Appendix 4D

Half-year report
For the half-year ended 31 December 2013

1. Company details

Suncorp Group Limited and its subsidiaries (the Suncorp Group)
ABN 66 145 290 124
Reporting period: 1 July 2013 to 31 December 2013
Previous corresponding reporting period: 1 July 2012 to 31 December 2012

2. Results for announcement to the market

Comparison to previous corresponding period	**Increase/ Decrease**	**%**	**To $m**
Revenue from ordinary activities	Increase	0.12	8,254
Net profit from ordinary activities after tax attributable to owners of the Company	Decrease	4.53	548
Net profit for the period attributable to owners of the Company	Decrease	4.53	548

The Suncorp Group has delivered a profit after tax attributable to owners of the Company of $548 million in the half-year ended 31 December 2013. This result has been achieved through measured top-line growth, maintained margins and improved operational efficiencies. The divisional operating profit before tax is as follows:

	December 2013 $m	**December 2012 $m**
General Insurance	668	802
Suncorp Bank	149	13
Suncorp Life	59	96
Corporate / other	(57)	(46)
Profit before income tax	819	865
Income tax	(268)	(288)
Profit for the half-year	551	577
Attributable to:		
Owners of the Company	548	574
Non-controlling interests	3	3
Profit for the half-year	551	577

2. Results for announcement to the market (continued)

General Insurance

General Insurance reported a profit after tax of $470 million for the half-year ended 31 December 2013 (31 December 2012: $564 million).

The Insurance Trading Result (ITR) was $537 million (December 2012: $669 million), representing an ITR ratio of 13.9% (December 2012: 18.6%). The result was driven by strong premium earnings, continued focus on claims and expense management, offset by higher than expected natural hazard claims experience. There is a continued focus on improving operational efficiency through simplification projects, as well as enabling the Suncorp Group to manage margins in an increasingly competitive market.

Fire Services Levies (FSL) were removed from Victorian policies during the half-year. Excluding FSL, Gross written premium (GWP) increased 6.6% to $4,302 million. Inclusive of FSL, GWP increased 3.7% to $4,380 million. Personal lines GWP, excluding FSL, increased across both Home (up 8.9%) and Motor (up 4.8%), primarily driven by increases in average written premiums. Commercial lines GWP increased 6.2% to $1,008 million. Retention rates have remained strong as intermediaries and customers see value in the broad product offering. Compulsory Third Party (CTP) increased 8.1%, following further growth in both the Queensland and New South Wales markets, and the entry into the Australian Capital Territory CTP market.

General Insurance claims expense increased 12.0% to $3,283 million. Short-tail claims costs were impacted by a number of major weather events resulting in net natural hazard claims being $49 million above the Suncorp Group's allowance. Reserve releases of $56 million were primarily attributable to a benign wage inflation environment and proactive management of long-tail claims, offset by strengthening in the estimation of the February 2011 Christchurch earthquake claims costs.

Operating expense remained stable at $781 million (December 2012: $779 million). Investment income on insurance funds decreased 29.8% to $179 million attributable to narrowing credit spreads partially offset by the impact of sustained lower risk-free and credit spread yields. Investment income on shareholder funds decreased 10.6% to $152 million was supported by narrowing credit spreads and good equities performance.

Suncorp Bank

Suncorp Bank reported a profit after tax of $105 million for the half-year ended 31 December 2013 (31 December 2012: $4 million).

The 2014 financial year represents a period of transition for Suncorp Bank as it consolidates operations and unwinds legacy funding and cost positions relating to the former "non-core" corporate and property portfolio.

2. Results for announcement to the market (continued)

Suncorp Bank (continued)

System credit growth was subdued and well below long term historical averages. Lending Banking loans, advances and other receivables increased to $49,074 million, representing a $1,075 million increase from 30 June 2013. System credit growth was subdued and well below long term historical averages. Lending growth in the Bank's retail and business lending portfolio of 6.8% was within target growth and acceptable risk parameters. Growth continues to be supported by a conservative funding strategy with 66% of lending assets funded by retail deposits. The residual corporate and property portfolio was $298 million at 31 December 2013, a reduction of $437 million, or 60%, from 30 June 2013.

Net interest income increased 1.7% to $492 million. The net interest margin against interest earning assets of 1.66% was impacted by margin compression on low cost deposits and invested capital due to the reduction of the cash rate in May and August 2013. Legacy funding relating to the former "non-core" corporate and property portfolio also impacted the result. This funding is due to mature over the course of 2014.

Operating expenses remained stable at $305 million (December 2012: $303 million). The Bank continues to invest in business capability. Good progress has been achieved in the delivery of the core banking platform replacement, Basel II advanced accreditation and network optimisation programs.

Impairment expense on Banking loans, advances and other receivables decreased by 76.8% to $45 million. The result benefited from reduction in provisions associated with the run-off of the corporate and property portfolio. Credit impairment losses were 35 basis points (bps) of credit risk weighted assets and 18 bps of gross loans and advances. Prolonged drought conditions across much of eastern Australia along with the ongoing impacts of previous flood events have affected credit performance for the agribusiness portfolio. Total provision for impairment at 31 December 2013 was $210 million, representing a 30% decrease from 30 June 2013.

Suncorp Life

Suncorp Life reported a profit after tax of $22 million for the half-year ended 31 December 2013 (31 December 2012: $51 million). The result was significantly impacted by higher discount rates which resulted in an accounting loss after tax for market adjustments of $19 million (December 2012: $10 million).

The overall Life insurance industry continues to face a number of well publicised structural challenges, particularly in product design and evolving customer needs. Weaker economic conditions have resulted in adverse lapse and claims experience across the whole industry.

Life Risk profit after tax was $23 million, down 39.5% attributable to adverse lapse and claims experience. Lapse experience of negative $17 million continues to trend above assumptions and this has led to a further strengthening of lapse assumptions. Retail and group disability income claims were the main drivers of adverse claims experience of negative $10 million. Planned profit margin release of $35 million reflects the strengthening of lapse assumptions in the prior year and the increase in reinsurance coverage. Life further extended its reinsurance arrangements during the period (on both new and in-force business), reducing capital strain and allowing for more effective risk management through lower claims and lapse volatility.

2. Results for announcement to the market (continued)

Suncorp Life (continued)

Life Risk in-force annual premiums of $886 million have grown 10.8% compared to the prior half-year despite the continued impact of industry wide higher lapse rates.

Superannuation new business was up 41.2% to $185 million driven by good momentum in Everyday Super. Positive market movements and improved net flows increased funds under management to $7,708 million.

Operating expenses increased by 2.9% to $212 million, reflecting a strong focus on expense management, whilst investing for growth (in-housing our Direct business operations), as well as undertaking significant regulatory projects.

The embedded value (EV) is $2,006 million (June 2013: $2,569 million) reflecting the increased focus on improving capital efficiency and the return of capital to the Company, the impact of which has reduced EV by around $600 million. The Value of One Year's Sales (VOYS) of $35 million (June 2013: $43 million) reflects the increase in reinsurance coverage and strengthening of lapse assumptions.

Corporate / other

Corporate / other loss before tax of $57 million (December 2012: loss before tax of $46 million) mainly relates to investment income on capital held at Group level of $32 million (December 2012: $18 million); interest expense on convertible preference shares (SUNPC) and subordinated notes (SUNPD) of $39 million (December 2012: $5 million); and amortisation of acquisition intangible assets of $51 million (December 2012: $56 million).

Dividends

	Amount per share	**Franked amount per share**
Ordinary Shares (SUN)		
2013 Final ordinary dividend – paid	30 cents	30 cents
2013 Special dividend – paid	20 cents	20 cents
2014 Interim ordinary dividend – payable on 1 April 2014	35 cents	35 cents
Convertible Preference Shares (SUNPC)		
17 June 2013 to 16 September 2013 - paid	$1.3111	$1.3111
17 September 2013 to 16 December 2013 - paid	$1.2612	$1.2612
17 December 2013 to 16 March 2014 - payable on 17 March 2014	$1.2496	$1.2496

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

Ordinary Shares (SUN)	28 February 2014
Suncorp Convertible Preference Shares (SUNPC)	7 March 2014

3. Net tangible assets per security

	December 2013	December 2012
Net tangible assets per security	$6.14	$6.32

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

None.

5. Dividends

Refer 2014 Consolidated interim financial report attached
Note 5 to the Consolidated interim financial statements

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 28 February 2014.

7. Details of associates and joint venture entities

Details of associates and joint venture entities are as follows:

Associate / Joint Venture	December 2013		December 2012	
	Holdings %	Profit Contribution $	Holdings %	Profit Contribution $
AA Life Services Ltd	50	Not material	50	Not material
NTI Limited	50	Not material	50	Not material
RACT Insurance Pty Ltd	50	Not material	50	Not material
Capital Managers Pty Ltd	40	Not material	22	Not material
AA Warranty Ltd	-	Not material	50	Not material

The profit contribution from any one of these joint venture entities 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.