SUNCORP

Suncorp Group Limited

ABN 66 145 290 124

Investor Pack: Financial results for the half year ending 31 December 2021

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Basis of preparation

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

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

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

All figures relate to the half year ended 31 December 2021 and comparatives are for 31 December 2020, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology. Movements within the financial tables have been labelled 'n/a' where there has been a percentage movement greater than 500% (or less than 500%), or if a line item changes from negative to positive (or vice versa) between periods.

In the context of ASIC's Regulatory Guide 230, this report contains information that is 'non-IFRS financial information', such as the General Insurance Underlying Insurance Trading Result and Life underlying profit after tax. The calculation of these metrics is outlined in the report and they are shown as they are used internally to determine operating performance within the various functions.

Disclaimer

This report contains general information on the Group and its operations, which is current as at 8 February 2022. It is information given in summary form and does not purport to be complete.

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

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

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

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

There are a number of other important factors which could cause actual results to differ materially from those set out in this presentation, including the risks and uncertainties associated with the ongoing impacts from COVID-19 and the Australian and global economic environment.

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Group result

Result overview

Suncorp's 1H22 result demonstrates strong underlying business momentum and solid progress against the Group's key strategic priorities. The Group remains on-track to achieve its aspiration to be a growing business delivering sustainable returns above its cost of capital by FY23.

The result was impacted by a number of natural hazard events and investment market volatility during the half. The Group's operating performance in the second half of the year is expected to benefit from its comprehensive reinsurance program with full coverage available under all of its reinsurance covers and additional cover purchased in December 2021.

Profit after tax $388 million

↓20.8% on pcp

The number and volume of natural hazard events in the half significantly impacted PAT. During 1H22 there were 19 large events, which along with other smaller claims, resulted in total natural hazard costs of $695 million, which was $205 million above the half year allowance.

Interim dividend 23 cents per share

Payout ratio (cash earnings) 80%

Despite the impact of natural hazards in 1H22, the Group's robust balance sheet and strong reinsurance programme has allowed the Board to declare a fully franked interim dividend at the top end of the target payout ratio range. An on-market buyback of $250 million was completed in 1H22, improving earnings per share by approximately 1.6%.

Insurance Australia
GWP excluding FSL **$4.47 billion**

↑5.1% on pcp ↑7.5% excluding portfolio exits

Suncorp New Zealand
GWP NZ$1.05 billion

↑14.0% on pcp

Insurance Australia continued to demonstrate strong momentum in 1H22. Excluding portfolio exits, GWP growth of 7.5% was strong and broad based across the business.

Suncorp New Zealand intermediated and direct channels also recorded strong GWP through a combination of unit growth and targeted pricing increases.

Bank total lending $58.6 billion

↑1.8% on 2H21

Bank total deposits $44.8 billion

↑7.8% on 2H21

Suncorp Bank is making good progress on its strategic initiative to win in home lending, growing the portfolio 2.7% over the half (5.3% annualised). This growth was broadly in line with system, demonstrating an improving trend over recent reporting periods. Total Bank deposits grew a strong 7.8% in 1H22, primarily driven by a 12.8% increase in at-call transaction accounts, supported by a strong digital offering. Bank NIM declined 12bps over the half to 1.97%, reflecting industry-wide trends.

Group underlying ITR excluding COVID-19 impact **8.0%** up from 7.4% in 2H21 largely reflecting a strong contribution from the Consumer portfolio. 1H22 UITR including COVID-19 benefits was 9.9%.

CET1 capital held at Group post-dividend **$492 million**

In line with its conservative approach to capital management, the Group has maintained a strong capital position with the GI and Bank subsidiaries operating within their target ranges after the payment of dividends. Capital requirements will be reassessed at the full year result.

During the period, S&P Global Ratings announced an upgrade of the credit rating profile for Suncorp's operating entities from A+ to **AA-** with a **Stable outlook**.

Group operating expenses excluding FSL and TEPL[1] provision **$1,415 million** ↑3.1% on pcp

The increase in operating expenses largely reflected the temporary increase in project spend associated with Group's strategy as well as growth related costs.

[1] TEPL relates to Transitional Excess Profits and Losses (further explained on page 20)

Outlook

Operating environment	While the operating environment has continued to improve, the outlook remains uncertain, noting operational impacts and supply chain issues associated with the Omicron variant of COVID-19.
Suncorp's FY23 plan	The FY23 plan aims to deliver a growing business with a sustainable return on equity above the through-the-cycle cost of equity. The General Insurance business is targeting an underlying ITR in FY23 of between 10 - 12%, and the Bank is targeting a cost-to-income ratio of around 50%. The Group is on track to achieve this by investing in 12 strategic initiatives, with the benefits of this program being realised in the form of accelerating top line growth momentum, reduced claim numbers, lower loss and expense ratios and improved productivity.
Growth	The Group remains focused on driving improved momentum in the core businesses through continued investments in its strategic initiatives in order to deliver on its FY23 aspirations. The Group exited a number of consumer insurance corporate partners arrangements during 1H22. Total GWP related to these arrangements in FY21 was $69 million and will runoff completely by FY23.
Natural hazards and reinsurance	In FY21, the Group increased its natural hazard allowance for FY22 to $980 million. However, reflecting the Group's natural hazard experience during the half, the full year outlook for natural hazard costs is approximately $1.075 billion. The Group's operating performance in the second half of the year is expected to benefit from its comprehensive reinsurance program with full coverage available under the AXL treaty and other reinsurance covers. Suncorp's AXL cover and three dropdown covers and reinstatements remain intact and an additional $75m of AXL cover was purchased in December 2021, a 50% placement of a $150m layer above the existing AXL. The NZ Earthquake Commission will increase their cap for house policies by $150,000 effective October 2022. The net P&L impact from this change is not expected to be material and will emerge from FY23 onwards. On 4 May 2021, the Federal Government announced its intention to establish a reinsurance pool for cyclones and related flood damage in Northern Australia. Suncorp has supported the Government's efforts to improve insurance affordability in Northern Australia. Considerable further detail needs to be worked through – including finalising the reinsurance pricing arrangements – and Suncorp will continue to work closely with the Government and regulators over coming months.
Prior year reserve releases	The Group continues to allow for prior year reserve releases to be at least 1.5% of Group NEP, assuming inflation remains benign.
COVID-19	The Group remains well provisioned for ongoing COVID-19 uncertainty. This includes a conservatively set collective provision in the bank and a business interruption provision set at 90% confidence level in Insurance Australia.
Capital	The Group will maintain its prudent capital management strategy, including holding an appropriate CET1 buffer at Group, and remains committed to returning to shareholders any capital that is excess to the needs of the business. Capital requirements will be continually reassessed considering the needs of the business, the economic outlook and any regulatory guidance.
Dividend policy	The Group maintains its commitment to a 60 - 80% dividend payout ratio.

FY23 plan

Suncorp is well progressed in its three-year plan to drive growth and efficiencies in the core businesses, while building on the Group's existing digital and data capability.

The plan consists of 12 key initiatives that have been prioritised using a robust return framework.

The plan has been built from the bottom up, and incorporates lessons from COVID-19, as well as leveraging existing capabilities. The executive team have clear accountability for the delivery of the key initiatives.

Strategic initiatives

Insurance Australia

Revitalise growth	Ensure clear value propositions for each brand with minimal overlap, as well as making targeted investments in marketing and new product innovation. Brand strength remains a core achievement in Insurance Australia with AAMI NPS now over 11, its highest since 2016. AAMI is the most considered brand nationally, leading the market by 12 points. In Commercial, Suncorp continues to invest for the future in this important segment. In 1H22 the business invested significantly in automated and contemporary underwriting systems and broker platforms. This investment is expected to go live for packages, property and liability in the second half of the calendar year. There was strong unit growth of 9.9% in the CTP portfolio during the half, reflecting pricing dynamics and the benefits of the CTP digitisation program. In 1H22, Insurance Australia reported strong GWP growth of 7.5% when normalised for portfolio exits.
Optimise pricing and risk selection	Investing in a modern, analytics-driven pricing engine to optimise margins as well as disciplined portfolio management to improve loss ratios. The Customer and Pricing Ecosystem (CaPE) was successfully deployed for Home mass brands in 1H22.
Digital first customer experiences	Improved digital sales and service capabilities to enhance customer experience and drive an improved expense ratio. Digital sales and service levels for mass brands across home, motor and CTP products now account for 38% of all sales and service transactions, up from 33% in 1H21. Insurance Australia is well on the way to the long term target of 70% digital/30% voice in insurance sales and service The strong unit growth in the CTP portfolio during the half also reflects the benefits from the CTP digitisation program noted above.
Best in class claims	End-to-end improvement of claims efficiency and performance, including optimising the supply chain, digitise lodgement and tracking, being the market leader in natural hazards and strengthening operational performance. In 1H22 Suncorp successfully implemented In4mo to better manage builder allocation to higher performing builders and ICBM which will allow Suncorp to better benchmark claims costs against agreed contract rates and industry benchmarks. Suncorp also established its new Home Claims repairer panel of 38 which is expected to drive improved repair quality, capacity and cost outcomes and continued to rationalise its Motor repair panel. Motor and home claims digital lodgements have increased from 21% and 18% to 41% and 36% respectively in 1H22. Additional enhancements to increase digital lodgements and tracking will be implemented over the remainder of the Plan period. Further, Suncorp will continue to optimize its supply chain, rationalize its real estate footprint and lift team productivity through process improvements. These initiatives are already driving improved claims performance and loss ratios and with a full annualised impact from FY23, gives Suncorp confidence of achieving its FY23 Plan targets.

Banking and Wealth

Win in home lending	Home Lending momentum continues, with the portfolio exiting 1H22 slightly below system, with a strong pipeline of new business. Settlements were up 40% half on half and over 70% higher than the pcp. Stronger growth is being driven by improved customer and broker experiences following investment in process change, expansion of broker support tools and relationships, automation and simplification, reducing median turnaround times by 2 days half on half. These initiatives will continue across the end-to-end value chain. In the half, the Bank was ranked number two in home loan customer satisfaction across the market (Roy Morgan).
Accelerate everyday banking	At-call transaction portfolio growth was a healthy 12.8% on 2H21, with continued main bank customer growth, supported by a strong digital offering. In the half, the Bank launched its Buy Now Pay Later product, Suncorp PayLater, to provide additional payment flexibility to customers. In line with the Bank's focus on sustainability and wellbeing, all Debit Cards are now issued with recycled materials and tactile indicators to support vision-impaired customers. The Bank is well-placed to continue growing its main bank customer franchise in the target younger customer segments, leveraging the fee-free status, unique sub-account solution, PayLater, competitive digital capabilities and the Bank's Brighter Futures ambition.
Grow business customers	Launched a new fast track lending process in 1H22 for simple SME lending, focused on reducing turnaround and streamlining applications. In FY23, investment will reduce in other strategic priorities and increase in business banking to improve partnering capabilities, origination experience, automation and expansion of digital sales and self-service offerings.
Lead with digital	Suncorp Bank completed the migration of personal customers to the Suncorp App, supporting further simplification of digital assets and enhancements to customer experience. Updated monitoring for digital fraud saw a removal of significant inbound call drivers. Digital engagement and origination capabilities continued to strengthen, including joint account online origination, pre-filled income and expense data, and the launch of a refreshed broker portal. This has resulted in an uplift of over 20% for digital consumer at-call account openings, with digital now accounting for over 70% of new deposit accounts. In FY23, efforts will be focused on the simplified digital landscape and continuing to improve customer experience in sales and service of simple products.
Optimise distribution	Continued to expand and upskill direct lenders, delivering leading service and customer experiences through the direct channel. Customer accessibility was improved through a new arrangement with ATMx which provides Suncorp customers with fee-free access to an additional 1,800 ATMs nationally, installation of braille functionality across the ATM fleet and the launch of Translating and Interpreting Services across branches, business banking and call centres. In line with the increasing customer shift to digital origination and self-service, the Bank will continue to optimise the branch network, with a focus on high value interactions through a blended contact centre and branch operating model.

Suncorp New Zealand (SNZ)

Grow brands and strategic partnerships	SNZ has developed improved connectivity to broker and corporate partner platforms; compelling market propositions and integrated access to products and services. In 1Q22 SNZ market share increased 27 basis points, the fifth consecutive quarter of market share gains. AAI and Vero brands remain very strong.
Best in class claims	Investment continues in a single claims platform; introducing new channels for customer engagement; and seamless connectivity. Continued the move to one platform with releases for Autosure, Pleasurecraft and Motor completed in 1H22. Successful implementation of the Natural Disaster Event Response agreement with the New Zealand Earthquake Commission (EQC). SNZ now has a dedicated team in place to respond to events, have introduced a pilot for weather alerts and teams to support customers during the half.
Increasing digital and data capability of core systems	Investment in core systems to support growth and claims, as well as standardising and automating manual work for improved efficiency. Commenced SNZ partner digital connectivity in 1H22 with online motor insurance launched through the ANZ corporate partnership delivering 30% of new ANZ motor sales. These initiatives aim to drive profitable growth and sustain the current strong returns in New Zealand.

Contribution to profit by function

	Half Year Ended Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Insurance Australia					
Gross written premium	4,542	4,446	4,344	2.2	4.6
Net earned premium	3,982	3,813	3,727	4.4	6.8
Net incurred claims	(2,923)	(2,625)	(2,871)	(11.4)	(1.8)
Operating expenses	(886)	(852)	(791)	(4.0)	(12.0)
Investment income - insurance funds	(23)	26	217	n/a	n/a
Insurance trading result	150	362	282	(58.6)	(46.8)
Other income	10	51	84	(80.4)	(88.1)
Profit before tax	160	413	366	(61.3)	(56.3)
Income tax	(46)	(124)	(108)	62.9	57.4
Insurance Australia profit after tax	**114**	289	258	(60.6)	(55.8)
Banking					
Net interest income	621	624	618	(0.5)	0.5
Total other operating income	14	16	23	(12.5)	(39.1)
Operating expenses	(366)	(369)	(362)	0.8	(1.1)
Profit before impairment losses on loans and advances	269	271	279	(0.7)	(3.6)
Impairment losses on loans and advances	16	57	(8)	(71.9)	n/a
Banking profit before tax	285	328	271	(13.1)	5.2
Income tax	(85)	(99)	(81)	14.1	(4.9)
Banking profit after tax	**200**	229	190	(12.7)	5.3
New Zealand					
Gross written premium	1,004	880	861	14.1	16.6
Net earned premium	818	741	722	10.4	13.3
Net incurred claims	(472)	(412)	(393)	(14.6)	(20.1)
Operating expenses	(238)	(223)	(214)	(6.7)	(11.2)
Investment income - insurance funds	(4)	-	3	n/a	n/a
Insurance trading result	104	106	118	(1.9)	(11.9)
Other income	(1)	(7)	9	85.7	n/a
Profit before tax	103	99	127	4.0	(18.9)
Income tax	(28)	(27)	(34)	(3.7)	17.6
General Insurance profit after tax	**75**	72	93	4.2	(19.4)
Life Insurance profit after tax	**6**	8	27	(25.0)	(77.8)
New Zealand profit after tax	**81**	80	120	1.3	(32.5)
Profit after tax from ongoing functions	**395**	598	568	(33.9)	(30.5)
Profit (loss) after tax from discontinued business[1]	**(1)**	-	-	n/a	n/a
Profit after tax from functions	**394**	598	568	(34.1)	(30.6)
Remediation[2]	-	(10)	(6)	n/a	n/a
Restructuring costs[3]	-	(19)	(36)	n/a	n/a
Other profit (loss) before tax[4]	(38)	(27)	(23)	(40.7)	(65.2)
Income tax	5	13	6	(61.5)	(16.7)
Other profit (loss) after tax	**(33)**	(43)	(59)	23.3	44.1
Cash earnings	**361**	555	509	(35.0)	(29.1)
Net profit (loss) on sale of ceased operations (after tax)[5]	39	-	-	n/a	n/a
Acquisition amortisation (after tax)[6]	(12)	(12)	(19)	-	36.8
Net profit after tax	**388**	543	490	(28.5)	(20.8)

1. Loss after tax from discontinued business includes the performance of the Wealth business following the sale agreement announced on 28 April 2021.
2. Remediation includes MTAI legal defence costs (Jun-21: loss $10 million) and Guardian (Dec-20: loss $6 million).
3. Restructuring costs includes redundancy (Jun-21: loss $13 million; Dec-20: loss $23 million) and real estate and branch optimisation costs (Jun-21: loss $6 million; Dec-20: loss $13 million).
4. Other includes investment income on capital held at the Group level (Dec-21: loss $2 million; Jun-21: $3 million; Dec-20: $6 million), consolidation adjustments and transaction costs (Dec-21: loss $4 million; Jun-21: loss $8 million; Dec-20: loss $2 million), non-controlling interests (Dec-21: reduction $13 million; Jun-21: reduction $5 million; Dec-20: reduction $10 million), net external funding expense (Dec-21: $19 million; Jun-21: $17 million; Dec-20: $17 million).
5. Net profit (loss) on sale of ceased operations includes a gain on sale of the RACTI business (Dec-21: $43 million), offset by losses associated with the sale of Wealth.
6. Acquisition amortisation includes Core Banking Platform write off (Dec-21: n/a; Jun-21: n/a; Dec-20: loss $6 million).

Group ratios and statistics

		Half Year Ended			Dec-21 v	Dec-21 v
		Dec-21	Jun-21	Dec-20	Jun-21 %	Dec-20 %
Performance ratios						
Earnings per share [1,2]						
Basic	(cents)	30.53	42.47	38.39	(28.1)	(20.5)
Diluted	(cents)	28.91	40.33	36.30	(28.3)	(20.4)
Cash earnings per share [1,2]						
Basic	(cents)	28.41	43.41	39.88	(34.6)	(28.8)
Diluted	(cents)	26.98	41.20	37.67	(34.5)	(28.4)
Return on average shareholders' equity [1]	(%)	5.9	8.3	7.5		
Cash return on average shareholders' equity [1]	(%)	5.5	8.5	7.8		
Cash return on average shareholders' equity pre-goodwill [1]	(%)	8.7	13.2	12.2		
Insurance trading ratio	(%)	5.3	10.3	9.0		
Underlying insurance trading ratio	(%)	9.9	7.4	8.4		
Underlying insurance trading ratio (excl COVID-19)	(%)	8.0	7.4	7.1		
Bank net interest margin (interest-earning assets)	(%)	1.97	2.09	2.04		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	23.0	40.0	26.0	(42.5)	(11.5)
Special dividends per ordinary share	(cents)	-	8.0		n/a	n/a
Payout ratio (ordinary dividend) [1]						
Cash earnings	(%)	80.3	92.2	65.2		
Payout ratio (including special dividend) [1]						
Cash earnings	(%)	80.3	110.7	65.2		
Weighted average number of shares						
Basic	(m)	1,270.8	1,278.6	1,276.3	(0.6)	(0.4)
Diluted	(m)	1,397.3	1,381.2	1,391.0	1.2	0.5
Number of shares at end of period [3]	(m)	1,260.4	1,279.8	1,277.2	(1.5)	(1.3)
Net tangible asset backing per share	($)	6.11	6.40	6.22	(4.5)	(1.8)
Share price at end of period	($)	11.07	11.11	9.74	(0.4)	13.7
Productivity						
Australian General Insurance expense ratio	(%)	22.2	22.3	21.3		
Banking cost to income ratio	(%)	57.6	57.8	56.5		
New Zealand General Insurance expense ratio	(%)	29.1	30.1	29.7		
Financial position						
Total assets	($M)	99,452	96,857	94,884	2.7	4.8
Net tangible assets	($M)	7,702	8,193	7,944	(6.0)	(3.0)
Net assets	($M)	12,969	13,448	13,198	(3.6)	(1.7)
Average Shareholders' Equity	($M)	12,951	13,180	13,005	(1.7)	(0.4)
Capital						
General Insurance total capital PCA coverage	(times)	1.71	1.70	1.74		
General Insurance Common Equity Tier 1 PCA coverage	(times)	1.28	1.28	1.32		
Bank total capital ratio	(%)	15.14	14.29	14.43		
Bank Common Equity Tier 1 ratio	(%)	9.91	10.07	10.06		
Common Equity Tier 1 Capital held at Group	($M)	385	787	536	(51.1)	(28.2)

1. Refer to Glossary for definitions

2. Refer to Appendix 'Group EPS Calculations' (page 55) for detailed earnings per share calculations

3. Excluding treasury shares

Group capital and dividends

Capital

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

During the half Suncorp completed a $250 million on-market buyback, with a total of 20.4 million shares purchased which is expected to improve earnings per share by 1.6%. Over the past 4 years the Group has returned more than a billion dollars of capital to shareholders on top of ordinary dividend payments. Suncorp will continue to reassess its capital requirements taking into account the economic outlook and any regulatory guidance.

In line with its conservative approach to capital management, the Group has maintained a strong capital position over the half, with both the GI Group and Bank CET1 ratios within their target operating ranges after the payment of dividends. Following the completion of the $250 million on-market buyback during the half and after the payment of the final and special FY21 dividend ($570 million), CET1 held at Group was $492 million as at 31 December 2021.

The strength of the capital position has enabled the Group to pay an interim dividend at the top of the target payout ratio range while maintaining an appropriate capital buffer in a heightened risk environment.

	As at 31 December 2021					
	General Insurance	Bank	NZ Life & other businesses[2]	Corporate	Total	30 June 2021
	$M	$M	$M	$M	$M	$M
CET1 (pre div)	3,467	3,292	128	385	**7,272**	7,744
Midpoint of Target CET1 Range	3,184	3,074	96	(4)	**6,350**	6,355
Excess to Midpoint of Target CET1 Range (pre div)	283	218	32	389	**922**	1,389
Common Equity Tier 1 ratio (pre div)[1]	1.28x	9.91%				
Group dividend					**(290)**	(616)
Key metrics (ex div)	1.21x CET1 Ratio	9.34% CET1 Ratio		492	**632** **Excess**	773 Excess
CET1 Target	1.075 - 1.275x	9.0 - 9.5%		CET1	**CET1**	CET1
Total capital	4,626	5,032	128	415	**10,201**	10,281
Total target capital	4,268	4,237	96	(24)	**8,577**	8,584
Excess to target (pre div)	358	795	32	439	**1,624**	1,697
Group dividend					**(290)**	(616)
Group excess to target (ex div)					**1,334**	1,081
Total capital ratio[1]	1.71x	15.14%				

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

2. The midpoint for "NZ Life and other businesses" represents the New Zealand life insurance RBNZ Minimum Solvency Capital (MSC) and for Wealth entities APRA's Operational Risk Financial Requirement (ORFR). The Total Group represents the Level 3 PCR as specified under SGL's NOHC Conditions.

Key factors impacting the capital position during the half year include:

— Issuing $405 million of Additional Tier 1 capital (SUNPI) in September 2021 to refinance the $375 million of Capital notes (SUNPF) in advance of the optional call date in June 2022.

— The $250 million on-market buyback completed during the half.

— The General Insurance PCA increased following the impact of natural hazard events on the Insurance Risk Charge, partially offset by a reduction within the investment stress component of the Asset Risk Charge.

— Excess Technical Provisions increased reflecting the strong growth in premiums and improved loss ratios in Home partly offset by natural hazard seasonality.

— Determining the FY22 interim dividend based on a payout ratio of 80% of cash earnings at the top of the Group's 60% to 80% target range.

Dividends

The Group's robust balance sheet and strong reinsurance program has allowed the Board to determine a fully franked interim FY22 dividend of 23 cents per share (cps). This equates to a pay-out ratio of 80% of cash earnings, which is at the top of the target pay-out range of 60%-80%. The interim dividend will be paid on 1 April 2022. The ex-dividend date is 14 February 2022.

To ensure the Group can continue to fully frank dividends, it retains a franking account surplus to cover potential future volatility in the franking account due to changes in the split of the Group's earnings between Australia and New Zealand and differences between Australian accounting profit and Australian taxable income.

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

	Half Year Ended		
	Dec-21 $M	Jun-21 $M	Dec-20 $M
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**244**	207	233

The current franking credit balance is elevated as a result of additional provisioning in the Bank for expected credit losses, and in Insurance Australia for potential business interruption claims.

Group operating expenses

Operating expenses by function

	Half Year Ended			Dec-21	Dec-21
	Dec-21 $M	Jun-21 $M	Dec-20 $M	v Jun-21 %	v Dec-20 %
Insurance Australia					
Insurance Australia operating expenses	**766**	771	714	0.6	(7.3)
New Zealand					
General Insurance operating expenses	238	223	214	(6.7)	(11.2)
Life operating expenses	22	21	22	(6.8)	-
	260	244	236	(6.7)	(10.2)
Banking & Wealth					
Banking operating expenses	366	369	362	0.8	(1.1)
Wealth operating expenses	23	24	25	3.0	8.0
	389	393	387	0.9	(0.5)
Group Other expenses[1]	-	19	36	n/a	n/a
Group operating expenses	**1,415**	1,426	1,373	0.8	(3.1)
FSL and TEPL	121	81	77	(49.4)	(57.1)
Group total operating expenses (including FSL and TEPL)	**1,536**	1,507	1,450	(1.9)	(5.9)

[1.] FY21 re-org costs

Operating expenses movements

	Movement $M
Dec-20 operating expenses (excluding FSL)	**1,373**
Re-org costs	(36)
Dec-20 operating expenses (excluding FSL and re-org)	**1,337**
Project costs (included in operating expenses)	44
Growth related costs (commissions and marketing)	28
Other	6
Dec-21 operating expenses (excluding FSL)[1]	**1,415**

[1.] Dec 21 Excludes TEPL $44m

A provision of $44 million related to the CTP NSW scheme transitional excess profit and loss (TEPL) has been raised in this reporting period in operating expenses to recognise the excess profit payable to the regulator, with an equivalent release from prior year claims reserves during the half.

Group total operating expenses (excluding FSL & TEPL) increased a net $42 million on pcp to $1.4 billion. Key movements reflect:

— Increase in project costs of $44 million primarily driven by higher temporary spend on Group strategic initiatives. Regulatory and systems project costs were broadly flat to the pcp.
— Growth related costs increased $28 million including higher commissions and marketing.
— Other expenses reflected inflation and other personnel cost increases largely offset by benefits from operating model changes.
— Reduction in re-organisation costs following the launch of strategy 2023 and the implementation of the new operating model in the pcp.

Regulatory costs remain significantly elevated and above pre-Royal Commission levels. Regulatory programs delivered in 1H22 included breach reporting obligations, RG38 – hawking prohibition, RG271 – internal dispute resolution requirements, design and distribution obligations, deferred sales model requirements and unfair contracts.

Group General Insurance

Group reported and underlying ITR

Reconciliation of reported ITR to underlying ITR

	Half Year Ended		
	Dec-21 $M	Jun-21 $M	Dec-20 $M
Reported ITR	**254**	468	400
Reported reserve releases (above) below long-run expectations[1]	(40)	(48)	(26)
Natural hazards above (below) allowances	205	(26)	86
Investment income mismatch	4	(41)	(155)
Other:			
Risk margin	42	(25)	52
Abnormal expenses[1]	8	8	16
Underlying ITR	**473**	336	373
Underlying ITR ratio	**9.9%**	7.4%	8.4%

[1] Reserve release and abnormal expenses are presented as net of TEPL release and charges.

Underlying ITR movements

	Dec-20 v Dec-21 %
1H21 underlying ITR	**8.4**
COVID-19 impact	(1.3)
1H21 underlying ITR ex COVID	**7.1**
Consumer	1.5
Commercial	(0.1)
Long-tail statutory classes	-
New Zealand	(0.5)
1H22 underlying ITR ex COVID	**8.0**
COVID-19 impact	1.9
1H22 underlying ITR	**9.9**

Group underlying ITR increased from 8.4% in 1H21 to 9.9% in 1H22. Excluding COVID-19 impacts underlying ITR has increased from 7.1% to 8.0%, representing portfolio performance per below:

- Consumer increased reflecting the benefits of rate increases and portfolio exits, combined with improvements from working claims driven by strong cost management flowing from the Best-in-class claims program of work, together with lower claims frequency (excluding COVID-19 impact) mostly in Home.
- Commercial marginally decreased as a result of timing differences within commission expenses.
- Long-tail statutory classes were broadly flat, reflecting improved CTP claims experience offset by current year reserve strengthening for a Workers' Compensation portfolio in run-off.
- New Zealand decreased, largely reflecting the adverse large claims experience in commercial property.

COVID-19 related impacts across Australia and New Zealand resulted in a 1.9% increase in UITR in 1H22, reflecting reduced motor claims frequency partly offset by increased claims costs associated with higher second hand car prices and supply chain impacts, delays in claims lodgement and closure, industry support and higher operating expenses. Risk margins and prior year reserve movements (including those related to Business Interruption) are excluded from the UITR calculation.

	Jun-21 v Dec-21 %
2H21 underlying ITR	**7.4**
Consumer	1.3
Commercial	(0.3)
Long-tail statutory classes	(0.4)
New Zealand	-
1H22 underlying ITR ex COVID	**8.0**
COVID-19 impact	1.9
1H22 underlying ITR	**9.9**

1H22 Group underlying ITR excluding COVID-19 increased to 8.0% from 7.4% in 2H21, representing portfolio performance per below:

- Consumer increased reflecting the benefit of rate increases, while holding expenses flat.
- Commercial decreased as a result of current year reserve strengthening and timing of reinsurance commission.
- Long-tail statutory classes decreased driven by H1/H2 timing variances in CTP valuations and current year reserve strengthening in Workers' Compensation for a portfolio that is in run-off.
- New Zealand was broadly flat, reflecting the adverse large claims experience in commercial property, offset by lower commission ratio.

Net impact of yields and investment markets

	Half Year Ended		
	Dec-21 $M	Jun-21 $M	Dec-20 $M
Insurance Australia			
Investment income (Insurance funds)	(23)	26	217
Impact of risk-free discount rates on outstanding claims	51	46	(21)
	28	72	196
Present value adjustment on newly recognised claims	22	19	12
Investment income (Shareholder funds)	27	59	88
	49	78	100
Total Insurance Australia	**77**	150	296
New Zealand (AUD)			
General insurance			
Investment Income (Insurance funds)	(4)	-	3
Investment Income (Shareholders funds)	(2)	(1)	10
	(6)	(1)	13
Life			
Market adjustments (pre-tax)	(10)	(15)	10
	(10)	(15)	10
Total New Zealand	**(16)**	(16)	23
Net impact of yields and Investment markets	**61**	134	319

Insurance Australia

For insurance fund assets, a key objective is to match the overall risk-free interest rate sensitivity of the insurance claims liabilities. The aim is to immunise, as far as possible, the impact from changes in risk-free interest rates, such that the dollar impact on assets and liabilities are equal and opposite for 1 basis point movement in interest rates. The residual net impact of $28 million shown in the table mainly reflects the impacts from favourable breakeven inflation. Other contributions include a risk-free component of income on assets backing the undiscounted liabilities (unearned premium), credit spreads, manager active performance and a mismatch component due to the approach of matching assets to the APRA assessment of liabilities instead of the accounting liabilities.

The present value adjustment on newly recognised claims reflects the initial discounting applied to new claims to recognise them at present value. The investment income on shareholders' funds is the absolute return on an investment portfolio of bonds, equities and unlisted assets

For further detail on investment income for Insurance Australia, please refer to page 22.

Natural hazards and reinsurance

Natural hazard costs to 31 December 2021 were $695 million, up from $561 million in the pcp, and $205 million above the Group's allowance of $490 million. Major natural hazard events for Australia and New Zealand are shown in the table below.

Date	Event	$M
Jul 21	WA Cold Front	13
Jul 21	Southern Australia Low	7
Jul 21	NZ Heavy Rain	33
Aug 21	Eastern States Winter Winds	8
Aug 21	NZ North Island Storm	14
Sep 21	Mansfield Earthquake	64
Sep 21	Eastern Australia Storms	18
Sep 21	All NZ Spring Storm	11
Oct 21	Eastern Australia Complex Low	45
Oct 21	QLD Storms	17
Oct 21	Coffs Harbour Hail	79
Oct 21	Thirlmere Hail	27
Oct 21	Adelaide Hail	171
Nov 21	VIC Rain	10
Nov 21	November Rain	11
Nov 21	NSW QLD Rain and Floods	6
Dec 21	Eastern States Rain and Floods	24
Dec 21	December Rain and Storms	14
Dec 21	South Eastern Wind and Storms	13
Total events over $5 million		**585**
Other natural hazards		110
Total natural hazards		**695**
Less: allowance for natural hazards		(490)
Natural hazards costs above / (below) allowance		**205**

The Group's FY22 natural hazard allowance is $980 million, with the allowance divided equally between the first and second halves of the financial year.

For additional information on natural hazard events, please refer to page 20 for events in Australia and page 43 for events in New Zealand.

The full limits of the Group's property catastrophe programs (including AXL, all three dropdown covers and reinstatements) remain available going into the second half of the financial year. During the first half, accumulated losses from natural hazard events had eroded $490 million of the $650m million AXL deductible. Following the high frequency of events in 1H22, an additional $75m AXL top-up cover (50% placement of a $150m layer attaching above existing AXL) has been purchased for the FY22 treaty year bringing the total AXL cover available to $475m. The additional AXL commenced 14 December 2021.

The FY22 reinsurance program has been outlined in the appendix on page 66.

Insurance Australia

Insurance Australia delivers home and contents, motor, caravan, compulsory third party, workers compensation and commercial insurance through its suite of insurance brands including AAMI, Suncorp Insurance, GIO, Vero, Apia, Terri Scheer and Shannons. The Insurance Australia business is one of Australia's largest general insurers by gross written premium and Australia's largest compulsory third party insurer.

Result overview

GWP excluding FSL $4,474 million ↑5.1% on pcp

Insurance Australia continued to see strong momentum in the strategic initiative to **revitalise growth**.

Excluding portfolio exits, GWP growth was 7.5% with growth broad based across portfolios. The portfolio exits reflect the increased focus on improved risk selection and portfolio discipline. The proportion of new business digital sales for mass brands across home, motor and CTP products increased to 60%, up from 51% in the pcp.

Consumer GWP excluding portfolio exits **↑8.0%,** including portfolio exits **↑4.6%.** AWP increases in the Home portfolio reflected the ongoing response to higher natural hazard and reinsurance costs net of AWP dilution from strong growth in landlord policies.

Motor AWP growth was driven by inflation including increases in sums insured. Benefits were realised from ongoing strategic investment in AAMI marketing and enhanced digitisation of the sales process.

Commercial GWP excluding portfolio exits **↑5.6%** including portfolio exits **↑4.4%** reflecting strong retention in the short and long tail portfolios along with above inflation premium rate increases across most classes.

CTP GWP ↑6.2% driven by unit growth across all schemes (+9.9%) reflecting pricing dynamics and delivery of the CTP digitisation program. Leading national market position share was maintained.

Workers' compensation and other GWP ↑13.3% reflecting strong retention, higher wage growth and rate increases in the Workers' compensation portfolio.

Profit After Tax $114 million ↓55.8% on pcp

Strong top-line growth and improved working claims performance continued to drive Underlying ITR. On a headline basis, PAT of $114 million was impacted by lower investment returns and adverse natural hazards experience. Reduced motor claims frequency was partly offset by increased claims costs including supply chain impacts, delays in claims lodgements and closure, industry support and higher operating expenses.

Net incurred claims $2,923 million ↑1.8% on pcp

Net incurred claims excluding discount movements increased by 4.4% reflecting higher natural hazard costs and the impact of portfolio growth in the statutory classes partly offset by the COVID-19 impact in the current period.

Online claim lodgements in the Consumer portfolios increased significantly. **Best-in-class claims** initiatives continue to be embedded across the supply chain including refreshed repair panels and technology changes to enhanced repair allocations and outcomes. Prior year reserve releases[1] were 2.1% of Group NEP, above the Group's long run expectation of 1.5%.

Investment income[2] $4million ↓98.7% on pcp

Investment income was primarily driven by gains from higher breakeven inflation, equities, infrastructure, and property. This was largely offset by unfavourable mark-to-market movements from an increase in government bond yields and widening credit spreads.

Operating expenses excluding FSL and TEPL[1] **↑7.3%** on pcp driven by the temporary increase in strategic initiative spend and growth-related expenses.

1. Excludes the impact of Transitional Excess Profits and Losses (TEPL) (further explained on page 20 and page 22)
2. Investment income = insurance funds + shareholder funds

Insurance Australia Profit contribution and key ratios

	Half Year Ended Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Gross written premium	**4,542**	4,446	4,344	2.2	4.6
Gross unearned premium movement	(68)	(156)	(124)	56.4	45.2
Gross earned premium	4,474	4,290	4,220	4.3	6.0
Outwards reinsurance expense	(492)	(477)	(493)	(3.1)	0.2
Net earned premium	**3,982**	3,813	3,727	4.4	6.8
Net incurred claims					
Claims expense [1]	(3,256)	(2,916)	(3,417)	(11.7)	4.7
Reinsurance and other recoveries revenue	333	291	546	14.4	(39.0)
Net incurred claims	**(2,923)**	(2,625)	(2,871)	(11.4)	(1.8)
Total operating expenses					
Acquisition expenses	(542)	(551)	(487)	1.6	(11.3)
Other underwriting expenses [1]	(344)	(301)	(304)	(14.3)	(13.2)
Total operating expenses	**(886)**	(852)	(791)	(4.0)	(12.0)
Underwriting result	173	336	65	(48.5)	166.2
Investment income - insurance funds	(23)	26	217	n/a	n/a
Insurance trading result	**150**	362	282	(58.6)	(46.8)
Managed schemes, joint ventures and other	(8)	(2)	5	(300.0)	n/a
Insurance Australia operational earnings	**142**	360	287	(60.6)	(50.5)
Investment income - shareholder funds	27	59	88	(54.2)	(69.3)
Insurance Australia profit before tax and capital funding	**169**	419	375	(59.7)	(54.9)
Capital funding	(9)	(6)	(9)	(50.0)	-
Insurance Australia profit before tax	**160**	413	366	(61.3)	(56.3)
Income tax	(46)	(124)	(108)	62.9	57.4
Insurance Australia profit after tax	**114**	289	258	(60.6)	(55.8)
Key ratios	%	%	%		
Acquisition expenses ratio	13.6	14.5	13.1		
Other underwriting expenses ratio	8.6	7.8	8.2		
Total operating expenses ratio	**22.2**	22.3	21.3		
Loss ratio	73.4	68.9	77.0		
Combined operating ratio	95.6	91.2	98.3		
Insurance trading ratio	3.8	9.5	7.6		

1. Other Underwriting Expense includes a $44.3m provision for TEPL. The reserve release associated with this provision is in Claims expense.

Insurance trading result (excluding FSL, discount rate movement and unwind)	Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Gross written premium	4,474	4,372	4,255	2.3	5.1
Net earned premium	3,906	3,731	3,650	4.7	7.0
Net incurred claims [1]	(2,974)	(2,670)	(2,850)	(11.4)	(4.4)
Acquisition expenses	(542)	(551)	(487)	1.6	(11.3)
Other underwriting expenses [1]	(268)	(220)	(227)	(21.8)	(18.1)
Total operating expenses	**(810)**	(771)	(714)	(5.1)	(13.4)
Investment income - insurance funds	28	72	196	(61.1)	(85.7)
Insurance trading result	**150**	362	282	(58.6)	(46.8)
Key ratios	%	%	%		
Acquisition expenses ratio	13.9	14.8	13.3		
Other underwriting expenses ratio [2]	6.9	5.8	6.2		
Total operating expenses ratio	**20.8**	20.6	19.5		
Loss ratio [2]	76.1	71.6	78.1		
Combined operating ratio	**96.9**	92.2	97.6		

1. Other Underwriting Expense includes a $44.3m provision for TEPL. The reserve release associated with this provision is in Net incurred Claims.
2. Excluding the impacts of TEPL, Dec-21 Other underwriting expenses ratio is 5.7% and Loss ratio is 77.3%.

Gross written premium (GWP)

GWP by product & geography

	Half Year Ended				
	Dec-21	Jun-21	Dec-20	Dec-21 v Jun-21	Dec-21 v Dec-20
	$M	$M	$M	%	%
Gross written premium by product					
Motor	1,632	1,630	1,534	0.1	6.4
Home	1,223	1,167	1,196	4.8	2.3
Commercial	869	727	832	19.5	4.4
Compulsory third party	528	515	497	2.5	6.2
Workers' compensation and other	222	333	196	(33.3)	13.3
Total GWP	**4,474**	4,372	4,255	2.3	5.1
Fire Service Levies					
Motor	9	6	9	50.0	-
Home	40	47	58	(14.9)	(31.0)
Commercial	19	21	22	(9.5)	(13.6)
Total FSL	**68**	74	89	(8.1)	(23.6)
Total GWP including FSL	**4,542**	4,446	4,344	2.2	4.6
Gross written premium by geography					
Queensland	1,157	1,094	1,124	5.8	2.9
New South Wales	1,401	1,310	1,359	6.9	3.1
Victoria	1,039	1,030	987	0.9	5.3
Western Australia	383	438	354	(12.6)	8.2
South Australia	212	177	173	19.8	22.5
Tasmania	104	116	99	(10.3)	5.1
Other	178	207	159	(14.0)	11.9
Total GWP excluding FSL	**4,474**	4,372	4,255	2.3	5.1
Fire Service Levies					
New South Wales	67	73	88	(8.2)	(23.9)
Tasmania	1	1	1	-	-
Total FSL	**68**	74	89	(8.1)	(23.6)
Total GWP including FSL	**4,542**	4,446	4,344	2.2	4.6

Motor

Motor GWP growth excluding portfolio exits was 7.8% versus the pcp, reflecting AWP growth of 4.9% and unit growth of 2.9%. Unit growth was broad-based across both mass and niche brands, driven by improved retention that was partly offset by lower new business reflecting the lockdowns on the eastern seaboard.

Home

Home GWP growth excluding portfolio exits was 8.3% versus the pcp, reflecting a 7.5% increase in AWP and 0.8% increase in units. Strong growth in customers taking landlord policies, mainly through the Terri Scheer brand, was the driver of unit growth noting lower AWP for this product. In 1H22, Home GWP benefited from ongoing strategic investment in AAMI marketing and enhanced digitisation of the sales process. Growth was also supported by product enhancements such as accidental damage cover and a nil excess window glass cover. The Customer and Pricing Ecosystem (CaPE) was deployed for Home mass Brands in November 2021.

Commercial

Commercial GWP growth was 5.6% (excluding the impact of the Construction portfolio exit) versus the pcp, driven by strong retention and premium rate growth across the majority of classes.

Workers’ Compensation and other

Workers’ Compensation and Other GWP increased by 13.3% versus the pcp. This was driven by Workers’ Compensation growth of 13.6% reflecting strong retention, wage growth and rate increases. Growth was mainly in Western Australia, which accounts for around 70 per cent of Suncorp’s portfolio.

Compulsory Third Party (CTP)

CTP GWP increased 6.2% to $528 million driven by unit growth of 9.9%. There was strong growth in SA (GWP+93%) reflecting price position and first-ranked Claimant Service Rating – both of which improved compared to the pcp. There was also solid unit growth in NSW (4.5%) reflecting pricing dynamics and benefits of the CTP digitisation program. CTP AWP fell 3.6% driven by scheme price changes in Queensland. Suncorp continues to maintain its leading national market share of 31.5%, by leveraging its strong brands and digital capability.

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Compulsory third party GWP by geography					
Queensland	202	214	214	(5.6)	(5.6)
New South Wales	238	241	225	(1.2)	5.8
Australian Capital Territory	30	29	28	3.4	7.1
South Australia	58	31	30	87.1	93.3
Total compulsory third party GWP	**528**	515	497	2.5	6.2

Net incurred claims

Net incurred claims were $2,923 million, 1.8% above the pcp. Excluding discount movements, net incurred claims increased by 4.4%. This increase was largely due to higher natural hazard costs and the impact of portfolio growth in the statutory classes. In the Consumer portfolio, working claims performance was strong due to lower frequency and cost management.

Motor

Motor claims increased due to unit growth, inflation in third party demands, and the impact of higher second-hand car prices following supply chain disruptions. Claims frequency experience was again impacted by lockdown restrictions due to COVID-19, mainly in NSW and VIC, but rebounded to more normal levels by the end of the half. Strategic initiatives to manage parts costs and the Suncorp preferred repairer network continues to deliver benefits helping to maintain low single digit inflation. A repairer support package was introduced to alleviate some pressure on Suncorp panel repairers as a result of COVID-19 related lockdowns. The digital program of work in claims continues to progress well, with online lodgement more than doubling in the last 12 months.

Home

Home working claims were favourable against the pcp due to lower frequency across multiple loss causes and lower average claims sizes across most loss causes, including strong cost management of water related claims. Strategic initiatives continue to be embedded across the portfolio, including a refreshed panel of providers with renegotiated rates and terms aligned to improve customer and cost outcomes. Further system enhancements are driving continuous performance improvements and optimising volume allocations based on panel performance. This is supported by the ongoing focus on digital claims experience that contributed to more than half of all home claims from recent storms being lodged online.

Commercial

Commercial claims loss ratios were largely flat, with benign large loss experience in Property and some frequency benefits in Fleet. Reserves were strengthened in Vero packages where targeted underwriting improvement is underway, as well as the professional indemnity portfolios.

CTP and Workers' Compensation

CTP claims costs increased, primarily due to growth. Claims experience improved across NSW and Queensland, and prior year reserve releases were recorded across all major states, with performance in NSW particularly strong.

Workers' Compensation claims costs increased largely due to growth in the portfolio. Modest reserve releases in the underwritten states were more than offset by a strain in the excess of loss portfolio that is in run-off.

Natural hazards – Insurance Australia

Total natural hazard costs were $626 million, up from $512 million in the prior comparative period. This was $164 million above the $462 million allowance for Insurance Australia. Major natural hazard events for Australia are shown in the table below. This includes a $9 million impact from a July heavy rain event in New Zealand reflecting the internal reinsurance arrangement between Australia and New Zealand that exists for Group capital efficiency purposes.

Date	Event	Net costs $M
Jul 21	WA Cold Front	13
Jul 21	Southern Australia Low	7
Jul 21	NZ Heavy Rain (Internal Reinsurance)	9
Aug 21	Eastern States Winter Winds	8
Sep 21	Mansfield Earthquake	64
Sep 21	Eastern Australia Storms	18
Oct 21	Eastern Australia Complex Low	45
Oct 21	QLD Storms	17
Oct 21	Coffs Harbour Hail	79
Oct 21	Thirlmere Hail	27
Oct 21	Adelaide Hail	171
Nov 21	VIC Rain	10
Nov 21	November Rain	11
Nov 21	NSW QLD Rain and Floods	6
Dec 21	Eastern States Rain and Floods	24
Dec 21	December Rain and Storms	14
Dec 21	South Eastern Wind and Storms	13
Total events over $5 million		**536**
Other natural hazards		90
Total natural hazards		**626**
Less: allowance for natural hazards		(462)
Natural hazards costs above / (below) allowance		**164**

Outstanding claims provision breakdown

The valuation of outstanding claims has resulted in central estimate releases of $162 million ($101 million excluding BI and TEPL), which is above the Group's long-run expectation for reserve releases of 1.5% of Group NEP.

The short-tail release of $86 million was mainly driven by favourable claims experience on a number of FY21 natural hazard events, reclassification of attritional natural hazard claims leading to additional reinsurance recoveries and a downward revision to the business interruption provision.

Long-tail claims reserve releases was $76 million. The impact of favourable experience in the NSW CTP portfolio contributed to the majority of the long-tail releases. This was partially offset by strengthening in Workers compensation excess of loss portfolio that is in run-off, Vero packages (where targeted underwriting improvement is underway) and professional indemnity portfolios. As the NSW CTP scheme looks profitable for accident years 2018 and 2019, $44 million of the prior year releases in this reporting period has been raised as a provision for transitional excess profit and loss (TEPL) through operating expenses. This provision recognises the excess profit payable to the regulator.

	Net central estimate (discounted) $M	Risk margin (90th percentile discounted) $M	Total $M	Change in net central estimate[1] $M
Short-tail	2,200	248	2,448	(86)
Long-tail	5,258	872	6,130	(76)
Total	**7,458**	**1,120**	**8,578**	**(162)**

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

Business interruption

The business interruption provision of $185 million has been calculated on a probability-weighted basis and significant judgement has been exercised to derive a reasonable estimate of the probability-weighted view of potential future cash flows relating to business interruption, in line with the Group's approach to reserve at a 90% confidence level for potential exposures.

Key areas of judgement relate to ongoing legal risk, the ultimate number of claims and key assumptions including that income from Government subsidies such as Job Keeper is offset against any economic loss subject to indemnity, and that the Biosecurity Act exclusion wordings can be relied on.

The provision has reduced by $26 million over the half, given the successful finalisation of the Rockment Pty Ltd matter which confirmed the broad application of the Biosecurity Act wording.

To date, there have been two Insurance Council of Australia (ICA) industry test cases on business interruption claims. The first industry test case was ruled in favour of policyholders in November 2020, noting that certain policy exclusions referencing the Quarantine Act could not be read as references to the Biosecurity Act and relied upon in relation to COVID-19 business interruption claims. The second industry test case examined a number of insuring clauses, as well as adjustment clauses, including the application of government subsidies such as Job Keeper payments. In October 2021, the Federal Court ruled largely in favour of the insurance industry and held that business interruption policies were not triggered and government subsidies should be taken into account when adjusting any claims. This judgement is currently the subject of an appeal before the Full Federal Court. There is also a further possibility that any Full Court decision may be appealed to the High Court.

Since the onset of COVID-19, the level of exposure to policies with Quarantine Act exemptions has progressively reduced as the policies renew with updated wordings. All business interruption in-force policies now reflect the Biosecurity Act wording.

Outstanding claims provision over time

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

	Half Year Ended			Dec-21	Dec-21
	Dec-21	**Jun-21**	**Dec-20**	**v Jun-21**	**v Dec-20**
	$M	**$M**	**$M**	**%**	**%**
Gross outstanding claims liabilities	10,159	10,042	10,194	(1.2)	0.3
Reinsurance and other recoveries	(1,581)	(1,721)	(1,930)	(8.1)	(18.1)
Net outstanding claims liabilities	**8,578**	8,321	8,264	(3.1)	(3.8)
Expected future claims payments and claims handling expenses	7,713	7,421	7,274	(3.9)	(6.0)
Discount to present value	(255)	(186)	(134)	37.1	90.3
Risk margin	1,120	1,086	1,124	(3.1)	0.4
Net outstanding claims liabilities	**8,578**	8,321	8,264	(3.1)	(3.8)
Short-tail	2,448	2,164	2,060	(13.1)	(18.8)
Long-tail	6,130	6,157	6,204	0.4	1.2
Total	**8,578**	8,321	8,264	(3.1)	(3.8)

Risk margins

Risk margins give an assessed level of confidence to the outstanding claims reserves of 90%.

Total risk margins increased by $34 million over the half year. The assets notionally backing risk margins had a net loss of $7 million. The net impact was therefore $41 million, which is excluded from the underlying ITR calculation.

Operating expenses

Excluding FSL and TEPL impact, operating expenses increased 7.3% driven by the temporary increase in project spend associated with the Group's strategy, and growth related expenses. TEPL (Transitional Excess Profits and Losses), includes a profit normalisation mechanism which caps industry and insurer profits. This has led to recognition of a levy provision, recorded in expenses and offsetting the impact of associated reserve releases.

Managed schemes, joint ventures and other

Suncorp continues to be part of a scheme arrangement with the NSW Government receiving revenue as a claims management provider to manage its existing portfolio. Managed fund revenue has declined due to the runoff of certain portfolios. Suncorp continues to participate in tendering of new business for future periods but anticipates some strain in this line item over the short term until volumes recover.

Investment income

Suncorp's primary objective is to optimise investment returns relative to investment risk appetite. This process has regard to capital as well as to immunise, as far as practical, the interest rate and claims inflation risks inherent in the insurance liabilities. Investment grade fixed interest securities and assets with inflation hedging characteristics are key to meeting this objective.

Key market metrics for the year are set out in the table below.

	Dec-21	Jun-21	Dec-21 v Jun-21
3 year bond yield (%)	0.91	0.41	+50bp
10 year bond yield (%)	1.67	1.53	+14bp
10 year breakeven inflation rate (%)	2.27	2.06	+21bp
AA 3 year credit spreads (bp)	63	46	+17bp
Australian equities (total return)	**86,118**	82,932	+3.8%
International equities (hedged total return)	**2,630**	2,424	+8.5%

Asset allocation

Suncorp continues to invest in line with the Group's risk appetite and the Board approved investment strategy. Portfolio changes continue to reflect implementation of strategic asset allocation and conservative portfolio positioning. In the Insurance Funds, the proportion of the portfolio allocated to corporate bonds increased by 5%, offset by a decrease in inflation linked and government bonds. The decrease in physical holdings of inflation linked bonds was through a reduction in shorter dated securities, with effective inflation risk exposures maintained. In the Shareholder's funds, allocation to infrastructure was reduced, with a higher proportion allocated to fixed interest and cash exposures. The Group continues to assess the optimal level of inflation hedging through the inflation-linked bond portfolio, as well as Shareholders Funds allocations. The Group will continue to maintain a high-quality investment portfolio, noting that any changes resulting from ongoing review may result in a modestly higher asset risk charge. Five percent of shareholders' funds is targeted to impact investing which includes Green Bonds, Renewable Energy Infrastructure and Social Impact Investments.

	Half Year Ended					
	Dec-21		Jun-21		Dec-20	
	$M	%	$M	%	$M	%
Insurance funds						
Cash and short-term deposits	450	5	282	3	417	4
Inflation-linked bonds	1,746	17	2,245	21	2,314	23
Corporate bonds	7,134	69	6,700	64	6,137	61
Semi-Government bonds	224	2	219	2	169	2
Commonwealth Government bonds	757	7	1,081	10	951	10
Total Insurance funds	**10,311**	100	10,527	100	9,988	100
Shareholders' funds						
Cash and short-term deposits	351	10	263	8	283	8
Australian interest-bearing securities	1,545	45	1,503	45	1,559	48
Global interest-bearing securities (hedged)	843	24	815	24	840	26
Equities	568	16	525	16	325	10
Infrastructure and property	168	5	244	7	259	8
Total shareholders' funds	**3,475**	100	3,350	100	3,266	100
Total	**13,786**		13,877		13,254	

Credit quality

The allocation to A rated securities increased as a result of investment manager positioning.

Rating	Dec-21 %	Jun-21 %	Dec-20 %
AAA	42.5	42.6	41.4
AA	14.0	14.9	18.9
A	22.4	20.2	18.6
BBB	21.1	22.3	21.1
	100.0	100.0	100.0

Duration

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

	Dec-21 Years	Jun-21 Years	Dec-20 Years
Insurance funds			
Interest rate duration	2.5	2.4	2.6
Credit spread duration	1.4	1.4	1.4
Shareholders' funds			
Interest rate duration	1.5	1.6	1.7
Credit spread duration	2.4	2.5	2.4

Investment performance

Total investment income on insurance funds and shareholders' funds was $4 million, representing an annualised return of 0.1% for the year.

Insurance funds

Investment loss on insurance funds was $23 million, representing an annualised return of -0.4%. This reflects losses from rising government bond yields and widening of credit spreads partly offset by gains from an increase in breakeven inflation.

Underlying yield

The underlying yield income was $48 million, representing an annualised return of 0.9%, reflecting higher risk-free yields, credit spreads and inflation carry above risk-free. The underlying yield income reflects the investment loss of $23 million adjusted for the following market valuation impacts:

— Losses of $107 million due to an increase in risk-free rates.

— Losses of $4 million due to a widening of credit spreads.

— Gains of $40 million due to an increase in breakeven inflation.

Adjustment to ITR for investment market volatility

Consistent with prior periods, an adjustment has been made to the ITR to normalise the impact of investment market volatility.

The adjustment has four parts, as follows:

— Risk free rates: For insurance funds, a key objective is to match the overall risk-free interest rate sensitivity of the insurance claims liabilities. The residual net unfavourable impact of $36 million in 1H22 represents the impact from the asset and liability mismatch. This is added to the ITR.

— Credit spreads: the $4 million unfavourable impact due to the widening of credit spreads is added to the ITR.

— Inflation-linked bonds: the $40 million favourable impact from breakeven inflation is deducted from the ITR.

— Market rate adjustment on premium liabilities: the unwind of prior risk-free changes on assets backing unearned premium resulted in $5 million being removed from the ITR. The current period impact from the mark-to-market of assets backing the unearned premium liabilities is included in the Risk free rate adjustment above.

The combined impact of these adjustments to ITR is negative $5 million.

Shareholders' funds

Investment income on shareholders' funds was $27 million, representing an annualised return of 1.6%, driven by gains in equities, infrastructure and property, partly offset by mark-to-market losses from rising government bond yields.

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	-	-	1	n/a	n/a
Interest-bearing securities and other	(23)	26	216	n/a	n/a
Total	**(23)**	26	217	n/a	n/a
Investment income on shareholders' funds					
Cash and short-term deposits	-	-	-	n/a	n/a
Interest-bearing securities	(23)	(11)	36	(109.1)	n/a
Equities	34	56	57	(39.3)	(40.4)
Infrastructure and property	16	14	(5)	14.3	n/a
Total	**27**	59	88	(54.2)	(69.3)
Total investment income	**4**	85	305	(95.3)	(98.7)

Banking & Wealth

Suncorp Bank provides lending, deposit and transaction account services to personal, small and medium enterprise (SME), commercial, and agribusiness customers. The sale of Suncorp's Wealth business to LGIAsuper announced in April 2021 is expected to be completed in the second half of this financial year, subject to regulatory approvals.

In the half, the Bank announced its 'Create a Brighter Future' ambition, underpinned by two pillars of sustainability and wellbeing. The Bank is committed to delivering banking that is good for customers and for the world, and to deliver profit with purpose. This ambition is a natural extension of the Suncorp Group brand, built on care for customers, communities and being there in the moments that matter.

Bank Result overview

Profit After Tax $200 million

↑5.3% on pcp

Growth in loan balances coupled with a net impairment release, partly offset by a lower NIM and increased expenses to support strategic investment and volume growth.

NIM 1.97%

↓12bps on 2H21

Reduced home lending margins from competitive pressures and movements in market rates, higher fixed rate home lending mix, partly offset by active management of customer deposits pricing.

Other operating income $14 million

↓$9 million on pcp

Movement of fixed rate loan break fees to net interest income effective January 2021. Removal of deposit payment honour and cheque dishonour fees from 24 October 2020.

Operating expense $366 million

↑1.1% on pcp

Increased strategic investment and personnel costs to support volume growth, partly offset by branch optimisation benefits and lower technology spend.

Cost-to-income ratio 57.6%

↑1.1% on pcp

Reduced to 56.8% when investment project spend is normalised to FY23 expected levels.

Total lending $58.6 billion ↑ 1.8% on 2H21

The Bank is making good progress on its strategic initiative to **win in home lending**, growing the portfolio 2.7% over the half (5.3% annualised, 6.0% annualised excluding discontinued home lending product). Business lending declined 1.2%, predominantly driven by an increase in seasonal grain and mixed farming repayments in the Agribusiness portfolio, which was down 2.9% over the half.

Total Customer Funding $44.8 billion ↑ 7.8% on 2H21

The Bank continues to **accelerate everyday banking.** The at-call transaction portfolio ($19.4 billion, ↑ 12.8% on 2H21) is supported by a strong digital offering. In the half, the Bank launched Paylater to provide customers with payment flexibility. The Bank also substantially finalised customer migration to the new Suncorp App, with average monthly customer logins increasing 10.5% to 23.4 over the half.

Net impairment release $16 million

↑$24 million on pcp

Driven by a $15 million reduction in the collective provision due to continued improvement in economic conditions and risk profile of the lending portfolio and a $2 million specific provision release attributed to an agribusiness property sale.

Past due loans $365 million, 0.62% GLA

↓$185 million, or 0.33% on 2H21

Home lending past due loans not impaired, down $157 million to $317 million as customers returned to performing following COVID-19 temporary loan deferral assistance and a buoyant housing market which assisted in voluntary property sales.

CET1 Ratio 9.91%

↓ 0.16% on 2H21

NSFR 132%

↑ 1% on 2H21

LCR 142%

↓ 11% on 2H21

The Bank maintained strong capital, funding and liquidity metrics and is well positioned to execute its ambition and strategy. Following APRA's announcement on 10 September that Committed Liquidity Facility (CLF) limits will not be available beyond December 2022, the Bank reduced its CLF limit from $3.9 billion to $1.5 billion effective 1 December 2021.

Profit contribution and key ratios

	Half Year Ended Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Banking					
Net interest income	621	624	618	(0.5)	0.5
Net other operating income					
Net banking fee income and commission	2	2	12	-	(83.3)
Gain on derivatives and other financial instruments	9	12	9	(25.0)	-
Other revenue	3	2	2	50.0	50.0
Total other operating income	**14**	16	23	(12.5)	(39.1)
Total income	**635**	640	641	(0.8)	(0.9)
Operating expenses	(366)	(369)	(362)	0.8	(1.1)
Profit before impairment losses on financial assets	**269**	271	279	(0.7)	(3.6)
Impairment release/(loss) on loans and advances	16	57	(8)	(71.9)	n/a
Banking profit before tax	**285**	328	271	(13.1)	5.2
Income tax	(85)	(99)	(81)	14.1	(4.9)
Banking profit after tax	**200**	229	190	(12.7)	5.3
Wealth profit (loss) after tax	**(1)**	-	-	n/a	n/a
Banking & Wealth profit after tax	**199**	229	190	(13.1)	4.7

Key ratios	%	%	%
Lending growth	1.82	0.41	(1.20)
Customer funding growth	7.81	0.19	3.74
Net interest margin (interest-earning assets)	1.97	2.09	2.04
Cost to income ratio	57.6	57.8	56.5
Impairment release/(losses) to gross loans and advances[1]	0.05	0.20	(0.03)
Common Equity Tier 1 ratio	9.91	10.07	10.06
NSFR	132	131	132
LCR	142	153	165

1. Annualised

Net interest income

Net interest income of $621 million, increased 0.5% on the pcp, as higher lending balances were mostly offset by a contraction in NIM.

	%
2H21 net interest margin	**2.09**
Lending pricing	(0.09)
Lending mix	(0.04)
Liquid assets	(0.06)
Customer deposit pricing and wholesale funding cost	0.07
1H22 net interest margin	**1.97**

NIM decreased 12 basis points over the half to 1.97%. The key drivers of the decline include:

— Lending pricing decreased 9 basis points primarily due to reduced margins on variable and fixed home lending and the impact of existing customer repricing from significant competition in market for new business.

— Lending mix declined 4 basis points driven by an increase in the proportion of lower margin fixed loans from 27% to 32% of the portfolio. Fixed rate loans as a proportion of new business in the half were 52%, up from 43% in the prior half.

— Liquid assets decreased 6 basis points primarily driven by an increase in High Quality Liquid Assets (HQLA), partly offset by higher yields on the portfolio.

— Improved customer deposit margins and reduced wholesale funding costs contributed a 7 basis points increase. This was driven by active management of customer pricing in the savings book and favourable wholesale funding cost margins relative to maturities.

Average interest earning assets increased $2.4 billion or 4.1% over the half to $62.5 billion, driven by:

— Gross loans and advances: $53.2 billion, an increase of $0.3 billion or 0.7% on the prior half driven by an increase in home lending, partly offset by a decline in business lending and personal lending as the latter portfolio is in natural run off post the February 2021 discontinuation announcement.

— Trading and investment securities: $9.2 billion, an increase of $2.1 billion or 28.9% on the prior half. The Bank increased HQLA required to replace the 1 December 2021 CLF limit reduction to $1.5 billion (April 2021: $3.91 billion).

Other operating income

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Net banking fee income and commission	2	2	12	-	(83.3)
Gain/(loss) on derivatives and other financial instruments	9	12	9	(25.0)	-
Other revenue	3	2	2	50.0	50.0
Total other operating income	**14**	16	23	(12.5)	(39.1)

Total other operating income was $14 million, a decrease of 39.1% on the pcp due to:

— A decrease in banking fees from the movement of fixed loan break fees into net interest income effective 1 January 2021. Adjusting for this $6 million movement, total other operating income decreased 19.1% on the pcp. Other contributing factors to the decline in banking fees include the removal of deposit payment honour and cheque dishonour fees effective 24 October 2020 and increased payments related processing fees and home lending trail commissions associated with the growth in the customer deposits and home lending portfolios respectively. This was partly offset by increased home lending settlement fees and business lending line fees.

— Gains on derivatives and other financial instruments were broadly flat on the pcp. Market gains were realised whilst transitioning out of Alternate Liquid Assets and into High Quality Liquid Assets (HQLA) in preparation for the phasing out of the CLF by December 2022.

Operating expenses

Total operating expenses of $366 million increased 1.1% on the pcp primarily driven by the temporary increase in project spend and higher personnel costs to meet the demand required for volume growth, partly offset by branch optimisation benefits and a reduction in technology spend.

The Bank's cost to income ratio increased 1.1% on the pcp to 57.6% as a result of the small decline in income and an increase in operating expenses, although the ratio reduced 0.2% over the half. The cost to income ratio reduces to 56.8% when investment project spend is normalised to FY23 expected levels.

Loan impairment expense

Impairment releases/(losses) on loans and advances

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Collective provision for impairment	15	60	-	(75.0)	n/a
Specific provision for impairment	2	(3)	(7)	n/a	n/a
Actual net write-offs	(1)	-	(1)	n/a	-
Impairment releases/(losses)	**16**	57	(8)	(71.9)	n/a
Impairment releases/(losses) to gross loans and advances[1]	0.05%	0.20%	(0.03%)		

1. Annualised

Following continued improvement in economic conditions and an improvement in the risk profile of the lending portfolio since the outbreak of COVID-19, the Bank has reviewed its modelled collective provision, releasing $15 million. A $2 million specific provision release was driven by a property sale in the agribusiness portfolio.

Taking this into account, the Bank reported net impairment releases of $16 million, representing 5 basis points of gross loans and advances (annualised).

Bank Balance Sheet

				Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Housing loans - term[1]	42,334	40,675	39,347	4.1	7.6
Housing line of credit	872	1,022	1,107	(14.7)	(21.2)
Securitised housing loans and covered bonds	4,086	4,374	5,270	(6.6)	(22.5)
Total housing loans	**47,292**	46,071	45,724	2.7	3.4
Personal loans	93	122	151	(23.8)	(38.4)
Retail loans	**47,385**	46,193	45,875	2.6	3.3
SME[2]	2,716	2,738	2,779	(0.8)	(2.3)
Commercial[2]	4,406	4,404	4,637	0.0	(5.0)
Agribusiness	4,106	4,228	4,039	(2.9)	1.7
Total business loans	**11,228**	11,370	11,455	(1.2)	(2.0)
Total lending	**58,613**	57,563	57,330	1.8	2.2
Provision for impairment	(219)	(239)	(304)	8.4	28.0
Total loans and advances	**58,394**	57,324	57,026	1.9	2.4
Geographical breakdown - Total lending					
Queensland	28,053	28,020	28,224	0.1	(0.6)
New South Wales	16,266	15,771	15,582	3.1	4.4
Victoria	7,749	7,393	7,171	4.8	8.1
Western Australia	3,769	3,686	3,677	2.3	2.5
South Australia and other	2,776	2,693	2,676	3.1	3.7
Outside of Queensland loans	**30,560**	29,543	29,106	3.4	5.0
Total lending	**58,613**	57,563	57,330	1.8	2.2

1. Housing loans for all periods restated to include "other lending", bringing the disclosure in line with the quarterly APS330 regulatory disclosure
2. Commercial and SME balances for all periods have been split and restated

Home lending

The Bank continues to deliver on its strategic initiative to win in home lending, evidenced through the continued building of portfolio growth momentum and reduced turnaround times.

Over the half, the home lending portfolio grew $1.2 billion to $47.3 billion, or 5.3% annualised (6.0% annualised excluding grandfathered home lending product). Growth momentum continued to build throughout the half, driven by a significant increase in lodgements and a 73% increase in settlements on the pcp. The Bank approached APRA system growth rates towards the end of the half.

Growth was moderated by increased portfolio outflows, driven by elevated customer repayments, external refinances, and property sales (up 17% on the half). Although the volume of external refinances increased in absolute terms, the Bank continues to significantly outperform system. In addition, the Bank achieved a positive net refinance rate each month during the first half, ranging from 0.12% in July to 4.61% in December, as more customers refinanced to Suncorp than to competitors.

The Bank has continued to invest in its home lending processes with an ongoing targeted program of work to enhance the efficiency of the origination process and improve broker and customer experiences.

Home lending delivered significant operational efficiencies during the first half, achieving a reduction in turnaround times while assessing a significantly higher volume. The Bank's turnaround time reduced by 2 days to achieve a median of 14 days for the half, as a result of these initiatives.

Home lending portfolio metrics

	Dec-21 %	Jun-21 %	Dec-20 %
Owner-occupier	73	72	72
Investor	27	28	28
Principal and interest	87	86	85
Interest only	13	14	15
Fixed rate	32	27	22
Variable rate	68	73	78
Direct originated	31	32	32
Broker originated	69	68	68
Proportion of total portfolio with LVR < 80%	84	82	82
Portfolio dynamic LVR	58	61	64
Proportion of total portfolio covered by LMI[1]	26	28	29

1. Lenders mortgage insurance

Home lending origination metrics

	Dec-21 %	Jun-21 %	Dec-20 %
Owner-occupier	71	75	74
Investor	29	25	26
Principal and interest	83	84	84
Interest only	17	16	16
Fixed rate	52	43	32
Variable rate	48	57	68
Direct originated	25	31	35
Broker originated	75	69	65
Proportion of new business with LVR < 80%	84	81	77
Proportion of new business covered by LMI [1]	16	19	23

1. Lenders mortgage insurance

The Bank continues to maintain a high quality and conservatively positioned home lending portfolio. The portfolio dynamic LVR improved over the half to 58% due to a combination of increased house prices, and a higher level of customer repayments. Interest only new business increased over the half from 16% to 17%, although this was more than offset by interest only maturities, external refinances and repayments which resulted in the interest only component of the portfolio declining from 14% to 13%.

The increase in the fixed proportion of new business was due to competitive fixed rate offerings and customer preferences to lock in low rates. A continued recovery in investor system growth saw increased investor and interest only new business lending over the half.

Home lending portfolio geographic profile

	Dec-21 %	Jun-21 %	Dec-20 %
Queensland	45	46	46
New South Wales	29	28	28
Victoria	13	13	13
Western Australia	8	8	8
Other	5	5	5

The Bank maintains a strong, although slightly decreasing, geographic presence in Queensland. The broker network allows geographic diversification across other states; particularly in New South Wales and Victoria. The Bank expanded its Business Development Manager footprint across these states to target key broker markets.

Business Banking

Commercial

The commercial portfolio was flat over the half at $4.4 billion. Construction and development finance lending experienced modest growth, with sound credit quality. The economic recovery and an improvement in confidence within the property investment and construction and development finance portfolios saw pipeline approvals build at the beginning of 2H21, particularly in QLD. New lending in these portfolios was partly offset by high run off levels from customer-initiated commercial property sales taking advantage of appreciating property values, external refinancing and project completion paydowns.

The 7.7% reduction over the half in Hospitality & Accommodation was due to several customer groups with large paydowns of debt. The 33.3% decline in Manufacturing & Mining (off a low base) was driven by the paydown of debt from a large customer exposure.

The Bank continues to monitor the size and geographic distribution of the portfolio within a range of strict internal limits to ensure ongoing sound credit quality and prudent diversification of the portfolio.

Commercial portfolio breakdown

	Half Year Ended			Dec-21	Dec-21
	Dec-21 $M	Jun-21 $M	Dec-20 $M	v Jun-21 %	v Dec-20 %
Property Investment	2,555	2,554	2,689	0.0	(5.0)
Hospitality & Accommodation	529	573	603	(7.7)	(12.3)
Construction & Development	485	441	464	10.0	4.5
Services (Inc. professional services)	309	308	325	0.3	(4.9)
Retail	220	220	232	-	(5.2)
Manufacturing & Mining	88	132	139	(33.3)	(36.7)
Other [1]	220	176	185	25.0	18.9
Total $M	**4,406**	**4,404**	**4,637**	**0.0**	**(5.0)**

1. Excludes SME loans defined as all lending up to $3m Total Business-Related Exposure (TBRE) from the 'SME Comm' Concentration Risk Management Framework (CRMF) ANZSIC segment. Remaining business ($3m TBRE and over) is classified as Commercial.

SME

The SME portfolio declined 0.8% over the half to $2.7 billion, as increased competition caused heightened runoff levels from external refinancing, as well as customer repayments. There is a continued focus on initiatives to streamline processes supporting SME lending. This includes the improvement of customer origination and servicing processes. The Bank launched a new SME 'Fast Track' proposition for sub $1 million lending, with simplified customer documentation and information requirements which will significantly reduce turnaround times and improve the Bank's customer and broker proposition.

SME portfolio breakdown[1]

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Property Investment	625	630	639	(0.8)	(2.2)
Hospitality & Accommodation	272	301	306	(9.7)	(11.0)
Retail	245	219	222	11.8	10.2
Construction & Development	244	246	250	(1.0)	(2.4)
Manufacturing & Mining	163	137	139	19.1	17.3
Services (Inc. professional services)	923	986	1,001	(6.4)	(7.8)
Other (2)	244	219	221	11.4	10.2
Total $M	**2,716**	**2,738**	**2,779**	**(0.8)**	**(2.3)**

1. SME lending defined as all lending up to up to $3m Total Business-Related Exposure (TBRE) from the 'SME Comm' CRMF ANZSIC segment. Remaining business ($3m TBRE and over) is classified as Commercial.

2. Includes a portion of small business loans, with limits below $1 million, that are not classified.

Agribusiness

The agribusiness portfolio declined 2.9% over the half to $4.1 billion, attributable to an increase in repayments from initial winter crop proceeds and external refinances, partly offset by higher lending to customers in the beef and fruit sectors driven by restocking and property purchase activity.

Agribusiness customers have benefited from rising Australian commodity prices which have remained elevated across most sectors coupled with a buoyant rural property market and low interest rate environment. In addition, significant and widespread rainfall has occurred across the eastern states, with storms and flooding in many areas. While this has negatively impacted winter crop harvesting, the sector has benefitted with river systems and water storage returning to full capacity with flow on effects to support summer cropping and livestock industry performance.

Agribusiness portfolio breakdown

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Beef	1,889	1,860	1,777	1.6	6.3
Grain & Mixed Farming	985	1,099	1,050	(10.4)	(6.2)
Sheep & Mixed Livestock	329	338	323	(2.7)	1.9
Cotton	328	338	323	(3.0)	1.5
Sugar	82	85	81	(3.5)	1.2
Fruit	164	127	121	29.1	35.5
Other	329	381	364	(13.6)	(9.6)
Total $M	**4,106**	**4,228**	**4,039**	(2.9)	1.7

The agribusiness portfolio has benefited from improved seasonal conditions over the past two years following three years of drought. This has been particularly evident in the beef component with major restocking and land purchases driving 1.6% growth over the half in this component of the agribusiness portfolio.

Funding and deposits

The Bank continues to maintain a conservative approach to managing liquidity and funding risk to provide a sustainable funding profile and support balance sheet growth.

The Bank's key funding and liquidity management strategies include:

- Continuing to grow stable, low cost customer deposits in line with funding requirements.
- Maintaining a sustainable and diversified funding base across a range of long-term wholesale markets such as covered bonds, domestic and offshore senior unsecured, and residential mortgage-backed securities (RMBS).
- Minimising the impact of market volatility by maintaining a smooth profile of long-term wholesale funding maturities, with an appropriate weighted average tenor. This includes the CLF removal throughout the 2022 calendar year and managing the Term Funding Facility (TFF) maturities in FY23-FY24.
- Managing High Quality Liquid Assets (HQLA) prudently above net cash outflows, under various stress scenarios.

Funding composition

	Half Year Ended			Dec-21	Dec-21
	Dec-21 $M	Jun-21 $M	Dec-20 $M	v Jun-21 %	v Dec-20 %
Customer funding					
Customer deposits					
At-call transactions[1]	19,449	17,248	16,545	12.8	17.6
At-call savings	16,949	16,180	15,888	4.8	6.7
Term deposits	8,364	8,092	9,010	3.4	(7.2)
Total customer funding	**44,762**	41,520	41,443	7.8	8.0
Wholesale funding					
Domestic funding					
Short-term wholesale	4,431	4,011	4,127	10.5	7.4
Long-term wholesale	7,995	7,346	5,776	8.8	38.4
Covered bonds	2,092	2,091	2,590	0.0	(19.2)
Subordinated notes	600	672	672	(10.7)	(10.7)
Total domestic funding	**15,118**	14,120	13,165	7.1	14.8
Overseas funding[2]					
Short-term wholesale	1,744	1,763	1,724	(1.1)	1.2
Long-term wholesale	1,400	1,370	1,354	2.2	3.4
Total overseas funding	**3,144**	3,133	3,078	0.4	2.1
Total wholesale funding	**18,262**	17,253	16,243	5.8	12.4
Total funding (excluding securitisation)	**63,024**	58,773	57,686	7.2	9.3
Securitisation					
APS 120 qualifying[3]	1,875	2,165	2,590	(13.4)	(27.6)
Total securitisation	**1,875**	2,165	2,590	(13.4)	(27.6)
Total funding (including securitisation)	**64,899**	60,938	60,276	6.5	7.7
Total funding is represented on the balance sheet by:					
Deposits	44,762	41,520	41,443	7.8	8.0
Short-term borrowings	6,175	5,774	5,851	6.9	5.5
Securitisation	1,875	2,165	2,590	(13.4)	(27.6)
Long-term borrowings[4]	11,487	10,807	9,720	6.3	18.2
Subordinated notes	600	672	672	(10.7)	(10.7)
Total funding	**64,899**	60,938	60,276	6.5	7.7
Deposit to loan ratio	**76.4%**	72.1%	72.3%		

1. The everyday options sub account was re-classified as 'at-call transactions' from 'at-call savings' customer funding in the second half of the 2021 financial year. Prior periods have been restated.

2. Foreign currency borrowings are hedged back into Australian dollars.

3. Qualifies for capital relief under APS120.

4. Long-term borrowings include $4.1 billion as at Dec-21 (Jun-21: $4.1 billion, Dec-20: $2.4 billion) of the Term Funding Facility announced by the Reserve Bank of Australia (RBA) on 19 March 2020 in response to COVID-19.

Customer funding

Customer deposits increased 7.8% over the half to $44.8 billion, representing 69.0% of total Bank funding (June-21: 68.1%). The growth was weighted towards at-call transaction accounts, assisted by strong system growth arising from a reduction in household spending and increased savings due to COVID-19 lockdowns in NSW and Victoria.

At-call transaction deposits grew 12.8% to $19.4 billion, driven by continued momentum from growth in transaction accounts and mortgage offset balances supported by customer-focused initiatives including zero account-keeping fees, competitive rates, campaigns and ongoing development of digital banking functionality. On 23 November, Suncorp Bank 'Paylater' was launched, providing customers access to a $1,000 spend limit. The product has been well received by customers, with ~2,400 customer accounts opened.

At-call savings deposits increased 4.8% to $16.9 billion and term deposits grew 3.4% to $8.4 billion. The mix between these two portfolios was also optimised as market rate movements and lower customer rates saw improved conditions for term deposit funding.

The Bank experienced subdued growth in the number of newly acquired main financial institution (MFI) customers, with a gain of 11,400 customers in the half compared to 25,300 in the pcp. Key MFI drivers of transaction frequency and spend were impacted by the COVID-19 lockdowns in NSW and Victoria, although recovered in the latter part of the half. Digital account openings now account for over 70% of new deposit accounts.

Wholesale funding

Wholesale funding of $18.3 billion increased 5.8% over the half, driven by:

— An increase in domestic short-term wholesale funding of 10.5% to $4.4 billion, driven by an increase in negotiable certificate of deposits to assist in funding the CLF removal.

— An increase in domestic long-term wholesale funding of 8.8% to $8.0 billion, due to a $750 million senior unsecured issuance in September 2021.

— A reduction in subordinated notes of 10.7% to $0.6 billion following the 28 July 2021 early redemption of floating rate subordinated notes.

Wholesale funding instruments maturity profile[1]

	Short-term $M	Long-term $M	Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Maturity							
0 to 3 months	3,621	226	3,847	4,467	4,657	(13.9)	(17.4)
3 to 6 months	2,554	1,406	3,960	2,330	3,006	70.0	31.7
6 to 12 months	-	1,314	1,314	1,717	383	(23.5)	243.1
1 to 3 years	-	8,326	8,326	8,045	7,035	3.5	18.4
3+ years	-	2,690	2,690	2,859	3,752	(5.9)	(28.3)
Total	**6,175**	**13,962**	**20,137**	**19,418**	**18,833**	**3.7**	**6.9**

1. Wholesale funding includes securitisations

Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)

The NSFR remained above the typical operating range over the half, ending at 132%. This was due to continued growth in at-call deposits.

The average LCR over the half was 146% and ended the period at 142%, well above APRA's 100% requirement. The LCR was elevated throughout the half due to the phasing out of the CLF by 31 December 2022. The Bank's liquidity metrics began to normalise following the CLF limit reduction in December 2021.

The Bank has sold down a portion of the alternative liquid assets following the 21 September 2021 APRA CLF announcement but will continue to hold a portfolio of liquid assets available to meet balance sheet requirements and unforeseen cash outflows under a range of market conditions and stress scenarios.

Capital

	%
2H21 CET1 Ratio	10.07
NPAT	0.60
Dividends	(0.68)
Risk weighted asset movement	0.02
Regulatory deductions and adjustments	(0.10)
1H22 CET1 Ratio	9.91

The Bank CET1 Ratio declined 0.16% over the half to 9.91%, remaining above the target operating range of 9.00% to 9.50%. The decrease in CET1 is largely attributable to the FY21 dividend payment to the Suncorp Group made in August 2021. This was partly offset by the 1H22 $200 million Bank NPAT contribution and a 0.2% decrease in risk weighted assets to $33.2 billion as a result of a decline in business lending credit exposures and off-balance sheet credit exposures relating to treatment of business lending funds available for redraw.

Credit quality

Impaired assets and non-performing loans

	Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 Dec-20 %
Gross balances of individually impaired loans					
Retail lending	46	47	61	(2.1)	(24.6)
Agribusiness lending	12	25	35	(52.0)	(65.7)
Commercial lending[1]	88	90	64	(2.2)	37.5
SME lending[1]	20	18	25	11.1	(20.0)
Gross impaired assets	**166**	180	185	(7.8)	(10.3)
Impairment provision[2]	(51)	(57)	(54)	10.5	5.6
Net impaired assets	**115**	123	131	(6.5)	(12.2)
Impairment provisions expressed as a percentage of gross impaired assets	**31%**	32%	29%		
Size of gross individually impaired assets					
Less than one million	37	36	46	2.8	(19.6)
Greater than one million but less than ten million	79	101	115	(21.8)	(31.3)
Greater than ten million	50	43	24	16.3	108.3
Gross impaired assets	**166**	180	185	(7.8)	(10.3)
Past due loans not shown as impaired assets	365	550	514	(33.6)	(29.0)
Gross non-performing loans	**531**	730	699	(27.3)	(24.0)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	180	185	170	(2.7)	5.9
Recognition of new impaired assets	27	54	39	(50.0)	(30.8)
Other movement in impaired assets [3]	(2)	(3)	(1)	33.3	(100.0)
Impaired assets which have been reclassed as performing assets or repaid	(39)	(56)	(23)	30.4	(69.6)
Balance at the end of the period	**166**	180	185	(7.8)	(10.3)

1. SME has been separated out from Commercial. All prior period balances restated.
2. The impairment provision for Jun-21 and Dec-20 has been restated to exclude the collective provision calculated for impaired assets with a specific provision.
3. Net of increases in previously recognised impaired assets and impaired assets written off.

Gross impaired assets of $166 million decreased $14 million over the half, mainly driven by the agribusiness portfolio. Agribusiness impairments of $12 million declined $13 million over the half, driven by an impaired customer property sale and more broadly, favourable seasonal growing conditions in many regions, relatively high commodity prices and the strength of agribusiness property prices assisting with asset sales to reduce debt levels.

Commercial impairments of $88 million decreased $2 million over the half, with two large property investment and hospitality exposures contributing to the decrease, partly offset by the impairment of a commercial lending group exposure in the accommodation sector significantly impacted by COVID-19.

Retail impaired loans of $46 million declined $1 million over the half, assisted by sound collections management practices, well secured loans, and the strength of the property and labour market. This was partly offset by a $4 million retail impairment linked to the commercial lending accommodation business.

SME impairments of $20 million increased $2 million over the half. This was primarily due to the movement of $2 million reclassified from commercial to SME due to asset sales over the half causing the exposure to fall below the $3 million total commercial business related exposure definition requirement. SME impairments are not concentrated in any particular industry and include no large single exposures.

Provision for impairment

	Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Collective provision					
Balance at the beginning of the period	195	255	255	(23.5)	(23.5)
(Release)/charge against impairment losses	(15)	(60)	-	75.0	n/a
Balance at the end of the period	**180**	195	255	(7.7)	(29.4)
Specific provision					
Balance at the beginning of the period	44	49	46	(10.2)	(4.3)
(Release)/charge against impairment losses	(2)	3	7	n/a	n/a
Impairment provision written off [1]	(3)	(8)	(4)	62.5	25.0
Balance at the end of the period	**39**	44	49	(11.4)	(20.4)
Total provision for impairment - Banking activities	**219**	239	304	(8.4)	(28.0)
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	85	76	81	11.8	4.9
Transfer (to)/from retained earnings	5	9	(5)	(44.4)	n/a
Balance at the end of the period	**90**	85	76	5.9	18.4
Pre-tax equivalent coverage	129	121	109	5.9	18.0
Total provision for impairment and equity reserve for credit loss - Banking activities	**348**	360	413	(3.6)	(15.8)
Provision for impairment expressed as a percentage of gross loans and advances:	%	%	%		
Collective provision	0.31	0.34	0.44		
Specific provision	0.07	0.08	0.09		
Total provision	0.38	0.42	0.53		
ERCL coverage	0.22	0.21	0.19		
Total provision and ERCL coverage	0.60	0.63	0.72		

1. Includes other items such as unwind of discount.

The total provision for impairment and ERCL was $348 million, a reduction of 3.6% or $12 million on the prior half. The total provision and ERCL coverage was 60 basis points of gross loans and advances, reducing 3 basis points from prior half and 12 basis points from the 72 basis points COVID-19 peak. The key drivers include:

— The collective provision reduced by 7.7% or $15 million to $180 million. This reflects a continued improvement in economic conditions and the risk profile of the lending portfolio since the outbreak of COVID-19. Further information on the Bank's ECL methodology is available on page 37.

— The specific provision reduced 11.4% or $5 million to $39 million. This was primarily due to write offs of $3 million spread evenly across the retail, commercial, agribusiness and SME portfolios and the release of a specific provision associated with the agribusiness portfolio due to a favourable property sale.

— Prudential standard APS220 was updated effective 1 January 2022, with changes to the treatment of the ERCL, and the Bank is reviewing its overall credit reserving in light of these changes.

Gross non-performing loans coverage by portfolio

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	Dec-20
	$M	$M	$M	%	%
Retail Lending					
Past due loans	317	474	436	(33.1)	(27.3)
Impaired assets	46	47	61	(2.1)	(24.6)
Specific provision	8	8	9	-	(11.1)
Collective provision	9	14	18	(35.7)	(50.0)
Total provision coverage[1]	**4.7%**	4.2%	5.4%	11.3	(13.5)
Agribusiness Lending					
Past due loans	17	32	36	(46.9)	(52.8)
Impaired assets	12	25	35	(52.0)	(65.7)
Specific provision	1	5	8	(80.0)	(87.5)
Collective provision	6	11	12	(45.5)	(50.0)
Total provision coverage[1]	**24.1%**	28.1%	28.2%	(14.1)	(14.4)
Commercial Lending[2]					
Past due loans	13	21	17	(38.1)	(23.5)
Impaired assets	88	90	64	(2.2)	37.5
Specific provision	29	31	32	(6.5)	(9.4)
Collective provision	20	25	11	(20.0)	81.8
Total provision coverage[1]	**48.5%**	50.5%	53.1%	(4.0)	(8.7)
SME Lending[2]					
Past due loans	18	23	25	(21.7)	(28.0)
Impaired assets	20	18	25	11.1	(20.0)
Specific provision	1	-	-	n/a	n/a
Collective provision	1	2	3	(50.0)	(66.7)
Total provision coverage[1]	**5.3%**	4.9%	6.0%	8.2	(11.7)

1. Calculated as: (Specific provision + Collective provision Stage 3) / (Past due loans + Impaired assets).
2. SME has been separated out from Commercial. All prior period balances restated.

Retail lending past due loans of $317 million reduced $157 million on the prior half, or from 1.03% to 0.67% of the portfolio. This was driven by the cohort of customers exiting hardship arrangements and returning to performing status, following earlier COVID-19 temporary loan deferral assistance. 94.9% of home and SME lending accounts previously under a COVID-19 deferral arrangement have returned to performing. The strong housing market has also resulted in increased voluntary borrower sales.

Agribusiness past due loans decreased $15 million over the half. Segments of the agribusiness portfolio are expected to continue to improve following favourable seasonal regional weather conditions and high commodity prices.

Expected Credit Loss (ECL)

Following the onset of the COVID-19 pandemic, the Bank materially increased its ECL given the adverse macroeconomic outlook at the time.

The Bank calculates the ECL by considering a distribution of economic outcomes around a central underlying scenario. The central scenario is based on the Group's view of the most likely economic scenario, coupled with scenarios reflecting more adverse outcomes.

The central scenario incorporates a weighting of key macroeconomic information from three distinct views being Base, Downside and Severe Downside.

- Base view reflects the assumptions used by the Bank for business planning and forecasting.
- Downside view reflects a moderate shift to the downside in the short term in comparison to the Base view.
- Severe Downside view reflects a significant deterioration in the economic outlook.

The key assumptions utilised in the Bank's calculation of ECL are residential property prices, commercial property prices and unemployment rates. The outlook for these variables is reviewed regularly and the latest outlook is reflected in the ECL at December 2021.

Notwithstanding continued improvement in macroeconomic conditions, downside risk remains, noting emerging issues with the Omicron variant such as pressure on hospital staff, reduced staff numbers across various industries leading to operational impacts and supply chain pressures.

The central scenario is broadly similar to previous expectations and captures this significant ongoing uncertainty and is presented in the table below.

	Actual	Central (weighted view)		
	FY21	FY22	FY23	FY24
	%	%	%	%
Property prices - residential - annual change	16.8	1.1	(1.9)	0.8
Property prices - commercial - annual change	2.7	(6.2)	0.3	4.1
Unemployment rate	4.8	5.9	4.3	4.0

The ECL has reduced $15m over the half year, to $180m. This reduction largely reflects the improved credit risk profile of the portfolio since June 2021 as a result of improving economic conditions and strong property markets. The ECL of $180m incorporates the following:

- The modelled collective provision;
- Various management overlays, including a separate economic overlay reflecting the ongoing uncertainty, as well as overlays to reflect general uncertainty in modelling of this nature and several relatively small portfolio specific overlays.

Wealth

Profit contribution

The completion activities for the sale of Suncorp's Wealth business, Suncorp Portfolio Services Limited (SPSL), to LGIAsuper (LGIA) for a consideration of $45 million are progressing well with completion expected during 2H22, subject to regulatory approval.

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Underlying profit after tax	(1)	-	-	n/a	n/a
Profit attributed to shareholders	(1)	-	-	n/a	n/a

Wealth underlying PAT was a $1 million loss, $1 million lower than prior half despite higher FUA balances, due to benefits passed to MySuper members in the form of lower administration fees. Suncorp continues to be ranked #1 for investment performance in its flagship Suncorp Multi-Manager Growth Fund for 3 and 5-year returns, 13.69% (+3.32% versus median) and 10.71% (+2.25% versus median) (SuperRatings, December 2021).

Suncorp New Zealand

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

Suncorp New Zealand (SNZ) represents Suncorp's operations within New Zealand. SNZ includes Vero Insurance New Zealand, Vero Liability, Asteron Life, AA Insurance and AA Finance and operates an end-to-end business with local functions across the value chain. General and Life Insurance are manufactured internally and distributed via intermediaries. General and Life Insurance is also underwritten and white-labelled via corporate partners. Joint ventures and a Life distribution arrangement with the New Zealand Automobile Association offer solutions manufactured internally and sold directly to customers.

Result overview (NZD)

New Zealand PAT $84 million ↓34.9% pcp

Suncorp New Zealand continues to make good progress on key strategic priorities of **growing brands and strategic partnerships**, delivering **Best in Class Claims**, and **investing in the digital and data capability of core systems**. During the period, strong top-line growth was offset by higher natural hazard costs, as well as lower investment returns.

General Insurance PAT $78 million ↓22.0% pcp ITR 12.6% ↓3.8% pcp

Elevated natural hazard experience and adverse investment market impacts resulted in a $22 million reduction in PAT compared to the pcp.

GWP $1,052 million ↑14.0% pcp

Intermediated and direct channels recorded strong growth through a combination of unit growth and targeted pricing increases to offset inflationary pressures on claims.

Investment income -$7 million

General Insurance investment income was materially impacted by rising bond yields leading to mark-to-market losses in fixed interest investments.

Net incurred claims $495 million ↑17.6% pcp

Higher working claims costs driven by unit growth and several large commercial claims, partially offset by COVID-19 related reduction in motor claims frequency.

Natural hazard claims $72 million ↑41.2% pcp

$41 million above the allowance and $21 million above the pcp.

Operating expenses $250 million ↑ 8.7% pcp

Operating expense ratio 29.1% ↓0.6% pcp

General Insurance operating expense ratio improved driven by strong premium growth. The increase in operating expenses was driven by growth related costs and a temporary increase in project costs relating to strategic initiatives.

Life Insurance PAT $6 million ↓79.3% pcp

In-force premium grew by 4.2%, supported by CPI and age-related premium growth. Growth in planned profit margins and favourable lapse experience was offset by adverse claims experience, increased IFRS17 implementation costs and significant adverse market adjustment impacts from interest rate movements.

Profit contribution (NZD)

	Half Year Ended Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
General Insurance					
Gross written premium	**1,052**	947	923	11.1	14.0
Gross unearned premium movement	(74)	(31)	(33)	(138.7)	(124.2)
Gross earned premium	978	916	890	6.8	9.9
Outwards reinsurance expense	(120)	(119)	(115)	(0.8)	(4.3)
Net earned premium	**858**	797	775	7.7	10.7
Net incurred claims					
Claims expense	(579)	(488)	(461)	(18.6)	(25.6)
Reinsurance and other recoveries revenue	84	45	40	86.7	110.0
Net incurred claims	**(495)**	(443)	(421)	(11.7)	(17.6)
Total operating expenses					
Acquisition expenses	(174)	(167)	(165)	(4.2)	(5.5)
Other underwriting expenses	(76)	(73)	(65)	(4.1)	(16.9)
Total operating expenses	**(250)**	(240)	(230)	(4.2)	(8.7)
Underwriting result	**113**	114	124	(0.9)	(8.9)
Investment income - insurance funds	(5)	-	3	n/a	n/a
Insurance trading result	**108**	114	127	(5.3)	(15.0)
Joint venture and other expense	1	(6)	(1)	n/a	n/a
General Insurance operational earnings	**109**	108	126	0.9	(13.5)
Investment income - shareholder funds	(2)	(1)	11	(100.0)	n/a
General Insurance profit before tax	**107**	107	137	-	(21.9)
Income tax	(29)	(30)	(37)	3.3	21.6
General Insurance profit after tax	**78**	77	100	1.3	(22.0)
Life Insurance					
Underlying profit after tax	13	20	22	(35.0)	(40.9)
Market adjustments	(7)	(11)	7	36.4	n/a
Life Insurance profit after tax	**6**	9	29	(33.3)	(79.3)
New Zealand profit after tax	**84**	86	129	(2.3)	(34.9)

Key ratios	**%**	**%**	**%**
Acquisition expenses ratio	20.2	20.9	21.3
Other underwriting expenses ratio	8.9	9.2	8.4
Total operating expenses ratio	**29.1**	30.1	29.7
Loss ratio	57.7	55.6	54.3
Combined operating ratio	86.8	85.7	84.0
Insurance trading ratio	**12.6**	14.2	16.4

Profit contribution (AUD)

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
General Insurance					
Gross written premium	1,004	880	861	14.1	16.6
Gross unearned premium movement	(72)	(29)	(31)	(148.3)	(132.3)
Gross earned premium	**932**	851	830	9.5	12.3
Outwards reinsurance expense	(114)	(110)	(108)	(3.6)	(5.6)
Net earned premium	**818**	741	722	10.4	13.3
Net incurred claims					
Claims expense	(552)	(454)	(430)	(21.6)	(28.4)
Reinsurance and other recoveries revenue	80	42	37	90.5	116.2
Net incurred claims	**(472)**	(412)	(393)	(14.6)	(20.1)
Total operating expenses					
Acquisition expenses	(165)	(155)	(153)	(6.5)	(7.8)
Other underwriting expenses	(73)	(68)	(61)	(7.4)	(19.7)
Total operating expenses	**(238)**	(223)	(214)	(6.7)	(11.2)
Underwriting result	108	106	115	1.9	(6.1)
Investment income - insurance funds	(4)	-	3	n/a	n/a
Insurance trading result	**104**	106	118	(1.9)	(11.9)
Joint venture and other expense	1	(6)	(1)	n/a	n/a
General Insurance operational earnings	**105**	100	117	5.0	(10.3)
Investment income - shareholder funds	(2)	(1)	10	(100.0)	n/a
General Insurance profit before tax	**103**	99	127	4.0	(18.9)
Income tax	(28)	(27)	(34)	(3.7)	17.6
General Insurance profit after tax	**75**	72	93	4.2	(19.4)
Life Insurance					
Underlying profit after tax	13	19	20	(31.6)	(35.0)
Market adjustments	(7)	(11)	7	36.4	n/a
Life Insurance profit after tax	**6**	8	27	(25.0)	(77.8)
New Zealand profit after tax	**81**	80	120	1.3	(32.5)

Key ratios	%	%	%
Acquisition expenses ratio	20.2	20.9	21.2
Other underwriting expenses ratio	8.9	9.2	8.4
Total operating expenses ratio	**29.1**	30.1	29.6
Loss ratio	57.7	55.6	54.4
Combined operating ratio	86.8	85.7	84.0
Insurance trading ratio	**12.7**	14.3	16.3

Profit and loss transactions for the New Zealand business are translated into Australian dollars on a monthly basis. The average exchange rate prevailing during the month of that transaction is taken to reasonably reflect the appropriate reporting currency value for the Group.

General Insurance

Gross written premium (GWP)

GWP by product (NZD)

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Motor	259	233	227	11.2	14.1
Home	340	317	299	7.3	13.7
Commercial	438	381	383	15.0	14.4
Other	15	16	14	(6.3)	7.1
Total	**1,052**	947	923	11.1	14.0

GWP grew 14.0% on the pcp driven by strong growth across all product classes. This reflects the strength of SNZ brands and continued momentum toward achieving its strategic priorities, which include growing its market position. Growth has been broad based with the Vero intermediated and AA Insurance direct distribution channels recording growth of 12.6% and 17.4% respectively.

Consumer insurance

Motor and Home GWP increased 14.1% and 13.7% respectively. Strong growth was achieved in both the AA Insurance and Vero intermediated channels, driven by a combination of unit and rate growth. The performance in the direct channel is a continuation of the strong performance seen over the last year, while growth in the intermediated channel was supported by the continued focus on broker relationships and improved service levels.

Commercial insurance

Commercial GWP grew 14.4%, driven by the inclusion of a new co-insurance arrangement, higher written business in the commercial motor portfolio, strong retention, and moderate rate increases. Growth in the commercial property portfolio has been supported by rate uplift and unit growth via both retention and new business.

Other

Other business which mainly consists of marine pleasure craft contributed GWP of $15 million, up $1 million on the pcp.

Customer remediation provisions

SNZ has continued to progress the remediation of customers impacted by incorrect customer discounts and other system errors in prior periods. Provisions have been updated based on the latest estimated cost to complete the remediation resulting in a net release of $6 million in the half, comprising releases of $4 million recognised against gross written premium, with the remaining $2 million of associated interest costs recognised in the 'Joint venture and other expense' line.

Net incurred claims

Net incurred claims costs of $495 million increased 17.6% on pcp.

Home claims costs increased primarily due to unit growth and higher levels of natural hazard claims experience.

Motor claims costs increased due to unit growth, mainly in the direct channel which was largely offset by reduced motor claims frequency impacted by the COVID-19 lockdown restrictions.

Commercial claims increased driven by the impact of large loss claims, mainly relating to a small number of commercial property fire claims.

The business continues to focus on automating the claims value chain, emphasising continued simplification and enhancing the digital customer experience.

Natural hazards

NZ Natural Hazard costs (NZD)

Date	Event	Net costs $M
Jul-21	All NZ Heavy Rain	25
Aug-21	North Island Storm	15
Sep-21	All NZ Spring Storm	12
Total events over $5 million		**52**
Retained natural hazards attritional claims		20
Total natural hazards		**72**
Less: allowance for natural hazards		(31)
Natural hazards costs above / (below) allowance		**41**

Total natural hazards costs of $72 million were $41 million above the allowance, with three events above the $5 million threshold, totalling $52 million. Additionally, non-event attritional weather claims of $20 million were reported in the half.

Outstanding claims provision

Outstanding claims provision breakdown (NZD)

	Actual $M	Net central estimate (discounted) $M	Risk margin (90th percentile discounted) $M	Change in net central estimate[1] $M
Short-tail	319	280	39	3
Long-tail	117	99	18	2
Total	**436**	379	57	5

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

The valuation of outstanding claims resulted in a net central estimate increase of $5 million.

There has been an overall $3 million strengthening of best estimate reserves over the half relating to the Canterbury earthquakes. As at 31 December 2021, total claims paid for the Canterbury events have reached 99.0% of the ultimate net loss (UNL), with $13 million in claims paid over the half. The only significant exposure remaining relates to the February 2011 Canterbury event, with total claims paid of A$3.5 billion for this event as at 31 December 2021. Due to the reinsurance arrangements for the February 2011 event, Suncorp retains 15 cents in the dollar for additional claims costs exceeding A$3.4 billion up to A$3.5 billion. Suncorp's retention increases to 33 cents in the dollar once claims costs exceed A$3.5 billion up to A$5.6 billion.

Outstanding claims provisions over time (NZD)

	Half Year Ended				
	Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Gross outstanding claims liabilities	705	643	611	9.6	15.4
Reinsurance and other recoveries	(269)	(231)	(246)	(16.5)	(9.3)
Net outstanding claims liabilities	**436**	412	365	5.8	19.5
Expected future claims payments and claims handling expenses	388	360	314	7.8	23.6
Discount to present value	(9)	(4)	(2)	(125.0)	(350.0)
Risk margin	57	56	53	1.8	7.5
Net outstanding claims liabilities	**436**	412	365	5.8	19.5
Short-tail	319	300	259	6.3	23.2
Long-tail	117	112	106	4.5	10.4
Total	**436**	412	365	5.8	19.5

The above table shows the gross and net outstanding claims liabilities and their movement over time. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate, and the risk margin components. The net outstanding claims liabilities are also shown by major categories of the insurance business.

Risk margins

Risk margins represent approximately 13.1% of net outstanding claims reserves. This gives an approximate level of confidence of 90%, in line with Suncorp Group policy.

Operating expenses

Total operating expenses of $250 million were $20 million or 8.7% higher than the pcp, with the operating expense ratio improved on the pcp, reflecting strong top-line growth. Commissions were up on the pcp due to the strong growth experienced. Excluding commissions, other operating expenses were higher than the pcp, mainly to support top-line growth, as well as temporary increases in project spend associated with strategic initiatives.

Investment income

Suncorp's primary objective is to optimise investment returns relative to investment risk appetite. This process inherently has regard to capital and the insurance liabilities that the investment assets are supporting and seeks to substantially offset the associated interest rate risk.

The New Zealand investment portfolio includes insurance funds and shareholders' funds. The insurance funds are matched from an interest rate sensitivity perspective to the technical reserves within the balance sheet. The shareholders' funds support the capital position, whilst maintaining sufficient liquidity to enable the business to meet its commitments.

Asset allocation

Asset allocations within funds remain broadly consistent with the prior corresponding period and in accordance with risk appetite.

Asset allocation (NZD)

	Half Year Ended					
	Dec-21		Jun-21		Dec-20	
	$M	%	$M	%	$M	%
Insurance funds						
Cash and short-term deposits	243	32	206	28	189	29
Corporate bonds	455	60	454	61	417	63
Local government bonds	57	7	70	10	55	8
Government bonds	6	1	9	1	2	-
	761	100	739	100	663	100
Shareholders' funds						
Cash and short-term deposits	38	8	63	13	34	8
Interest-bearing securities	236	52	266	57	257	60
Equities and unit trusts	178	40	139	30	138	32
	452	100	468	100	429	100
Total	**1,213**		1,207		1,092	

Credit quality

The average credit quality for New Zealand investment assets increased due to the New Zealand Government rating upgrade by Standard & Poor's in February 2021.

	Dec-21	Jun-21	Dec-20
	%	%	%
AAA	19.3	16.9	6.6
AA	50.1	51.7	57.3
A	26.8	28.0	33.7
BBB	3.8	3.4	2.4
	100.0	100.0	100.0

Duration

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

	Dec-21	Jun-21	Dec-20
	Years	Years	Years
Insurance funds			
Interest rate duration	1.3	1.3	1.3
Shareholders' funds			
Interest rate duration[1]	2.4	2.5	3.0

[1] Interest rate duration restated for all periods to reflect a consistent treatment of applicable shareholders' funds across the Group.

Investment performance

Investment income (NZD)

	Half Year Ended Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Investment income on insurance funds					
Cash and short-term deposits	1	-	1	n/a	-
Interest-bearing securities and other	(6)	-	2	n/a	n/a
	(5)	-	3	n/a	n/a
Investment income on shareholders' funds					
Cash and short-term deposits	-	-	-	n/a	n/a
Interest-bearing securities	(4)	(2)	1	(100.0)	n/a
Equities and unit trusts	2	1	10	100.0	(80.0)
	(2)	(1)	11	(100.0)	n/a
Total investment income	**(7)**	(1)	14	n/a	n/a

Total investment income represents an annualised return of -1.2%.

Global inflationary pressures, bond yields and wholesale interest rates have increased significantly which has resulted in realised and unrealised mark-to-market losses within fixed income portfolios.

Insurance funds

Investment income on insurance funds was a loss of $5 million, representing an annualised return of -1.3%, down from a gain of $3 million and 0.9% annualised return in the pcp.

Shareholders' funds

Investment income on shareholders' funds was a loss of $2 million, representing an annualised return of -0.9%, down from a gain of $11 million and 5.1% annualised return in the pcp.

Equity performance was positive, mainly due to the performance from global equity holdings. Overall performance was lower than the pcp due to the strong returns seen in the second half of 2020, as global equity markets recovered from the initial COVID-19 driven impacts experienced during March 2020.

Life Insurance

The New Zealand Life Insurance business delivered a PAT of $6 million, down $23 million on pcp. Growth in planned profit margins and favourable lapse experience was offset by significant adverse market adjustment impacts from interest rate movements, net adverse claims experience compared to the net positive experience in the pcp, and increased IFRS17 implementation costs.

Planned profit margins of $17 million were slightly up on the pcp, in-line with underlying growth and long term profitability.

Net experience loss of $3 million was down $8 million on the pcp. Positive claims experience across both lump sum and income protection in the pcp was replaced in the current half with lower but still positive lump sum experience and negative income protection experience. This created $11 million of pcp net claims volatility partially offset by $3 million lapse experience, higher than the pcp.

Market adjustments were significantly impacted from the interest rate environment across all durations of policy liabilities and adverse investment income returns. The prior year was impacted by downward movement in interest rates with the opposite impact occurring in the current half due to the significant upward movements in the yield curve.

Life New Zealand profit contribution (NZD)

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Planned profit margin	17	17	16	-	6.3
Experience	(3)	-	5	n/a	n/a
Other	(1)	3	1	n/a	n/a
Underlying profit after tax	**13**	**20**	**22**	**(35.0)**	**(40.9)**
Market adjustments	(7)	(11)	7	(36.4)	n/a
Net profit after tax	**6**	**9**	**29**	**(35.6)**	**(79.3)**

Life risk in-force annual premium by channel (NZD)

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Advised	231	228	224	1.3	3.1
Direct	44	44	43	-	2.3
Group and other	20	16	16	25.0	25.0
Total	**295**	288	283	2.4	4.2
Total new business[1]	**10**	8	10	25.0	-

[1] The basis for reporting on new business figures has changed to include only new business and policy increases. Indexation/CPI increases have now been excluded from new business reporting to ensure consistency in reporting with external statistical reporting across the life insurance industry in New Zealand. As such, the reported new business figures for June 2021 and December 2020 in the table above have been aligned to reflect a consistent approach.

In-force premium of $295 million, grew 4.2% on the pcp, supported by CPI and age-related premium growth. New business excluding CPI, was in line with the pcp, with new business in the Group channel largely offset by lower business in the IFA channel compared to the pcp. Retention rates continue to be above system.

Glossary

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium
Banking & Wealth function	Suncorp's Banking & Wealth business is focused on lending, deposit gathering and transaction account services to personal, small and medium enterprise, commercial and agribusiness customers. The wealth portfolio develops, administers and distributes superannuation products. Completion activities for the sale of the Suncorp Wealth business is underway.
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, recoverable amount adjustments on intangibles, the profit or loss on divestment and their tax effect.
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period. Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period.
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years.
Cash return on average shareholders' equity pre-goodwill	Cash earnings divided by average equity attributable to owners of the Company less goodwill. Averages are based on monthly balances over the period. The ratio is annualised for half years.
Claims Handling Expenses (CHE)	Costs incurred in the investigation, assessment and settlement of a claim.
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus the costs of acquiring, writing and servicing the General Insurance business.
Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 Ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank.
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities.
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods.
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables.
Diluted shares	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.
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle, based on guidance provided by APRA.
Fire service levies (FSL) Insurance Australia	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable State Government. Fire service levies were established to cover corresponding fire brigade charges.

Fire service levies (FSL) New Zealand	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by Fire and Emergency New Zealand. Fire service levies were established to cover corresponding fire brigade charges.
Funds under management and administration	Funds where the Wealth business, receives a fee for the administration and management of an asset portfolio.
General insurance businesses	General insurance businesses include Insurance Australia's general insurance business and New Zealand's general insurance business. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure, rather than business functions structure.
Gross earned premium	The total premium on insurance earned by an insurer during a specified period on premiums underwritten in the current and previous underwriting years.
Gross non-performing loans	Gross impaired assets plus past due loans.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer during a specified period, before deduction of reinsurance premium.
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years.
Insurance Australia function	Suncorp's Insurance Australia business provides consumer, commercial and personal injury products to the Australian market. The Suncorp Group is one of Australia's largest general insurers by Gross Written Premium and Australia's largest compulsory third party insurer
Insurance funds	Insurance funds explicitly back insurance liabilities. They are designed to match the insurance liabilities and are managed separately from shareholders' funds
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium
Life insurance businesses	Following the sale of the Australian Life Insurance and Participating Wealth Business on 28 February 2019, Suncorp's life insurance businesses include the New Zealand life insurance business and the remaining Wealth business reported within the Banking & Wealth function. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure rather than business functions structure
Life 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
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer

Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consists of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Main Financial Institution Customer	A Bank customer that transacts every second day and spends $5,000 over a 90 day period
Maximum Event Retention	This is an estimate of the largest accumulated property loss (from a single event) to which Suncorp will be exposed (taking into account the likelihood of this event is up to one in 200 years), after netting off any potential reinsurance recoveries
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year
Net incurred claims	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries
Net interest margin (NIM)	Net interest income divided by average interest earning assets (net of offset accounts). NIM is the percentage difference between revenue earned on interest bearing assets (loans) minus the cost of interest-bearing liabilities (funding).
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest-bearing liabilities.
Net profit after tax (NPAT)	Net profit after tax attributable to owners of Suncorp, derived in accordance with Australian Accounting Standards.
Net Stable Funding Ratio (NSFR)	The NSFR measures the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF is the amount of capital and liabilities that are expected to be a reliable source of funds over a 1-year time horizon. The amount of RSF is based on the liquidity characteristics and residual maturity of assets and off-balance sheet activities. The requirement to maintain an NSFR of at least 100% was introduced on 1 January 2018.
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period, adjusted for treasury shares
New Zealand function	Suncorp's New Zealand business distributes consumer, commercial and life insurance products through intermediaries and corporate partners, as well as insurance and personal loans directly to customers via partnerships with the New Zealand Automobile Association
Operating functions	The Suncorp Group comprises three core businesses— Insurance (Australia), Banking & Wealth and Suncorp New Zealand. The operating functions are responsible for product design, manufacturing, claims management, and distribution. The core businesses have end-to-end responsibility for the statutory entities within the Suncorp Group
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid
Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period, multiplied by the ordinary dividend per share for the period divided by cash earnings
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period, multiplied by the ordinary dividend per share for the period divided by profit after tax
Pcp	Prior comparative period
Prescribed capital amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance risk, insurance concentration risk, operational risk, combined stress scenario and aggregation benefit as required by APRA
Profit after tax from functions	The profit after tax for the Insurance Australia, Banking & Wealth and New Zealand functions

Reinsurance	A form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all, or a share of, certain claims incurred by the insurance company.
Reserve releases	Reserve releases occur when provisions made to cover insurance claims made against underwritten policies are assessed as higher than long-run trends in actual experience
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years
Shareholders' funds	Shareholders' funds are part of the investment portfolio and are managed separately from insurance funds
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months
Total capital ratio	Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA
Total operating expense ratio – general insurance	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Total risk-weighted assets	Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA
Treasury shares	Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries
Ultimate net loss (UNL) – New Zealand	Financial obligation when an insured event occurs, net of the catastrophe treaty
Underlying Insurance Trading Ratio (UITR/Underlying ITR)	The insurance trading ratio is adjusted for reported prior year reserve releases and natural hazards claims costs above/below long-run expectations, investment income mismatch and any abnormal expenses

Appendix A: Group Financial Statements

Consolidated interim statement of comprehensive income (statutory view)

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Revenue					
Insurance premium income	5,539	5,265	5,173	5.2	7.1
Reinsurance and other recoveries income	430	349	598	23.2	(28.1)
Interest income on					
financial assets not at fair value through profit or loss	778	819	889	(5.0)	(12.5)
financial assets at fair value through profit or loss	159	159	168	-	(5.4)
Net gains on financial assets and liabilities at fair value through profit or loss	-	(28)	258	(100.0)	(100.0)
Dividend and trust distribution income	49	53	27	(7.5)	81.5
Fees and other income	279	218	239	28.0	16.7
Total revenue	**7,234**	6,835	7,352	5.8	(1.6)
Expenses					
Claims expense	(3,877)	(3,426)	(3,902)	13.2	(0.6)
Outwards reinsurance premium expense	(628)	(608)	(620)	3.3	1.3
Underwriting expense	(1,218)	(1,172)	(1,104)	3.9	10.3
Interest expense on					
financial liabilities not at fair value through profit or loss	(186)	(209)	(291)	(11.0)	(36.1)
financial liabilities at fair value through profit or loss	(2)	(16)	(14)	(87.5)	(85.7)
Net losses on financial assets and liabilities at fair value through profit or loss	(146)	-	-	n/a	n/a
Impairment release (loss) on loans and advances	16	57	(8)	(71.9)	n/a
Impairment loss on goodwill and other intangible assets	-	-	(9)	n/a	(100.0)
Amortisation and depreciation expense	(99)	(114)	(115)	(13.2)	(13.9)
Fees, overheads and other expenses	(463)	(470)	(470)	(1.5)	(1.5)
Outside beneficial interests in managed funds	(58)	(94)	(93)	(38.3)	(37.6)
Total expenses	**(6,661)**	(6,052)	(6,626)	10.1	0.5
Profit before income tax	**573**	783	726	(26.8)	(21.1)
Income tax expense	(172)	(235)	(226)	(26.8)	(23.9)
Profit for the period	**401**	548	500	(26.8)	(19.8)
Profit for the period attributable to:					
Owners of the Company	388	543	490	(28.5)	(20.8)
Non-controlling interests	13	5	10	160.0	30.0
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	(21)	2	4	n/a	n/a
Net change in debt investments at fair value through other comprehensive income	(21)	(10)	33	110.0	n/a
Exchange differences on translation of foreign operations	10	(8)	4	n/a	150.0
Related income tax benefit (expense)	12	2	(11)	500.0	n/a
	(20)	(14)	30	42.9	n/a
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains on defined benefit plans	-	32	-	(100.0)	n/a
Net change in equity investments at fair value through other comprehensive income	(2)	-	-	n/a	n/a
Related income tax benefit (expense)	-	(9)	-	(100.0)	n/a
	(2)	23	-	n/a	n/a
Total other comprehensive income for the period	**(22)**	9	30	n/a	n/a
Total comprehensive income for the period	**379**	557	530	(32.0)	(28.5)
Total comprehensive income for the period attributable to:					
Owners of the Company	366	552	520	(33.7)	(29.6)
Non-controlling interests	13	5	10	160.0	30.0
Total comprehensive income for the period	**379**	557	530	(32.0)	(28.5)

Consolidated interim statement of financial position (statutory view)

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	1,025	1,200	1,234	(14.6)	(16.9)
Receivables due from other banks	4,004	1,495	1,212	167.8	230.4
Trading securities	2,144	1,579	1,371	35.8	56.4
Derivatives	342	351	478	(2.6)	(28.5)
Investment securities	20,258	21,230	20,219	(4.6)	0.2
Premiums outstanding	2,879	2,923	2,783	(1.5)	3.4
Loans and advances	58,394	57,324	57,026	1.9	2.4
Reinsurance and other recoveries	1,898	1,997	2,222	(5.0)	(14.6)
Deferred reinsurance assets	577	918	593	(37.1)	(2.7)
Deferred acquisition costs	774	752	753	2.9	2.8
Property, plant and equipment	558	504	530	10.7	5.3
Deferred tax assets	322	288	252	11.8	27.8
Goodwill and other intangible assets	5,267	5,255	5,254	0.2	0.2
Other assets	1,010	1,041	957	(3.0)	5.5
Total assets	**99,452**	96,857	94,884	2.7	4.8
Liabilities					
Payables due to other banks	115	103	68	11.7	69.1
Deposits	44,392	41,200	41,070	7.7	8.1
Derivatives	306	332	556	(7.8)	(45.0)
Amounts due to reinsurers	279	802	331	(65.2)	(15.7)
Payables and other liabilities	1,418	1,600	1,328	(11.4)	6.8
Current tax liabilities	44	189	78	(76.7)	(43.6)
Unearned premium liabilities	5,716	5,568	5,364	2.7	6.6
Provisions and employee benefit liabilities	457	597	534	(23.5)	(14.4)
Outstanding claims liabilities	10,985	10,788	10,912	1.8	0.7
Deferred tax liabilities	129	121	117	6.6	10.3
Managed funds units on issue	399	987	793	(59.6)	(49.7)
Borrowings	19,537	18,746	18,161	4.2	7.6
Loan capital	2,706	2,376	2,374	13.9	14.0
Total liabilities	**86,483**	83,409	81,686	3.7	5.9
Net assets	**12,969**	13,448	13,198	(3.6)	(1.7)
Equity					
Share capital	12,314	12,558	12,524	(1.9)	(1.7)
Reserves	187	204	209	(8.3)	(10.5)
Retained profits	431	662	441	(34.9)	(2.3)
Total equity attributable to owners of the Company	12,932	13,424	13,174	(3.7)	(1.8)
Non-controlling interests	37	24	24	54.2	54.2
Total equity	**12,969**	13,448	13,198	(3.6)	(1.7)

Consolidated interim statement of financial position by function

	General Insurance Dec-21 $M	Banking Dec-21 $M	Life Dec-21 $M	Corporate Dec-21 $M	Eliminations Dec-21 $M	Consolidated Dec-21 $M
Assets						
Cash and cash equivalents	1,027	90	53	183	(328)	1,025
Receivables due from other banks	-	4,004	-	-	-	4,004
Trading securities	-	2,144	-	-	-	2,144
Derivatives	46	296	1	-	(1)	342
Investment securities	14,081	4,678	558	14,145	(13,204)	20,258
Premiums outstanding	2,878	-	1	-	-	2,879
Loans and advances	-	58,394	-	-	-	58,394
Reinsurance and other recoveries	1,822	-	76	-	-	1,898
Deferred reinsurance assets	577	-	-	-	-	577
Deferred acquisition costs	774	-	-	-	-	774
Property, plant and equipment	73	-	2	483	-	558
Deferred tax assets	101	57	14	145	5	322
Goodwill and other intangible assets	4,767	262	65	173	-	5,267
Other assets	605	138	79	151	37	1,010
Due from related parties	156	235	15	1,175	(1,581)	-
Total assets	26,907	70,298	864	16,455	(15,072)	**99,452**
Liabilities						
Payables due to other banks	-	115	-	-	-	115
Deposits	-	44,762	-	-	(370)	44,392
Derivatives	68	237	-	3	(2)	306
Amounts due to reinsurers	277	-	2	-	-	279
Payables and other liabilities	711	123	29	543	12	1,418
Current tax liabilities	-	-	-	44	-	44
Unearned premium liabilities	5,715	-	1	-	-	5,716
Provisions and employee benefits liabilities	110	-	5	342	-	457
Outstanding claims liabilities	10,812	-	173	-	-	10,985
Deferred tax liabilities	12	-	117	-	-	129
Managed funds units on issue	-	-	-	-	399	399
Borrowings	-	19,537	-	-	-	19,537
Loan capital	580	600	-	2,376	(850)	2,706
Due to related parties	208	78	23	377	(686)	-
Total liabilities	18,493	65,452	350	3,685	(1,497)	**86,483**
Net assets	8,414	4,846	514	12,770	(13,575)	**12,969**
Equity						
Share capital						12,314
Reserves						187
Retained profits						431
Total equity attributable to owners of the Company						**12,932**
Non-controlling interests						37
Total equity						**12,969**

Appendix B: Income Tax

	Half Year Ended Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Reconciliation of prima facie income tax expense to actual tax expense:					
Profit before tax	**573**	**783**	**726**	**(26.8)**	**(21.1)**
Prima facie domestic corporate tax rate of 30% (2021: 30%)	172	235	218	(26.8)	(21.1)
Effect of tax rates in foreign jurisdictions	(2)	(2)	(3)	-	(33.3)
Effect of income taxed at non-corporate tax rate	-	-	-	n/a	n/a
Tax effect of amounts not deductible (assessable) in calculating taxable income:					
Non-deductible expenses	5	4	7	25.0	(28.6)
Non-deductible expenses – Life companies	2	(1)	7	n/a	(71.4)
Amortisation of intangible assets	3	3	3	-	-
Dividend adjustments	2	5	9	(60.0)	(77.8)
Tax exempt revenues	(3)	(3)	(6)	-	(50.0)
Current year rebates and credits	(4)	(6)	(10)	(33.3)	(60.0)
Prior year over provision	(4)	-	(1)	n/a	300.0
Other	1	-	2	n/a	(50.0)
Total income tax expense on pre-tax profit	**172**	**235**	**226**	**(26.8)**	**(23.9)**
Effective tax rate	**30.0%**	**30.0%**	**31.1%**	**-**	**(1.1)**

The effective tax rate of 30.0% (Dec 2020: 31.1%) has decreased relative to the pcp.

Appendix C: Group Earnings Per Share

Earnings per share

	Half Year Ended		
	Dec-21	**Jun-21**	**Dec-20**
Numerator	**$M**	**$M**	**$M**
Earnings:			
Profit attributable to ordinary equity holders of the company (basic)	388	543	490
Interest expense on convertible capital notes[1]	16	14	15
Profit attributable to ordinary equity holders of the company (diluted)	404	557	505
Denominator	**No. of shares**	**No. of shares**	**No. of shares**
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,270,800,291	1,278,598,458	1,276,297,986
Effect of conversion of convertible capital notes[1]	126,527,917	102,610,688	114,727,853
Weighted average number of ordinary shares (diluted)	1,397,328,208	1,381,209,146	1,391,025,839
Earnings per share:	**cents**	**cents**	**cents**
Basic	30.53	42.47	38.39
Diluted [1]	28.91	40.33	36.30

1. Capital notes will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share as per AASB 133 *Earnings per share*.

Cash earnings per share

	Half Year Ended		
	Dec-21	**Jun-21**	**Dec-20**
Numerator	**$M**	**$M**	**$M**
Earnings:			
Cash profit attributable to ordinary equity holders of the company (basic)	361	555	509
Interest expense on convertible capital notes[1]	16	14	15
Cash profit attributable to ordinary equity holders of the company (diluted)	377	569	524
Denominator	**No. of shares**	**No. of shares**	**No. of shares**
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,270,800,291	1,278,598,458	1,276,297,986
Effect of conversion of convertible capital notes[1]	126,527,917	102,610,688	114,727,853
Weighted average number of ordinary shares (diluted)	1,397,328,208	1,381,209,146	1,391,025,839
Cash earnings per share	**cents**	**cents**	**cents**
Basic	28.41	43.41	39.88
Diluted	26.98	41.20	37.67

1. Capital notes will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share as per AASB 133 *Earnings per share*.

Appendix D: ASX Listed Securities

	Half Year Ended		
	Dec-21	Jun-21	Dec-20
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,262,604,976	1,282,966,675	1,280,601,422
Dividend declared for the period (cents per share)	23	48	26
SGL Capital Notes (SUNPF) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Dividend declared for the period ($ per share)[1]	1.44	1.46	1.44
SGL Capital Notes 2 (SUNPG) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Distribution for the period ($ per note)[1]	1.28	1.30	1.29
SGL Capital Notes 3 (SUNPH) each fully paid			
Number at the end of the period	3,890,000	3,890,000	3,890,000
Distribution for the period ($ per note)[1]	1.06	1.07	1.06
SGL Capital Notes 4 (SUNPI) each fully paid			
Number at the end of the period	4,050,000	-	-
Distribution for the period ($ per note)[1]	0.99	-	-
Floating Rate Capital Notes (SBKHB)			
Number at the end of the period	-	715,383	715,383
Interest per note	-	0.38	0.41

[1.] Classified as interest expense.

Appendix E: General Insurance ITR split

Insurance Australia: Consumer Insurance[1]

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Gross written premium	**2,910**	2,855	2,801	1.9	3.9
Net earned premium	**2,521**	2,427	2,377	3.9	6.1
Net incurred claims	(1,949)	(1,812)	(1,765)	(7.6)	(10.4)
Acquisition expenses	(311)	(333)	(277)	6.6	(12.3)
Other underwriting expenses	(204)	(201)	(211)	(1.5)	3.3
Total operating expenses	**(515)**	(534)	(488)	3.6	(5.5)
Underwriting result	57	81	124	(29.6)	(54.0)
Investment income - insurance funds	9	26	71	(65.4)	(87.3)
Insurance trading result	**66**	107	195	(38.3)	(66.2)
Ratios	%	%	%		
Acquisition expenses ratio	12.3	13.7	11.6		
Other underwriting expenses ratio	8.1	8.3	8.9		
Total operating expenses ratio	**20.4**	22.0	20.5		
Loss ratio	77.3	74.7	74.3		
Combined operating ratio	97.7	96.7	94.8		
Insurance trading ratio	2.6	4.4	8.2		

1. Consumer Insurance includes Home, Motor and Boat Insurance.

Insurance Australia: Commercial Insurance, CTP, Workers compensation and Internal Reinsurance

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Gross written premium	**1,632**	1,591	1,543	2.6	5.8
Net earned premium	**1,461**	1,386	1,350	5.4	8.2
Net incurred claims[1]	**(974)**	(813)	(1,106)	(19.8)	11.9
Acquisition expenses	(231)	(218)	(210)	(6.0)	(10.0)
Other underwriting expenses[1]	(140)	(100)	(93)	(40.0)	(50.5)
Total operating expenses	**(371)**	(318)	(303)	(16.7)	(22.4)
Underwriting result	116	255	(59)	(54.5)	n/a
Investment income - insurance funds	(32)	-	146	n/a	n/a
Insurance trading result	**84**	255	87	(67.1)	(3.4)
Ratios	%	%	%		
Acquisition expenses ratio	15.8	15.7	15.6		
Other underwriting expenses ratio[2]	9.6	7.2	6.9		
Total operating expenses ratio	**25.4**	22.9	22.5		
Loss ratio[2]	66.7	58.7	81.9		
Combined operating ratio	92.1	81.6	104.4		
Insurance trading ratio	5.7	18.4	6.4		

1. Other underwriting expense includes a $44.3m provision for TEPL. The reserve release associated with this provision is in net incurred claims.

2. Excluding the impacts of TEPL, Dec-21 Other underwriting expenses ratio is 6.6% and loss ratio is 69.7%.

General Insurance short-tail (includes New Zealand)

	Half Year Ended				
	Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Short-tail					
Gross written premium	4,453	4,177	4,197	6.6	6.1
Net earned premium	**3,748**	3,570	3,481	5.0	7.7
Net incurred claims (1)	(2,689)	(2,403)	(2,545)	(11.9)	(5.7)
Acquisition expenses	(562)	(574)	(506)	2.1	(11.1)
Other underwriting expenses	(329)	(322)	(316)	(2.2)	(4.1)
Total operating expenses	**(891)**	(896)	(822)	0.6	(8.4)
Underwriting result	**168**	271	114	(38.0)	47.4
Investment income - insurance funds	9	34	92	(73.5)	(90.2)
Insurance trading result	**177**	305	206	(42.0)	(14.1)
Ratios	%	%	%		
Acquisition expenses ratio	15.0	16.1	14.5		
Other underwriting expenses ratio	8.8	9.0	9.1		
Total operating expenses ratio	**23.8**	25.1	23.6		
Loss ratio	71.7	67.3	73.1		
Combined operating ratio	95.5	92.4	96.7		
Insurance trading ratio	**4.7**	8.5	5.9		

General Insurance long-tail (includes New Zealand)

	Half Year Ended				
	Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Long-tail					
Gross written premium	1,093	1,149	1,008	(4.9)	8.4
Net earned premium	**1,052**	984	968	6.9	8.7
Net incurred claims [1]	(706)	(634)	(719)	(11.4)	1.8
Acquisition expenses	(145)	(132)	(134)	(9.8)	(8.2)
Other underwriting expenses [1]	(88)	(47)	(49)	(87.2)	(79.6)
Total operating expenses	**(233)**	(179)	(183)	(30.2)	(27.3)
Underwriting result	**113**	171	66	(33.9)	71.2
Investment income - insurance funds	(36)	(8)	128	(350.0)	n/a
Insurance trading result	**77**	163	194	(52.8)	(60.3)
Ratios	%	%	%		
Acquisition expenses ratio	13.8	13.4	13.8		
Other underwriting expenses ratio [2]	8.4	4.8	5.1		
Total operating expenses ratio	**22.2**	18.2	18.9		
Loss ratio [2]	67.1	64.4	74.3		
Combined operating ratio	89.3	82.6	93.2		
Insurance trading ratio	**7.3**	16.6	20.0		

1. Other Underwriting Expense includes a $44.3m provision for TEPL. The reserve release associated with this provision is in Net incurred Claims.

2. Excluding the impacts of TEPL, Dec-21 Other underwriting expenses ratio is 4.2% and Loss ratio is 71.3%.

Appendix F: Group capital

Group capital

	As at 31 December 2021					
	General Insurance $M	Banking $M	Life $M	SGL, Corp Services & Consol $M	Total $M	As at 30 June 2021 Total $M
Common Equity Tier 1 capital						
Ordinary share capital	-	-	-	12,321	12,321	12,571
Subsidiary share capital (eliminated upon consolidation)	7,375	3,976	448	(11,827)	(28)	(41)
Reserves	15	(964)	311	755	117	145
Retained profits and non-controlling interests	427	807	(243)	(523)	468	686
Insurance liabilities in excess of liability valuation	520	-	-	-	520	482
Goodwill and other intangible assets	(4,755)	(450)	(65)	(191)	(5,461)	(5,431)
Net deferred tax liabilities/(assets)[1]	(111)	(63)	104	(150)	(220)	(198)
Policy liability adjustment [2]	-	-	(427)	-	(427)	(429)
Other Tier 1 deductions	(4)	(14)	-	-	(18)	(41)
Common Equity Tier 1 capital	**3,467**	3,292	128	385	7,272	7,744
Additional Tier 1 capital						
Eligible hybrid capital	579	935	-	30	1,544	1,139
Additional Tier 1 capital	579	935	-	30	1,544	1,139
Tier 1 capital	**4,046**	4,227	128	415	8,816	8,883
Tier 2 capital						
General reserve for credit losses	-	205	-	-	205	199
Eligible Subordinated notes	580	600	-	-	1,180	1,180
Transitional Subordinated notes [3]	-	-	-	-	-	19
Tier 2 capital	**580**	805	-	-	1,385	1,398
Total capital	**4,626**	5,032	128	415	10,201	10,281
Represented by:						
Capital in Australian regulated entities	3,935	5,030	-	-	8,965	8,725
Capital in New Zealand regulated entities	564	-	95	-	659	628
Capital in unregulated entities [4]	127	2	33	415	577	928
Common Equity Tier 1 capital (ex div)	3,274	3,103	114	492	6,983	7,128
Total capital (ex div)	4,433	4,843	114	522	9,912	9,665

1. Deferred tax assets in excess of deferred tax liabilities are deducted in arriving at CET1.
Under the RBNZ's regulations, a net deferred tax liability is added back in determining CET1 Capital.

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

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

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

General Insurance capital

	GI Group[1] Dec-21 $M	GI Group[1] Jun-21 $M
Common Equity Tier 1 capital		
Ordinary share capital	7,375	7,375
Reserves	15	12
Retained profits and non-controlling interests	427	435
Insurance liabilities in excess of liability valuation	520	482
Goodwill and other intangible assets	(4,755)	(4,762)
Net deferred tax assets	(111)	(52)
Other Tier 1 deductions	(4)	(12)
Common Equity Tier 1 capital	**3,467**	3,478
Additional Tier 1 capital	579	554
Tier 1 capital	**4,046**	4,032
Tier 2 Capital		
Eligible subordinated notes	580	580
Tier 2 capital	**580**	580
Total capital	**4,626**	4,612
Prescribed Capital Amount		
Outstanding claims risk charge	1,050	1,026
Premium liabilities risk charge	646	645
Total insurance risk charge	1,696	1,671
Insurance concentration risk charge	250	250
Asset risk charge	998	1,048
Asset concentration risk charge	-	-
Operational risk charge	352	343
Aggregation benefit	(586)	(604)
Total Prescribed Capital Amount (PCA)	**2,710**	2,708
Common Equity Tier 1 ratio	**1.28**	1.28
Total capital ratio	**1.71**	1.70
Common Equity Tier 1 ratio (ex div)	**1.21**	1.24
Total capital ratio (ex div)	**1.64**	1.66

1. GI Group represents Suncorp Insurance Holdings Ltd and its subsidiaries including New Zealand subsidiaries.

Bank capital

	Regulatory Banking Group Dec-21 $M	Other Entities Dec-21 $M	Statutory Banking Group Dec-21 $M	Statutory Banking Group Jun-21 $M
Common Equity Tier 1 capital				
Ordinary share capital	2,754	1,222	3,976	3,976
Reserves	23	(987)	(964)	(934)
Retained profits	800	7	807	837
Goodwill and other intangible assets	(210)	(240)	(450)	(437)
Net deferred tax assets	(63)	-	(63)	(61)
Other Tier 1 deductions	(14)	-	(14)	(29)
Common Equity Tier 1 capital	**3,290**	**2**	**3,292**	3,352
Additional Tier 1 capital				
Eligible hybrid capital	935	-	935	585
Transitional hybrid capital	-	-	-	-
Additional Tier 1 capital	**935**	**-**	**935**	585
Tier 1 capital	**4,225**	**2**	**4,227**	3,937
Tier 2 capital				
General reserve for credit losses	205	-	205	199
Eligible Subordinated notes	600	-	600	600
Transitional Subordinated notes	-	-	-	19
Tier 2 capital	**805**	**-**	**805**	818
Total capital	**5,030**	**2**	**5,032**	4,755
Risk-Weighted Assets				
Credit risk	29,411	-	29,411	29,549
Market risk	156	-	156	100
Operational risk	3,665	-	3,665	3,635
Total Risk-Weighted Assets	**33,232**	-	**33,232**	33,284
Common Equity Tier 1 ratio	**9.90%**		**9.91%**	10.07%
Total capital ratio	**15.14%**		**15.14%**	14.29%
Common Equity Tier 1 ratio (ex div)	**9.33%**		**9.34%**	9.42%
Total capital ratio (ex div)	**14.57%**		**14.57%**	13.64%

Capital instruments

31 December 2021	Semi-annual coupon rate/ margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	GI $M	Bank $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Debt [1]	320 bps	Oct 2022	Oct 2016	330	-	-	330	329
SGL Subordinated Debt [1,2]	215 bps	Dec 2023	Sep 2018	-	600	-	600	598
SGL Subordinated Debt 2[1,2]	225 bps	Dec 2025	Sep 2020	250	-	-	250	249
Total subordinated debt				**580**	**600**	**-**	**1,180**	**1,176**
SGL Capital Notes (SUNPF) [1,2]	410 bps	Jun 2022	May 2017	-	375	-	375	374
SGL Capital Notes 2 (SUNPG)[1,2]	365 bps	Jun 2024	Nov 2017	165	210	-	375	373
SGL Capital Notes 3 (SUNPH)[1,2]	300 bps	Jun 2026	Dec 2019	389	-	-	389	384
SGL Capital Notes 4 (SUNPI) [1,2]	290 bps	Jun 2028	Sep 2021	25	350	30	405	398
Total Additional Tier 1 capital				**579**	**935**	**30**	**1,544**	**1,529**
Total				**1,159**	**1,535**	**30**	**2,724**	**2,705**
30 June 2021								
AAIL Subordinated Debt [1]	320 bps	Oct 2022	Oct 2016	330	-	-	330	329
SGL Subordinated Debt [1 2]	215 bps	Dec 2023	Sep 2018	-	600	-	600	596
SGL Subordinated Debt 2[1 2]	225 bps	Dec 2025	Sep 2020	250	-	-	250	250
SML FRCN [3]	75 bps	Perpetual	Dec 1998	-	19	-	19	72
Total subordinated debt				**580**	**619**	**-**	**1,199**	**1,247**
SGL Capital Notes (SUNPF) [1,2]	410 bps	Jun 2022	May 2017	-	375	-	375	373
SGL Capital Notes 2 (SUNPG) [1,2]	365 bps	Jun 2024	Nov 2017	165	210	-	375	372
SGL Capital Notes 3 (SUNPH) [1,2]	300 bps	Jun 2026	Dec 2019	389	-	-	389	384
Total Additional Tier 1 capital				**554**	**585**	**-**	**1,139**	**1,129**
Total				**1,134**	**1,204**	**-**	**2,338**	**2,376**

1. Unamortised transaction costs related to external issuance are deducted from the "Accounting Balance" outlined above when recorded in the issuing entities balance sheet.
2. These instruments were issued by SGL and deployed to regulated entities within the Group. The amounts held by SGL, which have been deployed are eliminated on consolidation for accounting and regulatory purposes.
3. Tier 2 instruments subject to the transitional arrangements outlined in APRA's prudential standard APS111 Attachment L.

Appendix G: Statement of assets and liabilities

General Insurance

	Half Year Ended			Dec-21	Dec-21
	Dec-21	Jun-21	Dec-20	v Jun-21	v Dec-20
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	1,027	410	511	150.5	101.0
Derivatives	46	36	99	27.8	(53.5)
Investment securities	14,081	14,718	13,909	(4.3)	1.2
Premiums outstanding	2,878	2,922	2,782	(1.5)	3.5
Reinsurance and other recoveries	1,822	1,923	2,151	(5.3)	(15.3)
Deferred reinsurance assets	577	918	593	(37.1)	(2.7)
Deferred acquisition costs	774	752	753	2.9	2.8
Due from related parties	156	138	161	13.0	(3.1)
Property, plant and equipment	73	69	75	5.8	(2.7)
Deferred tax assets	101	40	2	152.5	n/a
Goodwill and intangible assets	4,767	4,774	4,781	(0.1)	(0.3)
Other assets	605	569	620	6.3	(2.4)
Total assets	**26,907**	27,269	26,437	(1.3)	1.8
Liabilities					
Payables and other liabilities	711	648	618	9.7	15.0
Provisions and employee benefits liabilities	110	131	125	(16.0)	(12.0)
Derivatives	68	58	24	17.2	183.3
Due to related parties	208	455	282	(54.3)	(26.2)
Deferred tax liabilities	12	7	-	71.4	n/a
Unearned premium liabilities	5,715	5,567	5,363	2.7	6.6
Outstanding claims liabilities	10,812	10,627	10,756	1.7	0.5
Loan capital	580	579	579	0.2	0.2
Current tax liabilities	-	3	5	n/a	n/a
Amount due to reinsurers	277	800	329	(65.4)	(15.8)
Total liabilities	**18,493**	18,875	18,081	(2.0)	2.3
Net assets	**8,414**	8,394	8,356	0.2	0.7
Reconciliation of net assets to Common Equity Tier 1 capital					
Net assets - GI businesses	8,414	8,394	8,356		
Insurance liabilities in excess of liability valuation	520	482	439		
Reserves excluded from regulatory capital	(18)	(18)	(18)		
Additional Tier 1 capital	(579)	(554)	(540)		
Goodwill allocated to GI businesses	(4,399)	(4,398)	(4,399)		
Other intangibles (inc. software assets)	(467)	(416)	(384)		
Other Tier 1 deductions	(4)	(12)	(14)		
Common Equity Tier 1 capital	**3,467**	3,478	3,440		

Bank

Bank balance sheet

	Dec-21 $M	Jun-21 $M	Dec-20 $M	Dec-21 v Jun-21 %	Dec-21 v Dec-20 %
Assets					
Cash and cash equivalents	90	68	260	32.4	(65.4)
Receivables due from other banks	4,004	1,495	1,212	167.8	230.4
Trading securities	2,144	1,579	1,371	35.8	56.4
Derivatives	296	310	368	(4.5)	(19.6)
Investment securities	4,678	4,538	4,634	3.1	0.9
Loans and advances	58,394	57,324	57,026	1.9	2.4
Due from related parties	235	223	248	5.4	(5.2)
Deferred tax assets	57	49	64	16.3	(10.9)
Other assets	138	258	139	(46.5)	(0.7)
Goodwill and intangible assets	262	262	262	-	-
Total assets	**70,298**	66,106	65,584	6.3	7.2
Liabilities					
Deposits	44,762	41,520	41,443	7.8	8.0
Derivatives	237	272	530	(12.9)	(55.3)
Payables due to other banks	115	103	68	11.7	69.1
Payables and other liabilities	123	158	132	(22.2)	(6.8)
Due to related parties	78	84	65	(7.1)	20.0
Provisions	-	-	-	n/a	n/a
Borrowings	19,537	18,746	18,161	4.2	7.6
Subordinated notes	600	672	672	(10.7)	(10.7)
Total liabilities	**65,452**	61,555	61,071	6.3	7.2
Net assets	**4,846**	4,551	4,513	6.5	7.4
Reconciliation of net equity to Common Equity Tier 1					
Net equity - Banking	4,846	4,551	4,513		
Additional Tier 1 capital	(935)	(585)	(585)		
Goodwill allocated to Banking Business	(240)	(240)	(240)		
Regulatory capital equity adjustments	(4)	(5)	(3)		
Regulatory capital adjustments	(287)	(287)	(301)		
Other reserves excluded from Common Equity Tier 1 ratio	(90)	(85)	(76)		
Common Equity Tier 1 capital	3,290	3,349	3,308		

Average banking balance sheet

	Half Year Ended Dec-21			Half Year Ended Jun-21		
	Average Balance[1]	Interest	Average Rate	Average Balance[1]	Interest	Average Rate
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities [2]	9,248	19	0.41	7,175	33	0.87
Gross loans and advances	53,202	755	2.82	52,836	783	2.99
Total interest-earning assets	**62,450**	**774**	**2.46**	60,011	816	2.74
Non-interest earning assets						
Loan balances subject to mortgage offsets	4,559			4,314		
Other assets (inc. loan provisions)	620			790		
Total non-interest earning assets	**5,179**			5,104		
Total assets	**67,629**			65,115		
Liabilities						
Interest-bearing liabilities						
Customer deposits	38,399	62	0.32	36,815	79	0.43
Wholesale liabilities	19,034	84	0.88	18,336	106	1.17
Subordinated loans	610	7	2.28	672	7	2.10
Total interest-bearing liabilities	**58,043**	**153**	**0.52**	55,823	192	0.69
Non-interest bearing liabilities						
Other customer deposits	4,559			4,314		
Other liabilities	326			466		
Total non-interest bearing liabilities	**4,885**			4,780		
Total liabilities	**62,928**			60,603		
Average Net Assets	**4,701**			4,512		
Non-Shareholder accounting equity	(56)			(193)		
Convertible preference shares	(774)			(585)		
Average Ordinary Shareholders' equity	3,871			3,734		
Net interest spread			1.94			2.05
Net interest margin (interest-earning assets)	62,450	621	1.97	60,011	624	2.09
Net interest margin (lending assets)	53,202	621	2.32	52,836	624	2.38

1. Calculated based on daily balances over the period.

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

Appendix H: FY22 Group Reinsurance Program

Reinsurance security has been maintained for the FY22 year program, with over 85% of business protected by reinsurers rated 'A+' or better.

Property catastrophe program

The Group's maximum event retention remains at $250 million with an upper limit of $6.5 billion which covers the Home, Motor and Commercial property portfolios across Australia and New Zealand. The FY22 limit remains in excess of Australia and New Zealand regulatory requirements. The main catastrophe program includes one prepaid reinstatement which covers losses up to $6.5 billion for a second event and two further prepaid reinstatements at the lower layer which covers losses up to $500 million for the third and fourth events.

In addition to the main catastrophe program, the Group has purchased dropdown aggregate protection in the form of three dropdowns:

- Dropdown 1 (50m xs 200m xs 50m) provides $50 million of cover, for events greater than $200 million once the cumulative impact of qualifying events reach $50 million.
- Dropdown 2 (100m xs 150m xs 200m) provides $100 million of cover, for events greater than $150 million once the cumulative impact of qualifying events reach $200 million.
- Dropdown 3 (100m xs 50m xs 200m) provides $100 million of cover, for events greater than $50 million once the cumulative effect of qualifying events reach $200 million.

The Group also has in place a prepaid reinstatement for Dropdown 2 and Dropdown 3. In aggregate, the dropdowns provide an additional $450 million of protection against large natural hazard events. The manner in which the dropdowns interact with the main catastrophe program and AXL (see below) depends on the size and frequency of natural hazard events. The extent to which the horizontal dropdown layer has been eroded will determine when a dropdown may be triggered and the amount of recoveries available. In general, the Group would make recoveries under the dropdowns where available, prior to utilising the aggregate excess of loss treaty.

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

The AXL treaty is an aggregate protection cover providing $400 million of cover in excess of a retention of $650 million for loss events costs above $5 million. The inclusion of the event deductible means Suncorp will retain the first $5 million of each event, accepting the lower end of the natural hazard volatility components. Following the high frequency of events in the first half of FY22, an additional AXL limit of AUD75m (50% of a $150m layer) was placed. The cover commenced 14 December 2021 and will attach at the exhaustion of the existing AXL treaty and provide coverage for the rest of FY22.

The Group's also has a multi-year quota share arrangement ceding 30% from the Queensland home insurance portfolio. Suncorp maintains strong market share within this market and the quota share reduces concentration risk in this region.

Suncorp also has a 50% quota share arrangement in place for large global property risks. Other quota share arrangements continue to be investigated and implemented where they provide sufficient capital and earnings benefits to offset the profit ceded to reinsurance partners.

Appendix I: Financial Calendar

The financial calendar below may be updated throughout the year. Please refer to suncorpgroup.com.au for up-to-date details.

Dividend and distribution dates set out below may be subject to change.

Suncorp considers the payment of ordinary dividends as part of the process of preparing half and full year accounts, taking into consideration the company's capital position, the outlook for the operating environment and guidance from regulators. Suncorp generally pays a dividend on its ordinary shares twice a year following the interim and final results announcements and the proposed dates for the next 12 months are set out below.

Suncorp Group Limited (SUN)

Half year results and interim dividend announcement	8 February 2022
Interim ordinary dividend ex-dividend date	14 February 2022
Interim ordinary dividend record date	15 February 2022
Interim ordinary dividend payment date	1 April 2022
Last day for nominations of directors[1]	21 July 2022
Full year results and final dividend announcement	8 August 2022
Final ordinary dividend ex-dividend date	12 August 2022
Final ordinary dividend record date	15 August 2022
Final ordinary dividend payment date	21 September 2022
Annual General Meeting	22 September 2022

Suncorp Group Limited Capital Notes (SUNPF)

Ex-distribution date	2 March 2022
Distribution payment date	17 March 2022
Ex-distribution date	1 June 2022
Distribution payment date	17 June 2022
Ex-distribution date	2 September 2022
Distribution payment date	19 September 2022
Ex-distribution date	2 December 2022
Distribution payment date	19 December 2022

Suncorp Group Limited Capital Notes 2 (SUNPG)

Ex-distribution date	2 March 2022
Distribution payment date	17 March 2022
Ex-distribution date	1 June 2022
Distribution payment date	17 June 2022
Ex-distribution date	2 September 2022
Distribution payment date	19 September 2022
Ex-distribution date	2 December 2022
Distribution payment date	19 December 2022

Suncorp Group Limited Capital Notes 3 (SUNPH)

Ex-distribution date	2 March 2022
Distribution payment date	17 March 2022
Ex-distribution date	1 June 2022
Distribution payment date	17 June 2022
Ex-distribution date	2 September 2022
Distribution payment date	19 September 2022
Ex-distribution date	2 December 2022
Distribution payment date	19 December 2022

Suncorp Group Limited Capital Notes 4 (SUNPI)

Ex-distribution date	2 March 2022
Distribution payment date	17 March 2022
Ex-distribution date	1 June 2022
Distribution payment date	17 June 2022
Ex-distribution date	2 September 2022
Distribution payment date	19 September 2022
Ex-distribution date	2 December 2022
Distribution payment date	19 December 2022

1. in accordance with ASX Listing Rule 3.13.1