INVESTOR PACK

FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

RELEASE DATE 9 FEBRUARY 2021

SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

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

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

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

All figures relate to the half year ended 31 December 2020 and comparatives are for 31 December 2019, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology. Movements within the financial tables have been labelled 'n/a' where there has been a percentage movement greater than 500% or less than (500%), or if a line item changes from negative to positive (or vice versa) between periods.

This report has not been audited or reviewed in accordance with Australian Auditing Standards. It should be read in conjunction with the Group's consolidated annual and interim financial reports which have been either audited or reviewed in accordance with Australian Auditing Standards. In the context of ASIC's Regulatory Guide 230, this report contains information that is 'non-IFRS financial information', such as the General Insurance Underlying Insurance Trading Result and Life underlying profit after tax. The calculation of these metrics is outlined in the report and they are shown as they are used internally to determine operating performance within the various functions.

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

On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. COVID-19 is an infectious disease that can cause respiratory illness. While COVID-19 is a health crisis, it has caused socioeconomic disruption on a global scale. The Group has considered the impact of COVID-19 when preparing this report. While the effects of COVID-19 do not change the significant estimates, judgments and assumptions in the preparation of this report, it has resulted in increased estimation uncertainty and application of further judgement within those identified areas.

DISCLAIMER

This report contains general information on the Group and its operations, which is current as at 9 February 2021. It is information given in summary form and does not purport to be complete.

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

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

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

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

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CONTRIBUTION TO PROFIT BY FUNCTION

	Half Year Ended Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Insurance (Australia)					
Gross written premium	4,344	4,153	4,176	4.6	4.0
Net earned premium	3,727	3,584	3,681	4.0	1.2
Net incurred claims	(2,871)	(2,582)	(2,861)	11.2	0.3
Operating expenses	(791)	(801)	(771)	(1.2)	2.6
Investment income - insurance funds	217	148	99	46.6	119.2
Insurance trading result	282	349	148	(19.2)	90.5
Other income	84	22	27	281.8	211.1
Profit before tax	366	371	175	(1.3)	109.1
Income tax	(108)	(110)	(52)	(1.8)	107.7
Insurance (Australia) profit after tax	**258**	**261**	**123**	**(1.1)**	**109.8**
Banking & Wealth					
Net interest income	618	597	594	3.5	4.0
Net non-interest income	23	28	12	(17.9)	91.7
Operating expenses	(362)	(344)	(361)	5.2	0.3
Profit before impairment losses on loans and advances	279	281	245	(0.7)	13.9
Impairment losses on loans and advances	(8)	(171)	(1)	(95.3)	n/a
Banking profit before tax	271	110	244	146.4	11.1
Income tax	(81)	(33)	(73)	145.5	11.0
Banking profit after tax	**190**	**77**	**171**	**146.8**	**11.1**
Wealth profit (loss) after tax	**-**	**(6)**	**-**	**(100.0)**	**n/a**
Banking & Wealth profit after tax	**190**	**71**	**171**	**167.6**	**11.1**
New Zealand					
Gross written premium	861	796	827	8.2	4.1
Net earned premium	722	694	703	4.0	2.7
Net incurred claims	(393)	(321)	(375)	22.4	4.8
Operating expenses	(214)	(226)	(217)	(5.3)	(1.4)
Investment income - insurance funds	3	13	5	(76.9)	(40.0)
Insurance trading result	118	160	116	(26.3)	1.7
Other income	9	4	6	125.0	50.0
Profit before tax	127	164	122	(22.6)	4.1
Income tax	(34)	(46)	(33)	(26.1)	3.0
General Insurance profit after tax	**93**	**118**	**89**	**(21.2)**	**4.5**
Life Insurance profit after tax	**27**	**25**	**13**	**8.0**	**107.7**
New Zealand profit after tax	**120**	**143**	**102**	**(16.1)**	**17.6**
Profit after tax from ongoing functions	**568**	**475**	**396**	**19.6**	**43.4**
Profit after tax from discontinued business	**-**	**-**	**1**	**n/a**	**(100.0)**
Profit after tax from functions	**568**	**475**	**397**	**19.6**	**43.1**
Life stranded costs net of TSA revenue	-	(8)	(11)	(100.0)	(100.0)
Remediation [(1)]	(6)	(65)	-	(90.8)	n/a
Restructuring costs [(2)]	(36)	-	-	n/a	n/a
Other profit (loss) before tax [(3)]	(23)	(42)	(21)	(45.2)	9.5
Income tax	6	24	-	(75.0)	n/a
Other profit (loss) after tax	**(59)**	**(91)**	**(32)**	**(35.2)**	**84.4**
Cash earnings	**509**	**384**	**365**	**32.6**	**39.5**
Net profit (loss) on sale of ceased operations (after tax) [(4)]	-	(8)	293	(100.0)	(100.0)
Acquisition amortisation (after tax) [(5)]	(19)	(105)	(16)	(81.9)	18.8
Net profit after tax	**490**	**271**	**642**	**80.8**	**(23.7)**

(1) ‘Remediation’ includes the pay and leave entitlement review provision (Jun-20: loss $60 million).

(2) ‘Restructuring costs’ includes Redundancy (Dec-20: loss $23 million) and Real Estate and Store Optimisation Costs (Dec-20: loss $13 million).

(3) ‘Other’ includes investment income on capital held at the Group level (Dec-20: $6 million; Jun-20: $6 million; Dec-19: $9 million), consolidation adjustments and transaction costs (Dec-20: loss $2 million; Jun-20: loss $14 million (NZ$15 million) relating to the restructuring of the AA Life joint venture arrangement in New Zealand; Dec-19: nil), non-controlling interests (Dec-20: loss $10 million; Jun-20: loss $11 million; Dec-19: loss $8 million), net external funding expense (Dec-20: $17 million; Jun-20: $23 million; Dec-19: $22 million).

(4) ‘Net profit (loss) on sale of ceased operations’ includes a gain on sale of the Capital SMART and ACM Parts businesses (Dec-20: n/a; Jun-20: loss $8 million; Dec-19: $293 million).

(5) ‘Acquisition amortisation’ includes Core Banking Platform write off (Dec-20: loss $6 million; Jun-20: loss $89 million).

GROUP RATIOS AND STATISTICS

		Half Year Ended			Dec-20	Dec-20
		Dec-20	Jun-20	Dec-19	vs Jun-20 %	vs Dec-19 %
Performance ratios						
Earnings per share [1] [2]						
Basic	(cents)	38.39	21.53	50.16	78.3	(23.5)
Diluted	(cents)	36.30	21.08	48.27	72.2	(24.8)
Cash earnings per share [1] [2]						
Basic	(cents)	39.88	30.51	28.52	30.7	39.8
Diluted	(cents)	37.67	29.41	28.04	28.1	34.3
Return on average shareholders' equity [1]	(%)	7.5	4.4	10.0		
Cash return on average shareholders' equity [1]	(%)	7.8	6.2	5.7		
Cash return on average shareholders' equity pre-goodwill [1]	(%)	12.2	9.9	9.0		
Return on average total assets	(%)	1.02	0.57	1.33		
Insurance trading ratio	(%)	9.0	11.9	6.0		
Underlying insurance trading ratio	(%)	8.4	12.9	9.3		
Bank net interest margin (interest-earning assets)	(%)	2.04	1.96	1.92		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	26.0	10.0	26.0	160.0	-
Payout ratio [1]						
Net profit after tax	(%)	67.8	47.1	50.9		
Cash earnings	(%)	65.2	33.2	89.5		
Weighted average number of shares						
Basic	(m)	1,276.3	1,258.5	1,280.0	1.4	(0.3)
Diluted	(m)	1,391.0	1,356.6	1,369.4	2.5	1.6
Number of shares at end of period [3]	(m)	1,277.2	1,275.8	1,257.1	0.1	1.6
Net tangible asset backing per share	($)	6.22	5.89	5.81	5.6	7.1
Share price at end of period	($)	9.74	9.23	12.96	5.5	(24.8)
Productivity						
Australian General Insurance expense ratio	(%)	21.3	22.3	20.9		
Banking cost to income ratio	(%)	56.5	55.0	59.6		
New Zealand General Insurance expense ratio	(%)	29.7	32.5	30.9		
Financial position						
Total assets	($M)	94,884	95,744	95,184	(0.9)	(0.3)
Net tangible assets	($M)	7,944	7,509	7,308	5.8	8.7
Net assets	($M)	13,198	12,784	12,717	3.2	3.8
Average Shareholders' Equity	($M)	13,005	12,525	12,796	3.8	1.6
Capital						
General Insurance total capital PCA coverage	(times)	1.74	1.68	1.72		
General Insurance Common Equity Tier 1 PCA coverage	(times)	1.32	1.25	1.28		
Bank total capital ratio	(%)	14.43	13.71	13.82		
Bank Common Equity Tier 1 ratio	(%)	10.06	9.34	9.69		
Common Equity Tier 1 Capital held at Group	($M)	536	605	328	(11.4)	63.4

(1) Refer to Glossary for definitions.

(2) Refer to Appendix “Group EPS Calculations” (page 66) for detailed earnings per share calculations.

(3) Excluding treasury shares.

GROUP RESULT OVERVIEW

Group cash earnings of $509 million, were up 39.5% on the prior comparative period (pcp), driven by higher profit after tax (PAT) from all business lines. The results in the General Insurance business were driven by strong top-line growth, higher investment returns, and higher prior period reserve releases. The improved results in Banking & Wealth were driven by a higher net interest margin (NIM) and low impairment losses.

Group net profit after tax (NPAT) of $490 million, was down $152 million or 23.7% on the pcp. The pcp included the profit after tax on the sale of Capital S.M.A.R.T ("SMART") and ACM Parts businesses to AMA Group Limited ("AMA") of $293 million.

COVID-19 had a broadly neutral[1] impact on the Group's 1H21 result, excluding the impact of investment market volatility. The most significant P&L impact from COVID-19 was in the General Insurance business, which experienced a benefit from lower motor claims frequency due to mobility restrictions, as well as a modest claims reduction in the Home portfolio, broadly offset by increased provisions and risk margins to cover potential COVID-19 business interruption claims. In the Bank, the collective provision taken in FY20 remained unchanged.

Group capital and dividend

The Group has maintained a conservative approach to capital management during the half year, to ensure it maintains a strong capital position through the current period of increased uncertainty.

The Group's excess to common equity tier 1 capital (CET1) target is $1,026 million, with $789 million held at Group (post-dividends). Regulated entities have maintained CET1 at the top, or in excess of their target operating ranges.

The Group's robust balance sheet has allowed the Board to declare a fully franked interim dividend of 26 cents per share (cps). This equates to a payout ratio of 65.2% of cash earnings, which is in the bottom half of the target payout range, reflecting the prudent approach taken by the Group as it navigates through the uncertainty in the current economic and operating environment.

For further information on the dividend and Group capital position, please refer to page 12.

Portfolio management

The Group has continued to simplify its operations through disciplined portfolio management and a sharper focus on sustainable growth and returns. Simplification initiatives announced today include:

- Vero will exit from Australian consumer and construction policies via Australian intermediated partners (this has no impact on New Zealand);
- Suncorp Bank will no longer offer personal loans, enabling greater focus on home lending priorities; and
- The Group has permanently ceased underwriting travel insurance under all brands. Current customer policies will not be impacted by this announcement.

These simplification initiatives are not expected to have a material impact on Group cash earnings.

(1) The broadly neutral outcome is indicative of key items related to COVID-19 and does not capture all impacts.

Insurance (Australia)

Insurance (Australia) PAT was $258 million, up 109.8% on the pcp, driven by top-line growth, strong investment mark-to-market gains and higher prior period reserve releases.

Gross written premium (GWP) increased 4.0% with growth across all portfolios except for Compulsory Third Party (CTP). Home and Motor GWP grew 5.2%. Home GWP growth of 5.1% was driven by strong premium rate increases and a modest contraction in units. Normalising for the remediation of the Vero broker channel and the impact from the embargo on Landlord insurance policies, Home GWP growth was 6.2% with units slightly down. Motor GWP growth was 5.3% driven by both rate and unit growth. Commercial GWP growth was 3.2%, underpinned by premium rate momentum, while Workers Compensation and Other GWP increased 9.5%. CTP GWP declined 5.0%, primarily due to an accounting recognition timing change made in FY20. On a like-for-like basis, CTP GWP was broadly flat.

Excluding discount rate movements, net incurred claims increased by 0.8%. The increase was due to higher natural hazard costs, with an additional provision for business interruption claims largely offset by a reduction in motor claims frequency and other COVID-19 impacts.

The net overall investment market impact was positive $296 million, reflecting strong mark-to-market gains from favourable movements in breakeven inflation, credit spreads and equities.

For further information on the performance of Insurance (Australia) please refer to page 20.

Banking & Wealth

Banking & Wealth PAT was $190 million, up 11.1% on the pcp. The positive result was driven by the strong improvement in NIM and non-interest income. This was partially offset by a small increase in impairment charges versus the pcp, and reduced lending volumes.

The Bank recorded a strong NIM of 2.04% for the half, above the top end of its target operating range, reflecting the continued growth in at-call deposits and significantly lower benchmark rates in the market. Net non-interest income also increased by $11 million on the pcp.

Home lending contracted 1.6% over the half, with improved new business volumes more than offset by higher levels of customer repayments, property sales, and industry wide refinancing. Despite the contraction in lending, new applications lodged with the bank were up over 30% on the pcp. Business lending grew 0.7% over the half, with growth in commercial lending partially offset by a contraction in agribusiness.

The at-call deposits portfolio continued to achieve above-system growth, increasing by $3.7 billion or 13.1% over the half, enabling the Bank to continue to optimise its funding mix, including running off $2.3 billion of term deposits.

Impairment losses of 3 bps to gross loans and advances were below the through-the-cycle operating range, reflecting the strong credit quality of the portfolio. The Bank's collective provision remained unchanged from FY20, driven by a moderate improvement in the underlying economic assumptions offset by adjustments to the management overlays.

COVID-19 deferrals continued to exhibit an improving trend. As at 31 December 2020, there were 2,645 Bank customer loan accounts under temporary loan deferral arrangements, representing $0.64 billion in lending. This was down from 14,408 customer accounts representing $4.83 billion as at 30 June 2020.

Wealth reported an underlying profit of nil, flat on the pcp. Lower asset-linked revenue was offset by a decline in expenses following the closure of the Suncorp Financial Advice business in March 2020. Funds under administration (FUA) remained below the pcp, however the recovery in global markets saw FUA increase over the half.

For further information on the performance of Banking & Wealth please refer to page 33.

New Zealand

New Zealand delivered PAT of NZ$129 million, up 19.4% on the pcp driven by higher profit in both the General Insurance and Life Insurance businesses.

The New Zealand General Insurance business delivered PAT of NZ$100 million, up 6.4% on the pcp, as a result of strong underlying performance. The reported insurance trading ratio (ITR) was 16.4%, in-line with the pcp.

GWP grew 5.4% to NZ$923 million, driven by a strong performance in the direct business across the Motor and Home portfolios, as a result of new business growth and strong retention. Motor GWP growth of 8.6% was primarily driven by growth in the AA Insurance direct channel. Home GWP growth of 6.4% was driven by new business and favourable renewals supported by strong retention rates.

Net incurred claims were up 6.0% on the pcp, largely due to higher natural hazard experience. Working claims in 1H21 were higher than the pcp, primarily driven by unit growth.

The New Zealand Life Insurance business delivered PAT of NZ$29 million, NZ$15 million above the pcp, driven by improved claims experience and favourable discount rate movements.

For further information on the performance of New Zealand please refer to page 51.

General Insurance

General Insurance underlying ITR was 8.4%, down from 9.3% in the pcp, reflecting the expected impact of a higher natural hazard allowance, higher reinsurance costs and the ongoing adverse impacts from the low yield environment. This was partially offset by underlying margin expansion and one-off claims benefits relating to COVID-19.

COVID-19 is estimated to have contributed a 1.3% benefit to the underlying ITR, noting the underlying ITR calculation excludes risk margin and prior year reserve strengthening for business interruption claims.

There were a number of natural hazard events during the period, the most notable being the QLD/NSW Election Day Hail event in October with a net cost of $195 million. Total natural hazard costs across Australia and New Zealand were $561 million, which was $86 million above the allowance for the half and $42 million above the pcp. The first half event losses have not yet triggered reinsurance recoveries but continue to erode the aggregate deductible on several reinsurance treaties including the Aggregate Excess of Loss (AXL) treaty.

Excluding the strengthening of prior year business interruption reserves due to a reallocation between central estimate and risk margin, prior year reserve releases were $144 million, equivalent to 3.2% of Group net earned premium (NEP). Total releases including strengthening of business interruption reserves were $93 million, representing 2.1% of Group NEP, above the long run expectation of 1.5% of Group NEP. This was $35 million above the pcp, supported by continued releases from the long tail portfolio and higher releases in the consumer and commercial portfolios.

The General Insurance businesses’ CET1 position was 1.32 times the prescribed capital amount (PCA), exceeding the top end of its target operating range of 1.05 to 1.25 times PCA.

Group expenses

Group operating expenses, excluding fire service levies (FSL), were $1.34 billion in line with the pcp. This reflects higher personnel costs as a result of salary inflation and increased technology and marketing costs, offset by lower project spend and commissions.

An additional $36 million expense was reported in the Other Profit (Loss) After Tax line. This charge relates to the change in the Group's operating model, which was implemented on 1 July 2020, and costs relating to changes in the Group's real estate portfolio.

FY21 GROUP OUTLOOK

While the operating environment has improved, the outlook remains uncertain as a result of the COVID-19 pandemic and the associated economic impacts.

Accordingly, the Group will maintain its prudent approach to capital and provisioning. The Group's regulated entities are expected to remain well capitalised, with significant excess capital held at the Group level.

The Group also maintains a robust reinsurance program to provide both capital and earnings protection from natural hazard costs. The Group's catastrophe reinsurance covers remained fully intact at 31 December 2020, available to be used over the remainder of FY21.

Suncorp will continue to advocate for governments to support mitigation programs designed to increase community resilience to natural disasters and remove a range of taxes applied to insurance products.

The Group will also continue to advocate for further reform of the statutory schemes, particularly in Queensland, to deliver improved outcomes for customers and to ensure schemes remain sustainable for the long-term.

Suncorp remains focused on delivering its regulatory program of work and embedding a strong risk culture across the Group.

Three-year plan

The executive team has developed a three-year plan to drive growth and further efficiencies across the core businesses, while continuing to build on the Group's existing digital and data capability.

The plan has been built from the bottom up, leveraging lessons from COVID-19, as well as existing capabilities. Prioritisation has been given to initiatives based on a return on capital methodology.

The key initiatives are outlined below:

Insurance (Australia)

– AAMI is being revitalised through investment in product, pricing, distribution and marketing
– The product suite across all brands is being simplified
– Customer value propositions are being strengthened in targeted customer segments
– A digital-first approach is delivering customer experiences that are smart, simple and trusted, driving a lower cost to serve and increased productivity
– Investment is being made in analytics to improve pricing, risk selection, customer retention and drive a lower claims ratio
– Best-in-class claims are being delivered through a focus on end-to-end digital lodgement and tracking, optimising supply chains and leading natural hazard response

Banking & Wealth

– The Bank aims to grow in home lending, focusing on speed, transparency and the consistency of its origination processes to improve customer and broker experience. There is also a focus on improving the Bank's digital front end and improved use of data and auto-decisioning
– Digital and everyday banking improvements are focused on digital sales and service, enhancing and extending the reach of the Suncorp app

- Customer preferences are being supported with a blended distribution model, optimised between stores, contact centres and digital channels
- Product and process are being simplified, including through digitisation and automation
- The Bank also aims to deliver targeted growth in Business Banking

Suncorp New Zealand

- Growth in SME and Consumer markets is being driven by supporting and digitising broker, adviser and corporate partner channels
- Digital, data and automation capabilities are being improved
- Driving best-in-class claims

Key outcomes

The plan aims to drive growth and deliver a sustainable return on equity above the through-the-cycle cost of equity by FY23. This implies the General Insurance business delivers an underlying ITR of between 10 – 12%, and the Bank Cost-to-income ratio falls to around 50%.

The plan will result in a modest increase in the Group's operating expense base in FY21 and FY22. The Group's operating expense base, including restructuring charges, is expected to be ~$2.8 billion in FY21 and FY22. The FY23 expense base is expected to return to ~$2.7 billion, with efficiency gains effectively offsetting inflation and the costs of investing in growth over the three-year period.

The Group maintains its commitment to a 60-80 per cent dividend payout ratio and to returning to shareholders any capital that is excess to the needs of the business. The Group will continue to reassess its capital requirements taking into account the needs of the business, the economic outlook, and any regulatory guidance.

CAPITAL AND DIVIDENDS

Capital

Capital position at 31 December 2020

The Group has maintained a conservative approach to capital management during the half year to ensure the capital position remains strong through the current period of heightened uncertainty.

The Group's existing strong capital position has continued to increase over the half, with Group excess CET1 (post dividends) increasing to $1,026 million at 31 December 2020 (Jun-20: $823 million), with $789 million held at Group level (Jun-20: $532 million). Regulated entities continue to maintain strong capital buffers even after the payment of dividends, with the GI Group's CET1 ratio in the top half of its target operating range, and Bank above the top of its CET1 target operating range.

The strength of the capital position has enabled the Group to continue to pay dividends within the target payout ratio range whilst maintaining an appropriate capital buffer in a heightened risk environment.

Key factors impacting the capital position during the half include:

— Issuing $250 million of SGL Subordinated Debt Tier 2 capital in September 2020 to refinance the $225 million of AAIL Subordinated Debt in advance of the optional call date in November 2020.

— Determining an interim FY21 dividend based on a payout ratio of 65.2% of cash earnings in the bottom half of the Group's 60% to 80% target range, consistent with APRA's guidance for insurers to moderate dividend payout ratios. New shares will be issued under the Dividend Reinvestment Plan (DRP) for the interim FY21 dividend.

— Partial relaxation of regulatory restrictions on dividends has enabled more capital to be paid up from the regulated subsidiaries to the Group. This approach maximises the capital flexibility of the Group.

— The General Insurance PCA increased due to a combination of the higher business interruption provision and natural hazards, as well as an increase in asset risk charge, largely due to higher investment asset values. This was partially offset by an increase in excess technical provisions.

	As at 31 December 2020					
	General Insurance	Bank	NZ Life and other Businesses [2]	SGL, Corp Services & Consol	Total	Total 30 June 2020
	$M	$M	$M	$M	$M	$M
CET1 (pre div)	3,440	3,312	186	536	7,474	7,011
Midpoint of Target CET1 Range	3,006	3,045	95	(8)	6,138	6,070
Excess to Midpoint of Target CET1 Range (pre div)	434	267	91	544	1,336	941
Common Equity Tier 1 ratio (pre div) [1]	1.32x	10.06%				
Group dividend					(310)	(118)
Key metrics (ex div)	1.20x	9.54%		789	1,026	823
	CET1 Ratio	CET1 Ratio		CET1	Excess CET1	Excess CET1
CET1 Target	1.05 - 1.25x	9.0 - 9.5%				
Total capital	4,560	4,752	186	550	10,048	9,569
Total target capital	4,052	4,197	95	(29)	8,315	8,215
Excess to target (pre div)	508	555	91	579	1,733	1,354
Group dividend					(310)	(118)
Group excess to target (ex div)					1,423	1,236
Total capital ratio [1]	1.74x	14.43%				

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

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

Capital management strategy

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

In the current environment of heightened uncertainty, the Group benefits from maintaining a buffer of CET1 which is sufficient to withstand a range of adverse scenarios. The Group has adopted the conservative approach to capital management set out above, including adhering to APRA and RBNZ guidance. The Group will continue to reassess its capital requirements taking into account the needs of the business, the economic outlook, and any regulatory guidance.

Dividends

The Group aims to pay annual dividends based on a target payout ratio of 60% to 80% of cash earnings.

The Group's robust balance sheet has allowed the Board to declare a fully franked interim ordinary dividend of 26 cps which equates to a payout ratio of 65.2% of cash earnings.

The Group intends to issue new shares under the DRP for the final ordinary dividend but will not apply a discount or underwrite participation.

The interim dividend will be paid on 1 April 2021. The ex-dividend date is 15 February 2021.

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

	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	$M	$M	$M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**233**	**220**	**96**

GROUP OPERATING EXPENSES

Group total operating expenses (excluding FSL) were $1.34 billion, in line with the pcp.

Key movements reflect:

- $7 million higher personnel costs as a result of normal salary inflation
- $10 million higher technology costs including the deployment of a new enterprise-wide telephony platform and increased cloud usage
- $7 million higher marketing and advertising costs
- $5 million higher joint venture costs as a function of growth in AA Insurance and NTI
- $16 million reduced project spend, mainly due to timing of regulatory project costs
- $16 million lower commissions in Australia and New Zealand.

The impact of COVID-19 was broadly neutral. Additional costs associated with the retention of certain activities that had been on-shored were offset by reductions in travel and other discretionary spending.

An additional $36 million expense was reported in the Other Profit (Loss) After Tax line, reflecting $23m in redundancy costs following the implementation of the new operating model last year and a further $13 million of real estate and bank store optimisation costs.

Operating expenses movements

	Movement Dec-20 vs Dec-19 $M
1H20 operating expenses (excluding FSL)	**1,337**
Personnel Costs	7
Technology costs	10
Marketing and advertising costs	7
JV costs	5
Project costs (included in operating expenses)	(16)
Commissions	(16)
Other	3
1H21 operating expenses (excluding FSL)	**1,337**

Operating expenses by function

	Half Year Ended Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Insurance (Australia) operating expenses					
Acquisition expenses	487	520	490	(6.3)	(0.6)
Other underwriting expenses	227	211	211	7.6	7.6
Insurance (Australia) operating expenses	**714**	**731**	**701**	**(2.3)**	**1.9**
New Zealand operating expenses					
Acquisition expenses	153	161	157	(5.0)	(2.5)
Other underwriting expenses	61	65	60	(6.2)	1.7
Life operating expenses	22	19	22	15.8	-
New Zealand operating expenses	**236**	**245**	**239**	**(3.7)**	**(1.3)**
Banking & Wealth operating expenses					
Banking operating expenses	362	344	361	5.2	0.3
Wealth operating expenses	25	30	36	(16.7)	(30.6)
Banking & Wealth operating expenses	**387**	**374**	**397**	**3.5**	**(2.5)**
Group operating expenses	**1,337**	**1,350**	**1,337**	**(1.0)**	**-**
Pay and leave entitlements review	-	60	-	n/a	n/a
Group total operating expenses	**1,337**	**1,410**	**1,337**	**(5.2)**	**-**
FSL	77	70	70	10.0	10.0
Group total operating expenses (including FSL)	**1,414**	**1,480**	**1,407**	**(4.5)**	**0.5**

GROUP GENERAL INSURANCE

Group reported and underlying ITR

Reconciliation of reported ITR to underlying ITR

	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	$M	$M	$M
Reported ITR	**400**	**509**	**264**
Reported reserve releases (above) below long-run expectations	(26)	19	7
Natural hazards above (below) allowances	86	(109)	109
Investment income mismatch	(155)	92	2
Other:			
Risk margin	52	4	19
Abnormal expenses	16	4	8
Additional Reinsurance Premium [1]	-	35	-
Underlying ITR	**373**	**554**	**409**
Underlying ITR ratio	**8.4%**	**12.9%**	**9.3%**

(1) An additional premium of $35 million was triggered by recoveries on the NHAP treaty in FY20

Underlying ITR movements

	Dec-20 vs Dec-19
	%
1H20 Underlying ITR	**9.3**
Natural hazard allowance and property reinsurance [1]	(1.7)
Investment income (including present value adjustment)	(1.1)
Operating expense and claims handling expenses	(0.7)
COVID-19 impact	1.3
Margin - net earned premium (less Reinsurance costs above), working claims and commissions	1.3
1H21 underlying ITR	**8.4**

(1) Include claims handling expense on natural hazard.

The Group underlying ITR has decreased from 9.3% in 1H20 to 8.4% in 1H21, reflecting the following factors:

— The half year impact of the $130 million uplift in the Group's FY21 natural hazard allowance contributed to a 1.3% decrease in margin with higher reinsurance costs contributing a further 0.4% reduction.

— The ongoing adverse impacts of lower underlying investment income, including a lower present value adjustment on new claims as a result of the low yield environment.

— Expenses and claims handling expenses increased by 0.7%. Operating expenses increased due to further investment in technology and marketing and advertising. The increase in claims handling expenses reflect additional claims personnel costs supporting the delivery of key projects such as the GI code compliance and CTP scheme reform, more complex claims and heightened customer expectations. The reduction in commissions is reflected in the margin line.

— Margin expansion of 1.3% has been achieved across all portfolios, except for a small reduction in CTP. The improvement in margin reflects the early benefits of pricing for natural hazards costs in home, pricing momentum in commercial and lower repair costs and commissions in New Zealand.

— The favourable impact of COVID-19 was 1.3%, reflecting lower motor claims frequency and home theft claims partly offset by an increase in the current year provision for potential business interruption claims, noting that the risk margin and prior year reserve strengthening is excluded from the UITR calculation.

Net impact of yields and investment markets

	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	$M	$M	$M
Insurance (Australia)			
Investment income (Insurance funds)	217	148	99
Impact of risk-free discount rates on outstanding claims	(21)	(152)	(35)
	196	(4)	64
Present value adjustment on newly recognised claims	12	21	31
Investment income (Shareholder funds)	88	26	37
	296	**43**	**132**
New Zealand (AUD)			
Investment Income (Insurance funds)	3	13	5
Investment Income (Shareholders funds)	10	12	6
	13	**25**	**11**
Net impact of yields and Investment markets	**309**	**68**	**143**

Insurance (Australia)

For insurance fund assets, a key objective is to match the overall risk-free interest rate sensitivity to the Insurance claims liabilities. The aim is to neutralise, as far as possible, the impact of a movement in risk-free interest rates, so that for each 1 bp movement in interest rates, the dollar impact on assets and liabilities are equal and opposite. The residual net impact of $196 million shown in the table mainly reflects the impacts from favourable breakeven inflation and narrowing credit spreads. Other contributions include a risk-free component reflecting income on assets backing the undiscounted portion of the liabilities (unearned premium), manager active performance and a mismatch component, largely due to the matching process being based on the APRA assessment of liabilities and not the accounting approach.

The present value adjustment on newly recognised claims reflects the initial discounting applied to new claims to recognise them at present value. This impact has decreased in line with reductions in risk-free rates.

The investment income on shareholders' funds is the absolute return on an investment portfolio of bonds, equities and alternative assets.

For further detail on investment income for Insurance (Australia), please refer to page 29.

New Zealand

The New Zealand portfolio represents the investment returns on a portfolio comprising bonds and equities. ***For further detail on investment income for New Zealand, please refer to page 57.***

Group reinsurance

Reinsurance spend and security

General Insurance outwards reinsurance expense for the half year was $601 million, an increase of 5.1% from 1H20.

Reinsurance security has been maintained for the FY21 year program, with over 85% of business protected by reinsurers rated ‘A+’ or better.

Main catastrophe program

The Group’s maximum event retention remains at $250 million with an upper limit of $6.5 billion which covers the Home, Motor and Commercial property portfolios across Australia and New Zealand. The FY21 limit remains in excess of Australia and New Zealand regulatory requirements. The main catastrophe program includes one prepaid reinstatement which covers losses up to $6.5 billion for a second event and two further prepaid reinstatements at the lower layer which covers losses up to $500 million for the third and fourth events.

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

— Dropdown 1 (50m xs 200m xs 50m) provides $50 million of cover, for events greater than $200 million once the cumulative impact of qualifying events reach $50 million.

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

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

The Group also has in place a prepaid reinstatement for Dropdown 2 and Dropdown 3. In aggregate, the dropdowns provide an additional $450 million of protection against large natural hazard events. The manner in which the dropdowns interact with the main catastrophe program and AXL (see below) depends on the size and frequency of natural hazard events. The extent to which the horizontal dropdown layer has been eroded will determine when a dropdown may be triggered and the amount of recoveries available[1].

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

Aggregate Excess of Loss (AXL)

The AXL treaty is an aggregate protection cover providing $400 million of cover in excess of a retention of $650 million with an event deductible of $5 million. The inclusion of the event deductible means Suncorp will retain the first $5 million of each event, accepting the lower end of the natural hazard volatility components. This structure is aimed at achieving the optimal balance of natural hazards volatility protection and capital retention.

(1) In general, the Group would make recoveries under the dropdowns where available, prior to utilising the aggregate excess of loss treaty.

Quota share arrangements

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

Suncorp also has a 32.5% quota share arrangement in place for CTP business in South Australia and a 50% quota share arrangement in place for large global property risks.

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

Natural hazards

The natural hazard allowance is the Group's estimate of the impact of all natural hazard costs incurred in a fiscal year, net of reinsurance recoveries. It is determined through a process of combining the Group's view of risk through modelled catastrophe losses in conjunction with the reinsurance program. For FY21, the natural hazard allowance is $950 million. The allowance is divided equally between the first and second halves of the financial year.

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

Date	Event	Net costs $M
Jul 20	NSW QLD Low	20
Jul 20	NZ North Island Flooding	11
Aug 20	NSW ACT VIC Storms	11
Aug 20	East Melbourne Wind and Rain	13
Oct 20	Eastern States Storms	45
Oct 20	QLD NSW Hail	195
Oct 20	NZ South Island Lake Ohau Bushfire	5
Nov 20	SE Australia Wind and Storms	39
Nov 20	NZ Napier Floods	17
Dec 20	Sydney Wind and Lightning	14
Dec 20	SE QLD Storms	23
Dec 20	QLD/NSW Rain and Wind	25
Total events over $5 million		**418**
Other natural hazards		143
Total natural hazards		**561**
Less: allowance for natural hazards		(475)
Natural hazards costs above / (below) allowance		**86**

For additional information on natural hazard events, please refer to page 26 for events in Australia and page 55 for events in New Zealand.

Natural hazard costs for 1H21 of $561 million were $86 million above the allowance of $475 million for the half. The losses have been driven by the events listed above. The first half event losses have not yet triggered reinsurance recoveries but continue to erode the aggregate deductible on several reinsurance treaties.

The AXL limit of $400 million remains available should subsequent natural hazard events exceed the aggregate deductible of this treaty. During the first half, accumulated costs from natural hazards had eroded $358 million of the $650 million AXL deductible.

FUNCTIONAL RESULTS

INSURANCE (AUSTRALIA)

Profit contribution and General Insurance ratios

Profit contribution

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Gross written premium	**4,344**	**4,153**	**4,176**	**4.6**	**4.0**
Gross unearned premium movement	(124)	(59)	(16)	110.2	n/a
Gross earned premium	4,220	4,094	4,160	3.1	1.4
Outwards reinsurance expense	(493)	(510)	(479)	(3.3)	2.9
Net earned premium	**3,727**	**3,584**	**3,681**	**4.0**	**1.2**
Net incurred claims					
Claims expense	(3,417)	(3,769)	(3,160)	(9.3)	8.1
Reinsurance and other recoveries revenue	546	1,187	299	(54.0)	82.6
Net incurred claims	**(2,871)**	**(2,582)**	**(2,861)**	**11.2**	**0.3**
Total operating expenses					
Acquisition expenses	(487)	(520)	(490)	(6.3)	(0.6)
Other underwriting expenses	(304)	(281)	(281)	8.2	8.2
Total operating expenses	**(791)**	**(801)**	**(771)**	**(1.2)**	**2.6**
Underwriting result	65	201	49	(67.7)	32.7
Investment income - insurance funds	217	148	99	46.6	119.2
Insurance trading result	**282**	**349**	**148**	**(19.2)**	**90.5**
Managed schemes, joint ventures and other	5	7	3	(28.6)	66.7
Insurance (Australia) operational earnings	**287**	**356**	**151**	**(19.4)**	**90.1**
Investment income - shareholder funds	88	26	37	238.5	137.8
Insurance (Australia) profit before tax and capital funding	**375**	**382**	**188**	**(1.8)**	**99.5**
Capital funding	(9)	(11)	(13)	(18.2)	(30.8)
Insurance (Australia) profit before tax	**366**	**371**	**175**	**(1.3)**	**109.1**
Income tax	(108)	(110)	(52)	(1.8)	107.7
Insurance (Australia) profit after tax	**258**	**261**	**123**	**(1.1)**	**109.8**

General Insurance ratios

	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	%	%	%
Acquisition expenses ratio	13.1	14.5	13.3
Other underwriting expenses ratio	8.2	7.8	7.6
Total operating expenses ratio	**21.3**	**22.3**	**20.9**
Loss ratio	77.0	72.1	77.8
Combined operating ratio	98.3	94.4	98.7
Insurance trading ratio	**7.6**	**9.7**	**4.0**

Insurance trading results (excluding FSL, discount rate movement & unwind)

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Gross written premium	4,255	4,081	4,103	4.3	3.7
Net earned premium	3,650	3,514	3,611	3.9	1.1
Net incurred claims	(2,850)	(2,430)	(2,826)	17.3	0.8
Acquisition expenses	(487)	(520)	(490)	(6.3)	(0.6)
Other underwriting expenses	(227)	(211)	(211)	7.6	7.6
Total operating expenses	(714)	(731)	(701)	(2.3)	1.9
Investment income - insurance funds	196	(4)	64	n/a	206.3
Insurance trading result	**282**	**349**	**148**	**(19.2)**	**90.5**

General Insurance ratios (excluding FSL, discount rate movement & unwind)

	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	%	%	%
Acquisition expenses ratio	13.3	14.8	13.6
Other underwriting expenses ratio	6.2	6.0	5.8
Total operating expenses ratio	**19.5**	**20.8**	**19.4**
Loss ratio	78.1	69.2	78.3
Combined operating ratio	97.6	90.0	97.7

Insurance (Australia) result overview

— Insurance (Australia) delivered profit after tax of $258 million, up 109.8% on the pcp driven by top-line growth and strong investment mark-to-market gains. The insurance trading result was $282 million, representing an ITR of 7.6%.

— Impacts from COVID-19 continued into 1H21, following the 16-week Victorian lockdown. The P&L impact from COVID-19 was broadly neutral as reduced motor claims frequency and lower home theft claims were offset by the additional provisions to cover COVID-19 uncertainty around business interruption claims.

— GWP increased 4.0% to $4,344 million. Excluding the impact of embargoes on Landlord insurance policies, Vero broker remediation and exit from Travel insurance, GWP growth was 4.4%.

— Consumer GWP increased by 5.2% driven by unit growth of 0.5% and strong average written premium increases. Excluding the impact of remediation activities undertaken in the Vero Broker brand as well as the embargo on Landlord insurance policies, GWP growth was 5.8% with unit growth of 1.1%.

— Commercial GWP increased by 3.2%. This has been achieved through good ongoing premium rate momentum and retention in the short tail book, partially offset by lower retention in SME packages.

— CTP GWP decreased by 5.0% due to a one-off adjustment in the prior period for the timing of recognition of GWP to align with the accounting treatment of the balance of our portfolios. On a like-for-like basis, GWP growth was flat on pcp with market share retained nationally.

— Workers' compensation and other GWP increased by 9.5% driven by large multi-year renewals and strong retention. Suncorp has ceased to underwrite travel insurance and the portfolio ($6 million GWP in FY20) is now in run-off.

— Excluding discount movements, net incurred claims increased by 0.8%. The increase was due to higher natural hazard costs and an additional provision for business interruption claims, partially offset by reduction in Motor claims frequency and higher prior year reserve releases.

— Prior year reserve releases excluding business interruption reserves were $140 million representing 3.1% of Group NEP. These were mainly driven by the statutory schemes. Total releases including strengthening of business interruption reserves were $89 million.

— Total investment income increased by 124.3% to $305 million, driven largely by favourable mark-to-market movements in breakeven inflation, credit spreads and equities compared to the pcp.

— Excluding the FSL, Operating expenses increased 1.9% driven by salary inflation as well as an increase in advertising and technology costs including the telephony upgrade and increased cloud usage.

General Insurance

Gross written premium

GWP portfolio breakdown

	Half Year Ended Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Gross written premium by product					
Motor	1,534	1,504	1,457	2.0	5.3
Home	1,196	1,134	1,138	5.5	5.1
Commercial	832	680	806	22.4	3.2
Compulsory third party	497	518	523	(4.1)	(5.0)
Workers' compensation and other	196	245	179	(20.0)	9.5
Total GWP	**4,255**	**4,081**	**4,103**	**4.3**	**3.7**
Fire Service Levies					
Motor	9	7	8	28.6	12.5
Home	58	46	44	26.1	31.8
Commercial	22	19	21	15.8	4.8
Total FSL	**89**	**72**	**73**	**23.6**	**21.9**
Total GWP including FSL	**4,344**	**4,153**	**4,176**	**4.6**	**4.0**

GWP geographic breakdown

	Half Year Ended Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Gross written premium by geography					
Queensland	1,124	1,050	1,077	7.0	4.4
New South Wales	1,359	1,226	1,314	10.8	3.4
Victoria	987	993	963	(0.6)	2.5
Western Australia	354	373	331	(5.1)	6.9
South Australia	173	180	169	(3.9)	2.4
Tasmania	99	101	88	(2.0)	12.5
Other	159	158	161	0.6	(1.2)
Total GWP	**4,255**	**4,081**	**4,103**	**4.3**	**3.7**
Fire Service Levies					
New South Wales	88	71	72	23.9	22.2
Tasmania	1	1	1	-	-
Total FSL	**89**	**72**	**73**	**23.6**	**21.9**
Total GWP including FSL	**4,344**	**4,153**	**4,176**	**4.6**	**4.0**

Motor

Motor GWP increased by 5.3% to $1,534 million, driven by unit growth of 2.1% and average written premium increases of 3.2%. New business volumes have performed strongly benefitting from improving vehicle sales and increased and more targeted marketing, partly offset by the impact of the Victorian lockdown.

Home

Home GWP grew by 5.1% to $1,196 million, with units declining 2.5% and AWP increasing 7.6% in response to higher natural hazard and reinsurance costs. When normalised for the remediation activities undertaken in the Vero Broker consumer brand and the impact from the embargo on Landlord insurance policies since the COVID-19 outbreak[1], GWP growth was 6.2% with a 0.8% reduction in units.

Commercial

Commercial GWP increased by 3.2% to $832 million driven by short-tail classes, particularly Fleet and NTI, through a combination of strong retention, and ongoing premium rate momentum. Growth in the SME portfolio was impacted by the continuing challenges faced in intermediated packages.

Compulsory Third Party (CTP)

CTP GWP decreased 5.0% to $497 million due to a one-off adjustment[2] in the prior period for the timing of recognition of GWP to align with the accounting treatment of the other insurance portfolios. On a like-for-like basis, GWP growth was flat on the pcp. Suncorp continues to maintain a national market leading position of 31% by leveraging its strong brands, digital capability and improved risk-based pricing capability.

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Compulsory third party GWP by geography					
Queensland	214	216	221	(0.9)	(3.2)
New South Wales	225	235	242	(4.3)	(7.0)
Australian Capital Territory	28	22	25	27.3	12.0
South Australia	30	45	35	(33.3)	(14.3)
Total compulsory third party GWP	**497**	**518**	**523**	**(4.1)**	**(5.0)**

Workers' Compensation and other

Workers' Compensation increased by 13.7% to $191 million, driven by higher retention and large multi-year renewals. Suncorp has ceased to underwrite low margin travel insurance with the portfolio ($6 million GWP in FY20) now in run-off.

(1) The embargo ended in all states excl VIC on the 3rd Sept, and in VIC on the 18th of Nov.

(2) From 2H20, GWP includes risks paid in FY20 but incepted in FY21. Previously these risks were recognised in the year of inception.

Net incurred claims

Net incurred claims were $2,871 million, in line with the pcp. Excluding discount movements, net incurred claims increased by 0.8%. The increase was due to higher natural hazard costs and an additional provision for potential BI claims, partially offset by a reduction in motor claims frequency and higher prior year reserve releases.

Motor

Motor claims were impacted favourably as a result of COVID-19 lockdown measures, particularly in Victoria. However, reduced frequency was largely back to pre-COVID-19 levels by the end of the period. The Suncorp preferred repairer network continues to deliver benefits containing inflationary pressures.

Home

Impacts from COVID-19 on home claims have been minor with a small decrease in theft claims. Overall average claims cost increases have been relatively flat after adjusting for a small increase in large loss fire claims. Average cost of water damage claims continues to stabilise following changes to operational processes in the last couple of years.

Commercial

Commercial claims loss ratios continue to improve through reduced claims frequency across most classes of business and benign large loss experience. This is offset by an additional provision for business interruption claims.

CTP and Workers’ Compensation

CTP claims experience remained stable with prior year reserve releases above long run expectations.

Workers’ Compensation claims experience was favourable across the portfolio in both the current and prior financial years. COVID-19 had a positive impact on the portfolio in the short-term with noticeably lower frequency during the June quarter, however frequency has largely since returned to historical levels. COVID-19 had minimal impact on average size or return to work rates.

Natural hazards

Total natural hazard costs were $512 million, up from $489 million in the pcp. This was $63 million above the $449 million allowance. Major natural hazard events for Australia are shown in the table below.

Date	Event	Net costs $M
Jul 20	NSW QLD Low	20
Aug 20	NSW ACT VIC Storms	11
Aug 20	East Melbourne Wind and Rain	13
Oct 20	Eastern States Storms	45
Oct 20	QLD NSW Hail	195
Nov 20	SE Australia Wind and Storms	39
Dec 20	Sydney Wind and Lightning	14
Dec 20	SE QLD Storms	23
Dec 20	QLD/NSW Rain and Wind	25
Total events over $5 million		**385**
Other natural hazards		127
Total natural hazards		**512**
Less: allowance for natural hazards		(449)
Natural hazards costs above / (below) allowance		**63**

Outstanding claims provision breakdown

The valuation of outstanding claims has resulted in central estimate releases of $89 million, above the Group's long-run expectation for reserve releases of 1.5% of Group NEP.

The short-tail release was driven by favourable large claims experience in corporate property and favourable experience in consumer and commercial motor. This was partially offset by the COVID-19 business interruption reserves from March 2020 (Wave 1).

Long-tail claims reserve releases of $75 million were primarily attributable to favourable claims experience. The impact of benign claims inflation in CTP and the favourable experience in Workers' Compensation contributed to the majority of the releases. This was partially offset by deterioration in the commercial long tail classes.

As at Dec-20	Actual $M	Net central estimate (discounted) $M	Risk margin (90th percentile discounted) $M	Change in net central estimate (1) $M
Short-tail	2,060	1,826	234	(14)
Long-tail	6,204	5,314	890	(75)
Total	**8,264**	**7,140**	**1,124**	**(89)**

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

The business interruption provision of $214m has increased $19m from the Group's previous expectation of $195 million (November 2020). The provision has been calculated in line with the Group's approach to reserve at a 90% confidence level. The modest increase in provision reflects the finalisation of interim valuations and includes an allowance for the possibility of further legal costs.

In determining the business interruption provision, a frequency and severity model was used, which applied a number of key assumptions regarding the types of businesses, geographies and turnover including expectations around return to normal and government support measures. The frequency factor reflects an estimate of the number of businesses that would be closed due to a confirmed COVID-19 case within a 20km radius. A 100% frequency factor was assumed for all capital cities with 0-100% for regional towns in the national lockdown (Wave 1). A 100% frequency factor was assumed for Metropolitan Melbourne and ~60% for regional areas in the Victorian lockdown (Wave 2).

Wave 1 assumed a lockdown period of 2 – 3 months with recovery patterns varying by industry and geographical location for a total indemnity period of 12 months. Wave 2 assumed a lockdown period of 3 – 4 months and a slower recovery period, also for a total indemnity period of 12 months. Three ANZSIC industry classifications – Accommodation and Food Services, Arts and Recreation and Other Services (e.g. Beauticians and Hairdressers) were assumed to be significantly impacted in Wave 1. All 15 ANZSIC industry classifications were assumed to be significantly impacted in Wave 2 as the lockdown was considered more severe than Wave 1. Turnover patterns, cost of goods sold and profit assumptions by industry classification are based on industry data, internal portfolio and claims data. As wages make up a large portion of the gross profit sum insured, allowance was made for the impact of government support, primarily Job Keeper payments.

The provision covers potential exposures arising from policy wordings relating to the Quarantine Act and certain prevention of access wordings. It assumes that insurers lose the appeal on the first industry test case. The attribution between central estimate and risk margin is based on an assessment of the potential legal outcomes. These assumptions reflect Suncorp's conservative approach to provisioning, a range of legal outcomes and are not reflective of Suncorp's view of how policies will respond.

The provision does not explicitly allow for any additional potential business interruption costs associated with further COVID-19 lockdowns outside of the national and Victorian lockdowns in 2020. There is limited actual experience to date on which to base the reserving assumptions and hence an inherent degree of uncertainty as to the ultimate cost of business interruption claims remains.

Business interruption provision for Quarantine Act and certain Prevention of Access exposures

As at Dec-20 (1)	Business Interruption provision
Insured risk ($bn)	~$2.7bn
Number of policies	~7.4k
Net central estimate (1)	$151m
Risk margin net of diversification benefit (2)	$63m
Total pre-tax provision	$214m
Recognised in 2H20	$70m
Recognised in 1H21	$144m

(1) Central estimate uses the probable maximum loss (PML) and applies probabilities to potential legal outcomes. PML = frequency factor x severity factor x sum insured where sum insured reflects expected turnover per month less COGS.
(2) Risk margin allows for diversification benefits with the remainder of portfolio.

Outstanding claims provision over time

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

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Gross outstanding claims liabilities	10,194	9,856	9,597	3.4	6.2
Reinsurance and other recoveries	(1,930)	(2,137)	(1,700)	(9.7)	13.5
Net outstanding claims liabilities	**8,264**	**7,719**	**7,897**	**7.1**	**4.6**
Expected future claims payments and claims handling expenses	7,274	6,792	7,110	7.1	2.3
Discount to present value	(134)	(144)	(257)	(6.9)	(47.9)
Risk margin	1,124	1,071	1,044	4.9	7.7
Net outstanding claims liabilities	**8,264**	**7,719**	**7,897**	**7.1**	**4.6**
Short-tail	2,060	1,512	1,820	36.2	13.2
Long-tail	6,204	6,207	6,077	(0.0)	2.1
Total	**8,264**	**7,719**	**7,897**	**7.1**	**4.6**

Risk margins

Risk margins represent approximately 14% of outstanding claims reserves, giving an approximate level of confidence of 90%.

Total risk margins increased by $53 million during the period to $1,124 million. The assets notionally backing risk margins had a net gain of $2 million. The net impact was therefore $51 million, which is excluded from the underlying ITR calculation.

Key estimated impacts from COVID-19

The net profit and loss impact from COVID-19 was broadly neutral. The table below provides details of the estimated impacts to central estimate and risk margins across the portfolio.

Following the unfavourable industry outcome from the Quarantine Act test case, the Group increased its expectation for the probable maximum loss for potential BI claims. As a result, the Group reallocated the provision between central estimate and risk margin. Given the Group's initial BI provision was recognised in 2H20, this adjustment is reported as a prior year strengthening to the net central estimate. The total impact of BI provision reported below includes the additional strengthening taken in 1H21 for the second lockdown in Victoria and the possibility of further legal costs, and the impacts of the final valuation.

	Current year	Prior year	Risk Margin	Total
	$M	$M	$M	$M
Motor frequency	126	-	-	126
Lower theft claims	14	-	-	14
Business interruption claims provisions	(84)	(51)	(9)	(144)
Total	**56**	**(51)**	**(9)**	**(4)**

Operating expenses

Operating expenses were $791 million, up 2.6% on the pcp. Excluding FSL, operating expenses increased by 1.9% on the pcp, driven by salary inflation, an increase in advertising and technology costs, including the telephony upgrade and increased cloud usage.

The Liability Adequacy Test (LAT) deficit reported at 30 September 2020 had completely unwound by 31 December 2020. The LAT is conducted to test whether unearned premium liabilities on the balance sheet as at reporting date are sufficient to cover the cost of expected future claims. There is significant seasonality in the quarterly LAT calculation.

Managed schemes, joint ventures and other

Suncorp continues to be part of a scheme arrangement with the NSW Government receiving revenue as a claims management provider to manage its existing portfolio as well as the portfolio of the exiting scheme agents.

Investment income

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

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

	Dec-20	Jun-20	Dec-20 vs Jun-20
3 year bond yield (%)	0.11	0.25	-14bp
10 year bond yield (%)	0.97	0.87	+10bp
10 year breakeven inflation rate (%)	1.77	1.07	+70bp
AA 3 year credit spreads (bp)	47	87	-40bp
Australian fixed interest (Bloomberg composite index)	10,699	10,602	+0.9%
Australian equities (total return)	73,460	64,893	+13.2%
International equities (hedged total return)	2,123	1,786	+18.9%

The Australian General Insurance investment portfolio includes insurance funds and shareholders' funds. For Insurance fund assets, a key objective is to match the overall risk-free interest rate sensitivity to the Insurance claims liabilities. The aim is to neutralise, as far as possible, the impact of a movement in risk-free interest rates, so that for each 1 bp movement in interest rates, the dollar impact on assets and liabilities are equal and opposite. The residual net impact reflects the additional income from credit spreads, breakeven inflation, a risk-free component reflecting income on assets backing the undiscounted portion of the liabilities (unearned premium) and a mismatch component, largely due to the matching process being based on the APRA assessment of liabilities and not the accounting approach. The shareholders' funds assets support the capital position and have an absolute-return based strategy.

Asset allocation

Suncorp continues to invest in line with the Group's risk appetite and the Board approved investment strategy. 5% of shareholders' funds is allocated to impact investing which includes Green Bonds, Renewable Energy Infrastructure, Social Impact Bonds and Disability Housing.

	Half Year Ended					
	Dec-20		Jun-20		Dec-19	
	$M	%	$M	%	$M	%
Insurance funds						
Cash and short-term deposits	417	4	131	1	168	2
Inflation-linked bonds	2,314	23	2,279	24	2,119	22
Corporate bonds	6,137	61	6,166	65	6,447	67
Semi-Government bonds	169	2	257	3	515	5
Commonwealth Government bonds	951	10	707	7	311	4
Total Insurance funds	**9,988**	**100**	**9,540**	**100**	**9,560**	**100**
Shareholders' funds						
Cash and short-term deposits	283	8	261	9	120	5
Australian interest-bearing securities	1,559	48	1,244	43	1,006	38
Global interest-bearing securities (hedged)	840	26	797	28	741	28
Equities	325	10	276	9	294	11
Infrastructure and property	259	8	307	11	335	12
Alternative investments	-	-	-	-	158	6
Total shareholders' funds	**3,266**	**100**	**2,885**	**100**	**2,654**	**100**
Total	**13,254**		**12,425**		**12,214**	

Credit quality

An increased allocation to AAA securities improved the average credit rating of the Insurance (Australia) investment assets. The allocation to BBB rated securities reduced over the half-year, as previously downgraded securities matured.

	Dec-20	Jun-20	Dec-19
	%	%	%
AAA	41.4	40.4	39.0
AA	18.9	15.8	19.8
A	18.6	20.6	20.9
BBB	21.1	23.2	20.3
	100.0	**100.0**	**100.0**

Duration

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

	Dec-20	Jun-20	Dec-19
	Years	Years	Years
Insurance funds			
Interest rate duration	2.6	2.9	2.8
Credit spread duration	1.4	1.4	1.3
Shareholders' funds			
Interest rate duration	1.7	1.8	1.9
Credit spread duration	2.4	2.6	2.4

Investment performance

Total investment income on insurance funds and shareholders' funds was $305 million, representing an annualised return of 4.8% for the year.

Insurance funds

Investment income on insurance funds was $217 million, reflecting higher gains from an increase in breakeven inflation and narrowing of credit spreads compared to the pcp.

Underlying yield

The underlying yield income was $35 million, or 0.7% annualised, reflecting lower government bond yields, credit spreads and inflation-linked carry above risk-free. The investment income of $217 million has been adjusted for the following market valuation impacts:

- Gains of $25 million due to a decrease in risk-free rates.
- Gains of $51 million due to a narrowing of credit spreads.
- Gains of $106 million due to an increase in breakeven inflation.

Adjustment to ITR for investment market volatility

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

The adjustment is broken into four parts, as follows:

- Risk free rates: reduced yields caused the value of outstanding claims to increase by $12 million. This was more than offset by an increase in the value of the assets backing these claims by $25 million. The net favourable impact of $13 million is deducted from the ITR.
- Credit spreads: the $51 million favourable impact due to the narrowing of credit spreads is deducted from the ITR.
- Inflation-linked bonds: the $106 million favourable impact from breakeven inflation is deducted from the ITR.
- Market rate adjustment on premium liabilities: the unwind of prior risk-free changes on assets backing unearned premium resulted in $12 million being added back to the ITR.

The combined impact of these adjustments to ITR is negative $158 million.

Shareholders’ funds

Investment income on shareholders’ funds was $88 million, representing an annualised return of 5.7%.

Higher returns from equity markets were the most significant driver of the performance in shareholders’ funds compared to the pcp.

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Investment income on insurance funds					
Cash and short-term deposits	1	2	3	(50.0)	(66.7)
Interest-bearing securities and other	216	146	96	47.9	125.0
Total	**217**	**148**	**99**	**46.6**	**119.2**
Investment income on shareholders' funds					
Cash and short-term deposits	-	3	-	(100.0)	n/a
Interest-bearing securities	36	58	20	(37.9)	80.0
Equities	57	(3)	9	n/a	n/a
Infrastructure and property	(5)	(15)	12	66.7	n/a
Alternative investments	-	(17)	(4)	100.0	100.0
Total	**88**	**26**	**37**	**238.5**	**137.8**
Total investment income	**305**	**174**	**136**	**75.3**	**124.3**

BANKING & WEALTH

Profit contribution

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Banking					
Net interest income	**618**	**597**	**594**	**3.5**	**4.0**
Net non-interest income					
Net banking fee income and commission	12	11	17	9.1	(29.4)
Gain on derivatives and other financial instruments	9	13	-	(30.8)	n/a
Other revenue	2	4	(5)	(50.0)	n/a
Total net non-interest income	**23**	**28**	**12**	**(17.9)**	**91.7**
Total income	**641**	**625**	**606**	**2.6**	**5.8**
Operating expenses	(362)	(344)	(361)	5.2	0.3
Profit before impairment losses on financial assets	**279**	**281**	**245**	**(0.7)**	**13.9**
Impairment loss on loans and advances	(8)	(170)	(1)	(95.3)	n/a
Impairment loss on investment securities	-	(1)	-	(100.0)	n/a
Banking profit before tax	**271**	**110**	**244**	**146.4**	**11.1**
Income tax	(81)	(33)	(73)	145.5	11.0
Banking profit after tax	**190**	**77**	**171**	**146.8**	**11.1**
Wealth profit (loss) after tax	**-**	**(6)**	**-**	**(100.0)**	**n/a**
Banking & Wealth profit after tax	**190**	**71**	**171**	**167.6**	**11.1**

Banking ratios and statistics

	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	%	%	%
Lending growth	(1.17)	(0.83)	(1.35)
Customer funding growth	3.74	0.75	1.92
Net interest margin (interest-earning assets)	2.04	1.96	1.92
Cost to income ratio	56.5	55.0	59.6
Impairment losses to gross loans and advances (annualised)	0.03	0.59	0.00
Common Equity Tier 1 ratio	10.06	9.34	9.69
Deposit to loan ratio	72.3	68.9	67.8
NSFR	132	123	116

Banking & Wealth result overview

— Banking & Wealth delivered PAT of $190 million, up 11.1% on the pcp. The strong improvement in NIM and non-interest income was partially offset by a small increase in impairment charges and reduced lending volumes.

— The Bank's NIM increased 8 bps over the half to 2.04%, above the top end of its target operating range. NIM improvements were driven by strong growth in the Bank's retail deposits and significantly lower benchmark rates in the market, more than offsetting a reduction in capital earnings.

— Net non-interest income of $23 million increased by $11 million on the pcp. This was primarily driven by an increase in gains on derivatives and other financial instruments following treasury fixed income asset sales over the half, offset by the reduction in a range of banking fees.

— Impairment losses of 3 bps to gross loans and advances (annualised) were below the lower end of the through-the-cycle operating range, primarily due to the conservative provision taken in the previous half for the impacts of COVID-19. The Bank's collective provision was flat through the half at $255 million, reflecting a moderate improvement in the underlying economic assumptions offset by adjustments to the management overlays and the impact of adverse loan stage migration.

— Operating expenses were broadly in-line with the pcp. This result was primarily due to increases in technology and staffing costs, offset by reduced amortisation and project expenses.

— The Bank has continued to focus on increasing digital enablement. The number of digitally active Bank customers increased by 7.8% on December 2019, taking the total proportion of digitally active personal customers to 53.3%. Suncorp App migration has continued, with the average monthly logins per customer increasing to 17.9 (December 2019: 9.6). There has also been a material increase in the proportion of new home loans and deposit accounts originated via the digital channel.

— As at 31 December 2020, there were 2,645 Bank customer loan accounts under temporary loan repayment deferral arrangements across the home, consumer, commercial and agribusiness portfolios (30 June 2020: 14,408), representing $0.64 billion in lending (30 June 2020: $4.83 billion).

— The home lending portfolio contracted 1.6% over the half. Improved new business volumes were more than offset by higher levels of customer repayments, property sales and external refinancing. New applications lodged were up over 30% on the pcp, while settlements increased over 10%.

— The business lending portfolio grew 0.7% over the half, with growth in commercial lending partially offset by contraction in the agribusiness portfolio. Growth in commercial lending was driven by select lending to proven commercial property investment clients. The contraction in agribusiness lending reflects seasonal paydowns, partially offset by increased cropping activity, restocking and asset purchases.

— The at-call deposits portfolio continued to achieve above-system growth, increasing by $3.7 billion or 13.1% over the half, enabling the Bank to continue to optimise its funding mix, including running off $2.3 billion of term deposits.

— The Bank is well positioned from a capital perspective, with a CET1 ratio of 10.06%, above the target operating range of 9.00% to 9.50%. The Bank has also maintained strong funding and liquidity metrics, with an NSFR of 132% and LCR of 166%.

— Wealth reported an underlying profit of nil, flat on the pcp. Lower asset-linked revenue was offset by a decline in expenses following the closure of the Suncorp Financial Advice business in March 2020. Funds under administration (FUA) remained below the pcp, however the recovery in global markets saw FUA increase over the half.

Banking

Net interest income

Net interest income of $618 million for the half was up 4.0% on the pcp, with the improvements in NIM more than offsetting the impact of lower lending volumes. NIM increased 8 bps over the half, benefitting from continued enhancement of the funding mix, including solid growth in transaction deposits, and improvements in lending spreads, as well as short-term benefits from recent market rate movements. These improvements were slightly offset by pressure on capital earnings and deposit spreads due to the low interest rate environment.

Net interest margin movements

	%
2H20 net interest margin	**1.96**
Movement in lending mix	-
Movement in funding mix	0.03
Movement in lending/funding spreads	0.07
Balance sheet and liquidity management	-
Movement in earnings on invested capital	(0.02)
1H21 net interest margin	**2.04**

Net non-interest income

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Net banking fee income and commission	12	11	17	9.1	(29.4)
Gain/(loss) on derivatives and other financial instruments	9	13	-	(30.8)	n/a
Other revenue	2	4	(5)	(50.0)	n/a
Total net non-interest income	**23**	**28**	**12**	**(17.9)**	**91.7**

Total net non-interest income was $23 million, an increase of 91.7% on the pcp due to:

— Higher gains on derivatives and other financial instruments, predominantly driven by realised gains on opportunistic treasury fixed income liquid asset sales.

— Higher fixed rate loan break fee income.

— Offset by a reduction in a range of banking fees to enhance the overall customer experience and attract new customers to the Bank's everyday banking proposition. The fee reductions included the removal of account keeping and foreign transaction fees on debit cards and a range of low volume transaction and transfer fees. The lower net banking fee income and commission result reflects the Bank's emphasis on growing digitally acquired transaction accounts.

Operating expenses

Operating expenses were broadly in-line with the pcp. This result was primarily due to increases in technology and staffing costs, offset by reduced amortisation and project expenses.

The Bank's 1H21 cost to income ratio of 56.5% was an improvement of 3.1% compared to the pcp, as higher revenue more than offset the increase in operating expenses.

Impairment losses

Impairment losses on loans and advances

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Collective provision for impairment	-	152	(8)	(100.0)	(100.0)
Specific provision for impairment	7	17	8	(58.8)	(12.5)
Actual net write-offs	1	1	1	-	-
Impairment losses	**8**	**170**	**1**	**(95.3)**	**n/a**
Impairment losses to gross loans and advances (annualised)	**0.03%**	**0.58%**	**0.00%**		

Impairment losses on loans and advances decreased during the half to $8 million, or 3 bps of gross loans and advances (annualised). The decrease was predominantly driven by the significant collective provision for impairment taken in FY20 for the potential impacts of COVID-19.

The impairment loss in the half was driven by a specific provision expense of $7 million, a decrease of $10 million on the last half.

The nil collective provision expense reflects stage migration of loans and updates to the Bank's existing management overlays, offset by an improved economic outlook. Further information on the Bank's Expected Credit Loss (ECL) methodology is available on page 47.

Loans and advances

	Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Housing loans	40,448	40,403	41,861	0.1	(3.4)
Securitised housing loans and covered bonds	5,270	6,071	5,296	(13.2)	(0.5)
Total housing loans	**45,718**	**46,474**	**47,157**	**(1.6)**	**(3.1)**
Consumer loans	151	155	152	(2.6)	(0.7)
Retail loans	**45,869**	**46,629**	**47,309**	**(1.6)**	**(3.0)**
Commercial (SME) [1]	7,417	7,295	7,262	1.7	2.1
Agribusiness [1]	4,039	4,081	3,919	(1.0)	3.1
Total business loans	**11,456**	**11,376**	**11,181**	**0.7**	**2.5**
Total lending	**57,325**	**58,005**	**58,490**	**(1.2)**	**(2.0)**
Other lending	5	19	-	(73.7)	n/a
Gross loans and advances	**57,330**	**58,024**	**58,490**	**(1.2)**	**(2.0)**
Provision for impairment	(304)	(301)	(136)	1.0	123.5
Total loans and advances	**57,026**	**57,723**	**58,354**	**(1.2)**	**(2.3)**
Geographical breakdown - Total lending [2]					
Queensland	28,219	28,712	28,897	(1.7)	(2.3)
New South Wales	15,582	15,756	15,995	(1.1)	(2.6)
Victoria	7,171	7,072	7,070	1.4	1.4
Western Australia	3,677	3,779	3,817	(2.7)	(3.7)
South Australia and other	2,676	2,686	2,711	(0.4)	(1.3)
Outside of Queensland loans	29,106	29,293	29,593	(0.6)	(1.6)
Total lending	**57,325**	**58,005**	**58,490**	**(1.2)**	**(2.0)**

(1) Reflects changes to business loan reporting to reclassify asset location based on the industry code rather than the loan origination business centre from June-20.

(2) Reflects changes to loan reporting to reclassify asset location based on the primary collateral state rather than the origination business centre. These changes resulted in a ~$1.5 billion decrease in Queensland exposures and ~$1.2 billion increase in Victorian exposures as at December-20. Prior period comparatives have been restated accordingly.

The Bank has been focused on supporting customers through the COVID-19 pandemic and has provided a range of support options including removing fees and temporarily deferring loan repayments based on the individual needs of customers. For information on temporary loan deferral arrangements please refer to page 48.

Retail loans

The home lending portfolio contracted 1.6% over the half to $45.7 billion. There is positive momentum over the half in the home lending portfolio, with loan processing turnaround times remaining steady despite a significant increase in new applications during the half. This momentum has been offset by elevated customer repayments, external refinances and property sales, resulting in an 11% increase in portfolio outflows.

The Bank has continued to invest in its home lending processes and continues a targeted program of work to simplify and speed up its origination process and improve customer experiences. The proportion of home lending settlements initiated via the digital channel in the half almost doubled to 13.9% (December 2019: 7.1%).

Suncorp maintains a high-quality and conservatively positioned retail lending portfolio as set out in the next table.

Home lending portfolio metrics

	Dec-20 %	Jun-20 %
Owner-occupier proportion of total portfolio	72	72
Investor proportion of total portfolio	28	28
Principal and interest proportion of total portfolio	85	83
Interest only proportion of total portfolio	15	17
Proportion of total portfolio with LVR < 80%	82	81
Portfolio dynamic LVR	64	63
Proportion of total portfolio covered by LMI (1)	29	29

(1) Lenders mortgage insurance.

Home lending portfolio breakdown

	Dec-20 %	Jun-20 %
Queensland	46	47
New South Wales	28	28
Victoria	13	12
Western Australia	8	8
Other	5	5

Home lending origination metrics

	Dec-20 %	Jun-20 %
Owner-occupier proportion of new business	74	70
Investor proportion of new business	26	30
Principal and interest proportion of new business	84	82
Interest only proportion of new business	16	18
Proportion of new business with LVR < 80%	77	77
Proportion of new business covered by LMI (1)	23	23

(1) Lenders mortgage insurance.

Commercial (SME)

The commercial portfolio grew 1.7% during the half to $7.4 billion. The growth was predominately driven by the targeted growth in property investment lending to existing customers, partially offset by a minor contraction across other industries.

Whilst COVID-19 and associated restrictions initially had a significant impact on customers across the commercial portfolio, the majority of loans have since returned to making regular repayments.

The development finance portfolio contracted over the period following successful project completions, with all development finance loans continuing to have nil arrears and no requests for COVID-19 assistance.

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

Commercial (SME) portfolio breakdown

	QLD %	NSW %	VIC %	Other %	Total %	Total $M
Commercial (SME) breakdown						
Property Investment	24%	9%	8%	3%	44%	3,263
Hospitality & Accommodation	7%	3%	1%	1%	12%	890
Construction & Development	7%	2%	1%	0%	10%	742
Services (Inc. professional services) (1)	9%	5%	3%	1%	18%	1,335
Retail	3%	1%	2%	0%	6%	445
Manufacturing & Mining	2%	1%	1%	0%	4%	297
Other	3%	2%	1%	0%	6%	445
Total %	**55%**	**23%**	**17%**	**5%**	**100%**	
Total $M	**4,079**	**1,706**	**1,261**	**371**		**7,417**

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

Agribusiness

The Agribusiness portfolio contracted 1.0% over the half to $4.0 billion, predominantly driven by an increase in seasonal repayments, offset by lending to customers due to increased cropping activity, restocking and asset purchases.

To date, COVID-19 has not had a significant impact on the agribusiness portfolio. The Bank continues to monitor conditions and support its agribusiness customers and communities impacted by drought and other climate related events.

The above average summer rainfall and relatively low interest rates will continue to assist the operations of agribusiness customers. Although Australian commodity prices have varied due to seasonal conditions and the uncertain international trading environment, they have remained relatively high overall, benefiting a number of agribusiness customers. In addition, rural land values have shown resilience and improvement, reflecting long-term confidence in the sector.

Agribusiness portfolio breakdown

	QLD %	NSW %	VIC %	Other %	Total %	Total $M
Agribusiness breakdown						
Beef	36%	5%	0%	0%	41%	1,657
Grain & Mixed Farming	14%	11%	1%	1%	27%	1,090
Sheep & Mixed Livestock	3%	5%	1%	0%	9%	363
Cotton	5%	3%	0%	0%	8%	323
Sugar	2%	0%	0%	0%	2%	81
Fruit	3%	0%	0%	0%	3%	121
Other	4%	2%	2%	2%	10%	404
Total %	**67%**	**26%**	**4%**	**3%**	**100%**	
Total $M	**2,706**	**1,050**	**162**	**121**		**4,039**

Funding

Funding composition

	Half Year Ended Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Customer funding					
Customer deposits					
At-call transactions	12,606	11,156	10,476	13.0	20.3
At-call savings	19,826	17,528	14,678	13.1	35.1
Term deposits	9,011	11,263	14,496	(20.0)	(37.8)
Total customer funding	**41,443**	**39,947**	**39,650**	**3.7**	**4.5**
Wholesale funding					
Domestic funding					
Short-term wholesale	4,127	5,079	5,154	(18.7)	(19.9)
Long-term wholesale	5,776	5,532	4,532	4.4	27.4
Covered bonds	2,590	2,589	1,839	0.0	40.8
Subordinated notes	672	672	672	-	-
Total domestic funding	**13,165**	**13,872**	**12,197**	**(5.1)**	**7.9**
Overseas funding [(1)]					
Short-term wholesale	1,724	1,498	2,398	15.1	(28.1)
Long-term wholesale	1,354	2,486	3,513	(45.5)	(61.5)
Total overseas funding	**3,078**	**3,984**	**5,911**	**(22.7)**	**(47.9)**
Total wholesale funding	**16,243**	**17,856**	**18,108**	**(9.0)**	**(10.3)**
Total funding (excluding securitisation)	**57,686**	**57,803**	**57,758**	**(0.2)**	**(0.1)**
Securitisation					
APS 120 qualifying [(2)]	2,590	2,945	3,396	(12.1)	(23.7)
Total securitisation	**2,590**	**2,945**	**3,396**	**(12.1)**	**(23.7)**
Total funding (including securitisation)	**60,276**	**60,748**	**61,154**	**(0.8)**	**(1.4)**
Total funding is represented on the balance sheet by:					
Deposits	41,443	39,947	39,650	3.7	4.5
Short-term borrowings	5,851	6,577	7,552	(11.0)	(22.5)
Securitisation	2,590	2,945	3,396	(12.1)	(23.7)
Long-term borrowings [(3)]	9,720	10,607	9,884	(8.4)	(1.7)
Subordinated notes	672	672	672	-	-
Total funding	**60,276**	**60,748**	**61,154**	**(0.8)**	**(1.4)**
Deposit to loan ratio	**72.3%**	**68.9%**	**67.8%**		

(1) Foreign currency borrowings are hedged back into Australian dollars.
(2) Qualifies for capital relief under APS120.
(3) Long-term borrowings include $2.4 billion (Jun-20: $1.1 billion) of the Term Funding Facility announced by the Reserve Bank of Australia (RBA) on 19 March 2020 in response to COVID-19.

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

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

— Continuing to grow stable deposits in line with funding requirements.

— Maintaining a sustainable and diversified funding base across a range of long-term wholesale markets such as covered bonds, domestic and offshore senior unsecured, and residential mortgage-backed securities (RMBS).

— Minimising the impact of market volatility by maintaining a smooth profile of long-term wholesale funding maturities, with an appropriate weighted average tenor.

— Managing high-quality liquid assets prudently above net cash outflows, under various stress scenarios.

— Utilising the Reserve Bank of Australia's (RBA) Term Funding Facility (TFF).

Everyday banking and customer deposits

The deposit-to-loan ratio of 72.3% (June 2020: 68.9%) was above the top end of the target operating range of 60% to 70% reflecting strong at-call deposit growth and subdued lending.

At-call deposits growth of 13.1% to $32.4 billion was above system, driven by continued momentum from improved digital capabilities delivered over the last four years. Growth was split between transaction accounts ($1.5 billion) and savings accounts ($2.3 billion).

The Bank has maintained its focus on further enhancing digital enablement and the customer onboarding experience. The proportion of deposit accounts originated online in the half increased to 63% (December 2019: 59%).

The Bank has continued to optimise the customer deposit portfolio mix and reduce reliance on more expensive term deposit funding, with the term deposit portfolio decreasing 20.0% over the half to $ 9.0 billion. The deliberate contraction in term deposits is a direct response to the continued growth in at-call deposits, availability of the RBA's TFF and reduced funding requirements in-line with subdued lending growth.

Wholesale funding

Wholesale funding reduced 9.0% over the half, with wholesale funding maturities replaced by utilisation of the TFF and an increase in customer funding. The growth in overseas short-term wholesale funding allowed the Bank to capitalise on favourable conditions in international funding markets, whilst total short-term wholesale funding continued to contract over the half.

In 1H21, the Bank completed additional drawdowns of the TFF worth $1.3 billion, with approximately $2.2 billion in undrawn supplementary and additional allowances remaining available, providing further funding flexibility.

Wholesale funding instruments maturity profile

	Short-term $M	Long-term $M	Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Maturity							
0 to 3 months	4,370	287	4,657	5,514	5,182	(15.5)	(10.1)
3 to 6 months	1,481	1,525	3,006	3,487	4,071	(13.8)	(26.2)
6 to 12 months	-	383	383	1,817	2,455	(78.9)	(84.4)
1 to 3 years	-	7,035	7,035	4,630	5,115	51.9	37.5
3+ years	-	3,752	3,752	5,353	4,681	(29.9)	(19.8)
Total wholesale funding instruments	**5,851**	**12,982**	**18,833**	**20,801**	**21,504**	**(9.5)**	**(12.4)**

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

The NSFR remained above the typical operating range over the half, ending at 132%. This was due to continued growth in at-call deposits, subdued lending growth and benefits from the undrawn TFF limits.

The average LCR over the half was 165% and ended the period at 166%, well above APRA's 100% requirement. The LCR was elevated throughout the half following the introduction of new liquidity support measures, including the TFF and a temporary increase to the Bank's Committed Liquidity Facility (CLF) limit. The Bank's liquidity metrics are expected to normalise following a further reduction in the CLF limit to $3.9 billion in 2021 (Dec 2020: $4.6 billion) and further utilisation of the TFF.

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

Average banking balance sheet

	Half Year Ended Dec-20			Half Year Ended Jun-20		
	Average Balance [1]	Interest	Average Rate	Average Balance [1]	Interest	Average Rate
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities [2]	6,770	37	1.08	6,952	52	1.50
Gross loans and advances	53,348	854	3.18	54,287	938	3.47
Total interest-earning assets	**60,118**	**891**	**2.94**	**61,239**	**990**	**3.24**
Non-interest earning assets						
Loan balances subject to mortgage offsets	4,122			3,740		
Other assets (inc. loan provisions)	965			1,071		
Total non-interest earning assets	**5,087**			**4,811**		
Total assets	**65,205**			**66,050**		
Liabilities						
Interest-bearing liabilities						
Customer deposits	36,456	133	0.72	35,843	209	1.17
Wholesale liabilities	18,914	133	1.39	20,827	176	1.69
Subordinated loans	672	7	2.07	672	8	2.39
Total interest-bearing liabilities	**56,042**	**273**	**0.97**	**57,342**	**393**	**1.37**
Non-interest bearing liabilities						
Other customer deposits	4,122			3,740		
Other liabilities	608			626		
Total non-interest bearing liabilities	**4,730**			**4,366**		
Total liabilities	**60,772**			**61,708**		
Average Net Assets	**4,433**			**4,342**		
Non-Shareholder accounting equity	(43)			(23)		
Convertible preference shares	(585)			(585)		
Average Ordinary Shareholders' equity	**3,805**			**3,734**		
Goodwill allocated to banking business	(240)			(240)		
Average Ordinary Shareholders' equity (ex goodwill)	**3,565**			**3,494**		
Analysis of interest margin and spread						
Interest-earning assets	60,118	891	2.94	61,239	990	3.24
Interest-bearing liabilities	56,042	273	0.97	57,342	393	1.37
Net interest spread			**1.97**			**1.87**
Net interest margin (interest-earning assets)	**60,118**	**618**	**2.04**	**61,239**	**597**	**1.96**
Net interest margin (lending assets)	**53,348**	**618**	**2.30**	**54,287**	**597**	**2.21**

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

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

Credit quality

Impaired assets and non-performing loans

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Retail lending	61	60	58	1.7	5.2
Agribusiness lending	35	38	31	(7.9)	12.9
Commercial/SME lending	89	72	64	23.6	39.1
Gross impaired assets	**185**	**170**	**153**	**8.8**	**20.9**
Impairment provision	(61)	(60)	(42)	1.7	45.2
Net impaired assets	**124**	**110**	**111**	**12.7**	**11.7**
Gross impaired assets to gross loans and advances	**0.32%**	**0.29%**	**0.26%**		
Size of gross individually impaired assets					
Less than one million	46	47	47	(2.1)	(2.1)
Greater than one million but less than ten million	115	99	82	16.2	40.2
Greater than ten million	24	24	24	-	-
Gross impaired assets	**185**	**170**	**153**	**8.8**	**20.9**
Past due loans not shown as impaired assets	**514**	**594**	**528**	**(13.5)**	**(2.7)**
Gross non-performing loans	**699**	**764**	**681**	**(8.5)**	**2.6**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the half year	170	153	146	11.1	16.4
Recognition of new impaired assets	39	50	41	(22.0)	(4.9)
Increases in previously recognised impaired assets	2	2	1	-	100.0
Impaired assets written off during the half year	(3)	(4)	(4)	(25.0)	(25.0)
Impaired assets which have been reclassed as performing assets or repaid	(23)	(31)	(31)	(25.8)	(25.8)
Balance at the end of the half year	**185**	**170**	**153**	**8.8**	**20.9**

Gross impaired assets increased by $15 million to $185 million over the half, representing 32 bps of gross loans and advances.

Retail impaired loans of $61 million were broadly flat over the half, assisted by the sound underlying credit quality of the retail book.

Agribusiness impairments decreased by $3 million to $35 million. Parts of the agribusiness portfolio are expected to perform comparatively well in the remainder of FY21 due to favourable growing conditions in many regions and relatively high commodity prices. However, the impact of ongoing drought in some areas and downstream effects of COVID-19 could continue to influence customer performance over the short to medium term, while improved cropping yields and international trade tensions could pressure prices.

Commercial impairments increased by $17 million to $89 million over the half, largely driven by a small number of newly impaired exposures in the accommodation and hospitality sectors which were experiencing financial difficulty prior to the onset of COVID-19.

Past due loans not impaired decreased by $80 million to $514 million over the half, reflecting seasonal improvements in the retail portfolio in line with prior periods, a small number of commercial customers with deferral assessments approved after 30 June 2020 and an improvement in the agribusiness portfolio.

Provision for impairment

	Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Collective provision					
Balance at the beginning of the period	255	103	111	147.6	129.7
Charge against impairment losses	-	152	(8)	(100.0)	(100.0)
Balance at the end of the period	**255**	**255**	**103**	**-**	**147.6**
Specific provision					
Balance at the beginning of the period	46	33	31	39.4	48.4
Charge against impairment losses	7	17	8	(58.8)	(12.5)
Impairment provision written off	(3)	(3)	(4)	-	(25.0)
Unwind of discount	(1)	(1)	(2)	-	(50.0)
Balance at the end of the period	**49**	**46**	**33**	**6.5**	**48.5**
Total provision for impairment - Banking activities	**304**	**301**	**136**	**1.0**	**123.5**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	81	86	104	(5.8)	(22.1)
Transfer (to) from retained earnings	(5)	(5)	(18)	-	(72.2)
Balance at the end of the period	**76**	**81**	**86**	**(6.2)**	**(11.6)**
Pre-tax equivalent coverage	109	116	123	(6.0)	(11.4)
Total provision for impairment and equity reserve for credit loss - Banking activities	**413**	**417**	**259**	**(1.0)**	**59.5**

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	**26.5**	**27.1**	**21.6**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.44	0.44	0.18
Specific provision	0.09	0.08	0.06
Total provision	0.53	0.52	0.24
ERCL coverage	0.19	0.20	0.21
Total provision and ERCL coverage	0.72	0.72	0.45

The total provision and ERCL coverage was 72 bps of gross loans and advances.

The collective provision was flat over the half, predominately driven by adjustments to management overlays and the impact of adverse loan stage migration, offset by a marginal improvement in the Bank's economic forecast. Further information on the Bank's ECL methodology is available on page 47.

The specific provision increased by $3 million over the half to $49 million, mainly driven by provisions for a small number of newly impaired commercial exposures, mostly in the accommodation and hospitality sectors.

Gross non-performing loans coverage by portfolio

	Past due loans	Impaired assets	Specific provision	Collective provision	ERCL (pre-tax equivalent)	Total provision and ERCL coverage
	$M	$M	$M	$M	$M	%
Retail lending	436	61	9	52	33	19%
Agribusiness lending	36	35	8	53	6	94%
Commercial/SME lending	42	89	32	150	70	192%
Total	**514**	**185**	**49**	**255**	**109**	**59%**

Retail lending past due loans decreased $57 million in the half, in line with regular seasonal trends and reflective of the Bank’s continued efforts in supporting and managing retail customers through the arrears process, including assisting COVID-19 impacted customers. There has been an uptick in early-stage arrears in line with seasonal trends, and a slightly elevated level of early-stage arrears has been observed in loans which have exited repayment deferrals.

Agribusiness past due loans decreased $13 million over the half. Segments of the agribusiness portfolio are expected to continue to improve following favourable regional weather conditions, although some customers continue to be impacted by consecutive years of severe drought.

Commercial lending past due loans decreased by $10 million over the half, partially due to a small number of commercial lending customers who were approved for COVID-19 assistance after 30 June 2020, as well as a small number of customers who have transitioned from past due to impaired.

COVID-19

Expected Credit Loss methodology

Following the onset of the COVID-19 pandemic, the Bank established an initial provision overlay in March 2020 based on a set of forecast macroeconomic assumptions.

The key assumptions utilised in the Bank's calculation of ECL have been updated. While the underlying economic assumptions of the best estimate scenario reflect an improved economic outlook compared to previous expectations, the Group continues to forecast a deterioration in macroeconomic conditions with unemployment peaking at 7.7% in March 2021 (June 2020: 10.0% in December 2020), a 0.8% reduction in house prices during FY21 (June 2020: 8.3% fall over FY21) and an 11.5% reduction in commercial property prices over FY21 (June 2020: 14.2% over FY21). This improvement in the base forecast is offset by an increase in the breadth and severity of potential downside scenarios in the modelled collective provision, reflecting the continued market uncertainty.

As at 31 December 2020, the ECL of $255 million is unchanged from FY20, and incorporates the following:

- The modelled collective provision;
- A forward-looking significant increase in credit risk component, to ensure that the ECL includes the full impact implied by the economic outlook;
- A separate economic overlay reflecting the ongoing uncertainty and potential economic downside, including the potential for further lockdowns and the rollback of government support; and
- Several smaller portfolio specific overlays.

Temporary loan repayment deferral arrangements

Banking & Wealth has provided a range of support options to customers impacted by COVID-19. The most significant support option has been the provision of temporary loan repayment deferral arrangements.

As at 30 September 2020, 8,247 customer accounts were under temporary loan repayment deferral arrangements across the home, consumer, commercial and agribusiness portfolios, representing $2.96 billion of loans.

The Bank completed the three-month check-in process on 30 September 2020, with the more comprehensive six-month review process now well progressed. As at 31 December 2020, approximately 84% of home lending deferral accounts had completed the review process, of which approximately 83% have returned to normal repayments, 5% receiving deferral extensions, 8% restructuring repayments and 4% entering the Bank's hardship process. As at 31 December 2020, approximately 76% of business lending deferral accounts had completed the six-month review process, with 94% returning to regular repayments, 2% receiving deferral extensions, 3% restructuring repayments and 1% entering regular hardship.

As a result, the number of customer accounts under deferral arrangements had reduced to 2,645 loan accounts across the total lending portfolio, representing $0.64 billion of lending as at 31 December 2020.

The table below summarises key information on the Bank's deferral arrangements across the home and business lending portfolios and highlights the decrease in key metrics from June to December 2020.

Temporary loan repayment deferral arrangements [1]

		Month Ended		
		Dec-20	Sep-20	Jun-20
Home lending				
Value of loans under temporary loan repayment deferral arrangements	$bn	0.51	1.71	3.75
Number of loans under temporary repayment deferral arrangements	Number of loans	1,655	5,366	12,373
Proportion of home lending portfolio under temporary loan repayment deferral arrangements	%	1.2	4.0	8.7
Proportion of home loans subject to six-month check-in process resuming payments	%	83	79	n/a
SME lending				
Value of loans under temporary loan repayment deferral arrangements	$bn	0.09	0.82	0.70
Number of loans under temporary repayment deferral arrangements	Number of loans	182	1,665	1,278
Proportion of SME lending portfolio under temporary loan repayment deferral arrangements	%	0.8	7.6	8.8
Proportion of Business loans subject to six-month review process resuming payments	%	94	97	n/a
Total lending [2]				
Value of loans under temporary loan repayment deferral arrangements	$bn	0.64	2.96	4.83
Number of loans under temporary repayment deferral arrangements	Number of loans	2,645	8,247	14,408

(1) Temporary loan repayment deferral arrangements data is based on APRA Economic and Financial Statistics definitions, based on predominate loan purpose, and aligned to the data published by APRA. This includes a restatement of the Jun-20 figures.

(2) The $0.64 billion of temporary loan deferrals at 31 December includes ~$45 million in home and larger business loans not captured by APRA's housing and SME lending definitions and a small amount of consumer loans.

Home lending

As at 31 December 2020, around 1,655 home loan accounts were under temporary loan repayment deferral arrangements, representing $0.51 billion of home loans or 1.2% of the home lending portfolio, down from 4.0% at 30 September 2020 as customers returned to normal repayments following six-month reviews.

As at 31 December 2020, approximately 83% of customer accounts that have completed reviews have returned to normal repayments.

The geographic distribution of home loan deferrals has some slight variances compared with the broader home lending portfolio:

— Queensland represents a slightly lower proportion of deferred loans;

— NSW and Victoria represent a slightly higher share; and

— other states are broadly in line.

The proportional increase in deferrals in NSW and Victoria reflects the outperformance of loans from other states resuming repayments through three-month check-ins and six-month reviews, rather than a material volume of new deferral requests from these states during the half.

The next table provides a breakdown of home loans under temporary repayment deferral arrangements compared to the broader home lending portfolio.

The large majority of home loans under deferral arrangements with an LVR greater than 80% have LMI coverage.

Comparative of home loan deferral metrics

	Home loans under deferral arrangements [1] Month Ended Dec-20 %	Total home lending portfolio Month Ended Dec-20 %
Owner-occupier loans	72	72
Investor loans	28	28
Principal and interest loans	86	85
Interest only loans	14	15
Loans with LVR of 80% or below	68	82

(1) Only includes capital concession eligible loans in line with APRA reporting disclosures.

SME lending

As at 31 December 2020, around 182 SME loan accounts were under temporary loan repayment deferral arrangements, representing $0.09 billion of loans.

In accordance with regulatory and industry guidance, temporary loan deferrals have been offered to SME lending customers for up to six months. Following this initial deferral, the accounts underwent a six-month review, with approximately 94% of accounts completing the review process returning to repayments. As a result, the proportion of SME loans receiving active loan deferrals has reduced to 0.8% of the total SME lending portfolio (September 2020: 7.6%).

The geographic distribution of business lending deferrals has some minor variances to the broader business lending portfolio. Victoria and New South Wales represent a higher proportion of deferrals, while Queensland and other states are broadly in line.

Wealth

Profit contribution

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Underlying profit after tax	-	(6)	-	(100.0)	n/a
Profit attributed to shareholders	**-**	**(6)**	**-**	**(100.0)**	**n/a**

Wealth underlying PAT was flat on the pcp. Lower asset-linked revenue was offset by a decline in expenses following the closure of the Suncorp Financial Advice Business at the end of March 2020. The Wealth business continues to be impacted by increased industry wide regulatory costs within the superannuation portfolio, Wealth continues to adopt regulatory reform with an extensive program of work in place focused on improving member outcomes.

Funds under administration

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Funds under administration					
Opening balance at the start of the period	5,864	6,439	6,377	(8.9)	(8.0)
Inflows	238	264	320	(9.8)	(25.6)
Outflows	(448)	(439)	(479)	2.1	(6.5)
Investment income and other	463	(400)	221	n/a	109.5
Balance at the end of the period	**6,117**	**5,864**	**6,439**	**4.3**	**(5.0)**

Funds under administration increased by 4.3% over the half to $6.1 billion. The movement in ‘investment income and other’ was primarily driven by a recovery in global investment markets after March 2020 lows arising from COVID-19 uncertainty. Core fund investment performance has continued to be strong relative to peers, with Suncorp’s Brighter Super Multi-Manager Growth Fund having the strongest annual performance of any comparable fund according to two superannuation research houses, Super Ratings and Chant West.

Outflows were broadly flat on the prior period, with withdrawals made as part of the Federal Government Early Release Scheme. Through the half, the Wealth business facilitated approximately $93 million of second round early superannuation payments to around 12,200 members, of which 31% had also requested a payment in the previous financial year. A total of $192 million has been paid to members across the 2020 and 2021 financial years.

NEW ZEALAND

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

Profit contribution (NZ$)

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	NZ$M	NZ$M	NZ$M	%	%
General Insurance					
Gross written premium	**923**	**837**	**876**	**10.3**	**5.4**
Gross unearned premium movement	(33)	(7)	(33)	371.4	-
Gross earned premium	890	830	843	7.2	5.6
Outwards reinsurance expense	(115)	(101)	(99)	13.9	16.2
Net earned premium	**775**	**729**	**744**	**6.3**	**4.2**
Net incurred claims					
Claims expense	(461)	(355)	(456)	29.9	1.1
Reinsurance and other recoveries revenue	40	18	59	122.2	(32.2)
Net incurred claims	**(421)**	**(337)**	**(397)**	**24.9**	**6.0**
Total operating expenses					
Acquisition expenses	(165)	(169)	(166)	(2.4)	(0.6)
Other underwriting expenses	(65)	(68)	(64)	(4.4)	1.6
Total operating expenses	**(230)**	**(237)**	**(230)**	**(3.0)**	**-**
Underwriting result	**124**	**155**	**117**	**(20.0)**	**6.0**
Investment income - insurance funds	3	13	6	(76.9)	(50.0)
Insurance trading result	**127**	**168**	**123**	**(24.4)**	**3.3**
Joint venture and other expense	(1)	(9)	-	(88.9)	n/a
General Insurance operational earnings	**126**	**159**	**123**	**(20.8)**	**2.4**
Investment income - shareholder funds	11	13	7	(15.4)	57.1
General Insurance profit before tax	**137**	**172**	**130**	**(20.3)**	**5.4**
Income tax	(37)	(47)	(36)	(21.3)	2.8
General Insurance profit after tax	**100**	**125**	**94**	**(20.0)**	**6.4**
Life Insurance					
Underlying profit after tax	22	26	12	(15.4)	83.3
Market adjustments	7	-	2	n/a	250.0
Life Insurance profit after tax	**29**	**26**	**14**	**11.5**	**107.1**
New Zealand profit after tax	**129**	**151**	**108**	**(14.6)**	**19.4**

General Insurance ratios (NZ$)

	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	%	%	%
Acquisition expenses ratio	21.3	23.2	22.3
Other underwriting expenses ratio	8.4	9.3	8.6
Total operating expenses ratio	**29.7**	**32.5**	**30.9**
Loss ratio	54.3	46.2	53.4
Combined operating ratio	84.0	78.7	84.3
Insurance trading ratio	**16.4**	**23.0**	**16.5**

Profit contribution (A$)

	Half Year Ended Dec-20 A$M	Jun-20 A$M	Dec-19 A$M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
General Insurance					
Gross written premium	**861**	**796**	**827**	**8.2**	**4.1**
Gross unearned premium movement	(31)	(6)	(31)	416.7	-
Gross earned premium	830	790	796	5.1	4.3
Outwards reinsurance expense	(108)	(96)	(93)	12.5	16.1
Net earned premium	**722**	**694**	**703**	**4.0**	**2.7**
Net incurred claims					
Claims expense	(430)	(339)	(430)	26.8	-
Reinsurance and other recoveries revenue	37	18	55	105.6	(32.7)
Net incurred claims	**(393)**	**(321)**	**(375)**	**22.4**	**4.8**
Total operating expenses					
Acquisition expenses	(153)	(161)	(157)	(5.0)	(2.5)
Other underwriting expenses	(61)	(65)	(60)	(6.2)	1.7
Total operating expenses	**(214)**	**(226)**	**(217)**	**(5.3)**	**(1.4)**
Underwriting result	**115**	**147**	**111**	**(21.8)**	**3.6**
Investment income - insurance funds	3	13	5	(76.9)	(40.0)
Insurance trading result	**118**	**160**	**116**	**(26.3)**	**1.7**
Joint venture and other expense	(1)	(8)	-	(87.5)	n/a
General Insurance operational earnings	**117**	**152**	**116**	**(23.0)**	**0.9**
Investment income - shareholder funds	10	12	6	(16.7)	66.7
General Insurance profit before tax	**127**	**164**	**122**	**(22.6)**	**4.1**
Income tax	(34)	(46)	(33)	(26.1)	3.0
General Insurance profit after tax	**93**	**118**	**89**	**(21.2)**	**4.5**
Life Insurance					
Underlying profit after tax	20	25	11	(20.0)	81.8
Market adjustments	7	-	2	n/a	250.0
Life Insurance profit after tax	**27**	**25**	**13**	**8.0**	**107.7**
New Zealand profit after tax	**120**	**143**	**102**	**(16.1)**	**17.6**

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

General Insurance ratios (A$)

	Half Year Ended Dec-20 %	Jun-20 %	Dec-19 %
Acquisition expenses ratio	21.2	23.2	22.3
Other underwriting expenses ratio	8.4	9.4	8.5
Total operating expenses ratio	**29.6**	**32.6**	**30.8**
Loss ratio	54.4	46.3	53.3
Combined operating ratio	84.0	78.9	84.1
Insurance trading ratio	**16.3**	**23.1**	**16.5**

New Zealand result overview

- New Zealand achieved PAT of $129 million, up 19.4% on the pcp, driven by higher profit in both the General Insurance and Life Insurance businesses.
- The New Zealand General Insurance business delivered PAT of $100 million, 6.4% higher than the pcp, driven by strong underlying performance. Reported ITR was 16.4%, broadly in-line with the pcp.
- GWP grew by 5.4% to $923 million, driven by the strong performance in the direct business across the motor and home portfolios, as a result of new business growth and strong retention.
- Net incurred claims were $421 million, 6.0% higher than the pcp, largely due to higher natural hazard experience resulting in natural hazard costs of $51 million, $23 million above the allowance and $19 million above the pcp. Working claims have increased on the pcp, largely driven by strong unit growth.
- Operating expenses of $230 million, were broadly in line with the pcp. The operating expense ratio improved driven by strong premium growth.
- The New Zealand Life Insurance business delivered PAT of $29 million, $15 million above the pcp. The strong result was driven by improved claims experience and favourable market adjustments from interest rate movements. In-force premium grew by 3.7%, supported by CPI and age-related premium growth.
- During the period the NZ Government implemented regional mobility restrictions. The impact was significantly less than during the more restrictive lockdowns in 2H20. The hardship relief measures established in FY20 continue to be available to support customers facing financial hardship as a result of COVID-19.
- In October 2020, the Earthquake Commission and Suncorp concluded negotiations to settle financial impact allocations for claims resulting from the Canterbury Earthquake events in 2010 and 2011. The settlement did not impact the 1H21 result.

General Insurance

Gross written premium

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	NZ$M	NZ$M	NZ$M	%	%
Gross written premium by product					
Motor	227	189	209	20.1	8.6
Home	299	290	281	3.1	6.4
Commercial	383	348	373	10.1	2.7
Other	14	10	13	40.0	7.7
Total	**923**	**837**	**876**	**10.3**	**5.4**

Motor

Motor GWP grew 8.6% to $227 million. Growth was primarily driven by unit growth in the AA Insurance direct channel, as a result of strong new business sales and favourable retention.

Home

Home GWP grew by 6.4% to $299 million, largely driven by new business and favourable renewals supported by strong retention rates. Vero intermediated was slightly up on the pcp with targeted pricing initiatives driving unit growth. Growth in AA Insurance was driven by unit and price increases.

Commercial

Commercial GWP of $383 million, grew by 2.7%, driven by moderate rate increases and increased participation in a broker scheme.

Other

Other business contributed GWP of $14 million, resulting in growth of 7.7% on the pcp. This growth is mainly due to marine pleasure craft.

Customer remediation provisions

The customer remediation provisions recognised in FY20 relating to issues regarding customer discounts in prior periods, remain at appropriate levels with no material changes made to the provisions in 1H21. Suncorp continues to progress the remediation of impacted customers.

Net incurred claims

Net incurred claims costs of $421 million, up 6.0% on the pcp, was driven by natural hazards experience including flood events in Northland and Napier and the significant Lake Ohau bushfire.

Natural hazard claims of $51 million were $23 million above the allowance of $28 million. The 1H21 loss ratio was 54.3%, up 0.9% on the pcp, largely driven by higher natural hazard experience. The 2H20 loss ratio included the favourable impact of reduced motor claims frequency as a result of COVID-19 mobility restrictions.

Home claims costs were higher than the pcp driven by unit growth achieved in the intermediated and direct channels.

Motor claims costs were in line with the pcp. The impact of unit growth was offset by reduced frequency and lower average claims sizes as a result of motor vehicle parts being repaired rather than replaced.

Commercial claims were slightly down on the pcp, benefitting from long tail releases. Excluding long tail releases, commercial claims were up on the pcp largely driven by natural volatility in large loss claims.

The New Zealand business has a small number of policies in force with extensions that cover business interruption for infectious diseases which were largely reserved for in 2H20. Recent court decisions in Australia and other overseas jurisdictions related to COVID-19 business interruption claims have been considered and it has been determined that no further provisions were required.

Natural hazards

Total natural hazards costs were $51 million for the half, $23 million above the allowance and $19 million above the pcp.

Date	Event	Net costs NZ$M
Jul-20	Northland Floods	12
Oct-20	Lake Ohau Bushfire	6
Nov-20	Napier Floods	17
Total events over $5 million		**35**
Retained natural hazards attritional claims		16
Total natural hazards		**51**
Less: allowance for natural hazards		(28)
Natural hazards costs above / (below) allowance		**23**

Outstanding claims provision

	Actual	Net central estimate (discounted)	Risk margin (90th percentile discounted)	Change in net central estimate [1]
	NZ$M	NZ$M	NZ$M	NZ$M
Short-tail	259	223	36	1
Long-tail	106	90	16	(5)
Total	**365**	**313**	**52**	**(4)**

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

The valuation of outstanding claims resulted in a net central estimate release of $4 million. Long-tail claim reserve releases were primarily attributable to the Vero Liability book.

There was no material strengthening of reserves relating to the Canterbury earthquakes over the half. As at 31 December 2020, total claims paid for the Canterbury events have reached 98.7% of the UNL, with $23 million in claims paid over the half. The only significant exposure remaining relates to the February 2011 Canterbury event. As at 31 December 2020 total claims paid for this event were A$3.49bn. Due to reinsurance arrangements for the February 2011 event, Suncorp retains 15 cents in the dollar for additional claims costs exceeding A$3.4 billion up to A$3.5 billion. Suncorp's retention increases to 33 cents in the dollar once claims costs exceed A$3.5 billion up to A$5.6 billion.

Outstanding claims provisions over time

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	NZ$M	NZ$M	NZ$M	%	%
Gross outstanding claims liabilities	611	621	691	(1.6)	(11.6)
Reinsurance and other recoveries	(246)	(282)	(360)	(12.8)	(31.7)
Net outstanding claims liabilities	**365**	**339**	**331**	**7.7**	**10.3**
Expected future claims payments and claims handling expenses	314	291	288	7.9	9.0
Discount to present value	(2)	(3)	(5)	(33.3)	(60.0)
Risk margin	53	51	48	3.9	10.4
Net outstanding claims liabilities	**365**	**339**	**331**	**7.7**	**10.3**
Short-tail	259	237	236	9.3	9.7
Long-tail	106	102	95	3.9	11.6
Total	**365**	**339**	**331**	**7.7**	**10.3**

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

Risk margins

Risk margins represent approximately 15% of net outstanding claims reserves. This includes an allowance for the uncertainty of impacts relating to COVID-19. This gives an approximate level of confidence of 90%, in line with Suncorp Group policy.

Operating expenses

Total operating expenses of $230 million, were broadly in line with the pcp, with the operating expense ratio improving on the pcp. Commissions decreased 3.2% on the pcp due to reduced corporate partner profit shares. Excluding commissions, other operating expenses increased 4.2% driven by increased costs associated with growth across the business.

Suncorp continues to invest in digital capability, which will drive future operational efficiencies.

Investment income

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

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

Asset allocation

Asset allocations have shifted tactically with higher weightings in corporate bonds compared to prior periods, however the asset allocation limits are unchanged. Funds remain in accordance with risk appetite.

	Half Year Ended					
	Dec-20		Jun-20		Dec-19	
	NZ$M	%	NZ$M	%	NZ$M	%
Insurance funds						
Cash and short-term deposits	189	29	250	36	194	33
Corporate bonds	417	63	347	50	314	54
Local government bonds	55	8	86	13	72	12
Government bonds	2	-	6	1	3	1
Total Insurance funds	**663**	**100**	**689**	**100**	**583**	**100**
Shareholders' funds						
Cash and short-term deposits	34	8	68	16	70	17
Interest-bearing securities	257	60	234	54	217	54
Equities	138	32	129	30	116	29
Total Shareholders' funds	**429**	**100**	**431**	**100**	**403**	**100**
Total	**1,092**		**1,120**		**986**	

Credit quality

The average credit rating for New Zealand investment assets remained consistent with prior periods.

	Dec-20 %	Jun-20 %	Dec-19 %
AAA	6.6	5.5	8.1
AA	57.3	65.1	63.5
A	33.7	26.4	25.2
BBB	2.4	3.0	3.2
	100.0	**100.0**	**100.0**

Duration

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

	Dec-20 Years	Jun-20 Years	Dec-19 Years
Insurance funds			
Interest rate duration	1.3	1.3	1.4
Shareholders' funds			
Interest rate duration	3.9	3.2	3.1

Investment performance

Total investment income on insurance funds and shareholders' funds was $14 million, representing an annualised return of 2.5%.

Insurance funds

Investment income on insurance funds was $3 million, representing an annualised return of 0.9%. This is reflected in the unfavourable interest rate environment which saw rising bond yields drive unfavourable mark-to-market movements.

Shareholders' funds

Investment income on shareholders' funds was $11 million, representing an annualised return of 5.1%. The current period experienced favourable returns in equity markets, however this was offset by the unfavourable impact of rising bond yields compared to the pcp.

	Half Year Ended			Dec-20	Dec-20
	Dec-20 NZ$M	Jun-20 NZ$M	Dec-19 NZ$M	vs Jun-20 %	vs Dec-19 %
Investment income on insurance funds					
Cash and short-term deposits	1	1	2	-	(50.0)
Interest-bearing securities and other	2	12	4	(83.3)	(50.0)
Total	**3**	**13**	**6**	**(76.9)**	**(50.0)**
Investment income on shareholders' funds					
Cash and short-term deposits	-	1	1	(100.0)	(100.0)
Interest-bearing securities	1	7	2	(85.7)	(50.0)
Equities	10	5	4	100.0	150.0
Total	**11**	**13**	**7**	**(15.4)**	**57.1**
Total investment income	**14**	**26**	**13**	**(46.2)**	**7.7**

Life Insurance

The New Zealand Life Insurance business delivered a PAT of $29 million, $15 million above the pcp. This was driven by improved claims experience and favourable market adjustment impacts from interest rate movements.

Planned margins of $16 million were slightly lower than the pcp, due to the impact of discount rate changes offsetting in-force growth. Claims experience improved on the pcp across all lines especially favourable mortality experience and strong closure rates for Income Protection claims.

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	NZ$M	NZ$M	NZ$M	%	%
Planned profit margin	16	18	17	(11.1)	(5.9)
Experience	5	5	(7)	-	n/a
Other	1	3	2	(66.7)	(50.0)
Underlying profit after tax	**22**	**26**	**12**	**(15.4)**	**83.3**
Market adjustments	**7**	**-**	**2**	**n/a**	**250.0**
Net profit after tax	**29**	**26**	**14**	**11.5**	**107.1**

Life risk in-force annual premium by channel

In-force premium of $283 million, grew 3.7% on the pcp, supported by CPI and age-related premium growth. New business increased by $1 million on the pcp, largely driven by business through Independent Financial Advisors. Retention rates continue to be above system.

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	NZ$M	NZ$M	NZ$M	%	%
Advised	224	220	217	1.8	3.2
Direct	43	43	42	-	2.4
Group and other	16	14	14	14.3	14.3
Total	**283**	**277**	**273**	**2.2**	**3.7**
Total new business	**12**	**9**	**11**	**33.3**	**9.1**

APPENDICES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND FINANCIAL POSITION

Consolidated statement of comprehensive income (statutory view)

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Revenue					
Insurance premium income	5,173	5,003	5,077	3.4	1.9
Reinsurance and other recoveries income	598	1,232	360	(51.5)	66.1
Interest income on					
financial assets not at fair value through profit or loss	889	988	1,116	(10.0)	(20.3)
financial assets at fair value through profit or loss	168	174	196	(3.4)	(14.3)
Net gains on financial assets and liabilities at fair value through profit or loss	258	24	-	n/a	n/a
Dividend and trust distribution income	27	33	43	(18.2)	(37.2)
Fees and other income	239	262	262	(8.8)	(8.8)
Total revenue	**7,352**	**7,716**	**7,054**	**(4.7)**	**4.2**
Expenses					
Claims expense and movement in policyowner liabilities	(3,902)	(4,183)	(3,653)	(6.7)	6.8
Outwards reinsurance premium expense	(620)	(626)	(591)	(1.0)	4.9
Underwriting and policy maintenance expenses	(1,104)	(1,115)	(1,087)	(1.0)	1.6
Interest expense on					
financial liabilities not at fair value through profit or loss	(291)	(428)	(545)	(32.0)	(46.6)
financial liabilities at fair value through profit or loss	(14)	(4)	(23)	250.0	(39.1)
Net losses on financial assets and liabilities at fair value through profit or loss	-	40	(40)	(100.0)	(100.0)
Impairment loss on loans and advances	(8)	(171)	(1)	(95.3)	n/a
Impairment loss on goodwill and other intangible assets	(9)	(110)	-	(91.8)	n/a
Amortisation and depreciation expense	(115)	(127)	(131)	(9.4)	(12.2)
Fees, overheads and other expenses	(470)	(526)	(455)	(10.6)	3.3
Outside beneficial interests in managed funds	(93)	(31)	(12)	200.0	n/a
Total expenses	**(6,626)**	**(7,281)**	**(6,538)**	**(9.0)**	**1.3**
Profit before income tax	**726**	**435**	**516**	**66.9**	**40.7**
Income tax expense	(226)	(145)	(160)	55.9	41.3
Profit after tax from continuing operations	500	290	356	72.4	40.4
Profit (loss) after tax from discontinued operations [1]	-	(8)	294	(100.0)	(100.0)
Profit for the period	**500**	**282**	**650**	**77.3**	**(23.1)**
Profit for the period attributable to:					
Owners of the Company	490	271	642	80.8	(23.7)
Non-controlling interests	10	11	8	(9.1)	25.0
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	4	22	21	(81.8)	(81.0)
Net change in debt investments at fair value through other comprehensive income	33	(6)	(3)	n/a	n/a
Net change in net investment hedge of foreign operations	-	1	-	(100.0)	n/a
Exchange differences on translation of foreign operations	4	(27)	2	n/a	100.0
Related income tax expense	(11)	(5)	(5)	120.0	120.0
	30	(15)	15	n/a	100.0
Items that will not be reclassified subsequently to profit or loss					
Actuarial losses on defined benefit plans	-	(20)	-	(100.0)	n/a
Net change in equity investments at fair value through other comprehensive income	-	(17)	-	(100.0)	n/a
Related income tax expense	-	10	-	(100.0)	n/a
	-	(27)	-	(100.0)	n/a
Total other comprehensive income for the period	**30**	**(42)**	**15**	**n/a**	**100.0**
Total comprehensive income for the period	**530**	**240**	**665**	**120.8**	**(20.3)**
Total comprehensive income for the period attributable to:					
Owners of the Company	520	229	657	127.1	(20.9)
Non-controlling interests	10	11	8	(9.1)	25.0
Total comprehensive income for the period	**530**	**240**	**665**	**120.8**	**(20.3)**

(1) Profit (loss) after tax from discontinued business incorporates the performance of the Capital SMART and ACM Parts businesses sold in October 2019.

Consolidated statement of financial position (statutory view)

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	1,234	1,046	2,265	18.0	(45.5)
Receivables due from other banks	1,212	567	470	113.8	157.9
Trading securities	1,371	1,460	897	(6.1)	52.8
Derivatives	478	831	639	(42.5)	(25.2)
Investment securities	20,219	19,763	19,210	2.3	5.3
Loans and advances	57,026	57,723	58,354	(1.2)	(2.3)
Premiums outstanding	2,783	2,857	2,722	(2.6)	2.2
Reinsurance and other recoveries	2,222	2,468	2,109	(10.0)	5.4
Deferred reinsurance assets	593	926	579	(36.0)	2.4
Deferred acquisition costs	753	734	742	2.6	1.5
Property, plant and equipment	530	576	609	(8.0)	(13.0)
Deferred tax assets	252	282	204	(10.6)	23.5
Goodwill and other intangible assets	5,254	5,275	5,409	(0.4)	(2.9)
Other assets	957	1,236	975	(22.6)	(1.8)
Total assets	**94,884**	**95,744**	**95,184**	**(0.9)**	**(0.3)**
Liabilities					
Payables due to other banks	68	293	289	(76.8)	(76.5)
Deposits and short-term borrowings	46,921	46,160	46,782	1.6	0.3
Derivatives	556	574	451	(3.1)	23.3
Amounts due to reinsurers	331	784	268	(57.8)	23.5
Payables and other liabilities	1,328	1,828	1,547	(27.4)	(14.2)
Current tax liabilities	78	164	29	(52.4)	169.0
Unearned premium liabilities	5,364	5,219	5,175	2.8	3.7
Provisions and employee benefit liabilities	534	610	494	(12.5)	8.1
Outstanding claims liabilities	10,912	10,598	10,419	3.0	4.7
Deferred tax liabilities	117	115	131	1.7	(10.7)
Managed funds units on issue	793	714	1,062	11.1	(25.3)
Securitisation liabilities	2,590	2,945	3,396	(12.1)	(23.7)
Long-term borrowings	9,720	10,607	9,884	(8.4)	(1.7)
Loan capital	2,374	2,349	2,540	1.1	(6.5)
Total liabilities	**81,686**	**82,960**	**82,467**	**(1.5)**	**(0.9)**
Net assets	**13,198**	**12,784**	**12,717**	**3.2**	**3.8**
Equity					
Share capital	12,524	12,509	12,398	0.1	1.0
Reserves	209	172	204	21.5	2.5
Retained profits	441	82	98	437.8	350.0
Total equity attributable to owners of the Company	**13,174**	**12,763**	**12,700**	**3.2**	**3.7**
Non-controlling interests	24	21	17	14.3	41.2
Total equity	**13,198**	**12,784**	**12,717**	**3.2**	**3.8**

Consolidated statement of financial position by function

	General Insurance Dec-20 $M	Banking Dec-20 $M	Life Dec-20 $M	Corporate Dec-20 $M	Eliminations Dec-20 $M	Consolidation Dec-20 $M
Assets						
Cash and cash equivalents	511	260	63	51	349	1,234
Receivables due from other banks	-	1,212	-	-	-	1,212
Trading securities	-	1,371	-	-	-	1,371
Derivatives	99	368	11	1	(1)	478
Investment securities	13,909	4,634	609	14,362	(13,295)	20,219
Loans and advances	-	57,026	-	-	-	57,026
Premiums outstanding	2,782	-	1	-	-	2,783
Reinsurance and other recoveries	2,151	-	71	-	-	2,222
Deferred reinsurance assets	593	-	-	-	-	593
Deferred acquisition costs	753	-	-	-	-	753
Property, plant and equipment	75	-	5	450	-	530
Deferred tax assets	2	64	18	166	2	252
Goodwill and other intangible assets	4,781	262	64	147	-	5,254
Other assets	620	139	85	112	1	957
Due from related parties	161	248	3	1,245	(1,657)	-
Total assets	**26,437**	**65,584**	**930**	**16,534**	**(14,601)**	**94,884**
Liabilities						
Payables due to other banks	-	68	-	-	-	68
Deposits and short-term borrowings	-	47,294	-	-	(373)	46,921
Derivatives	24	530	-	3	(1)	556
Amounts due to reinsurers	329	-	2	-	-	331
Payables and other liabilities	618	132	36	532	10	1,328
Current tax liabilities	5	-	4	69	-	78
Unearned premium liabilities	5,363	-	1	-	-	5,364
Provisions and employee benefits liabilities	125	-	10	399	-	534
Outstanding claims liabilities	10,756	-	156	-	-	10,912
Deferred tax liabilities	-	-	117	-	-	117
Managed funds units on issue [(1)]	-	-	-	-	793	793
Securitised liabilities	-	2,590	-	-	-	2,590
Long-term borrowings	-	9,720	-	-	-	9,720
Loan capital	579	672	-	1,973	(850)	2,374
Due to related parties	282	65	7	458	(812)	-
Total liabilities	**18,081**	**61,071**	**333**	**3,434**	**(1,233)**	**81,686**
Net assets	**8,356**	**4,513**	**597**	**13,100**	**(13,368)**	**13,198**
Equity						
Share capital						12,524
Reserves						209
Retained profits						441
Total equity attributable to owners of the Company						**13,174**
Non-controlling interests						24
Total equity						**13,198**

(1) Following the sale of the Australian Life Insurance and Participating Wealth Business, managed funds units on issue are now consolidated in the non-operating holding company SGL.

SGL STATEMENT OF FINANCIAL POSITION, PROFIT CONTRIBUTION AND INVESTMENTS

SGL statement of financial position

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Current assets					
Cash and cash equivalents	15	34	56	(55.9)	(73.2)
Financial assets at fair value through profit or loss	999	911	1,192	9.7	(16.2)
Derivatives	1	1	2	-	(50.0)
Due from related parties	85	220	145	(61.4)	(41.4)
Other assets	4	4	2	-	100.0
Total current assets	**1,104**	**1,170**	**1,397**	**(5.6)**	**(21.0)**
Non-current assets					
Investment in subsidiaries	13,385	13,398	13,450	(0.1)	(0.5)
Due from related parties	859	593	586	44.9	46.6
Deferred tax assets	16	18	24	(11.1)	(33.3)
Other assets	43	51	53	(15.7)	(18.9)
Total non-current assets	**14,303**	**14,060**	**14,113**	**1.7**	**1.3**
Total assets	**15,407**	**15,230**	**15,510**	**1.2**	**(0.7)**
Current liabilities					
Derivatives	3	3	2	-	50.0
Payables and other liabilities	51	52	55	(1.9)	(7.3)
Current tax liabilities	69	114	13	(39.5)	430.8
Due to related parties	162	113	425	43.4	(61.9)
Total current liabilities	**285**	**282**	**495**	**1.1**	**(42.4)**
Non-current liabilities					
Loan capital	1,973	1,723	1,915	14.5	3.0
Total non-current liabilities	**1,973**	**1,723**	**1,915**	**14.5**	**3.0**
Total liabilities	**2,258**	**2,005**	**2,410**	**12.6**	**(6.3)**
Net assets	**13,149**	**13,225**	**13,100**	**(0.6)**	**0.4**
Equity					
Share capital	12,567	12,559	12,457	0.1	0.9
Retained profits	582	666	643	(12.6)	(9.5)
Total equity	**13,149**	**13,225**	**13,100**	**(0.6)**	**0.4**

SGL profit contribution

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Revenue					
Dividend and interest income from subsidiaries	57	504	785	(88.7)	(92.7)
Interest and trust distribution income on financial assets at fair value through profit or loss	32	22	14	45.5	128.6
Other income	2	2	2	-	-
Total revenue	91	528	801	(82.8)	(88.6)
Expenses					
Interest expense on financial liabilities at amortised cost	(26)	(31)	(32)	(16.1)	(18.8)
Other expenses	(9)	-	-	n/a	n/a
Impairment loss on investment in subsidiaries	-	(159)	-	(100.0)	n/a
Operating expenses	(9)	(66)	(4)	(86.4)	125.0
Total expenses	(44)	(256)	(36)	(82.8)	22.2
Profit before income tax	47	272	765	(82.7)	(93.9)
Income tax expense (benefit)	(3)	16	29	n/a	n/a
Profit for the period	**44**	**288**	**794**	**(84.7)**	**(94.5)**

SGL investment portfolio

Suncorp Group Limited's investment portfolio supports the Group non-operating holding company (NOHC) structure and distributions to shareholders. Investment assets were $1,012 million at 31 December 2020 and comprised 70% cash and 30% high quality fixed income securities, with an interest rate duration of 0.7 years, credit spread duration of 0.6 years and an average credit rating of 'A-'. Investment income was $7 million, representing an annualised return of 0.7%.

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Investment income					
Cash and short-term deposits	3	4	6	(25.0)	(50.0)
Interest-bearing securities and other	4	3	4	33.3	-
Total	**7**	**7**	**10**	**-**	**(30.0)**

INCOME TAX

	Half Year Ended Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Reconciliation of prima facie income tax expense to actual tax expense:					
Profit before tax from continuing operations [1]	**726**	**435**	**516**	**66.9**	**40.7**
Profit before tax from discontinued operations [1]	**-**	**-**	**352**	**n/a**	**(100.0)**
Profit before tax	**726**	**435**	**868**	**66.9**	**(16.4)**
Prima facie domestic corporate tax rate of 30% (2020: 30%)	218	131	260	66.4	(16.2)
Effect of tax rates in foreign jurisdictions	(3)	(3)	(3)	-	-
Effect of income taxed at non-corporate tax rate	-	1	-	(100.0)	n/a
Tax effect of amounts not deductible (assessable) in calculating taxable income:					
Non-deductible expenses	7	6	7	16.7	-
Non-deductible expenses - Life	7	(2)	3	n/a	133.3
Amortisation of intangible assets	3	3	3	-	-
Dividend adjustments	9	4	12	125.0	(25.0)
Tax exempt revenues	(6)	(2)	(4)	200.0	50.0
Current year rebates and credits	(10)	(6)	(12)	66.7	(16.7)
Utilisation of previously unrecognised capital losses	-	-	(29)	n/a	(100.0)
Prior year under (over) provision	(1)	2	(1)	n/a	-
Other	2	19	(18)	(89.5)	n/a
Total income tax expense on pre-tax profit	**226**	**153**	**218**	**47.7**	**3.7**
Total income tax expense on pre-tax profit from continuing operations [1]	**226**	**145**	**160**	**55.9**	**41.3**
Total income tax expense on pre-tax profit from discontinued operations [1]	**-**	**8**	**58**	**(100.0)**	**(100.0)**
Effective tax rate	**31.1%**	**35.2%**	**25.1%**	**(4.1)**	**6.0**
Effective tax rate from continuing operations [1]	**31.1%**	**33.3%**	**31.0%**	**(2.2)**	**0.1**

[1] Continuing and discontinued operations represented in the Income Tax table are presented in line with the statutory accounts. In FY20, this relates to the sale of the Capital SMART and ACM Parts businesses in Oct-19.

The effective tax rate of 31.1% (Dec 2019: 25.1%) has increased relative to the pcp primarily due to the absence of the pcp differences between the tax and accounting gains and losses on sale from discontinued operations, including the utilisation of previously unrecognised capital losses on the sale of the Capital SMART business.

Several factors contributed to a tax rate of 31.1% from continuing operations (rather than 30.0%). The most significant single factor is interest expense relating to certain convertible instruments which is not deductible for income tax purposes.

GROUP EPS CALCULATIONS

Earnings per share

Numerator	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	$M	$M	$M
Earnings:			
Profit attributable to ordinary equity holders of the company (basic)	490	271	642
Interest expense on convertible preference shares	-	3	6
Interest expense on convertible capital notes[1]	15	12	13
Profit attributable to ordinary equity holders of the company (diluted)	**505**	**286**	**661**

Denominator			
	No. of shares	No. of shares	No. of shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,276,297,986	1,258,548,301	1,279,963,321
Effect of conversion of convertible preference shares	-	18,860,433	29,410,167
Effect of conversion of convertible capital notes[1]	114,727,853	79,141,932	59,999,236
Weighted average number of ordinary shares (diluted)	**1,391,025,839**	**1,356,550,666**	**1,369,372,724**

	cents	cents	cents
Earnings per share			
Basic	38.39	21.53	50.16
Diluted [1]	36.30	21.08	48.27

(1) Capital notes and preference shares will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations as per AASB 133 Earnings per share.

Cash earnings per share

Numerator	Half Year Ended		
	Dec-20	Jun-20	Dec-19
	$M	$M	$M
Earnings:			
Cash profit attributable to ordinary equity holders of the company (basic)	509	384	365
Interest expense on convertible preference shares	-	3	6
Interest expense on convertible capital notes[1]	15	12	13
Cash profit attributable to ordinary equity holders of the company (diluted)	**524**	**399**	**384**

Denominator			
	No. of shares	No. of shares	No. of shares
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,276,297,986	1,258,548,301	1,279,963,321
Effect of conversion of convertible preference shares	-	18,860,433	29,410,167
Effect of conversion of convertible capital notes[1]	114,727,853	79,141,932	59,999,236
Weighted average number of ordinary shares (diluted)	**1,391,025,839**	**1,356,550,666**	**1,369,372,724**

	cents	cents	cents
Cash earnings per share			
Basic	39.88	30.51	28.52
Diluted	37.67	29.41	28.04

(1) Capital notes and preference shares will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations as per AASB 133 Earnings per share.

ASX LISTED SECURITIES

	Half Year Ended		
	Dec-20	Jun-20	Dec-19
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,280,601,422	1,279,650,338	1,260,950,777
Dividend declared for the period (cents per share)	26	10	26
Convertible preference shares (SUNPE) each fully paid			
Number at the end of the period	-	-	1,936,281
Dividend declared for the period ($ per share) (1)	-	0.70	1.52
Convertible Capital Notes (SUNPF) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Distribution for the period ($ per note) (1)	1.44	1.57	1.77
Convertible Capital Notes (SUNPG) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Distribution for the period ($ per note) (1)	1.29	1.41	1.61
Convertible Capital Notes (SUNPH) each fully paid			
Number at the end of the period	3,890,000	3,890,000	3,890,000
Distribution for the period ($ per note) (1)	1.06	1.18	0.68
Floating Rate Capital Notes (SBKHB)			
Number at the end of the period	715,383	715,383	715,383
Interest per note	0.41	0.62	0.84

(1) Classified as interest expense.

GENERAL INSURANCE ITR SPLIT

Insurance (Australia) — Consumer Insurance [1]

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Gross written premium	2,801	2,697	2,658	3.9	5.4
Net earned premium	2,377	2,274	2,335	4.5	1.8
Net incurred claims	(1,765)	(1,525)	(1,858)	15.7	(5.0)
Acquisition expenses	(277)	(296)	(289)	(6.4)	(4.2)
Other underwriting expenses	(211)	(173)	(186)	22.0	13.4
Total operating expenses	(488)	(469)	(475)	4.1	2.7
Underwriting result	**124**	**280**	**2**	**(55.7)**	**n/a**
Investment income - insurance funds	71	10	28	n/a	153.6
Insurance trading result	**195**	**290**	**30**	**(32.8)**	**n/a**

	%	%	%
Ratios			
Acquisition expenses ratio	11.6	13.0	12.3
Other underwriting expenses ratio	8.9	7.6	8.0
Total operating expenses ratio	**20.5**	**20.6**	**20.3**
Loss ratio	74.3	67.1	79.6
Combined operating ratio	94.8	87.7	99.9
Insurance trading ratio	**8.2**	**12.8**	**1.3**

[1] Consumer Insurance includes Home, Motor, Boat and Travel Insurance.

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

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Gross written premium	1,543	1,456	1,518	6.0	1.6
Net earned premium	1,350	1,310	1,346	3.1	0.3
Net incurred claims	(1,106)	(1,057)	(1,003)	4.6	10.3
Acquisition expenses	(210)	(224)	(201)	(6.3)	4.5
Other underwriting expenses	(93)	(108)	(95)	(13.9)	(2.1)
Total operating expenses	**(303)**	**(332)**	**(296)**	**(8.7)**	**2.4**
Underwriting result	**(59)**	**(79)**	**47**	**(25.3)**	**n/a**
Investment income - insurance funds	146	138	71	5.8	105.6
Insurance trading result	**87**	**59**	**118**	**47.5**	**(26.3)**

	%	%	%
Ratios			
Acquisition expenses ratio	15.6	17.1	14.9
Other underwriting expenses ratio	6.9	8.2	7.1
Total operating expenses ratio	**22.5**	**25.3**	**22.0**
Loss ratio	81.9	80.7	74.5
Combined operating ratio	104.4	106.0	96.5
Insurance trading ratio	**6.4**	**4.5**	**8.8**

General Insurance short-tail (includes New Zealand)

	Half Year Ended Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Short-tail					
Gross written premium	4,197	3,913	4,001	7.3	4.9
Net earned premium	3,481	3,344	3,425	4.1	1.6
Net incurred claims [(1)]	(2,545)	(2,123)	(2,529)	19.9	0.6
Acquisition expenses	(506)	(543)	(521)	(6.8)	(2.9)
Other underwriting expenses	(316)	(289)	(291)	9.3	8.6
Total operating expenses	**(822)**	**(832)**	**(812)**	**(1.2)**	**1.2**
Underwriting result	**114**	**389**	**84**	**(70.7)**	**35.7**
Investment income - insurance funds	92	25	37	268.0	148.6
Insurance trading result	**206**	**414**	**121**	**(50.2)**	**70.2**

	%	%	%
Ratios			
Acquisition expenses ratio	14.5	16.2	15.2
Other underwriting expenses ratio	9.1	8.7	8.5
Total operating expenses ratio	**23.6**	**24.9**	**23.7**
Loss ratio	73.1	63.5	73.8
Combined operating ratio	96.7	88.4	97.5
Insurance trading ratio	**5.9**	**12.4**	**3.5**

(1) Prior period comparatives have been restated to adjust for the sale of the Capital SMART and ACM Parts business in October 2019.

General Insurance long-tail (includes New Zealand)

	Half Year Ended Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Long-tail					
Gross written premium	1,008	1,036	1,002	(2.7)	0.6
Net earned premium	968	934	959	3.6	0.9
Net incurred claims	(719)	(780)	(707)	(7.8)	1.7
Acquisition expenses	(134)	(138)	(126)	(2.9)	6.3
Other underwriting expenses	(49)	(57)	(50)	(14.0)	(2.0)
Total operating expenses	**(183)**	**(195)**	**(176)**	**(6.2)**	**4.0**
Underwriting result	**66**	**(41)**	**76**	**n/a**	**(13.2)**
Investment income - insurance funds	128	136	67	(5.9)	91.0
Insurance trading result	**194**	**95**	**143**	**104.2**	**35.7**

	%	%	%
Ratios			
Acquisition expenses ratio	13.8	14.8	13.2
Other underwriting expenses ratio	5.1	6.1	5.2
Total operating expenses ratio	**18.9**	**20.9**	**18.4**
Loss ratio	74.3	83.5	73.7
Combined operating ratio	93.2	104.4	92.1
Insurance trading ratio	**20.0**	**10.2**	**14.9**

GROUP CAPITAL

Group capital position

	As at 31 December 2020					
	General Insurance	Banking	Life	SGL, Corp Services & Consol	Total	As at 30 June 2020 Total
	$M	$M	$M	$M	$M	$M
Common Equity Tier 1 capital						
Ordinary share capital	-	-	-	12,547	12,547	12,538
Subsidiary share capital (eliminated upon consolidation)	7,375	3,976	1,412	(12,807)	(44)	(51)
Reserves	3	(928)	311	754	140	110
Retained profits and non-controlling interests	420	805	(1,130)	381	476	105
Insurance liabilities in excess of liability valuation	439	-	-	-	439	417
Goodwill and other intangible assets	(4,768)	(438)	(65)	(171)	(5,442)	(5,453)
Net deferred tax liabilities/(assets) (1)	(15)	(76)	100	(167)	(158)	(196)
Policy liability adjustment (2)	-	-	(442)	-	(442)	(421)
Other Tier 1 deductions	(14)	(27)	-	(1)	(42)	(38)
Common Equity Tier 1 capital	**3,440**	**3,312**	**186**	**536**	**7,474**	**7,011**
Additional Tier 1 capital						
Eligible hybrid capital	540	585	-	14	1,139	1,139
Additional Tier 1 capital	**540**	**585**	**-**	**14**	**1,139**	**1,139**
Tier 1 capital	**3,980**	**3,897**	**186**	**550**	**8,613**	**8,150**
Tier 2 capital						
General reserve for credit losses	-	217	-	-	217	226
Eligible Subordinated notes	580	600	-	-	1,180	1,155
Transitional Subordinated notes (3)	-	38	-	-	38	38
Tier 2 capital	**580**	**855**	**-**	**-**	**1,435**	**1,419**
Total capital	**4,560**	**4,752**	**186**	**550**	**10,048**	**9,569**
Represented by:						
Capital in Australian regulated entities	3,855	4,748	42	-	8,645	8,183
Capital in New Zealand regulated entities	538	-	116	-	654	662
Capital in unregulated entities (4)	167	4	28	550	749	724

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

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

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

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

General Insurance capital

	GI Group [1] Dec-20 $M	GI Group [1] Jun-20 $M
Common Equity Tier 1 capital		
Ordinary share capital	7,375	7,375
Reserves	3	1
Retained profits and non-controlling interests	420	159
Insurance liabilities in excess of liability valuation	439	417
Goodwill and other intangible assets	(4,768)	(4,772)
Net deferred tax assets	(15)	(21)
Other Tier 1 deductions	(14)	(13)
Common Equity Tier 1 capital	**3,440**	**3,146**
Additional Tier 1 capital	**540**	**540**
Tier 1 capital	**3,980**	**3,686**
Tier 2 Capital		
Eligible subordinated notes	580	555
Transitional subordinated notes	-	-
Tier 2 capital	**580**	**555**
Total capital	**4,560**	**4,241**
Prescribed Capital Amount		
Outstanding claims risk charge	1,019	969
Premium liabilities risk charge	609	599
Total insurance risk charge	1,628	1,568
Insurance concentration risk charge	250	250
Asset risk charge	972	937
Operational risk charge	333	315
Aggregation benefit	(569)	(550)
Total Prescribed Capital Amount (PCA)	**2,614**	**2,520**
Common Equity Tier 1 ratio	**1.32**	**1.25**
Total capital ratio	**1.74**	**1.68**

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

Bank capital

	Regulatory Banking Group	Other Entities	Statutory Banking Group	Statutory Banking Group
	Dec-20	Dec-20	Dec-20	Jun-20
	$M	$M	$M	$M
Common Equity Tier 1 capital				
Ordinary share capital	2,754	1,222	3,976	3,976
Reserves	59	(987)	(928)	(954)
Retained profits	796	9	805	626
Goodwill and other intangible assets	(198)	(240)	(438)	(445)
Net deferred tax assets	(76)	-	(76)	(87)
Other Tier 1 deductions	(27)	-	(27)	(25)
Common Equity Tier 1 capital	**3,308**	**4**	**3,312**	**3,091**
Additional Tier 1 capital				
Eligible hybrid capital	585	-	585	585
Additional Tier 1 capital	**585**	**-**	**585**	**585**
Tier 1 capital	**3,893**	**4**	**3,897**	**3,676**
Tier 2 capital				
General reserve for credit losses	217	-	217	226
Eligible Subordinated notes	600	-	600	600
Transitional Subordinated notes	38	-	38	38
Tier 2 capital	**855**	**-**	**855**	**864**
Total capital	**4,748**	**4**	**4,752**	**4,540**
Risk-Weighted Assets				
Credit risk	29,169	-	29,169	29,442
Market risk	131	-	131	93
Operational risk	3,621	-	3,621	3,572
Total Risk-Weighted Assets	**32,921**	**-**	**32,921**	**33,107**
Common Equity Tier 1 ratio	**10.05%**		**10.06%**	**9.34%**
Total capital ratio	**14.42%**		**14.43%**	**13.71%**

Capital Instruments

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	31 December 2020 GI $M	Bank $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Debt [1]	320 bps	Oct 2022	Oct 2016	330	-	-	330	329
SGL Subordinated Debt [1] [2]	215 bps	Dec 2023	Sep 2018	-	600	-	600	598
SGL Subordinated Debt 2 [1] [2]	225 bps	Dec 2025	Sep 2020	250	-	-	250	248
SML FRCN [3]	75 bps	Perpetual	Dec 1998	-	38	-	38	72
Total subordinated debt				**580**	**638**	**-**	**1,218**	**1,247**
SGL Capital Notes [1] [2]	410 bps	Jun 2022	May 2017	-	375	-	375	373
SGL Capital Notes 2 [1] [2]	365 bps	Jun 2024	Nov 2017	165	210	-	375	371
SGL Capital Notes 3 [1] [2]	300 bps	Jun 2026	Dec 2019	375	-	14	389	383
Total Additional Tier 1 capital				**540**	**585**	**14**	**1,139**	**1,127**
Total				**1,120**	**1,223**	**14**	**2,357**	**2,374**

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	30 June 2020 GI $M	Bank $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
AAIL Subordinated Debt [1]	330 bps	Nov 2020	Nov 2015	225	-	-	225	225
AAIL Subordinated Debt [1]	320 bps	Oct 2022	Oct 2016	330	-	-	330	329
SGL Subordinated Debt [1] [2]	215 bps	Dec 2023	Sep 2018	-	600	-	600	597
SML FRCN [3]	75 bps	Perpetual	Dec 1998	-	38	-	38	72
Total subordinated debt				**555**	**638**	**-**	**1,193**	**1,223**
SGL Capital Notes [1] [2]	410 bps	Jun 2022	May 2017	-	375	-	375	372
SGL Capital Notes 2 [1] [2]	365 bps	Jun 2024	Nov 2017	165	210	-	375	371
SGL Capital Notes 3 [1] [2]	300 bps	Jun 2026	Dec 2019	375	-	14	389	383
Total Additional Tier 1 capital				**540**	**585**	**14**	**1,139**	**1,126**
Total				**1,095**	**1,223**	**14**	**2,332**	**2,349**

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

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

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

STATEMENT OF ASSETS AND LIABILITIES

General Insurance

	Half Year Ended			Dec-20	Dec-20
	Dec-20	Jun-20	Dec-19	vs Jun-20	vs Dec-19
	$M	$M	$M	%	%
Assets					
Cash and cash equivalents	511	456	457	12.1	11.8
Derivatives	99	125	85	(20.8)	16.5
Investment securities	13,909	13,312	12,942	4.5	7.5
Premiums outstanding	2,782	2,855	2,720	(2.6)	2.3
Reinsurance and other recoveries	2,151	2,400	2,045	(10.4)	5.2
Deferred reinsurance assets	593	926	579	(36.0)	2.4
Deferred acquisition costs	753	732	740	2.9	1.8
Due from related parties	161	129	356	24.8	(54.8)
Property, plant and equipment	75	76	85	(1.3)	(11.8)
Deferred tax assets	2	4	5	(50.0)	(60.0)
Goodwill and intangible assets	4,781	4,794	4,814	(0.3)	(0.7)
Other assets	620	924	629	(32.9)	(1.4)
Total assets	**26,437**	**26,733**	**25,457**	**(1.1)**	**3.8**
Liabilities					
Payables and other liabilities	618	962	699	(35.8)	(11.6)
Provisions and employee benefits liabilities	125	159	59	(21.4)	111.9
Derivatives	24	37	35	(35.1)	(31.4)
Due to related parties	282	442	280	(36.2)	0.7
Deferred tax liabilities	-	3	13	(100.0)	(100.0)
Unearned premium liabilities	5,363	5,218	5,174	2.8	3.7
Outstanding claims liabilities	10,756	10,436	10,261	3.1	4.8
Loan capital	579	554	553	4.5	4.7
Current tax liabilities	5	49	16	(89.8)	(68.8)
Amount due to reinsurers	329	782	266	(57.9)	23.7
Total liabilities	**18,081**	**18,642**	**17,356**	**(3.0)**	**4.2**
Net assets	**8,356**	**8,091**	**8,101**	**3.3**	**3.1**

Reconciliation of net assets to Common Equity Tier 1 capital

	Dec-20	Jun-20	Dec-19
Net assets - GI businesses	**8,356**	**8,091**	**8,101**
Insurance liabilities in excess of liability valuation	439	417	483
Reserves excluded from regulatory capital	(18)	(16)	(15)
Additional Tier 1 capital	(540)	(540)	(540)
Goodwill allocated to GI businesses	(4,399)	(4,398)	(4,401)
Other intangibles (including software assets)	(384)	(395)	(418)
Other Tier 1 deductions	(14)	(13)	(12)
Common Equity Tier 1 capital	**3,440**	**3,146**	**3,198**

Bank

	Dec-20 $M	Jun-20 $M	Dec-19 $M	Dec-20 vs Jun-20 %	Dec-20 vs Dec-19 %
Assets					
Cash and cash equivalents	260	211	1,529	23.2	(83.0)
Receivables due from other banks	1,212	567	470	113.8	157.9
Trading securities	1,371	1,460	897	(6.1)	52.8
Derivatives	368	691	543	(46.7)	(32.2)
Investment securities	4,634	4,814	3,926	(3.7)	18.0
Loans and advances	57,026	57,723	58,354	(1.2)	(2.3)
Due from related parties	248	230	372	7.8	(33.3)
Deferred tax assets	64	78	34	(17.9)	88.2
Other assets	139	150	159	(7.3)	(12.6)
Goodwill and intangible assets	262	262	262	-	-
Total assets	**65,584**	**66,186**	**66,546**	**(0.9)**	**(1.4)**
Liabilities					
Deposits and short-term borrowings	47,294	46,524	47,202	1.7	0.2
Derivatives	530	534	417	(0.7)	27.1
Payables due to other banks	68	293	289	(76.8)	(76.5)
Payables and other liabilities	132	217	256	(39.2)	(48.4)
Due to related parties	65	80	30	(18.8)	116.7
Provisions	-	-	3	n/a	(100.0)
Securitisation liabilities	2,590	2,945	3,396	(12.1)	(23.7)
Long-term borrowings [1]	9,720	10,607	9,884	(8.4)	(1.7)
Subordinated notes	672	672	672	-	-
Total liabilities	**61,071**	**61,872**	**62,149**	**(1.3)**	**(1.7)**
Net assets	**4,513**	**4,314**	**4,397**	**4.6**	**2.6**
Reconciliation of net equity to Common Equity Tier 1 capital					
Net equity - Banking	**4,513**	**4,314**	**4,397**		
Additional Tier 1 capital	(585)	(585)	(585)		
Goodwill allocated to Banking Business	(240)	(240)	(240)		
Regulatory capital equity adjustments	(3)	(6)	(6)		
Regulatory capital adjustments	(301)	(317)	(266)		
Other reserves excluded from Common Equity Tier 1 ratio	(76)	(81)	(86)		
Common Equity Tier 1 capital	**3,308**	**3,085**	**3,213**		

(1) Long-term borrowings include $2.4 billion (Jun-20: $1.1 billion) of the Term Funding Facility announced by the RBA on 19 March 2020 in response to COVID-19.

GLOSSARY

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium
Banking & Wealth function	Suncorp's Banking & Wealth business is focused on lending, deposit gathering and transaction account services to personal, small and medium enterprise, commercial and agribusiness customers. The wealth portfolio develops, administers and distributes superannuation products
Basis points (bps)	A 'basis point' is 1/100th of a percentage point
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets, recoverable amount adjustments on intangibles, the profit or loss on divestment and their tax effect
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Cash return on average shareholders' equity pre-goodwill	Cash earnings divided by average equity attributable to owners of the Company less goodwill. Averages are based on monthly balances over the period. The ratio is annualised for half years
Claims Handling Expenses (CHE)	Costs incurred in the investigation, assessment and settlement of a claim
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 Ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables
Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period, adjusted for potential ordinary shares that are dilutive, in accordance with AASB 133 Earnings per Share
Effective tax rate	Income tax expense divided by profit before tax
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle, based on guidance provided by APRA
Fire service levies (FSL) – Insurance (Australia)	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable State Government. Fire service levies were established to cover corresponding fire brigade charges
Fire service levies (FSL) – New Zealand	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by Fire and Emergency New Zealand. Fire service levies were established to cover corresponding fire brigade charges
Funds under management and administration	Funds where the Wealth business, in Australia and New Zealand, receives a fee for the administration and management of an asset portfolio
General insurance businesses	General insurance businesses include Insurance (Australia)'s general insurance business and New Zealand's general insurance business. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure, rather than business functions structure
Gross earned premium	The total premium on insurance earned by an insurer during a specified period on premiums underwritten in the current and previous underwriting years

Gross non-performing loans	Gross impaired assets plus past due loans
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer during a specified period, before deduction of reinsurance premium
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years
Insurance (Australia) function	Suncorp's Insurance (Australia) business provides consumer, commercial and personal injury products to the Australian market. The Suncorp Group is one of Australia's largest general insurers by Gross Written Premium and Australia's largest compulsory third party insurer
Insurance funds	Insurance funds explicitly back insurance liabilities. They are designed to match the insurance liabilities and are managed separately from shareholders' funds
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium
Life insurance businesses	Following the sale of the Australian Life Insurance and Participating Wealth Business on 28 February 2019, Suncorp's life insurance businesses include the New Zealand life insurance business and the remaining Wealth business reported within the Banking & Wealth function. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure rather than business functions structure
Life planned profit margin release	Includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consists of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Maximum Event Retention	This is an estimate of the largest accumulated property loss (from a single event) to which Suncorp will be exposed (taking into account the likelihood of this event is up to one in 200 years), after netting off any potential reinsurance recoveries
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year
Net incurred claims	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries
Net interest margin (NIM)	Net interest income divided by average interest earning assets (net of offset accounts). NIM is the percentage difference between revenue earned on interest bearing assets (loans) minus the cost of interest bearing liabilities (funding)
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net profit after tax (NPAT)	Net profit after tax attributable to owners of Suncorp, derived in accordance with Australian Accounting Standards
Net Stable Funding Ratio (NSFR)	The NSFR measures the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF is the amount of capital and liabilities that are expected to be a reliable source of funds over a 1-year time horizon. The amount of RSF is based on the liquidity characteristics and residual maturity of assets and off-balance sheet activities. The requirement to maintain an NSFR of at least 100% was introduced on 1 January 2018

Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period, adjusted for treasury shares
New Zealand function	Suncorp's New Zealand business distributes consumer, commercial and life insurance products through intermediaries and corporate partners, as well as insurance and personal loans directly to customers via partnerships with the New Zealand Automobile Association
Operating functions	The Suncorp Group comprises three core businesses— Insurance (Australia), Banking & Wealth and Suncorp New Zealand. The operating functions are responsible for product design, manufacturing, claims management, and distribution. The core businesses have end-to-end responsibility for the statutory entities within the Suncorp Group
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid
Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period, multiplied by the ordinary dividend per share for the period divided by cash earnings
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period, multiplied by the ordinary dividend per share for the period divided by profit after tax
Prescribed capital amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance risk, insurance concentration risk, operational risk, combined stress scenario and aggregation benefit as required by APRA
Profit after tax from functions	The profit after tax for the Insurance (Australia), Banking & Wealth and New Zealand functions
Reinsurance	A form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all, or a share of, certain claims incurred by the insurance company.
Reserve releases	Reserve releases occur when provisions made to cover insurance claims made against underwritten policies are assessed as higher than long-run trends in actual experience
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years
Shareholders' funds	Shareholders' funds are part of the investment portfolio and are managed separately from insurance funds
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months
Total capital ratio	Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA
Total operating expense ratio – general insurance	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Total risk-weighted assets	Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA
Treasury shares	Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries
Ultimate net loss (UNL) – New Zealand	Financial obligation when an insured event occurs, net of the catastrophe treaty
Underlying Insurance Trading Ratio (Underlying ITR)	The insurance trading ratio is adjusted for reported prior year reserve releases and natural hazards claims costs above/below long-run expectations, investment income mismatch and any abnormal expenses

FINANCIAL CALENDAR

The financial calendar below may be updated throughout the year. Please refer to suncorpgroup.com.au for up-to-date details. Dividend and distribution dates set out below may be subject to change.

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

Suncorp Group Limited (SUN)

Half year results and interim dividend announcement	**9 February 2021**
Interim ordinary dividend ex-dividend date	15 February 2021
Interim ordinary dividend record date	16 February 2021
Interim ordinary dividend payment date	1 April 2021
Last day for nominations of directors	22 July 2021
Full year results and final dividend announcement	**9 August 2021**
Final ordinary dividend ex-dividend date	13 August 2021
Final ordinary dividend record date	16 August 2021
Final ordinary dividend payment date	22 September 2021
Annual General Meeting	23 September 2021

Suncorp-Metway Floating Rate Notes (SBKHB)

Ex-interest date	12 February 2021
Interest payment date	2 March 2021
Ex-interest date	14 May 2021
Interest payment date	1 June 2021
Ex-interest date	13 August 2021
Interest payment date	31 August 2021
Ex-interest date	12 November 2021
Interest payment date	30 November 2021

Suncorp Group Limited Capital Notes (SUNPF)

Ex-distribution date	2 March 2021
Distribution payment date	17 March 2021
Ex-distribution date	1 June 2021
Distribution payment date	17 June 2021
Ex-distribution date	2 September 2021
Distribution payment date	17 September 2021
Ex-distribution date	2 December 2021
Distribution payment date	17 December 2021

Suncorp Group Limited Capital Notes 2 (SUNPG)

Ex-distribution date	2 March 2021
Distribution payment date	17 March 2021
Ex-distribution date	1 June 2021
Distribution payment date	17 June 2021
Ex-distribution date	2 September 2021
Distribution payment date	17 September 2021
Ex-distribution date	2 December 2021
Distribution payment date	17 December 2021

Suncorp Group Limited Capital Notes 3 (SUNPH)

Ex-distribution date	2 March 2021
Distribution payment date	17 March 2021
Ex-distribution date	1 June 2021
Distribution payment date	17 June 2021
Ex-distribution date	2 September 2021
Distribution payment date	17 September 2021
Ex-distribution date	2 December 2021
Distribution payment date	17 December 2021