to 3 months	7,413	2,301	9,714	7,562	8,927	28.5	8.8
3 to 12 months	2,089	4,508	6,597	9,374	6,767	(29.6)	(2.5)
1 to 3 years	4,719	7,007	11,726	9,746	12,526	20.3	(6.4)
3+ years	1,156	58	1,214	5,339	6,055	(77.3)	(80.0)
Total wholesale funding	15,377	13,874	29,251	32,021	34,275	(8.7)	(14.7)

Net interest income

	HALF YEAR ENDED						
	CORE DEC-10	NON-CORE DEC-10	TOTAL DEC-10	TOTAL JUN-10	TOTAL DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	\$M	\$M	%	%
Interest revenue lending assets	1,376	447	1,823	1,787	1,687	2.0	8.1
Interest revenue other assets	161	230	391	300	250	30.3	56.4
Interest expense deposits and funding	(1,123)	(630)	(1,753)	(1,604)	(1,452)	9.3	20.7
	414	47	461	483	485	(4.6)	(4.9)
Interest expense preference shares	(14)	(9)	(23)	(21)	(19)	9.5	21.1
Net interest income	400	38	438	462	466	(5.2)	(6.0)
Net interest margin (interest earning assets)	1.83%	0.36%	1.35%	1.44%	1.40%		
Net interest margin (lending assets)	2.10%	0.67%	1.77%	1.82%	1.74%		

Net banking fee income

	HALF YEAR ENDED						
	CORE DEC-10	NON-CORE DEC-10	TOTAL DEC-10	TOTAL JUN-10	TOTAL DEC-09	DEC-10 vs JUN-10	DEC-10 vs DEC-09
	\$M	\$M	\$M	\$M	\$M	%	%
Net lending fees	4	20	24	27	29	(11.1)	(17.2)
Transaction fees	28	1	29	40	42	(27.5)	(31.0)
Interchange fees	10	-	10	9	8	11.1	25.0
	42	21	63	76	79	(17.1)	(20.3)

Appendix 8 – Consolidated Bank (continued)

Operating expenses

	HALF YEAR ENDED			DEC-10	DEC-10
	DEC-10	JUN-10	DEC-09	vs JUN-10	vs DEC-09
	\$M	\$M	\$M	%	%
Total operating expenses					
Core operating expenses	(239)	(228)	(223)	4.8	7.2
Non-core operating expenses	(40)	(41)	(54)	(2.4)	(25.9)
	(279)	(269)	(277)	3.7	0.7
Consisting of:					
Staff expenses	(158)	(151)	(166)	4.6	(4.8)
Equipment and occupancy expenses	(54)	(45)	(50)	20.0	8.0
Hardware, software and dataline expenses	(15)	(18)	(15)	(16.7)	-
Advertising and promotion	(18)	(17)	(13)	5.9	38.5
Office supplies, postage and printing	(12)	(11)	(12)	9.1	-
Other ⁽¹⁾	(22)	(27)	(21)	(18.5)	4.8
	(279)	(269)	(277)	3.7	0.7

⁽¹⁾ Other operating expenses are primarily made up of financial, legal, motor vehicle and travel and accommodation expenses.

Impairment losses on loans and advances

	HALF YEAR ENDED			TOTAL	TOTAL	DEC-10	DEC-10
	CORE	NON-CORE	TOTAL	TOTAL	TOTAL	vs JUN-10	vs DEC-09
	DEC-10	DEC-10	DEC-10	JUN-10	DEC-09	%	%
	\$M	\$M	\$M	\$M	\$M		
Collective provision for impairment	18	(31)	(13)	(22)	(59)	(40.9)	(78.0)
Specific provision for impairment	25	191	216	(60)	159	n/a	35.8
Actual net write-offs	-	10	10	287	174	(96.5)	(94.3)
	43	170	213	205	274	3.9	(22.3)
Impairment losses to risk weighted assets	0.42%	3.07%	1.34%	1.29%	1.56%		

Appendix 8 – Consolidated Bank (continued)

Impaired asset balances

	CORE DEC-10 \$M	NON-CORE DEC-10 \$M	TOTAL DEC-10 \$M	TOTAL JUN-10 \$M	TOTAL DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Gross balances of individually impaired loans							
with specific provisions set aside	179	2,337	2,516	2,122	2,219	18.6	13.4
without specific provisions set aside	-	-	-	-	-	n/a	n/a
Gross impaired assets	179	2,337	2,516	2,122	2,219	18.6	13.4
Specific provision for impairment	(40)	(374)	(414)	(471)	(597)	(12.1)	(30.7)
Net impaired assets	139	1,963	2,102	1,651	1,622	27.3	29.6
Size of gross individually impaired assets							
Less than one million	12	16	28	54	55	(48.1)	(49.1)
Greater than one million but less than ten million	111	229	340	344	308	(1.2)	10.4
Greater than ten million	56	2,092	2,148	1,724	1,856	24.6	15.7
	179	2,337	2,516	2,122	2,219	18.6	13.4
Past due loans not shown as impaired assets	224	107	331	344	295	(3.8)	12.2
Gross non-performing loans	403	2,444	2,847	2,466	2,514	15.5	13.2
Interest income on impaired assets recognised in the contribution to profit							
Net interest charged and recognised as revenue in the contribution to profit during the half year was	1	-	1	1	1	-	-
Analysis of movements in gross individually impaired assets							
Balance at the beginning of the half year	150	1,972	2,122	2,219	1,474	(4.4)	44.0
Recognition of new impaired assets	78	713	791	518	1,054	52.7	(25.0)
Increases in previously recognised impaired assets	2	15	17	17	34	-	(50.0)
Impaired assets written off/sold during the half year	(12)	(159)	(171)	(249)	(167)	(31.3)	2.4
Impaired assets which have been restated as performing assets or repaid	(39)	(204)	(243)	(383)	(176)	(36.6)	38.1
Balance at the end of the half year	179	2,337	2,516	2,122	2,219	18.6	13.4

Appendix 8 – Consolidated Bank (continued)

Provision for impairment

	CORE DEC-10 \$M	NON-CORE DEC-10 \$M	TOTAL DEC-10 \$M	TOTAL JUN-10 \$M	TOTAL DEC-09 \$M	DEC-10 vs JUN-10 %	DEC-10 vs DEC-09 %
Collective provision							
Balance at the beginning of the period	65	136	201	223	282	(9.9)	(28.7)
Charge against contribution to profit	18	(31)	(13)	(22)	(59)	(40.9)	(78.0)
Balance at the end of the period	83	105	188	201	223	(6.5)	(15.7)
Specific provision							
Balance at the beginning of the period	37	434	471	597	477	(21.1)	(1.3)
Charge against impairment losses	25	191	216	178	327	21.3	(33.9)
Specific provision used	(17)	(179)	(196)	(238)	(168)	(17.6)	16.7
Charge against interest income	(5)	(72)	(77)	(66)	(39)	16.7	97.4
Balance at the end of the period	40	374	414	471	597	(12.1)	(30.7)
Total provision for impairment - Banking activities	123	479	602	672	820	(10.4)	(26.6)
Equity reserve for credit loss							
Balance at the beginning of the period	84	142	226	291	195	(22.3)	15.9
Transfer to retained earnings	(12)	(52)	(64)	(65)	96	(1.5)	n/a
Balance at the end of the period	72	90	162	226	291	(28.3)	(44.3)
Pre-tax equivalent coverage	103	128	231	323	416	(28.5)	(44.4)
Total provision for impairment and equity reserve for credit loss - Banking activities	226	607	833	995	1,236	(16.3)	(32.6)
	%	%	%	%	%		
Provision for impairment expressed as a percentage of gross impaired assets are as follows:							
Collective provision	46.37	4.49	7.50	9.50	10.05		
Specific provision	22.35	16.00	16.45	22.20	26.90		
Total provision	68.72	20.50	23.93	31.67	36.95		
Equity reserve for credit loss coverage	57.54	5.52	9.18	15.22	18.75		
Total provision and equity reserve for credit loss coverage	126.26	26.02	33.11	46.89	55.70		

Appendix 8 – Consolidated Bank (continued)

Average banking balance sheet

	HALF YEAR ENDED DEC-10								
	CORE PORTFOLIO			NON-CORE PORTFOLIO			TOTAL PORTFOLIO		
	AVERAGE	INTEREST	AVERAGE	AVERAGE	INTEREST	AVERAGE	AVERAGE	INTEREST	AVERAGE
	BALANCE	RATE	BALANCE	RATE	BALANCE	RATE	BALANCE	RATE	RATE
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
Assets									
Interest earning assets									
Trading securities	5,490	161	5.82	9,401	231	4.87	14,891	392	5.22
Gross loans, advances and other receivables	37,811	1,376	7.22	11,273	435	7.65	49,084	1,811	7.32
Other interest earning assets	-	-	-	395	11	5.52	395	11	5.52
Total interest earning assets	43,301	1,537	7.04	21,069	677	6.37	64,370	2,214	6.82
Non-interest earning assets									
Other assets (inc. loan provisions)	855			(1,231)			(376)		
Total non-interest earning assets	855			(1,231)			(376)		
TOTAL ASSETS	44,156			19,838			63,994		
Liabilities									
Interest bearing liabilities									
Retail deposits	27,004	706	5.19	-	-		27,004	706	5.19
Wholesale liabilities	13,557	402	5.88	17,662	619	6.95	31,219	1,021	6.49
Debt capital	1,043	29	5.52	695	20	5.71	1,738	49	5.59
Total interest bearing liabilities	41,604	1,137	5.42	18,357	639	6.91	59,961	1,776	5.88
Non-interest bearing liabilities									
Other liabilities	950			24			974		
Total non-interest bearing liabilities	950			24			974		
TOTAL LIABILITIES	42,554			18,381			60,935		
Analysis of interest margin and spread									
Interest earning assets	43,301	1,537	7.04	21,069	677	6.37	64,370	2,214	6.82
Interest bearing liabilities	41,604	1,137	5.42	18,357	639	6.91	59,961	1,776	5.88
Net interest spread			1.62			(0.54)			0.94
Net interest margin (interest earning assets)	43,301	400	1.83	21,069	38	0.36	64,370	438	1.35
Net interest margin (lending assets)	37,811	400	2.10	11,273	38	0.67	49,084	438	1.77

Appendix 8 – Consolidated Bank (continued)

Average banking balance sheet (continued)

	HALF YEAR ENDED JUN-10			HALF YEAR ENDED DEC-09		
	TOTAL PORTFOLIO			TOTAL PORTFOLIO		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
	\$M	\$M	%	\$M	\$M	%
Assets						
Interest earning assets						
Trading securities	13,013	300	4.65	11,999	240	3.97
Gross loans, advances and other receivables	51,268	1,781	7.01	53,221	1,675	6.24
Other interest earning assets	208	6	5.82	820	22	5.32
Total interest earning assets	64,489	2,087	6.53	66,040	1,937	5.82
Non-interest earning assets						
Other assets (inc. loan provisions)	(800)			(435)		
Total non-interest earning assets	(800)			(435)		
TOTAL ASSETS	63,689			65,605		
Liabilities						
Interest bearing liabilities						
Retail deposits	26,039	626	4.85	23,919	495	4.11
Wholesale liabilities	32,121	953	5.98	36,245	936	5.12
Debt capital ⁽¹⁾	1,805	46	5.14	1,807	40	4.39
Total interest bearing liabilities	59,965	1,625	5.46	61,971	1,471	4.71
Non-interest bearing liabilities						
Other liabilities	809			926		
Total non-interest bearing liabilities	809			926		
TOTAL LIABILITIES	60,774			62,897		
Analysis of interest margin and spread						
Interest earning assets	64,489	2,087	6.53	66,040	1,937	5.82
Interest bearing liabilities	59,965	1,625	5.46	61,971	1,471	4.71
Net interest spread			1.06			1.11
Net interest margin (interest earning assets)	64,489	462	1.44	66,040	466	1.40
Net interest margin (lending assets)	51,268	462	1.82	53,221	466	1.74

⁽¹⁾ Excludes the subordinated notes and preference shares notionally allocated to General Insurance as share of capital funding and the associated interested cost charged to General Insurance.

Appendix 8 – Consolidated Bank (continued)

APS330 Disclosure

Table 15

Capital Structure

	DEC-10 \$M	JUN-10 \$M
Tier 1		
Ordinary share capital	12,787	12,783
Retained profits	912	847
Preference shares	879	879
Less goodwill, brands	(7,690)	(7,809)
Less software assets	(66)	(61)
Less other intangible assets	(107)	(95)
Less deferred tax asset	(228)	(191)
Less tier 1 deductions for investments in subsidiaries, capital support	(1,504)	(1,428)
Total tier 1 capital	4,983	4,925
Tier 2		
APRA general reserves for credit losses	275	346
Asset Revaluation Reserve	6	7
Subordinated notes	1,391	1,628
Less tier 2 deductions for investments in subsidiaries, capital support	(1,504)	(1,428)
Total tier 2 capital	168	553
Total capital base	5,151	5,478

Table 16

On balance risk weighted assets

	RISK WEIGHTED BALANCE		
	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M
On Balance Sheet Risk weighted assets			
Assets			
Cash Items	18	21	13
Claims on Australian and foreign governments	3	3	2
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	1,291	806	872
Claims on securitisation exposures	244	117	57
Claims secured against eligible residential mortgages	11,795	10,674	10,609
Past due claims	3,472	3,124	3,118
Other retail assets	1,120	981	1,002
Corporate	13,032	15,863	18,660
Other assets and claims	467	560	601
Total Banking assets⁽¹⁾	31,442	32,149	34,934

⁽¹⁾ Total Banking assets differ from Banking segments assets due to the adoption of the APRA classification of intangible assets, deferred taxation, incorporation of the trading book in the market risk capital charge and general reserve for credit losses for capital adequacy purposes.

Appendix 8 – Consolidated Bank (continued)

APS330 Disclosure

Table 16

Off balance sheet risk weighted assets

	RISK WEIGHTED BALANCE		
	DEC-10 \$M	JUN-10 \$M	DEC-09 \$M
Off balance sheet positions			
Guarantees entered into in the normal course of business	151	165	150
Commitments to provide loans and advances	1,050	793	967
Capital commitments	23	23	14
Foreign exchange contracts	97	139	127
Interest rate contracts	75	90	89
Securitisation exposures	35	209	207
Total off balance sheet positions	1,431	1,419	1,554
Total Credit Risk capital charge	32,873	33,568	36,488
Market risk capital charge	334	572	544
Operational risk capital charge	3,072	3,094	2,994
Total assessed risk	36,279	37,234	40,026
Risk weighted capital ratios	%	%	%
Tier 1	13.74	13.23	11.96
Total risk weighted capital ratios	14.20	14.71	13.70

Appendix 8 – Consolidated Bank (continued)

APS330 Disclosure

Table 17A

Credit risk by gross credit exposure – outstanding as at 31 December 2010

	RECEIVABLES DUE FROM OTHER BANKS	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES	CREDIT COMMITMENTS	DERIVATIVE INSTRUMENTS	TOTAL CREDIT RISK	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	TOTAL NOT PAST DUE OR IMPAIRED	SPECIFIC PROVISIONS
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Agribusiness	-	-	-	3,244	26	-	3,270	201	12	3,057	43
Construction and development	-	-	-	3,515	162	-	3,677	1,437	76	2,164	272
Financial services	94	4,858	4,637	3,288	-	330	13,207	-	-	13,207	-
Hospitality	-	-	-	1,131	-	-	1,131	82	4	1,045	7
Manufacturing	-	-	-	626	-	-	626	13	-	613	4
Professional services	-	-	-	401	-	-	401	5	2	394	1
Property investment	-	-	-	5,039	-	-	5,039	640	46	4,353	68
Real estate - Mortgage	-	-	-	28,509	1,840	-	30,349	10	169	30,170	3
Personal	-	-	-	348	-	-	348	-	8	340	-
Government/public authorities	-	-	-	4	-	-	4	-	-	4	-
Other commercial and industrial	-	-	-	2,766	153	-	2,919	128	13	2,778	16
Total gross credit risk	94	4,858	4,637	48,871	2,181	330	60,971	2,516	330	58,125	414
Eligible securitised loans	-	10	1,212	2,140	31	9	3,402	-	-	3,402	-
Total including eligible securitised loans	94	4,868	5,849	51,011	2,212	339	64,373	2,516	330	61,527	414
Impairment provision							(602)	(414)	(27)	(161)	-
TOTAL							63,771	2,102	303	61,366	414

Table 17A

Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2010

	RECEIVABLES DUE FROM OTHER BANKS	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES	CREDIT COMMITMENTS	DERIVATIVE INSTRUMENTS	TOTAL CREDIT RISK	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	TOTAL NOT PAST DUE OR IMPAIRED	SPECIFIC PROVISIONS
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Agribusiness	-	-	-	3,227	25	-	3,252	213	14	3,025	53
Construction and development	-	-	-	3,734	182	-	3,916	1,381	67	2,468	293
Financial services	112	6,033	4,551	3,353	-	536	14,585	-	-	14,585	-
Hospitality	-	-	-	1,183	-	-	1,183	94	2	1,087	17
Manufacturing	-	-	-	634	-	-	634	12	7	615	6
Professional services	-	-	-	414	-	-	414	7	3	404	1
Property investment	-	-	-	5,210	-	-	5,210	688	39	4,483	79
Real estate - Mortgage	-	-	-	27,535	1,832	-	29,367	13	166	29,188	5
Personal	-	-	-	456	-	-	456	-	6	450	-
Government/public authorities	-	-	-	4	-	-	4	-	-	4	-
Other commercial and industrial	-	-	-	2,789	158	-	2,947	100	21	2,826	19
Total gross credit risk	112	6,033	4,551	48,539	2,197	536	61,968	2,508	325	59,135	473
Eligible securitised loans	-	17	1,140	2,690	35	12	3,894	-	-	3,893	-
Total including eligible securitised loans	112	6,050	5,691	51,229	2,232	548	65,862	2,508	325	63,028	473
Impairment provision							(665)	(473)	(35)	(157)	-
TOTAL							65,197	2,035	290	62,871	473

Appendix 8 – Consolidated Bank (continued)

APS330 Disclosure
Table 17B
Credit risk by portfolio

	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	SPECIFIC PROVISIONS	CHARGES FOR SPECIFIC PROVISIONS & WRITE OFFS
	\$M	\$M	\$M	\$M	\$M	\$M
Claims secured against eligible residential mortgages	30,349	29,367	10	169	3	-
Other retail	348	456	-	8	-	2
Financial services	13,207	14,585	-	-	-	-
Government and public authorities	4	4	-	-	-	-
Corporate and other claims	17,063	17,556	2,506	153	411	115
Total	60,971	61,968	2,516	330	414	117

Table 17C
General reserves for credit losses

	\$M
Collective provision for impairment	188
Ineligible Collective Provisions on Past Due not Impaired	(27)
Eligible Collective Provisions	161
FITB relating to eligible collective provision	(48)
Equity Reserve for credit losses	162
General Reserve for Credit losses	275

Appendix 9 – Definitions

ADI	Authorised Deposit-taking Institutions
Adjusted Fundamental Tier 1 capital	Tier 1 equity less preference share capital less the tangible component of investment in subsidiaries
Adjusted Fundamental Tier 1 ratio	Adjusted Fundamental Tier 1 capital divided by total assessed risk
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 fluctuate as market referenced discount rates change. The value of assets backing annuity obligations also fluctuate 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
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross banking loans, advances and other receivables
Basic shares	Ordinary shares on issue
Basis points (BPS)	A 'basis point' is 1/100th of a percentage point
Cash earnings per share	Adjusts the earnings per share ratio by adding back amortisation of Promina acquisition intangible assets, the intangible assets written-off as part of investments, and the related tax benefit to profit after tax
Cash return on average shareholders' equity	Adjusts the return on average shareholders' equity by adding back amortisation of Promina acquisition intangible assets and the related tax benefit to after tax profit
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA
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
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail lending 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 <i>Earnings per Share</i>

Appendix 9 – Definitions (continued)

Earnings per share	Basic earnings per share is calculated by dividing profit after tax for the period by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit after tax for the period adjusted for consequential changes in income or expense associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares outstanding during the period. Ordinary shares are adjusted for treasury shares
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 is a reserve held against potential losses reasonably assessed to be possible (but not certain) to arise from existing facilities which are currently satisfying their contractual terms. It is the credit loss intrinsic in the business which an ADI undertakes
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	Funds where the Australian S&I business and NZGT receive a fee for the administration of an asset portfolio
Funds under management	Funds where Suncorp Investment Management or Tyndall has been appointed as the investment manager for both internal Group funds and external funds
Funds under supervision	Funds where NZGT receives a fee for acting as a custodian or for providing corporate trustee services
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, travel insurance, loan protection, rental bond and personal effects cover
Gross non-performing loans	Gross impaired assets plus past due loans
Impairment losses to risk weighted assets	Impairment losses on loans and advances divided by risk weighted assets

Appendix 9 – Definitions (continued)

Insurance trading ratio	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. Policyholders' interests are excluded from the Life section of the Analysts Pack
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the disclosure 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
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 margin	Net interest income divided by average interest earning assets or lending assets, as specified
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 tangible asset backing	Total equity attributable to owners of the Company less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
Operating expense ratio	The percentage of the net premium that is used to meet the costs of acquiring (including commission), writing and servicing the General Insurance business
Payout ratio – cash earnings	Ordinary shares at the end of the period multiplied by ordinary dividend per share for the period divided by cash earnings. Ordinary shares are adjusted for treasury shares
Payout ratio – net profit after tax	Ordinary shares at the end of the period multiplied by ordinary dividend per share for the period divided by profit after tax. Ordinary shares are adjusted for treasury shares
Return on average total assets	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 average shareholders' equity	Profit after tax divided by adjusted average ordinary shareholders' equity. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Total assessed risk	Risk weighted assets, off balance sheets positions and market risk capital charge and operational risk charge, as defined by APRA
Treasury shares	Ordinary shares of the Company that are acquired by subsidiaries

Appendix 10 – 2011 Key Dates⁽¹⁾

Ordinary shares (SUN)

Half-year results announcement

Ex dividend date	23 February 2011
Record date	28 February 2011
Dividend payment	4 March 2011
	1 April 2011

Group Investor Day

30 May 2011 (tentative)

Full year results and final dividend announcement

Ex dividend date	24 August 2011
Record date	29 August 2011
Dividend payment	2 September 2011
	3 October 2011

Annual General Meeting

27 October 2011

Floating Rate Capital Notes (SUNHB)

Ex interest date	9 February 2011
Record date	15 February 2011
Interest payment	2 March 2011

Ex interest date	10 May 2011
Record date	16 May 2011
Interest payment	31 May 2011

Ex interest date	9 August 2011
Record date	15 August 2011
Interest payment	30 August 2011

Ex interest date	9 November 2011
Record date	15 November 2011
Interest payment	30 November 2011

Reset Preference Shares (SUNPA)

Ex dividend date	28 February 2011
Record date	4 March 2011
Dividend payment	14 March 2011
Ex dividend date	29 August 2011
Record date	2 September 2011
Dividend payment	14 September 2011

Convertible Preference Shares (SUNPB)

Ex dividend date	28 February 2011
Record date	4 March 2011
Dividend payment	14 March 2011
Ex dividend date	30 May 2011
Record date	3 June 2011
Dividend payment	14 June 2011
Ex dividend date	29 August 2011
Record date	2 September 2011
Dividend payment	14 September 2011
Ex dividend date	30 November 2011
Record date	6 December 2011
Dividend payment	14 December 2011

⁽¹⁾ All dates are subject to change and dividend dates will be confirmed at the date of declaration of the respective dividend.