

20 February 2013

Suncorp Group Limited Financial Results - Half Year Ended 31 December 2012

Attached for immediate release is the Suncorp Group Limited **Appendix 4D – Half Year Report** for period ended 31 December 2012.

The following associated documents will be provided separately for lodgement:

- Media Release
- Consolidated Interim Financial Report
- Announcement of Consolidated Financial Results - 31 December 2012



Darren Solomon
Company Secretary
Suncorp Group Limited

attch.

Appendix 4D

Half-year report For the half-year ended 31 December 2012

1. Company details

Suncorp Group Limited and its subsidiaries (the Suncorp Group)

ABN 66 145 290 124

Reporting period: 1 July 2012 to 31 December 2012

Previous corresponding reporting period: 1 July 2011 to 31 December 2011

2. Results for announcement to the market

Comparison to previous corresponding period	Increase/ Decrease	%	To \$m
Revenue from ordinary activities	Increase	1.43	8,223
Net profit from ordinary activities after tax attributable to owners of the Company	Increase	47.56	574
Net profit for the period attributable to owners of the Company	Increase	47.56	574

The Suncorp Group has delivered a profit after tax attributable to owners of the Company of \$574 million in the half-year ended 31 December 2012. This result has been driven by operational efficiencies, strong top line growth, favourable investment markets and a relatively benign period for natural hazard events. The divisional operating profit before tax is as follows:

	December 2012 \$m	December 2011 \$m
General Insurance	802	226
Suncorp Bank	13	138
Suncorp Life	96	161
Corporate / other	(46)	(19)
Profit before income tax	865	506
Income tax	(288)	(116)
Profit for the period	577	390
<i>Attributable to:</i>		
Owners of the Company	574	389
Non-controlling interests	3	1
Profit for the period	577	390

Corporate / other net loss before tax of \$46 million mainly relates to investment income on capital held at Group level of \$18 million, Convertible Preference Shares (SUNPC) dividends recognised as interest expense of \$5 million, and amortisation of acquisition intangible assets of \$56 million.

2. Results for announcement to the market (continued)

General Insurance

General Insurance reported a profit after tax of \$564 million for the half year to 31 December 2012 (31 December 2011: \$162 million).

The Insurance Trading Result (ITR) was \$669 million (December 2011: \$129 million), representing an ITR ratio of 18.6% (December 2011: 3.8%). The result was driven by operational efficiencies, positive investment markets and fewer natural hazard events. The increase in ITR further reflects ongoing benefits from the delivery of the Building Blocks program, the recently implemented Simplification projects and a continued focus on margin improvement.

Gross written premium (GWP) increased 9.6% to \$4,225 million. Personal lines experienced growth across both Home (up 14.5%) and Motor (up 5.2%), primarily driven by increases in average written premiums. Commercial lines also experienced strong growth, increasing by 10.1%, with growth across all major product lines as a result of improved pricing and retention. CTP increased 8.1%, largely due to new business growth in New South Wales and Queensland.

General Insurance claims expense decreased 24.3% to \$2,930 million. Current year short-tail claims benefited from more benign weather experience, resulting in net natural hazard claims being \$113 million lower than the Suncorp Group's allowance. Reserve releases of \$41 million were broadly in line with long-term expectations.

Operating expenses increased 6.3% to \$779 million, primarily due to investment in Simplification projects. Investment income on insurance funds decreased 32% to \$255 million reflecting the current low yield environment. Investment income on shareholder funds increased 27% to \$160 million, primarily driven by a return on equity assets of \$78 million.

Suncorp Bank

Suncorp Bank reported a net profit after tax of \$4 million for the half year to 31 December 2012 (31 December 2011: \$102 million).

The Bank continues to maintain separate core and non-core lending portfolios. The Bank's core lending portfolio is focused on relationship-based lending and deposit gathering in personal, small to medium enterprises and agribusiness banking. The focus of the non-core lending portfolio remains on responsible run-off of the portfolio to maximise the value of distributable capital that can be returned to the Suncorp Group. The non-core portfolio is now in advanced stages of run-off and represents less than 10% of the Bank's total loan portfolio.

Total banking loans, advances and other receivables increased to \$49,677 million, representing a \$467 million increase from 30 June 2012. The Bank's focus remains on low-risk segments, providing simple products to Australian customers. The Bank's loan to value ratio for new business remains in line with historic trends and reflects the Bank's conservative appetite for owner occupiers seeking mortgages from a genuine alternative to the Major Banks.

The Bank's funding position is underpinned by access to a wide range of wholesale and retail funding markets. This was further demonstrated with the issuance of a second covered bond for \$600 million and a \$1 billion residential mortgage backed securitisation issue.

2. Results for announcement to the market (continued)

Suncorp Bank (continued)

The Bank has maintained its strategy of match funding the non-core portfolio, taking a conservative approach to refinancing risk through to portfolio maturity. The Bank currently holds excess liquid assets over prudential requirements which have enabled the comfortable repayment of funding maturities during the half-year. The Bank is also well positioned to meet the impending regulatory changes being imposed on the industry to strengthen liquidity reserves.

Net interest income of \$484 million was up 3.2%. Solid asset growth combined with pricing discipline has helped to achieve a robust net interest margin against interest earning assets of 1.60% and a net interest margin against lending assets of 1.97%. Operating expenses of \$303 million have increased 4% on the corresponding prior period. This reflects the Bank's investment in system replacement activity, the Basel II accreditation program and Group Simplification initiatives.

Impairment expense on Banking loans, advances and other receivables increased 48% to \$194 million. The higher impairment expense reflects continued sector weakness in regional and suburban retail shopping centres and for long-term land development projects. The Bank actively provisioned and wrote down underperforming exposures in these segments where recovery was deemed highly unlikely. Total provision for impairment at 31 December 2012 was \$473 million, representing a decrease of 11.9% from 30 June 2012.

Suncorp Life

Suncorp Life reported a net tax profit after tax of \$51 million for the half year to 31 December 2012 (31 December 2011: \$133 million).

The economy has experienced depressed consumer confidence over a prolonged period. This is having a material impact on the Life insurance industry as a whole.

Life Risk profit after tax was \$38 million, down 17% on the prior corresponding period. This result includes a stable planned profit margin release of \$49 million, but was impacted by negative lapse experience of \$17 million as economic conditions reduce life insurance affordability and decrease customer retention. Disability experience was negative \$10 million, with more new claims than expected. The financial impact was mitigated by management actions to ensure the early finalisation of claims.

Life Risk new business was \$65 million, up 18% on the prior corresponding period reflecting the strong momentum in the Independent Financial Advisor and direct distribution channels. In-force annual premium growth continued with new business growth and in-force increases offsetting policy lapses.

Superannuation new business sales moderated at \$131 million. The economic environment and investment market conditions continue to place pressure on discretionary superannuation contributions. Funds under administration were \$7.2 billion.

Operating expenses increased 13% to \$206 million as the business continues to invest in front-end marketing, new capabilities and implementation of regulatory change.

Investment income has been subdued, with low market yields impacting the results.

The embedded value is \$2,430 million (June 2012: \$2,604 million), down 7%. The key driver is a material change in lapse assumptions reflecting structural elements of experience. This will also impact planned margins in future years. The Value of One Year's Sales is forecast to be \$46 million for the full year.

2. Results for announcement to the market (continued)

Dividends

	Amount per share	Franked amount per share
Ordinary Shares (SUN)		
2012 Final ordinary dividend – paid	20 cents	20 cents
2012 Special dividend – paid	15 cents	15 cents
2013 Interim ordinary dividend – payable	25 cents	25 cents
Convertible Preference Shares (SUNPC)		
6 November 2012 – 16 December 2012 – paid	\$0.6141	\$0.6141
17 December 2012 – 16 March 2013 – payable	\$1.3377	\$1.3377

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

Ordinary Shares (SUN)	1 March 2013
Suncorp Convertible Preference Shares (SUNPC)	8 March 2013

3. Net tangible assets per security

	December 2012	December 2011
Net tangible assets per security	\$6.32	\$6.14

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

None.

5. Dividends

Refer 2013 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 1 March 2013.

7. Details of associates and joint venture entities

Details of associates and joint venture entities are as follows:

Associate / Joint Venture	December 2012		December 2011	
	Holdings %	Profit Contribution \$	Holdings %	Profit Contribution \$
RACT Insurance Pty Ltd	50.0	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	50.0	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 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.