Suncorp Group Limited
and subsidiaries

ABN 66 145 290 124

Consolidated interim financial report

for the half-year ended 31 December 2011

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One Company
Many Brands
SUNCORP GROUP

The directors present their report together with the consolidated interim financial report of Suncorp Group Limited (the Company) and its subsidiaries for the half-year ended 31 December 2011 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the half-year are:

Non-executive

Dr Zygmunt E Switkowski (Chairman)	Director since 2005, appointed Chairman 27 October 2011
Ilana R Atlas	Director since 2011
William J Bartlett	Director since 2003
Paula J Dwyer	Director since 2007
Stuart I Grimshaw	Retired 23 August 2011
Ewoud J Kulk	Director since 2007
Geoffrey T Ricketts	Director since 2007
John D Story	Retired 27 October 2011

Executive

Patrick J R Snowball (Managing Director)	Director since 2009

Review of operations

Overview of the Suncorp Group

Suncorp Group Limited and its subsidiaries (the Suncorp Group) recorded a consolidated net profit after tax attributable to owners of the Company of $389 million for the half-year ended 31 December 2011, compared to $223 million for the corresponding prior period, representing a 74% increase in profit. The current period profit includes the gain on sale of property, plant and equipment of $63 million whereas the corresponding prior period profit includes the loss on disposal of interests in various subsidiaries of $106 million that were not core to the Suncorp Group's operations.

Financial position and capital structure

The Suncorp Group has net assets of $14.1 billion (June 2011: $14.0 billion). The increase in net assets of $115 million comprises the profit for the half-year partially offset by the payment of the final dividend in respect of 30 June 2011.

The Suncorp Group's capital position remains strong, with in excess of $1 billion identified as surplus capital to the Suncorp Group's targets. This is despite the Suncorp Group paying down a further $173 million in subordinated debt and repurchasing $72 million of reset preference shares during the half-year. The Suncorp Group places a priority on balance sheet management and ensuring the Suncorp Group is well positioned to deal with regulatory and economic uncertainty.

At 31 December 2011 the domestic General Insurance group's minimum capital ratio multiple is 1.67 times the statutory minimum (June 2011: 1.67 times) and the Bank's capital adequacy ratio is 13.1% (June 2011: 13.4%)

Impact of legislation and other external requirements

There continues to be significant legislative and regulatory reform which impacts the Suncorp Group's operations in Australia and New Zealand.

The National Disaster Insurance Review released its report on 14 November 2011 which contains recommendations which could significantly impact the insurance industry including recommendations to mandate flood cover, subsidise flood cover for properties with medium to high flood risk and establish a Government sponsored reinsurance facility for medium to high flood risk policies. The Federal Government is considering some of the recommendations and is consulting with stakeholders on others.

The Federal Government, after consulting with stakeholders, is implementing reforms requiring a standard definition of "flood" and a key facts statement for home and contents policies which will be implemented in 2012.

The Queensland Floods Commission of Inquiry has extended its hearings into the operation of Wivenhoe Dam. The Commission is scheduled to hand down its report in March 2012 which will include findings and recommendations concerning the performance of insurers.

Review of operations (continued)

Impact of legislation and other external requirements (continued)

The Australian Prudential Regulation Authority (APRA) released its Life and General Insurance Capital (LAGIC) Response Paper and draft Prudential Standards on 9 December 2011 which are proposed to take effect on 1 January 2013. If implemented in their current form, the proposed Prudential Standards will result in significant increases in regulatory capital requirements across the general insurance industry. This will result in increased reinsurance and capital costs and could lead to significant premium increases.

A key proposal of the Federal Government's response to the recommendations of the Cooper Review in 2010 is the introduction from 1 July 2013 of a new low cost default simple superannuation product called MySuper, which the Suncorp Group is looking to provide from late 2012.

Reforms requiring shorter Product Disclosure Statements for some superannuation and margin lending products take effect from 22 June 2012.

From 1 July 2012, it is anticipated that the Federal Government's "Future of Financial Advice" (FOFA) will bring in key reforms that include providing clients who receive personal financial advice with annual fee disclosure statements, financial adviser appointment every two years, a ban on conflicted benefits to financial advisers and a statutory duty requiring advisers to act in the best interests of their clients and give priority to their client's interests.

The *Banking Act* has been amended to facilitate the issuing of covered bonds as a new source of funding for Australian banks.

Changes made to the Financial Claims System (FCS) took effect on 1 February 2012 with the introduction of a continuing guarantee on deposits up to $250,000 replacing the emergency guarantee which was introduced at the height of the global financial crisis.

The Personal Property Securities scheme became operational on 30 January 2012 as the sole national register of security interests in most forms of personal property and similar transactions except interests in land and other exempted statutory licences. Suncorp Bank was a stakeholder in all business, legal and operational working groups providing feedback to industry bodies and the Federal Attorney General's Department on all system migration and testing platforms.

The *Competition and Consumer Act* amendments prohibiting price signalling by authorised deposit taking institutions (ADIs) take effect on 1 July 2012.

The National Consumer Credit Phase 2 reforms, continue to be rolled out or developed by the Federal Government, including credit card reform (commencing 1 July 2012) and other changes covering hardship/postponement/stay of enforcement provisions, consumer lease alignment with credit contract provisions, reverse mortgages, small amount lending, annual limits on costs and miscellaneous other enhancements. The final form of the proposed changes and commencement dates are not yet determined. The Federal Government is also considering whether or not to regulate the provision of credit to small business and other types of investment lending.

APRA released its discussion paper setting out how it proposes to adopt the package of Basel III reforms in relation to the global banking system for application to Australian ADIs. The proposal will result in changes being made to minimum capital requirements including stricter eligibility criteria for capital instruments, introduction of capital conservation and countercyclical buffers, which will be introduced progressively by 1 January 2018. APRA is proposing to require ADIs including Suncorp Bank to meet the revised Basel III minimum capital ratios and regulatory adjustments by 1 January 2013.

APRA continues consultation on the Level 3 supervision of conglomerates proposals and expects to finalise and implement those proposals by the second quarter of 2013.

National uniform occupational health and safety laws commenced on 1 January 2012 in all states and territories except Victoria, South Australia, Western Australia and Tasmania.

The proposed reforms to Australia's privacy laws with new privacy principles and credit reporting reforms are likely to be introduced into the Federal Parliament in the autumn sittings of 2012.

Outcomes of other government or regulatory reviews including into the taxation system and Australia's clearing and settlement systems and various reforms proposed or already implemented for various Federal and State judicial systems, could also impact the Suncorp Group's operations.

Review of operations (continued)

Impact of legislation and other external requirements (continued)

The New Zealand regulatory environment is undergoing significant change with the introduction or implementation of key pieces of legislation including for the areas of insurance law, financial services and consumer law.

The *Insurance (Prudential Supervision) Act 2010* (IPSA) requires virtually all insurers to be licensed by the Reserve Bank of New Zealand. Insurers are required to hold a provisional licence by 7 March 2012 and a full licence by 7 September 2013. Applications have been submitted for the Suncorp's New Zealand businesses. Insurers will need to comply with the IPSA while operating under a provisional licence, to the extent provided for in that licence. Once fully licensed, they will need to comply with a number of ongoing requirements, as well as any conditions imposed on their licence by the Reserve Bank of New Zealand.

The *Financial Service Providers (Registration and Dispute Resolution) Act 2008* (FSP Act) and the *Financial Advisers Act 2008* require compulsory registration and participation in a dispute resolution scheme and for financial advisors to adhere to minimum standards.

All of these prudential, regulatory and other proposals or enquiries will or could impact the Suncorp Group's respective operations in banking, general and life insurance.

Review of principal businesses

General Insurance

General Insurance recorded profit after tax of $162 million (December 2010: $292 million). The Insurance Trading Result (ITR) was $129 million, representing an ITR ratio of 3.8%. The ITR has reduced due to adverse natural hazard claims, lower reserve releases and the impact of falling interest rates.

Gross Written Premium (GWP) increased by 8.2% to $3,855 million. Personal lines experienced premium growth in Home (15.9%) and Motor (1.7%). Home premium rates have increased due to ongoing adverse natural hazard experience and higher reinsurance costs. Commercial Insurance GWP increased 9.3% and Compulsory Third Party (CTP) GWP increased 0.9%.

Net incurred claims were $2.8 billion. Short-tail claims expenses were impacted by a number of major weather events, resulting in net natural hazard claims being $149 million above the Suncorp Group's allowance. Net outstanding claims provision releases of $54 million are broadly in line with the expectation of 1.5% of net earned premium and related to favourable claims experience in long-tail classes partially offset by some short-tail strengthening.

Total operating expenses reduced to $733 million. Acquisition expenses reduced by $13 million and other underwriting expenses increased by $1 million due to the tight control of expenses. Investment income on insurance funds was $373 million. This included a loss of $160 million from the widening of credit spreads and mark-to-market losses on index-linked bonds. Investment returns from shareholder funds was $126 million.

The Suncorp Group's general insurance operations in New Zealand contributed an ITR of $13 million. In NZ$ terms, GWP increased 20.6%; however the benefit of this was offset by a significant increase in reinsurance costs. The result included $28 million of reduced amortisation of deferred acquisition costs relating to the $35 million liability adequacy test charge at 30 June 2011.

Review of operations (continued)

Review of principal businesses (continued)

Bank

The Bank has significantly improved its profit after tax to $102 million (December 2010: $3 million). The improvement reflects lower impairment losses and the $34 million pre-tax profit on sale of the Polaris Data Centre joint venture asset.

Following the weather events of early 2011 and weaker economic conditions in its home Queensland market, the Bank has been focused on rebuilding its lending pipeline. This resulted in a return to above system home lending growth in the half.

Net interest income of $469 million was up 7.1%. This resulted in a robust net interest margin against interest earning assets of 1.56% and a net interest margin against lending assets of 1.99%. Net interest income benefited from enhanced yields on liquid assets but was impacted by the non-core portfolio run-off and significant levels of recovery of interest not brought to account on impaired assets.

The Bank maintains its conservative funding position with the deposit to core lending ratio at 69.4%. The Bank's funding position was further strengthened in the half-year with a $1.25 billion residential mortgage backed securitisation (RMBS) issue that was well supported by the market. In a volatile global financial market, the Bank has maintained its 'A+/A1' credit rating, ensuring a diverse range of funding sources remains available to the Bank.

Banking loans, advances and other receivables at 31 December 2011 were $47.7 billion (June 2011: $48.6 billion). The non-core portfolio continued to exceed run-off targets during the half-year, with non-core loans and advances reducing to $5.7 billion. Run-off was achieved across all product segments, with the number of large exposures (greater than $50 million) declining from 53 to 44 over the half-year.

Gross impaired assets were $2.3 billion, down from $2.4 billion at 30 June 2011. The European Sovereign Debt crisis continues to drive caution in domestic markets, particularly in the market for non-core impaired assets. As a result, a number of impaired exposures have seen an extension to their work out periods. These extensions delay the run-off of impaired assets and result in higher impairment loss charges. Global uncertainty has also impacted valuations, particularly in the development property market as the demand for future development stock has also extended out.

Impairment losses were $131 million (December 2010: $213 million). There was improvement in core arrears trends as conditions normalised following the weather events of early 2011. The impairment losses included the write-back of the $25 million flood provision, an increase in collective provisions of $13 million resulting from methodology changes, and a $58 million increase related to extensions on work out dates in the non-core portfolio.

Operating expenses were 4.3% higher due to investment in the Bank's product, distribution and sales force capability.

Life

Suncorp Life's net profit after tax of $133 million was up 118% (December 2010: $61 million). The embedded value of Suncorp Life increased to $2,465 million at 31 December 2011 (June 2011: $2,377 million), and the value of one year's sales amounted to $54 million.

Life Risk profit after tax was $46 million, up 21% on the prior corresponding period. This is comprised of planned profit margin release of $47 million and underlying investment income of $23 million. Economic uncertainty and negative consumer sentiment continues to impact the industry and has contributed to an adverse experience of $20 million. Disability claims ($12 million) and lapse ($8 million) experience has improved on the prior corresponding period as a result of business initiatives.

Individual Life Risk new business was $51 million, up 11% on the prior corresponding period reflecting the strong momentum in the Independent Financial Advisor and direct distribution channels. New Zealand new business was flat at $7 million, despite a year of regulatory change and natural disasters.

Superannuation profit after tax of $23 million was up 5% on the prior corresponding period. Superannuation new business sales were $187 million, up 11% due to increased sales via the direct distribution channels. Funds under Administration of $7.3 billion were down 42%, due to the divested businesses and investment market volatility, leading to reduced fee income.

Operating expenses reduced 12% to $183 million, despite investment in the growth in distribution and delivery of significant simplification initiatives such as the merging of the Australian life businesses, Asteron Life Limited and Suncorp Life & Superannuation Limited. Operating expenses were favourably impacted by the divested businesses.

Events subsequent to reporting date

On 25 January 2012, the Suncorp Group repurchased government guaranteed bonds with a carrying value of $1,008 million for $1,011 million, resulting in a loss on repurchase of $3 million.

Except as noted above, there has not arisen in the interval between 31 December 2011 and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group.

Dividends

A fully franked 2011 final dividend of $257 million (20 cents per share) was paid on 1 October 2011. A fully franked 2012 interim dividend of $257 million (20 cents per share) has been declared by directors.

Further details of dividends provided for or paid are set out in note 5 to the consolidated interim financial statements.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2011.

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the directors' report have been rounded off to the nearest million dollars unless otherwise stated.

Signed in accordance with a resolution of the directors.

Dr Zygmunt E Switkowski
Chairman

Patrick J R Snowball
Managing Director

Brisbane
22 February 2012

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Suncorp Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Paul Reid
Partner

Brisbane
22 February 2012

Consolidated interim statement of comprehensive income

for the half-year ended 31 December 2011

		Consolidated	
		Half-year ended	
		Dec 11	Dec 10
	Note	$m	$m
Revenue			
Insurance premium income		4,093	3,945
Reinsurance and other recoveries income		1,147	857
Banking interest income		2,088	2,213
Investment revenue		467	713
Other income		312	336
Total revenue		8,107	8,064
Expenses			
General insurance claims expense		(3,871)	(3,044)
Life insurance claims expense and movement in policyowner liabilities		26	(584)
Outwards reinsurance premium expense		(449)	(380)
Interest expense		(1,647)	(1,798)
Fees and commissions expense		(241)	(230)
Operating expenses		(1,280)	(1,342)
Impairment expense	8.1.2	(131)	(213)
Fair value remeasurement of assets and liabilities classified as held for sale	14.3	-	(106)
Outside beneficial interests in managed funds		(8)	(3)
Total expenses		(7,601)	(7,700)
Profit before income tax		506	364
Income tax expense	9	(116)	(137)
Profit for the period		390	227
Other comprehensive income			
Net change in fair value of cash flow hedges		60	70
Net change in fair value of available-for-sale financial assets		(66)	(4)
Exchange differences on translation of foreign operations		(12)	(51)
Income tax expense on other comprehensive income		2	(21)
Other comprehensive income net of income tax		(16)	(6)
Total comprehensive income for the period		374	221
Profit for the period attributable to:			
Owners of the Company		389	223
Non-controlling interests		1	4
Profit for the period		390	227
Total comprehensive income for the period attributable to:			
Owners of the Company		373	217
Non-controlling interests		1	4
Total comprehensive income for the period		374	221
		Cents	Cents
Earnings per share:			
Basic earnings per share		30.45	17.51
Diluted earnings per share		30.03	17.51

The consolidated interim statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated interim statement of financial position
as at 31 December 2011

		Consolidated		
	Note	Dec 11 $m	Jun 11 $m	Dec 10 $m
Assets				
Cash and cash equivalents		1,231	1,271	1,496
Receivables due from other banks		159	226	91
Trading securities		3,641	4,952	4,868
Derivatives		291	166	376
Investment securities		24,775	24,014	23,969
Assets classified as held for sale	14.3	-	-	118
Banking loans, advances and other receivables		47,739	48,639	50,351
General insurance assets		7,247	8,054	4,506
Life assets		586	671	538
Property, plant and equipment	10	230	351	337
Deferred tax assets		94	148	170
Other assets		717	686	668
Goodwill and intangible assets		6,295	6,310	6,368
Total assets		93,005	95,488	93,856
Liabilities				
Deposits and short-term borrowings		38,774	38,858	36,855
Derivatives		2,105	2,580	3,266
Payables due to other banks		26	31	18
Payables and other liabilities		1,752	2,224	1,528
Current tax liabilities		7	145	171
Liabilities classified as held for sale	14.3	-	-	12
General insurance liabilities		14,956	14,831	11,866
Life liabilities		5,770	6,183	6,268
Deferred tax liabilities		-	-	3
Managed funds units on issue		365	701	581
Securitisation liabilities	8.3	4,313	3,532	4,011
Debt issues	8.4	8,676	10,031	12,680
Subordinated notes	11	1,368	1,524	1,814
Preference shares	8.6	760	830	871
Total liabilities		78,872	81,470	79,944
Net assets		14,133	14,018	13,912
Equity				
Share capital	12	12,665	12,662	12,614
Reserves	13	36	33	4
Retained profits		1,420	1,306	1,273
Total equity attributable to owners of the Company		14,121	14,001	13,891
Non-controlling interests		12	17	21
Total equity		14,133	14,018	13,912

The consolidated interim statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

for the half-year ended 31 December 2011

		Consolidated					
		Equity attributable to owners of the Company					
	Note	Share capital $m	Reserves $m	Retained profits $m	Total $m	Non-controlling interests $m	Total Equity $m
Balance as at 1 July 2011		12,662	33	1,306	14,001	17	14,018
Profit after tax for the period		-	-	389	389	1	390
Other comprehensive income		-	(16)	-	(16)	-	(16)
Total comprehensive income for the period		-	(16)	389	373	1	374
Transactions with owners, recorded directly in equity							
Dividends paid	5	-	-	(256)	(256)	(6)	(262)
Share-based payments		5	-	-	5	-	5
Treasury shares movements		(2)	-	-	(2)	-	(2)
Transfers		-	19	(19)	-	-	-
Balance as at 31 December 2011		12,665	36	1,420	14,121	12	14,133
Balance as at 1 July 2010		12,618	74	1,241	13,933	20	13,953
Profit after tax for the period		-	-	223	223	4	227
Other comprehensive income		-	(6)	-	(6)	-	(6)
Total comprehensive income for the period		-	(6)	223	217	4	221
Transactions with owners, recorded directly in equity							
Dividends paid	5	-	-	(255)	(255)	(3)	(258)
Share-based payments		5	-	-	5	-	5
Treasury shares movements		(9)	-	-	(9)	-	(9)
Transfers		-	(64)	64	-	-	-
Balance as at 31 December 2010		12,614	4	1,273	13,891	21	13,912

The consolidated interim statement of changes in equity is to be read in conjunction with the accompanying notes.

	Consolidated	
	Half-year ended	
	Dec 11	Dec 10
	$m	$m
Cash flows from operating activities		
Premiums received	4,552	4,355
Claims paid	(4,512)	(3,288)
Interest received	2,533	2,553
Interest paid	(1,647)	(1,823)
Reinsurance and other recoveries received	1,700	647
Outwards reinsurance premiums paid	(486)	(408)
Other operating income received	194	706
Dividends received	82	22
Operating expenses paid	(2,052)	(2,590)
Income tax paid	(195)	(59)
Net decrease in operating assets		
Trading securities	1,329	3,367
Banking loans, advances and other receivables	1,085	688
Net (decrease) increase in operating liabilities		
Deposits and short-term borrowings	(84)	2,839
Net cash from operating activities	2,499	7,009
Cash flows from investing activities		
Proceeds from sale of investment securities	17,669	12,611
Payments for purchase of investment securities	(18,256)	(15,373)
Proceeds from disposal of property plant and equipment and intangible software	103	3
Proceeds from other investing activities	-	287
Payments from other investing activities	(93)	(57)
Net cash (used in) investing activities	(577)	(2,529)
Cash flows from financing activities		
Net (decrease) in borrowings	(1,505)	(3,475)
Payment on call of subordinated notes	(173)	(220)
Dividends paid on ordinary shares	(256)	(255)
Payments for reset preference share redemption	(72)	-
Payments for other financing activities	(14)	(13)
Net cash (used in) financing activities	(2,020)	(3,963)
Net (decrease) increase in cash and cash equivalents	(98)	517
Cash and cash equivalents at the beginning of the period	1,466	1,087
Cash balances transferred to assets held for sale	-	(31)
Effect of exchange rate fluctuations on cash held	(4)	(4)
Cash and cash equivalents at end of the period	1,364	1,569
Cash and cash equivalents at end of the period comprises:		
Cash and cash equivalents	1,231	1,496
Receivables due from other banks	159	91
Payables due to other banks	(26)	(18)
	1,364	1,569

The consolidated interim statement of cash flows is to be read in conjunction with the accompanying notes.

1. Reporting entity

Suncorp Group Limited (the Company) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half-year ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the Suncorp Group) and the Suncorp Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Suncorp Group as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at Level 18, 36 Wickham Terrace, Brisbane, QLD 4000 or at www.suncorpgroup.com.au.

On 7 January 2011, the Suncorp Group completed a restructure which resulted in the Company replacing Suncorp-Metway Ltd (SML) as the ultimate parent of the Suncorp Group. SML became a subsidiary of the Company following the restructure. The restructure was effected by a scheme of arrangement which was approved by SML shareholders on 15 December 2010. Approval was also obtained from the Federal Treasurer, the Australian Prudential Regulation Authority (APRA) and the Supreme Court of Queensland. On restructure, ordinary shareholders of SML, with the exception of a small number of ineligible foreign shareholders, obtained one ordinary share in the Company for each ordinary share they held in SML prior to the implementation of the restructure.

The Company's consolidated financial statements are presented as a continuation of the consolidated SML financial statements. The comparative information presented is consistent with the disclosures made in the consolidated financial statements of SML for the half-year ended 31 December 2010. Comparative earnings per share calculations for the half-year ended 31 December 2010 were not affected as a result of the restructure.

2. Basis of preparation

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full consolidated annual financial report, and should be read in conjunction with the consolidated annual financial report of the Suncorp Group as at and for the year ended 30 June 2011 and any public announcements made in the period by the Suncorp Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The consolidated interim financial report was approved by the Board of Directors on 22 February 2012.

The consolidated interim financial statements have been prepared on the historical cost basis unless the application of fair value or other measurements are required by relevant accounting standards. An exception exists regarding the measurement of defined benefit scheme surplus (deficit) which is described in note 33.1.20 to the Suncorp Group consolidated annual financial report for the year ended 30 June 2011.

These consolidated interim financial statements are presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the subsidiaries.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest million dollars, unless otherwise stated.

Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

3. Significant accounting policies

The accounting policies applied by the Suncorp Group in this consolidated interim financial report are the same as those applied by the Suncorp Group in its consolidated annual financial report for the year ended 30 June 2011.

During the half-year ended 31 December 2011, $2,967 million of available-for-sale financial assets measured at fair value were reclassified to held-to-maturity investments as a result of change in intention to hold these investments to maturity. The fair value carrying amount of the available-for-sale financial assets on the date of reclassification became the new amortised cost of the held-to-maturity investments. Any previous gain or loss on these investments recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investments. Any difference between the new amortised cost and maturity amount is amortised over the remaining useful life of the investment using the effective interest method.

4. Use of estimates and judgements

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and associated accounting assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Suncorp Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2011.

In determining the general insurance claims liabilities at 31 December 2011, the assumption for wage inflation has been decreased from 4.5% to 4.25%, reflecting the current long term view of average wage inflation. This resulted in a $28 million decrease in general insurance claims liabilities and a corresponding increase to profit before tax.

5. Dividends

	Consolidated			
	Half-year ended			
	Dec 11		Dec 10	
	¢ per share	$m	¢ per share	$m
Dividend payments on ordinary shares net of treasury shares [1]				
2011 final dividend (Dec 10: 2010 final dividend)	20	256	20	255
Dividends not recognised in the consolidated interim statement of financial position [1]				
Since the half-year end, the 2012 interim dividend (Dec 10: 2011 interim dividend) has been proposed [2]	20	255	15	190

Notes

1 All dividends paid and declared were franked at a 30% tax rate (2010: 30%).

2 The total 2012 interim dividend proposed but not recognised in the consolidated interim statement of financial position is estimated based on the total number of ordinary shares on issue net of treasury shares as at 31 December 2011. Actual amount to be recognised in the consolidated financial statements for the financial year ending 30 June 2012 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.

6. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Group Chief Executive Officer and his immediate executive team, representing the Suncorp Group's Chief Operating Decision Maker (CODM), in assessing performance and determining the allocation of resources. The Suncorp Group's operating segments are determined based on their business activities:

Segment	Business area	Business activities
Personal Insurance (Personal)	General Insurance	Provision of personal insurance products to customers in Australia including home and contents insurance, motor insurance and travel insurance.
Commercial Insurance (Commercial)	General Insurance	Provision of commercial insurance products to customers in Australia including commercial motor insurance, commercial property insurance, marine insurance, industrial special risks insurance, public liability and professional indemnity insurance, workers' compensation insurance and compulsory third party insurance.
General Insurance – New Zealand (GI NZ)	General Insurance	Provision of general insurance products to customers in New Zealand including home and contents insurance, marine insurance, business insurance, rural insurance, construction and engineering insurance, travel insurance, public liability and professional indemnity, and directors' and officers' liability.
Banking	Banking	Provision of personal and commercial banking, agribusiness, property and equipment finance, home, personal and small business loans, savings and transaction accounts and foreign exchange and treasury products and services in Australia.
Life	Life	Provision of life insurance products, superannuation administration services, financial planning and funds administration services in Australia and New Zealand.
Corporate	Corporate	Investment of the Suncorp Group's capital, Suncorp Group business strategy activities (including business combinations and divestments) and Suncorp Group shared services.

While profit or loss information is reviewed by the CODM at an operating segment level, assets and liabilities information are reviewed by the CODM at a business area level. Business areas are equivalent to operating segments except for the Personal Insurance, Commercial Insurance and General Insurance New Zealand operating segments which are aggregated as the General Insurance business area.

Segment results presented below are measured on a consistent basis to how they are reported to the CODM:

- Revenues and expenses occurring between segments are subject to contractual agreements between the legal entities comprising each segment.
- Inter-segment transactions which are eliminated on consolidation are reported on a gross basis except for operating expenses incurred by one segment on behalf of another which are recharged on a cost-recovery basis that are presented on a net basis (post allocation basis).
- Intra-group dividends are presented net of eliminations.
- Consolidated gain or loss on sale of subsidiaries and joint ventures and any amortisation of business combination acquired intangible assets are allocated to the Corporate segment regardless of whether the related assets and liabilities are included in the Corporate segment assets and liabilities.
- Depreciation and amortisation expense relating to the Corporate segment's property, plant and equipment and non-business combination acquired intangible assets are allocated to other segments based on their utilisation.
- Goodwill is allocated to each operating segment on a consistent basis to goodwill impairment testing.

The above basis of segmentation and basis of measurement of segment results are the same as those applied by the Suncorp Group in its consolidated annual financial report for the year ended 30 June 2011. Comparative segment information has been represented on this basis.

6.1. Segment results

Business areas	General Insurance				Banking	Life	Corporate	Segment
Operating segments	Personal	Commercial	GI NZ	Total				total
	$m	$m	$m	$m	$m	$m	$m	$m
Half-year ended 31 December 2011								
Revenue from external customers	2,628	1,856	879	5,363	2,208	480	55	8,106
Inter-segment revenue	-	-	-	-	17	3	-	20
Total segment revenue	2,628	1,856	879	5,363	2,225	483	55	8,126
Segment profit (loss) before income tax	43	108	75	226	138	161	(25)	500
Segment income tax expense	(12)	(31)	(21)	(64)	(36)	(28)	12	(116)
Segment profit (loss) after income tax	31	77	54	162	102	133	(13)	384
Half-year ended 31 December 2010								
Revenue from external customers	2,340	1,461	839	4,640	2,313	1,082	-	8,035
Inter-segment revenue	29	19	-	48	11	-	-	59
Total segment revenue	2,369	1,480	839	4,688	2,324	1,082	-	8,094
Segment profit (loss) before income tax	108	305	2	415	16	110	(182)	359
Segment income tax (expense) benefit	(32)	(92)	1	(123)	(13)	(49)	49	(136)
Segment profit (loss) after income tax	76	213	3	292	3	61	(133)	223

6.2. Reconciliation of segment profit before tax

	Consolidated	
	Half-year ended	
	Dec 11	Dec 10
	$m	$m
Segment profit before income tax	500	359
Elimination of intra-group investment revenue	(11)	(19)
Other consolidation eliminations	17	24
Consolidated profit before income tax	506	364

6.3. Results by business area

A summary of revenue and expenses by business area and a summary of assets and liabilities by business area are presented in notes 6.3.1 and 6.3.2. These disclosures are an extension to the operating segment results presented above and are prepared on the same basis as described in note 6. Inclusion of results by business area in addition to the operating segment information presented above is beneficial in understanding the nature and financial effects of the business activities of the Suncorp Group, which consists of a General Insurance group, a Banking group, a Life group and a Corporate group.

6.3.1. Summary of revenue and expenses by business area

	Note	General Insurance	Banking	Life	Corporate	General Insurance	Banking	Life	Corporate
		Half-year ended 31 December 2011				Half-year ended 31 December 2010			
		$m	$m	$m	$m	$m	$m	$m	$m
Revenue									
Insurance premium income		3,727	-	366	-	3,547	-	398	-
Reinsurance and other recoveries income		1,051	-	96	-	760	-	97	-
Banking interest income		-	2,088	-	-	-	2,214	-	-
Investment revenue		505	14	(60)	19	268	3	457	-
Other income		80	123	81	36	113	107	130	-
Total revenue		5,363	2,225	483	55	4,688	2,324	1,082	-
Expenses									
General Insurance claims expense		(3,871)	-	-	-	(3,044)	-	-	-
Life insurance claims expense and movement in policyowner liabilities		-	-	26	-	-	-	(584)	-
Outwards reinsurance premium expense		(368)	-	(81)	-	(281)	-	(99)	-
Interest expense		(37)	(1,619)	-	(6)	(43)	(1,776)	(2)	-
Fees and commissions expense		(128)	(46)	(78)	-	(125)	(40)	(75)	-
Operating expenses		(733)	(291)	(183)	(74)	(780)	(279)	(209)	(76)
Impairment expense	8.1.2	-	(131)	-	-	-	(213)	-	-
Fair value remeasurement of assets and liabilities classified as held for sale	14.3	-	-	-	-	-	-	-	(106)
Outside beneficial interests in managed funds		-	-	(6)	-	-	-	(3)	-
Total expenses		(5,137)	(2,087)	(322)	(80)	(4,273)	(2,308)	(972)	(182)
Profit (loss) before income tax	6.1	226	138	161	(25)	415	16	110	(182)
Income tax expense	6.1	(64)	(36)	(28)	12	(123)	(13)	(49)	49
Profit (loss) for the period	6.1	162	102	133	(13)	292	3	61	(133)

6.3.2. Summary of assets and liabilities by business area

	Note	General Insurance	Banking	Life	Corporate	General Insurance	Banking	Life	Corporate
		As at 31 December 2011				As at 30 June 2011			
		$m	$m	$m	$m	$m	$m	$m	$m
Assets									
Cash and cash equivalents		88	297	685	267	195	345	665	72
Receivables due from other banks		-	159	-	-	-	226	-	-
Trading securities		-	3,641	-	-	-	4,952	-	-
Derivatives		40	330	12	-	23	233	4	-
Investment securities		11,098	6,660	6,851	14,031	10,782	5,742	7,520	13,824
Banking loans, advances and other receivables		-	47,779	-	-	-	48,694	-	-
General Insurance assets		7,247	-	-	-	8,054	-	-	-
Life assets		-	-	586	-	-	-	671	-
Due from Group entities		222	71	-	-	-	159	-	49
Property, plant and equipment	10	20	-	4	206	18	69	5	259
Deferred tax assets		-	178	-	101	-	182	-	105
Other assets		361	279	23	160	343	265	21	144
Goodwill and intangible assets		5,256	266	688	85	5,268	264	707	74
Total assets		24,332	59,660	8,849	14,850	24,683	61,131	9,593	14,527
Liabilities									
Deposits and short-term borrowings		-	39,268	-	-	-	39,247	-	-
Derivatives		110	2,086	-	-	90	2,583	-	-
Payables due to other banks		-	26	-	-	-	31	-	-
Payables and other liabilities		785	598	126	289	1,141	669	173	280
Current tax liabilities		1	-	-	6	1	-	-	144
Due to Group entities		-	-	7	275	167	-	31	-
General Insurance liabilities		14,956	-	-	-	14,831	-	-	-
Life liabilities		-	-	5,770	-	-	-	6,183	-
Deferred tax liabilities		126	-	59	-	81	-	60	-
Managed funds units on issue		15	-	281	-	16	-	673	-
Securitisation liabilities	8.3	-	4,356	-	-	-	3,634	-	-
Debt issues	8.4	-	8,706	-	-	-	10,151	-	-
Subordinated notes	7.1, 8.5	698	670	-	-	678	846	-	-
Preference shares	8.6	-	760	-	-	-	830	-	-
Total liabilities		16,691	56,470	6,243	570	17,005	57,991	7,120	424
Net assets		7,641	3,190	2,606	14,280	7,678	3,140	2,473	14,103

7. General Insurance – Specific disclosures

7.1. General Insurance – Subordinated notes

	General Insurance	
	Dec 11 $m	Dec 10 $m
Balance at the beginning of the period	678	690
Foreign exchange translation and fair value movements	20	(35)
Balance at the end of the period	698	655

Subordinated notes issued in a foreign currency are translated to Australian dollars at spot currency rates, with gains and losses recognised in profit or loss. These movements are largely offset by movements in derivative hedging positions relating to cross currency swaps.

8. Banking – Specific disclosures

8.1. Banking – Provision for impairment on Banking loans, advances and other receivables

8.1.1. Reconciliation of provision for impairment on Banking loans, advances and other receivables

	Consolidated	
	Dec 11 $m	Dec 10 $m
Collective provision		
Balance at the beginning of the period	177	201
(Credit) against impairment losses	(11)	(13)
Balance at the end of the period	166	188
Specific provision		
Balance at the beginning of the period	387	471
Charge against impairment losses	128	216
Impaired assets written off	(50)	(196)
Unwind of discount	(78)	(77)
Balance at the end of the period	387	414
Total provisions	553	602

8.1.2. Impairment expense on Banking loans, advances and other receivables

	Consolidated	
	Half-year ended	
	Dec 11 $m	Dec 10 $m
Decrease in collective provision for impairment	(11)	(13)
Increase in specific provision for impairment	128	216
Bad debts written off	17	13
Bad debts recovered	(3)	(3)
Total impairment expense	131	213

8.2. Banking – Short-term offshore debt securities

	Consolidated	
	Dec 11 $m	**Dec 10 $m**
Balance at the beginning of the period	3,840	1,029
Proceeds from issues	9,419	5,393
Repayments	(11,522)	(3,512)
Foreign exchange translation and fair value movements	130	(147)
Balance at the end of the period	1,867	2,763

Short-term offshore debt securities are disclosed within the consolidated interim statement of financial position category of 'Deposits and short-term borrowings'. They are translated to Australian dollars at spot currency rates, with gains and losses recognised in profit or loss. These movements are largely offset by movements in derivative hedging positions relating to foreign currency foreign exchange contracts.

8.3. Banking – Securitisation liabilities

	Dec 11 $m	**Dec 10 $m**
Banking		
Balance at the beginning of the period	3,634	4,906
Proceeds from issues	1,250	-
Transaction costs (incurred) amortised	(2)	2
Net proceeds	1,248	2
Repayments	(518)	(716)
Foreign exchange translation movements	(8)	(54)
Balance at the end of the period	4,356	4,138
Consolidated		
Adjustments for intra-group investments in Banking's securitisation liabilities		
Balance at the beginning of the period	(102)	(196)
Proceeds from issues	-	-
Repayments	59	69
Balance at the end of the period	(43)	(127)
Total securitisation liabilities	4,313	4,011

Securitisation liabilities have associated securitised home loans which are secured by residential mortgages. Securitisation liabilities issued in a foreign currency are translated to Australian dollars at spot currency rates, with gains and losses recognised in profit or loss. These movements are largely offset by movements in derivative hedging positions relating to cross currency swaps.

8.4. Banking – Debt issues

	Dec 11 $m	Dec 10 $m
Banking		
Balance at the beginning of the period	10,151	17,044
Proceeds from issues	-	900
Transaction costs amortised (incurred)	6	(2)
Net proceeds	6	898
Repayments	(1,629)	(3,163)
Foreign exchange translation and fair value movements	178	(1,737)
Balance at the end of the period	8,706	13,042
Consolidated		
Adjustments for intra-group investments in Banking's debt issues		
Balance at the beginning of the period	(120)	(285)
Proceeds from issues	(8)	(95)
Repayments	98	18
Balance at the end of the period	(30)	(362)
Total debt issues	8,676	12,680

Foreign currency debt issues are translated to Australian dollars at spot currency rates, with gains and losses recognised in profit or loss. These movements are largely offset by movements in derivative hedging positions relating to cross currency swaps.

8.5. Banking – Subordinated notes

	Banking	
	Dec 11 $m	Dec 10 $m
Balance at the beginning of the period	846	1,492
Repayment on call of subordinated notes	(173)	(220)
Foreign exchange translation and fair value movements	(3)	(113)
Balance at the end of the period	670	1,159

Subordinated notes issued in a foreign currency are translated to Australian dollars at spot currency rates, with gains and losses recognised in profit or loss. These movements are largely offset by movements in derivative hedging positions relating to cross currency swaps.

8.6. Banking – Preference shares

	Consolidated	
	Dec 11 $m	Dec 10 $m
Balance at the beginning of the period	830	869
Repayments	(72)	-
Transaction costs amortised	2	2
Balance at the end of the period	760	871

Preference shares consist of reset preference shares (RPS) and convertible preference shares (CPS). These are issued by Suncorp-Metway Ltd.

The RPS are perpetual, paying fixed non-cumulative dividends with certain terms periodically reset. They last reset on 14 September 2011 and the Suncorp Group received exchange requests for 718,519 RPS from RPS holders. Exchange consideration of $72 million was settled in cash and the exchanged RPS were cancelled on this date. The number of RPS on issue as at 31 December 2011 was 304,063 (30 June 2011: 1,022,582; 31 December 2010: 1,440,628). The next reset date is 14 September 2016.

The CPS are fully paid preference shares which will mandatorily convert into a variable number of the Company's ordinary shares on 14 June 2013 (subject to certain requirements being met). The number of CPS on issue as at 31 December 2011, 30 June 2011 and 31 December 2010 was 7,350,000.

8.6.1. Preference share dividends recognised as interest expense

	Consolidated Half-year ended					
	Dec 11			Dec 10		
	¢ per share	$m	Date paid	¢ per share	$m	Date paid
Reset preference shares						
Period from March to September	255	3	14 September 2011	255	4	14 September 2010
Convertible preference shares						
September quarter	145	11	14 September 2011	142	10	14 September 2010
December quarter	141	10	14 December 2011	140	10	14 December 2010
		21			20	

Suncorp Group and Corporate disclosures

9. Income tax expense

The Suncorp Group's consolidated effective tax rate for the half-year ended 31 December 2011 was 22.9% (for the year ended 30 June 2011: 34.9%; for the half-year ended 31 December 2010: 37.6%).

Income tax expense adjustments have primarily arisen from:

- The life insurance statutory funds adjustment resulting in an $8 million income tax credit (Dec 10: $17 million income tax expense). Accounting standards require that the tax expense from an increase in net market values of policyowner assets be recognised as part of the Suncorp Group's income tax expense, whereas the net profit before tax of the Suncorp Group includes a partially offsetting transfer to policyowner liabilities. Consequently, the tax expense is disproportionate relative to the net profit before tax. The reverse (a tax credit) is required in periods where the market values of policyowner assets decrease;
- Non-deductible interest paid in respect of the convertible preference shares of $6 million (December 2010: $6 million) and reset preference shares of $1 million (December 2010: $1 million); and
- Income tax credits arising from non-taxable profits on disposal of Suncorp Centre of $9 million and deferred tax credit adjustment of $12 million for the disposal of the Polaris Data Centre joint venture asset.

10. Property, plant and equipment

	Consolidated	
	Dec 11 $m	Jun 11 $m
Land and buildings	3	100
Leasehold improvements	103	105
Plant and equipment	124	146
	230	351

At 30 June 2011, $33 million of property, plant and equipment relating to the Suncorp Centre was classified as held for sale. This property has been sold during the half-year ended 31 December 2011 as part of the Brisbane real estate consolidation project, resulting in a gain on disposal before tax of $29 million.

The Suncorp Group also sold its investment in the joint venture asset, Polaris Data Centre, during the half-year ended 31 December 2011. Land and buildings of $69 million was derecognised, resulting in a gain on disposal before tax of $34 million.

The gain on disposal of the Suncorp Centre and the Polaris Data Centre joint venture asset are included in the consolidated interim statement of comprehensive income category of 'other income'.

11. Subordinated notes

		Consolidated	
	Note	Dec 11 $m	Dec 10 $m
General Insurance subordinated notes	7.1	698	655
Banking subordinated notes	8.5	670	1,159
		1,368	1,814

12. Share capital

	Consolidated			
	Issued capital $m	Share-based payments $m	Treasury shares $m	Total share capital $m
Balance as at 1 July 2011	12,717	64	(119)	12,662
Share-based payments	-	5	-	5
Treasury shares movements	-	-	(2)	(2)
Balance as at 31 December 2011	12,717	69	(121)	12,665
Balance as at 1 July 2010	12,675	53	(110)	12,618
Share-based payments	-	5	-	5
Treasury shares movements	-	-	(9)	(9)
Balance as at 31 December 2010	12,675	58	(119)	12,614

12.1. Reconciliation of number of ordinary shares on issue

	Consolidated	
	Dec 11 Number	Dec 10 Number
Balance at the beginning of the period	1,286,600,980	1,281,390,524
Issued under the Dividend Reinvestment Plan	-	-
Balance at the end of the period	1,286,600,980	1,281,390,524

On 3 October 2011, 5,594,173 ordinary shares were allotted at the issue price of $7.98 per share under the Dividend Reinvestment Plan in respect of the 30 June 2011 final dividend. On 1 October 2010, 5,944,385 ordinary shares were allotted at the issue price of $8.97 per share under the Dividend Reinvestment Plan in respect of the 30 June 2010 final dividend. Shares for both allotments were acquired on market for delivery to shareholders and resulted in no issue of new shares.

13. Reserves

	Consolidated				
	Equity reserve for credit losses $m	Hedging reserve $m	Assets available-for-sale reserve $m	Foreign currency translation reserve $m	Total reserves $m
Balance as at 1 July 2011	157	(61)	37	(100)	33
Transfer from retained profits	19	-	-	-	19
Amount recognised in equity	-	56	(44)	-	12
Amount transferred from equity to profit or loss	-	4	(22)	-	(18)
Income tax	-	(18)	20	-	2
Exchange differences on translation of foreign operations	-	-	-	(12)	(12)
Balance as at 31 December 2011	176	(19)	(9)	(112)	36
Balance as at 1 July 2010	226	(106)	15	(61)	74
Transfer to retained profits	(64)	-	-	-	(64)
Amount recognised in equity	-	60	3	-	63
Amount transferred from equity to profit or loss	-	10	(7)	-	3
Income tax	-	(22)	1	-	(21)
Exchange differences on translation of foreign operations	-	-	-	(51)	(51)
Balance as at 31 December 2010	162	(58)	12	(112)	4

14. Changes in the composition of the Suncorp Group

14.1. Subsidiaries

The Suncorp Group did not acquire nor dispose of any material subsidiaries during the current or prior interim reporting periods.

14.2. Associates and joint venture entities

The Suncorp Group did not acquire nor disposed of any material interests in joint ventures entities or associates in the current or prior interim reporting period.

14.3. Subsidiaries classified as held for sale

The subsidiaries: Tyndall Investment Management Limited, Tyndall Investment Management New Zealand Limited, and New Zealand Guardian Trust Company Limited were classified as assets and liabilities held for sale as at 31 December 2010. During the half-year ended 31 December 2010, a $106 million loss was recognised for the remeasurement of these subsidiaries to the lower of their carrying amount and their fair value less cost to sell. These subsidiaries were disposed of in March 2011 and the details on their disposal are included in the Suncorp Group's consolidated financial report for the year ended 30 June 2011.

15. Related parties

Except as disclosed below, arrangements for related parties continue to be in place as disclosed in the 30 June 2011 consolidated annual financial report.

Changes in the composition of the Board of Directors

The following changes in directors have occurred during or since the half-year:

- Mr Stuart Grimshaw retired as a Non-executive Director on 23 August 2011; and
- Mr John Story retired as a Non-executive Chairman on 27 October 2011.

Share-based payments

Under the terms of the Executive Performance Share Plan disclosed in the Suncorp Group's consolidated financial report for the year ended 30 June 2011, rights to 1,160,435 shares (December 2010: 1,754,370 shares) were offered to executives as part of their remuneration package on 1 October 2011 (December 2010: 1 October 2010).

The fair value of each share at grant date was $5.27 (December 2010: $5.31). Unconditional ownership of the shares does not occur until the performance targets have been achieved.

16. Contingent assets and liabilities

There have been no material changes in contingent assets or contingent liabilities since 30 June 2011.

17. Subsequent events

On 25 January 2012, the Suncorp Group repurchased government guaranteed bonds with a carrying value of $1,008 million for $1,011 million, resulting in a loss on repurchase of $3 million.

Except as noted above, there has not arisen in the interval between 31 December 2011 and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group.

In the opinion of the directors of Suncorp Group Limited (the Company):

1. the financial statements and notes set out on pages 7 to 22, are in accordance with the *Corporations Act 2001*, including:
    a) giving a true and fair view of the Suncorp Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
    b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 22nd day of February 2012.

Signed in accordance with a resolution of the directors:

Dr Zygmunt E Switkowski
Chairman

Patrick J R Snowball
Managing Director

Independent auditor's review report to the members of Suncorp Group Limited

We have reviewed the accompanying interim financial report of Suncorp Group Limited, which comprises the, consolidated interim statement of financial position as at 31 December 2011, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Suncorp Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Suncorp Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Suncorp Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Suncorp Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Suncorp Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Paul Reid
Partner

Brisbane
22 February 2012