Suncorp Group Limited ABN 66 145 290 124

Financial results

for the half year ended 31 December 2012

One Company
Many Brands

SUNCORP GROUP

Basis of preparation

Suncorp Group (‘Group’, ‘the Group’ or ‘Suncorp’) is represented by Suncorp Group Limited (SGL) and its subsidiaries, its interests in associates and jointly controlled entities.

The Group’s net profit after tax is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars unless otherwise denoted and have been rounded to the nearest million. All figures relate to the half year ended 31 December 2012 and comparatives are for the half year ended 31 December 2011, unless otherwise stated.

The Group’s financial results are analysed by Core business lines: General Insurance, Core Bank and Life.

The Non-core Bank is analysed on page 48 and the Consolidated Bank tables are disclosed at Appendix 9. Analysis of the Consolidated Bank is segregated into Core and Non-core to present an indicative view of relative performance. While every effort has been made to ensure that the tables are accurate, necessary assumptions around the allocation of funding and expenses have been made.

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, the report contains information that is ‘non-IFRS financial information’, such as the General Insurance Underlying 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 being used internally to determine operating performance within the various businesses.

This report should be read in conjunction with the definitions in Appendix 10.

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Financial results summary

- Group net profit after tax (NPAT) of $574 million (HY12: $389 million)
- Profit after tax from core business lines* of $759 million (HY12: $451 million)
- General Insurance NPAT of $564 million (HY12: $162 million)
- Reported Insurance Trading Result of $669 million representing an Insurance Trading Ratio (ITR) of 18.6% (HY12: 3.8%)
- Underlying ITR* of 13.4% (HY12: 11.1%)
- Gross written premium (GWP) up 9.6% to $4,225 million for the six months
- Core Bank NPAT of $144 million (HY12: $156 million). Net interest margin of 1.83%
- Suncorp Life NPAT of $51 million (HY12: $133 million). Suncorp Life Embedded Value of $2,430 million (HY12: $2,465 million)
- Non-core Bank loss after tax of $140 million (HY12: $54 million). Portfolio reduced to $3.4 billion and impaired assets reduced to $1.6 billion
- Interim dividend of 25 cents per share fully franked, up 25%
- Interim dividend payout ratio is 52%. Full year dividend payout ratio target remains 60% to 80% of cash earnings*
- Capital levels have improved with the GI Group MCR coverage at 1.70 times, Bank Net Tier 1 ratio at 10.1%, $776 million of core capital held at the NOHC level and over $1.2 billion of capital held in excess of operating targets

Operational summary

- Annual growth of 10% across Suncorp's Core business lines
- Strong margins maintained
- No significant increase in operating expense ratios despite a major program of Simplification
- Building Blocks program delivering annual benefits of $235 million ensuring the underlying ITR remains above 12%
- Group-wide Simplification program on track to deliver an additional $200 million in annualised benefits by the 2016 financial year with one-off project costs of $275 million
- Redeemed $575 million of Bank subordinated debt
- Raised $600 million in Covered Bonds and $560 million in Basel III compliant Tier 1 Convertible Preference Shares
- Total Bank non-performing loans reduced by $226 million
- Reduced exposure to the Queensland natural hazards with the introduction of a multi-year proportional quota share arrangement covering the Home portfolio
- The Group is well placed for the transition to capital changes prescribed by Basel III and LAGIC

* Refer Appendix 10 for definition of 'cash earnings' and 'profit after tax from core business lines' and Appendix 7 for Underlying ITR.

Result overview

Suncorp has delivered a half year profit of $574 million in the six months to 31 December 2012. This result has been achieved due to operational efficiencies, strong top line growth, favourable investment markets and a relatively benign period for natural hazards. In addition to the favourable profit outcome, the Suncorp Group demonstrated ongoing improvement in financial and operating performance by delivering:

- revenue growth in targeted, low-risk markets across all business lines;
- stable operating expense ratios at a time of significant investment in the business;
- strong margins; and
- a 25% increase in the interim dividend.

These results confirm the successful implementation of the Group's transformation and strategy under the 'One Company, Many Brands' business model. Growth has been delivered across the Group, with,

- General Insurance GWP up 9.6% to $4,225 million;
- Core Bank lending up 5.6% to $45.8 billion; and
- Life Risk In-force Premiums up 6.6% to $793 million.

Operational efficiencies and a strong focus on cost control are ensuring that the Group's business lines are all delivering solid margins. Importantly, despite challenging market conditions, positive top line growth has been achieved while delivering margins at, or above, targets, with:

- General Insurance improving both its reported ITR (18.6%) and underlying ITR (13.4%);
- Core Bank delivering a net interest margin (NIM) of 1.83%, at the top end of the targeted range of 1.75% to 1.85%; and
- Life's planned profit margins remain stable at $49 million.

General Insurance profit after tax was $564 million. The key driver is the structural improvements the business has delivered over the past three years. These improvements have been supplemented by a relatively benign period for natural hazards and favourable investment market movements. The benefits of the Building Blocks program have flowed through to improved margins, resulting in the underlying ITR increasing to 13.4%.

Gross Written Premium (GWP) increased by 9.6% to $4.2 billion for the six months. All product lines delivered strong growth. Suncorp's Personal Insurance lines are benefiting from the Building Blocks pricing initiatives, in particular the improved risk selection from the General Insurance Pricing Engine (GIPE). The business continues to take a price leadership position in both the home and motor product lines. In Home, GWP increased by 14.5%, offsetting increased reinsurance costs and natural hazard allowances. In Motor, GWP growth of 5.2% has been achieved through increased average premiums and net written units.

In Commercial Insurance, a combination of stable retention, rate increases and new business volumes have driven GWP growth of 10.1%. While premium increases in the statutory classes of Compulsory Third Party and Workers Compensation have been achieved, further premium increases are required to offset falls in bond yields.

In the **Core Bank**, profit after tax was $144 million. The Bank has established itself as a genuine alternative to the Majors in both the direct and broker channels. Lending momentum was maintained over the half, with mortgage growth increasing by 5.8% to $45.8 billion. Core Bank credit quality has improved over the half with lead indicators also trending favourably in the final quarter.

The Core Bank NIM remains at the top end of the target range of 1.75% to 1.85%. Over the half, industry wide deposit competition and interest rate volatility has resulted in the net interest margin falling slightly. The deposit to loan ratio at 66% remains within the target range of 60% to 70%. Suncorp Group's 'A+' credit rating provides access to depth and diversity in funding sources, including the covered bond market.

Suncorp Life profit after tax was $51 million. Life demonstrated steady growth in both the Direct and Independent Financial Advisers (IFA) channels. Life risk new business was $65 million, up 18%. The Life business is leveraging the General Insurance customer base with sales to these customers up 30%. Total Direct sales increased 7%. The Embedded Value of Suncorp Life decreased to $2,430 million due to a material change in lapse assumptions.

In total, the Group's **profit after tax from core business lines** of $759 million is up 68.3%.

The **Non-core Bank** incurred a loss after tax of $140 million. The portfolio has reduced by $1.1 billion to $3.4 billion. Impaired assets reduced by $205 million to $1.6 billion. Gross impairment losses of $162 million were driven by a decline in property values associated with some specific exposures and increases in work-out dates. The Bank's strategy is to manage the run-off of non-core assets in an orderly manner to maximise the return of capital to the Group and, in turn, to shareholders. To achieve this, the non-core portfolio is match funded to maturity and is supported by $530 million in capital.

After adjusting for amortisation of intangibles and the Non-core Bank, the **Group's net profit after tax is $574 million, an increase of 47.6%.**

Consistent with prior years, the Group has maintained a prudent approach to balance sheet management at the half year. The Group considers the potential impact of the summer natural hazard period when declaring an interim dividend. **Cash earnings per share**, forming the basis of the Group's dividend payout calculation, **is 48.2 cents, up 41.3%**. The Group's improved balance sheet and surplus capital position have enabled the Board to declare a **fully franked interim dividend of 25 cents.** This is an increase of 25% on the 2012 interim dividend. The interim payout ratio is 52% of cash earnings and the Group remains committed to its full year target dividend payout ratio of 60% to 80% of cash earnings.

After the dividend payments are made, the Group's capital position remains robust, with $1,273 million of additional capital held above operating targets. The Group also has $576 million of franking credits available.

Delivery against the Group's three year strategy

In May 2010, Suncorp outlined a three year plan designed to transform the Group and rebuild shareholder confidence. Central to the transformation were a series of initiatives known as 'Building Blocks'. This program was designed to realise the scale and synergy benefits from the Group's unique portfolio of businesses, brands and customer base. The program is delivering the targeted $235 million in annual benefits, while improving margins and refocusing the Group and its culture. The transformation of Suncorp has been achieved despite protracted global economic volatility and natural disasters across Australia and New Zealand. The following table outlines a comparison of the Group over the past three years.

	Dec-12	Dec-09	Dec-12 vs Dec-09
Net Profit After Tax ($m)	574	364	57.7%
Interim dividend (cents per share)	25	15	66.7%
General Insurance GWP ($m)	4,225	3,490	21.1%
General Insurance reported ITR (%)	18.6	12.8	up 5.8%
General Insurance underlying ITR (%)	13.4	8.0	up 5.4%
Core Bank loans ($m)	45,763	36,577	25.1%
Core Bank net interest margin (%)	1.83	1.76	up 7 bps
Suncorp Life individual risk premiums ($m)	739	602	22.8%
Suncorp Life planned profit margin release ($m)	49	40	22.5%
Non-core Bank loans ($m)	3,422	15,645	-78.1%
Non-core Bank impaired assets ($m)	1,644	2,077	-20.8%
Total Group operating expenses(1) ($m)	1,332	1,294	2.9%

(1) Operating expenses as reported in Business line contribution statements. Dec-09 includes integration costs.

During this period, the Group has also been significantly derisked by:

- Reducing the Non-core portfolio to under $3.5 billion;
- Improving the quantum and quality of the Group's capital base;
- Introducing a quota share arrangement for the Queensland Home Insurance portfolio; and
- Focusing on low-risk segments across Banking, General Insurance and Life.

Outlook

The Group has positive momentum across all businesses leading into the 2013 calendar year and is confident of further improving shareholder returns. Suncorp will continue to gain benefits from projects designed to simplify and improve the efficiency of key systems and processes. The latest program of Simplification projects, outlined in May 2012, is on track to deliver the targeted annual benefits of $200 million by the 2016 financial year with one-off project costs of $275 million. Further initiatives to streamline supply chain management in General Insurance also have the potential to materially improve profitability.

The Group will continue to drive value from its 'One Company, Many Brands' business model and its strategic assets, known as the four Cs – Customers, Cost, Capital, and Culture. These are:

- **Customers** – enhancing the value of 9 million customer connections by deepening relationships with brands.
- **Cost** – exploiting the benefits of scale without diminishing the differentiation of brands.
- **Capital** – leveraging the diversity and capital return of each business for the benefit of the entire Group.
- **Culture** – building common elements of culture that underpin 'One Company, Many Brands' and positioning Suncorp as the employer of choice in Australia and New Zealand.

In **General Insurance**, the Group's multi-brand strategy will allow it to pursue growth opportunities and maintain market share. The underlying ITR will continue to be at or above 12% despite the impact of lower investment returns, a competitive market and a continuation of historically high reinsurance costs and natural hazard allowances.

System growth in Suncorp's core banking markets is expected to remain low. The **Core Bank** will continue to drive low-risk growth and maintain sound credit quality across its target markets. The Bank will continue to leverage its expanded branch network and improve broker relations to drive mortgage lending growth ahead of system rate. This will be matched by deposit growth in order to maintain the targeted loan to deposit ratio. Further investments will be made to improve the Bank's technology and risk management systems.

Suncorp Life will focus on servicing the needs of the Group's customers through Direct channels, while maintaining a strong presence with IFAs in Australia and New Zealand. Growth across the Life business is expected despite low domestic growth and tight household budgets.

At the scheduled **Investor Day on 28 May 2013**, the strategic and financial targets of the core businesses will be reviewed and updated.

The **Non-core Bank** is being managed to maximise the capital distributable to the Group. The Non-core Bank run-off has progressed ahead of schedule and the projected outstanding balance at 30 June 2013 is now expected to be below $2.7 billion, with less than half of the outstanding balance expected to be impaired. At that time, the Group will be well placed to review its strategic options with the Non-core Bank.

The **Group's** strong balance sheet and capital position mean it is well placed should there be any further deterioration in the global or domestic economy. In transitioning to LAGIC and Basel III, the Group's capital that is in excess of operating targets will increase. The Group remains comfortable with the current level of balance sheet gearing and will seek to replace hybrid capital funding instruments as they mature. Suncorp's target full year dividend payout ratio is between 60% to 80% of cash earnings. The Board remains committed to returning any capital that is considered surplus after the distribution of ordinary dividends.

Impact of ex-Tropical Cyclone Oswald

Ex-Tropical Cyclone Oswald caused considerable damage across Queensland and New South Wales in late January 2013. The current estimate, after taking into account the quota share arrangement, is that the event will cost between $200 million to $220 million. Other events during January cost $50 million, and this means that at 31 January 2013, the Group's natural hazard claims for the year to date were between $397 million and $417 million. The Group's natural hazard allowance for the 2013 financial year is $520 million. Suncorp Bank has conducted a preliminary assessment of the impact of ex-Tropical Cyclone Oswald on its portfolios and there is no material financial impact.

Contribution to profit by division

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
General Insurance					
Gross written premium	4,225	4,100	3,855	3.0	9.6
Net earned premium	3,601	3,445	3,359	4.5	7.2
Net incurred claims	(2,305)	(2,576)	(2,820)	(10.5)	(18.3)
Operating expenses	(882)	(832)	(783)	6.0	12.6
Investment income - insurance funds	255	345	373	(26.1)	(31.6)
Insurance trading result	669	382	129	75.1	418.6
Other income - managed schemes and joint venture	(3)	14	8	n/a	n/a
Investment income - shareholder funds	160	77	126	107.8	27.0
Capital funding	(24)	(29)	(37)	(17.2)	(35.1)
Profit before tax	802	444	226	80.6	254.9
Income tax	(238)	(113)	(64)	110.6	271.9
General Insurance profit after tax	**564**	**331**	**162**	**70.4**	**248.1**
Core Bank					
Net interest income	470	455	441	3.3	6.6
Net non-interest income	48	46	58	4.3	(17.2)
Operating expenses	(273)	(270)	(258)	1.1	5.8
Profit before impairment losses on loans and advances	245	231	241	6.1	1.7
Impairment losses on loans and advances	(32)	(32)	(9)	-	255.6
Core Bank profit before tax	213	199	232	7.0	(8.2)
Income tax	(69)	(66)	(76)	4.5	(9.2)
Total Core Bank profit after tax	**144**	**133**	**156**	**8.3**	**(7.7)**
Life					
Underlying profit after tax	61	77	69	(20.8)	(11.6)
Market adjustments after tax	(10)	41	64	n/a	n/a
Life profit after tax	**51**	**118**	**133**	**(56.8)**	**(61.7)**
Profit after tax from core business lines	**759**	**582**	**451**	**30.4**	**68.3**
Non-core Bank					
Net interest income	14	4	28	250.0	(50.0)
Net non-interest income [3]	(22)	(24)	33	(8.3)	n/a
Operating expenses	(30)	(36)	(33)	(16.7)	(9.1)
Profit before impairment losses on loans and advances	(38)	(56)	28	(32.1)	n/a
Impairment losses on loans and advances	(162)	(242)	(122)	(33.1)	32.8
Non-core Bank loss before tax	(200)	(298)	(94)	(32.9)	112.8
Income tax	60	89	40	(32.6)	50.0
Total Non-core Bank loss after tax	**(140)**	**(209)**	**(54)**	**(33.0)**	**159.3**
Other profit before tax [1]	**7**	**10**	**44**	**(30.0)**	**(84.1)**
Income tax	(10)	-	(5)	n/a	100.0
Other profit (loss) after tax	(3)	10	39	n/a	n/a
Non-core Bank and Other loss after tax	**(143)**	**(199)**	**(15)**	**(28.1)**	**large**
Cash earnings	**616**	**383**	**436**	**60.8**	**41.3**
Acquisition amortisation					
Acquisition amortisation loss before tax	(56)	(63)	(64)	(11.1)	(12.5)
Income tax [2]	14	15	17	(6.7)	(17.6)
Loss on acquisition amortisation	**(42)**	**(48)**	**(47)**	**(12.5)**	**(10.6)**
Net profit after tax	**574**	**335**	**389**	**71.3**	**47.6**

(1) 'Other' includes investment income on capital held at the Group level, consolidation adjustments, non-controlling interests and the Brisbane property consolidation.

(2) Includes $1 million tax credit associated with Tyndall and New Zealand Guardian Trust (NZGT) in the half year to 31 December 2011.

(3) Net non-interest income includes gains and losses on the sale of financial instruments including loans.

Statement of financial position

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Assets					
Cash and cash equivalents	595	866	1,231	(31.3)	(51.7)
Receivables due from other banks	124	154	159	(19.5)	(22.0)
Trading securities	4,077	4,787	3,641	(14.8)	12.0
Derivatives	382	393	291	(2.8)	31.3
Investment securities	24,046	24,881	24,775	(3.4)	(2.9)
Banking loans, advances and other receivables	49,663	49,180	47,739	1.0	4.0
General Insurance assets	6,862	7,688	7,247	(10.7)	(5.3)
Life assets	624	721	586	(13.5)	6.5
Property, plant and equipment	209	216	230	(3.2)	(9.1)
Deferred tax assets	69	181	94	(61.9)	(26.6)
Other assets	617	731	717	(15.6)	(13.9)
Goodwill and intangible assets	6,207	6,264	6,295	(0.9)	(1.4)
Total assets	93,475	96,062	93,005	(2.7)	0.5
Liabilities					
Deposits and short-term borrowings	41,060	40,708	38,774	0.9	5.9
Derivatives	1,331	2,406	2,105	(44.7)	(36.8)
Payables due to other banks	32	41	26	(22.0)	23.1
Payables and other liabilities	1,832	2,602	1,752	(29.6)	4.6
Current tax liabilities	102	51	7	100.0	large
General Insurance liabilities	14,351	14,835	14,956	(3.3)	(4.0)
Life liabilities	5,678	5,786	5,770	(1.9)	(1.6)
Managed funds units on issue	-	1	365	(100.0)	(100.0)
Securitisation liabilities	4,305	3,800	4,313	13.3	(0.2)
Debt issues	8,206	9,569	8,676	(14.2)	(5.4)
Subordinated notes	978	1,374	1,368	(28.8)	(28.5)
Preference shares	1,311	762	760	72.0	72.5
Total liabilities	79,186	81,935	78,872	(3.4)	0.4
Net assets	14,289	14,127	14,133	1.1	1.1
Equity					
Share capital	12,677	12,672	12,665	0.0	0.1
Reserves	(38)	(55)	36	(30.9)	n/a
Retained profits	1,636	1,493	1,420	9.6	15.2
Total equity attributable to owners of the Company	14,275	14,110	14,121	1.2	1.1
Non-controlling interests	14	17	12	(17.6)	16.7
Total equity	14,289	14,127	14,133	1.1	1.1

Ratios and statistics

		HALF YEAR ENDED DEC-12	JUN-12	DEC-11	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Performance ratios						
Earnings per share [1]						
Basic	(cents)	44.93	26.22	30.45	71.4	47.6
Diluted	(cents)	43.37	25.84	30.03	67.8	44.4
Cash earnings per share [2]						
Basic	(cents)	48.21	29.98	34.13	60.8	41.3
Diluted	(cents)	46.42	29.34	33.47	58.2	38.7
Return on average shareholders' equity [1]	(%)	8.0	4.8	5.5		
Cash return on average shareholders' equity [2]	(%)	8.6	5.5	6.2		
Return on average total assets	(%)	1.20	0.71	0.82		
Insurance trading ratio	(%)	18.6	11.1	3.8		
Underlying insurance trading ratio	(%)	13.4	13.1	11.1		
Core Bank net interest margin (interest-earning assets)	(%)	1.83	1.90	1.92		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	25.0	20.0	20.0	25.0	25.0
Special dividends per ordinary share	(cents)	-	15.0	-	(100.0)	-
Payout ratio (including special dividends) [2]						
Net profit after tax	(%)	55.7	133.5	65.7		
Cash earnings	(%)	51.9	116.8	58.6		
Weighted average number of shares						
Basic	(million)	1,277.6	1,277.4	1,277.4	0.0	0.0
Diluted	(million)	1,374.2	1,371.4	1,365.3	0.2	0.7
Number of shares at end of period	(million)	1,278.0	1,277.6	1,277.4	0.0	0.0
Net tangible asset backing per share	($)	6.32	6.15	6.14	2.8	2.9
Share price at end of period	($)	10.17	8.09	8.38	25.7	21.4
Productivity						
General Insurance expense ratio	(%)	24.5	24.2	23.3		
Core Bank cost to income ratio	(%)	52.7	53.9	51.7		
Financial position						
Total assets	($ million)	93,475	96,062	93,005	(2.7)	0.5
Net tangible assets	($ million)	8,082	7,863	7,838	2.8	3.1
Net assets	($ million)	14,289	14,127	14,133	1.1	1.1
Capital						
General Insurance group MCR coverage	(times)	1.70	1.61	1.69		
Bank capital adequacy ratio - Total	(%)	12.52	12.64	13.09		
Bank capital adequacy ratio - Net Tier 1	(%)	10.09	9.64	9.87		
Bank Common Equity Tier 1 ratio	(%)	7.53	7.29	7.48		
Suncorp Life capital	($ million)	2,054	2,014	1,890	2.0	8.7
Additional capital held by Suncorp Group Limited	($ million)	776	468	633	65.8	22.6

(1) Refer Appendix 2 for details of earnings per share and return on average shareholders' equity calculations. Refer to Appendix 10 for definitions.
(2) Refer to Appendix 10 for definitions.

Group capital

Suncorp maintains capital targets for each of its operating businesses with the Non-Operating Holding Company (NOHC), Suncorp Group Limited, also holding a percentage of the General Insurance and Life target capital. Capital targets are structured according to the business line regulatory framework.

The quality of the Group's capital has improved over the half with increased Common Equity Tier 1 (CET1) capital in the form of retained earnings. Key capital initiatives during the half included:

- redemption of $575 million of subordinated debt in October 2012;
- issuance of $560 million convertible preference shares in November 2012;
- payment of a final ordinary dividend of 20 cents per share and a special dividend of 15 cents per share in October 2012;
- declaring an interim dividend of 25 cents per share, representing a payout ratio of 52% of cash earnings; and
- maintaining a zero discount on the Dividend Reinvestment Plan (DRP) and neutralising the dilution impact by purchasing the shares on-market.

At 31 December 2012:

- the GI Group capital is 1.70 times the Minimum Capital Requirement (MCR).
- the Bank's Capital Adequacy Ratio (CAR) is 12.52% with a CET1 ratio of 7.53%; and
- Suncorp Life's excess capital position is $134 million.

The table below is a summary of the Group's total capital position at 31 December 2012. Detailed tables are shown in Appendix 3

	GENERAL INSURANCE $M	BANKING $M	LIFE $M	SGL, CORP SERVICES & CONSOL $M	TOTAL $M
Total capital base	3,778	4,085	2,054	776	10,693
Target capital base	3,214	4,054	1,920	232	9,420
Additional (deficit) capital to target	**564**	**31**	**134**	**544**	**1,273**

On 1 January 2013, APRA implemented Life and General Insurance Capital (LAGIC) and Bank Basel III capital regulatory changes. Based on these changes:

- the GI Group capital is 2.01 times the Prescribed Capital Amount (PCA);
- the Bank CAR is 12.11% and the CET1 is 7.39%; and
- Suncorp Life's excess capital position increases to $286 million.

The table below is a summary of the Group's total capital position assuming implementation of Basel III and LAGIC at 31 December 2012. On a proforma basis the total Group capital that is additional to operating targets increases to $1,653 million, primarily due to the inclusion of accrued dividends. The Bank's capital base falls slightly under Basel III however the deficit capital to target of $101 million remains comfortably within the Board approved tolerance range. Detailed proforma tables are included in Appendix 4.

	GENERAL INSURANCE $M	BANKING $M	LIFE $M	SGL, CORP SERVICES & CONSOL $M	TOTAL $M
Total capital base	4,171	3,984	785	471	9,411
Target capital base	3,007	4,085	499	167	7,758
Additional (deficit) capital to target	**1,164**	**(101)**	**286**	**304**	**1,653**

Additionally, for General Insurance, APRA has delayed implementation of components of the Insurance Concentration Risk Charge (ICRC) until 1 January 2014. The impact of the full ICRC under the current reinsurance program is expected to increase the target capital base by $100 million on 1 January 2014.

Dividends

The interim dividend of 25 cents per share will be paid on 2 April 2013. The dividend is fully franked. The ex-dividend date is 25 February 2013 and the record date for determining entitlements to the dividend is 1 March 2013.

	HALF YEAR ENDED		
	DEC-12	JUN-12	DEC-11
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**576**	**559**	**611**

Income tax

	DEC-12	JUN-12	DEC-11
	$M	$M	$M
Profit before income tax expense	865	457	506
Income tax using the domestic corporation tax rate of 30%	260	137	152
Effect of tax rates in foreign jurisdictions	(1)	-	(1)
Increase in income tax expense due to:			
Non-assessable income	-	(9)	-
Non-deductible expenses	9	10	7
Imputation gross-up on dividends received	3	-	2
Statutory funds	19	(2)	(8)
Income tax offsets and credits	(9)	(3)	(6)
Amortisation of acquisition intangible assets	3	4	3
Other	6	2	(22)
	290	139	127
(Over) under provision in prior years	(2)	(20)	(11)
Income tax expense on pre-tax net profit	**288**	**119**	**116**
Effective tax rate	**33.3%**	**26.0%**	**22.9%**
Income tax expense (benefit) by business unit			
General Insurance	238	113	64
Banking	9	(23)	36
Life	45	44	28
Other	(4)	(15)	(12)
Total income tax expense	288	119	116

The effective tax rate of 33.3% is due to a number of adjustments. The material adjustments are:

- The life insurance statutory funds adjustment is a $19 million increase in income tax expense. Accounting standards require the tax impact of the increase in the net market value of policyholder assets to be included in the Group's income tax expense.
- Non-deductible interest paid in respect of preference shares increased income tax expense by $7 million.
- Forfeiture of certain Executive Performance Share Plan rights resulted in a $3 million increase in income tax expense.

General Insurance

Basis of preparation

Financial information in this section includes the impact of both fire service levies (FSL) and discount rate movements. These impacts are eliminated in the General Insurance profit contribution table in Appendix 8. Appendices 5 to 8 contain supplementary General Insurance tables.

Result overview

General Insurance achieved an after tax profit of $564 million for the half year to 31 December 2012.

The Insurance Trading Result (ITR) was $669 million, representing an ITR ratio of 18.6%. The result was driven by operational efficiencies, positive investment markets and fewer natural hazard events.

On an underlying basis, the ITR ratio was 13.4%, an increase from 11.1% in the prior corresponding period. This reflects ongoing benefits from the delivery of the Building Blocks program, the recently implemented Simplification projects and a continued focus on margin improvement.

Gross written premium (GWP) increased 9.6% to $4,225 million.

Personal lines experienced growth across both Home (up 14.5%) and Motor (up 5.2%), primarily driven by increases in average written premiums.

Commercial lines also experienced strong growth, increasing by 10.1%, with growth across all major product lines as a result of improved pricing and retention.

CTP increased 8.1%, largely due to new business growth in New South Wales and Queensland.

Net incurred claims were $2,305 million, with the loss ratio reducing to 64.0% (HY12: 84.0%). Current year short-tail benefited from more benign weather experience, resulting in net natural hazard claims being $113 million lower than the Group’s allowance. Reserve releases of $41 million were broadly in line with long-term expectations.

The total operating expense ratio increased to 24.5% from 23.3%. This is due to a Liability Adequacy Test (LAT) deficiency charge and investment in Simplification projects. On an underlying basis, the expense ratio has decreased from 24.0% to 23.2%.

Investment income on Insurance Funds decreased to $255 million. This largely reflects the low yield environment where the underlying yield has decreased to 4.7% from 5.1%.

Investment income on Shareholder Funds increased 27% to $160 million, primarily driven by a return on equity assets of $78 million.

Capital funding for the General Insurance business reduced 35.1% to $24 million.

Profit contribution

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Gross written premium	4,225	4,100	3,855	3.0	9.6
Gross unearned premium movement	(126)	(243)	(128)	(48.1)	(1.6)
Gross earned premium	4,099	3,857	3,727	6.3	10.0
Outwards reinsurance expense	(498)	(412)	(368)	20.9	35.3
Net earned premium	3,601	3,445	3,359	4.5	7.2
Net incurred claims					
Claims expense	(2,930)	(3,251)	(3,871)	(9.9)	(24.3)
Reinsurance and other recoveries revenue	625	675	1,051	(7.4)	(40.5)
	(2,305)	(2,576)	(2,820)	(10.5)	(18.3)
Total operating expenses					
Acquisition expenses	(493)	(469)	(434)	5.1	13.6
Other underwriting expenses	(389)	(363)	(349)	7.2	11.5
	(882)	(832)	(783)	6.0	12.6
Underwriting result	414	37	(244)	large	n/a
Investment income - insurance funds	255	345	373	(26.1)	(31.6)
Insurance trading result	669	382	129	75.1	418.6
Managed schemes net contribution	(4)	11	2	n/a	n/a
Joint venture and other income	1	3	6	(66.7)	(83.3)
General Insurance operational earnings	666	396	137	68.2	386.1
Investment income - shareholder funds	160	77	126	107.8	27.0
General Insurance profit before tax and capital funding	826	473	263	74.6	214.1
Capital funding [1]	(24)	(29)	(37)	(17.2)	(35.1)
General Insurance profit before tax	802	444	226	80.6	254.9
Income tax	(238)	(113)	(64)	110.6	271.9
General Insurance profit after tax	**564**	**331**	**162**	**70.4**	**248.1**

[1] Includes interest expense on subordinated notes

General insurance ratios

	HALF YEAR ENDED		
	DEC-12	JUN-12	DEC-11
	%	%	%
Acquisition expenses ratio	13.7	13.6	12.9
Other underwriting expenses ratio	10.8	10.6	10.4
Total operating expenses ratio	24.5	24.2	23.3
Loss ratio	64.0	74.8	84.0
Combined operating ratio	88.5	99.0	107.3
Insurance trading ratio	**18.6**	**11.1**	**3.8**

Statement of assets and liabilities

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Assets					
Cash and cash equivalents	94	113	88	(16.8)	6.8
Investment securities	11,825	11,477	11,098	3.0	6.6
Derivatives	44	50	40	(12.0)	10.0
Loans, advances and other receivables	2,351	2,521	2,055	(6.7)	14.4
Reinsurance and other recoveries	3,252	3,656	4,159	(11.1)	(21.8)
Deferred insurance assets	1,259	1,511	1,033	(16.7)	21.9
Investments in associates and joint ventures	56	60	57	(6.7)	(1.8)
Due from group entities	28	128	222	(78.1)	(87.4)
Investment property	75	127	126	(40.9)	(40.5)
Property, plant and equipment	27	24	20	12.5	35.0
Other assets	121	136	178	(11.0)	(32.0)
Goodwill and intangible assets	5,177	5,216	5,256	(0.7)	(1.5)
Total assets	24,309	25,019	24,332	(2.8)	(0.1)
Liabilities					
Payables and other liabilities	742	1,308	685	(43.3)	8.3
Derivatives	130	124	110	4.8	18.2
Deferred tax liabilities	142	132	126	7.6	12.7
Employee benefit obligations	131	149	101	(12.1)	29.7
Unearned premium liabilities	4,360	4,226	3,972	3.2	9.8
Outstanding claims liabilities	9,991	10,609	10,984	(5.8)	(9.0)
Other financial liabilities	-	15	15	(100.0)	(100.0)
Subordinated notes	711	708	698	0.4	1.9
Total liabilities	16,207	17,271	16,691	(6.2)	(2.9)
Net assets	**8,102**	**7,748**	**7,641**	**4.6**	**6.0**

Gross written premium

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Gross written premium by product					
Australia					
Motor	1,266	1,275	1,206	(0.7)	5.0
Home	1,136	1,062	993	7.0	14.4
Commercial	774	714	704	8.4	9.9
Compulsory third party	467	469	432	(0.4)	8.1
Workers' Compensation and Other	118	163	106	(27.6)	11.3
	3,761	**3,683**	**3,441**	**2.1**	**9.3**
New Zealand					
Motor	85	81	78	4.9	9.0
Home	116	107	100	8.4	16.0
Commercial	237	201	214	17.9	10.7
Other	26	28	22	(7.1)	18.2
	464	**417**	**414**	**11.3**	**12.1**
Total					
Motor	1,351	1,356	1,284	(0.4)	5.2
Home	1,252	1,169	1,093	7.1	14.5
Commercial	1,011	915	918	10.5	10.1
Compulsory third party	467	469	432	(0.4)	8.1
Workers' Compensation and Other	144	191	128	(24.6)	12.5
	4,225	**4,100**	**3,855**	**3.0**	**9.6**

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Gross written premium by geography					
Queensland	1,071	1,064	1,004	0.7	6.7
New South Wales	1,306	1,238	1,189	5.5	9.8
Victoria	874	845	790	3.4	10.6
Western Australia	272	280	240	(2.9)	13.3
South Australia	128	129	117	(0.8)	9.4
Tasmania	60	67	57	(10.4)	5.3
Other	50	60	44	(16.7)	13.6
Total Australia	3,761	3,683	3,441	2.1	9.3
New Zealand	464	417	414	11.3	12.1
Total	**4,225**	**4,100**	**3,855**	**3.0**	**9.6**

Gross written premium (continued)

Motor

Motor GWP increased by 5.2% to $1,351 million.

Australian Motor GWP increased by 5.0% to $1,266 million, despite increasing competition in the Australian motor insurance market.

Growth was primarily driven by a 3.1% rise in net written units. Average written premiums increased 1.9% as Suncorp continues to manage its exposure to high risk segments. Unit growth was particularly evident in Apia, AAMI, Shannons and Bingle and continued the momentum built in the second half of FY12 with competitors continuing to follow the Group's pricing leadership.

Retention has improved across the portfolio in response to successful marketing campaigns, improved claims service and sales initiatives.

New Zealand Motor GWP increased 9.0% due to new business growth written through AAI and the ANZI distribution channel.

Home

Home GWP increased by 14.5% to $1,252 million.

In Australia, GWP growth of 14.4% largely reflects premium increases to recover the rise in reinsurance and natural hazard costs over the past two years. Average written premiums rose by 16% over the prior corresponding period.

Suncorp is continues to leverage GIPE's pricing capability to actively manage risk concentration, particularly in areas highly exposed to natural disasters. As expected, there was a slight reduction in net written units and retention rates for the Suncorp and GIO brands. AAMI and Apia experienced new business growth in profitable segments.

New Zealand Home GWP increased by 16.0%, driven by rate increases to recover higher reinsurance costs.

Commercial Insurance

Commercial Insurance GWP increased by 10.1% to $1,011 million.

In Australian Commercial Insurance, GWP increased by 9.9% to $774 million. Increased reinsurance costs and falling investment yields resulted in price increases across most lines of business despite a highly competitive market environment. Commercial Insurance is seeing improved risk selection, particularly through the implementation of GIPE across SME products.

Retention remains strong across most classes in Australian Commercial Insurance in an environment of continuing price increases.

A focus on a broad distribution strategy allows the Australian Commercial Insurance business to adapt to changing customer needs. Commercial Insurance is seeing growth through all channels, with the intermediated broker channel particularly strong.

New Zealand increased Commercial Insurance GWP by 10.7% as a result of rate increases driven by reinsurance costs.

Compulsory Third Party (CTP)

CTP GWP increased 8.1% to $467 million.

Suncorp is the leading CTP insurance provider in Queensland with over 50% market share. Net written units increased 1.1%, with both Suncorp and AAMI brands showing growth. Retention rates remain solid on the back of direct marketing activities and brand goodwill.

In New South Wales, Suncorp is the second largest CTP provider, utilising a two-brand strategy. After a period of consolidation, aimed at improving the quality of the portfolio, NSW CTP GWP grew 14.7% through a combination of average written premium and unit growth.

Suncorp continues to work with regulators to ensure the sustainability of the CTP schemes given the expectation of a prolonged period of low bond yields.

Workers' Compensation and Other

Workers' Compensation and Other increased 12.5% to $144 million. Workers' Compensation GWP increased by $14 million to $106 million (up 15.1%), due to a combination of price increases, wage growth from the resources sector and improved retention. Other income, including direct travel and personal boat insurance, increased $2 million to $38 million.

Reinsurance expense

Outwards reinsurance expense for the half year was $498 million. The $130 million increase on the prior corresponding period is primarily due to the purchase of the Queensland Home Quota Share Treaty.

Suncorp has a significant share of the Queensland home insurance market. To reduce this geographical concentration, the Group has entered into a 30%, multi-year, proportional quota share arrangement covering the Queensland Home portfolio. The Quota Share Treaty reduces Suncorp's net claims costs and operating expenses for this portfolio. In addition, the upper limit on Suncorp's main property catastrophe program, which covers the Group's Home, Motor and Commercial Property portfolios for major events such as earthquakes, cyclones, storms, floods and bushfires has been reduced to $5.3 billion from $5.8 billion. The upper limit on the main catastrophe program would have increased to $6.1 billion in the 2013 financial year had Suncorp not entered the Quota Share Treaty.

The maximum event retention on the property catastrophe program is $250 million. Additional cover was purchased to reduce this retention to $200 million for a second Australian event and to $50 million for third and fourth events.

Additional multi-year cover was purchased to reduce the first event retention for New Zealand risks to NZ$50 million and the second and third event retentions to NZ$25 million.

Reinsurance security was maintained for the 2013 financial year program, with over 85% of long-tail and short-tail business protected by reinsurers rated 'A+' or better. The table below shows retention risks for the Suncorp Group:

	MAXIMUM SINGLE RISK RETENTION	MAXIMUM EVENT RISK RETENTION
	DEC-12	DEC-12
	$M	$M
Property	10	250
General liability	10	10
Global liability	10	10
Workers' compensation	10	10
CTP	10	10
Motor	10	250
Professional indemnity	5	5
Travel & personal accident	5	5
Marine	3	3

Net incurred claims

Net incurred claims costs decreased 18.3% to $2,305 million. In the current period there has been a benefit of $71 million due to higher discount rates compared to a deterioration of $281 million in the prior corresponding period.

Natural hazard event costs were $113 million below long run allowances as a result of benign weather. Major natural hazard events for the half can be seen in the table below:

DATE	EVENT	NET COSTS $M
Nov 2012	QLD storms	36
Dec 2012	Tamworth hail	19
	Other natural hazards attritional claims	92
Total		147
Less: allowance for natural hazards		(260)
Natural hazards costs below allowance		(113)

Working claim losses are tracking in line with expectations and are benefiting from GIPE's targeted risk selection. Benign weather conditions also contributed to a reduction in motor claims frequency. Cost benefits derived from successful completion of the Building Blocks program are improving margin in areas such as the procurement of household contents and building services.

The valuation of outstanding claims resulted in central estimate releases of $41 million for the half. This was broadly in line the Group's long run expectation of reserve releases of $54 million (1.5% of net earned premiums).

Risk margins

Risk margins represent approximately 17% of outstanding claim reserves giving an approximate level of confidence of 90%.

Risk margins decreased $17 million during the half to $989 million from $1,006 million. The assets notionally backing risk margins had a net return of $2 million of investment income. The net impact was therefore $19 million. In the underlying ITR calculation shown in Appendix 7, the net impact of risk margins is removed.

Outstanding claims provisions over time

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

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Gross outstanding claims liabilities	9,991	10,609	10,984	(5.8)	(9.0)
Reinsurance and other recoveries	(3,252)	(3,656)	(4,159)	(11.1)	(21.8)
Net outstanding claims liabilities	**6,739**	**6,953**	**6,825**	**(3.1)**	**(1.3)**
Expected future claims payments and claims handling expenses	6,416	6,556	6,560	(2.1)	(2.2)
Discount to present value	(666)	(609)	(767)	9.4	(13.2)
Risk margin	989	1,006	1,032	(1.7)	(4.2)
Net outstanding claims liabilities	**6,739**	**6,953**	**6,825**	**(3.1)**	**(1.3)**
Short-tail					
Australia short-tail and other	1,038	1,226	1,175	(15.3)	(11.7)
New Zealand	79	77	69	2.6	14.5
Long-tail					
Australia long-tail	5,468	5,494	5,435	(0.5)	0.6
New Zealand	154	156	146	(1.3)	5.5
Total	**6,739**	**6,953**	**6,825**	**(3.1)**	**(1.3)**

Outstanding claims provision breakdown

The valuation of outstanding claims resulted in central estimate releases of $41 million, compared to the Group's normal expectation for reserve releases of $54 million (1.5% of net earned premium).

Long-tail claims reserve releases in Australia of $52 million were primarily attributable to favourable claims experience and claims management initiatives.

Short-tail claims recorded a relatively neutral movement on the prior year estimates.

	ACTUAL	NET CENTRAL ESTIMATE (DISCOUNTED)	RISK MARGIN (90TH PERCENTILE DISCOUNTED)	CHANGE IN NET CENTRAL ESTIMATE [(1)]
	$M	$M	$M	$M
Short-tail				
Australian short-tail and other	1,038	938	100	5
New Zealand	79	69	10	(2)
Long-tail				
Australia long-tail	5,468	4,621	847	(52)
New Zealand	154	122	32	8
Total	**6,739**	**5,750**	**989**	**(41)**

(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.

Operating expenses

Total operating expenses have increased to $882 million from $783 million. The increase is a result of top line volume growth, a LAT deficiency charge in Commercial Insurance and investment in Simplification and partnering projects that will benefit the cost base in future periods. Excluding the impact of project and LAT costs, the total operating expense ratio has reduced to 23.2% from 24%.

Acquisition costs are $493 million, with the acquisition expense ratio increasing to 13.7% from 12.9%. This result includes a LAT charge of $24 million in Commercial Insurance, which was offset by a $10 million reversal of the prior period LAT adjustment. The prior corresponding period included a $28 million adjustment to Deferred Acquisition Cost (DAC) in New Zealand. Excluding the adjustments made to the acquisition costs, the adjusted acquisition expenses ratio has reduced to 13.3% from 13.8%. The net impact of the LAT charge is removed from the underlying ITR calculation in Appendix 7.

Other underwriting expenses have increased to $389 million. This includes $31 million of Simplification project costs such as the Single Licence, Legacy System Consolidation and Partnering. Excluding the net impact of project costs, the adjusted other underwriting expense ratio has decreased to 9.9% from 10.2%, predominantly due to the continued tight management of operational expenses. The costs relating to the Simplification projects are removed from the underlying ITR calculation.

Managed schemes

Managed schemes income is attributable to Suncorp's Australian Commercial Insurance business administering various Governments' Workers' Compensation schemes across Australia. Due to the timing of recognising income in NSW, this business contributed a loss of $4 million.

Joint venture and other income

The Group participates in a joint venture with the motoring club in Tasmania. Joint venture and other income was $1 million, down from $6 million in the prior year.

Investment income

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	1	-	2	n/a	(50.0)
Interest-bearing securities and other	254	345	371	(26.4)	(31.5)
Total	**255**	**345**	**373**	**(26.1)**	**(31.6)**
Investment income on shareholder funds					
Cash and short-term deposits	1	4	11	(75.0)	(90.9)
Interest-bearing securities	105	96	108	9.4	(2.8)
Equities	78	(16)	-	n/a	n/a
Property	(24)	(7)	7	242.9	n/a
Total	**160**	**77**	**126**	**107.8**	**27.0**
Total investment income	**415**	**422**	**499**	(1.7)	(16.8)

Total investment income of $415 million resulted in a total return of 3.5% for the half year.

Increased market confidence and improving economic growth positively impacted global markets over the period, resulting in strong increases in equity markets and narrowing of credit spreads on corporate securities. For the six months to 31 December 2012, the official Australian cash rate has fallen 50 basis points to 3% and 125 basis points since 31 December 2011. The yield on 3-year Government Bonds has increased 26 basis points to 2.67%. The 10-year Australian break-even inflation rate has increased 21 basis points to 2.65%.

Investment income on Insurance Funds

Total investment income on Insurance Funds was $255 million. This result comprises:

- Underlying yield income of $197 million, representing a running yield of 4.7% for the half, down from 5.1% for the prior corresponding period. The running yield of the portfolio was impacted by the low yield environment due to lower returns from risk-free rates and credit spreads on fixed interest securities. The yield return has benefited from the fund manager adjusting their positioning, providing additional returns for the period.
- Mark-to-market losses of $91 million from changes in the yield curve on assets backing technical liabilities. Movements in discount rates on the outstanding claims provision offset the mark-to-market losses by $71 million. The $20 million difference represents the ‘gross accounting mismatch’.
- An ‘economic mismatch’ of $149 million is due to mark-to-market gains of $106 million from the narrowing of credit spreads. There was a $43 million mark-to-market gain on inflation-linked bonds due to the movement in the break-even inflation rate.

In calculating the underlying ITR at Appendix 7, a total investment income adjustment of $118 million has been made. This comprises removing the impact of:

- the $149 million gain from the ‘economic mismatch’;
- the $20 million loss from the current period accounting mismatch; and
- the $11 million loss from the unwind of the prior period accounting mismatch which is captured through the outstanding claims liability.

General Insurance

Investment income on Shareholder Funds

The total investment income on Shareholder Funds was $160 million, with the following components contributing:

- Interest-bearing securities contributed $105 million. The Australian underlying yield income was $58 million, a yield of 5.3%, with mark-to-market gains from narrowing credit spreads of $42 million. New Zealand had a net return of $5 million.
- International and domestic equities recorded a gain of $78 million due to stock market improvements ($73 million and $5 million for Australia and New Zealand, respectively).
- Property contributed a loss of $24 million principally due to revaluations on property assets.

Investment assets

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Allocation of investments held against:					
Insurance funds					
Cash and short-term deposits	46	87	128	(47.1)	(64.1)
Interest-bearing securities and other	8,421	8,574	7,994	(1.8)	5.3
Total	**8,467**	**8,661**	**8,122**	**(2.2)**	**4.2**
Shareholder funds					
Cash and short-term deposits	97	163	416	(40.5)	(76.7)
Interest-bearing securities	2,669	2,133	2,532	25.1	5.4
Equities	699	654	68	6.9	large
Property	75	74	70	1.4	7.1
Total	**3,540**	**3,024**	**3,086**	**17.1**	**14.7**

The Australian technical reserves are generally managed against a uniform benchmark allocation of 40% Australian investment grade credit, 20% inflation-linked bonds, 20% Commonwealth Government bonds and 20% Semi-Government bonds.

Following changes to strategic asset allocations during the second half of the last financial year, the Australian shareholder funds portfolio is managed against a benchmark consisting of an 80% allocation to Australian and International investment grade credit and 20% equities. All foreign currency and foreign interest rate risk on international credit is hedged. This allows the portfolio to gain exposure to foreign credit and equity markets providing additional diversification and income opportunities.

Credit ratings for General Insurance fixed interest investments

	HALF YEAR ENDED		
AVERAGE	DEC-12 %	JUN-12 %	DEC-11 %
AAA	48.1	49.5	49.6
AA	30.7	32.9	35.3
A	19.5	16.3	14.0
BBB	1.7	1.3	1.1
	100.0	**100.0**	**100.0**

Personal Lines Australia

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Gross written premium	2,414	2,351	2,213	2.7	9.1
Net earned premium	2,094	2,069	2,004	1.2	4.5
Net incurred claims	(1,314)	(1,545)	(1,591)	(15.0)	(17.4)
Acquisition expenses	(235)	(228)	(240)	3.1	(2.1)
Other underwriting expenses	(212)	(199)	(185)	6.5	14.6
Total operating expenses	(447)	(427)	(425)	4.7	5.2
Underwriting result	333	97	(12)	243.3	n/a
Investment income - insurance funds	67	47	17	42.6	294.1
Insurance trading result	400	144	5	177.8	large
	%	%	%		
Ratios					
Acquisition expenses ratio	11.2	11.0	12.0		
Other underwriting expenses ratio	10.1	9.6	9.2		
Total operating expenses ratio	21.3	20.6	21.2		
Loss ratio	62.8	74.7	79.4		
Combined operating ratio	84.1	95.3	100.6		
Insurance trading ratio	19.1	7.0	0.2		

Result overview

The Personal Insurance business delivered improved operating profits, ongoing margin improvement and growth due to its portfolio of trusted brands and its expertise in claims management, risk selection and pricing.

The ITR of $400 million reflects the progress made in recent years to substantially utilise scale and underwriting capability. The result has also benefited from a benign natural hazard period. GWP grew by 9.1% and was largely driven by premium increases to recover higher reinsurance and natural hazard expenses. Average written premiums grew by 8.1%.

In a highly competitive motor market, Personal Insurance performed well with average written premium and net written units up 1.9% and 3.1%, respectively.

The home portfolio delivered improved insurance trading margins due to lower natural hazard expenses and the pricing leadership Suncorp continued to show in high risk areas. Suncorp continued to lead the industry in advocating for improved disaster mitigation, particularly in regional Queensland.

Outlook

The Australian Personal Insurance business is well positioned in a competitive market because of the foundations put in place through the Building Blocks program.

Further Simplification projects in the product, technology and partnering areas are well advanced. This has seen an early reduction in process and resource duplication, expanded sales opportunities and will ultimately deliver significant future cost savings.

Suncorp will continue to realise benefits from its SMART motor repairs joint venture with 22 shops currently servicing customers in major metropolitan areas. Additionally Suncorp is preparing for the launch of Q-Plus, which repairs vehicles with structural damage.

The portfolio of brands approach and scale used over the past two years will continue to give Suncorp a significant competitive advantage. Building further efficiencies into the operating model and extending its core capabilities in pricing and claims will bolster this position of strength.

Commercial Lines Australia

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Gross written premium	1,347	1,332	1,228	1.1	9.7
Net earned premium	1,184	1,093	1,081	8.3	9.5
Net incurred claims	(814)	(846)	(1,030)	(3.8)	(21.0)
Acquisition expenses	(171)	(167)	(149)	2.4	14.8
Other underwriting expenses	(148)	(139)	(141)	6.5	5.0
Total operating expenses	(319)	(306)	(290)	4.2	10.0
Underwriting result	51	(59)	(239)	n/a	n/a
Investment income - insurance funds	181	292	350	(38.0)	(48.3)
Insurance trading result	232	233	111	(0.4)	109.0
	%	%	%		
Ratios					
Acquisition expenses ratio	14.4	15.3	13.8		
Other underwriting expenses ratio	12.5	12.7	13.0		
Total operating expenses ratio	26.9	28.0	26.8		
Loss ratio	68.8	77.4	95.3		
Combined operating ratio	95.7	105.4	122.1		
Insurance trading ratio	19.6	21.3	10.3		

Result overview

Suncorp's Australian Commercial Insurance business contributed an ITR of $232 million – an increase of 109% on the prior corresponding period. In an environment characterised by stable inflation and low investment yields, GWP and net earned premium increased 9.7% and 9.5% respectively, maintaining momentum from the second half of the last financial year.

Lower investment yields and the limited ability to increase premiums in statutory classes continue to exert pressure on Commercial Insurance's underlying margins. The ITR has improved due to premium growth, cost initiatives and ongoing improvements in claims management. A market leading claims proposition is a key part of Commercial Insurance's strategy and this has resulted in a significant improvement in claims performance.

Suncorp continues to make significant progress with its Simplification initiatives to remove complexity and cost from the business. The total operating expense ratio remained flat at 26.9%, despite a net $14 million LAT impact from writedown of deferred acquisition costs as a result of low bond yields.

Outlook

The Australian Commercial Insurance market will continue to be influenced by global investment markets and the underlying health of the Australian economy.

Suncorp expects global capital flows to target high yield markets, such as reinsurance and insurance, which will ensure the Australian Commercial Insurance business remains competitive. Suncorp is expecting further price increases, particularly in statutory classes, in order to offset the impact of low investment yields.

Suncorp's Australian Commercial Insurance will maintain underwriting discipline and focus on its quality services to intermediaries and customers. It will seek to capitalise on targeted growth opportunities. Simplification projects will continue to build on the effectiveness and efficiency of the business model.

New Zealand

This table is shown in A$. It is shown in NZ$ in Appendix 6.

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Gross written premium	464	417	414	11.3	12.1
Net earned premium	323	283	274	14.1	17.9
Net incurred claims	(177)	(185)	(199)	(4.3)	(11.1)
Acquisition expenses	(87)	(74)	(45)	17.6	93.3
Other underwriting expenses	(29)	(25)	(23)	16.0	26.1
Total operating expenses	(116)	(99)	(68)	17.2	70.6
Underwriting result	30	(1)	7	n/a	328.6
Investment income - insurance funds	7	6	6	16.7	16.7
Insurance trading result	37	5	13	large	184.6
	%	%	%		
Ratios					
Acquisition expenses ratio	26.9	26.1	16.4		
Other underwriting expenses ratio	9.0	8.8	8.4		
Total operating expenses ratio	35.9	34.9	24.8		
Loss ratio	54.8	65.4	72.6		
Combined operating ratio	90.7	100.3	97.4		
Insurance trading ratio	11.5	1.8	4.7		

Result overview

New Zealand contributed a $37 million ITR, up 184.6%. GWP growth of 12.1% was achieved through all distribution channels and both personal and commercial lines. Growth was largely due to rate increases in response to higher reinsurance costs.

Excluding the adjustments made to acquisition costs in the prior period, total expenses have remained stable.

This result includes an $8 million impact from deterioration in the estimate of ultimate claims costs for the February 2011 earthquake.

Outlook

The New Zealand economy is recovering at a relatively slow rate. Growth is expected to increase in the coming year due to the faster pace of the Canterbury reconstruction and a stronger domestic housing market. Cautious consumers, the impact on export returns of a high dollar and reduced budget expenditure by the Government, will moderate the pace of the overall recovery.

Recovery of claims and reinsurance costs through premium increases will continue to be the main influence on general insurance revenue. Insurers will also make greater use of fixed sum insured policies in an effort to reduce the impact of earthquake claims costs in any future event.

The direct and intermediated general insurance markets continue to consolidate in New Zealand. Together with the response to the financial impact of the Canterbury earthquakes, this will remain a dominant feature of the operating environment for major insurers such as Vero New Zealand and AA Insurance in the year ahead. As part of its overall response, Vero New Zealand is well advanced with a major review of its strategy, operating model and key processes.

Core Bank

Result overview

The Core Bank has maintained positive momentum, reporting a net profit after tax of $144 million.

Growth in housing loan receivables continued with the portfolio increasing 5.9%. The Bank has an established franchise in both direct and indirect channels and is focused on improving customer experience. Business lending increased 4.7%, with particular emphasis on the Agribusiness market. This includes leveraging investments made in prior periods in diversified geographic markets.

The Bank's focus remains on low-risk segments, providing simple products to Australian customers. The Bank's loan to value ratio for new business remains in line with historic trends and reflects the Bank's conservative appetite for owner occupiers seeking mortgages from a genuine alternative to the Major Banks. The average home loan size in the portfolio remains below $300,000.

The Bank's funding position is underpinned by access to a wide range of wholesale and retail funding markets. This was further demonstrated with the issuance of a second covered bond for A$600 million and a $1 billion residential mortgage backed securitisation (RMBS) issue. Less than 5% of the Core Bank's lending portfolio is funded through short-term wholesale markets.

The Bank has retained its conservative retail funding position with a deposit to loan ratio of 66%. During the half the Bank achieved 10.5% growth in its at-call deposit portfolio and 1.1% growth in its core term deposit portfolio. As a result of the strong core deposit growth, and access to stable long-term wholesale funding, deposits which are less favourable under the proposed Basel III liquidity rules have been selectively run off.

The net interest margin has reduced to 1.83% but remains near the top of the Bank's target range of 1.75% to 1.85%. The market wide impetus to increase retail deposit funding continues to restrain margins.

Net interest income of $470 million was up 6.6%. Solid asset growth combined with pricing discipline has helped to achieve this result.

Operating expenses are broadly in line half on half, although they have increased on the corresponding prior period. This reflects the Core Bank's investment in system replacement activity, the Basel II accreditation program and Group Simplification initiatives.

Bad debt charges were $32 million; credit impairment losses to risk-weighted assets holding steady at 27 basis points. There are no systemic issues evident in the Core portfolio.

Outlook

The Bank expects low system credit growth conditions to persist with ongoing global volatility continuing to drive caution in local markets, particularly within the Bank's "Middle Australia" target market. Consumer and business confidence remains subdued and the trend of paying down debt faster than required is expected to continue. Recent reductions in the Reserve Bank rate are expected to be a catalyst for improved consumer confidence.

Despite low market growth, the Bank's position within the mortgage market allows it to grow above system within its risk-appetite. The Bank continues to balance lending growth against its funding capacity and the need to maintain sound credit quality across the portfolio. The Bank expects a stable net interest margin over the second half, remaining within the target range of 1.75% to 1.85%.

Profit Contribution

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Net interest income	470	455	441	3.3	6.6
Net non-interest income					
Net banking fee income	36	43	41	(16.3)	(12.2)
MTM on financial instruments	8	1	14	large	(42.9)
Other income (loss)	4	2	3	100.0	33.3
Total net non-interest income	48	46	58	4.3	(17.2)
Total income	518	501	499	3.4	3.8
Operating expenses	(273)	(270)	(258)	1.1	5.8
Profit before impairment losses on loans and advances	245	231	241	6.1	1.7
Impairment losses on loans and advances	(32)	(32)	(9)	-	255.6
Core Bank profit before tax	**213**	**199**	**232**	**7.0**	**(8.2)**
Income tax	(69)	(66)	(76)	4.5	(9.2)
Core Bank profit after tax	**144**	**133**	**156**	**8.3**	**(7.7)**

Ratios and statistics

	HALF YEAR ENDED		
	DEC-12	JUN-12	DEC-11
	%	%	%
Net interest margin (interest-earning assets)	1.83	1.90	1.92
Net interest margin (lending assets)	2.10	2.18	2.21
Cost to income ratio	52.7	53.9	51.7
Impairment losses to gross loans and advances	0.14	0.15	0.04
Impairment losses to credit risk-weighted assets	0.27	0.28	0.08
Deposit to core loan ratio	65.9	68.9	69.4

Loans, advances and other receivables

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Housing loans	28,614	27,639	27,200	3.5	5.2
Securitised housing loans and covered bonds	7,349	6,316	4,659	16.4	57.7
Total housing loans	35,963	33,955	31,859	5.9	12.9
Consumer loans	464	482	510	(3.7)	(9.0)
Retail loans	36,427	34,437	32,369	5.8	12.5
Commercial (SME)	5,297	5,063	4,829	4.6	9.7
Agribusiness	4,039	3,856	3,576	4.7	12.9
Business loans	9,336	8,919	8,405	4.7	11.1
Total lending	**45,763**	**43,356**	**40,774**	**5.6**	**12.2**
Other receivables [1]	96	95	120	1.1	(20.0)
Gross banking loans, advances and other receivables	45,859	43,451	40,894	5.5	12.1
Provision for impairment	(124)	(129)	(120)	(3.9)	3.3
Loans, advances and other receivables	**45,735**	**43,322**	**40,774**	**5.6**	**12.2**
Credit risk-weighted assets	**23,349**	**22,606**	**21,307**	**3.3**	**9.6**

[1] Other receivables are primarily collateral deposits provided to derivative counterparties

Personal lending

Personal lending receivables, including securitised assets, increased 5.8% over the past six months to $36.4 billion.

Investment in the Bank's capability, a simplified product set and interstate expansion contributed to the above system results. The growth in Home Lending was well ahead of system in a subdued credit environment. This translates to a market share increase of 0.1% to 2.9%. While growth has been strong through the first half, the Bank has maintained credit quality and improved its geographic mix. The maturing interstate expansion and continued focus on the broker channel has resulted in growth in excess of 10% in Western Australia, South Australia and New South Wales, further reducing the Bank's concentration in Queensland.

Business lending

The pipeline momentum built up in the 2012 financial year translated into strong growth in the first half with the business lending portfolio increasing 4.7%.

Commercial (SME)

The Bank's Commercial (SME) portfolio increased 4.6% to $5.3 billion, despite a challenging market characterised by low business confidence and competition for refinance lending. The result reflects the strength of the Suncorp brand and the Bank's leading position in Australia in terms of customer satisfaction among business customers.

The Bank continues to diversify its business lending target market with an increased share of new business within Health, Self-Managed Super Funds and Franchise lending sectors.

Agribusiness

The Agribusiness portfolio increased 4.7% to $4 billion, increasing market share nationally and in Queensland. The growth reflects the Bank's long heritage and commitment to Agribusiness, investment in capability and sponsorship of agribusiness roadshows.

Production remains favourable across most sectors despite the dry seasonal conditions experienced in 2012. The Bank is well positioned for medium-term profitable growth in this portfolio.

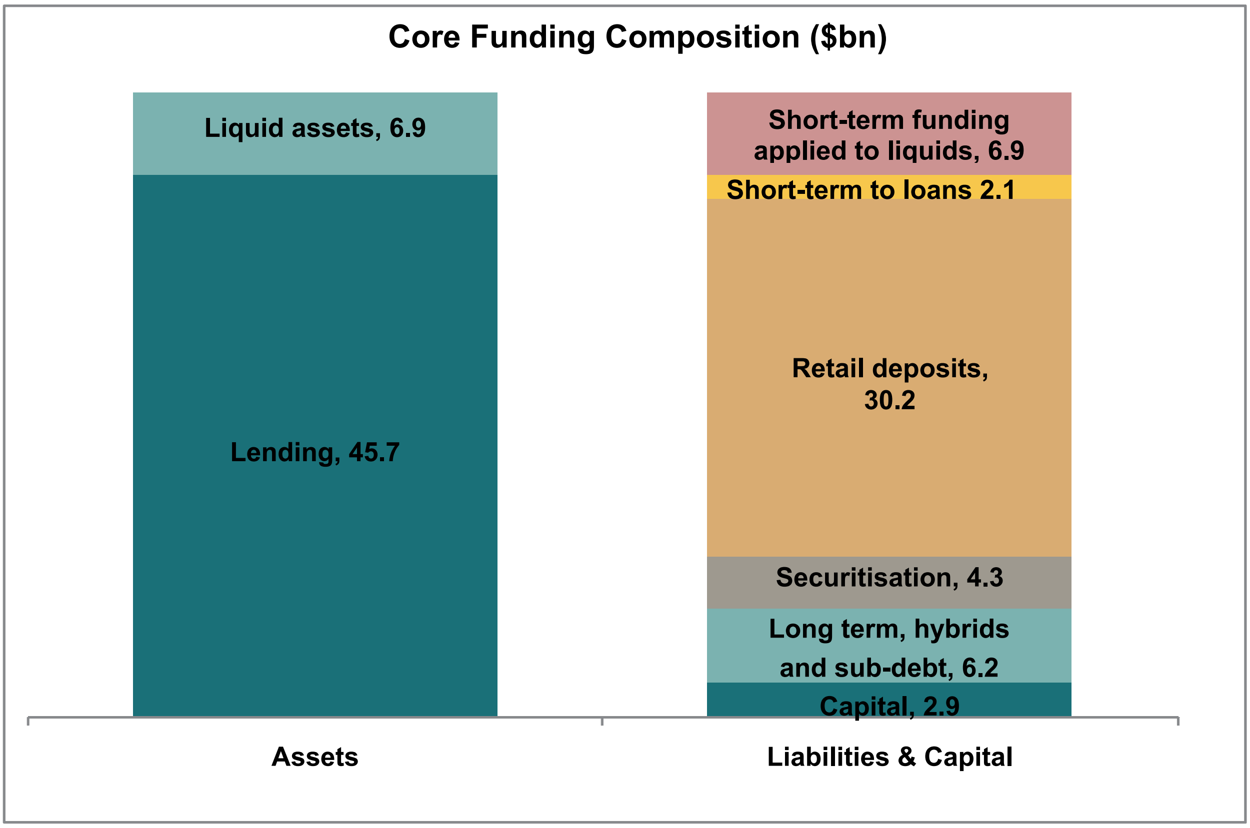
Core Bank funding composition

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Retail funding					
Retail deposits					
Call deposits	10,598	9,590	9,846	10.5	7.6
Term deposits	15,486	15,316	14,421	1.1	7.4
Core retail deposits	26,084	24,906	24,267	4.7	7.5
Retail treasury deposits	4,061	4,985	4,013	(18.5)	1.2
Total retail funding	30,145	29,891	28,280	0.8	6.6
Wholesale funding					
Domestic funding sources					
Short-term wholesale	6,338	6,068	6,980	4.4	(9.2)
Long-term wholesale	2,047	940	1,166	117.8	75.6
Covered bonds	2,195	1,598	-	37.4	n/a
Subordinated notes	145	138	130	5.1	11.5
Reset preference shares	26	25	23	4.0	13.0
Convertible preference shares	626	594	558	5.4	12.2
	11,377	9,363	8,857	21.5	28.5
Overseas funding sources [1]					
Short-term wholesale	2,649	2,844	1,422	(6.9)	86.3
Long-term wholesale	1,073	1,101	1,185	(2.5)	(9.5)
Subordinated notes	83	403	382	(79.4)	(78.3)
	3,805	4,348	2,989	(12.5)	27.3
Total wholesale funding (excluding securitisation)	15,182	13,711	11,846	10.7	28.2
Total funding (excluding securitisation)	**45,327**	**43,602**	**40,126**	**4.0**	**13.0**
Securitised funding					
APS 120 qualifying [2]	3,552	2,936	3,322	21.0	6.9
APS 120 non-qualifying	774	903	1,034	(14.3)	(25.1)
Total securitised funding	4,326	3,839	4,356	12.7	(0.7)
Total funding (including securitisation)	**49,653**	**47,441**	**44,482**	**4.7**	**11.6**
Total funding is represented on the balance sheet by:					
Deposits	30,145	29,891	28,280	0.8	6.6
Short-term borrowings	8,987	8,912	8,402	0.8	7.0
Securitisation liabilities	4,326	3,839	4,356	12.7	(0.7)
Bonds, notes and long-term borrowings	5,315	3,639	2,351	46.1	126.1
Subordinated notes	228	541	512	(57.9)	(55.5)
Preference shares	652	619	581	5.3	12.2
Total	**49,653**	**47,441**	**44,482**	4.7	11.6
Deposit to core loan ratio	**65.9%**	**68.9%**	**69.4%**		

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

Core Bank funding composition

The Core Bank continues to conservatively manage its capital and liability mix. Short-term wholesale funding is used to support the Bank's liquid asset portfolio, with around 4% of the Core Bank's lending portfolio being funded by short-term wholesale funding. Suncorp Bank's liquid asset ratio remains significantly above its peer group. The Bank currently holds excess liquid assets over prudential requirements and is well positioned to meet the draft Basel III requirements.



In addition to liquid assets held on the balance sheet, the Core Bank has access to significant contingent liquidity in a crisis, including $5.0 billion of mortgages that can be utilised if required.

Retail funding

The Bank has invested significantly in its retail distribution capability and focused on the 'Complete Customer'. This resulted in 10.5% growth in the call deposit portfolio and 1.1% growth in term deposits for the half. The Core Bank continues to actively manage term deposit pricing to support strong lending growth and optimise margin and liquidity outcomes.

During the half, the Core Bank was able to take advantage of high levels of retail funding, liquidity and the ability to access stable long-term wholesale funding to tactically run-off high cost, less stable deposits. The retail deposit to core lending ratio is currently at 66% and will be managed around these levels over the short to medium term.

Market demand for retail funds remains intense, with pricing reflecting the systemic need to increase retail deposits in advance of the introduction of the Basel III liquidity standards.

Wholesale funding

The 'A+/A1' credit rating of the Bank enables Suncorp to access a range of local and global funding markets. This provides the Bank with substantial funding flexibility and future capacity for growth.

Suncorp Bank followed up its inaugural covered bond issue in May 2012 with another successful issue in November. The Bank issued a 5-year ‘AAA’ rated fixed rate covered bond of $600 million at a spread of 90 basis points over the mid-swap rate. The transaction was significantly oversubscribed and the broad range of investors demonstrates the attractiveness of the Bank and its covered bond program.

The Bank also settled a Residential Mortgage Backed Securities issuance for $1 billion in September 2012.

The Bank will continue to access domestic and global markets to support the Bank’s growth targets, manage its liquidity and funding risk and optimise net interest margin.

Wholesale funding instruments maturity profile[1]

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Maturity					
0 to 3 months	7,599	8,090	7,733	(6.1)	(1.7)
3 to 6 months	3,202	1,381	1,172	131.9	173.2
6 to 12 months	1,204	1,753	920	(31.3)	30.9
1 to 3 years	5,073	3,430	4,443	47.9	14.2
3+ years	2,430	2,896	1,934	(16.1)	25.6
Total wholesale funding instruments	19,508	17,550	16,202	11.2	20.4

(1) Includes wholesale debt, securitisation, subordinated notes and preference shares

The Bank operates a conservative wholesale funding instrument duration profile given its strong retail deposit to lending ratio. Securitisation represents a large proportion of wholesale funding with a maturity of greater than 12 months. While this funding amortises over time, its rate of duration decline is lower than other term funding instruments. This reduces the profile of future funding maturity towers and is important in reducing refinancing risk.

Net interest income

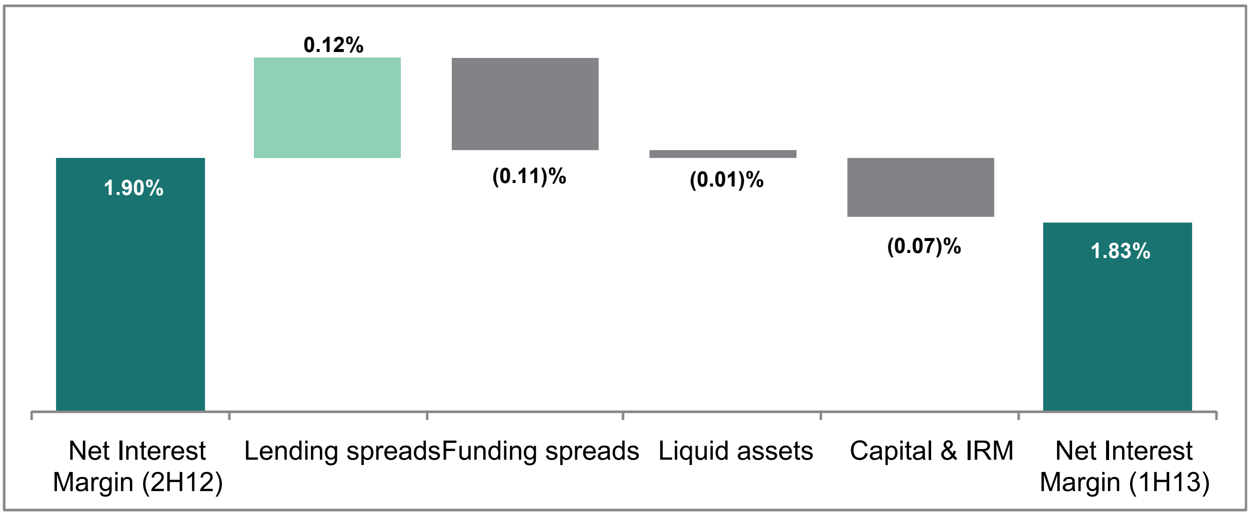
The Core Bank’s net interest income increased by 6.6%.

Underlying product spreads have remained stable over the 12 months to December 2012. Vigorous competition for retail funding continued into the December half, with the cost of term deposit funding trending above the previous three halves. These pressures have been partly offset by improved conditions in wholesale funding. In addition, asset repricing actions taken during the 2012 calendar year have absorbed the higher cost of retail funding to date.

The Core Bank’s growth was supported by selective pricing initiatives targeting lower loan to value lending customers. These initiatives price favourably to the Major Bank’s flagship brands, but are not market leading. The impact of new business discounting continues to have limited impact on the Bank’s net interest margin.

The rate of growth in overall net interest income has trended below that of the Core Bank’s average lending balances. The difference in the respective growth rates reflect lower absolute returns on the Core Bank’s liquid asset portfolio due to changes in the mix of assets, as well as lower earnings on capital as a result of the reduction in the benchmark rates. In addition, reductions in the interest rate and yield curve volatility over the last 12 months, combined with increased short-term hedging costs have led to an adverse impact on the Bank’s margin.

Net interest margin movements



Net non-interest income

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Net banking fee income	36	43	41	(16.3)	(12.2)
MTM on financial instruments	8	1	14	large	(42.9)
Other income (loss)	4	2	3	100.0	33.3
Total net non-interest income	**48**	**46**	**58**	4.3	(17.2)

Net non-interest income totalled $48 million and includes net banking fee income of $36 million.

In the current competitive landscape, customers continue to seek fee-free banking products and, as a result, product fees have reduced. Gross lending fees are flat and collection rates remain stable, although there has been an increase in commissions paid to intermediaries reflecting higher growth in lending.

Financial instruments and other income

Other non-interest income was made up of net mark-to-market (MTM) gains on financial instruments of $8 million and other income of $4 million.

The MTM result included non-recurring income relating to the realised gains on sale of liquid assets of $13 million. These gains were offset by unrealised losses on derivative instruments of $5 million that will unwind in future periods. This source of revenue is, by its nature, volatile and over the longer term it will trend to a near neutral position.

The Bank purchases liquid assets and uses hedging instruments for balance sheet risk management purposes. The Core Bank places some of its liquid assets into a trading portfolio which it uses to manage liquidity and is accounted for on a fair value basis. The Bank uses short-dated hedges which do not qualify for hedge accounting and are valued on a MTM basis. These instruments are often held to maturity and as such any unrealised MTM will unwind through net interest income until maturity.

Operating expenses

Core Bank operating expenses were $273 million. This is an increase of $3 million (1.1%) on the June 2012 half and is a good result given above system lending portfolio growth and associated growth in deposits and total customers.

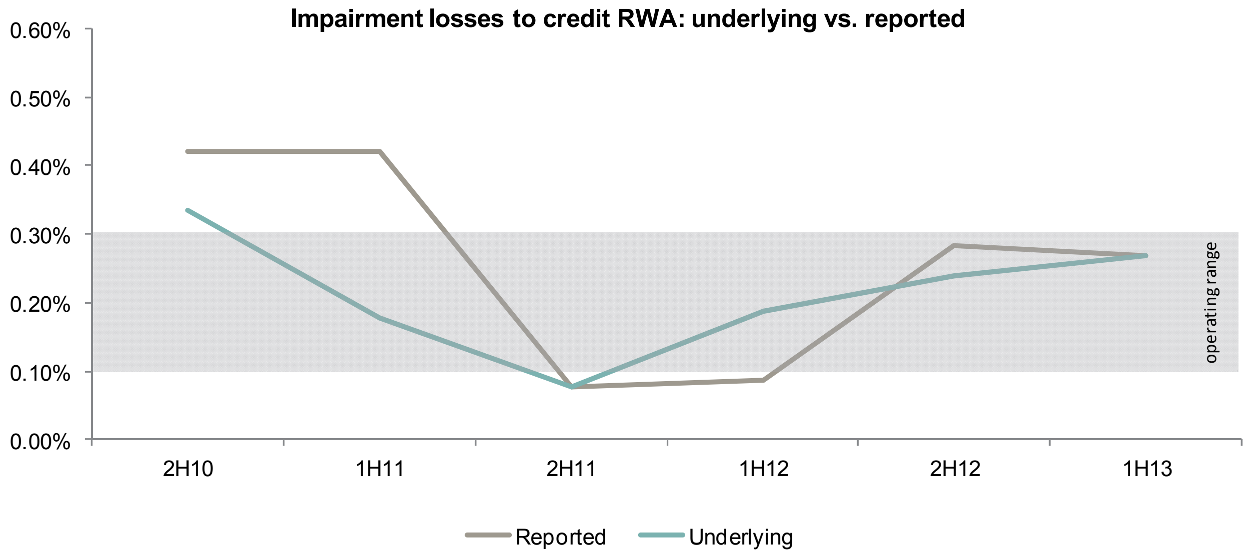
The Bank maintains a strategic approach to cost management and seeks to achieve long-term benefits through optimisation of the Bank's branch and ATM network and refinement of back and middle office processes. Progress has also been achieved on Core Bank System Replacement and Basel II accreditation programs. Group Simplification initiatives will also contribute longer term benefits to the Core Bank operating cost base. Excluding the impact of the System Replacement Program and Basel II accreditation, the cost to income ratio has been held flat at 50.9%.

Impairment losses on loans and advances

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Collective provision for impairment	3	8	(6)	(62.5)	n/a
Specific provision for impairment	24	19	13	26.3	84.6
Actual net write-offs	5	5	2	-	150.0
	32	**32**	**9**	-	255.6
Impairment losses to credit risk-weighted assets (annualised)	**0.27%**	**0.28%**	**0.08%**		

Impairment losses of 27 basis points (annualised) of credit risk-weighted assets remained within the Bank's normal operating range and in line with the impairment loss for six months to 30 June 2012. The level of credit provision reflects the economic backdrop in the Bank's target markets. No systemic issues are evident that would cause bad debt charges to rise above the operating range.

The $32 million charge was driven by specific provisions related to a small number of single name business-related exposures.



Impaired asset balances

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Gross balances of individually impaired loans					
with specific provisions set aside	140	192	124	(27.1)	12.9
without specific provisions set aside	76	49	17	55.1	347.1
Gross impaired assets	216	241	141	(10.4)	53.2
Specific provision for impairment	(38)	(46)	(45)	(17.4)	(15.6)
Net impaired assets	178	195	96	(8.7)	85.4
Size of gross impaired assets					
Less than one million	30	21	21	42.9	42.9
Greater than one million but less than ten million	100	117	101	(14.5)	(1.0)
Greater than ten million	86	103	19	(16.5)	352.6
	216	241	141	(10.4)	53.2
Past due loans not shown as impaired assets	265	293	300	(9.6)	(11.7)
Gross non-performing loans	481	534	441	(9.9)	9.1
Analysis of movements in gross impaired assets					
Balance at the beginning of the half year	241	141	146	70.9	65.1
Recognition of new impaired assets	71	131	37	(45.8)	91.9
Increases in previously recognised impaired assets	1	1	1	-	-
Impaired assets written off/sold during the half year	(27)	(16)	(3)	68.8	large
Impaired assets which have been reclassed as performing assets or repaid	(70)	(16)	(40)	337.5	75.0
Balance at the end of the half year	**216**	**241**	**141**	**(10.4)**	**53.2**

Impaired assets

Core net impaired assets reduced $17 million during the half. The home lending portfolio remained stable with improvements recorded in the Core business segments. The reduction in business impairments is mainly attributable to repayment of loans and one single name exposure returning to performing status.

Past due loans not shown as impaired

Core past due loans reduced by 9.6% in the half with improvement evident across the portfolio. Past due performance in Queensland continues to trend favourably to the portfolio average.

The Core Bank's past due loans remain low as a percentage of gross lending and have returned to pre-January 2011 Brisbane flood levels. This low level of arrears reflects Suncorp's conservative target market of "middle Australia" i.e. owner occupiers with an average home loan size of less than $300,000. "Low doc" mortgages represent approximately 5% of the home lending portfolio.

Provision for impairment

	DEC-12	JUN-12	DEC-11	DEC-12 vs JUN-12	DEC-12 vs DEC-11
	$M	$M	$M	%	%
Collective provision					
Balance at the beginning of the period	83	75	81	10.7	2.5
Charge against contribution to profit	3	8	(6)	(62.5)	n/a
Balance at the end of the period	86	83	75	3.6	14.7
Specific provision					
Balance at the beginning of the period	46	45	39	2.2	17.9
Charge against impairment losses	24	19	13	26.3	84.6
Write-off of impaired assets	(27)	(13)	(3)	107.7	large
Unwind of interest	(5)	(5)	(4)	-	25.0
Balance at the end of the period	38	46	45	(17.4)	(15.6)
Total provision for impairment - Banking activities	124	129	120	(3.9)	3.3
Equity reserve for credit loss					
Balance at the beginning of the period	102	107	74	(4.7)	37.8
Transfer (to) from retained earnings	5	(5)	33	(200.0)	(84.8)
Balance at the end of the period	107	102	107	4.9	-
Pre-tax equivalent coverage	153	146	153	4.8	-
Total provision for impairment and equity reserve for credit loss coverage - Core Banking activities	277	275	273	0.7	1.5

	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	39.8	34.4	53.2
Specific provision	17.6	19.1	31.9
Total provision	57.4	53.5	85.1
Equity reserve for credit loss coverage	70.8	60.6	108.5
Total provision and equity reserve for credit loss coverage	128.2	114.1	193.6

The Core Bank continues to be well provisioned with total provision and Equity Reserve for Credit Losses (ERCL) coverage remaining above 100%. The improvement in the coverage ratio was due mainly to the reduction in the impaired balances.

Average banking balance sheets

	HALF YEAR ENDED DEC-12			HALF YEAR ENDED JUN-12		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
ASSETS						
Interest-earning assets						
Trading and investment securities	6,759	153	4.49	6,287	161	5.15
Gross loans, advances and other receivables	44,305	1,402	6.28	41,913	1,423	6.83
Total interest-earning assets	51,064	1,555	6.04	48,200	1,584	6.61
Non-interest earning assets						
Other assets (inc. loan provisions)	874			796		
Total non-interest earning assets	874			796		
TOTAL ASSETS	51,938			48,996		
LIABILITIES						
Interest-bearing liabilities						
Retail deposits	30,118	656	4.32	29,101	710	4.91
Wholesale liabilities	17,283	404	4.64	15,705	391	5.01
Debt capital	1,053	25	4.71	1,077	28	5.23
Total interest-bearing liabilities	48,454	1,085	4.44	45,883	1,129	4.95
Non-interest bearing liabilities						
Other liabilities	1,033			952		
Total non-interest bearing liabilities	1,033			952		
TOTAL LIABILITIES	49,487			46,835		
AVERAGE SHAREHOLDERS' EQUITY	2,451			2,161		
Non-Shareholder Accounting Equity	57			112		
Average Shareholders' Equity	2,508			2,273		
Goodwill allocated to Banking Business	(235)			(235)		
AVERAGE SHAREHOLDERS' EQUITY (ex Goodwill)	2,273			2,038		
Analysis of interest margin and spread						
Interest-earning assets	51,064	1,555	6.04	48,200	1,584	6.61
Interest-bearing liabilities	48,454	1,085	4.44	45,883	1,129	4.95
Net interest spread			1.60			1.66
Net interest margin (interest-earning assets)	51,064	470	1.83	48,200	455	1.90
Net interest margin (lending assets)	44,305	470	2.10	41,913	455	2.18

Life

Result overview

Suncorp Life achieved an after tax profit of $51 million for the six months ended 31 December 2012. Underlying profit after tax was $61 million.

Life Risk new business growth continued at 18%, demonstrating ongoing momentum. Superannuation new business has moderated.

In-force growth continues (up 7%) with new business growth and in-force increases offsetting policy lapses. Funds under administration were $7.2 billion.

A prolonged period of economic uncertainty continues to impact consumer confidence. This is having a material impact on the Life insurance industry as a whole. Suncorp Life has been negatively impacted in a number of ways, including:

- Customer retention, with negative lapse experience of $17 million as economic conditions reduce life insurance affordability.
- Disability experience of negative $10 million, with more new claims than expected. The financial impact was mitigated by management actions to ensure the early finalisation of claims. The claims experience includes a negative $6 million one-off process alignment charge.
- New Business is challenged by lower market growth as customers review discretionary spending and seek to pay down debt.
- Lower interest yields are causing investment income to be below long run averages.
- Lower risk-free rates have caused an increased capital requirement.

Embedded Value (EV) is $2,430 million, down 7%. The key driver is a material change in lapse assumptions ($168 million) reflecting structural elements of experience. This will also impact planned margins in future years.

The Value of One Year's Sales (VOYS) is forecast to be $46 million for the full year, with $20 million from new business in the first half included in the Embedded Value.

Overall expenses increased by 7.0% as the business continues to invest in front-end marketing, new capabilities and implementation of regulatory change.

Outlook

Suncorp Life is a core part of the Suncorp Group's 'One Company Many Brands' business model. It is focused on servicing the needs of the Group's customer base while maintaining a strong presence in the IFA market.

The issues facing the Life Industry have compounded as a result of the prolonged challenges within the economy. These are likely to persist until economic conditions improve. Suncorp Life continues to address the issues, strategically and operationally, particularly in relation to experience and growing direct sales. The opportunities within the Group customer base provide Life with a unique advantage. It remains confident in its ability and track record to mitigate the impact of the economic conditions in the medium-term while generating strong long-term shareholder value.

Profit contribution

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Life Risk					
Planned profit margin release [1]	49	52	47	(5.8)	4.3
Death claims experience [2]	(2)	-	1	n/a	n/a
Disability claims experience [2]	(10)	(6)	(14)	66.7	(28.6)
Lapse experience	(17)	(5)	(8)	240.0	112.5
Other experience [2]	(4)	(1)	(3)	300.0	33.3
Underlying investment income	22	19	23	15.8	(4.3)
Life Risk	**38**	**59**	**46**	**(35.6)**	**(17.4)**
Superannuation	23	18	23	27.8	-
Total Life underlying profit after tax	**61**	**77**	**69**	**(20.8)**	**(11.6)**
Market adjustments [3]	**(10)**	**41**	**64**	**n/a**	**n/a**
Net profit after tax	**51**	**118**	**133**	**(56.8)**	**(61.7)**

[1] Planned profit margin release includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time
[2] Prior period ex SLSL Group claims have been reclassified into claims experience
[3] Market adjustments consists of Annuities Market Adjustments, Life Risk Policy Discount Rate changes and Investment Income Experience

Life Risk in-force annual premium

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Term and TPD	363	348	331	4.3	9.7
Trauma	142	144	138	(1.4)	2.9
Disability income	209	205	201	2.0	4.0
Other	25	25	23	-	8.7
Total Individual	**739**	**722**	**693**	**2.4**	**6.6**
Group	54	53	51	1.9	5.9
Total	**793**	**775**	**744**	**2.3**	**6.6**
Total Australia	**667**	**649**	**624**	**2.8**	**6.9**
Total New Zealand [1]	**126**	**126**	**120**	**-**	**5.0**

[1] In-force in NZD: Dec-12 $159 million, Jun-12 $161 million, Dec-11 $158 million

Life Risk new business by product

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Term and TPD	38	30	23	26.7	65.2
Trauma	4	7	11	(42.9)	(63.6)
Disability income	14	13	12	7.7	16.7
Other	4	4	6	-	(33.3)
Total Individual	**60**	**54**	**52**	**11.1**	**15.4**
Group [1]	5	2	3	150.0	66.7
Total	**65**	**56**	**55**	**16.1**	**18.2**

[1] Group New Business excludes NZ.

Life Risk new business by channel

	HALF YEAR ENDED DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
IFA	35	32	30	9.4	16.7
Direct	16	15	15	6.7	6.7
New Zealand	9	7	7	28.6	28.6
Total Individual	**60**	**54**	**52**	**11.1**	**15.4**
Group [1]	5	2	3	150.0	66.7
Total	**65**	**56**	**55**	**16.1**	**18.2**

(1) Group New Business excludes NZ

Superannuation new business

	HALF YEAR ENDED DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Superannuation	79	96	145	(17.7)	(45.5)
Pensions	48	37	36	29.7	33.3
Investment	4	6	6	(33.3)	(33.3)
Total	**131**	**139**	**187**	**(5.8)**	**(29.9)**

Funds under administration

	HALF YEAR ENDED DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Opening balance at start of period	7,111	7,311	7,694	(2.7)	(7.6)
Net inflows (outflows)	(127)	(60)	(227)	111.7	(44.1)
Investment income and other	246	(140)	(156)	n/a	n/a
Balance at end of period	**7,230**	**7,111**	**7,311**	**1.7**	**(1.1)**

Operating expenses

	HALF YEAR ENDED DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Total operating expenses [1]	**147**	**134**	**137**	**9.7**	**7.3**

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

Shareholder investment income

	HALF YEAR ENDED DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Shareholder investment income on invested assets	32	25	38	28.0	(15.8)
Less underlying investment income:					
Life Risk	(22)	(19)	(23)	15.8	(4.3)
Superannuation	(8)	(6)	(7)	33.3	14.3
Investment income experience	**2**	**-**	**8**	**n/a**	**(75.0)**

Invested shareholder assets[1]

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Cash [2]	548	586	209	(6.5)	162.2
Fixed interest securities	801	879	1,145	(8.9)	(30.0)
Equities	66	76	66	(13.2)	-
Property	4	3	6	33.3	(33.3)
Other	-	-	1	n/a	(100.0)
Total	**1,419**	**1,544**	**1,427**	**(8.1)**	**(0.6)**

(1) Excludes assets backing annuity and participating businesses
(2) Part 9 resulted in Fixed Interest securities being converted to Cash and held in the Suncorp Group Trusts at 30 June 2012.

Business results

Direct Australia

Direct remains a critical growth opportunity for Life and proof point of ‘One Company Many Brands’ with products being sold to:

- Suncorp, AAMI, Apia and GIO General Insurance customers – life insurance
- Suncorp Bank customers – Suncorp Everyday Super and consumer credit insurance.

70% of sales are made to Group customers via Suncorp’s General Insurance brands. Sales to General Insurance customers were up 30% but were offset by subdued performance in the Bank channel. Total Direct sales of $16 million were up 7%.

The half saw significant progress in the rollout of initiatives which will generate momentum in the second half. Examples include the addition of Income Protection to the Life product suite available via Suncorp and AAMI and the integration of a specialist Life team into the General Insurance call centre, servicing referrals from Home and Motor customers. Suncorp Everyday Super, launched in December, will also drive direct growth.

IFA

IFA Australia sales were $35 million, up 17%.

In Australia, Suncorp Life’s launch of the life risk proposition Asteron Life Complete (ALC) has driven double digit growth in the IFA portfolio. This demonstrates that the product offer is compelling and successfully leverages Asteron Life’s reputation and market-leading capabilities. This has been recognised, with ratings house NMG Consulting, ranking Asteron Life the number one provider within the Top 250 writers of Life Risk and number two for AFSLs in Australia[1].

The partnership to offer life insurance through Colonial First State, Australia’s largest investment platform, continues to perform strongly.

(1) NMG Consulting conducts an annual survey of the life insurance market to address the competitiveness of the top 11 insurers. This survey aims to capture the views of the IFA channel.

New Zealand

New Zealand Life Risk sales were $9 million, up 29%.

The IFA market has responded positively to a comprehensive relaunch of Asteron's offer, marketed as 'Take a fresh look at Asteron', highlighting innovative product enhancements such as an expanded heart attack definition.

The AA Life joint venture sales have grown 10%. Drivers include the launch of inbound sales via a direct response TV advertisement in October 2012, with new business at its highest level in the last two months of this half.

Superannuation

Superannuation new business sales through Suncorp channels were down 30% at $131 million. The economic environment and investment market conditions continue to place pressure on discretionary superannuation contributions.

Life's Funds Under Administration (FUA) of $7.2 billion were up 1.7% for the six months.

Life is well positioned for the Stronger Super environment having launched its MySuper compliant product, Suncorp Everyday Super in December 2012. This product was a joint initiative between Life and Bank, and is characterised by an innovative online interface, backed by substantially simplified operations and improved customer experience.

Experience

Customer retention is a key challenge across the industry and is one of Life's top strategic priorities.

The economy has experienced depressed consumer confidence over a prolonged period. Issues of affordability are driving both full lapses and reductions in cover as customers take a more critical view of discretionary expenditure and are more proactive in seeking to reduce costs.

Management has mitigated some of the cyclical impact through identifying high value customers with a high propensity to lapse and engaging with those customers to provide alternatives where appropriate. Focus is also being applied to addressing the structural issues around product and pricing that are impacting retention. That has led to assumption changes, which are explained in the Embedded Value section.

The economic environment also impacts on claims where there has been higher than expected levels of incidence. Strong management action, including rehabilitation to shorten the duration of disability claims has, to a large degree, offset this. The balance of losses reflects a one-off process alignment resulting in the recognition of some claims earlier than historically.

Investment income

Underlying investment income has been subdued, with low market yields impacting the results. Suncorp Life has changed its approach to calculating underlying investment income with derived earning rates now representing an average of the Government 10-year bond rate (7-years historical and 3-year market expected) with Risk Margins applied on top for various categories.

Expense management

Overall expenses were up on the comparative period as Life continues to invest in growing the business, developing capabilities and products as well as undertaking significant regulatory projects impacting the Australian and New Zealand life industries and superannuation business in Australia.

Life Embedded Value

The Embedded Value of Suncorp Life includes the Australian life company Suncorp Life & Superannuation Limited (SLSL), the New Zealand life company (Asteron Life Limited New Zealand) and various other legal entities in the Suncorp Life group of companies. The components of value are shown in the table below:

Embedded Value

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Adjusted net worth	**104**	**78**	**48**	**33.3**	**116.7**
Value of distributable profits	2,008	2,120	2,028	(5.3)	(1.0)
Value of imputation credits	318	406	389	(21.7)	(18.3)
Value of in-force	**2,326**	**2,526**	**2,417**	**(7.9)**	**(3.8)**
Traditional Embedded Value	**2,430**	**2,604**	**2,465**	**(6.7)**	**(1.4)**
Value of one year's new sales (VOYS)	**46**	**49**	**54**	**(6.1)**	**(14.8)**

Note that in relation to the above values:

- the components of value relate to Suncorp Life in its entirety
- the risk discount rate was equal to 4% above the risk-free rate
- value of in-force is the present value of distributable profits emerging (in excess of target capital), together with value of associated franking credits
- VOYS is based on the full year forecast sales and acquisition expenses and includes an allowance for the cost of holding target capital

Change in Embedded Value

The Embedded Value decreased by $174 million over the period from $2,604 million at 30 June 2012 to $2,430 million at 31 December 2012. The prolonged period of economic uncertainty has contributed to continued adverse lapse experience over the half year in line with the market. This experience has been reflected in a material strengthening of the long-term lapse assumption basis, which has had an adverse impact on the Embedded Value. The change in Embedded Value over the current year is shown in more detail below

	JUN-12 TO DEC-12 $M
Opening Embedded Value	**2,604**
Expected return	92
Experience: Jun-12 to Dec-12	
Economic	20
Claims, lapse and other	(29)
Future assumption changes	
Discount rate	(38)
Economic	(4)
Expenses	0
Lapses	(168)
Claims and other	16
Transfers from Group	0
Value Added from new business	20
Closing Embedded Value prior to	**2,513**
Dividends/transfers	(57)
Release of franking credits	(26)
Closing Embedded Value	**2,430**

Change in Value of One Year's Sales

The VOYS for Suncorp Life has decreased from $49 million at 30 June 2012 to $46 million at 31 December 2012. The decrease in VOYS is attributable to the strengthening in lapse basis, largely offset by sales growth.

Assumptions

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

Maintenance unit costs were based on assumptions underlying the valuation and were assumed to grow in line with inflation. The valuations do not assume any improvements in future unit costs from efficiency gains beyond the current 12 months. Discontinuance and claims (death and disability) assumptions are best estimate assumptions based on company experience.

VOYS calculations are based on forecast new business and acquisition costs for the full year 2013. New business includes new policies as well as voluntary increases to existing policies, whereas the EV includes contractual increases (age and CPI) on retail business but excludes voluntary increases.

SLSL is required to hold regulatory capital in excess of policy liabilities. It also holds additional capital ('target surplus') based on internal requirements. Asteron Life Ltd New Zealand holds capital as prescribed in the Life Solvency Standard, issued by the Reserve Bank of New Zealand plus additional target surplus capital. In determining the Embedded Value, the value of this capital is discounted based on the expected time that it is to be held, allowing for its release as business runs off.

The Suncorp Life Embedded Value also includes the value of Suncorp Portfolio Services Limited, based on discounted cash flow projections. A number of smaller entities within the division were valued at net assets.

Economic assumptions are shown below:

	DEC-12		JUN-12	
	AUSTRALIA	NEW ZEALAND	AUSTRALIA	NEW ZEALAND
	% PER ANNUM	% PER ANNUM	% PER ANNUM	% PER ANNUM
Investment return for underlying asset classes (gross of tax)				
Risk-free rate (at 10 years)	3.3	3.6	3.1	3.4
Cash	3.9	3.9	4.0	3.9
Fixed interest	4.0	4.1	4.1	4.0
Australian equities (inc. allowance for franking credits) (1)	8.4	8.1	8.2	8.0
International equities	7.3	7.1	7.2	7.0
Property	5.8	6.1	5.6	6.0
Investment returns (net of tax)	3.1	3.2	2.9	3.2
Inflation				
Benefit indexation	2.5	2.5	2.5	2.5
Expenses inflation	3.0	2.5	3.0	2.5
Risk discount rate	7.3	7.6	7.1	7.4

(1) New Zealand assumption covers Australasian equities

Sensitivity analysis

The tables below set out the sensitivity of the Embedded Value and value of new business to changes in key economic and business assumptions

	AS AT	
	DEC-12	JUN-12
	$M	$M
Base Embedded Value	**2,430**	**2,604**
Embedded Value assuming		
Discount rate and returns 1% higher	2,287	2,464
Discount rate and returns 1% lower	2,566	2,729
Discontinuance rates 10% lower	2,575	2,829
Renewal expenses 10% lower	2,474	2,643
Claims 10% lower (1)	2,659	2,804
Base value of one year's new business	**46**	**49**
Value of one year's new business assuming		
Discount rate and returns 1% higher	30	30
Discount rate and returns 1% lower	64	62
Discontinuance rates 10% lower	80	74
Acquisition expenses 10% lower	57	56
Claims 10% lower (1)	75	71

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

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

Statement of assets and liabilities

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Total assets					
Assets					
Invested assets	4,661	4,924	4,758	(5.3)	(2.0)
Assets backing annuity policies	142	145	139	(2.1)	2.2
Assets backing participating policies	2,524	2,434	2,379	3.7	6.1
Reinsurance ceded	409	443	391	(7.7)	4.6
Other assets	254	246	260	3.3	(2.3)
Goodwill and intangible assets	657	672	688	(2.2)	(4.5)
	8,647	**8,864**	**8,615**	**(2.4)**	**0.4**
Liabilities					
Payables	181	318	187	(43.1)	(3.2)
Outstanding claims liabilities	190	186	178	2.2	6.7
Deferred tax liabilities	86	48	61	79.2	41.0
Policy liabilities	5,058	5,224	5,178	(3.2)	(2.3)
Unvested policyholder benefits (1)	421	366	405	15.0	4.0
	5,936	**6,142**	**6,009**	**(3.4)**	**(1.2)**
Total net assets	**2,711**	**2,722**	**2,606**	**(0.4)**	**4.0**
Policyholder assets					
Invested assets	3,242	3,380	3,331	(4.1)	(2.7)
Assets backing annuity policies	142	145	139	(2.1)	2.2
Assets backing participating policies	2,524	2,434	2,379	3.7	6.1
Deferred tax assets	-	23	27	(100.0)	(100.0)
Other assets	10	-	6	n/a	66.7
	5,918	**5,982**	**5,882**	**(1.1)**	**0.6**
Liabilities					
Payables	-	10	-	(100.0)	n/a
Policy liabilities	5,497	5,606	5,477	(1.9)	0.4
Unvested policyholder benefits (1)	421	366	405	15.0	4.0
	5,918	**5,982**	**5,882**	**(1.1)**	**0.6**
Policyholder net assets	**-**	**-**	**-**	**n/a**	**n/a**
Shareholder assets					
Assets					
Invested assets	1,419	1,544	1,427	(8.1)	(0.6)
Reinsurance ceded	409	443	391	(7.7)	4.6
Other assets	244	246	254	(0.8)	(3.9)
Goodwill and intangible assets	657	672	688	(2.2)	(4.5)
	2,729	**2,905**	**2,760**	**(6.1)**	**(1.1)**
Liabilities					
Payables	181	308	187	(41.2)	(3.2)
Outstanding claims liabilities	190	186	178	2.2	6.7
Deferred tax liabilities	86	71	88	21.1	(2.3)
Policy liabilities	(439)	(382)	(299)	14.9	46.8
	18	**183**	**154**	**(90.2)**	**(88.3)**
Shareholder net assets	**2,711**	**2,722**	**2,606**	**(0.4)**	**4.0**

(1) Includes participating business policyholder retained profits

Non-core Bank

Result overview

In 2009, Suncorp undertook a strategic review of its banking operations and announced its strategy to create a Non-core division. The former Corporate Banking, Property Investment and Development Finance divisions were placed into an $18 billion portfolio and the Group began an orderly run-off strategy to maximise shareholder value. The Bank took a risk averse approach to funding the Non-core portfolio, reducing refinance risks by match funding liabilities to maturity. The portfolio was also backed by significant capital reserves to take account of its run-off nature and the higher proportion of impaired loans.

The portfolio is now in advanced stages of run-off with outstanding balances of $3.4 billion at December 2012. It has reduced by $1.1 billion or 24% over the half. This means the portfolio is now only approximately 20% of its original size. Exposures with balances in excess of $50 million have reduced from 121 at inception to 26 at December 2012.

The Non-core Bank's impaired portfolio was $1.6 billion at December 2012, down $205 million during the half. While the impaired portfolio trended close to $2 billion until recent periods, the composition of the portfolio has changed significantly over time. Since June 2009, over $2.6 billion of impaired loans have been sold, repaid or written off. Over this period ongoing economic uncertainty has also resulted in additional exposures becoming impaired. The impaired portfolio is closely managed, with all accounts having work-out strategies in place. The Bank will consider loan disposals where a transaction is deemed to maximise shareholder value. During the half, one large impaired exposure was sold.

As a run-off portfolio, the Non-core Bank's performance is not directly comparable to the Core portfolio or portfolios of other institutions that remain open to new business.

Operating expenses in the Non-core Bank are trending down although will continue to lag the portfolio run-off.

The Non-core Bank was established with the funding requirements of the portfolio matched to the portfolio's expected run-off profile, along with significant capital and liquidity buffers. These buffers have allowed management to assess the full range of run down options available for each exposure and maximise the release of capital from the portfolio. Since June 2009, the Non-core Bank has net returned $421 million of capital.

Outlook

The Non-core portfolio continues to exhibit good run down of outstanding exposures. While asset values remain constrained, there is heightened external interest in both performing and impaired assets, with negotiations initiated on a number of accounts.

The Bank's previous guidance was for the Non-core portfolio to be below $3 billion by June 2013. Given the progress of the run-off and a more optimistic view of refinance markets, the Bank now believes the portfolio will be below $2.7 billion by June 2013, with less than 50% of the outstanding balance being impaired. At that time, the Group will be well placed to review its strategic options.

Profit contribution

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Net interest income	14	4	28	250.0	(50.0)
Net non-interest income					
Net banking fee income	3	5	7	(40.0)	(57.1)
Other income (loss)	(25)	(29)	26	(13.8)	n/a
Total net non-interest income [(1)]	(22)	(24)	33	(8.3)	n/a
Total income	(8)	(20)	61	(60.0)	n/a
Operating expenses	(30)	(36)	(33)	(16.7)	(9.1)
Profit (loss) before impairment losses on loans and advances	(38)	(56)	28	(32.1)	n/a
Impairment losses on loans and advances	(162)	(242)	(122)	(33.1)	32.8
Non-core Bank profit (loss) before tax	**(200)**	**(298)**	**(94)**	**(32.9)**	**112.8**
Income tax	60	89	40	(32.6)	50.0
Non-core Bank profit (loss) after tax	**(140)**	**(209)**	**(54)**	**(33.0)**	**159.3**

(1) Net non-interest income includes gains and losses on the sale of financial instruments including loans

Ratios and statistics

	HALF YEAR ENDED		
	DEC-12	JUN-12	DEC-11
	%	%	%
Net interest margin (interest-earning assets)	0.31	0.06	0.40
Net interest margin (lending assets)	0.62	0.14	0.80
Impairment losses to gross loans and advances	7.49	7.73	3.26
Impairment losses to credit risk-weighted assets	7.89	9.02	3.63

Loans, advances and other receivables

	DEC-12	JUN-12	DEC-11	DEC-12 vs JUN-12	DEC-12 vs DEC-11
	$M	$M	$M	%	%
Corporate and lease finance	703	1,132	1,464	(37.9)	(52.0)
Development finance	1,325	1,473	1,848	(10.0)	(28.3)
Property investment	1,394	1,868	2,350	(25.4)	(40.7)
Non-core portfolio	**3,422**	**4,473**	**5,662**	**(23.5)**	**(39.6)**
Other receivables [(1)]	869	1,823	1,776	(52.3)	(51.1)
Gross banking loans, advances and other receivables	4,291	6,296	7,438	(31.8)	(42.3)
Provision for impairment	(349)	(408)	(433)	(14.5)	(19.4)
Loans, advances and other receivables	**3,942**	**5,888**	**7,005**	**(33.1)**	**(43.7)**
Credit risk-weighted assets	**4,074**	**5,396**	**6,660**	(24.5)	(38.8)

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

Business portfolios

Non-core run-off was $1.1 billion for the half, reducing the portfolio to $3.4 billion.

Corporate lending

The corporate lending and lease finance book has continued to run-off ahead of expectations, reducing by $0.4 billion since June 2012 to $0.7 billion. The half included the anticipated run-off of a large syndicated corporate loan arrangement following the sale of the underlying agribusiness assets.

Refinance markets are generally robust in this segment, although appetite remains exposure-specific. Many of the remaining customers have favourable pricing terms, with the portfolio now comprised of relatively higher quality credit exposures.

Development finance

The balance of development finance loans continues to slowly decline, reducing a further $0.15 billion since June 2012 to $1.3 billion. The portfolio includes $1.1 billion of impaired assets across a combination of asset classes, including vacant land and a small number of assets which carry continuing development risk.

Market conditions in this segment of the portfolio remain challenging. Factors impacting the segment are indicative of those apparent across the national property market since the onset of the GFC. The portfolio is considered mature with low levels of direct exposure to construction risk.

Property investment

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

Since June 2012, property investment loans have reduced by $0.5 billion to $1.4 billion. The portfolio includes $0.5 billion of impaired assets.

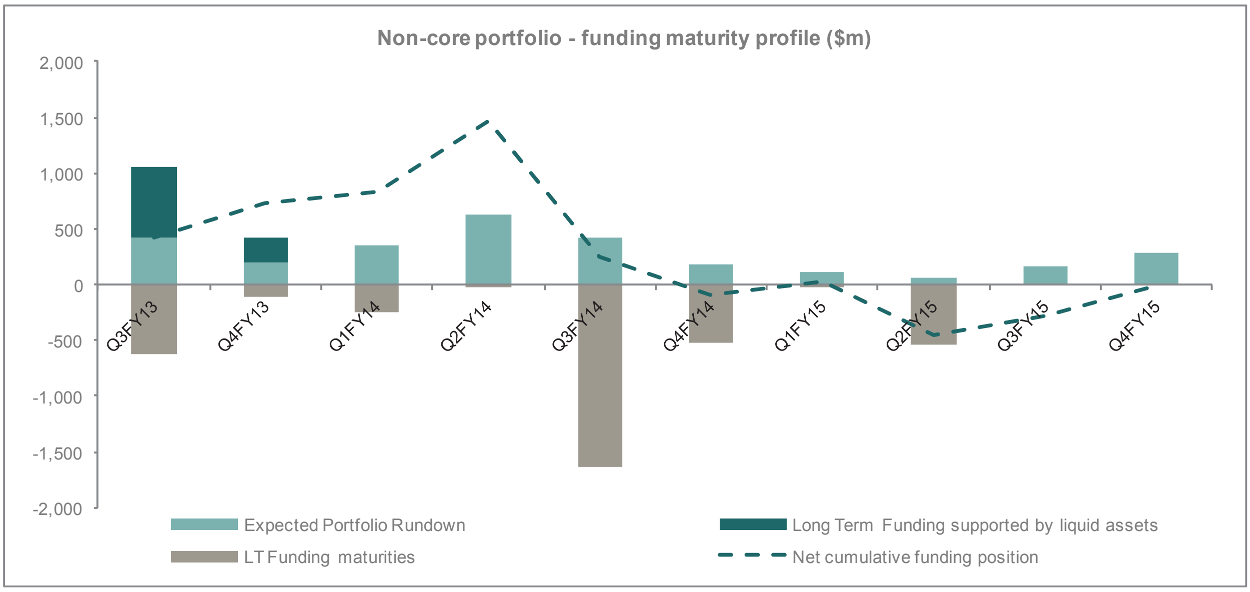
Low vacancy rates in the Commercial sector continue to give rise to refinancing opportunities, though retail and industrial conditions remain challenging. Refinance activity has continued, with purchasers showing interest in acquiring quality properties in proven locations. As expected, the portfolio continues to exhibit volatility at an individual exposure level and ongoing provisioning charges reflect this.

Non-core Bank funding composition

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Wholesale funding					
Domestic funding sources					
Short-term wholesale	1,907	1,869	2,140	2.0	(10.9)
Long-term wholesale	1,928	2,743	3,153	(29.7)	(38.9)
Subordinated notes	25	32	40	(21.9)	(37.5)
Reset preference shares	4	6	7	(33.3)	(42.9)
Convertible preference shares	108	137	172	(21.2)	(37.2)
	3,972	4,787	5,512	(17.0)	(27.9)
Overseas funding sources [1]					
Short-term wholesale	803	872	446	(7.9)	80.0
Long-term wholesale	1,007	3,216	3,202	(68.7)	(68.6)
Subordinated notes	14	93	118	(84.9)	(88.1)
	1,824	4,181	3,766	(56.4)	(51.6)
Total funding	**5,796**	**8,968**	**9,278**	**(35.4)**	**(37.5)**
Total funding is represented on the balance sheet by:					
Short-term borrowings	2,710	2,741	2,586	(1.1)	4.8
Bonds, notes and long-term borrowings	2,935	5,959	6,355	(50.7)	(53.8)
Subordinated notes	39	125	158	(68.8)	(75.3)
Preference shares	112	143	179	(21.7)	(37.4)
Total funding	**5,796**	**8,968**	**9,278**	**(35.4)**	**(37.5)**

[1] Foreign currency borrowings are hedged back into Australian dollars.

The Bank has run down the portfolio faster than originally expected.The chart below illustrates the cumulative funding position of the Non-core Bank, showing that the portfolio remains positively funded to December 2014 after which the funding risk for the portfolio is considered negligible. As a result of the Non-core Bank's strong cash position, the Bank was able to complete a $250 million buy-back of Domestic Government Guaranteed Senior Debt in August 2012.



Net interest income

The underlying net interest income continues to trend down as the portfolio runs off. The Non-core Bank has a high ratio of impaired loans and liquid assets to performing lending assets. The impaired and liquid portfolios suppress the Non-core Bank's net interest income by delivering low to negative returns after funding costs are taken into account. The half on half reduction of net interest income was also impacted by lower recoveries of interest previously not brought to account.

Net non-interest income

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Net banking fee income	3	5	7	(40.0)	(57.1)
Other income (loss)	(25)	(29)	26	(13.8)	n/a
Total net non-interest income[1]	**(22)**	**(24)**	**33**	**(8.3)**	**n/a**

[1] Net non-interest income includes gains and losses on the sale of financial instruments including loans.

Net non-interest income was negative $22 million for the half, driven by the sale of three lending exposures, which accounted for $254 million of the portfolio run-off, but generated disposal losses of $21 million. Other income was also adversely impacted by the early buy-back of Government Guarantee debt.

Operating expenses

Operating expenses for the Non-core portfolio were $30 million, down 9%.

The Bank remains focused on reducing the cost base associated with the management of the portfolio, namely direct management and servicing costs. It is anticipated that the cost management program will continue to lag portfolio run-off.

Impairment losses on loans and advances

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Collective provision for impairment	(7)	(29)	(5)	(75.9)	40.0
Specific provision for impairment	172	259	115	(33.6)	49.6
Actual net write-offs	(3)	12	12	n/a	n/a
	162	**242**	**122**	**(33.1)**	**32.8**
Impairment losses to credit risk-weighted assets (annualised)	**7.89%**	**9.02%**	**3.64%**		

Impairment losses of $162 million comprise:

- $39 million in specific provision charges relating to two sizable newly impaired exposures
- $64 million in specific provision charges for previously impaired assets. This reflects ongoing management of individual exposures, which, as flagged previously, remain volatile to particular sub-segments or sub-region.
- extensions to work out dates which by their nature will continue to fluctuate given the individual circumstances and broader market conditions. The longer work out periods have contributed $66 million to the impairment loss charge as a result of IFRS requirements. This accounting adjustment will unwind through net interest income in future periods; and
- $7 million in collective provision benefits from the continued run-off and derisking of the portfolio.

Impaired asset balances

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Gross balances of individually impaired loans					
with specific provisions set aside	1,601	1,823	2,138	(12.2)	(25.1)
without specific provisions set aside	43	26	25	65.4	72.0
Gross impaired assets	1,644	1,849	2,163	(11.1)	(24.0)
Specific provision for impairment	(294)	(346)	(342)	(15.0)	(14.0)
Net impaired assets	1,350	1,503	1,821	(10.2)	(25.9)
Size of gross impaired assets					
Less than one million	5	4	10	25.0	(50.0)
Greater than one million but less than ten million	165	145	192	13.8	(14.1)
Greater than ten million	1,474	1,700	1,961	(13.3)	(24.8)
	1,644	1,849	2,163	(11.1)	(24.0)
Past due loans not shown as impaired assets	59	27	226	118.5	(73.9)
Gross non-performing loans	1,703	1,876	2,389	(9.2)	(28.7)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	1,849	2,163	2,235	(14.5)	(17.3)
Recognition of new impaired assets	156	222	88	(29.7)	77.3
Increases in previously recognised impaired assets	26	17	19	52.9	36.8
Impaired assets written off/sold during the half year	(164)	(221)	(46)	(25.8)	256.5
Impaired assets which have been reclassed as performing assets or repaid	(223)	(332)	(133)	(32.8)	67.7
Balance at the end of the half year	**1,644**	**1,849**	**2,163**	**(11.1)**	**(24.0)**

Gross non-performing loans

Gross non-performing loans, which includes both impaired and past due balances, reduced $0.2 billion to $1.7 billion.

Impaired assets

The impaired asset balance reduced by $0.2 billion to $1.6 billion as at December 2012. The reduction includes the sale of a small number of assets including a single Corporate Bank exposure of greater than $50 million. The impairment of two medium-sized Property Investment exposures offset this. There is optimism that heightened interest in the portfolio will drive further reductions in the next half.

Past due loans not shown as impaired

Past due loans increased marginally by $32 million in the half to $59 million. This was caused by two smaller single name exposures in the Corporate segment.

Provision for impairment

	DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Collective provision					
Balance at the beginning of the period	62	91	96	(31.9)	(35.4)
Charge against contribution to profit	(7)	(29)	(5)	(75.9)	40.0
Balance at the end of the period	55	62	91	(11.3)	(39.6)
Specific provision					
Balance at the beginning of the period	346	342	348	1.2	(0.6)
Charge against impairment losses	172	259	115	(33.6)	49.6
Write-off of impaired assets	(164)	(192)	(47)	(14.6)	248.9
Unwind of interest	(60)	(63)	(74)	(4.8)	(18.9)
Balance at the end of the period	294	346	342	(15.0)	(14.0)
Total provision for impairment - Banking activities	349	408	433	(14.5)	(19.4)
Equity reserve for credit loss					
Balance at the beginning of the period	45	69	83	(34.8)	(45.8)
Transfer (to) from retained earnings	(19)	(24)	(14)	(20.8)	35.7
Balance at the end of the period	26	45	69	(42.2)	(62.3)
Pre-tax equivalent coverage	37	64	98	(42.2)	(62.2)
Total provision for impairment and equity reserve for credit loss coverage - Non-core Banking activities	386	472	531	(18.2)	(27.3)

	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	3.3	3.4	4.2
Specific provision	17.9	18.7	15.8
Total provision	21.2	22.1	20.0
Equity reserve for credit loss coverage	2.3	3.5	4.5
Total provision and equity reserve for credit loss coverage	23.5	25.5	24.5

The Non-core Bank provision coverage decreased by less than 1%. The reduction in provision coverage is due to previously raised specific provisions being written off as part of the work out of existing impaired exposures.

Over the life of the portfolio, the Non-core Bank has partially written down exposures where recovery is extremely unlikely. The Non-core Bank's coverage ratio would have been over 10 percentage points higher had these partial writedowns not reduced both impaired and provision balances.

The Non-core Bank will continue to subject underlying security valuations and work out periods to regular review and assessment in order to ensure the portfolio remains appropriately provisioned for an orderly run-off in volatile domestic and global economic conditions.

Average banking balance sheet

	HALF YEAR ENDED DEC-12			HALF YEAR ENDED JUN-12		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
ASSETS						
Interest-earning assets						
Financial assets	4,553	85	3.70	6,560	143	4.38
Gross loans, advances and other receivables	4,487	144	6.37	5,834	201	6.93
Total interest-earning assets	9,040	229	5.03	12,394	344	5.58
Non-interest earning assets						
Other assets (inc. loan provisions)	(844)			(1,077)		
Total non-interest earning assets	(844)			(1,077)		
TOTAL ASSETS	8,196			11,317		
LIABILITIES						
Interest-bearing liabilities						
Wholesale liabilities	7,395	210	5.63	10,087	332	6.62
Debt capital	212	5	4.68	299	8	5.38
Total interest-bearing liabilities	7,607	215	5.61	10,386	340	6.58
Non-interest bearing liabilities						
Other liabilities	-			-		
Total non-interest bearing liabilities	-			-		
TOTAL LIABILITIES	7,607			10,386		
AVERAGE SHAREHOLDERS' EQUITY	589			931		
Non-Shareholder Accounting Equity	(1)			-		
AVERAGE SHAREHOLDERS' EQUITY	588			931		
Analysis of interest margin and spread						
Interest-earning assets	9,040	229	5.03	12,394	344	5.58
Interest-bearing liabilities	7,607	215	5.61	10,386	340	6.58
Net interest spread			(0.58)			(1.00)
Net interest margin (interest-earning assets)	9,040	14	0.31	12,394	4	0.06
Net interest margin (lending assets)	4,487	14	0.62	5,834	4	0.14

Appendix 1 – Consolidated statement of comprehensive income and financial position

Consolidated statement of comprehensive income

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

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Revenue					
Insurance premium income	4,499	4,262	4,093	5.6	9.9
Reinsurance and other recoveries income	725	770	1,147	(5.8)	(36.8)
Banking interest income	1,787	1,937	2,088	(7.7)	(14.4)
Investment revenue	967	716	467	35.1	107.1
Other income	245	242	312	1.2	(21.5)
Total revenue	8,223	7,927	8,107	3.7	1.4
Expenses					
General insurance claims expense	(2,930)	(3,251)	(3,871)	(9.9)	(24.3)
Life insurance claims expense and movement in policyowners liabilities	(617)	(340)	26	81.5	n/a
Outwards reinsurance premium expense	(585)	(497)	(449)	17.7	30.3
Interest expense	(1,324)	(1,499)	(1,647)	(11.7)	(19.6)
Fees and commissions expense	(364)	(294)	(241)	23.8	51.0
Operating expenses	(1,344)	(1,321)	(1,280)	1.7	5.0
Impairment expense on Banking loans, advances and other receivables	(194)	(274)	(131)	(29.2)	48.1
Outside beneficial interests in managed funds	-	6	(8)	(100.0)	(100.0)
Total expenses	(7,358)	(7,470)	(7,601)	(1.5)	(3.2)
Profit before income tax	865	457	506	89.3	70.9
Income tax expense	(288)	(119)	(116)	142.0	148.3
Profit for the period	**577**	**338**	**390**	**70.7**	**47.9**
Other comprehensive income					
Net change in fair value of cash flow hedges	38	(126)	60	n/a	(36.7)
Net change in fair value of available-for-sale financial assets	(4)	6	(66)	n/a	(93.9)
Exchange differences on translation of foreign operations	12	22	(12)	(45.5)	n/a
Actuarial (losses) gains on defined benefit plans	4	(51)	-	n/a	n/a
Income tax on other comprehensive income	(15)	51	2	n/a	n/a
Other comprehensive income net of income tax	**35**	(98)	(16)	n/a	n/a
Total comprehensive income for the period	**612**	**240**	**374**	**155.0**	**63.6**
Profit for the period attributable to:					
Owners of the Company	574	335	389	71.3	47.6
Non-controlling interests	3	3	1	-	200.0
Profit for the period	**577**	338	390	70.7	47.9
Total comprehensive income for the period attributable to:					
Owners of the Company	609	237	373	157.0	63.3
Non-controlling interests	3	3	1	-	200.0
Total comprehensive income for the period	**612**	**240**	**374**	**155.0**	**63.6**

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

Consolidated statement of financial position

	GENERAL INSURANCE DEC-12 $M	BANKING DEC-12 $M	LIFE DEC-12 $M	CORPORATE DEC-12 $M	ELIMINATIONS DEC-12 $M	CONSOLIDATION DEC-12 $M
Assets						
Cash and cash equivalents	94	341	577	365	(782)	595
Receivables due from other banks	-	124	-	-	-	124
Trading securities	-	4,077	-	-	-	4,077
Derivatives	44	427	-	-	(89)	382
Investment securities	11,825	5,114	8,280	14,714	(15,887)	24,046
Banking loans, advances and other receivables	-	49,677	-	-	(14)	49,663
General Insurance assets	6,862	-	-	-	-	6,862
Life assets	-	-	624	-	-	624
Due from Group entities	28	190	12	-	(230)	-
Property, plant and equipment	27	-	4	178	-	209
Deferred tax assets	-	185	-	110	(226)	69
Other assets	252	319	31	22	(7)	617
Goodwill and intangible assets	5,177	262	657	111	-	6,207
Total assets	24,309	60,716	10,185	15,500	(17,235)	**93,475**
Liabilities						
Deposits and short-term borrowings	-	41,842	-	-	(782)	41,060
Derivatives	130	1,287	3	-	(89)	1,331
Payables due to other banks	-	32	-	-	-	32
Payables and other liabilities	871	502	173	300	(14)	1,832
Current tax liabilities	2	-	-	100	-	102
Due to Group entities	-	-	-	226	(226)	-
General Insurance liabilities	14,351	-	-	-	-	14,351
Life liabilities	-	-	5,678	-	-	5,678
Deferred tax liabilities	142	-	86	-	(228)	-
Managed funds units on issue	-	-	1,534	-	(1,534)	-
Securitisation liabilities	-	4,326	-	-	(21)	4,305
Debt issues	-	8,250	-	-	(44)	8,206
Subordinated notes	711	267	-	-	-	978
Preference shares	-	764	-	547	-	1,311
Total liabilities	16,207	57,270	7,474	1,173	(2,938)	79,186
Net assets	8,102	3,446	2,711	14,327	(14,297)	**14,289**
Equity						
Share capital						12,677
Reserves						(38)
Retained profits						1,636
Total equity attributable to owners of the Company						14,275
Non-controlling interests						14
Total equity						**14,289**

Appendix 2 – Ratio calculations

Earnings per share

Numerator

	HALF YEAR ENDED		
	DEC-12 $M	JUN-12 $M	DEC-11 $M
Earnings:			
Earnings used in calculating basic earnings per share	574	335	389
Interest expense on convertible preference shares (SBKPB) (net of tax)	17	20	21
Interest expense on convertible preference shares (SUNPC) (net of tax)	5	-	-
Earnings used in calculating diluted earnings per share	596	355	410

Denominator

	HALF YEAR ENDED		
	DEC-12 NO. OF SHARES	JUN-12 NO. OF SHARES	DEC-11 NO. OF SHARES
Weighted average number of shares:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,277,614,221	1,277,417,013	1,277,402,775
Effect of conversion of convertible preference shares (SBKPB)	74,166,507	94,021,565	87,874,490
Effect of conversion of convertible preference shares (SUNPC)	22,439,264	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,374,219,992	1,371,438,578	1,365,277,265

Return on average shareholders' equity

Numerator

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

Denominator

	HALF YEAR ENDED		
	DEC-12 $M	JUN-12 $M	DEC-11 $M
Adjusted average shareholders' equity			
Opening total equity	14,127	14,133	14,018
Less non-controlling interests	(17)	(12)	(17)
Opening adjusted equity	14,110	14,121	14,001
Closing total equity	14,289	14,127	14,133
Less non-controlling interests	(14)	(17)	(12)
Closing adjusted equity	14,275	14,110	14,121
Average adjusted equity	**14,193**	**14,116**	**14,061**

Appendix 2 – Ratio calculations (continued)

Issued shares

	HALF YEAR ENDED		
	DEC-12	JUN-12	DEC-11
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,286,600,980	1,286,600,980	1,286,600,980
Dividend declared for the period (cents per share)	25	35	20
Convertible preference shares (SUNPC) each fully paid			
Number at the end of the period	5,600,000	-	-
Dividend declared for the period ($ per share) [1]	0.61	-	-
Reset preference shares (SBKPA) each fully paid			
Number at the end of the period	304,063	304,063	304,063
Dividend declared for the period ($ per share) [1]	2.12	2.10	2.55
Convertible preference shares (SBKPB) each fully paid			
Number at the end of the period	7,350,000	7,350,000	7,350,000
Dividend declared for the period ($ per share) [1]	2.38	2.70	2.86

(1) Classified as interest expense

Appendix 3 – Group capital

Group capital position

	AS AT 31 DECEMBER 2012				
	GENERAL INSURANCE $M	BANKING $M	LIFE $M	SGL, CORP SERVICES & CONSOL $M	TOTAL $M
Tier 1					
Ordinary share capital	-	-	-	12,717	12,717
Subsidiary share capital (eliminated upon consolidation)	7,977	3,412	2,436	(13,825)	-
Reserves and non-controlling interests	(62)	(987)	251	739	(59)
Retained profits [(1)]	(287)	531	24	1,046	1,314
Preference shares	-	818	-	507	1,325
Insurance liabilities in excess of liability valuation	561	-	-	-	561
Less goodwill, brands	(5,174)	(262)	(657)	1	(6,092)
Less software assets	(3)	-	-	(112)	(115)
Less other capitalised expenses	-	(100)	-	(13)	(113)
Less deferred tax asset	-	(118)	-	117	(1)
Less other required deductions [(2)]	-	(8)	-	(4)	(12)
Net Tier 1 capital	3,012	3,286	2,054	1,173	9,525
Tier 2					
Preference shares not included in Tier 1	-	397	-	(397)	-
APRA general reserve for credit losses	-	201	-	-	201
Asset revaluation reserves	-	-	-	-	-
Subordinated notes	766	201	-	-	967
Net Tier 2 capital	766	799	-	(397)	1,168
Total capital base	**3,778**	**4,085**	**2,054**	**776**	**10,693**
Represented by:					
Capital in Australian regulated entities	3,400	4,058	1,694	-	9,152
Capital in New Zealand regulated entities	389	-	323	-	712
Capital in unregulated entities [(3)]	(11)	27	37	776	829
	3,778	**4,085**	**2,054**	**776**	**10,693**
Target capital base [(4)]	3,214	4,054	1,920	232	9,420

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

(2) Other required deductions includes items such as surpluses in defined benefit funds or assets that carry no loss absorbing value.

(3) All unregulated entities are adequately capitalised. Capital in unregulated entities includes capital in Authorised NOHCs such as Suncorp Group Limited (SGL), consolidation adjustments within a business unit and other diversification adjustments.

(4) APRA requires regulated entities and the NOHC to have internal capital targets. For the NOHC the capital target is made up of a sum of a 12.5% capital adequacy ratio in the Banking business, 1.45 times the Minimum Capital Requirement in the General Insurance business and the amalgamation of target capital for Statutory Funds, minimum capital required for Shareholder Funds and net tangible asset requirements for other entities in the Life business. Each of these businesses have their own internal capital targets.

Appendix 3 – Group capital (continued)

Group capital position

	AS AT 31 DECEMBER 2012				
	GENERAL INSURANCE $M	BANKING $M	LIFE $M	SGL, CORP SERVICES & CONSOL $M	TOTAL $M
Reconciliation of total capital base to net assets					
Net assets	8,102	3,446	2,711	30	14,289
Difference relating to APRA definition of retained profits	(470)	(4)	-	152	(322)
Equity items not eligible for inclusion in capital for APRA purposes					
Reserves (Post AIFRS)	-	97	-	-	97
Additional items allowable for capital for APRA purposes					
Preference shares	-	765	-	560	1,325
Subordinated notes	766	201	-	-	967
Insurance liabilities in excess of liability valuation	561	-	-	-	561
Holdings of own shares	(5)	-	-	46	41
Collective provision (net of tax effect)	-	68	-	-	68
Other items, adjustments	1	-	-	(1)	-
Deductions from capital for APRA purposes					
Goodwill, brands	(5,174)	(262)	(657)	1	(6,092)
Software assets	(3)	-	-	(112)	(115)
Deductible capitalised expenses	-	(100)	-	(13)	(113)
Deferred tax asset	-	(118)	-	117	(1)
Other assets excluded from regulatory capital	-	(8)	-	(4)	(12)
Total capital base	**3,778**	**4,085**	**2,054**	**776**	10,693

	AS AT 31 DECEMBER 2012				
	GENERAL INSURANCE $M	BANKING $M	LIFE $M	SGL, CORP SERVICES & CONSOL $M	TOTAL $M
Reconciliation of business line retained profits to reported retained profits					
Reported retained profits	183	535	24	894	1,636
Expected group dividend net of Dividend Reinvestment Plan	-	-	-	(322)	(322)
Expected intragroup dividends	(470)	(4)	-	474	-
Other differences in retained profits	-	-	-	-	-
	(470)	(4)	-	152	(322)
Business line retained profits (losses) used in Group capital position	**(287)**	**531**	**24**	**1,046**	**1,314**

Appendix 3 – Group capital (continued)

General Insurance minimum capital requirement

	DOMESTIC GI GROUP [1]			GI GROUP [2]		
	DEC-12	JUN-12	DEC-11	DEC-12	JUN-12	DEC-11
	$M	$M	$M	$M	$M	$M
Tier 1						
Ordinary share capital	2,408	2,243	2,347	7,977	7,812	7,916
Reserves and non-controlling interests	5	(12)	5	(62)	(66)	(83)
Retained profits	791	918	763	(287)	(174)	(264)
Insurance liabilities in excess of liability valuation	774	749	668	801	787	734
Less: Tax effect of excess insurance liabilities	(232)	(225)	(200)	(240)	(236)	(220)
	3,746	3,673	3,583	8,189	8,123	8,083
Less:						
Goodwill and other intangible assets	(1,112)	(1,112)	(1,111)	(5,174)	(5,217)	(5,256)
Other Tier 1 deductions	-	(3)	(10)	(3)	(1)	(26)
Total deductions from Tier 1 capital	(1,112)	(1,115)	(1,121)	(5,177)	(5,218)	(5,282)
Net Tier 1 capital	**2,634**	**2,558**	**2,462**	**3,012**	**2,905**	**2,801**
Tier 2						
Subordinated notes	766	764	767	766	764	767
APRA capital base	**3,400**	**3,322**	**3,229**	**3,778**	**3,669**	**3,568**
Outstanding claims risk capital charge	846	864	852	870	888	872
Premium liabilities risk capital charge	452	447	425	490	479	456
Total insurance risk capital charge	1,298	1,311	1,277	1,360	1,367	1,328
Investment risk capital charge	504	544	396	596	650	516
Catastrophe risk capital charge	260	260	263	260	260	263
Total minimum capital requirement (MCR)	**2,062**	**2,115**	**1,936**	**2,216**	**2,277**	**2,107**
MCR coverage (times)	**1.65**	**1.57**	**1.67**	**1.70**	**1.61**	**1.69**
	$M	$M	$M	$M	$M	$M
Retained profits movement						
Retained profits opening for the half year	918	763	739	(174)	(264)	(433)
Add GI profit after tax for the half year	564	331	162	564	331	162
Add (less) result after tax of non-regulated entities	(14)	29	(61)	-	-	-
Add (less) APRA & consolidation adjustments	(33)	(31)	(9)	(33)	(67)	(35)
Less dividends received (paid)	(644)	(174)	(68)	(644)	(174)	42
Retained profits closing for the half year	**791**	**918**	**763**	**(287)**	**(174)**	**(264)**

(1) Domestic GI Group – Suncorp's Australian Licensed insurers
(2) GI Group – Suncorp Insurance Holdings Ltd and its subsidiaries

Appendix 3 – Group capital (continued)

Banking capital adequacy

	DEC-12 $M	JUN-12 $M	DEC-11 $M
Consolidated banking capital[1]			
Tier 1			
Fundamental Tier 1			
Ordinary share capital	2,189	2,189	2,189
Retained profits	529	517	533
	2,718	2,706	2,722
Residual Tier 1			
Reset preference shares	30	30	30
Convertible preference shares	1,185	735	735
Preference shares not eligible for inclusion in Tier 1	(397)	-	-
	818	765	765
Tier 1 deductions			
Goodwill and other intangibles arising on acquisition	(27)	(27)	(29)
Software assets	-	(3)	(1)
Other capitalised expenses	(100)	(78)	(51)
Deferred tax asset	(118)	(159)	(143)
Other required deductions	(8)	(4)	(8)
Tier 1 deductions for investments in subsidiaries, capital support	(12)	(13)	(18)
	(265)	(284)	(250)
Total Tier 1 Capital	3,271	3,187	3,237
Tier 2			
Upper Tier 2			
APRA general reserve for credit losses	201	221	251
Perpetual subordinated notes	170	170	170
Preference shares not eligible for inclusion in Tier 1	397	-	-
	768	391	421
Lower Tier 2			
Subordinated notes	31	614	652
	31	614	652
Tier 2 Deductions			
Tier 2 deductions for investments in subsidiaries, capital support	(12)	(13)	(18)
	(12)	(13)	(18)
Total Tier 2 Capital	787	992	1,055
Capital base	4,058	4,179	4,292
Risk-weighted exposures	28,761	29,254	29,336
Market risk capital charge	388	462	387
Operational risk capital charge	3,285	3,334	3,059
Total assessed risk	32,434	33,050	32,782
Risk weighted capital ratio	12.52%	12.64%	13.09%
Common Equity Tier 1 capital	**2,441**	**2,409**	**2,453**
Common Equity Tier 1 ratio	**7.53%**	**7.29%**	**7.48%**

(1) The consolidated banking group for regulatory reporting is different to the statutory banking group. Therefore this table will differ to the banking group shown in the group tables.

Appendix 3 – Group capital (continued)

Banking capital adequacy (continued)

	DEC-12	JUN-12	DEC-11
	$M	$M	$M
Retained profits movement			
Retained profits opening for the half year	517	533	902
Add Banking profit after tax for the half year	4	(79)	102
Less profit after tax of entities not consolidated for APRA purposes	(2)	33	5
Add (less) APRA adjustments	14	29	(20)
Less dividend expense/accrual	(4)	1	(456)
Retained profits closing for the half year	**529**	**517**	**533**

Appendix 4 – Proforma Basel III and LAGIC tables

Group capital position

	AS AT 31 DECEMBER 2012				
	GENERAL INSURANCE $M	BANKING $M	LIFE $M	SGL, CORP SERVICES $M	TOTAL $M
Tier 1					
Ordinary share capital	-	-	-	12,717	12,717
Subsidiary share capital (eliminated upon consolidation)	7,977	3,412	2,436	(13,825)	-
Reserves	(72)	(995)	251	799	(17)
Retained profits and non-controlling interests	197	535	24	894	1,650
Insurance liabilities in excess of liability valuation	561	-	-	-	561
Less goodwill, brands	(5,090)	(262)	(568)	-	(5,920)
Less software assets	(3)	-	-	(115)	(118)
Less other intangible assets	-	(100)	-	-	(100)
Less deferred tax asset	(5)	(146)	(3)	(48)	(202)
Less policy liability adjustment (1)	-	-	(1,355)	-	(1,355)
Less other required deductions	(37)	-	-	(61)	(98)
Common Equity Tier 1 capital	**3,528**	**2,444**	**785**	**361**	**7,118**
Additional Tier 1					
Preference shares	-	1,139	-	110	1,249
Additional Tier 1 Capital	**-**	**1,139**	**-**	**110**	**1,249**
Tier 2					
APRA general reserve for credit losses	-	230	-	-	230
Subordinated notes	643	171	-	-	814
Net Tier 2 capital	643	401	-	-	1,044
Total capital base	**4,171**	**3,984**	**785**	**471**	**9,411**
Represented by:					
Capital in Australian regulated entities	3,742	3,956	525	-	8,223
Capital in New Zealand regulated entities	388	-	134	-	522
Capital in unregulated entities (2)	41	28	126	471	666
	4,171	**3,984**	**785**	**471**	**9,411**
Target capital base (3)	3,007	4,085	499	167	7,758

(1) Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policyowner retained profits. This mainly represents the implicit Deferred Acquisition Costs (DAC) for the life risk business. Under the previous standards, the DAC was not an adjustment to the Capital Base as it was included within the Capital Target.

(2) All unregulated entities are adequately capitalised. 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.

(3) APRA requires regulated entities and the NOHC to have internal capital targets. For the NOHC the capital target is made up of a sum of a 12.5% capital adequacy ratio in the Banking business, 1.45 times the Prescribed Capital Amount in the General Insurance business and the amalgamation of target capital for Statutory Funds, minimum capital required for Shareholder Funds and net tangible asset requirements for investment management entities in the Life business. Each of these businesses have their own internal capital targets.

Appendix 4 – Proforma Basel III and LAGIC tables (continued)

General Insurance Prescribed Capital Amount

	DOMESTIC GROUP (1) DEC-12 PRO FORMA LAGIC $M	GI GROUP (2) DEC-12 PRO FORMA LAGIC $M
Tier 1		
Ordinary share capital	2,408	7,977
Reserves	5	(72)
Retained profits and non-controlling interests (3)	1,261	197
Insurance liabilities in excess of liability valuation	774	808
Less: Tax effect of excess insurance liabilities	(232)	(247)
	4,216	8,663
Less:		
Goodwill and other intangible assets	(1,112)	(5,093)
Net deferred tax assets	-	(5)
Other Tier 1 deductions	(5)	(37)
Total deductions from Tier 1 capital	(1,117)	(5,135)
Common Equity Tier 1 capital	**3,099**	**3,528**
Additional Tier 1 capital	**-**	**-**
Tier 2		
Eligible hybrid capital	-	-
Ineligible hybrid capital	715	715
Regulatory haircut	(72)	(72)
APRA capital base	**3,742**	**4,171**
Proforma LAGIC Charges		
Outstanding claims risk capital charge	795	819
Premium liabilities risk capital charge	441	478
Total insurance risk capital charge	1,236	1,297
Insurance concentration risk charge (4)	260	260
Asset risk charge	604	678
Asset concentration risk charge	-	-
Operational risk charge	244	256
Aggregation benefit	(378)	(417)
Total Prescribed Capital Amount (PCA)	**1,966**	**2,074**

(1) Domestic GI Group – Suncorp's Australian Licensed Insurers

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

(3) Non-controlling interests have been aligned with retained earnings to better reflect the nature of this Tier 1 capital. These interests have previously been reported with reserves.

(4) Insurance concentration risk charge will not be implemented by APRA until January 2014. The final ICRC implications will depend on future reinsurance structures.

Appendix 4 – Proforma Basel III and LAGIC tables (continued)

Banking capital adequacy

	DEC-12 $M
Consolidated banking capital	
Common Equity Tier 1	
Ordinary share capital	2,189
Eligible reserves	(7)
Retained profits	532
	2,714
Adjustments to Common Equity Tier 1	
Goodwill and other intangibles arising on acquisition	(27)
Software assets	-
Other intangible assets	(100)
Deferred tax asset	(146)
Other required deductions	-
CET1 deductions for investments in subsidiaries, capital support	(25)
	(298)
Common Equity Tier 1 Capital	2,416
Additional Tier 1	
Eligible hybrid capital	450
Ineligible hybrid capital	765
Regulatory haircut	(76)
	1,139
Tier 1 Capital	3,555
Tier 2	
APRA general reserve for credit losses	230
Eligible hybrid capital	-
Ineligible hybrid capital	201
Regulatory haircut	(30)
	401
Total Tier 2 Capital	401
Capital base	3,956
Risk-weighted exposures	29,004
Market risk capital charge	388
Operational risk capital charge	3,285
Total assessed risk	32,677
Risk weighted capital ratio	12.11%
Common Equity Tier 1 Capital	**2,416**
Common Equity Tier 1 Ratio	**7.39%**

Appendix 4 – Proforma Basel III and LAGIC tables (continued)

Life Prescribed Capital Amount

	LIFE CO AUSTRALIA DEC-12 PRO FORMA LAGIC $M	LIFE CO NEW ZEALAND [1] DEC-12 RBNZ $M	OTHER ENTITIES [2] $M	TOTAL LIFE GROUP DEC-12 PRO FORMA LAGIC $M
Common Equity Tier 1				
Ordinary share capital	212	203	2,021	2,436
Reserves and non-controlling interests	-	(25)	276	251
Retained profits	1,482	145	(1,603)	24
	1,694	323	694	2,711
Adjustments to Common Equity Tier 1				
Goodwill and other intangible assets	-	-	(568)	(568)
Net deferred tax assets	-	(3)	-	(3)
Policy liability adjustment [3]	(1,169)	(186)	-	(1,355)
Other Tier 1 deductions	-	-	-	-
Total deductions from Tier 1 capital	(1,169)	(189)	(568)	(1,926)
Common Equity Tier 1 capital	**525**	**134**	**126**	**785**
Additional Tier 1 capital	**-**	**-**	**-**	**-**
Tier 2				
Subordinated notes	-	-	-	-
APRA capital base	**525**	**134**	**126**	**785**
Pro forma LAGIC Charges				
Insurance risk capital charge	-	23	-	23
Asset risk charge	98	54	-	152
Asset concentration risk charge	-	-	-	-
Operational risk charge	35	-	-	35
Aggregation benefit	-	-	-	-
Combined stress scenario adjustment	47	-	-	47
Total Life Insurance Prescribed Capital Amount (PCA) [4]	**180**	**77**	**34**	**291**

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

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

(3) Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policyowner retained profits. This mainly represents the implicit Deferred Acquisition Costs (DAC) for the life risk business. Under the previous standards, the DAC was not an adjustment to the Capital Base as it was included within the Capital Target.

(4) PCA in other entities is reflective of AFSL requirements being the greater of NTA, surplus liquid fund (SLF) or cash reserve requirements (CRR)

Appendix 5 – General Insurance short-tail and long-tail (includes NZ)

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Short-tail					
Gross written premium	3,284	3,157	2,988	4.0	9.9
Net earned premium	2,742	2,663	2,559	3.0	7.2
Net incurred claims	(1,674)	(1,949)	(1,960)	(14.1)	(14.6)
Acquisition expenses	(364)	(344)	(323)	5.8	12.7
Other underwriting expenses	(314)	(304)	(283)	3.3	11.0
Total operating expenses	(678)	(648)	(606)	4.6	11.9
Underwriting result	390	66	(7)	490.9	n/a
Investment income - insurance funds	76	59	31	28.8	145.2
Insurance trading result	466	125	24	272.8	large
	%	%	%		
Ratios					
Acquisition expenses ratio	13.3	12.9	12.6		
Other underwriting expenses ratio	11.5	11.4	11.1		
Total operating expenses ratio	24.7	24.3	23.7		
Loss ratio	61.1	73.2	76.6		
Combined operating ratio	85.8	97.5	100.3		
Insurance trading ratio	17.0	4.7	0.9		

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Long-tail					
Gross written premium	941	943	867	(0.2)	8.5
Net earned premium	859	782	800	9.8	7.4
Net incurred claims	(631)	(627)	(860)	0.6	(26.6)
Acquisition expenses	(129)	(125)	(111)	3.2	16.2
Other underwriting expenses	(75)	(59)	(66)	27.1	13.6
Total operating expenses	(204)	(184)	(177)	10.9	15.3
Underwriting result	24	(29)	(237)	n/a	n/a
Investment income - insurance funds	179	286	342	(37.4)	(47.7)
Insurance trading result	203	257	105	(21.0)	93.3
	%	%	%		
Ratios					
Acquisition expenses ratio	15.0	16.0	13.9		
Other underwriting expenses ratio	8.7	7.5	8.3		
Total operating expenses ratio	23.7	23.5	22.2		
Loss ratio	73.5	80.2	107.5		
Combined operating ratio	97.2	103.7	129.7		
Insurance trading ratio	23.6	32.9	13.1		

Appendix 6 – General Insurance New Zealand results expressed in NZ$

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	NZ$M	NZ$M	NZ$M	%	%
Gross written premium	592	534	532	10.9	11.3
Net earned premium	411	364	355	12.9	15.8
Net incurred claims	(226)	(240)	(256)	(5.8)	(11.7)
Acquisition expenses	(111)	(95)	(57)	16.8	94.7
Other underwriting expenses	(38)	(31)	(30)	22.6	26.7
Total operating expenses	(149)	(126)	(87)	18.3	71.3
Underwriting result	36	(2)	12	n/a	200.0
Investment income - insurance funds	10	7	8	42.9	25.0
Insurance trading result	46	5	20	large	130.0
	%	%	%		
Ratios					
Acquisition expenses ratio	27.0	26.1	16.1		
Other underwriting expenses ratio	9.2	8.5	8.5		
Total operating expenses ratio	36.3	34.6	24.6		
Loss ratio	55.0	65.9	72.1		
Combined operating ratio	91.2	100.5	96.7		
Insurance trading ratio	11.2	1.4	5.6		

Appendix 7 – Underlying ITR

	DEC-12 $M	JUN-12 $M	DEC-11 $M
Reported ITR	**669**	**382**	**129**
Reported ITR ratio	**18.6%**	**11.1%**	**3.8%**
Reported reserve releases (above) below long-run expectations (page 21)	13	(60)	(4)
Natural hazards (below) above long-run allowances (page 20)	(113)	129	149
Investment income mismatch (page 23)	(118)	56	141
Other:			
Risk margin (page 20)	(19)	(75)	(22)
Abnormal (Simplification/restructuring) expenses (page 22)	37	4	7
LAT/DAC movement (page 22)	14	14	(28)
Underlying ITR	**483**	**450**	**372**
Underlying ITR ratio	**13.4%**	**13.1%**	**11.1%**

Appendix 8 – General Insurance profit excluding the discount rate movements and Fire Service Levies

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Gross written premium [1]	4,037	3,947	3,705	2.3	9.0
Gross unearned premium movement	(100)	(233)	(107)	(57.1)	(6.5)
Gross earned premium	3,937	3,714	3,598	6.0	9.4
Outwards reinsurance expense	(498)	(412)	(368)	20.9	35.3
Net earned premium	3,439	3,302	3,230	4.1	6.5
Net incurred claims					
Claims expense	(3,001)	(3,093)	(3,590)	(3.0)	(16.4)
Reinsurance and other recoveries revenue	625	675	1,051	(7.4)	(40.5)
	(2,376)	(2,418)	(2,539)	(1.7)	(6.4)
Total operating expenses					
Acquisition expenses	(493)	(469)	(434)	5.1	13.6
Other underwriting expenses	(227)	(220)	(220)	3.2	3.2
	(720)	(689)	(654)	4.5	10.1
Underwriting result	343	195	37	75.9	large
Investment income - insurance funds	326	187	92	74.3	254.3
Insurance trading result	669	382	129	75.1	418.6
Managed schemes net contribution	(4)	11	2	n/a	n/a
Joint venture and other income	1	3	6	(66.7)	(83.3)
General Insurance operational earnings	666	396	137	68.2	386.1
Investment revenue - shareholder funds	160	77	126	107.8	27.0
General Insurance profit before tax and capital funding	826	473	263	74.6	214.1
Capital funding	(24)	(29)	(37)	(17.2)	(35.1)
General Insurance profit before tax	802	444	226	80.6	254.9
Income tax	(238)	(113)	(64)	110.6	271.9
General Insurance profit after tax	**564**	**331**	**162**	**70.4**	**248.1**

[1] Net of Fire Service Levies (FSL) 31 December 2012, $188 million, 30 June 2012, $153 million, 31 December 2011, $150 million.

	HALF YEAR ENDED		
	DEC-12	JUN-12	DEC-11
	%	%	%
Acquisition expenses ratio	14.3	14.2	13.4
Other underwriting expenses ratio	6.6	6.7	6.8
Total operating expenses ratio	20.9	20.9	20.2
Loss ratio	69.1	73.2	78.6
Combined operating ratio	90.0	94.1	98.8

Appendix 9 – Consolidated Bank

Profit contribution

	HALF YEAR ENDED						
	CORE	NON-CORE	TOTAL	TOTAL	TOTAL	DEC-12	DEC-12
	DEC-12	DEC-12	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	$M	$M	%	%
Net interest income	470	14	484	459	469	5.4	3.2
Net non-interest income							
Net banking fee income	36	3	39	48	48	(18.8)	(18.8)
MTM on financial instruments	8	-	8	1	14	large	(42.9)
Other income (loss)	4	(25)	(21)	(27)	29	(22.2)	n/a
Total net non-interest income [1]	48	(22)	26	22	91	18.2	(71.4)
Total income from Banking activities	518	(8)	510	481	560	6.0	(8.9)
Operating expenses	(273)	(30)	(303)	(306)	(291)	(1.0)	4.1
Consolidated Bank profit before impairment losses on loans and advances	245	(38)	207	175	269	18.3	(23.0)
Impairment losses on loans and advances	(32)	(162)	(194)	(274)	(131)	(29.2)	48.1
Consolidated Bank profit before tax	**213**	**(200)**	**13**	**(99)**	**138**	**n/a**	**(90.6)**
Income tax	(69)	60	(9)	23	(36)	n/a	(75.0)
Consolidated Bank profit after tax	**144**	**(140)**	**4**	**(76)**	**102**	**n/a**	**(96.1)**

(1) Net non-interest income includes gains and losses on the sale of financial instruments including loans.

	HALF YEAR ENDED		
	DEC-12	JUN-12	DEC-11
	%	%	%
Net interest margin (interest-earning assets)	1.60	1.52	1.56
Net interest margin (lending assets)	1.97	1.93	2.00
Cost to income ratio	59.4	63.6	52.0
Impairment losses to gross loans and advances	0.77	1.11	0.54
Impairment losses to credit risk-weighted assets	1.40	1.97	0.93

Appendix 9 – Consolidated Bank (continued)

Statement of assets and liabilities

	CORE DEC-12 $M	NON-CORE DEC-12 $M	TOTAL DEC-12 $M	JUN-12 $M	DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Assets							
Cash and cash equivalents	239	102	341	549	297	(37.9)	14.8
Receivables due from other banks	122	2	124	154	159	(19.5)	(22.0)
Trading securities	2,064	2,013	4,077	4,787	3,641	(14.8)	12.0
Derivatives	275	152	427	424	330	0.7	29.4
Investment securities	4,635	479	5,114	6,308	6,660	(18.9)	(23.2)
Loans, advances and other receivables	45,735	3,942	49,677	49,210	47,779	0.9	4.0
Due from Group entities	190	-	190	144	71	31.9	167.6
Deferred tax assets	97	88	185	241	178	(23.2)	3.9
Other assets [(1)]	188	131	319	350	279	(8.9)	14.3
Goodwill and intangible assets	262	-	262	262	266	-	(1.5)
Total assets	53,807	6,909	60,716	62,429	59,660	(2.7)	1.8
Liabilities							
Deposits and short-term borrowings	39,132	2,710	41,842	41,544	39,268	0.7	6.6
Derivatives	704	583	1,287	2,369	2,086	(45.7)	(38.3)
Payables due to other banks	32	-	32	41	26	(22.0)	23.1
Payables and other liabilities	502	-	502	634	598	(20.8)	(16.1)
Securitisation liabilities	4,326	-	4,326	3,839	4,356	12.7	(0.7)
Debt issues	5,315	2,935	8,250	9,598	8,706	(14.0)	(5.2)
Subordinated notes	228	39	267	666	670	(59.9)	(60.1)
Preference shares	652	112	764	762	760	0.3	0.5
Total liabilities	50,891	6,379	57,270	59,453	56,470	(3.7)	1.4
Net assets	**2,916**	**530**	**3,446**	**2,976**	**3,190**	**15.8**	**8.0**
Reconciliation of net equity to Common Equity Tier 1 Capital							
Net equity - Banking line of business			3,446	2,976	3,190		
Residual tier 1 capital			(450)	-	-		
Goodwill allocated to Banking Business			(235)	(235)	(235)		
Regulatory capital equity adjustments			90	112	(58)		
Regulatory capital deductions			(277)	(297)	(268)		
Other reserves excluded from CET1 ratio			(133)	(147)	(176)		
Common Equity Tier 1 Capital			**2,441**	**2,409**	**2,453**		

(1) Other assets are mainly made up of accrued interest and prepayments

Appendix 9 – Consolidated Bank (continued)

Loans, advances and other receivables

	CORE DEC-12 $M	NON-CORE DEC-12 $M	TOTAL DEC-12 $M	TOTAL JUN-12 $M	TOTAL DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Housing loans	28,614	-	28,614	27,639	27,200	3.5	5.2
Securitised housing loans and covered bonds	7,349	-	7,349	6,316	4,659	16.4	57.7
Total housing loans	35,963	-	35,963	33,955	31,859	5.9	12.9
Consumer loans	464	-	464	482	510	(3.7)	(9.0)
Retail loans	36,427	-	36,427	34,437	32,369	5.8	12.5
Commercial (SME)	5,297	-	5,297	5,063	4,829	4.6	9.7
Corporate and lease finance	-	703	703	1,132	1,464	(37.9)	(52.0)
Development finance	-	1,325	1,325	1,473	1,848	(10.0)	(28.3)
Property investment	-	1,394	1,394	1,868	2,350	(25.4)	(40.7)
Agribusiness	4,039	-	4,039	3,856	3,576	4.7	12.9
Business loans	9,336	3,422	12,758	13,392	14,067	(4.7)	(9.3)
Total lending	**45,763**	**3,422**	**49,185**	**47,829**	**46,436**	**2.8**	**5.9**
Other receivables [1]	96	869	965	1,918	1,896	(49.7)	(49.1)
Gross banking loans, advances and other receivables	45,859	4,291	50,150	49,747	48,332	0.8	3.8
Provision for impairment	(124)	(349)	(473)	(537)	(553)	(11.9)	(14.5)
Loans, advances and other receivables	**45,735**	**3,942**	**49,677**	**49,210**	**47,779**	**0.9**	**4.0**
Credit-risk weighted assets	**23,349**	**4,074**	**27,423**	**28,002**	**27,967**	**(2.1)**	**(1.9)**
Geographical breakdown - Total lending							
Queensland	27,488	1,401	28,889	28,711	28,256	0.6	2.2
New South Wales	10,080	1,351	11,431	10,698	10,055	6.9	13.7
Victoria	3,976	511	4,487	4,377	4,370	2.5	2.7
Western Australia	2,902	157	3,059	2,807	2,580	9.0	18.6
South Australia and other	1,317	2	1,319	1,236	1,175	6.7	12.3
Outside of Queensland loans	18,275	2,021	20,296	19,118	18,180	6.2	11.6
Total lending	**45,763**	**3,422**	**49,185**	**47,829**	**46,436**	**2.8**	**5.9**

[1] Other receivables are primarily collateral deposits provided to derivative counterparties

Appendix 9 – Consolidated Bank (continued)

Funding and deposits

	CORE DEC-12 $M	NON-CORE DEC-12 $M	TOTAL DEC-12 $M	TOTAL JUN-12 $M	TOTAL DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Retail funding							
Retail deposits							
Call deposits	10,598	-	10,598	9,590	9,846	10.5	7.6
Term deposits	15,486	-	15,486	15,316	14,421	1.1	7.4
Core retail deposits	26,084	-	26,084	24,906	24,267	4.7	7.5
Retail treasury deposits	4,061	-	4,061	4,985	4,013	(18.5)	1.2
Total retail funding	30,145	-	30,145	29,891	28,280	0.8	6.6
Wholesale funding							
Domestic funding sources							
Short-term wholesale	6,338	1,907	8,245	7,937	9,120	3.9	(9.6)
Long-term wholesale	2,047	1,928	3,975	3,683	4,319	7.9	(8.0)
Covered bonds	2,195	-	2,195	1,598	-	37.4	n/a
Subordinated notes	145	25	170	170	170	-	-
Reset preference shares	26	4	30	31	30	(3.2)	-
Convertible preference shares	626	108	734	731	730	0.4	0.5
	11,377	3,972	15,349	14,150	14,369	8.5	6.8
Overseas funding sources [(1)]							
Short-term wholesale	2,649	803	3,452	3,716	1,868	(7.1)	84.8
Long-term wholesale	1,073	1,007	2,080	4,317	4,387	(51.8)	(52.6)
Subordinated notes	83	14	97	496	500	(80.4)	(80.6)
	3,805	1,824	5,629	8,529	6,755	(34.0)	(16.7)
Total wholesale funding	15,182	5,796	20,978	22,679	21,124	(7.5)	(0.7)
Total funding (excluding securitisation)	**45,327**	**5,796**	**51,123**	**52,570**	**49,404**	**(2.8)**	**3.5**
Securitised funding							
APS 120 qualifying [(2)]	3,552	-	3,552	2,936	3,322	21.0	6.9
APS 120 non-qualifying	774	-	774	903	1,034	(14.3)	(25.1)
Total securitised funding	4,326	-	4,326	3,839	4,356	12.7	(0.7)
Total funding (including securitisation)	**49,653**	**5,796**	**55,449**	**56,409**	**53,760**	**(1.7)**	**3.1**
Total funding is represented on the balance sheet by:							
Deposits	30,145	-	30,145	29,891	28,280	0.8	6.6
Short-term borrowings	8,987	2,710	11,697	11,653	10,988	0.4	6.5
Securitisation liabilities	4,326	-	4,326	3,839	4,356	12.7	(0.7)
Bonds, notes and long-term borrowings	5,315	2,935	8,250	9,598	8,706	(14.0)	(5.2)
Subordinated notes	228	39	267	666	670	(59.9)	(60.1)
Preference shares	652	112	764	762	760	0.3	0.5
Total	**49,653**	**5,796**	**55,449**	**56,409**	**53,760**	**(1.7)**	**3.1**

(1) Foreign currency borrowings are hedged back into Australian dollars.
(2) Qualifies for capital relief under APS 120

Appendix 9 – Consolidated Bank (continued)

Wholesale funding instruments maturity profile

	CORE DEC-12 $M	NON-CORE DEC-12 $M	TOTAL DEC-12 $M	TOTAL JUN-12 $M	TOTAL DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Maturity							
0 to 3 months	7,599	2,111	9,710	11,980	10,085	(18.9)	(3.7)
3 to 6 months	3,202	613	3,815	2,441	2,730	56.3	39.7
6 to 12 months	1,204	851	2,055	1,846	3,099	11.3	(33.7)
1 to 3 years	5,073	2,088	7,161	7,180	7,413	(0.3)	(3.4)
3+ years	2,430	133	2,563	3,071	2,153	(16.5)	19.0
Total wholesale funding instruments	19,508	5,796	25,304	26,518	25,480	(4.6)	(0.7)

Net non-interest income

	HALF YEAR ENDED						
	CORE DEC-12 $M	NON-CORE DEC-12 $M	TOTAL DEC-12 $M	TOTAL JUN-12 $M	TOTAL DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Net banking fee income	36	3	39	48	48	(18.8)	(18.8)
MTM on financial instruments	8	-	8	1	14	large	(42.9)
Other income (loss)	4	(25)	(21)	(27)	29	(22.2)	n/a
Total net non-interest income[1]	**48**	**(22)**	**26**	**22**	**91**	**18.2**	**(71.4)**

(1) Net non-interest income includes gains and losses on the sale of financial instruments including loans.

Appendix 9 – Consolidated Bank (continued)

Operating expenses

	HALF YEAR ENDED			DEC-12	DEC-12
	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	%	%
Total operating expenses					
Core operating expenses	(273)	(270)	(258)	1.1	5.8
Non-core operating expenses	(30)	(36)	(33)	(16.7)	(9.1)
	(303)	(306)	(291)	(1.0)	4.1
Consisting of:					
Staff expenses	(180)	(172)	(168)	4.7	7.1
Equipment and occupancy expenses	(56)	(54)	(53)	3.7	5.7
Hardware, software and dataline expenses	(17)	(24)	(18)	(29.2)	(5.6)
Advertising and promotion	(14)	(17)	(18)	(17.6)	(22.2)
Office supplies, postage and printing	(15)	(12)	(12)	25.0	25.0
Other [1]	(21)	(27)	(22)	(22.2)	(4.5)
	(303)	**(306)**	**(291)**	**(1.0)**	**4.1**

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

Impairment losses on loans and advances

	HALF YEAR ENDED						
	CORE	NON-CORE	TOTAL	TOTAL	TOTAL	DEC-12	DEC-12
	DEC-12	DEC-12	DEC-12	JUN-12	DEC-11	vs JUN-12	vs DEC-11
	$M	$M	$M	$M	$M	%	%
Collective provision for impairment	3	(7)	(4)	(21)	(11)	(81.0)	(63.6)
Specific provision for impairment	24	172	196	278	128	(29.5)	53.1
Actual net write-offs	5	(3)	2	17	14	(88.2)	(85.7)
	32	**162**	**194**	**274**	**131**	**(29.2)**	**48.1**
Impairment losses to credit risk-weighted assets (annualised)	**0.27%**	**7.89%**	**1.40%**	**1.97%**	**0.93%**		

Appendix 9 – Consolidated Bank (continued)

Impaired asset balances

	CORE DEC-12 $M	NON-CORE DEC-12 $M	TOTAL DEC-12 $M	TOTAL JUN-12 $M	TOTAL DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Gross balances of individually impaired loans							
with specific provisions set aside	140	1,601	1,741	2,015	2,262	(13.6)	(23.0)
without specific provisions set aside	76	43	119	75	42	58.7	183.3
Gross impaired assets	216	1,644	1,860	2,090	2,304	(11.0)	(19.3)
Specific provision for impairment	(38)	(294)	(332)	(392)	(387)	(15.3)	(14.2)
Net impaired assets	178	1,350	1,528	1,698	1,917	(10.0)	(20.3)
Size of gross individually impaired assets							
Less than one million	30	5	35	25	31	40.0	12.9
Greater than one million but less than ten million	100	165	265	262	293	1.1	(9.6)
Greater than ten million	86	1,474	1,560	1,803	1,980	(13.5)	(21.2)
	216	1,644	1,860	2,090	2,304	(11.0)	(19.3)
Past due loans not shown as impaired assets	265	59	324	320	526	1.3	(38.4)
Gross non-performing loans	481	1,703	2,184	2,410	2,830	(9.4)	(22.8)
Analysis of movements in gross individually impaired assets							
Balance at the beginning of the half year	241	1,849	2,090	2,304	2,381	(9.3)	(12.2)
Recognition of new impaired assets	71	156	227	353	125	(35.7)	81.6
Increases in previously recognised impaired assets	1	26	27	18	20	50.0	35.0
Impaired assets written off/sold during the period	(27)	(164)	(191)	(237)	(49)	(19.4)	289.8
Impaired assets which have been reclassed as performing assets or repaid	(70)	(223)	(293)	(348)	(173)	(15.8)	69.4
Balance at the end of the half year	**216**	**1,644**	**1,860**	**2,090**	**2,304**	**(11.0)**	**(19.3)**

Appendix 9 – Consolidated Bank (continued)

Provision for impairment

	CORE DEC-12 $M	NON-CORE DEC-12 $M	TOTAL DEC-12 $M	TOTAL JUN-12 $M	TOTAL DEC-11 $M	DEC-12 vs JUN-12 %	DEC-12 vs DEC-11 %
Collective provision							
Balance at the beginning of the period	83	62	145	166	177	(12.7)	(18.1)
Charge against contribution to profit	3	(7)	(4)	(21)	(11)	(81.0)	(63.6)
Balance at the end of the period	86	55	141	145	166	(2.8)	(15.1)
Specific provision							
Balance at the beginning of the period	46	346	392	387	387	1.3	1.3
Charge against impairment losses	24	172	196	278	128	(29.5)	53.1
Write-off of impaired assets	(27)	(164)	(191)	(205)	(50)	(6.8)	282.0
Unwind of interest	(5)	(60)	(65)	(68)	(78)	(4.4)	(16.7)
Balance at the end of the period	38	294	332	392	387	(15.3)	(14.2)
Total provision for impairment - Banking activities	124	349	473	537	553	(11.9)	(14.5)
Equity reserve for credit loss							
Balance at the beginning of the period	102	45	147	176	157	(16.5)	(6.4)
Transfer to retained earnings	5	(19)	(14)	(29)	19	(51.7)	n/a
Balance at the end of the period	107	26	133	147	176	(9.5)	(24.4)
Pre-tax equivalent coverage	153	37	190	210	251	(9.5)	(24.3)
Total provision for impairment and equity reserve for credit loss - Banking activities	277	386	663	747	804	(11.2)	(17.5)

	%	%	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:					
Collective provision	39.8	3.3	7.6	6.9	7.2
Specific provision	17.6	17.9	17.8	18.8	16.8
Total provision	57.4	21.2	25.4	25.7	24.0
Equity reserve for credit loss coverage	70.8	2.3	10.2	10.0	10.9
Total provision and equity reserve for credit loss coverage	128.2	23.5	25.4	35.7	34.9

Appendix 9 – Consolidated Bank (continued)

Average banking balance sheet

	HALF YEAR ENDED DEC-12								
	CORE PORTFOLIO			NON-CORE PORTFOLIO			TOTAL PORTFOLIO		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
	$M	$M	%	$M	$M	%	$M	$M	%
Assets									
Interest-earning assets									
Trading and investment securities	6,759	153	4.49	4,553	85	3.70	11,312	238	4.17
Gross loans, advances and other receivables	44,305	1,402	6.28	4,487	144	6.37	48,792	1,546	6.29
Total interest-earning assets	51,064	1,555	6.04	9,040	229	5.03	60,104	1,784	5.89
Non-interest earning assets									
Other assets (inc. loan provisions)	874			(844)			30		
Total non-interest earning assets	874			(844)			30		
TOTAL ASSETS	51,938			8,196			60,134		
Liabilities									
Interest-bearing liabilities									
Retail deposits	30,118	656	4.32	-	-	-	30,118	656	4.32
Wholesale liabilities	17,283	404	4.64	7,395	210	5.63	24,678	614	4.94
Debt capital	1,053	25	4.71	212	5	4.68	1,265	30	4.70
Total interest-bearing liabilities	48,454	1,085	4.44	7,607	215	5.61	56,061	1,300	4.60
Non-interest bearing liabilities									
Other liabilities	1,033			-			1,033		
Total non-interest bearing liabilities	1,033			-			1,033		
TOTAL LIABILITIES	49,487			7,607			57,094		
AVERAGE SHAREHOLDERS' EQUITY	2,451			589			3,040		
Non-Shareholder Accounting Equity	57			(1)			56		
Average Shareholders' Equity	2,508			588			3,096		
Goodwill allocated to Banking Business	(235)			-			(235)		
Average Shareholders' Equity (ex Goodwill)	2,273			588			2,861		
Analysis of interest margin and spread									
Interest-earning assets	51,064	1,555	6.04	9,040	229	5.03	60,104	1,784	5.89
Interest-bearing liabilities	48,454	1,085	4.44	7,607	215	5.61	56,061	1,300	4.60
Net interest spread			1.60			(0.58)			1.29
Net interest margin (interest-earning assets)	51,064	470	1.83	9,040	14	0.31	60,104	484	1.60
Net interest margin (lending assets)	44,305	470	2.10	4,487	14	0.62	48,792	484	1.97

Appendix 9 – Consolidated Bank (continued)

Average banking balance sheet (continued)

	HALF YEAR ENDED JUN-12 TOTAL PORTFOLIO			HALF YEAR ENDED DEC-11 TOTAL PORTFOLIO		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Assets						
Interest-earning assets						
Trading and investment securities	12,847	304	4.76	13,046	349	5.32
Gross loans, advances and other receivables	47,747	1,624	6.84	46,692	1,722	7.34
Total interest-earning assets	60,594	1,928	6.40	59,738	2,071	6.90
Non-interest earning assets						
Other assets (inc. loan provisions)	(281)			(170)		
Total non-interest earning assets	(281)			(170)		
TOTAL ASSETS	60,313			59,568		
Liabilities						
Interest-bearing liabilities						
Retail deposits	29,101	710	4.91	27,740	717	5.14
Wholesale liabilities	25,792	723	5.64	26,345	843	6.36
Debt capital	1,376	36	5.26	1,456	42	5.74
Total interest-bearing liabilities	56,269	1,469	5.25	55,541	1,602	5.74
Non-interest bearing liabilities						
Other liabilities	952			927		
Total non-interest bearing liabilities	952			927		
TOTAL LIABILITIES	57,221			56,468		
AVERAGE SHAREHOLDERS' EQUITY	3,092			3,100		
Non-Shareholder Accounting Equity	112			50		
Average Shareholders' Equity	3,204			3,150		
Goodwill allocated to Banking Business	(235)			(235)		
Average Shareholders' Equity (ex Goodwill)	2,969			2,915		
Analysis of interest margin and spread						
Interest-earning assets	60,594	1,928	6.40	59,738	2,071	6.90
Interest-bearing liabilities	56,269	1,469	5.25	55,541	1,602	5.74
Net interest spread			1.15			1.16
Net interest margin (interest-earning assets)	60,594	459	1.52	59,738	469	1.56
Net interest margin (lending assets)	47,747	459	1.93	46,692	469	2.00

Appendix 9 – Consolidated Bank (continued)

APS330 Disclosure

Table 15
Capital Structure

	DEC-12 $M	JUN-12 $M
Tier 1		
Ordinary share capital	2,189	2,189
Retained profits	529	517
Preference shares	818	765
Less goodwill, brands	(27)	(27)
Less software assets	-	(3)
Less other capitalised expenses	(100)	(78)
Less deferred tax asset	(118)	(159)
Less other required deductions	(8)	(4)
Less Tier 1 deductions for investments in subsidiaries, capital support	(12)	(13)
Total Tier 1 capital	**3,271**	**3,187**
Tier 2		
APRA general reserves for credit losses	201	221
Subordinated notes	201	784
Excess residual Tier 1	397	-
Less Tier 2 deductions for investments in subsidiaries, capital support	(12)	(13)
Total Tier 2 capital	**787**	**992**
Total capital base	**4,058**	**4,179**

Table 16
On balance sheet risk weighted assets

	CARRYING VALUE		AVG Risk Weight	RISK-WEIGHTED BALANCE	
	DEC-12	SEP-12	DEC-12 %	DEC-12 $M	SEP-12 $M
On balance sheet risk weighted assets					
Cash items	232	264	9%	22	35
Claims on Australian and foreign governments	903	1,221	0%	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	3,928	5,201	20%	786	1,041
Claims on securitisation exposures	1,389	1,404	20%	278	281
Claims secured against eligible residential mortgages	33,836	32,270	40%	13,471	12,903
Past due claims	1,973	2,198	134%	2,643	2,928
Other retail assets	715	918	83%	594	792
Corporate	9,375	9,275	100%	9,366	9,259
Other assets and claims	265	215	99%	263	224
Total Banking assets (1)	**52,616**	**52,966**	**52%**	**27,423**	**27,463**

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

Appendix 9 – Consolidated Bank (continued)

APS330 Disclosure

Table 16
Off balance sheet risk weighted assets

	NOTIONAL AMOUNT DEC-12 $M	CREDIT EQUIVALENT DEC-12 $M	AVG RISK WEIGHT DEC-12 %	RISK-WEIGHTED BALANCE DEC-12 $M	RISK-WEIGHTED BALANCE SEP-12 $M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	298	297	74%	219	241
Commitments to provide loans and advances	6,283	1,390	61%	842	994
Foreign exchange contracts	7,188	245	30%	74	74
Interest rate contracts	39,984	226	71%	161	198
Securitisation exposures	3,217	49	86%	42	42
Total off-balance sheet positions	**56,970**	**2,207**	61%	**1,338**	**1,549**
Market risk capital charge				388	519
Operational risk capital charge				3,285	3,334
Total on-balance sheet risk-weighted assets				27,423	27,463
Total assessed risk				32,434	32,865
Risk-weighted capital ratios				%	%
Tier 1				10.09	9.70
Tier 2				2.43	2.96
Total risk-weighted capital ratios				**12.52**	**12.66**
				$M	**$M**
Common Equity Tier 1 capital				**2,441**	**2,409**
				%	**%**
Common Equity Tier 1 ratio				**7.53**	**7.33**

Appendix 9 – Consolidated Bank (continued)

APS330 Disclosure - Table 17A
Credit risk by gross credit exposure – outstanding as at 31 December 2012

	Receivables due from other banks	Trading securities	Investment securities	Loans, advances and other receivables	Credit commitments (2)	Derivative instruments (2)	Total credit risk	Impaired assets	Past due not impaired > 90 days	Total not past due or impaired	Specific provisions
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,771	179	-	3,950	114	34	3,802	29
Construction & development	-	-	-	2,071	76	-	2,147	1,040	31	1,076	209
Financial services	124	4,077	3,725	1,522	167	471	10,086	-	-	10,086	-
Hospitality	-	-	-	1,083	40	-	1,123	94	31	998	3
Manufacturing	-	-	-	428	26	-	454	13	3	438	-
Professional services	-	-	-	265	12	-	277	4	1	272	2
Property investment	-	-	-	2,968	68	-	3,036	467	19	2,550	77
Real estate - Mortgage	-	-	-	32,976	990	-	33,966	31	180	33,755	5
Personal	-	-	-	383	7	-	390	-	3	387	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	1,818	122	-	1,940	97	22	1,821	7
Total gross credit risk	**124**	**4,077**	**3,725**	**47,286**	**1,687**	**471**	**57,370**	**1,860**	**324**	**55,186**	**332**
Securitised exposures (1)	-	-	1,389	3,130	35	14	4,568	-	-	4,568	-
Total including eligible securitised exposures	**124**	**4,077**	**5,114**	**50,416**	**1,722**	**485**	**61,938**	**1,860**	**324**	**59,754**	**332**
Impairment provision							(473)	(332)	(44)	(97)	-
TOTAL							**61,465**	**1,528**	**280**	**59,657**	**332**

(1) The securitisation exposures of $3,130 million included under "Loans advances and other receivables" qualify for regulatory capital relief under APS 120 and therefore does not contribute to the Bank's Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120

(2) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112

Appendix 9 – Consolidated Bank (continued)

APS330 Disclosure

Table 17A
Credit risk by gross credit exposure – outstanding as at 30 September 2012

	RECEIVABLES DUE FROM OTHER BANKS	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES	CREDIT COMMITMENTS (2)	DERIVATIVE INSTRUMENTS (2)	TOTAL CREDIT RISK	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	TOTAL NOT PAST DUE OR IMPAIRED	SPECIFIC PROVISIONS
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,656	160	-	3,816	182	33	3,601	26
Construction & development	-	-	-	2,295	86	-	2,381	1,115	32	1,234	240
Financial services	174	4,690	4,280	1,821	169	498	11,632	-	-	11,632	-
Hospitality	-	-	-	1,126	43	-	1,169	116	3	1,050	5
Manufacturing	-	-	-	415	36	-	451	13	1	437	-
Professional services	-	-	-	273	9	-	282	4	1	277	1
Property investment	-	-	-	2,900	80	-	2,980	483	10	2,487	77
Real estate - Mortgage	-	-	-	31,580	1,306	-	32,886	27	204	32,655	5
Personal	-	-	-	384	13	-	397	-	3	394	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	1,935	113	-	2,048	138	22	1,888	16
Total gross credit risk	**174**	**4,690**	**4,280**	**46,386**	**2,015**	**498**	**58,043**	**2,078**	**309**	**55,656**	**370**
Securitised exposures (1)	-	-	1,404	3,329	35	14	4,782	-	-	4,782	-
Total including eligible securitised exposures	**174**	**4,690**	**5,684**	**49,715**	**2,050**	**512**	**62,825**	**2,078**	**309**	**60,438**	**370**
Impairment provision							**(505)**	(370)	(36)	(99)	-
TOTAL							**62,320**	**1,708**	**273**	**60,339**	**370**

(1) The securitisation exposures of $3,329 million included under "Loans advances and other receivables" qualify for regulatory capital relief under APS 120 and therefore does not contribute to the Bank's Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120

(2) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112

Appendix 9 – Consolidated Bank (continued)

APS330 Disclosure - Table 17A
Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2012

	RECEIVABLES DUE FROM OTHER BANKS	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES	CREDIT COMMITMENTS (2)	DERIVATIVE INSTRUMENTS (2)	TOTAL CREDIT RISK	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	TOTAL NOT PAST DUE OR IMPAIRED	SPECIFIC PROVISIONS
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,714	170	-	3,884	148	34	3,702	28
Construction & development	-	-	-	2,183	81	-	2,264	1,078	32	1,154	225
Financial services	149	4,384	4,003	1,672	168	485	10,861	-	-	10,861	-
Hospitality	-	-	-	1,105	42	-	1,147	105	17	1,025	4
Manufacturing	-	-	-	422	31	-	453	13	2	438	-
Professional services	-	-	-	269	11	-	280	4	1	275	2
Property investment	-	-	-	2,934	74	-	3,008	475	15	2,518	77
Real estate - Mortgage	-	-	-	32,278	1,148	-	33,426	29	192	33,205	5
Personal	-	-	-	384	10	-	394	-	3	391	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	1,877	118	-	1,995	118	22	1,855	12
Total gross credit risk	**149**	**4,384**	**4,003**	**46,839**	**1,853**	**485**	**57,713**	**1,970**	**318**	**55,425**	**352**
Securitised exposures (1)	-	-	1,396	3,230	35	14	4,675	-	-	4,675	-
Total including eligible securitised exposures	**149**	**4,384**	**5,399**	**50,069**	**1,888**	**499**	**62,388**	**1,970**	**318**	**60,100**	**352**
Impairment provision							(489)	(351)	(40)	(98)	-
TOTAL							**61,899**	**1,619**	**278**	**60,002**	**352**

(1) The securitisation exposures of $3,230 million included under "Loans advances and other receivables" qualify for regulatory capital relief under APS 120 and therefore does not contribute to the Bank's Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120

(2) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112

Appendix 9 – Consolidated Bank (continued)

APS330 Disclosure

Table 17A
Credit risk by gross credit exposure – average gross exposure over period 1 July to 30 September 2012

	Receivables due from other banks	Trading securities	Investment securities	Loans, advances and other receivables	Credit commitments (2)	Derivative instruments (2)	Total credit risk	Impaired assets	Past due not impaired > 90 days	Total not past due or impaired	Specific provisions
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,650	142	-	3,792	192	29	3,571	31
Construction & development	-	-	-	2,320	82	-	2,402	1,190	29	1,183	263
Financial services	164	4,738	4,592	2,156	90	499	12,239	-	-	12,239	-
Hospitality	-	-	-	1,110	39	-	1,149	117	4	1,028	5
Manufacturing	-	-	-	434	31	-	465	14	1	450	-
Professional services	-	-	-	280	10	-	290	4	3	283	1
Property investment	-	-	-	3,015	71	-	3,086	426	8	2,652	65
Real estate - Mortgage	-	-	-	31,562	1,180	-	32,742	27	219	32,496	6
Personal	-	-	-	389	10	-	399	-	4	395	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	2,010	102	-	2,112	116	21	1,975	11
Total gross credit risk	**164**	**4,738**	**4,592**	**46,927**	**1,757**	**499**	**58,677**	**2,086**	**318**	**56,273**	**382**
Securitised exposures (1)	-	-	1,398	2,907	29	13	4,347	-	-	4,347	-
Total including eligible securitised exposures	**164**	**4,738**	**5,990**	**49,834**	**1,786**	**512**	**63,024**	**2,086**	**318**	**60,620**	**382**
Impairment provision							(522)	(381)	(38)	(103)	-
TOTAL							**62,502**	**1,705**	**280**	**60,517**	**382**

(1) The securitisation exposures of $2,907 million included under "Loans advances and other receivables" qualify for regulatory capital relief under APS 120 and therefore does not contribute to the Bank's Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120

(2) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112

Appendix 9 – Consolidated Bank (continued)

APS330 Disclosure

Table 17B
Credit risk by portfolio

DEC-12	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	SPECIFIC PROVISIONS	CHARGES FOR SPECIFIC PROVISIONS & WRITE-OFFS
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages	33,966	33,426	31	180	5	5
Other retail	390	394	-	3	-	1
Financial services	10,086	10,861	-	-	-	-
Government and public authorities	1	1	-	-	-	-
Corporate and other claims	12,927	13,031	1,829	141	327	100
Total	**57,370**	**57,713**	**1,860**	**324**	**332**	**106**

SEP-12	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	SPECIFIC PROVISIONS	CHARGES FOR SPECIFIC PROVISIONS & WRITE-OFFS
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages	32,886	32,742	27	204	5	1
Other retail	397	399	-	3	-	2
Financial services	11,632	12,239	-	-	-	-
Government and public authorities	1	1	-	-	-	-
Corporate and other claims	13,127	13,296	2,051	102	365	89
Total	**58,043**	**58,677**	**2,078**	**309**	**370**	**92**

	DEC-12	SEP-12
	$M	$M
Collective provision for impairment	141	135
Ineligible collective provisions on past due not impaired	(44)	(36)
Eligible collective provisions	**97**	**99**
FITB relating to eligible collective provision	(29)	(30)
Equity reserve for credit losses	133	139
General reserve for credit losses	**201**	**208**

Appendix 9 – Consolidated Bank (continued)

APS330 Disclosure

Table 18A

Summary of securitisation activity for the period

	Exposure securitised		Recognised gain (loss) on sale	
	DEC-12	SEP-12	DEC-12	SEP-12
	$M	$M	$M	$M
Residential mortgages	-	999	-	-
Total exposure securitised during the period	-	999	-	-

Table 18B(i)

Aggregate of on-balance sheet securitisation exposure by exposure type

	Exposure DEC-12	Exposure SEP-12
Exposure Type	$M	$M
Debt securities	1,389	1,404
Total on-balance sheet securitisation exposure	1,389	1,404

Table 18B(ii)

Aggregate of off-balance sheet securitisation exposures by exposure types

	Notional Exposure DEC-12	Notional Exposure SEP-12
Exposure Type	$M	$M
Liquidity facilities	69	70
Derivative exposures	3,148	3,345
Total off-balance sheet securitisation exposures	3,217	3,415

Appendix 10 – Definitions

ADI	Authorised Deposit-taking Institutions
Acquisition expense ratio	Acquisition expenses expressed as a percentage of net earned premium
Annuities market adjustments	The value of annuity obligations are determined by discounting future obligations into today's dollars using risk-free rates. The value of such obligations fluctuates as market referenced discount rates change. The value of assets backing annuity obligations also fluctuates with investment markets. The net impact of both of these market-driven valuation changes are removed from Suncorp Life's Underlying Profit and recorded as annuity market adjustments
APRA	Australian Prudential Regulation Authority
Basis points (BPS)	A 'basis point' is 1/100th of a percentage point
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets (net of tax) and the profit or loss after tax on divestments
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Cash return on average shareholders' equity	Cash earnings divided by average shareholders' equity
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Core Equity Tier 1	Core Equity Tier 1 includes ordinary shareholder equity and retained profits less tier 1 and tier 2 regulatory deductions
Core Equity Tier 1 ratio	Core Equity Tier 1 divided by total assessed risk
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Credit risk-weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables
Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share

Appendix 10 – Definitions (continued)

Earnings per share	Basic: profit after tax divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period. Diluted: profit after tax adjusted for consequential changes in income or expense associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Effective tax rate	Income tax expense divided by profit before tax
Embedded Value	Embedded Value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Fire service levies (FSL)	The expense relating to the amount levied on policyholders by insurance companies as part of premiums payable on policies with a fire risk component, which is established to cover the corresponding fire brigade charge which the Group will eventually have to pay
Funds under administration (FUA)	Funds where the Australian superannuation and investments business receives a fee for the administration of an asset portfolio
General Insurance – Commercial	Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, public liability and professional indemnity insurance, workers' compensation insurance and compulsory third party insurance
General Insurance – Personal	Personal products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance
Gross non-performing loans	Gross impaired assets plus past due loans
Impairment losses to credit risk-weighted assets	Impairment losses on loans and advances divided by credit risk-weighted assets. The ratio is annualised for half years
Insurance Trading Ratio	The insurance trading result expressed as a percentage of net earned premium
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Life insurance policyholders' interests	Amounts due to an entity or person who owns a life insurance policy. This need not be the insured. This is distinct from shareholders' interests
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period

Appendix 10 – Definitions (continued)

Life underlying profit after tax	Life underlying profit refers to net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Net interest margin	Net interest income divided by average interest-earning assets or lending assets, as specified
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
Net profit after tax	Net profit after tax attributable to owners of the Company derived in accordance with Australian Accounting Standards
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period multiplied by ordinary dividend per share for the period divided by cash earnings
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax
Profit after tax from core business lines	The net profit after tax for the General Insurance, Core Bank and Life business lines
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on average shareholders' equity	Net profit after tax divided by adjusted average ordinary shareholders' equity. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Total assessed risk	Risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA
Total Group operating expenses	Group operating expenses comprises General Insurance acquisition and other underwriting expenses (as shown on page 15), Consolidated Bank operating expenses (as shown on page 73), Life operating expenses (as shown on page 41) and integration expenses in prior periods. This is a management view of operating expenses and differs from the financial statement presentation of operating expense.
Total operating expense ratio	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Treasury shares	Ordinary shares of the Suncorp Group Limited that are acquired by subsidiaries

Appendix 11 – 2013 key dates[1]

Ordinary shares (SUN)

Half year results announcement	**20 February 2013**
Ex dividend date	25 February 2013
Dividend payment	2 April 2013
Full year results and final dividend announcement	**21 August 2013**
Ex dividend date	26 August 2013
Dividend payment	1 October 2013
Annual General Meeting	**24 October 2013**

Convertible Preference Shares 2 (SUNPC)

Ex dividend date	4 March 2013
Dividend payment	18 March 2013
Ex dividend date	4 June 2013
Dividend payment	17 June 2013
Ex dividend date	4 September 2013
Dividend payment	17 September 2013
Ex dividend date	4 December 2013
Dividend payment	17 December 2013

Convertible Preference Shares (SBKPB)

Ex dividend date	25 February 2013
Dividend payment	14 March 2013
Ex dividend date	28 May 2013
Dividend payment	14 June 2013
Ex dividend date	26 August 2013
Dividend payment	16 September 2013
Ex dividend date	27 November 2013
Dividend payment	16 December 2013

Floating Rate Capital Notes (SBKHB)

Interest payment	4 March 2013
Ex interest date	9 May 2013
Interest payment	30 May 2013
Ex interest date	9 August 2013
Interest payment	30 August 2013
Ex interest date	11 November 2013
Interest payment	2 December 2013

Reset Preference Shares (SBKPA)

Ex dividend date	25 February 2013
Dividend payment	14 March 2013
Ex dividend date	26 August 2013
Dividend payment	16 September 2013

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