Suncorp Group Limited

Financial Results

for the half year ended
31 December 2013

19 February 2014
Suncorp Group Limited ABN 66 145 290 124

One Company
Many Brands

SUNCORP GROUP

Basis of preparation

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

The Group's net profit after tax (NPAT) is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars rounded to the nearest million unless otherwise denoted. All figures relate to the half year ended 31 December 2013 and comparatives are for the half year ended 31 December 2012, unless otherwise stated. In financial summary tables, where there has been a percentage movement greater than 500% or (500%), this has been labelled "large". If a line item changes from negative to positive (or vice versa) between periods, this has been labelled "n/a".

Where necessary, comparatives have been restated to conform to changes in presentation in the current year. The reporting of collateral received on derivative asset positions and collateral posted on derivative liability positions has changed to better reflect the nature of the assets and liabilities and to be consistent with industry practice.

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 Ratio (UITR) and the Life underlying profit after tax. The calculation of these metrics is outlined in the report and they are shown as they are being used internally to determine operating performance within the various businesses.

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

Disclaimer

This report contains general information which is current as at 19 February 2014. It is information given in summary form and does not purport to be complete.

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

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

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

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

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Financial results summary

- Group net profit after tax (NPAT) of $548 million for the six months to 31 December 2013 (HY13: $574 million)
- Profit after tax from business lines* of $597 million (HY13: $619 million)
- Interim dividend of 35 cents per share fully franked (HY13: 25 cents)
- After payment of the interim dividend, the Group holds over $1.2 billion of total capital in excess of operating targets
- The Common Equity Tier 1 (CET1) ratio for the Bank improved to 8.25%. The General Insurance business holds CET1 of 1.65 times the Prescribed Capital Amount (PCA)
- General Insurance NPAT of $470 million (HY13: $564 million)
- Reported ITR of $537 million representing an Insurance Trading Ratio (ITR) of 13.9% (HY13: 18.6%)
- Underlying ITR* increased to 14.0% (HY13: 13.4%) as the benefits of Simplification are realised
- Adjusting for the impact of Fire Service Levies, Gross Written Premium (GWP) has increased 6.6%. Reported GWP is up 3.7% to $4,380 million
- Bank NPAT of $105 million (HY13: $4 million) impacted by costs associated with the resolution of the Non-core Bank portfolio. Net interest margin (NIM) for the six months to 31 December 2013 of 1.66%
- Suncorp Life NPAT of $22 million (HY13: $51 million) with an underlying NPAT of $41 million (HY13: $61 million)

Operational summary

- Disciplined growth of between 6% to 10% across Suncorp's business lines
- Simplification projects on track to deliver to $225 million in annualised benefits in the 2015 financial year and $265 million in the 2016 financial year
- All mass-market General Insurance brands now operating on a single platform
- Entry into the ACT Compulsory Third Party (CTP) scheme with over 15,000 new customers
- New Zealand operations continue to make good progress in resolving Christchurch earthquake claims with over 65% now paid
- The residual Non-core Bank portfolio has reduced to $298 million, in line with expectations
- Bank gross non-performing loans have reduced by $79 million, or 8.4%, to $861 million
- Suncorp Life has increased reinsurance coverage of the Life Risk portfolio resulting in a reduction in required capital of $207 million, contributing to the $535 million of capital the Life business has returned to the Group over the past twelve months
- Life Direct distribution brought in-house
- The Group remains on track to deliver a 10%+ Return on Equity in FY15 by maximising the value of its strategic assets of Cost, Capital, Customer and Culture

* Refer Appendix 4 for definition of 'profit after tax from business lines' and page 15 for underlying ITR.

Result overview

Suncorp has delivered an NPAT of $548 million for the six months ended 31 December 2013. This result has been achieved through measured top-line growth, maintained margins and improved operational efficiencies.

Profit after tax for the business lines was $597 million, slightly below the prior corresponding period which was assisted by a benign natural hazard environment and favourable investment markets.

Suncorp has continued to focus on its balance sheet strength during the half with a number of initiatives, including increased Life reinsurance arrangements, contributing to the further strengthening of the Group's capital position.

Suncorp shareholders continue to receive improved returns with an interim dividend of 35 cents per share, an increase of 40%. This interim dividend is equal to the total dividends paid in each of the 2010 and 2011 financial years.

The strong financial performance of Suncorp confirms the successful implementation of the Group's transformation and strategy under the 'One Company, Many Brands' business model. Growth has been delivered across the Group, with:

- General Insurance GWP, excluding the impact of Fire Services Levies, up 6.6% to $4.3 billion;
- Suncorp Bank retail and business lending up 6.8% to $48.9 billion; and
- Life Risk individual in-force premiums up 10.1% to $821 million.

Operational efficiencies and a focus on cost control are evident across the Group's business lines.

General Insurance profit after tax was $470 million. The key drivers were top-line growth, continued focus on claims and expense management and favourable investment movements.

Fire Services Levies (FSL) were removed from policies in Victoria during the period, which impacted both GWP and expenses. Excluding FSL, GWP increased by 6.6% to $4,302 million with all product lines achieving growth. In Home, GWP increased by 8.9% due to increases in average written premiums. In Motor, GWP growth of 4.8% has been achieved through increased average premiums and net written units. In Commercial Insurance, GWP increased by 6.2% with growth across all major product lines as a result of an increased breadth of products, as well as improvements in pricing and retention.

The Simplification program of work continues, delivering increased efficiency across both claims and support functions. Suncorp is benefiting from improved claims management following vertical integration initiatives such as Q-Plus and SMART.

The reported ITR was 13.9% and the underlying ITR increased to 14%, well above Suncorp's commitment to 'meet or beat' an underlying ITR of 12%.

Suncorp Bank delivered an after tax profit of $105 million. The 2014 financial year represents a transition period for Suncorp Bank as it consolidates operations, continues to de-risk the balance sheet and unwinds legacy funding and expense costs. Lending growth of 6.8% was achieved across the Bank's segments of mortgages, agribusiness and commercial/SME lending. This growth was supported by a retail deposit to lending ratio of 65.7%, well within the target range of 60% to 70%. The NIM of 1.66% has been temporarily impacted by the legacy "Non-core" funding position. The residual corporate and property portfolio is $298 million, a reduction of $437 million. Credit impairment losses of 18 basis points to gross loans remains in line with the industry, despite prolonged drought conditions for the agribusiness sector.

Suncorp Life profit after tax was $22 million. The result was significantly impacted by higher discount rates which resulted in an accounting loss after tax for market adjustments of $19 million. The underlying profit after tax was $41 million, down on the prior year due to negative experience against lapse and claims assumptions. Planned margins reduced following changes in lapse and claims assumptions and the purchase of additional reinsurance covers. This additional reinsurance reduced Life's capital requirements by $207 million and has contributed to the return of $535 million of capital from the Life company to the Group during 2013.

Total Life in-force annual premiums are up 10.8% with individual in-force premiums up 10.1%. Direct new business sales are up 6.3% to $17 million.

The **Group's** balance sheet strengthened over the half and the Board has declared a **fully franked interim dividend of 35 cents.**

After accounting for dividend payments, the Group's total capital position remains strong with over $1.2 billion of additional capital held above the Group's operating targets. The quality of capital is demonstrated by the Group's CET1 being $1.1 billion above operating targets. The Group also has $252 million of franking credits available after the payment of the declared dividends.

Outlook

The transformation of the Suncorp Group is evidenced in the strength of the balance sheet, reduced complexity of operations and the growth and performance of the business lines. In 2014, Simplification initiatives will continue to deliver benefits and are expected to provide $225 million in cost savings in the 2015 financial year and $265 million in the 2016 financial year.

Simplification provides the foundation for delivering the key market commitments of:

- Group growth of 7% to 9% per annum through to the 2015 financial year;
- 'meet or beat' an underlying ITR of 12% through the cycle;
- Group RoE of at least 10% in the 2015 financial year;
- an ordinary dividend payout ratio of 60% to 80% of cash earnings; and
- continuing to return surplus capital.

Suncorp General Insurance continues to benefit from the Simplification program of work, with all mass market brands now on a single underwriting platform. Personal Insurance will continue to target GWP growth of 6% to 8%; however, this will be challenged by the competitive and external environment. Commercial Insurance's strong presence in all channels will allow it to maintain long term growth of 3% to 4% above system. The New Zealand business continues to exceed system growth and its transformation program means that it is well placed to achieve its target of a net profit after tax of at least NZD$100 million over the medium term.

With all General Insurance lines performing well, the Group expects to 'meet or beat' the 12% long term underlying ITR commitment. Suncorp will also seek to capitalise on any market disruption as a result of the likely consolidation of key competitors.

Suncorp Bank is targeting middle Australia by offering simple, low risk banking products. This strategy provides customers with a genuine alternative to the major banks. The Bank will target profitable lending growth of 1 to 1.3 times system. This is supported by a conservative retail deposit to lending ratio of 60% to 70% and the ability to access diverse wholesale funding through its A+/A1 credit rating.

Residual "Non-core" portfolio funding and expense costs are being managed within expectations. Legacy funding will impact on NIM over the 2014 financial year. With all remaining legacy funding maturing by August 2014, the Bank expects to be operating within its targeted NIM range of 1.75% to 1.85% in the first half of the 2015 financial year.

The cost to income ratio is a key focus for the Bank over the next twelve months. Over this period the Bank will address its legacy "Non-core" cost base and invest heavily in business capability through the core banking platform replacement and advanced Basel II programs. The efficiency benefits from successful delivery of these programs will drive the cost to income ratio towards the 50% target.

Suncorp Life plays an important role for the Group by meeting customers' needs for both Life Insurance and Superannuation, thereby strengthening the Group's relationship with its General Insurance and Bank customers.

The Life Insurance industry faces a number of well publicised structural challenges and the prolonged period of economic uncertainty has impacted consumer confidence. Suncorp Life is well positioned to build a business for the future after early recognition of the structural challenges, adapting to the new regulatory environment and leveraging the opportunities for the Suncorp Group. The rapid pace of change and high degree of economic and industry uncertainty make the setting of key assumptions extremely challenging. In this result, Life has again adjusted its lapse assumptions to take account of more recent experience. Suncorp will review assumptions again at the full year in light of industry and strategic developments.

In addition to the competitive advantages of the business lines, the **Group** will continue to capitalise on the 'One Company, Many Brands' business model and its strategic assets, known as the 4Cs of Cost, Capital, Customer and Culture.

Across the Group, the 4Cs will drive benefits including:

- Cost - lowering the unit cost of procurement by leveraging the Group's scale, buying power and supplier relationships
- Capital - demonstrating a diversification benefit through improved Risk-based Capital modelling
- Customer - enhancing the value of 9 million customer connections by deepening their relationships with the Group brands
- Culture - operating as 'One Company. Many Brands. One Team' and positioning Suncorp as THE place to work in Australia and New Zealand.

From a capital perspective, good progress is being made in the Risk-based Capital modelling project. This project is providing greater insights into potential diversification benefits for the Group.

Suncorp targets a full year ordinary dividend payout of 60% to 80% of cash earnings. The Suncorp Board also remains committed to returning to shareholders any capital that is considered surplus to the operational needs of the business. The Group's excess capital position will be reviewed in conjunction with the full year results. In the past two years, surplus capital has been returned in the form of special dividends that are declared in August and paid in conjunction with the final ordinary dividend.

Contribution to profit by division

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
General Insurance					
Gross written premium (including Fire Service Levies)	4,380	4,364	4,225	0.4	3.7
Gross written premium (excluding Fire Service Levies)	4,302	4,265	4,037	0.9	6.6
Net earned premium	3,865	3,697	3,601	4.5	7.3
Net incurred claims	(2,608)	(2,614)	(2,305)	(0.2)	13.1
Operating expenses	(899)	(871)	(882)	3.2	1.9
Investment income - insurance funds	179	78	255	129.5	(29.8)
Insurance trading result	537	290	669	85.2	(19.7)
Other income - managed schemes and joint venture	8	38	(3)	(78.9)	n/a
Investment income - shareholder funds	141	128	160	10.2	(11.9)
Capital funding	(18)	(9)	(24)	100.0	(25.0)
Profit before tax	668	447	802	49.4	(16.7)
Income tax	(198)	(128)	(238)	54.7	(16.8)
General Insurance profit after tax	**470**	**319**	**564**	**47.3**	**(16.7)**
Bank					
Net interest income	492	502	484	(2.0)	1.7
Net non-interest income	20	13	47	53.8	(57.4)
Operating expenses	(305)	(316)	(303)	(3.5)	0.7
Profit before impairment losses on loans and advances	207	199	228	4.0	(9.2)
Loss on sale of loans and advances	(13)	(506)	(21)	(97.4)	(38.1)
Impairment losses on loans and advances	(45)	(181)	(194)	(75.1)	(76.8)
Bank profit before tax	149	(488)	13	n/a	large
Income tax	(44)	141	(9)	n/a	388.9
Total Bank profit (loss) after tax	**105**	**(347)**	**4**	**n/a**	**large**
Life					
Underlying profit after tax	41	59	61	(30.5)	(32.8)
Market adjustments after tax	(19)	(50)	(10)	(62.0)	90.0
Life profit after tax	**22**	**9**	**51**	**144.4**	**(56.9)**
Profit (Loss) after tax from business lines	**597**	**(19)**	**619**	**n/a**	**(3.6)**
Other profit (loss) before tax [(1)]	(9)	(19)	7	(52.6)	n/a
Income tax	(1)	(2)	(10)	(50.0)	(90.0)
Other profit (loss) after tax	(10)	(21)	(3)	(52.4)	233.3
Cash earnings	**587**	**(40)**	**616**	**n/a**	**(4.7)**
Acquisition amortisation					
Acquisition amortisation loss before tax	(51)	(55)	(56)	(7.3)	(8.9)
Income tax	12	12	14	-	(14.3)
Loss on acquisition amortisation	**(39)**	**(43)**	**(42)**	**(9.3)**	**(7.1)**
Net profit (loss) after tax	**548**	**(83)**	**574**	**n/a**	**(4.5)**

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

Statement of financial position

	DEC-13	JUN-13	DEC-12	DEC-13 vs JUN-13	DEC-13 vs DEC-12
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	1,064	1,394	595	(23.7)	78.8
Receivables due from other banks	790	1,460	1,031	(45.9)	(23.4)
Trading securities	2,129	3,462	4,077	(38.5)	(47.8)
Derivatives	425	627	382	(32.2)	11.3
Investment securities	26,588	26,183	24,046	1.5	10.6
Banking loans, advances and other receivables	49,074	47,999	48,756	2.2	0.7
General Insurance assets	6,562	7,158	6,862	(8.3)	(4.4)
Life assets	584	666	624	(12.3)	(6.4)
Property, plant and equipment	228	212	209	7.5	9.1
Deferred tax assets	20	87	69	(77.0)	(71.0)
Other assets	476	512	617	(7.0)	(22.9)
Goodwill and intangible assets	6,138	6,168	6,207	(0.5)	(1.1)
Total assets	94,078	95,928	93,475	(1.9)	0.6
Liabilities					
Payables due to other banks	186	213	46	(12.7)	304.3
Deposits and short-term borrowings	44,192	43,547	41,046	1.5	7.7
Derivatives	554	1,039	1,331	(46.7)	(58.4)
Payables and other liabilities	1,635	2,486	1,832	(34.2)	(10.8)
Current tax liabilities	111	2	102	large	8.8
General Insurance liabilities	14,330	14,496	14,351	(1.1)	(0.1)
Life liabilities	6,161	5,869	5,678	5.0	8.5
Deferred tax liabilities	39	-	-	n/a	n/a
Securitisation liabilities	4,245	4,777	4,305	(11.1)	(1.4)
Debt issues	6,412	7,291	8,206	(12.1)	(21.9)
Subordinated notes	1,671	1,646	978	1.5	70.9
Preference shares	550	579	1,311	(5.0)	(58.0)
Total liabilities	80,086	81,945	79,186	(2.3)	1.1
Net assets	13,992	13,983	14,289	0.1	(2.1)
Equity					
Share capital	12,675	12,682	12,677	(0.1)	(0.0)
Reserves	151	40	(38)	277.5	n/a
Retained profits	1,154	1,245	1,636	(7.3)	(29.5)
Total equity attributable to owners of the Company	13,980	13,967	14,275	0.1	(2.1)
Non-controlling interests	12	16	14	(25.0)	(14.3)
Total equity	13,992	13,983	14,289	0.1	(2.1)

Ratios and statistics

		HALF YEAR ENDED			DEC-13	DEC-13
		DEC-13	JUN-13	DEC-12	vs JUN-13 %	vs DEC-12 %
Performance ratios						
Earnings per share [1]						
Basic	(cents)	42.88	(6.49)	44.93	n/a	(4.6)
Diluted	(cents)	42.49	(6.49)	43.37	n/a	(2.0)
Cash earnings per share [1]						
Basic	(cents)	45.93	(3.13)	48.21	n/a	(4.7)
Diluted	(cents)	45.44	(3.13)	46.42	n/a	(2.1)
Return on average shareholders' equity [1]	(%)	7.8	(1.2)	8.0	n/a	(2.5)
Cash return on average shareholders' equity [1]	(%)	8.3	(0.6)	8.6	n/a	(3.5)
Return on average total assets	(%)	1.14	(0.18)	1.20	n/a	(5.0)
Insurance trading ratio	(%)	13.9	7.8	18.6	78.2	(25.3)
Underlying insurance trading ratio	(%)	14.0	13.6	13.4	2.9	4.5
Bank net interest margin (interest-earning assets)	(%)	1.66	1.67	1.60	(0.6)	3.7
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	35.0	30.0	25.0	16.7	40.0
Special dividends per ordinary share	(cents)	-	20.0	-	(100.0)	-
Payout ratio (excluding special dividend) [1]						
Net profit after tax	(%)	81.7	n/a	55.7		
Cash earnings	(%)	76.2	n/a	51.9		
Payout ratio (including special dividend) [1]						
Net profit after tax	(%)	81.7	n/a	55.7		
Cash earnings	(%)	76.2	n/a	51.9		
Weighted average number of shares						
Basic	(million)	1,277.9	1,278.1	1,277.6	(0.0)	0.0
Diluted	(million)	1,322.7	1,278.1	1,374.2	3.5	(3.7)
Number of shares at end of period	(million)	1,278.4	1,278.2	1,278.0	0.0	0.0
Net tangible asset backing per share	($)	6.14	6.11	6.32	0.5	(2.8)
Share price at end of period	($)	13.10	11.92	10.17	9.9	28.8
Productivity						
General Insurance expense ratio	(%)	23.3	23.6	24.5		
Bank cost to income ratio	(%)	59.6	61.4	57.1		
Financial position						
Total assets	($ million)	94,078	95,928	93,475	(1.9)	0.6
Net tangible assets	($ million)	7,854	7,815	8,082	0.5	(2.8)
Net assets	($ million)	13,992	13,983	14,289	0.1	(2.1)
Average shareholders' equity	($ million)	13,974	14,121	14,193	(1.0)	(1.5)
Capital [2]						
General Insurance Group PCA/MCR coverage	(times)	1.96	1.96	1.70		
Bank capital adequacy ratio - Total	(%)	13.06	12.61	12.60		
Bank Common Equity Tier 1 ratio	(%)	8.25	7.68	7.61		
Suncorp Life total capital	($ million)	617	752	2,054	(18.0)	(70.0)
Additional capital held by Suncorp Group Limited	($ million)	512	224	776	128.6	(34.0)

(1) Refer to Appendix 4 for definitions.

(2) On 1 January 2013, APRA implemented Life and General Insurance Capital (LAGIC) and Bank Basel III capital regulatory changes which are reflected in the June-13 capital position. Comparative periods have not been restated. The LAGIC changes have caused a material reduction in the calculation of Suncorp Life target and actual capital.

Group Capital

The capital management strategy of the Suncorp Group 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's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Group as a whole, and each regulated entity, is independently capitalised to meet internal and external requirements. The Non-Operating Holding Company (NOHC), Suncorp Group Limited, also holds capital in respect of the corporate service companies and a portion of the Group's target capital in respect of the General Insurance and Life Insurance businesses.

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 hybrid and Tier 2 subordinated note issues. Suncorp Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA and the Reserve Bank of New Zealand. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in economic conditions and risk characteristics of the Group's business activities. Capital targets are structured according to both the business line regulatory framework and to APRA's draft standards for the supervision of conglomerates.

For regulatory purposes, capital is classified as follows:

- CET1 Capital comprising accounting equity with adjustments for intangible assets and regulatory reserves;
- Tier 1 Capital comprising CET1 Capital plus Additional Tier 1 Capital such as certain hybrid securities with 'equity-like' qualities;
- Tier 2 Capital comprising certain securities recognised as Tier 2 Capital; and
- The sum of Tier 1 Capital and Tier 2 Capital is called Total Capital.

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

The Group has continued to execute its capital strategy and improve return on equity for shareholders by implementing the following initiatives:

- execution of a Life quota share reinsurance arrangement that reduces the risk profile of the Life business has facilitated the return of $207 million of CET1 Capital from the Life business to the NOHC.
- deployment of $100 million of Tier 2 subordinated debt from the NOHC to the Life business, with associated return of CET1 Capital, as flagged in the June 2013 results;
- deployment of $110 million of LAGIC compliant Tier 1 Convertible Preference Shares from the NOHC to the General Insurance business in February 2014. This is the balance of the $560 million CPS2 issuance from the NOHC in November 2012, of which $450 million was deployed to the Bank;
- redemption of $30 million of pre-Basel III Reset Preference Shares issued by the Bank.

APRA's Conglomerate (Level 3) Standards are expected to come into effect from 1 January 2015, with standards covering risk management, governance and capital requirements for conglomerates. Suncorp Group has been operating under a non-operating holding company (NOHC) structure since 2010, with associated NOHC Conditions from APRA having much in common with the proposed Level 3 standards. The Group is well placed to implement the requirements and does not expect material changes to capital targets as a result.

The table below summarises both the CET1 Capital and Total Capital positions at 31 December 2013.

	GENERAL INSURANCE $M	BANKING $M	LIFE $M	SGL, CORP SERVICES & CONSOL $M	TOTAL $M
CET 1	3,532	2,535	517	402	6,986
CET1 Target	2,348	2,458	404	191	5,401
Excess to CET 1 Target (pre div)	1,184	77	113	211	1,585
Group Dividend					(450)
Group Excess to CET1 Target (ex div)					1,135
CET 1 Coverage Ratio	1.65	8.25%	1.65		
Total Capital	4,175	4,012	617	512	9,316
Total Capital Target	3,095	3,841	504	169	7,609
Excess to Target (pre div)	1,080	171	113	343	1,707
Group Dividend					(450)
Group Excess to Target (ex div)					1,257
Capital Coverage Ratio	1.96	13.06%	1.97		

CET1 position at 31 December 2013

In terms of the CET1 positions across the Group:

- the General Insurance business CET1 Capital position was 1.65 times the PCA, above its target of 1.10 times PCA;
- the Bank's Capital Adequacy Ratio (CAR) was 8.25%, above its target of 8.0%; and
- Suncorp Life's excess CET1 Capital to target was $113 million.

There was no change to the General Insurance business capital requirements due to the introduction of the horizontal component of the Insurance Concentration Risk Charge from 1 January 2014.

The Group's excess to CET1 targets was $1,135 million, after adjustment for the declared dividend. This is broadly comparable to the Total Capital excess of $1,257 million. The Group remains committed to returning excess capital to shareholders in a prudent and measured way that balances the needs of all stakeholders. This will take into account items such as:

- finalisation of APRA's standards for the supervision of Conglomerates;
- potential economic and natural hazard risks;
- utilising risk-based capital modelling to assess the capital requirements across the Group, including the diversification of risks;
- ongoing rebalancing of the Group's gearing of its balance sheet; and
- ongoing impact of APRA's transitional rules regarding some of the Group's capital instruments.

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

Dividends

The interim dividend of 35 cents per share will be paid on 1 April 2014. The ex-dividend date is 24 February 2014 and the record date for determining entitlements to the dividends is 26 February 2014.

The interim dividend is fully franked. The Group's franking credit balance has reduced as a result of the tax deductions arising from the resolution of the Non-core Bank. The Group's improved earnings profile is expected to increase the franking credit balance over coming years.

	HALF YEAR ENDED		
	DEC-13	JUN-13	DEC-12
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**252**	**275**	**576**

Income tax

	HALF YEAR ENDED		
	DEC-13	JUN-13	DEC-12
	$M	$M	$M
Profit before income tax expense	819	(99)	865
Income tax using the domestic corporation tax rate of 30%	246	(30)	260
Effect of tax rates in foreign jurisdictions	(1)	(3)	(1)
Increase in income tax expense due to:			
Non-assessable income	-	(3)	-
Non-deductible expenses	6	12	9
Imputation gross-up on dividends received	3	1	3
Statutory funds	20	2	19
Income tax offsets and credits	(11)	(5)	(9)
Amortisation of acquisition intangible assets	4	4	3
Other	2	5	6
	269	(17)	290
Over provision in prior years	(1)	(1)	(2)
Income tax expense on pre-tax net profit	**268**	**(18)**	**288**
Effective tax rate	**32.7%**	**18.2%**	**33.3%**
Income tax expense (benefit) by business unit			
General Insurance	198	128	238
Banking	44	(141)	9
Life	37	5	45
Other	(11)	(10)	(4)
Total income tax expense	268	(18)	288

Income tax expense adjustments have primarily arisen from:

- The life insurance statutory funds adjustment resulting in a $20 million income tax expense (December 2012: $19 million income tax expense)
- Non-deductible interest paid in respect of preference shares increased income tax expense by $4 million (December 2012: $7 million).

:

General Insurance

Result overview

General Insurance achieved an after tax profit of $470 million for the half year to 31 December 2013.

The Insurance Trading Result (ITR) was $537 million, representing an ITR ratio of 13.9%. The result was driven by strong premium earnings, continued focus on claims and expense management, offset by higher than expected natural hazard claims experience.

On an underlying basis, the ITR ratio has increased to 14.0% from 13.4% in the prior corresponding period. This reflects a continued focus on improving operational efficiency through Simplification projects, enabling the Group to manage margins in an increasingly competitive market.

Fire Services Levies (FSL) were removed from Victorian policies during the half. Excluding FSL, GWP increased 6.6% to $4,302 million. Inclusive of FSL GWP increased 3.7% to $4,380 million. The strength of the New Zealand dollar over the period was favourable.

Personal lines GWP, excluding FSL, increased across both Home (up 8.9%) and Motor (up 4.8%), primarily driven by increases in average written premiums.

Commercial lines GWP increased 6.2% to $1,008 million. Retention rates have remained strong as intermediaries and customers see value in the broad product offering.

CTP increased 8.1%, following further growth in both the Queensland and NSW markets, and the entry of Suncorp into the ACT CTP market.

Net incurred claims were $2,608 million, with the loss ratio increasing to 67.5% (HY13: 64.0%). Short-tail claims costs were impacted by a number of major weather events resulting in net natural hazard claims being $49 million above the Group's allowance. Reserve releases of $56 million were primarily attributable to a benign wage inflation environment and proactive management of long-tail claims, offset by strengthening in the estimation of the February 2011 Christchurch earthquake claims costs.

The total operating expense ratio decreased to 23.3% from 24.5%. Excluding FSL the expense ratio has remained stable at 20.9%.

Investment income on Insurance Funds was $179 million. Narrowing credit spreads partially offset the impact of sustained lower risk-free and credit spread yields. Investment income on Shareholder Funds of $141 million was supported by narrowing credit spreads and good equities performance.

Capital funding for the General Insurance business reduced to $18 million.

Profit contribution including discount rate movements and FSL

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Gross written premium	4,380	4,364	4,225	0.4	3.7
Gross unearned premium movement	18	(139)	(126)	n/a	n/a
Gross earned premium	4,398	4,225	4,099	4.1	7.3
Outwards reinsurance expense	(533)	(528)	(498)	0.9	7.0
Net earned premium	3,865	3,697	3,601	4.5	7.3
Net incurred claims					
Claims expense	(3,283)	(3,334)	(2,930)	(1.5)	12.0
Reinsurance and other recoveries revenue	675	720	625	(6.3)	8.0
	(2,608)	(2,614)	(2,305)	(0.2)	13.1
Total operating expenses					
Acquisition expenses	(521)	(443)	(493)	17.6	5.7
Other underwriting expenses	(378)	(428)	(389)	(11.7)	(2.8)
	(899)	(871)	(882)	3.2	1.9
Underwriting result	358	212	414	68.9	(13.5)
Investment income - insurance funds	179	78	255	129.5	(29.8)
Insurance trading result	537	290	669	85.2	(19.7)
Managed schemes net contribution	5	29	(4)	(82.8)	n/a
Joint venture and other income	3	9	1	(66.7)	200.0
General Insurance operational earnings	545	328	666	66.2	(18.2)
Investment income - shareholder funds	141	128	160	10.2	(11.9)
General Insurance profit before tax and capital funding	686	456	826	50.4	(16.9)
Capital funding	(18)	(9)	(24)	100.0	(25.0)
General Insurance profit before tax	668	447	802	49.4	(16.7)
Income tax	(198)	(128)	(238)	54.7	(16.8)
General Insurance profit after tax	**470**	**319**	**564**	**47.3**	**(16.7)**

	HALF YEAR ENDED		
	DEC-13	JUN-13	DEC-12
	%	%	%
Acquisition expenses ratio	13.5	12.0	13.7
Other underwriting expenses ratio	9.8	11.6	10.8
Total operating expenses ratio	23.3	23.6	24.5
Loss ratio	67.5	70.7	64.0
Combined operating ratio	90.8	94.3	88.5
Insurance trading ratio	**13.9**	**7.8**	**18.6**

	DEC-13	JUN-13	DEC-12
	$M	$M	$M
Reported ITR	**537**	**290**	**669**
Reported reserve releases (above) below long-run expectations (page 21)	2	(9)	13
Natural hazards (below) above long-run allowances (page 20)	49	188	(113)
Investment income mismatch (page 23)	(85)	16	(118)
Other:			
Risk margin (page 22)	(6)	(5)	(19)
Abnormal (Simplification/restructuring) expenses (page 22)	43	57	37
LAT/DAC movement	-	(35)	14
Underlying ITR	**540**	**502**	**483**
Underlying ITR ratio	**14.0%**	**13.6%**	**13.4%**

Profit contribution excluding the discount rate movements and FSL

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Gross written premium	4,302	4,265	4,037	0.9	6.6
Gross unearned premium movement	(19)	(201)	(100)	(90.5)	(81.0)
Gross earned premium	4,283	4,064	3,937	5.4	8.8
Outwards reinsurance expense	(533)	(528)	(498)	0.9	7.0
Net earned premium	3,750	3,536	3,439	6.1	9.0
Net incurred claims					
Claims expense	(3,319)	(3,389)	(3,001)	(2.1)	10.6
Reinsurance and other recoveries revenue	675	720	625	(6.3)	8.0
	(2,644)	(2,669)	(2,376)	(0.9)	11.3
Total operating expenses					
Acquisition expenses	(521)	(443)	(493)	17.6	5.7
Other underwriting expenses	(263)	(267)	(227)	(1.5)	15.9
	(784)	(710)	(720)	10.4	8.9
Underwriting result	322	157	343	105.1	(6.1)
Investment income - insurance funds	215	133	326	61.7	(34.0)
Insurance trading result	537	290	669	85.2	(19.7)
Managed schemes net contribution	5	29	(4)	(82.8)	n/a
Joint venture and other income	3	9	1	(66.7)	200.0
General Insurance operational earnings	**545**	**328**	**666**	**66.2**	**(18.2)**
Investment income - shareholder funds	141	128	160	10.2	(11.9)
General Insurance profit before tax and capital funding	686	456	826	50.4	(16.9)
Capital funding	(18)	(9)	(24)	100.0	(25.0)
General Insurance profit before tax	668	447	802	49.4	(16.7)
Income tax	(198)	(128)	(238)	54.7	(16.8)
General Insurance profit after tax	**470**	**319**	**564**	**47.3**	**(16.7)**

	HALF YEAR ENDED		
	DEC-13	JUN-13	DEC-12
	%	%	%
Acquisition expenses ratio	13.9	12.5	14.3
Other underwriting expenses ratio	7.0	7.6	6.6
Total operating expenses ratio	20.9	20.1	20.9
Loss ratio	70.5	75.5	69.1
Combined operating ratio	91.4	95.6	90.0

Statement of assets and liabilities

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Assets					
Cash and cash equivalents	94	146	94	(35.6)	-
Investment securities	12,329	12,305	11,825	0.2	4.3
Derivatives	31	39	44	(20.5)	(29.5)
Loans, advances and other receivables	2,508	2,537	2,351	(1.1)	6.7
Reinsurance and other recoveries	2,805	3,082	3,252	(9.0)	(13.7)
Deferred insurance assets	1,249	1,539	1,259	(18.8)	(0.8)
Investments in associates and joint ventures	67	57	56	17.5	19.6
Due from Group entities	-	-	28	n/a	(100.0)
Investment property	-	-	75	n/a	(100.0)
Property, plant and equipment	34	34	27	-	25.9
Other assets	121	119	121	1.7	-
Goodwill and intangible assets	5,125	5,145	5,177	(0.4)	(1.0)
Total assets	24,363	25,003	24,309	(2.6)	0.2
Liabilities					
Payables and other liabilities	587	1,202	742	(51.2)	(20.9)
Derivatives	91	116	130	(21.6)	(30.0)
Due to Group entities	364	269	-	35.3	n/a
Deferred tax liabilities	128	112	142	14.3	(9.9)
Employee benefit obligations	102	133	131	(23.3)	(22.1)
Unearned premium liabilities	4,553	4,524	4,360	0.6	4.4
Outstanding claims liabilities	9,777	9,972	9,991	(2.0)	(2.1)
Subordinated notes	743	720	711	3.2	4.5
Total liabilities	16,345	17,048	16,207	(4.1)	0.9
Net assets	**8,018**	**7,955**	**8,102**	**0.8**	**(1.0)**

The General Insurance balance sheet has remained relatively stable with net assets of $8,018 million, a reduction of $84 million from December 2012.

Suncorp continues to manage its balance sheet with an investment mandate which is primarily focused on matching the risk profile of its insurance liabilities and investment assets; optimising the capital outcome.

Gross Written Premium (GWP)

	HALF YEAR ENDED DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Gross written premium by product					
Australia					
Motor	1,303	1,314	1,262	(0.8)	3.2
Home	1,071	1,051	1,013	1.9	5.7
Commercial	733	720	712	1.8	2.9
Compulsory Third Party	505	511	467	(1.2)	8.1
Workers' Compensation and Other	122	189	119	(35.4)	2.5
Australia (ex Fire Service Levies)	**3,734**	**3,785**	**3,573**	**(1.3)**	**4.5**
New Zealand					
Motor	109	95	85	14.7	28.2
Home	159	130	116	22.3	37.1
Commercial	275	227	237	21.1	16.0
Other	25	28	26	(10.7)	(3.8)
New Zealand	**568**	**480**	**464**	**18.3**	**22.4**
Total					
Motor	1,412	1,409	1,347	0.2	4.8
Home	1,230	1,181	1,129	4.1	8.9
Commercial	1,008	947	949	6.4	6.2
Compulsory Third Party	505	511	467	(1.2)	8.1
Workers' Compensation and Other	147	217	145	(32.3)	1.4
Gross Written Premium (ex Fire Service Levies)	**4,302**	**4,265**	**4,037**	**0.9**	**6.6**
Fire Service Levies	78	99	188	(21.2)	(58.5)
Gross Written Premium (inc Fire Service Levies)	**4,380**	**4,364**	**4,225**	**0.4**	**3.7**

	HALF YEAR ENDED DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Gross written premium by geography					
Queensland	1,130	1,106	1,072	2.2	5.4
New South Wales	1,185	1,241	1,221	(4.5)	(2.9)
Victoria	911	832	772	9.5	18.0
Western Australia	274	333	272	(17.7)	0.7
South Australia	119	141	128	(15.6)	(7.0)
Tasmania	57	73	58	(21.9)	(1.7)
Other	58	59	50	(1.7)	16.0
Total Australia	**3,734**	**3,785**	**3,573**	**(1.3)**	**4.5**
New Zealand	568	480	464	18.3	22.4
Total (ex Fire Service Levies)	**4,302**	**4,265**	**4,037**	**0.9**	**6.6**
Fire Service Levies	78	99	188	(21.2)	(58.5)
Total (inc Fire Service Levies)	**4,380**	**4,364**	**4,225**	**0.4**	**3.7**

Gross Written Premium (GWP) (continued)

Motor

In Australia, Motor GWP increased 3.2% to $1,303 million, driven by increased average written premium and 1.1% unit growth.

Growth was achieved despite ongoing competition and competitor discounting. Specialist brands Shannons, APIA and Bingle achieved strong results.

New product offerings and improved underwriting helped to increase margins and GWP, following the move of the mass brands to a single underwriting system.

New Zealand Motor GWP increased by 28% (NZD$ 14%) to $109 million, driven by a combination of strong unit growth and increased average written premium.

Home

In Australia, Home GWP increased 5.7% as a result of average premium increases. A 2.4% reduction in units was driven by lower new business opportunities following the removal of FSL in Victoria and price competition. In addition, home insurance units continue to fall in Queensland as the Group continues to improve the risk profile of the book.

Overall, retention rates have improved due in part to the FSL changes in Victoria and targeted outbound retention initiatives.

New Zealand Home GWP increased 37% (NZD$ 22%) to $159 million. Growth was due to new business and retention.

Commercial Insurance

Commercial Insurance GWP increased 6.2% to $1,008 million.

Australian Commercial Insurance increased 2.9% to $733 million. After adjusting for the exit from crop insurance, growth was 4.7% and remains above system. The business has continued to prioritise margin over growth and maintain underwriting discipline in a competitive market.

Retention rates have remained strong as intermediaries and customers continue to see value in Suncorp's offerings. Broker satisfaction remains high as the Australian Commercial Insurance business delivers excellent service, both in new business and claims experience.

New Zealand Commercial Insurance GWP increased by 16% (NZD$ 3%) to $275 million, largely a result of rate increases.

Compulsory Third Party (CTP)

CTP GWP increased by 8.1% to $505 million.

As the country's largest personal injury insurer, Australian Commercial Insurance has capitalised on its national model and introduced CTP in ACT from 1 July, with more than 15,000 new policies written in the half. This demonstrates a capability to enter new markets in a cost effective manner by leveraging existing infrastructure.

The announcement of the withdrawal of a competitor from Queensland CTP reinforces Suncorp's market leading position. Successful cross-selling activities in NSW underpinned the business's position as the second largest CTP provider.

Workers' Compensation and Other

Workers' Compensation and Other increased 1.4% to $147 million.

Workers' Compensation GWP increased 6.1% to $113 million, due to a combination of price increases, new business and improved retention.

Other GWP, which includes specialist New Zealand products and direct travel insurance, remained stable at $34 million.

Reinsurance expense

Outwards reinsurance expense for the half-year was $533 million, representing an increase of $35 million due to additional protection and overall portfolio growth.

Suncorp has a significant share of the Queensland home insurance market and, to reduce its geographical concentration, the Group has a 30%, multi-year, proportional quota share arrangement covering this portfolio. Premiums in the Queensland home portfolio have continued to increase resulting in an increase of ceded premiums.

Suncorp's main catastrophe program, which covers the Group's home, motor and commercial property portfolios for major events such as earthquakes, cyclones, storms, floods, and bushfires, provides cover for events up to $5.8 billion.

The maximum event retention is $250 million. Additional cover was purchased to reduce this retention to $200 million for a second Australian event and to $50 million for third and fourth events. Additional multi-year cover is in place to reduce the first event retention for New Zealand risks to NZD$50 million and the second and third event retentions to NZD$25 million.

Reinsurance security has been maintained for the 2014 financial year program, with over 85% of long-tail and short-tail business protected by reinsurers rated 'A+' or better. The table below shows risk retention for the Suncorp Group:

	MAXIMUM SINGLE RISK RETENTION DEC-13 $M	MAXIMUM EVENT RISK RETENTION DEC-13 $M
Property	10	250
General liability	10	10
Global liability	10	10
Workers' compensation	10	10
CTP	10	10
Motor	10	250
Professional indemnity	5	5
Travel & personal accident	5	5
Marine	3	3

Net incurred claims

Net incurred claims costs increased 13.1% to $2,608 million.

Natural hazard event costs were $331 million, $49 million above long run allowances, as a result of a number of events and adverse weather conditions experienced in the period.

Major natural hazard events for the half can be seen in the table below:

DATE	EVENT	NET COSTS $M
Sep 2013	NZ Canterbury storms	15
Oct 2013	VIC wind	10
Oct 2013	NSW bushfires	63
Oct 2013	NSW Central Coast hail	23
Nov 2013	NSW QLD storms	66
Nov 2013	Gold Coast hail	34
	Other natural hazards attritional claims (Australia)	111
	Other natural hazards attritional claims (New Zealand)	9
Total		331
Less: allowance for natural hazards		(282)
Natural hazards costs above allowance		49

Working claims have benefited from lower frequencies due to continued focus on risk selection and higher excesses. Benefits from vertical integration, claims initiatives and savings in procurement continue to keep increases in working claims costs below underlying inflation.

The valuation of outstanding claims resulted in a central estimate release of $56 million, compared to the Group's long-run expectation for reserve releases of $58 million (1.5% of net earned premium).

Long-tail claims reserve releases in Australia of $74 million were primarily attributable to favourable claims experience and claims management initiatives. There was a net strengthening in the New Zealand portfolio of $19 million, $27 million of which was attributable to the deterioration in the estimate of ultimate claims costs for the February 2011 earthquake.

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

	ACTUAL	NET CENTRAL ESTIMATE (DISCOUNTED)	RISK MARGIN (90TH PERCENTILE DISCOUNTED)	CHANGE IN NET CENTRAL ESTIMATE [1]
	$M	$M	$M	$M
Short-tail				
Australian short-tail and other	1,100	997	103	-
New Zealand	111	99	12	(1)
Long-tail				
Australia long-tail	5,537	4,701	836	(74)
New Zealand	224	191	33	19
Total	**6,972**	**5,988**	**984**	**(56)**

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

Outstanding claims provisions over time

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

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Gross outstanding claims liabilities	9,777	9,972	9,991	(2.0)	(2.1)
Reinsurance and other recoveries	(2,805)	(3,082)	(3,252)	(9.0)	(13.7)
Net outstanding claims liabilities	**6,972**	**6,890**	**6,739**	**1.2**	**3.5**
Expected future claims payments and claims handling expenses	6,813	6,651	6,416	2.4	6.2
Discount to present value	(825)	(743)	(666)	11.0	23.9
Risk margin	984	982	989	0.2	(0.5)
Net outstanding claims liabilities	**6,972**	**6,890**	**6,739**	**1.2**	**3.5**
Short-tail					
Australia short-tail and other	1,100	1,107	1,038	(0.6)	6.0
New Zealand	111	101	79	9.9	40.5
Long-tail					
Australia long-tail	5,537	5,503	5,468	0.6	1.3
New Zealand	224	179	154	25.1	45.5
Total	**6,972**	**6,890**	**6,739**	**1.2**	**3.5**

Risk margins

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

Risk margins increased $2 million during the period to $984 million from $982 million. The assets notionally backing risk margins had a net return of $4 million, after allowing for movements in the risk-free rate. The net impact was therefore $6 million, which is excluded in the underlying ITR calculation.

Operating expenses

Total operating expenses have increased to $899 million from $882 million. Excluding FSL the total operating expense ratio remains stable at 20.9%. Total operating expenses were impacted by exchange rates and deferred acquisition costs (DAC).

Acquisition costs are $521 million, with the acquisition expense ratio reducing marginally to 13.5% from 13.7%. Commission costs have increased in line with GWP growth.

Other underwriting expenses have reduced to $378 million. This includes $43 million of Simplification project costs such as Legacy System Consolidation and Partnering. The costs relating to the Simplification projects are removed from the underlying ITR calculation.

Managed schemes

Managed schemes income is attributable to Suncorp's Australian Commercial Insurance business administering various governments' Workers' Compensation schemes across Australia. This business performed well, generating $5 million net profit before tax. The Commercial Insurance strategy of delivering a market leading claims service has generated improved returns from these schemes.

Joint venture and other income

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

Investment income

General Insurance investment funds are split into insurance funds and shareholders' funds. Insurance funds back insurance liabilities and are managed to reduce interest rate and inflation risk. Insurance liabilities comprise provisions for outstanding claims and unearned premiums net of reinsurance. For accounting purposes outstanding claims are discounted using market referenced risk-free discount rates. Shareholders' funds comprise the balance of investment assets and support the capital position.

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	1	1	1	-	-
Interest-bearing securities and other	178	77	254	131.2	(29.9)
Total	**179**	**78**	**255**	**129.5**	**(29.8)**
Investment income on shareholder funds					
Cash and short-term deposits	1	1	1	-	-
Interest-bearing securities	61	77	105	(20.8)	(41.9)
Equities	79	49	78	61.2	1.3
Property	-	1	(24)	(100.0)	(100.0)
Total	**141**	**128**	**160**	**10.2**	**(11.9)**
Total investment income	**320**	**206**	**415**	**55.3**	**(22.9)**

Total investment income of $320 million resulted in a total annualised return of 5.2% for the half.

For the half year ended 31 December 2013, local and global equity markets rose, the Australian cash rate fell 25 basis points to 2.50%, the yield on 3-year Government Bonds increased 20 basis points to 2.95% and credit spreads narrowed. The breakeven inflation rate increased from 2.35% to 2.59%.Investment income on Insurance Funds

Total investment income on Insurance Funds was $179 million comprising:

- underlying yield income of $138 million or 3.6%, down from 4.7% reflecting lower shorter duration risk-free rates and narrower credit spreads;
- mark-to-market losses of $41 million from increases in longer duration risk-free rates;
- mark-to-market gains of $49 million from a narrowing of credit spreads; and
- outperformance of $33 million from inflation-linked bonds relative to Commonwealth government nominal bonds.

Investment income on insurance funds is reported as part of the ITR along with changes in the value of outstanding claims. During the period an increase in risk-free rates reduced the value of outstanding claims, producing an accounting gain of $36 million. This gain offset the $41 million of mark-to-market losses on investment assets referred to above. The net loss from risk-free rate changes of $5 million is attributable to mark-to-market losses on assets backing unearned premiums (which are not discounted).

In calculating the underlying ITR, an investment income adjustment of $85 million has been made to materially remove the impact of investment market volatility comprising:

- the $49 million gain from the narrowing of credit spreads;
- the $33 million gain from inflation-linked bond outperformance;
- the $5 million loss from changes in the risk-free rates referred to above; and
- the $8 million gain from the unwind of the prior period risk-free rate charges.

Investment income on Shareholder Funds

The total investment income on Shareholder Funds was $141 million, with the following main components:

- Interest-bearing securities contributed $61 million. The Australian underlying yield income was $51 million; a running yield of 4.1%, with mark-to-market gains from narrowing credit spreads of $21 million offset by risk-free mark-to-market losses of $15 million. New Zealand had a net return of $4 million;
- International and domestic equities recorded a gain of $79 million due to stock market advances ($75 million and $4 million for Australian and New Zealand portfolios respectively).

Investment assets

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Allocation of investments held against:					
Insurance funds					
Cash and short-term deposits	79	97	46	(18.6)	71.7
Inflation-linked securities	1,575	1,580	1,618	(0.3)	(2.7)
Interest-bearing securities and other	7,476	7,420	6,803	0.8	9.9
Total	**9,130**	**9,097**	**8,467**	**0.4**	**7.8**
Shareholder funds					
Cash and short-term deposits	41	118	97	(65.3)	(57.7)
Interest-bearing securities	2,561	2,538	2,669	0.9	(4.0)
Equities	716	689	699	3.9	2.4
Property	-	-	75	n/a	(100.0)
Total	**3,318**	**3,345**	**3,540**	**(0.8)**	**(6.3)**

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

The Australian shareholder funds portfolio is managed against a benchmark consisting of an 80% allocation to Australian and International investment grade credit and 20% Australian and International equities. All foreign currency and foreign interest rate risk on international exposures is hedged. This allows the portfolio to gain exposure to foreign credit and equity markets providing additional diversification and income opportunities.

Credit ratings for General Insurance fixed interest investments

	HALF YEAR ENDED		
	DEC-13	JUN-13	DEC-12
AVERAGE	%	%	%
AAA	48.0	46.9	48.1
AA	30.4	32.5	30.7
A	19.1	18.1	19.5
BBB	2.5	2.5	1.7
	100.0	**100.0**	**100.0**

Personal Lines Australia

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Gross written premium (including Fire Service Levies)	2,437	2,446	2,414	(0.4)	1.0
Gross written premium (excluding Fire Service Levies)	2,383	2,375	2,288	0.3	4.2
Net earned premium	2,202	2,131	2,094	3.3	5.2
Net incurred claims	(1,519)	(1,569)	(1,314)	(3.2)	15.6
Acquisition expenses	(246)	(231)	(235)	6.5	4.7
Other underwriting expenses	(197)	(228)	(212)	(13.6)	(7.1)
Total operating expenses	(443)	(459)	(447)	(3.5)	(0.9)
Underwriting result	240	103	333	133.0	(27.9)
Investment income - insurance funds	57	32	67	78.1	(14.9)
Insurance trading result	297	135	400	120.0	(25.8)
	%	%	%		
Ratios					
Acquisition expenses ratio	11.2	10.8	11.2		
Other underwriting expenses ratio	8.9	10.7	10.1		
Total operating expenses ratio	20.1	21.5	21.3		
Loss ratio	69.0	73.6	62.8		
Combined operating ratio	89.1	95.2	84.1		
Insurance trading ratio	13.5	6.3	19.1		

Result overview

Australian Personal Insurance delivered an insurance trading result of $297 million.

Excluding FSL, GWP grew by 4.2% due to moderate price increases. Competitor pricing, structural changes in the Victorian market and unit reductions in Queensland home resulted in flat unit growth. Suncorp Personal Insurance continued to prioritise improved margins over unit growth.

The claims ratio increased to 69.0% from 62.8% due to increased natural hazard costs, following bushfires in NSW and storms and hail along the eastern seaboard. Attritional natural hazards were in line with prior year experience.

The underlying working claims ratio improved, with home experiencing lower frequencies due to risk selection and increases in policy excesses. The motor portfolio benefited from lower claims frequency, the vertical integration program and claims initiatives.

The total operating expense ratio reduced to 20.1% over the half. Excluding the impact of FSL the total operating expense ratio remained flat.

Customer satisfaction continued to improve with ongoing focus on policy and claims service.

Outlook

Personal Insurance will continue to balance margin and unit growth through new customer initiatives and the Group’s Simplification program. The Personal Insurance GWP growth target of 6% to 8% will continue to be challenged by competition and the external market. Favourable global reinsurance pricing is also likely to reduce input cost pressures.

The ongoing improvement in claims management ensures Personal Insurance is well placed to respond to increased market competition. The Simplification program remains on track with benefits to be realised in the second half and throughout FY15. Personal Insurance will also benefit from vertical integration initiatives in repair and parts procurement. These initiatives, along with continued focus on operational efficiencies, mean the business will continue to deliver outstanding returns while protecting the long term value of the franchise.

Commercial Lines Australia

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Gross written premium (including Fire Service Levies)	1,375	1,438	1,347	(4.4)	2.1
Gross written premium (excluding Fire Service Levies)	1,351	1,410	1,285	(4.2)	5.1
Net earned premium	1,243	1,204	1,184	3.2	5.0
Net incurred claims	(834)	(840)	(814)	(0.7)	2.5
Acquisition expenses	(174)	(121)	(171)	43.8	1.8
Other underwriting expenses	(137)	(165)	(148)	(17.0)	(7.4)
Total operating expenses	(311)	(286)	(319)	8.7	(2.5)
Underwriting result	98	78	51	25.6	92.2
Investment income - insurance funds	121	40	181	202.5	(33.1)
Insurance trading result	219	118	232	85.6	(5.6)
	%	%	%		
Ratios					
Acquisition expenses ratio	14.0	10.0	14.4		
Other underwriting expenses ratio	11.0	13.8	12.5		
Total operating expenses ratio	25.0	23.8	26.9		
Loss ratio	67.1	69.8	68.8		
Combined operating ratio	92.1	93.5	95.7		
Insurance trading ratio	17.6	9.8	19.6		

Result overview

Suncorp's Australian Commercial Insurance business delivered an ITR of $219 million. The business's underwriting results remain strong, despite the low yield investment environment. The focus on core operating performance is the differentiator for long term growth and profitability. Excluding FSL and the exit of crop insurance, GWP increased 6.1%.

In the Statutory portfolio, Commercial Insurance is seeing scale benefits from a national model.

The loss ratio has improved to 67.1%, driven by risk selection, superior claims management and claims initiatives. The focus on claims management is having a positive impact on claims costs and improving customer experience and retention.

The total expense ratio continues to improve, driven by ongoing Simplification initiatives. This reflects the ongoing commitment to expense discipline.

Outlook

The Australian Commercial Insurance business will continue to focus on fundamentals, in particular underwriting discipline, to retain and grow margins in a competitive market. Targeted growth and continued improvement in customer and intermediary satisfaction allows the business to outperform the market, while contributing to the Group's guidance to meet or beat an underlying margin of 12%.

Direct channels will grow through customers who have less complex insurance needs, while intermediated channels remain the choice for customers with complex requirements. Suncorp's presence in all channels will allow Commercial Insurance to maintain long term growth of 3% to 4% above system as customer preferences evolve.

Suncorp's position as Australia's largest personal injury insurer will be further strengthened as it captures premiums following the exit of a competitor in the Queensland CTP market. Suncorp expects National Disability initiatives will be a catalyst for scheme reforms to progress in multiple states, providing an opportunity for broader scheme changes and potential new market opportunities.

New Zealand

This table is shown in A$.

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Gross written premium	568	480	464	18.3	22.4
Net earned premium	420	362	323	16.0	30.0
Net incurred claims	(255)	(205)	(177)	24.4	44.1
Acquisition expenses	(101)	(91)	(87)	11.0	16.1
Other underwriting expenses	(44)	(35)	(29)	25.7	51.7
Total operating expenses	(145)	(126)	(116)	15.1	25.0
Underwriting result	20	31	30	(35.5)	(33.3)
Investment income - insurance funds	1	6	7	(83.3)	(85.7)
Insurance trading result	21	37	37	(43.2)	(43.2)
	%	%	%		
Ratios					
Acquisition expenses ratio	24.0	25.1	26.9		
Other underwriting expenses ratio	10.5	9.7	9.0		
Total operating expenses ratio	34.5	34.8	35.9		
Loss ratio	60.7	56.6	54.8		
Combined operating ratio	95.2	91.4	90.7		
Insurance trading ratio	5.0	10.2	11.5		

Expressed in NZ$

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	NZ$M	NZ$M	NZ$M	%	%
Gross written premium	645	588	592	9.7	9.0
Net earned premium	477	444	411	7.4	16.1
Net incurred claims	(290)	(251)	(226)	15.5	28.3
Acquisition expenses	(115)	(112)	(111)	2.7	3.6
Other underwriting expenses	(50)	(43)	(38)	16.3	31.6
Total operating expenses	(165)	(155)	(149)	6.5	10.7
Underwriting result	22	38	36	(42.1)	(38.9)
Investment income - insurance funds	1	7	10	(85.7)	(90.0)
Insurance trading result	23	45	46	(48.9)	(50.0)
	%	%	%		
Ratios					
Acquisition expenses ratio	24.1	25.2	27.0		
Other underwriting expenses ratio	10.5	9.7	9.2		
Total operating expenses ratio	34.6	34.9	36.3		
Loss ratio	60.8	56.5	55.0		
Combined operating ratio	95.4	91.4	91.2		
Insurance trading ratio	4.8	10.1	11.2		

Result overview

New Zealand contributed a $21 million ITR. The result includes an AUD $27 million impact from the deterioration in the estimate of ultimate claims costs for the February 2011 earthquake. In addition natural hazard experience was $16 million above expectations.

GWP growth of 22.4% was achieved through all distribution channels for both personal and commercial lines. Growth was largely achieved due to foreign exchange rate fluctuations as well as rate increases and strong unit growth in personal lines. In NZD$ terms, GWP grew by 9.0% to $645 million.

The total operating expense ratio has reduced despite investment in the business's transformation program.

Outlook

The attractiveness of the New Zealand market has seen the entry of offshore capital in the corporate property segment, driving increased competition.

Consumer and business confidence remains on an upward trend with personal and commercial investment increasing and steady growth in Canterbury as a result of the earthquake recovery work. Suncorp has now settled around 65% of the February 2011 earthquake claims, providing more certainty around ultimate claims costs.

The New Zealand business continues to exceed system growth and the transformation activities mean that it is well placed to achieve its target of an NPAT of at least NZD$100 million over the medium term and contribute to the Group's commitment to 'meet or beat' 12% underlying ITR.

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

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Short-tail					
Gross written premium (including Fire Service Levies)	3,442	3,332	3,346	3.3	2.9
Gross written premium (excluding Fire Service Levies)	3,364	3,233	3,158	4.1	6.5
Net earned premium	2,952	2,828	2,742	4.4	7.7
Net incurred claims	(1,945)	(2,001)	(1,674)	(2.8)	16.2
Acquisition expenses	(395)	(360)	(364)	9.7	8.5
Other underwriting expenses	(298)	(343)	(314)	(13.1)	(5.1)
Total operating expenses	(693)	(703)	(678)	(1.4)	2.2
Underwriting result	314	124	390	153.2	(19.5)
Investment income - insurance funds	63	42	76	50.0	(17.1)
Insurance trading result	377	166	466	127.1	(19.1)
	%	%	%		
Ratios					
Acquisition expenses ratio	13.4	12.7	13.3		
Other underwriting expenses ratio	10.1	12.1	11.5		
Total operating expenses ratio	23.5	24.9	24.7		
Loss ratio	65.9	70.8	61.1		
Combined operating ratio	89.4	95.6	85.8		
Insurance trading ratio	12.8	5.9	17.0		

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Long-tail					
Gross written premium (including Fire Service Levies)	938	1,032	879	(9.1)	6.7
Gross written premium (excluding Fire Service Levies)	938	1,032	879	(9.1)	6.7
Net earned premium	913	869	859	5.1	6.3
Net incurred claims	(663)	(613)	(631)	8.2	5.1
Acquisition expenses	(126)	(83)	(129)	51.8	(2.3)
Other underwriting expenses	(80)	(85)	(75)	(5.9)	6.7
Total operating expenses	(206)	(168)	(204)	22.6	1.0
Underwriting result	44	88	24	(50.0)	83.3
Investment income - insurance funds	116	36	179	222.2	(35.2)
Insurance trading result	160	124	203	29.0	(21.2)
	%	%	%		
Ratios					
Acquisition expenses ratio	13.8	9.6	15.0		
Other underwriting expenses ratio	8.8	9.8	8.7		
Total operating expenses ratio	22.6	19.3	23.7		
Loss ratio	72.6	70.5	73.5		
Combined operating ratio	95.2	89.9	97.2		
Insurance trading ratio	17.5	14.3	23.6		

Bank

Result overview

The 2014 financial year represents a period of transition for Suncorp Bank as it consolidates operations and unwinds legacy funding and cost positions relating to the former "Non-core" corporate and property portfolio. The Bank delivered an NPAT of $105 million.

System credit growth was subdued and well below long term historical averages. Lending growth in the Bank's retail and business lending portfolio of 6.8% was within target growth and acceptable risk parameters. Growth continues to be supported by a conservative funding strategy with 66% of lending assets funded by retail deposits. The residual corporate and property portfolio was $298 million at 31 December 2013, a reduction of $437 million, or 60%, from 30 June 2013.

Net interest income increased 2% against the prior corresponding period. The NIM of 1.66% was impacted by margin compression on low cost deposits and invested capital due to the reduction of the cash rate in May and August 2013. Legacy funding relating to the former "Non-core" corporate and property portfolio also impacted the result. This funding is due to mature over the course of 2014.

Operating expenses reduced by $11 million over the half. The Bank continues to invest in business capability. Good progress has been achieved in the delivery of the core banking platform replacement, Basel II advanced accreditation and network optimisation programs.

Bad debt expense was $45 million. The result benefited from reduction in provisions associated with the run-off of the corporate and property portfolio. Credit impairment losses were 35 basis points (bps) of credit risk-weighted assets and 18 bps of gross loans and advances. Prolonged drought conditions across much of eastern Australia along with the ongoing impacts of previous flood events have affected credit performance for the agribusiness portfolio.

Profit contribution

	HALF YEAR ENDED				
	DEC-13	JUN-13	DEC-12	DEC-13 vs JUN-13	DEC-13 vs DEC-12
	$M	$M	$M	%	%
Net interest income	492	502	484	(2.0)	1.7
Net non-interest income					
Net banking fee income	37	38	39	(2.6)	(5.1)
MTM on financial instruments	(19)	(14)	8	35.7	n/a
Other income (loss)	2	(11)	-	n/a	n/a
Total net non-interest income	20	13	47	53.8	(57.4)
Total income from Banking activities	512	515	531	(0.6)	(3.6)
Operating expenses					
Staff expenses	(178)	(180)	(180)	(1.1)	(1.1)
Equipment and occupancy expenses	(53)	(56)	(56)	(5.4)	(5.4)
Hardware, software and dataline expenses	(21)	(19)	(17)	10.5	23.5
Advertising and promotion	(13)	(16)	(14)	(18.8)	(7.1)
Office supplies, postage and printing	(15)	(13)	(15)	15.4	-
Other [(1)]	(25)	(32)	(21)	(21.9)	19.0
Total operating expenses	(305)	(316)	(303)	(3.5)	0.7
Bank profit before losses on loans and advances	207	199	228	4.0	(9.2)
Loss on sale of loans and advances	(13)	(506)	(21)	(97.4)	(38.1)
Impairment losses on loans and advances	(45)	(181)	(194)	(75.1)	(76.8)
Bank profit (loss) before tax	**149**	**(488)**	**13**	**n/a**	**large**
Income tax	(44)	141	(9)	n/a	388.9
Bank profit (loss) after tax	**105**	**(347)**	**4**	**n/a**	**large**

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

Bank ratios and key statistics

	HALF YEAR ENDED		
	DEC-13	JUN-13	DEC-12
	%	%	%
Lending growth (annualised)	4.06	(4.05)	5.62
Net interest margin (interest-earning assets)	1.66	1.67	1.60
Cost to income ratio	59.6	61.4	57.1
Impairment losses to credit risk-weighted assets	0.35	1.44	1.40
Impairment losses to gross loans and advances	0.18	0.76	0.78
Return on Common Equity Tier 1	7.59	(28.98)	0.33
Deposit to loan ratio	65.7	66.5	61.3

Statement of assets and liabilities

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Assets					
Cash and cash equivalents	810	905	341	(10.5)	137.5
Receivables due from other banks	790	1,460	1,031	(45.9)	(23.4)
Trading securities	2,129	3,462	4,077	(38.5)	(47.8)
Derivatives	451	667	427	(32.4)	5.6
Investment securities	6,652	6,640	5,114	0.2	30.1
Loans, advances and other receivables	49,074	47,999	48,770	2.2	0.6
Due from Group entities	290	251	190	15.5	52.6
Deferred tax assets	88	141	185	(37.6)	(52.4)
Other assets [(1)]	213	272	319	(21.7)	(33.2)
Goodwill and intangible assets	262	262	262	-	-
Total assets	60,759	62,059	60,716	(2.1)	0.1
Liabilities					
Deposits and short-term borrowings	44,597	43,861	41,828	1.7	6.6
Derivatives	494	984	1,287	(49.8)	(61.6)
Payables due to other banks	186	213	46	(12.7)	304.3
Payables and other liabilities	403	640	502	(37.0)	(19.7)
Securitisation liabilities	4,267	4,802	4,326	(11.1)	(1.4)
Debt issues	6,433	7,313	8,250	(12.0)	(22.0)
Subordinated notes	840	840	267	-	214.6
Preference shares	-	30	764	(100.0)	(100.0)
Total liabilities	57,220	58,683	57,270	(2.5)	(0.1)
Net assets	**3,539**	**3,376**	**3,446**	**4.8**	**2.7**

Reconciliation of net equity to Common Equity Tier 1 Capital			
Net equity - Banking line of business	3,539	3,376	3,446
Additional Tier 1 capital	(450)	(450)	(450)
Goodwill allocated to Banking Business	(235)	(235)	(235)
Regulatory capital equity adjustments	37	58	90
Regulatory capital deductions	(259)	(286)	(277)
Other reserves excluded from Common Equity Tier 1 ratio	(125)	(131)	(133)
Common Equity Tier 1 Capital	**2,507**	**2,332**	**2,441**

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

Loans, advances and other receivables

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Housing loans	31,329	29,399	28,614	6.6	9.5
Securitised housing loans and covered bonds	6,955	7,759	7,349	(10.4)	(5.4)
Total housing loans	38,284	37,158	35,963	3.0	6.5
Consumer loans	452	463	464	(2.4)	(2.6)
Retail loans	38,736	37,621	36,427	3.0	6.3
Commercial (SME)	5,666	5,531	5,297	2.4	7.0
Agribusiness	4,484	4,311	4,039	4.0	11.0
Total retail and business lending	**48,886**	**47,463**	**45,763**	**3.0**	**6.8**
Corporate and Property	298	735	3,422	(59.5)	(91.3)
Total lending	**49,184**	**48,198**	**49,185**	**2.0**	**(0.0)**
Other receivables	100	101	58	(1.0)	72.4
Gross banking loans, advances and other receivables	49,284	48,299	49,243	2.0	0.1
Provision for impairment	(210)	(300)	(473)	(30.0)	(55.6)
Loans, advances and other receivables	**49,074**	**47,999**	**48,770**	**2.2**	**0.6**
Credit risk-weighted assets	**25,407**	**25,364**	**27,423**	**0.2**	**(7.4)**
Geographical breakdown - Total lending					
Queensland	28,448	28,254	28,889	0.7	(1.5)
New South Wales	11,777	11,212	11,431	5.0	3.0
Victoria	4,372	4,273	4,487	2.3	(2.6)
Western Australia	3,119	3,066	3,059	1.7	2.0
South Australia and other	1,468	1,393	1,319	5.4	11.3
Outside of Queensland loans	20,736	19,944	20,296	4.0	2.2
Total lending	**49,184**	**48,198**	**49,185**	**2.0**	**(0.0)**

Total Lending

Total lending receivables, including securitised assets, remain flat year on year. The result includes $3.1 billion run-off from the corporate and property portfolio. Excluding the residual corporate and property run-off, lending growth was 6.8%.

Retail Loans

The home lending portfolio grew $1.1 billion for the half, 1.1 times a system growing well below long term trends. Home lending growth is underpinned by investment in direct and intermediated distribution channels, robust risk management processes and quality product and service propositions.

The interstate portfolio continues to grow and now accounts for 45% of total retail lending. The intermediated channel remains integral to the Bank's growth and customer acquisition strategy. This channel provides the Bank with a strong sales presence in all major national markets, supported by a growing direct footprint. Following targeted expansion, the Bank has captured market share in New South Wales and Western Australia.

Building complete customer relationships remains a key focus. Ongoing simplification and automation of origination processes combined with an emphasis on retention and post-acquisition engagement are delivering results. This is evidenced by around 80% of new bank home loan customers also having a transaction relationship with the Bank, up from around 60% in December 2012.

Commercial (SME)

The commercial (SME) portfolio grew 2.4% to $5.6 billion in a market characterised by heightened price competition and refinancing activity. Growth was broad based across a range of industries. The Bank's commercial property investment assets are secured with an average loan size of around $2 million. The portfolio is well diversified across industry and geography, with 68% of the commercial (SME) portfolio located within Queensland, a reflection of the Bank's strong heritage in its home state. Interstate assets grew 17% year on year with key expansion states of New South Wales and Western Australia growing by 25% and 19% respectively.

	QLD %	NSW %	Other %	Total %	Total $M
Commercial (SME) breakdown					
Property Investment	28	6	5	39	2,200
Hospitality & Accomm.	15	2	2	19	1,086
Retail	4	2	2	8	441
Construction & Dev.	6	1	1	8	431
Manufacturing & Mining	3	2	2	7	433
Services (Inc. professional services)	5	3	1	9	490
Transport & Storage	3	-	1	4	244
Health & Education	2	-	-	2	113
Other	2	1	1	4	228
Total %	68	17	15	100	
Total $M	3,859	972	835		5,666

Agribusiness

The agribusiness portfolio grew 4.0% to $4.5 billion, with the Bank's long heritage and strength of brand underpinning growth across core Queensland and New South Wales markets. New business was sourced from a variety of rural sectors further supporting portfolio diversification. Exposure to key sectors, including beef and livestock, remain unchanged. Beef constitutes the largest share of the portfolio at 34%, followed by grain and mixed farming at 26%.

Family-operated farms remain the Bank's target market with average loan size around $900,000. Geographically, Queensland remains the key agribusiness market with 65% of portfolio exposures. New South Wales continues to offer viable growth opportunities for the Bank over the long term.

	QLD %	NSW %	Other %	Total %	Total $M
Agribusiness breakdown					
Beef	32	2	-	34	1,510
Grain & Mixed Farming	9	15	2	26	1,168
Sheep & Mixed Livestock	5	4	1	10	433
Cotton	4	4	-	8	375
Sugar	5	-	-	5	217
Poultry	1	-	3	4	183
Fruit	3	-	-	3	140
Dairy	1	1	1	3	134
Vegetables	2	1	-	3	119
Other	3	1	-	4	205
Total %	65	28	7	100	
Total $M	2,934	1,245	305		4,484

Corporate and Property

The corporate and property portfolio represents the residual "Non-core" portfolio of loans. The portfolio reduced by $437 million, or 60%. The outstanding impaired assets are $149 million or 50% of the total portfolio. Provisioning allocated against these loans remains adequate with specific provision coverage in excess of 31%, and grossed up coverage in excess of 56%.

Bank funding composition

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Retail funding					
Retail deposits					
Transaction	7,194	6,335	6,269	13.6	14.8
Investment	5,630	4,639	4,329	21.4	30.1
Term deposits	15,812	16,599	15,486	(4.7)	2.1
Retail deposits	28,636	27,573	26,084	3.9	9.8
Retail treasury deposits	3,673	3,981	4,061	(7.7)	(9.6)
Total retail funding	32,309	31,554	30,145	2.4	7.2
Wholesale funding					
Domestic funding sources					
Short-term wholesale	8,602	8,308	8,231	3.5	4.5
Long-term wholesale	2,650	2,866	3,975	(7.5)	(33.3)
Covered bonds	2,196	2,196	2,195	-	0.0
Subordinated notes	840	840	170	-	394.1
Reset preference shares	-	30	30	(100.0)	(100.0)
Convertible preference shares	-	-	734	n/a	(100.0)
	14,288	14,240	15,335	0.3	(6.8)
Overseas funding sources [1]					
Short-term wholesale	3,686	3,999	3,452	(7.8)	6.8
Long-term wholesale	1,587	2,251	2,080	(29.5)	(23.7)
Subordinated notes	-	-	97	n/a	(100.0)
	5,273	6,250	5,629	(15.6)	(6.3)
Total wholesale funding	19,561	20,490	20,964	(4.5)	(6.7)
Total funding (excluding securitisation)	**51,870**	**52,044**	**51,109**	**(0.3)**	**1.5**
Securitised funding					
APS 120 qualifying [2]	3,711	3,733	3,552	(0.6)	4.5
APS 120 non-qualifying	556	1,069	774	(48.0)	(28.2)
Total securitised funding	4,267	4,802	4,326	(11.1)	(1.4)
Total funding (including securitisation)	**56,137**	**56,846**	**55,435**	**(1.2)**	**1.3**
Total funding is represented on the balance sheet by:					
Deposits	32,309	31,554	30,145	2.4	7.2
Short-term borrowings	12,288	12,307	11,683	(0.2)	5.2
Securitisation liabilities	4,267	4,802	4,326	(11.1)	(1.4)
Bonds, notes and long-term borrowings	6,433	7,313	8,250	(12.0)	(22.0)
Subordinated notes	840	840	267	-	214.6
Preference shares	-	30	764	(100.0)	(100.0)
Total	**56,137**	**56,846**	**55,435**	**(1.2)**	**1.3**
Deposit to loan ratio	**65.7%**	**65.5%**	**61.3%**		

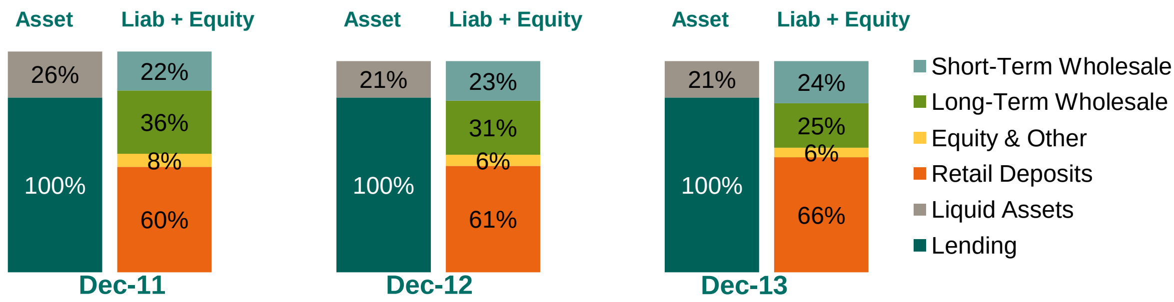
(1) Foreign currency borrowings are hedged back into Australian dollars.
(2) Qualifies for capital relief under APS120.

Retail funding

The retail deposit to lending ratio of 66% is comparable to peers. The acquisition of high quality, stable retail deposits compliments the Bank's focus on establishing complete customer relationships. These relationships drove 16% growth in the Bank's transaction and investment deposit portfolio during the period.

Diversification of the retail deposit customer base is supported by recent interstate expansion. Deposits sourced from non-Queensland based retail customers increased 24% over the half.

Components of balance sheet (% of total lending assets)



Wholesale funding

The Bank's funding position is strengthened by access to a wide range of wholesale funding markets and a proven ability to successfully execute covered bond and senior domestic debt transactions.

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

Short-term wholesale funding is primarily used to support the Bank's liquid asset portfolio. The liquid asset ratio remains above peers and the Bank currently holds excess liquid assets over prudential requirements. In addition to liquid assets held on the balance sheet, the Bank has access to significant contingent liquidity in a crisis, including $5.0 billion (cash equivalent) of mortgages that can be utilised if required.

Demonstrating the strength of the franchise, less than 5% of the lending portfolio is funded through short term wholesale markets.

Wholesale funding instruments maturity profile [1]

	Short term $M	Long term $M	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Maturity							
0 to 3 months	10,185	834	11,019	10,648	9,696	3.5	13.6
3 to 6 months	1,963	1,582	3,545	3,322	3,815	6.7	(7.1)
6 to 12 months	140	1,989	2,129	2,695	2,055	(21.0)	3.6
1 to 3 years	-	4,591	4,591	5,882	7,161	(21.9)	(35.9)
3+ years	-	2,544	2,544	2,745	2,563	(7.3)	(0.7)
Total wholesale funding instruments	12,288	11,540	23,828	25,292	25,290	(5.8)	(5.8)

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

The Bank operates a conservative wholesale funding instrument duration profile given its solid retail deposit to lending ratio. The Bank has lengthened the average tenure of the short term wholesale book. Securitisation represents a large proportion of wholesale funding with a maturity of greater than twelve months. While this funding reduces over time, duration decline is aligned to the loan amortisation profile, supporting the management of refinancing risk.

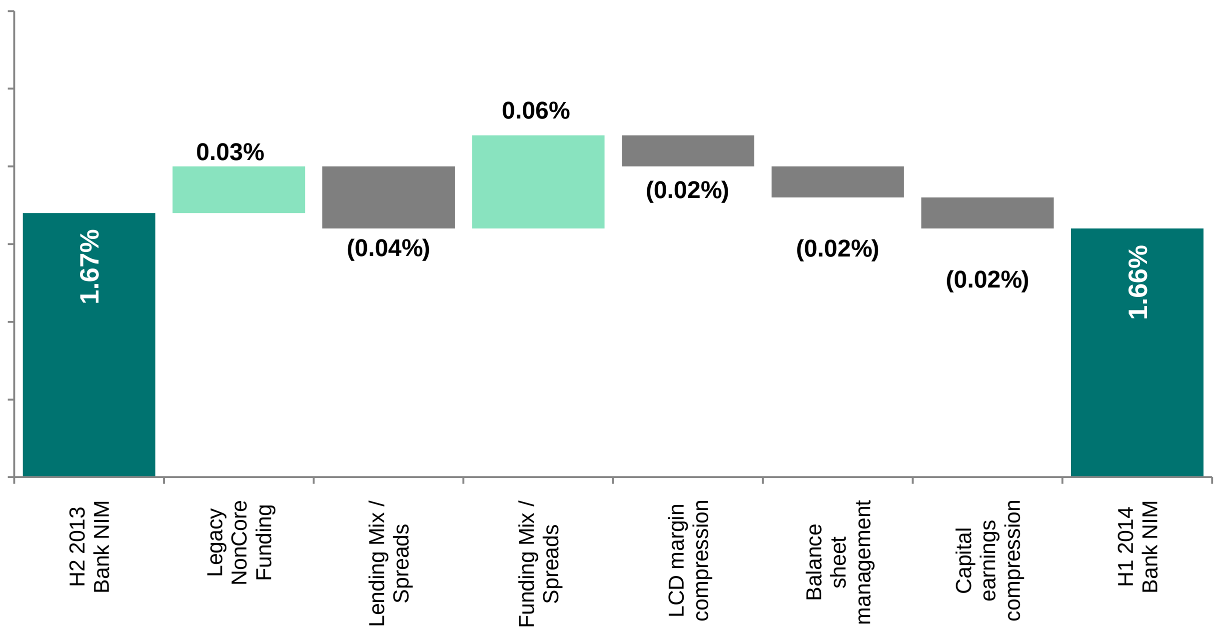
Net interest income

The Bank delivered net interest income growth of 2%. Net interest margin of 1.66% is broadly in line with the prior half. The result was shaped by the following drivers:

- Expansion of retail product margins resulting from active management of volume and price on both sides of the balance sheet;
- Margin compression on low cost deposits and invested capital due to lower interest rates; and
- Cost of legacy funding relating to the former "Non-core" corporate and property portfolio.

Momentum in retail product spreads and the unwinding of legacy funding position over 2014 sees the Bank well placed to benefit from increases in interest rates over the medium term.

Net interest margin movements



Average banking balance sheets

	HALF YEAR ENDED DEC-13			HALF YEAR ENDED JUN-13		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Assets						
Interest-earning assets						
Trading and investment securities	10,264	179	3.46	10,495	191	3.67
Gross loans, advances and other receivables	48,435	1,336	5.47	49,984	1,439	5.81
Total interest-earning assets	58,699	1,515	5.12	60,479	1,630	5.43
Non-interest earning assets						
Other assets (inc. loan provisions)	1,150			378		
Total non-interest earning assets	1,150			378		
TOTAL ASSETS	59,849			60,857		
Liabilities						
Interest-bearing liabilities						
Retail deposits	31,928	551	3.42	30,784	584	3.83
Wholesale liabilities	22,727	451	3.94	24,636	521	4.26
Debt capital	851	21	4.90	1,069	23	4.34
Total interest-bearing liabilities	55,506	1,023	3.66	56,489	1,128	4.03
Non-interest bearing liabilities						
Other liabilities	850			868		
Total non-interest bearing liabilities	850			868		
TOTAL LIABILITIES	56,356			57,357		
AVERAGE SHAREHOLDERS' EQUITY	3,493			3,500		
Non-Shareholder Accounting Equity	40			67		
Convertible Preference Shares	(450)			(450)		
Average Shareholders' Equity	3,083			3,117		
Goodwill allocated to Banking Business	(235)			(235)		
Average Shareholders' Equity (ex Goodwill)	2,848			2,882		
Analysis of interest margin and spread						
Interest-earning assets	58,699	1,515	5.12	60,479	1,630	5.43
Interest-bearing liabilities	55,506	1,023	3.66	56,489	1,128	4.03
Net interest spread			1.46			1.40
Net interest margin (interest-earning assets)	58,699	492	1.66	60,479	502	1.67
Net interest margin (lending assets)	48,435	492	2.02	49,984	502	2.03

Net non-interest income

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Net banking fee income	37	38	39	(2.6)	(5.1)
MTM on financial instruments	(19)	(14)	8	35.7	n/a
Other income (loss)	2	(11)	-	n/a	n/a
Total net non-interest income	**20**	**13**	**47**	**53.8**	**(57.4)**

Non-interest income totalled $20 million. Fee generation for the Bank's retail product portfolio is comparable with retail banking peers. These segments are impacted by consumer preference for low fee and/or fee-free banking. The result includes higher commissions paid to intermediaries consistent with increased lending volumes delivered by this channel.

Financial instruments and other income

Other non-interest income was made up of net mark-to-market (MTM) losses on financial instruments of $19 million driven largely by the buy back of Government guaranteed debt.

The MTM result included unrealised losses on short term derivative positions offset by realised gains on the sale of treasury bank book assets. The Bank purchases liquid assets and uses hedging instruments for balance sheet risk management purposes. The Bank places some of its liquid assets into a trading portfolio which it uses to manage liquidity and is accounted for on a fair value basis. This trading position is hedged using short-dated instruments which do not qualify for hedge accounting and are valued on a MTM basis. These instruments are often held to maturity and as such any unrealised MTM will unwind through net interest income until maturity.

Operating expenses

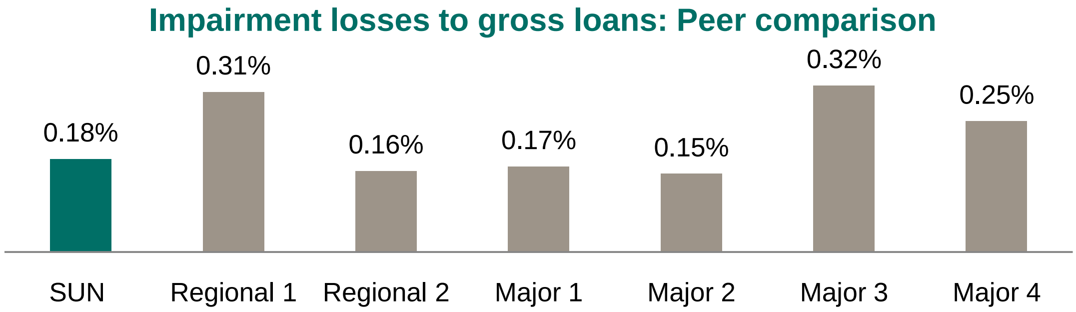
Operating expenses reduced by $11 million to $305 million over the half. The Bank maintains a strategic approach to cost management and seeks to achieve long term benefits through the optimisation of the service model and underlying processes.

The Bank is realising benefits from leveraging the Group's scale in procurement to reduce costs associated with occupancy, technology and communications. The successful delivery of virtual desktops across the Bank during the half will support the ongoing rationalisation of occupancy expenses.

Impairment losses on loans and advances

	HALF YEAR ENDED				
	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Collective provision for impairment	(5)	(39)	(4)	(87.2)	25.0
Specific provision for impairment	48	203	196	(76.4)	(75.5)
Actual net write-offs	2	17	2	(88.2)	-
	45	**181**	**194**	**(75.1)**	**(76.8)**
Impairment losses to credit risk-weighted assets (annualised)	**0.35%**	**1.44%**	**1.40%**		

Impairment losses were $45 million, benefiting from the run-off of the corporate and property portfolio. Credit impairment losses were 35 basis points (bps) of credit risk weighted assets and 18 bps of gross loans and advances, both within risk appetite tolerances and industry averages.



Source: Company reports for financial year 2013

Loss on sale of loans & advances

Losses on the sale of loans were $13 million over the half. The result is attributable to the Bank's ongoing balance sheet de-risking process through the execution of individual sales of performing corporate and property loans at a discount to book value.

Impaired assets

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Retail lending	28	33	32	(15.2)	(12.5)
Agribusiness lending	182	139	99	30.9	83.8
Commercial/SME lending	57	51	85	11.8	(32.9)
Corporate and property	149	283	1,644	(47.3)	(90.9)
Gross impaired assets	416	506	1,860	(17.8)	(77.6)
Specific provision for impairment	(113)	(198)	(332)	(42.9)	(66.0)
Net impaired assets	303	308	1,528	(1.6)	(80.2)
Impaired assets to gross loans and advances	**0.61%**	**0.64%**	**3.11%**		

Impaired asset balances

Gross impaired assets decreased 17.8% to $416 million. This represents 0.84% of gross loans and advances. Total gross non-performing loans reduced 8.4% to $861 million.

Agribusiness impaired asset volumes increased to $182 million which represents 4.1% of the total Agribusiness portfolio. The portfolio was impacted by prolonged drought conditions and the ongoing impact of previous flooding events. The overall number of accounts remains relatively low against industry standards. The current procedures for identifying stressed accounts remain robust and effective. The Bank continues to closely monitor emerging issues on a per exposure basis and remains well positioned to withstand the cyclical nature and challenges of the industry.

Retail past due loans remain structurally higher than the corresponding period last year due to the recent changes to hardship loan reporting. Current experience suggests an increase in hardship volumes has not impacted impairment levels. Ongoing monitoring of hardship loan delinquency is being undertaken.

Past due performance in Queensland is trending favourably in comparison to the industry average, benefiting from the Bank's conservative target market of owner occupiers with an average home loan size less than $500,000. "Low doc" mortgages represent less than 5% of the home lending portfolio.

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Gross balances of individually impaired loans					
with specific provisions set aside	335	460	1,741	(27.2)	(80.8)
without specific provisions set aside	81	46	119	76.1	(31.9)
Gross impaired assets	416	506	1,860	(17.8)	(77.6)
Specific provision for impairment	(113)	(198)	(332)	(42.9)	(66.0)
Net impaired assets	303	308	1,528	(1.6)	(80.2)
Size of gross individually impaired assets					
Less than one million	34	32	35	6.3	(2.9)
Greater than one million but less than ten million	204	245	265	(16.7)	(23.0)
Greater than ten million	178	229	1,560	(22.3)	(88.6)
	416	506	1,860	(17.8)	(77.6)
Past due loans not shown as impaired assets	445	434	324	2.5	37.3
Gross non-performing loans	861	940	2,184	(8.4)	(60.6)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	506	1,860	2,090	(72.8)	(75.8)
Recognition of new impaired assets	113	201	227	(43.8)	(50.2)
Increases in previously recognised impaired assets	1	15	27	(93.3)	(96.3)
Impaired assets written off/sold during the half year	(124)	(1,436)	(191)	(91.4)	(35.1)
Impaired assets which have been reclassed as performing assets or repaid	(80)	(134)	(293)	(40.3)	(72.7)
Balance at the end of the half year	**416**	**506**	**1,860**	**(17.8)**	**(77.6)**

Provision for impairment

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Collective provision					
Balance at the beginning of the period	102	141	145	(27.7)	(29.7)
Charge against contribution to profit	(5)	(39)	(4)	(87.2)	25.0
Balance at the end of the period	97	102	141	(4.9)	(31.2)
Specific provision					
Balance at the beginning of the period	198	332	392	(40.4)	(49.5)
Charge against impairment losses	48	203	196	(76.4)	(75.5)
Write-off of impaired assets	(124)	(294)	(191)	(57.8)	(35.1)
Unwind of interest	(9)	(43)	(65)	(79.1)	(86.2)
Balance at the end of the period	113	198	332	(42.9)	(66.0)
Total provision for impairment - Banking activities	210	300	473	(30.0)	(55.6)
Equity reserve for credit loss					
Balance at the beginning of the period	131	133	147	(1.5)	(10.9)
Transfer to retained earnings	(6)	(2)	(14)	200.0	(57.1)
Balance at the end of the period	125	131	133	(4.6)	(6.0)
Pre-tax equivalent coverage	179	187	190	(4.3)	(5.8)
Total provision for impairment and equity reserve for credit loss - Banking activities	389	487	663	(20.1)	(41.3)

	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	23.3	20.2	7.6
Specific provision	27.2	39.1	17.8
Total provision	50.5	59.3	25.4
Equity reserve for credit loss coverage	43.0	37.0	10.2
Total provision and equity reserve for credit loss coverage	93.5	96.3	35.6

Outlook

Suncorp Bank has a clearly defined strategy, targeting a full suite of banking products demanded by its middle Australia customer segment. The Bank differentiates itself from competitors by offering “big bank operational excellence and small bank customer service.” The Bank’s strategy is supported by customer satisfaction metrics which rank ahead of the majors. This reflects the Bank’s success as the genuine alternative to the Majors.

Competition is expected to remain intense on both sides of the balance sheet as industry participants strive to maintain and improve their market share, particularly in home lending. Ongoing regulatory change and the Federal Government’s planned financial system inquiry have the potential to materially reshape the operating environment in the 2015 financial year and beyond.

Stranded components relating to the residual “Non-core” portfolio are being managed within expectations. Legacy funding will continue to impact on NIM over the 2014 financial year. The remaining legacy funding will mature by August 2014 and the Bank expects to be operating within its targeted NIM range of 1.75% to 1.85% for the first half of the 2015 financial year.

The cost to income ratio is a key focus for the Bank over the next twelve months. The Bank will continue to address its legacy “Non-core” cost base while investing heavily in business capability through the core banking platform replacement and advanced Basel II programs. These programs also underpin revenue growth targets over the longer term. The delivery of the core banking platform replacement program will provide material efficiency gains from enhanced automation and straight through processing. The inherent cost benefits of these programs will help drive the ratio towards the 50% target.

Dry seasonal conditions weigh on the short term outlook for agribusiness. Customers in drought-affected areas remain under close watch. Impairment losses to gross loans and advances may continue to trend higher if weather conditions do not stabilise. In contrast, a softer Australian dollar and recovering international markets are supportive of favourable pricing for all agribusiness products.

Despite these challenges, operating targets over the medium term remain unchanged:

- Return on CET1 of 12.5% to 15%;
- Net interest margin of 1.75% to 1.85% underpinned by pricing discipline;
- Ongoing investment in strategic capability and efficiency programs to drive the cost to income ratio towards 50%;
- Sustainable lending growth of 1 to 1.3 times system through measured expansion within acceptable risk parameters in housing and agribusiness markets supported by strong conversion of new customers to ‘complete’ customers; and
- Retail deposit to lending ratio of 60% to 70% supported by the Bank’s ability to leverage its A+/A1 credit rating to raise diverse wholesale funding.

Life

Result overview

Suncorp Life's profit after tax for the six months ended 31 December 2013 was $22 million. Underlying profit was $41 million.

The overall Life insurance industry continues to face a number of well publicised structural challenges, particularly in product design and evolving customer needs. Weaker economic conditions have resulted in adverse lapse and claims experience across the whole industry.

Suncorp Life was early to recognise these industry challenges and reset its strategy in FY13. Life remains confident this will address the challenges and capitalise on the opportunities that industry evolution will present. The business is well positioned to deliver its strategy of putting the customer at the forefront, achieving a positioning of number one in direct and delivering sustainable advice partnerships.

During the half year, the business delivered a number of key priorities:

- A material shift in the capital efficiency of the business, with $535 million of capital returned to Group. This represents over a quarter of the starting capital base of $2.1 billion (CET1 plus DAC). This improvement has been delivered through increased levels of reinsurance, introduction of subordinated debt and refinements following the introduction of LAGIC;

- Bringing the Direct Life business in-house, with all new policies now sold and serviced by Suncorp employees on Suncorp systems, rather than through an external partner. This provides Life with significant opportunity as the business now deals directly with its customer base and has the ability to manage the full value chain of the direct business;

- In the advice channel, Life has introduced a series of sustainability initiatives in the market designed to promote alternative premium and commission structures, resulting in more sustainable advice partnerships. This is having a positive impact with an increasing proportion of business written on level premium, hybrid commission terms and submitted via e-apps; and

- Successful delivery of a significant package of regulatory reform in the Superannuation business.

Notwithstanding Life's delivery against strategic priorities, the half year underlying profit continues to be impacted by adverse lapse and claims experience:

- Lapse experience of negative $17 million continues to trend above assumptions and this has led to a further strengthening of lapse assumptions;

- Retail and group disability income claims were the main drivers of adverse claims experience of negative $10 million; and

- Planned margins reflect the strengthening of lapse assumptions in the prior year and the increase in reinsurance coverage.

Individual Life Risk new business of $62 million reflected lower growth in the IFA market and a continued focus on the delivery of sustainable advice business. The lower sales growth in IFA Australia was partly offset by the continued strong momentum of New Zealand, with new business sales up 25% (local currency). Direct risk new business was impacted by the transition of the sales operations to in-house resulting in flat growth, with total sales of $17 million.

Life risk inforce annual premiums of $886 million have grown 10.8% during the period despite the continued impact of industry wide higher lapse rates.

Superannuation new business was up 41% to $185 million driven by good momentum in Everyday Super. Positive market movements and improved net flows increased funds under management to $7.7 billion.

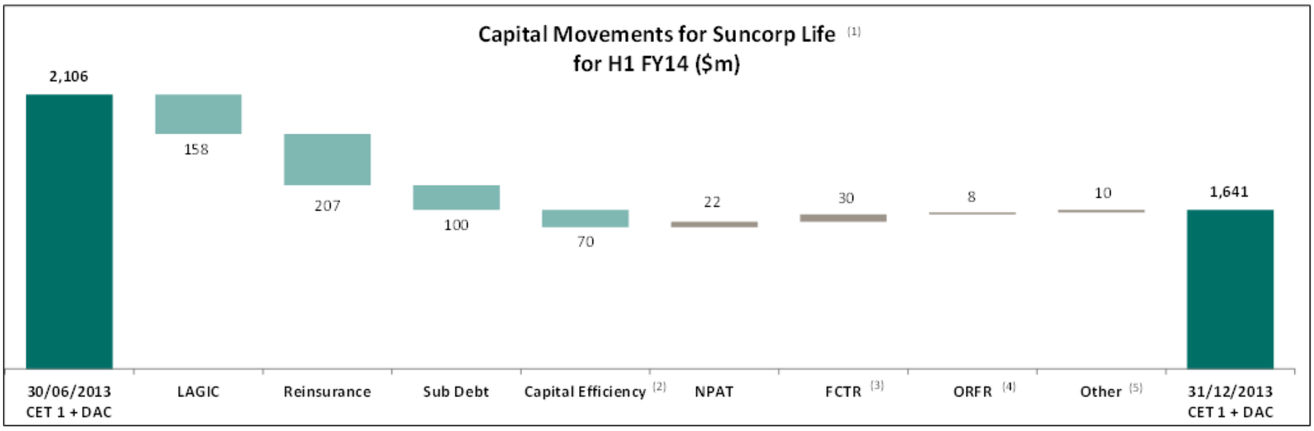
Embedded value (EV) has decreased to $2.0 billion, reflecting the increased focus on improving capital efficiency and the return of capital to Group, the impact of which has reduced EV by around $600 million. The Value of One Year's Sales (VOYS) of $35 million reflects the increase in reinsurance coverage and strengthening of lapse assumptions.

Improving capital efficiency and the return of capital over the medium term is a key strategic priority for Life.

Life has successfully reduced capital (CET1 plus DAC) during the half with $535 million of capital now being returned to the Group over the last six months. This represents a 25% reduction in capital, and this lower capital base will provide a foundation for a higher return on capital.

Tier 2 capital was issued during the half in the form of subordinated debt to Group. The issuance of this debt not only facilitates CET1 returns but also has the benefit of improving the return to shareholders.

Life further extended its reinsurance arrangements during the period (on both new and inforce business), reducing capital strain and allowing for more effective risk management through lower claims and lapse volatility. The new reinsurance arrangements are with Life's existing provider, renegotiated in the first half of calendar year 2013 and finalised in this half. While the transaction has impacted planned margins, it has also improved the overall return on capital and provides support in lowering the volatility of results.



(1) Capital is classified as CET1 plus DAC
(2) Capital Efficiency: Smaller optimisation initiatives together with a focus on returning excess capital as it emerges through profits
(3) Foreign Currency Translation Reserve (FCTR): Increase in reserves due to forex movement upon translation of New Zealand business
(4) Operational Risk Financial Requirement (ORFR): Additional capital held by Suncorp Portfolio Services Ltd to meet this requirement
(5) Other: All other capital movements including new business strain (net of in force release) and the capital impact of investment markets

Life will continue to focus on the release of capital to the Group whilst also optimising the capital efficiency of new and existing business.

Outlook

The Life insurance industry is facing a number of well publicised structural and cyclical challenges. The need for fundamental reform of product, pricing, commission structures and customer engagement has now been recognised across the industry. Repricing and withdrawal of reinsurance capacity within the Group risk market is evidence of the momentum of change. Industry reform is expected to take some time to work through. The anticipated evolution of the industry will create opportunities for Suncorp Life and the business is further refining and accelerating delivery of its strategy to ensure it is well placed to capitalise on a more sustainable industry framework.

The rapid pace of change and high degree of economic and industry uncertainty make the setting of key assumptions extremely challenging. In this result, Life has again adjusted its lapse assumptions to take account of more recent experience. Suncorp will review assumptions again at the full year in light of industry and strategic developments.

Profit contribution

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Life Risk					
Planned profit margin release [(1)]	35	50	49	(30.0)	(28.6)
Claims experience	(10)	(9)	(12)	11.1	(16.7)
Lapse experience	(17)	(9)	(17)	88.9	-
Other experience	(3)	(2)	(4)	50.0	(25.0)
Underlying investment income	18	21	22	(14.3)	(18.2)
Life Risk	**23**	**51**	**38**	**(54.9)**	**(39.5)**
Superannuation	18	8	23	125.0	(21.7)
Total Life underlying profit after tax	**41**	**59**	**61**	**(30.5)**	**(32.8)**
Market adjustments [(2)]	**(19)**	**(50)**	**(10)**	**(62.0)**	**90.0**
Net profit after tax	**22**	**9**	**51**	**144.4**	**(56.9)**

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

(2) Market adjustments consists of Annuities Market Adjustments, Life Risk Policy Discount Rate changes and Investment Income Experience.

Life Risk in-force annual premium

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Term and TPD	404	388	361	4.1	11.9
Trauma	161	154	150	4.5	7.3
Disability income	226	217	209	4.1	8.1
Other	30	26	26	15.4	15.4
Total Individual	**821**	**785**	**746**	**4.6**	**10.1**
Group	65	60	54	8.3	20.4
Total	**886**	**845**	**800**	**4.9**	**10.8**
Total Australia	**714**	**696**	**667**	**2.6**	**7.0**
Total New Zealand [(1)]	**172**	**149**	**133**	**15.4**	**29.3**

(1) In-force growth for NZ includes exchange rate movements. The NZD in-force figures are Dec-13 $188m, Jun-13 $177m, Dec-12 $168m.

Life Risk new business by product

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Term and TPD	38	38	38	-	-
Trauma	5	4	4	25.0	25.0
Disability income	14	15	14	(6.7)	-
Other	5	4	4	25.0	25.0
Total Individual	**62**	**61**	**60**	**1.6**	**3.3**
Group [(1)]	3	3	5	-	(40.0)
Total	**65**	**64**	**65**	**1.6**	**-**

(1) Group New Business excludes NZ.

Life Risk new business by channel

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
IFA	32	33	35	(3.0)	(8.6)
Direct	17	17	16	-	6.3
New Zealand	13	11	9	18.2	44.4
Total Individual	**62**	**61**	**60**	**1.6**	**3.3**
Group [1]	3	3	5	-	(40.0)
Total	**65**	**64**	**65**	**1.6**	**-**

(1) Group New Business excludes NZ channel sales.

Superannuation new business

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Superannuation	135	113	79	19.5	70.9
Pensions	48	32	48	50.0	-
Investment	2	4	4	(50.0)	(50.0)
Total	**185**	**149**	**131**	**24.2**	**41.2**

Funds under administration

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Opening balance at start of period	7,339	7,230	7,111	1.5	3.2
Net inflows (outflows)	(67)	(169)	(127)	(60.4)	(47.2)
Investment income and other	436	278	246	56.8	77.2
Balance at end of period	**7,708**	**7,339**	**7,230**	**5.0**	**6.6**

Operating expenses

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Total operating expenses [1]	**150**	**144**	**147**	**4.2**	**2.0**

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

Shareholder investment income

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Shareholder investment income on invested assets	15	4	32	275.0	(53.1)
Less underlying investment income:					
Life Risk	(18)	(21)	(22)	(14.3)	(18.2)
Superannuation	(7)	(6)	(8)	16.7	(12.5)
Investment income experience	**(10)**	**(23)**	**2**	**(56.5)**	**n/a**

Invested shareholder assets [1]

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Cash	401	652	548	(38.5)	(26.8)
Fixed interest securities	841	743	801	13.2	5.0
Equities	50	45	66	11.1	(24.2)
Property	4	4	4	-	-
Total	**1,296**	**1,444**	**1,419**	**(10.2)**	**(8.7)**

(1) Excludes assets backing annuity and participating businesses.

Business results

Direct Australia

During the half, the primary focus for the Direct business was the transition in-house of distribution. All new Direct Life policies are now sold and serviced by Suncorp employees on Suncorp systems rather than through an external partner.

The Direct channel is crucial to Suncorp's growth strategy and significant opportunity exists with the Group's 9 million customers, predominantly engaged through the key mass market brands of Suncorp, AAMI, GIO and Apia.

Bringing operations in-house provides opportunity for better customer engagement. A closer customer relationship will allow the business to enhance their overall experience, making available propositions to meet their evolving needs. The wider Suncorp Group offers scale opportunities for the Direct business and as the business continues to grow, lower unit costs will provide improved value.

The transition resulted in some disruption to operations resulting in new business being flat at $17 million. However sales through the online channel, which was not impacted by the transition, increased by 26%.

IFA

The Group has made a significant commitment to the IFA and adviser market. This segment plays a crucial part in helping all customers increase financial security.

IFA Australia new business sales of $32 million for the period reflect industry-wide lower volumes and the continued focus on pricing discipline and return on capital.

Life has taken an industry leadership position on the need for the evolution of the IFA market to achieve sustainability for the manufacturer, the adviser and the customer. To support this position, key initiatives to promote alternative premium and commission structures were introduced to the market that will limit upfront acquisition costs thereby improving the return on capital for future periods. This is being reflected in an increased proportion of new business being written on level premium, on hybrid commission terms and submitted via e-apps.

Life will continue to work with the government, industry and our IFA partners to evolve to a sustainable business model. The evolution will likely result in significant change for product and commission structures but will take some time to have an industry-wide impact.

New Zealand

New Zealand Life Risk sales increased 25% (exchange adjusted) to $13 million demonstrating the strong foundations which the team has built over recent years. Adviser engagement continues to be positive and the business has taken a leading role in shifting the market to a more sustainable model through simplifying products and remuneration structures.

Superannuation

Suncorp Life's funds under administration (FUA) were up 5% in the half to $7.7 billion reflecting positive market movements and improved net flows.

Suncorp Everyday Super (EDS), launched in 2013, continues to gain momentum with $100 million FUA. EDS was recognised during the half as the Best New Product by Super Ratings for 2014.

Implementation of regulatory change continues to be a significant burden on the industry. Life has successfully delivered a significant program of regulatory reform with the necessary investment having impacted Superannuation profit.

Experience

Adverse lapse and claims experience remains a key challenge across the industry and remains one of Suncorp Life's priorities.

There has been a continuation of the themes seen in the prior year. Subdued consumer confidence and affordability, coupled with adviser remuneration and historical product and pricing structures, have contributed to the retention challenge as customers take a critical view of discretionary expenditure and are more proactive in seeking to reduce costs. The resulting DAC write-off from lapsing policies is a structural challenge for the industry.

Suncorp Life responded early to the retention challenges and this is reflected in our better than industry lapse rate. During the period Life has implemented a number of campaigns and initiatives, which include leveraging a lapse propensity model to increase the number of proactive calls to customers.

Retail and group disability income claims were the main drivers of the adverse experience, with higher than expected volume and size of new claims. A key focus for disability income claims is assisting customers to return to work sooner, with favourable experience on the closures of retail claims. Actions are being taken to improve experience with the key Group schemes through tightening underwriting standards. Trauma and TPD claims experience were favourable.

Market adjustments

Market adjustments are comprised of balance sheet revaluations of policy liabilities and shareholder investment assets, which we expect to neutralise through the cycle:

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Life Risk policy liability impact (DAC)	(12)	(25)	(12)	(52.0)	-
Investment Income Experience	(10)	(23)	2	(56.5)	n/a
Annuities market adjustments	3	(2)	-	n/a	n/a
Total market adjustments	**(19)**	**(50)**	**(10)**	**(62.0)**	**90.0**

Life Risk policy liability impact (DAC)

Risk-free rates are used to discount Life Risk policy liabilities. Due to (DAC) there are net negative policy liabilities (an asset). An increase in discount rates leads to a loss while a decrease leads to a gain.

As seen in the second half of the 2013 results, the trend of rising government bond rates at longer maturities continued, leading to negative valuation adjustments. The strengthening of the lapse assumptions as announced in the prior year and the increase in the reinsurance coverage has reduced the sensitivity of this balance relative to the comparative periods. These revaluation adjustments for accounting purposes are expected to neutralise over time.

Investment Income experience

Lower interest income (reflecting the very low cash rate) and rising yields at the longer end of the curve impacted investment income. This resulted in actual returns being lower than Suncorp Life's overall long term assumption, which is based on the average of the Government 10-year bond rate curve (7-year historical and 3-year market expected) with risk margins added for various asset classes.

Expense management

Overall expenses have increased by 2% reflecting a strong focus on expense management, while investing for growth (in-housing our Direct business operations), as well as undertaking significant regulatory projects.

Life Embedded Value

The Embedded Value of Suncorp Life includes the Australian life company Suncorp Life & Superannuation Limited (SLSL) and the New Zealand life company (Asteron Life Limited New Zealand) and various other legal entities in the Suncorp Life group of companies.

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

The components of value are shown in the table below:

Embedded Value and Value of One Year's Sales (VOYS)

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Adjusted net worth	**113**	**300**	**104**	**(62.3)**	**8.7**
Value of distributable profits	1,643	1,980	2,008	(17.0)	(18.2)
Value of imputation credits	250	289	318	(13.5)	(21.4)
Value of in-force	**1,893**	**2,269**	**2,326**	**(16.6)**	**(18.6)**
Traditional Embedded Value	**2,006**	**2,569**	**2,430**	**(21.9)**	**(17.4)**
Value of one year's new sales (VOYS)	**35**	**43**	**46**	**(18.6)**	**(23.9)**

The reduction in EV has been driven by various capital efficiency initiatives which together reduced EV by around $600 million.

The decrease in VOYS is attributable to the strengthening in the lapse basis and the increase in the level of reinsurance coverage.

Note that in relation to the above values:

- The components of value relate to Suncorp Life in its entirety;
- The risk discount rate was equal to 4% above the risk-free rate;
- VOYS is based on the forecast sales and acquisition expenses and includes an allowance for the cost of holding target capital.

Statement of assets and liabilities

	DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 %	DEC-13 vs DEC-12 %
Total assets					
Assets					
Invested assets	4,813	4,787	4,661	0.5	3.3
Assets backing annuity policies	129	135	142	(4.4)	(9.2)
Assets backing participating policies	2,595	2,549	2,524	1.8	2.8
Reinsurance ceded	293	445	409	(34.2)	(28.4)
Other assets	333	247	254	34.8	31.1
Goodwill and intangible assets	628	640	657	(1.9)	(4.4)
	8,791	**8,803**	**8,647**	**(0.1)**	**1.7**
Liabilities					
Payables	310	157	181	97.5	71.3
Outstanding claims liabilities	228	206	190	10.7	20.0
Deferred tax liabilities	95	66	86	43.9	10.5
Policy liabilities	5,492	5,270	5,058	4.2	8.6
Unvested policyholder benefits [1]	429	380	421	12.9	1.9
	6,554	**6,079**	**5,936**	**7.8**	**10.4**
Total net assets	**2,237**	**2,724**	**2,711**	**(17.9)**	**(17.5)**
Policyholder assets					
Invested assets	3,517	3,343	3,242	5.2	8.5
Assets backing annuity policies	129	135	142	(4.4)	(9.2)
Assets backing participating policies	2,595	2,549	2,524	1.8	2.8
Deferred tax assets	-	-	-	n/a	n/a
Other assets	57	33	10	72.7	470.0
	6,298	**6,060**	**5,918**	**3.9**	**6.4**
Liabilities					
Payables	-	-	-	n/a	n/a
Policy liabilities	5,869	5,680	5,497	3.3	6.8
Unvested policyholder benefits [1]	429	380	421	12.9	1.9
	6,298	**6,060**	**5,918**	**3.9**	**6.4**
Policyholder net assets	**-**	**-**	**-**	**n/a**	**n/a**
Shareholder assets					
Assets					
Invested assets	1,296	1,444	1,419	(10.2)	(8.7)
Reinsurance ceded	293	445	409	(34.2)	(28.4)
Other assets	276	214	244	29.0	13.1
Goodwill and intangible assets	628	640	657	(1.9)	(4.4)
	2,493	**2,743**	**2,729**	**(9.1)**	**(8.6)**
Liabilities					
Payables	310	157	181	97.5	71.3
Outstanding claims liabilities	228	206	190	10.7	20.0
Deferred tax liabilities	95	66	86	43.9	10.5
Policy liabilities	(377)	(410)	(439)	(8.0)	(14.1)
	256	**19**	**18**	**large**	**large**
Shareholder net assets	**2,237**	**2,724**	**2,711**	**(17.9)**	**(17.5)**

[1] Includes participating business policyholder retained profits.

Appendix 1 – Consolidated statement of comprehensive income and financial position

Consolidated statement of comprehensive income

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

	HALF YEAR ENDED			DEC-13	DEC-13
	DEC-13	JUN-13	DEC-12	vs JUN-13	vs DEC-12
	$M	$M	$M	%	%
Revenue					
Insurance premium income	4,858	4,635	4,499	4.8	8.0
Reinsurance and other recoveries income	787	813	725	(3.2)	8.6
Banking interest income	1,513	1,633	1,787	(7.3)	(15.3)
Investment revenue	827	556	967	48.7	(14.5)
Other income	269	305	266	(11.8)	1.1
Total revenue	8,254	7,942	8,244	3.9	0.1
Expenses					
General insurance claims expense	(3,283)	(3,334)	(2,930)	(1.5)	12.0
Life insurance claims expense and movement in policyowners liabilities	(869)	(525)	(617)	65.5	40.8
Outwards reinsurance premium expense	(448)	(618)	(585)	(27.5)	(23.4)
Interest expense	(1,056)	(1,153)	(1,324)	(8.4)	(20.2)
Fees and commissions expense	(373)	(336)	(364)	11.0	2.5
Operating expenses	(1,348)	(1,388)	(1,344)	(2.9)	0.3
Losses on Banking loans, advances and other receivables	(58)	(687)	(215)	(91.6)	(73.0)
Total expenses	(7,435)	(8,041)	(7,379)	(7.5)	0.8
Profit (Loss) before income tax	819	(99)	865	n/a	(5.3)
Income tax expense	(268)	18	(288)	n/a	(6.9)
Profit (Loss) for the period	**551**	**(81)**	**577**	**n/a**	**(4.5)**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	32	23	38	39.1	(15.8)
Net change in fair value of available-for-sale financial assets	12	4	(4)	200.0	n/a
Exchange differences on translation of foreign operations	88	56	12	57.1	large
Income tax (expense) benefit	(15)	(3)	(15)	400.0	-
	117	80	31	46.3	277.4
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains (losses) on defined benefit plans	-	16	4	(100.0)	(100.0)
Income tax on other comprehensive income	-	(6)	-	n/a	n/a
	-	10	4	(100.0)	(100.0)
Total Other comprehensive income net of income tax	**117**	90	35	30.0	234.3
Total comprehensive income for the period	**668**	**9**	**612**	**large**	**9.2**
Profit (Loss) for the period attributable to:					
Owners of the Company	548	(83)	574	n/a	(4.5)
Non-controlling interests	3	2	3	50.0	-
Profit (Loss) for the period	**551**	(81)	577	n/a	(4.5)
Total comprehensive income for the period attributable to:					
Owners of the Company	665	7	609	large	9.2
Non-controlling interests	3	2	3	50.0	-
Total comprehensive income for the period	**668**	**9**	**612**	**large**	**9.2**

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

Consolidated statement of financial position

	GENERAL INSURANCE DEC-13 $M	BANKING DEC-13 $M	LIFE DEC-13 $M	CORPORATE DEC-13 $M	ELIMINATIONS DEC-13 $M	CONSOLIDATION DEC-13 $M
Assets						
Cash and cash equivalents	94	810	528	37	(405)	1,064
Receivables due from other banks	-	790	-	-	-	790
Trading securities	-	2,129	-	-	-	2,129
Derivatives	31	451	1	-	(58)	425
Investment securities	12,329	6,652	8,904	14,661	(15,958)	26,588
Banking loans, advances and other receivables	-	49,074	-	-	-	49,074
General Insurance assets	6,562	-	-	-	-	6,562
Life assets	-	-	584	-	-	584
Due from Group entities	-	290	-	865	(1,155)	-
Property, plant and equipment	34	-	4	190	-	228
Deferred tax assets	-	88	36	110	(214)	20
Other assets	188	213	28	56	(9)	476
Goodwill and intangible assets	5,125	262	628	123	-	6,138
Total assets	24,363	60,759	10,713	16,042	(17,799)	**94,078**
Liabilities						
Payables due to other banks	-	186	-	-	-	186
Deposits and short-term borrowings	-	44,597	-	-	(405)	44,192
Derivatives	91	494	26	-	(57)	554
Payables and other liabilities	684	403	133	368	47	1,635
Current tax liabilities	5	-	-	109	(3)	111
Due to Group entities	364	-	17	-	(381)	-
General Insurance liabilities	14,330	-	-	-	-	14,330
Life liabilities	-	-	6,161	-	-	6,161
Deferred tax liabilities	128	-	131	-	(220)	39
Managed funds units on issue	-	-	1,908	-	(1,908)	-
Securitisation liabilities	-	4,267	-	-	(22)	4,245
Debt issues	-	6,433	-	-	(21)	6,412
Subordinated notes	743	840	100	758	(770)	1,671
Preference shares	-	-	-	550	-	550
Total liabilities	16,345	57,220	8,476	1,785	(3,740)	80,086
Net assets	8,018	3,539	2,237	14,257	(14,059)	**13,992**
Equity						
Share capital						12,675
Reserves						151
Retained profits						1,154
Total equity attributable to owners of the Company						13,980
Non-controlling interests						12
Total equity						**13,992**

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

SGL Statement of financial position

	HALF YEAR ENDED DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 $M	DEC-13 vs DEC-12 $M
Assets					
Cash and cash equivalents	3	18	186	(83.3)	(98.4)
Investment in subsidiaries	14,099	14,629	14,362	(3.6)	(1.8)
Investment securities	636	441	435	44.2	46.2
Due from Group entities	1,180	945	194	24.9	large
Deferred tax assets	4	9	13	(55.6)	(69.2)
Other assets	78	103	96	(24.3)	(18.8)
Total assets	**16,000**	**16,145**	**15,286**	**(0.9)**	**4.7**
Liabilities					
Payables and other liabilities	6	6	2	-	200.0
Current tax liabilities	108	-	99	n/a	9.1
Due to Group entities	248	256	220	(3.1)	12.7
Subordinated notes	758	756	-	0.3	n/a
Preference shares	550	549	547	0.2	0.5
Total liabilities	1,670	1,567	868	6.6	92.4
Net assets	**14,330**	**14,578**	**14,418**	**(1.7)**	**(0.6)**
Equity					
Share capital	12,764	12,786	12,784	(0.2)	(0.2)
Reserves	987	987	987	-	-
Retained profits	579	805	647	(28.1)	(10.5)
Total equity	**14,330**	**14,578**	**14,418**	**(1.7)**	**(0.6)**

SGL Profit contribution

	HALF YEAR ENDED DEC-13 $M	JUN-13 $M	DEC-12 $M	DEC-13 vs JUN-13 $M	DEC-13 vs DEC-12 $M
Revenue					
Dividend and interest income from subsidiaries	445	495	541	(10.1)	(17.7)
Other investment revenue	11	11	18	-	(38.9)
Other income	2	1	2	100.0	-
Total revenue	458	507	561	(9.7)	(18.4)
Expenses					
Interest expense	(39)	(21)	(5)	85.7	large
Operating expenses	(2)	(2)	(3)	-	(33.3)
Total expenses	(41)	(23)	(8)	78.3	412.5
Profit before income tax	417	484	553	(13.8)	(24.6)
Income tax benefit (expense)	1	(4)	(8)	n/a	n/a
Profit for the period	**418**	**480**	**545**	(12.9)	(23.3)

Appendix 2 – Ratio calculations

Earnings per share

Numerator	HALF YEAR ENDED		
	DEC-13 $M	JUN-13 $M	DEC-12 $M
Earnings:			
Earnings used in calculating basic earnings per share	548	(83)	574
Interest expense on convertible preference shares (SBKPB) (net of tax)	-	-	17
Interest expense on convertible preference shares (SUNPC) (net of tax)	14	-	5
Earnings used in calculating diluted earnings per share	562	(83)	596

Denominator	HALF YEAR ENDED		
	DEC-13 NO. OF SHARES	JUN-13 NO. OF SHARES	DEC-12 NO. OF SHARES
Weighted average number of shares:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,277,933,749	1,278,106,483	1,277,614,221
Effect of conversion of convertible preference shares (SBKPB)	-	-	74,166,507
Effect of conversion of convertible preference shares (SUNPC)	44,748,091	-	22,439,264
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,322,681,840	1,278,106,483	1,374,219,992

ASX-listed securities

	HALF YEAR ENDED		
	DEC-13	JUN-13	DEC-12
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,286,600,980	1,286,600,980	1,286,600,980
Dividend declared for the period (cents per share)	35	50	25
Convertible preference shares (SUNPC) each fully paid			
Number at the end of the period	5,600,000	5,600,000	5,600,000
Dividend declared for the period ($ per share) (1)	2.57	2.70	0.61
Subordinated Notes (SUNPD)			
Number at the end of the period	7,700,000	7,700,000	-
Interest per note ($ per note) (1)	2.77	1.43	-
Floating Rate Capital Notes (SBKHB)			
Number at the end of the period	1,698,008	1,698,008	1,698,008
Interest per note ($ per note) (1)	1.75	1.91	2.25
Reset preference shares (SBKPA) each fully paid			
Number at the end of the period	-	304,063	304,063
Dividend declared for the period ($ per share) (1)	2.15	2.09	2.12
Convertible preference shares (SBKPB) each fully paid			
Number at the end of the period	-	-	7,350,000
Dividend declared for the period ($ per share) (1)	-	2.20	2.38

(1) Classified as interest expense.

Appendix 3 – Group capital

Group capital position

	AS AT 31 DECEMBER 2013					
	GENERAL INSURANCE $M	BANKING $M	LIFE $M	SGL, CORP SERVICES & CONSOL $M	TOTAL $M	AS AT 30 JUNE 2013 TOTAL $M
Common Equity Tier 1 Capital						
Ordinary share capital	-	-	-	12,717	12,717	12,717
Subsidiary share capital (eliminated upon consolidation)	7,885	3,715	1,970	(13,570)	-	-
Reserves	5	(983)	307	784	113	40
Retained profits and non-controlling interests	124	272	(41)	810	1,165	1,261
Insurance liabilities in excess of liability valuation	585	-	-	-	585	650
Goodwill and other intangible assets	(5,062)	(398)	(562)	(146)	(6,168)	(6,198)
Net deferred tax assets	-	(71)	(32)	(103)	(206)	(260)
Policy liability adjustment [1]	-	-	(1,124)		(1,124)	(1,354)
Other Tier 1 deductions	(5)	-	(1)	(90)	(96)	(116)
Common Equity Tier 1 Capital	**3,532**	**2,535**	**517**	**402**	**6,986**	**6,740**
Additional Tier 1 Capital						
Eligible hybrid capital	-	450	-	110	560	560
Transitional hybrid capital	-	-	-	-	-	30
Additional Tier 1 Capital	**-**	**450**	**-**	**110**	**560**	**590**
Tier 1 Capital	**3,532**	**2,985**	**517**	**512**	**7,546**	**7,330**
Tier 2 Capital						
General reserve for credit losses	-	187	-	-	187	195
Eligible subordinated notes	-	670	100	-	770	670
Transitional subordinated notes	643	170	-	-	813	813
Tier 2 Capital	**643**	**1,027**	**100**	**-**	**1,770**	**1,678**
Total Capital	**4,175**	**4,012**	**617**	**512**	**9,316**	**9,008**
Represented by:						
Capital in Australian regulated entities	3,581	3,984	444	-	8,009	8,054
Capital in New Zealand regulated entities	462	-	100	-	562	554
Capital in unregulated entities [2]	132	28	73	512	745	400

(1) Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policyowner retained profits. This mainly represents the implicit Deferred Acquisition Costs (DAC) for the life risk business.

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

Appendix 3 – Group capital (continued)

Group capital position

	AS AT 31 DECEMBER 2013					AS AT 30 JUNE 2013
	GENERAL INSURANCE	BANKING	LIFE	SGL, CORP SERVICES & CONSOL	TOTAL	TOTAL
	$M	$M	$M	$M	$M	$M
Reconciliation of Total Capital to Net Assets						
Net Assets	8,018	3,539	2,237	198	13,992	13,983
Equity items not eligible for inclusion in capital for APRA purposes						
Reserves	(5)	40	-	5	40	62
Additional items allowable for capital for APRA						
Eligible hybrid capital	-	-	-	560	560	560
Eligible subordinated notes	-	670	100	-	770	670
Transitional hybrid capital	-	-	-	-	-	30
Transitional subordinated notes	643	170	-	-	813	813
Insurance liabilities in excess of liability valuation	585	-	-	-	585	650
Eligible collective provision	-	62	-	-	62	64
Other items, adjustments	1	-	(1)	(2)	(2)	(1)
Deductions from capital for APRA purposes						
Goodwill, brands	(5,055)	(261)	(562)	-	(5,878)	(5,922)
Software assets	(3)	-	-	(124)	(127)	(125)
Deductible capitalised expenses	(4)	(137)	-	(22)	(163)	(151)
Net deferred tax assets	-	(71)	(32)	(103)	(206)	(260)
Policy liability adjustment	-	-	(1,124)	-	(1,124)	(1,354)
Other assets excluded from regulatory capital	(5)	-	(1)	-	(6)	(11)
Total Capital	**4,175**	**4,012**	**617**	**512**	**9,316**	**9,008**

Appendix 3 – Group capital (continued)

General Insurance Prescribed Capital Amount

	GI GROUP [1] DEC-13 $M	GI GROUP [1] JUN-13 $M
Common Equity Tier 1 Capital		
Ordinary share capital	7,885	7,977
Reserves	5	(50)
Retained profits and non-controlling interests	124	22
Insurance liabilities in excess of liability valuation	585	650
Goodwill and other intangible assets	(5,062)	(5,074)
Net deferred tax assets	-	-
Other Tier 1 deductions	(5)	(11)
Common Equity Tier 1 Capital	**3,532**	**3,514**
Additional Tier 1 Capital	-	-
Tier 1 Capital	**3,532**	**3,514**
Tier 2 Capital		
Transitional subordinated notes	643	643
Tier 2 Capital	**643**	**643**
Total Capital	**4,175**	**4,157**
Prescribed Capital Amount		
Outstanding claims risk charge	845	835
Premium liabilities risk charge	496	475
Total insurance risk charge	1,341	1,310
Insurance concentration risk charge	250	250
Asset risk charge	711	751
Asset concentration risk charge	-	-
Operational risk charge	267	261
Aggregation benefit	(434)	(449)
Total Prescribed Capital Amount (PCA)	**2,135**	**2,123**
Common Equity Tier 1 Coverage Ratio	**1.65**	**1.66**
Capital Coverage Ratio	**1.96**	**1.96**

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

Appendix 3 – Group capital (continued)

Banking capital adequacy

	REGULATORY BANKING GROUP	OTHER ENTITIES	STATUTORY BANKING GROUP	STATUTORY BANKING GROUP
	DEC-13	DEC-13	DEC-13	JUN-13
	$M	$M	$M	$M
Common Equity Tier 1 Capital				
Ordinary share capital	2,492	1,223	3,715	3,675
Reserves	4	(987)	(983)	(991)
Retained profits	269	3	272	173
Goodwill and other intangible assets	(163)	(235)	(398)	(384)
Net deferred tax assets	(71)	-	(71)	(113)
Other Tier 1 deductions	(24)	24	-	-
Common Equity Tier 1 Capital	**2,507**	**28**	**2,535**	**2,360**
Additional Tier 1 Capital				
Eligible hybrid capital	450	-	450	450
Transitional hybrid capital	-	-	-	30
Additional Tier 1 Capital	**450**	**-**	**450**	**480**
Tier 1 Capital	**2,957**	**28**	**2,985**	**2,840**
Tier 2 Capital				
General reserve for credit losses	187	-	187	195
Eligible subordinated notes	670	-	670	670
Transitional subordinated notes	170	-	170	170
Tier 2 Capital	**1,027**	**-**	**1,027**	**1,035**
Total Capital	**3,984**	**28**	**4,012**	**3,875**
Risk-Weighted Assets				
Credit risk	27,080	-	27,080	27,029
Market risk	370	-	370	385
Operational risk	3,275	-	3,275	3,308
Total Risk-Weighted Assets	**30,725**	**-**	**30,725**	**30,722**
Common Equity Tier 1 Ratio	**8.16%**		**8.25%**	**7.68%**
Total Capital Ratio	**12.97%**		**13.06%**	**12.61%**

Appendix 3 – Group capital (continued)

Life Prescribed Capital Amount

	LIFE CO AUSTRALIA DEC-13 $M	LIFE CO NEW ZEALAND [1] DEC-13 $M	OTHER ENTITIES [2] DEC-13 $M	TOTAL LIFE GROUP DEC-13 $M	TOTAL LIFE GROUP JUN- 13 $M
Common Equity Tier 1 Capital					
Ordinary share capital	664	202	1,104	1,970	2,435
Reserves	-	26	281	307	274
Retained profits and non-controlling interests	551	131	(723)	(41)	14
Goodwill and other intangible assets	-	-	(562)	(562)	(593)
Net deferred tax assets	-	(32)	-	(32)	(24)
Policy liability adjustment [3]	(898)	(226)	-	(1,124)	(1,354)
Other Tier 1 deductions	-	(1)	-	(1)	-
Common Equity Tier 1 Capital	**317**	**100**	**100**	**517**	**752**
Additional Tier 1 Capital	-	-	-	-	-
Tier 1 Capital	**317**	**100**	**100**	**517**	**752**
Tier 2 Capital					
Eligible subordinated notes	100	-	-	100	-
Tier 2 Capital	100	-	-	100	-
Total Capital	**417**	**100**	**100**	**617**	**752**
Prescribed Capital Amount					
Insurance risk charge	33	27	-	60	67
Asset risk charge	95	34	-	129	110
Asset concentration risk charge	-	-	-	-	-
Operational risk charge	36	1	-	37	35
Aggregation benefit	(21)	-	-	(21)	(25)
Combined stress scenario adjustment	81	-	-	81	62
Other regulatory requirements	-	-	27	27	19
Total Prescribed Capital Amount (PCA) [4]	**224**	**62**	**27**	**313**	**268**
Common Equity Tier 1 Coverage Ratio	**1.42**	**1.61**	**3.70**	**1.65**	**2.81**
Capital Coverage Ratio	**1.86**	**1.61**	**3.70**	**1.97**	**2.81**

(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) Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policy owner retained profits, net of regulatory offsets available from net deferred tax liabilities.

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

Appendix 4 – Definitions

ADI	Authorised Deposit-taking Institutions
Acquisition expense ratio	Acquisition expenses expressed as a percentage of net earned premium
Annuities market adjustments	The value of annuity obligations are determined by discounting future obligations into today's dollars using risk-free rates. The value of such obligations fluctuates as market referenced discount rates change. The value of assets backing annuity obligations also fluctuates with investment markets. The net impact of both of these market-driven valuation changes are removed from Suncorp Life's Underlying Profit and recorded as annuity market adjustments
APRA	Australian Prudential Regulation Authority
Basis points (BPS)	A 'basis point' is 1/100th of a percentage point
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets (net of tax) and the profit or loss after tax on divestments
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company
Capital adequacy ratio	Capital base divided by total risk-weighted assets, as defined by APRA
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Common Equity Tier 1	Common Equity Tier 1 Capital ("CET1") comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total risk-weighted assets (Bank) or Prescribed Capital Amount (General Insurance & Life)
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

Appendix 4 – Definitions (continued)

Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share
Effective tax rate	Income tax expense divided by profit before tax
Embedded Value	Embedded Value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Fire service levies (FSL)	The expense relating to the amount levied on policyholders by insurance companies as part of premiums payable on policies with a fire risk component, which is established to cover the corresponding fire brigade charge which the Group will eventually have to pay
Funds under administration (FUA)	Funds where the Australian superannuation and investments business receives a fee for the administration of an asset portfolio
General Insurance – Commercial	Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, public liability and professional indemnity insurance, workers' compensation insurance and compulsory third party insurance
General Insurance – Personal	Personal products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance
Gross non-performing loans	Gross impaired assets plus past due loans
Impairment losses to credit risk-weighted assets	Impairment losses on loans and advances divided by credit risk-weighted assets. The ratio is annualised for half years
Insurance Trading Ratio	The insurance trading result expressed as a percentage of net earned premium
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Life insurance policyholders' interests	Amounts due to an entity or person who owns a life insurance policy. This need not be the insured. This is distinct from shareholders' interests
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Life underlying profit refers to net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities

Appendix 4 – Definitions (continued)

Net interest margin	Net interest income divided by average interest-earning assets or lending assets, as specified
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
Net profit after tax	Net profit after tax attributable to owners of the Company derived in accordance with Australian Accounting Standards
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period multiplied by ordinary dividend per share for the period divided by cash earnings
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax
Profit after tax from business lines	The net profit after tax for the General Insurance, Bank and Life business lines
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on 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 CET 1 Capital 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 average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on beginning and end of period balances. The ratio is annualised for half years
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
Total operating expense ratio	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Treasury shares	Ordinary shares of the Suncorp Group Limited that are acquired by subsidiaries

Appendix 5 – 2014 key dates [1]

Ordinary shares (SUN)

Half year results announcement	**19 February 2014**
Ex dividend date	24 February 2014
Dividend payment	1 April 2014
Full year results and final dividend announcement	**13 August 2014**
Ex dividend date	18 August 2014
Dividend payment	1 October 2014
Annual General Meeting	**23 October 2014**

Convertible Preference Shares 2 (SUNPC)

Ex dividend date	3 March 2014
Dividend payment	17 March 2014
Ex dividend date	3 June 2014
Dividend payment	17 June 2014
Ex dividend date	4 September 2014
Dividend payment	17 September 2014
Ex dividend date	4 December 2014
Dividend payment	17 December 2014

Subordinated Notes (SUNPD)

Ex interest date	10 February 2014
Interest payment	24 February 2014
Ex interest date	8 May 2014
Interest payment	22 May 2014
Ex interest date	8 August 2014
Interest payment	22 August 2014
Ex interest date	10 November 2014
Interest payment	24 November 2014

Floating Rate Capital Notes (SBKHB)

Ex interest date	11 February 2014
Interest payment	4 March 2014
Ex interest date	9 May 2014
Interest payment	30 May 2014
Ex interest date	11 August 2014
Interest payment	1 September 2014
Ex interest date	11 November 2014
Interest payment	2 December 2014

[1] All dates are subject to change. Dividend dates will be confirmed upon their declaration.

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