Suncorp Group Limited ABN 66 145 290 124

# Financial results

## for the full year ended 30 June 2013

One Company
Many Brands

SUNCORP GROUP

# Basis of preparation

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

The Group's net profit after tax (NPAT) is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars rounded to the nearest million unless otherwise denoted. All figures relate to the full year ended 30 June 2013 and comparatives are for the full year ended 30 June 2012, unless otherwise stated. In financial summary tables, where there has been a percentage movement greater than 500% or (500%), this has been labelled "large". If a line item changes from negative to positive (or vice versa) between years, this has been labelled "n/a".

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

The Non-core Bank is analysed on page 56 and the Consolidated Bank tables are disclosed at Appendix 8. Analysis of the Consolidated Bank is segregated into Core and Non-core to present an indicative view of relative performance. Following the resolution of the Non-core Bank during the year, future reports will show the Consolidated Bank. While every effort has been made to ensure the tables are accurate, necessary assumptions around the allocation of funding and expenses have been made.

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

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

This report should be read in conjunction with the definitions in Appendix 9.

# Disclaimer



# Registered office

Level 18, 36 Wickham Terrace
Brisbane Queensland 4000
Telephone: (07) 3362 1222
suncorpgroup.com.au

# Investor Relations

Mark Ley
Head of Investor Relations
Telephone: (07) 3135 3991
mark.ley@suncorp.com.au

# Table of Contents

THIS PAGE INTENTIONALLY LEFT BLANK

# Financial results summary

- Group net profit after tax (NPAT) of $491 million (FY12: $724 million)
- Profit after tax from core business lines* of $1,232 million (FY12: $1,033 million)
- Full year ordinary dividend of 55 cents per share fully franked (FY12: 40 cents) and a special dividend of 20 cents per share fully franked (FY12: 15 cents)
- After payment of these dividends, the Group holds $847 million of total capital in excess of operating targets
- Capital ratios have improved with the GI Group Prescribed Capital Amount (PCA) coverage at 1.96 times and Bank Total Capital Ratio 12.52% on a regulated entity basis
- General Insurance NPAT of $883 million (FY12: $493 million)
- Reported Insurance Trading Result of $959 million representing an Insurance Trading Ratio (ITR) of 13.1% (FY12: 7.5%)
- Underlying ITR* of 13.5% (FY12: 12.1%)
- Adjusting for the impact of Fire Service Levies, Gross Written Premium (GWP) has increased 8.5%. Reported GWP is up 8.0% to $8,589 million.
- Core Bank NPAT of $289 million (FY12: $289 million). Net interest margin (NIM) for the six months to 30 June 2013 of 1.89%
- Suncorp Life NPAT of $60 million (FY12: $251 million). Suncorp Life Embedded Value of $2,569 million (FY12: $2,604 million)
- Non-core Bank loss after tax of $632 million (FY12: $263 million)

# Operational summary

- Annual growth of between 8% to 10% across Suncorp's core business lines
- Resolution of the Non-core Bank with a $1.6 billion portfolio sale in June 2013
- Increased benefits from Simplification projects – expected to deliver $225 million in annualised benefits in the 2015 financial year and $265 million in the 2016 financial year
- Successful consolidation of General Insurance licences from five to one
- Policy systems consolidation on track with Suncorp Insurance moved onto the single policy and online system
- 4Cs strategic assets (Cost, Capital, Customer and Culture) to drive 10%+ Return on Equity (RoE) in the 2015 financial year
- Raised $560 million in Basel III compliant Tier 1 convertible preference shares in November 2012 and $770 million of subordinated debt in May 2013
- Additional protection for the 2014 reinsurance program with the inclusion of horizontal cover for third and fourth events
- Significantly increased employee engagement and enablement scores, well above financial services norms

* Refer Appendix 9 for definition of 'cash earnings' and 'profit after tax from core business lines' and Appendix 6 for Underlying ITR.

## Result overview

Suncorp has delivered a full year after tax profit of $491 million. This result includes an after tax loss of $632 million for the Non-core Bank. Profit after tax for the core business lines was $1,232 million, an increase of 19.3% over the prior year. The core business results have been achieved through strong top-line growth, maintained or growing margins and improved operational efficiencies.

The resolution of the Non-core Bank represents a significant milestone for Suncorp. The Non-core portfolio was originally established in 2009 with $18 billion in corporate, development finance and property investment loans. Sale of the $1.6 billion portfolio of assets in June 2013 brought to a close the separately reported Non-core Bank and resulted in an aggregate return of approximately 90 cents in the dollar on the original $18 billion portfolio.

Suncorp and its stakeholders can now focus on the true value of the Group, comprising the General Insurance, Bank and Life businesses. These businesses are delivering:

- measured growth within risk appetite and target markets;
- improved or stable margins; and
- a strong focus on cost control.

Despite the impact of the Non-core loss, shareholders have received improved returns in the form of total dividends of 75 cents per share, an increase of 36% over the prior year, and an increase in Suncorp's share price of almost 50% over the 2013 financial year.

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

- General Insurance GWP up 8.0% to $8,589 million;
- Core Bank lending up 9.5% to $47.5 billion; and
- Life Risk Individual In-force Premium up 8.7% to $785 million.

Operational efficiencies and a focus on cost control ensure the Group's business lines are all delivering solid margins, with:

- General Insurance improving both its reported ITR (13.1%) and underlying ITR (13.5%);
- Core Bank delivering a net interest margin (NIM) of 1.89% for the past six months, above the targeted range of 1.75% to 1.85%; and
- Life's planned profit margins remaining stable at $99 million.

**General Insurance** profit after tax was $883 million. The key drivers were top-line growth, operational efficiencies and favourable investment movements.

GWP increased by 8.0% to $8,589 million with all product lines achieving strong growth. Suncorp's Personal Insurance lines are benefiting from the Building Blocks pricing initiatives, in particular the improved risk selection from the General Insurance Pricing Engine (GIPE). In Home, GWP increased by 10.4%, offsetting increased reinsurance costs and natural hazard allowances. In Motor, GWP growth of 4.7% has been achieved through increased average premiums and net written units.

In Commercial Insurance, GWP increased by 8.4% with growth across all major product lines as a result of improved pricing and retention. Premium increases in the statutory classes of Compulsory Third Party and Workers Compensation have been achieved to offset the impact of falling bond yields.

The reported ITR increased to 13.1% and the underlying ITR increased to 13.5%, both well above Suncorp's commitment to 'meet or beat' an underlying ITR of 12%.

The **Core Bank** delivered an after tax profit of $289 million. Asset growth of 9.5% was achieved across the Bank's segments of mortgages, agribusiness and commercial/SME lending. The NIM has improved over the course of the year while the retail deposit to loan ratio of 66.5% sits comfortably within the target range of 60% to 70%. The Suncorp Group's 'A+/A1' credit ratings provide access to diversity in wholesale funding and provide a competitive advantage over the other regional banks. Credit quality remains sound with impairment losses within operating ranges.

**Suncorp Life** profit after tax was $60 million. The result was significantly impacted by higher discount rates which resulted in an accounting loss after tax for market adjustments of $60 million. The underlying profit after tax was $120 million, down on the prior year due to negative experience against lapse assumptions and reduced Superannuation profit. Reported life individual risk new business sales were $121 million, up 14.2%. Sales of life insurance through the Direct channel to the General Insurance customers have increased 16%, reinforcing the strategy of concentrating on growing this channel. The Embedded Value of Suncorp Life was slightly down at $2,569 million despite the change in lapse assumptions and dividend distributions in 2013**.**

The **Non-core Bank** after tax loss was $632 million. The Non-core Bank has now been resolved and will no longer be reported as a separate division.

The Group's balance sheet strengthened during the year and the Group's surplus capital position has enabled the Board to declare a **fully franked final dividend of 30 cents and a special dividend of 20 cents per share.** Total dividend payments for the full year was 75 cents per share, up 36%.

The Group has now established appropriate gearing levels for the lines of business and replaced maturing capital during the last 12 months. During the year, the Group issued Basel III compliant Convertible Preference Shares ($560 million) and the first Basel III compliant subordinated debt ($770 million) from an Australian Financial Institution.

After accounting for dividend payments, the Group's total capital position remains strong with $847 million of additional capital held above the business line and Group operating targets. The quality of capital is demonstrated by the Group's Common Equity Tier I (CET1) being $801 million above operating targets. The Group also has $275 million of franking credits available after the payment of the declared dividends.

## Outlook

The transformation of the Suncorp Group is evidenced in the strength of the balance sheet, reduced complexity of operations and the growth and performance of the core businesses. The resolution of the Non-core banking portfolio will ensure all stakeholders can now focus solely on the future operations of the Group.

Simplification initiatives will continue to deliver benefits ahead of plan, providing an additional $225 million in cost savings in the 2015 financial year and $265 million in the 2016 financial year.

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

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

These targets will help support the next stage in the evolution of the Suncorp Group. They will deliver real value for shareholders by demonstrating what the Group can achieve by capitalising on the 'One Company. Many Brands' business model and its strategic assets, known as the 4Cs – Cost, Capital, Customer and Culture.

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

- Cost - lowering the unit cost of procurement by leveraging the Group's scale, buying power and supplier relationships
- Capital - demonstrating a diversification benefit through improved risk-based capital modelling and ultimately a reduction in the quantum of capital held across the Group
- Customer - enhancing the value of 9 million customer connections by deepening their relationships with the Group brands

- Culture - operating as ‘One Company. Many Brands. One Team’ and positioning Suncorp as THE place to work in Australia and New Zealand.

In **General Insurance**, the Group’s multi-brand strategy will allow it to pursue growth opportunities and maintain market share. The General Insurance business will continue to benefit from Simplification initiatives, supply chain management and the New Zealand transformation program. This will ensure the underlying ITR remains above 12% despite the impacts of low investment returns, a competitive market and historically high reinsurance costs. The Group will increase its allowance for natural hazard events to $565 million for the 2014 financial year.

The **Bank** will continue to leverage its unique customer proposition, offering ‘big bank’ capability and ‘small bank’ customer service to drive growth through its low-risk target customer segment. Challenging operating conditions characterised by subdued consumer confidence, lower than average system credit growth and ongoing regulatory change are expected over the medium term.

Ongoing focus on transaction accounts and complete customer relationships ensures the Bank is well placed to respond to Basel III liquidity reforms.

As a result of the resolution of the Non-core portfolio, the Bank will focus on consolidating operations over the course of the 2014 financial year. Following the sale of the $1.6 billion portfolio of Non-core assets, the Consolidated Bank will now include the residual portfolio of loans previously reported as part of the Non-core. Additional provisioning has been allocated against these loans with specific provision coverage in excess of 50%. The Bank expects the balance of these loans to be below $100 million by June 2014.

As anticipated, the impact of residual Non-core funding costs and operating expenses will impact the Bank’s reported NIM and cost to income ratios over the course of the 2014 financial year. The Non-core legacy funding position will be progressively unwound over the course of the year and this will mean that the Bank is likely to be below the target NIM range of 1.75% to 1.85% for the 2014 financial year. The Bank expects it will be operating within the target NIM range for the first half of 2015 financial year.

The Bank is also well placed to address legacy Non-core portfolio expenses and expects the cost to income ratio to be around 55% for the 2014 financial year reducing to around 53% in the second half. Further improvements will drive the ratio towards 50% by June 2015 – in line with the target outlined at the Group Investor Day.

**Suncorp Life** remains one of the key growth levers available for the Group. Life will maintain growth momentum by continuing to service the needs of the Group's customers through Direct channels and driving sustainable change in the Independent Financial Advisors (IFA) channel.

The Life Insurance industry faces a number of well publicised structural challenges and the prolonged period of economic uncertainty has impacted consumer confidence. Suncorp Life has reset its strategy and is well positioned to build a business for the future after early recognition of the structural challenges, adapting to the new regulatory environment and leveraging the opportunities for the Suncorp Group.

The **Group’s** balance sheet strength over the last three years has protected it from external economic conditions and allowed the progressive run-off of the Non-core Bank. This significant de-risking removed a strain on the balance sheet and has placed the Group in a strong position to evaluate its capital needs going forward.

Suncorp is currently conducting risk-based capital modelling to more accurately determine the Group’s surplus capital requirements. This modelling, combined with a simpler balance sheet, provides confidence that there will be a reduction in the overall level of capital held at the Group and the business lines. This review will be undertaken in a prudent and measured way in consultation with the Credit Rating Agencies and the Regulator. The Suncorp Board remains committed to returning to shareholders any capital that is considered surplus to the operational needs of the business.

## Contribution to profit by division

| | FULL YEAR ENDED JUN-13 $M | FULL YEAR ENDED JUN-12 $M | JUN-13 vs JUN-12 % |
|---|---|---|---|
| **General Insurance** | | | |
| Gross written premium | 8,589 | 7,955 | 8.0 |
| Net earned premium | 7,298 | 6,804 | 7.3 |
| Net incurred claims | (4,919) | (5,396) | (8.8) |
| Operating expenses | (1,753) | (1,615) | 8.5 |
| Investment income - insurance funds | 333 | 718 | (53.6) |
| Insurance trading result | 959 | 511 | 87.7 |
| Other income - managed schemes and joint venture | 35 | 22 | 59.1 |
| Investment income - shareholder funds | 288 | 203 | 41.9 |
| Capital funding | (33) | (66) | (50.0) |
| Profit before tax | 1,249 | 670 | 86.4 |
| Income tax | (366) | (177) | 106.8 |
| **General Insurance profit after tax** | 883 | 493 | 79.1 |
| **Core Bank** | | | |
| Net interest income | 976 | 896 | 8.9 |
| Net non-interest income | 69 | 104 | (33.7) |
| Operating expenses | (554) | (528) | 4.9 |
| Profit before impairment losses on loans and advances | 491 | 472 | 4.0 |
| Impairment losses on loans and advances | (64) | (41) | 56.1 |
| Core Bank profit before tax | **427** | **431** | **(0.9)** |
| Income tax | (138) | (142) | (2.8) |
| **Total Core Bank profit after tax** | 289 | 289 | - |
| **Life** | | | |
| Underlying profit after tax | 120 | 146 | (17.8) |
| Market adjustments after tax | (60) | 105 | n/a |
| **Life profit after tax** | **60** | **251** | **(76.1)** |
| **Profit after tax from core business lines** | **1,232** | **1,033** | **19.3** |
| **Non-core Bank** | | | |
| Net interest income | 10 | 32 | (68.8) |
| Net non-interest income | (9) | 36 | n/a |
| Operating expenses | (65) | (69) | (5.8) |
| Profit (loss) before losses on loans and advances | (64) | (1) | large |
| Losses on loans and advances | (838) | (391) | 114.3 |
| Non-core Bank loss before tax | **(902)** | **(392)** | **130.1** |
| Income tax | 270 | 129 | 109.3 |
| **Total Non-core Bank loss after tax** | **(632)** | **(263)** | **140.3** |
| **Other profit (loss) before tax** [(1)] | (12) | 54 | n/a |
| Income tax | (12) | (5) | 140.0 |
| **Other profit (loss) after tax** | **(24)** | **49** | **n/a** |
| **Non-core Bank and Other loss after tax** | **(656)** | **(214)** | **206.5** |
| **Cash earnings** | **576** | **819** | **(29.7)** |
| **Acquisition amortisation** | | | |
| Acquisition amortisation loss before tax | (111) | (127) | (12.6) |
| Income tax [(2)] | **26** | **32** | **(18.8)** |
| **Loss on acquisition amortisation** | **(85)** | **(95)** | **(10.5)** |
| **Net profit after tax** | **491** | **724** | **(32.2)** |

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

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

## Contribution to profit by division

| | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|
| | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | $M | $M | % | % |
| **General Insurance** | | | | | | |
| Gross written premium | 4,364 | 4,225 | 4,100 | 3,855 | 3.3 | 6.4 |
| Net earned premium | 3,697 | 3,601 | 3,445 | 3,359 | 2.7 | 7.3 |
| Net incurred claims | (2,614) | (2,305) | (2,576) | (2,820) | 13.4 | 1.5 |
| Operating expenses | (871) | (882) | (832) | (783) | (1.2) | 4.7 |
| Investment income - insurance funds | 78 | 255 | 345 | 373 | (69.4) | (77.4) |
| Insurance trading result | 290 | 669 | 382 | 129 | (56.7) | (24.1) |
| Other income - managed schemes and joint venture | 38 | (3) | 14 | 8 | n/a | 171.4 |
| Investment income - shareholder funds | 128 | 160 | 77 | 126 | (20.0) | 66.2 |
| Capital funding | (9) | (24) | (29) | (37) | (62.5) | (69.0) |
| Profit before tax | 447 | 802 | 444 | 226 | (44.3) | 0.7 |
| Income tax | (128) | (238) | (113) | (64) | (46.2) | 13.3 |
| **General Insurance profit after tax** | **319** | **564** | **331** | **162** | **(43.4)** | **(3.6)** |
| **Core Bank** | | | | | | |
| Net interest income | 506 | 470 | 455 | 441 | 7.7 | 11.2 |
| Net non-interest income | 21 | 48 | 46 | 58 | (56.3) | (54.3) |
| Operating expenses | (281) | (273) | (270) | (258) | 2.9 | 4.1 |
| Profit before impairment losses on loans and advances | 246 | 245 | 231 | 241 | 0.4 | 6.5 |
| Impairment losses on loans and advances | (32) | (32) | (32) | (9) | - | - |
| Core Bank profit before tax | 214 | 213 | 199 | 232 | 0.5 | 7.5 |
| Income tax | (69) | (69) | (66) | (76) | - | 4.5 |
| **Total Core Bank profit after tax** | **145** | **144** | **133** | **156** | **0.7** | **9.0** |
| **Life** | | | | | | |
| Underlying profit after tax | 59 | 61 | 77 | 69 | (3.3) | (23.4) |
| Market adjustments after tax | (50) | (10) | 41 | 64 | 400.0 | n/a |
| **Life profit after tax** | **9** | **51** | **118** | **133** | **(82.4)** | **(92.4)** |
| **Profit after tax from core business lines** | **473** | **759** | **582** | **451** | **(37.7)** | **(18.7)** |
| **Non-core Bank** | | | | | | |
| Net interest income | (4) | 14 | 4 | 28 | n/a | n/a |
| Net non-interest income | (8) | (1) | 1 | 35 | large | n/a |
| Operating expenses | (35) | (30) | (36) | (33) | 16.7 | (2.8) |
| Profit (loss) before losses on loans and advances | (47) | (17) | (31) | 30 | 176.5 | 51.6 |
| Losses on loans and advances | (655) | (183) | (267) | (124) | 257.9 | 145.3 |
| Non-core Bank loss before tax | (702) | (200) | (298) | (94) | 251.0 | 135.6 |
| Income tax | 210 | 60 | 89 | 40 | 250.0 | 136.0 |
| **Total Non-core Bank loss after tax** | **(492)** | **(140)** | **(209)** | **(54)** | **251.4** | **135.4** |
| **Other profit (loss) before tax [(1)]** | **(19)** | **7** | **10** | **44** | **n/a** | **n/a** |
| Income tax | (2) | (10) | - | (5) | (80.0) | n/a |
| **Other profit (loss) after tax** | (21) | (3) | 10 | 39 | large | n/a |
| **Non-core Bank and Other loss after tax** | **(513)** | **(143)** | **(199)** | **(15)** | **258.7** | **157.8** |
| **Cash earnings** | **(40)** | **616** | **383** | **436** | **n/a** | **n/a** |
| **Acquisition amortisation** | | | | | | |
| Acquisition amortisation loss before tax | (55) | (56) | (63) | (64) | (1.8) | (12.7) |
| Income tax [(2)] | 12 | 14 | 15 | 17 | (14.3) | (20.0) |
| **Loss on acquisition amortisation** | **(43)** | **(42)** | **(48)** | **(47)** | **2.4** | **(10.4)** |
| **Net profit (loss) after tax** | **(83)** | **574** | **335** | **389** | **n/a** | **n/a** |

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

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

## Statement of financial position

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | DEC-11 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 1,394 | 595 | 866 | 1,231 | 134.3 | 61.0 |
| Receivables due from other banks | 1,460 | 1,031 | 2,044 | 2,423 | 41.6 | (28.6) |
| Trading securities | 3,462 | 4,077 | 4,787 | 3,641 | (15.1) | (27.7) |
| Derivatives | 627 | 382 | 393 | 291 | 64.1 | 59.5 |
| Investment securities | 26,183 | 24,046 | 24,881 | 24,775 | 8.9 | 5.2 |
| Banking loans, advances and other receivables | 47,999 | 48,756 | 47,290 | 45,475 | (1.6) | 1.5 |
| General Insurance assets | 7,158 | 6,862 | 7,688 | 7,247 | 4.3 | (6.9) |
| Life assets | 666 | 624 | 721 | 586 | 6.7 | (7.6) |
| Property, plant and equipment | 212 | 209 | 216 | 230 | 1.4 | (1.9) |
| Deferred tax assets | 87 | 69 | 181 | 94 | 26.1 | (51.9) |
| Other assets | 512 | 617 | 731 | 717 | (17.0) | (30.0) |
| Goodwill and intangible assets | 6,168 | 6,207 | 6,264 | 6,295 | (0.6) | (1.5) |
| **Total assets** | 95,928 | 93,475 | 96,062 | 93,005 | 2.6 | (0.1) |
| **Liabilities** | | | | | | |
| Deposits and short-term borrowings | 43,547 | 41,046 | 40,685 | 38,771 | 6.1 | 7.0 |
| Derivatives | 1,039 | 1,331 | 2,406 | 2,105 | (21.9) | (56.8) |
| Payables due to other banks | 213 | 46 | 64 | 29 | 363.0 | 232.8 |
| Payables and other liabilities | 2,478 | 1,832 | 2,602 | 1,752 | 35.3 | (4.8) |
| Current tax liabilities | 2 | 102 | 51 | 7 | (98.0) | (96.1) |
| General Insurance liabilities | 14,496 | 14,351 | 14,835 | 14,956 | 1.0 | (2.3) |
| Life liabilities | 5,869 | 5,678 | 5,786 | 5,770 | 3.4 | 1.4 |
| Managed funds units on issue | 8 | - | 1 | 365 | n/a | large |
| Securitisation liabilities | 4,777 | 4,305 | 3,800 | 4,313 | 11.0 | 25.7 |
| Debt issues | 7,291 | 8,206 | 9,569 | 8,676 | (11.2) | (23.8) |
| Subordinated notes | 1,646 | 978 | 1,374 | 1,368 | 68.3 | 19.8 |
| Preference shares | 579 | 1,311 | 762 | 760 | (55.8) | (24.0) |
| **Total liabilities** | 81,945 | 79,186 | 81,935 | 78,872 | 3.5 | 0.0 |
| **Net assets** | 13,983 | 14,289 | 14,127 | 14,133 | (2.1) | (1.0) |
| **Equity** | | | | | | |
| Share capital | 12,682 | 12,677 | 12,672 | 12,665 | 0.0 | 0.1 |
| Reserves | 40 | (38) | (55) | 36 | n/a | n/a |
| Retained profits | 1,245 | 1,636 | 1,493 | 1,420 | (23.9) | (16.6) |
| **Total equity attributable to owners of the Company** | 13,967 | 14,275 | 14,110 | 14,121 | (2.2) | (1.0) |
| Non-controlling interests | 16 | 14 | 17 | 12 | 14.3 | (5.9) |
| **Total equity** | 13,983 | 14,289 | 14,127 | 14,133 | (2.1) | (1.0) |

## Ratios and statistics

| | | FULL YEAR ENDED JUN-13 | JUN-12 | JUN-13 vs JUN-12 % |
|---|---|---|---|---|
| **Performance ratios** | | | | |
| Earnings per share [(1)] | | | | |
| Basic | (cents) | 38.42 | 56.68 | (32.2) |
| Diluted | (cents) | 38.42 | 55.74 | (31.1) |
| Cash earnings per share [(2)] | | | | |
| Basic | (cents) | 45.08 | 64.11 | (29.7) |
| Diluted | (cents) | 45.08 | 62.66 | (28.1) |
| Return on average shareholders' equity [(1)] | (%) | 3.5 | 5.2 | |
| Cash return on average shareholders' equity [(2)] | (%) | 4.1 | 5.8 | |
| Return on average total assets | (%) | 0.51 | 0.76 | |
| Insurance trading ratio | (%) | 13.1 | 7.5 | |
| Underlying insurance trading ratio | (%) | 13.5 | 12.1 | |
| Core Bank net interest margin (interest-earning assets) | (%) | 1.86 | 1.91 | |
| **Shareholder summary** | | | | |
| Ordinary dividends per ordinary share | (cents) | 55.0 | 40.0 | 37.5 |
| Special dividends per ordinary share | (cents) | 20.0 | 15.0 | 33.3 |
| Payout ratio (excluding special dividend) [(2)] | | | | |
| Net profit after tax | (%) | 143.2 | 70.6 | |
| Cash earnings | (%) | 122.0 | 62.4 | |
| Payout ratio (including special dividend) [(2)] | | | | |
| Net profit after tax | (%) | 195.2 | 97.1 | |
| Cash earnings | (%) | 166.4 | 85.8 | |
| Weighted average number of shares | | | | |
| Basic | (million) | 1,277.9 | 1,277.4 | 0.0 |
| Diluted | (million) | 1,277.9 | 1,371.4 | (6.8) |
| Number of shares at end of period | (million) | 1,278.2 | 1,277.6 | 0.0 |
| Net tangible asset backing per share | ($) | 6.11 | 6.15 | (0.7) |
| Share price at end of period | ($) | 11.92 | 8.09 | 47.3 |
| **Productivity** | | | | |
| General Insurance expense ratio | (%) | 24.0 | 23.7 | |
| Core Bank cost to income ratio | (%) | 53.0 | 52.8 | |
| **Financial position** | | | | |
| Total assets | ($ million) | 95,928 | 96,062 | (0.1) |
| Net tangible assets | ($ million) | 7,815 | 7,863 | (0.6) |
| Net assets | ($ million) | 13,983 | 14,127 | (1.0) |
| **Capital [(3)]** | | | | |
| General Insurance Group PCA/MCR coverage | (times) | 1.96 | 1.61 | |
| Bank capital adequacy ratio - Total | (%) | 12.61 | 12.73 | |
| Bank Common Equity Tier 1 ratio | (%) | 7.68 | 7.37 | |
| Suncorp Life total capital | ($ million) | 752 | 2,014 | (62.7) |
| Additional capital held by Suncorp Group Limited | ($ million) | 224 | 468 | (52.1) |

(1) Refer Appendix 2 for details of earnings per share and return on average shareholders' equity calculations. Refer to Appendix 9 for definitions.

(2) Refer to Appendix 9 for definitions.

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

# Ratios and statistics

| | | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|
| | | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 % | vs JUN-12 % |
| **Performance ratios** | | | | | | | |
| Earnings per share [1] | | | | | | | |
| Basic | (cents) | (6.49) | 44.93 | 26.22 | 30.45 | n/a | n/a |
| Diluted | (cents) | (6.49) | 43.37 | 25.84 | 30.03 | n/a | n/a |
| Cash earnings per share [2] | | | | | | | |
| Basic | (cents) | (3.13) | 48.21 | 29.98 | 34.13 | n/a | n/a |
| Diluted | (cents) | (3.13) | 46.42 | 29.34 | 33.47 | n/a | n/a |
| Return on average shareholders' equity [1] | (%) | (1.2) | 8.0 | 4.8 | 5.5 | | |
| Cash return on average shareholders' equity [2] | (%) | (0.6) | 8.6 | 5.5 | 6.2 | | |
| Return on average total assets | (%) | (0.18) | 1.20 | 0.71 | 0.82 | | |
| Insurance trading ratio | (%) | 7.8 | 18.6 | 11.1 | 3.8 | | |
| Underlying insurance trading ratio | (%) | 13.6 | 13.4 | 13.1 | 11.1 | | |
| Core Bank net interest margin (interest-earning assets) | (%) | 1.89 | 1.83 | 1.90 | 1.92 | | |
| **Shareholder summary** | | | | | | | |
| Ordinary dividends per ordinary share | (cents) | 30.0 | 25.0 | 20.0 | 20.0 | 20.0 | 50.0 |
| Special dividends per ordinary share | (cents) | 20.0 | - | 15.0 | - | - | 33.3 |
| Payout ratio (excluding special dividend) [2] | | | | | | | |
| Net profit after tax | (%) | n/a | 55.7 | 76.3 | 65.7 | | |
| Cash earnings | (%) | n/a | 51.9 | 66.7 | 58.6 | | |
| Payout ratio (including special dividend) [2] | | | | | | | |
| Net profit after tax | (%) | n/a | 55.7 | 133.5 | 65.7 | | |
| Cash earnings | (%) | n/a | 51.9 | 116.8 | 58.6 | | |
| Weighted average number of shares | | | | | | | |
| Basic | (million) | 1,278.1 | 1,277.6 | 1,277.4 | 1,277.4 | 0.0 | 0.1 |
| Diluted | (million) | 1,278.1 | 1,374.2 | 1,371.4 | 1,365.3 | (7.0) | (6.8) |
| Number of shares at end of period | (million) | 1,278.2 | 1,278.0 | 1,277.6 | 1,277.4 | 0.0 | 0.0 |
| Net tangible asset backing per share | ($) | 6.11 | 6.32 | 6.15 | 6.14 | (3.3) | (0.7) |
| Share price at end of period | ($) | 11.92 | 10.17 | 8.09 | 8.38 | 17.2 | 47.3 |
| **Productivity** | | | | | | | |
| General Insurance expense ratio | (%) | 23.6 | 24.5 | 24.2 | 23.3 | | |
| Core Bank cost to income ratio | (%) | 53.3 | 52.7 | 53.9 | 51.7 | | |
| **Financial position** | | | | | | | |
| Total assets | ($ million) | 95,928 | 93,475 | 96,062 | 93,005 | 2.6 | (0.1) |
| Net tangible assets | ($ million) | 7,815 | 8,082 | 7,863 | 7,838 | (3.3) | (0.6) |
| Net assets | ($ million) | 13,983 | 14,289 | 14,127 | 14,133 | (2.1) | (1.0) |
| **Capital** [3] | | | | | | | |
| General Insurance Group PCA/MCR coverage | (times) | 1.96 | 1.70 | 1.61 | 1.69 | | |
| Bank capital adequacy ratio - Total | (%) | 12.61 | 12.60 | 12.73 | 13.24 | | |
| Bank Common Equity Tier 1 ratio | (%) | 7.68 | 7.61 | 7.37 | 7.63 | | |
| Suncorp Life total capital | ($ million) | 752 | 2,054 | 2,014 | 1,890 | (63.4) | (62.7) |
| Additional capital held by Suncorp Group Limited | ($ million) | 224 | 776 | 468 | 633 | (71.1) | (52.1) |

(1) Refer Appendix 2 for details of earnings per share and return on average shareholders' equity calculations. Refer to Appendix 9 for definitions.

(2) Refer to Appendix 9 for definitions.

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

## Group Capital

The capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources at both Group and regulated entity levels. The main objectives are to ensure there are sufficient capital resources to maintain and grow the business and meet the operational requirements. The Group's capital policy ensures that each regulated entity is separately capitalised to meet internal and external requirements. The Non-Operating Holding Company (NOHC), Suncorp Group Limited, also holds capital in respect of the corporate service companies and a portion of the Group's target capital in respect of the General Insurance and Life Insurance businesses.

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 hybrid and Tier 2 subordinated note issues. Suncorp and its insurance and banking entities are subject to, and are in compliance with, externally imposed capital requirements set and monitored by APRA, the prudential regulator of the Australian financial services industry. New Zealand subsidiaries are regulated by the Reserve Bank of New Zealand.

The capital policy is reviewed regularly and, where appropriate, adjustments are made to internal capital targets to reflect changes in economic conditions and risk characteristics of the Group's business activities. Given the changes introduced from LAGIC and Basel III, capital targets have been reviewed and are now structured according to both the business line regulatory framework (which now includes minimum CET1 and Tier 1 requirements for General Insurance and Life) and to APRA's draft standards for the supervision of Conglomerates.

For regulatory purposes, capital is classified as follows:
- CET1 comprises accounting equity plus adjustments for intangible assets and regulatory reserves;
- Tier 1 Capital comprises CET1 plus Additional Tier 1 Capital such as certain hybrid securities with 'equity-like' qualities;
- Tier 2 Capital comprises certain securities recognised as Tier 2 Capital; and
- The sum of Tier 1 Capital and Tier 2 Capital is called Total Capital.

The strongest and most loss absorbent form of capital is CET1, followed by Additional Tier 1 Capital and then by Tier 2 Capital.

At the start of the year, there were a number of aspects regarding capital that required finalisation, including:
- the ongoing impact of the Non-core Bank;
- the re-financing of $1.3 billion of Tier 1 and Tier 2 capital instruments;
- the finalisation of APRA's implementation of Basel III and LAGIC; and
- the impact of APRA's proposed supervision of Conglomerates.

Over the course of the year, a number of capital initiatives and external market events have shaped the capital position of the Group. These included:
- redemption of $575 million of subordinated debt in October 2012;
- issuance of $560 million of Basel III compliant, Tier 1 convertible preference shares (CPS2) in November 2012;
- issuance of $770 million of Basel III compliant, Tier 2 subordinated debt in May 2013;
- redemption of $735 million of convertible preference shares (CPS1) in June 2013;
- resolution of the Non-core bank;
- APRA's implementation of Basel III and LAGIC;
- payment of a fully franked interim dividend of 25 cents per share in April 2013;
- declaring a fully franked final dividend of 30 cents per share representing a full year ordinary payout ratio of 122% of cash earnings (58% when adjusted for the Non-core Bank disposal);
- declaring a fully franked special dividend of 20 cents per share; and
- maintaining a zero discount on the Dividend Reinvestment Plan (DRP) and neutralising the dilution impact by purchasing the shares on-market.

The execution of the initiatives above has ensured that the Group's capital position remains strong. At 30 June 2013:

- the General Insurance Group Total capital position was 1.96 times the PCA;
- the Bank's Capital Adequacy Ratio (CAR) was 12.61%; and
- Suncorp Life's excess capital position was $300 million.

In addition, reinsurance is a key part of the Group's capital strategy. Following the finalisation of the Group's 2013/14 reinsurance program, the Group does not expect any capital impact from APRA's change to the calculation of the Insurance Concentration Risk Charge.

## Total capital position at 30 June 2013

The table below is a summary of the total capital position at 30 June 2013. It shows a post-dividend excess to target of $847 million (30 June 2012: $792m). Detailed tables are shown in Appendix 3

| | GENERAL INSURANCE $M | BANKING $M | LIFE $M | SGL, CORP SERVICES & CONSOL $M | TOTAL $M |
|---|---|---|---|---|---|
| Total capital base | 4,157 | 3,875 | 752 | 224 | 9,008 |
| Target capital base | 3,078 | 3,840 | 452 | 148 | 7,518 |
| **Additional capital to target** | **1,079** | **35** | **300** | **76** | **1,490** |
| Group Dividend | | | | | **643** |
| Additional capital to target (ex dividend) | | | | | **847** |

## Common equity capital position at 30 June 2013

In addition to the existing targets for total capital, the Group has fully embedded CET1 targets across its businesses. These targets underpin the Group's commitment to achieve a Return on Equity of more than 10% for the 2015 financial year. The CET1 targets are:

- General Insurance CET1 coverage ratio of 1.10 times PCA
- Banking CET1 ratio of 8%. The Bank is currently working towards an 8% CET1 ratio at September 2013 with the ongoing run-off of the Non-core bank; and
- Life Insurance CET1 target being an amount equal to the sum of PCA plus a target surplus buffer.

The table below shows the excess CET1 position at 30 June 2013 adjusted for the following:
1. The Non-core portfolio sale of $940 million settled on 31 July. This sale represents a reduction in Risk Weighted Assets for the Bank of $159 million and associated Deferred Tax of $13 million.
2. The reduction of the Life CET1 target due to the transfer of approximately $100 million of subordinated debt; and
3. Payment of internal dividends and the external dividend of $643 million.

| | GENERAL INSURANCE $M | BANKING $M | LIFE $M | SGL, CORP SERVICES & CONSOL $M | TOTAL $M |
|---|---|---|---|---|---|
| Common Equity Tier 1 | 3,079 | 2,373 | 468 | 190 | 6,110 |
| CET1 Target | 2,335 | 2,445 | 352 | 177 | 5,309 |
| Excess CET1 to Target | **744** | **(72)** | **116** | **13** | **801** |

The CET1 excess to operating targets is $801 million. This is comparable to the total capital excess of $847 million and demonstrates that almost all of Suncorp's excess capital is represented by shareholder equity. The Group remains committed to returning excess capital to shareholders in a prudent and measured way that balances the needs of all stakeholders. This will take into account items such as:

- finalisation of APRA's standards for the supervision of Conglomerates;
- ongoing economic and natural hazard instability;
- utilising risk-based capital modelling to quantify the diversification benefit across the Group;
- ongoing optimisation of the Group's gearing of its balance sheet; and
- ongoing impact of APRA's rules regarding the Group's transitional capital instruments.

## Dividends

The final dividend of 30 cents per share and the special dividend of 20 cents per share will be paid on 1 October 2013. The dividends are fully franked and will reduce the Group's franking credit position. The ex-dividend date is 26 August 2013 and the record date for determining entitlements to the dividends is 30 August 2013.

| | HALF YEAR ENDED | | |
|---|---|---|---|
| | JUN-13 $M | DEC-12 $M | JUN-12 $M |
| **Franking credits** | | | |
| Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends | **275** | **576** | **559** |

## Income tax

| | JUN-13 $M | JUN-12 $M | JUN-13 vs JUN-12 % |
|---|---|---|---|
| **Profit before income tax expense** | 766 | 963 | (20.5) |
| Income tax using the domestic corporation tax rate of 30% | 230 | 289 | (20.4) |
| Effect of tax rates in foreign jurisdictions | (4) | (1) | 300.0 |
| Increase in income tax expense due to: | | | |
| Non-assessable income | (3) | (9) | (66.7) |
| Non-deductible expenses | 21 | 17 | 23.5 |
| Imputation gross-up on dividends received | 4 | 2 | 100.0 |
| Statutory funds | 21 | (10) | n/a |
| Income tax offsets and credits | (14) | (9) | 55.6 |
| Amortisation of acquisition intangible assets | 7 | 7 | - |
| Other | 11 | (20) | n/a |
| | 273 | 266 | 2.6 |
| Over provision in prior years | (3) | (31) | **(90.3)** |
| **Income tax expense on pre-tax net profit** | **270** | **235** | **14.9** |
| **Effective tax rate** | **35.2%** | **24.4%** | |
| **Income tax expense (benefit) by business unit** | | | |
| General Insurance | 366 | 177 | 106.8 |
| Banking | (132) | 13 | n/a |
| Life | 50 | 72 | (30.6) |
| Other | (14) | (27) | (48.1) |
| **Total income tax expense** | 270 | 235 | 14.9 |

The effective tax rate of 35.2% is primarily due to the following adjustments:

- the life insurance statutory funds adjustment resulted in a $21 million income tax debit; and
- non-deductible interest paid on the convertible preference shares of $19 million.

# General Insurance

## Basis of preparation

Financial information in this section includes the impact of both Fire Service Levies (FSL) and discount rate movements. These impacts are eliminated in the General Insurance profit contribution table in Appendix 7. Appendices 4 to 7 contain supplementary General Insurance tables.

## Result overview

General Insurance achieved an after tax profit of $883 million for the year to 30 June 2013.

The Insurance Trading Result (ITR) was $959 million, representing an ITR ratio of 13.1%. The result was driven by top-line growth, operational efficiencies and favourable investment movements.

On an underlying basis, the ITR ratio has increased to 13.5%, from 12.1%. This reflects ongoing benefits from the delivery of the Building Blocks program and a continued focus on margin improvement.

Gross written premium (GWP) increased 8% to $8,589 million. After removing the impact of FSL, GWP increased 8.5%.

Personal lines experienced growth across both home (10.4%) and motor (4.7%), with pricing capability continuing to drive improved risk selection with combined units remaining stable.

Commercial lines increased 8.4%, with growth across all major products as a result of improved pricing and retention.

CTP increased 8.5% driven by unit growth, favourable retention across all brands and an average rate increase in both NSW and Queensland in response to the low yield environment.

Net incurred claims were $4,919 million, with the loss ratio reducing to 67.4% (FY12: 79.3%). Current year loss ratios benefited from improved working claims frequency and an increase in discount rates. Natural hazard claims were $183 million lower than the prior year, with experience $75 million above long run allowances. Reserve releases of $105 million were broadly in line with long run expectations.

The total operating expense ratio increased marginally to 24%, from 23.7%. This includes the accelerated investment in Simplification projects which will generate future expense benefits. Excluding the impact of FSL the expense ratio has remained stable at 20.5%.

Investment income on insurance funds decreased to $333 million, largely reflecting the low yield environment. The impact of lower investment income on insurance funds is partially offset by discounting movements on the outstanding claims provisions.

Investment income on Shareholder Funds increased 41.9% to $288 million, driven by a return on equity assets of $127 million. The remaining direct property assets were disposed of during the year with the sale of the Health and Forestry House buildings.

Capital funding expense has decreased to $33 million from $66 million as a result of the run-off of the Group’s legacy funding arrangements.

# General Insurance

## Profit contribution

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Gross written premium** | 8,589 | 7,955 | 8.0 | 4,364 | 4,225 | 4,100 | 3,855 | 3.3 | 6.4 |
| Gross unearned premium movement | (265) | (371) | (28.6) | (139) | (126) | (243) | (128) | 10.3 | (42.8) |
| Gross earned premium | 8,324 | 7,584 | 9.8 | 4,225 | 4,099 | 3,857 | 3,727 | 3.1 | 9.5 |
| Outwards reinsurance expense | (1,026) | (780) | 31.5 | (528) | (498) | (412) | (368) | 6.0 | 28.2 |
| **Net earned premium** | 7,298 | 6,804 | 7.3 | 3,697 | 3,601 | 3,445 | 3,359 | 2.7 | 7.3 |
| **Net incurred claims** | | | | | | | | | |
| Claims expense | (6,264) | (7,122) | (12.0) | (3,334) | (2,930) | (3,251) | (3,871) | 13.8 | 2.6 |
| Reinsurance and other recoveries revenue | 1,345 | 1,726 | (22.1) | 720 | 625 | 675 | 1,051 | 15.2 | 6.7 |
| | (4,919) | (5,396) | (8.8) | (2,614) | (2,305) | (2,576) | (2,820) | 13.4 | 1.5 |
| **Total operating expenses** | | | | | | | | | |
| Acquisition expenses | (936) | (903) | 3.7 | (443) | (493) | (469) | (434) | (10.1) | (5.5) |
| Other underwriting expenses | (817) | (712) | 14.7 | (428) | (389) | (363) | (349) | 10.0 | 17.9 |
| | (1,753) | (1,615) | 8.5 | (871) | (882) | (832) | (783) | (1.2) | 4.7 |
| **Underwriting result** | 626 | (207) | n/a | 212 | 414 | 37 | (244) | (48.8) | 473.0 |
| Investment income - insurance funds | 333 | 718 | (53.6) | 78 | 255 | 345 | 373 | (69.4) | (77.4) |
| **Insurance trading result** | 959 | 511 | 87.7 | 290 | 669 | 382 | 129 | (56.7) | (24.1) |
| Managed schemes net contribution | 25 | 13 | 92.3 | 29 | (4) | 11 | 2 | n/a | 163.6 |
| Joint venture and other income | 10 | 9 | 11.1 | 9 | 1 | 3 | 6 | large | 200.0 |
| **General Insurance operational earnings** | 994 | 533 | 86.5 | 328 | 666 | 396 | 137 | (50.8) | (17.2) |
| Investment income - shareholder funds | 288 | 203 | 41.9 | 128 | 160 | 77 | 126 | (20.0) | 66.2 |
| **General Insurance profit before tax and capital funding** | 1,282 | 736 | 74.2 | 456 | 826 | 473 | 263 | (44.8) | (3.6) |
| Capital funding [1] | (33) | (66) | (50.0) | (9) | (24) | (29) | (37) | (62.5) | (69.0) |
| **General Insurance profit before tax** | 1,249 | 670 | 86.4 | 447 | 802 | 444 | 226 | (44.3) | 0.7 |
| **Income tax** | (366) | (177) | 106.8 | (128) | (238) | (113) | (64) | (46.2) | 13.3 |
| **General Insurance profit after tax** | **883** | **493** | **79.1** | **319** | **564** | **331** | **162** | **(43.4)** | **(3.6)** |

(1) Includes interest expense on subordinated notes

## General insurance ratios

| | FULL YEAR ENDED | | HALF YEAR ENDED | | | |
|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 |
| | % | % | % | % | % | % |
| Acquisition expenses ratio | 12.8 | 13.3 | 12.0 | 13.7 | 13.6 | 12.9 |
| Other underwriting expenses ratio | 11.2 | 10.4 | 11.6 | 10.8 | 10.6 | 10.4 |
| Total operating expenses ratio | 24.0 | 23.7 | 23.6 | 24.5 | 24.2 | 23.3 |
| Loss ratio | 67.4 | 79.3 | 70.7 | 64.0 | 74.8 | 84.0 |
| Combined operating ratio | 91.4 | 103.0 | 94.3 | 88.5 | 99.0 | 107.3 |
| **Insurance trading ratio** | **13.1** | **7.5** | **7.8** | **18.6** | **11.1** | **3.8** |

## Statement of assets and liabilities

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | DEC-11 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 146 | 94 | 113 | 88 | 55.3 | 29.2 |
| Investment securities | 12,305 | 11,825 | 11,477 | 11,098 | 4.1 | 7.2 |
| Derivatives | 39 | 44 | 50 | 40 | (11.4) | (22.0) |
| Loans, advances and other receivables | 2,537 | 2,351 | 2,521 | 2,055 | 7.9 | 0.6 |
| Reinsurance and other recoveries | 3,082 | 3,252 | 3,656 | 4,159 | (5.2) | (15.7) |
| Deferred insurance assets | 1,539 | 1,259 | 1,511 | 1,033 | 22.2 | 1.9 |
| Investments in associates and joint ventures | 57 | 56 | 60 | 57 | 1.8 | (5.0) |
| Due from Group entities | - | 28 | 128 | 222 | (100.0) | (100.0) |
| Investment property | - | 75 | 127 | 126 | (100.0) | (100.0) |
| Property, plant and equipment | 34 | 27 | 24 | 20 | 25.9 | 41.7 |
| Other assets | 119 | 121 | 136 | 178 | (1.7) | (12.5) |
| Goodwill and intangible assets | 5,145 | 5,177 | 5,216 | 5,256 | (0.6) | (1.4) |
| Total assets | 25,003 | 24,309 | 25,019 | 24,332 | 2.9 | (0.1) |
| **Liabilities** | | | | | | |
| Payables and other liabilities | 1,202 | 742 | 1,308 | 685 | 62.0 | (8.1) |
| Derivatives | 116 | 130 | 124 | 110 | (10.8) | (6.5) |
| Due to Group entities | 269 | - | - | - | n/a | n/a |
| Deferred tax liabilities | 112 | 142 | 132 | 126 | (21.1) | (15.2) |
| Employee benefit obligations | 133 | 131 | 149 | 101 | 1.5 | (10.7) |
| Unearned premium liabilities | 4,524 | 4,360 | 4,226 | 3,972 | 3.8 | 7.1 |
| Outstanding claims liabilities | 9,972 | 9,991 | 10,609 | 10,984 | (0.2) | (6.0) |
| Other financial liabilities | - | - | 15 | 15 | n/a | (100.0) |
| Subordinated notes | 720 | 711 | 708 | 698 | 1.3 | 1.7 |
| Total liabilities | 17,048 | 16,207 | 17,271 | 16,691 | 5.2 | (1.3) |
| **Net assets** | **7,955** | **8,102** | **7,748** | **7,641** | **(1.8)** | **2.7** |

The General Insurance balance sheet has remained relatively stable with net assets of $7,955 million, an increase of $207 million on June 2012. The increase in net assets is represented by the increase in shareholder funds investment assets.

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

## Gross written premium (GWP)

| | FULL YEAR ENDED JUN-13 $M | FULL YEAR ENDED JUN-12 $M | JUN-13 vs JUN-12 % | HALF YEAR ENDED JUN-13 $M | HALF YEAR ENDED DEC-12 $M | HALF YEAR ENDED JUN-12 $M | HALF YEAR ENDED DEC-11 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|---|---|---|
| **Gross written premium by product** | | | | | | | | | |
| **Australia** | | | | | | | | | |
| Motor | 2,584 | 2,481 | 4.2 | 1,318 | 1,266 | 1,275 | 1,206 | 4.1 | 3.4 |
| Home | 2,252 | 2,055 | 9.6 | 1,116 | 1,136 | 1,062 | 993 | (1.8) | 5.1 |
| Commercial | 1,523 | 1,418 | 7.4 | 749 | 774 | 714 | 704 | (3.2) | 4.9 |
| Compulsory third party | 978 | 901 | 8.5 | 511 | 467 | 469 | 432 | 9.4 | 9.0 |
| Workers' Compensation and Other | 308 | 269 | 14.5 | 190 | 118 | 163 | 106 | 61.0 | 16.6 |
| | **7,645** | **7,124** | **7.3** | **3,884** | **3,761** | **3,683** | **3,441** | **3.3** | **5.5** |
| **New Zealand** | | | | | | | | | |
| Motor | 180 | 159 | 13.2 | 95 | 85 | 81 | 78 | 11.8 | 17.3 |
| Home | 246 | 207 | 18.8 | 130 | 116 | 107 | 100 | 12.1 | 21.5 |
| Commercial | 464 | 415 | 11.8 | 227 | 237 | 201 | 214 | (4.2) | 12.9 |
| Other | 54 | 50 | 8.0 | 28 | 26 | 28 | 22 | 7.7 | - |
| | **944** | **831** | **13.6** | **480** | **464** | **417** | **414** | **3.4** | **15.1** |
| **Total** | | | | | | | | | |
| Motor | 2,764 | 2,640 | 4.7 | 1,413 | 1,351 | 1,356 | 1,284 | 4.6 | 4.2 |
| Home | 2,498 | 2,262 | 10.4 | 1,246 | 1,252 | 1,169 | 1,093 | (0.5) | 6.6 |
| Commercial | 1,987 | 1,833 | 8.4 | 976 | 1,011 | 915 | 918 | (3.5) | 6.7 |
| Compulsory third party | 978 | 901 | 8.5 | 511 | 467 | 469 | 432 | 9.4 | 9.0 |
| Workers' Compensation and Other | 362 | 319 | 13.5 | 218 | 144 | 191 | 128 | 51.4 | 14.1 |
| | **8,589** | **7,955** | **8.0** | **4,364** | **4,225** | **4,100** | **3,855** | **3.3** | **6.4** |

| | FULL YEAR ENDED JUN-13 $M | FULL YEAR ENDED JUN-12 $M | JUN-13 vs JUN-12 % | HALF YEAR ENDED JUN-13 $M | HALF YEAR ENDED DEC-12 $M | HALF YEAR ENDED JUN-12 $M | HALF YEAR ENDED DEC-11 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|---|---|---|
| **Gross written premium by geography** | | | | | | | | | |
| Queensland | 2,177 | 2,068 | 5.3 | 1,106 | 1,071 | 1,064 | 1,004 | 3.3 | 3.9 |
| New South Wales | 2,627 | 2,427 | 8.2 | 1,321 | 1,306 | 1,238 | 1,189 | 1.1 | 6.7 |
| Victoria | 1,725 | 1,635 | 5.5 | 851 | 874 | 845 | 790 | (2.6) | 0.7 |
| Western Australia | 605 | 520 | 16.3 | 333 | 272 | 280 | 240 | 22.4 | 18.9 |
| South Australia | 270 | 246 | 9.8 | 142 | 128 | 129 | 117 | 10.9 | 10.1 |
| Tasmania | 133 | 124 | 7.3 | 73 | 60 | 67 | 57 | 21.7 | 9.0 |
| Other | 108 | 104 | 3.8 | 58 | 50 | 60 | 44 | 16.0 | (3.3) |
| Total Australia | 7,645 | 7,124 | 7.3 | 3,884 | 3,761 | 3,683 | 3,441 | 3.3 | 5.5 |
| New Zealand | 944 | 831 | 13.6 | 480 | 464 | 417 | 414 | 3.4 | 15.1 |
| **Total** | **8,589** | **7,955** | **8.0** | **4,364** | **4,225** | **4,100** | **3,855** | **3.3** | **6.4** |

## Gross written premium (GWP) (continued)

### Motor

Motor GWP increased by 4.7% to $2,764 million.

Australian Motor GWP increased by 4.2% to $2,584 million, with an increase in net written units of 1.9%. Unit growth was achieved despite increasing competition in the Australian motor insurance market.

The continued investment in underwriting and pricing capabilities has improved risk selection and portfolio profitability.

Retention remains strong. Improved customer claims experience, such as customer satisfaction from Capital SMART repairs, as well as successful marketing campaigns and sales initiatives continue to underpin retention rates. Unit growth was particularly evident in Bingle, Apia and AAMI.

New Zealand Motor GWP increased 13.2% to $180 million, due to new business growth particularly through AAI.

### Home

Home GWP increased by 10.4% to $2,498 million. Adjusting for the FSL impact, GWP increased 11.9%.

In Australia, GWP growth of 9.6% largely reflects increases in natural hazard and reinsurance costs, as well as increases in sums insured. Average written premiums increased 12.2% over the year, with a reduction in net written units of 2.6% as Suncorp continues to improve risk selection, particularly in the Queensland market.

Both AAMI and Apia have experienced growth in units following successful marketing campaigns.

New Zealand Home GWP increased by 18.8% to $246 million, due to new business growth, particularly through the ANZ Bank channel as well as rate increases to recover higher reinsurance costs.

### Commercial Insurance

Commercial Insurance GWP increased by 8.4% to $1,987 million. Adjusting for the FSL impact, GWP increased 9.2%.

Australian Commercial Insurance increased by 7.4% to $1,523 million, and 8.4% excluding the impact of FSL. Premium rates have increased an average of 4% due to natural hazard and reinsurance costs and low investment yields.

Retention rates were favourable despite a highly competitive market. This was due to an increase in broker and customer satisfaction from Simplification and claims management improvements, designed to make it easier to do business with Suncorp.

Commercial Insurance has a multi-channel distribution strategy which has delivered growth across all channels. Strategic relationships with brokers continued to strengthen while direct offerings appeal to a growing number of micro and smaller SME business owners, who are increasingly researching and purchasing insurance online.

New Zealand Commercial Insurance increased 11.8% to $464 million as a result of rate increases to more accurately reflect risk.

### Compulsory Third Party (CTP)

CTP GWP increased 8.5% to $978 million with a 3.6% increase in net written units.

Suncorp is the largest CTP insurance provider in Australia. In Queensland, Suncorp continues to maintain close to 50% market share.

In New South Wales, Suncorp is the second largest CTP provider through the GIO and AAMI brands, achieving an average 5% rate increase over the period. The success of consistent CTP NSW marketing campaigns and competitive headline rates has resulted in an increase in market share.

### Workers' Compensation and Other

Workers' Compensation and Other increased 13.5% to $362 million.

Workers' Compensation GWP increased 18.3% to $285 million, driven by continued flow-on effects from economic activity in Western Australia.

Other GWP income remained steady at $77 million.

## Reinsurance expense

Outwards reinsurance expense for the year was $1,026 million, an increase of $246 million on the prior year. This increase is primarily due to the purchase of the Queensland Home Quota Share Treaty and exposure growth in property classes.

Suncorp has a significant share of the Queensland home insurance market and to reduce its geographical concentration, the Group entered into a 30%, multi-year, proportional quota share arrangement covering this portfolio. The Quota Share Treaty reduces Suncorp's net claims costs and operating expenses for this portfolio. In addition, the upper limit on Suncorp's main property catastrophe program, which covers the Group's Home, Motor and Commercial Property portfolios for major events such as earthquakes, cyclones, storms, floods and bushfires was reduced in the 2013 financial year.

For the 2014 financial year, as a result of exposure growth and an increase in sums insured, the upper limit on Suncorp's main catastrophe program will increase to $5.8 billion from $5.3 billion.

The maximum event retention remains at $250 million. Horizontal cover has been purchased to reduce this retention to $200 million for a second Australian event and to $50 million for third and fourth events. Additional cover of $250 million in excess of $250 million was purchased for third and fourth events. Suncorp's insurance concentration risk charge will be $250 million under the current and new APRA requirements effective 1 January 2014.

Consistent with last year, multi-year cover remains in place to reduce the first event retention for New Zealand risks to NZ$50 million and the second and third event retentions to NZ$25 million.

Reinsurance security has been maintained for the 2014 financial year program, with over 85% of long-tail and short-tail business protected by reinsurers rated 'A+' or better.

The table below shows risk retention for the Suncorp Group, which remains unchanged:

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

## Net incurred claims

Net incurred claims costs decreased 8.8% to $4,919 million. In the 2013 financial year there has been a benefit of $126 million due to higher discount rates compared to a $439 million increase in claims costs due to the fall in discount rates in the 2012 financial year.

Natural hazard event costs were $595 million, $75 million above long run allowances. Major natural hazard events for the year can be seen in the table below:

| DATE | EVENT | NET COSTS $M |
|---|---|---|
| Nov 2012 | QLD storms | 35 |
| Dec 2012 | Tamworth hail | 23 |
| Jan 2013 | Tasmanian fires | 28 |
| Jan 2013 | Cyclone Oswald | 250 |
| Feb 2013 | NSW floods | 28 |
| Mar 2013 | Victorian tornado | 12 |
| | Other natural hazards attritional claims | 219 |
| Total | | 595 |
| Less: allowance for natural hazards | | (520) |
| Natural hazards costs above allowance | | 75 |

Working claims have benefited from lower frequencies due to continued focus on risk selection and higher excesses. Benefits from the Building Blocks program in motor claims and savings in the procurement of household contents and building services continue to keep increases in claims costs below underlying inflation.

The valuation of outstanding claims resulted in central estimate releases of $105 million for the full year. This was broadly in line with the Group's long run expectation of reserve releases of 1.5% of net earned premiums.

## Risk margins

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

Risk margins decreased $24 million during the year to $982 million from $1,006 million. The assets notionally backing risk margins had a zero net return due to the impacts of a risk free mark to market losses. The $24 million impact is excluded in the underlying ITR calculation shown in Appendix 6.

## Outstanding claims provisions over time

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

| | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|
| | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | $M | $M | % | % |
| Gross outstanding claims liabilities | 9,972 | 9,991 | 10,609 | 10,984 | (0.2) | (6.0) |
| Reinsurance and other recoveries | (3,082) | (3,252) | (3,656) | (4,159) | (5.2) | (15.7) |
| **Net outstanding claims liabilities** | **6,890** | **6,739** | **6,953** | **6,825** | **2.2** | **(0.9)** |
| Expected future claims payments and claims handling expenses | 6,651 | 6,416 | 6,556 | 6,560 | 3.7 | 1.4 |
| Discount to present value | (743) | (666) | (609) | (767) | 11.6 | 22.0 |
| Risk margin | 982 | 989 | 1,006 | 1,032 | (0.7) | (2.4) |
| **Net outstanding claims liabilities** | **6,890** | **6,739** | **6,953** | **6,825** | **2.2** | **(0.9)** |
| **Short-tail** | | | | | | |
| Australia short-tail and other | 1,107 | 1,038 | 1,226 | 1,175 | 6.6 | (9.7) |
| New Zealand | 101 | 79 | 77 | 69 | 27.8 | 31.2 |
| **Long-tail** | | | | | | |
| Australia long-tail | 5,503 | 5,468 | 5,494 | 5,435 | 0.6 | 0.2 |
| New Zealand | 179 | 154 | 156 | 146 | 16.2 | 14.7 |
| **Total** | **6,890** | **6,739** | **6,953** | **6,825** | **2.2** | **(0.9)** |

## Outstanding claims provision breakdown

The valuation of outstanding claims resulted in central estimate releases of $105 million, compared to the Group's long-run expectation for reserve releases of $109 million (1.5% of net earned premium).

Long-tail claims reserve releases in Australia of $135 million were primarily attributable to favourable claims experience and claims management initiatives.

| | ACTUAL | NET CENTRAL ESTIMATE (DISCOUNTED) | RISK MARGIN (90TH PERCENTILE DISCOUNTED) | CHANGE IN NET CENTRAL ESTIMATE [(1)] |
|---|---|---|---|---|
| | $M | $M | $M | $M |
| **Short-tail** | | | | |
| Australian short-tail and other | 1,107 | 1,010 | 97 | 14 |
| New Zealand | 101 | 89 | 12 | 3 |
| **Long-tail** | | | | |
| Australia long-tail | 5,503 | 4,662 | 841 | (135) |
| New Zealand | 179 | 147 | 32 | 13 |
| **Total** | **6,890** | **5,908** | **982** | **(105)** |

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

## Operating expenses

Total operating expenses have increased to $1,753 million from $1,615 million. This increase is due to the impact of top-line volume growth, higher FSL as well as investment in Simplification projects that will benefit the cost base in future periods. The FSL expense for the year increased $51 million. The Liability Adequacy Test (LAT) resulted in a benefit of $21 million. Total operating expense ratio excluding FSL and LAT has remained broadly flat year on year.

Acquisition costs were $936 million, with the acquisition expense ratio decreasing to 12.8% from 13.3% in the prior year. The increase in gross commissions due to GWP growth has been offset by increased reinsurance exchange commission relating to the Queensland Quota Share arrangement. The net impact of LAT is a $21 million reversal of a prior year reduction in deferred acquisition costs, compared to the prior year net reversal of $14 million. The impact of the LAT charge is removed from the underlying ITR calculation in Appendix 6.

Other underwriting expenses have increased to $817 million. This includes FSL increasing to $323 million from $272 million in the prior year.

Total costs of the Simplification program were $94 million for the year; of which $85 million are included in other underwriting expenses and the remaining $9 million is included in claims handling expenses. The Simplification program includes Single Licence and Legacy System consolidation. The costs relating to the Simplification projects are identified separately in the underlying ITR calculation. Refer to Appendix 6.

## Managed schemes

Managed Fund schemes income is attributable to Suncorp's Australian Commercial Insurance business administering various Governments' Workers' Compensation schemes across Australia. This business performed strongly generating $25 million net profit before tax. The Commercial Insurance strategy of delivering market leading claims service has generated improved returns from these schemes.

## Joint venture and other income

The Group participates in a joint venture with the motoring club in Tasmania. Joint venture and other income was $10 million, an increase of $1 million on the prior year.

## Investment income

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Investment income on insurance funds** | | | | | | | | | |
| Cash and short-term deposits | 2 | 2 | - | 1 | 1 | - | 2 | - | n/a |
| Interest-bearing securities and other | 331 | 716 | (53.8) | 77 | 254 | 345 | 371 | (69.7) | (77.7) |
| **Total** | **333** | **718** | **(53.6)** | **78** | **255** | **345** | **373** | **(69.4)** | **(77.4)** |
| **Investment income on shareholder funds** | | | | | | | | | |
| Cash and short-term deposits | 2 | 15 | (86.7) | 1 | 1 | 4 | 11 | - | (75.0) |
| Interest-bearing securities | 182 | 204 | (10.8) | 77 | 105 | 96 | 108 | (26.7) | (19.8) |
| Equities | 127 | (16) | n/a | 49 | 78 | (16) | - | (37.2) | n/a |
| Property | (23) | - | n/a | 1 | (24) | (7) | 7 | n/a | n/a |
| **Total** | **288** | **203** | **41.9** | **128** | **160** | **77** | **126** | **(20.0)** | **66.2** |
| **Total investment income** | **621** | **921** | **(32.6)** | **206** | **415** | **422** | **499** | **(50.4)** | **(51.2)** |

Total investment income of $621 million resulted in a total return of 5.0% for the year, compared to 7.9% for the prior period.

Over the year, local equity markets rose, credit spreads narrowed, longer duration risk-free yields increased while shorter duration risk-free yields and cash rates declined. For the year to 30 June 2013, the Australian cash rate fell 75 basis points to 2.75% while the yield on 3-year Government Bonds increased 34 basis points to 2.75%.

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

### Investment income on Insurance Funds

Total investment income on Insurance Funds was $333 million, down from $718 million. This result comprises:

- underlying yield income of $354 million or 4.2%, down from 5.2% reflecting lower shorter duration risk-free rates and narrower credit spreads;
- mark-to-market losses of $158 million from increases in longer duration risk-free rates;
- mark-to-market gains of $114 million from a narrowing of credit spreads; and
- outperformance of $23 million from inflation linked bonds relative to Commonwealth government nominal bonds.

Investment income on insurance funds is reported as part of the ITR as are changes in the value of outstanding claims. During the period an increase in risk-free rates reduced the value of outstanding claims, producing an accounting gain of $127 million. This gain offset the $158 million of mark-to-market losses on investment assets referred to above. The net loss from risk-free rate changes of $31 million is attributable to mark-to-market losses on assets backing unearned premiums (which are not discounted).

In calculating the underlying ITR at Appendix 6, an investment income adjustment of $102 million has been made to materially remove the impact of investment market volatility comprising:

- the $114 million gain from the narrowing of credit spreads;
- the $23 million gain from inflation linked bond outperformance;
- the $31 million loss from changes in the risk free rates referred to above; and
- the $4 million loss from the unwind of the prior period risk free rate changes.

## Investment income on Shareholder Funds

The total investment income on Shareholder Funds was $288 million, up from $203 million last year, with the following components contributing:

- Cash and Interest-bearing securities contributed $184 million. The Australian underlying yield income was $114 million; a yield of 4.8%, with mark-to-market gains from narrowing credit spreads of $93 million offset by risk-free mark-to-market losses of $37 million. New Zealand had a net return of $14 million;
- International and domestic equities recorded a gain of $127 million due to stock market advances ($120 million and $7 million for Australia and New Zealand, respectively); and
- Property contributed a loss of $23 million. All direct holdings in property assets have been sold during the year.

## Investment assets

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | DEC-11 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|
| **Allocation of investments held against:** | | | | | | |
| **Insurance funds** | | | | | | |
| Cash and short-term deposits | 97 | 46 | 87 | 128 | 110.9 | 11.5 |
| Inflation-linked securities | 1,580 | 1,618 | 1,615 | 1,569 | (2.3) | (2.2) |
| Interest-bearing securities and other | 7,420 | 6,803 | 6,959 | 6,425 | 9.1 | 6.6 |
| **Total** | **9,097** | **8,467** | **8,661** | **8,122** | **7.4** | **5.0** |
| **Shareholder funds** | | | | | | |
| Cash and short-term deposits | 118 | 97 | 163 | 416 | 21.6 | (27.6) |
| Interest-bearing securities | 2,538 | 2,669 | 2,133 | 2,532 | (4.9) | 19.0 |
| Equities | 689 | 699 | 654 | 68 | (1.4) | 5.4 |
| Property | - | 75 | 74 | 70 | (100.0) | (100.0) |
| **Total** | **3,345** | **3,540** | **3,024** | **3,086** | **(5.5)** | **10.6** |

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

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

## Credit ratings for General Insurance fixed interest investments

| | HALF YEAR ENDED | | | |
|---|---|---|---|---|
| | JUN-13 | DEC-12 | JUN-12 | DEC-11 |
| AVERAGE | % | % | % | % |
| AAA | 46.9 | 48.1 | 49.5 | 49.6 |
| AA | 32.5 | 30.7 | 32.9 | 35.3 |
| A | 18.1 | 19.5 | 16.3 | 14.0 |
| BBB | 2.5 | 1.7 | 1.3 | 1.1 |
| | **100.0** | **100.0** | **100.0** | **100.0** |

## Personal Lines Australia

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Gross written premium | 4,860 | 4,564 | 6.5 | 2,446 | 2,414 | 2,351 | 2,213 | 1.3 | 4.0 |
| Net earned premium | 4,225 | 4,073 | 3.7 | 2,131 | 2,094 | 2,069 | 2,004 | 1.8 | 3.0 |
| Net incurred claims | (2,883) | (3,136) | (8.1) | (1,569) | (1,314) | (1,545) | (1,591) | 19.4 | 1.6 |
| Acquisition expenses | (466) | (468) | (0.4) | (231) | (235) | (228) | (240) | (1.7) | 1.3 |
| Other underwriting expenses | (440) | (384) | 14.6 | (228) | (212) | (199) | (185) | 7.5 | 14.6 |
| Total operating expenses | (906) | (852) | 6.3 | (459) | (447) | (427) | (425) | 2.7 | 7.5 |
| **Underwriting result** | 436 | 85 | 412.9 | 103 | 333 | 97 | (12) | (69.1) | 6.2 |
| Investment income - insurance funds | 99 | 64 | 54.7 | 32 | 67 | 47 | 17 | (52.2) | (31.9) |
| **Insurance trading result** | 535 | 149 | 259.1 | 135 | 400 | 144 | 5 | (66.3) | (6.3) |
| | % | % | | % | % | % | % | | |
| **Ratios** | | | | | | | | | |
| Acquisition expenses ratio | 11.0 | 11.5 | | 10.8 | 11.2 | 11.0 | 12.0 | | |
| Other underwriting expenses ratio | 10.4 | 9.4 | | 10.7 | 10.1 | 9.6 | 9.2 | | |
| Total operating expenses ratio | 21.4 | 20.9 | | 21.5 | 21.3 | 20.6 | 21.2 | | |
| Loss ratio | 68.2 | 77.0 | | 73.6 | 62.8 | 74.7 | 79.4 | | |
| Combined operating ratio | 89.7 | 97.9 | | 95.2 | 84.1 | 95.3 | 100.6 | | |
| Insurance trading ratio | 12.7 | 3.7 | | 6.3 | 19.1 | 7.0 | 0.2 | | |

### Result overview

Australian Personal Insurance delivered an insurance trading result of $535 million due to top-line growth, margin improvement, lower natural hazard costs and continued expense discipline.

The business remains focused on the execution of the Simplification strategy, improved risk selection and claims performance. Excluding the impact of FSL the total operating expense ratio reduced to 17.1% from 17.2%.

In Motor claims, lower frequencies from the improved risk mix and benefits from the roll out of SMART operations helped contain motor repair costs and improve the customer experience.

The Home portfolio continues to experience reductions in working claims frequency due to risk selection and changes in customer behaviours to increase excesses.

Natural hazard experience has improved on the prior year, however, remain above long term allowances largely as a result of the impact of Cyclone Oswald on Queensland and New South Wales.

The move to a single policy system is well underway, with the successful migration of the SUN brand during the period, with other mass market brands to follow next financial year.

### Outlook

The Australian Personal Insurance business will target continued margin improvement by utilising its scale and undertaking further simplification and supply chain initiatives.

Consolidation of legacy policy systems and removing inefficiencies in the Home and Motor supply chain will give Suncorp a significant cost advantage over its competitors and further improve customer experience.

Personal Insurance is well positioned to deliver on its guidance of 6% to 8% GWP growth by utilising its portfolio of leading brands and leveraging its scale. New marketing strategies and campaigns backed by an increased focus on customer loyalty will ensure market share is maintained.

The Home portfolio will continue to improve its risk selection while working with governments to improve Australia's natural disaster resilience.

In Motor, Suncorp will continue to extract benefits from its SMART and Q-Plus joint venture initiatives, continue to investigate opportunities in parts supply and focus its product and pricing offering towards the retention of profitable customers.

## Commercial Lines Australia

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Gross written premium | 2,785 | 2,560 | 8.8 | 1,438 | 1,347 | 1,332 | 1,228 | 6.8 | 8.0 |
| Net earned premium | 2,388 | 2,174 | 9.8 | 1,204 | 1,184 | 1,093 | 1,081 | 1.7 | 10.2 |
| Net incurred claims | (1,654) | (1,876) | (11.8) | (840) | (814) | (846) | (1,030) | 3.2 | (0.7) |
| Acquisition expenses | (292) | (316) | (7.6) | (121) | (171) | (167) | (149) | (29.2) | (27.5) |
| Other underwriting expenses | (313) | (280) | 11.8 | (165) | (148) | (139) | (141) | 11.5 | 18.7 |
| Total operating expenses | (605) | (596) | 1.5 | (286) | (319) | (306) | (290) | (10.3) | (6.5) |
| **Underwriting result** | 129 | (298) | n/a | 78 | 51 | (59) | (239) | 52.9 | n/a |
| Investment income - insurance funds | 221 | 642 | (65.6) | 40 | 181 | 292 | 350 | (77.9) | (86.3) |
| **Insurance trading result** | 350 | 344 | 1.7 | 118 | 232 | 233 | 111 | (49.1) | (49.4) |
| | % | % | | % | % | % | % | | |
| **Ratios** | | | | | | | | | |
| Acquisition expenses ratio | 12.2 | 14.5 | | 10.0 | 14.4 | 15.3 | 13.8 | | |
| Other underwriting expenses ratio | 13.1 | 12.9 | | 13.8 | 12.5 | 12.7 | 13.0 | | |
| Total operating expenses ratio | 25.3 | 27.4 | | 23.8 | 26.9 | 28.0 | 26.8 | | |
| Loss ratio | 69.3 | 86.3 | | 69.8 | 68.8 | 77.4 | 95.3 | | |
| Combined operating ratio | 94.6 | 113.7 | | 93.5 | 95.7 | 105.4 | 122.1 | | |
| Insurance trading ratio | 14.7 | 15.8 | | 9.8 | 19.6 | 21.3 | 10.3 | | |

### Result overview

The Australian Commercial Insurance business contributed an ITR of $350 million, an increase of 1.7%. Strong top-line growth combined with underwriting excellence, expense discipline and short term gains from mark-to-market improvements, contributed to the overall result.

Strong and sustainable GWP growth is underpinned by the strategic positioning as a multi brand, multi-channel commercial insurer with a diverse and resilient portfolio.

The loss ratio has improved from 86.3% to 69.3%, mainly due to the impact of yield movements on outstanding claims as well as continued underlying claims performance. Risk selection and proactive claims management will continue to support Suncorp's market-leading claims proposition.

The total expense ratio reduced to 25.3% from 27.4%. Commercial Insurance is making significant progress with its Simplification initiatives designed to remove complexity and reduce costs.

### Outlook

Commercial Insurance is capitalising on its strong market position with its well progressed simplification program allowing the business to further focus on customers to enable growth. The market will remain fragmented and competitive, although rational pricing is expected to continue and support further growth. At the top end of the market, emerging additional capacity is likely to result in increased competition.

The personal injury market is currently undergoing significant reform. With the progression of the National Disability Insurance Scheme and consideration of National Injury Insurance Scheme arrangements, there is an opportunity to engage with governments and regulators on scheme design. This environment and broader Federal policy are likely to drive greater harmonisation across personal injury classes and schemes, as well as greater certainty of earnings.

Commercial Insurance began offering CTP cover in the ACT from July 2013. This will provide further profitable growth while expanding Commercial Insurance's personal injury market presence.

Following continued collaboration with the Regulator, the QLD CTP ceiling price will increase by $7 from 1 October 2013. Suncorp will continue to work with regulators to ensure the viability of the scheme.

Overall, Suncorp Commercial Insurance's momentum is strong, with the business targeting growth of 3%-4% above system while contributing to the Group's guidance to meet or beat an underlying margin of 12%.

## New Zealand

This table is shown in A$. It is shown in NZ$ in Appendix 5.

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Gross written premium | 944 | 831 | 13.6 | 480 | 464 | 417 | 414 | 3.4 | 15.1 |
| Net earned premium | 685 | 557 | 23.0 | 362 | 323 | 283 | 274 | 12.1 | 27.9 |
| Net incurred claims | (382) | (384) | (0.5) | (205) | (177) | (185) | (199) | 15.8 | 10.8 |
| Acquisition expenses | (178) | (119) | 49.6 | (91) | (87) | (74) | (45) | 4.6 | 23.0 |
| Other underwriting expenses | (64) | (48) | 33.3 | (35) | (29) | (25) | (23) | 20.7 | 40.0 |
| Total operating expenses | (242) | (167) | 44.9 | (126) | (116) | (99) | (68) | 8.6 | 27.3 |
| **Underwriting result** | 61 | 6 | large | 31 | 30 | (1) | 7 | 3.3 | n/a |
| Investment income - insurance funds | 13 | 12 | 8.3 | 6 | 7 | 6 | 6 | (14.3) | - |
| **Insurance trading result** | 74 | 18 | 311.1 | 37 | 37 | 5 | 13 | - | large |
| | % | % | | % | % | % | % | | |
| **Ratios** | | | | | | | | | |
| Acquisition expenses ratio | 26.0 | 21.4 | | 25.1 | 26.9 | 26.1 | 16.4 | | |
| Other underwriting expenses ratio | 9.3 | 8.6 | | 9.7 | 9.0 | 8.8 | 8.4 | | |
| Total operating expenses ratio | 35.3 | 30.0 | | 34.8 | 35.9 | 34.9 | 24.8 | | |
| Loss ratio | 55.8 | 68.9 | | 56.6 | 54.8 | 65.4 | 72.6 | | |
| Combined operating ratio | 91.1 | 98.9 | | 91.4 | 90.7 | 100.3 | 97.4 | | |
| Insurance trading ratio | 10.8 | 3.2 | | 10.2 | 11.5 | 1.8 | 4.7 | | |

### Result overview

New Zealand contributed a $74 million ITR. GWP growth of 13.6% was achieved through all distribution channels for both personal and commercial lines. Growth was mainly achieved through rate increases in response to higher reinsurance costs and new business growth in personal lines.

Excluding the impact of LAT, total operating expenses ratio improved to 35.3% from 36.2%.

Improvements in working and large losses were offset by a $16 million full year impact due to a marginal deterioration in the estimate of ultimate claims costs for the February 2011 earthquake and natural hazard experience $11 million above expectations.

### Outlook

The New Zealand economy continues to recover. Consumer and business confidence is growing with both personal and commercial investment increasing and there is steady growth in Canterbury as a result of the earthquake recovery work.

Following the consolidation of the general insurance industry as a result of the Canterbury earthquakes and new prudential regulation, the outlook is positive for the remaining general insurers.

Vero New Zealand is well advanced in its strategic review and is on track to significantly improve risk assessment, pricing, cost control and customer centric claims management.

The Group will maintain its active role in advocating to the Government the regulatory changes required for a sustainable general insurance industry in New Zealand. Completion of earthquake claims will also remain a priority.

New Zealand is committed to meet or beat New Zealand system growth and is well placed to achieve its target of a net profit after tax of at least NZ$100 million over the medium term.

New Zealand will continue to contribute to the Group's commitment to ‘meet or beat’ 12% underlying ITR.

# Core Bank

## Result overview

The Core Bank delivered a net profit after tax of $289 million. The second half net profit after tax of $145 million was a 9% increase from the prior corresponding period. This result was delivered in difficult operating conditions and record low credit growth.

The Core Bank provides a unique proposition to customers by offering big bank operational excellence and small bank service. The Bank's focus remains the low-risk middle Australia target customer segment.

Interstate expansion of the retail footprint and a complimentary focus on customer acquisition through intermediated channels are delivering results. Investment in online and mobile channels will ensure the Bank's distribution network remains relevant, keeping pace with consumer demand.

Net interest income increased 8.9% as targeted lending growth volumes were met across Retail, Commercial and Agribusiness portfolios. The Core Bank's net interest margin was 1.86% for the full year and improved to 1.89% for the second half. Both are above the target range of 1.75% to 1.85%.

Lending growth of 9.5% was supported by solid growth in customer deposits which resulted in the bank maintaining its loan to deposit ratio comfortably within its target range at 66.5%. The Bank is gaining traction in interstate markets with transaction account balance growth in excess of 50% outside of Queensland, albeit from a low base. An ongoing focus on transaction account and complete customer acquisition ensures the Bank is well placed to respond to Basel III liquidity reforms.

Demonstrating the strength of the core franchise, less than 5.0% of the lending portfolio is funded through short term wholesale markets. The Bank's funding position is further strengthened by access to a wide range of wholesale funding markets and a proven ability to successfully execute covered bond and senior domestic debt transactions.

Operating expenses increased by 4.9% year over year, while the cost to income ratio remained steady at 53.0% compared with 52.8% in the 2012 financial year. The Bank will drive further improvement in productivity over the medium term through investment in the service delivery model and operational excellence programs.

Bad debt charges were $64 million. In line with expectation, credit impairment losses for the full year increased to 26 basis points (bps) of risk weighted assets and 13bps of gross loans and advances. The increase is consistent with industry experience and at these levels are within the Bank's operating range. There are no systemic issues evident in the Core portfolio.

## Outlook

Challenging operating conditions characterised by subdued consumer confidence, lower than average system credit growth and ongoing regulatory change are expected in the near term. Competition remains intense on both sides of the balance sheet as industry participants strive to maintain and improve their market share. Increased demand for high quality, stable retail deposits will persist ahead of the introduction of Basel III liquidity reforms.

As a result of the Non-core portfolio sale and successful run-off of the residual loans, the Bank will focus on consolidating the portfolios over the next twelve months into a single Bank view. The residual portfolio will be managed as part of the Core Bank's lending portfolio and disclosed as Corporate and Property Finance in the Bank Receivables table. Additional provisioning has been allocated against these loans with specific provision coverage in excess of 50%.

As previously disclosed, there are various stranded components to the Non-core portfolio resolution. These include residual funding transactions and stranded operating costs that will impact the Bank's reported NIM and Cost to Income ratio over the course of 2014.

The allocated Non-core long term funding of $2.3 billion at 30 June 2013 was reduced by $1.1 billion in July 2013 after a buyback of the government guaranteed offshore issuance. Legacy funding transactions of $1.1 billion will be progressively unwound during 2014. This will mean that the Bank is likely to be below the target NIM range of 1.75% to 1.85% for the 2014 financial year. The Bank expects to be within its targeted NIM range by for the first half of the 2015 financial year.

The Bank is well placed to reduce the stranded operating expenses over the 2014 financial year. The Bank expects the cost to income to be around 55% for the 2014 financial year reducing to around 53% in the second half.

The Bank remains well placed to perform in the challenging environment. With a clearly defined strategy underpinned by competitive strengths in our customer value proposition, the Bank's operating targets for the medium term are:

- sustainable lending growth of 7% to 10% through measured expansion within acceptable risk parameters in core housing, SME and agribusiness markets, supported by strong conversion of new customers to 'complete' customers
- maintenance of a retail deposit to lending ratio of 60% to 70% supported by the Bank's ability to leverage its A+/A1 credit rating to raise diverse wholesale funding
- NIM of 1.75% to 1.85% underpinned by pricing discipline
- ongoing investment in strategic capability and efficiency programs to drive the cost to income ratio towards sub 50%; and
- return on CET1 of 12% to 15%.

## Profit Contribution

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Net interest income** | 976 | 896 | 8.9 | 506 | 470 | 455 | 441 | 7.7 | 11.2 |
| **Net non-interest income** | | | | | | | | | |
| Net banking fee income | 70 | 84 | (16.7) | 34 | 36 | 43 | 41 | (5.6) | (20.9) |
| MTM on financial instruments | (6) | 15 | n/a | (14) | 8 | 1 | 14 | n/a | n/a |
| Other income | 5 | 5 | - | 1 | 4 | 2 | 3 | (75.0) | (50.0) |
| Total net non-interest income | 69 | 104 | (33.7) | 21 | 48 | 46 | 58 | (56.3) | (54.3) |
| **Total income** | 1,045 | 1,000 | 4.5 | 527 | 518 | 501 | 499 | 1.7 | 5.2 |
| **Operating expenses** | (554) | (528) | 4.9 | (281) | (273) | (270) | (258) | 2.9 | 4.1 |
| **Profit before impairment losses on loans and advances** | 491 | 472 | 4.0 | 246 | 245 | 231 | 241 | 0.4 | 6.5 |
| Impairment losses on loans and advances | (64) | (41) | 56.1 | (32) | (32) | (32) | (9) | - | - |
| **Core Bank profit before tax** | **427** | **431** | **(0.9)** | **214** | **213** | **199** | **232** | **0.5** | **7.5** |
| **Income tax** | (138) | (142) | (2.8) | (69) | (69) | (66) | (76) | - | 4.5 |
| **Core Bank profit after tax** | **289** | **289** | **-** | **145** | **144** | **133** | **156** | **0.7** | **9.0** |

## Ratios and statistics

| | FULL YEAR ENDED | | HALF YEAR ENDED | | |
|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | JUN-13 | DEC-12 | JUN-12 |
| | % | % | % | % | % |
| Net interest margin (interest-earning assets) | 1.86 | 1.91 | 1.89 | 1.83 | 1.90 |
| Net interest margin (lending assets) | 2.15 | 2.19 | 2.19 | 2.10 | 2.18 |
| Cost to income ratio | 53.0 | 52.8 | 53.3 | 52.7 | 53.9 |
| Impairment losses to gross loans and advances | 0.13 | 0.09 | 0.14 | 0.14 | 0.15 |
| Impairment losses to credit risk-weighted assets | 0.26 | 0.18 | 0.26 | 0.27 | 0.28 |
| Deposit to core loan ratio | 66.5 | 68.9 | 66.5 | 65.9 | 68.9 |

## Loans, advances and other receivables

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| Housing loans | 29,399 | 28,614 | 27,639 | 2.7 | 6.4 |
| Securitised housing loans and covered bonds | 7,759 | 7,349 | 6,316 | 5.6 | 22.8 |
| Total housing loans | 37,158 | 35,963 | 33,955 | 3.3 | 9.4 |
| Consumer loans | 463 | 464 | 482 | (0.2) | (3.9) |
| Retail loans | 37,621 | 36,427 | 34,437 | 3.3 | 9.2 |
| | | | | | |
| Commercial (SME) | 5,531 | 5,297 | 5,063 | 4.4 | 9.2 |
| Agribusiness | 4,311 | 4,039 | 3,856 | 6.7 | 11.8 |
| Business loans | 9,842 | 9,336 | 8,919 | 5.4 | 10.3 |
| **Total lending** | **47,463** | **45,763** | **43,356** | **3.7** | **9.5** |
| | | | | | |
| Other receivables | 57 | 51 | - | 11.8 | n/a |
| **Gross banking loans, advances and other receivables** | 47,520 | 45,814 | 43,356 | 3.7 | 9.6 |
| Provision for impairment | (136) | (124) | (129) | 9.7 | 5.4 |
| **Loans, advances and other receivables** | **47,384** | **45,690** | **43,227** | **3.7** | **9.6** |
| | | | | | |
| **Credit risk-weighted assets** | **24,459** | **23,349** | **22,606** | **4.8** | **8.2** |

## Total Lending

Total lending receivables, including securitised assets, increased 9.6% to $47.4 billion. The result is consistent with the Bank's objective to deliver sustainable year on year growth of 7%-10%.

### Retail Loans

The Core Bank is pursuing a clearly defined growth strategy underpinned by robust risk management processes and quality product and customer service propositions.

Home lending benefited from investments in channel and geographic expansion to deliver growth of 9.4%. Growth appetite is underpinned by credit quality and margin management.

The intermediated channel remains integral to the Bank's growth and customer acquisition strategy. A key focus for the Bank is the conversion of broker introduced customers to "complete customers". A complete customer is one who holds three or more Group products, two of which are Bank products. Over 50% of customers introduced via the intermediated channel have a transaction relationship with the Bank within three months. In excess of 20% of broker introduced customers have transitioned to "complete customer" status.

Retail lending growth accounted for a 0.2% rise in market share nationally to 3.1% over the period. Market share increased to 9.3% in Queensland and 1.7% interstate.

Interstate expansion has improved retail lending diversification outside of Queensland. The interstate portfolio has grown 50% over the past three years and now accounts for 43% of total retail lending.

### Commercial (SME)

The Bank's Commercial (SME) portfolio increased 9.2% to $5.5 billion. The growth reflects an increased share in low risk areas of new business within Health, Self-Managed Super Funds and Franchise lending sectors. The portfolio's geographic concentration and sector diversity remains relatively unchanged.
The Bank's leading position in terms of SME customer satisfaction has supported the Suncorp brand in this segment.

## Agribusiness

The Agribusiness portfolio increased 11.8% to $4.3 billion, underpinning growth in market share across Queensland and New South Wales. New business was of desired credit quality and was sourced from a number of rural sectors, assisting in portfolio diversification. Growth was achieved by leveraging recent investment in capability and the Bank's long heritage and strength of brand in the Agribusiness sector.

The short term outlook for Agribusiness is mixed. Rural incomes remain under pressure across sectors impacted by dry seasonal conditions and low prices. Other rural industries indicate improving conditions, specifically for Dairy and Cotton. Grain in particular has a positive outlook with the Bank achieving solid growth in this sector over the year.

The Bank remains well positioned to withstand the cyclical nature of the industry and achieve long term profitable growth. The portfolio is well-diversified across sector with less than 30% concentration in Beef and Grain/Mixed Farming respectively. Geographically, 35% of the portfolio is outside the Queensland market, with South Australia, New South Wales and Western Australia all growing their respective contributions. The portfolio has an average exposure of less than $3.5 million.

## Core Bank funding composition

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Retail funding** | | | | | |
| *Retail deposits* | | | | | |
| Transaction | 6,335 | 6,269 | 5,764 | 1.1 | 9.9 |
| Investment | 4,639 | 4,329 | 3,826 | 7.2 | 21.2 |
| Term deposits | 16,599 | 15,486 | 15,316 | 7.2 | 8.4 |
| Core retail deposits | 27,573 | 26,084 | 24,906 | 5.7 | 10.7 |
| Retail treasury deposits | 3,981 | 4,061 | 4,985 | (2.0) | (20.1) |
| Total retail funding | 31,554 | 30,145 | 29,891 | 4.7 | 5.6 |
| **Wholesale funding** | | | | | |
| *Domestic funding sources* | | | | | |
| Short-term wholesale | 6,382 | 6,327 | 6,050 | 0.9 | 5.5 |
| Long-term wholesale | 1,562 | 2,047 | 940 | (23.7) | 66.2 |
| Covered bonds | 2,196 | 2,195 | 1,598 | 0.0 | 37.4 |
| Subordinated notes | 831 | 145 | 138 | 473.1 | large |
| Reset preference shares | 30 | 26 | 25 | 15.4 | 20.0 |
| Convertible preference shares | - | 626 | 594 | (100.0) | (100.0) |
| | 11,001 | 11,366 | 9,345 | (3.2) | 17.7 |
| *Overseas funding sources* [1] | | | | | |
| Short-term wholesale | 3,183 | 2,649 | 2,844 | 20.2 | 11.9 |
| Long-term wholesale | 1,226 | 1,073 | 1,101 | 14.3 | 11.4 |
| Subordinated notes | - | 83 | 403 | (100.0) | (100.0) |
| | 4,409 | 3,805 | 4,348 | 15.9 | 1.4 |
| Total wholesale funding (excluding securitisation) | 15,410 | 15,171 | 13,693 | 1.6 | 12.5 |
| **Total funding (excluding securitisation)** | **46,964** | **45,316** | **43,584** | **3.6** | **7.8** |
| **Securitised funding** | | | | | |
| APS 120 qualifying [2] | 3,733 | 3,552 | 2,936 | 5.1 | 27.1 |
| APS 120 non-qualifying | 1,069 | 774 | 903 | 38.1 | 18.4 |
| Total securitised funding | 4,802 | 4,326 | 3,839 | 11.0 | 25.1 |
| **Total funding (including securitisation)** | **51,766** | **49,642** | **47,423** | **4.3** | **9.2** |
| **Total funding is represented on the balance sheet by:** | | | | | |
| Deposits | 31,554 | 30,145 | 29,891 | 4.7 | 5.6 |
| Short-term borrowings | 9,565 | 8,976 | 8,894 | 6.6 | 7.5 |
| Securitisation liabilities | 4,802 | 4,326 | 3,839 | 11.0 | 25.1 |
| Bonds, notes and long-term borrowings | 4,984 | 5,315 | 3,639 | (6.2) | 37.0 |
| Subordinated notes | 831 | 228 | 541 | 264.5 | 53.6 |
| Preference shares | 30 | 652 | 619 | (95.4) | (95.2) |
| **Total** | **51,766** | **49,642** | **47,423** | 4.3 | 9.2 |
| **Deposit to core loan ratio** | **66.5%** | **65.9%** | **68.9%** | | |

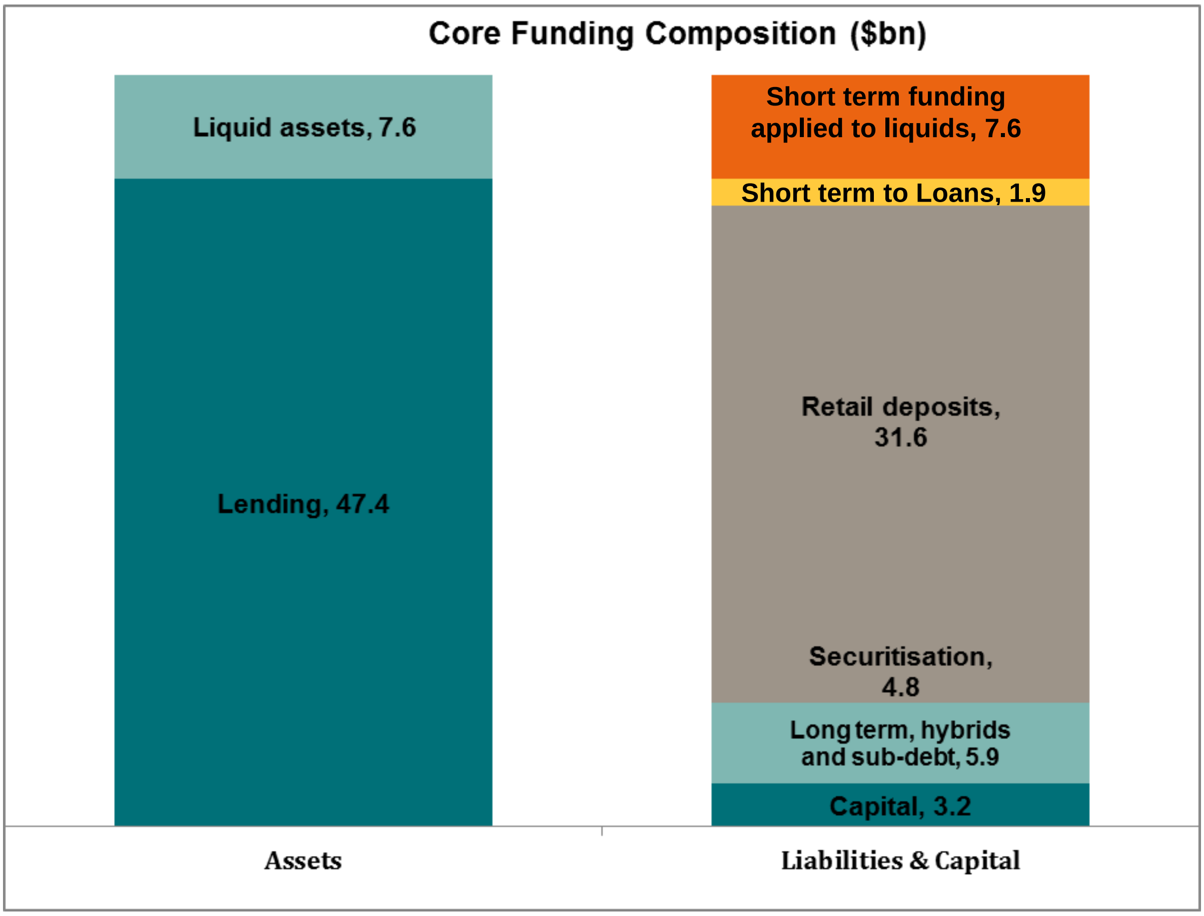
[1] Foreign currency borrowings are hedged back into Australian dollars
[2] Qualifies for capital relief under APS120

## Retail funding

Retail deposits are managed to support the Core Bank's lending growth, liquidity and revenue objectives. The retail deposit to core lending ratio is currently at 66.5%. It is expected that this ratio will be managed around these levels over the short to medium term.

The Bank has achieved material benefits from investments in the retail distribution footprint and capability. All three deposit accounts, transaction, investment and term deposits grew throughout the year. Interstate expansion has enabled diversification of the Bank's retail funding base. Interstate transaction account balances grew 50% in the year to 30 June 2013.

The introduction of Basel III liquidity reforms from 1 January 2015 has created intense market demand for retail funds underpinned by product innovation. An ongoing focus on transaction account and complete customers relationships ensures that Suncorp Bank is well placed to respond.




## Wholesale funding

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

The Bank has successfully undertaken a number of significant and diverse transactions during the second half including:

- issuance of a senior domestic debt transaction in April of $750 million at a spread of 100 basis points over the mid swap rate. The deal attracted diverse interest including support from Asia and European investors; and

- settlement of a Residential Mortgage Backed Securities issuance for $1.15 billion in May. The transaction was upsized from $750 million following significant investor demand.

Short-term wholesale funding is used to support the Bank's liquid asset portfolio, with less than 5% of the Bank's lending portfolio being funded by short-term wholesale funding. Suncorp Bank's liquid asset ratio remains significantly above its peer group and currently holds excess liquid assets over prudential requirements. In addition to liquid assets held on the balance sheet, the Core Bank has access to significant contingent liquidity in a crisis, including $5.0 billion (cash equivalent) of mortgages that can be utilised if required.

### Wholesale funding instruments maturity profile[1]

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Maturity** | | | | | |
| 0 to 3 months | 7,291 | 7,588 | 8,072 | (3.9) | (9.7) |
| 3 to 6 months | 2,721 | 3,202 | 1,381 | (15.0) | 97.0 |
| 6 to 12 months | 2,091 | 1,204 | 1,753 | 73.7 | 19.3 |
| 1 to 3 years | 5,373 | 5,073 | 3,430 | 5.9 | 56.6 |
| 3+ years | 2,736 | 2,430 | 2,896 | 12.6 | (5.5) |
| Total wholesale funding instruments | 20,212 | 19,497 | 17,532 | 3.7 | 15.3 |

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

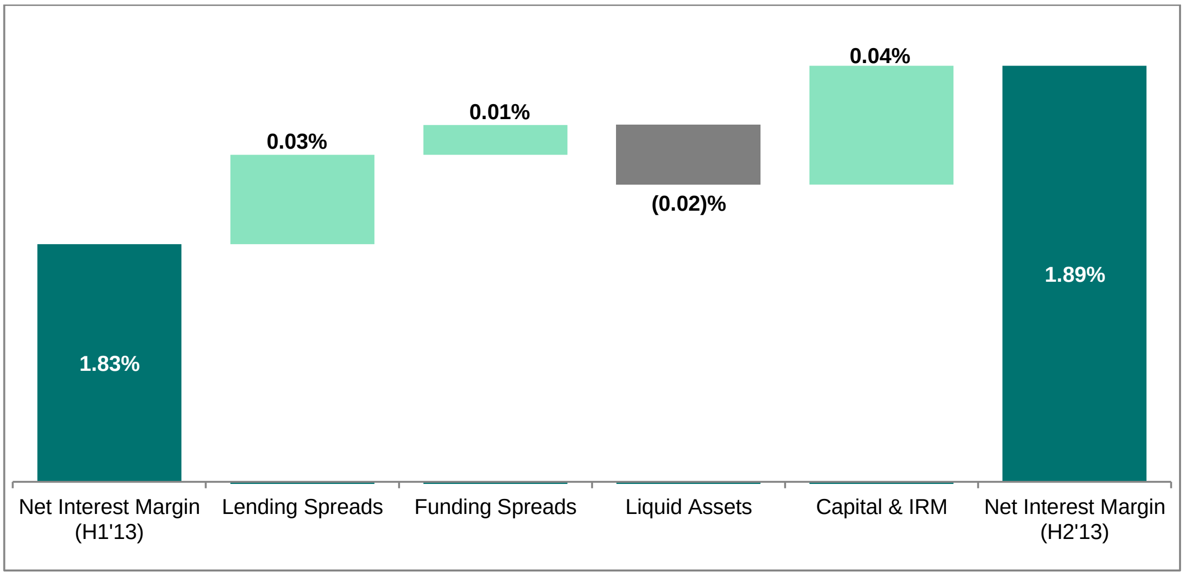
The Bank operates a conservative wholesale funding instrument duration profile given its strong retail deposit to lending ratio. Reduction of the profile of future funding maturity towers is important in managing refinancing risk. To this end the Bank has lengthened the average tenure of the short term wholesale book. Securitisation represents a large proportion of wholesale funding with a maturity of greater than 12 months. While this funding amortises over time, its rate of duration decline is lower than other term funding instruments.

## Net interest income

The Core Bank delivered net interest income growth of 8.9%. Underlying product spreads and product mix remain relatively stable. The Core Bank was able to offset margin compression on low cost deposits and heightened price competition across retail deposits with asset re-pricing in-line with industry.

The Core Bank's NIM improved in the second half to 1.89% on the back of unwinding short term hedging costs incurred in the first half. The Bank has maintained its focus on providing a genuine alternative to the majors by offering competitive pricing for lending and deposit products across selected markets.

### Net interest margin movements




## Net non-interest income

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Net banking fee income | 70 | 84 | (16.7) | 34 | 36 | 43 | 41 | (5.6) | (20.9) |
| MTM on financial instruments | (6) | 15 | n/a | (14) | 8 | 1 | 14 | n/a | n/a |
| Other income | 5 | 5 | - | 1 | 4 | 2 | 3 | (75.0) | (50.0) |
| **Total net non-interest income** | **69** | **104** | (33.7) | **21** | **48** | **46** | **58** | (56.3) | (54.3) |

Non-interest income totalled $69 million, with net banking fee income of $70 million offset by a net loss in trading fees and other income of $1 million.

The Core Bank's net banking fee income result is consistent with industry trends for retail and personal banking, reflecting the challenge associated with subdued consumer confidence, a high propensity to pay down debt and an ongoing preference for fee-free banking.

Fee generation for the Bank's key product of Mortgages compares favourably with the industry. Structural differences exist against peers, including a relatively smaller presence in the higher fee generating segments such as consumer and corporate.

The result also includes increased commissions paid to intermediaries consistent with strong lending volume growth delivered by this channel.

### Financial instruments and other income

Other non-interest income was made up of net mark-to-market (MTM) losses on financial instruments of $6 million offset by other income of $5 million.

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

## Operating expenses

The Bank maintains a strategic approach to cost management and seeks to achieve long term benefits through the optimisation of the service model and underlying processes. The Bank has made continued investment in business capability with good progress achieved in the delivery of the Core Bank system replacement, Basel II advanced accreditation and network optimisation programs.

The Bank seeks to leverage the Group's scale in technology and procurement to complement its internal process improvement agenda. Capability enhancement across front, middle and back offices is expected to deliver further productivity benefits.

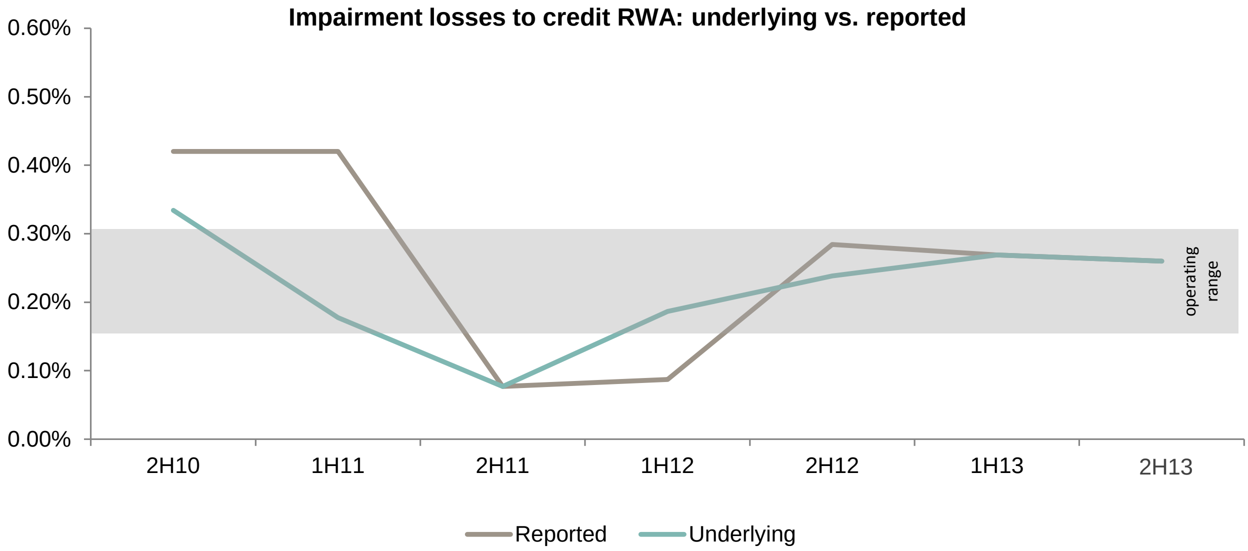
Core Bank full year operating expenses were $554 million. The increase of 4.9% on the prior year reflects franchise investment, above system lending growth and associated volumes in deposits and total customers.

## Impairment losses on loans and advances

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Collective provision for impairment | - | 2 | (100.0) | (3) | 3 | 8 | (6) | n/a | n/a |
| Specific provision for impairment | 57 | 32 | 78.1 | 33 | 24 | 19 | 13 | 37.5 | 73.7 |
| Actual net write-offs | 7 | 7 | - | 2 | 5 | 5 | 2 | (60.0) | (60.0) |
| | **64** | **41** | **56.1** | **32** | **32** | **32** | **9** | - | - |
| **Impairment losses to credit risk-weighted assets (annualised)** | **0.26%** | **0.18%** | | **0.26%** | **0.27%** | **0.28%** | **0.08%** | | |

Core bad debt expense was $64 million over the year with a stable outcome in the second half. Overall credit losses are trending within the Core Bank's normal operating range of 15 to 30 basis points of credit risk weighted assets. The Core Bank portfolio has not exhibited any systemic issues.

Core impaired assets remained stable with new or increased provisions offset by movement of exposures back to performing status or finalised and written off.



## Impaired asset balances

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Gross balances of individually impaired loans** | | | | | |
| with specific provisions set aside | 178 | 140 | 192 | 27.1 | (7.3) |
| without specific provisions set aside | 45 | 76 | 49 | (40.8) | (8.2) |
| Gross impaired assets | 223 | 216 | 241 | 3.2 | (7.5) |
| Specific provision for impairment | (53) | (38) | (46) | 39.5 | 15.2 |
| **Net impaired assets** | 170 | 178 | 195 | (4.5) | (12.8) |
| **Size of gross impaired assets** | | | | | |
| Less than one million | 28 | 30 | 21 | (6.7) | 33.3 |
| Greater than one million but less than ten million | 112 | 100 | 117 | 12.0 | (4.3) |
| Greater than ten million | 83 | 86 | 103 | (3.5) | (19.4) |
| | 223 | 216 | 241 | 3.2 | (7.5) |
| **Past due loans not shown as impaired assets** | 369 | 265 | 293 | 39.2 | 25.9 |
| **Gross non-performing loans** | 592 | 481 | 534 | 23.1 | 10.9 |
| **Analysis of movements in gross impaired assets** | | | | | |
| Balance at the beginning of the half year | 216 | 241 | 141 | (10.4) | 53.2 |
| Recognition of new impaired assets | 109 | 71 | 131 | 53.5 | (16.8) |
| Increases in previously recognised impaired assets | 3 | 1 | 1 | 200.0 | 200.0 |
| Impaired assets written off/sold during the half year | (14) | (27) | (16) | (48.1) | (12.5) |
| Impaired assets which have been reclassed as performing assets or repaid | (91) | (70) | (16) | 30.0 | 468.8 |
| **Balance at the end of the half year** | **223** | **216** | **241** | **3.2** | **(7.5)** |

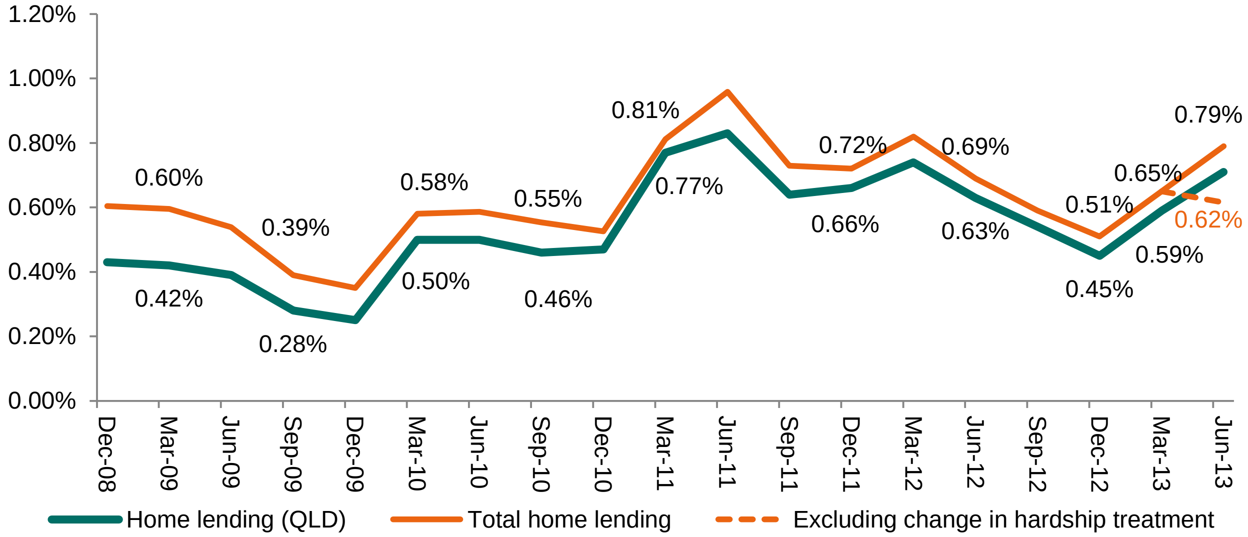
## Impaired assets

Impaired assets are down 7.5% against June 2012. This was driven by a $20 million reduction of gross impaired assets in large exposures. There has been some isolated stress in the Agribusiness portfolio due to the cyclical nature of the segment. The Core Bank portfolio remains well diversified both from a segment and geographic perspective. Approximately two thirds of gross impaired assets are related to exposures of less than $10 million.

## Past due loans not shown as impaired

Following regulatory changes, a full review of the hardship policy and processes was undertaken. As a result of the changes implemented, there was an increase in the level of arrears and past due housing loans reported. Excluding the change to hardship loans, the Bank's past due performance has improved from 0.65% to 0.62% of gross loans. The chart below details past due loans as a percentage of gross loans.

### Past due loans as a percentage of gross loans




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

It is anticipated that historically low interest rates will limit further deterioration in non-performing loan balances.

## Provision for impairment

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Collective provision** | | | | | |
| Balance at the beginning of the period | 86 | 83 | 75 | 3.6 | 14.7 |
| Charge against contribution to profit | (3) | 3 | 8 | n/a | n/a |
| Balance at the end of the period | 83 | 86 | 83 | (3.5) | - |
| **Specific provision** | | | | | |
| Balance at the beginning of the period | 38 | 46 | 45 | (17.4) | (15.6) |
| Charge against impairment losses | 33 | 24 | 19 | 37.5 | 73.7 |
| Write-off of impaired assets | (14) | (27) | (13) | (48.1) | 7.7 |
| Unwind of interest | (4) | (5) | (5) | (20.0) | (20.0) |
| Balance at the end of the period | 53 | 38 | 46 | 39.5 | 15.2 |
| **Total provision for impairment - Banking activities** | 136 | 124 | 129 | 9.7 | 5.4 |
| **Equity reserve for credit loss** | | | | | |
| Balance at the beginning of the period | 107 | 102 | 107 | 4.9 | - |
| Transfer (to) from retained earnings | 12 | 5 | (5) | 140.0 | n/a |
| Balance at the end of the period | 119 | 107 | 102 | 11.2 | 16.7 |
| Pre-tax equivalent coverage | 170 | 153 | 146 | 11.1 | 16.4 |
| **Total provision for impairment and equity reserve for credit loss coverage - Core Banking activities** | 306 | 277 | 275 | 10.5 | 11.3 |

| | % | % | % |
|---|---|---|---|
| **Provision for impairment expressed as a percentage of gross impaired assets are as follows:** | | | |
| Collective provision | 37.2 | 39.8 | 34.4 |
| Specific provision | 23.8 | 17.6 | 19.1 |
| Total provision | 61.0 | 57.4 | 53.5 |
| Equity reserve for credit loss coverage | 76.2 | 70.8 | 60.6 |
| Total provision and equity reserve for credit loss coverage | 137.2 | 128.2 | 114.1 |

The Core Bank remains well provisioned with total provision and Equity Reserve for Credit Losses (ERCL) coverage remaining above 100%.The improvement in the coverage ratio is predominantly due to higher ERCL and specific provision balances.

## Average banking balance sheets

| | FULL YEAR ENDED JUN-13 | | |
|---|---|---|---|
| | AVERAGE BALANCE $M | INTEREST $M | AVERAGE RATE % |
| **ASSETS** | | | |
| **Interest-earning assets** | | | |
| Trading and Investment securities | 7,102 | 295 | 4.15 |
| Gross loans, advances and other receivables | 45,398 | 2,752 | 6.06 |
| Total interest-earning assets | 52,500 | 3,047 | 5.80 |
| | | | |
| **Non-interest earning assets** | | | |
| Other assets (inc. loan provisions) | 933 | | |
| Total non-interest earning assets | 933 | | |
| **TOTAL ASSETS** | 53,433 | | |
| | | | |
| **LIABILITIES** | | | |
| **Interest-bearing liabilities** | | | |
| Retail deposits | 30,450 | 1,239 | 4.07 |
| Wholesale liabilities | 18,289 | 787 | 4.30 |
| Debt capital | 993 | 45 | 4.53 |
| Total interest-bearing liabilities | 49,732 | 2,071 | 4.16 |
| | | | |
| **Non-interest bearing liabilities** | | | |
| Other liabilities | 951 | | |
| Total non-interest bearing liabilities | 951 | | |
| **TOTAL LIABILITIES** | 50,683 | | |
| | | | |
| **AVERAGE SHAREHOLDERS' EQUITY** | 2,750 | | |
| | | | |
| Non-Shareholder Accounting Equity | 80 | | |
| Convertible Preference Shares | (243) | | |
| Average Shareholders' Equity | 2,587 | | |
| Goodwill allocated to Banking Business | (235) | | |
| **AVERAGE SHAREHOLDERS' EQUITY (ex Goodwill)** | 2,352 | | |
| | | | |
| **Analysis of interest margin and spread** | | | |
| Interest-earning assets | 52,500 | 3,047 | 5.80 |
| Interest-bearing liabilities | 49,732 | 2,071 | 4.16 |
| **Net interest spread** | | | 1.64 |
| **Net interest margin (interest-earning assets)** | 52,500 | 976 | 1.86 |
| **Net interest margin (lending assets)** | 45,398 | 976 | 2.15 |

| | HALF YEAR ENDED JUN-13 | | | HALF YEAR ENDED DEC-12 | | |
|---|---|---|---|---|---|---|
| | AVERAGE BALANCE | INTEREST | AVERAGE RATE | AVERAGE BALANCE | INTEREST | AVERAGE RATE |
| | $M | $M | % | $M | $M | % |
| **ASSETS** | | | | | | |
| **Interest-earning assets** | | | | | | |
| Trading and investment securities | 7,436 | 141 | 3.82 | 6,759 | 153 | 4.49 |
| Gross loans, advances and other receivables | 46,509 | 1,351 | 5.86 | 44,305 | 1,402 | 6.28 |
| Total interest-earning assets | 53,945 | 1,492 | 5.58 | 51,064 | 1,555 | 6.04 |
| | | | | | | |
| **Non-interest earning assets** | | | | | | |
| Other assets (inc. loan provisions) | 977 | | | 874 | | |
| Total non-interest earning assets | 977 | | | 874 | | |
| **TOTAL ASSETS** | 54,922 | | | 51,938 | | |
| | | | | | | |
| **LIABILITIES** | | | | | | |
| **Interest-bearing liabilities** | | | | | | |
| Retail deposits | 30,784 | 584 | 3.83 | 30,118 | 656 | 4.32 |
| Wholesale liabilities | 19,297 | 382 | 3.99 | 17,283 | 404 | 4.64 |
| Debt capital | 932 | 20 | 4.33 | 1,053 | 25 | 4.71 |
| Total interest-bearing liabilities | 51,013 | 986 | 3.90 | 48,454 | 1,085 | 4.44 |
| | | | | | | |
| **Non-interest bearing liabilities** | | | | | | |
| Other liabilities | 868 | | | 1,033 | | |
| Total non-interest bearing liabilities | 868 | | | 1,033 | | |
| **TOTAL LIABILITIES** | 51,881 | | | 49,487 | | |
| | | | | | | |
| **AVERAGE SHAREHOLDERS' EQUITY** | 3,041 | | | 2,451 | | |
| | | | | | | |
| Non-Shareholder Accounting Equity | 67 | | | 93 | | |
| Convertible Preference Shares | (450) | | | (36) | | |
| Average Shareholders' Equity | 2,658 | | | 2,508 | | |
| Goodwill allocated to Banking Business | (235) | | | (235) | | |
| | | | | | | |
| **AVERAGE SHAREHOLDERS' EQUITY (ex Goodwill)** | 2,423 | | | 2,273 | | |
| | | | | | | |
| **Analysis of interest margin and spread** | | | | | | |
| Interest-earning assets | 53,945 | 1,492 | 5.58 | 51,064 | 1,555 | 6.04 |
| Interest-bearing liabilities | 51,013 | 986 | 3.90 | 48,454 | 1,085 | 4.44 |
| **Net interest spread** | | | 1.68 | | | 1.60 |
| **Net interest margin (interest-earning assets)** | 53,945 | 506 | 1.89 | 51,064 | 470 | 1.83 |
| **Net interest margin (lending assets)** | 46,509 | 506 | 2.19 | 44,305 | 470 | 2.10 |

# Life

## Result overview

Suncorp Life achieved an after tax profit of $60 million. Underlying profit was $120 million.

Life Risk new business was $129 million, an increase of 16%.

- Direct sold via General Insurance Brands up 16% with overall Direct new business growth of 10%
- IFA new business up 9.7%
- New Zealand new business up 42.9%.

Life risk inforce has increased by 9% to $845 million, despite industry wide higher lapse rates, reflecting ongoing new business momentum across all lines.

Funds under administration were $7.3 billion, up 3.2%, with good early growth in Suncorp Life's new Suncorp EveryDay Super product.

The Life Insurance industry faces a number of well publicised structural challenges and the prolonged period of economic uncertainty has impacted consumer confidence. At the same time, there has been a period of significant regulatory change across the industry. Suncorp Life recognised these challenges early and has now built a Direct business, revived the Adviser channel and significantly simplified its operating model. Based on these strong foundations Suncorp Life has reset its strategy which gives confidence in its ability to address the industry challenges and capture the opportunities for the Suncorp Group.

As part of the derisking of the Group, Suncorp Life chose to more selectively participate in the Group market. Suncorp Life will only participate whilst maintaining strict underwriting discipline. Group risk accounts for less than 10% of total inforce annual premiums.

The current market conditions have impacted Suncorp Life in a number of ways:

- As flagged at the first half, lapse experience was negative $26 million for the year. Suncorp Life's customer retention strategy has been successfully implemented with good signs of improvement in the second half. Suncorp Life's experience across the year has been broadly in line with the reset assumptions announced at the half which will be implemented for 2014.
- Disability claims experience was negative $20 million. When allowing for the $6 million process change in the first half this reflects a year on year improvement.
- Superannuation profit of $31 million was impacted by an increased spend on regulatory change and the set-up of Suncorp EveryDay Super.
- Market adjustments on policy liabilities and investments amounted to negative $60 million (compared to gains of $105 million last year), as a result of higher, but more stable, yields. These balance sheet revaluation adjustments are timing related and are expected to neutralise over time.

Overall expenses have been controlled with the 7% increase driven by investment in the Direct market and to support regulatory change.

Capital management is a key focus area and Suncorp Life is well progressed with plans to reduce capital and benefit from lower capital requirements under LAGIC. CET1 decreased for the half despite double digit new business growth.

Embedded Value (EV) was down marginally from $2,604 million to $2,569 million, with $107m of dividend and franking credit distributions. This has also been affected by both the change in lapse assumptions at the half and market movements towards the end of year. The Value of One Year's Sales (VOYS) is $43 million for the full year compared to $49 million at 30 June 2012, impacted by the increase in discount rates.

## Outlook

Suncorp Life is a core part of the Suncorp Group, deepening relationships with customers by leveraging the 'One Company. Many Brands' business model.

There is significant opportunity for Suncorp Life Australia and New Zealand to capitalise from under-insurance, impetus for structural change and the Suncorp Group's 4Cs. Suncorp Life is well positioned to build a business for the future through early recognition of structural challenges, adapting to the new regulatory environment and leveraging its strong building blocks to support a recently reset strategy.

Over the next three years Suncorp Life will deliver:

- a reshaped business where Direct new business sales are equivalent to sales through the continually growing advised channel
- value creation through a sustainable advice business, having addressed IFA remuneration, and product complexity
- reduced capital delivering double-digit return on capital by changing our business mix and commission structures, increasing use of reinsurance and cost control

The structural issues facing the Life Industry have been compounded as a result of the tough economic environment. While these issues are likely to persist until economic conditions improve, Suncorp Life has mitigated the impact by putting the customer at the forefront and staking a claim as an industry leader in driving sustainable change in IFA.

## Profit contribution

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Life Risk | | | | | | | | | |
| Planned profit margin release [1] | 99 | 99 | - | 50 | 49 | 52 | 47 | 2.0 | (3.8) |
| Death claims experience | (1) | 1 | n/a | 1 | (2) | - | 1 | n/a | n/a |
| Disability claims experience | (20) | (20) | - | (10) | (10) | (6) | (14) | - | 66.7 |
| Lapse experience | (26) | (13) | 100.0 | (9) | (17) | (5) | (8) | (47.1) | 80.0 |
| Other experience | (6) | (4) | 50.0 | (2) | (4) | (1) | (3) | (50.0) | 100.0 |
| Underlying investment income | 43 | 42 | 2.4 | 21 | 22 | 19 | 23 | (4.5) | 10.5 |
| **Life Risk** | **89** | **105** | **(15.2)** | **51** | **38** | **59** | **46** | **34.2** | **(13.6)** |
| Superannuation | 31 | 41 | (24.4) | 8 | 23 | 18 | 23 | (65.2) | (55.6) |
| **Total Life underlying profit after tax** | **120** | **146** | **(17.8)** | **59** | **61** | **77** | **69** | **(3.3)** | **(23.4)** |
| **Market adjustments [2]** | **(60)** | **105** | **n/a** | **(50)** | **(10)** | **41** | **64** | **400.0** | **n/a** |
| **Net profit after tax** | **60** | **251** | **(76.1)** | **9** | **51** | **118** | **133** | **(82.4)** | **(92.4)** |

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

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

## Life Risk in-force annual premium

| | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|
| | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | $M | $M | % | % |
| Term and TPD | 388 | 361 | 348 | 331 | 7.5 | 11.5 |
| Trauma | 154 | 150 | 144 | 138 | 2.7 | 6.9 |
| Disability income | 217 | 209 | 205 | 201 | 3.8 | 5.9 |
| Other | 26 | 26 | 25 | 23 | - | 4.0 |
| **Total Individual** | **785** | **746** | **722** | **693** | **5.2** | **8.7** |
| Group | 60 | 54 | 53 | 51 | 11.1 | 13.2 |
| **Total** | **845** | **800** | **775** | **744** | **5.6** | **9.0** |
| **Total Australia** | **696** | **667** | **649** | **624** | **4.3** | **7.2** |
| **Total New Zealand [1]** | **149** | **133** | **126** | **120** | **12.0** | **18.3** |

(1) In-force growth for NZ includes exchange rate movements and an adjustment for Dec 12 reported numbers (NZ$9m). The NZ In-force figures are Jun-13 $177 million, Dec-12 $168 million, Jun-12 $161 million, Dec-11 $158 million

### Life Risk new business by product

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Term and TPD | 76 | 53 | 43.4 | 38 | 38 | 30 | 23 | - | 26.7 |
| Trauma | 8 | 18 | (55.6) | 4 | 4 | 7 | 11 | - | (42.9) |
| Disability income | 29 | 25 | 16.0 | 15 | 14 | 13 | 12 | 7.1 | 15.4 |
| Other | 8 | 10 | (20.0) | 4 | 4 | 4 | 6 | - | - |
| **Total Individual** | **121** | **106** | **14.2** | **61** | **60** | **54** | **52** | **1.7** | **13.0** |
| Group [1] | 8 | 5 | 60.0 | 3 | 5 | 2 | 3 | (40.0) | 50.0 |
| **Total** | **129** | **111** | **16.2** | **64** | **65** | **56** | **55** | **(1.5)** | **14.3** |

(1) Group New Business excludes NZ.

## Life Risk new business by channel

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| IFA | 68 | 62 | 9.7 | 33 | 35 | 32 | 30 | (5.7) | 3.1 |
| Direct | 33 | 30 | 10.0 | 17 | 16 | 15 | 15 | 6.3 | 13.3 |
| New Zealand | 20 | 14 | 42.9 | 11 | 9 | 7 | 7 | 22.2 | 57.1 |
| **Total Individual** | **121** | **106** | 14.2 | **61** | **60** | **54** | **52** | **1.7** | **13.0** |
| Group [(1)] | 8 | 5 | 60.0 | 3 | 5 | 2 | 3 | (40.0) | 50.0 |
| **Total** | **129** | **111** | **16.2** | **64** | **65** | **56** | **55** | **(1.5)** | **14.3** |

(1) Group New Business excludes NZ channel sales

## Superannuation new business

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Superannuation | 192 | 241 | (20.3) | 113 | 79 | 96 | 145 | 43.0 | 17.7 |
| Pensions | 80 | 73 | 9.6 | 32 | 48 | 37 | 36 | (33.3) | (13.5) |
| Investment | 8 | 12 | (33.3) | 4 | 4 | 6 | 6 | - | (33.3) |
| **Total** | **280** | **326** | **(14.1)** | **149** | **131** | **139** | **187** | **13.7** | **7.2** |

## Funds under administration

| | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|
| | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | $M | $M | % | % |
| Opening balance at start of period | 7,230 | 7,111 | 7,311 | 7,694 | 1.7 | (1.1) |
| Net inflows (outflows) | (169) | (127) | (60) | (227) | 33.1 | 181.7 |
| Investment income and other | 278 | 246 | (140) | (156) | 13.0 | n/a |
| Balance at end of period | **7,339** | **7,230** | **7,111** | **7,311** | **1.5** | **3.2** |

## Operating expenses

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Total operating expenses** [(1)] | **291** | **271** | **7.4** | **144** | **147** | **134** | **137** | **(2.0)** | **7.5** |

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

## Shareholder investment income

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Shareholder investment income on invested assets | 36 | 63 | (42.9) | 4 | 32 | 25 | 38 | (87.5) | (84.0) |
| Less underlying investment income: | | | | | | | | | |
| Life Risk | (43) | (42) | 2.4 | (21) | (22) | (19) | (23) | (4.5) | 10.5 |
| Superannuation | (14) | (13) | 7.7 | (6) | (8) | (6) | (7) | (25.0) | - |
| **Investment income experience** | **(21)** | **8** | **n/a** | **(23)** | **2** | **-** | **8** | **n/a** | **n/a** |

## Invested shareholder assets[1]

| | HALF YEAR ENDED | | | | JUN-13 vs DEC-12 | JUN-13 vs JUN-12 |
|---|---|---|---|---|---|---|
| | JUN-13 | DEC-12 | JUN-12 | DEC-11 | | |
| | $M | $M | $M | $M | % | % |
| Cash [2] | 652 | 548 | 586 | 209 | 19.0 | 11.3 |
| Fixed interest securities | 743 | 801 | 879 | 1,145 | (7.2) | (15.5) |
| Equities | 45 | 66 | 76 | 66 | (31.8) | (40.8) |
| Property | 4 | 4 | 3 | 6 | - | 33.3 |
| Other | - | - | - | 1 | n/a | n/a |
| **Total** | **1,444** | **1,419** | **1,544** | **1,427** | **1.8** | **(6.5)** |

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

## Business results

### Direct Australia

Life risk sales through mass market General Insurance brands were up 16%. Total Direct Life Risk sales increased by 10% to $33 million with subdued growth in the Consumer Credit Insurance product constraining overall growth.

Over the last three years, Suncorp Life has built a Direct business with over 70,000 new direct customers. By working more closely with the General Insurance and Bank businesses, Suncorp Life has successfully engaged customers through the Group's mass market brands Suncorp, AAMI, GIO and Apia. This year, Suncorp Life launched three new Direct Life products: Life Protect, Bill Protect and Income Protection.

Suncorp Life continues to increase share of wallet by leveraging the Group's customer base, with 70% of sales to existing Group customers, and 30% of sales made to customers that are new to the Group. Suncorp Life has to date used an outsourced business model to accelerate entry into Direct Life. This is now being transitioned in-house to further leverage the Group's scale benefits and high quality brands.

Sales of Superannuation through Suncorp Bank increased by 12% following the successful launch of Suncorp Everyday Super. This product is an example of customer innovation, integrating with the Bank's online platform to make Super more engaging for everyday Australians.

The Direct channel is critical to Suncorp's strategy and has significant potential. The clear differentiators include the ability to leverage customers through the Group's strong brands, as well as the distribution capabilities of the General Insurance and Bank channels.

### IFA

IFA Australia sales increased by 9.7% to $68 million. The growth in this portfolio has been generated through the success of Asteron Life Complete.

Suncorp Life has also grown its aligned distribution asset within the Guardian Advice and Suncorp Advice businesses.

Suncorp Life is changing its participation in the IFA channel; improving distribution economics by reducing the proportion of new business on upfront commission, evolving its approach to product design including pricing and optimising retention outcomes based on deeper and more relevant customer engagement.

The life insurance industry is facing a number of structural challenges. The progression to a sustainable advice business model will need to be carefully managed to protect our in-force business in a constrained growth environment. However Suncorp Life has proven to be an early mover that recognises and responds to challenges.

## New Zealand

New Zealand Life Risk sales increased 42.9% to $20 million.

Asteron Life's place in the IFA market continues to grow through initiatives such as building high performing partnerships with advisers and integrating with customer based innovations. Asteron Life's 'take a fresh look' campaign has seen adviser engagement increase, with a 48% increase in sales. Suncorp Life's commitment to drive a sustainable advice business model extends to the NZ market where Asteron Life NZ is taking a leading role. This includes simplifying product and remuneration structures with a strong focus on reducing the capital intensity of remuneration.

AA Life, Life NZ's Direct channel, has maintained double digit growth, up 22%. The inbound channel has benefitted from the direct response television campaign and the new Term Life product. There has also been growth in the emerging online channel as well as AA's retail networks.

## Superannuation

Suncorp Life's funds under administration (FUA) of $7.3 billion were up 3.2%. Superannuation new business sales through Suncorp Bank were up 12%.

Suncorp Everyday Super has performed well across online, phone and in-branch sales since its recent launch. The joint initiative with Suncorp Bank has demonstrated the ability of Suncorp Life to grow the Suncorp Group customer base, with 39% of all Suncorp Everyday Super customers new to the Bank. Of these new customers, 34% now have a banking product, reflecting the potential of the 'One Company. Many Brands' business model.

The Superannuation segment is experiencing significant regulatory change through the introduction of Future of Financial Advice (FOFA), Superstream and Stronger Super reform. Suncorp is well prepared to meet all FOFA regulations as well as securing MySuper accreditation for Suncorp Everyday Super.

## Experience

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

Consumer confidence and affordability, coupled with pricing structures, have contributed to the retention challenge as customers take a critical view of discretionary expenditure and are more proactive in seeking to reduce costs. Suncorp Life has initiated a number of programs to address this issue, for example being more proactive with customers, which has resulted in an improvement in lapses half on half.

The economic environment also impacts claims, where propensity to claim is driving higher than expected levels of incidence. The claims team has worked to offset this experience with a record number of claimants returning to work in the latter half of the year.

Suncorp's key strategic agenda of sustainable advice is seeking to further improve retention through advisor remuneration structures, product design and customer engagement.

## Market adjustments

Market adjustments are comprised of balance sheet revaluations of policy liabilities and shareholder investment assets, which are expected to neutralise over time:

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Life Risk Policy Liability impact (DAC)** | (37) | 109 | n/a | (25) | (12) | 47 | 62 | 108.3 | n/a |
| **Investment Income Experience [1]** | (23) | (4) | 475.0 | (25) | 2 | (6) | 2 | n/a | 316.7 |
| **Total market adjustments** | (60) | 105 | n/a | (50) | (10) | 41 | 64 | 400.0 | n/a |

(1) Investment Income Experience includes Annuities.

### Life Risk policy liability impact (DAC)

Risk free rates are used to discount Life Risk policy liabilities. Due to deferred acquisition costs (DAC) there are net negative policy liabilities (an asset). An increase in discount rates leads to a loss whilst a decrease leads to a gain. During 2012 Suncorp Life experienced significant profits as yields on government bonds fell. As yields on Government bonds began to increase, particularly during in the second half, some of the profits in 2012 were reversed. These positive and negative revaluation adjustments for accounting purposes are expected to neutralise over time.

### Investment Income experience

Suncorp Life was impacted by unfavourable yield curve changes during the year. Volatility in the financial markets, particularly in the second half, impacted the overall return on shareholder invested assets. Cash assets earned lower interest income in 2013 whilst the strong performance of government and index linked bonds in 2012 was reversed as yields increased at the longer end of the curve during the second half. This resulted in actual returns being lower than Suncorp Life's overall long term assumption, which is based on the average of the Government 10 year bond rate curve (7-year historical and 3-year market expected) with risk margins added for various asset classes.

### Expense management

Overall expenses have increased due to the ongoing investment in growth, developing capabilities and products as well as undertaking significant regulatory projects impacting the Australian and New Zealand Life industries and Superannuation business in Australia.

## Life Embedded Value

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

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

The components of value are shown in the table below:

### Embedded Value

The Embedded Value decreased by $35 million over the year from $2,604 million at 30 June 2012 to $2,569 million at 30 June 2013.

| | JUN-13 | DEC-12 | JUN-12 | DEC-11 | JUN-13 vs DEC-12 | JUN-13 vs JUN-12 |
|---|---|---|---|---|---|---|
| | $M | $M | $M | $M | % | % |
| **Adjusted net worth** | **300** | **104** | **78** | **48** | **188.5** | **284.6** |
| Value of distributable profits | 1,980 | 2,008 | 2,120 | 2,028 | (1.4) | (6.6) |
| Value of imputation credits | 289 | 318 | 406 | 389 | (9.1) | (28.8) |
| **Value of in-force** | **2,269** | **2,326** | **2,526** | **2,417** | **(2.5)** | **(10.2)** |
| **Traditional Embedded Value** | **2,569** | **2,430** | **2,604** | **2,465** | **5.7** | **(1.3)** |
| **Value of one year's new sales (VOYS)** | **43** | **46** | **49** | **54** | **(6.5)** | **(12.2)** |

Note that in relation to the above values:

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

## Change in Embedded Value

The prolonged period of economic uncertainty has contributed to continued adverse lapse experience. This experience has been reflected in a strengthening of the long term lapse assumption basis. This has reduced embedded value by $184 million, with $168 million recognised in the first half for Australia and an additional $16 million in the second half for New Zealand.

| | JUN-12 TO JUN-13 $M |
|---|---|
| **Opening Embedded Value** | **2,604** |
| **Expected return** | 189 |
| **Experience over FY13** | |
| Economic | 21 |
| Claims, lapse and other | (54) |
| **Future assumption changes** | |
| Discount rate/Economic | (89) |
| Expenses | (8) |
| Lapses | (184) |
| Claims and other [1] | 154 |
| Value Added from new business | 43 |
| **Closing Embedded Value prior to** | **2,676** |
| Dividends/transfers [2] | (67) |
| Release of franking credits | (40) |
| **Closing Embedded Value** | **2,569** |

[1] Other assumptions include LAGIC related quicker releases of capital $70 million, repricing of legacy risk policies $30 million, Appreciation of NZD $40 million

[2] Dividends/transfers includes all dividends recommended or paid up to the parent company over the period

## Change in Value of One Year's Sales

The VOYS for Suncorp Life has decreased from $49 million at 30 June 2012 to $43 million at 30 June 2013. The decrease in VOYS is attributable to the increase in bond yields over the year and the strengthening in lapse basis. This has been offset by sales growth, including the more profitable Asteron Life Complete product, launched early in 2012.

## Assumptions

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

Maintenance unit costs were based on assumptions underlying the valuation of policy liabilities. The embedded value assumes improvements in future unit costs from efficiency gains beyond the coming 12 months. These improvements aren't permitted in the valuation of policy liabilities.

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

VOYS calculations are based on new business and acquisition costs for FY13. New business includes new policies as well as voluntary increases to existing policies, whereas the EV includes contractual increases (age and CPI) on retail business but excludes voluntary increases.

| | JUN-13 | | JUN-12 | |
|---|---|---|---|---|
| | AUSTRALIA | NEW ZEALAND | AUSTRALIA | NEW ZEALAND |
| | % PER ANNUM | % PER ANNUM | % PER ANNUM | % PER ANNUM |
| **Investment return for underlying asset classes (gross of tax)** | | | | |
| Risk-free rate (at 10 years) | 3.9 | 4.2 | 3.1 | 3.4 |
| Cash | 3.9 | 4.6 | 4.0 | 3.9 |
| Fixed interest | 4.4 | 4.7 | 4.1 | 4.0 |
| Australian equities (inc. allowance for franking credits) [1] | 8.9 | 8.8 | 8.2 | 8.0 |
| International equities | 7.9 | 7.8 | 7.2 | 7.0 |
| Property | 6.4 | 6.8 | 5.6 | 6.0 |
| **Investment returns (net of tax)** | 3.5 | 3.4 | 2.9 | 3.2 |
| **Inflation** | | | | |
| Benefit indexation | 2.5 | 2.5 | 2.5 | 2.5 |
| **Risk discount rate** | 7.9 | 8.2 | 7.1 | 7.4 |

(1) New Zealand assumption covers Australasian equities

## Sensitivity analysis

The tables below set out the sensitivity of the Embedded Value and value of new business as at 30 June 2013 to changes in key economic and business assumptions.

| | AS AT | |
|---|---|---|
| | JUN-13 $M | JUN-12 $M |
| **Base Embedded Value** | **2,569** | **2,604** |
| **Embedded Value assuming** | | |
| Discount rate and returns 1% higher | 2,553 | 2,464 |
| Discount rate and returns 1% lower | 2,601 | 2,729 |
| Discontinuance rates 10% lower | 2,804 | 2,829 |
| Renewal expenses 10% lower | 2,623 | 2,643 |
| Claims 10% lower [(1)] | 2,787 | 2,804 |
| | | |
| **Base value of one year's new business** | **43** | **49** |
| **Value of one year's new business assuming** | | |
| Discount rate and returns 1% higher | 31 | 30 |
| Discount rate and returns 1% lower | 57 | 62 |
| Discontinuance rates 10% lower | 72 | 74 |
| Acquisition expenses 10% lower | 55 | 56 |
| Claims 10% lower [(1)] | 73 | 71 |

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

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

Note that the EV discount rate sensitivity now includes the impact of changes in interest rates on LAGIC capital as well as the underlying cashflows, hence the movement from the previous period.

# Statement of assets and liabilities

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | DEC-11 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|
| **Total assets** | | | | | | |
| **Assets** | | | | | | |
| Invested assets | 4,787 | 4,661 | 4,924 | 4,758 | 2.7 | (2.8) |
| Assets backing annuity policies | 135 | 142 | 145 | 139 | (4.9) | (6.9) |
| Assets backing participating policies | 2,549 | 2,524 | 2,434 | 2,379 | 1.0 | 4.7 |
| Reinsurance ceded | 445 | 409 | 443 | 391 | 8.8 | 0.5 |
| Other assets | 247 | 254 | 246 | 260 | (2.8) | 0.4 |
| Goodwill and intangible assets | 640 | 657 | 672 | 688 | (2.6) | (4.8) |
| | **8,803** | **8,647** | **8,864** | **8,615** | **1.8** | **(0.7)** |
| **Liabilities** | | | | | | |
| Payables | 157 | 181 | 318 | 187 | (13.3) | (50.6) |
| Outstanding claims liabilities | 206 | 190 | 186 | 178 | 8.4 | 10.8 |
| Deferred tax liabilities | 66 | 86 | 48 | 61 | (23.3) | 37.5 |
| Policy liabilities | 5,270 | 5,058 | 5,224 | 5,178 | 4.2 | 0.9 |
| Unvested policyholder benefits [1] | 380 | 421 | 366 | 405 | (9.7) | 3.8 |
| | **6,079** | **5,936** | **6,142** | **6,009** | **2.4** | **(1.0)** |
| **Total net assets** | **2,724** | **2,711** | **2,722** | **2,606** | **0.5** | **0.1** |
| | | | | | | |
| **Policyholder assets** | | | | | | |
| Invested assets | 3,343 | 3,242 | 3,380 | 3,331 | 3.1 | (1.1) |
| Assets backing annuity policies | 135 | 142 | 145 | 139 | (4.9) | (6.9) |
| Assets backing participating policies | 2,549 | 2,524 | 2,434 | 2,379 | 1.0 | 4.7 |
| Deferred tax assets | - | - | 23 | 27 | n/a | (100.0) |
| Other assets | 33 | 10 | - | 6 | 230.0 | n/a |
| | **6,060** | **5,918** | **5,982** | **5,882** | **2.4** | **1.3** |
| **Liabilities** | | | | | | |
| Payables | - | - | 10 | - | n/a | (100.0) |
| Policy liabilities | 5,680 | 5,497 | 5,606 | 5,477 | 3.3 | 1.3 |
| Unvested policyholder benefits [1] | 380 | 421 | 366 | 405 | (9.7) | 3.8 |
| | **6,060** | **5,918** | **5,982** | **5,882** | **2.4** | **1.3** |
| **Policyholder net assets** | **-** | **-** | **-** | **-** | **n/a** | **n/a** |
| | | | | | | |
| **Shareholder assets** | | | | | | |
| **Assets** | | | | | | |
| Invested assets | 1,444 | 1,419 | 1,544 | 1,427 | 1.8 | (6.5) |
| Reinsurance ceded | 445 | 409 | 443 | 391 | 8.8 | 0.5 |
| Other assets | 214 | 244 | 246 | 254 | (12.3) | (13.0) |
| Goodwill and intangible assets | 640 | 657 | 672 | 688 | (2.6) | (4.8) |
| | **2,743** | **2,729** | **2,905** | **2,760** | **0.5** | **(5.6)** |
| **Liabilities** | | | | | | |
| Payables | 157 | 181 | 308 | 187 | (13.3) | (49.0) |
| Outstanding claims liabilities | 206 | 190 | 186 | 178 | 8.4 | 10.8 |
| Deferred tax liabilities | 66 | 86 | 71 | 88 | (23.3) | (7.0) |
| Policy liabilities | (410) | (439) | (382) | (299) | (6.6) | 7.3 |
| | **19** | **18** | **183** | **154** | **5.6** | **(89.6)** |
| **Shareholder net assets** | **2,724** | **2,711** | **2,722** | **2,606** | **0.5** | **0.1** |

(1) Includes participating business policyholder retained profits

# Non-core Bank

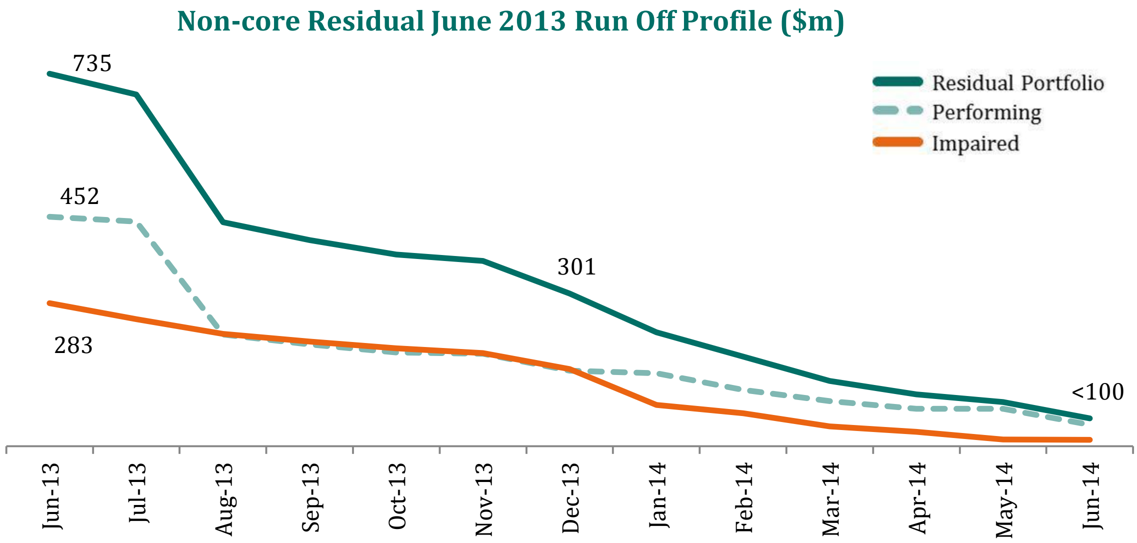
## Result overview

Following the Group's strategic review of the Non-core Bank, the resolution of the Non-core banking portfolio was announced to the market on 13 June 2013. Central to the resolution was the sale of $1.6 billion of corporate and property assets. The sale was settled on 31 July 2013. Consistent with expectations, the Non-core Bank incurred a pre-tax loss of $484 million on the portfolio sale. This contributed to the $632 million after tax loss for the year.

## Outlook

The residual portfolio of $735 million has continued its organic run-off and is currently tracking to expectations. Furthermore, the refinancing of a large single exposure, previously disclosed as part of the market announcement on 13 June 2013, remains on track for settlement in the next three months. The Residual portfolio has an average loan size of $2.6 million. Additional provisioning has been allocated against impaired loans with specific provision coverage in excess of 50% and grossed up coverage in excess of 60%.

The Bank remains committed to running off the remaining loans associated with the Non-core. It is expected that future run-off will reduce the residual to below $100 million by 30 June 2014.



## Profit contribution

| | FULL YEAR ENDED JUN-13 $M | JUN-12 $M | JUN-13 vs JUN-12 % | HALF YEAR ENDED JUN-13 $M | DEC-12 $M | JUN-12 $M | DEC-11 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|---|---|---|
| **Net interest income** | 10 | 32 | (68.8) | (4) | 14 | 4 | 28 | n/a | n/a |
| **Net non-interest income** | | | | | | | | | |
| Net banking fee income | 7 | 12 | (41.7) | 4 | 3 | 5 | 7 | 33.3 | (20.0) |
| Other income (loss) | (16) | 24 | n/a | (12) | (4) | (4) | 28 | 200.0 | 200.0 |
| Total net non-interest income | (9) | 36 | n/a | (8) | (1) | 1 | 35 | large | n/a |
| **Total income** | 1 | 68 | (98.5) | (12) | 13 | 5 | 63 | n/a | n/a |
| **Operating expenses** | (65) | (69) | (5.8) | (35) | (30) | (36) | (33) | 16.7 | (2.8) |
| **Profit (loss) before impairment losses on loans and advances** | (64) | (1) | large | (47) | (17) | (31) | 30 | 176.5 | 51.6 |
| Loss on sale of loans and advances | (527) | (27) | large | (506) | (21) | (25) | (2) | large | large |
| Impairment losses on loans and advances | (311) | (364) | (14.6) | (149) | (162) | (242) | (122) | (8.0) | (38.4) |
| **Non-core Bank profit (loss) before tax** | **(902)** | **(392)** | **130.1** | **(702)** | **(200)** | **(298)** | **(94)** | **251.0** | **135.6** |
| **Income tax** | 270 | 129 | 109.3 | 210 | 60 | 89 | 40 | 250.0 | 136.0 |
| **Non-core Bank profit (loss) after tax** | **(632)** | **(263)** | **140.3** | **(492)** | **(140)** | **(209)** | **(54)** | **251.4** | **135.4** |

## Ratios and statistics

| | FULL YEAR ENDED JUN-13 % | JUN-12 % | HALF YEAR ENDED JUN-13 % | DEC-12 % | JUN-12 % |
|---|---|---|---|---|---|
| Net interest margin (interest-earning assets) | 0.13 | 0.24 | (0.12) | 0.31 | 0.06 |
| Net interest margin (lending assets) | 0.25 | 0.50 | (0.23) | 0.62 | 0.14 |
| Impairment losses to gross loans and advances | 39.92 | 8.09 | 38.57 | 9.37 | 10.81 |
| Impairment losses to credit risk-weighted assets | 34.36 | 6.75 | 33.20 | 7.89 | 9.02 |

## Loans, advances and other receivables

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| Corporate and lease finance | 131 | 703 | 1,132 | (81.4) | (88.4) |
| Development finance | 214 | 1,325 | 1,473 | (83.8) | (85.5) |
| Property investment | 390 | 1,394 | 1,868 | (72.0) | (79.1) |
| **Non-core portfolio** | **735** | **3,422** | **4,473** | **(78.5)** | **(83.6)** |
| Other receivables | 44 | 7 | 28 | large | 57.1 |
| **Gross banking loans, advances and other receivables** | 779 | 3,429 | 4,501 | (77.3) | (82.7) |
| Provision for impairment | (164) | (349) | (408) | (53.0) | (59.8) |
| **Loans, advances and other receivables** | **615** | **3,080** | **4,093** | **(80.0)** | **(85.0)** |
| **Credit risk-weighted assets** | **905** | **4,074** | **5,396** | (77.8) | (83.2) |

## Business portfolios

Non-core run-off was $2.7 billion for the half, driven primarily by the portfolio sale, reducing the residual portfolio to $735 million at 30 June 2013.

## Non-core Bank funding composition

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Wholesale funding** | | | | | |
| *Domestic funding sources* | | | | | |
| Short-term wholesale | 1,926 | 1,904 | 1,864 | 1.2 | 3.3 |
| Long-term wholesale | 1,304 | 1,928 | 2,743 | (32.4) | (52.5) |
| Subordinated notes | 9 | 25 | 32 | (64.0) | (71.9) |
| Reset preference shares | - | 4 | 6 | (100.0) | (100.0) |
| Convertible preference shares | - | 108 | 137 | (100.0) | (100.0) |
| | 3,239 | 3,969 | 4,782 | (18.4) | (32.3) |
| *Overseas funding sources* [(1)] | | | | | |
| Short-term wholesale | 816 | 803 | 872 | 1.6 | (6.4) |
| Long-term wholesale | 1,025 | 1,007 | 3,216 | 1.8 | (68.1) |
| Subordinated notes | - | 14 | 93 | (100.0) | (100.0) |
| | 1,841 | 1,824 | 4,181 | 0.9 | (56.0) |
| **Total funding** | **5,080** | **5,793** | **8,963** | **(12.3)** | **(43.3)** |
| **Total funding is represented on the balance sheet by:** | | | | | |
| Short-term borrowings | 2,742 | 2,707 | 2,736 | 1.3 | 0.2 |
| Bonds, notes and long-term borrowings | 2,329 | 2,935 | 5,959 | (20.6) | (60.9) |
| Subordinated notes | 9 | 39 | 125 | (76.9) | (92.8) |
| Preference shares | - | 112 | 143 | (100.0) | (100.0) |
| **Total funding** | **5,080** | **5,793** | **8,963** | **(12.3)** | **(43.3)** |

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

## Net interest income

Underlying net interest income was down in line with portfolio run-off. The high level of impaired loans and liquid assets to performing lending assets suppresses net interest income by delivering low to negative returns after funding costs are taken into account. The second half result was impacted negatively by the portfolio and individual asset sales over the period.

## Net non-interest income

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Net banking fee income | 7 | 12 | (41.7) | 4 | 3 | 5 | 7 | 33.3 | (20.0) |
| Other income (loss) | (16) | 24 | n/a | (12) | (4) | (4) | 28 | 200.0 | 200.0 |
| **Total net non-interest income** | **(9)** | **36** | **n/a** | **(8)** | **(1)** | **1** | **35** | **large** | **n/a** |

Net non-interest income result was negative $9 million primarily due to the early buy back of Government Guaranteed debt.

## Operating expenses

Operating expenses for the Non-core Bank were $65 million, down 5.8% on June 2012. This result includes the one-off transaction costs associated with the Non-core portfolio sale.

## Impairment losses on loans and advances

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| Collective provision for impairment | (43) | (34) | 26.5 | (36) | (7) | (29) | (5) | 414.3 | 24.1 |
| Specific provision for impairment | 342 | 374 | (8.6) | 170 | 172 | 259 | 115 | (1.2) | (34.4) |
| Actual net write-offs | 12 | 24 | (50.0) | 15 | (3) | 12 | 12 | n/a | 25.0 |
| | **311** | **364** | **(14.6)** | **149** | **162** | **242** | **122** | **(8.0)** | **(38.4)** |
| **Impairment losses to credit risk-weighted assets (annualised)** | **34.36%** | **6.75%** | | **33.20%** | **7.89%** | **9.02%** | **3.64%** | | |

The second half impairment charge of $149 million excludes the impact of the Non-core portfolio sale and comprises:

- $78 million in specific provision charges on newly impaired loans, of which $33 million related to one large new impaired exposure. The remaining charge on newly impaired exposures related to a small number of medium sized exposures
- The remainder of the specific provision charge relates to a “bulk” specific provision of approximately $24 million, along with charges across a number of existing impaired exposures; and
- A $36 million reduction in collective provisions due to the run off of the Non-core portfolio.

## Impaired asset balances

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Gross balances of individually impaired loans** | | | | | |
| with specific provisions set aside | 282 | 1,601 | 1,823 | (82.4) | (84.5) |
| without specific provisions set aside | 1 | 43 | 26 | (97.7) | (96.2) |
| Gross impaired assets | 283 | 1,644 | 1,849 | (82.8) | (84.7) |
| Specific provision for impairment | (145) | (294) | (346) | (50.7) | (58.1) |
| **Net impaired assets** | 138 | 1,350 | 1,503 | (89.8) | (90.8) |
| **Size of gross impaired assets** | | | | | |
| Less than one million | 4 | 5 | 4 | (20.0) | - |
| Greater than one million but less than ten million | 133 | 165 | 145 | (19.4) | (8.3) |
| Greater than ten million | 146 | 1,474 | 1,700 | (90.1) | (91.4) |
| | 283 | 1,644 | 1,849 | (82.8) | (84.7) |
| **Past due loans not shown as impaired assets** | 65 | 59 | 27 | 10.2 | 140.7 |
| **Gross non-performing loans** | 348 | 1,703 | 1,876 | (79.6) | (81.4) |
| **Analysis of movements in gross individually impaired assets** | | | | | |
| Balance at the beginning of the half year | 1,644 | 1,849 | 2,163 | (11.1) | (24.0) |
| Recognition of new impaired assets | 92 | 156 | 222 | (41.0) | (58.6) |
| Increases in previously recognised impaired assets | 12 | 26 | 17 | (53.8) | (29.4) |
| Impaired assets written off/sold during the half year | (1,422) | (164) | (221) | large | large |
| Impaired assets which have been reclassed as performing assets or repaid | (43) | (223) | (332) | (80.7) | (87.0) |
| **Balance at the end of the half year** | **283** | **1,644** | **1,849** | **(82.8)** | **(84.7)** |

## Gross non-performing loans

The $1.6 billion portfolio sale of Corporate and Property assets in addition to the run-off of the Non-core portfolio resulted in a 79.6% reduction in gross non-performing loans over the second half.

## Impaired assets

Significant reduction in the impaired asset balance occurred with a reduction to $138 million as at 30 June 2013, following the portfolio resolution. The impairment of a $60 million single name exposure occurred during the final quarter of the financial year.

## Past due loans not shown as impaired

Past due loans increased marginally to $65 million. There are no large single name exposures in the past due category at 30 June 2013.

## Provision for impairment

| | JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Collective provision** | | | | | |
| Balance at the beginning of the period | 55 | 62 | 91 | (11.3) | (39.6) |
| Charge against contribution to profit | (36) | (7) | (29) | 414.3 | 24.1 |
| Balance at the end of the period | 19 | 55 | 62 | (65.5) | (69.4) |
| **Specific provision** | | | | | |
| Balance at the beginning of the period | 294 | 346 | 342 | (15.0) | (14.0) |
| Charge against impairment losses | 170 | 172 | 259 | (1.2) | (34.4) |
| Write-off of impaired assets | (280) | (164) | (192) | 70.7 | 45.8 |
| Unwind of interest | (39) | (60) | (63) | (35.0) | (38.1) |
| Balance at the end of the period | 145 | 294 | 346 | (50.7) | (58.1) |
| **Total provision for impairment - Banking activities** | 164 | 349 | 408 | (53.0) | (59.8) |
| **Equity reserve for credit loss** | | | | | |
| Balance at the beginning of the period | 26 | 45 | 69 | (42.2) | (62.3) |
| Transfer (to) from retained earnings | (14) | (19) | (24) | (26.3) | (41.7) |
| Balance at the end of the period | 12 | 26 | 45 | (53.8) | (73.3) |
| Pre-tax equivalent coverage | 17 | 37 | 64 | (54.1) | (73.4) |
| **Total provision for impairment and equity reserve for credit loss coverage - Non-core Banking activities** | 181 | 386 | 472 | (53.1) | (61.7) |

| | % | % | % |
|---|---|---|---|
| **Provision for impairment expressed as a percentage of gross impaired assets are as follows:** | | | |
| Collective provision | 6.7 | 3.3 | 3.4 |
| Specific provision | 51.2 | 17.9 | 18.7 |
| Total provision | 58.0 | 21.2 | 22.1 |
| Equity reserve for credit loss coverage | 6.0 | 2.3 | 3.5 |
| Total provision and equity reserve for credit loss coverage | 64.0 | 23.5 | 25.5 |

As part of the resolution of the Non-core portfolio, the Bank has increased specific provision coverage of the impaired portfolio to over 50%, with grossed up coverage (excluding partial write-downs) in excess of 60%. Overall provision coverage, including the Equity Reserve for Credit Loss, ended the second half at 64% of impaired assets.

## Average banking balance sheet

| | FULL YEAR ENDED JUN-13 | | |
|---|---|---|---|
| | AVERAGE BALANCE $M | INTEREST $M | AVERAGE RATE % |
| **ASSETS** | | | |
| **Interest earning assets** | | | |
| Financial assets | 3,806 | 135 | 3.55 |
| Gross loans, advances and other receivables | 3,981 | 232 | 5.83 |
| Total interest earning assets | 7,787 | 367 | 4.71 |
| | | | |
| **Non-interest earning assets** | | | |
| Other assets (inc. loan provisions) | (727) | | |
| Total non-interest earning assets | (727) | | |
| **TOTAL ASSETS** | 7,060 | | |
| | | | |
| **LIABILITIES** | | | |
| **Interest bearing liabilities** | | | |
| Wholesale liabilities | 6,367 | 349 | 5.48 |
| Debt capital | 174 | 8 | 4.60 |
| Total interest bearing liabilities | 6,541 | 357 | 5.46 |
| | | | |
| **Non-interest bearing liabilities** | | | |
| Other liabilities | - | | |
| Total non-interest bearing liabilities | - | | |
| **TOTAL LIABILITIES** | 6,541 | | |
| | | | |
| **AVERAGE SHAREHOLDERS' EQUITY** | 519 | | |
| | | | |
| Non-Shareholder Accounting Equity | - | | |
| | | | |
| **AVERAGE SHAREHOLDERS' EQUITY (ex Goodwill)** | 519 | | |
| | | | |
| **Analysis of interest margin and spread** | | | |
| Interest earning assets | 7,787 | 367 | 4.71 |
| Interest bearing liabilities | 6,541 | 357 | 5.46 |
| **Net interest spread** | | | (0.75) |
| **Net interest margin (interest earning assets)** | 7,787 | 10 | 0.13 |
| **Net interest margin (lending assets)** | 3,981 | 10 | 0.25 |

| | HALF YEAR ENDED JUN-13 | | | HALF YEAR ENDED DEC-12 | | |
|---|---|---|---|---|---|---|
| | AVERAGE BALANCE | INTEREST | AVERAGE RATE | AVERAGE BALANCE | INTEREST | AVERAGE RATE |
| | $M | $M | % | $M | $M | % |
| **ASSETS** | | | | | | |
| **Interest-earning assets** | | | | | | |
| Financial assets | 3,059 | 50 | 3.30 | 4,553 | 85 | 3.70 |
| Gross loans, advances and other receivables | 3,475 | 88 | 5.11 | 4,487 | 144 | 6.37 |
| Total interest-earning assets | 6,534 | 138 | 4.26 | 9,040 | 229 | 5.03 |
| **Non-interest earning assets** | | | | | | |
| Other assets (inc. loan provisions) | (599) | | | (844) | | |
| Total non-interest earning assets | (599) | | | (844) | | |
| **TOTAL ASSETS** | 5,935 | | | 8,196 | | |
| **LIABILITIES** | | | | | | |
| **Interest-bearing liabilities** | | | | | | |
| Wholesale liabilities | 5,339 | 139 | 5.25 | 7,395 | 210 | 5.63 |
| Debt capital | 137 | 3 | 4.42 | 212 | 5 | 4.68 |
| Total interest-bearing liabilities | 5,476 | 142 | 5.23 | 7,607 | 215 | 5.61 |
| **Non-interest bearing liabilities** | | | | | | |
| Other liabilities | - | | | - | | |
| Total non-interest bearing liabilities | - | | | - | | |
| **TOTAL LIABILITIES** | 5,476 | | | 7,607 | | |
| **AVERAGE SHAREHOLDERS' EQUITY** | 459 | | | 589 | | |
| Non-Shareholder Accounting Equity | - | | | (1) | | |
| **AVERAGE SHAREHOLDERS' EQUITY** | 459 | | | 588 | | |
| **Analysis of interest margin and spread** | | | | | | |
| Interest-earning assets | 6,534 | 138 | 4.26 | 9,040 | 229 | 5.03 |
| Interest-bearing liabilities | 5,476 | 142 | 5.23 | 7,607 | 215 | 5.61 |
| **Net interest spread** | | | (0.97) | | | (0.58) |
| **Net interest margin (interest-earning assets)** | 6,534 | (4) | (0.12) | 9,040 | 14 | 0.31 |
| **Net interest margin (lending assets)** | 3,475 | (4) | (0.23) | 4,487 | 14 | 0.62 |

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

## Consolidated statement of comprehensive income

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

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs DEC-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Revenue** | | | | | | | | | |
| Insurance premium income | 9,134 | 8,355 | 9.3 | 4,635 | 4,499 | 4,262 | 4,093 | 3.0 | 8.8 |
| Reinsurance and other recoveries income | 1,538 | 1,917 | (19.8) | 813 | 725 | 770 | 1,147 | 12.1 | 5.6 |
| Banking interest income | 3,420 | 4,025 | (15.0) | 1,633 | 1,787 | 1,937 | 2,088 | (8.6) | (15.7) |
| Investment revenue | 1,523 | 1,183 | 28.7 | 556 | 967 | 716 | 467 | (42.5) | (22.3) |
| Other income | 571 | 581 | (1.7) | 305 | 266 | 267 | 314 | 14.9 | 14.3 |
| **Total revenue** | 16,186 | 16,061 | 0.8 | 7,942 | 8,244 | 7,952 | 8,109 | (3.7) | (0.1) |
| **Expenses** | | | | | | | | | |
| General insurance claims expense | (6,264) | (7,122) | (12.0) | (3,334) | (2,930) | (3,251) | (3,871) | 13.8 | 2.6 |
| Life insurance claims expense and movement in policyowners liabilities | (1,142) | (314) | 263.7 | (525) | (617) | (340) | 26 | (14.9) | 54.4 |
| Outwards reinsurance premium expense | (1,203) | (946) | 27.2 | (618) | (585) | (497) | (449) | 5.6 | 24.3 |
| Interest expense | (2,477) | (3,146) | (21.3) | (1,153) | (1,324) | (1,499) | (1,647) | (12.9) | (23.1) |
| Fees and commissions expense | (700) | (535) | 30.8 | (336) | (364) | (294) | (241) | (7.7) | 14.3 |
| Operating expenses | (2,732) | (2,603) | 5.0 | (1,388) | (1,344) | (1,315) | (1,288) | 3.3 | 5.6 |
| Losses on Banking loans, advances and other receivables | (902) | (432) | 108.8 | (687) | (215) | (299) | (133) | 220.2 | 129.9 |
| **Total expenses** | (15,420) | (15,098) | 2.1 | (8,041) | (7,379) | (7,495) | (7,603) | 9.0 | 7.3 |
| **Profit before income tax** | 766 | 963 | (20.5) | (99) | 865 | 457 | 506 | n/a | (121.7) |
| Income tax expense | (270) | (235) | 14.9 | 18 | (288) | (119) | (116) | n/a | (115.1) |
| **Profit for the period** | **496** | **728** | **(31.9)** | **(81)** | **577** | **338** | **390** | **n/a** | **(124.0)** |
| **Other comprehensive income** | | | | | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | | | | |
| Net change in fair value of cash flow hedges | 61 | (66) | n/a | 23 | 38 | (126) | 60 | (39.5) | n/a |
| Net change in fair value of available-for-sale financial assets | - | (60) | (100.0) | 4 | (4) | 6 | (66) | n/a | (33.3) |
| Exchange differences on translation of foreign operations | 68 | 10 | large | 56 | 12 | 22 | (12) | 366.7 | 154.5 |
| Income tax on benefit (expense) | (18) | 38 | n/a | (3) | (15) | 36 | 2 | (80.0) | (108.3) |
| | 111 | (78) | n/a | 80 | 31 | (62) | (16) | 158.1 | (229.0) |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | | | | |
| Actuarial gains (losses) on defined benefit plans | 20 | (51) | n/a | 16 | 4 | (51) | - | 300.0 | n/a |
| Income tax on other comprehensive income | (6) | 15 | n/a | (6) | - | 15 | - | n/a | (140.0) |
| | 14 | (36) | n/a | 10 | 4 | (36) | - | 150.0 | n/a |
| **Total Other comprehensive income net of income tax** | **125** | (114) | n/a | **90** | 35 | (98) | (16) | 157.1 | n/a |
| **Total comprehensive income for the period** | **621** | **614** | **1.1** | **9** | **612** | **240** | **374** | **(98.5)** | **(96.3)** |
| **Profit for the period attributable to:** | | | | | | | | | |
| Owners of the Company | 491 | 724 | (32.2) | (83) | 574 | 335 | 389 | n/a | n/a |
| Non-controlling interests | 5 | 4 | 25.0 | 2 | 3 | 3 | 1 | (33.3) | (33.3) |
| **Profit for the period** | **496** | 728 | (31.9) | **(81)** | 577 | 338 | 390 | n/a | n/a |
| **Total comprehensive income for the period attributable to:** | | | | | | | | | |
| Owners of the Company | 616 | 610 | 1.0 | 7 | 609 | 237 | 373 | (98.9) | (97.0) |
| Non-controlling interests | 5 | 4 | 25.0 | 2 | 3 | 3 | 1 | (33.3) | (33.3) |
| **Total comprehensive income for the period** | **621** | **614** | **1.1** | **9** | **612** | **240** | **374** | **(98.5)** | **(96.3)** |

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

## Consolidated statement of financial position

| | GENERAL INSURANCE JUN-13 $M | BANKING JUN-13 $M | LIFE JUN-13 $M | CORPORATE JUN-13 $M | ELIMINATIONS JUN-13 $M | CONSOLIDATION JUN-13 $M |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 146 | 905 | 610 | 47 | (314) | 1,394 |
| Receivables due from other banks | - | 1,460 | - | - | - | 1,460 |
| Trading securities | - | 3,462 | - | - | - | 3,462 |
| Derivatives | 39 | 667 | - | - | (79) | 627 |
| Investment securities | 12,305 | 6,640 | 8,413 | 14,983 | (16,158) | 26,183 |
| Banking loans, advances and other receivables | - | 47,999 | - | - | - | 47,999 |
| General Insurance assets | 7,158 | - | - | - | - | 7,158 |
| Life assets | - | - | 666 | - | - | 666 |
| Due from Group entities | - | 251 | - | 703 | (954) | - |
| Property, plant and equipment | 34 | - | 4 | 174 | - | 212 |
| Deferred tax assets | - | 141 | - | 124 | (178) | 87 |
| Other assets | 176 | 272 | 24 | 46 | (6) | 512 |
| Goodwill and intangible assets | 5,145 | 262 | 640 | 122 | (1) | 6,168 |
| **Total assets** | 25,003 | 62,059 | 10,357 | 16,199 | (17,690) | **95,928** |
| **Liabilities** | | | | | | |
| Deposits and short-term borrowings | - | 43,861 | - | - | (314) | 43,547 |
| Derivatives | 116 | 984 | 18 | - | (79) | 1,039 |
| Payables due to other banks | - | 213 | - | - | - | 213 |
| Payables and other liabilities | 1,333 | 640 | 105 | 401 | (1) | 2,478 |
| Current tax liabilities | 2 | - | - | - | - | 2 |
| Due to Group entities | 269 | - | 8 | - | (277) | - |
| General Insurance liabilities | 14,496 | - | - | - | - | 14,496 |
| Life liabilities | - | - | 5,869 | - | - | 5,869 |
| Deferred tax liabilities | 112 | - | 66 | - | (178) | - |
| Managed funds units on issue | - | - | 1,567 | - | (1,559) | 8 |
| Securitisation liabilities | - | 4,802 | - | - | (25) | 4,777 |
| Debt issues | - | 7,313 | - | - | (22) | 7,291 |
| Subordinated notes | 720 | 840 | - | 756 | (670) | 1,646 |
| Preference shares | - | 30 | - | 549 | - | 579 |
| **Total liabilities** | 17,048 | 58,683 | 7,633 | 1,706 | (3,125) | 81,945 |
| **Net assets** | 7,955 | 3,376 | 2,724 | 14,493 | (14,565) | **13,983** |
| **Equity** | | | | | | |
| Share capital | | | | | | 12,682 |
| Reserves | | | | | | 40 |
| Retained profits | | | | | | 1,245 |
| **Total equity attributable to owners of the Company** | | | | | | 13,967 |
| Non-controlling interests | | | | | | 16 |
| **Total equity** | | | | | | **13,983** |

# Appendix 2 – Ratio calculations

## Earnings per share

| Numerator | FULL YEAR ENDED | | HALF YEAR ENDED | | | |
|---|---|---|---|---|---|---|
| | JUN-13 $M | JUN-12 $M | JUN-13 $M | DEC-12 $M | JUN-12 $M | DEC-11 $M |
| **Earnings:** | | | | | | |
| Earnings used in calculating basic earnings per share | 491 | 724 | (83) | 574 | 335 | 389 |
| Interest expense on convertible preference shares (SBKPB) (net of tax) | - | 41 | - | 17 | 20 | 21 |
| Interest expense on convertible preference shares (SUNPC) (net of tax) | - | - | - | 5 | - | - |
| Earnings used in calculating diluted earnings per share | 491 | 765 | (83) | 596 | 355 | 410 |

| Denominator | FULL YEAR ENDED | | HALF YEAR ENDED | | | |
|---|---|---|---|---|---|---|
| | JUN-13 NO. OF SHARES | JUN-12 NO. OF SHARES | JUN-13 NO. OF SHARES | DEC-12 NO. OF SHARES | JUN-12 NO. OF SHARES | DEC-11 NO. OF SHARES |
| **Weighted average number of shares:** | | | | | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 1,277,858,329 | 1,277,409,855 | 1,278,106,483 | 1,277,614,221 | 1,277,417,013 | 1,277,402,775 |
| Effect of conversion of convertible preference shares (SBKPB) | - | 94,021,565 | - | 74,166,507 | 94,021,565 | 87,874,490 |
| Effect of conversion of convertible preference shares (SUNPC) | - | - | - | 22,439,264 | - | - |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | 1,277,858,329 | 1,371,431,420 | 1,278,106,483 | 1,374,219,992 | 1,371,438,578 | 1,365,277,265 |

## Return on average shareholders' equity

### Numerator

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

### Denominator

| | FULL YEAR ENDED | | HALF YEAR ENDED | | | |
|---|---|---|---|---|---|---|
| | JUN-13 $M | JUN-12 $M | JUN-13 $M | DEC-12 $M | JUN-12 $M | DEC-11 $M |
| **Adjusted average shareholders' equity** | | | | | | |
| Opening total equity | 14,127 | 14,018 | 14,289 | 14,127 | 14,133 | 14,018 |
| Less non-controlling interests | (17) | (17) | (14) | (17) | (12) | (17) |
| Opening adjusted equity | 14,110 | 14,001 | 14,275 | 14,110 | 14,121 | 14,001 |
| | | | | | | |
| Closing total equity | 13,983 | 14,127 | 13,983 | 14,289 | 14,127 | 14,133 |
| Less non-controlling interests | (16) | (17) | (16) | (14) | (17) | (12) |
| Closing adjusted equity | 13,967 | 14,110 | 13,967 | 14,275 | 14,110 | 14,121 |
| **Average adjusted equity** | **14,039** | **14,056** | **14,121** | **14,193** | **14,116** | **14,061** |

# Appendix 2 – Ratio calculations (continued)

## ASX listed securities

| | HALF YEAR ENDED | | | |
|---|---|---|---|---|
| | JUN-13 | DEC-12 | JUN-12 | DEC-11 |
| **Ordinary shares (SUN) each fully paid** | | | | |
| Number at the end of the period | 1,286,600,980 | 1,286,600,980 | 1,286,600,980 | 1,286,600,980 |
| Dividend declared for the period (cents per share) | 50 | 25 | 35 | 20 |
| **Convertible preference shares (SUNPC) each fully paid** | | | | |
| Number at the end of the period | 5,600,000 | 5,600,000 | - | - |
| Dividend declared for the period ($ per share) (1) | 2.70 | 0.61 | - | - |
| **Subordinated Notes (SUNPD)** | | | | |
| Number at the end of the period | 7,700,000 | - | - | - |
| Interest per note | 1.43 | - | - | - |
| **Floating Rate Capital Notes (SBKHB)** | | | | |
| Number at the end of the period | 1,698,008 | 1,698,008 | 1,698,008 | 1,698,008 |
| Interest per note | 1.91 | 2.25 | 2.61 | 2.87 |
| **Reset preference shares (SBKPA) each fully paid** | | | | |
| Number at the end of the period | 304,063 | 304,063 | 304,063 | 304,063 |
| Dividend declared for the period ($ per share) (1) | 2.09 | 2.12 | 2.10 | 2.55 |
| **Convertible preference shares (SBKPB) each fully paid** | | | | |
| Number at the end of the period | - | 7,350,000 | 7,350,000 | 7,350,000 |
| Dividend declared for the period ($ per share) (1) | 2.20 | 2.38 | 2.70 | 2.86 |

(1) Classified as interest expense

# Appendix 3 – Group capital

## Group capital position

| | AS AT 30 JUNE 2013 | | | | |
|---|---|---|---|---|---|
| | GENERAL INSURANCE $M | BANKING $M | LIFE $M | SGL, CORP SERVICES $M | TOTAL $M |
| **Common Equity Tier 1** | | | | | |
| Ordinary share capital | - | - | - | 12,717 | 12,717 |
| Subsidiary share capital (eliminated upon consolidation) | 7,977 | 3,675 | 2,435 | (14,087) | - |
| Reserves | (50) | (991) | 274 | 807 | 40 |
| Retained profits and non-controlling interests | 22 | 173 | 14 | 1,052 | 1,261 |
| Insurance liabilities in excess of liability valuation | 650 | - | - | - | 650 |
| | 8,599 | 2,857 | 2,723 | 489 | 14,668 |
| **Adjustments to Common Equity Tier 1** | | | | | |
| Less goodwill, brands | (5,067) | (262) | (593) | - | (5,922) |
| Less other intangible assets | (7) | (122) | - | (147) | (276) |
| Less deferred tax asset | - | (113) | (24) | (123) | (260) |
| Less policy liability adjustment [1] | - | - | (1,354) | - | (1,354) |
| Less other required deductions | (11) | - | - | (105) | (116) |
| | (5,085) | (497) | (1,971) | (375) | (7,928) |
| **Common Equity Tier 1 capital** | **3,514** | **2,360** | **752** | **114** | **6,740** |
| **Additional Tier 1** | | | | | |
| Eligible hybrid capital | - | 450 | - | 110 | 560 |
| Transitional hybrid capital | - | 30 | - | - | 30 |
| **Additional Tier 1 Capital** | **-** | **480** | **-** | **110** | **590** |
| **Tier 2** | | | | | |
| APRA general reserve for credit losses | - | 195 | - | - | 195 |
| Eligible Subordinated notes | - | 670 | - | - | 670 |
| Transitional Subordinated notes | 643 | 170 | - | - | 813 |
| **Total Tier 2 capital** | 643 | 1,035 | - | - | 1,678 |
| **APRA Capital base** | **4,157** | **3,875** | **752** | **224** | **9,008** |
| Represented by: | | | | | |
| Capital in Australian regulated entities | 3,620 | 3,847 | 587 | - | 8,054 |
| Capital in New Zealand regulated entities | 464 | - | 90 | - | 554 |
| Capital in unregulated entities [2] | 73 | 28 | 75 | 224 | 400 |

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

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

# Appendix 3 – Group capital (continued)

## Group capital position

| | AS AT 30 JUNE 2013 | | | | |
|---|---|---|---|---|---|
| | GENERAL INSURANCE $M | BANKING $M | LIFE $M | SGL, CORP SERVICES & CONSOL $M | TOTAL $M |
| **Reconciliation of total capital base to net assets** | | | | | |
| **Net assets** | 7,955 | 3,376 | 2,724 | (72) | 13,983 |
| **Equity items not eligible for inclusion in capital for APRA purposes** | | | | | |
| Reserves | (5) | 62 | - | 5 | 62 |
| **Additional items allowable for capital for APRA purposes** | | | | | |
| Eligible hybrid capital | - | - | - | 560 | 560 |
| Eligible Subordinated notes | - | 670 | - | - | 670 |
| Transitional hybrid capital | - | 30 | - | - | 30 |
| Transitional Subordinated notes | 643 | 170 | - | - | 813 |
| Insurance liabilities in excess of liability valuation | 650 | - | - | - | 650 |
| Elligible collective provision | - | 64 | - | - | 64 |
| Other items, adjustments | (1) | - | (1) | 1 | (1) |
| **Deductions from capital for APRA purposes** | | | | | |
| Goodwill, brands | (5,067) | (262) | (593) | - | (5,922) |
| Software assets | (3) | - | - | (122) | (125) |
| Deductible capitalised expenses | (4) | (122) | - | (25) | (151) |
| Deferred tax asset | - | (113) | (24) | (123) | (260) |
| Policy Liability adjustment | - | - | (1,354) | - | (1,354) |
| Other assets excluded from regulatory capital | (11) | - | - | - | (11) |
| **APRA Capital base** | **4,157** | **3,875** | **752** | **224** | **9,008** |

# Appendix 3 – Group capital (continued)

## General Insurance Prescribed Capital Amount

| | GI GROUP [1] JUN-13 $M |
|---|---|
| **Common Equity Tier 1** | |
| Ordinary share capital | 7,977 |
| Reserves | (50) |
| Retained profits and non-controlling interests | 22 |
| Insurance liabilities in excess of liability valuation | 929 |
| Less: Tax effect of excess insurance liabilities | (279) |
| | 8,599 |
| **Adjustments to Common Equity Tier 1** | |
| Goodwill and other intangible assets | (5,074) |
| Net deferred tax assets | - |
| Other Tier 1 deductions | (11) |
| Total deductions from Common Equity Tier 1 Capital | (5,085) |
| **Common Equity Tier 1 Capital** | **3,514** |
| **Additional Tier 1 Capital** | **-** |
| **Tier 1 Capital** | **3,514** |
| **Tier 2** | |
| Eligible hybrid capital - Subordinated notes | - |
| Transitional Subordinated notes | 643 |
| **Tier 2 Capital** | 643 |
| **APRA Capital base** | 4,157 |
| **Prescribed Capital Amount** | |
| Outstanding claims risk capital charge | 835 |
| Premium liabilities risk capital charge | 475 |
| Total insurance risk capital charge | 1,310 |
| Insurance concentration risk charge | 250 |
| Asset Risk Charge | 751 |
| Asset concentration risk charge | - |
| Operational risk charge | 261 |
| Aggregation benefit | (449) |
| **Total Prescribed Capital Amount (PCA)** | 2,123 |
| **CET1 Coverage Ratio** | **1.66** |
| **Capital Coverage Ratio** | **1.96** |

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

# Appendix 3 – Group capital (continued)

## Banking capital adequacy

| | REGULATORY BANKING GROUP | OTHER ENTITIES | STATUTORY BANKING GROUP |
|---|---|---|---|
| | $M | $M | $M |
| **Common Equity Tier 1** | | | |
| Ordinary share capital | 2,452 | 1,223 | 3,675 |
| Eligible reserves | (4) | (987) | (991) |
| Retained profits | 170 | 3 | 173 |
| | 2,618 | 239 | 2,857 |
| **Adjustments to Common Equity Tier 1** | | | |
| Goodwill and other intangibles arising on acquisition | (26) | (236) | (262) |
| Other intangible assets | (122) | - | (122) |
| Deferred tax asset | (113) | - | (113) |
| Other required deductions | - | - | - |
| CET1 deductions for investments in subsidiaries, capital support | (25) | 25 | - |
| Total deductions from Common Equity Tier 1 Capital | (286) | (211) | (497) |
| **Common Equity Tier 1 Capital** | 2,332 | 28 | 2,360 |
| **Additional Tier 1** | | | |
| Eligible hybrid capital | 450 | - | 450 |
| Transitional hybrid capital | 30 | - | 30 |
| | 480 | - | 480 |
| **Tier 1 Capital** | 2,812 | 28 | 2,840 |
| **Tier 2** | | | |
| APRA general reserve for credit losses | 195 | - | 195 |
| Eligible Subordinated notes | 670 | - | 670 |
| Transitional Subordinated notes | 170 | - | 170 |
| **Total Tier 2 Capital** | 1,035 | - | 1,035 |
| **APRA Capital base** | 3,847 | 28 | 3,875 |
| Risk-weighted exposures | 27,029 | - | 27,029 |
| Market risk capital charge | 385 | - | 385 |
| Operational risk capital charge | 3,308 | - | 3,308 |
| **Total assessed risk** | 30,722 | - | 30,722 |
| **Common Equity Tier 1 Capital** | 2,332 | 28 | 2,360 |
| **Common Equity Tier 1 Ratio** | **7.59%** | - | **7.68%** |
| **Total Capital Ratio** | **12.52%** | - | **12.61%** |

# Appendix 3 – Group capital (continued)

## Life Prescribed Capital Amount

| | LIFE CO AUSTRALIA JUN-13 $M | LIFE CO NEW ZEALAND [1] JUN-13 $M | OTHER ENTITIES [2] $M | TOTAL LIFE GROUP JUN-13 $M |
|---|---|---|---|---|
| **Common Equity Tier 1** | | | | |
| Ordinary share capital [3] | 664 | 203 | 1,568 | 2,435 |
| Reserves | - | (5) | 279 | 274 |
| Retained profits and non-controlling interests | 1,037 | 124 | (1,147) | 14 |
| | 1,701 | 322 | 700 | 2,723 |
| **Adjustments to Common Equity Tier 1** | | | | |
| Goodwill and other intangible assets | - | (1) | (592) | (593) |
| Net deferred tax assets | - | (24) | - | (24) |
| Policy liability adjustment [4] | (1,147) | (207) | - | (1,354) |
| Other Tier 1 deductions | - | - | - | - |
| Total deductions from Common Equity Tier 1 Capital | (1,147) | (232) | (592) | (1,971) |
| **Common Equity Tier 1 Capital** | **554** | **90** | **108** | **752** |
| **Additional Tier 1 Capital** | **-** | **-** | **-** | **-** |
| **Tier 1 Capital** | **554** | **90** | **108** | **752** |
| **Tier 2** | | | | |
| Eligible Subordinated notes | - | - | - | - |
| **APRA Capital base** | **554** | **90** | **108** | **752** |
| **Prescribed Capital Amount** | | | | |
| Insurance risk capital charge | 43 | 24 | - | 67 |
| Asset risk charge | 81 | 29 | - | 110 |
| Asset concentration risk charge | - | - | - | - |
| Operational risk charge | 35 | - | - | 35 |
| Aggregation benefit | (25) | - | - | (25) |
| Combined stress scenario adjustment | 62 | - | - | 62 |
| Other regulatory requirements | - | - | 19 | 19 |
| **Total Life Insurance Prescribed Capital Amount (PCA)** [5] | **196** | **53** | **19** | **268** |
| **CET1 Coverage Ratio** | **2.83** | **1.70** | **5.68** | **2.81** |
| **Capital Coverage Ratio** | **2.83** | **1.70** | **5.68** | **2.81** |

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

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

(3) Life Co Australia and Other Entities include a prior period reclass of ordinary share capital and retained profits that was transferred under Part 9 of the Life Insurance Act 1995. There was no impact on the Total Life Group.

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

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

# Appendix 4 – General Insurance short-tail and long-tail (includes NZ)

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Short-tail** | | | | | | | | | |
| Gross written premium | 6,587 | 6,145 | 7.2 | 3,303 | 3,284 | 3,157 | 2,988 | 0.6 | 4.6 |
| Net earned premium | 5,570 | 5,222 | 6.7 | 2,828 | 2,742 | 2,663 | 2,559 | 3.1 | 6.2 |
| Net incurred claims | (3,675) | (3,909) | (6.0) | (2,001) | (1,674) | (1,949) | (1,960) | 19.5 | 2.7 |
| Acquisition expenses | (724) | (667) | 8.5 | (360) | (364) | (344) | (323) | (1.1) | 4.7 |
| Other underwriting expenses | (657) | (587) | 11.9 | (343) | (314) | (304) | (283) | 9.2 | 12.8 |
| Total operating expenses | (1,381) | (1,254) | 10.1 | (703) | (678) | (648) | (606) | 3.7 | 8.5 |
| **Underwriting result** | 514 | 59 | large | 124 | 390 | 66 | (7) | (68.2) | 87.9 |
| Investment income - insurance funds | 118 | 90 | 31.1 | 42 | 76 | 59 | 31 | (44.7) | (28.8) |
| **Insurance trading result** | 632 | 149 | 324.2 | 166 | 466 | 125 | 24 | (64.4) | 32.8 |
| | % | % | | % | % | % | % | | |
| **Ratios** | | | | | | | | | |
| Acquisition expenses ratio | 13.0 | 12.8 | | 12.7 | 13.3 | 12.9 | 12.6 | | |
| Other underwriting expenses ratio | 11.8 | 11.2 | | 12.1 | 11.5 | 11.4 | 11.1 | | |
| Total operating expenses ratio | 24.8 | 24.0 | | 24.9 | 24.7 | 24.3 | 23.7 | | |
| Loss ratio | 66.0 | 74.9 | | 70.8 | 61.1 | 73.2 | 76.6 | | |
| Combined operating ratio | 90.8 | 98.9 | | 95.6 | 85.8 | 97.5 | 100.3 | | |
| Insurance trading ratio | 11.3 | 2.9 | | 5.9 | 17.0 | 4.7 | 0.9 | | |

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Long-tail** | | | | | | | | | |
| Gross written premium | 2,002 | 1,810 | 10.6 | 1,061 | 941 | 943 | 867 | 12.8 | 12.5 |
| Net earned premium | 1,728 | 1,582 | 9.2 | 869 | 859 | 782 | 800 | 1.2 | 11.1 |
| Net incurred claims | (1,244) | (1,487) | (16.3) | (613) | (631) | (627) | (860) | (2.9) | (2.2) |
| Acquisition expenses | (212) | (236) | (10.2) | (83) | (129) | (125) | (111) | (35.7) | (33.6) |
| Other underwriting expenses | (160) | (125) | 28.0 | (85) | (75) | (59) | (66) | 13.3 | 44.1 |
| Total operating expenses | (372) | (361) | 3.0 | (168) | (204) | (184) | (177) | (17.6) | (8.7) |
| **Underwriting result** | 112 | (266) | n/a | 88 | 24 | (29) | (237) | 266.7 | n/a |
| Investment income - insurance funds | 215 | 628 | (65.8) | 36 | 179 | 286 | 342 | (79.9) | (87.4) |
| **Insurance trading result** | 327 | 362 | (9.7) | 124 | 203 | 257 | 105 | (38.9) | (51.8) |
| | % | % | | % | % | % | % | | |
| **Ratios** | | | | | | | | | |
| Acquisition expenses ratio | 12.3 | 14.9 | | 9.6 | 15.0 | 16.0 | 13.9 | | |
| Other underwriting expenses ratio | 9.3 | 7.9 | | 9.8 | 8.7 | 7.5 | 8.3 | | |
| Total operating expenses ratio | 21.5 | 22.8 | | 19.3 | 23.7 | 23.5 | 22.2 | | |
| Loss ratio | 72.0 | 94.0 | | 70.5 | 73.5 | 80.2 | 107.5 | | |
| Combined operating ratio | 93.5 | 116.8 | | 89.9 | 97.2 | 103.7 | 129.7 | | |
| Insurance trading ratio | 18.9 | 22.9 | | 14.3 | 23.6 | 32.9 | 13.1 | | |

# Appendix 5 – General Insurance New Zealand results expressed in NZ$

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | NZ$M | NZ$M | % | NZ$M | NZ$M | NZ$M | NZ$M | % | % |
| Gross written premium | 1,180 | 1,066 | 10.7 | 588 | 592 | 534 | 532 | (0.7) | 10.1 |
| Net earned premium | 855 | 719 | 18.9 | 444 | 411 | 364 | 355 | 8.0 | 22.0 |
| Net incurred claims | (477) | (496) | (3.8) | (251) | (226) | (240) | (256) | 11.1 | 4.6 |
| Acquisition expenses | (223) | (152) | 46.7 | (112) | (111) | (95) | (57) | 0.9 | 17.9 |
| Other underwriting expenses | (81) | (61) | 32.8 | (43) | (38) | (31) | (30) | 13.2 | 38.7 |
| Total operating expenses | (304) | (213) | 42.7 | (155) | (149) | (126) | (87) | 4.0 | 23.0 |
| **Underwriting result** | 74 | 10 | large | 38 | 36 | (2) | 12 | 5.6 | n/a |
| Investment income - insurance funds | 17 | 15 | 13.3 | 7 | 10 | 7 | 8 | (30.0) | - |
| **Insurance trading result** | 91 | 25 | 264.0 | 45 | 46 | 5 | 20 | (2.2) | large |
| | % | % | | % | % | % | % | | |
| **Ratios** | | | | | | | | | |
| Acquisition expenses ratio | 26.1 | 21.1 | | 25.2 | 27.0 | 26.1 | 16.1 | | |
| Other underwriting expenses ratio | 9.5 | 8.5 | | 9.7 | 9.2 | 8.5 | 8.5 | | |
| Total operating expenses ratio | 35.6 | 29.6 | | 34.9 | 36.3 | 34.6 | 24.6 | | |
| Loss ratio | 55.8 | 69.0 | | 56.5 | 55.0 | 65.9 | 72.1 | | |
| Combined operating ratio | 91.3 | 98.6 | | 91.4 | 91.2 | 100.5 | 96.7 | | |
| Insurance trading ratio | 10.6 | 3.5 | | 10.1 | 11.2 | 1.4 | 5.6 | | |

# Appendix 6 – Underlying ITR

| | JUN-13 $M | JUN-12 $M | JUN-11 $M |
|---|---|---|---|
| **Reported ITR** | **959** | **511** | **412** |
| **Reported ITR ratio** | **13.1%** | **7.5%** | **6.6%** |
| Reported reserve releases (above) below long-run expectations (page 24) | 4 | (64) | (212) |
| Natural hazards (below) above long-run allowances (page 23) | 75 | 278 | 325 |
| Investment income mismatch (page 26) | (102) | 197 | (55) |
| Other: | | | |
| Risk margin (page 23) | (24) | (97) | (44) |
| Abnormal (Simplification/restructuring) expenses (page 25) | 94 | 11 | 12 |
| LAT/DAC movement (page 25) | (21) | (14) | 35 |
| Reinsurance reinstatement premiums | - | - | 232 |
| **Underlying ITR** | **985** | **822** | **705** |
| **Underlying ITR ratio** | **13.5%** | **12.1%** | **10.8%** |

## Appendix 7 – General Insurance profit excluding the discount rate movements and Fire Service Levies

| | FULL YEAR ENDED | | JUN-13 | HALF YEAR ENDED | | | | JUN-13 | JUN-13 |
|---|---|---|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | vs JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 | vs DEC-12 | vs JUN-12 |
| | $M | $M | % | $M | $M | $M | $M | % | % |
| **Gross written premium** [1] | 8,302 | 7,652 | 8.5 | 4,265 | 4,037 | 3,947 | 3,705 | 5.6 | 8.1 |
| Gross unearned premium movement | (301) | (340) | (11.5) | (201) | (100) | (233) | (107) | 101.0 | (13.7) |
| Gross earned premium | 8,001 | 7,312 | 9.4 | 4,064 | 3,937 | 3,714 | 3,598 | 3.2 | 9.4 |
| Outwards reinsurance expense | (1,026) | (780) | 31.5 | (528) | (498) | (412) | (368) | 6.0 | 28.2 |
| **Net earned premium** | 6,975 | 6,532 | 6.8 | 3,536 | 3,439 | 3,302 | 3,230 | 2.8 | 7.1 |
| **Net incurred claims** | | | | | | | | | |
| Claims expense | (6,390) | (6,683) | (4.4) | (3,389) | (3,001) | (3,093) | (3,590) | 12.9 | 9.6 |
| Reinsurance and other recoveries revenue | 1,345 | 1,726 | (22.1) | 720 | 625 | 675 | 1,051 | 15.2 | 6.7 |
| | (5,045) | (4,957) | 1.8 | (2,669) | (2,376) | (2,418) | (2,539) | 12.3 | 10.4 |
| **Total operating expenses** | | | | | | | | | |
| Acquisition expenses | (936) | (903) | 3.7 | (443) | (493) | (469) | (434) | (10.1) | (5.5) |
| Other underwriting expenses | (494) | (440) | 12.3 | (267) | (227) | (220) | (220) | 17.6 | 21.4 |
| | (1,430) | (1,343) | 6.5 | (710) | (720) | (689) | (654) | (1.4) | 3.0 |
| **Underwriting result** | 500 | 232 | 115.5 | 157 | 343 | 195 | 37 | (54.2) | (19.5) |
| Investment income - insurance funds | 459 | 279 | 64.5 | 133 | 326 | 187 | 92 | (59.2) | (28.9) |
| **Insurance trading result** | 959 | 511 | 87.7 | 290 | 669 | 382 | 129 | (56.7) | (24.1) |
| Managed schemes net contribution | 25 | 13 | 92.3 | 29 | (4) | 11 | 2 | n/a | 163.6 |
| Joint venture and other income | 10 | 9 | 11.1 | 9 | 1 | 3 | 6 | large | 200.0 |
| General Insurance operational earnings | 994 | 533 | 86.5 | 328 | 666 | 396 | 137 | (50.8) | (17.2) |
| Investment revenue - shareholder funds | 288 | 203 | 41.9 | 128 | 160 | 77 | 126 | (20.0) | 66.2 |
| **General Insurance profit before tax and capital funding** | 1,282 | 736 | 74.2 | 456 | 826 | 473 | 263 | (44.8) | (3.6) |
| Capital funding | (33) | (66) | (50.0) | (9) | (24) | (29) | (37) | (62.5) | (69.0) |
| **General Insurance profit before tax** | 1,249 | 670 | 86.4 | 447 | 802 | 444 | 226 | (44.3) | 0.7 |
| **Income tax** | (366) | (177) | 106.8 | (128) | (238) | (113) | (64) | (46.2) | 13.3 |
| **General Insurance profit after tax** | **883** | **493** | **79.1** | **319** | **564** | **331** | **162** | **(43.4)** | **(3.6)** |

[1] Net of Fire Service Levies (FSL) 30 June 2013 $99 million, 31 December 2012, $188 million, 30 June 2012, $153 million, 31 December 2011, $150 million.

| | FULL YEAR ENDED | | HALF YEAR ENDED | | | |
|---|---|---|---|---|---|---|
| | JUN-13 | JUN-12 | JUN-13 | DEC-12 | JUN-12 | DEC-11 |
| | % | % | % | % | % | % |
| Acquisition expenses ratio | 13.4 | 13.8 | 12.5 | 14.3 | 14.2 | 13.4 |
| Other underwriting expenses ratio | 7.1 | 6.7 | 7.6 | 6.6 | 6.7 | 6.8 |
| Total operating expenses ratio | 20.5 | 20.5 | 20.1 | 20.9 | 20.9 | 20.2 |
| Loss ratio | 72.3 | 75.9 | 75.5 | 69.1 | 73.2 | 78.6 |
| Combined operating ratio | 92.8 | 96.4 | 95.6 | 90.0 | 94.1 | 98.8 |

# Appendix 8 – Consolidated Bank

## Profit contribution

| | FULL YEAR ENDED | | | | |
|---|---|---|---|---|---|
| | CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | TOTAL JUN-12 $M | JUN-13 vs JUN-12 % |
| **Net interest income** | 976 | 10 | 986 | 928 | 6.3 |
| **Net non-interest income** | | | | | |
| Net banking fee income | 70 | 7 | 77 | 96 | (19.8) |
| MTM on financial instruments | (6) | - | (6) | 15 | n/a |
| Other income (loss) | 5 | (16) | (11) | 29 | n/a |
| Total net non-interest income | 69 | (9) | 60 | 140 | (57.1) |
| **Total income from Banking activities** | 1,045 | 1 | 1,046 | 1,068 | (2.1) |
| **Operating expenses** | (554) | (65) | (619) | (597) | 3.7 |
| **Consolidated Bank profit before losses on loans and advances** | 491 | (64) | 427 | 471 | (9.3) |
| Loss on sale of loans and advances | - | (527) | (527) | (27) | large |
| Impairment losses on loans and advances | (64) | (311) | (375) | (405) | (7.4) |
| **Consolidated Bank profit before tax** | **427** | **(902)** | **(475)** | **39** | **n/a** |
| **Income tax** | (138) | 270 | 132 | (13) | n/a |
| **Consolidated Bank profit after tax** | **289** | **(632)** | **(343)** | **26** | **n/a** |

| | FULL YEAR ENDED | | | |
|---|---|---|---|---|
| | CORE JUN-13 % | NON-CORE JUN-13 % | TOTAL JUN-13 % | TOTAL JUN-12 % |
| Net interest margin (interest-earning assets) | 1.86 | 0.13 | 1.64 | 1.54 |
| Net interest margin (lending assets) | 2.15 | 0.25 | 2.00 | 1.97 |
| Cost to income ratio | 53.0 | large | 59.2 | 55.9 |
| Impairment losses to gross loans and advances | 0.13 | 39.92 | 0.78 | 0.85 |
| Impairment losses to credit risk-weighted assets | 0.26 | 34.36 | 1.48 | 1.45 |

# Appendix 8 – Consolidated Bank (continued)

## Statement of assets and liabilities

| | CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | DEC-12 $M | JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 366 | 539 | 905 | 341 | 549 | 165.4 | 64.8 |
| Receivables due from other banks | 189 | 1,271 | 1,460 | 1,031 | 2,044 | 41.6 | (28.6) |
| Trading securities | 1,245 | 2,217 | 3,462 | 4,077 | 4,787 | (15.1) | (27.7) |
| Derivatives | 455 | 212 | 667 | 427 | 424 | 56.2 | 57.3 |
| Investment securities | 6,002 | 638 | 6,640 | 5,114 | 6,308 | 29.8 | 5.3 |
| Loans, advances and other receivables | 47,384 | 615 | 47,999 | 48,770 | 47,320 | (1.6) | 1.4 |
| Due from Group entities | 251 | - | 251 | 190 | 144 | 32.1 | 74.3 |
| Deferred tax assets | 82 | 59 | 141 | 185 | 241 | (23.8) | (41.5) |
| Other assets [(1)] | 249 | 23 | 272 | 319 | 350 | (14.7) | (22.3) |
| Goodwill and intangible assets | 262 | - | 262 | 262 | 262 | - | - |
| Total assets | 56,485 | 5,574 | 62,059 | 60,716 | 62,429 | 2.2 | (0.6) |
| **Liabilities** | | | | | | | |
| Deposits and short-term borrowings | 41,119 | 2,742 | 43,861 | 41,828 | 41,521 | 4.9 | 5.6 |
| Derivatives | 693 | 291 | 984 | 1,287 | 2,369 | (23.5) | (58.5) |
| Payables due to other banks | 213 | - | 213 | 46 | 64 | 363.0 | 232.8 |
| Payables and other liabilities | 640 | - | 640 | 502 | 634 | 27.5 | 0.9 |
| Securitisation liabilities | 4,802 | - | 4,802 | 4,326 | 3,839 | 11.0 | 25.1 |
| Debt issues | 4,984 | 2,329 | 7,313 | 8,250 | 9,598 | (11.4) | (23.8) |
| Subordinated notes | 831 | 9 | 840 | 267 | 666 | 214.6 | 26.1 |
| Preference shares | 30 | - | 30 | 764 | 762 | (96.1) | (96.1) |
| Total liabilities | 53,312 | 5,371 | 58,683 | 57,270 | 59,453 | 2.5 | (1.3) |
| **Net assets** | **3,173** | **203** | **3,376** | **3,446** | **2,976** | **(2.0)** | **13.4** |
| **Reconciliation of net equity to Common Equity Tier 1 Capital** | | | | | | | |
| **Net equity - Banking line of business** | | | 3,376 | 3,446 | 2,976 | | |
| Additional Tier 1 capital | | | (450) | (450) | - | | |
| Goodwill allocated to Banking Business | | | (235) | (235) | (235) | | |
| Regulatory capital equity adjustments | | | 58 | 90 | 112 | | |
| Regulatory capital deductions | | | (286) | (277) | (297) | | |
| Other reserves excluded from CET1 ratio | | | (131) | (133) | (147) | | |
| **Common Equity Tier 1 Capital** | | | **2,332** | **2,441** | **2,409** | | |

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

# Appendix 8 – Consolidated Bank (continued)

## Loans, advances and other receivables

| | CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | TOTAL DEC-12 $M | TOTAL JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|---|
| Housing loans | 29,399 | - | 29,399 | 28,614 | 27,639 | 2.7 | 6.4 |
| Securitised housing loans and covered bonds | 7,759 | - | 7,759 | 7,349 | 6,316 | 5.6 | 22.8 |
| Total housing loans | 37,158 | - | 37,158 | 35,963 | 33,955 | 3.3 | 9.4 |
| Consumer loans | 463 | - | 463 | 464 | 482 | (0.2) | (3.9) |
| Retail loans | 37,621 | - | 37,621 | 36,427 | 34,437 | 3.3 | 9.2 |
| | | | | | | | |
| Commercial (SME) | 5,531 | - | 5,531 | 5,297 | 5,063 | 4.4 | 9.2 |
| Corporate and lease finance | - | 131 | 131 | 703 | 1,132 | (81.4) | (88.4) |
| Development finance | - | 214 | 214 | 1,325 | 1,473 | (83.8) | (85.5) |
| Property investment | - | 390 | 390 | 1,394 | 1,868 | (72.0) | (79.1) |
| Agribusiness | 4,311 | - | 4,311 | 4,039 | 3,856 | 6.7 | 11.8 |
| Business loans | 9,842 | 735 | 10,577 | 12,758 | 13,392 | (17.1) | (21.0) |
| **Total lending** | **47,463** | **735** | **48,198** | **49,185** | **47,829** | **(2.0)** | **0.8** |
| | | | | | | | |
| Other receivables | 57 | 44 | 101 | 58 | 28 | 74.1 | 260.7 |
| **Gross banking loans, advances and other receivables** | 47,520 | 779 | 48,299 | 49,243 | 47,857 | (1.9) | 0.9 |
| Provision for impairment | (136) | (164) | (300) | (473) | (537) | (36.6) | (44.1) |
| **Loans, advances and other receivables** | **47,384** | **615** | **47,999** | **48,770** | **47,320** | **(1.6)** | **1.4** |
| **Credit-risk weighted assets** | **24,459** | **905** | **25,364** | **27,423** | **28,002** | **(7.5)** | **(9.4)** |
| | | | | | | | |
| **Geographical breakdown - Total lending** | | | | | | | |
| Queensland | 28,000 | 254 | 28,254 | 28,889 | 28,711 | (2.2) | (1.6) |
| New South Wales | 10,887 | 325 | 11,212 | 11,431 | 10,698 | (1.9) | 4.8 |
| Victoria | 4,142 | 131 | 4,273 | 4,487 | 4,377 | (4.8) | (2.4) |
| Western Australia | 3,042 | 24 | 3,066 | 3,059 | 2,807 | 0.2 | 9.2 |
| South Australia and other | 1,392 | 1 | 1,393 | 1,319 | 1,236 | 5.6 | 12.7 |
| | | | | | | | |
| Outside of Queensland loans | 19,463 | 481 | 19,944 | 20,296 | 19,118 | (1.7) | 4.3 |
| **Total lending** | **47,463** | **735** | **48,198** | **49,185** | **47,829** | **(2.0)** | **0.8** |

# Appendix 8 – Consolidated Bank (continued)

## Funding and deposits

| | CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | TOTAL DEC-12 $M | TOTAL JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|---|
| **Retail funding** | | | | | | | |
| *Retail deposits* | | | | | | | |
| Transaction | 6,335 | - | 6,335 | 6,269 | 5,764 | 1.1 | 9.9 |
| Investment | 4,639 | - | 4,639 | 4,329 | 3,826 | 7.2 | 21.2 |
| Term deposits | 16,599 | - | 16,599 | 15,486 | 15,316 | 7.2 | 8.4 |
| Core retail deposits | 27,573 | - | 27,573 | 26,084 | 24,906 | 5.7 | 10.7 |
| Retail treasury deposits | 3,981 | - | 3,981 | 4,061 | 4,985 | (2.0) | (20.1) |
| Total retail funding | 31,554 | - | 31,554 | 30,145 | 29,891 | 4.7 | 5.6 |
| **Wholesale funding** | | | | | | | |
| *Domestic funding sources* | | | | | | | |
| Short-term wholesale | 6,382 | 1,926 | 8,308 | 8,231 | 7,914 | 0.9 | 5.0 |
| Long-term wholesale | 1,562 | 1,304 | 2,866 | 3,975 | 3,683 | (27.9) | (22.2) |
| Covered bonds | 2,196 | - | 2,196 | 2,195 | 1,598 | 0.0 | 37.4 |
| Subordinated notes | 831 | 9 | 840 | 170 | 170 | 394.1 | 394.1 |
| Reset preference shares | 30 | - | 30 | 30 | 31 | - | (3.2) |
| Convertible preference shares | - | - | - | 734 | 731 | (100.0) | (100.0) |
| | 11,001 | 3,239 | 14,240 | 15,335 | 14,127 | (7.1) | 0.8 |
| *Overseas funding sources* [1] | | | | | | | |
| Short-term wholesale | 3,183 | 816 | 3,999 | 3,452 | 3,716 | 15.8 | 7.6 |
| Long-term wholesale | 1,226 | 1,025 | 2,251 | 2,080 | 4,317 | 8.2 | (47.9) |
| Subordinated notes | - | - | - | 97 | 496 | (100.0) | (100.0) |
| | 4,409 | 1,841 | 6,250 | 5,629 | 8,529 | 11.0 | (26.7) |
| Total wholesale funding | 15,410 | 5,080 | 20,490 | 20,964 | 22,656 | (2.3) | (9.6) |
| **Total funding (excluding securitisation)** | **46,964** | **5,080** | **52,044** | **51,109** | **52,547** | **1.8** | **(1.0)** |
| **Securitised funding** | | | | | | | |
| APS 120 qualifying [2] | 3,733 | - | 3,733 | 3,552 | 2,936 | 5.1 | 27.1 |
| APS 120 non-qualifying | 1,069 | - | 1,069 | 774 | 903 | 38.1 | 18.4 |
| Total securitised funding | 4,802 | - | 4,802 | 4,326 | 3,839 | 11.0 | 25.1 |
| **Total funding (including securitisation)** | **51,766** | **5,080** | **56,846** | **55,435** | **56,386** | **2.5** | **0.8** |
| **Total funding is represented on the balance sheet by:** | | | | | | | |
| Deposits | 31,554 | - | 31,554 | 30,145 | 29,891 | 4.7 | 5.6 |
| Short-term borrowings | 9,565 | 2,742 | 12,307 | 11,683 | 11,630 | 5.3 | 5.8 |
| Securitisation liabilities | 4,802 | - | 4,802 | 4,326 | 3,839 | 11.0 | 25.1 |
| Bonds, notes and long-term borrowings | 4,984 | 2,329 | 7,313 | 8,250 | 9,598 | (11.4) | (23.8) |
| Subordinated notes | 831 | 9 | 840 | 267 | 666 | 214.6 | 26.1 |
| Preference shares | 30 | - | 30 | 764 | 762 | (96.1) | (96.1) |
| **Total** | **51,766** | **5,080** | **56,846** | **55,435** | **56,386** | **2.5** | **0.8** |

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

# Appendix 8 – Consolidated Bank (continued)

## Wholesale funding instruments maturity profile

| | CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | TOTAL DEC-12 $M | TOTAL JUN-12 $M | JUN-13 vs DEC-12 % | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|---|---|
| **Maturity** | | | | | | | |
| 0 to 3 months | 7,291 | 3,357 | 10,648 | 9,696 | 11,957 | 9.8 | (10.9) |
| 3 to 6 months | 2,721 | 601 | 3,322 | 3,815 | 2,441 | (12.9) | 36.1 |
| 6 to 12 months | 2,091 | 604 | 2,695 | 2,055 | 1,846 | 31.1 | 46.0 |
| 1 to 3 years | 5,373 | 509 | 5,882 | 7,161 | 7,180 | (17.9) | (18.1) |
| 3+ years | 2,736 | 9 | 2,745 | 2,563 | 3,071 | 7.1 | (10.6) |
| Total wholesale funding instruments | 20,212 | 5,080 | 25,292 | 25,290 | 26,495 | 0.0 | (4.5) |

## Net non-interest income

| | FULL YEAR ENDED | | | | |
|---|---|---|---|---|---|
| | CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | TOTAL JUN-12 $M | JUN-13 vs JUN-12 % |
| Net banking fee income | 70 | 7 | 77 | 96 | (19.8) |
| MTM on financial instruments | (6) | - | (6) | 15 | n/a |
| Other income (loss) | 5 | (16) | (11) | 29 | n/a |
| **Total net non-interest income** | **69** | **(9)** | **60** | **140** | **(57.1)** |

# Appendix 8 – Consolidated Bank (continued)

## Operating expenses

| | FULL YEAR ENDED JUN-13 $M | FULL YEAR ENDED JUN-12 $M | JUN-13 vs JUN-12 % |
|---|---|---|---|
| **Total operating expenses** | | | |
| Core operating expenses | (554) | (529) | 4.7 |
| Non-core operating expenses | (65) | (68) | (4.4) |
| | (619) | (597) | 3.7 |
| **Consisting of:** | | | |
| Staff expenses | (360) | (340) | 5.9 |
| Equipment and occupancy expenses | (112) | (107) | 4.7 |
| Hardware, software and dataline expenses | (36) | (42) | (14.3) |
| Advertising and promotion | (30) | (35) | (14.3) |
| Office supplies, postage and printing | (28) | (24) | 16.7 |
| Other [1] | (53) | (49) | 8.2 |
| | **(619)** | **(597)** | **3.7** |

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

## Impairment losses on loans and advances

| | FULL YEAR ENDED CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | TOTAL JUN-12 $M | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| Collective provision for impairment | - | (43) | (43) | (32) | 34.4 |
| Specific provision for impairment | 57 | 342 | 399 | 406 | (1.7) |
| Actual net write-offs | 7 | 12 | 19 | 31 | (38.7) |
| | **64** | **311** | **375** | **405** | **(7.4)** |
| **Impairment losses to credit risk-weighted assets (annualised)** | **0.26%** | **34.36%** | **1.48%** | **1.45%** | |

# Appendix 8 – Consolidated Bank (continued)

## Impaired asset balances

| | CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | TOTAL JUN-12 $M | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Gross balances of individually impaired loans** | | | | | |
| with specific provisions set aside | 178 | 282 | 460 | 2,015 | (77.2) |
| without specific provisions set aside | 45 | 1 | 46 | 75 | (38.7) |
| Gross impaired assets | 223 | 283 | 506 | 2,090 | (75.8) |
| Specific provision for impairment | (53) | (145) | (198) | (392) | (49.5) |
| **Net impaired assets** | 170 | 138 | 308 | 1,698 | (81.9) |
| **Size of gross individually impaired assets** | | | | | |
| Less than one million | 28 | 4 | 32 | 25 | 28.0 |
| Greater than one million but less than ten million | 112 | 133 | 245 | 262 | (6.5) |
| Greater than ten million | 83 | 146 | 229 | 1,803 | (87.3) |
| | 223 | 283 | 506 | 2,090 | (75.8) |
| **Past due loans not shown as impaired assets** | 369 | 65 | 434 | 320 | 35.6 |
| **Gross non-performing loans** | 592 | 348 | 940 | 2,410 | (61.0) |
| **Analysis of movements in gross individually impaired assets** | | | | | |
| Balance at the beginning of the year | 241 | 1,849 | 2,090 | 2,381 | (12.2) |
| Recognition of new impaired assets | 180 | 248 | 428 | 478 | (10.5) |
| Increases in previously recognised impaired assets | 4 | 38 | 42 | 38 | 10.5 |
| Impaired assets written off/sold during the year | (41) | (1,586) | (1,627) | (286) | 468.9 |
| Impaired assets which have been reclassed as performing assets or repaid | (161) | (266) | (427) | (521) | (18.0) |
| **Balance at the end of the year** | **223** | **283** | **506** | **2,090** | **(75.8)** |

# Appendix 8 – Consolidated Bank (continued)

## Provision for impairment

| | CORE JUN-13 $M | NON-CORE JUN-13 $M | TOTAL JUN-13 $M | TOTAL JUN-12 $M | JUN-13 vs JUN-12 % |
|---|---|---|---|---|---|
| **Collective provision** | | | | | |
| Balance at the beginning of the period | 83 | 62 | 145 | 177 | (18.1) |
| Charge against contribution to profit | - | (43) | (43) | (32) | 34.4 |
| Balance at the end of the period | 83 | 19 | 102 | 145 | (29.7) |
| **Specific provision** | | | | | |
| Balance at the beginning of the period | 46 | 346 | 392 | 387 | 1.3 |
| Charge against impairment losses | 57 | 342 | 399 | 406 | (1.7) |
| Write-off of impaired assets | (41) | (444) | (485) | (255) | 90.2 |
| Unwind of interest | (9) | (99) | (108) | (146) | (26.0) |
| Balance at the end of the period | 53 | 145 | 198 | 392 | (49.5) |
| **Total provision for impairment - Banking activities** | 136 | 164 | 300 | 537 | (44.1) |
| **Equity reserve for credit loss** | | | | | |
| Balance at the beginning of the period | 102 | 45 | 147 | 157 | (6.4) |
| Transfer to retained earnings | 17 | (33) | (16) | (10) | 60.0 |
| Balance at the end of the period | 119 | 12 | 131 | 147 | (10.9) |
| Pre-tax equivalent coverage | 170 | 17 | 187 | 210 | (11.0) |
| **Total provision for impairment and equity reserve for credit loss - Banking activities** | 306 | 181 | 487 | 747 | (34.8) |

| | % | % | % | % |
|---|---|---|---|---|
| **Provision for impairment expressed as a percentage of gross impaired assets are as follows:** | | | | |
| Collective provision | 37.2 | 6.7 | 20.2 | 6.9 |
| Specific provision | 23.8 | 51.2 | 39.1 | 18.8 |
| Total provision | 61.0 | 58.0 | 59.3 | 25.7 |
| Equity reserve for credit loss coverage | 76.2 | 6.0 | 37.0 | 10.0 |
| Total provision and equity reserve for credit loss coverage | 137.2 | 64.0 | 96.3 | 35.7 |

# Appendix 8 – Consolidated Bank (continued)

## Average banking balance sheet

| | FULL YEAR ENDED JUN-13 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | CORE PORTFOLIO | | | NON-CORE PORTFOLIO | | | TOTAL PORTFOLIO | | |
| | AVERAGE BALANCE | INTEREST | AVERAGE RATE | AVERAGE BALANCE | INTEREST | AVERAGE RATE | AVERAGE BALANCE | INTEREST | AVERAGE RATE |
| | $M | $M | % | $M | $M | % | $M | $M | % |
| **Assets** | | | | | | | | | |
| **Interest-earning assets** | | | | | | | | | |
| Trading and investment securities | 7,102 | 295 | 4.15 | 3,806 | 135 | 3.55 | 10,908 | 430 | 3.94 |
| Gross loans, advances and other receivables | 45,398 | 2,752 | 6.06 | 3,981 | 232 | 5.83 | 49,379 | 2,984 | 6.04 |
| Total interest-earning assets | 52,500 | 3,047 | 5.80 | 7,787 | 367 | 4.71 | 60,287 | 3,414 | 5.66 |
| **Non-interest earning assets** | | | | | | | | | |
| Other assets (inc. loan provisions) | 933 | | | (727) | | | 206 | | |
| Total non-interest earning assets | 933 | | | (727) | | | 206 | | |
| **TOTAL ASSETS** | 53,433 | | | 7,060 | | | 60,493 | | |
| **Liabilities** | | | | | | | | | |
| **Interest-bearing liabilities** | | | | | | | | | |
| Retail deposits | 30,450 | 1,239 | 4.07 | - | - | - | 30,450 | 1,239 | 4.07 |
| Wholesale liabilities | 18,289 | 787 | 4.30 | 6,367 | 349 | 5.48 | 24,656 | 1,136 | 4.61 |
| Debt capital | 993 | 45 | 4.53 | 174 | 8 | 4.60 | 1,167 | 53 | 4.54 |
| Total interest-bearing liabilities | 49,732 | 2,071 | 4.16 | 6,541 | 357 | 5.46 | 56,273 | 2,428 | 4.31 |
| **Non-interest bearing liabilities** | | | | | | | | | |
| Other liabilities | 951 | | | - | | | 951 | | |
| Total non-interest bearing liabilities | 951 | | | - | | | 951 | | |
| **TOTAL LIABILITIES** | 50,683 | | | 6,541 | | | 57,224 | | |
| **AVERAGE SHAREHOLDERS' EQUITY** | 2,750 | | | 519 | | | 3,269 | | |
| Non-Shareholder Accounting Equity | 80 | | | - | | | 80 | | |
| Convertible Preference Shares | (243) | | | - | | | (243) | | |
| Average Shareholders' Equity | 2,587 | | | 519 | | | 3,106 | | |
| Goodwill allocated to Banking Business | (235) | | | - | | | (235) | | |
| **Average Shareholders' Equity (ex Goodwill)** | 2,352 | | | 519 | | | 2,871 | | |
| **Analysis of interest margin and spread** | | | | | | | | | |
| Interest-earning assets | 52,500 | 3,047 | 5.80 | 7,787 | 367 | 4.71 | 60,287 | 3,414 | 5.66 |
| Interest-bearing liabilities | 49,732 | 2,071 | 4.16 | 6,541 | 357 | 5.46 | 56,273 | 2,428 | 4.31 |
| **Net interest spread** | | | 1.64 | | | (0.75) | | | 1.35 |
| **Net interest margin (interest-earning assets)** | 52,500 | 976 | 1.86 | 7,787 | 10 | 0.13 | 60,287 | 986 | 1.64 |
| **Net interest margin (lending assets)** | 45,398 | 976 | 2.15 | 3,981 | 10 | 0.25 | 49,379 | 986 | 2.00 |

# Appendix 8 – Consolidated Bank (continued)

## Average banking balance sheet (continued)

| | HALF YEAR ENDED JUN-13 TOTAL PORTFOLIO AVERAGE BALANCE $M | INTEREST $M | AVERAGE RATE % |
|---|---|---|---|
| **Assets** | | | |
| **Interest-earning assets** | | | |
| Trading and investment securities | 10,495 | 191 | 3.67 |
| Gross loans, advances and other receivables | 49,984 | 1,439 | 5.81 |
| Total interest-earning assets | 60,479 | 1,630 | 5.43 |
| **Non-interest earning assets** | | | |
| Other assets (inc. loan provisions) | 378 | | |
| Total non-interest earning assets | 378 | | |
| **TOTAL ASSETS** | 60,857 | | |
| **Liabilities** | | | |
| **Interest-bearing liabilities** | | | |
| Retail deposits | 30,784 | 584 | 3.83 |
| Wholesale liabilities | 24,636 | 521 | 4.26 |
| Debt capital | 1,069 | 23 | 4.34 |
| Total interest-bearing liabilities | 56,489 | 1,128 | 4.03 |
| **Non-interest bearing liabilities** | | | |
| Other liabilities | 868 | | |
| Total non-interest bearing liabilities | 868 | | |
| **TOTAL LIABILITIES** | 57,357 | | |
| **AVERAGE SHAREHOLDERS' EQUITY** | 3,500 | | |
| Non-Shareholder Accounting Equity | 67 | | |
| Convertible Preferences Shares | (450) | | |
| Average Shareholders' Equity | 3,117 | | |
| Goodwill allocated to Banking Business | (235) | | |
| **Average Shareholders' Equity (ex Goodwill)** | 2,882 | | |
| **Analysis of interest margin and spread** | | | |
| Interest-earning assets | 60,479 | 1,630 | 5.43 |
| Interest-bearing liabilities | 56,489 | 1,128 | 4.03 |
| **Net interest spread** | | | 1.40 |
| **Net interest margin (interest-earning assets)** | 60,479 | 502 | 1.67 |
| **Net interest margin (lending assets)** | 49,984 | 502 | 2.03 |

# Appendix 8 – Consolidated Bank (continued)

## Average banking balance sheet (continued)

| | FULL YEAR ENDED JUN-12 TOTAL PORTFOLIO | | | HALF YEAR ENDED DEC-12 TOTAL PORTFOLIO | | |
|---|---|---|---|---|---|---|
| | AVERAGE BALANCE $M | INTEREST $M | AVERAGE RATE % | AVERAGE BALANCE $M | INTEREST $M | AVERAGE RATE % |
| **Assets** | | | | | | |
| **Interest-earning assets** | | | | | | |
| Trading and investment securities | 12,949 | 652 | 5.04 | 11,312 | 238 | 4.17 |
| Gross loans, advances and other receivables | 47,217 | 3,347 | 7.09 | 48,792 | 1,546 | 6.29 |
| Total interest-earning assets | 60,166 | 3,999 | 6.65 | 60,104 | 1,784 | 5.89 |
| **Non-interest earning assets** | | | | | | |
| Other assets (inc. loan provisions) | (224) | | | 30 | | |
| Total non-interest earning assets | (224) | | | 30 | | |
| **TOTAL ASSETS** | 59,942 | | | 60,134 | | |
| **Liabilities** | | | | | | |
| **Interest-bearing liabilities** | | | | | | |
| Retail deposits | 28,418 | 1,427 | 5.02 | 30,118 | 656 | 4.32 |
| Wholesale liabilities | 26,071 | 1,566 | 6.01 | 24,678 | 614 | 4.94 |
| Debt capital | 1,416 | 78 | 5.51 | 1,265 | 30 | 4.70 |
| Total interest-bearing liabilities | 55,905 | 3,071 | 5.49 | 56,061 | 1,300 | 4.60 |
| **Non-interest bearing liabilities** | | | | | | |
| Other liabilities | 941 | | | 1,033 | | |
| Total non-interest bearing liabilities | 941 | | | 1,033 | | |
| **TOTAL LIABILITIES** | 56,846 | | | 57,094 | | |
| **AVERAGE SHAREHOLDERS' EQUITY** | 3,096 | | | 3,040 | | |
| Non-Shareholder Accounting Equity | 81 | | | 92 | | |
| Convertible Preference Shares | - | | | (36) | | |
| Average Shareholders' Equity | 3,177 | | | 3,096 | | |
| Goodwill allocated to Banking Business | (235) | | | (235) | | |
| **Average Shareholders' Equity (ex Goodwill)** | 2,942 | | | 2,861 | | |
| **Analysis of interest margin and spread** | | | | | | |
| Interest-earning assets | 60,166 | 3,999 | 6.65 | 60,104 | 1,784 | 5.89 |
| Interest-bearing liabilities | 55,905 | 3,071 | 5.49 | 56,061 | 1,300 | 4.60 |
| **Net interest spread** | | | 1.16 | | | 1.29 |
| **Net interest margin (interest-earning assets)** | 60,166 | 928 | 1.54 | 60,104 | 484 | 1.60 |
| **Net interest margin (lending assets)** | 47,217 | 928 | 1.97 | 48,792 | 484 | 1.97 |

## Appendix 9 – Definitions

| | |
|---|---|
| **ADI** | Authorised Deposit-taking Institutions |
| **Acquisition expense ratio** | Acquisition expenses expressed as a percentage of net earned premium |
| **Annuities market adjustments** | The value of annuity obligations are determined by discounting future obligations into today's dollars using risk-free rates. The value of such obligations fluctuates as market referenced discount rates change. The value of assets backing annuity obligations also fluctuates with investment markets. The net impact of both of these market-driven valuation changes are removed from Suncorp Life's Underlying Profit and recorded as annuity market adjustments |
| **APRA** | Australian Prudential Regulation Authority |
| **Basis points (BPS)** | A 'basis point' is 1/100th of a percentage point |
| **Cash earnings** | Net profit after tax adjusted for the amortisation of acquisition intangible assets (net of tax) and the profit or loss after tax on divestments |
| **Cash earnings per share** | Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period<br>Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period |
| **Cash return on average shareholders' equity** | Cash earnings divided by average shareholders' equity |
| **Capital adequacy ratio** | Capital base divided by total assessed risk, as defined by APRA |
| **Combined operating ratio** | The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business |
| **Common Equity Tier 1** | Common Equity Tier 1 Capital ("**CET1**") comprises accounting equity plus adjustments for intangible assets and regulatory reserves; |
| **Common Equity Tier 1 ratio** | Common Equity Tier 1 divided by total assessed risk |
| **Cost to income ratio** | Operating expenses of the Banking business divided by total income from Banking activities |
| **Credit risk-weighted assets** | Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA |
| **Deferred acquisition costs (DAC)** | The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods |
| **Deposit to loan ratio** | Total retail deposits divided by total loans and advances, excluding other receivables |
| **Diluted shares** | Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share |

## Appendix 9 – Definitions (continued)

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

## Appendix 9 – Definitions (continued)

| | |
|---|---|
| **Life underlying profit after tax** | Life underlying profit refers to net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches |
| **Loss ratio** | Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities |
| **Net interest margin** | Net interest income divided by average interest-earning assets or lending assets, as specified |
| **Net interest spread** | The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities |
| **Net tangible asset backing per share** | Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares |
| **Net profit after tax** | Net profit after tax attributable to owners of the Company derived in accordance with Australian Accounting Standards |
| **Other underwriting expenses ratio** | Other underwriting expenses expressed as a percentage of net earned premium |
| **Past due loans** | Loans outstanding for more than 90 days |
| **Payout ratio – cash earnings** | Ordinary shares (net of treasury shares) at the end of the period multiplied by ordinary dividend per share for the period divided by cash earnings |
| **Payout ratio – net profit after tax** | Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax |
| **Profit after tax from core business lines** | The net profit after tax for the General Insurance, Core Bank and Life business lines |
| **Return on average total assets** | Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years |
| **Return on average shareholders' equity** | Net profit after tax divided by adjusted average ordinary shareholders' equity. Averages are based on beginning and end of period balances. The ratio is annualised for half years |
| **Total assessed risk** | Bank Risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA |
| **Total Group operating expenses** | Group operating expenses comprises General Insurance acquisition and other underwriting expenses (as shown on page 18), Consolidated Bank operating expenses (as shown on page 77), Life operating expenses (as shown on page 48) and integration expenses in prior periods. This is a management view of operating expenses and differs from the financial statement presentation of operating expense. |
| **Total operating expense ratio** | Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium |
| **Treasury shares** | Ordinary shares of the Suncorp Group Limited that are acquired by subsidiaries |

# Appendix 10 – 2013/14 key dates[1]

## Ordinary shares (SUN)

| | |
|---|---|
| **Full year results and final dividend announcement** | **21 August 2013** |
| Ex dividend date | 26 August 2013 |
| Dividend payment | 1 October 2013 |
| **Annual General Meeting** | **24 October 2013** |
| **Half year results announcement** | **19 February 2014** |
| Ex dividend date | 24 February 2014 |
| Dividend payment | 1 April 2014 |

## Convertible Preference Shares 2 (SUNPC)

| | |
|---|---|
| Ex dividend date | 4 September 2013 |
| Dividend payment | 17 September 2013 |
| Ex dividend date | 4 December 2013 |
| Dividend payment | 17 December 2013 |
| Ex dividend date | 3 March 2014 |
| Dividend payment | 17 March 2014 |
| Ex dividend date | 3 June 2014 |
| Dividend payment | 17 June 2014 |

## Subordinated Notes (SUNPD)

| | |
|---|---|
| Interest payment | 22 August 2013 |
| Ex interest date | 8 November 2013 |
| Interest payment | 22 November 2013 |
| Ex interest date | 10 February 2014 |
| Interest payment | 24 March 2014 |
| Ex interest date | 8 May 2014 |
| Interest payment | 22 May 2014 |

## Floating Rate Capital Notes (SBKHB)

| | |
|---|---|
| Interest payment | 30 August 2013 |
| Ex interest date | 11 November 2013 |
| Interest payment | 2 December 2013 |
| Ex interest date | 11 February 2014 |
| Interest payment | 4 March 2014 |
| Ex interest date | 9 May 2014 |
| Interest payment | 30 May 2014 |

## Reset Preference Shares (SBKPA)

| | |
|---|---|
| Ex dividend date | 23 August 2013 |
| Dividend payment | 16 September 2013 |
| Additional Payment | 19 September 2013 |

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