INVESTOR PACK

OPERATING AND FINANCIAL REVIEW

FINANCIAL RESULTS FOR THE FULL YEAR ENDED 30 JUNE 2018

RELEASE DATE 9 AUGUST 2018

SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

Suncorp Group (‘Group’, ‘the Group’, ‘the Company’ or ‘Suncorp’) is comprised of Suncorp Group Limited (SGL) and its subsidiaries, its interests in associates and jointly controlled entities. The Group’s results and historical financial information are reported across three functions: Insurance (Australia), Banking & Wealth and New Zealand.

Net profit after tax (NPAT) for the Group is measured in accordance with Australian Accounting Standards. Profit after tax from functions, associated ratios and key statistics are based on the segment reporting disclosures that follow Suncorp’s operating model.

All figures have been quoted in Australian dollars rounded to the nearest million unless otherwise denoted. The New Zealand section reports the Profit Contribution table in both A$ and NZ$ and all other New Zealand tables and commentary in NZ$.

All figures relate to the full year ended 30 June 2018 and comparatives are for the full year ended 30 June 2017, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology. Movements within the financial tables have been labelled ‘n/a’ where there has been a percentage movement greater than 500% or less than (500%), or if a line item changes from negative to positive (or vice versa) between periods.

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

This report should be read in conjunction with the definitions in the glossary.

DISCLAIMER

This report contains general information on the Group and its operations which is current as at 9 August 2018. It is information given in summary form and does not purport to be complete.

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

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

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

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

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1.0 GROUP RESULTS

1.1 RESULT HIGHLIGHTS

		Full Year Ended		Jun-18	Half Year Ended	
		Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17
Net earned premium - Insurance (Australia)	$M	7,191	7,072	1.7	3,548	3,643
Net Interest Income - Banking & Wealth	$M	1,181	1,131	4.4	583	598
Net earned premium - New Zealand	$M	1,168	1,099	6.3	604	564
Profit after tax from functions	$M	1,263	1,205	4.8	741	522
Cash earnings	$M	1,098	1,145	(4.1)	626	472
Net profit after tax	**$M**	**1,059**	**1,075**	**(1.5)**	**607**	**452**
Cash earnings per share - Diluted	(cents)	83.37	87.72	(5.0)	47.30	36.11
Cash return on average shareholders' equity	(%)	8.0	8.4		9.2	6.8
Insurance trading ratio	(%)	12.1	11.8		16.3	8.0
Underlying insurance trading ratio	(%)	10.6	11.5		11.7	9.4
Bank net interest margin (interest-earning assets)	(%)	1.84	1.83		1.82	1.86
Ordinary dividends per ordinary share	(cents)	73.0	73.0	-	40.0	33.0
Special dividends per ordinary share	(cents)	8.0	-	n/a	8.0	-
Payout ratio (excluding special dividend) - cash earnings	(%)	85.8	81.9		82.5	90.1
Payout ratio (including special dividend) - cash earnings	(%)	95.2	81.9		99.1	90.1
General Insurance Group PCA coverage	(times)	1.84	1.77		1.84	1.66
Bank Common Equity Tier 1 ratio	(%)	9.07	9.23		9.07	9.01

Refer to the Glossary for definitions.

- Group NPAT of $1,059m includes the $146m pre-tax strategic investment in the marketplace
- Strong 2H momentum **NPAT increased 34.3% on 1H18**
- **Profit after tax from functions increased 4.8%** driven by Australian Life Insurance & New Zealand
- **Total ordinary dividends of 73 cents per share** fully franked, cash earnings payout ratio of 85.8%
- **Special dividend of 8 cents per share fully franked.** Group CET1 of $448m in excess of targets
- **Group top-line growth of 2.4%** (4.5% excluding CTP and FSL) driven by solid growth in Australian Consumer GWP, New Zealand Consumer and Commercial GWP and Bank lending
- Business Improvement Program (BIP) delivered net benefits of $40m, **ahead of plan**
- Cash return on average shareholders' equity (ROE) of 8.0%; Cash ROE pre-goodwill of 12.4%
- General Insurance underlying insurance trading ratio (UITR) was 10.6%. **UITR was 11.7% for 2H18**
- Natural hazard costs were $688m, slightly **below the allowance of $692m**
- Insurance (Australia) profit after tax of $739m increased 2.2% with **Life profit after tax up 70.6%**
- Australian General Insurance gross written premium (GWP) up 0.3% **(4.0% excluding CTP)**
- **Home and Motor GWP increased 4.7%** (excluding FSL)
- **Net reserve releases of $319m**, above the long-run expectation of 1.5% of net earned premium
- Banking & Wealth profit after tax of $389m including a **4.4% increase** in Banking net interest income
- Home lending growth of **1.2 times system** and at-call deposit growth of **2.2 times system**
- Banking **impairment charges of 5bps** of GLA, below the long-run operating range of 10 – 20bps
- Suncorp New Zealand profit after tax of NZ$148m (A$135m) **increased 70.1%**
- New Zealand General Insurance GWP **increased 8.2%** (10.2% adjusting for the sale of Autosure)
- **Suncorp confirms its key FY19 financial target of achieving cash ROE of 10%** (excluding the positive impact of the divestment of the Life business)

1.2 CONTRIBUTION TO PROFIT BY FUNCTION

	Full Year Ended Jun-18 $M	Jun-17 $M	Jun-18 vs Jun-17 %
Insurance (Australia)			
Gross written premium	8,137	8,111	0.3
Net earned premium	7,191	7,072	1.7
Net incurred claims	(5,057)	(4,923)	2.7
Operating expenses	(1,506)	(1,442)	4.4
Investment income - insurance funds	258	205	25.9
Insurance trading result	886	912	(2.9)
Other income	82	65	26.2
Profit before tax	968	977	(0.9)
Income tax	(287)	(288)	(0.3)
General Insurance profit after tax	**681**	**689**	**(1.2)**
Life Insurance profit after tax	**58**	**34**	**70.6**
Insurance (Australia) profit after tax	**739**	**723**	**2.2**
Banking & Wealth			
Net interest income	1,181	1,131	4.4
Net non-interest income	60	76	(21.1)
Operating expenses	(679)	(636)	6.8
Profit before impairment losses on loans and advances	562	571	(1.6)
Impairment losses on loans and advances	(27)	(7)	285.7
Banking profit before tax	535	564	(5.1)
Income tax	(160)	(168)	(4.8)
Banking profit after tax	**375**	**396**	**(5.3)**
Wealth profit after tax	**14**	**4**	**250.0**
Banking & Wealth profit after tax	**389**	**400**	**(2.8)**
New Zealand			
Gross written premium	1,422	1,345	5.7
Net earned premium	1,168	1,099	6.3
Net incurred claims	(682)	(693)	(1.6)
Operating expenses	(372)	(366)	1.6
Investment income - insurance funds	12	13	(7.7)
Insurance trading result	126	53	137.7
Other income	10	10	-
Profit before tax	136	63	115.9
Income tax	(37)	(18)	105.6
General Insurance profit after tax	**99**	**45**	**120.0**
Life Insurance profit after tax	**36**	**37**	**(2.7)**
New Zealand profit after tax	**135**	**82**	**64.6**
Profit after tax from functions	**1,263**	**1,205**	**4.8**
Marketplace acceleration investment	(146)	-	n/a
Other profit (loss) before tax (1)	(63)	(58)	8.6
Income tax	44	(2)	n/a
Other profit (loss) after tax	**(165)**	**(60)**	**175.0**
Cash earnings	**1,098**	**1,145**	**(4.1)**
Acquisition amortisation (after tax) (2)	(39)	(70)	(44.3)
Net profit after tax	**1,059**	**1,075**	**(1.5)**

(1) 'Other' includes investment income on capital held at the Group level (Jun-18: $16m, Jun-17: $14m), consolidation adjustments (Jun-18: loss $9m, Jun-17: loss $3m), customer strategy investment (Jun-18: nil, Jun-17: loss $13m), recognition of deferred consideration on Tyndall disposal (Jun-18: nil, Jun-17: $3m), non-controlling interests (Jun-18: loss $13m, Jun-17: loss $10m), external interest expense and transaction costs (Jun-18: $57m, Jun-17: $49m).

(2) The significant decline in amortisation is due to the inclusion of the $25m write down of the Autosure business in FY17.

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Insurance (Australia)						
Gross written premium	4,133	4,004	4,080	4,031	3.2	1.3
Net earned premium	3,548	3,643	3,520	3,552	(2.6)	0.8
Net incurred claims	(2,333)	(2,724)	(2,549)	(2,374)	(14.4)	(8.5)
Operating expenses	(733)	(773)	(720)	(722)	(5.2)	1.8
Investment income - insurance funds	138	120	170	35	15.0	(18.8)
Insurance trading result	620	266	421	491	133.1	47.3
Other income	20	62	48	17	(67.7)	(58.3)
Profit before tax	640	328	469	508	95.1	36.5
Income tax	(193)	(94)	(138)	(150)	105.3	39.9
General Insurance profit after tax	**447**	**234**	**331**	**358**	**91.0**	**35.0**
Life Insurance profit after tax	**28**	**30**	**23**	**11**	**(6.7)**	**21.7**
Insurance (Australia) profit after tax	**475**	**264**	**354**	**369**	**79.9**	**34.2**
Banking & Wealth						
Net interest income	583	598	573	558	(2.5)	1.7
Net non-interest income	26	34	37	39	(23.5)	(29.7)
Operating expenses	(332)	(347)	(329)	(307)	(4.3)	0.9
Profit before impairment losses on loans and advances	277	285	281	290	(2.8)	(1.4)
Impairment losses on loans and advances	(14)	(13)	(6)	(1)	7.7	133.3
Banking profit before tax	263	272	275	289	(3.3)	(4.4)
Income tax	(79)	(81)	(82)	(86)	(2.5)	(3.7)
Banking profit after tax	**184**	**191**	**193**	**203**	**(3.7)**	**(4.7)**
Wealth profit after tax	**8**	**6**	**(1)**	**5**	**33.3**	**n/a**
Banking & Wealth profit after tax	**192**	**197**	**192**	**208**	**(2.5)**	**-**
New Zealand						
Gross written premium	719	703	666	679	2.3	8.0
Net earned premium	604	564	542	557	7.1	11.4
Net incurred claims	(363)	(319)	(339)	(354)	13.8	7.1
Operating expenses	(190)	(182)	(180)	(186)	4.4	5.6
Investment income - insurance funds	5	7	9	4	(28.6)	(44.4)
Insurance trading result	56	70	32	21	(20.0)	75.0
Other income	13	(3)	5	5	n/a	160.0
Profit before tax	69	67	37	26	3.0	86.5
Income tax	(16)	(21)	(11)	(7)	(23.8)	45.5
General Insurance profit after tax	**53**	**46**	**26**	**19**	**15.2**	**103.8**
Life Insurance profit after tax	**21**	**15**	**20**	**17**	**40.0**	**5.0**
New Zealand profit after tax	**74**	**61**	**46**	**36**	**21.3**	**60.9**
Profit after tax from functions	**741**	**522**	**592**	**613**	**42.0**	**25.2**
Marketplace acceleration investment	(110)	(36)	-	-	205.6	n/a
Other profit (loss) before tax [(1)]	(32)	(31)	(31)	(27)	3.2	3.2
Income tax	27	17	-	(2)	58.8	n/a
Other profit (loss) after tax	**(115)**	**(50)**	**(31)**	**(29)**	**130.0**	**271.0**
Cash earnings	**626**	**472**	**561**	**584**	**32.6**	**11.6**
Acquisition amortisation (after tax) [(2)]	(19)	(20)	(23)	(47)	(5.0)	(17.4)
Net profit after tax	**607**	**452**	**538**	**537**	**34.3**	**12.8**

(1) 'Other' includes investment income on capital held at the Group level (Jun-18: $7m, Dec-17: $9m), consolidation adjustments (Jun-18: loss $8m, Dec-17: loss $1m), non-controlling interests (Jun-18: loss $4m, Dec-17: loss $9m), external interest expense and transaction costs (Jun-18: $27m, Dec-17: $30m).

(2) The decline in amortisation is due to the inclusion of the $25m write down of the Autosure business in FY17.

1.3 GROUP RESULT OVERVIEW

Suncorp's FY18 result reflects solid Group top-line growth of 2.4% across the three operating functions (4.5% excluding the impact of CTP and FSL), and included the upfront accelerated strategic investment in the marketplace of $146m. A material improvement in the New Zealand result, driven by strong top-line growth and good expense control; and a significant improvement in the Australian Life business, following the introduction of a business optimisation program, resulted in profits from operating functions increasing by 4.8%.

Business momentum in the 2H18 was strong with a 34.3% increase in Group NPAT in 2H18 compared to 1H18. This was driven by a 79.9% increase in Insurance (Australia) NPAT in 2H compared to 1H18 flowing from a 5.2% decline in operating expenses and a 14.4% decline in net incurred claims between the periods.

The Group's profit result and strong balance sheet position for the full year has led to a fully franked final ordinary dividend of 40 cents per share. This brings the ordinary dividends for FY18 to 73 cents per share, flat on the prior year. The full year ordinary dividends equate to a payout ratio of 85.8% of cash earnings.

In addition, the Group's strong balance sheet position has allowed for a fully franked special dividend of 8 cents per share. This brings the total full year dividend to 81 cents per share, up 11.0% on the prior year, equating to a payout ratio of 95.2% of cash earnings. ***For further information on the dividend and Group capital position, please refer to page 15.***

For further information on the performance of the operating functions please refer to page 20 (Insurance Australia), page 33 (Banking & Wealth) and page 46 (New Zealand).

1.3.1 Group top-line growth

Suncorp delivered solid growth in Consumer and Commercial insurance premiums in Australia and New Zealand, and above system Bank lending and customer deposit growth. Regulatory reform has impacted CTP premium income, which has reduced the Group's headline growth rates.

	Weighting	Full Year Ended	
		Jun-18	Jun-17
	%	%	%
Group top-line growth			
General Insurance GWP [(1)]	65	1.1	4.7
Bank lending assets	25	6.1	1.9
Life in-force premium	10	1.2	0.7
Group top-line growth	**100**	**2.4**	**3.6**

(1) General Insurance GWP is made up of Insurance (Australia) GWP and New Zealand GWP in Australian dollar terms.

1.3.2 Group operating expenses

Operating expenses by function

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Insurance (Australia) operating expenses									
Acquisition expenses	989	907	9.0	504	485	445	462	3.9	13.3
Other underwriting expenses	391	365	7.1	165	226	189	176	(27.0)	(12.7)
Life operating expenses	157	174	(9.8)	81	76	92	82	6.6	(12.0)
Insurance (Australia) operating expenses	**1,537**	**1,446**	**6.3**	**750**	**787**	**726**	**720**	**(4.7)**	**3.3**
New Zealand operating expenses									
Acquisition expenses	260	256	1.6	131	129	124	132	1.6	5.6
Other underwriting expenses	112	110	1.8	59	53	56	54	11.3	5.4
Life operating expenses	33	34	(2.9)	17	16	17	17	6.3	-
New Zealand operating expenses	**405**	**400**	**1.3**	**207**	**198**	**197**	**203**	**4.5**	**5.1**
Banking & Wealth operating expenses									
Banking operating expenses	679	636	6.8	332	347	329	307	(4.3)	0.9
Wealth operating expenses	79	94	(16.0)	36	43	48	46	(16.3)	(25.0)
Banking & Wealth operating expenses	**758**	**730**	**3.8**	**368**	**390**	**377**	**353**	**(5.6)**	**(2.4)**
Group total operating expenses	**2,700**	**2,576**	**4.8**	**1,325**	**1,375**	**1,300**	**1,276**	**(3.6)**	**1.9**
FSL	126	170	(25.9)	64	62	86	84	3.2	(25.6)
Group total operating expenses (including FSL)	**2,826**	**2,746**	**2.9**	**1,389**	**1,437**	**1,386**	**1,360**	**(3.3)**	**0.2**

Note: $146m accelerated investment in the marketplace is below the line and therefore not included in the total operating expenses presented above. Total FY18 BIP net benefit was $40m: $1m net expense (included in the table above) and $41m benefit in claims expenses.

Group operating expenses movement

	Movement Jun-17 - Jun-18
	$M
FY17 operating expenses (excluding FSL)	**2,576**
BIP (Opex)[1]	1
Regulatory Spend Increase	40
Technology	29
Commercial insurance expenses	31
Depreciation and amortisation	33
Other	(10)
FY18 operating expenses (excluding FSL)	**2,700**

[1] Refer to page 9 for more information on the BIP.

Group total operating expenses (excluding FSL) were $2.7bn, up 4.8% impacted in part by strong top-line growth. A number of other factors contributed to the increase in operating expenses, including:

- An increase in regulatory spend from $14m to $54m
- Investment in core technology systems and associated support costs, $29m
- Increased expenses associated with growth and mix changes in Commercial Insurance (Australia), $31m
- Increase in Group depreciation and amortisation, including the core banking platform, $33m
- The net impact of BIP expense, $1m

Group operating expenses declined 3.6% 1H18 to 2H18 driven primarily by the benefits of BIP initiatives flowing through to earnings.

In the first half of the year, the upfront investment in BIP drove a net increase of $32m in operating expenses. In the second half of the year, BIP delivered a net benefit of $31m to operating expenses and $37m to claims costs.

The fire services levy (FSL) impact on operating expenses declined 25.9% over the year to $126m following changes to the NSW FSL scheme. ***Refer to page 23 for further detail.***

1.4 STRATEGIC PROGRAMS

Over FY18 Suncorp invested in two strategic programs of work: BIP and the accelerated strategic investment, that support the Group's priorities.

1.4.1 Business Improvement Program

	Full Year Ended	Half Year Ended	
	Jun-18	Jun-18	Dec-17
	$M	$M	$M
Expenses	(104)	(54)	(50)
Benefits	144	122	22
Net benefits	**40**	**68**	**(28)**

	Gross expenses			Gross benefits			Net benefits		
	Opex	Claims	Total	Opex	Claims	Total	Opex	Claims	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Insurance	(44)	(29)	(73)	50	70	120	6	41	47
Banking & Wealth [1]	(31)	-	(31)	24	-	24	(7)	-	(7)
Total	**(75)**	**(29)**	**(104)**	**74**	**70**	**144**	**(1)**	**41**	**40**

[1] Total Banking & Wealth net operating expense benefit of ($7m) is split between Banking ($8m) and Wealth $1m.

BIP is focused on sustainable initiatives that will improve customer experience, drive efficiencies and embed a culture of continuous improvement.

BIP delivered a total net benefit of $40m for FY18, above the target net benefit of $10m.

Key initiatives delivered in FY18 include:

— Digitisation of customer experience: Reducing the cost to serve across customer communications and interactions and improving the customer experience by uplifting digital capabilities, making it easier for customers to interact with us across their preferred channel.

— Sales and service channel optimisation: includes ongoing store footprint optimisation; improving store digital capabilities; supporting increased self-service transactions; and contact centre efficiency improvements.

— End-to-end process improvement: LiveFlow methodology has been deployed across core banking and insurance processes, driving improved customer experience through simpler and faster processes. This initiative has resulted in improved cycle times for home loan origination, servicing and SME loan origination. A new motor insurance PDS was rolled out for mass brands and automation initiatives have also been deployed.

— Claims supply chain re-design: FY18 was focused primarily on motor insurance claims. Initiatives aimed to drive both efficiencies including motor claims pathing and customer experience initiatives.

Examples included introducing Uber as an option for SMART customers and zero touch digital claims lodgement services for selected claim types.

— Smarter procurement and streamlining the business: A procurement review of key relationships and terms (e.g. technology, offshore partners, real estate) has been completed along with investment in processes to drive productivity and efficiency in the workforce.

In FY19 investment in the program will be heavily weighted to the first half with benefits skewed to the second half. The major areas of focus for the FY19 program include:

— Continuing to increase the Group's digital adoption and services for customers, both digital communications and self-service functionality.

— Further investment in claims processes, continuing to invest in digital capability and using analytics to minimise fraudulent and exaggerated claims.

— Expanding the procurement program to all spend categories and partnering programs; and

— Supporting the Group's workforce to deliver the program, through the introduction of a Future Ready Academy and continuing to focus on workforce efficiency.

FY19 Outlook – The Group expects to exceed target FY19 net benefits of $195m.

	FY19			FY20		
	Expense	Benefit	Net benefit	Expense	Benefit	Net benefit
	$M	$M	$M	$M	$M	$M
Digitisation of customer experience	(22)	27	5	(8)	38	30
Sales and Service channel optimisation	(17)	13	(4)	(18)	30	12
End-to-end process improvement	(1)	45	44	-	45	45
Claims supply chain re-design	(26)	122	96	(13)	196	183
Smarter procurement and streamlining our business	(13)	67	54	(23)	82	59
Total	**(79)**	**274**	**195**	**(62)**	**391**	**329**

As with any major program, Suncorp expects movements in expenses and benefits between categories, with no detriment to the total targets.

1.4.2 Accelerated Strategic Investment

In FY18, Suncorp invested $146m pre-tax ($102m after tax) in the accelerated investment in the marketplace to enhance the customer experience and drive customer retention by: connecting Suncorp's network of brands, products and channels; simplifying processes for customers; and driving engagement and interaction.

Major components delivered were:

Scaled Reward and Recognition program

— The Suncorp Benefits Reward and Recognition Program was launched in February 2018 and has over 400,000 members to date, enabling Suncorp to connect with customers more frequently.

— Over the next year, the program will continue to be rolled out across the customer base as a personalised rewards scheme.

Single digital customer experience

— The delivery of the new Suncorp App and portal, bringing Suncorp's network of brands together in one digital marketplace by integrating banking and insurance functionality and enabling customers to manage their finances and relationship with the Suncorp network.

National roll out of brand refresh

— Suncorp has extended its brand reach through the rollout of the refreshed Suncorp master brand, extending brand recognition nationally, supported by the Sunny creative platform. This has contributed to increased brand awareness, core business growth and an uplift in key digital metrics.

— To provide a consistent and strong brand presence, signage was updated on corporate real estate, the Suncorp Stadium and at 71 Stores across Australia. All customer collateral was refreshed.

Customer journeys and integrated offers

— In FY18, Suncorp released seven integrated offers, allowing customers to bundle complementary solutions to save money, whilst driving retention and deepening relationships with customers.

— Customer Ecosystems have delivered seven solutions across motor and home, making it easy for customers to connect with Suncorp's products and network of brands.

Third party partnerships

— A range of adjacent offers have been introduced with third-party partners in the home and motor areas, including conveyancing, home maintenance and car buying. These new offerings increase customer interactions and enhance customer experiences.

A significant part of the one-off investment was in foundational infrastructure. The new Application Programming Interface (API) layer is key to facilitating future enhancements to customer experience such as open banking.

1.5 CUSTOMER

Suncorp remains committed to its strategic pillars, including elevating the customer. Key achievements in FY18 include:

— Strategic investment in the marketplace component of the strategy

— App launched

— Reward & Recognition program over 400,000 active users

— One Suncorp portal

— Single view of customers to drive improved customer service

— Consumer and Business NPS improved

	Full Year Ended		
	Jun-18	Jun-17	Jun-18 vs Jun-17
Connected customers[1]			
Proportion of customers holding multiple products across different needs	35%	35%	
Consumer Net Promotor Score (NPS)	+7.3	+5.9	+1.4
Business Net Promotor Score (NPS)	+2.7	(0.6)	+3.3
Customer engagement via digital channels			
Number of digital[2] users (m)	2.74	2.51	9.2%
Proportion of digital claims[3]	12.4%	10.5%	
Proportion of ‘zero touch’ digital claims[3]	33%	13%	
Proportion of new business sales via digital[4]	25%	23%	

(1) A customer is considered to be connected if they have two or more needs met across the need categories of Home, Self, Mobility and Money, or if they hold four or more Suncorp products.

(2) Digital users are unique visitors that have logged into Suncorp’s authenticated digital assets like internet banking, mobile banking app, insurance policy self-service web and mobile applications.

(3) Relates to Australian home and motor claims only.

(4) Relates to Australian General Insurance new business sales only.

Suncorp will continue to focus on delivering choice, transparent and flexible solutions, convenience, personalisation, and recognition.

Suncorp’s customer focused strategy means it is well placed to respond to the heightened regulatory and political scrutiny on the sector. Key initiatives in FY19 include:

— Increase digital communications and digital self-service functionality

— Enhance technology platforms for frontline employees (workbench, telephony)

— Grow customer usage of the App, Reward and Recognition, and ecosystems

— Deliver regulatory projects and enhance the resilience and security of our systems

1.6 GROUP GENERAL INSURANCE

1.6.1 Group reported and underlying ITR

Reconciliation of reported ITR to underlying ITR

	Full Year Ended			Half Year Ended			
	Jun-18	Jun-17	Jun-16	Jun-18	Dec-17	Jun-17	Dec-16
	$M	$M	$M	$M	$M		
Reported ITR	**1,012**	**965**	**782**	**676**	**336**	**453**	**512**
Reported reserve releases (above) below long-run expectations	(194)	(166)	(228)	(132)	(62)	(96)	(70)
Natural hazards above (below) long-run allowances	(4)	89	60	(71)	67	49	40
Investment income mismatch	28	(46)	207	31	(3)	7	(53)
Other:							
Risk margin	(22)	(19)	(50)	(52)	30	(7)	(12)
Abnormal (Simplification/restructuring) expenses	63	61	67	34	29	27	34
Reinsurance backup cover	-	53	-		-	53	-
Underlying ITR	**883**	**937**	**838**	**486**	**397**	**486**	**451**
Underlying ITR ratio	**10.6%**	**11.5%**	**10.6%**	**11.7%**	**9.4%**	**12.0%**	**11.0%**

Underlying ITR movements - June 2017 to June 2018

	Jun-18 vs Jun-17
	%
FY17 underlying ITR	**11.5**
Commercial insurance expenses	(0.2)
Loss ratio	0.7
Natural hazard allowance	(0.6)
BIP benefits	0.6
Operating expenses	(1.1)
Investment income	(0.2)
FY18 underlying ITR	**10.6**

Underlying ITR movements - December 2017 to June 2018

	Jun-18 vs Dec-17
	%
1H18 underlying ITR	**9.4**
Loss ratio	0.7
BIP benefits	1.9
Operating expenses	(0.6)
Investment income	0.5
Other	(0.2)
2H18 underlying ITR	**11.7**

1.6.2 Group Reinsurance

Reinsurance spend and security

General Insurance outwards reinsurance expense for FY18 was $1.1bn. The prior year included the purchase of additional reinsurance protection following the Kaikoura earthquake.

Reinsurance security has been maintained for the FY19 year program, with over 85% of business protected by reinsurers rated 'A+' or better.

Main catastrophe program

Suncorp's main catastrophe programme purchased for FY19 remains similar to prior years.

The upper limit on the main catastrophe program, which covers the Home, Motor and Commercial Property portfolios across Australia and New Zealand for major events, has been increased from $6.9bn to $7.2bn for the 2019 financial year, allowing for expected growth in sums insured. The cover purchased provides New Zealand protection beyond RBNZ regulatory requirements of $6.6bn.

The Group's maximum event retention remains at $250m. Additional protection has been purchased to reduce this retention to $200m for a second Australian event and to $50m for third and fourth Australian events during the financial year.

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

Quota share arrangements

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

Suncorp has a 50% quota share in place for its retained share of CTP business in ACT and South Australia. From 1 July 2018 Suncorp has implemented an additional 50% quota share on large global property risks.

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

Natural Hazard Aggregate Protection

Suncorp's natural hazards aggregate protection remains in place in FY19. This cover provides $300m of cover for events greater than $10m once aggregate costs have reached $504m.

Natural Hazard Allowance

The Group's natural hazard allowance is determined through a rigorous process combining the Group's view of risk through modelled catastrophe losses in conjunction with the reinsurance program. The natural hazard allowance (for events of all sizes) has increased from $692m to $720m in FY19, in line with the forecast increase in exposure values.

1.7 CAPITAL AND DIVIDENDS

1.7.1 Capital

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

The Group is subject to, and complies with, external capital requirements set and monitored by APRA and the RBNZ.

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

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

For regulatory purposes, capital is classified as follows:

— CET1 comprising accounting equity with adjustments for intangible assets and regulatory reserves

— Tier 1 Capital comprising CET1 plus Additional Tier 1 Capital such as hybrid securities with 'equity-like' qualities

— Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, together with specific Bank reserves eligible as regulatory capital

— Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

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

Capital position at 30 June 2018

During the year, the Group issued $375m of Additional Tier 1 capital notes through SGL as part of its capital management strategy. These notes, along with the $375m of SGL Capital Notes issued in May 2017, facilitated the repayment of the $560m CPS2 Additional Tier 1 capital securities. The additional $190m of capital raised over and above that required to repay CPS2 has been deployed to the following businesses:

— $100m to Bank to support continued growth in the Bank balance sheet

— $35m to the Australian Life business, to improve the efficiency of the Life capital structure

— $55m to the New Zealand General Insurance business, in the form of RBNZ compliant perpetual capital securities, to improve the efficiency of the New Zealand capital structure.

Over the year, the Group's Excess CET1 (after payment of the dividend) increased to $448m. The main impacts on the Group's excess capital position were:

— NPAT after payment of dividends (net of the Dividend Reinvestment Plan)

— An increase in the General Insurance PCA largely due to a higher Asset Risk Charge

— An increase in the General Insurance Excess Technical Provision

- An increase in Bank Risk Weighted Assets due to balance sheet growth partially offset by the capital benefits from two securitisation transactions
- An increase in the Life Insurance policy liability adjustment (DAC)
- Amortisation of intangibles driven by past acquisition intangibles and capitalised project costs
- Unwind of the temporary increase in Group Target, that was established at 30 June 2017 to allow for the expected capital impact, of planned additional investments in infrastructure and property and portfolio changes following the successful transition of investment funds to new managers

	As at 30 June 2018					
	General Insurance [2]	Bank [2]	Life	SGL, Corp Services & Consol	Total	Total 30 June 2017
	$M	$M	$M	$M	$M	$M
CET1	3,280	2,952	478	171	6,881	6,625
CET1 target	2,633	2,849	326	2	5,810	5,772
Excess to CET1 target (pre div)	647	103	152	169	1,071	853
Group dividend					(623)	(476)
Group excess to CET1 target (ex div)					448	377
Common Equity Tier 1 ratio [1]	**1.37x**	**9.07%**	**1.99x**			
Total capital	4,400	4,401	613	171	9,585	9,512
Total target capital	3,590	3,989	391	(18)	7,952	7,880
Excess to target (pre div)	810	412	222	189	1,633	1,632
Group dividend					(623)	(476)
Group excess to target (ex div)					1,010	1,156
Total capital ratio [1]	**1.84x**	**13.52%**	**2.55x**			

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

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

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

- The General Insurance businesses' CET1 position was 1.37 times the PCA, above its target operating range of 1.0 - 1.2 times PCA
- The Bank's CET1 Ratio was 9.07%, above its target operating range of 8.5% - 9.0%
- Life businesses' excess CET1 to target was $152m
- An additional $169m of excess CET1 was held at the SGL and Corporate Services level.

The Group maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $448m after adjusting for the final dividend.

Please refer to page 76 for further information on capital.

1.7.2 Dividends

The Group aims to pay annual dividends based on a target payout ratio of 60% to 80% of cash earnings. For FY18, the Board committed to increase the dividend payout ratio above the top end of the usual range, to look through the impact on cash earnings of the accelerated strategic investment to deliver key components of the marketplace.

The Group's profit result and strong balance sheet position for the full year has led to a fully franked final ordinary dividend of 40 cents per share. This brings the ordinary dividends for FY18 to 73 cents per share, in line with the prior corresponding period. The full year ordinary dividends equate to a payout ratio of 85.8% of cash earnings.

The Group's strong balance sheet position has allowed for a fully franked special dividend of 8 cents per share. This brings the total full year dividend to 81 cents per share, up 11.0% on the prior year, equating to a payout ratio of 95.2% of cash earnings.

The Group intends to acquire existing shares under the Dividend Reinvestment Plan for the final dividend.

The final ordinary and special dividends of 48 cents per share will be fully franked and paid on 19 September 2018. The ex-dividend date is 15 August 2018. The Group's franking credit balance is set out below.

After payment of the dividend, the franking account balance will be $113m. The Group remains well capitalised with $448m in CET1 capital held above its CET1 operating target.

	Half Year Ended		
	Jun-18	Dec-17	Jun-17
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**113**	**158**	**235**

1.8 INCOME TAX

	Full Year ended		Jun-18
	Jun-18	Jun-17	vs Jun-17
	$M	$M	%
Reconciliation of prima facie income tax expense to actual tax expense:			
Profit before tax	**1,577**	**1,608**	**(1.9)**
Prima facie domestic corporate tax rate of 30% (2017: 30%)	473	482	(1.9)
Effect of tax rates in foreign jurisdiction	(4)	(2)	100.0
Effect of income taxed at non-corporate tax rate - Life	2	2	-
Tax effect of amounts not deductible (assessable) in calculating taxable income:			
Non-deductible expenses	24	27	(11.1)
Non-deductible expenses - Life	28	26	7.7
Amortisation of intangible assets	6	6	-
Dividend adjustments	18	21	(14.3)
Tax exempt revenues	(13)	(7)	85.7
Current year rebates and credits	(25)	(29)	(13.8)
Prior year under/over provision	(7)	(3)	133.3
Other	3	-	n/a
Total income tax expense (benefit) on pre-tax profit	**505**	**523**	**(3.4)**
Effective tax rate	**32.0%**	**32.5%**	**(0.5)**
Income tax expense recognised in profit consists of:			
Current tax expense			
Current tax movement	487	556	(12.4)
Current year rebates and credits	(25)	(29)	(13.8)
Adjustments for prior financial years	6	(4)	n/a
Total current tax expense	468	523	(10.5)
Deferred tax expense			
Origination and reversal of temporary differences	50	(1)	n/a
Adjustments for prior financial years	(13)	1	n/a
Total deferred tax expense	37	-	n/a
Total income tax expense	**505**	**523**	**(3.4)**
Income tax expense (benefit) by business unit			
Insurance (Australia)	318	306	3.9
Banking & Wealth	184	189	(2.6)
New Zealand	55	35	57.1
Other	(52)	(7)	n/a
Total income tax expense	**505**	**523**	**(3.4)**

The effective tax rate was 32.0% (FY17:32.5%), compared to the statutory tax rate of 30%. Factors contributing to the higher rate included:

— Non-deductible interest paid in respect of preference shares and capital notes increased income tax expense by $15.5m (FY17: $12m)

— The non-deductibility of life risk claim payments and premiums that are non-deductible/non-assessable for tax

1.9 GROUP OUTLOOK

Suncorp's key FY19 target is Cash ROE of 10% (excluding the positive impact of the divestment of the Life business) driven by:

— Group top-line growth of 3% to 5%

— Expense base of $2.7bn as BIP benefits, including smarter procurement and streamlining the Group, more than offset underlying inflation and growth-related investment

— An underlying ITR of at least 12%, supported by BIP, in particular the benefits of claims supply chain redesign, and the earned impact of repricing and unit growth throughout FY18

— Banking cost to income ratio of around 50% and NIM of 1.80% to 1.90%, supported by BIP initiatives including channel optimisation, and targeted growth initiatives within risk appetite

The targets are subject to natural hazards at or below allowance, movements in investment markets and regulatory reform.

Reserve releases are expected to be above 1.5% of NEP, provided the benign inflationary environment continues.

Suncorp will seek to maintain an ordinary dividend pay-out ratio of 60% to 80% of cash earnings and remains committed to returning surplus capital to shareholders.

The Group's natural hazard allowance for FY19 will be increased from $692m to $720m reflecting the growth in the size of the book.

Group investment returns are expected to be impacted by firming inflation, which is likely to weigh on bond returns, however inflation-linked bonds will perform well in this environment. Current high equity valuations are expected to result in lower equity returns.

The annualised run rate of gross BIP benefits moving into FY19 is $187m. As a result, Suncorp is confident in exceeding the net benefit target of $195m for FY19. Program investment will again be weighted to the first half, with benefits skewed to the second half of the financial year.

The project investment budget for FY19 will return to historical levels of around $200m, which is incorporated in the Group's operating expense guidance. Projects in FY19 will be weighted towards regulatory projects and system enhancements.

Suncorp today announced it has entered into a non-binding Heads of Agreement with TAL Dai-ichi Life Australia Pty Limited ("TAL") for the sale of 100 per cent of its Australian Life Insurance business and the Wealth Participating business. The headline price is expected to be approximately $725m, which includes the purchase consideration and an adjustment to net worth. Allowing for separation and transaction costs, hybrid capital and other provisions, Suncorp anticipates returning approximately $600m to shareholders. The transaction is expected to be completed by the end of 2018, subject to the satisfaction of conditions and approvals. The structure of the capital return and the precise quantum will be announced prior to the completion of the transaction.

A completed transaction will result in a non-cash write down to goodwill and net assets of around $880m to be booked in the FY19 year.

For further information on the transaction refer to the ASX announcement released 9 August 2018.

For specific information on the Insurance (Australia) outlook please refer to page 21.

For specific information on the Banking & Wealth outlook please refer to page 34.

For specific information on the New Zealand outlook please refer to page 47.

2.0 FUNCTIONAL RESULTS

2.1 INSURANCE (AUSTRALIA)

2.1.1 Insurance (Australia) result overview

	Full Year Ended		Jun-18	Half Year Ended	
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17
	$M	$M	%	$M	$M
General Insurance					
Gross written premium by product					
Motor	2,779	2,626	5.8	1,429	1,350
Home	2,206	2,135	3.3	1,113	1,093
Commercial	1,510	1,498	0.8	742	768
Compulsory third party	1,164	1,404	(17.1)	555	609
Workers' compensation and other	329	297	10.8	209	120
Fire Service Levies	149	151	(1.3)	85	64
General Insurance gross written premium	**8,137**	**8,111**	**0.3**	**4,133**	**4,004**
Net earned premium	7,191	7,072	1.7	3,548	3,643
Net incurred claims	(5,057)	(4,923)	2.7	(2,333)	(2,724)
Total operating expenses	(1,506)	(1,442)	4.4	(733)	(773)
Insurance trading result	886	912	(2.9)	620	266
General Insurance profit after tax	**681**	**689**	**(1.2)**	**447**	**234**
Life Insurance					
Underlying profit after tax	76	53	43.4	37	39
Life Insurance profit after tax	**58**	**34**	**70.6**	**28**	**30**
Insurance (Australia) profit after tax	**739**	**723**	**2.2**	**475**	**264**
	%	**%**		**%**	**%**
Total operating expenses ratio	20.9	20.4		20.7	21.2
Insurance trading ratio	12.3	12.9		17.5	7.3

- Insurance (Australia) profit after tax increased 2.2%. Profit after tax for 2H18 improved by 79.9% compared with 1H18 driven by lower natural hazard costs and the realisation of claims benefits from BIP initiatives.
- General Insurance profit after tax of $681m declined by 1.2%. The insurance trading result was $886m, representing an ITR of 12.3%.
- GWP increased 0.3% to $8,137m. Excluding CTP, GWP growth was 4.0%.
- Home and Motor achieved GWP growth of 4.7% with average written premium increases of 3.8% and unit growth of 0.9%. Commercial insurance GWP increased by 0.8%. CTP GWP decreased by 17.1%, primarily driven by NSW scheme reform.
- Reserve releases were $319m, above the Group's long-run expectation of 1.5% of Group NEP.
- Net incurred claims increased by 2.7% for the year. Net incurred claims improved by 14.4% in 2H18 due to lower natural hazard costs, higher prior year releases and improved underlying claims performance in the motor and commercial portfolios. Risk margin also reduced over the second half of the year.
- Operating expenses increased by 4.4% primarily due to higher acquisition costs. Operating expenses improved by 5.2% in 2H18 as other underwriting expenses reduced.
- Life Underlying Profit increased 43.4%, reflecting higher planned profit margins, repricing benefits and favourable experience due to the Life optimisation program of work.

2.1.2 Insurance (Australia) outlook

Insurance (Australia) results in FY19 are expected to be driven by the following factors which will support the Group in achieving its targets of UITR of at least 12%:

— In the Consumer portfolio, premium growth is expected to continue driven primarily by rate increases as the industry reprices for claims cost inflation and higher natural hazard costs.

— Further investment in operational claims efficiencies are expected to improve both customer experience and operational claims metrics.

— The Commercial portfolio continues to focus on returning margins to target levels, building on the momentum generated over the past financial year. Top-line growth will remain subdued as the portfolio continues to be repositioned towards more profitable segments.

— CTP reform is expected to deliver reduced margins, reduced volatility and improved customer outcomes. Premiums in FY19 will reflect the full year impact of reform changes in NSW and further price ceiling reductions in Queensland.

— CTP will continue to leverage the benefits of a national CTP strategy with a focus on optimising growth and profit through targeted opportunities in each scheme.

— Reserve releases are expected to remain above the long-run expectation of 1.5% of Group NEP, provided inflation remains below current average assumptions.

— In Workers Compensation, the portfolio continues to exercise discipline in pricing and is expected to maintain rate increases across the book, particularly for poor performing accounts.

— Investment in the Business Improvement Program will deliver further incremental benefits across both claims and operating expenses.

— Reinsurance costs are relatively stable year on year.

— Suncorp today announced it has entered into a non-binding Heads of Agreement with TAL Dai-ichi Life Australia Pty Limited (“TAL”) for the sale of 100 per cent of its Australian Life Insurance business and the Wealth Participating business. The headline price is expected to be approximately $725m, which includes the purchase consideration and an adjustment to net worth. Allowing for separation and transaction costs, hybrid capital and other provisions, Suncorp anticipates returning approximately $600m to shareholders. The transaction is expected to be completed by the end of 2018, subject to the satisfaction of conditions and approvals. The structure of the capital return and the precise quantum will be announced prior to the completion of the transaction.

  A completed transaction will result in a non-cash write down to goodwill and net assets of around $880m to be booked in the FY19 year.

For further information on the Life transaction refer to the ASX announcement released 9 August 2018.

Profit contribution and General Insurance ratios

Profit contribution

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
General Insurance									
Gross written premium	**8,137**	**8,111**	**0.3**	**4,133**	**4,004**	**4,080**	**4,031**	**3.2**	**1.3**
Gross unearned premium movement	(26)	(78)	(66.7)	(116)	90	(61)	(17)	n/a	90.2
Gross earned premium	8,111	8,033	1.0	4,017	4,094	4,019	4,014	(1.9)	(0.0)
Outwards reinsurance expense	(920)	(961)	(4.3)	(469)	(451)	(499)	(462)	4.0	(6.0)
Net earned premium	**7,191**	**7,072**	**1.7**	**3,548**	**3,643**	**3,520**	**3,552**	**(2.6)**	**0.8**
Net incurred claims									
Claims expense	(5,862)	(6,775)	(13.5)	(2,713)	(3,149)	(3,864)	(2,911)	(13.8)	(29.8)
Reinsurance and other recoveries revenue	805	1,852	(56.5)	380	425	1,315	537	(10.6)	(71.1)
Net incurred claims	**(5,057)**	**(4,923)**	**2.7**	**(2,333)**	**(2,724)**	**(2,549)**	**(2,374)**	**(14.4)**	**(8.5)**
Total operating expenses									
Acquisition expenses	(989)	(907)	9.0	(504)	(485)	(445)	(462)	3.9	13.3
Other underwriting expenses	(517)	(535)	(3.4)	(229)	(288)	(275)	(260)	(20.5)	(16.7)
Total operating expenses	**(1,506)**	**(1,442)**	**4.4**	**(733)**	**(773)**	**(720)**	**(722)**	**(5.2)**	**1.8**
Underwriting result	628	707	(11.2)	482	146	251	456	230.1	92.0
Investment income - insurance funds	258	205	25.9	138	120	170	35	15.0	(18.8)
Insurance trading result	**886**	**912**	**(2.9)**	**620**	**266**	**421**	**491**	**133.1**	**47.3**
Managed schemes, joint venture and other	1	4	(75.0)	(4)	5	4	-	n/a	n/a
General Insurance operational earnings	**887**	**916**	**(3.2)**	**616**	**271**	**425**	**491**	**127.3**	**44.9**
Investment income - shareholder funds	110	98	12.2	38	72	63	35	(47.2)	(39.7)
General Insurance profit before tax and capital funding	**997**	**1,014**	**(1.7)**	**654**	**343**	**488**	**526**	**90.7**	**34.0**
Capital funding	(29)	(37)	(21.6)	(14)	(15)	(19)	(18)	(6.7)	(26.3)
General Insurance profit before tax	**968**	**977**	**(0.9)**	**640**	**328**	**469**	**508**	**95.1**	**36.5**
Income tax	(287)	(288)	(0.3)	(193)	(94)	(138)	(150)	105.3	39.9
General Insurance profit after tax	**681**	**689**	**(1.2)**	**447**	**234**	**331**	**358**	**91.0**	**35.0**
Life Insurance									
Underlying profit after tax	76	53	43.4	37	39	28	25	(5.1)	32.1
Market adjustments	(18)	(19)	(5.3)	(9)	(9)	(5)	(14)	-	80.0
Life Insurance profit after tax	**58**	**34**	**70.6**	**28**	**30**	**23**	**11**	**(6.7)**	**21.7**
Insurance (Australia) profit after tax	**739**	**723**	**2.2**	**475**	**264**	**354**	**369**	**79.9**	**34.2**

General Insurance ratios

	Full Year Ended		Half Year Ended			
	Jun-18	Jun-17	Jun-18	Dec-17	Jun-17	Dec-16
	%	%	%	%	%	%
Acquisition expenses ratio	13.8	12.8	14.2	13.3	12.7	13.0
Other underwriting expenses ratio	7.1	7.6	6.5	7.9	7.8	7.3
Total operating expenses ratio	**20.9**	**20.4**	**20.7**	**21.2**	**20.5**	**20.3**
Loss ratio	70.3	69.6	65.8	74.8	72.4	66.8
Combined operating ratio	91.2	90.0	86.5	96.0	92.9	87.1
Insurance trading ratio	**12.3**	**12.9**	**17.5**	**7.3**	**12.0**	**13.8**

Insurance trading results (excluding discount rate movements and FSL)

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
General Insurance									
Gross written premium	7,988	7,960	0.4	4,048	3,940	4,025	3,935	2.7	0.6
Net earned premium	7,065	6,902	2.4	3,484	3,581	3,434	3,468	(2.7)	1.5
Net incurred claims	(4,998)	(5,005)	(0.1)	(2,284)	(2,714)	(2,487)	(2,518)	(15.8)	(8.2)
Acquisition expenses	(989)	(907)	9.0	(504)	(485)	(445)	(462)	3.9	13.3
Other underwriting expenses	(391)	(365)	7.1	(165)	(226)	(189)	(176)	(27.0)	(12.7)
Total operating expenses	(1,380)	(1,272)	8.5	(669)	(711)	(634)	(638)	(5.9)	5.5
Investment income - insurance funds	199	287	(30.7)	89	110	108	179	(19.1)	(17.6)
Insurance trading result	**886**	**912**	**(2.9)**	**620**	**266**	**421**	**491**	**133.1**	**47.3**

General Insurance ratios

	Full Year Ended		Half Year Ended			
	Jun-18	Jun-17	Jun-18	Dec-17	Jun-17	Dec-16
	%	%	%	%	%	%
Acquisition expenses ratio	14.0	13.1	14.5	13.6	13.0	13.3
Other underwriting expenses ratio	5.5	5.3	4.7	6.3	5.5	5.1
Total operating expenses ratio	**19.5**	**18.4**	**19.2**	**19.9**	**18.5**	**18.4**
Loss ratio	70.7	72.5	65.6	75.8	72.4	72.6
Combined operating ratio	90.2	90.9	84.8	95.7	90.9	91.0

2.1.3 General Insurance

Gross written premium

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium by product									
Motor	2,779	2,626	5.8	1,429	1,350	1,337	1,289	5.9	6.9
Home	2,206	2,135	3.3	1,113	1,093	1,074	1,062	1.8	3.6
Commercial	1,510	1,498	0.8	742	768	741	757	(3.4)	0.1
Compulsory third party	1,164	1,404	(17.1)	555	609	682	722	(8.9)	(18.6)
Workers' compensation and other	329	297	10.8	209	120	191	105	74.2	9.4
Total GWP	**7,988**	**7,960**	**0.4**	**4,048**	**3,940**	**4,025**	**3,935**	**2.7**	**0.6**
Fire Service Levies									
Motor	11	8	37.5	8	3	4	4	166.7	100.0
Home	96	98	(2.0)	51	45	37	62	13.3	37.8
Commercial	42	45	(6.7)	26	16	14	30	62.5	85.7
Total FSL	**149**	**151**	**(1.3)**	**85**	**64**	**55**	**96**	**32.8**	**54.5**
Total GWP including FSL	**8,137**	**8,111**	**0.3**	**4,133**	**4,004**	**4,080**	**4,031**	**3.2**	**1.3**

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium by geography									
Queensland	2,111	2,133	(1.0)	1,045	1,066	1,075	1,058	(2.0)	(2.8)
New South Wales	2,531	2,613	(3.1)	1,257	1,274	1,307	1,307	(1.3)	(3.8)
Victoria	1,855	1,742	6.5	951	904	885	857	5.2	7.5
Western Australia	635	615	3.3	341	294	328	287	16.0	4.0
South Australia	372	397	(6.3)	186	186	180	217	-	3.3
Tasmania	164	163	0.6	87	77	87	75	13.0	-
Other	320	297	7.7	181	139	163	134	30.2	11.0
Total GWP	**7,988**	**7,960**	**0.4**	**4,048**	**3,940**	**4,025**	**3,935**	**2.7**	**0.6**
Fire Service Levies									
New South Wales	147	149	(1.3)	84	63	54	94	33.3	55.6
Tasmania	2	2	-	1	1	1	2	-	-
Total FSL	**149**	**151**	**(1.3)**	**85**	**64**	**55**	**96**	**32.8**	**54.5**
Total GWP including FSL	**8,137**	**8,111**	**0.3**	**4,133**	**4,004**	**4,080**	**4,031**	**3.2**	**1.3**

Consumer

Motor GWP increased 5.8% to $ 2,779m, through premium increases of 4.3%, coupled with unit growth of 1.5% driven by strong retention and new business growth particularly for the Suncorp brand.

Home GWP increased 3.3% to $ 2,206m driven by pricing with units remaining stable. Improved retention drove 0.7% positive unit growth in the second half, offsetting unit losses from the first half.

Commercial

Commercial Insurance GWP increased 0.8% to $ 1,510m.

Rate increases ranging from low single digit to high teens have been achieved across the portfolio impacting volumes in some classes as Suncorp continues to maintain a disciplined approach to underwriting, prioritising margin over growth.

Compulsory Third Party

CTP GWP decreased 17.1% to $ 1,164m as scheme reforms take effect. Adjusting for movements as a result of reforms across the respective schemes, CTP GWP decreased 6.8%.

In the NSW CTP market, GWP contracted 23.9% driven by scheme reform which became effective on 1 December 2017. Reform has impacted GWP in two ways:

— Scheme benefits have reduced expected claims costs and resulted in lower average premium for customers.
— In addition to lower ongoing premiums, customers who paid premiums before the reform was implemented were entitled to a pro-rata refund, which resulted in a one-off payment of $75m being made to the NSW government in two instalments, $53m in 1H18 and $22m in 2H17.

Suncorp's focus during the reform transition period has been to remain competitive whilst monitoring performance of the scheme relative to new assumptions.

In Queensland CTP, GWP declined 8.8% driven by the regulator reducing the ceiling price. Suncorp has maintained a leading market share and will focus on engaging with the regulator to work towards scheme sustainability and improved outcomes for customers.

In ACT CTP, the scheme has continued to grow, with market share now stable at 44% following sustained growth since entering the market at 2013.

In South Australia CTP, Suncorp will continue to be allocated 30% market share until 30 June 2019, at which point the scheme will transition to competitive underwriting.

Compulsory third party GWP by geography, identifying abnormal movements

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Compulsory third party GWP by geography									
Queensland	435	477	(8.8)	214	221	240	237	(3.2)	(10.8)
New South Wales	549	721	(23.9)	250	299	355	366	(16.4)	(29.6)
ACT	66	66	-	35	31	35	31	12.9	-
South Australia	114	140	(18.6)	56	58	52	88	(3.4)	7.7
Total compulsory third party GWP	**1,164**	**1,404**	**(17.1)**	**555**	**609**	**682**	**722**	**(8.9)**	**(18.6)**
Abnormal movements									
New South Wales Reform: customer refunds	53	22	140.9	-	53	22	-	(100.0)	(100.0)
New South Wales Reform: lower premium rates	97	-	n/a	79	18	-	-	338.9	n/a
South Australia FY16 novated premium	-	(32)	(100.0)	-	-	-	(33)	-	-
Queensland FY16 NIIS claw-back	-	16	(100.0)	-	-	-	16	-	-
CTP GWP adjusted for abnormal movements	**1,314**	**1,410**	**(6.8)**	**634**	**680**	**704**	**705**	**(6.8)**	**(9.9)**

Workers' compensation and other

GWP growth of 10.8% was due to strong retention and premium rate increases predominantly in Western Australia.

Net incurred claims

Net incurred claims were $5,057m, an increase of 2.7% on the prior year. Excluding discount rate movements, net incurred claims improved by 0.1%. The improvement in net incurred claims is driven by favourable underlying claims performance and higher prior year releases, partially offset by higher claims handling expense.

Net incurred claims improved by 14.4% in the second half of the financial year due to lower natural hazard costs, higher prior year releases and improved underlying claims performance in the motor and commercial portfolios.

BIP contributed $41m in net benefits to the claims result, with benefits materially skewed to the second half of the financial year. BIP primarily benefited the consumer insurance loss ratio as a result of improvements in motor claims repair processes, including improved motor vehicle pathing, greater focus on repairer and assessor performance and implementation of damage assessment technology. ***For further information on BIP please refer to page 9.***

Risk margin also reduced over the second half of the year, in part due to finalisation of natural hazard claims including the Victorian hailstorms in December 2017.

Consumer Home

Water claims cost inflation improved following the implementation of the best in class water program early in the financial year. An increased number of major loss (>$100k) fire claims impacted incurred claims during the period. Lower claim frequency partly offset the overall increase in average claim size.

Consumer Motor

Motor average repair cost inflation was relatively flat due to BIP claims initiatives and increased pathing to the Suncorp preferred repair network. This has been partially offset by an increase in total loss claims due to a regulatory change in how total loss claims are assessed. Increases in third-party demand costs moderated, with improving settlement rates further offsetting inflation.

Commercial

Commercial loss ratios improved due to premium rate increases and targeted retention of high quality accounts. Fleet has seen positive signs of the loss ratio stabilising.

CTP And Workers' Compensation

CTP claims experience remained stable, supporting reserve releases in excess of 1.5% of Group NEP. The Queensland scheme experienced elevated frequency in small claims which drove an overall reduction in average claims costs. In NSW, claims experience post-reform was broadly in line with expectations however longer-term claims trends will emerge over the next two years.

Workers Compensation claims experience was favourable, benefiting from better than expected performance in Western Australia in prior accident years.

Natural hazards

Natural hazard costs were $625m, $36m below the allowance for the year. Natural hazard costs were $655m in 2017.

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

Date	Event	Net costs $M
Oct 2017	Toowoomba Newcastle Hail	35
Nov 2017	Lismore Bundaberg Hail	22
Dec 2017	Southern Flooding	18
Dec 2017	Grafton Hail	25
Dec 2017	Victoria Hail	140
Jan 2018	Lakewood Hail	15
Apr 2018	Nelson Bay Hail	17
May 2018	Hobart Storms	33
Total events over $10 million		**305**
Other natural hazards attritional claims		320
Total natural hazards		**625**
Less: allowance for natural hazards		(661)
Natural hazards costs below allowance		**(36)**

Outstanding claims provision breakdown

The valuation of outstanding claims has again resulted in central estimate releases of $319m, well above the Group's long-run expectation for reserve releases of 1.5% of Group NEP.

Short-tail strengthening was primarily due to unfavourable prior year average claims size cost in third-party Motor demand costs in the Consumer and Commercial portfolios during the first half of the year.

Long-tail claims reserve releases of $353m were primarily attributable to favourable claims experience. The impact of benign wage inflation in the CTP portfolios contributed to the majority of the releases. This was partially offset by large claims in the Professional Indemnity portfolio.

	Actual	Net central estimate (discounted)	Risk margin (90th percentile discounted)	Change in net central estimate [1]
	$M	$M	$M	$M
Short-tail	1,504	1,369	135	34
Long-tail	5,861	5,009	852	(353)
Total	**7,365**	**6,378**	**987**	**(319)**

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

Outstanding claims provision over time

The following table shows the gross and net outstanding claims liabilities and their movement over time. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate (90th percentile, discounted) and the risk margin components. For June 2018, claim excess recoveries are now included in gross outstanding claims liabilities, previously included in reinsurance and other recoveries.

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Gross outstanding claims liabilities	8,874	9,217	9,175	8,445	(3.7)	(3.3)
Reinsurance and other recoveries	(1,509)	(1,671)	(1,989)	(1,273)	(9.7)	(24.1)
Net outstanding claims liabilities	**7,365**	**7,546**	**7,186**	**7,172**	**(2.4)**	**2.5**
Expected future claims payments and claims handling expenses	6,894	7,063	6,731	6,791	(2.4)	2.4
Discount to present value	(516)	(538)	(523)	(587)	(4.1)	(1.3)
Risk margin	987	1,021	978	968	(3.3)	0.9
Net outstanding claims liabilities	**7,365**	**7,546**	**7,186**	**7,172**	**(2.4)**	**2.5**
Short-tail	1,504	1,644	1,411	1,569	(8.5)	6.6
Long-tail	5,861	5,902	5,775	5,603	(0.7)	1.5
Total	**7,365**	**7,546**	**7,186**	**7,172**	**(2.4)**	**2.5**

Risk margins

Risk margins represent approximately 13% of outstanding claim reserves giving an approximate level of confidence of 90%.

Risk margins increased by $9m during the period to $987m from $978m. The assets notionally backing risk margins had a net gain of $28m. The net impact was therefore $19m, which is excluded from the underlying ITR calculation.

Operating expenses

In FY18, Suncorp has prioritised the Group's customer strategy which has involved development of associated technology infrastructure. There was also an increase in project costs relating to regulatory reform.

Operating expenses increased by 4.4% for the year due to:

- Growth and a change in mix of commercial premiums
- Investment and maintenance in automation of policy, claims and support systems
- Other expenses including an increase in costs associated with regulatory compliance and inquiry responses, which are expected to continue over the medium-term

Operating expenses have reduced in the second half of the financial year, down by 5.2% compared to the first half. The primary driver of the improvement has been BIP moving from the investment phase to benefit phase.

In the first half of the year, the upfront investment in BIP drove a net increase of $19m in insurance operating expenses. In the second half of the year, BIP delivered a net benefit of $25m to insurance operating expenses.

Managed schemes, joint venture and other

During the year Suncorp entered into a new managed scheme arrangement with the NSW Government whereby, Suncorp receives revenue as one of three claims management providers, to manage its existing portfolio as well as the portfolio of the exiting scheme agents. Suncorp continues to participate in the joint venture with the Royal Auto club in Tasmania and have distribution arrangements with other third-party suppliers. Other income and expenses includes the amortisation of intangibles and other miscellaneous income.

Investment income

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

In FY18 the Board approved the Responsible Investment Policy (available at suncorpgroup.com.au) which will see the progressive integration of environmental, social and governance (ESG) issues in investment processes.

The key market metrics for the year are tabled below.

	Jun-18	Jun-17	Jun-18 vs Jun-17
3 year bond yield (%)	2.06	1.91	+15bp
10 year bond yield (%)	2.63	2.60	+3bp
10 year breakeven inflation rate (%)	1.96	1.81	+15bp
AA 3 year credit spreads (bp)	78	81	-3bp
Semi-government spreads (bp)	29	29	+0bp
Australian fixed interest (Bloomberg composite index)	9,287	9,009	+3.1%
Australian equities (total return)	63,015	55,759	+13.0%
International equities (hedged total return)	1,660	1,489	+11.5%

The Australian General Insurance investment portfolio includes insurance funds and shareholders' funds. The objective of the insurance funds is to match the insurance liabilities in a capital efficient way. The shareholders' funds support the capital position and have an absolute-return based strategy.

Asset allocation

Suncorp continues to invest in line with the Group's risk appetite. These allocations are in line with the Board approved investment strategy.

In line with Suncorp's Responsible Investment Policy, a target of 5% of Shareholders' Funds will be progressively allocated to impact investing, which includes Green Bonds, Renewable Energy Infrastructure and Social Impact Bonds.

	Half Year Ended							
	Jun-18		Dec-17		Jun-17		Dec-16	
	$M	%	$M	%	$M	%	$M	%
Insurance funds								
Cash and short-term deposits	104	1	209	2	446	5	185	2
Inflation-linked bonds [(1)]	2,327	25	2,416	27	2,380	26	2,131	23
Corporate bonds	6,015	64	5,479	62	5,494	60	5,909	65
Semi-Government bonds	196	2	211	2	291	3	497	5
Commonwealth Government bonds	699	8	591	7	587	6	429	5
Total Insurance funds	**9,341**	**100**	**8,906**	**100**	**9,198**	**100**	**9,151**	**100**
Shareholders' funds								
Cash and short-term deposits	89	3	140	5	106	4	109	4
Australian interest-bearing securities	1,305	44	1,243	42	1,285	47	1,965	71
Global interest-bearing securities (hedged)	691	23	686	24	613	23	65	2
Equities	378	13	349	12	340	12	369	14
Infrastructure and property	326	11	301	10	245	9	249	9
Alternative investments	182	6	191	7	148	5	-	-
Total shareholders' funds	**2,971**	**100**	**2,910**	**100**	**2,737**	**100**	**2,757**	**100**
Total	**12,312**		**11,816**		**11,935**		**11,908**	

(1) The total notional exposure to inflation-linked securities, after accounting for both physical bonds and derivatives, in the insurance funds is: Jun-18 $2.3bn, Dec-17 $2.4bn, Jun-17 $2.4bn, Dec-16 $2.9bn.

Credit quality

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

	Jun-18	Dec-17	Jun-17	Dec-16
	%	%	%	%
AAA	44.6	42.0	44.1	43.0
AA	18.3	19.3	17.3	21.8
A	20.9	22.0	23.0	27.3
BBB	16.2	16.7	15.6	7.9
	100.0	**100.0**	**100.0**	**100.0**

Duration

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

	Jun-18 Years	Dec-17 Years	Jun-17 Years	Dec-16 Years
Insurance funds				
Interest rate duration	2.8	2.7	2.6	3.0
Credit spread duration	1.3	1.4	1.1	1.3
Shareholders' funds				
Interest rate duration	1.7	1.5	1.3	2.2
Credit spread duration	2.4	2.4	2.4	2.1

Investment performance

Total investment income was $368m representing an annualised return of 3.1% for the full year.

Insurance funds

Investment income on insurance funds was $258m which included following market valuation impacts:

— Gains of $1m from changes in risk-free rates

— Gains of $20m from a narrowing of credit spreads

— Gains of $12m from the outperformance of inflation-linked bonds relative to Commonwealth Government nominal bonds as break-even inflation levels rose

After removing the above impacts, the underlying yield income was $225m, or 2.5% annualised.

The change in risk-free rates led to a market valuation gain on investment assets of $1m. The value of outstanding claims saw a $59m adverse movement due to differences in yield curve expectations and the discounting treatment of liabilities on the balance sheet. As a result, the net impact of these risk-free rate changes was $58m adverse. This amount includes market valuation impacts on the assets backing unearned premiums which are not discounted.

In calculating the underlying ITR, an adjustment of $28m has been made to materially remove the impact of investment market volatility. This adjustment is consistent with prior periods and unwinds the following market volatility impacts:

— $20m gain from the narrowing of credit spreads

— $12m gain from inflation-linked bond outperformance

— $58m net reduction from changes in risk-free rates

— $2m loss from a timing adjustment due to the unwind of prior risk-free changes on assets backing unearned premium.

The Australian yield curve flattened over the year. While insurance funds and outstanding claims both have an average duration of around three years, there are exposures both at the short and long ends of the yield curve. This has resulted in directionally different mark to market impacts for assets and liabilities depending on their exposure to different points on the curve. In FY18 this impact was larger for liabilities due to the relatively higher sensitivity to longer dated yields.

Shareholders' funds

Investment income on shareholders' funds was $110m representing an annualised return of 3.8%. The portfolio was impacted by improving equity markets and narrower credit spreads.

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Investment income on insurance funds									
Cash and short-term deposits	6	6	-	3	3	3	3	-	-
Interest-bearing securities and other	252	199	26.6	135	117	167	32	15.4	(19.2)
Total	**258**	**205**	**25.9**	**138**	**120**	**170**	**35**	**15.0**	**(18.8)**
Investment income on shareholder funds									
Cash and short-term deposits	1	5	(80.0)	1	-	4	1	n/a	(75.0)
Interest-bearing securities	50	32	56.3	22	28	31	1	(21.4)	(29.0)
Equities	41	50	(18.0)	10	31	26	24	(67.7)	(61.5)
Infrastructure and property	24	13	84.6	14	10	4	9	40.0	250.0
Alternative investments	(6)	(2)	200.0	(9)	3	(2)	-	n/a	350.0
Total	**110**	**98**	**12.2**	**38**	**72**	**63**	**35**	**(47.2)**	**(39.7)**
Total investment income	**368**	**303**	**21.5**	**176**	**192**	**233**	**70**	**(8.3)**	**(24.5)**

2.1.4 Life Insurance

Life underlying profit of $76m is up 43.4% reflecting higher planned profit margins, favourable experience and the benefits of repricing.

Favourable experience compared to the prior year is due to the benefits of the Life Optimisation program of work.

Other and investments include the benefits of loss recognition reversal due to repricing activity on the in-force Income Protection and Trauma portfolios. Underlying investment income remains stable.

Market adjustments were negative due to actual market rates being lower than our longer-term investment return assumptions.

In-force premium increased by 1.2%, driven by growth in both the Retail and Direct portfolios, partially offset by the run-off of the closed Group Risk book.

Profit contribution

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Planned profit margin release	25	19	31.6	13	12	10	9	8.3	30.0
Experience	3	(6)	n/a	1	2	(4)	(2)	(50.0)	n/a
Other and investments	48	40	20.0	23	25	22	18	(8.0)	4.5
Underlying profit after tax	**76**	**53**	**43.4**	**37**	**39**	**28**	**25**	**(5.1)**	**32.1**
Market adjustments [1]	(18)	(19)	(5.3)	(9)	(9)	(5)	(14)	-	80.0
Net profit after tax	**58**	**34**	**70.6**	**28**	**30**	**23**	**11**	**(6.7)**	**21.7**

[1] Market adjustments consist of life risk policy discount rate changes and investment income experience.

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Life risk policy liability impact (DAC)	-	2	(100.0)	1	(1)	1	1	n/a	-
Investment income experience [1]	(18)	(21)	(14.3)	(10)	(8)	(6)	(15)	25.0	66.7
Total market adjustments	**(18)**	**(19)**	**(5.3)**	**(9)**	**(9)**	**(5)**	**(14)**	**-**	**80.0**

[1] Underlying investment income - FY18: $26m, FY17: $23m.

Life risk in-force annual premium by channel

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Advised	676	661	658	653	2.3	2.7
Direct via General Insurance brands	71	69	68	66	2.9	4.4
Group and other	69	78	80	82	(11.5)	(13.8)
Total	**816**	**808**	**806**	**801**	**1.0**	**1.2**

Life risk new business

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Total new business	59	62	(4.8)	27	32	29	33	(15.6)	(6.9)

2.2 BANKING & WEALTH

2.2.1 Banking & Wealth result overview

	Full Year Ended		Jun-18	Half Year Ended	
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17
	$M	$M	%	$M	$M
Banking profit after tax	**375**	**396**	**(5.3)**	**184**	**191**
Wealth profit after tax	**14**	**4**	**250.0**	**8**	**6**
Banking & Wealth profit after tax	**389**	**400**	**(2.8)**	**192**	**197**
Total housing loans	47,604	44,844	6.2	47,604	46,940
Consumer loans	175	254	(31.1)	175	250
Commercial (SME)	6,402	5,729	11.7	6,402	6,160
Agribusiness	4,535	4,497	0.8	4,535	4,409
Total lending	**58,716**	**55,324**	**6.1**	**58,716**	**57,759**
At-call deposits	20,289	18,945	7.1	20,289	19,905
Term deposits	18,272	17,895	2.1	18,272	18,117
Total customer funding	**38,561**	**36,840**	**4.7**	**38,561**	**38,022**
Wealth funds under management and administration	7,533	7,511	0.3	7,533	7,556
	%	**%**		**%**	**%**
Customer funding growth (annualised)	4.67	1.69		2.86	6.36
Lending growth (annualised)	6.13	1.92		3.34	8.73
Net interest margin (interest-earning assets)	1.84	1.83		1.82	1.86
Cost to income ratio	54.7	52.7		54.5	54.9
Impairment losses to gross loans and advances (annualised)	0.05	0.01		0.05	0.04

— Net profit after tax of $389m was driven by a 4.4% increase in net interest income delivered by above system lending growth offset by upfront investment in the business and lower non-interest income.

— At-call deposit growth of 7.1%, 2.2 times system, resulted from new product offerings, enhanced digital functionality and simplified processes.

— Home lending growth of 6.2%, 1.2 times system, was driven by the increased focus on process optimisation and customer retention.

— Business lending growth of 7.0%, 1.4 times system, was driven by targeted commercial growth, primarily in small business and property investment.

— The upfront investment in process efficiencies and digital capabilities through BIP and an increase in regulatory costs resulted in an increase in operating expenses of 6.8%. The upfront investment in BIP will deliver benefits in FY19.

— The consumer lending portfolio contracted primarily due to the divestment of the margin lending portfolio.

— Net interest margin (NIM) was broadly flat, with a favourable shift in the funding mix and selected portfolio repricing, offset by the elevated bank bill swap rate (BBSW) and increased price competition over 2H18.

— Impairment losses at 5bps of GLA remain below the long-term operating range of 10 to 20bps.

— Wealth NPAT increased by $10m to $14m due to improved investment income and reduced project costs following the completion of the Super Simplification Program (SSP).

2.2.2 Banking & Wealth outlook

- Banking and Wealth continues to target the following operating metrics:
  - Sustainable lending and deposit growth above system
  - A cost to income ratio of around 50%, subject to regulatory costs in the short-term
  - NIM at the low end of a 1.80% to 1.90% range
  - A stable and diverse funding profile with a NSFR comfortably above 105%
  - A return on CET1 capital of 12.5% to 15.0%.
- Above system growth in transactional banking will remain a priority as Banking leverages the investments made in digital and payment capabilities.
- Home lending growth is expected to moderate over FY19 due to a slowing market and increased regulatory reform. Suncorp's home lending growth may be impacted by an increasing trend of accelerated customer repayments given Suncorp's higher proportion of principal and interest lending. Notwithstanding these factors, Suncorp continues to target above system growth in home lending.
- Suncorp will seek to optimise its lending mix through targeted, above system growth across commercial, small business and agribusiness lending.
- Heightened price competition and adverse BBSW movements are expected to place higher than previously anticipated pressure on margin in the short-term. The stable, diverse and flexible funding options available to Suncorp, supported by its sustained A+ credit rating, are expected to somewhat mitigate likely NIM headwinds.
- Banking will continue to maintain responsible lending practices through disciplined credit selection in line with prudent risk management practices. Impairment losses are expected to remain at or below the bottom of the operating range of 10 to 20bps.
- Discussions continue with APRA on the Bank's adoption of Basel II Advanced Accreditation. The Basel III reforms and APRA's roll-out of unquestionably strong benchmarks, communicated to the market from mid-2017, require further consideration as they are expected to reduce the gap between standardised and advanced bank capital requirements. Expected impacts cannot be confirmed before APRA release the draft standards, which is assumed to be in early 2019.
- Banking & Wealth have implemented changes to comply with the introduction of AASB 9 (IFRS9) including the reclassification of specific investment securities to fair value and updating its expected credit loss models. The impact on transition will increase accounting provisions by approximately $20m, and reduce the CET1 capital ratio by approximately 6bps. Although volatility in provisions is likely to rise as a result of the increased sensitivity of the models to changes in economic conditions, the standards are designed to remove any undue delay in recognising the impact of deteriorating economic conditions.
- Banking remains committed to reducing the cost-to-income ratio through the delivery of significant operational efficiencies from the investment in BIP, notwithstanding the expected increase in regulatory compliance. Regulatory costs are expected to increase through FY19.
- Wealth will focus on implementing compulsory legislative changes and new reporting requirements, while pursuing opportunities to improve operational efficiencies.

Profit contribution

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Banking									
Net interest income	**1,181**	**1,131**	**4.4**	**583**	**598**	**573**	**558**	**(2.5)**	**1.7**
Net non interest income									
Net banking fee income and commission	42	64	(34.4)	19	23	29	35	(17.4)	(34.5)
Gain on derivatives and other financial instruments	10	7	42.9	4	6	5	2	(33.3)	(20.0)
Other revenue	8	5	60.0	3	5	3	2	(40.0)	-
Total net non interest income	**60**	**76**	**(21.1)**	**26**	**34**	**37**	**39**	**(23.5)**	**(29.7)**
Total income	**1,241**	**1,207**	**2.8**	**609**	**632**	**610**	**597**	**(3.6)**	**(0.2)**
Operating expenses	(679)	(636)	6.8	(332)	(347)	(329)	(307)	(4.3)	0.9
Profit before impairment losses on loans and advances	**562**	**571**	**(1.6)**	**277**	**285**	**281**	**290**	**(2.8)**	**(1.4)**
Impairment loss on loans and advances	(27)	(7)	285.7	(14)	(13)	(6)	(1)	7.7	133.3
Banking profit before tax	**535**	**564**	**(5.1)**	**263**	**272**	**275**	**289**	**(3.3)**	**(4.4)**
Income tax	(160)	(168)	(4.8)	(79)	(81)	(82)	(86)	(2.5)	(3.7)
Banking profit after tax	**375**	**396**	**(5.3)**	**184**	**191**	**193**	**203**	**(3.7)**	**(4.7)**
Wealth profit after tax	**14**	**4**	**250.0**	**8**	**6**	**(1)**	**5**	**33.3**	**n/a**
Banking & Wealth profit after tax	**389**	**400**	**(2.8)**	**192**	**197**	**192**	**208**	**(2.5)**	**-**

Banking ratios and statistics

	Full Year Ended		Half Year Ended			
	Jun-18	Jun-17	Jun-18	Dec-17	Jun-17	Dec-16
	%	%	%	%	%	%
Lending growth (annualised)	6.13	1.92	3.34	8.73	4.23	(0.34)
Customer funding growth (annualised)	4.67	1.69	2.86	6.36	2.38	0.99
Net interest margin (interest-earning assets)	1.84	1.83	1.82	1.86	1.87	1.78
Cost to income ratio	54.7	52.7	54.5	54.9	53.9	51.4
Impairment losses to gross loans and advances (annualised)	0.05	0.01	0.05	0.04	0.02	0.00
Common Equity Tier 1	9.07	9.23	9.07	9.01	9.23	9.20
Return on Common Equity Tier 1	12.0	13.0	12.1	11.9	12.5	13.5
Deposit to loan ratio	65.7	66.6	65.7	65.8	66.6	67.2
NSFR	111.8	110.4	111.8	113.2	110.4	106.2

2.2.3 Banking

Loans and advances

	Jun-18 $M	Dec-17 $M	Jun-17 $M	Dec-16 $M	Jun-18 vs Dec-17 %	Jun-18 vs Jun-17 %
Housing loans	41,159	40,164	38,722	38,743	2.5	6.3
Securitised housing loans and covered bonds	6,445	6,776	6,122	5,332	(4.9)	5.3
Total housing loans	**47,604**	**46,940**	**44,844**	**44,075**	**1.4**	**6.2**
Consumer loans	175	250	254	268	(30.0)	(31.1)
Retail loans	**47,779**	**47,190**	**45,098**	**44,343**	**1.2**	**5.9**
Commercial (SME)	6,402	6,160	5,729	5,462	3.9	11.7
Agribusiness	4,535	4,409	4,497	4,383	2.9	0.8
Total Business loans	**10,937**	**10,569**	**10,226**	**9,845**	**3.5**	**7.0**
Total lending	**58,716**	**57,759**	**55,324**	**54,188**	**1.7**	**6.1**
Other lending	12	7	13	7	71.4	(7.7)
Gross loans and advances	**58,728**	**57,766**	**55,337**	**54,195**	**1.7**	**6.1**
Provision for impairment	(130)	(131)	(140)	(148)	(0.8)	(7.1)
Total loans and advances	**58,598**	**57,635**	**55,197**	**54,047**	**1.7**	**6.2**
Credit-risk weighted assets	**27,234**	**26,935**	**26,543**	**26,459**	**1.1**	**2.6**
Geographical breakdown - Total lending						
Queensland	31,005	30,170	29,288	28,935	2.8	5.9
New South Wales	15,624	15,372	14,469	13,925	1.6	8.0
Victoria	6,079	6,071	5,684	5,532	0.1	6.9
Western Australia	3,587	3,740	3,683	3,707	(4.1)	(2.6)
South Australia and other	2,421	2,406	2,200	2,089	0.6	10.0
Outside of Queensland loans	27,711	27,589	26,036	25,253	0.4	6.4
Total lending	**58,716**	**57,759**	**55,324**	**54,188**	**1.7**	**6.1**

Retail loans

Home lending grew 6.2%, 1.2 times system, over the financial year to $47.6bn.

The growth was underpinned by an increased focus on customer retention and headroom within macro-prudential limit settings. This was complemented by competitive offerings and stronger broker partnerships.

The momentum during the first half of the year moderated over the remainder of the year as appropriate risk selection was balanced with increased competition. Home lending growth was also impacted by changes in market conditions and an elevated rate of customer repayments including customers converting to principal and interest repayments.

The contraction in consumer lending was primarily driven by the divestment of the margin lending portfolio during 2H18.

Banking continues to maintain a high-quality lending portfolio as indicated through a range of measures including serviceability, customer credit ratings and average loan-to-value (LVR) ratio. Home lending is managed well within macroprudential limit settings with interest only lending representing 20% of the portfolio.

Commercial (SME)

Commercial lending increased 11.7% to $6.4bn over the financial year.

The result in the commercial portfolio was driven by targeted growth, primarily in small business and property investment, as the Bank continued to focus on balancing the portfolio mix.

1H18 growth in construction and development lending was partially offset in 2H18 as a number of projects were successfully completed. The majority of individual development finance loans are under $20m, supported by satisfactory pre-sales, and with completion dates of 12 to 18 months. The development finance portfolio continues to have nil arrears or impaired assets, with the small exposure to inner city developments managed closely.

Commercial (SME) portfolio breakdown

	QLD	NSW	Other	Total	Total
	%	%	%	%	$M
Commercial (SME) breakdown					
Property Investment	26%	4%	5%	35%	2,241
Hospitality & Accommodation	12%	1%	1%	14%	896
Construction & Development	8%	1%	0%	9%	576
Services (Inc. professional services) (1)	11%	6%	4%	21%	1,345
Retail	5%	1%	1%	7%	448
Manufacturing & Mining	2%	1%	1%	4%	256
Other	7%	2%	1%	10%	640
Total %	**71%**	**16%**	**13%**	**100%**	
Total $M	**4,546**	**1,024**	**832**		**6,402**

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

Agribusiness

The Agribusiness portfolio ended the year flat at $4.5bn, returning to growth in 2H18 as the higher than expected seasonal repayments from favourable agribusiness conditions moderated. Growth was focused on medium to large family-owned farming operations with mid-size lending requirements within grain, mixed livestock and cotton industries located in Queensland, New South Wales and Victoria.

Growth in the Agribusiness portfolio continues to be balanced with sound risk selection and changes to market factors and weather patterns. Suncorp continues to monitor drought conditions impacting customers, including those in Central West Queensland and more recently west of the Dividing Range in New South Wales.

Agribusiness portfolio breakdown

	QLD	NSW	Other	Total	Total
	%	%	%	%	$M
Agribusiness breakdown					
Beef	31%	3%	1%	35%	1,587
Grain & Mixed Farming	13%	14%	2%	29%	1,315
Sheep & Mixed Livestock	2%	4%	1%	7%	318
Cotton	4%	4%	0%	8%	363
Sugar	3%	0%	0%	3%	136
Fruit	3%	1%	0%	4%	181
Other	7%	2%	5%	14%	635
Total %	**63%**	**28%**	**9%**	**100%**	
Total $M	**2,857**	**1,270**	**408**		**4,535**

Banking funding

Funding composition

	Jun-18 $M	Dec-17 $M	Jun-17 $M	Dec-16 $M	Jun-18 vs Dec-17 %	Jun-18 vs Jun-17 %
Customer funding						
Customer deposits						
At-call deposits	20,289	19,905	18,945	18,951	1.9	7.1
Term deposits	18,272	18,117	17,895	17,451	0.9	2.1
Total customer funding	**38,561**	**38,022**	**36,840**	**36,402**	**1.4**	**4.7**
Wholesale funding						
Domestic funding						
Short-term wholesale	5,442	5,739	6,118	6,972	(5.2)	(11.0)
Long-term wholesale	4,863	4,861	4,062	3,913	-	19.7
Covered bonds	2,037	2,036	2,491	2,490	-	(18.2)
Subordinated notes	742	742	742	742	-	-
Total domestic funding	**13,084**	**13,378**	**13,413**	**14,117**	**(2.2)**	**(2.5)**
Overseas funding [1]						
Short-term wholesale	2,040	2,263	2,469	3,103	(9.9)	(17.4)
Long-term wholesale	2,954	2,825	2,663	3,182	4.6	10.9
Total overseas funding	**4,994**	**5,088**	**5,132**	**6,285**	**(1.8)**	**(2.7)**
Total wholesale funding	**18,078**	**18,466**	**18,545**	**20,402**	**(2.1)**	**(2.5)**
Total funding (excluding securitisation)	**56,639**	**56,488**	**55,385**	**56,804**	**0.3**	**2.3**
Securitisation						
APS 120 qualifying [2]	4,809	4,053	2,973	2,051	18.7	61.8
APS 120 non-qualifying	39	58	115	153	(32.8)	(66.1)
Total securitisation	**4,848**	**4,111**	**3,088**	**2,204**	**17.9**	**57.0**
Total funding (including securitisation)	**61,487**	**60,599**	**58,473**	**59,008**	**1.5**	**5.2**
Total funding is represented on the balance sheet by:						
Deposits	38,561	38,022	36,840	36,402	1.4	4.7
Short-term borrowings	7,482	8,002	8,587	10,075	(6.5)	(12.9)
Securitisation	4,848	4,111	3,088	2,204	17.9	57.0
Debt issues	9,854	9,722	9,216	9,585	1.4	6.9
Subordinated notes	742	742	742	742	-	-
Total funding	**61,487**	**60,599**	**58,473**	**59,008**	**1.5**	**5.2**
Deposit to loan ratio	**65.7%**	**65.8%**	**66.6%**	**67.2%**		

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

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

Suncorp demonstrated its ability to fund in a range of long-term wholesale markets during the year, completing two Residential Mortgage-backed Security (RMBS) transactions totalling $2.75bn, senior unsecured and covered bond programs, and other various placements.

The Net Stable Funding Ratio (NSFR) is compliant with regulatory requirements and the Liquidity Coverage Ratio (LCR) has been managed at an appropriate buffer to the 100% prudential minimum requirement.

Suncorp's key funding and liquidity management strategies include:

- Increasing stable deposits combined with an appropriate NSFR position
- Maintaining a sustainable and diversified funding base across a range of long-term wholesale markets such as covered bond, domestic and offshore senior unsecured, and RMBS
- Minimising the impact of market volatility by maintaining a smooth profile of long-term wholesale funding maturities with an appropriate weighted average tenor
- Ensuring short-term resilience by managing high-quality liquid assets comfortably above net cash outflows under various stress scenarios

Customer funding

Banking's deposit-to-loan ratio of 65.7% remains within the target operating range of 60% to 70%.

The above system 7.1% increase in at-call deposits over the financial year was driven by investment in new product offerings, enhanced digital capabilities and functionality including the introduction of digital wallets.

Banking continued to balance the customer deposit portfolio to reduce reliance on relatively more expensive term deposits, with at-call deposits reflecting a higher proportion of customer funding. Competition for customer deposits increased over the second half of the financial year in response to elevated wholesale funding costs.

Net Stable Funding Ratio

The NSFR was 112% as at 30 June 2018.

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

Liquidity Coverage Ratio

The average LCR for FY18 was 123%, ending the year at 139%, above internal operating targets and APRA's 100% limit.

The Banking business holds a portfolio of liquid assets available to meet balance sheet requirements and unforeseen cash outflows under a range of market conditions and stress scenarios. These assets consist of cash and highly rated securities eligible for repurchase agreements with the Reserve Bank of Australia (RBA).

Wholesale funding

Banking's wholesale funding costs were impacted during the year by the increase in BBSW which was driven by international and domestic factors.

During the year, Suncorp demonstrated its ability to execute across multiple markets by completing $5.5bn in term wholesale issuance at a weighted average term of 3.5 years. This included issuance under domestic and offshore senior unsecured, covered bond and RMBS programs.

The weighted average term remaining of Banking's long-term wholesale portfolio is 2.6 years.

Through deliberate management action to take advantage of favourable market opportunities, long-term wholesale funding instruments increased by $2.4bn over the year.

Wholesale funding instruments maturity profile

	Short-term $M	Long-term $M	Jun-18 $M	Dec-17 $M	Jun-17 $M	Dec-16 $M	Jun-18 vs Dec-17 %	Jun-18 vs Jun-17 %
Maturity								
0 to 3 months	4,398	633	5,031	5,899	6,703	8,998	(14.7)	(24.9)
3 to 6 months	2,476	1,781	4,257	2,588	3,806	2,730	64.5	11.8
6 to 12 months	608	2,280	2,888	2,747	819	2,051	5.1	252.6
1 to 3 years	-	7,001	7,001	6,689	5,874	4,651	4.7	19.2
3+ years	-	3,749	3,749	4,654	4,431	4,176	(19.4)	(15.4)
Total wholesale funding instruments	**7,482**	**15,444**	**22,926**	**22,577**	**21,633**	**22,606**	**1.5**	**6.0**

Net interest income

Net interest income of $1.2bn grew 4.4%, primarily driven by increased lending volumes.

Lending spreads were impacted by heightened price-driven competition, an increase in existing customers converting to principal and interest repayments and an elevated BBSW. This was partially offset by selective portfolio repricing.

Funding spreads improved as a result of proactive term deposit pricing and portfolio mix benefits, following strong growth in at-call customer deposits.

Short-term margin pressure is anticipated due to volatility in BBSW relative to the outlook of a stable cash rate and Banking's higher concentration of home lending assets.

Net interest margin movements

	%
FY17 net interest margin	**1.83**
Movement in lending mix / spreads	(0.09)
Movement in funding mix / spreads	0.06
Balance sheet and liquidity management	0.05
Movement in earnings on invested capital	(0.01)
FY18 net interest margin	**1.84**

Average banking balance sheet

	Full Year Ended Jun-18			Half Year Ended Jun-18		
	Average Balance [1]	Interest	Average Rate	Average Balance	Interest	Average Rate
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities [2]	7,009	180	2.57	6,486	84	2.61
Gross loans and advances	57,171	2,348	4.11	58,003	1,174	4.08
Total interest-earning assets	**64,180**	**2,528**	**3.94**	**64,489**	**1,258**	**3.93**
Non-interest earning assets						
Other assets (inc. loan provisions)	1,189			1,224		
Total non-interest earning assets	**1,189**			**1,224**		
Total assets	**65,369**			**65,713**		
Liabilities						
Interest-bearing liabilities						
Customer deposits	37,330	689	1.85	37,682	340	1.82
Wholesale liabilities	22,333	625	2.80	22,436	318	2.86
Subordinated loans	742	33	4.45	742	17	4.62
Total interest-bearing liabilities	**60,405**	**1,347**	**2.23**	**60,860**	**675**	**2.24**
Non-interest bearing liabilities						
Other liabilities	722			715		
Total non-interest bearing liabilities	**722**			**715**		
Total Liabilities	**61,127**			**61,575**		
Average Shareholders' Equity	**4,242**			**4,138**		
Non-Shareholder Accounting Equity	18			16		
Convertible Preference Shares	(676)			(550)		
Average Shareholders' Equity	**3,584**			**3,604**		
Goodwill allocated to Banking Business	(240)			(240)		
Average Shareholders' Equity (ex Goodwill)	**3,344**			**3,364**		
Analysis of interest margin and spread						
Interest-earning assets	64,180	2,528	3.94	64,489	1,258	3.93
Interest-bearing liabilities	60,405	1,347	2.23	60,860	675	2.24
Net interest spread			**1.71**			**1.69**
Net interest margin (interest-earning assets)	**64,180**	**1,181**	**1.84**	**64,489**	**583**	**1.82**
Net interest margin (lending assets)	**57,171**	**1,181**	**2.07**	**58,003**	**583**	**2.03**

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

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

Net non-interest income

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Net banking fee income and commission	42	64	(34.4)	19	23	29	35	(17.4)	(34.5)
Gain on derivatives and other financial instruments	10	7	42.9	4	6	5	2	(33.3)	(20.0)
Other revenue	8	5	60.0	3	5	3	2	(40.0)	-
Total net non-interest income	**60**	**76**	**(21.1)**	**26**	**34**	**37**	**39**	**(23.5)**	**(29.7)**

Total net non-interest income was $60m, down 21.1% on the prior corresponding period, primarily due to a reduction in certain customer fees to improve the customer experience and meet the ongoing demand for low fee banking products.

Operating expenses

Operating expenses increased $43m from the prior corresponding period to $679m, resulting in the cost-to-income ratio increasing to 54.7%. This increase is attributable to:

— Investment in digital payments and self-service capability, infrastructure and modernisation of the store network

— Investment in BIP which will deliver operational efficiencies to enable broadly flat costs as Suncorp grows the core business and customer base

— Increased marketing investment to support growth

— Other expenses, including an increase in costs associated with regulatory compliance and inquiry responses, which are expected to continue over the medium-term

The first full year impact from the amortisation of the core banking platform is included in operating expenses and has been offset by other savings across Banking.

Credit quality

Impairment losses on loans and advances

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Collective provision for impairment	(5)	(12)	(58.3)	(3)	(2)	(6)	(6)	50.0	(50.0)
Specific provision for impairment	22	9	144.4	10	12	9	-	(16.7)	11.1
Actual net write-offs	10	10	-	7	3	3	7	133.3	133.3
Impairment losses	**27**	**7**	**285.7**	**14**	**13**	**6**	**1**	**7.7**	**133.3**
Impairment losses to gross loans and advances (annualised)	**0.05%**	**0.01%**		**0.05%**	**0.04%**	**0.02%**	**0.00%**		

Impairment losses on loans and advances of $27m, representing 5bps of gross loans and advances (annualised), was driven by continued sound management and a robust and balanced credit risk management framework. The result remains well below the through-the-cycle operating range of 10bps to 20bps.

Despite growth in the lending portfolio, collective provision for impairment reduced over the year primarily driven by the quality of new business loans and improvements in several long-standing business exposures.

Specific provision for impairment increased over the year predominately driven by a small number of medium sized business lending exposures. The year on year increase in specific provision for impairment was impacted by a small number of large write backs that occurred in FY17.

Impaired Assets and Non-performing loans

	Jun-18 $M	Dec-17 $M	Jun-17 $M	Dec-16 $M	Jun-18 vs Dec-17 %	Jun-18 vs Jun-17 %
Retail lending	37	47	34	30	(21.3)	8.8
Agribusiness lending	51	50	79	96	2.0	(35.4)
Commercial/SME lending	56	39	60	59	43.6	(6.7)
Gross impaired assets	**144**	**136**	**173**	**185**	**5.9**	**(16.8)**
Specific provision for impairment	(39)	(37)	(44)	(46)	5.4	(11.4)
Net impaired assets	**105**	**99**	**129**	**139**	**6.1**	**(18.6)**
Gross impaired assets to gross loans and advances	**0.25%**	**0.24%**	**0.31%**	**0.34%**		
Size of gross individually impaired assets						
Less than one million	32	46	38	26	(30.4)	(15.8)
Greater than one million but less than ten million	97	74	73	102	31.1	32.9
Greater than ten million	15	16	62	57	(6.3)	(75.8)
Gross impaired assets	**144**	**136**	**173**	**185**	**5.9**	**(16.8)**
Past due loans not shown as impaired assets	**541**	**411**	**426**	**338**	**31.6**	**27.0**
Gross non-performing loans	**685**	**547**	**599**	**523**	**25.2**	**14.4**
Analysis of movements in gross individually impaired assets						
Balance at the beginning of the half year	136	173	185	206	(21.4)	(26.5)
Recognition of new impaired assets	51	53	40	55	(3.8)	27.5
Increases in previously recognised impaired assets	2	2	1	3	-	100.0
Impaired assets written off/sold during the half year	(6)	(17)	(9)	(7)	(64.7)	(33.3)
Impaired assets which have been reclassed as performing assets or repaid	(39)	(75)	(44)	(72)	(48.0)	(11.4)
Balance at the end of the half year	**144**	**136**	**173**	**185**	**5.9**	**(16.8)**

Gross impaired assets decreased 16.8% to $144m, representing 25bps of gross loans and advances, primarily driven by a reduction in impaired agribusiness loans.

Retail impaired assets increased $3m over FY18. As anticipated, a temporary increase in retail impaired assets in 1H18 due to higher Mortgagee in Possession property sales has now started to reverse, following the processing of a number of mortgage insurance claims.

Agribusiness impairments decreased 35.4% over FY18, reflecting an improvement in the Agriculture environment in specific geographies in recent years. Further improvement is considered unlikely given the current dry weather conditions facing parts of Australia.

Commercial (SME) impairments decreased 6.7% over the year, predominately driven by several smaller commercial banking exposures returning to performance.

Gross non-performing loans increased 14.4% over the year to $685m, primarily driven by increased retail past due loans from changes in the treatment and process of hardship applications.

Provision for impairment

	Jun-18 $M	Dec-17 $M	Jun-17 $M	Dec-16 $M	Jun-18 vs Dec-17 %	Jun-18 vs Jun-17 %
Collective provision						
Balance at the beginning of the period	94	96	102	108	(2.1)	(7.8)
Charge against impairment losses	(3)	(2)	(6)	(6)	50.0	(50.0)
Balance at the end of the period	**91**	**94**	**96**	**102**	**(3.2)**	**(5.2)**
Specific provision						
Balance at the beginning of the period	37	44	46	56	(15.9)	(19.6)
Charge against impairment losses	10	12	9	-	(16.7)	11.1
Impairment provision written off	(6)	(17)	(9)	(7)	(64.7)	(33.3)
Unwind of discount	(2)	(2)	(2)	(3)	-	-
Balance at the end of the period	**39**	**37**	**44**	**46**	**5.4**	**(11.4)**
Total provision for impairment - Banking activities	**130**	**131**	**140**	**148**	**(0.8)**	**(7.1)**
Equity reserve for credit loss (ERCL)						
Balance at the beginning of the period	84	82	85	85	2.4	(1.2)
Transfer (to) from retained earnings	4	2	(3)	-	100.0	n/a
Balance at the end of the period	**88**	**84**	**82**	**85**	**4.8**	**7.3**
Pre-tax equivalent coverage	126	120	117	121	5.0	7.7
Total provision for impairment and equity reserve for credit loss - Banking activities	**256**	**251**	**257**	**269**	**2.0**	**(0.4)**

	Jun-18 %	Dec-17 %	Jun-17 %	Dec-16 %
Specific provision for impairment expressed as a percentage of gross impaired assets	**27.1**	**27.2**	**25.4**	**24.9**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:				
Collective provision	0.15	0.16	0.17	0.19
Specific provision	0.07	0.06	0.08	0.09
Total provision	0.22	0.22	0.25	0.28
ERCL coverage	0.21	0.21	0.21	0.23
Total provision and ERCL coverage	0.43	0.43	0.46	0.51

Total provision and equity reserve for credit loss (ERCL) coverage was 43bps of gross loans and advances.

Gross non-performing loans coverage by portfolio

	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage %
Retail lending	485	37	7	35	59	19%
Agribusiness lending	22	51	19	30	21	96%
Commercial/SME lending	34	56	13	26	46	94%
Total	**541**	**144**	**39**	**91**	**126**	**37%**

Retail lending past due loans increased $99m during the year to $485m, predominately driven by changes to hardship and recoveries processes, implemented to better support customers genuinely experiencing hardship. These changes resulted in an increase in loans greater than 90 days past due during 2H18, with a corresponding increase in modelled retail collective provisions offset by adjustments to retail management overlays and the finalisation of a number of informal customer overdrafts.

2.2.4 Wealth

Profit Contribution

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Wealth underlying profit	5	(1)	n/a	5	-	(4)	3	n/a	n/a
Underlying investment income	8	11	(27.3)	4	4	5	6	-	(20.0)
Underlying profit after tax	**13**	**10**	**30.0**	**9**	**4**	**1**	**9**	**125.0**	**n/a**
Market and other adjustments	1	3	(66.7)	-	1	(3)	6	(100.0)	(100.0)
Investment income experience	-	(9)	(100.0)	(1)	1	1	(10)	n/a	n/a
Profit attributed to shareholders	**14**	**4**	**250.0**	**8**	**6**	**(1)**	**5**	**33.3**	**n/a**

Wealth profit attributed to shareholders of $14m increased $10m, driven by improved investment income experience following adverse mark to market impacts in FY17 and reduced project costs, with the completion of the SSP. The result was partially offset by increased industry-wide regulatory costs and one-off costs associated with the stabilisation of the new administration platform post completion of SSP.

Wealth is focused on continuing to stabilise the operating model, implementing regulatory changes, and improving operational efficiency within the business.

Funds under management and administration

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Funds under management and administration						
Opening balance at the start of the period	7,556	7,511	7,490	7,452	0.6	0.9
Inflows	305	322	397	336	(5.3)	(23.2)
Outflows	(402)	(452)	(582)	(433)	(11.1)	(30.9)
Investment income and other	74	175	206	135	(57.7)	(64.1)
Balance at the end of the period	**7,533**	**7,556**	**7,511**	**7,490**	**(0.3)**	**0.3**

The total funds under management and administration is $7.5bn, with flows impacted by the migration to the new platform and Suncorp's advice channel realignment.

Wealth will grow through its core new business superannuation offerings that make up around 63% of its Funds Under Management, while also focusing on retention in the more complex legacy and staff superannuation portfolios.

2.3 NEW ZEALAND

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

2.3.1 New Zealand result overview

	Full Year Ended		Jun-18	Half Year Ended	
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17
	NZ$M	NZ$M	%	NZ$M	NZ$M
General Insurance					
Gross written premium by product					
Motor	375	340	10.3	192	183
Home	516	473	9.1	266	250
Commercial	630	571	10.3	304	326
Other	20	40	(50.0)	11	9
General Insurance gross written premium	**1,541**	**1,424**	**8.2**	**773**	**768**
Net earned premium	1,267	1,163	8.9	651	616
Net incurred claims	(739)	(735)	0.5	(391)	(348)
Total operating expenses	(404)	(387)	4.4	(205)	(199)
Insurance trading result	137	55	149.1	61	76
General Insurance profit after tax	**109**	**47**	**131.9**	**59**	**50**
Life Insurance					
Underlying profit after tax	35	42	(16.7)	21	14
Life Insurance profit after tax	**39**	**40**	**(2.5)**	**22**	**17**
New Zealand profit after tax	**148**	**87**	70.1	**81**	**67**
	%	**%**		**%**	**%**
Total operating expenses ratio	31.9	33.3		31.5	32.3
Insurance trading ratio	10.8	4.7		9.4	12.3

- Suncorp New Zealand achieved full year profit after tax of $148m (A$135m), an improvement of 70.1%.
- The General Insurance business delivered profit after tax of $109m, with premium increases, unit growth, claims management and expense control driving the strong performance compared with the prior year, which was impacted by the Kaikoura earthquake.
- Reported insurance margins have improved with an ITR of 10.8%, up from 4.7% in the prior year. Underlying ITR also improved and remains above the Group target of 12%.
- GWP grew by 8.2% to $1,541m, driven by premium increases across all portfolios and supported by unit growth across the direct and corporate partner channels. After adjusting for the sale of the Autosure motor warranty book in March 2017, GWP grew by 10.2%.
- Net incurred claims were $739m, up 0.5%, driven by a high number of substantial weather events partially offset by improvements in Working Claims. The impact of the Kaikoura earthquake in the prior year also contributed to the relatively low increase.
- Operating expenses including commissions increased by 4.4%. Acquisition and commission costs represents 2.8% of the increase, in-line with GWP growth. The underwriting expense ratio decreased as disciplined cost management contributed to positive earnings growth.
- The New Zealand Life Insurance business delivered profit after tax of $39m, compared with $40m in the prior year. In-force premium grew by 4.9%.

2.3.2 New Zealand outlook

- Suncorp is focused on building a more resilient business to meet a greater number of customer and business partner needs.
- GWP growth is expected to remain above system but to return to low single-digit levels. Above system growth is targeted via corporate partner and direct channels, supported by new initiatives such as the launch of the online AA Small Business Insurance proposition. Strong growth in the broker channel is also expected to be maintained.
- Motor claims cost inflation is moderating across the industry. Suncorp continues to manage motor claims inflation with product changes, pricing remediation and claims process efficiency initiatives including improved management tools. Increasing repair volumes through the SMART centres in Auckland and Christchurch and approved repairers nationwide, will continue to improve claims costs going forward.
- Operating expenses will continue to be managed effectively with efficiency initiatives offsetting the impact of growth and inflation.
- Life in-force premium and underlying profit growth is expected to continue, driven by an ongoing focus on sustainable commissions, strong intermediary relationships and market leading retention.
- The New Zealand government is engaged in a significant financial services regulatory reform program that includes changes to insurance levy collection, financial advice licencing, insurer conduct, insurer licencing, and privacy regulation. New Zealand financial services regulators are currently engaged in a Culture and Conduct review of registered banks and licenced life insurers with reference to the initial findings of the Royal Commission in Australia.

Profit contribution (NZ$)

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	%	NZ$M	NZ$M	NZ$M	NZ$M	%	%
General Insurance									
Gross written premium	**1,541**	**1,424**	**8.2**	**773**	**768**	**710**	**714**	**0.7**	**8.9**
Gross unearned premium movement	(76)	(55)	38.2	(26)	(50)	(19)	(36)	(48.0)	36.8
Gross earned premium	1,465	1,369	7.0	747	718	691	678	4.0	8.1
Outwards reinsurance expense	(198)	(206)	(3.9)	(96)	(102)	(114)	(92)	(5.9)	(15.8)
Net earned premium	**1,267**	**1,163**	**8.9**	**651**	**616**	**577**	**586**	**5.7**	**12.8**
Net incurred claims									
Claims expense	(721)	(1,897)	(62.0)	(325)	(396)	(570)	(1,327)	(17.9)	(43.0)
Reinsurance and other recoveries revenue	(18)	1,162	n/a	(66)	48	207	955	n/a	n/a
Net incurred claims	**(739)**	**(735)**	**0.5**	**(391)**	**(348)**	**(363)**	**(372)**	**12.4**	**7.7**
Total operating expenses									
Acquisition expenses	(282)	(271)	4.1	(141)	(141)	(132)	(139)	-	6.8
Other underwriting expenses	(122)	(116)	5.2	(64)	(58)	(59)	(57)	10.3	8.5
Total operating expenses	**(404)**	**(387)**	**4.4**	**(205)**	**(199)**	**(191)**	**(196)**	**3.0**	**7.3**
Underwriting result	**124**	**41**	**202.4**	**55**	**69**	**23**	**18**	**(20.3)**	**139.1**
Investment income - insurance funds	13	14	(7.1)	6	7	10	4	(14.3)	(40.0)
Insurance trading result	**137**	**55**	**149.1**	**61**	**76**	**33**	**22**	**(19.7)**	**84.8**
Joint venture and other expense	(1)	-	n/a	(1)	-	-	-	n/a	n/a
General Insurance operational earnings	**136**	**55**	**147.3**	**60**	**76**	**33**	**22**	**(21.1)**	**81.8**
Investment income - shareholder funds	13	10	30.0	16	(3)	5	5	n/a	220.0
General Insurance profit before tax	**149**	**65**	**129.2**	**76**	**73**	**38**	**27**	**4.1**	**100.0**
Income tax	(40)	(18)	122.2	(17)	(23)	(10)	(8)	(26.1)	70.0
General Insurance profit after tax	**109**	**47**	**131.9**	**59**	**50**	**28**	**19**	**18.0**	**110.7**
Life Insurance									
Underlying profit after tax	35	42	(16.7)	21	14	18	24	50.0	16.7
Market adjustments	4	(2)	n/a	1	3	4	(6)	(66.7)	(75.0)
Life Insurance profit after tax	**39**	**40**	**(2.5)**	**22**	**17**	**22**	**18**	**29.4**	**-**
New Zealand profit after tax	**148**	**87**	**70.1**	**81**	**67**	**50**	**37**	**20.9**	**62.0**

General Insurance ratios

	Full Year Ended		Half Year Ended			
	Jun-18	Jun-17	Jun-18	Dec-17	Jun-17	Dec-16
	%	%	%	%	%	%
Acquisition expenses ratio	22.3	23.3	21.7	22.9	22.9	23.7
Other underwriting expenses ratio	9.6	10.0	9.8	9.4	10.2	9.7
Total operating expenses ratio	**31.9**	**33.3**	**31.5**	**32.3**	**33.1**	**33.4**
Loss ratio	58.3	63.2	60.1	56.5	62.9	63.5
Combined operating ratio	90.2	96.5	91.6	88.8	96.0	96.9
Insurance trading ratio	**10.8**	**4.7**	**9.4**	**12.3**	**5.7**	**3.8**

Profit contribution (A$)

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
General Insurance									
Gross written premium	**1,422**	**1,345**	**5.7**	**719**	**703**	**666**	**679**	**2.3**	**8.0**
Gross unearned premium movement	(71)	(52)	36.5	(25)	(46)	(18)	(34)	(45.7)	38.9
Gross earned premium	1,351	1,293	4.5	694	657	648	645	5.6	7.1
Outwards reinsurance expense	(183)	(194)	(5.7)	(90)	(93)	(106)	(88)	(3.2)	(15.1)
Net earned premium	**1,168**	**1,099**	**6.3**	**604**	**564**	**542**	**557**	**7.1**	**11.4**
Net incurred claims									
Claims expense	(665)	(1,797)	(63.0)	(301)	(364)	(535)	(1,262)	(17.3)	(43.7)
Reinsurance and other recoveries revenue	(17)	1,104	n/a	(62)	45	196	908	n/a	n/a
Net incurred claims	**(682)**	**(693)**	**(1.6)**	**(363)**	**(319)**	**(339)**	**(354)**	**13.8**	**7.1**
Total operating expenses									
Acquisition expenses	(260)	(256)	1.6	(131)	(129)	(124)	(132)	1.6	5.6
Other underwriting expenses	(112)	(110)	1.8	(59)	(53)	(56)	(54)	11.3	5.4
Total operating expenses	**(372)**	**(366)**	**1.6**	**(190)**	**(182)**	**(180)**	**(186)**	**4.4**	**5.6**
Underwriting result	**114**	**40**	**185.0**	**51**	**63**	**23**	**17**	**(19.0)**	**121.7**
Investment income - insurance funds	12	13	(7.7)	5	7	9	4	(28.6)	(44.4)
Insurance trading result	**126**	**53**	**137.7**	**56**	**70**	**32**	**21**	**(20.0)**	**75.0**
Joint venture and other expense	(1)	-	n/a	(1)	-	-	-	n/a	n/a
General Insurance operational earnings	**125**	**53**	**135.8**	**55**	**70**	**32**	**21**	**(21.4)**	**71.9**
Investment income - shareholder funds	11	10	10.0	14	(3)	5	5	n/a	180.0
General Insurance profit before tax	**136**	**63**	**115.9**	**69**	**67**	**37**	**26**	**3.0**	**86.5**
Income tax	(37)	(18)	105.6	(16)	(21)	(11)	(7)	(23.8)	45.5
General Insurance profit after tax	**99**	**45**	**120.0**	**53**	**46**	**26**	**19**	**15.2**	**103.8**
Life Insurance									
Underlying profit after tax	32	39	(17.9)	19	13	16	23	46.2	18.8
Market adjustments	4	(2)	n/a	2	2	4	(6)	-	(50.0)
Life Insurance profit after tax	**36**	**37**	**(2.7)**	**21**	**15**	**20**	**17**	**40.0**	**5.0**
New Zealand profit after tax	**135**	**82**	**64.6**	**74**	**61**	**46**	**36**	**21.3**	**60.9**

Note: Transactions denominated in foreign currencies, including New Zealand dollars, are translated into Australian dollars using the spot exchange rates at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated into Australian dollars using the spot exchange rates current on that date.

General Insurance ratios

	Full Year Ended		Half Year Ended			
	Jun-18	Jun-17	Jun-18	Dec-17	Jun-17	Dec-16
	%	%	%	%	%	%
Acquisition expenses ratio	22.3	23.3	21.7	22.9	22.9	23.7
Other underwriting expenses ratio	9.6	10.0	9.8	9.4	10.3	9.7
Total operating expenses ratio	**31.9**	**33.3**	**31.5**	**32.3**	**33.2**	**33.4**
Loss ratio	58.4	63.1	60.1	56.6	62.5	63.6
Combined operating ratio	90.3	96.4	91.6	88.9	95.7	97.0
Insurance trading ratio	**10.8**	**4.8**	**9.3**	**12.4**	**5.9**	**3.8**

2.3.3 General Insurance

Gross written premium

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	%	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Gross written premium by product									
Motor	375	340	10.3	192	183	176	164	4.9	9.1
Home	516	473	9.1	266	250	247	226	6.4	7.7
Commercial	630	571	10.3	304	326	273	298	(6.7)	11.4
Other	20	40	(50.0)	11	9	14	26	22.2	(21.4)
Total	**1,541**	**1,424**	**8.2**	**773**	**768**	**710**	**714**	**0.7**	**8.9**

Motor

— Motor GWP grew 10.3% to $375m, driven by 10.6% AWP growth as premium increases were applied to remediate profitability. A minor decrease (0.3%) in units reflected the loss of a small specialist motor vehicle scheme.

— Growth was achieved across all channels, with strong performance continuing through the AA Insurance direct business and corporate partnerships.

Home

— Home GWP grew 9.1% to $516m.

— Growth was driven by strong AWP growth of 6.1% reflecting a response to claims and reinsurance premium increases and a 3% increase in units. Retention has remained strong across all channels.

Commercial

— Commercial GWP grew 10.3% to $630m driven by unit growth and premium increases.

— The disciplined approach to underwriting of Commercial motor vehicle renewals and new business has resulted in strong GWP growth. The market remains competitive for corporate business resulting in some lost accounts, offset by price increases on renewals.

— Vero Liability continues to perform strongly supported by new business volume growth and strategic renewal pricing.

Other

— Prior corresponding periods include the Autosure motor warranty book, which was sold in March 2017.

Net incurred claims

— Net incurred claims costs increased 0.5% to $739m. The result was heavily impacted by a number of significant weather events during the year.

— Natural hazard event costs were $68m, $35m above allowance.

— Working claims costs excluding natural hazards were well managed, increasing 1.7%.

— Motor claims cost inflation has moderated with frequency slightly higher than the prior period due to windscreen claims.

— Home claims costs increased slightly in-line with unit growth.

Natural hazards

Major natural hazard events are shown in the table below.

Date	Event	Net costs NZ$M
Jul 17	Winter Storm	2
Jul 17	Major Storm	5
Jan 18	North Island heavy rain	7
Feb 18	NZ Storm including Cyclone Fehi	7
Feb 18	NZ Cyclone Gita	6
Apr 18	NZ Storm & Winds	15
Apr 18	North Island heavy rain	4
Jun 18	North Island flooding	2
Total events over $2 million (1)		**48**
Other natural hazards attritional claims		20
Total natural hazards		**68**
Less: allowance for natural hazards		(33)
Natural hazards costs above allowance		**35**

(1) Events with a gross cost over $2m, shown net of recoveries from reinsurance.

Outstanding claims provision

	Actual	Net Central Estimate (Discounted)	Risk Margin (90th Percentile Discounted)	Change In Net Central Estimate (1)
	NZ$M	NZ$M	NZ$M	NZ$M
Short-tail	251	214	37	2
Long-tail	86	73	13	(2)
Total	**337**	**287**	**50**	**-**

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

The valuation of outstanding claims resulted in no overall change to the net central estimate. Short-tail strengthening was due to deteriorating claims experience on the property portfolio. Long-tail claim reserve releases were primarily attributable to the Liability book.

There have been releases in prior year event provisions as settlements continue to progress on Canterbury and Kaikoura earthquakes.

Total claims paid on Canterbury have reached 97% of the ultimate net loss (UNL), with a further $183m in claims paid during the year. The UNL for the Canterbury earthquakes has increased by $10m in the year, largely due to higher than expected development on overcap claims and small commercial business. This was partially offset by increased recoveries anticipated from EQC. The profit impact associated with this net increase is minimal due to the Group’s reinsurance arrangements.

The only significant exposure remaining on Canterbury relates to the February 2011 event. This event is now 96% paid as a proportion of the UNL and provisioned with a risk margin at the 90th percentile, with more than A$1.3bn of further reinsurance cover remaining.

For the Kaikoura event, 34% of UNL has been paid to date due to a significant proportion of large commercial claims pending settlement. However, 96% of domestic property claim numbers have now been settled. The sum insured environment and Suncorp’s relationship with the New Zealand Earthquake Commission have assisted Suncorp to deliver quicker outcomes for customers affected by the Kaikoura event. There was minimal impact on the net outstanding claims from the Kaikoura earthquake events as payments have reached the fully reinsured layers.

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 categories of insurance business.

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Gross outstanding claims liabilities	1,102	1,274	1,526	1,600	(13.5)	(27.8)
Reinsurance and other recoveries	(765)	(978)	(1,206)	(1,285)	(21.8)	(36.6)
Net outstanding claims liabilities	**337**	**296**	**320**	**315**	**13.9**	**5.3**
Expected future claims payments and claims handling expenses	294	249	274	274	18.1	7.3
Discount to present value	(7)	(5)	(8)	(10)	40.0	(12.5)
Risk margin	50	52	54	51	(3.8)	(7.4)
Net outstanding claims liabilities	**337**	**296**	**320**	**315**	**13.9**	**5.3**
Short-tail	251	214	239	240	17.3	5.0
Long-tail	86	82	81	75	4.9	6.2
Total	**337**	**296**	**320**	**315**	**13.9**	**5.3**

Risk margins

Risk margins represent approximately 14.8% of outstanding claims reserves, giving an approximate level of confidence of 90%, in line with Suncorp Group policy.

Risk margins decreased by $4m to $50m primarily driven by the progress on the earthquake claim settlements. The Risk margin assumptions were reviewed in June 2018.

Operating expenses

Total operating expenses increased 4.4% to $404m.

Acquisition costs increased 4.1% to $282m. While commission expenses grew in line with intermediated GWP growth, the acquisition cost ratio has improved over the prior year due to growth in net earned premium.

The other underwriting expense ratio reduced as cost inflation was mitigated by a range of initiatives including real estate consolidation and partnering.

Asset allocation

Asset allocations within funds remain consistent with the prior corresponding period and in accordance with risk appetite. The Insurance funds cash holdings were relatively higher from strong cash inflows, and the Shareholders' funds Equities were relatively lower following the sale of Tower shareholding in March 2018.

	Half Year Ended							
	Jun-18		Dec-17		Jun-17		Dec-16	
	NZ$M	%	NZ$M	%	NZ$M	%	NZ$M	%
Insurance funds								
Cash and short-term deposits	161	32	140	34	129	29	149	30
Corporate bonds	255	50	239	57	256	59	283	58
Local government bonds	82	16	35	8	43	10	52	11
Government bonds	8	2	4	1	8	2	6	1
Total Insurance funds	**506**	**100**	**418**	**100**	**436**	**100**	**490**	**100**
Shareholders' funds								
Cash and short-term deposits	49	14	34	9	45	12	48	15
Interest-bearing securities	207	59	180	50	200	54	183	57
Equities	93	27	146	41	129	34	89	28
Total shareholders' funds	**349**	**100**	**360**	**100**	**374**	**100**	**320**	**100**
Total	**855**		**778**		**810**		**810**	

Credit quality

	Jun-18	Dec-17	Jun-17	Dec-16
	%	%	%	%
AAA	8.4	8.4	5.4	7.4
AA	67.9	64.9	65.7	66.2
A	21.1	24.3	26.3	23.9
BBB	2.6	2.4	2.6	2.5
	100.0	**100.0**	**100.0**	**100.0**

Duration

	Jun-18	Dec-17	Jun-17	Dec-16
	Years	Years	Years	Years
Insurance funds				
Interest rate duration	1.2	1.3	1.2	1.2
Shareholders' funds				
Interest rate duration	2.5	2.6	2.4	2.5

Investment performance

Total investment income of $26m increased due to favourable bond market movements throughout the year.

Underlying investment income was steady throughout the year, representing an annualised return of 3.3%, with movements in global bonds yields generating relatively flat mark-to-market gains compared to the prior year ($17m) mark-to-market losses. Investment income generating assets were lower over the year compared to the prior corresponding period primarily due to cash outflows related to natural hazard claim events and the sale of the Tower shareholding.

Investment income on Insurance funds was $13m, representing an annualised return of 2.9% following less volatility in the bond market during the year. Underlying investment income on Insurance funds was $15m, representing an annualised return of 3.3%, lower than the prior corresponding period due to holding of higher levels of cash.

Investment income on Shareholders' funds was $13m, representing an annualised return of 3.3%. This includes mark-to-market movements and the net realised loss from the disposal of the Tower shareholding ($4m). Excluding the Tower shareholding loss, underlying investment income on Shareholders' funds was $17m, representing an annualised return of 4.7%.

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	%	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Investment income on insurance funds									
Cash and short-term deposits	2	2	-	1	1	1	1	-	-
Interest-bearing securities and other	11	12	(8.3)	5	6	9	3	(16.7)	(44.4)
Total	**13**	**14**	**(7.1)**	**6**	**7**	**10**	**4**	**(14.3)**	**(40.0)**
Investment income on shareholders' funds									
Cash and short-term deposits	4	2	100.0	4	-	1	1	n/a	300.0
Interest-bearing securities	6	4	50.0	2	4	3	1	(50.0)	(33.3)
Equities	7	7	-	2	5	4	3	(60.0)	(50.0)
Tower shareholding	(4)	(3)	33.3	8	(12)	(3)	-	n/a	n/a
Total	**13**	**10**	**30.0**	**16**	**(3)**	**5**	**5**	**n/a**	**220.0**
Total investment income	**26**	**24**	**8.3**	**22**	**4**	**15**	**9**	**450.0**	**46.7**

2.3.4 Life Insurance

- Profit after tax was $39m, in line with prior year as positive investment and market adjustments largely offset volatility driven claims and lapse experience.
- Planned margins increased 6.5%, driven by growth in in-force premiums. Revised hybrid incentive structures and the implementation of a new digital platform for advisers contributed to growth and retention.
- Claims experience reflected general volatility of mortality claims, with experience investigations showing no material adverse underlying trends in claims volumes or costs. Closure and settlement of disability income claims remains strong.
- Lapse assumptions reflect retention improvements over the past few years, with current year experience due to cover reductions where business has been retained.

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	%	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Planned profit margin	33	31	6.5	17	16	16	15	6.3	6.3
Experience	(5)	6	n/a	-	(5)	1	5	(100.0)	(100.0)
Other	7	5	40.0	4	3	1	4	33.3	300.0
Underlying profit after tax	**35**	**42**	**(16.7)**	**21**	**14**	**18**	**24**	**50.0**	**16.7**
Market adjustments	**4**	**(2)**	**n/a**	**1**	**3**	**4**	**(6)**	**(66.7)**	**(75.0)**
Net profit after tax	**39**	**40**	**(2.5)**	**22**	**17**	**22**	**18**	**29.4**	**-**

Life risk in-force annual premium by channel

In-force premium increased 4.9% to $257m, driven by new business and policy retention. Suncorp continues to lead the New Zealand market with low cancellation rates and a strong customer and retention focus fully embedded in the business.

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Advised	207	203	198	194	2.0	4.5
Direct	40	40	39	39	-	2.6
Group and other	10	9	8	7	11.1	25.0
Total	**257**	**252**	**245**	**240**	**2.0**	**4.9**

Life risk new business

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	%	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Total new business	24	26	(7.7)	12	12	11	15	-	9.1

New business was $2m lower than the prior corresponding period at $24m.

The launch of new quoting and online application capability has provided a digital experience for advisors and customers. The focus on sustainable adviser commission options continues.

Funds under management and administration

Policyholder funds under management and administration of $725m relate to legacy life and superannuation products which are closed to new business. The value of funds has increased over the year, as investment earnings and contractual contributions have been higher than policyholder withdrawals. However, funds are expected to reduce over the longer term.

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Funds under management and administration						
Opening balance at the start of the period	721	693	704	739	4.0	2.4
Net inflows (outflows), investment income and other	4	28	(11)	(35)	(85.7)	n/a
Balance at the end of the period	**725**	**721**	**693**	**704**	**0.6**	**4.6**

Market adjustments

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	%	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Life risk policy liability impact	3	(2)	n/a	1	2	2	(4)	(50.0)	(50.0)
Annuities market adjustments	-	1	(100.0)	-	-	-	1	-	-
Investment income experience	1	(1)	n/a	-	1	2	(3)	(100.0)	(100.0)
Total market adjustments	**4**	**(2)**	**n/a**	**1**	**3**	**4**	**(6)**	**(66.7)**	**(75.0)**

Market adjustments are mainly comprised of balance sheet revaluations of policy liabilities and shareholder investment assets, which are expected to neutralise through the cycle. Market adjustments were impacted by a decrease of approximately 24bps in long-term interest rates.

Life risk policy liability impact

Risk-free rates are used to discount Life risk policy liabilities. Net policy liabilities are negative (ie. an asset) due to the level of deferred acquisition costs (DAC) held against the risk policy liabilities. An increase in discount rates leads to a loss while a decrease leads to a gain. This volatility represents the impact of accounting revaluation adjustments to reflect the movements of interest rates and the impact on the DAC. This impact was a net profit of $3m for the year.

Investment income experience

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	NZ$M	NZ$M	%	NZ$M	NZ$M	NZ$M	NZ$M	%	%
Shareholder investment income on invested assets	7	4	75.0	3	4	4	-	(25.0)	(25.0)
Less underlying investment income	(6)	(5)	20.0	(3)	(3)	(2)	(3)	-	50.0
Investment income experience	**1**	**(1)**	**n/a**	**-**	**1**	**2**	**(3)**	**(100.0)**	**(100.0)**

3.0 ABOUT SUNCORP

Suncorp is a trusted provider of insurance, banking, wealth and other financial solutions across Australia and New Zealand, serving approximately 9.6 million customers across its network of wholly owned brands and ecosystem of partners. The Company maintains prominent market positions as one of the leading general insurers in Australia and New Zealand and a leading regional bank in Australia.

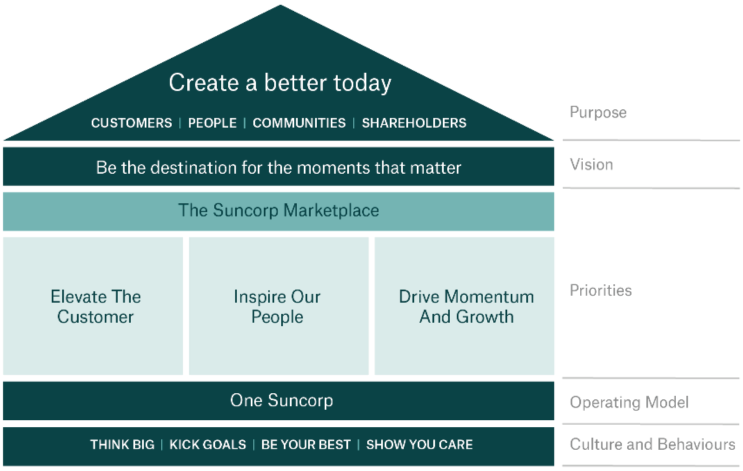
Suncorp (ASX: SUN) is a top 20 ASX-listed company with a market capitalisation of approximately $19bn and $99bn in group assets as at 30 June 2018.

Further information is available at **suncorpgroup.com.au.**

3.1 STRATEGY

Suncorp's purpose to create a better today extends to its customers, shareholders, communities and people. Suncorp helps families, individuals and businesses connect with the products, services, tools and experiences that enable them to enjoy the life they have today, and plan for the life they want tomorrow.

Suncorp's vision to become the destination for the moments that matter builds on its heritage of being there for customers and communities when they need it most.



To achieve this vision, Suncorp is focused on three strategic priorities:

— **Elevate the Customer** – striving to deliver more personalised customer experiences, providing greater choice and more seamless access to products and services across stores, contact centres and digital platforms.

— **Inspire our People** – focusing on building the workforce and workspace necessary to deliver Suncorp's strategy, which includes providing the skills, technology and way of working needed now, as well as into the future.

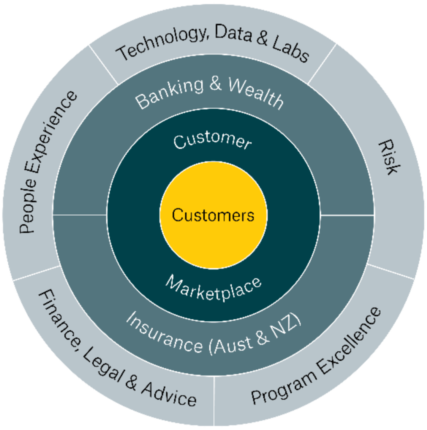
— **Drive Momentum and Growth –** building and protecting Suncorp's reputation for excellence in financial services in Australia and New Zealand. Focusing on meeting regulatory commitments, investing in core systems, improving operational excellence through the Business Improvement Program and engaging in disciplined portfolio management.

3.2 ONE SUNCORP OPERATING MODEL

Suncorp operates as 'One Suncorp', bringing complementary disciplines together with a common goal to put customers at the heart of everything it does. This helps to streamline processes and create efficiencies, with the objective of improving the customer experience and lifting shareholder returns.

The Customer Marketplace function was established to lead Suncorp's customer strategy including marketing, insights and distribution across all service channels, including intermediaries and our third-party partners.

Suncorp has three operating functions: Insurance (Australia), Banking & Wealth and New Zealand. The operating functions are responsible for product design, manufacturing, claims management and end-to-end responsibility for the statutory entities within Suncorp. The operating functions are described below and are supported by the Finance, Legal & Advice, People Experience, Technology, Data & Labs, Program Excellence and Risk functions.



3.2.1 Insurance (Australia)

The Insurance (Australia) business provides consumer, commercial, personal injury and life insurance products to the Australian market. Suncorp is one of Australia's largest general insurers by Gross Written Premium (GWP) and the largest personal-injury insurer combining compulsory third party (CTP), workers' compensation and life insurance.

The Insurance (Australia) business offers the following products:

— **Consumer insurance** - products include home and contents insurance, motor insurance and travel insurance.

— **Commercial insurance** - products include commercial motor insurance, commercial property insurance, industrial special risk insurance and public liability and professional indemnity insurance.

— **Personal injury insurance** - products include CTP insurance and workers' compensation insurance.

— **Life insurance** - including specialised life insurance products.

A strategic review of the Australian life insurance division was undertaken throughout the 2018 financial year. The review provided greater insight into key value drivers and concluded that a divestment of the business is the best option for shareholders.

On 9 August 2018 Suncorp signed a non-binding Heads of Agreement with TAL Dai-ichi Life Australia. A binding sale contract is expected to be signed by the end of August 2018.

3.2.2 Banking & Wealth

Suncorp is a prominent regional banking and wealth provider. Suncorp's core banking business is focused on lending, deposit gathering and transaction account services to personal, small to medium enterprise, commercial and agribusiness customers. The Wealth division creates, administers and distributes multiple superannuation and investment products.

3.2.3 New Zealand

The New Zealand business shares a singular purpose and strategy with the Australian insurance business with an aligned vision and priorities that have been localised for the New Zealand market. Suncorp distributes consumer, commercial and life insurance products through intermediaries and corporate partners as well as directly to customers via a joint venture with the New Zealand Automobile Association. Suncorp New Zealand has long-term relationships with ANZ Bank, Turners motor group, the country's largest retailer the Warehouse, and diversified financial services provider, AMP.

3.3 PEOPLE & CULTURE

Suncorp's culture encourages its people to show that they care and to do the right thing for customers, shareholders, communities and each other. It encourages them to develop fresh approaches to providing value for customers. Suncorp is also committed to building the social and financial resilience of its people and the communities in which it operates.

Suncorp aspires to have an inclusive work culture and diverse workforce to drive a deeper understanding of how it can deliver value for customers. Suncorp also wants to help its people build the skills they need for the jobs of the future. The new Future Ready program will help Suncorp's people prepare for and embrace these changes. Focusing on five emerging capabilities (Digital and Data Driven Insights; Marketplace Mindset; Robotics and Automation; Rapidly Enacting Partnerships and Exploring and Pursuing Disruption), Future Ready will build the capabilities needed to deliver the business strategy, while developing people and retaining talent.

3.4 SUNCORP'S NETWORK OF BRANDS

Suncorp has a range of brands to meet the needs of customers across Australia and New Zealand.

Our network of brands

3.5 CORPORATE RESPONSIBILITY FRAMEWORK

Suncorp's Corporate Responsibility Framework contributes to the Group's overarching purpose to *create a better today* for all stakeholders. Suncorp's approach to environmental, social and governance risks and opportunities are reflected through four key principles:

- **Trust and transparency** – Suncorp is committed to building trust and doing the right thing. This includes being open and transparent in dealings with its stakeholders.
- **Responsible financial services** – Suncorp puts customers at the heart of everything it does and helps them make good choices. Suncorp provides customers with access to affordable financial services that meet their needs.
- **Sustainable growth** – Suncorp seeks to innovate and optimise economic, social and environmental outcomes throughout its business and value chain.
- **Resilient people and communities** – Suncorp respects human rights and invests in the wellbeing and resilience of its people and communities. Suncorp is there for its people and communities in times of need.

More information on Suncorp's approach to Corporate Responsibility is available at **suncorpgroup.com.au/corporate-responsibility**.

3.6 REGULATION

Suncorp is subject to ongoing oversight by a number of regulatory authorities in Australia and New Zealand and is committed to building and maintaining positive and transparent relationships.

3.6.1 Australia

Australian Prudential Regulation Authority (APRA)

APRA regulates companies operating in the Australian financial services industry and has established prudential standards for all general insurers, banks, life insurance companies and superannuation entities.

Suncorp is required to comply with APRA's application of the Basel III framework as reflected in the prudential standards (for regulated banking entities) and APRA's capital standards for general insurers and life insurers. APRA has also implemented requirements for governance, risk management and risk exposure components of the framework for supervision of banking and insurance conglomerate groups, which is applicable to Suncorp.

Australian Securities and Investments Commission (ASIC)

ASIC is Australia's corporate, markets and financial services regulator, operating under the *Corporations Act 2001* and administering *the Australian Securities and Investments Commission Act 2001.*

Suncorp regularly engages with ASIC to assist in industry-wide reviews for both the insurance and banking sectors, including recent reviews which have focused on responsible lending, consumer credit insurance, unfair contract terms and breach reporting.

Australian Competition and Consumer Commission (ACCC)

ACCC promotes competition and fair trade in markets to benefit consumers, businesses and the community. ACCC's primary responsibility is to ensure that individuals and businesses comply with Australian competition, fair trading and consumer protection laws under the *Competition and Consumer Act 2010* and *Trade Practices Act 1974.*

Substantial industry-wide inquiries have recently been conducted by the ACCC on general insurance pricing in the Northern Australia region, as well as residential mortgage products on a national scale.

Australian Transaction Reports and Analysis Centre (AUSTRAC)

AUSTRAC is Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit. AUSTRAC administer the *Financial Transaction Reports Act 1988* and the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006.*

Heightened industry attention on anti-money laundering and counter-terrorism financing has resulted in regular engagement.

Office of the Australian Information Commissioner (OAIC)

OAIC operates through three primary functions; the Privacy Function, the Freedom of Information Function and the Government Information Policy Function conferred by the *Privacy Act 1988,* the *Freedom of Information Act 1982,* and the *Australian Information Commission Act 2010.* Collectively OAIC's responsibilities include conducting investigations, reviewing decisions, handling complaints and providing advice to the public, government agencies and businesses.

As the privacy of customers is paramount, Suncorp maintains an open relationship with OAIC through early and frequent contact on any potential privacy incidents.

3.6.2 New Zealand

Reserve Bank of New Zealand (RBNZ)

RBNZ is the regulator of insurance businesses in New Zealand under the *Insurance (Prudential Supervision) Act 2010* (IPSA).

IPSA sets out insurer licensing requirements in New Zealand which include disclosure of financial strength ratings and compliance with solvency, risk management and governance standards. Suncorp's insurance businesses in New Zealand hold IPSA licences where required.

Financial Markets Authority (FMA)

FMA is an independent entity responsible for enforcing securities, financial reporting and company law as they apply to financial services and securities markets. FMA also regulates securities exchanges, financial advisers and brokers, auditors, trustees and issuers.

Suncorp's engagement with FMA is through compliance with the *Financial Markets Conduct Act 2013* in relation to its legacy retail superannuation schemes, and the *Financial Advisors Act 2008* in relation to financial advice and insurer conduct.

Commerce Commission (ComCom)

ComCom is an independent entity that enforces laws that promote competition and protect consumers. This includes the *Commerce Act 1986* and the *Fair Trading Act 1986*.

As Suncorp issues insurance products to New Zealand consumers, ComCom may engage in relation to complaints on the sale or advertising of products, or in relation to the investigation of business activities.

Earthquake Commission (EQC)

EQC provides primary natural disaster insurance to residential property owners in New Zealand. EQC also undertakes research and provides training and information on disaster recovery. EQC is funded by levies on consumer property insurance collected by insurance companies.

Suncorp collects EQC levies on relevant policies and engages with EQC on catastrophe claims remediation, specifically where claims are over the cap that limits the EQC insurance cover.

3.7 RISK MANAGEMENT

Suncorp recognises that strong risk culture, good governance and effective risk management are essential to achieving Suncorp's strategy and maintaining its social license to operate. The Enterprise Risk Management Framework lays the foundation for Suncorp's approach to risk management and will continue to evolve in support of Suncorp's strategy and operating environment.

Each APRA-regulated entity within Suncorp has its own Board approved Risk Appetite Statement which has separate tolerances for capital sufficiency, the maintenance of credit ratings and a range of key risk drivers. Key strategic risks that may impact business strategies or financial prospects include:

Risk	Description	Suncorp's Response
Customer expectations, technology and competitors	Competition is heightened as the industry races to embrace technology and disrupt traditional business models.	— Suncorp's customer strategy and business improvement plan focuses on making it easier, faster and more convenient for customers (including through physical and digital channels). — Suncorp is also simplifying, automating and digitising processes to leverage customer insights, create greater personalisation and deliver brilliant customer experiences. — Suncorp actively monitors strategic risks and responds through various initiatives, incorporating these into the strategy and business planning process.
Prioritisation and execution of strategic initiatives	To achieve its vision, Suncorp must effectively prioritise investment and deliver key initiatives. As the internal and external environment shifts, a level of agility will be required around these investment decisions.	— Program management capability, tools and governance driven by the Program Excellence Function mitigate this risk.
Government and Regulatory	Risks relating to the failure to meet government or regulatory expectations.	— The business has programs in place to ensure the implementation of regulatory change, with the FY19 project portfolio heavily weighted to regulatory change imperatives. — The 'Enterprise Compliance Strategy' has increased Suncorp's capability to satisfy regulatory expectations by enhancing awareness and standardising management of compliance obligations.
People	Maintaining an engaged workforce (including partners and intermediaries) with appropriate culture, conduct and capability to execute the strategy.	— Suncorp is driving various initiatives to connect people with our purpose, deliver the Suncorp experience and build the workforce and workspace of the future.
Data, Technology and Operations	Loss, compromise or unavailability of data, systems and business operations.	— Suncorp actively monitors internal systems and cyber security threats, and is continually investing in systems, processes and controls to maintain a secure and resilient technology environment. — The importance of and accountability for security is reinforced to all staff through policy, procedures and education. — Contingency planning and testing is performed in case of disruption to critical systems and business processes.

Economic Conditions	Economic instability and a continued low yield environment.	— Financial performance is significantly affected by changes in investment markets and economic conditions both globally and in Australia and New Zealand. — Suncorp consistently monitors these risks by examining market conditions and adopts appropriate financial management strategies to help protect the business.
Climate Change and Resilience	Physical impacts of climate change, significant weather events and natural hazards that exceed expectations.	— Suncorp's Climate Change Action Plan forms the basis for maturing the assessment, management and disclosure of climate change risks and opportunities. — Suncorp reduces financial volatility through the effective management of capital and reinsurance.
Stakeholder Confidence	Suncorp's ability to maintain its external reputation and confidence of customers, investors and regulators.	— Meeting expectations of our stakeholders by doing the right thing, improving customer experience, delivering operational excellence and leveraging the strength of Suncorp's core business will help mitigate this risk. — Suncorp's ongoing focus on customer, conduct and culture will help maintain confidence, in an environment of deteriorating trust in financial services.
Financial	Suncorp's ability to deliver on its strategy and achieve financial targets.	— To remain a sustainable business, Suncorp needs to maintain momentum and continue to drive growth across the business. — Disciplined portfolio management, operational excellence and investment in core systems contribute to Suncorp's strategic priority Drive Momentum and Growth. — Suncorp actively manages its liquidity and funding positions and ensures appropriate contingency arrangements are maintained.

More information on managing risk at Suncorp is available at **suncorpgroup.com.au/about/corporate-governance.**

4.0 APPENDICES

4.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Consolidated statement of comprehensive income

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

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Revenue									
Insurance premium income	10,502	10,344	1.5	5,232	5,270	5,171	5,173	(0.7)	1.2
Reinsurance and other recoveries income	1,072	3,280	(67.3)	461	611	1,689	1,591	(24.5)	(72.7)
Interest income on									
financial assets not at fair value through profit or loss	2,505	2,464	1.7	1,246	1,259	1,217	1,247	(1.0)	2.4
financial assets at fair value through profit or loss	542	591	(8.3)	274	268	302	289	2.2	(9.3)
Net gains on financial assets and liabilities at fair value through profit or loss	230	91	152.7	107	123	91	-	(13.0)	17.6
Dividend and trust distribution income	56	74	(24.3)	24	32	19	55	(25.0)	26.3
Fees and other income	545	551	(1.1)	267	278	268	283	(4.0)	(0.4)
Total revenue	**15,452**	**17,395**	**(11.2)**	**7,611**	**7,841**	**8,757**	**8,638**	**(2.9)**	**(13.1)**
Expenses									
Claims expense and movement in policyowner liabilities	(7,164)	(9,228)	(22.4)	(3,314)	(3,850)	(4,739)	(4,489)	(13.9)	(30.1)
Outwards reinsurance premium expense	(1,427)	(1,445)	(1.2)	(733)	(694)	(751)	(694)	5.6	(2.4)
Underwriting and policy maintenance expenses	(2,376)	(2,387)	(0.5)	(1,169)	(1,207)	(1,165)	(1,222)	(3.1)	0.3
Interest expense on									
financial liabilities not at fair value through profit or loss	(1,344)	(1,369)	(1.8)	(673)	(671)	(662)	(707)	0.3	1.7
financial liabilities at fair value through profit or loss	(88)	(73)	20.5	(43)	(45)	(38)	(35)	(4.4)	13.2
Net losses on financial assets and liabilities at fair value through profit or loss	-	-	-	-	-	65	(65)	-	(100.0)
Impairment loss on loans and advances	(27)	(7)	285.7	(14)	(13)	(6)	(1)	7.7	133.3
Amortisation and depreciation expense	(175)	(168)	4.2	(90)	(85)	(93)	(75)	5.9	(3.2)
Fees, overheads and other expenses	(1,149)	(933)	23.2	(610)	(539)	(488)	(445)	13.2	25.0
Outside beneficial interests in managed funds	(125)	(177)	(29.4)	(63)	(62)	(84)	(93)	1.6	(25.0)
Total expenses	**(13,875)**	**(15,787)**	**(12.1)**	**(6,709)**	**(7,166)**	**(7,961)**	**(7,826)**	**(6.4)**	**(15.7)**
Profit before income tax	**1,577**	**1,608**	**(1.9)**	**902**	**675**	**796**	**812**	**33.6**	**13.3**
Income tax expense	(505)	(523)	(3.4)	(291)	(214)	(253)	(270)	36.0	15.0
Profit for the period	**1,072**	**1,085**	**(1.2)**	**611**	**461**	**543**	**542**	**32.5**	**12.5**
Other comprehensive income									
Items that will be reclassified subsequently to profit or loss									
Net change in fair value of cash flow hedges	16	(60)	n/a	18	(2)	(24)	(36)	n/a	n/a
Net change in fair value of available-for-sale financial assets	(12)	13	n/a	(9)	(3)	6	7	200.0	n/a
Net change in net investment hedge of foreign operations	1	-	n/a	1	-	-	-	n/a	n/a
Exchange differences on translation of foreign operations	(36)	(1)	n/a	7	(43)	(8)	7	n/a	n/a
Income tax (expense) benefit	(1)	14	n/a	(3)	2	4	10	n/a	n/a
	(32)	(34)	(5.9)	14	(46)	(22)	(12)	n/a	n/a
Items that will not be reclassified subsequently to profit or loss									
Actuarial gains (losses) on defined benefit plans	2	8	(75.0)	2	-	8	-	n/a	(75.0)
Income tax (expense) benefit	(1)	(3)	(66.7)	(1)	-	(3)	-	n/a	(66.7)
	1	5	(80.0)	1	-	5	-	n/a	(80.0)
Total other comprehensive income	**(31)**	**(29)**	**6.9**	**15**	**(46)**	**(17)**	**(12)**	**n/a**	**n/a**
Total comprehensive income for the period	**1,041**	**1,056**	**(1.4)**	**626**	**415**	**526**	**530**	**50.8**	**19.0**
Profit for the period attributable to:									
Owners of the Company	1,059	1,075	(1.5)	607	452	538	537	34.3	12.8
Non-controlling interests	13	10	30.0	4	9	5	5	(55.6)	(20.0)
Profit for the period	**1,072**	**1,085**	**(1.2)**	**611**	**461**	**543**	**542**	**32.5**	**12.5**
Total comprehensive income for the period attributable to:									
Owners of the Company	1,028	1,046	(1.7)	622	406	521	525	53.2	19.4
Non-controlling interests	13	10	30.0	4	9	5	5	(55.6)	(20.0)
Total comprehensive income for the period	**1,041**	**1,056**	**(1.4)**	**626**	**415**	**526**	**530**	**50.8**	**19.0**

Consolidated statement of financial position

	Jun-18 $M	Dec-17 $M	Jun-17 $M	Dec-16 $M	Jun-18 vs Dec-17 %	Jun-18 vs Jun-17 %
Assets						
Cash and cash equivalents	1,165	1,143	1,840	1,870	1.9	(36.7)
Receivables due from other banks	474	470	567	473	0.9	(16.4)
Trading securities	1,639	1,512	1,520	1,597	8.4	7.8
Derivatives	256	154	188	696	66.2	36.2
Investment securities	22,706	22,533	22,327	23,984	0.8	1.7
Loans and advances	58,598	57,635	55,197	54,047	1.7	6.2
Premiums outstanding	2,668	2,544	2,620	2,428	4.9	1.8
Reinsurance and other recoveries	2,377	2,746	3,353	2,630	(13.4)	(29.1)
Deferred reinsurance assets	834	550	837	644	51.6	(0.4)
Deferred acquisition costs	706	699	704	691	1.0	0.3
Gross policy liabilities ceded under reinsurance	528	536	585	408	(1.5)	(9.7)
Property, plant and equipment	211	216	200	200	(2.3)	5.5
Deferred tax assets	203	208	226	228	(2.4)	(10.2)
Goodwill and other intangible assets	5,722	5,768	5,821	5,836	(0.8)	(1.7)
Other assets	1,246	1,145	1,124	1,069	8.8	10.9
Total assets	**99,333**	**97,859**	**97,109**	**96,801**	**1.5**	**2.3**
Liabilities						
Payables due to other banks	148	54	50	512	174.1	196.0
Deposits and short-term borrowings	45,550	45,612	45,105	46,048	(0.1)	1.0
Derivatives	207	312	376	508	(33.7)	(44.9)
Amounts due to reinsurers	747	312	799	360	139.4	(6.5)
Payables and other liabilities	2,062	1,735	1,999	1,559	18.8	3.2
Current tax liabilities	68	2	106	99	n/a	(35.8)
Unearned premium liabilities	5,036	4,889	4,965	4,925	3.0	1.4
Outstanding claims liabilities	10,176	10,660	10,952	10,234	(4.5)	(7.1)
Gross policy liabilities	2,721	2,807	2,917	2,843	(3.1)	(6.7)
Deferred tax liabilities	129	121	121	118	6.6	6.6
Managed funds units on issue	1,285	1,256	911	1,601	2.3	41.1
Securitisation liabilities	4,848	4,111	3,088	2,204	17.9	57.0
Debt issues	9,854	9,722	9,216	9,585	1.4	6.9
Loan capital	2,529	2,527	2,714	2,553	0.1	(6.8)
Total liabilities	**85,360**	**84,120**	**83,319**	**83,149**	**1.5**	**2.4**
Net assets	**13,973**	**13,739**	**13,790**	**13,652**	**1.7**	**1.3**
Equity						
Share capital	12,863	12,820	12,766	12,722	0.3	0.4
Reserves	135	117	161	186	15.4	(16.1)
Retained profits	965	789	855	734	22.3	12.9
Total equity attributable to owners of the Company	**13,963**	**13,726**	**13,782**	**13,642**	**1.7**	**1.3**
Non-controlling interests	10	13	8	10	(23.1)	25.0
Total equity	**13,973**	**13,739**	**13,790**	**13,652**	**1.7**	**1.3**

Consolidated statement of financial position by function

	General Insurance Jun-18 $M	Banking Jun-18 $M	Life Jun-18 $M	Corporate Jun-18 $M	Eliminations Jun-18 $M	Consolidation Jun-18 $M
Assets						
Cash and cash equivalents	426	506	658	40	(465)	1,165
Receivables due from other banks	-	474	-	-	-	474
Trading securities	-	1,639	-	-	-	1,639
Derivatives	20	224	12	-	-	256
Investment securities	12,930	4,058	5,390	14,624	(14,296)	22,706
Loans and advances	-	58,598	-	-	-	58,598
Premiums outstanding	2,644	-	24	-	-	2,668
Reinsurance and other recoveries	2,209	-	168	-	-	2,377
Deferred reinsurance assets	834	-	-	-	-	834
Deferred acquisition costs	703	-	3	-	-	706
Gross policy liabilities ceded under reinsurance	-	-	528	-	-	528
Property, plant and equipment	54	-	2	155	-	211
Deferred tax assets	36	45	5	117	-	203
Goodwill and other intangible assets	4,899	262	214	347	-	5,722
Other assets	804	177	178	79	8	1,246
Due from related parties	124	362	-	1,240	(1,726)	-
Total assets	**25,683**	**66,345**	**7,182**	**16,602**	**(16,479)**	**99,333**
Liabilities						
Payables due to other banks	-	148	-	-	-	148
Deposits and short-term borrowings	-	46,043	-	-	(493)	45,550
Derivatives	35	158	13	1	-	207
Amounts due to reinsurers	695	-	52	-	-	747
Payables and other liabilities	831	423	267	543	(2)	2,062
Current tax liabilities	8	-	5	55	-	68
Unearned premium liabilities	5,029	-	7	-	-	5,036
Outstanding claims liabilities	9,883	-	293	-	-	10,176
Gross policy liabilities	-	-	2,721	-	-	2,721
Deferred tax liabilities	17	-	112	-	-	129
Managed funds units on issue	-	-	1,475	-	(190)	1,285
Securitised liabilities	-	4,848	-	-	-	4,848
Debt issues	-	9,854	-	-	-	9,854
Loan capital	552	742	100	1,905	(770)	2,529
Due to related parties	363	20	26	542	(951)	-
Total liabilities	**17,413**	**62,236**	**5,071**	**3,046**	**(2,406)**	**85,360**
Net assets	**8,270**	**4,109**	**2,111**	**13,556**	**(14,073)**	**13,973**
Equity						
Share capital						12,863
Reserves						135
Retained profits						965
Total equity attributable to owners of the Company						**13,963**
Non-controlling interests						10
Total equity						13,973

4.2 SGL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, FINANCIAL POSITION AND INVESTMENTS

SGL statement of financial position

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Current assets						
Cash and cash equivalents	6	18	18	21	(66.7)	(66.7)
Financial assets designated at fair value through profit and loss	552	589	516	484	(6.3)	7.0
Due from related parties	107	64	152	150	67.2	(29.6)
Other assets	4	19	5	3	(78.9)	(20.0)
Total current assets	**669**	**690**	**691**	**658**	**(3.0)**	**(3.2)**
Non-current assets						
Investment in subsidiaries	14,096	14,063	14,288	13,921	0.2	(1.3)
Due from related parties	770	770	770	770	-	-
Deferred tax assets	7	7	8	6	-	(12.5)
Other assets	81	88	81	83	(8.0)	-
Total non-current assets	**14,954**	**14,928**	**15,147**	**14,780**	**0.2**	**(1.3)**
Total assets	**15,623**	**15,618**	**15,838**	**15,438**	**0.0**	**(1.4)**
Current liabilities						
Payables and other liabilities	9	5	21	9	80.0	(57.1)
Current tax liabilities	54	-	103	97	n/a	(47.6)
Due to related parties	19	46	21	22	(58.7)	(9.5)
Total current liabilities	**82**	**51**	**145**	**128**	**60.8**	**(43.4)**
Non-current liabilities						
Loan capital	1,905	1,903	2,090	1,719	0.1	(8.9)
Total non-current liabilities	**1,905**	**1,903**	**2,090**	**1,719**	**0.1**	**(8.9)**
Total liabilities	**1,987**	**1,954**	**2,235**	**1,847**	**1.7**	**(11.1)**
Net assets	**13,636**	**13,664**	**13,603**	**13,591**	**(0.2)**	**0.2**
Equity						
Share capital	12,957	12,921	12,869	12,825	0.2	0.7
Retained profits	679	743	734	766	(8.6)	(7.5)
Total equity	**13,636**	**13,664**	**13,603**	**13,591**	**(0.2)**	**0.2**

SGL profit contribution

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Revenue									
Dividend and interest income from subsidiaries	974	888	9.7	407	567	432	456	(28.2)	(5.8)
Interest and trust distribution income on financial assets at fair value through profit or loss	17	15	13.3	9	8	9	6	12.5	-
Other income	4	4	-	2	2	2	2	-	-
Total revenue	**995**	**907**	**9.7**	**418**	**577**	**443**	**464**	**(27.6)**	**(5.6)**
Expenses									
Interest expense on financial liabilities at amortised cost	(92)	(85)	8.2	(44)	(48)	(43)	(42)	(8.3)	2.3
Operating expenses	(4)	(5)	(20.0)	(2)	(2)	(3)	(2)	-	(33.3)
Total expenses	**(96)**	**(90)**	**6.7**	**(46)**	**(50)**	**(46)**	**(44)**	**(8.0)**	**-**
Profit before income tax	**899**	**817**	**10.0**	**372**	**527**	**397**	**420**	**(29.4)**	**(6.3)**
Income tax expense	(9)	(5)	80.0	(8)	(1)	(3)	(2)	700.0	166.7
Profit for the period	**890**	**812**	**9.6**	**364**	**526**	**394**	**418**	**(30.8)**	**125.9**

SGL investment portfolio

Suncorp Group Limited's investment portfolio supports the Group non-operating holding company (NOHC) structure and distributions to shareholders. Investment assets were $560m at 30 June 2018 and comprised 48% cash and 52% high quality fixed income securities, with an interest rate duration of 0.9 years, credit spread duration of 1.4 years and an average credit rating of 'A'. Investment income was $17m, representing an annualised return of 2.9%.

During the year, an investment was made in the Churches of Christ Qld YouthCONNECT social impact bond. This is the Group's first social impact investment under the new Responsible Investment Policy and funds programs aimed at reducing homelessness among young people.

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
(Pre-tax)	$M	$M	%	$M	$M	$M	$M	%	%
Investment income									
Cash and short-term deposits	5	5	-	2	3	3	2	(33.3)	(33.3)
Interest-bearing securities and other	12	10	20.0	6	6	6	4	-	-
Total	**17**	**15**	**13.3**	**8**	**9**	**9**	**6**	**(11.1)**	**(11.1)**

4.3 GROUP RATIOS AND STATISTICS

		Full Year Ended Jun-18	Jun-17	Jun-18 vs Jun-17 %
Performance ratios				
Earnings per share [1]				
Basic	(cents)	82.17	83.84	(2.0)
Diluted	(cents)	80.54	82.55	(2.4)
Cash earnings per share [1]				
Basic	(cents)	85.20	89.30	(4.6)
Diluted	(cents)	83.37	87.72	(5.0)
Return on average shareholders' equity [1]	(%)	7.7	7.9	
Cash return on average shareholders' equity [1]	(%)	8.0	8.4	
Cash return on average shareholders' equity pre-goodwill [1]	(%)	12.4	13.1	
Return on average total assets	(%)	1.08	1.11	
Insurance trading ratio	(%)	12.1	11.8	
Underlying insurance trading ratio	(%)	10.6	11.5	
Bank net interest margin (interest-earning assets)	(%)	1.84	1.83	
Shareholder summary				
Ordinary dividends per ordinary share	(cents)	73.0	73.0	-
Special dividends per ordinary share	(cents)	8.0	-	n/a
Payout ratio (excluding special dividend) [1]				
Net profit after tax	(%)	89.0	87.3	
Cash earnings	(%)	85.8	81.9	
Payout ratio (including special dividend) [1]				
Net profit after tax	(%)	98.7	87.3	
Cash earnings	(%)	95.2	81.9	
Weighted average number of shares				
Basic	(m)	1,288.8	1,282.2	0.5
Diluted	(m)	1,377.0	1,353.1	1.8
Number of shares at end of period	(m)	1,291.9	1,284.9	0.5
Net tangible asset backing per share	($)	6.39	6.20	3.0
Share price at end of period	($)	14.59	14.82	(1.6)
Productivity				
Australian General Insurance expense ratio	(%)	20.9	20.4	
Banking cost to income ratio	(%)	54.7	52.7	
New Zealand General Insurance expense ratio	(%)	31.9	33.3	
Financial position				
Total assets	($M)	99,333	97,109	2.3
Net tangible assets	($M)	8,251	7,969	3.5
Net assets	($M)	13,973	13,790	1.3
Average Shareholders' Equity	($M)	13,703	13,631	0.5
Capital				
General Insurance Group PCA coverage	(times)	1.84	1.77	
Bank capital adequacy ratio - Total	(%)	13.52	14.59	
Bank Common Equity Tier 1 ratio	(%)	9.07	9.23	
Suncorp Life total capital	($M)	613	561	9.3
Additional capital held by Suncorp Group Limited	($M)	171	86	98.8

(1) Refer to Glossary for definitions.

			Half Year Ended			Jun-18	Jun-18
		Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17 %	vs Jun-17 %
Performance ratios							
Earnings per share [1]							
Basic	(cents)	47.04	35.12	41.91	41.93	33.9	12.2
Diluted	(cents)	45.92	34.66	41.21	41.13	32.5	11.4
Cash earnings per share [1]							
Basic	(cents)	48.51	36.67	43.70	45.60	32.3	11.0
Diluted	(cents)	47.30	36.11	42.91	44.61	31.0	10.2
Return on average shareholders' equity [1]	(%)	8.9	6.5	7.9	7.8		
Cash return on average shareholders' equity [1]	(%)	9.2	6.8	8.2	8.5		
Cash return on average shareholders' equity pre-goodwill [1]	(%)	14.3	10.6	12.9	13.3		
Return on average total assets	(%)	1.24	0.92	1.11	1.11		
Insurance trading ratio	(%)	16.3	8.0	11.2	12.5		
Underlying insurance trading ratio	(%)	11.7	9.4	12.0	11.0		
Bank net interest margin (interest-earning assets)	(%)	1.82	1.86	1.87	1.78		
Shareholder summary							
Ordinary dividends per ordinary share	(cents)	40.0	33.0	40.0	33.0	21.2	-
Special dividends per ordinary share	(cents)	8.0	-	-	-	n/a	n/a
Payout ratio (excluding special dividend) [1]							
Net profit after tax	(%)	85.1	94.1	95.5	78.8		
Cash earnings	(%)	82.5	90.1	91.6	72.5		
Payout ratio (including special dividend) [1]							
Net profit after tax	(%)	102.2	94.1	95.5	78.8		
Cash earnings	(%)	99.1	90.1	91.6	72.5		
Weighted average number of shares							
Basic	(m)	1,290.4	1,287.2	1,283.7	1,280.7	0.2	0.5
Diluted	(m)	1,372.0	1,382.0	1,358.7	1,354.1	(0.7)	1.0
Number of shares at end of period	(m)	1,291.9	1,288.9	1,284.9	1,282.2	0.2	0.5
Net tangible asset backing per share	($)	6.39	6.18	6.20	6.10	3.3	3.0
Share price at end of period	($)	14.59	13.86	14.82	13.52	5.3	(1.6)
Productivity							
Australian General Insurance expense ratio	(%)	20.7	21.2	20.5	20.3		
Banking cost to income ratio	(%)	54.5	54.9	53.9	51.4		
New Zealand General Insurance expense ratio	(%)	31.5	32.3	33.2	33.4		
Financial position							
Total assets	($M)	99,333	97,859	97,109	96,801	1.5	2.3
Net tangible assets	($M)	8,251	7,971	7,969	7,816	3.5	3.5
Net assets	($M)	13,973	13,739	13,790	13,652	1.7	1.3
Average Shareholders' Equity	($M)	13,706	13,699	13,638	13,625	0.1	0.5
Capital							
General Insurance Group PCA coverage	(times)	1.84	1.66	1.77	1.78		
Bank capital adequacy ratio - Total	(%)	13.52	13.47	14.59	13.48		
Bank Common Equity Tier 1 ratio	(%)	9.07	9.01	9.23	9.20		
Suncorp Life total capital	($M)	613	670	561	625	(8.5)	9.3
Additional capital held by Suncorp Group Limited	($M)	171	248	86	121	(31.0)	98.8

[1] Refer to Glossary for definitions.

Earnings per share

Numerator	Full Year Ended		Half Year Ended			
	Jun-18	Jun-17	Jun-18	Dec-17	Jun-17	Dec-16
	$M	$M	$M	$M	$M	$M
Earnings:						
Profit attributable to ordinary equity holders of the company (basic)	1,059	1,075	607	452	538	537
Interest expense on convertible preference shares (net of tax)	25	40	7	18	20	20
Interest expense on convertible capital notes (net of tax)	25	2	16	9	2	-
Profit attributable to ordinary equity holders of the company (diluted)	**1,109**	**1,117**	**630**	**479**	**560**	**557**

Denominator	Full Year Ended		Half Year Ended			
	Jun-18 No. of Shares	Jun-17 No. of Shares	Jun-18 No. of Shares	Dec-17 No. of Shares	Jun-17 No. of Shares	Dec-16 No. of Shares
Weighted average number of shares:						
Weighted average number of ordinary shares (basic)	1,288,766,728	1,282,167,879	1,290,364,536	1,287,194,972	1,283,666,294	1,280,693,895
Effect of conversion of convertible preference shares	45,659,555	66,852,101	28,409,196	62,565,335	66,852,101	73,384,999
Effect of conversion of convertible capital notes	42,613,794	4,078,093	53,267,242	32,227,479	8,223,778	-
Weighted average number of ordinary shares (diluted)	**1,377,040,077**	**1,353,098,073**	**1,372,040,974**	**1,381,987,786**	**1,358,742,173**	**1,354,078,894**

Cash earnings per share

Numerator	Full Year Ended		Half Year Ended			
	Jun-18	Jun-17	Jun-18	Dec-17	Jun-17	Dec-16
	$M	$M	$M	$M	$M	$M
Earnings:						
Cash profit attributable to ordinary equity holders of the company (basic)	1,098	1,145	626	472	561	584
Interest expense on convertible preference shares (net of tax)	25	40	7	18	20	20
Interest expense on convertible capital notes (net of tax)	25	2	16	9	2	-
Cash profit attributable to ordinary equity holders of the company (diluted)	**1,148**	**1,187**	**649**	**499**	**583**	**604**

Denominator	Full Year Ended		Half Year Ended			
	Jun-18 No. of Shares	Jun-17 No. of Shares	Jun-18 No. of Shares	Dec-17 No. of Shares	Jun-17 No. of Shares	Dec-16 No. of Shares
Weighted average number of shares:						
Weighted average number of ordinary shares (basic)	1,288,766,728	1,282,167,879	1,290,364,536	1,287,194,972	1,283,666,294	1,280,693,895
Effect of conversion of convertible preference shares	45,659,555	66,852,101	28,409,196	62,565,335	66,852,101	73,384,999
Effect of conversion of convertible capital notes	42,613,794	4,078,093	53,267,242	32,227,479	8,223,778	-
Weighted average number of ordinary shares (diluted)	**1,377,040,077**	**1,353,098,073**	**1,372,040,974**	**1,381,987,786**	**1,358,742,173**	**1,354,078,894**

ASX listed securities

	Half Year Ended			
	Jun-18	Dec-17	Jun-17	Dec-16
Ordinary shares (SUN) each fully paid				
Number at the end of the period	1,298,503,953	1,296,020,378	1,292,699,888	1,290,197,330
Dividend declared for the period (cents per share)	48	33	40	33
Convertible preference shares (SUNPC) each fully paid				
Number at the end of the period	-	-	5,600,000	5,600,000
Dividend declared for the period ($ per share) [1]	-	1.11	2.28	2.20
Subordinated Notes (SUNPD)				
Number at the end of the period	7,700,000	7,700,000	7,700,000	7,700,000
Interest per note	2.33	2.30	2.28	2.31
Convertible preference shares (SUNPE) each fully paid				
Number at the end of the period	4,000,000	4,000,000	4,000,000	4,000,000
Dividend declared for the period ($ per share) [1]	1.89	1.80	1.83	1.77
Convertible Capital Notes (SUNPF) each fully paid				
Number at the end of the period	3,750,000	3,750,000	3,750,000	-
Dividend declared for the period ($ per note) [1]	2.13	2.04	1.52	-
Convertible Capital Notes (SUNPG) each fully paid				
Number at the end of the period	3,750,000	3,750,000	-	-
Dividend declared for the period ($ per note) [1]	1.98	1.19	-	-
Floating Rate Capital Notes (SBKHB)				
Number at the end of the period	715,383	715,383	715,383	715,383
Interest per note	1.28	1.24	1.25	1.27

(1) Classified as interest expense.

4.4 GENERAL INSURANCE ITR SPLIT

Insurance (Australia) — Consumer Insurance

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	5,114	4,890	4.6	2,612	2,502	2,462	2,428	4.4	6.1
Net earned premium	4,422	4,264	3.7	2,216	2,206	2,118	2,146	0.5	4.6
Net incurred claims	(3,212)	(3,101)	3.6	(1,481)	(1,731)	(1,541)	(1,560)	(14.4)	(3.9)
Acquisition expenses	(503)	(494)	1.8	(254)	(249)	(243)	(251)	2.0	4.5
Other underwriting expenses	(324)	(295)	9.8	(150)	(174)	(143)	(152)	(13.8)	4.9
Total operating expenses	**(827)**	**(789)**	**4.8**	**(404)**	**(423)**	**(386)**	**(403)**	**(4.5)**	**4.7**
Underwriting result	**383**	**374**	**2.4**	**331**	**52**	**191**	**183**	**n/a**	**73.3**
Investment income - insurance funds	55	83	(33.7)	27	28	32	51	(3.6)	(15.6)
Insurance trading result	**438**	**457**	**(4.2)**	**358**	**80**	**223**	**234**	**347.5**	**60.5**

	Full Year Ended			Half Year Ended			
	Jun-18	Jun-17		Jun-18	Dec-17	Jun-17	Dec-16
	%	%		%	%	%	%
Ratios							
Acquisition expenses ratio	11.4	11.6		11.5	11.3	11.5	11.7
Other underwriting expenses ratio	7.3	6.9		6.8	7.9	6.8	7.1
Total operating expenses ratio	**18.7**	**18.6**		**18.3**	**19.2**	**18.2**	**18.8**
Loss ratio	72.6	72.7		66.8	78.5	72.8	72.7
Combined operating ratio	91.3	91.3		85.1	97.7	91.0	91.5
Insurance trading ratio	**9.9**	**10.7**		**16.2**	**3.6**	**10.5**	**10.9**

Note: Consumer Insurance includes Home, Motor, Boat and Travel Insurance.

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

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Gross written premium	3,023	3,221	(6.1)	1,521	1,502	1,618	1,603	1.3	(6.0)
Net earned premium	2,769	2,808	(1.4)	1,332	1,437	1,402	1,406	(7.3)	(5.0)
Net incurred claims	(1,845)	(1,822)	1.3	(852)	(993)	(1,008)	(814)	(14.2)	(15.5)
Acquisition expenses	(486)	(413)	17.7	(250)	(236)	(202)	(211)	5.9	23.8
Other underwriting expenses	(193)	(240)	(19.6)	(79)	(114)	(132)	(108)	(30.7)	(40.2)
Total operating expenses	**(679)**	**(653)**	**4.0**	**(329)**	**(350)**	**(334)**	**(319)**	**(6.0)**	**(1.5)**
Underwriting result	**245**	**333**	**(26.4)**	**151**	**94**	**60**	**273**	**60.6**	**151.7**
Investment income - insurance funds	203	122	66.4	111	92	138	(16)	20.7	(19.6)
Insurance trading result	**448**	**455**	**(1.5)**	**262**	**186**	**198**	**257**	**40.9**	**32.3**

	Full Year Ended			Half Year Ended			
	Jun-18	Jun-17		Jun-18	Dec-17	Jun-17	Dec-16
	%	%		%	%	%	%
Ratios							
Acquisition expenses ratio	17.5	14.7		18.8	16.4	14.4	15.0
Other underwriting expenses ratio	7.0	8.5		5.9	8.0	9.4	7.7
Total operating expenses ratio	**24.5**	**23.3**		**24.7**	**24.4**	**23.8**	**22.7**
Loss ratio	66.6	64.9		64.0	69.1	71.9	57.9
Combined operating ratio	91.1	88.1		88.7	93.5	95.7	80.6
Insurance trading ratio	**16.2**	**16.2**		**19.7**	**12.9**	**14.1**	**18.3**

New Zealand (A$)

	Full Year Ended		Jun-18	Half Year ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Dec-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	A$M	A$M	%	A$M	A$M	A$M	A$M	%	%
Gross written premium	1,422	1,345	5.7	719	703	666	679	2.3	8.0
Net earned premium	1,168	1,099	6.3	604	564	542	557	7.1	11.4
Net incurred claims	(682)	(693)	(1.6)	(363)	(319)	(339)	(354)	13.8	7.1
Acquisition expenses	(260)	(256)	1.6	(131)	(129)	(124)	(132)	1.6	5.6
Other underwriting expenses	(112)	(110)	1.8	(59)	(53)	(56)	(54)	11.3	5.4
Total operating expenses	**(372)**	**(366)**	**1.6**	**(190)**	**(182)**	**(180)**	**(186)**	**4.4**	**5.6**
Underwriting result	**114**	**40**	**185.0**	**51**	**63**	**23**	**17**	**(19.0)**	**121.7**
Investment income - insurance funds	12	13	(7.7)	5	7	9	4	(28.6)	(44.4)
Insurance trading result	**126**	**53**	**137.7**	**56**	**70**	**32**	**21**	**(20.0)**	**75.0**

	%	%	%	%	%	%
Ratios						
Acquisition expenses ratio	22.3	23.3	21.7	22.9	22.9	23.7
Other underwriting expenses ratio	9.6	10.0	9.8	9.4	10.3	9.7
Total operating expenses ratio	**31.9**	**33.3**	**31.5**	**32.3**	**33.2**	**33.4**
Loss ratio	58.4	63.1	60.1	56.6	62.5	63.6
Combined operating ratio	90.3	96.4	91.6	88.9	95.7	97.0
Insurance trading ratio	**10.8**	**4.8**	**9.3**	**12.4**	**5.9**	**3.8**

General Insurance short-tail (includes New Zealand)

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Short-tail									
Gross written premium	7,469	7,171	4.2	3,794	3,675	3,586	3,585	3.2	5.8
Net earned premium	6,327	6,062	4.4	3,185	3,142	2,999	3,063	1.4	6.2
Net incurred claims	(4,431)	(4,314)	2.7	(2,128)	(2,303)	(2,167)	(2,147)	(7.6)	(1.8)
Acquisition expenses	(965)	(925)	4.3	(487)	(478)	(453)	(472)	1.9	7.5
Other underwriting expenses	(525)	(524)	0.2	(250)	(275)	(265)	(259)	(9.1)	(5.7)
Total operating expenses	**(1,490)**	**(1,449)**	**2.8**	**(737)**	**(753)**	**(718)**	**(731)**	**(2.1)**	**2.6**
Underwriting result	406	299	35.8	320	86	114	185	272.1	180.7
Investment income - insurance funds	75	109	(31.2)	36	39	53	56	(7.7)	(32.1)
Insurance trading result	**481**	**408**	**17.9**	**356**	**125**	**167**	**241**	**184.8**	**113.2**

	%	%	%	%	%	%
Ratios						
Acquisition expenses ratio	15.2	15.3	15.3	15.2	15.1	15.4
Other underwriting expenses ratio	8.3	8.6	7.8	8.8	8.8	8.5
Total operating expenses ratio	**23.5**	**23.9**	**23.1**	**24.0**	**23.9**	**23.9**
Loss ratio	70.0	71.2	66.8	73.3	72.3	70.1
Combined operating ratio	93.5	95.1	89.9	97.3	96.2	94.0
Insurance trading ratio	**7.6**	**6.7**	**11.2**	**4.0**	**5.6**	**7.9**

General Insurance long-tail (includes New Zealand)

	Full Year Ended		Jun-18	Half Year Ended				Jun-18	Jun-18
	Jun-18	Jun-17	vs Jun-17	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	%	$M	$M	$M	$M	%	%
Long-tail									
Gross written premium	2,090	2,285	(8.5)	1,058	1,032	1,160	1,125	2.5	(8.8)
Net earned premium	2,032	2,108	(3.6)	967	1,065	1,062	1,046	(9.2)	(8.9)
Net incurred claims	(1,308)	(1,302)	0.5	(568)	(740)	(721)	(581)	(23.2)	(21.2)
Acquisition expenses	(284)	(238)	19.3	(148)	(136)	(116)	(122)	8.8	27.6
Other underwriting expenses	(104)	(120)	(13.3)	(38)	(66)	(65)	(55)	(42.4)	(41.5)
Total operating expenses	**(388)**	**(358)**	**8.4**	**(186)**	**(202)**	**(181)**	**(177)**	**(7.9)**	**2.8**
Underwriting result	336	448	(25.0)	213	123	160	288	73.2	33.1
Investment income - insurance funds	195	109	78.9	107	88	126	(17)	21.6	(15.1)
Insurance trading result	**531**	**557**	**(4.7)**	**320**	**211**	**286**	**271**	**51.7**	**11.9**

	%	%		%	%	%	%
Ratios							
Acquisition expenses ratio	14.0	11.3		15.3	12.8	10.9	11.6
Other underwriting expenses ratio	5.1	5.7		3.9	6.2	6.1	5.3
Total operating expenses ratio	**19.1**	**17.0**		**19.2**	**19.0**	**17.0**	**16.9**
Loss ratio	64.4	61.8		58.7	69.5	67.9	55.5
Combined operating ratio	83.5	78.8		77.9	88.5	84.9	72.4
Insurance trading ratio	**26.1**	**26.4**		**33.1**	**19.8**	**26.9**	**25.9**

4.5 GROUP CAPITAL

Group capital position

	As at 30 June 2018					As at 30 June 2017
	General Insurance	Banking	Life	SGL, Corp Services & Consol	Total	Total
	$M	$M	$M	$M	$M	$M
Common Equity Tier 1 capital						
Ordinary share capital	-	-	-	12,873	12,873	12,797
Subsidiary share capital (eliminated upon consolidation)	7,375	3,870	1,980	(13,225)	-	-
Reserves	6	(1,001)	305	821	131	154
Retained profits and non-controlling interests	308	602	(209)	275	976	861
Insurance liabilities in excess of liability valuation	538	-	-	-	538	502
Goodwill and other intangible assets	(4,878)	(499)	(214)	(361)	(5,952)	(6,022)
Net deferred tax liabilities/(assets) [(1)]	(62)	(37)	103	(116)	(112)	(120)
Policy liability adjustment [(2)]	-	-	(1,487)	-	(1,487)	(1,461)
Other Tier 1 deductions	(7)	17	-	(96)	(86)	(86)
Common Equity Tier 1 capital	**3,280**	**2,952**	**478**	**171**	**6,881**	**6,625**
Additional Tier 1 capital						
Eligible hybrid capital	565	550	35	-	1,150	1,335
Additional Tier 1 capital	**565**	**550**	**35**	**-**	**1,150**	**1,335**
Tier 1 capital	**3,845**	**3,502**	**513**	**171**	**8,031**	**7,960**
Tier 2 capital						
General reserve for credit losses	-	157	-	-	157	155
Eligible Subordinated notes	555	670	100	-	1,325	1,325
Transitional Subordinated notes [(3)]	-	72	-	-	72	72
Tier 2 capital	**555**	**899**	**100**	**-**	**1,554**	**1,552**
Total capital	**4,400**	**4,401**	**613**	**171**	**9,585**	**9,512**
Represented by:						
Capital in Australian regulated entities	3,853	4,384	424	-	8,661	8,748
Capital in New Zealand regulated entities	430	-	90	-	520	552
Capital in unregulated entities [(4)]	117	17	99	171	404	212

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

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

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

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

General Insurance capital

	GI Group [1] Jun-18 $M	GI Group [1] Jun-17 $M
Common Equity Tier 1 capital		
Ordinary share capital	7,375	7,375
Reserves	6	26
Retained profits and non-controlling interests	308	208
Insurance liabilities in excess of liability valuation	538	502
Goodwill and other intangible assets	(4,878)	(4,922)
Net deferred tax assets	(62)	(67)
Other Tier 1 deductions	(7)	(7)
Common Equity Tier 1 capital	**3,280**	**3,115**
Additional Tier 1 capital	**565**	510
Tier 1 capital	**3,845**	**3,625**
Tier 2 capital		
Eligible subordinated notes	555	555
Transitional subordinated notes	-	-
Tier 2 capital	**555**	**555**
Total capital	**4,400**	**4,180**
Prescribed Capital Amount		
Outstanding claims risk charge	920	900
Premium liabilities risk charge	554	569
Total insurance risk charge	1,474	1,469
Insurance concentration risk charge	250	250
Asset risk charge	895	848
Operational risk charge	299	294
Aggregation benefit	(524)	(503)
Total Prescribed Capital Amount (PCA)	**2,394**	**2,358**
Common Equity Tier 1 ratio	**1.37**	**1.32**
Total capital ratio	**1.84**	**1.77**

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

Bank capital

	Regulatory Banking Group Jun-18 $M	Other Entities Jun-18 $M	Statutory Banking Group Jun-18 $M	Statutory Banking Group Jun-17 $M
Common Equity Tier 1 capital				
Ordinary share capital	2,648	1,222	3,870	3,870
Reserves	(14)	(987)	(1,001)	(1,003)
Retained profits	580	22	602	591
Goodwill and other intangible assets	(259)	(240)	(499)	(486)
Net deferred tax assets	(37)	-	(37)	(38)
Other Tier 1 deductions	17	-	17	29
Common Equity Tier 1 capital	**2,935**	**17**	**2,952**	**2,963**
Additional Tier 1 capital				
Eligible hybrid capital	550	-	550	825
Additional Tier 1 capital	**550**	**-**	**550**	**825**
Tier 1 capital	**3,485**	**17**	**3,502**	**3,788**
Tier 2 capital				
General reserve for credit losses	157	-	157	155
Eligible Subordinated notes	670	-	670	670
Transitional Subordinated notes	72	-	72	72
Tier 2 capital	**899**	**-**	**899**	**897**
Total capital	**4,384**	**17**	**4,401**	**4,685**
Risk Weighted Assets				
Credit risk	29,002	-	29,002	28,621
Market risk	88	-	88	62
Operational risk	3,473	-	3,473	3,424
Total Risk Weighted Assets	**32,563**	**-**	**32,563**	**32,107**
Common Equity Tier 1 ratio	**9.01%**		**9.07%**	**9.23%**
Total capital ratio	**13.46%**		**13.52%**	**14.59%**

Life capital

	Life Co Australia	Life Co New Zealand [1]	Other Entities [2]	Total Life Group	Total Life Group
	Jun-18	Jun-18	Jun-18	Jun-18	Jun-17
	$M	$M	$M	$M	$M
Common Equity Tier 1 capital					
Ordinary share capital	730	204	1,046	1,980	1,980
Reserves	-	22	283	305	320
Retained profits and non-controlling interests	639	163	(1,011)	(209)	(261)
Goodwill and other intangible assets	-	-	(214)	(214)	(217)
Net deferred tax liabilities [3]	-	108	(5)	103	102
Policy liability adjustment [4]	(1,080)	(407)	-	(1,487)	(1,461)
Other Tier 1 deductions	-	-	-	-	(2)
Common Equity Tier 1 capital	**289**	**90**	**99**	**478**	**461**
Additional Tier 1 capital	**35**	**-**	**-**	**35**	**-**
Tier 1 capital	**324**	**90**	**99**	**513**	**461**
Tier 2 capital					
Eligible Subordinated notes	100	-	-	100	100
Tier 2 capital	**100**	**-**	**-**	**100**	**100**
Total capital	**424**	**90**	**99**	**613**	**561**
Prescribed Capital Amount					
Insurance risk charge	-	27	-	27	32
Asset risk charge	77	20	-	97	97
Operational risk charge	31	-	-	31	31
Aggregation benefit	-	-	-	-	(4)
Combined stress scenario adjustment	67	-	-	67	57
Other regulatory requirements	-	-	18	18	17
Total Prescribed Capital Amount (PCA) [5]	**175**	**47**	**18**	**240**	**230**
Common Equity Tier 1 ratio	**1.65**	**1.91**	**5.50**	**1.99**	**2.00**
Total capital ratio	**2.42**	**1.91**	**5.50**	**2.55**	**2.44**

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

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

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

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

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

Capital Instruments

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	30 June 2018 GI $M	Bank $M	Life $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Notes (1)	320 bps	Oct 2022	Oct 2016	330	-	-	-	330	328
AAIL Subordinated Notes (1)	330 bps	Nov 2020	Nov 2015	225	-	-	-	225	224
SGL Subordinated Notes (1) (2)	285 bps	Nov 2018	May 2013	-	670	100	-	770	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total subordinated debt				**555**	**742**	**100**	**-**	**1,397**	**1,394**
SGL CPS3 (1) (2)	340 bps	Jun 2020	May 2014	400	-	-	-	400	397
SGL Capital Notes (1) (2)	410 bps	Jun 2022	May 2017	-	375	-	-	375	369
SGL Capital Notes 2 (1) (2)	365 bps	Jun 2024	Nov 2017	165	175	35		375	369
Total Additional Tier 1 capital				**565**	**550**	**35**	**-**	**1,150**	**1,135**
Total				**1,120**	**1,292**	**135**	**-**	**2,547**	**2,529**

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	30 June 2017 GI $M	Bank $M	Life $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Notes	320 bps	Oct 2022	Oct 2016	330	-	-	-	330	328
AAIL Subordinated Notes	330 bps	Nov 2020	Nov 2015	225	-	-	-	225	224
SGL Subordinated Notes (1) (2)	285 bps	Nov 2018	May 2013	-	670	100	-	770	767
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total subordinated debt				**555**	**742**	**100**	**-**	**1,397**	**1,391**
SGL CPS2 (1) (2)	465 bps	Dec 2017	Nov 2012	110	450	-	-	560	559
SGL CPS3 (1) (2)	340 bps	Jun 2020	May 2014	400	-	-	-	400	396
SGL Capital Notes (1) (2)	410 bps	Jun 2022	May 2017	-	375	-	-	375	368
Total Additional Tier 1 capital				**510**	**825**	**-**	**-**	**1,335**	**1,323**
Total				**1,065**	**1,567**	**100**	**-**	**2,732**	**2,714**

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

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

4.6 STATEMENT OF ASSETS AND LIABILITIES

General Insurance

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Assets						
Cash and cash equivalents	426	590	621	517	(27.8)	(31.4)
Derivatives	20	22	36	27	(9.1)	(44.4)
Investment securities	12,930	12,136	12,186	12,421	6.5	6.1
Premiums outstanding	2,644	2,517	2,603	2,403	5.0	1.6
Reinsurance and other recoveries	2,209	2,553	3,135	2,460	(13.5)	(29.5)
Deferred reinsurance assets	834	550	837	644	51.6	(0.4)
Deferred acquisition costs	703	696	700	688	1.0	0.4
Due from related parties	124	210	198	185	(41.0)	(37.4)
Property, plant and equipment	54	49	47	53	10.2	14.9
Deferred tax assets	36	50	35	65	(28.0)	2.9
Goodwill and intangible assets	4,899	4,924	4,952	4,977	(0.5)	(1.1)
Other assets	804	761	781	718	5.7	2.9
Total assets	25,683	25,058	26,131	25,158	2.5	(1.7)
Liabilities						
Payables and other liabilities	831	648	758	631	28.2	9.6
Derivatives	35	15	19	194	133.3	84.2
Due to related parties	363	296	331	325	22.6	9.7
Deferred tax liabilities	17	17	16	16	-	6.3
Unearned premium liabilities	5,029	4,885	4,959	4,921	2.9	1.4
Outstanding claims liabilities	9,883	10,368	10,624	9,957	(4.7)	(7.0)
Loan capital	552	552	552	762	-	-
Current tax liabilities	8	-	3	2	n/a	166.7
Amount due to reinsurers	695	280	737	343	148.2	(5.7)
Total liabilities	17,413	17,061	17,999	17,151	2.1	(3.3)
Net assets	**8,270**	**7,997**	**8,132**	**8,007**	**3.4**	**1.7**

Reconciliation of net assets to Common Equity Tier 1 capital

	Jun-18	Dec-17	Jun-17	Dec-16
Net assets - GI businesses	**8,270**	**7,997**	**8,132**	**8,007**
Insurance liabilities in excess of liability valuation	538	459	502	415
Reserves excluded from regulatory capital	(16)	(15)	(12)	(13)
Additional Tier 1 capital	(565)	(510)	(510)	(510)
Goodwill allocated to GI businesses	(4,404)	(4,402)	(4,410)	(4,412)
Other intangibles (including software assets)	(536)	(575)	(580)	(634)
Other Tier 1 deductions	(7)	(6)	(7)	(5)
Common Equity Tier 1 capital	**3,280**	**2,948**	**3,115**	**2,848**

Life Insurance and Wealth

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Assets						
Invested assets	2,217	2,187	2,359	2,138	1.4	(6.0)
Assets backing annuity policies	117	119	123	125	(1.7)	(4.9)
Assets backing participating policies	2,238	2,228	2,292	2,314	0.4	(2.4)
Deferred tax assets	5	10	23	24	(50.0)	(78.3)
Reinsurance ceded	528	536	585	408	(1.5)	(9.7)
Other assets	375	371	398	315	1.1	(5.8)
Goodwill and intangible assets	214	215	217	218	(0.5)	(1.4)
Total assets	**5,694**	**5,666**	**5,997**	**5,542**	**0.5**	**(5.1)**
Liabilities						
Payables	357	257	508	182	38.9	(29.7)
Subordinated Debt	100	100	100	100	-	-
Outstanding claims liabilities	293	292	328	277	0.3	(10.7)
Deferred tax liabilities	112	104	105	102	7.7	6.7
Policy liabilities	2,485	2,530	2,670	2,559	(1.8)	(6.9)
Unvested policyholder benefits [1]	236	277	247	284	(14.8)	(4.5)
Total liabilities	**3,583**	**3,560**	**3,958**	**3,504**	**0.6**	**(9.5)**
Net assets	**2,111**	**2,106**	**2,039**	**2,038**	**0.2**	**3.5**
Policyholder assets						
Assets						
Invested assets	613	689	705	747	(11.0)	(13.0)
Assets backing annuity policies	117	119	123	125	(1.7)	(4.9)
Assets backing participating policies	2,238	2,228	2,292	2,314	0.4	(2.4)
Other assets	69	35	16	33	97.1	331.3
Total Policyholder assets	**3,037**	**3,071**	**3,136**	**3,219**	**(1.1)**	**(3.2)**
Liabilities						
Payables	-	-	-	-	-	-
Policy liabilities	2,801	2,794	2,889	2,935	0.3	(3.0)
Unvested policyholder benefits [1]	236	277	247	284	(14.8)	(4.5)
Total Policyholder liabilities	**3,037**	**3,071**	**3,136**	**3,219**	**(1.1)**	**(3.2)**
Policyholder net assets	**-**	**-**	**-**	**-**	**-**	**-**
Shareholder assets						
Assets						
Invested assets	1,604	1,498	1,654	1,391	7.1	(3.0)
Deferred tax assets	5	10	23	24	(50.0)	(78.3)
Reinsurance ceded	528	536	585	408	(1.5)	(9.7)
Other assets	306	336	382	282	(8.9)	(19.9)
Goodwill and intangible assets	214	215	217	218	(0.5)	(1.4)
Total Shareholder assets	**2,657**	**2,595**	**2,861**	**2,323**	**2.4**	**(7.1)**
Liabilities						
Payables	357	257	508	182	38.9	(29.7)
Subordinated Debt	100	100	100	100	-	-
Outstanding claims liabilities	293	292	328	277	0.3	(10.7)
Deferred tax liabilities	112	104	105	102	7.7	6.7
Policy liabilities	(316)	(264)	(219)	(376)	19.7	44.3
Total Shareholder liabilities	**546**	**489**	**822**	**285**	**11.7**	**(33.6)**
Shareholder net assets	**2,111**	**2,106**	**2,039**	**2,038**	**0.2**	**3.5**
Reconciliation of net assets to Common Equity Tier 1 capital						
Net assets - Life businesses	2,111	2,106	2,039	2,038		
Goodwill & intangibles	(214)	(215)	(217)	(218)		
Policy liability adjustment and deferred tax	(1,384)	(1,321)	(1,359)	(1,294)		
Additional Tier 1 capital	(35)	(35)	-	-		
Other Tier 1 deductions	-	-	(2)	(1)		
Common Equity Tier 1 capital	**478**	**535**	**461**	**525**		

(1) Includes participating business policyholder retained profits.

Bank

	Jun-18 $M	Dec-17 $M	Jun-17 $M	Dec-16 $M	Jun-18 vs Dec-17 %	Jun-18 vs Jun-17 %
Assets						
Cash and cash equivalents	506	363	903	1,323	39.4	(44.0)
Receivables due from other banks	474	470	567	473	0.9	(16.4)
Trading securities	1,639	1,512	1,520	1,597	8.4	7.8
Derivatives	224	117	138	729	91.5	62.3
Investment securities	4,058	4,576	4,560	5,304	(11.3)	(11.0)
Loans and advances	58,598	57,635	55,197	54,047	1.7	6.2
Due from related parties	362	317	316	332	14.2	14.6
Deferred tax assets	45	47	51	48	(4.3)	(11.8)
Other assets	177	147	147	185	20.4	20.4
Goodwill and intangible assets	262	262	262	262	-	-
Total assets	**66,345**	**65,446**	**63,661**	**64,300**	**1.4**	**4.2**
Liabilities						
Deposits and short-term borrowings	46,043	46,024	45,427	46,477	0.0	1.4
Derivatives	158	294	354	377	(46.3)	(55.4)
Payables due to other banks	148	54	50	512	174.1	196.0
Payables and other liabilities	423	405	357	366	4.4	18.5
Due to related parties	20	25	63	61	(20.0)	(68.3)
Securitisation liabilities	4,848	4,111	3,088	2,204	17.9	57.0
Debt issues	9,854	9,722	9,216	9,585	1.4	6.9
Subordinated notes	742	742	742	742	-	-
Total liabilities	**62,236**	**61,377**	**59,297**	**60,324**	**1.4**	**5.0**
Net assets	**4,109**	**4,069**	**4,364**	**3,976**	**1.0**	**(5.8)**

Reconciliation of net equity to Common Equity Tier 1 capital				
Net equity - Banking	4,109	4,069	4,364	3,976
Additional Tier 1 capital	(550)	(550)	(825)	(450)
Goodwill allocated to Banking Business	(240)	(240)	(240)	(240)
Regulatory capital equity adjustments	(17)	(16)	(16)	(17)
Regulatory capital adjustments	(279)	(265)	(254)	(287)
Other reserves excluded from Common Equity Tier 1 ratio	(88)	(84)	(82)	(85)
Common Equity Tier 1 capital	**2,935**	**2,914**	**2,947**	**2,897**

4.7 LIFE AND WEALTH INVESTED SHAREHOLDER ASSETS

Australia Life and Wealth invested shareholder assets (A$)

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Cash	387	402	352	324	(3.7)	9.9
Fixed interest securities	902	828	999	827	8.9	(9.7)
Equities	69	41	84	29	68.3	(17.9)
Property	8	5	10	3	60.0	(20.0)
Total	**1,366**	**1,276**	**1,445**	**1,183**	**7.1**	**(5.5)**

New Zealand Life and Wealth invested shareholder assets (NZ$)

	Half Year Ended				Jun-18	Jun-18
	Jun-18	Dec-17	Jun-17	Dec-16	vs Dec-17	vs Jun-17
	$M	$M	$M	$M	%	%
Cash	20	27	23	9	(25.9)	(13.0)
Fixed interest securities	234	217	196	207	7.8	19.4
Total	**254**	**244**	**219**	**216**	**4.1**	**16.0**

GLOSSARY

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium
Acquisition expense ratio – life insurance	Acquisition expenses, including upfront commissions, as a percentage of new business
ADI	Authorised Deposit-taking Institution
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 the Life Insurance underlying profit and recorded as annuity market adjustments
APRA	Australian Prudential Regulation Authority
Banking & Wealth function	Suncorp's Banking & Wealth business provides banking and wealth solutions to personal, small to medium enterprise and agribusiness customers
Basis points (bps)	A 'basis point' is 1/100th of a percentage point
Business Improvement Program (BIP)	A three-year, company-wide program focusing on five streams of work including digitising of customer experiences, sales and service channel optimisation, end-to-end process improvement, claims supply chain re-design and smarter procurement and streamlining the business
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets, the profit or loss on divestments and their tax effect
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Cash return on average shareholders' equity pre-goodwill	Cash earnings divided by average equity attributable to owners of the Company less goodwill. Averages are based on monthly balances over the period. The ratio is annualised for half years
Claims Handling Expenses (CHE)	Costs incurred in the investigation, assessment and settlement of a claim
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Commercial Insurance	Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, and public liability and professional indemnity insurance
Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 Ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank
Connected customers	A customer is considered to be connected if they have two or more needs met across the need categories of Home, Self, Mobility and Money, or if they hold four or more Suncorp products in a single need
Consumer Insurance	Consumer Insurance products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Credit risk-weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables

Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share
Effective tax rate	Income tax expense divided by profit before tax
Embedded Value	Embedded Value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Fire service levies (FSL) – Insurance (Australia)	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable State Government. Fire service levies were established to cover corresponding fire brigade charges
Fire service levies (FSL) – New Zealand	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by Fire and Emergency New Zealand. Fire service levies were established to cover corresponding fire brigade charges
Funds under management and administration	Funds where the Wealth business, in Australia and New Zealand, receives a fee for the administration and management of an asset portfolio
General insurance businesses	General insurance businesses include Insurance (Australia)'s general insurance business and New Zealand's general insurance business. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure rather than business functions structure
Gross earned premium	The total premium on insurance earned by an insurer during a specified period on premiums underwritten in the current and previous underwriting years
Gross non-performing loans	Gross impaired assets plus past due loans
Gross written premium	The total premium on insurance underwritten by an insurer during a specified period, before deduction of reinsurance premium
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years
Insurance (Australia) function	Suncorp's Insurance (Australia) business provides consumer, commercial, personal injury and life insurance products to the Australian market. Consumer insurance products include home and contents insurance, motor insurance and travel insurance. Commercial insurance products include commercial motor insurance, commercial property insurance, industrial special risk insurance, public liability and professional indemnity insurance. Personal injury insurance products includes CTP insurance and workers' compensation insurance
Insurance funds	Insurance funds explicitly back insurance liabilities. They are designed to match the insurance liabilities and are managed separately from shareholders' funds
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium
Life insurance businesses	Life insurance businesses include Insurance (Australia)'s life insurance business, the wealth business within Banking & Wealth and New Zealand's life insurance business. This term is used when describing Suncorp's capital position, statement of financial position and embedded value which are structured around the Group's legal entity structure rather than business functions structure
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 planned profit margin release	It includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)

Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consists of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Maintenance (or renewal) expense ratio	Expenses related to servicing in-force life insurance policies, including renewal or trail commissions, policy management and claim costs, expressed as a percentage of in-force premiums
Marketplace	Suncorp's marketplace is a connected network of brands, solutions, partners, and channels to empower customers to improve their financial wellbeing and deliver outstanding customer experiences and deepen Suncorp's relationships with its customers. This involves building an ecosystem of partners that will provide a suite of relevant products and offers that meet the needs of the customer in the key moments that matter in their lives
Maximum Event Retention	This is an estimate of the largest accumulated property loss (from a single event) to which Suncorp will be exposed (taking into account the likelihood of this event is up to one in 200 years), after netting off any potential reinsurance recoveries
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year
Net incurred claims – Insurance (Australia)	The amount of claims incurred during an accounting period after deducting reinsurance recoveries
Net incurred claims - New Zealand	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries
Net interest margin (NIM)	Net interest income divided by average interest earning assets. NIM is the percentage difference between revenue earned on interest bearing assets (loans) minus the cost of interest bearing liabilities (funding)
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net profit after tax (NPAT)	Net profit after tax attributable to owners of Suncorp derived in accordance with Australian Accounting Standards
Net Stable Funding Ratio (NSFR)	The NSFR measures the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF is the amount of capital and liabilities that are expected to be a reliable source of funds over a 1-year time horizon. The amount of RSF is based on the liquidity characteristics and residual maturity of assets and off-balance sheet activities. The requirement to maintain an NSFR of at least 100% was introduced on 1 January 2018
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
New Zealand function	Suncorp's New Zealand business distributes consumer, commercial and life insurance products through intermediaries and corporate partners as well as directly to customers via joint ventures
Operating functions	Suncorp has three operating functions - Insurance (Australia), Banking & Wealth and New Zealand. The operating functions are responsible for product design, manufacturing, claims management and end-to-end responsibility for the statutory entities within Suncorp Group
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid

Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by cash earnings
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax
Prescribed capital amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance risk, insurance concentration risk, operational risk, combined stress scenario and aggregation benefit as required by APRA
Profit after tax from functions	The net profit after tax for the Insurance (Australia), Banking & Wealth and New Zealand functions
Reinsurance	A form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all or a share of certain claims incurred by the insurance company. Suncorp's reinsurance arrangements currently include a main catastrophe program, a 30 percent, multi-year, proportional quota share arrangement to reduce geographic concentration to the Queensland home insurance market and a natural hazards aggregate protection cover
Reserve releases	Reserve releases occur when provisions made to cover insurance claims made against underwritten policies are assessed as higher than long-run trends in actual experience
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years
Shareholders' funds	Shareholders' funds are part of the investment portfolio and are managed separately from insurance funds
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months
Top-line growth	Top-line growth is derived from a weighted-average calculation of underlying year-on-year growth in Suncorp Group’s key business segments. Top-line growth percentage is calculated as growth in general insurance gross written premium (65% weighting), growth in retail and business lending assets (weighting 25%) and growth in life insurance in-force premium (10% weighting)
Total capital ratio	Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA
Total operating expense ratio – general insurance	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Total risk-weighted assets	Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA
Treasury shares	Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries
Ultimate net loss (UNL) – New Zealand	Financial obligation when an insured event occurs, net of the catastrophe treaty
Underlying Insurance Trading Ratio (Underlying ITR)	The insurance trading ratio is adjusted for reported prior year reserve releases and natural hazards claims costs above/below long-run expectations, investment income mismatch and any abnormal expenses

FINANCIAL CALENDAR [1]

Ordinary Shares (SUN)

Full year results and final dividend announcement	**9 August 2018**
Ex-dividend date	15 August 2018
Dividend payment	19 September 2018
Annual General Meeting	**20 September 2018**
Half year results and interim dividend announcement	**14 February 2019**
Ex-dividend date	20 February 2019
Dividend payment	2 April 2019

Subordinated Notes (SUNPD)

Ex-interest date	13 August 2018
Interest payment	22 August 2018
Ex-interest date	13 November 2018
Interest payment	22 November 2018
Ex-interest date	13 February 2019
Interest payment	22 February 2019
Ex-interest date	13 May 2019
Interest payment	22 May 2019

Convertible Preference Shares 3 (SUNPE)

Ex-dividend date	31 August 2018
Dividend payment	17 September 2018
Ex-dividend date	30 November 2018
Dividend payment	17 December 2018
Ex-dividend date	1 March 2019
Dividend payment	18 March 2019
Ex-dividend date	30 May 2019
Dividend payment	17 June 2019

Suncorp Capital Notes (SUNPF)

Ex-distribution date	31 August 2018
Distribution payment	17 September 2018
Ex-distribution date	30 November 2018
Distribution payment	17 December 2018
Ex-distribution date	1 March 2019
Distribution payment	18 March 2019
Ex-distribution date	30 May 2019
Distribution payment	17 June 2019

Suncorp Capital Notes 2 (SUNPG)

Ex-distribution date	31 August 2018
Distribution payment	17 September 2018
Ex-distribution date	30 November 2018
Distribution payment	17 December 2018
Ex-distribution date	1 March 2019
Distribution payment	18 March 2019
Ex-distribution date	30 May 2019
Distribution payment	17 June 2019

Floating Rate Capital Notes (SBKHB)

Ex-interest date	14 August 2018
Interest payment	30 August 2018
Ex-interest date	14 November 2018
Interest payment	30 November 2018
Ex-interest date	14 February 2019
Interest payment	28 February 2019
Ex-interest date	14 May 2019
Interest payment	30 May 2019

(1) All dates are subject to change.