ASX announcement

One Company Many Brands

SUNCORP GROUP

22 February 2012

Suncorp Group Limited
Financial Results - Half Year Ended 31 December 2011

Attached for immediate release is the Suncorp Group Limited **Appendix 4D – Half Year Report** for period ended 31 December 2011.

The following associated documents will be provided separately for lodgement:

- Media Release
- Consolidated Interim Financial Report
- Announcement of Consolidated Financial Results - 31 December 2011

Darren Solomon
Company Secretary
Suncorp Group Limited

attch.

Suncorp Group Ltd- ABN 66 145 290 124 - GPO Box 1453, Brisbane QLD 4001
www.suncorpgroup.com.au

Appendix 4D

Half-year report
For the half-year ended 31 December 2011

1. Company details

Suncorp Group Limited and its subsidiaries (the Suncorp Group)
ABN 66 145 290 124
Reporting period: 1 July 2011 to 31 December 2011
Previous corresponding reporting period: 25 August 2010 to 31 December 2010

Suncorp Group Limited ("the Company") was incorporated on 25 August 2010.

On 7 January 2011, the Suncorp Group completed a restructure under a court approved scheme of arrangement, which resulted in the Company being listed on the Australian Securities Exchange and replacing Suncorp-Metway Ltd as the ultimate parent entity of the Suncorp Group. Under the scheme of arrangement, the ordinary shareholders of Suncorp-Metway Ltd transferred their ordinary shares in Suncorp-Metway Ltd to the Company in exchange for the same number of the Company's ordinary shares.

Immediately following implementation of the scheme of arrangement, the Suncorp Group underwent an internal restructure involving internal asset and liability transfers to align with the new corporate structure. This included the transfer of the general insurance, life and corporate services subsidiaries from Suncorp-Metway Ltd to the Company.

The Company's consolidated financial statements have been presented as a continuation of the Suncorp-Metway Ltd consolidated financial statements. The comparative information presented is consistent with the disclosures made in the consolidated financial statements of Suncorp-Metway Ltd for the half-year ended 31 December 2010. As a result, comparative information provided in this preliminary final report represents the consolidated financial statements of Suncorp-Metway Ltd for the half-year ended 31 December 2010.

2. Results for announcement to the market

Comparison to previous corresponding period	Increase/ Decrease	%	To $m
Revenue from ordinary activities	Increase	0.53	8,107
Profit after tax	Increase	71.81	390
Net profit for the period attributable to owners of the Company	Increase	74.44	389

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.

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.

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.

Dividends

	Amount per share	**Franked amount per share**
2011 Final ordinary dividend – paid	20 cents	20 cents
2012 Interim ordinary dividend – payable	20 cents	20 cents

Record dates for determining entitlements to the above dividends are as follows:

Ordinary shares (SUN) 2 March 2012

There is no attributed foreign conduit income.

3. Net tangible assets per security

	December 2011	**December 2010**
Net tangible assets per security ($)	$6.14	$5.93

4. Entities over which control has been gained or lost during the period

On 31 December 2011, the Suncorp Group acquired AMP GID Pty Ltd. The contribution of this entity to the Suncorp Group's profit for the half year was not material.

5. Dividends

Dividends Payable:	**December 2011 $m**
Ordinary Shares 2012 Interim dividend of 20 cents per fully paid share payable 2 April 2012 franked @ 30%	257

There is no attributed foreign conduit income.

6. Dividend reinvestment plan

Ordinary shareholders will be able to participate in the Company's Dividend Reinvestment Plan. The last date for receipt of an election notice is 2 March 2012.

7. Details of associates and joint venture entities

Details of associates and joint venture entities are as follows:

Associate / Joint Venture	December 2011		December 2010	
	Holdings %	Profit Contribution $	Holdings %	Profit Contribution $
RACT Insurance Pty Ltd	50.0	Not material	50.0	Not material
Australand Land and Housing No 5 (Hope Island) Pty Ltd	0.0	Not material	50.0	Not material
Australand Land and Housing No 7 (Hope Island) Pty Ltd	0.0	Not material	50.0	Not material
Australand Land and Housing No 8 (Hope Island) Pty Ltd	0.0	Not material	50.0	Not material
NTI Limited	50.0	Not material	50.0	Not material
Capital Managers Pty Ltd	22.0	Not material	22.0	Not material
AA Warranty Ltd	0.0	Not material	50.0	Not material
AA Life Services Ltd	50.0	Not material	50.0	Not material

The profit contribution from any one of these joint ventures or associates is not material to the Suncorp Group's profit for the period or the previous corresponding period.

8. For foreign entities, which set of accounting standards is used in compiling the report

Not applicable.

9. Audit dispute or qualification

Not applicable.