

**Suncorp Group Limited** ABN 66 145 290 124  
**Analyst Pack**

Financial results for the  
**FULL YEAR ENDED**  
**30 JUNE 2016**



## Basis of preparation

Suncorp Group ('Group', 'the Group', 'the Company' or 'Suncorp') is comprised of Suncorp Group Limited (SGL) and its subsidiaries, its interests in associates and jointly controlled entities.

Net profit after tax (NPAT) for the Group is measured in accordance with Australian Accounting Standards. Profit after tax from business lines, associated ratios and key statistics represent the segment reporting disclosures. All figures have been quoted in Australian dollars rounded to the nearest million unless otherwise denoted. All figures relate to the full year ended 30 June 2016 and comparatives are for the full year ended 30 June 2015, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology.

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

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

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

## Disclaimer

This report contains general information which is current as at 4 August 2016. It is information given in summary form and does not purport to be complete.

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

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

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

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

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## Financial results

for the full year ended 30 June 2016

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## Financial results summary

- **Group** net profit after tax (NPAT) of \$1,038 million (FY15: \$1,133 million)
- Profit after tax from business lines\* of \$1,159 million (FY15: \$1,235 million)
- Group growth of 2.9% was driven by growth across all three business lines
- Total operating expenses, excluding the one-off restructuring charge, reduced by \$41 million to \$2,669 million
- Cash Return on Average Shareholders' Equity (ROE) of 8.2% (FY15: 8.9%). Statutory ROE of 7.8% (FY15: 8.5%)
- Total ordinary dividends of 68 cents per share fully franked (FY15: 76 cents)
- The Bank Common Equity Tier 1 (CET1) capital ratio improved to 9.21% and General Insurance holds CET1 of 1.21 times the Prescribed Capital Amount (PCA), both above the top end of their target ranges
- **General Insurance** NPAT of \$624 million (FY15: \$756 million) with natural hazards of \$730 million, \$60 million above the full year allowance
- Reserve releases of \$347 million were well above the long-run expectation of 1.5% of net earned premium (NEP), driven by improved long-tail claims management and a benign inflationary environment
- After adjusting for natural hazards, investment market volatility and reserve releases, the underlying insurance trading ratio (ITR)\* was 10.6% (FY15: 14.7%)
- Gross written premium (GWP) up 1.8% to \$9,031 million (FY15: \$8,872 million)
- **Bank** NPAT increased by 11% to \$393 million (FY15: \$354 million)
- Bank lending growth of 4.5% reflected a focus on quality, lower risk lending as demonstrated by the reduction in impairment losses, down 72.4% to \$16 million, or 3 basis points of gross loans and advances
- **Life** NPAT increased by 14% to \$142 million (FY15: \$125 million). Underlying profit increased to \$124 million (FY15: \$113 million) due to higher planned margins and \$21 million of positive claims and lapse experience
- Life Embedded Value (EV) increased to \$2,014 million (FY15: \$1,870 million)
- Suncorp's New Zealand operations, across General and Life Insurance, continued to provide strong earnings diversification with an after tax contribution of A\$182 million

\* Refer Appendix 4 for definition of 'profit after tax from business lines' and page 14 for underlying ITR.

### Operational summary

- Suncorp's purpose is to 'Create a better today' for its customers, shareholders, employees and communities with the 'One Suncorp' business model. The Group has refined its strategy to drive growth and increase resilience to volatility
- Key priorities are to maintain stability and momentum, elevate the customer and recalibrate costs
- Suncorp is focused on delivering solutions that meet its customers' needs and providing its customers with access to all its products, services and brands through any medium or channel, through the Suncorp marketplace
- The Group organisational restructure was completed on 4 July 2016, with operating structures confirmed across all functions. The restructure will remove constraints and influence behaviours to drive the customer strategy. It will also deliver an ongoing benefit of at least \$80 million per annum, at an upfront charge of \$55 million
- Suncorp has put in place a Natural Hazard Aggregate cover for FY17 which provides \$300 million of protection after the retained portion of natural hazard events greater than \$5 million reaches a total of \$460 million
- A number of measures have been implemented to restore Suncorp's personal insurance claims management capability. In Motor this includes improving SMART shop capacity utilisation and motor assessment processes. In Home this includes increasing resourcing and rigour around claims processing in order to reduce the number of outstanding claims
- Personal Insurance has successfully implemented a number of key initiatives including further expansion of SMART sites and the introduction of the Roadside Assist offering to multiple brands
- The *Protecting the North* initiative has continued, rewarding North Queensland residents by reducing premiums for improving the protection of their homes
- Suncorp successfully launched into the South Australian CTP market which commenced on 1 July 2016
- Good progress continues to be made in New Zealand with the Christchurch earthquake settlements. Over NZ\$4.9 billion (92%) of total expected costs have been paid
- Vero New Zealand was awarded Intermediated Insurance Company of the Year and AA Insurance was recognised as Direct Insurer of the Year at the New Zealand Insurance Industry Awards
- The Group's core operating subsidiaries have retained an issuer credit rating of 'A+/A1' with a stable outlook. Standard and Poor's upgraded the Suncorp Bank stand-alone credit profile to 'a-' from 'bbb+'
- Suncorp Bank won the 2016 MFAA Non Major Lender Award and Money Magazine's 2016 Business Bank of the Year
- Suncorp Bank's new core banking platform is now in place, providing agility and reduced time-to-market for new products and offerings. The new platform now supports customer, collateral, collections and loan origination processes, with deposits and transaction banking to follow early in FY17
- Key operational metrics within the Bank improved, with NIM at 1.86%, Cost to Income ratio improving to 52.5%, and the agribusiness and commercial portfolios returning to growth in the June half
- Detailed review with APRA of Basel II Advanced Accreditation is continuing. The Bank is operating as an Advanced Bank, with strong risk management and advanced models resulting in improved credit quality
- Suncorp Life released the MyStyle proposition, bridging the gap between traditional direct and advised offerings and Brighter Super, a superannuation proposition on a new administration platform
- Suncorp Life has simplified the business by exiting the self-employed aligned channel and revising its wealth corporate structure

## Result overview

For the financial year ended 30 June 2016, Suncorp Group delivered an NPAT of \$1,038 million.

Suncorp Bank, Suncorp Life and the New Zealand operations delivered solid underlying performances demonstrating the value of operating a diversified business model with multiple earnings streams.

General Insurance delivered higher underlying margins for the second half of the year, however, compared to the prior year, underlying margins were lower as a result of claims cost issues and lower investment returns. Remediating claims cost issues has been the Group's top priority and progress has been made throughout the year, with operational indicators progressively improving.

Suncorp Group remains focused on delivering exceptional service and increasing value for customers, which combined with competitive pricing have resulted in:

- General Insurance underlying ITR of 10.6%;
- Suncorp Bank net profit after tax growth of 11.0%; and
- Suncorp Life net profit after tax growth of 13.6%

**General Insurance** NPAT was \$624 million. Reported ITR of 9.9% and underlying ITR of 10.6% reflect the increased cost of settling claims and lower investment returns. Reported ITR benefited from continued prior year long-tail reserve releases. Total GWP increased by 1.8% to over \$9 billion.

Personal Insurance GWP improved as a result of targeted premium increases and high levels of customer retention. Additional resources allocated to home and motor claims assistance and assessment have driven an improvement in underlying margins over the second half. Commercial Insurance GWP was flat with 1.7% growth in Australia offset by a 4.9% decline in New Zealand.

Compulsory Third Party (CTP) GWP grew 9.2% with Suncorp leveraging the scale of its national CTP model to continue expansion into the ACT market.

New Zealand GWP was up 1.9% (in \$A terms) due to growth in personal lines through both the direct and intermediated channels.

**Suncorp Bank** delivered NPAT of \$393 million, up 11.0%. The result was driven by continued home lending growth, improved net interest margins and ongoing improvement in credit quality. Home lending growth of 5.9% reflects the success of the Bank's product offering whilst also maintaining conservative lending standards.

The net interest margin (NIM) improved to 1.86%, as an increase in the deposit mix and spreads offset heightened lending competition and the impact of cash rate reductions.

The Bank's cost to income ratio improved to 52.5% as a continued focus on cost discipline led to a reduction in operating expenses.

Impairment losses reduced to \$16 million, or 3 basis points of gross loans and advances, remaining well below the expected range of 10 to 20 basis points. Gross impaired assets reduced by 5.5%.

**Suncorp Life's** NPAT was \$142 million, up 13.6%. Underlying profit was \$124 million, up 9.7%. Underlying profit included positive lapse and claims experience of \$21 million. Market adjustments, primarily due to falling discount rates, resulted in an \$18 million benefit to NPAT.

Suncorp Life has continued to focus on sustainable growth with annual in-force premiums increasing to \$1,032 million. The Value of One Year's Sales was unchanged at \$25 million.

After accounting for the dividend payment, the Group remains well capitalised with \$346 million in CET1 capital held above its operating targets. The General Insurance CET1 ratio is 1.21 times PCA and the Bank CET1 ratio is 9.21%.

The Board has determined a fully franked final dividend of 38 cents per share. This brings total ordinary dividends for the 2016 financial year to 68 cents per share which represents a dividend payout ratio of 80% of cash earnings, and a yield of 5.6% based on Suncorp's share price of \$12.18 (at 30 June 2016) before taking into account the benefit of franking credits. The franking credit balance after the payment of dividends is \$146 million.

## Outlook

Australian economic growth is expected to remain subdued as the economy transitions from mining-led growth to a more broad-based expansion. The low yield environment persists, with interest rates at historical lows creating challenges for product pricing and investment management. Competition, regulatory and political reform are ongoing headwinds to the financial services sector, while emerging fintech companies are driving change and disruption to traditional business models.

In this context, the Suncorp Group has refined its strategy to drive growth and increase resilience to volatility. The Group is well capitalised and has a diversified earnings base that provides a strong foundation to create value for customers, shareholders, employees and communities with the 'One Suncorp' business model. By maximising its strategic assets of cost, capital and culture, the Group will create greater value for customers, leading to higher customer retention and revenues.

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

Maintaining stability and momentum in Suncorp's existing businesses will be achieved through execution of key programs such as working claims remediation, the core banking system, Super Simplification and Optimisation.

Suncorp's priority to elevate the customer is focused on broadening relationships with existing customers. A new operating model is now in place which places customers at the centre of the Group. All customers are now considered Group customers and the next phase of Suncorp's strategy centres on creating more Connected Customers. A core element of the refined strategy is the creation of the Suncorp marketplace. The marketplace will help customers navigate complexity, make better choices and allow them to interact with the Group in any way they choose, through both digital and physical channels.

As part of the process of reorganising the Group, progress has been made towards recalibrating costs to create a leaner and more resilient organisation.

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

- Broadening of customer relationships
- Flat cost base in FY17 and FY18
- Improving underlying NPAT
- Sustainable ROE of at least 10%, which implies an underlying ITR of at least 12%
- Maintaining a dividend payout ratio of 60% to 80% of cash earnings

**Suncorp General Insurance** is focused on rectifying claims costs issues in the Personal Insurance business, which together with other initiatives will drive ongoing improvement in underlying insurance margins.

Personal Insurance lines are expected to achieve low single digit GWP growth, reflective of input costs increasing across the industry. New business is likely to remain challenging, however retention levels should remain high as a result of strong ongoing customer satisfaction levels. Continued focus on expense management, improved working claims costs and additional benefits from vertical supply chain initiatives will support further improvement to underlying ITR.

Commercial Insurance lines continue to pursue profitable growth through targeted repricing and entry into new markets. Entry into the SA CTP market from 1 July 2016 represents an opportunity for Suncorp to

further cement its position as Australia's largest personal injury insurer. Low investment yields create an ongoing challenge for margins, however benefits from improved long-tail claims processes and the low inflation environment should see reserve releases continue above long-run expectations in the short to medium term.

The New Zealand business is expected to deliver profitable growth in both personal and commercial classes. The business will continue to replicate the success of the Australian simplification program and vertical integration to drive greater efficiency.

**Suncorp Bank** is well positioned to continue growing at 1 to 1.3 times system supported by its diversified funding base, "A+/A1" credit ratings, and strong capital position, as well as leveraging its significant investment in technology and capability.

Completion of the Ignite platform is delivering a simplified and resilient core banking infrastructure that provides agility and reduced time-to-market for new products and offerings. The decommissioning of legacy systems throughout the 2017 financial year will drive the Bank's cost to income ratio below 50%.

The Bank also continues to engage with APRA on the Basel II Advanced Accreditation program. The Bank is currently operating as an advanced bank and has implemented advanced risk management practices, supporting sustainable, profitable growth.

**Suncorp Life** is well placed to deliver stable growth through both independent financial advisor (IFA) and direct distribution channels. The Suncorp marketplace presents an exciting opportunity for Direct Life, as Suncorp begins to offer more comprehensive, unique and integrated propositions to the Group's nine million customers. The IFA channel also remains an important segment for Suncorp Life. Despite the delay to regulatory reform, the advisor market appears to have stabilised.

**Suncorp Group** continues to optimise the level, mix and use of capital in accordance with risk appetite, ensuring there are sufficient resources to maintain and grow the business. Taking into account the Group's business model and growth outlook, Suncorp continues to target an ordinary dividend payout ratio of 60% to 80% of cash earnings.



## Contribution to profit by division

|                                                       | FULL YEAR ENDED |              | JUN-16        |
|-------------------------------------------------------|-----------------|--------------|---------------|
|                                                       | JUN-16          | JUN-15       | vs JUN-15     |
|                                                       | \$M             | \$M          | %             |
| <b>General Insurance</b>                              |                 |              |               |
| Gross written premium                                 | 9,031           | 8,872        | 1.8           |
| Net earned premium                                    | 7,938           | 7,865        | 0.9           |
| Net incurred claims                                   | (5,661)         | (5,587)      | 1.3           |
| Operating expenses                                    | (1,749)         | (1,783)      | (1.9)         |
| Investment income - insurance funds                   | 254             | 399          | (36.3)        |
| Insurance trading result                              | 782             | 894          | (12.5)        |
| Other income - managed schemes and joint venture      | 19              | 29           | (34.5)        |
| Investment income - shareholder funds                 | 101             | 163          | (38.0)        |
| Capital funding                                       | (27)            | (26)         | 3.8           |
| Profit before tax                                     | 875             | 1,060        | (17.5)        |
| Income tax                                            | (251)           | (304)        | (17.4)        |
| <b>General Insurance profit after tax</b>             | <b>624</b>      | <b>756</b>   | <b>(17.5)</b> |
| <b>Bank</b>                                           |                 |              |               |
| Net interest income                                   | 1,129           | 1,103        | 2.4           |
| Net non-interest income                               | 88              | 107          | (17.8)        |
| Operating expenses                                    | (639)           | (646)        | (1.1)         |
| Profit before impairment losses on loans and advances | 578             | 564          | 2.5           |
| Impairment losses on loans and advances               | (16)            | (58)         | (72.4)        |
| Bank profit before tax                                | 562             | 506          | 11.1          |
| Income tax                                            | (169)           | (152)        | 11.2          |
| <b>Bank profit after tax</b>                          | <b>393</b>      | <b>354</b>   | <b>11.0</b>   |
| <b>Life</b>                                           |                 |              |               |
| Underlying profit after tax                           | 124             | 113          | 9.7           |
| Market adjustments after tax                          | 18              | 12           | 50.0          |
| <b>Life profit after tax</b>                          | <b>142</b>      | <b>125</b>   | <b>13.6</b>   |
| <b>Profit after tax from business lines</b>           | <b>1,159</b>    | <b>1,235</b> | <b>(6.2)</b>  |
| <b>Other loss before tax <sup>(1)</sup></b>           | <b>(76)</b>     | <b>(37)</b>  | <b>105.4</b>  |
| Income tax                                            | 6               | (7)          | n/a           |
| <b>Other loss after tax</b>                           | <b>(70)</b>     | <b>(44)</b>  | <b>59.1</b>   |
| <b>Cash earnings</b>                                  | <b>1,089</b>    | <b>1,191</b> | <b>(8.6)</b>  |
| Acquisition amortisation (after tax)                  | (51)            | (58)         | (12.1)        |
| <b>Net profit after tax</b>                           | <b>1,038</b>    | <b>1,133</b> | <b>(8.4)</b>  |

<sup>(1)</sup> 'Other' includes investment income on capital held at the Group level (Jun-16: \$18 million, Jun-15: \$24 million), consolidation adjustments (Jun-16: loss \$1 million, Jun-15: loss \$2 million), recognition of deferred consideration on Tyndall disposal (Jun-16: \$19 million, Jun-15: nil), non-controlling interests (Jun-16: loss \$7 million, Jun-15: loss \$7 million), external interest expense and transaction costs (Jun-16: \$50 million, Jun-15: \$52 million) and Operating model restructuring costs (Jun-16: \$55 million, Jun-15: nil).

|                                                       | HALF YEAR ENDED |            |             |             | JUN-16       | JUN-16       |
|-------------------------------------------------------|-----------------|------------|-------------|-------------|--------------|--------------|
|                                                       | JUN-16          | DEC-15     | JUN-15      | DEC-14      | vs DEC-15    | vs JUN-15    |
|                                                       | \$M             | \$M        | \$M         | \$M         | %            | %            |
| <b>General Insurance</b>                              |                 |            |             |             |              |              |
| Gross written premium                                 | 4,614           | 4,417      | 4,515       | 4,357       | 4.5          | 2.2          |
| Net earned premium                                    | 3,946           | 3,992      | 3,918       | 3,947       | (1.2)        | 0.7          |
| Net incurred claims                                   | (2,839)         | (2,822)    | (2,782)     | (2,805)     | 0.6          | 2.0          |
| Operating expenses                                    | (857)           | (892)      | (881)       | (902)       | (3.9)        | (2.7)        |
| Investment income - insurance funds                   | 155             | 99         | 133         | 266         | 56.6         | 16.5         |
| Insurance trading result                              | 405             | 377        | 388         | 506         | 7.4          | 4.4          |
| Other income - managed schemes and joint venture      | 6               | 13         | 9           | 20          | (53.8)       | (33.3)       |
| Investment income - shareholder funds                 | 67              | 34         | 81          | 82          | 97.1         | (17.3)       |
| Capital funding                                       | (15)            | (12)       | (12)        | (14)        | 25.0         | 25.0         |
| Profit before tax                                     | 463             | 412        | 466         | 594         | 12.4         | (0.6)        |
| Income tax                                            | (136)           | (115)      | (129)       | (175)       | 18.3         | 5.4          |
| <b>General Insurance profit after tax</b>             | <b>327</b>      | <b>297</b> | <b>337</b>  | <b>419</b>  | <b>10.1</b>  | <b>(3.0)</b> |
| <b>Bank</b>                                           |                 |            |             |             |              |              |
| Net interest income                                   | 563             | 566        | 550         | 553         | (0.5)        | 2.4          |
| Net non-interest income                               | 39              | 49         | 43          | 64          | (20.4)       | (9.3)        |
| Operating expenses                                    | (313)           | (326)      | (324)       | (322)       | (4.0)        | (3.4)        |
| Profit before impairment losses on loans and advances | 289             | 289        | 269         | 295         | -            | 7.4          |
| Impairment losses on loans and advances               | (5)             | (11)       | (15)        | (43)        | (54.5)       | (66.7)       |
| Bank profit before tax                                | 284             | 278        | 254         | 252         | 2.2          | 11.8         |
| Income tax                                            | (85)            | (84)       | (76)        | (76)        | 1.2          | 11.8         |
| <b>Bank profit after tax</b>                          | <b>199</b>      | <b>194</b> | <b>178</b>  | <b>176</b>  | <b>2.6</b>   | <b>11.8</b>  |
| <b>Life</b>                                           |                 |            |             |             |              |              |
| Underlying profit after tax                           | 66              | 58         | 61          | 52          | 13.8         | 8.2          |
| Market adjustments after tax                          | 23              | (5)        | (22)        | 34          | n/a          | n/a          |
| <b>Life profit after tax</b>                          | <b>89</b>       | <b>53</b>  | <b>39</b>   | <b>86</b>   | <b>67.9</b>  | <b>128.2</b> |
| <b>Profit after tax from business lines</b>           | <b>615</b>      | <b>544</b> | <b>554</b>  | <b>681</b>  | <b>13.1</b>  | <b>11.0</b>  |
| <b>Other loss before tax <sup>(1)</sup></b>           | <b>(106)</b>    | <b>30</b>  | <b>(20)</b> | <b>(17)</b> | <b>n/a</b>   | <b>430.0</b> |
| Income tax                                            | 24              | (18)       | (3)         | (4)         | n/a          | n/a          |
| <b>Other loss after tax</b>                           | <b>(82)</b>     | <b>12</b>  | <b>(23)</b> | <b>(21)</b> | <b>n/a</b>   | <b>256.5</b> |
| <b>Cash earnings</b>                                  | <b>533</b>      | <b>556</b> | <b>531</b>  | <b>660</b>  | <b>(4.1)</b> | <b>0.4</b>   |
| Acquisition amortisation (after tax)                  | (25)            | (26)       | (29)        | (29)        | (3.8)        | (13.8)       |
| <b>Net profit after tax</b>                           | <b>508</b>      | <b>530</b> | <b>502</b>  | <b>631</b>  | <b>(4.2)</b> | <b>1.2</b>   |

<sup>(1)</sup> 'Other' includes investment income on capital held at the Group level (Jun-16: \$11 million, Dec-15: \$7 million), consolidation adjustments (Jun-16: loss \$3 million, Dec-15: \$2 million), recognition of deferred consideration on Tyndall disposal (Jun-16: \$10 million, Dec-15: \$9 million), Group short-term incentive adjustment (Jun-16: loss \$40 million, Dec-15: \$40 million), non-controlling interests (Jun-16: loss \$4 million, Dec-15: loss \$3 million), external interest expense and transaction costs (Jun-16: \$25 million, Dec-15: \$25 million) and Operating model restructuring costs (Jun-16: \$55 million, Dec-15: nil).

## Statement of financial position

|                                                           | JUN-16        | DEC-15        | JUN-15        | DEC-14        | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|-----------------------------------------------------------|---------------|---------------|---------------|---------------|---------------------|---------------------|
|                                                           | \$M           | \$M           | \$M           | \$M           | %                   | %                   |
| <b>Assets</b>                                             |               |               |               |               |                     |                     |
| Cash and cash equivalents                                 | 1,798         | 1,203         | 1,216         | 880           | 49.5                | 47.9                |
| Receivables due from other banks                          | 552           | 464           | 595           | 566           | 19.0                | (7.2)               |
| Trading securities                                        | 1,497         | 1,119         | 1,384         | 2,298         | 33.8                | 8.2                 |
| Derivatives                                               | 676           | 691           | 659           | 701           | (2.2)               | 2.6                 |
| Investment securities                                     | 23,384        | 25,025        | 26,130        | 26,521        | (6.6)               | (10.5)              |
| Loans and advances                                        | 54,134        | 52,673        | 51,735        | 50,111        | 2.8                 | 4.6                 |
| Premiums outstanding                                      | 2,522         | 2,366         | 2,493         | 2,414         | 6.6                 | 1.2                 |
| Reinsurance and other recoveries                          | 1,900         | 2,204         | 2,413         | 2,494         | (13.8)              | (21.3)              |
| Deferred reinsurance assets                               | 858           | 582           | 813           | 520           | 47.4                | 5.5                 |
| Deferred acquisition costs                                | 678           | 656           | 661           | 648           | 3.4                 | 2.6                 |
| Gross policy liabilities ceded under reinsurance          | 461           | 419           | 476           | 485           | 10.0                | (3.2)               |
| Property, plant and equipment                             | 183           | 180           | 191           | 199           | 1.7                 | (4.2)               |
| Deferred tax assets                                       | 205           | 176           | 197           | 80            | 16.5                | 4.1                 |
| Goodwill and other intangible assets                      | 5,878         | 5,845         | 5,783         | 5,751         | 0.6                 | 1.6                 |
| Other assets                                              | 1,022         | 842           | 905           | 928           | 21.4                | 12.9                |
| <b>Total assets</b>                                       | <b>95,748</b> | <b>94,445</b> | <b>95,651</b> | <b>94,596</b> | <b>1.4</b>          | <b>0.1</b>          |
| <b>Liabilities</b>                                        |               |               |               |               |                     |                     |
| Payables due to other banks                               | 332           | 401           | 297           | 314           | (17.2)              | 11.8                |
| Deposits and short-term borrowings                        | 44,889        | 43,504        | 43,899        | 44,630        | 3.2                 | 2.3                 |
| Derivatives                                               | 628           | 478           | 536           | 591           | 31.4                | 17.2                |
| Amounts due to reinsurers                                 | 745           | 366           | 707           | 274           | 103.6               | 5.4                 |
| Payables and other liabilities                            | 1,843         | 1,362         | 1,599         | 1,273         | 35.3                | 15.3                |
| Current tax liabilities                                   | 65            | 14            | 278           | 115           | 364.3               | (76.6)              |
| Unearned premium liabilities                              | 4,870         | 4,687         | 4,708         | 4,668         | 3.9                 | 3.4                 |
| Outstanding claims liabilities                            | 9,734         | 9,713         | 9,998         | 10,015        | 0.2                 | (2.6)               |
| Gross policy liabilities                                  | 2,912         | 5,699         | 5,924         | 5,996         | (48.9)              | (50.8)              |
| Deferred tax liabilities                                  | 110           | 109           | 93            | 60            | 0.9                 | 18.3                |
| Managed funds units on issue                              | 1,334         | 279           | 233           | 180           | 378.1               | 472.5               |
| Securitisation liabilities                                | 2,535         | 3,144         | 3,639         | 2,858         | (19.4)              | (30.3)              |
| Debt issues                                               | 9,841         | 8,871         | 7,869         | 7,720         | 10.9                | 25.1                |
| Subordinated notes                                        | 1,389         | 1,423         | 1,406         | 1,382         | (2.4)               | (1.2)               |
| Preference shares                                         | 951           | 949           | 947           | 945           | 0.2                 | 0.4                 |
| <b>Total liabilities</b>                                  | <b>82,178</b> | <b>80,999</b> | <b>82,133</b> | <b>81,021</b> | <b>1.5</b>          | <b>0.1</b>          |
| <b>Net assets</b>                                         | <b>13,570</b> | <b>13,446</b> | <b>13,518</b> | <b>13,575</b> | <b>0.9</b>          | <b>0.4</b>          |
| <b>Equity</b>                                             |               |               |               |               |                     |                     |
| Share capital                                             | 12,679        | 12,675        | 12,684        | 12,678        | -                   | -                   |
| Reserves                                                  | 198           | 185           | 167           | 251           | 7.0                 | 18.6                |
| Retained profits                                          | 684           | 570           | 632           | 624           | 20.0                | 8.2                 |
| <b>Total equity attributable to owners of the Company</b> | <b>13,561</b> | <b>13,430</b> | <b>13,483</b> | <b>13,553</b> | <b>1.0</b>          | <b>0.6</b>          |
| Non-controlling interests                                 | 9             | 16            | 35            | 22            | (43.8)              | (74.3)              |
| <b>Total equity</b>                                       | <b>13,570</b> | <b>13,446</b> | <b>13,518</b> | <b>13,575</b> | <b>0.9</b>          | <b>0.4</b>          |

## General Insurance

### Result overview

General Insurance achieved an after tax profit of \$624 million for the year ended 30 June 2016 with GWP increasing 1.8%.

The insurance trading result was \$782 million, representing an ITR of 9.9%. The underlying ITR for the full year was 10.6%. General Insurance has focused on delivering lower working claims costs over the second half of the financial year which, together with other initiatives, have driven a higher underlying ITR for the second half. The result compared to the prior year was negatively impacted by working claims costs in Personal Insurance, large Commercial claims, an increase in the natural hazard allowance and lower investment yields.

Personal Insurance GWP increased by 1.6% to \$4,787 million as a result of targeted price increases. Retention rates have been maintained as Suncorp continues to focus on improving product offerings and service standards.

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

CTP GWP grew 9.2%, successfully leveraging the Group's national CTP model. The success of this model is further demonstrated by entry into the South Australian privatised CTP scheme from 1 July 2016.

Net incurred claims were \$5,661 million with natural hazard claims of \$730 million, \$60 million over the allowance for the year.

Reserve releases of \$347 million continue to be above expectations of 1.5% of net earned premium (NEP). This was primarily attributable to the proactive management of long-tail claims and a benign wage and super-imposed inflation environment.

Total operating expenses decreased 1.9% to \$1,749 million, with the operating expense ratio improving to 22.0% as a result of a continued focus on expense management.

Overall investment income has decreased. Income on Insurance Funds was \$254 million, with losses from widening credit spreads and the relative underperformance of inflation-linked bonds, partially offset by mark-to-market gains from a reduction in risk-free rates. Investment income on Shareholders' Funds of \$101 million was impacted by the widening of credit spread yields and lower than expected returns from equities.

## General Insurance

### Outlook

Personal Insurance (now referred to as the Consumer Insurance division) will focus on meeting customers' needs to deliver low single digit GWP growth in a competitive market. A continued focus on expense management, improved working claims outcomes following the rectification work and the benefits from vertical supply chain integration will enable the Consumer Insurance business to contribute to an improvement in the underlying ITR margin.

Commercial Insurance continues to target profitable growth through pricing actions, continued focus on meeting customer and broker needs, and successfully entering new markets. Margin pressure persists as a result of low investment yields and a soft pricing environment. The business continues to focus on underwriting discipline and claims management which will contribute to delivering underlying ITR margins of at least 12%. Continued benign inflation should see reserve releases remain above long-run expectations in the short to medium term.

Suncorp continues to benefit from the scale of its national CTP model. Entry into the SA CTP market from 1 July 2016 represents an opportunity for Suncorp to further cement its position as Australia's largest personal injury insurer. Suncorp is actively engaged in industry reform in NSW and the implementation of the National Injury Insurance Scheme in Queensland.

New Zealand continues to build a balanced multi-channel business across both personal and commercial classes and is positioned for above system growth in a competitive and challenging market. Reducing expenses and claims costs through productivity efficiencies is an ongoing focus. Progress in settling Christchurch earthquake claims continues and Suncorp remains protected against further significant deterioration in earthquake costs due to the original catastrophe reinsurance and the additional adverse development cover purchased for the February 2011 event.

## Profit contribution including discount rate movements and FSL

|                                                                | FULL YEAR ENDED |                |        | JUN-16        |  |                | HALF YEAR ENDED |                |                | JUN-16        |   |              |
|----------------------------------------------------------------|-----------------|----------------|--------|---------------|--|----------------|-----------------|----------------|----------------|---------------|---|--------------|
|                                                                | JUN-16          |                | JUN-15 | vs JUN-15     |  | JUN-16         | DEC-15          | JUN-15         | DEC-14         | vs DEC-15     |   | JUN-16       |
|                                                                | \$M             | \$M            |        | %             |  | \$M            | \$M             | \$M            | \$M            | %             | % | %            |
| <b>Gross written premium</b>                                   | 9,031           | 8,872          |        | 1.8           |  | 4,614          | 4,417           | 4,515          | 4,357          | 4.5           |   | 2.2          |
| Gross unearned premium movement                                | (123)           | 3              |        | n/a           |  | (174)          | 51              | (80)           | 83             | n/a           |   | 117.5        |
| Gross earned premium                                           | 8,908           | 8,875          |        | 0.4           |  | 4,440          | 4,468           | 4,435          | 4,440          | (0.6)         |   | 0.1          |
| Outwards reinsurance expense                                   | (970)           | (1,010)        |        | (4.0)         |  | (494)          | (476)           | (517)          | (493)          | 3.8           |   | (4.4)        |
| <b>Net earned premium</b>                                      | <b>7,938</b>    | <b>7,865</b>   |        | <b>0.9</b>    |  | <b>3,946</b>   | <b>3,992</b>    | <b>3,918</b>   | <b>3,947</b>   | <b>(1.2)</b>  |   | <b>0.7</b>   |
| <b>Net incurred claims</b>                                     |                 |                |        |               |  |                |                 |                |                |               |   |              |
| Claims expense                                                 | (7,000)         | (7,581)        |        | (7.7)         |  | (3,505)        | (3,495)         | (3,842)        | (3,739)        | 0.3           |   | (8.8)        |
| Reinsurance and other recoveries revenue                       | 1,339           | 1,994          |        | (32.8)        |  | 666            | 673             | 1,060          | 934            | (1.0)         |   | (37.2)       |
| <b>Net incurred claims</b>                                     | <b>(5,661)</b>  | <b>(5,587)</b> |        | <b>1.3</b>    |  | <b>(2,839)</b> | <b>(2,822)</b>  | <b>(2,782)</b> | <b>(2,805)</b> | <b>0.6</b>    |   | <b>2.0</b>   |
| <b>Total operating expenses</b>                                |                 |                |        |               |  |                |                 |                |                |               |   |              |
| Acquisition expenses                                           | (1,146)         | (1,127)        |        | 1.7           |  | (572)          | (574)           | (564)          | (563)          | (0.3)         |   | 1.4          |
| Other underwriting expenses                                    | (603)           | (656)          |        | (8.1)         |  | (285)          | (318)           | (317)          | (339)          | (10.4)        |   | (10.1)       |
|                                                                | (1,749)         | (1,783)        |        | (1.9)         |  | (857)          | (892)           | (881)          | (902)          | (3.9)         |   | (2.7)        |
| <b>Underwriting result</b>                                     | <b>528</b>      | <b>495</b>     |        | <b>6.7</b>    |  | <b>250</b>     | <b>278</b>      | <b>255</b>     | <b>240</b>     | <b>(10.1)</b> |   | <b>(2.0)</b> |
| Investment income - insurance funds                            | 254             | 399            |        | (36.3)        |  | 155            | 99              | 133            | 266            | 56.6          |   | 16.5         |
| <b>Insurance trading result</b>                                | <b>782</b>      | <b>894</b>     |        | <b>(12.5)</b> |  | <b>405</b>     | <b>377</b>      | <b>388</b>     | <b>506</b>     | <b>7.4</b>    |   | <b>4.4</b>   |
| Managed schemes net contribution                               | 17              | 23             |        | (26.1)        |  | 7              | 10              | 7              | 16             | (30.0)        |   | -            |
| Joint venture and other income                                 | 2               | 6              |        | (66.7)        |  | (1)            | 3               | 2              | 4              | n/a           |   | n/a          |
| <b>General Insurance operational earnings</b>                  | <b>801</b>      | <b>923</b>     |        | <b>(13.2)</b> |  | <b>411</b>     | <b>390</b>      | <b>397</b>     | <b>526</b>     | <b>5.4</b>    |   | <b>3.5</b>   |
| Investment income - shareholder funds                          | 101             | 163            |        | (38.0)        |  | 67             | 34              | 81             | 82             | 97.1          |   | (17.3)       |
| <b>General Insurance profit before tax and capital funding</b> | <b>902</b>      | <b>1,086</b>   |        | <b>(16.9)</b> |  | <b>478</b>     | <b>424</b>      | <b>478</b>     | <b>608</b>     | <b>12.7</b>   |   | <b>-</b>     |
| Capital funding                                                | (27)            | (26)           |        | 3.8           |  | (15)           | (12)            | (12)           | (14)           | 25.0          |   | 25.0         |
| <b>General Insurance profit before tax</b>                     | <b>875</b>      | <b>1,060</b>   |        | <b>(17.5)</b> |  | <b>463</b>     | <b>412</b>      | <b>466</b>     | <b>594</b>     | <b>12.4</b>   |   | <b>(0.6)</b> |
| Income tax                                                     | (251)           | (304)          |        | (17.4)        |  | (136)          | (115)           | (129)          | (175)          | 18.3          |   | 5.4          |
| <b>General Insurance profit after tax</b>                      | <b>624</b>      | <b>756</b>     |        | <b>(17.5)</b> |  | <b>327</b>     | <b>297</b>      | <b>337</b>     | <b>419</b>     | <b>10.1</b>   |   | <b>(3.0)</b> |

## General Insurance ratios

|                                                               | FULL YEAR ENDED |              | HALF YEAR ENDED |            |            |             |
|---------------------------------------------------------------|-----------------|--------------|-----------------|------------|------------|-------------|
|                                                               | JUN-16          | JUN-15       | JUN-16          | DEC-15     | JUN-15     | DEC-14      |
|                                                               | %               | %            | %               | %          | %          | %           |
| Acquisition expenses ratio                                    | 14.4            | 14.3         | 14.5            | 14.4       | 14.4       | 14.3        |
| Other underwriting expenses ratio                             | 7.6             | 8.3          | 7.2             | 8.0        | 8.1        | 8.6         |
| Total operating expenses ratio                                | 22.0            | 22.6         | 21.7            | 22.4       | 22.5       | 22.9        |
| Loss ratio                                                    | 71.3            | 71.0         | 71.9            | 70.7       | 71.0       | 71.1        |
| Combined operating ratio                                      | 93.3            | 93.6         | 93.6            | 93.1       | 93.5       | 94.0        |
| <b>Insurance trading ratio</b>                                | <b>9.9</b>      | <b>11.4</b>  | <b>10.3</b>     | <b>9.4</b> | <b>9.9</b> | <b>12.8</b> |
|                                                               |                 |              |                 |            |            |             |
|                                                               | JUN-16          | JUN-15       | JUN-14          |            |            |             |
|                                                               | \$M             | \$M          | \$M             |            |            |             |
| <b>Reported ITR</b>                                           | <b>782</b>      | <b>894</b>   | <b>1,195</b>    |            |            |             |
| Reported reserve releases (above) below long-run expectations | (228)           | (309)        | 7               |            |            |             |
| Natural hazards above (below) long-run allowances             | 60              | 473          | (27)            |            |            |             |
| Investment income mismatch                                    | 207             | 85           | (126)           |            |            |             |
| Other:                                                        |                 |              |                 |            |            |             |
| Risk margin                                                   | (50)            | (26)         | (9)             |            |            |             |
| Abnormal (Simplification/restructuring) expenses              | 67              | 41           | 68              |            |            |             |
|                                                               | -               | -            | -               |            |            |             |
| <b>Underlying ITR</b>                                         | <b>838</b>      | <b>1,158</b> | <b>1,108</b>    |            |            |             |
| <b>Underlying ITR ratio</b>                                   | <b>10.6%</b>    | <b>14.7%</b> | <b>14.3%</b>    |            |            |             |

## Profit contribution excluding discount rate movements and FSL

|                                                                | FULL YEAR ENDED |         |           | JUN-16  |         |         | HALF YEAR ENDED |           |           | JUN-16 |  |
|----------------------------------------------------------------|-----------------|---------|-----------|---------|---------|---------|-----------------|-----------|-----------|--------|--|
|                                                                | JUN-16          | JUN-15  | vs JUN-15 | JUN-16  | DEC-15  | JUN-15  | DEC-14          | vs DEC-15 | vs JUN-15 |        |  |
|                                                                | \$M             | \$M     | %         | \$M     | \$M     | \$M     | \$M             | %         | %         |        |  |
| <b>Gross written premium</b>                                   | 8,871           | 8,731   | 1.6       | 4,533   | 4,338   | 4,443   | 4,288           | 4.5       | 2.0       |        |  |
| Gross unearned premium movement                                | (112)           | 5       | n/a       | (169)   | 57      | (76)    | 81              | n/a       | 122.4     |        |  |
| Gross earned premium                                           | 8,759           | 8,736   | 0.3       | 4,364   | 4,395   | 4,367   | 4,369           | (0.7)     | (0.1)     |        |  |
| Outwards reinsurance expense                                   | (970)           | (1,010) | (4.0)     | (494)   | (476)   | (517)   | (493)           | 3.8       | (4.4)     |        |  |
| <b>Net earned premium</b>                                      | 7,789           | 7,726   | 0.8       | 3,870   | 3,919   | 3,850   | 3,876           | (1.3)     | 0.5       |        |  |
| <b>Net incurred claims</b>                                     |                 |         |           |         |         |         |                 |           |           |        |  |
| Claims expense                                                 | (6,800)         | (7,430) | (8.5)     | (3,334) | (3,466) | (3,873) | (3,557)         | (3.8)     | (13.9)    |        |  |
| Reinsurance and other recoveries revenue                       | 1,339           | 1,994   | (32.8)    | 666     | 673     | 1,060   | 934             | (1.0)     | (37.2)    |        |  |
| <b>Net incurred claims</b>                                     | (5,461)         | (5,436) | 0.5       | (2,668) | (2,793) | (2,813) | (2,623)         | (4.5)     | (5.2)     |        |  |
| <b>Total operating expenses</b>                                |                 |         |           |         |         |         |                 |           |           |        |  |
| Acquisition expenses                                           | (1,146)         | (1,127) | 1.7       | (572)   | (574)   | (564)   | (563)           | (0.3)     | 1.4       |        |  |
| Other underwriting expenses                                    | (454)           | (517)   | (12.2)    | (209)   | (245)   | (249)   | (268)           | (14.7)    | (16.1)    |        |  |
|                                                                | (1,600)         | (1,644) | (2.7)     | (781)   | (819)   | (813)   | (831)           | (4.6)     | (3.9)     |        |  |
| <b>Underwriting result</b>                                     | 728             | 646     | 12.7      | 421     | 307     | 224     | 422             | 37.1      | 87.9      |        |  |
| Investment income - insurance funds                            | 54              | 248     | (78.2)    | (16)    | 70      | 164     | 84              | n/a       | n/a       |        |  |
| <b>Insurance trading result</b>                                | 782             | 894     | (12.5)    | 405     | 377     | 388     | 506             | 7.4       | 4.4       |        |  |
| Managed schemes net contribution                               | 17              | 23      | (26.1)    | 7       | 10      | 7       | 16              | (30.0)    | -         |        |  |
| Joint venture and other income                                 | 2               | 6       | (66.7)    | (1)     | 3       | 2       | 4               | n/a       | n/a       |        |  |
| <b>General Insurance operational earnings</b>                  | 801             | 923     | (13.2)    | 411     | 390     | 397     | 526             | 5.4       | 3.5       |        |  |
| Investment income - shareholder funds                          | 101             | 163     | (38.0)    | 67      | 34      | 81      | 82              | 97.1      | (17.3)    |        |  |
| <b>General Insurance profit before tax and capital funding</b> | 902             | 1,086   | (16.9)    | 478     | 424     | 478     | 608             | 12.7      | -         |        |  |
| Capital funding                                                | (27)            | (26)    | 3.8       | (15)    | (12)    | (12)    | (14)            | 25.0      | 25.0      |        |  |
| <b>General Insurance profit before tax</b>                     | 875             | 1,060   | (17.5)    | 463     | 412     | 466     | 594             | 12.4      | (0.6)     |        |  |
| Income tax                                                     | (251)           | (304)   | (17.4)    | (136)   | (115)   | (129)   | (175)           | 18.3      | 5.4       |        |  |
| <b>General Insurance profit after tax</b>                      | 624             | 756     | (17.5)    | 327     | 297     | 337     | 419             | 10.1      | (3.0)     |        |  |

## General Insurance ratios

|                                   | FULL YEAR ENDED |        |        | HALF YEAR ENDED |        |        |
|-----------------------------------|-----------------|--------|--------|-----------------|--------|--------|
|                                   | JUN-16          | JUN-15 | JUN-16 | DEC-15          | JUN-15 | DEC-14 |
|                                   | %               | %      | %      | %               | %      | %      |
| Acquisition expenses ratio        | 14.7            | 14.6   | 14.8   | 14.6            | 14.6   | 14.5   |
| Other underwriting expenses ratio | 5.8             | 6.7    | 5.4    | 6.3             | 6.5    | 6.9    |
| Total operating expenses ratio    | 20.5            | 21.3   | 20.2   | 20.9            | 21.1   | 21.4   |
| Loss ratio                        | 70.1            | 70.4   | 68.9   | 72.7            | 73.1   | 67.7   |
| Combined operating ratio          | 90.6            | 91.7   | 89.1   | 93.6            | 94.2   | 89.1   |

## Statement of assets and liabilities

|                                  | JUN-16        | DEC-15        | JUN-15        | DEC-14        | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------------|---------------------|
|                                  | \$M           | \$M           | \$M           | \$M           | %                   | %                   |
| <b>Assets</b>                    |               |               |               |               |                     |                     |
| Cash and cash equivalents        | 444           | 285           | 419           | 233           | 55.8                | 6.0                 |
| Investment securities            | 12,536        | 12,086        | 12,273        | 12,225        | 3.7                 | 2.1                 |
| Derivatives                      | 28            | 37            | 24            | 23            | (24.3)              | 16.7                |
| Loans and advances               | 2,971         | 2,612         | 2,785         | 2,682         | 13.7                | 6.7                 |
| Reinsurance and other recoveries | 1,714         | 2,035         | 2,282         | 2,370         | (15.8)              | (24.9)              |
| Deferred insurance assets        | 1,614         | 1,312         | 1,540         | 1,235         | 23.0                | 4.8                 |
| Due from related parties         | 180           | 165           | 164           | 117           | 9.1                 | 9.8                 |
| Property, plant and equipment    | 46            | 38            | 33            | 32            | 21.1                | 39.4                |
| Other assets                     | 169           | 164           | 188           | 180           | 3.0                 | (10.1)              |
| Goodwill and intangible assets   | 5,036         | 5,061         | 5,051         | 5,097         | (0.5)               | (0.3)               |
| <b>Total assets</b>              | <b>24,738</b> | <b>23,795</b> | <b>24,759</b> | <b>24,194</b> | <b>4.0</b>          | <b>(0.1)</b>        |
| <b>Liabilities</b>               |               |               |               |               |                     |                     |
| Payables and other liabilities   | 1,494         | 828           | 1,249         | 674           | 80.4                | 19.6                |
| Derivatives                      | 177           | 139           | 154           | 193           | 27.3                | 14.9                |
| Due to related parties           | 299           | 182           | 345           | 213           | 64.3                | (13.3)              |
| Deferred tax liabilities         | 14            | 34            | 68            | 145           | (58.8)              | (79.4)              |
| Unearned premium liabilities     | 4,864         | 4,681         | 4,697         | 4,661         | 3.9                 | 3.6                 |
| Outstanding claims liabilities   | 9,425         | 9,479         | 9,735         | 9,751         | (0.6)               | (3.2)               |
| Subordinated notes               | 552           | 588           | 572           | 550           | (6.1)               | (3.5)               |
| <b>Total liabilities</b>         | <b>16,825</b> | <b>15,931</b> | <b>16,820</b> | <b>16,187</b> | <b>5.6</b>          | <b>0.0</b>          |
| <b>Net assets</b>                | <b>7,913</b>  | <b>7,864</b>  | <b>7,939</b>  | <b>8,007</b>  | <b>0.6</b>          | <b>(0.3)</b>        |

### Reconciliation of Net assets to Common Equity Tier 1 Capital

|                                                        |              |              |              |              |
|--------------------------------------------------------|--------------|--------------|--------------|--------------|
| <b>Net assets</b>                                      | <b>7,913</b> | <b>7,864</b> | <b>7,939</b> | <b>8,007</b> |
| Insurance liabilities in excess of liability valuation | 495          | 505          | 658          | 601          |
| Reserves excluded from regulatory capital              | (11)         | (11)         | (8)          | (8)          |
| Additional Tier 1 capital                              | (510)        | (510)        | (510)        | (510)        |
| Goodwill allocated to GI Business                      | (4,465)      | (4,461)      | (4,450)      | (4,464)      |
| Other Intangibles (including software assets)          | (590)        | (586)        | (555)        | (581)        |
| Other Tier 1 Deductions                                | (5)          | (4)          | (5)          | (5)          |
| <b>Common Equity Tier 1 Capital</b>                    | <b>2,827</b> | <b>2,797</b> | <b>3,069</b> | <b>3,040</b> |

General Insurance's net assets increased by \$49 million over the second half, reflecting profit for the six months offset by dividend payments.



## Personal Insurance

|                                     | FULL YEAR ENDED |            | JUN-16<br>vs JUN-15 | HALF YEAR ENDED |            |           |            | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|-------------------------------------|-----------------|------------|---------------------|-----------------|------------|-----------|------------|---------------------|---------------------|
|                                     | JUN-16          | JUN-15     |                     | JUN-16          | DEC-15     | JUN-15    | DEC-14     |                     |                     |
|                                     | \$M             | \$M        | %                   | \$M             | \$M        | \$M       | \$M        | %                   | %                   |
| Gross written premium               | 4,787           | 4,713      | 1.6                 | 2,404           | 2,383      | 2,344     | 2,369      | 0.9                 | 2.6                 |
| Net earned premium                  | 4,242           | 4,275      | (0.8)               | 2,098           | 2,144      | 2,104     | 2,171      | (2.1)               | (0.3)               |
| Net incurred claims                 | (3,219)         | (3,253)    | (1.0)               | (1,609)         | (1,610)    | (1,708)   | (1,545)    | (0.1)               | (5.8)               |
| Acquisition expenses                | (487)           | (479)      | 1.7                 | (244)           | (243)      | (236)     | (243)      | 0.4                 | 3.4                 |
| Other underwriting expenses         | (278)           | (327)      | (15.0)              | (125)           | (153)      | (155)     | (172)      | (18.3)              | (19.4)              |
| Total operating expenses            | (765)           | (806)      | (5.1)               | (369)           | (396)      | (391)     | (415)      | (6.8)               | (5.6)               |
| <b>Underwriting result</b>          | 258             | 216        | 19.4                | 120             | 138        | 5         | 211        | (13.0)              | large               |
| Investment income - insurance funds | (1)             | 53         | n/a                 | (12)            | 11         | 39        | 14         | n/a                 | n/a                 |
| <b>Insurance trading result</b>     | <b>257</b>      | <b>269</b> | <b>(4.5)</b>        | <b>108</b>      | <b>149</b> | <b>44</b> | <b>225</b> | <b>(27.5)</b>       | <b>145.5</b>        |
|                                     | %               | %          |                     | %               | %          | %         | %          |                     |                     |
| <b>Ratios</b>                       |                 |            |                     |                 |            |           |            |                     |                     |
| Acquisition expenses ratio          | 11.5            | 11.2       |                     | 11.6            | 11.3       | 11.2      | 11.2       |                     |                     |
| Other underwriting expenses ratio   | 6.6             | 7.6        |                     | 6.0             | 7.1        | 7.4       | 7.9        |                     |                     |
| Total operating expenses ratio      | 18.1            | 18.8       |                     | 17.6            | 18.4       | 18.6      | 19.1       |                     |                     |
| Loss ratio                          | 75.9            | 76.1       |                     | 76.7            | 75.1       | 81.2      | 71.2       |                     |                     |
| Combined operating ratio            | 94.0            | 94.9       |                     | 94.3            | 93.5       | 99.8      | 90.3       |                     |                     |
| Insurance trading ratio             | 6.1             | 6.3        |                     | 5.1             | 6.9        | 2.1       | 10.4       |                     |                     |

## Result overview

Personal Insurance delivered an insurance trading result of \$257 million, representing a decreased headline ITR ratio of 6.1%, mainly as a result of lower investment income compared to the previous year. Underlying margins reduced as a result of higher working claims costs and an increase in the natural hazard allowance.

GWP growth of 1.6% was delivered in a competitive market as a result of premium increases of 2.7% partly offset by a 1.1% decline in units. Direct channels performed well with flat unit growth while intermediated volumes declined. Retention rates have remained stable as single digit price increases have been implemented across the portfolio.

Claims costs reduced due to lower natural hazards, offset by increases in home and motor working claims costs. To rectify the increase in working claims costs, additional resources have been deployed within the motor and home businesses to reduce the number of active claims and place greater focus on cost management.

Total operating expenses ratio has improved to 18.1% as the business continues to recalibrate costs.

## Commercial Insurance

|                                     | FULL YEAR ENDED |            |               | JUN-16     |            | HALF YEAR ENDED |             |               |               | JUN-16 |  |
|-------------------------------------|-----------------|------------|---------------|------------|------------|-----------------|-------------|---------------|---------------|--------|--|
|                                     | JUN-16          | JUN-15     | vs JUN-15     | JUN-16     | DEC-15     | JUN-15          | DEC-14      | vs DEC-15     | vs JUN-15     |        |  |
|                                     | \$M             | \$M        | %             | \$M        | \$M        | \$M             | \$M         | %             | %             |        |  |
| Gross written premium               | 3,016           | 2,954      | 2.1           | 1,603      | 1,413      | 1,571           | 1,383       | 13.4          | 2.0           |        |  |
| Net earned premium                  | 2,651           | 2,620      | 1.2           | 1,315      | 1,336      | 1,323           | 1,297       | (1.6)         | (0.6)         |        |  |
| Net incurred claims                 | (1,880)         | (1,810)    | 3.9           | (944)      | (936)      | (791)           | (1,019)     | 0.9           | 19.3          |        |  |
| Acquisition expenses                | (419)           | (415)      | 1.0           | (208)      | (211)      | (209)           | (206)       | (1.4)         | (0.5)         |        |  |
| Other underwriting expenses         | (227)           | (238)      | (4.6)         | (110)      | (117)      | (117)           | (121)       | (6.0)         | (6.0)         |        |  |
| Total operating expenses            | (646)           | (653)      | (1.1)         | (318)      | (328)      | (326)           | (327)       | (3.0)         | (2.5)         |        |  |
| <b>Underwriting result</b>          | <b>125</b>      | <b>157</b> | <b>(20.4)</b> | <b>53</b>  | <b>72</b>  | <b>206</b>      | <b>(49)</b> | <b>(26.4)</b> | <b>(74.3)</b> |        |  |
| Investment income - insurance funds | 237             | 321        | (26.2)        | 155        | 82         | 82              | 239         | 89.0          | 89.0          |        |  |
| <b>Insurance trading result</b>     | <b>362</b>      | <b>478</b> | <b>(24.3)</b> | <b>208</b> | <b>154</b> | <b>288</b>      | <b>190</b>  | <b>35.1</b>   | <b>(27.8)</b> |        |  |
|                                     | %               | %          |               | %          | %          | %               | %           |               |               |        |  |
| <b>Ratios</b>                       |                 |            |               |            |            |                 |             |               |               |        |  |
| Acquisition expenses ratio          | 15.8            | 15.8       |               | 15.8       | 15.8       | 15.8            | 15.9        |               |               |        |  |
| Other underwriting expenses ratio   | 8.6             | 9.1        |               | 8.4        | 8.8        | 8.8             | 9.3         |               |               |        |  |
| Total operating expenses ratio      | 24.4            | 24.9       |               | 24.2       | 24.6       | 24.6            | 25.2        |               |               |        |  |
| Loss ratio                          | 70.9            | 69.1       |               | 71.8       | 70.1       | 59.8            | 78.6        |               |               |        |  |
| Combined operating ratio            | 95.3            | 94.0       |               | 96.0       | 94.7       | 84.4            | 103.8       |               |               |        |  |
| Insurance trading ratio             | 13.7            | 18.2       |               | 15.8       | 11.5       | 21.8            | 14.6        |               |               |        |  |

## Result overview

The insurance trading result for Commercial Insurance of \$362 million was achieved through maintaining a focus on underwriting and claims management processes, together with a continued benign inflation environment.

GWP growth of 2.1% reflects disciplined growth in selected product lines. Suncorp's national CTP model has delivered strong growth, most notably in NSW and ACT.

The benefits of the diverse portfolio and strong business fundamentals continue, albeit offset by higher natural hazard experience and lower investment returns primarily due to the underperformance of inflation-linked bonds.

The total operating expenses ratio improved to 24.4% as a result of an ongoing focus on cost management.

## New Zealand

This table is shown in A\$.

|                                     | FULL YEAR ENDED |        |           | JUN-16 | HALF YEAR ENDED |        |        | JUN-16    | JUN-16    |
|-------------------------------------|-----------------|--------|-----------|--------|-----------------|--------|--------|-----------|-----------|
|                                     | JUN-16          | JUN-15 | vs JUN-15 | JUN-16 | DEC-15          | JUN-15 | DEC-14 | vs DEC-15 | vs JUN-15 |
|                                     | \$M             | \$M    | %         | \$M    | \$M             | \$M    | \$M    | %         | %         |
| Gross written premium               | 1,228           | 1,205  | 1.9       | 607    | 621             | 600    | 605    | (2.3)     | 1.2       |
| Net earned premium                  | 1,045           | 970    | 7.7       | 533    | 512             | 491    | 479    | 4.1       | 8.6       |
| Net incurred claims                 | (562)           | (524)  | 7.3       | (286)  | (276)           | (283)  | (241)  | 3.6       | 1.1       |
| Acquisition expenses                | (240)           | (233)  | 3.0       | (120)  | (120)           | (119)  | (114)  | -         | 0.8       |
| Other underwriting expenses         | (98)            | (91)   | 7.7       | (50)   | (48)            | (45)   | (46)   | 4.2       | 11.1      |
| Total operating expenses            | (338)           | (324)  | 4.3       | (170)  | (168)           | (164)  | (160)  | 1.2       | 3.7       |
| Underwriting result                 | 145             | 122    | 18.9      | 77     | 68              | 44     | 78     | 13.2      | 75.0      |
| Investment income - insurance funds | 18              | 25     | (28.0)    | 12     | 6               | 12     | 13     | 100.0     | -         |
| Insurance trading result            | 163             | 147    | 10.9      | 89     | 74              | 56     | 91     | 20.3      | 58.9      |
|                                     | %               | %      |           | %      | %               | %      | %      |           |           |
| Ratios                              |                 |        |           |        |                 |        |        |           |           |
| Acquisition expenses ratio          | 23.0            | 24.0   |           | 22.5   | 23.4            | 24.2   | 23.8   |           |           |
| Other underwriting expenses ratio   | 9.4             | 9.4    |           | 9.4    | 9.4             | 9.2    | 9.6    |           |           |
| Total operating expenses ratio      | 32.4            | 33.4   |           | 31.9   | 32.8            | 33.4   | 33.4   |           |           |
| Loss ratio                          | 53.8            | 54.0   |           | 53.7   | 53.9            | 57.6   | 50.3   |           |           |
| Combined operating ratio            | 86.2            | 87.4   |           | 85.6   | 86.7            | 91.0   | 83.7   |           |           |
| Insurance trading ratio             | 15.6            | 15.2   |           | 16.7   | 14.5            | 11.4   | 19.0   |           |           |

## Result overview

New Zealand delivered an insurance trading result of \$163 million (NZ\$178 million) in a competitive commercial market and with a strengthening Australian dollar.

GWP growth of 1.9% (NZ\$ 3.2%) was a result of strong growth across both direct and intermediated distribution channels. A shift in business mix away from Corporate Property to Motor has resulted in higher NEP growth due to differing reinsurance arrangements.

The loss ratio decreased to 53.8% from 54.0% including an \$11 million increase in the risk margin associated with earthquake claims incurred in the first half. Natural hazards have been benign in the current year compared with the previous year.

The total operating expenses ratio improved to 32.4%, largely attributable to lower acquisition costs relative to NEP and management focus on operational efficiencies, offset by investments in simplification projects.

This table is shown in NZ\$.

|                                     | FULL YEAR ENDED |                 |                          | HALF YEAR ENDED |                 |           |                 |                          |                          |
|-------------------------------------|-----------------|-----------------|--------------------------|-----------------|-----------------|-----------|-----------------|--------------------------|--------------------------|
|                                     | JUN-16          |                 | JUN-16<br>vs JUN-15<br>% | JUN-16          |                 | JUN-15    |                 | JUN-16<br>vs DEC-15<br>% | JUN-16<br>vs JUN-15<br>% |
|                                     | NZ\$M           | JUN-15<br>NZ\$M |                          | NZ\$M           | DEC-15<br>NZ\$M | NZ\$M     | DEC-14<br>NZ\$M |                          |                          |
| Gross written premium               | 1,339           | 1,298           | 3.2                      | 658             | 681             | 635       | 663             | (3.4)                    | 3.6                      |
| Net earned premium                  | 1,139           | 1,042           | 9.3                      | 577             | 562             | 517       | 525             | 2.7                      | 11.6                     |
| Net incurred claims                 | (612)           | (562)           | 8.9                      | (309)           | (303)           | (298)     | (264)           | 2.0                      | 3.7                      |
| Acquisition expenses                | (263)           | (250)           | 5.2                      | (132)           | (131)           | (125)     | (125)           | 0.8                      | 5.6                      |
| Other underwriting expenses         | (106)           | (98)            | 8.2                      | (54)            | (52)            | (48)      | (50)            | 3.8                      | 12.5                     |
| Total operating expenses            | (369)           | (348)           | 6.0                      | (186)           | (183)           | (173)     | (175)           | 1.6                      | 7.5                      |
| <b>Underwriting result</b>          | 158             | 132             | 19.7                     | 82              | 76              | 46        | 86              | 7.9                      | 78.3                     |
| Investment income - insurance funds | 20              | 27              | (25.9)                   | 13              | 7               | 13        | 14              | 85.7                     | -                        |
| <b>Insurance trading result</b>     | <b>178</b>      | <b>159</b>      | <b>11.9</b>              | <b>95</b>       | <b>83</b>       | <b>59</b> | <b>100</b>      | <b>14.5</b>              | <b>61.0</b>              |
|                                     | %               | %               |                          |                 | %               | %         | %               |                          |                          |
| <b>Ratios</b>                       |                 |                 |                          |                 |                 |           |                 |                          |                          |
| Acquisition expenses ratio          | 23.1            | 24.0            |                          | 22.9            | 23.3            | 24.2      | 23.8            |                          |                          |
| Other underwriting expenses ratio   | 9.3             | 9.4             |                          | 9.4             | 9.3             | 9.3       | 9.5             |                          |                          |
| Total operating expenses ratio      | 32.4            | 33.4            |                          | 32.3            | 32.6            | 33.5      | 33.3            |                          |                          |
| Loss Ratio                          | 53.7            | 53.9            |                          | 53.6            | 53.9            | 57.6      | 50.3            |                          |                          |
| Combined operating ratio            | 86.1            | 87.3            |                          | 85.9            | 86.5            | 91.1      | 83.6            |                          |                          |
| Insurance trading ratio             | 15.6            | 15.3            |                          | 16.5            | 14.8            | 11.4      | 19.0            |                          |                          |

## Gross Written Premium (GWP)

|                                         | FULL YEAR ENDED |              |            | JUN-16       |              |              | HALF YEAR ENDED |              |            | JUN-16 |  |
|-----------------------------------------|-----------------|--------------|------------|--------------|--------------|--------------|-----------------|--------------|------------|--------|--|
|                                         | JUN-16          | JUN-15       | vs JUN-15  | JUN-16       | DEC-15       | JUN-15       | DEC-14          | vs DEC-15    | vs JUN-15  |        |  |
|                                         | \$M             | \$M          | %          | \$M          | \$M          | \$M          | \$M             | %            | %          |        |  |
| <b>Gross written premium by product</b> |                 |              |            |              |              |              |                 |              |            |        |  |
| <b>Australia</b>                        |                 |              |            |              |              |              |                 |              |            |        |  |
| Motor                                   | 2,568           | 2,516        | 2.1        | 1,295        | 1,273        | 1,254        | 1,262           | 1.7          | 3.3        |        |  |
| Home                                    | 2,193           | 2,169        | 1.1        | 1,096        | 1,097        | 1,077        | 1,092           | (0.1)        | 1.8        |        |  |
| Commercial                              | 1,577           | 1,551        | 1.7        | 793          | 784          | 792          | 759             | 1.1          | 0.1        |        |  |
| Compulsory third party                  | 1,215           | 1,113        | 9.2        | 648          | 567          | 582          | 531             | 14.3         | 11.3       |        |  |
| Workers compensation and other          | 250             | 318          | (21.4)     | 175          | 75           | 210          | 108             | 133.3        | (16.7)     |        |  |
| <b>Australia</b>                        | <b>7,803</b>    | <b>7,667</b> | <b>1.8</b> | <b>4,007</b> | <b>3,796</b> | <b>3,915</b> | <b>3,752</b>    | <b>5.6</b>   | <b>2.3</b> |        |  |
| <b>New Zealand</b>                      |                 |              |            |              |              |              |                 |              |            |        |  |
| Motor                                   | 290             | 262          | 10.7       | 150          | 140          | 135          | 127             | 7.1          | 11.1       |        |  |
| Home                                    | 392             | 370          | 5.9        | 202          | 190          | 192          | 178             | 6.3          | 5.2        |        |  |
| Commercial                              | 502             | 528          | (4.9)      | 233          | 269          | 250          | 278             | (13.4)       | (6.8)      |        |  |
| Other                                   | 44              | 45           | (2.2)      | 22           | 22           | 23           | 22              | -            | (4.3)      |        |  |
| <b>New Zealand</b>                      | <b>1,228</b>    | <b>1,205</b> | <b>1.9</b> | <b>607</b>   | <b>621</b>   | <b>600</b>   | <b>605</b>      | <b>(2.3)</b> | <b>1.2</b> |        |  |
| <b>Total</b>                            |                 |              |            |              |              |              |                 |              |            |        |  |
| Motor                                   | 2,858           | 2,778        | 2.9        | 1,445        | 1,413        | 1,389        | 1,389           | 2.3          | 4.0        |        |  |
| Home                                    | 2,585           | 2,539        | 1.8        | 1,298        | 1,287        | 1,269        | 1,270           | 0.9          | 2.3        |        |  |
| Commercial                              | 2,079           | 2,079        | -          | 1,026        | 1,053        | 1,042        | 1,037           | (2.6)        | (1.5)      |        |  |
| Compulsory third party                  | 1,215           | 1,113        | 9.2        | 648          | 567          | 582          | 531             | 14.3         | 11.3       |        |  |
| Workers compensation and other          | 294             | 363          | (19.0)     | 197          | 97           | 233          | 130             | 103.1        | (15.5)     |        |  |
| <b>Gross Written Premium</b>            | <b>9,031</b>    | <b>8,872</b> | <b>1.8</b> | <b>4,614</b> | <b>4,417</b> | <b>4,515</b> | <b>4,357</b>    | <b>4.5</b>   | <b>2.2</b> |        |  |

|                                           | FULL YEAR ENDED |              |            | JUN-16       |              |              | HALF YEAR ENDED |            |            | JUN-16 |  |
|-------------------------------------------|-----------------|--------------|------------|--------------|--------------|--------------|-----------------|------------|------------|--------|--|
|                                           | JUN-16          | JUN-15       | vs JUN-15  | JUN-16       | DEC-15       | JUN-15       | DEC-14          | vs DEC-15  | vs JUN-15  |        |  |
|                                           | \$M             | \$M          | %          | \$M          | \$M          | \$M          | \$M             | %          | %          |        |  |
| <b>Gross written premium by geography</b> |                 |              |            |              |              |              |                 |            |            |        |  |
| Queensland                                | 2,236           | 2,224        | 0.5        | 1,116        | 1,120        | 1,099        | 1,125           | (0.4)      | 1.5        |        |  |
| New South Wales                           | 2,618           | 2,572        | 1.8        | 1,364        | 1,254        | 1,305        | 1,267           | 8.8        | 4.5        |        |  |
| Victoria                                  | 1,687           | 1,584        | 6.5        | 863          | 824          | 806          | 778             | 4.7        | 7.1        |        |  |
| Western Australia                         | 562             | 640          | (12.2)     | 312          | 250          | 355          | 285             | 24.8       | (12.1)     |        |  |
| South Australia                           | 257             | 254          | 1.2        | 128          | 129          | 126          | 128             | (0.8)      | 1.6        |        |  |
| Tasmania                                  | 162             | 151          | 7.3        | 81           | 81           | 79           | 72              | -          | 2.5        |        |  |
| Other                                     | 281             | 242          | 16.1       | 143          | 138          | 145          | 97              | 3.6        | (1.4)      |        |  |
| <b>Total Australia</b>                    | <b>7,803</b>    | <b>7,667</b> | <b>1.8</b> | <b>4,007</b> | <b>3,796</b> | <b>3,915</b> | <b>3,752</b>    | <b>5.6</b> | <b>2.3</b> |        |  |
| New Zealand                               | 1,228           | 1,205        | 1.9        | 607          | 621          | 600          | 605             | (2.3)      | 1.2        |        |  |
| <b>Total</b>                              | <b>9,031</b>    | <b>8,872</b> | <b>1.8</b> | <b>4,614</b> | <b>4,417</b> | <b>4,515</b> | <b>4,357</b>    | <b>4.5</b> | <b>2.2</b> |        |  |

## Gross Written Premium (GWP) (continued)

### Motor

In Australia, Motor GWP grew 2.1% to \$2,568 million. Low single digit price increases have been achieved with retention rates remaining stable. Product enhancement continues with Roadside Assist being launched during the year for Suncorp and GIO customers. Growth in the specialist brands of Bingle, Shannons and CIL has been strong, with Bingle expanding its product offering to include third party only cover.

New Zealand Motor GWP increased 10.7% (NZ\$ 12.3%) to \$290 million, driven by strong unit growth underpinned by favourable market conditions and expansion into new channels.

### Home

In Australia, overall Home GWP growth improved by 1.1% to \$2,193 million, with direct channel growth of 3.7% achieved through low to mid single digit premium increases while maintaining strong retention rates. AAMI, Shannons and Terri Scheer had particularly strong growth and APIA launched a pilot Home Assist option providing customers with access to a network of qualified tradespeople.

New Zealand Home GWP increased 5.9% (NZ\$ 7.4%) to \$392 million. Growth was due to a combination of increases in new business, stable retention and premium increases as a result of improved product offerings.

### Commercial

Australian commercial lines GWP increased 1.7% as the business maintained a disciplined approach to underwriting, with a focus on margin in a market that continues to be competitive.

Broker relationships continue to be strong due to Commercial Insurance's focus on service levels. A combination of excellent claims service and a focus on a customer-first culture are core to Commercial Insurance's ability to better meet customer needs.

New Zealand commercial lines GWP decreased 4.9% (NZ\$ 4.0%) to \$502 million. The reduction was due to continued underwriting discipline in a competitive market for existing and new business.

### Compulsory Third Party (CTP)

CTP GWP increased 9.2% to \$1,215 million.

Suncorp's market share in the ACT CTP has continued to grow, reaching 40% after entering the market in 2013.

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

Suncorp is a significant participant in the NSW CTP market (23% market share), with new business growth resulting from the two-brand strategy and successful motor dealer channel initiatives.

### Workers Compensation and other

The Workers Compensation and other portfolio reduced 19.0% to \$294 million. Workers Compensation policy retention remains high, however the ongoing reduction in wages, improved claims experience and the continuation of a soft market cycle has resulted in lower premium levels. Other GWP includes boat insurance, direct travel insurance and other specialist New Zealand products.

## Reinsurance

Outwards reinsurance expense for the 2016 financial year was \$970 million, a decrease of \$40 million which included an increased limit on the main catastrophe program and fully placing the aggregate dropdowns.

Suncorp has a significant share of the Queensland home insurance market and, to reduce its geographical concentration, the Group has a 30%, multi-year, proportional quota share arrangement covering this portfolio in place until 30 June 2018.

The upper limit on Suncorp's main catastrophe program, which covers the Group's Home, Motor and Commercial Property portfolios for major events will remain unchanged at \$6.9 billion for the 2017 financial year.

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

For New Zealand risks, multi-year cover is in place which reduces the first event retention to NZ\$50 million and the second and third event retentions to NZ\$25 million.

For the 2017 financial year, Suncorp has purchased a Natural Hazards Aggregate cover. This provides \$300 million of cover once the retained portion of natural hazard events greater than \$5 million exceeds a total of \$460 million.

The enhancements to the reinsurance program for the 2017 financial year have resulted in a net reduction in the natural hazard allowance.

Reinsurance security has been maintained for the 2017 financial year program, with over 85% of business protected by reinsurers rated 'A+' or better.

## Net incurred claims

Net incurred claims costs increased 1.3% to \$5,661 million.

Natural hazard event costs were \$730 million, \$60 million over the allowance.

Major natural hazard events are shown in the table below.

| DATE         | EVENT                                                  | NET COSTS<br>\$M |
|--------------|--------------------------------------------------------|------------------|
| Aug 2015     | South Coast NSW and Sydney Storms                      | 29               |
| Sep 2015     | NSW Central Coast Hail                                 | 21               |
| Oct 2015     | Fernvale Chinchilla Hail                               | 41               |
| Nov 2015     | Sunnybank Hail                                         | 15               |
| Nov 2015     | Darling Downs Storms                                   | 23               |
| Dec 2015     | Kurnell Tornado                                        | 57               |
| Dec 2015     | Great Ocean Road Bushfire                              | 34               |
| Jan 2016     | Newcastle and Hunter Heavy Rain                        | 12               |
| Jan 2016     | South Sydney Storms                                    | 26               |
| Jan 2016     | East Australia Storms                                  | 74               |
| Jun 2016     | East Coast Low #1                                      | 109              |
| Jun 2016     | East Coast Low #2                                      | 9                |
|              | Other natural hazards attritional claims (Australia)   | 270              |
|              | Other natural hazards attritional claims (New Zealand) | 10               |
| <b>Total</b> |                                                        | <b>730</b>       |
|              | Less: allowance for natural hazards                    | (670)            |
|              | Natural hazards costs above allowance                  | 60               |

In Personal Insurance, Motor repair costs increased due to rising cost of motor vehicle parts combined with operational issues. Home claim costs have also increased due to escalated costs of fire and water damage claims, which tend to be highly complex.

Suncorp has prioritised the rectification of active working claims to reduce the total volume of claims as well as lowering the average claim cost.

In Motor insurance, additional resources have been deployed to refine critical repair and assessment processes while continuing to deliver high levels of customer satisfaction. A number of key operating metrics have improved, including the number of active motor vehicle claims which have steadily reduced. SMART shop capacity utilisation has increased due to revised processes, which will ultimately contribute to a reduction in average claims costs. Recoveries and settlements have also improved.

Home insurance has also employed additional resources in claims assessment with a focus on reducing the number of active claims. As a result of revised processes, the number of outstanding claims has reduced. Shorter claims duration and tighter controls for cash settlements have contributed to an improvement in average claims costs.

In Commercial Insurance, current year experience has been impacted by a number of large claims. NSW CTP portfolio small-claims frequency has stabilised after seeing some increase in the first half. The NSW CTP claims frequency issue continues to be a focus for the industry and the Regulator. Profitability remains well within target ranges and Suncorp's claims performance remains ahead of the industry.



## Outstanding claims provision breakdown

The valuation of outstanding claims resulted in central estimate releases of \$347 million, well above the Group's long-run expectation for reserve releases of 1.5% of net earned premium.

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

Long-tail claims reserve releases were primarily attributable to favourable claims experience. The majority of the Australian release relates to the CTP portfolios and includes the impact of benign wage inflation. The benign inflationary environment also resulted in a reduction in wage inflation assumptions for the 2017 and 2018 financial years, which contributed \$35 million to the prior year releases.

|                                 | ACTUAL       | NET CENTRAL<br>ESTIMATE<br>(DISCOUNTED) | RISK MARGIN (90TH<br>PERCENTILE<br>DISCOUNTED) | CHANGE IN NET<br>CENTRAL ESTIMATE<br>(1) |
|---------------------------------|--------------|-----------------------------------------|------------------------------------------------|------------------------------------------|
|                                 | \$M          | \$M                                     | \$M                                            | \$M                                      |
| <b>Short-tail</b>               |              |                                         |                                                |                                          |
| Australian short-tail and other | 1,709        | 1,559                                   | 150                                            | 68                                       |
| New Zealand                     | 118          | 103                                     | 15                                             | 9                                        |
| <b>Long-tail</b>                |              |                                         |                                                |                                          |
| Australia long-tail             | 5,731        | 4,873                                   | 858                                            | (416)                                    |
| New Zealand                     | 153          | 125                                     | 28                                             | (8)                                      |
| <b>Total</b>                    | <b>7,711</b> | <b>6,660</b>                            | <b>1,051</b>                                   | <b>(347)</b>                             |

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

## Outstanding claims provisions over time

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

|                                                              | HALF YEAR ENDED |              |              |              | JUN-16     | JUN-16     |
|--------------------------------------------------------------|-----------------|--------------|--------------|--------------|------------|------------|
|                                                              | JUN-16          | DEC-15       | JUN-15       | DEC-14       | vs DEC-15  | vs JUN-15  |
|                                                              | \$M             | \$M          | \$M          | \$M          | %          | %          |
| Gross outstanding claims liabilities                         | 9,425           | 9,479        | 9,735        | 9,751        | (0.6)      | (3.2)      |
| Reinsurance and other recoveries                             | (1,714)         | (2,035)      | (2,282)      | (2,370)      | (15.8)     | (24.9)     |
| <b>Net outstanding claims liabilities</b>                    | <b>7,711</b>    | <b>7,444</b> | <b>7,453</b> | <b>7,381</b> | <b>3.6</b> | <b>3.5</b> |
| Expected future claims payments and claims handling expenses | 7,136           | 6,962        | 7,010        | 6,944        | 2.5        | 1.8        |
| Discount to present value                                    | (476)           | (567)        | (594)        | (597)        | (16.0)     | (19.9)     |
| Risk margin                                                  | 1,051           | 1,049        | 1,037        | 1,034        | 0.2        | 1.4        |
| <b>Net outstanding claims liabilities</b>                    | <b>7,711</b>    | <b>7,444</b> | <b>7,453</b> | <b>7,381</b> | <b>3.6</b> | <b>3.5</b> |
| <b>Short-tail</b>                                            |                 |              |              |              |            |            |
| Australia short-tail and other                               | 1,709           | 1,490        | 1,472        | 1,178        | 14.7       | 16.1       |
| New Zealand                                                  | 118             | 113          | 116          | 126          | 4.4        | 1.7        |
| <b>Long-tail</b>                                             |                 |              |              |              |            |            |
| Australia long-tail                                          | 5,731           | 5,686        | 5,695        | 5,869        | 0.8        | 0.6        |
| New Zealand                                                  | 153             | 155          | 170          | 208          | (1.3)      | (10.0)     |
| <b>Total</b>                                                 | <b>7,711</b>    | <b>7,444</b> | <b>7,453</b> | <b>7,381</b> | <b>3.6</b> | <b>3.5</b> |

## Risk margins

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

Risk margins increased \$14 million during the period to \$1,051 million. The assets notionally backing risk margins had a net return of \$64 million. The net impact was therefore \$50 million, which is excluded in the underlying ITR calculation.

## Operating expenses

The total operating expenses ratio improved to 22.0%, with total operating expenses of \$1,749 million demonstrating Suncorp's continued focus on recalibrating costs and the benefits of Simplification and Optimisation.

Other underwriting expenses reduced 8.1% to \$603 million. Acquisition costs were \$1,146 million, with the acquisition expense ratio increased to 14.4%.

## Managed schemes

Managed schemes contribution of \$17 million is attributable to Suncorp's Australian Commercial Insurance business administering various governments' Worker's Compensation schemes.

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

## Joint venture and other income

The Group participates in a joint venture with the motoring club in Tasmania. Joint venture income was partially offset by the amortisation of intangibles and other net income.

## Investment income

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

## Asset allocation

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

In the Shareholders' Funds, to increase asset class diversification and reduce risk, additional investments to infrastructure and commercial property were made. Further modest asset class diversification is planned over the near future.

|                                  | HALF YEAR ENDED |            |               |               | JUN-16       |               |
|----------------------------------|-----------------|------------|---------------|---------------|--------------|---------------|
|                                  | JUN-16          |            | DEC-15        |               | vs DEC-15    |               |
|                                  | \$M             | %          | \$M           | \$M           | %            | %             |
| <b>Insurance funds</b>           |                 |            |               |               |              |               |
| Cash and short-term deposits     | 367             | 4          | 254           | 247           | 44.5         | 48.6          |
| Inflation-linked bonds           | 1,816           | 18         | 2,190         | 2,299         | (17.1)       | (21.0)        |
| Corporate bonds                  | 6,904           | 70         | 5,896         | 5,643         | 17.1         | 22.3          |
| Semi-Government bonds            | 685             | 7          | 841           | 1,286         | (18.5)       | (46.7)        |
| Commonwealth Government bonds    | 72              | 1          | 5             | 5             | large        | large         |
| <b>Total Insurance funds</b>     | <b>9,844</b>    | <b>100</b> | <b>9,186</b>  | <b>9,480</b>  | <b>7.2</b>   | <b>3.8</b>    |
| <b>Shareholders' funds</b>       |                 |            |               |               |              |               |
| Cash and short-term deposits     | 282             | 10         | 125           | 188           | 125.6        | 50.0          |
| Interest-bearing securities      | 1,930           | 67         | 2,250         | 2,356         | (14.2)       | (18.1)        |
| Equities                         | 419             | 15         | 443           | 518           | (5.4)        | (19.1)        |
| Infrastructure & property        | 219             | 8          | 173           | 138           | 26.6         | 58.7          |
| <b>Total shareholders' funds</b> | <b>2,850</b>    | <b>100</b> | <b>2,991</b>  | <b>3,200</b>  | <b>(4.7)</b> | <b>(10.9)</b> |
| <b>Total</b>                     | <b>12,694</b>   |            | <b>12,177</b> | <b>12,680</b> | <b>4.2</b>   | <b>0.1</b>    |

## Credit quality

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

| AVERAGE | JUN-16       | DEC-15       | JUN-15       | DEC-14       |
|---------|--------------|--------------|--------------|--------------|
|         | %            | %            | %            | %            |
| AAA     | 35.8         | 39.1         | 39.3         | 39.7         |
| AA      | 28.0         | 25.0         | 29.8         | 32.9         |
| A       | 28.8         | 28.1         | 25.6         | 23.1         |
| BBB     | 7.4          | 7.8          | 5.3          | 4.3          |
|         | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

## Duration

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

|                              | JUN-16 | DEC-15 | JUN-15 | DEC-14 |
|------------------------------|--------|--------|--------|--------|
| <b>Insurance funds</b>       |        |        |        |        |
| Interest rate duration (Yrs) | 2.3    | 2.7    | 2.6    | 2.6    |
| Credit spread duration (Yrs) | 1.5    | 1.2    | 1.2    | 1.2    |
| <b>Shareholders' funds</b>   |        |        |        |        |
| Interest rate duration (Yrs) | 2.1    | 1.9    | 2.4    | 1.1    |
| Credit spread duration (Yrs) | 2.5    | 2.8    | 2.9    | 2.9    |

## Investment performance

Total investment income was \$355 million representing an annualised return of 2.8% for the full year.

Investment income on Insurance Funds was \$254 million including mark-to-market impacts from:

- gains of \$228 million from a decrease in risk-free rates;
- losses of \$46 million from a widening of credit spreads; and
- losses of \$181 million from the underperformance of inflation-linked bonds relative to Commonwealth Government nominal bonds as break-even inflation fell.

After removing the above mark-to-market impacts, the underlying yield income was \$253 million, or 2.7% annualised.

Investment income on Insurance Funds is reported as part of the ITR along with changes in the value of outstanding claims. The decrease in risk-free rates increased the value of outstanding claims by \$200 million and led to mark-to-market gains on investment assets of \$228 million. The net impact of risk-free rate changes was \$28 million and is attributable to mark-to-market gains on the assets backing unearned premiums which are not discounted.

In calculating the underlying ITR, an adjustment of \$207 million has been made to materially remove the impact of investment market volatility. This unrealised accounting adjustment unwinds mark-to-market volatility aspects:

- \$46 million loss from the widening of credit spreads;
- \$181 million loss from inflation-linked bond underperformance;
- \$28 million net gain (reduction) from changes in risk-free rates and;
- a timing adjustment of \$8 million from the unwind of prior risk-free changes on assets backing unearned premium.

Investment income on Shareholders' Funds was \$101 million representing an annualised return of 3.4%. The portfolio was impacted by volatile equity markets and widening credit spreads, slightly offset by improving returns from a growing infrastructure and property portfolio.

|                                               | FULL YEAR ENDED |            |               | JUN-16     |            | HALF YEAR ENDED |            |             | JUN-16        |        |
|-----------------------------------------------|-----------------|------------|---------------|------------|------------|-----------------|------------|-------------|---------------|--------|
|                                               | JUN-16          | JUN-15     | vs JUN-15     | JUN-16     | DEC-15     | JUN-15          | DEC-14     | vs DEC-15   | JUN-16        | JUN-15 |
|                                               | \$M             | \$M        | %             | \$M        | \$M        | \$M             | \$M        | %           | %             | %      |
| <b>Investment income on insurance funds</b>   |                 |            |               |            |            |                 |            |             |               |        |
| Cash and short-term deposits                  | 4               | 2          | 100.0         | 2          | 2          | -               | 2          | -           | n/a           |        |
| Interest-bearing securities and other         | 250             | 397        | (37.0)        | 153        | 97         | 133             | 264        | 57.7        | 15.0          |        |
| <b>Total</b>                                  | <b>254</b>      | <b>399</b> | <b>(36.3)</b> | <b>155</b> | <b>99</b>  | <b>133</b>      | <b>266</b> | <b>56.6</b> | <b>16.5</b>   |        |
| <b>Investment income on shareholder funds</b> |                 |            |               |            |            |                 |            |             |               |        |
| Cash and short-term deposits                  | 2               | 3          | (33.3)        | 1          | 1          | 1               | 2          | -           | -             |        |
| Interest-bearing securities                   | 79              | 112        | (29.5)        | 60         | 19         | 58              | 54         | 215.8       | 3.4           |        |
| Equities                                      | 6               | 46         | (87.0)        | 1          | 5          | 20              | 26         | (80.0)      | (95.0)        |        |
| Infrastructure & property                     | 14              | 2          | large         | 5          | 9          | 2               | -          | (44.4)      | 150.0         |        |
| <b>Total</b>                                  | <b>101</b>      | <b>163</b> | <b>(38.0)</b> | <b>67</b>  | <b>34</b>  | <b>81</b>       | <b>82</b>  | <b>97.1</b> | <b>(17.3)</b> |        |
| <b>Total investment income</b>                | <b>355</b>      | <b>562</b> | <b>(36.8)</b> | <b>222</b> | <b>133</b> | <b>214</b>      | <b>348</b> | <b>66.9</b> | <b>3.7</b>    |        |

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

|                                     | FULL YEAR ENDED |            |             | JUN-16     | HALF YEAR ENDED |             |            | JUN-16      | JUN-16     |
|-------------------------------------|-----------------|------------|-------------|------------|-----------------|-------------|------------|-------------|------------|
|                                     | JUN-16          | JUN-15     | vs JUN-15   | JUN-16     | DEC-15          | JUN-15      | DEC-14     | vs DEC-15   | vs JUN-15  |
|                                     | \$M             | \$M        | %           | \$M        | \$M             | \$M         | \$M        | %           | %          |
| <b>Short-tail</b>                   |                 |            |             |            |                 |             |            |             |            |
| Gross written premium               | 6,966           | 6,831      | 2.0         | 3,494      | 3,472           | 3,418       | 3,413      | 0.6         | 2.2        |
| Net earned premium                  | 6,006           | 5,945      | 1.0         | 2,996      | 3,010           | 2,957       | 2,988      | (0.5)       | 1.3        |
| Net incurred claims                 | (4,360)         | (4,390)    | (0.7)       | (2,163)    | (2,197)         | (2,352)     | (2,038)    | (1.5)       | (8.0)      |
| Acquisition expenses                | (907)           | (882)      | 2.8         | (459)      | (448)           | (441)       | (441)      | 2.5         | 4.1        |
| Other underwriting expenses         | (483)           | (523)      | (7.6)       | (228)      | (255)           | (255)       | (268)      | (10.6)      | (10.6)     |
| Total operating expenses            | (1,390)         | (1,405)    | (1.1)       | (687)      | (703)           | (696)       | (709)      | (2.3)       | (1.3)      |
| <b>Underwriting result</b>          | 256             | 150        | 70.7        | 146        | 110             | (91)        | 241        | 32.7        | n/a        |
| Investment income - insurance funds | 28              | 87         | (67.8)      | 8          | 20              | 56          | 31         | (60.0)      | (85.7)     |
| <b>Insurance trading result</b>     | <b>284</b>      | <b>237</b> | <b>19.8</b> | <b>154</b> | <b>130</b>      | <b>(35)</b> | <b>272</b> | <b>18.5</b> | <b>n/a</b> |
|                                     | %               | %          |             | %          | %               | %           | %          |             |            |
| <b>Ratios</b>                       |                 |            |             |            |                 |             |            |             |            |
| Acquisition expenses ratio          | 15.1            | 14.8       |             | 15.3       | 14.9            | 14.9        | 14.7       |             |            |
| Other underwriting expenses ratio   | 8.0             | 8.8        |             | 7.6        | 8.5             | 8.6         | 9.0        |             |            |
| Total operating expenses ratio      | 23.1            | 23.6       |             | 22.9       | 23.4            | 23.5        | 23.7       |             |            |
| Loss ratio                          | 72.6            | 73.8       |             | 72.2       | 73.0            | 79.5        | 68.2       |             |            |
| Combined operating ratio            | 95.7            | 97.4       |             | 95.2       | 96.4            | 103.0       | 91.9       |             |            |
| Insurance trading ratio             | 4.7             | 4.0        |             | 5.1        | 4.3             | (1.2)       | 9.1        |             |            |

|                                     | FULL YEAR ENDED |            |               | JUN-16     | HALF YEAR ENDED |            |            | JUN-16     | JUN-16        |
|-------------------------------------|-----------------|------------|---------------|------------|-----------------|------------|------------|------------|---------------|
|                                     | JUN-16          | JUN-15     | vs JUN-15     | JUN-16     | DEC-15          | JUN-15     | DEC-14     | vs DEC-15  | vs JUN-15     |
|                                     | \$M             | \$M        | %             | \$M        | \$M             | \$M        | \$M        | %          | %             |
| <b>Long-tail</b>                    |                 |            |               |            |                 |            |            |            |               |
| Gross written premium               | 2,065           | 2,041      | 1.2           | 1,120      | 945             | 1,097      | 944        | 18.5       | 2.1           |
| Net earned premium                  | 1,932           | 1,920      | 0.6           | 950        | 982             | 961        | 959        | (3.3)      | (1.1)         |
| Net incurred claims                 | (1,301)         | (1,197)    | 8.7           | (676)      | (625)           | (430)      | (767)      | 8.2        | 57.2          |
| Acquisition expenses                | (239)           | (245)      | (2.4)         | (113)      | (126)           | (123)      | (122)      | (10.3)     | (8.1)         |
| Other underwriting expenses         | (120)           | (133)      | (9.8)         | (57)       | (63)            | (62)       | (71)       | (9.5)      | (8.1)         |
| Total operating expenses            | (359)           | (378)      | (5.0)         | (170)      | (189)           | (185)      | (193)      | (10.1)     | (8.1)         |
| <b>Underwriting result</b>          | 272             | 345        | (21.2)        | 104        | 168             | 346        | (1)        | (38.1)     | (69.9)        |
| Investment income - insurance funds | 226             | 312        | (27.6)        | 147        | 79              | 77         | 235        | 86.1       | 90.9          |
| <b>Insurance trading result</b>     | <b>498</b>      | <b>657</b> | <b>(24.2)</b> | <b>251</b> | <b>247</b>      | <b>423</b> | <b>234</b> | <b>1.6</b> | <b>(40.7)</b> |
|                                     | %               | %          |               | %          | %               | %          | %          |            |               |
| <b>Ratios</b>                       |                 |            |               |            |                 |            |            |            |               |
| Acquisition expenses ratio          | 12.4            | 12.8       |               | 11.9       | 12.8            | 12.8       | 12.7       |            |               |
| Other underwriting expenses ratio   | 6.2             | 6.9        |               | 6.0        | 6.4             | 6.5        | 7.4        |            |               |
| Total operating expenses ratio      | 18.6            | 19.7       |               | 17.9       | 19.2            | 19.3       | 20.1       |            |               |
| Loss ratio                          | 67.3            | 62.3       |               | 71.2       | 63.7            | 44.7       | 80.0       |            |               |
| Combined operating ratio            | 85.9            | 82.0       |               | 89.1       | 82.9            | 64.0       | 100.1      |            |               |
| Insurance trading ratio             | 25.8            | 34.2       |               | 26.4       | 25.2            | 44.0       | 24.4       |            |               |

## Bank

### Result overview

Suncorp Bank delivered a strong net profit after tax of \$393 million, up 11.0% compared with the prior corresponding period. The Bank has established a solid platform for growth through a continued focus on high quality lending supported by a resilient balance sheet and a robust capital position. During the year the Bank won the 2016 Mortgage and Finance Association of Australia (MFAA) Non Major Lender Award and Money Magazine's 2016 Business Bank of the Year, while the Bank's standalone credit profile from Standard & Poors was upgraded to 'a-'.

A focus on high quality profitable growth resulted in total lending assets growing by 4.5% or \$2.4 billion, with home lending growth of 5.9% broadly in-line with system growth and management aspirations. The business lending portfolio grew \$255 million in the second half as the Bank pursued growth in target market segments whilst achieving managed reduction in others.

Net interest income of \$1.1 billion represented an increase of 2.4%, supported by an increase in the Net interest margin (NIM) to 1.86%. Challenging market conditions prevailed through much of the year and are continuing as a result of reductions to the RBA cash rate, competition, and emerging wholesale and retail funding cost pressures.

Disciplined cost management resulted in reduced operating expenses from the prior corresponding period. A cost-to-income ratio of 52.5% was achieved after absorbing ongoing investment into key strategic initiatives.

Through maintaining a strong focus on credit quality and risk management, the Bank benefited from a further reduction in gross impaired assets. Impairment losses of \$16 million, or 3 basis points of gross loans and advances, were historically low and significantly favourable to the Bank's through the cycle expected operating range of 10 to 20 basis points.

The Bank has taken a cautious approach to investment lending and property development, and has limited exposure to inner city apartment markets. In agribusiness, conditions stabilised as relieving rains were received by many districts, which together with commodity prices improving in local currency terms led to improved operating conditions. The Bank continues to support agribusiness customers and communities affected by drought.

Domestic and offshore long-term funding markets were successfully accessed during the period. Strong Bank long-term issuer ratings of 'A+/A1/A+' and a well-diversified wholesale funding position create a genuine competitive advantage. Periods of heightened volatility highlight the benefit of access to a range of funding instruments in both domestic and offshore markets.

The Common Equity Tier 1 (CET1) capital ratio increased to 9.21% and remains above the target range of 8.5% to 9.0%. Return on CET1 capital improved to 13.2%, to be within the target range of 12.5% to 15.0%.

The Bank has continued on its transformational journey during the period and is responding to changes in the competitive landscape with continued investment in its core banking system, digital and channel capabilities, products, risk management, and people. The core banking platform is now in place and supports the Bank across lending, broker channel, customer, collateral and collections. The decommissioning of the Bank's legacy collections, personal lending origination and collateral systems are now complete.

The detailed review process with APRA regarding Basel II Advanced Accreditation is continuing. The Bank is operating as an Advanced Bank, with strong risk management and advanced models in use across the business.

## Outlook

The business is focused on sustainable profitable growth, through leveraging its significant investments in technology and capability, whilst simplifying the business through improved efficiencies and risk outcomes. Together with the strength of the balance sheet and funding flexibility, the Bank is well placed to succeed in an industry facing challenging market conditions.

The strength of the Suncorp Group and its organisational realignment centred on elevating the customer will enable the Group to broaden and deepen relationships and create more value for customers. This will complement the Bank's existing focus on customer retention and a net promoter score that continues to outperform the major banks.

The new core banking platform has delivered a simplified and resilient technology infrastructure. It provides agility and decreased time-to-market for new products and offerings, including the delivery of innovative and digitised banking services. This ensures the Bank is well positioned to participate in disruption and develop propositions that increase customer value. The delivery of the new platform lays the foundation to accelerate the Group's customer strategy. Building new digital services and accelerating investment in internet banking and mobile applications will enable the Group to rationalise and modernise its network of stores.

The Bank expects the cost to income ratio to reduce to its target of below 50% towards the end of the 2017 financial year as efficiencies from process and technology improvements, and the Group operating model changes are realised. A reduction in the cost to income ratio is contingent upon external economic and regulatory factors. The RBA cash rate change in May 2016 and retail and wholesale spread movements during the second half of the year will exert pressure on margins in the coming period. The Bank is actively managing both sides of the balance sheet with a sharp focus on risk based pricing.

The Bank's enhanced risk and capital management, aided by the Basel II Advanced Accreditation program, is improving risk selection and pricing for risk. The benefits of these capabilities continue to be realised through strategic management of the business and improved performance driving the sustainable return on CET1 capital towards 15%, the upper end of its target range.

The regulatory landscape continues to change through the introduction of the Net Stable Funding Ratio (NSFR) requirements. The Bank is on track to be compliant with the requirements before their introduction in January 2018. The Bank is focused on increasing stable sources of funding towards lower Basel III run-off deposits and lengthening the duration of wholesale liabilities to reinforce the resilience of the funding profile.

Sustainable profitable growth will continue to be underpinned by prudent, disciplined risk selection and management. The recalibration of costs, operational efficiencies and the Group's investment in the Suncorp Marketplace will support the Bank's medium-term operating targets of:

- NIM of 1.75% to 1.85%;
- disciplined cost management and ongoing investment in strategic programs to support a cost to income ratio of below 50%, contingent upon external economic and regulatory factors;
- sustainable retail lending growth of 1 to 1.3 times system;
- a retail deposit to lending ratio of 60% to 70% supported by the Bank's ability to leverage its 'A+/A1/A+' credit ratings to raise diverse wholesale funding; and
- a return on CET1 capital of 12.5% to 15.0%.

## Profit contribution

|                                                              | FULL YEAR ENDED |              |               | JUN-16       |              | HALF YEAR ENDED |              |               | JUN-16       |        |
|--------------------------------------------------------------|-----------------|--------------|---------------|--------------|--------------|-----------------|--------------|---------------|--------------|--------|
|                                                              | JUN-16          | JUN-15       | vs JUN-15     | JUN-16       | DEC-15       | JUN-15          | DEC-14       | vs DEC-15     | JUN-16       | JUN-15 |
|                                                              | \$M             | \$M          | %             | \$M          | \$M          | \$M             | \$M          | %             | %            | %      |
| <b>Net interest income</b>                                   | 1,129           | 1,103        | 2.4           | 563          | 566          | 550             | 553          | (0.5)         | 2.4          |        |
| <b>Net non-interest income</b>                               |                 |              |               |              |              |                 |              |               |              |        |
| Net banking fee income and commission                        | 67              | 69           | (2.9)         | 32           | 35           | 34              | 35           | (8.6)         | (5.9)        |        |
| Gain on derivative and other financial instruments           | 4               | 10           | (60.0)        | 2            | 2            | -               | 10           | -             | n/a          |        |
| Other revenue                                                | 17              | 28           | (39.3)        | 5            | 12           | 9               | 19           | (58.3)        | (44.4)       |        |
| <b>Total net non-interest income</b>                         | <b>88</b>       | <b>107</b>   | <b>(17.8)</b> | <b>39</b>    | <b>49</b>    | <b>43</b>       | <b>64</b>    | <b>(20.4)</b> | <b>(9.3)</b> |        |
| <b>Total income</b>                                          | <b>1,217</b>    | <b>1,210</b> | <b>0.6</b>    | <b>602</b>   | <b>615</b>   | <b>593</b>      | <b>617</b>   | <b>(2.1)</b>  | <b>1.5</b>   |        |
| <b>Operating expenses</b>                                    |                 |              |               |              |              |                 |              |               |              |        |
| Wages, salaries and other staff costs                        | (352)           | (367)        | (4.1)         | (171)        | (181)        | (179)           | (188)        | (5.5)         | (4.5)        |        |
| Equipment and occupancy expenses                             | (101)           | (109)        | (7.3)         | (49)         | (52)         | (58)            | (51)         | (5.8)         | (15.5)       |        |
| Hardware, software and dataline expenses                     | (47)            | (42)         | 11.9          | (26)         | (21)         | (22)            | (20)         | 23.8          | 18.2         |        |
| Advertising and promotion                                    | (26)            | (30)         | (13.3)        | (12)         | (14)         | (17)            | (13)         | (14.3)        | (29.4)       |        |
| Office supplies, postage and printing                        | (32)            | (30)         | 6.7           | (17)         | (15)         | (15)            | (15)         | 13.3          | 13.3         |        |
| Other                                                        | (81)            | (68)         | 19.1          | (38)         | (43)         | (33)            | (35)         | (11.6)        | 15.2         |        |
| <b>Total Operating expenses</b>                              | <b>(639)</b>    | <b>(646)</b> | <b>(1.1)</b>  | <b>(313)</b> | <b>(326)</b> | <b>(324)</b>    | <b>(322)</b> | <b>(4.0)</b>  | <b>(3.4)</b> |        |
| <b>Profit before impairment losses on loans and advances</b> | <b>578</b>      | <b>564</b>   | <b>2.5</b>    | <b>289</b>   | <b>289</b>   | <b>269</b>      | <b>295</b>   | <b>-</b>      | <b>7.4</b>   |        |
| Impairment loss on loans and advances                        | (16)            | (58)         | (72.4)        | (5)          | (11)         | (15)            | (43)         | (54.5)        | (66.7)       |        |
| <b>Bank profit before tax</b>                                | <b>562</b>      | <b>506</b>   | <b>11.1</b>   | <b>284</b>   | <b>278</b>   | <b>254</b>      | <b>252</b>   | <b>2.2</b>    | <b>11.8</b>  |        |
| Income tax                                                   | (169)           | (152)        | 11.2          | (85)         | (84)         | (76)            | (76)         | 1.2           | 11.8         |        |
| <b>Bank profit after tax</b>                                 | <b>393</b>      | <b>354</b>   | <b>11.0</b>   | <b>199</b>   | <b>194</b>   | <b>178</b>      | <b>176</b>   | <b>2.6</b>    | <b>11.8</b>  |        |

## Bank ratios and key statistics

|                                                            | FULL YEAR ENDED |        | HALF YEAR ENDED |        |        |        |
|------------------------------------------------------------|-----------------|--------|-----------------|--------|--------|--------|
|                                                            | JUN-16          | JUN-15 | JUN-16          | DEC-15 | JUN-15 | DEC-14 |
|                                                            | %               | %      | %               | %      | %      | %      |
| Lending growth (annualised)                                | 4.55            | 3.93   | 5.43            | 3.58   | 6.49   | 1.37   |
| Net interest margin (interest-earning assets)              | 1.86            | 1.85   | 1.86            | 1.85   | 1.83   | 1.86   |
| Cost to income ratio                                       | 52.51           | 53.39  | 51.99           | 53.01  | 54.64  | 52.19  |
| Impairment losses to gross loans and advances (annualised) | 0.03            | 0.11   | 0.02            | 0.04   | 0.06   | 0.17   |
| Common Equity Tier 1                                       | 9.21            | 9.15   | 9.21            | 9.45   | 9.15   | 8.82   |
| Return on Common Equity Tier 1                             | 13.2            | 12.2   | 13.3            | 13.1   | 12.2   | 12.1   |
| Deposit to loan ratio                                      | 66.7            | 65.8   | 66.7            | 66.1   | 65.8   | 66.6   |



## Statement of assets and liabilities

|                                                                     | JUN-16        | DEC-15        | JUN-15        | DEC-14        | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|---------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------------|---------------------|
|                                                                     | \$M           | \$M           | \$M           | \$M           | %                   | %                   |
| <b>Assets</b>                                                       |               |               |               |               |                     |                     |
| Cash and cash equivalents                                           | 1,028         | 765           | 591           | 521           | 34.4                | 73.9                |
| Receivables due from other banks                                    | 552           | 464           | 595           | 566           | 19.0                | (7.2)               |
| Trading securities                                                  | 1,497         | 1,119         | 1,384         | 2,298         | 33.8                | 8.2                 |
| Derivatives                                                         | 675           | 663           | 651           | 710           | 1.8                 | 3.7                 |
| Investment securities                                               | 5,225         | 5,520         | 6,245         | 6,634         | (5.3)               | (16.3)              |
| Loans and advances                                                  | 54,134        | 52,673        | 51,735        | 50,111        | 2.8                 | 4.6                 |
| Due from related parties                                            | 295           | 268           | 226           | 169           | 10.1                | 30.5                |
| Deferred tax assets                                                 | 44            | 47            | 81            | 95            | (6.4)               | (45.7)              |
| Other assets                                                        | 145           | 190           | 182           | 223           | (23.7)              | (20.3)              |
| Goodwill and intangible assets                                      | 262           | 262           | 262           | 262           | -                   | -                   |
| <b>Total assets</b>                                                 | <b>63,857</b> | <b>61,971</b> | <b>61,952</b> | <b>61,589</b> | <b>3.0</b>          | <b>3.1</b>          |
| <b>Liabilities</b>                                                  |               |               |               |               |                     |                     |
| Deposits and short-term borrowings                                  | 45,421        | 44,022        | 44,431        | 45,104        | 3.2                 | 2.2                 |
| Derivatives                                                         | 498           | 358           | 401           | 424           | 39.1                | 24.2                |
| Payables due to other banks                                         | 332           | 401           | 297           | 314           | (17.2)              | 11.8                |
| Payables and other liabilities                                      | 346           | 323           | 400           | 386           | 7.1                 | (13.5)              |
| Due to related parties                                              | 135           | 99            | 199           | 152           | 36.4                | (32.2)              |
| Securitisation liabilities                                          | 2,544         | 3,154         | 3,651         | 2,872         | (19.3)              | (30.3)              |
| Debt issues                                                         | 9,860         | 8,891         | 7,876         | 7,727         | 10.9                | 25.2                |
| Subordinated notes                                                  | 742           | 742           | 742           | 742           | -                   | -                   |
| <b>Total liabilities</b>                                            | <b>59,878</b> | <b>57,990</b> | <b>57,997</b> | <b>57,721</b> | <b>3.3</b>          | <b>3.2</b>          |
| <b>Net assets</b>                                                   | <b>3,979</b>  | <b>3,981</b>  | <b>3,955</b>  | <b>3,868</b>  | <b>(0.1)</b>        | <b>0.6</b>          |
| <b>Reconciliation of net equity to Common Equity Tier 1 Capital</b> |               |               |               |               |                     |                     |
| <b>Net equity - Banking line of business</b>                        | <b>3,979</b>  | <b>3,981</b>  | <b>3,955</b>  | <b>3,868</b>  |                     |                     |
| Additional Tier 1 capital                                           | (450)         | (450)         | (450)         | (450)         |                     |                     |
| Goodwill allocated to Banking Business                              | (240)         | (240)         | (240)         | (235)         |                     |                     |
| Regulatory capital equity adjustments                               | (29)          | (23)          | (4)           | 12            |                     |                     |
| Regulatory capital adjustments                                      | (295)         | (299)         | (320)         | (300)         |                     |                     |
| Other reserves excluded from Common Equity Tier 1 ratio             | (85)          | (96)          | (146)         | (144)         |                     |                     |
| <b>Common Equity Tier 1 Capital</b>                                 | <b>2,880</b>  | <b>2,873</b>  | <b>2,795</b>  | <b>2,751</b>  |                     |                     |

## Loans and advances

|                                               | JUN-16        | DEC-15        | JUN-15        | DEC-14        | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------------|---------------------|
|                                               | \$M           | \$M           | \$M           | \$M           | %                   | %                   |
| Housing loans                                 | 37,704        | 36,691        | 34,977        | 33,152        | 2.8                 | 7.8                 |
| Securitised housing loans and covered bonds   | 6,548         | 6,355         | 6,808         | 6,618         | 3.0                 | (3.8)               |
| Total housing loans                           | 44,252        | 43,046        | 41,785        | 39,770        | 2.8                 | 5.9                 |
| Consumer loans                                | 312           | 345           | 380           | 403           | (9.6)               | (17.9)              |
| Retail loans                                  | 44,564        | 43,391        | 42,165        | 40,173        | 2.7                 | 5.7                 |
| Commercial (SME)                              | 5,356         | 5,203         | 5,353         | 5,593         | 2.9                 | 0.1                 |
| Agribusiness                                  | 4,360         | 4,258         | 4,400         | 4,534         | 2.4                 | (0.9)               |
| Total Business loans                          | 9,716         | 9,461         | 9,753         | 10,127        | 2.7                 | (0.4)               |
| <b>Total lending</b>                          | <b>54,280</b> | <b>52,852</b> | <b>51,918</b> | <b>50,300</b> | <b>2.7</b>          | <b>4.5</b>          |
| Other lending                                 | 18            | -             | 25            | 44            | n/a                 | (28.0)              |
| <b>Gross loans and advances</b>               | <b>54,298</b> | <b>52,852</b> | <b>51,943</b> | <b>50,344</b> | <b>2.7</b>          | <b>4.5</b>          |
| Provision for impairment                      | (164)         | (179)         | (208)         | (233)         | (8.4)               | (21.2)              |
| <b>Total loans and advances</b>               | <b>54,134</b> | <b>52,673</b> | <b>51,735</b> | <b>50,111</b> | <b>2.8</b>          | <b>4.6</b>          |
| <b>Credit-risk weighted assets</b>            | <b>26,444</b> | <b>25,613</b> | <b>25,487</b> | <b>25,532</b> | <b>3.2</b>          | <b>3.8</b>          |
| <b>Geographical breakdown - Total lending</b> |               |               |               |               |                     |                     |
| Queensland                                    | 29,132        | 28,735        | 28,792        | 28,565        | 1.4                 | 1.2                 |
| New South Wales                               | 13,808        | 13,162        | 12,773        | 12,168        | 4.9                 | 8.1                 |
| Victoria                                      | 5,499         | 5,295         | 5,012         | 4,665         | 3.9                 | 9.7                 |
| Western Australia                             | 3,747         | 3,660         | 3,468         | 3,252         | 2.4                 | 8.0                 |
| South Australia and other                     | 2,094         | 2,000         | 1,873         | 1,650         | 4.7                 | 11.8                |
| Outside of Queensland loans                   | 25,148        | 24,117        | 23,126        | 21,735        | 4.3                 | 8.7                 |
| <b>Total lending</b>                          | <b>54,280</b> | <b>52,852</b> | <b>51,918</b> | <b>50,300</b> | <b>2.7</b>          | <b>4.5</b>          |

## Total lending

Total lending receivables, including securitised assets, grew 4.5% to \$54.3 billion.

### Retail loans

The Bank delivered total home lending growth of 5.9%, to \$44.3 billion during the period, which was broadly in-line with system growth.

The competitive landscape for home lending was shaped by repricing across both investor and owner-occupier segments as the industry responded to regulatory guidance and a historically low cash rate. Competition in this segment remains high, however, the Bank is resolute in its pursuit of quality and profitable growth.

The Bank continued to improve the quality of its lending portfolio through a range of measures including serviceability, credit quality and loan to value ratio (LVR), with over 86% of new loans written with an LVR less than 80%. Strong relationships with intermediaries remain integral to building a presence outside traditional Queensland markets, with approximately 50% of the home lending portfolio now interstate.

## Commercial (SME)

The commercial portfolio was held flat over the year following selective run-off in the first half and a return to growth in the second half. In a market characterised by aggressive pricing and competition, the Bank continues to focus on acquiring higher quality lending firmly within its risk appetite.

The Bank is focused on strong credit quality whilst ensuring there is an appropriate reward for the level of risk taken. The portfolio is heavily weighted towards less than \$5 million lending, with 98% of customer groups with loans within this range.

The concentration of exposure to inner-city apartments is low, well controlled and closely monitored. The Bank has an exposure to inner-city development finance of less than 1% of the total business lending portfolio and this is limited to select long-term customers where the pre-sale levels are high and construction is well advanced.

The Bank has very limited exposure to the resources sector. There have been a small number of immaterial downstream impacts to the portfolio from the industry slowdown and lower commodity prices.

## Commercial (SME) portfolio breakdown <sup>(1)</sup>

|                                       | QLD<br>%     | NSW<br>%   | Other<br>% | Total<br>%  | Total<br>\$M |
|---------------------------------------|--------------|------------|------------|-------------|--------------|
| <b>Commercial (SME) breakdown</b>     |              |            |            |             |              |
| Property Investment                   | 27%          | 4%         | 4%         | 35%         | 1,875        |
| Hospitality & Accommodation           | 14%          | 1%         | 0%         | 15%         | 803          |
| Construction & Development            | 7%           | 0%         | 1%         | 8%          | 428          |
| Services (Inc. professional services) | 10%          | 5%         | 3%         | 18%         | 964          |
| Retail                                | 5%           | 1%         | 1%         | 7%          | 375          |
| Manufacturing & Mining                | 3%           | 1%         | 1%         | 5%          | 268          |
| Other                                 | 9%           | 2%         | 1%         | 12%         | 643          |
| <b>Total %</b>                        | <b>75%</b>   | <b>14%</b> | <b>11%</b> | <b>100%</b> |              |
| <b>Total \$M</b>                      | <b>4,017</b> | <b>750</b> | <b>589</b> |             | <b>5,356</b> |

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

## Agribusiness

The agribusiness portfolio was held flat during the year, with second half growth of \$102 million. Pursuit of growth in the portfolio is balanced with loan quality and economic conditions.

The Bank acknowledges the challenges facing drought affected regions and continues to exercise a prudent and sensitive approach in this sector. Suncorp Bank has a long heritage in agribusiness, a collaborative customer approach and remains committed to supporting customers, employees and communities in drought affected regions through a broad range of initiatives.

The Bank has a very low exposure to the Dairy industry at approximately 1% of the total business lending portfolio. The Bank will continue to pursue diversified growth across regions and industries, targeting family operated farms. A clear risk appetite continues to guide decisions around new business.

### Agribusiness portfolio breakdown <sup>(1)</sup>

|                               | QLD<br>%     | NSW<br>%     | Other<br>% | Total<br>%  | Total<br>\$M |
|-------------------------------|--------------|--------------|------------|-------------|--------------|
| <b>Agribusiness breakdown</b> |              |              |            |             |              |
| Beef                          | 27%          | 2%           | 0%         | 29%         | 1,302        |
| Grain & Mixed Farming         | 11%          | 17%          | 3%         | 31%         | 1,340        |
| Sheep & Mixed Livestock       | 5%           | 4%           | 1%         | 10%         | 431          |
| Cotton                        | 4%           | 4%           | 0%         | 8%          | 344          |
| Sugar                         | 3%           | 0%           | 0%         | 3%          | 133          |
| Fruit                         | 3%           | 0%           | 0%         | 3%          | 131          |
| Other                         | 8%           | 2%           | 6%         | 16%         | 679          |
| <b>Total %</b>                | <b>61%</b>   | <b>29%</b>   | <b>10%</b> | <b>100%</b> |              |
| <b>Total \$M</b>              | <b>2,663</b> | <b>1,271</b> | <b>426</b> |             | <b>4,360</b> |

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

## Bank funding composition

|                                                              | JUN-16        | DEC-15        | JUN-15        | DEC-14        | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|--------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------------|---------------------|
|                                                              | \$M           | \$M           | \$M           | \$M           | %                   | %                   |
| <b>Customer funding</b>                                      |               |               |               |               |                     |                     |
| <i>Customer deposits</i>                                     |               |               |               |               |                     |                     |
| At-call deposits                                             | 17,758        | 18,109        | 16,583        | 14,938        | (1.9)               | 7.1                 |
| Term deposits                                                | 18,471        | 16,809        | 17,592        | 18,542        | 9.9                 | 5.0                 |
| Total customer funding                                       | 36,229        | 34,918        | 34,175        | 33,480        | 3.8                 | 6.0                 |
| <b>Wholesale funding</b>                                     |               |               |               |               |                     |                     |
| <i>Domestic funding</i>                                      |               |               |               |               |                     |                     |
| Short-term wholesale                                         | 6,511         | 6,571         | 7,480         | 8,159         | (0.9)               | (13.0)              |
| Long-term wholesale                                          | 3,588         | 3,592         | 2,392         | 3,065         | (0.1)               | 50.0                |
| Covered bonds                                                | 3,149         | 2,648         | 2,648         | 2,647         | 18.9                | 18.9                |
| Subordinated notes                                           | 742           | 742           | 742           | 742           | -                   | -                   |
| Total domestic funding                                       | 13,990        | 13,553        | 13,262        | 14,613        | 3.2                 | 5.5                 |
| <i>Overseas funding<sup>(1)</sup></i>                        |               |               |               |               |                     |                     |
| Short-term wholesale                                         | 2,681         | 2,533         | 2,776         | 3,465         | 5.8                 | (3.4)               |
| Long-term wholesale                                          | 3,123         | 2,651         | 2,836         | 2,015         | 17.8                | 10.1                |
| Total overseas funding                                       | 5,804         | 5,184         | 5,612         | 5,480         | 12.0                | 3.4                 |
| Total wholesale funding                                      | 19,794        | 18,737        | 18,874        | 20,093        | 5.6                 | 4.9                 |
| <b>Total funding (excluding securitisation)</b>              | <b>56,023</b> | <b>53,655</b> | <b>53,049</b> | <b>53,573</b> | <b>4.4</b>          | <b>5.6</b>          |
| <b>Securitisation</b>                                        |               |               |               |               |                     |                     |
| APS 120 qualifying <sup>(2)</sup>                            | 2,345         | 2,911         | 3,344         | 2,497         | (19.4)              | (29.9)              |
| APS 120 non-qualifying                                       | 199           | 243           | 307           | 375           | (18.1)              | (35.2)              |
| Total securitisation                                         | 2,544         | 3,154         | 3,651         | 2,872         | (19.3)              | (30.3)              |
| <b>Total funding (including securitisation)</b>              | <b>58,567</b> | <b>56,809</b> | <b>56,700</b> | <b>56,445</b> | <b>3.1</b>          | <b>3.3</b>          |
| <b>Total funding is represented on the balance sheet by:</b> |               |               |               |               |                     |                     |
| Deposits                                                     | 36,229        | 34,918        | 34,175        | 33,480        | 3.8                 | 6.0                 |
| Short-term borrowings                                        | 9,192         | 9,104         | 10,256        | 11,624        | 1.0                 | (10.4)              |
| Securitisation                                               | 2,544         | 3,154         | 3,651         | 2,872         | (19.3)              | (30.3)              |
| Debt issues                                                  | 9,860         | 8,891         | 7,876         | 7,727         | 10.9                | 25.2                |
| Subordinated notes                                           | 742           | 742           | 742           | 742           | -                   | -                   |
| <b>Total funding</b>                                         | <b>58,567</b> | <b>56,809</b> | <b>56,700</b> | <b>56,445</b> | <b>3.1</b>          | <b>3.3</b>          |
| <b>Deposit to loan ratio</b>                                 | <b>66.7%</b>  | <b>66.1%</b>  | <b>65.8%</b>  | <b>66.6%</b>  |                     |                     |

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

(2) Qualifies for capital relief under APS120.

## Funding

The Bank adopted a conservative approach to managing funding and liquidity risk aimed at ensuring a strong and sustainable funding profile that supports balance sheet growth. The Bank's key funding and liquidity management strategies include:

- increasing stable deposits coupled with an appropriate deposit to lending ratio;
- reducing reliance on and improving the quality of short-term wholesale funding;
- lengthening the weighted average duration of long-term wholesale funding;
- ensuring ongoing access to wholesale funding markets by maintaining various programs across multiple jurisdictions;
- managing high quality liquid assets comfortably above net cash outflows under various stress scenarios; and
- planning to be above the minimum Net Stable Funding Ratio (NSFR) requirements by January 2018.

## Customer funding

The Bank's deposit-to-loan ratio of 66.7% is within the target operating range. Total customer funding growth of 6.0% during the financial year demonstrated the Bank's ability to grow high quality customer deposits, and its commitment to driving the ratio towards the top end of the target range. At-call deposit growth for the year was 7.1%. Growth reduced during the second half of the year consistent with seasonal patterns, increased competition and higher term deposit pricing.

## Liquidity Coverage Ratio (LCR)

The Bank has a tiered management limit structure for the LCR to ensure that an adequate buffer to the APRA prudential limit of 100% is held. The LCR is managed to market conditions and has been maintained comfortably above the 100% prudential minimum since being introduced in January 2015. The LCR averaged over 120% during the period, ending the year at 130%.

APRA has allowed locally incorporated Authorised Deposit-Taking Institutions (ADIs) to establish a Committed Liquidity Facility (CLF) with the RBA. The Bank received approval from APRA for a CLF of \$4.2 billion for the 2016 calendar year, down from \$4.8 billion the prior year.

## Net Stable Funding Ratio (NSFR)

APRA is proposing to release a revised draft *Prudential Standard APS 210 Liquidity* and expects to finalise its position on NSFR in the first half of the 2017 financial year. The Bank is progressing its plan to exceed the 100% minimum expected NSFR requirement before January 2018. The Bank's estimated NSFR at the end of the period is just over 100%.

## Wholesale funding

The Bank maintains a number of wholesale funding programs to ensure access to multiple markets and a diverse range of investors, both domestically and offshore. During 2016, the Bank demonstrated its ability to execute across multiple markets by completing \$3.6 billion in term wholesale issuance. This included a US\$500 million three year senior unsecured debt issuance in May 2016, two five year \$750 million senior unsecured debt transactions in October 2015 and April 2016 and a five year \$500 million covered bond transaction in June 2016. All transactions were over-subscribed, attracting a diverse group of investors across funds, insurance, corporate and pension market sectors.

These transactions demonstrated the Bank's ability to lengthen the duration of wholesale funding to promote the longer term resilience of the funding profile and meet the requirements of the NSFR. As part of the Bank's strategy for managing US money market reform changes which take effect in October 2016, the Bank had a higher than normal amount of 0 to 3 month funding held towards the end of the financial year. Whilst there will be an initial transition period within the US, the Bank does not believe the changes will materially impact its funding programs in any way. The weighted average maturity of long term

wholesale funding raised during the period was approximately 3.6 years. The weighted average remaining maturity of the Bank's long-term wholesale portfolio is 2.7 years.

**Wholesale funding instruments maturity profile<sup>(1)</sup>**

|                                            | Short-term   | Long-term     | JUN-16        | DEC-15        | JUN-15        | DEC-14        | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|--------------------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------------|---------------------|
|                                            | \$M          | \$M           | \$M           | \$M           | \$M           | \$M           | %                   | %                   |
| <b>Maturity</b>                            |              |               |               |               |               |               |                     |                     |
| 0 to 3 months                              | 7,233        | 830           | 8,063         | 7,230         | 7,025         | 8,783         | 11.5                | 14.8                |
| 3 to 6 months                              | 1,924        | 1,412         | 3,336         | 3,481         | 4,169         | 3,968         | (4.2)               | (20.0)              |
| 6 to 12 months                             | 35           | 1,797         | 1,832         | 2,232         | 1,857         | 1,225         | (17.9)              | (1.3)               |
| 1 to 3 years                               | -            | 4,459         | 4,459         | 4,695         | 5,112         | 5,676         | (5.0)               | (12.8)              |
| 3+ years                                   | -            | 4,648         | 4,648         | 4,253         | 4,362         | 3,313         | 9.3                 | 6.6                 |
| <b>Total wholesale funding instruments</b> | <b>9,192</b> | <b>13,146</b> | <b>22,338</b> | <b>21,891</b> | <b>22,525</b> | <b>22,965</b> | <b>2.0</b>          | <b>(0.8)</b>        |

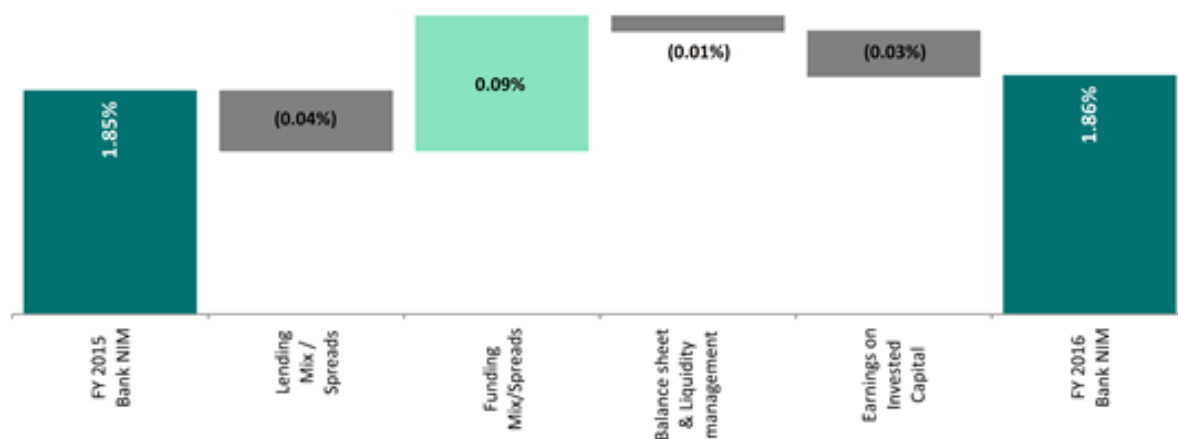
<sup>(1)</sup> Includes wholesale debt, securitisation liabilities and subordinated notes. The prior period comparatives in the table above have been restated.

## Net interest income

Net interest income of \$1.1 billion represented an increase of 2.4%. The NIM finished the period at 1.86% and sits slightly above the top end of the target range of 1.75% to 1.85%. The full year result was shaped by:

- changes in lending portfolio mix and spreads reduced margin as the impact of price competition and a proportionately higher housing loan portfolio exceeded repricing initiatives;
- retail funding mix improvements increased margin;
- after initially supporting margin expansion, retail and wholesale funding costs increased during the latter part of the year;
- balance sheet and liquidity management decreased margin with lower balance sheet management returns being largely offset by benefits of lower average holdings of liquid assets; and
- earnings on invested capital and margin compression on low cost deposits decreased margin as a result of RBA cash rate decreases in 2015 and 2016.

### NIM movements





## Average banking balance sheet

|                                                      | FULL YEAR ENDED JUN-16 |              |                 | HALF YEAR ENDED JUN-16 |            |                 |
|------------------------------------------------------|------------------------|--------------|-----------------|------------------------|------------|-----------------|
|                                                      | AVERAGE<br>BALANCE     | INTEREST     | AVERAGE<br>RATE | AVERAGE<br>BALANCE     | INTEREST   | AVERAGE<br>RATE |
|                                                      | \$M                    | \$M          | %               | \$M                    | \$M        | %               |
| <b>Assets</b>                                        |                        |              |                 |                        |            |                 |
| <b>Interest-earning assets</b>                       |                        |              |                 |                        |            |                 |
| Trading and investment securities <sup>(1)</sup>     | 8,131                  | 246          | 3.03            | 7,846                  | 119        | 3.05            |
| Gross loans and advances                             | 52,691                 | 2,398        | 4.55            | 52,898                 | 1,190      | 4.52            |
| Total interest-earning assets                        | 60,822                 | 2,644        | 4.35            | 60,744                 | 1,309      | 4.33            |
| <b>Non-interest earning assets</b>                   |                        |              |                 |                        |            |                 |
| Other assets (inc. loan provisions)                  | 1,010                  |              |                 | 1,056                  |            |                 |
| Total non-interest earning assets                    | 1,010                  |              |                 | 1,056                  |            |                 |
| <b>TOTAL ASSETS</b>                                  | <b>61,832</b>          |              |                 | <b>61,800</b>          |            |                 |
| <b>Liabilities</b>                                   |                        |              |                 |                        |            |                 |
| <b>Interest-bearing liabilities</b>                  |                        |              |                 |                        |            |                 |
| Customer deposits                                    | 34,527                 | 775          | 2.24            | 34,749                 | 380        | 2.20            |
| Wholesale liabilities                                | 21,864                 | 704          | 3.22            | 21,591                 | 348        | 3.24            |
| Subordinated loans                                   | 742                    | 36           | 4.85            | 742                    | 18         | 4.88            |
| Total interest-bearing liabilities                   | 57,133                 | 1,515        | 2.65            | 57,082                 | 746        | 2.63            |
| <b>Non-interest bearing liabilities</b>              |                        |              |                 |                        |            |                 |
| Other liabilities                                    | 726                    |              |                 | 730                    |            |                 |
| Total non-interest bearing liabilities               | 726                    |              |                 | 730                    |            |                 |
| <b>TOTAL LIABILITIES</b>                             | <b>57,859</b>          |              |                 | <b>57,812</b>          |            |                 |
| <b>AVERAGE SHAREHOLDERS' EQUITY</b>                  | <b>3,973</b>           |              |                 | <b>3,988</b>           |            |                 |
| Non-Shareholder Accounting Equity                    | (4)                    |              |                 | (13)                   |            |                 |
| Convertible Preference Shares                        | (450)                  |              |                 | (450)                  |            |                 |
| Average Shareholders' Equity                         | 3,519                  |              |                 | 3,525                  |            |                 |
| Goodwill allocated to Banking Business               | (240)                  |              |                 | (240)                  |            |                 |
| <b>Average Shareholders' Equity (ex Goodwill)</b>    | <b>3,279</b>           |              |                 | <b>3,285</b>           |            |                 |
| <b>Analysis of interest margin and spread</b>        |                        |              |                 |                        |            |                 |
| Interest-earning assets                              | 60,822                 | 2,644        | 4.35            | 60,744                 | 1,309      | 4.33            |
| Interest-bearing liabilities                         | 57,133                 | 1,515        | 2.65            | 57,082                 | 746        | 2.63            |
| <b>Net interest spread</b>                           |                        |              | <b>1.70</b>     |                        |            | <b>1.70</b>     |
| <b>Net interest margin (interest-earning assets)</b> | <b>60,822</b>          | <b>1,129</b> | <b>1.86</b>     | <b>60,744</b>          | <b>563</b> | <b>1.86</b>     |
| <b>Net interest margin (lending assets)</b>          | <b>52,691</b>          | <b>1,129</b> | <b>2.14</b>     | <b>52,898</b>          | <b>563</b> | <b>2.14</b>     |

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

## Net non-interest income

|                                                    | FULL YEAR ENDED |            |               | JUN-16    | HALF YEAR ENDED |           |           | JUN-16        | JUN-16       |
|----------------------------------------------------|-----------------|------------|---------------|-----------|-----------------|-----------|-----------|---------------|--------------|
|                                                    | JUN-16          | JUN-15     | vs JUN-15     | JUN-16    | DEC-15          | JUN-15    | DEC-14    | vs DEC-15     | vs JUN-15    |
|                                                    | \$M             | \$M        | %             | \$M       | \$M             | \$M       | \$M       | %             | %            |
| Net banking fee income and commission              | 67              | 69         | (2.9)         | 32        | 35              | 34        | 35        | (8.6)         | (5.9)        |
| Gain on derivative and other financial instruments | 4               | 10         | (60.0)        | 2         | 2               | -         | 10        | -             | n/a          |
| Other revenue                                      | 17              | 28         | (39.3)        | 5         | 12              | 9         | 19        | (58.3)        | (44.4)       |
| <b>Total net non-interest income</b>               | <b>88</b>       | <b>107</b> | <b>(17.8)</b> | <b>39</b> | <b>49</b>       | <b>43</b> | <b>64</b> | <b>(20.4)</b> | <b>(9.3)</b> |

Net non-interest income was \$88 million, down \$19 million from the previous year. Underlying customer fee revenue decreased 2.9% year on year. Fee generation from the Bank's retail products remains challenging as customer appetite for low fee and/or fee-free banking products remains high. Other revenue was lower than the prior year, which benefited from a one-off successful litigation recovery of \$19 million. The Bank's non-interest income result also included higher commissions paid to intermediaries, consistent with lending volumes delivered by this channel.

The net gain on financial instruments included unrealised gains on short-term derivative positions and realised gains on the sale of treasury banking book assets.

## Operating expenses

Operating expenses were \$639 million for the year. Disciplined cost management continues, notwithstanding extensive transformational investment, encompassing organisational restructures and capability enhancements associated with Ignite implementation. The Bank is actively repositioning its footprint to align to customer needs.

Ignite continued to achieve major milestones during the period with all personal lending, collateral and collections management systems in everyday use across the business. Home lending functionality has also been expanded to include broader product sets. The decommissioning of the Bank's legacy collections, personal lending origination and collateral systems are now complete. The full benefits of Ignite will be realised in future periods with further data migration, process decentralisation and additional legacy system decommissioning.

Of total project costs for Ignite of \$330 million, capitalised costs amount to \$290 million.

The Bank has also undertaken the re-alignment of customer support teams to optimise the implementation of Ignite and Basel II Advanced Accreditation and redesigned distribution teams across personal and business customers.

The Bank's focus on simplification continues to deliver cost efficiencies, enabling improvement in customer connections, simplified systems and development of business intelligence.

## Impairment losses on loans and advances

|                                                                   | FULL YEAR ENDED |              | JUN-16        | HALF YEAR ENDED |              |              |              | JUN-16        | JUN-16        |
|-------------------------------------------------------------------|-----------------|--------------|---------------|-----------------|--------------|--------------|--------------|---------------|---------------|
|                                                                   | JUN-16          | JUN-15       | vs JUN-15     | JUN-16          | DEC-15       | JUN-15       | DEC-14       | vs DEC-15     | vs JUN-15     |
|                                                                   | \$M             | \$M          | %             | \$M             | \$M          | \$M          | \$M          | %             | %             |
| Collective provision for impairment                               | (18)            | 6            | (400.0)       | (11)            | (7)          | (3)          | 9            | 57.1          | 266.7         |
| Specific provision for impairment                                 | 32              | 46           | (30.4)        | 16              | 16           | 14           | 32           | -             | 14.3          |
| Actual net write-offs                                             | 2               | 6            | (66.7)        | -               | 2            | 4            | 2            | (100.0)       | (100.0)       |
| <b>Impairment losses</b>                                          | <b>16</b>       | <b>58</b>    | <b>(72.4)</b> | <b>5</b>        | <b>11</b>    | <b>15</b>    | <b>43</b>    | <b>(54.5)</b> | <b>(66.7)</b> |
| <b>Impairment losses to gross loans and advances (annualised)</b> | <b>0.03%</b>    | <b>0.11%</b> |               | <b>0.02%</b>    | <b>0.04%</b> | <b>0.06%</b> | <b>0.17%</b> |               |               |

Impairment losses of \$16 million representing 3 basis points of gross loans and advances, is below the Bank's through the cycle expected operating range of 10 to 20 basis points.

The total collective provision has decreased over the period, driven by changes in the modelled collective provision, quality of origination and the exiting of existing problem loans. Consistent with the Bank's continued conservative provisioning stance, management overlays represented over 30% of modelled collective provision. The Bank continues to actively assess exposures on an individual and portfolio basis and close attention is being paid to industries which are impacted by fluctuating economic conditions and commodity price conditions.

The reduction in both the collective provision and the specific provision charges reflect improvement in the credit quality of the Bank's lending portfolio. Both the agribusiness and commercial portfolios have seen a reduction in the collective provision held, which reflect improved risk selection in line with risk appetite.

The levels of arrears and hardship applications continue to be managed and monitored closely.

## Impaired assets

|                                                          | JUN-16       | DEC-15       | JUN-15       | DEC-14       | JUN-16      | JUN-16       |
|----------------------------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|
|                                                          | \$M          | \$M          | \$M          | \$M          | vs DEC-15   | vs JUN-15    |
|                                                          |              |              |              |              | %           | %            |
| Retail lending                                           | 27           | 25           | 31           | 33           | 8.0         | (12.9)       |
| Agribusiness lending                                     | 117          | 109          | 125          | 162          | 7.3         | (6.4)        |
| Commercial/SME lending                                   | 62           | 42           | 62           | 67           | 47.6        | -            |
| <b>Gross impaired assets</b>                             | <b>206</b>   | <b>176</b>   | <b>218</b>   | <b>262</b>   | <b>17.0</b> | <b>(5.5)</b> |
| Specific provision for impairment                        | (56)         | (60)         | (82)         | (104)        | (6.7)       | (31.7)       |
| <b>Net impaired assets</b>                               | <b>150</b>   | <b>116</b>   | <b>136</b>   | <b>158</b>   | <b>29.3</b> | <b>10.3</b>  |
| <b>Gross impaired assets to gross loans and advances</b> | <b>0.38%</b> | <b>0.33%</b> | <b>0.42%</b> | <b>0.52%</b> |             |              |

Gross impaired assets decreased by 5.5% to \$206 million, representing 38 basis points of gross loans and advances. Whilst this has increased compared to the half year, there was considerable improvement from the prior year.

The Bank has undertaken analysis of specific segments of the portfolio and areas affected by recent high profile corporate collapses. As a result, the Bank is confident there has been no material change to underlying arrears performance.

The coverage of specific provision to gross impaired assets has reduced during FY16 from 38% to 27%, in part due to the finalisation and write off of three mid-size exposures totalling \$19.9 million (net of interest not brought to account), all with high specific provision coverage ratios. Coverage remains appropriate.

## Non-performing loans

|                                                                             | JUN-16     | DEC-15     | JUN-15     | DEC-14     | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|-----------------------------------------------------------------------------|------------|------------|------------|------------|---------------------|---------------------|
|                                                                             | \$M        | \$M        | \$M        | \$M        | %                   | %                   |
| <b>Gross balances of individually impaired loans</b>                        |            |            |            |            |                     |                     |
| Gross impaired assets                                                       | 206        | 176        | 218        | 262        | 17.0                | (5.5)               |
| Specific provision for impairment                                           | (56)       | (60)       | (82)       | (104)      | (6.7)               | (31.7)              |
| <b>Net impaired assets</b>                                                  | <b>150</b> | <b>116</b> | <b>136</b> | <b>158</b> | <b>29.3</b>         | <b>10.3</b>         |
| <b>Size of gross individually impaired assets</b>                           |            |            |            |            |                     |                     |
| Less than one million                                                       | 22         | 20         | 21         | 29         | 10.0                | 4.8                 |
| Greater than one million but less than ten million                          | 117        | 100        | 115        | 137        | 17.0                | 1.7                 |
| Greater than ten million                                                    | 67         | 56         | 82         | 96         | 19.6                | (18.3)              |
|                                                                             | 206        | 176        | 218        | 262        | 17.0                | (5.5)               |
| <b>Past due loans not shown as impaired assets</b>                          | <b>404</b> | <b>381</b> | <b>399</b> | <b>394</b> | <b>6.0</b>          | <b>1.3</b>          |
| <b>Gross non-performing loans</b>                                           | <b>610</b> | <b>557</b> | <b>617</b> | <b>656</b> | <b>9.5</b>          | <b>(1.1)</b>        |
| <b>Analysis of movements in gross individually impaired assets</b>          |            |            |            |            |                     |                     |
| Balance at the beginning of the half year                                   | 176        | 218        | 262        | 333        | (19.3)              | (32.8)              |
| Recognition of new impaired assets                                          | 86         | 48         | 59         | 64         | 79.2                | 45.8                |
| Increases in previously recognised impaired assets                          | 4          | 2          | 4          | 4          | 100.0               | -                   |
| Impaired assets written off/sold during the half year                       | (18)       | (35)       | (32)       | (29)       | (48.6)              | (43.8)              |
| Impaired assets which have been reclassified as performing assets or repaid | (42)       | (57)       | (75)       | (110)      | (26.3)              | (44.0)              |
| <b>Balance at the end of the half year</b>                                  | <b>206</b> | <b>176</b> | <b>218</b> | <b>262</b> | <b>17.0</b>         | <b>(5.5)</b>        |

Past due loans increased by 1.3% to \$404 million. This was impacted by the implementation of the new loan collections system late in 2015, impacting retail loans which represent 89% or \$358 million of total past due loans. The underlying trend in retail past due loans has not materially changed.

Overall, gross non-performing loans decreased by 1.1% to \$610 million, representing 112 basis points of gross loans and advances.

## Provision for impairment

|                                                                                                       | JUN-16      | DEC-15      | JUN-15      | DEC-14      | JUN-16<br>vs DEC-15 | JUN-16<br>vs JUN-15 |
|-------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|---------------------|---------------------|
|                                                                                                       | \$M         | \$M         | \$M         | \$M         | %                   | %                   |
| <b>Collective provision</b>                                                                           |             |             |             |             |                     |                     |
| Balance at the beginning of the period                                                                | 119         | 126         | 129         | 120         | (5.6)               | (7.8)               |
| Charge against impairment losses                                                                      | (11)        | (7)         | (3)         | 9           | 57.1                | 266.7               |
| Balance at the end of the period                                                                      | 108         | 119         | 126         | 129         | (9.2)               | (14.3)              |
| <b>Specific provision</b>                                                                             |             |             |             |             |                     |                     |
| Balance at the beginning of the period                                                                | 60          | 82          | 104         | 106         | (26.8)              | (42.3)              |
| Charge against impairment losses                                                                      | 16          | 16          | 14          | 32          | -                   | 14.3                |
| Impairment provision written off                                                                      | (18)        | (35)        | (32)        | (29)        | (48.6)              | (43.8)              |
| Unwind of discount                                                                                    | (2)         | (3)         | (4)         | (5)         | (33.3)              | (50.0)              |
| Balance at the end of the period                                                                      | 56          | 60          | 82          | 104         | (6.7)               | (31.7)              |
| <b>Total provision for impairment - Banking activities</b>                                            | <b>164</b>  | <b>179</b>  | <b>208</b>  | <b>233</b>  | <b>(8.4)</b>        | <b>(21.2)</b>       |
| <b>Equity reserve for credit loss (ERCL)</b>                                                          |             |             |             |             |                     |                     |
| Balance at the beginning of the period                                                                | 96          | 146         | 144         | 151         | (34.2)              | (33.3)              |
| Transfer (to) from retained earnings                                                                  | (11)        | (50)        | 2           | (7)         | (78.0)              | n/a                 |
| Balance at the end of the period                                                                      | 85          | 96          | 146         | 144         | (11.5)              | (41.8)              |
| Pre-tax equivalent coverage                                                                           | 121         | 137         | 209         | 206         | (11.7)              | (42.1)              |
| <b>Total provision for impairment and equity reserve for credit loss - Banking activities</b>         | <b>285</b>  | <b>316</b>  | <b>417</b>  | <b>439</b>  | <b>(9.8)</b>        | <b>(31.7)</b>       |
|                                                                                                       | %           | %           | %           | %           |                     |                     |
| <b>Specific provision for impairment expressed as a percentage of gross impaired assets</b>           | <b>27.2</b> | <b>34.1</b> | <b>37.6</b> | <b>39.7</b> |                     |                     |
| <b>Provision for impairment expressed as a percentage of gross loans and advances are as follows:</b> |             |             |             |             |                     |                     |
| Collective provision                                                                                  | 0.20        | 0.23        | 0.24        | 0.26        |                     |                     |
| Specific provision                                                                                    | 0.10        | 0.11        | 0.16        | 0.21        |                     |                     |
| Total provision                                                                                       | 0.30        | 0.34        | 0.40        | 0.47        |                     |                     |
| ERCL coverage                                                                                         | 0.22        | 0.26        | 0.40        | 0.41        |                     |                     |
| Total provision and ERCL coverage                                                                     | 0.52        | 0.60        | 0.80        | 0.87        |                     |                     |

Total provision and ERCL coverage was 52 basis points of gross loans and advances.

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

The specific provision decreased \$4 million over the second half. A small number of new loans were provided for with limited material additions above \$1 million. As a result of improved conditions and favourable voluntary sales being completed, there was a material decrease in agribusiness specific provisioning.

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

## Gross non-performing loans coverage by portfolio

|                        | Past due<br>loans | Impaired<br>assets | Specific<br>provision | Collective<br>provision | ERCL (pre-tax<br>equivalent) | Total<br>provision<br>and ERCL<br>coverage |
|------------------------|-------------------|--------------------|-----------------------|-------------------------|------------------------------|--------------------------------------------|
|                        | \$M               | \$M                | \$M                   | \$M                     | \$M                          | %                                          |
| Retail lending         | 358               | 27                 | 10                    | 43                      | 47                           | 26%                                        |
| Agribusiness lending   | 12                | 117                | 27                    | 36                      | 25                           | 68%                                        |
| Commercial/SME lending | 34                | 62                 | 19                    | 29                      | 49                           | 101%                                       |
| <b>Total</b>           | <b>404</b>        | <b>206</b>         | <b>56</b>             | <b>108</b>              | <b>121</b>                   | <b>47%</b>                                 |

Collective provisioning for retail has increased \$12 million since June 2015. This includes an overlay as a contingency whilst the Bank implements and embeds changes to the lending and collections systems and processes. This is in line with the Bank's adoption of a cautious, prudent approach to system implementation.

## Life

### Result overview

Suncorp Life's profit after tax for the year was \$142 million. Underlying profit was \$124 million, up 9.7%. The business's underlying profit included positive insurance experience of \$21 million.

Suncorp Life continues to drive sustainable growth across the portfolio with a focus on value over volume. Total in-force premium increased to \$1,032 million, an increase of 6.4%.

- Direct in-force premiums for products sold through General Insurance continue to show strong growth increasing by 14.3%. New business sales outperformed system
- IFA risk in-force growth was impacted by new business sales volumes trending below prior periods as a result of industry reform and increases in Suncorp pricing. Better than expected retention has benefited in-force premium levels
- The New Zealand business has grown its in-force portfolio to \$219 million through its continued investment in value-adding and sustainable intermediary relationships and a market leading customer retention strategy

Superannuation funds under administration of \$8.2 billion reflected new business growth from WealthSmart and Suncorp Everyday Super. Super volumes are down compared to the prior year where there were strong pension sales ahead of regulatory change. Volumes were also impacted by changes to the aligned distribution channel.

During the period Suncorp Life revised a number of assumptions, reflecting an updated view of future expected experience in lapses and claims. This includes the implementation of new industry claims tables for income protection and a net reduction in lapse assumptions. In aggregate, the assumption changes have had a minimal impact on profit and capital.

Recent volatility in financial markets have impacted the financials. Whilst profit and loss, VOYS & EV have benefited from the lower interest rates, capital has been negatively impacted, however, has remained within normal operating range.

The Suncorp Life business has delivered a number of key initiatives through the period whilst successfully integrating into the new operating model:

- Simplified Suncorp Life's wealth corporate structure, including technology and business process partnering and over \$5.2 billion of assets restructured
- Released a new superannuation proposition (Brighter Super) to the market on a new administration platform
- Suncorp MyStyle was released, which bridges the gap between traditional direct and advised products
- Direct life risk released a "Needs Assessment Tool" to help customers understand their protection needs
- A number of initiatives were released in the advised market, including the introduction of wholesale rates
- Exited the self-employed aligned distribution channel to simplify Suncorp Life's distribution footprint.

## Outlook

The new operating model creates an exciting opportunity for the Life business to create unique and integrated propositions for customers, through both Direct and Intermediated channels.

The Australian advised market continues to show signs that it has stabilised despite the delay in the implementation of the industry reforms. Suncorp continues to recognise the need for a greater customer focus across the industry.

The advised and broker segments across Australia and New Zealand are key distribution channels across the Suncorp Group. Creation of the Customer Platform function has led to the amalgamation of these channels which will help Suncorp work more effectively with advisers to help meet customer needs.

The Direct segment is likely to accelerate its evolution to offer more comprehensive Life Company propositions. Suncorp MyStyle is driving the transition through the existing Direct Channel.

The Wealth business will continue to focus on simplification. This work will largely be completed over FY17, the result being a more efficient and scalable business.



## Financial results

for the full year ended 30 June 2016

Life

## Profit contribution

|                                               | FULL YEAR ENDED |            |             | JUN-16    |            |             | HALF YEAR ENDED |             |              | JUN-16 |  |
|-----------------------------------------------|-----------------|------------|-------------|-----------|------------|-------------|-----------------|-------------|--------------|--------|--|
|                                               | JUN-16          | JUN-15     | vs JUN-15   | JUN-16    | DEC-15     | JUN-15      | DEC-14          | vs DEC-15   | vs JUN-15    |        |  |
|                                               | \$M             | \$M        | %           | \$M       | \$M        | \$M         | \$M             | %           | %            |        |  |
| Life Risk                                     |                 |            |             |           |            |             |                 |             |              |        |  |
| Planned profit margin release <sup>(1)</sup>  | 45              | 38         | 18.4        | 23        | 22         | 21          | 17              | 4.5         | 9.5          |        |  |
| Claims experience                             | 6               | 8          | (25.0)      | 3         | 3          | 2           | 6               | -           | 50.0         |        |  |
| Lapse experience                              | 15              | 7          | 114.3       | 10        | 5          | 6           | 1               | 100.0       | 66.7         |        |  |
| Other                                         | (10)            | (8)        | 25.0        | (4)       | (6)        | (3)         | (5)             | (33.3)      | 33.3         |        |  |
| Underlying investment income                  | 31              | 31         | -           | 15        | 16         | 16          | 15              | (6.3)       | (6.3)        |        |  |
| <b>Life Risk</b>                              | <b>87</b>       | <b>76</b>  | <b>14.5</b> | <b>47</b> | <b>40</b>  | <b>42</b>   | <b>34</b>       | <b>17.5</b> | <b>11.9</b>  |        |  |
| Superannuation                                | 37              | 37         | -           | 19        | 18         | 19          | 18              | 5.6         | -            |        |  |
| <b>Total Life underlying profit after tax</b> | <b>124</b>      | <b>113</b> | <b>9.7</b>  | <b>66</b> | <b>58</b>  | <b>61</b>   | <b>52</b>       | <b>13.8</b> | <b>8.2</b>   |        |  |
| <b>Market adjustments <sup>(2)</sup></b>      | <b>18</b>       | <b>12</b>  | <b>50.0</b> | <b>23</b> | <b>(5)</b> | <b>(22)</b> | <b>34</b>       | <b>n/a</b>  | <b>n/a</b>   |        |  |
| <b>Net profit after tax</b>                   | <b>142</b>      | <b>125</b> | <b>13.6</b> | <b>89</b> | <b>53</b>  | <b>39</b>   | <b>86</b>       | <b>67.9</b> | <b>128.2</b> |        |  |

<sup>(1)</sup> 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.

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

## Life Risk in-force annual premium by channel

|                                     | HALF YEAR ENDED |              |            |            | JUN-16       |               |
|-------------------------------------|-----------------|--------------|------------|------------|--------------|---------------|
|                                     | JUN-16          | DEC-15       | JUN-15     | DEC-14     | vs DEC-15    | vs JUN-15     |
|                                     | \$M             | \$M          | \$M        | \$M        | %            | %             |
| Advised                             | 652             | 642          | 631        | 621        | 1.6          | 3.3           |
| Direct via General Insurance brands | 64              | 60           | 56         | 50         | 6.7          | 14.3          |
| New Zealand <sup>(1)</sup>          | 219             | 209          | 189        | 196        | 4.8          | 15.9          |
| Group and other                     | 97              | 96           | 94         | 90         | 1.0          | 3.2           |
| <b>Total <sup>(2)</sup></b>         | <b>1,032</b>    | <b>1,007</b> | <b>970</b> | <b>957</b> | <b>2.5</b>   | <b>6.4</b>    |
| <b>Total new business</b>           | <b>47</b>       | <b>50</b>    | <b>55</b>  | <b>69</b>  | <b>(6.0)</b> | <b>(14.5)</b> |

<sup>(1)</sup> NZ\$ in-force figures are Jun-16 \$230 million, Dec-15 \$223 million, Jun-15 \$213 million. NZ in-force annual premium includes NZ Group. The NZ\$ Group in-force figures are Jun-16 \$6 million, Dec-15 \$6 million, Jun-15 \$6 million.

<sup>(2)</sup> Total individual in-force premiums were Jun-16 \$957 million, Dec-15 \$934 million, Jun-15 \$900 million.

## Funds under administration

|                                            | HALF YEAR ENDED |              |              |              | JUN-16        |               |
|--------------------------------------------|-----------------|--------------|--------------|--------------|---------------|---------------|
|                                            | JUN-16          | DEC-15       | JUN-15       | DEC-14       | vs DEC-15     | vs JUN-15     |
|                                            | \$M             | \$M          | \$M          | \$M          | %             | %             |
| <b>Funds under administration</b>          |                 |              |              |              |               |               |
| Opening balance at the start of the period | 8,128           | 8,076        | 7,958        | 7,789        | 0.6           | 2.1           |
| Net inflows (outflows)                     | (90)            | (45)         | (68)         | (92)         | 100.0         | 32.4          |
| Investment income and other                | 125             | 97           | 186          | 261          | 28.9          | (32.8)        |
| <b>Balance at the end of the period</b>    | <b>8,163</b>    | <b>8,128</b> | <b>8,076</b> | <b>7,958</b> | <b>0.4</b>    | <b>1.1</b>    |
| <b>New business</b>                        | <b>172</b>      | <b>213</b>   | <b>215</b>   | <b>281</b>   | <b>(19.2)</b> | <b>(20.0)</b> |

## Operating expenses

|                                         | FULL YEAR ENDED |     |        | JUN-16    | HALF YEAR ENDED |        |        |        | JUN-16    | JUN-16    |
|-----------------------------------------|-----------------|-----|--------|-----------|-----------------|--------|--------|--------|-----------|-----------|
|                                         | JUN-16          |     | JUN-15 | vs JUN-15 | JUN-16          | DEC-15 | JUN-15 | DEC-14 | vs DEC-15 | vs JUN-15 |
|                                         | \$M             | \$M |        | %         | \$M             | \$M    | \$M    | \$M    | %         | %         |
| Total operating expenses <sup>(1)</sup> | 281             | 281 | -      |           | 139             | 142    | 139    | 142    | (2.1)     | -         |

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

## Shareholder investment income

|                                                  | FULL YEAR ENDED |        |           | JUN-16 | HALF YEAR ENDED |        |        | JUN-16    | JUN-16    |
|--------------------------------------------------|-----------------|--------|-----------|--------|-----------------|--------|--------|-----------|-----------|
|                                                  | JUN-16          | JUN-15 | vs JUN-15 | JUN-16 | DEC-15          | JUN-15 | DEC-14 | vs DEC-15 | vs JUN-15 |
|                                                  | \$M             | \$M    | %         | \$M    | \$M             | \$M    | \$M    | %         | %         |
| Shareholder investment income on invested assets | 25              | 32     | (21.9)    | 12     | 13              | 3      | 29     | (7.7)     | 300.0     |
| Less underlying investment income:               |                 |        |           |        |                 |        |        |           |           |
| Life Risk                                        | (31)            | (31)   | -         | (15)   | (16)            | (16)   | (15)   | (6.3)     | (6.3)     |
| Superannuation                                   | (11)            | (11)   | -         | (4)    | (7)             | (5)    | (6)    | (42.9)    | (20.0)    |
| Investment income experience                     | (17)            | (10)   | 70.0      | (7)    | (10)            | (18)   | 8      | (30.0)    | (61.1)    |

## Invested shareholder assets

|                           | HALF YEAR ENDED |              |              |              | JUN-16     | JUN-16      |
|---------------------------|-----------------|--------------|--------------|--------------|------------|-------------|
|                           | JUN-16          | DEC-15       | JUN-15       | DEC-14       | vs DEC-15  | vs JUN-15   |
|                           | \$M             | \$M          | \$M          | \$M          | %          | %           |
| Cash                      | 526             | 431          | 414          | 337          | 22.0       | 27.1        |
| Fixed interest securities | 924             | 987          | 890          | 868          | (6.4)      | 3.8         |
| Equities                  | 31              | 18           | 24           | 22           | 72.2       | 29.2        |
| Property                  | 10              | 9            | 5            | 4            | 11.1       | 100.0       |
| <b>Total</b>              | <b>1,491</b>    | <b>1,445</b> | <b>1,333</b> | <b>1,231</b> | <b>3.2</b> | <b>11.9</b> |

## In-force premiums

### Advised

In-force growth of 3.3% was driven by new business and lower lapse rates. New business was subdued continuing a trend from the prior year and lower system growth reflecting the recent press concerning adviser behaviour and product definitions.

The segment remains important for Suncorp Life and its customers. Suncorp will continue to support the industry through reform. The announcements at the half year demonstrated Suncorp Life's commitment:

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

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

During the first half of the year Suncorp Life announced the simplification of its distribution footprint, exiting the aligned self-employed adviser channel. Suncorp Life has worked with advisers during the period to assist them in finding a new licence and has closed the channel to new business.

**Direct Australia**

Suncorp MyStyle was launched during the second half of the year, a new proposition which fills the gap between traditional Direct and Adviser propositions. This included the launch of a new “needs assessment tool,” which helps customers better understand their protection needs.

Direct sold via General Insurance brands experienced in-force growth of 14.3%. New business sales of \$16 million were down against the prior year, reflecting a reduction in the overall market growth levels. Suncorp new business sales growth outperformed system.

**New Zealand**

New Zealand in-force premium increased 15.9% to \$219 million (up 8.0% in local currency) with new business stable at \$23 million. The New Zealand market continues to see elements of unsustainable sales practices, particularly in high upfront commissions. Suncorp Life through the Asteron Life Brand continues to promote sustainable market practices and provides innovative solutions for IFAs to help them create long-term value for customers. A promotion on sustainable commission options was launched in November, which has resulted in over half of new business across the past six months being sold on more sustainable commission terms.

**Superannuation Australia**

Superannuation funds under administration (FUA) of \$8.2 billion reflected new business of \$385 million. The new business decrease was primarily due to strong pension sales in FY15 due to the changes in pension rules.

The Superannuation business has continued to create a more simplified scalable business. Restructuring of assets and the introduction of a new product proposition into the market demonstrate the progress being made in this segment.

Of the \$5.2 billion of assets that have been restructured, \$2.6 billion have been transferred from SLSL into the Suncorp Master Trust (SMT). As SMT is not consolidated into the Life Balance Sheet, assets and liabilities have reduced by this amount, however, there is no impact to the overall Suncorp Group profit results.

**Underlying profit after tax****Planned profit margin release**

Planned margins of \$45 million increased against prior periods representing in-force growth and the benefits of repricing.

**Experience**

Overall claims and lapse experience were favourable for the year.

The positive lapse experience was primarily driven by favourable experience in the lump sum business.

During the period Suncorp Life has undertaken a review of assumptions. New income protection industry claims tables have been implemented, along with an aggregate reduction in the overall lapse assumptions. These changes may impact future reported experience.

**Expense management**

Operating expenses remained in line with the prior year at \$281 million. Cost management has been a key focus whilst allowing for investment at the front end of the business including super simplification and the launch of MyStyle in Direct. Costs associated with the decision to exit the aligned self-employed adviser channel have also been absorbed.

## Investment income

Shareholders' Funds investment income was \$25 million, representing an average annualised pre-tax return of 2.5%.

## Market Adjustments

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

|                                         | FULL YEAR ENDED |           |             | JUN-16    |            |             | HALF YEAR ENDED |            |            | JUN-16 |  |
|-----------------------------------------|-----------------|-----------|-------------|-----------|------------|-------------|-----------------|------------|------------|--------|--|
|                                         | JUN-16          | JUN-15    | vs JUN-15   | JUN-16    | DEC-15     | JUN-15      | DEC-14          | vs DEC-15  | vs JUN-15  |        |  |
|                                         | \$M             | \$M       | %           | \$M       | \$M        | \$M         | \$M             | %          | %          |        |  |
| Life risk policy liability impact (DAC) | 36              | 21        | 71.4        | 31        | 5          | (5)         | 26              | large      | n/a        |        |  |
| Investment income experience            | (17)            | (10)      | 70.0        | (7)       | (10)       | (18)        | 8               | (30.0)     | (61.1)     |        |  |
| Annuities market adjustments            | (1)             | 1         | n/a         | (1)       | -          | 1           | -               | n/a        | n/a        |        |  |
| <b>Total market adjustments</b>         | <b>18</b>       | <b>12</b> | <b>50.0</b> | <b>23</b> | <b>(5)</b> | <b>(22)</b> | <b>34</b>       | <b>n/a</b> | <b>n/a</b> |        |  |

## Life Risk policy liability impact (DAC)

Risk-free rates are used to discount Life Risk policy liabilities. Due to deferred acquisition costs (DAC) there are net negative policy liabilities (an asset). An increase in discount rates leads to a loss while a decrease leads to a gain. This volatility represents the impact of an accounting revaluation adjustment to reflect the movements of interest rates and the impact on the DAC. This impact was \$36 million.

## Investment income experience

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

## Life Embedded Value

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

There has been a change to the capital assumptions, resulting in a slower run-off pattern and therefore a reduced EV. This negative impact has been offset by the favourable impact of lower interest rates.

The components of value are shown in the table below:

### Embedded Value and Value of One Year's Sales

|                                         | HALF YEAR ENDED |              |              |              | JUN-16       | JUN-16        |
|-----------------------------------------|-----------------|--------------|--------------|--------------|--------------|---------------|
|                                         | JUN-16          | DEC-15       | JUN-15       | DEC-14       | vs DEC-15    | vs JUN-15     |
|                                         | \$M             | \$M          | \$M          | \$M          | %            | %             |
| <b>Adjusted net worth</b>               | <b>78</b>       | <b>85</b>    | <b>104</b>   | <b>78</b>    | <b>(8.2)</b> | <b>(25.0)</b> |
| Value of distributable profits          | 1,689           | 1,623        | 1,554        | 1,544        | 4.1          | 8.7           |
| Value of imputation credits             | 247             | 228          | 212          | 223          | 8.3          | 16.5          |
| <b>Value of in-force</b>                | <b>1,936</b>    | <b>1,851</b> | <b>1,766</b> | <b>1,767</b> | <b>4.6</b>   | <b>9.6</b>    |
| <b>Traditional Embedded Value</b>       | <b>2,014</b>    | <b>1,936</b> | <b>1,870</b> | <b>1,845</b> | <b>4.0</b>   | <b>7.7</b>    |
| <b>Value of One Year's Sales (VOYS)</b> | <b>25</b>       | <b>23</b>    | <b>25</b>    | <b>18</b>    | <b>8.7</b>   | <b>-</b>      |

## Change in Embedded Value

|                                                 | JUN-15 TO JUN-16 |
|-------------------------------------------------|------------------|
|                                                 | \$M              |
| <b>Opening Embedded Value</b>                   | <b>1,870</b>     |
| <b>Expected return</b>                          | <b>131</b>       |
| <b>Experience and future assumption changes</b> |                  |
| Discount rate and FX                            | 130              |
| Other <sup>(1)</sup>                            | (58)             |
| <b>Closing Embedded Value prior to</b>          | <b>2,073</b>     |
| Dividends / transfers <sup>(2)</sup>            | (39)             |
| Release of franking credits                     | (20)             |
| <b>Closing Embedded Value</b>                   | <b>2,014</b>     |

<sup>(1)</sup> Other include assumption changes and new business.

<sup>(2)</sup> Dividends/transfers include all dividends recommended or paid up to the parent company over the period.

## Assumptions

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

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

VOYS calculations are based on forecast new business volumes and acquisition costs.

|                                                                      | JUN-16      |             | JUN-15      |             |
|----------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                      | AUSTRALIA   | NEW ZEALAND | AUSTRALIA   | NEW ZEALAND |
|                                                                      | % PER ANNUM | % PER ANNUM | % PER ANNUM | % PER ANNUM |
| <b>Investment return for underlying asset classes (gross of tax)</b> |             |             |             |             |
| Risk-free rate (at 10 years)                                         | 2.0         | 3.2         | 3.2         | 5.5         |
| Cash                                                                 | 2.0         | 2.7         | 3.2         | 4.0         |
| Fixed interest                                                       | 2.5         | 2.7         | 3.7         | 4.0         |
| Australian equities (inc. allowance for franking credits) (1)        | 6.0         | 6.9         | 7.2         | 8.2         |
| International equities                                               | 6.0         | 5.9         | 7.2         | 7.2         |
| Property                                                             | 4.5         | 4.9         | 5.7         | 6.2         |
| <b>Investment returns (net of tax)</b>                               | <b>2.3</b>  | <b>2.0</b>  | <b>2.9</b>  | <b>2.9</b>  |
| <b>Inflation</b>                                                     |             |             |             |             |
| Expense Inflation                                                    | 2.5         | 2.3         | 2.0         | 2.3         |
| <b>Risk discount rate</b>                                            | <b>6.0</b>  | <b>6.3</b>  | <b>7.2</b>  | <b>7.5</b>  |

(1) New Zealand assumption covers Australasian equities.

|                                                  | AS AT        |              |
|--------------------------------------------------|--------------|--------------|
|                                                  | JUN-16       | JUN-15       |
|                                                  | \$M          | \$M          |
| <b>Base Embedded Value</b>                       | <b>2,014</b> | <b>1,870</b> |
| <b>Embedded Value assuming</b>                   |              |              |
| Discount rate and returns 1% higher              | 1,955        | 1,822        |
| Discount rate and returns 1% lower               | 2,081        | 1,912        |
| Lapse rates 10% lower                            | 2,224        | 2,039        |
| Renewal expenses 10% lower                       | 2,066        | 1,916        |
| Claims 10% lower                                 | 2,177        | 2,045        |
| <b>Base value of one year's new business</b>     | <b>25</b>    | <b>25</b>    |
| <b>Value of one year's new business assuming</b> |              |              |
| Discount rate and returns 1% higher              | 19           | 20           |
| Discount rate and returns 1% lower               | 32           | 31           |
| Lapse rates 10% lower                            | 35           | 41           |
| Acquisition expenses 10% lower                   | 32           | 35           |
| Claims 10% lower                                 | 39           | 45           |

## Financial results

for the full year ended 30 June 2016

Life

## Statement of assets and liabilities

|                                                                     | JUN-16       | HALF YEAR ENDED |              | JUN-16       | JUN-16        | JUN-16        |
|---------------------------------------------------------------------|--------------|-----------------|--------------|--------------|---------------|---------------|
|                                                                     | \$M          | DEC-15          | JUN-15       | DEC-14       | vs DEC-15     | vs JUN-15     |
|                                                                     |              | \$M             | \$M          | \$M          | %             | %             |
| <b>Total assets</b>                                                 |              |                 |              |              |               |               |
| <b>Assets</b>                                                       |              |                 |              |              |               |               |
| Invested assets <sup>(1)</sup>                                      | 2,206        | 4,957           | 5,074        | 5,088        | (55.5)        | (56.5)        |
| Assets backing annuity policies                                     | 140          | 130             | 131          | 139          | 7.7           | 6.9           |
| Assets backing participating policies                               | 2,314        | 2,247           | 2,289        | 2,233        | 3.0           | 1.1           |
| Deferred tax assets                                                 | 33           | 53              | 42           | 1            | (37.7)        | (21.4)        |
| Reinsurance ceded                                                   | 461          | 419             | 476          | 485          | 10.0          | (3.2)         |
| Other assets                                                        | 345          | 271             | 289          | 303          | 27.3          | 19.4          |
| Goodwill and intangible assets                                      | 223          | 223             | 225          | 228          | -             | (0.9)         |
|                                                                     | <b>5,722</b> | <b>8,300</b>    | <b>8,526</b> | <b>8,477</b> | <b>(31.1)</b> | <b>(32.9)</b> |
| <b>Liabilities</b>                                                  |              |                 |              |              |               |               |
| Payables                                                            | 287          | 257             | 277          | 193          | 11.7          | 3.6           |
| Subordinated Debt                                                   | 100          | 100             | 100          | 100          | -             | -             |
| Outstanding claims liabilities                                      | 309          | 234             | 263          | 267          | 32.1          | 17.5          |
| Deferred tax liabilities                                            | 95           | 91              | 81           | 45           | 4.4           | 17.3          |
| Policy liabilities <sup>(1)</sup>                                   | 2,651        | 5,381           | 5,635        | 5,635        | (50.7)        | (53.0)        |
| Unvested policyholder benefits <sup>(2)</sup>                       | 261          | 318             | 289          | 361          | (17.9)        | (9.7)         |
|                                                                     | <b>3,703</b> | <b>6,381</b>    | <b>6,645</b> | <b>6,601</b> | <b>(42.0)</b> | <b>(44.3)</b> |
| <b>Total net assets</b>                                             | <b>2,019</b> | <b>1,919</b>    | <b>1,881</b> | <b>1,876</b> | <b>5.2</b>    | <b>7.3</b>    |
| <b>Policyholder assets</b>                                          |              |                 |              |              |               |               |
| Invested assets <sup>(1)</sup>                                      | 715          | 3,512           | 3,741        | 3,857        | (79.6)        | (80.9)        |
| Assets backing annuity policies                                     | 140          | 130             | 131          | 139          | 7.7           | 6.9           |
| Assets backing participating policies                               | 2,314        | 2,247           | 2,289        | 2,233        | 3.0           | 1.1           |
| Other assets                                                        | 43           | 65              | 50           | 49           | (33.8)        | (14.0)        |
|                                                                     | <b>3,212</b> | <b>5,954</b>    | <b>6,211</b> | <b>6,278</b> | <b>(46.1)</b> | <b>(48.3)</b> |
| <b>Liabilities</b>                                                  |              |                 |              |              |               |               |
| Payables                                                            | -            | -               | -            | -            | n/a           | n/a           |
| Policy liabilities <sup>(1)</sup>                                   | 2,951        | 5,636           | 5,922        | 5,917        | (47.6)        | (50.2)        |
| Unvested policyholder benefits <sup>(2)</sup>                       | 261          | 318             | 289          | 361          | (17.9)        | (9.7)         |
|                                                                     | <b>3,212</b> | <b>5,954</b>    | <b>6,211</b> | <b>6,278</b> | <b>(46.1)</b> | <b>(48.3)</b> |
| <b>Policyholder net assets</b>                                      | <b>-</b>     | <b>-</b>        | <b>-</b>     | <b>-</b>     | <b>n/a</b>    | <b>n/a</b>    |
| <b>Shareholder assets</b>                                           |              |                 |              |              |               |               |
| <b>Assets</b>                                                       |              |                 |              |              |               |               |
| Invested assets                                                     | 1,491        | 1,445           | 1,333        | 1,231        | 3.2           | 11.9          |
| Deferred tax assets                                                 | 33           | 53              | 42           | 1            | (37.7)        | (21.4)        |
| Reinsurance ceded                                                   | 461          | 419             | 476          | 485          | 10.0          | (3.2)         |
| Other assets                                                        | 302          | 206             | 239          | 254          | 46.6          | 26.4          |
| Goodwill and intangible assets                                      | 223          | 223             | 225          | 228          | -             | (0.9)         |
|                                                                     | <b>2,510</b> | <b>2,346</b>    | <b>2,315</b> | <b>2,199</b> | <b>7.0</b>    | <b>8.4</b>    |
| <b>Liabilities</b>                                                  |              |                 |              |              |               |               |
| Payables                                                            | 287          | 257             | 277          | 193          | 11.7          | 3.6           |
| Subordinated Debt                                                   | 100          | 100             | 100          | 100          | -             | -             |
| Outstanding claims liabilities                                      | 309          | 234             | 263          | 267          | 32.1          | 17.5          |
| Deferred tax liabilities                                            | 95           | 91              | 81           | 45           | 4.4           | 17.3          |
| Policy liabilities                                                  | (300)        | (255)           | (287)        | (282)        | 17.6          | 4.5           |
|                                                                     | <b>491</b>   | <b>427</b>      | <b>434</b>   | <b>323</b>   | <b>15.0</b>   | <b>13.1</b>   |
| <b>Shareholder net assets</b>                                       | <b>2,019</b> | <b>1,919</b>    | <b>1,881</b> | <b>1,876</b> | <b>5.2</b>    | <b>7.3</b>    |
| <b>Reconciliation of net equity to Common Equity Tier 1 Capital</b> |              |                 |              |              |               |               |
| <b>Net equity - Life line of business</b>                           | <b>2,019</b> | <b>1,919</b>    | <b>1,881</b> | <b>1,876</b> |               |               |
| Goodwill & intangibles                                              | (223)        | (223)           | (225)        | (228)        |               |               |
| Policy liability adjustment and Deferred tax                        | (1,328)      | (1,254)         | (1,217)      | (1,234)      |               |               |
| Other Tier 1 Deductions                                             | (1)          | (1)             | (1)          | (2)          |               |               |
| <b>Common Equity Tier 1 Capital</b>                                 | <b>467</b>   | <b>441</b>      | <b>438</b>   | <b>412</b>   |               |               |

<sup>(1)</sup> The large movements reflect restructuring in the Wealth corporate structure.

<sup>(2)</sup> Includes participating business policyholder retained profits.

## Group Capital

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

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

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

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

For regulatory purposes, capital is classified as follows:

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

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

The Group aims to pay annual dividends based on a target payout ratio of 60% to 80% of cash earnings.

The Group's profit result over the year has led to a fully franked dividend of 38 cents per share, maintaining the same payout as the FY15 final dividend. This brings total ordinary dividends to 68 cents per share, down 8 cents per share. Given the Group's robust earnings outlook and strong capital position, the Board is comfortable adopting a payout ratio of 91.2% of cash earnings for the half, bringing the full year cash earnings payout ratio of 80%, the upper end of the target payout ratio range.

### Review of Capital Targets

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

- the CET1 and Total Capital target operating ranges for the General Insurance business are unchanged at 0.95 – 1.15 times the Prescribed Capital Amount (PCA) and 1.4 – 1.6 times PCA;
- the Bank CET1 target operating range is unchanged at 8.5% - 9.0% of Risk Weighted Assets;
- the capital targets for the Life business have been adjusted to reflect the interaction of the different levels of capital; and
- the SGL and Corporate Services capital targets have been reduced by \$100 million.



## Capital position at 30 June 2016

The table below summarises both the CET1 and Total Capital positions, adjusted to reflect the payment of the final dividend, as at 30 June 2016.

Over the year the Group's Excess CET1 (ex dividend) reduced to \$346 million. Excluding NPAT and dividend payments, the main drivers of the reduction in the Group's excess capital position have been:

- a reduction in excess technical provisions driven by working claims, softer premium rates in commercial classes and yield curve movements;
- an increase in the deduction for Life DAC due to new business growth and the reduction in government bond yields;
- an increase in General Insurance PCA driven by increases in both Insurance Risk and Asset Risk charges;
- an increase in Bank PCA Risk Weighted Assets;
- project and other capitalised expenditure across the Group; and
- this has been offset by a reduction in the SGL and Corporate Services Target.

|                                              | AS AT 30 JUNE 2016                  |                        |       |                                   | TOTAL<br>30 JUNE 2015 |
|----------------------------------------------|-------------------------------------|------------------------|-------|-----------------------------------|-----------------------|
|                                              | GENERAL<br>INSURANCE <sup>(2)</sup> | BANKING <sup>(2)</sup> | LIFE  | SGL, CORP<br>SERVICES &<br>CONSOL |                       |
|                                              | \$M                                 | \$M                    | \$M   | \$M                               | \$M                   |
| <b>CET1</b>                                  | 2,827                               | 2,896                  | 467   | 148                               | 6,338                 |
| <b>CET1 Target</b>                           | 2,445                               | 2,753                  | 357   | (3)                               | 5,552                 |
| <b>Excess to CET1 Target (pre div)</b>       | 382                                 | 143                    | 110   | 151                               | 786                   |
| <b>Group Dividend <sup>(3)</sup></b>         |                                     |                        |       |                                   | (440)                 |
| <b>Group Excess to CET1 Target (ex div)</b>  |                                     |                        |       |                                   | 346                   |
| <b>CET1 Coverage Ratio <sup>(1)</sup></b>    | 1.21x                               | 9.21%                  | 1.80x |                                   |                       |
| <b>Total Capital</b>                         | 3,890                               | 4,255                  | 567   | 148                               | 8,860                 |
| <b>Total Target Capital</b>                  | 3,492                               | 3,854                  | 419   | (22)                              | 7,743                 |
| <b>Excess to Target (pre div)</b>            | 398                                 | 401                    | 148   | 170                               | 1,117                 |
| <b>Group Dividend <sup>(3)</sup></b>         |                                     |                        |       |                                   | (440)                 |
| <b>Group Excess to Target (ex div)</b>       |                                     |                        |       |                                   | 677                   |
| <b>Capital Coverage Ratio <sup>(1)</sup></b> | 1.67x                               | 13.53%                 | 2.18x |                                   |                       |

<sup>(1)</sup> Capital ratios are expressed as coverage of the PCA for General Insurance and Life, and as a percentage of Risk Weighted Assets for the Bank.

<sup>(2)</sup> The Bank and General Insurance targets are shown as the midpoint of the target operating ranges.

<sup>(3)</sup> Group dividend net of expected shares issued under the Dividend Reinvestment Plan

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

- the General Insurance business's CET1 position was 1.21 times the PCA, above its target operating range of 0.95 - 1.15 times PCA;
- the Bank's CET1 Ratio was 9.21%, above its target operating range of 8.5% - 9.0%;
- Suncorp Life's excess CET1 to Target was \$110 million; and
- an additional \$151 million of excess CET1 was held at the SGL and Corporate Services level.

The Group maintains a strong capital position with all three businesses holding CET1 in excess of targets. The Group's excess to CET1 target is \$346 million after adjusting for the final dividend.

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

## Investments

### Investment strategy and arrangements

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

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

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

### Investment markets commentary

Investment returns for FY16 reflected the combination of low equity returns yet solid infrastructure and bond performances. The year was also characterised by significant investment volatility as a range of global developments impacted markets.

Early in FY16, the Greek financial crisis returned to centre stage while, by August, volatility in Chinese equities was being felt across developed share markets. In January and February, a renewed bout of market nervousness was caused by further uncertainty over the Chinese economy, global banking concerns, and the outlook for US monetary policy whilst in June the surprise 'Brexit' result precipitated record low global government bond yields and further equity market volatility.

To summarise, three key developments were apparent across investment markets: i) volatility and soft returns for equities, ii) new historic lows for bond yields (providing capital gains yet lower running yields going forward), and iii) falling inflation expectations (as reflected in the breakeven inflation rate).

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

| Investment Variables                                  | JUN-16 | JUN-15 | JUN-16<br>VS JUN-15 |
|-------------------------------------------------------|--------|--------|---------------------|
| 3 year bond yield                                     | 1.55   | 2.02   | -47bp               |
| 10 year bond yield                                    | 1.98   | 3.01   | -103bp              |
| 10 year breakeven inflation rate                      | 1.57   | 2.30   | -73bp               |
| AA 3 year credit spreads                              | 119    | 96     | +23bp               |
| Semi-government spreads                               | 35     | 47     | -12bp               |
| Australian fixed interest (Bloomberg composite index) | 8,987  | 8,397  | +7.0%               |
| Australian equities (total return)                    | 48,872 | 48,602 | +0.6%               |
| International equities (hedged total return)          | 1,235  | 1,253  | -1.4%               |

Looking forward, we anticipate growth assets to outperform fixed interest securities. Nevertheless, given the low level of yields, portfolio returns are expected to remain subdued relative to historical levels.

## Suncorp Group Limited

Suncorp Group Limited's investment portfolio supports the Group NOHC structure and distributions to shareholders. Investment assets were \$520 million at 30 June 2016 and comprised 42% cash and 58% high quality fixed income securities, with an interest rate duration of 0.9 years, credit spread duration of 1.4 years and an average credit rating of 'A'. Investment income was \$18 million, representing an annualised return of 3.2%.

|                                       | FULL YEAR ENDED |        |           | JUN-16 | HALF YEAR ENDED |        |        | JUN-16    | JUN-16    |
|---------------------------------------|-----------------|--------|-----------|--------|-----------------|--------|--------|-----------|-----------|
|                                       | JUN-16          | JUN-15 | vs JUN-15 | JUN-16 | DEC-15          | JUN-15 | DEC-14 | vs DEC-15 | vs JUN-15 |
| (Pre-tax)                             | \$M             | \$M    | %         | \$M    | \$M             | \$M    | \$M    | %         | %         |
| Investment income                     |                 |        |           |        |                 |        |        |           |           |
| Cash and short-term deposits          | 6               | 9      | (33.3)    | 3      | 3               | 5      | 4      | -         | (40.0)    |
| Interest-bearing securities and other | 12              | 15     | (20.0)    | 8      | 4               | 6      | 9      | 100.0     | 33.3      |
| Total                                 | 18              | 24     | (25.0)    | 11     | 7               | 11     | 13     | 57.1      | -         |

## Dividends

The final ordinary dividend of 38 cents per share will be fully franked and paid on 21 September 2016. The ex-dividend date is 12 August 2016.

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

|                                                                                                                 | HALF YEAR ENDED |        |        |
|-----------------------------------------------------------------------------------------------------------------|-----------------|--------|--------|
|                                                                                                                 | JUN-16          | DEC-15 | JUN-15 |
|                                                                                                                 | \$M             | \$M    | \$M    |
| <b>Franking credits</b>                                                                                         |                 |        |        |
| Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends | 146             | 156    | 152    |

## Income tax

|                                                                                         | JUN-16<br>\$M | JUN-15<br>\$M | JUN-16<br>vs JUN-15<br>% |
|-----------------------------------------------------------------------------------------|---------------|---------------|--------------------------|
| <b>Reconciliation of prima facie income tax expense to actual tax expense:</b>          |               |               |                          |
| <b>Profit before tax</b>                                                                | 1,507         | 1,662         | (9.3)                    |
| <b>Prima facie domestic corporation tax rate of 30% (2015: 30%)</b>                     | 452           | 499           | (9.4)                    |
| Effect of tax rates in foreign jurisdiction                                             | (5)           | (5)           | -                        |
| Effect of income taxed at non-corporate tax rate - Life                                 | 4             | 1             | 300.0                    |
| <b>Tax effect of amounts not deductible (assessable) in calculating taxable income:</b> |               |               |                          |
| Non-deductible expenses                                                                 | 14            | 16            | (12.5)                   |
| Non-deductible expenses - Life                                                          | 11            | 63            | (82.5)                   |
| Amortisation of intangible assets                                                       | 6             | 6             | -                        |
| Dividend adjustments                                                                    | 9             | 6             | 50.0                     |
| Tax exempt revenues                                                                     | (2)           | (15)          | (86.7)                   |
| Current year rebates and credits                                                        | (31)          | (31)          | -                        |
| Prior year under/over provision                                                         | (3)           | (4)           | (25.0)                   |
| Other                                                                                   | 7             | (14)          | n/a                      |
| <b>Total income tax expense (Credit) on pre-tax profit</b>                              | 462           | 522           | (11.5)                   |
| <b>Effective tax rate</b>                                                               | 30.7%         | 31.4%         | (2.4)                    |
| <b>Income tax expense recognised in profit consists of:</b>                             |               |               |                          |
| <b>Current tax expense</b>                                                              |               |               |                          |
| Current tax movement                                                                    | 523           | 549           | (4.7)                    |
| Current year rebates and credits                                                        | (31)          | (31)          | -                        |
| Adjustments for prior financial years                                                   | (33)          | (6)           | 450.0                    |
| <b>Total current tax expense</b>                                                        | 459           | 512           | (10.4)                   |
| <b>Deferred tax expense</b>                                                             |               |               |                          |
| Origination and reversal of temporary differences                                       | (27)          | 8             | n/a                      |
| Adjustments for prior financial years                                                   | 30            | 2             | large                    |
| <b>Total deferred tax expense</b>                                                       | 3             | 10            | (70.0)                   |
| <b>Total income tax expense</b>                                                         | 462           | 522           | (11.5)                   |
| <b>Income tax expense (benefit) by business unit</b>                                    |               |               |                          |
| General Insurance                                                                       | 251           | 304           | (17.4)                   |
| Banking                                                                                 | 169           | 152           | 11.2                     |
| Life                                                                                    | 61            | 72            | (15.3)                   |
| Other                                                                                   | (19)          | (6)           | 216.7                    |
| <b>Total income tax expense</b>                                                         | 462           | 522           | (11.5)                   |

The effective tax rate was lower at 30.7% compared to the June 2015 rate of 31.4%.

Prima facie income tax at 30% is affected by the following adjustments:

- Non-deductible interest paid in respect of preference shares increased income tax expense by \$13 million (June 2015: \$14 million).
- The effect of statutory income tax rates applicable to the life business which differ from the prima facie corporate rate, being annuity income and pension business (exempt) and superannuation business (15%).

## Appendix 1 – Consolidated statement of comprehensive income and financial position

### Consolidated statement of comprehensive income

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

|                                                                                         | FULL YEAR ENDED |                 | JUN-16       | HALF YEAR ENDED |                |                |                | JUN-16        | JUN-16       |
|-----------------------------------------------------------------------------------------|-----------------|-----------------|--------------|-----------------|----------------|----------------|----------------|---------------|--------------|
|                                                                                         | JUN-16          | JUN-15          | vs JUN-15    | JUN-16          | DEC-15         | JUN-15         | DEC-14         | vs DEC-15     | vs JUN-15    |
|                                                                                         | \$M             | \$M             | %            | \$M             | \$M            | \$M            | \$M            | %             | %            |
| <b>Revenue</b>                                                                          |                 |                 |              |                 |                |                |                |               |              |
| Insurance premium income                                                                | 9,899           | 9,837           | 0.6          | 4,937           | 4,962          | 4,920          | 4,917          | (0.5)         | 0.3          |
| Reinsurance and other recoveries income                                                 | 1,621           | 2,234           | (27.4)       | 829             | 792            | 1,182          | 1,052          | 4.7           | (29.9)       |
| Interest income on                                                                      |                 |                 |              | -               |                |                |                |               |              |
| - financial assets not at fair value through profit or loss                             | 2,622           | 2,809           | (6.7)        | 1,298           | 1,324          | 1,372          | 1,437          | (2.0)         | (5.4)        |
| - financial assets at fair value through profit or loss                                 | 606             | 691             | (12.3)       | 308             | 298            | 335            | 356            | 3.4           | (8.1)        |
| Net gains on financial assets or liabilities at fair value through profit or loss       | -               | 428             | (100.0)      | -               | -              | 104            | 324            | n/a           | (100.0)      |
| Dividend and trust distribution income                                                  | 171             | 141             | 21.3         | 50              | 121            | 64             | 77             | (58.7)        | (21.9)       |
| Fees and other income                                                                   | 568             | 582             | (2.4)        | 268             | 300            | 281            | 301            | (10.7)        | (4.6)        |
| <b>Total revenue</b>                                                                    | <b>15,487</b>   | <b>16,722</b>   | <b>(7.4)</b> | <b>7,690</b>    | <b>7,797</b>   | <b>8,258</b>   | <b>8,464</b>   | <b>(1.4)</b>  | <b>(6.9)</b> |
| <b>Expenses</b>                                                                         |                 |                 |              |                 |                |                |                |               |              |
| Claims expense and movement in policyowner liabilities                                  | (7,561)         | (8,434)         | (10.4)       | (3,737)         | (3,824)        | (4,265)        | (4,169)        | (2.3)         | (12.4)       |
| Outwards reinsurance premium expense                                                    | (1,220)         | (1,284)         | (5.0)        | (631)           | (589)          | (651)          | (633)          | 7.1           | (3.1)        |
| Underwriting and policy maintenance expenses                                            | (2,334)         | (2,427)         | (3.8)        | (1,139)         | (1,195)        | (1,218)        | (1,209)        | (4.7)         | (6.5)        |
| Interest expense on                                                                     |                 |                 |              |                 |                |                |                |               |              |
| - financial liabilities not at fair value through profit or loss                        | (1,493)         | (1,721)         | (13.2)       | (737)           | (756)          | (832)          | (889)          | (2.5)         | (11.4)       |
| - financial liabilities at fair value through profit or loss                            | (94)            | (95)            | (1.1)        | (46)            | (48)           | (38)           | (57)           | (4.2)         | 21.1         |
| Net losses on financial assets and liabilities not at fair value through profit or loss | (160)           | -               | n/a          | (27)            | (133)          | -              | -              | (79.7)        | n/a          |
| Impairment loss on loans and advances                                                   | (16)            | (58)            | (72.4)       | (5)             | (11)           | (15)           | (43)           | (54.5)        | (66.7)       |
| Amortisation and depreciation expense                                                   | (165)           | (155)           | 6.5          | (94)            | (71)           | (76)           | (79)           | 32.4          | 23.7         |
| Fees, overheads and other expenses                                                      | (937)           | (886)           | 5.8          | (526)           | (411)          | (439)          | (447)          | 28.0          | 19.8         |
| <b>Total expenses</b>                                                                   | <b>(13,980)</b> | <b>(15,060)</b> | <b>(7.2)</b> | <b>(6,942)</b>  | <b>(7,038)</b> | <b>(7,534)</b> | <b>(7,526)</b> | <b>(1.4)</b>  | <b>(7.9)</b> |
| <b>Profit before tax</b>                                                                | <b>1,507</b>    | <b>1,662</b>    | <b>(9.3)</b> | <b>748</b>      | <b>759</b>     | <b>724</b>     | <b>938</b>     | <b>(1.4)</b>  | <b>3.3</b>   |
| Income tax expense                                                                      | (462)           | (522)           | (11.5)       | (236)           | (226)          | (220)          | (302)          | 4.4           | 7.3          |
| <b>Profit for the period</b>                                                            | <b>1,045</b>    | <b>1,140</b>    | <b>(8.3)</b> | <b>512</b>      | <b>533</b>     | <b>504</b>     | <b>636</b>     | <b>(3.9)</b>  | <b>1.6</b>   |
| <b>Other comprehensive income</b>                                                       |                 |                 |              |                 |                |                |                |               |              |
| <i>Items that will be reclassified subsequently to profit or loss</i>                   |                 |                 |              |                 |                |                |                |               |              |
| Net change in fair value of cash flow hedges                                            | 26              | 37              | (29.7)       | 5               | 21             | 12             | 25             | (76.2)        | (58.3)       |
| Net change in fair value of available-for-sale financial assets                         | (2)             | (8)             | (75.0)       | 1               | (3)            | (11)           | 3              | n/a           | n/a          |
| Exchange differences on translation of foreign operations                               | 75              | (54)            | n/a          | 19              | 56             | (85)           | 31             | (66.1)        | n/a          |
| Income tax expense                                                                      | (7)             | (9)             | (22.2)       | (1)             | (6)            | (2)            | (7)            | (83.3)        | (50.0)       |
|                                                                                         | 92              | (34)            | (370.6)      | 24              | 68             | (86)           | 52             | (64.7)        | n/a          |
| <i>Items that will not be reclassified subsequently to profit or loss</i>               |                 |                 |              |                 |                |                |                |               |              |
| Actuarial gains/(losses) on defined benefit plans                                       | (10)            | (1)             | large        | (10)            | -              | (1)            | -              | n/a           | large        |
| Income tax on other comprehensive income                                                | 3               | -               | n/a          | 3               | -              | -              | -              | n/a           | n/a          |
|                                                                                         | (7)             | (1)             | large        | (7)             | -              | (1)            | -              | n/a           | large        |
| <b>Total Other comprehensive income</b>                                                 | <b>85</b>       | <b>(35)</b>     | <b>n/a</b>   | <b>17</b>       | <b>68</b>      | <b>(87)</b>    | <b>52</b>      | <b>(75.0)</b> | <b>n/a</b>   |
| <b>Total comprehensive income for the period</b>                                        | <b>1,130</b>    | <b>1,105</b>    | <b>2.3</b>   | <b>529</b>      | <b>601</b>     | <b>417</b>     | <b>688</b>     | <b>(12.0)</b> | <b>26.9</b>  |
| <b>Profit for the period attributable to:</b>                                           |                 |                 |              |                 |                |                |                |               |              |
| Owners of the Company                                                                   | 1,038           | 1,133           | (8.4)        | 508             | 530            | 502            | 631            | (4.2)         | 1.2          |
| Non-controlling interests                                                               | 7               | 7               | -            | 4               | 3              | 2              | 5              | 33.3          | 100.0        |
| <b>Profit for the period</b>                                                            | <b>1,045</b>    | <b>1,140</b>    | <b>(8.3)</b> | <b>512</b>      | <b>533</b>     | <b>504</b>     | <b>636</b>     | <b>(3.9)</b>  | <b>1.6</b>   |
| <b>Total comprehensive income for the period attributable to:</b>                       |                 |                 |              |                 |                |                |                |               |              |
| Owners of the Company                                                                   | 1,123           | 1,098           | 2.3          | 525             | 598            | 415            | 683            | (12.2)        | 26.5         |
| Non-controlling interests                                                               | 7               | 7               | -            | 4               | 3              | 2              | 5              | 33.3          | 100.0        |
| <b>Total comprehensive income for the period</b>                                        | <b>1,130</b>    | <b>1,105</b>    | <b>2.3</b>   | <b>529</b>      | <b>601</b>     | <b>417</b>     | <b>688</b>     | <b>(12.0)</b> | <b>26.9</b>  |

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

### Consolidated statement of financial position

|                                                           | GENERAL<br>INSURANCE | BANKING       | LIFE         | CORPORATE     | ELIMINATIONS    | CONSOLIDATION |
|-----------------------------------------------------------|----------------------|---------------|--------------|---------------|-----------------|---------------|
|                                                           | JUN-16               | JUN-16        | JUN-16       | JUN-16        | JUN-16          | JUN-16        |
|                                                           | \$M                  | \$M           | \$M          | \$M           | \$M             | \$M           |
| <b>Assets</b>                                             |                      |               |              |               |                 |               |
| Cash and cash equivalents                                 | 444                  | 1,028         | 833          | 26            | (533)           | 1,798         |
| Receivables due from other banks                          | -                    | 552           | -            | -             | -               | 552           |
| Trading securities                                        | -                    | 1,497         | -            | -             | -               | 1,497         |
| Derivatives                                               | 28                   | 675           | 38           | -             | (65)            | 676           |
| Investment securities                                     | 12,536               | 5,225         | 6,629        | 14,385        | (15,391)        | 23,384        |
| Loans and advances                                        | -                    | 54,134        | -            | -             | -               | 54,134        |
| Premiums outstanding                                      | 2,498                | -             | 24           | -             | -               | 2,522         |
| Reinsurance and other recoveries                          | 1,714                | -             | 186          | -             | -               | 1,900         |
| Deferred reinsurance assets                               | 858                  | -             | -            | -             | -               | 858           |
| Deferred acquisition costs                                | 673                  | -             | 5            | -             | -               | 678           |
| Gross policy liabilities ceded under reinsurance          | -                    | -             | 461          | -             | -               | 461           |
| Property, plant and equipment                             | 46                   | -             | 3            | 134           | -               | 183           |
| Deferred tax assets                                       | 17                   | 44            | 33           | 111           | -               | 205           |
| Goodwill and other intangible assets                      | 5,036                | 262           | 223          | 357           | -               | 5,878         |
| Other assets                                              | 708                  | 145           | 112          | 57            | -               | 1,022         |
| Due from related parties                                  | 180                  | 295           | 15           | 1,273         | (1,763)         | -             |
| <b>Total assets</b>                                       | <b>24,738</b>        | <b>63,857</b> | <b>8,562</b> | <b>16,343</b> | <b>(17,752)</b> | <b>95,748</b> |
| <b>Liabilities</b>                                        |                      |               |              |               |                 |               |
| Payables due to other banks                               | -                    | 332           | -            | -             | -               | 332           |
| Deposits and short-term borrowings                        | -                    | 45,421        | -            | -             | (532)           | 44,889        |
| Derivatives                                               | 177                  | 498           | 15           | -             | (62)            | 628           |
| Amounts due to reinsurers                                 | 726                  | -             | 19           | -             | -               | 745           |
| Payables and other liabilities                            | 763                  | 346           | 239          | 496           | (1)             | 1,843         |
| Current tax liabilities                                   | 5                    | -             | -            | 60            | -               | 65            |
| Unearned premium liabilities                              | 4,864                | -             | 6            | -             | -               | 4,870         |
| Outstanding claims liabilities                            | 9,425                | -             | 309          | -             | -               | 9,734         |
| Gross policy liabilities                                  | -                    | -             | 2,912        | -             | -               | 2,912         |
| Deferred tax liabilities                                  | 14                   | -             | 95           | 3             | (2)             | 110           |
| Managed funds units on issue                              | -                    | -             | 2,825        | -             | (1,491)         | 1,334         |
| Securitisation liabilities                                | -                    | 2,544         | -            | -             | (9)             | 2,535         |
| Debt issues                                               | -                    | 9,860         | -            | -             | (19)            | 9,841         |
| Subordinated notes                                        | 552                  | 742           | 100          | 765           | (770)           | 1,389         |
| Preference shares                                         | -                    | -             | -            | 951           | -               | 951           |
| Due to related parties                                    | 299                  | 135           | 23           | 528           | (985)           | -             |
| <b>Total liabilities</b>                                  | <b>16,825</b>        | <b>59,878</b> | <b>6,543</b> | <b>2,803</b>  | <b>(3,871)</b>  | <b>82,178</b> |
| <b>Net assets</b>                                         | <b>7,913</b>         | <b>3,979</b>  | <b>2,019</b> | <b>13,540</b> | <b>(13,881)</b> | <b>13,570</b> |
| <b>Equity</b>                                             |                      |               |              |               |                 |               |
| Share capital                                             |                      |               |              |               |                 | 12,679        |
| Reserves                                                  |                      |               |              |               |                 | 198           |
| Retained profits                                          |                      |               |              |               |                 | 684           |
| <b>Total equity attributable to owners of the Company</b> |                      |               |              |               |                 | <b>13,561</b> |
| Non-controlling interests                                 |                      |               |              |               |                 | 9             |
| <b>Total equity</b>                                       |                      |               |              |               |                 | <b>13,570</b> |

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

### SGL statement of financial position

|                                                                   | HALF YEAR ENDED |               |               |               | JUN-16       | JUN-16        |
|-------------------------------------------------------------------|-----------------|---------------|---------------|---------------|--------------|---------------|
|                                                                   | JUN-16          | DEC-15        | JUN-15        | DEC-14        | vs DEC-15    | vs JUN-15     |
|                                                                   | \$M             | \$M           | \$M           | \$M           | %            | %             |
| <b>Current assets</b>                                             |                 |               |               |               |              |               |
| Cash and cash equivalents                                         | 2               | 2             | 3             | 4             | -            | (33.3)        |
| Financial assets designated at fair value through profit and loss | 520             | 510           | 620           | 640           | 2.0          | (16.1)        |
| Due from related parties                                          | 140             | 84            | 338           | 198           | 66.7         | (58.6)        |
| Other assets                                                      | 3               | 5             | 5             | 4             | (40.0)       | (40.0)        |
| <b>Total current assets</b>                                       | <b>665</b>      | <b>601</b>    | <b>966</b>    | <b>846</b>    | <b>10.6</b>  | <b>(31.2)</b> |
| <b>Non-current assets</b>                                         |                 |               |               |               |              |               |
| Investment in subsidiaries                                        | 13,909          | 13,905        | 13,889        | 13,852        | 0.0          | 0.1           |
| Due from related parties                                          | 770             | 770           | 770           | 770           | -            | -             |
| Deferred tax assets                                               | 6               | 6             | 6             | 4             | -            | -             |
| Other assets                                                      | 79              | 83            | 71            | 74            | (4.8)        | 11.3          |
| <b>Total non-current assets</b>                                   | <b>14,764</b>   | <b>14,764</b> | <b>14,736</b> | <b>14,700</b> | <b>-</b>     | <b>0.2</b>    |
| <b>Total assets</b>                                               | <b>15,429</b>   | <b>15,365</b> | <b>15,702</b> | <b>15,546</b> | <b>0.4</b>   | <b>(1.7)</b>  |
| <b>Current liabilities</b>                                        |                 |               |               |               |              |               |
| Payables and other liabilities                                    | 7               | 9             | 9             | 9             | (22.2)       | (22.2)        |
| Current tax liabilities                                           | 62              | 13            | 275           | 91            | 376.9        | (77.5)        |
| Due to related parties                                            | 31              | 20            | 13            | 43            | 55.0         | 138.5         |
| <b>Total current liabilities</b>                                  | <b>100</b>      | <b>42</b>     | <b>297</b>    | <b>143</b>    | <b>138.1</b> | <b>(66.3)</b> |
| <b>Non-current liabilities</b>                                    |                 |               |               |               |              |               |
| Subordinated notes                                                | 765             | 763           | 762           | 760           | 0.3          | 0.4           |
| Preference shares                                                 | 951             | 949           | 947           | 945           | 0.2          | 0.4           |
| <b>Total non-current liabilities</b>                              | <b>1,716</b>    | <b>1,712</b>  | <b>1,709</b>  | <b>1,705</b>  | <b>0.2</b>   | <b>0.4</b>    |
| <b>Total liabilities</b>                                          | <b>1,816</b>    | <b>1,754</b>  | <b>2,006</b>  | <b>1,848</b>  | <b>3.5</b>   | <b>(9.5)</b>  |
| <b>Net assets</b>                                                 | <b>13,613</b>   | <b>13,611</b> | <b>13,696</b> | <b>13,698</b> | <b>-</b>     | <b>(0.6)</b>  |
| <b>Equity</b>                                                     |                 |               |               |               |              |               |
| Share capital                                                     | 12,776          | 12,775        | 12,773        | 12,770        | -            | 0.0           |
| Reserves                                                          | -               | -             | -             | -             | n/a          | n/a           |
| Retained profits                                                  | 837             | 836           | 923           | 928           | 0.1          | (9.3)         |
| <b>Total equity</b>                                               | <b>13,613</b>   | <b>13,611</b> | <b>13,696</b> | <b>13,698</b> | <b>-</b>     | <b>(0.6)</b>  |

### SGL profit contribution

|                                                                                                 | FULL YEAR ENDED |        |           | JUN-16 | HALF YEAR ENDED |        |        | JUN-16    | JUN-16    |
|-------------------------------------------------------------------------------------------------|-----------------|--------|-----------|--------|-----------------|--------|--------|-----------|-----------|
|                                                                                                 | JUN-16          | JUN-15 | vs JUN-15 | JUN-16 | DEC-15          | JUN-15 | DEC-14 | vs DEC-15 | vs JUN-15 |
|                                                                                                 | \$M             | \$M    | %         | \$M    | \$M             | \$M    | \$M    | %         | %         |
| Revenue                                                                                         |                 |        |           |        |                 |        |        |           |           |
| Dividend and interest income from subsidiaries                                                  | 1,019           | 1,209  | (15.7)    | 425    | 594             | 524    | 685    | (28.5)    | (18.9)    |
| Interest and trust distribution income on financial assets at fair value through profit or loss | 18              | 24     | (25.0)    | 11     | 7               | 10     | 14     | 57.1      | 10.0      |
| Other income                                                                                    | 4               | 2      | 100.0     | 2      | 2               | 1      | 1      | -         | 100.0     |
| Total revenue                                                                                   | 1,041           | 1,235  | (15.7)    | 438    | 603             | 535    | 700    | (27.4)    | (18.1)    |
| Expenses                                                                                        |                 |        |           |        |                 |        |        |           |           |
| Interest expense on financial liabilities at amortised cost                                     | (89)            | (93)   | (4.3)     | (45)   | (44)            | (45)   | (48)   | 2.3       | -         |
| Operating expenses                                                                              | (5)             | (4)    | 25.0      | (3)    | (2)             | (3)    | (1)    | 50.0      | -         |
| Total expenses                                                                                  | (94)            | (97)   | (3.1)     | (48)   | (46)            | (48)   | (49)   | 4.3       | -         |
| Profit before income tax                                                                        | 947             | 1,138  | (16.8)    | 390    | 557             | 487    | 651    | (30.0)    | (19.9)    |
| Income tax expense                                                                              | (4)             | (6)    | (33.3)    | (2)    | (2)             | (3)    | (3)    | -         | (33.3)    |
| Profit for the period                                                                           | 943             | 1,132  | (16.7)    | 388    | 555             | 484    | 648    | (30.1)    | (19.8)    |

## Appendix 2 – Ratio calculations

### Ratios and statistics

|                                                            |              | FULL YEAR ENDED<br>JUN-16 | JUN-15  | JUN-16<br>vs JUN-15<br>% |
|------------------------------------------------------------|--------------|---------------------------|---------|--------------------------|
| <b>Performance ratios</b>                                  |              |                           |         |                          |
| Earnings per share <sup>(1)</sup>                          |              |                           |         |                          |
| Basic                                                      | (cents)      | 81.41                     | 88.61   | (8.1)                    |
| Diluted                                                    | (cents)      | 79.80                     | 87.21   | (8.5)                    |
| Cash earnings per share <sup>(1)</sup>                     |              |                           |         |                          |
| Basic                                                      | (cents)      | 85.41                     | 93.14   | (8.3)                    |
| Diluted                                                    | (cents)      | 83.56                     | 91.50   | (8.7)                    |
| Return on average shareholders' equity <sup>(1)</sup>      | (%)          | 7.8                       | 8.5     |                          |
| Cash return on average shareholders' equity <sup>(1)</sup> | (%)          | 8.2                       | 8.9     |                          |
| Return on average total assets                             | (%)          | 1.08                      | 1.19    |                          |
| Insurance trading ratio                                    | (%)          | 9.9                       | 11.4    |                          |
| Underlying insurance trading ratio                         | (%)          | 10.6                      | 14.7    |                          |
| Bank net interest margin (interest-earning assets)         | (%)          | 1.86                      | 1.85    |                          |
| <b>Shareholder summary</b>                                 |              |                           |         |                          |
| Ordinary dividends per ordinary share                      | (cents)      | 68.0                      | 76.0    | (10.5)                   |
| Special dividends per ordinary share                       | (cents)      | -                         | 12.0    | (100.0)                  |
| Payout ratio (excluding special dividend) <sup>(1)</sup>   |              |                           |         |                          |
| Net profit after tax                                       | (%)          | 83.8                      | 85.8    |                          |
| Cash earnings                                              | (%)          | 79.8                      | 81.6    |                          |
| Payout ratio (including special dividend) <sup>(1)</sup>   |              |                           |         |                          |
| Net profit after tax                                       | (%)          | 83.8                      | 99.3    |                          |
| Cash earnings                                              | (%)          | 79.8                      | 94.5    |                          |
| Weighted average number of shares                          |              |                           |         |                          |
| Basic                                                      | (million)    | 1,275.0                   | 1,278.7 | (0.2)                    |
| Diluted                                                    | (million)    | 1,354.7                   | 1,350.8 | 0.3                      |
| Number of shares at end of period                          | (million)    | 1,278.7                   | 1,278.8 | -                        |
| Net tangible asset backing per share                       | (\$)         | 6.02                      | 6.05    | (0.5)                    |
| Share price at end of period                               | (\$)         | 12.18                     | 13.43   | (9.3)                    |
| <b>Productivity</b>                                        |              |                           |         |                          |
| General Insurance expense ratio                            | (%)          | 22.0                      | 22.6    |                          |
| Bank cost to income ratio                                  | (%)          | 52.5                      | 53.4    |                          |
| <b>Financial position</b>                                  |              |                           |         |                          |
| Total assets                                               | (\$ million) | 95,748                    | 95,651  | 0.1                      |
| Net tangible assets                                        | (\$ million) | 7,692                     | 7,735   | (0.6)                    |
| Net assets                                                 | (\$ million) | 13,570                    | 13,518  | 0.4                      |
| Average Shareholders' Equity                               | (\$ million) | 13,282                    | 13,345  | (0.5)                    |
| <b>Capital</b>                                             |              |                           |         |                          |
| General Insurance Group PCA coverage                       | (times)      | 1.67                      | 1.86    |                          |
| Bank capital adequacy ratio - Total                        | (%)          | 13.53                     | 13.85   |                          |
| Bank Common Equity Tier 1 ratio                            | (%)          | 9.21                      | 9.15    |                          |
| Suncorp Life total capital                                 | (\$ million) | 567                       | 538     | 5.4                      |
| Additional capital held by Suncorp Group Limited           | (\$ million) | 148                       | 320     | (53.8)                   |

<sup>(1)</sup> Refer to Appendix 4 for definitions.



## Appendix 2 – Ratio calculations (continued)

### Ratios and statistics

|                                                            |              | HALF YEAR ENDED |         |         |         | JUN-16    | JUN-16    |
|------------------------------------------------------------|--------------|-----------------|---------|---------|---------|-----------|-----------|
|                                                            |              | JUN-16          | DEC-15  | JUN-15  | DEC-14  | vs DEC-15 | vs JUN-15 |
|                                                            |              |                 |         |         |         | %         | %         |
| <b>Performance ratios</b>                                  |              |                 |         |         |         |           |           |
| Earnings per share <sup>(1)</sup>                          |              |                 |         |         |         |           |           |
| Basic                                                      | (cents)      | 39.73           | 41.45   | 39.26   | 49.35   | (4.1)     | 1.2       |
| Diluted                                                    | (cents)      | 39.02           | 40.56   | 38.87   | 48.44   | (3.8)     | 0.4       |
| Cash earnings per share <sup>(1)</sup>                     |              |                 |         |         |         |           |           |
| Basic                                                      | (cents)      | 41.69           | 43.49   | 41.53   | 51.61   | (4.1)     | 0.4       |
| Diluted                                                    | (cents)      | 40.86           | 42.47   | 41.01   | 50.59   | (3.8)     | (0.4)     |
| Return on average shareholders' equity <sup>(1)</sup>      | (%)          | 7.7             | 7.9     | 7.6     | 9.4     |           |           |
| Cash return on average shareholders' equity <sup>(1)</sup> | (%)          | 8.1             | 8.3     | 8.0     | 9.8     |           |           |
| Return on average total assets                             | (%)          | 1.07            | 1.11    | 1.06    | 1.32    |           |           |
| Insurance trading ratio                                    | (%)          | 10.3            | 9.4     | 9.9     | 12.8    |           |           |
| Underlying insurance trading ratio                         | (%)          | 11.0            | 10.1    | 14.6    | 14.8    |           |           |
| Bank net interest margin (interest-earning assets)         | (%)          | 1.86            | 1.85    | 1.83    | 1.86    |           |           |
| <b>Shareholder summary</b>                                 |              |                 |         |         |         |           |           |
| Ordinary dividends per ordinary share                      | (cents)      | 38.0            | 30.0    | 38.0    | 38.0    | 26.7      | -         |
| Special dividends per ordinary share                       | (cents)      | -               | -       | 12.0    | -       | -         | (100.0)   |
| Payout ratio (excluding special dividend) <sup>(1)</sup>   |              |                 |         |         |         |           |           |
| Net profit after tax                                       | (%)          | 95.7            | 72.4    | 96.8    | 77.0    |           |           |
| Cash earnings                                              | (%)          | 91.2            | 69.0    | 91.5    | 73.6    |           |           |
| Payout ratio (including special dividend) <sup>(1)</sup>   |              |                 |         |         |         |           |           |
| Net profit after tax                                       | (%)          | 95.7            | 72.4    | 127.4   | 77.0    |           |           |
| Cash earnings                                              | (%)          | 91.2            | 69.0    | 120.4   | 73.6    |           |           |
| Weighted average number of shares                          |              |                 |         |         |         |           |           |
| Basic                                                      | (million)    | 1,278.6         | 1,278.5 | 1,278.6 | 1,278.7 | -         | (0.0)     |
| Diluted                                                    | (million)    | 1,358.2         | 1,358.5 | 1,350.8 | 1,348.0 | -         | 0.5       |
| Number of shares at end of period                          | (million)    | 1,278.7         | 1,278.3 | 1,278.8 | 1,278.5 | -         | -         |
| Net tangible asset backing per share                       | (\$)         | 6.02            | 5.95    | 6.05    | 6.12    | 1.2       | (0.5)     |
| Share price at end of period                               | (\$)         | 12.18           | 12.14   | 13.43   | 14.06   | 0.3       | (9.3)     |
| <b>Productivity</b>                                        |              |                 |         |         |         |           |           |
| General Insurance expense ratio                            | (%)          | 21.7            | 22.4    | 22.5    | 22.9    |           |           |
| Bank cost to income ratio                                  | (%)          | 52.0            | 53.0    | 54.6    | 52.2    |           |           |
| <b>Financial position</b>                                  |              |                 |         |         |         |           |           |
| Total assets                                               | (\$ million) | 95,748          | 94,445  | 95,651  | 94,596  | 1.4       | 0.1       |
| Net tangible assets                                        | (\$ million) | 7,692           | 7,601   | 7,735   | 7,824   | 1.2       | (0.6)     |
| Net assets                                                 | (\$ million) | 13,570          | 13,446  | 13,518  | 13,575  | 0.9       | 0.4       |
| Average Shareholders' Equity                               | (\$ million) | 13,303          | 13,261  | 13,328  | 13,361  | 0.3       | (0.2)     |
| <b>Capital</b>                                             |              |                 |         |         |         |           |           |
| General Insurance Group PCA coverage                       | (times)      | 1.67            | 1.73    | 1.86    | 1.93    |           |           |
| Bank capital adequacy ratio - Total                        | (%)          | 13.53           | 13.97   | 13.85   | 13.41   |           |           |
| Bank Common Equity Tier 1 ratio                            | (%)          | 9.21            | 9.45    | 9.15    | 8.82    |           |           |
| Suncorp Life total capital                                 | (\$ million) | 567             | 541     | 538     | 512     | 4.8       | 5.4       |
| Additional capital held by Suncorp Group Limited           | (\$ million) | 148             | 243     | 320     | 488     | (39.1)    | (53.8)    |

<sup>(1)</sup> Refer to Appendix 4 for definitions

## Appendix 2 – Ratio calculations (continued)

### Earnings per share

| Numerator                                                               | FULL YEAR ENDED            |                            |                            | HALF YEAR ENDED            |                            |                            |
|-------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                                                         | JUN-16                     | JUN-15                     | JUN-16                     | DEC-15                     | JUN-15                     | DEC-14                     |
|                                                                         | \$M                        | \$M                        | \$M                        | \$M                        | \$M                        | \$M                        |
| <b>Earnings:</b>                                                        |                            |                            |                            |                            |                            |                            |
| Profit attributable to ordinary equity holders of the company (basic)   | 1,038                      | 1,133                      | 508                        | 530                        | 502                        | 631                        |
| Interest expense on convertible preference shares (net of tax)          | 43                         | 45                         | 22                         | 21                         | 23                         | 22                         |
| Profit attributable to ordinary equity holders of the company (diluted) | 1,081                      | 1,178                      | 530                        | 551                        | 525                        | 653                        |
| <b>Denominator</b>                                                      | <b>FULL YEAR ENDED</b>     |                            |                            | <b>HALF YEAR ENDED</b>     |                            |                            |
|                                                                         | JUN-16<br>NO. OF<br>SHARES | JUN-15<br>NO. OF<br>SHARES | JUN-16<br>NO. OF<br>SHARES | DEC-15<br>NO. OF<br>SHARES | JUN-15<br>NO. OF<br>SHARES | DEC-14<br>NO. OF<br>SHARES |
| <b>Weighted average number of shares:</b>                               |                            |                            |                            |                            |                            |                            |
| Weighted average number of ordinary shares (basic)                      | 1,275,048,695              | 1,278,680,915              | 1,278,551,701              | 1,278,526,717              | 1,278,611,992              | 1,278,748,714              |
| Effect of conversion of convertible preference shares                   | 79,666,795                 | 72,147,105                 | 79,666,795                 | 79,932,669                 | 72,147,105                 | 69,293,393                 |
| Weighted average number of ordinary shares (diluted)                    | 1,354,715,490              | 1,350,828,020              | 1,358,218,496              | 1,358,459,386              | 1,350,759,097              | 1,348,042,107              |

### Cash earnings per share

| Numerator                                                                    | FULL YEAR ENDED            |                            |                            | HALF YEAR ENDED            |                            |                            |
|------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                                                              | JUN-16                     | JUN-15                     | JUN-16                     | DEC-15                     | JUN-15                     | DEC-14                     |
|                                                                              | \$M                        | \$M                        | \$M                        | \$M                        | \$M                        | \$M                        |
| <b>Earnings:</b>                                                             |                            |                            |                            |                            |                            |                            |
| Cash Profit attributable to ordinary equity holders of the company (basic)   | 1,089                      | 1,191                      | 533                        | 556                        | 531                        | 660                        |
| Interest expense on convertible preference shares (net of tax)               | 43                         | 45                         | 22                         | 21                         | 23                         | 22                         |
| Cash Profit attributable to ordinary equity holders of the company (diluted) | 1,132                      | 1,236                      | 555                        | 577                        | 554                        | 682                        |
| <b>Denominator</b>                                                           | <b>FULL YEAR ENDED</b>     |                            |                            | <b>HALF YEAR ENDED</b>     |                            |                            |
|                                                                              | JUN-16<br>NO. OF<br>SHARES | JUN-15<br>NO. OF<br>SHARES | JUN-16<br>NO. OF<br>SHARES | DEC-15<br>NO. OF<br>SHARES | JUN-15<br>NO. OF<br>SHARES | DEC-14<br>NO. OF<br>SHARES |
| <b>Weighted average number of shares:</b>                                    |                            |                            |                            |                            |                            |                            |
| Weighted average number of ordinary shares (basic)                           | 1,275,048,695              | 1,278,680,915              | 1,278,551,701              | 1,278,526,717              | 1,278,611,992              | 1,278,748,714              |
| Effect of conversion of convertible preference shares                        | 79,666,795                 | 72,147,105                 | 79,666,795                 | 79,932,669                 | 72,147,105                 | 69,293,393                 |
| Weighted average number of ordinary shares (diluted)                         | 1,354,715,490              | 1,350,828,020              | 1,358,218,496              | 1,358,459,386              | 1,350,759,097              | 1,348,042,107              |

## Appendix 2 – Ratio calculations (continued)

### ASX listed securities

|                                                                |               | HALF YEAR ENDED |               |               |  |
|----------------------------------------------------------------|---------------|-----------------|---------------|---------------|--|
|                                                                | JUN-16        | DEC-15          | JUN-15        | DEC-14        |  |
| <b>Ordinary shares (SUN) each fully paid</b>                   |               |                 |               |               |  |
| Number at the end of the period                                | 1,286,600,980 | 1,286,600,980   | 1,286,600,980 | 1,286,600,980 |  |
| Dividend declared for the period (cents per share)             | 38            | 30              | 50            | 38            |  |
| <b>Convertible preference shares (SUNPC) each fully paid</b>   |               |                 |               |               |  |
| Number at the end of the period                                | 5,600,000     | 5,600,000       | 5,600,000     | 5,600,000     |  |
| Dividend declared for the period (\$ per share) <sup>(1)</sup> | 2.42          | 2.41            | 2.51          | 2.57          |  |
| <b>Convertible preference shares (SUNPE) each fully paid</b>   |               |                 |               |               |  |
| Number at the end of the period                                | 4,000,000     | 4,000,000       | 4,000,000     | 4,000,000     |  |
| Dividend declared for the period (\$ per share) <sup>(1)</sup> | 1.98          | 1.98            | 2.07          | 2.13          |  |
| <b>Subordinated Notes (SUNPD)</b>                              |               |                 |               |               |  |
| Number at the end of the period                                | 7,700,000     | 7,700,000       | 7,700,000     | 7,700,000     |  |
| Interest per note                                              | 2.48          | 2.51            | 2.53          | 2.80          |  |
| <b>Floating Rate Capital Notes (SBKHB)</b>                     |               |                 |               |               |  |
| Number at the end of the period                                | 715,383       | 715,383         | 715,383       | 715,383       |  |
| Interest per note                                              | 1.44          | 1.48            | 1.64          | 1.72          |  |

<sup>(1)</sup> Classified as interest expense.

## Appendix 3 – Group capital

### Group capital position

AS AT 30 JUNE 2016

|                                                          | GENERAL<br>INSURANCE | BANKING      | LIFE       | SGL, CORP<br>SERVICES &<br>CONSOL | TOTAL        | AS AT 30<br>JUNE 2015<br>TOTAL |
|----------------------------------------------------------|----------------------|--------------|------------|-----------------------------------|--------------|--------------------------------|
|                                                          | \$M                  | \$M          | \$M        | \$M                               | \$M          | \$M                            |
| <b>Common Equity Tier 1 Capital</b>                      |                      |              |            |                                   |              |                                |
| Ordinary share capital                                   | -                    | -            | -          | 12,717                            | 12,717       | 12,717                         |
| Subsidiary share capital (eliminated upon consolidation) | 7,375                | 3,870        | 1,970      | (13,215)                          | -            | -                              |
| Reserves                                                 | 26                   | (982)        | 320        | 799                               | 163          | 83                             |
| Retained profits and non-controlling interests           | (9)                  | 543          | (271)      | 430                               | 693          | 669                            |
| Insurance liabilities in excess of liability valuation   | 495                  | -            | -          | -                                 | 495          | 658                            |
| Goodwill and other intangible assets                     | (4,995)              | (480)        | (223)      | (372)                             | (6,070)      | (5,957)                        |
| Net deferred tax liabilities/(assets) <sup>(1)</sup>     | (60)                 | (50)         | 94         | (110)                             | (126)        | (128)                          |
| Policy liability adjustment <sup>(2)</sup>               | -                    | -            | (1,422)    | -                                 | (1,422)      | (1,298)                        |
| Other Tier 1 deductions                                  | (5)                  | (5)          | (1)        | (101)                             | (112)        | (115)                          |
| <b>Common Equity Tier 1 Capital</b>                      | <b>2,827</b>         | <b>2,896</b> | <b>467</b> | <b>148</b>                        | <b>6,338</b> | <b>6,629</b>                   |
| <b>Additional Tier 1 Capital</b>                         |                      |              |            |                                   |              |                                |
| Eligible hybrid capital                                  | 510                  | 450          | -          | -                                 | 960          | 960                            |
| <b>Additional Tier 1 Capital</b>                         | <b>510</b>           | <b>450</b>   | <b>-</b>   | <b>-</b>                          | <b>960</b>   | <b>960</b>                     |
| <b>Tier 1 Capital</b>                                    | <b>3,337</b>         | <b>3,346</b> | <b>467</b> | <b>148</b>                        | <b>7,298</b> | <b>7,589</b>                   |
| <b>Tier 2 Capital</b>                                    |                      |              |            |                                   |              |                                |
| General reserve for credit losses                        | -                    | 167          | -          | -                                 | 167          | 245                            |
| Eligible Subordinated notes                              | 225                  | 670          | 100        | -                                 | 995          | 770                            |
| Transitional Subordinated notes                          | 328                  | 72           | -          | -                                 | 400          | 572                            |
| <b>Tier 2 Capital</b>                                    | <b>553</b>           | <b>909</b>   | <b>100</b> | <b>-</b>                          | <b>1,562</b> | <b>1,587</b>                   |
| <b>Total Capital</b>                                     | <b>3,890</b>         | <b>4,255</b> | <b>567</b> | <b>148</b>                        | <b>8,860</b> | <b>9,176</b>                   |
| <b>Represented by:</b>                                   |                      |              |            |                                   |              |                                |
| Capital in Australian regulated entities                 | 3,387                | 4,239        | 401        | -                                 | 8,027        | 8,065                          |
| Capital in New Zealand regulated entities                | 423                  | -            | 110        | -                                 | 533          | 610                            |
| Capital in unregulated entities <sup>(3)</sup>           | 80                   | 16           | 56         | 148                               | 300          | 501                            |

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

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

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

## Appendix 3 – Group capital (continued)

### General Insurance capital

|                                                        | GI GROUP <sup>(1)</sup><br>JUN-16<br>\$M | GI GROUP <sup>(1)</sup><br>JUN-15<br>\$M |
|--------------------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Common Equity Tier 1 Capital</b>                    |                                          |                                          |
| Ordinary share capital                                 | 7,375                                    | 7,375                                    |
| Reserves                                               | 26                                       | (21)                                     |
| Retained profits and non-controlling interests         | (9)                                      | 67                                       |
| Insurance liabilities in excess of liability valuation | 495                                      | 658                                      |
| Goodwill and other intangible assets                   | (4,995)                                  | (5,005)                                  |
| Net deferred tax assets                                | (60)                                     | -                                        |
| Other Tier 1 deductions                                | (5)                                      | (5)                                      |
| <b>Common Equity Tier 1 Capital</b>                    | <b>2,827</b>                             | <b>3,069</b>                             |
| <b>Additional Tier 1 Capital</b>                       | <b>510</b>                               | <b>510</b>                               |
| <b>Tier 1 Capital</b>                                  | <b>3,337</b>                             | <b>3,579</b>                             |
| <b>Tier 2 Capital</b>                                  |                                          |                                          |
| Eligible subordinated notes                            | 225                                      | 500                                      |
| Transitional subordinated notes                        | 328                                      |                                          |
| <b>Tier 2 Capital</b>                                  | <b>553</b>                               | <b>500</b>                               |
| <b>Total Capital</b>                                   | <b>3,890</b>                             | <b>4,079</b>                             |
| <b>Prescribed Capital Amount</b>                       |                                          |                                          |
| Outstanding claims risk charge                         | 917                                      | 893                                      |
| Premium liabilities risk charge                        | 556                                      | 506                                      |
| Total insurance risk charge                            | 1,473                                    | 1,399                                    |
| Insurance concentration risk charge                    | 250                                      | 250                                      |
| Asset risk charge                                      | 782                                      | 684                                      |
| Operational risk charge                                | 298                                      | 281                                      |
| Aggregation benefit                                    | (475)                                    | (426)                                    |
| <b>Total Prescribed Capital Amount (PCA)</b>           | <b>2,328</b>                             | <b>2,188</b>                             |
| <b>Common Equity Tier 1 Coverage Ratio</b>             | <b>1.21</b>                              | <b>1.40</b>                              |
| <b>Capital Coverage Ratio</b>                          | <b>1.67</b>                              | <b>1.86</b>                              |

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

## Appendix 3 – Group capital (continued)

### Bank capital

|                                      | REGULATORY<br>BANKING GROUP | OTHER ENTITIES | STATUTORY<br>BANKING GROUP | STATUTORY<br>BANKING GROUP |
|--------------------------------------|-----------------------------|----------------|----------------------------|----------------------------|
|                                      | JUN-16                      | JUN-16         | JUN-16                     | JUN-15                     |
|                                      | \$M                         | \$M            | \$M                        | \$M                        |
| <b>Common Equity Tier 1 Capital</b>  |                             |                |                            |                            |
| Ordinary share capital               | 2,648                       | 1,222          | 3,870                      | 3,870                      |
| Reserves                             | 5                           | (987)          | (982)                      | (981)                      |
| Retained profits                     | 522                         | 21             | 543                        | 473                        |
| Goodwill and other intangible assets | (240)                       | (240)          | (480)                      | (459)                      |
| Net deferred tax assets              | (50)                        | -              | (50)                       | (79)                       |
| Other Tier 1 deductions              | (5)                         | -              | (5)                        | (22)                       |
| <b>Common Equity Tier 1 Capital</b>  | <b>2,880</b>                | <b>16</b>      | <b>2,896</b>               | <b>2,802</b>               |
| <b>Additional Tier 1 Capital</b>     |                             |                |                            |                            |
| Eligible hybrid capital              | 450                         | -              | 450                        | 450                        |
| <b>Additional Tier 1 Capital</b>     | <b>450</b>                  | <b>-</b>       | <b>450</b>                 | <b>450</b>                 |
| <b>Tier 1 Capital</b>                | <b>3,330</b>                | <b>16</b>      | <b>3,346</b>               | <b>3,252</b>               |
| <b>Tier 2 Capital</b>                |                             |                |                            |                            |
| General reserve for credit losses    | 167                         | -              | 167                        | 245                        |
| Eligible Subordinated notes          | 670                         | -              | 670                        | 670                        |
| Transitional Subordinated notes      | 72                          | -              | 72                         | 72                         |
| <b>Tier 2 Capital</b>                | <b>909</b>                  | <b>-</b>       | <b>909</b>                 | <b>987</b>                 |
| <b>Total Capital</b>                 | <b>4,239</b>                | <b>16</b>      | <b>4,255</b>               | <b>4,239</b>               |
| <b>Risk-Weighted Assets</b>          |                             |                |                            |                            |
| Credit risk                          | 28,000                      | -              | 28,000                     | 27,160                     |
| Market risk                          | 108                         | -              | 108                        | 172                        |
| Operational risk                     | 3,351                       | -              | 3,351                      | 3,278                      |
| <b>Total Risk-Weighted Assets</b>    | <b>31,459</b>               | <b>-</b>       | <b>31,459</b>              | <b>30,610</b>              |
| <b>Common Equity Tier 1 Ratio</b>    | <b>9.15%</b>                |                | <b>9.21%</b>               | <b>9.15%</b>               |
| <b>Total Capital Ratio</b>           | <b>13.47%</b>               |                | <b>13.53%</b>              | <b>13.85%</b>              |

## Appendix 3 – Group capital (continued)

### Life capital

|                                                             | LIFE CO<br>AUSTRALIA<br>JUN-16<br>\$M | LIFE CO NEW<br>ZEALAND <sup>(1)</sup><br>JUN-16<br>\$M | OTHER<br>ENTITIES <sup>(2)</sup><br>JUN-16<br>\$M | TOTAL LIFE<br>GROUP<br>JUN-16<br>\$M | TOTAL LIFE<br>GROUP<br>JUN-15<br>\$M |
|-------------------------------------------------------------|---------------------------------------|--------------------------------------------------------|---------------------------------------------------|--------------------------------------|--------------------------------------|
| <b>Common Equity Tier 1 Capital</b>                         |                                       |                                                        |                                                   |                                      |                                      |
| Ordinary share capital                                      | 730                                   | 204                                                    | 1,036                                             | 1,970                                | 1,970                                |
| Reserves                                                    | -                                     | 37                                                     | 283                                               | 320                                  | 290                                  |
| Retained profits and non-controlling interests              | 616                                   | 151                                                    | (1,038)                                           | (271)                                | (379)                                |
| Goodwill and other intangible assets                        | -                                     | -                                                      | (223)                                             | (223)                                | (225)                                |
| Net deferred tax liabilities <sup>(3)</sup>                 | -                                     | 96                                                     | (2)                                               | 94                                   | 81                                   |
| Policy liability adjustment <sup>(4)</sup>                  | (1,045)                               | (377)                                                  | -                                                 | (1,422)                              | (1,298)                              |
| Other Tier 1 deductions                                     | -                                     | (1)                                                    | -                                                 | (1)                                  | (1)                                  |
| <b>Common Equity Tier 1 Capital</b>                         | <b>301</b>                            | <b>110</b>                                             | <b>56</b>                                         | <b>467</b>                           | <b>438</b>                           |
| <b>Additional Tier 1 Capital</b>                            | <b>-</b>                              | <b>-</b>                                               | <b>-</b>                                          | <b>-</b>                             | <b>-</b>                             |
| <b>Tier 1 Capital</b>                                       | <b>301</b>                            | <b>110</b>                                             | <b>56</b>                                         | <b>467</b>                           | <b>438</b>                           |
| <b>Tier 2 Capital</b>                                       |                                       |                                                        |                                                   |                                      |                                      |
| Eligible Subordinated notes                                 | 100                                   | -                                                      | -                                                 | 100                                  | 100                                  |
| <b>Tier 2 Capital</b>                                       | <b>100</b>                            | <b>-</b>                                               | <b>-</b>                                          | <b>100</b>                           | <b>100</b>                           |
| <b>Total Capital</b>                                        | <b>401</b>                            | <b>110</b>                                             | <b>56</b>                                         | <b>567</b>                           | <b>538</b>                           |
| <b>Prescribed Capital Amount</b>                            |                                       |                                                        |                                                   |                                      |                                      |
| Insurance risk charge                                       | 22                                    | 37                                                     | -                                                 | 59                                   | 76                                   |
| Asset risk charge                                           | 75                                    | 44                                                     | -                                                 | 119                                  | 97                                   |
| Operational risk charge                                     | 37                                    | -                                                      | -                                                 | 37                                   | 38                                   |
| Aggregation benefit                                         | (15)                                  | -                                                      | -                                                 | (15)                                 | (24)                                 |
| Combined stress scenario adjustment                         | 41                                    | -                                                      | -                                                 | 41                                   | 46                                   |
| Other regulatory requirements                               | -                                     | -                                                      | 19                                                | 19                                   | 14                                   |
| <b>Total Prescribed Capital Amount (PCA) <sup>(5)</sup></b> | <b>160</b>                            | <b>81</b>                                              | <b>19</b>                                         | <b>260</b>                           | <b>247</b>                           |
| <b>Common Equity Tier 1 Coverage Ratio</b>                  | <b>1.88</b>                           | <b>1.36</b>                                            | <b>2.95</b>                                       | <b>1.80</b>                          | <b>1.77</b>                          |
| <b>Capital Coverage Ratio</b>                               | <b>2.51</b>                           | <b>1.36</b>                                            | <b>2.95</b>                                       | <b>2.18</b>                          | <b>2.18</b>                          |

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

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

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

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

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

## Appendix 3 – Group capital (continued)

### Capital Instruments

|                                          | Semi-annual<br>coupon rate /<br>margin above<br>90 day BBSW | Optional<br>Call /<br>Exchange<br>Date | Issue Date | 30 JUNE 2016 |              |             |            | Total<br>Balance<br>\$M | Regulatory<br>Capital<br>\$M |
|------------------------------------------|-------------------------------------------------------------|----------------------------------------|------------|--------------|--------------|-------------|------------|-------------------------|------------------------------|
|                                          |                                                             |                                        |            | GI<br>\$M    | Bank<br>\$M  | Life<br>\$M | SGL<br>\$M |                         |                              |
| AIL Subordinated Debt <sup>(1)</sup>     | 330 bps                                                     | Nov 2020                               | Nov 2015   | 225          | -            | -           | -          | 225                     | 225                          |
| AIL Subordinated Debt                    | 6.75%                                                       | Oct 2016                               | Oct 2006   | 101          | -            | -           | -          | 101                     | 108                          |
| AIL Subordinated Debt <sup>(2)</sup>     | -                                                           | June 2017                              | Oct 2007   | 229          | -            | -           | -          | 229                     | 220                          |
| SGL Subordinated Debt <sup>(1) (3)</sup> | 285 bps                                                     | Nov 2018                               | May 2013   | -            | 670          | 100         | -          | 770                     | 770                          |
| SML FRCN                                 | 75 bps                                                      | Perpetual                              | Dec 1998   | -            | 72           | -           | -          | 72                      | 72                           |
| <b>Total subordinated debt</b>           |                                                             |                                        |            | <b>555</b>   | <b>742</b>   | <b>100</b>  | <b>-</b>   | <b>1,397</b>            | <b>1,395</b>                 |
| SGL CPS2 <sup>(1) (3)</sup>              | 465 bps                                                     | Dec 2017                               | Nov 2012   | 110          | 450          | -           | -          | 560                     | 560                          |
| SGL CPS3 <sup>(1) (3)</sup>              | 340 bps                                                     | June 2020                              | May 2014   | 400          | -            | -           | -          | 400                     | 400                          |
| <b>Total Additional Tier 1 Capital</b>   |                                                             |                                        |            | <b>510</b>   | <b>450</b>   | <b>-</b>    | <b>-</b>   | <b>960</b>              | <b>960</b>                   |
| <b>Total</b>                             |                                                             |                                        |            | <b>1,065</b> | <b>1,192</b> | <b>100</b>  | <b>-</b>   | <b>2,357</b>            | <b>2,355</b>                 |

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

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

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

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



## Appendix 4 – Definitions

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Acquisition expense ratio</b>                   | Acquisition expenses expressed as a percentage of net earned premium                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>ADI</b>                                         | Authorised Deposit-taking Institution                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Annuities market adjustments</b>                | The value of annuity obligations are determined by discounting future obligations into today's dollars using risk-free rates. The value of such obligations fluctuates as market referenced discount rates change. The value of assets backing annuity obligations also fluctuates with investment markets. The net impact of both of these market-driven valuation changes are removed from Suncorp Life's Underlying Profit and recorded as annuity market adjustments |
| <b>APRA</b>                                        | Australian Prudential Regulation Authority                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Basis points (bps)</b>                          | A 'basis point' is 1/100th of a percentage point                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Cash earnings</b>                               | Net profit after tax adjusted for the amortisation of acquisition intangible assets, the profit or loss on divestments and their tax effect                                                                                                                                                                                                                                                                                                                              |
| <b>Cash earnings per share</b>                     | Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period<br>Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period                                                                          |
| <b>Cash return on average shareholders' equity</b> | Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years                                                                                                                                                                                                                                                                                            |
| <b>Combined operating ratio</b>                    | 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                                                                                                                                                                                                                                                                  |
| <b>Common Equity Tier 1 (CET1)</b>                 | Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves                                                                                                                                                                                                                                                                                                                                                  |
| <b>Common Equity Tier 1 Ratio</b>                  | Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank                                                                                                                                                                                                                                                                                                                                 |
| <b>Connected Customer</b>                          | Connected customers represent customers with two or more needs met across the following need categories: Home / Property; Self; Mobility and Money                                                                                                                                                                                                                                                                                                                       |
| <b>Cost to income ratio</b>                        | Operating expenses of the Banking business divided by total income from Banking activities                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Credit risk-weighted assets</b>                 | Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA                                                                                                                                                                                                                                                                                                                                                          |
| <b>Deferred acquisition costs (DAC)</b>            | 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                                                                                                                                                                                                                                             |
| <b>Deposit to loan ratio</b>                       | Total retail deposits divided by total loans and advances, excluding other receivables                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Diluted shares</b>                              | Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share                                                                                                                                                                                                                                                          |
| <b>Effective tax rate</b>                          | Income tax expense divided by profit before tax                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Embedded Value</b>                              | 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                                                                                                                                                                                                                      |
| <b>Equity reserve for credit losses</b>            | The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA                                                                                                                                                                                                                                                              |
| <b>Fire service levies (FSL)</b>                   | The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable State Government. Fire service levies were established to cover corresponding fire brigade charges                                                                                                                                                                                                                     |
| <b>Funds under administration (FUA)</b>            | Funds where the Superannuation Australia business receives a fee for the administration of an asset portfolio                                                                                                                                                                                                                                                                                                                                                            |

## Appendix 4 – Definitions (continued)

|                                                      |                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>General Insurance – Commercial</b>                | Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, public liability and professional indemnity insurance and compulsory third party insurance                                       |
| <b>General Insurance – Personal</b>                  | Personal products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance                                                                                                                                                                 |
| <b>Gross non-performing loans</b>                    | Gross impaired assets plus past due loans                                                                                                                                                                                                                                       |
| <b>Impairment losses to gross loans and advances</b> | Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years                                                                                                                                                             |
| <b>Insurance Trading Result</b>                      | Underwriting result plus investment income on assets backing technical reserves                                                                                                                                                                                                 |
| <b>Insurance Trading Ratio (ITR)</b>                 | The insurance trading result expressed as a percentage of net earned premium                                                                                                                                                                                                    |
| <b>Life insurance policyholders' interests</b>       | 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                                                                                                                                |
| <b>Life risk in-force annual premiums</b>            | Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)                                                                                                                                         |
| <b>Life risk new business annual premiums</b>        | Total annualised statistical premium for policies issued during the reporting period                                                                                                                                                                                            |
| <b>Life underlying profit after tax</b>              | Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches                                  |
| <b>Loss ratio</b>                                    | 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                                                         |
| <b>Net interest spread</b>                           | The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities                                                                                                                       |
| <b>Net profit after tax</b>                          | Net profit after tax attributable to owners of the Company derived in accordance with Australian Accounting Standards                                                                                                                                                           |
| <b>Net tangible asset backing per share</b>          | Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares                                                                                                                                                            |
| <b>Other underwriting expenses ratio</b>             | Other underwriting expenses expressed as a percentage of net earned premium                                                                                                                                                                                                     |
| <b>Past due loans</b>                                | Loans outstanding for more than 90 days                                                                                                                                                                                                                                         |
| <b>Payout ratio – cash earnings</b>                  | Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by cash earnings                                                                                                                         |
| <b>Payout ratio – net profit after tax</b>           | Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax                                                                                                                      |
| <b>Profit after tax from business lines</b>          | The net profit after tax for the General Insurance, Bank and Life business lines                                                                                                                                                                                                |
| <b>Return on average shareholders' equity</b>        | Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years                                                                                            |
| <b>Return on average total assets</b>                | Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years                                                                                                                        |
| <b>Return on Common Equity Tier 1</b>                | Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years |
| <b>Total capital ratio</b>                           | Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA                                                                                                                           |
| <b>Total operating expense ratio</b>                 | Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium                                                                                                                                                          |
| <b>Total risk-weighted assets</b>                    | Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA                                                                                                                                    |
| <b>Treasury shares</b>                               | Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries                                                                                                                                                                                                      |
| <b>Value of one year's sales (VOYS)</b>              | An estimate of the present value of all distributable profits expected from the new policies sold in a given year                                                                                                                                                               |

## Appendix 5 – 2016/17 key dates <sup>(1)</sup>

### Ordinary shares (SUN)

**Full year results and final dividend announcement**

Ex-dividend date  
Dividend payment

**4 August 2016**

12 August 2016  
21 September 2016

**Annual General Meeting**

**22 September 2016**

**Half year results announcement**

Ex-dividend date  
Dividend payment

**9 February 2017**

21 February 2017  
3 April 2017

### Convertible Preference Shares 2 (SUNPC)

Ex-dividend date                      9 September 2016  
Dividend payment                      19 September 2016

Ex-dividend date                      9 December 2016  
Dividend payment                      19 December 2016

Ex-dividend date                      9 March 2017  
Dividend payment                      17 March 2017

Ex-dividend date                      8 June 2017  
Dividend payment                      19 June 2017

### Convertible Preference Shares 3 (SUNPE)

Ex-dividend date                      2 September 2016  
Dividend payment                      19 September 2016

Ex-dividend date                      2 December 2016  
Dividend payment                      19 December 2016

Ex-dividend date                      2 March 2017  
Dividend payment                      17 March 2017

Ex-dividend date                      1 June 2017  
Dividend payment                      19 June 2017

### Subordinated Notes (SUNPD)

Ex-interest date                      12 August 2016  
Interest payment                      22 August 2016

Ex-interest date                      11 November 2016  
Interest payment                      22 November 2016

Ex-interest date                      13 February 2017  
Interest payment                      22 February 2017

Ex-interest date                      11 May 2017  
Interest payment                      22 May 2017

### Floating Rate Capital Notes (SBKHB)

Ex-interest date                      12 August 2016  
Interest payment                      30 August 2016

Ex-interest date                      14 November 2016  
Interest payment                      30 November 2016

Ex-interest date                      14 February 2017  
Interest payment                      2 March 2017

Ex-interest date                      12 May 2017  
Interest payment                      30 May 2017

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