

Suncorp Group Limited and subsidiaries

ABN 66 145 290 124



Consolidated interim financial report for the half-year ended 31 December 2012

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Directors' report

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 2012 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 2010
Ilana R Atlas	Director since 2011
William J Bartlett	Director since 2010
Michael A Cameron	Director since 2012
Audette E Exel	Director since 2012
Ewoud J Kulk	Director since 2010
Dr Douglas F McTaggart	Director since 2012
Geoffrey T Ricketts	Director since 2010

Executive

Patrick J R Snowball (Managing Director and Group CEO)	Director since 2010
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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 \$574 million for the half-year ended 31 December 2012. This represents a 48% increase in profit from \$389 million in the corresponding prior period. The increase in profit has been achieved as a result of operational efficiencies, favourable investment markets and a relatively benign period for natural hazards.

Financial position and capital structure

Net assets of the Suncorp Group increased to \$14,289 million at 31 December 2012 from \$14,127 million at 30 June 2012. The increase in net assets of \$162 million arises from the profit for the half-year partially offset by the payment of the final and special dividends in respect of 30 June 2012.

The Suncorp Group has continued to strengthen its capital position with in excess of \$1.2 billion identified as capital in excess of the Suncorp Group's targets. Improvements to the Suncorp Group's capital position were driven by increased retained earnings and capital initiatives during the half-year, which included the issuance of \$560 million convertible preference shares. This was partially offset by subordinated notes redemptions of \$407 million. 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 2012, the domestic General Insurance group's minimum capital ratio multiple is 1.65 times the statutory minimum (June 2012: 1.57 times) and the Bank's capital adequacy ratio is 12.5% (June 2012: 12.6%). The Suncorp Group is well positioned to meet the new Basel III and Life and General Insurance Capital (LAGIC) framework issued by the Australian Prudential Regulation Authority.

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.

In Australia, the Australian Prudential Regulation Authority (APRA) has released the first tranche of proposals and draft prudential standards for the supervision of conglomerate groups (Level 3 framework) including the Suncorp Group. APRA expects the proposals will be finalised and come into effect on 1 January 2014.

APRA has finalised the prudential framework for implementing Basel III capital reforms in Australia which will be progressively applied from 1 January 2013 to Australian banks. The Basel III reforms incorporate higher minimum capital requirements and include additional capital buffers.

APRA has implemented new life and general insurance capital frameworks effective from 1 January 2013.

Directors' report (continued)

Review of operations (continued)

Impact of legislation and other external requirements (continued)

The Federal Government continues to work on establishing a proposed national catastrophic injury and disability insurance scheme. The new national disability insurance scheme will provide insurance cover for all Australians in the event of significant disability except for disabilities covered under the proposed no fault national injury insurance scheme.

The Federal Government has announced that unfair contract terms legislation will be applied to general insurance contracts and it will be consulting on the proposed legislation some time in 2013.

The Federal Senate Economics References Committee released its report on its inquiry into the post global financial crisis banking sector which contains several recommendations. These recommendations include that an independent inquiry into Australia's banking and financial systems should be established and a voluntary code of conduct for small business should be developed by the Australian Bankers' Association and implemented. The Federal Government is yet to release its response to the recommendations.

APRA has released the final prudential standards for superannuation.

The Stronger Super reforms are in the process of being implemented. The reforms will significantly impact superannuation in Australia with key proposals such as the replacement of existing default funds by a new low cost simple superannuation product called MySuper, and SuperStream reforms that are intended to streamline the 'back office' operations of superannuation funds.

The Future of Financial Advice reforms (FOFA reforms) continue to be implemented with the financial planning industry having until 1 July 2013 to comply. The key FOFA reforms include a prospective ban on upfront and trailing commissions and like payments for both individual life and group risk cover within superannuation from 1 July 2013 and the imposition of the statutory 'best interests' duty which will require financial advisers to act in the best interests of their clients and give priority to their clients' interests and take reasonable steps to discharge that duty.

In New Zealand, the Insurance (Prudential Supervision) Act 2010 is now in force, which requires with a few limited exceptions, all insurers to be licensed by the Reserve Bank of New Zealand. Insurers are required to be fully compliant with the requirements of the Act by 7 September 2013.

The Financial Markets Conduct Bill is passing through parliament and is intended to implement a new "one stop shop" for securities law. If enacted, it will replace various existing legislation including the New Zealand Securities Act 1978 and Security Markets Act 1988.

The New Zealand Law Commission is reviewing the current joint and several liability law in New Zealand and may recommend changes to New Zealand's liability laws.

A cross agency group lead by Treasury will review the cover provided under the Earthquake Commission Act 1993. The review will include the types of property the Earthquake Commission insures, including the structure of the insurance and extent of cover, how the Earthquake Commission prices its insurance and the institutional structure. A discussion document is to be released this year which will invite submissions prior to the review's submission to Government.

There are a number of significant earthquake related matters before the Courts.

On 12 December 2012, the Insurance Council of New Zealand sought a judicial review of whether the seismic strengthening provisions of the Christchurch City Council's 2010 Policy (Council Policy) are legally enforceable. Council Policy requires existing properties to be repaired to a minimum strength of 67% of the standard required for the construction of new buildings which is significantly higher than the minimum required under the relevant legislation. On 4 February 2013, the High Court confirmed that territorial authorities may not use section 124 notices to advance a policy of increasing building capacity to a level above 34% of the New Building Standard. The parties are required to submit alternate policy wording to the Court for inclusion in final orders.

Several Tower Insurance customers with properties situated within the Government imposed residential Red Zone have filed proceedings seeking the total cost of rebuilding rather than the costs to repair actual earthquake damage. While the decision will be based upon Tower Insurance's policy wording there are likely to be guiding principles in the judgment which could be applied to claims made on other insurers.

All of these prudential and regulatory changes and other proposals, matters before courts and Government Inquiries in Australia and New Zealand will or could impact the Suncorp Group's respective operations in banking, general and life insurance and superannuation.

Review of operations (continued)

Review of principal businesses

General Insurance profit after tax was \$564 million (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.

Banking profit after tax was \$4 million (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.

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.

Directors' report (continued)

Review of operations (continued)

Review of principal businesses (continued)

Suncorp Life profit after tax was \$51 million (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.

Events subsequent to reporting date

Since 31 December 2012, the Suncorp Group has received approximately 23,000 claims associated with Ex-Tropical Cyclone Oswald, which has impacted communities across areas of Queensland and New South Wales. The Suncorp Group's 30% quota share arrangement on the Queensland home insurance portfolio will limit the net claims costs associated with this event. At the date of this report, the Suncorp Group anticipates the net claims costs associated with these events to be between \$200 million and \$220 million.

On 14 January 2013, the Suncorp Group repurchased Government guaranteed debt with a carrying value of \$250 million for \$253 million. On 15 February 2013, the Suncorp Group repurchased Government guaranteed debt with a carrying value of \$892 million for \$897 million. These repurchases resulted in a loss of \$8 million.

Except as noted above, there has not arisen in the interval between 31 December 2012 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 2012 final dividend of \$257 million (20 cents per share) and a fully franked 2012 special dividend of \$193 million (15 cents per share) were paid on 1 October 2012. A fully franked 2013 interim dividend of \$322 million (25 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.

Directors' report (continued)

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 2012.

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 and Group CEO

20 February 2013



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 2012 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

20 February 2013

Consolidated interim statement of comprehensive income
for the half-year ended 31 December 2012

CONSOLIDATED	Note	Dec 2012	Dec 2011
		\$m	\$m
Revenue			
Insurance premium income		4,499	4,093
Reinsurance and other recoveries income		725	1,147
Banking interest income		1,787	2,088
Investment revenue		967	467
Other income		245	312
Total revenue		8,223	8,107
Expenses			
General insurance claims expense		(2,930)	(3,871)
Life insurance claims expense and movement in policyowner liabilities		(617)	26
Outwards reinsurance premium expense		(585)	(449)
Interest expense		(1,324)	(1,647)
Fees and commissions expense		(364)	(241)
Operating expenses		(1,344)	(1,280)
Impairment expense on Banking loans, advances and other receivables	7.1.2	(194)	(131)
Outside beneficial interests in managed funds		-	(8)
Total expenses		(7,358)	(7,601)
Profit before income tax		865	506
Income tax expense	8	(288)	(116)
Profit for the period		577	390
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value of cash flow hedges		38	60
Net change in fair value of available-for-sale financial assets		(4)	(66)
Exchange differences on translation of foreign operations		12	(12)
Income tax		(15)	2
		31	(16)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains on defined benefit plans		4	-
		4	-
Total other comprehensive income		35	(16)
Total comprehensive income for the period		612	374
Profit for the period attributable to:			
Owners of the Company		574	389
Non-controlling interests		3	1
Profit for the period		577	390
Total comprehensive income for the period attributable to:			
Owners of the Company		609	373
Non-controlling interests		3	1
Total comprehensive income for the period		612	374
		Cents	Cents
Earnings per share:			
Basic earnings per share		44.93	30.45
Diluted earnings per share		43.37	30.03

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 2012

CONSOLIDATED	Note	Dec 2012	Jun 2012	Dec 2011
		\$m	\$m	\$m
Assets				
Cash and cash equivalents		595	866	1,231
Receivables due from other banks		124	154	159
Trading securities		4,077	4,787	3,641
Derivatives		382	393	291
Investment securities		24,046	24,881	24,775
Banking loans, advances and other receivables		49,663	49,180	47,739
General insurance assets		6,862	7,688	7,247
Life assets		624	721	586
Property, plant and equipment		209	216	230
Deferred tax assets		69	181	94
Other assets		617	731	717
Goodwill and intangible assets		6,207	6,264	6,295
Total assets		93,475	96,062	93,005
Liabilities				
Deposits and short-term borrowings		41,060	40,708	38,774
Derivatives		1,331	2,406	2,105
Payables due to other banks		32	41	26
Payables and other liabilities		1,832	2,602	1,752
Current tax liabilities		102	51	7
General insurance liabilities		14,351	14,835	14,956
Life liabilities		5,678	5,786	5,770
Managed funds units on issue		-	1	365
Securitisation liabilities	7.3	4,305	3,800	4,313
Debt issues	7.4	8,206	9,569	8,676
Subordinated notes	10	978	1,374	1,368
Preference shares	11	1,311	762	760
Total liabilities		79,186	81,935	78,872
Net assets		14,289	14,127	14,133
Equity				
Share capital	12	12,677	12,672	12,665
Reserves	13	(38)	(55)	36
Retained profits		1,636	1,493	1,420
Total equity attributable to owners of the Company		14,275	14,110	14,121
Non-controlling interests		14	17	12
Total equity		14,289	14,127	14,133

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 2012

CONSOLIDATED	Note	Equity attributable to owners of the Company				Non-controlling interests	Total Equity
		Share capital \$m	Reserves \$m	Retained profits \$m	Total \$m	\$m	\$m
Balance as at 1 July 2012		12,672	(55)	1,493	14,110	17	14,127
Profit after tax for the period		-	-	574	574	3	577
Total other comprehensive income		-	31	4	35	-	35
Total comprehensive income		-	31	578	609	3	612
<i>Transactions with owners, recorded directly in equity</i>							
Dividends paid	5	-	-	(449)	(449)	(6)	(455)
Share-based payments		(7)	-	-	(7)	-	(7)
Treasury shares movements		12	-	-	12	-	12
Transfers		-	(14)	14	-	-	-
Balance as at 31 December 2012		12,677	(38)	1,636	14,275	14	14,289
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
Total other comprehensive income		-	(16)	-	(16)	-	(16)
Total comprehensive income		-	(16)	389	373	1	374
<i>Transactions with owners, recorded directly in equity</i>							
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

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

Consolidated interim statement of cash flows
for the half-year ended 31 December 2012

CONSOLIDATED	Dec 2012	Dec 2011
	\$m	\$m
Cash flows from operating activities		
Premiums received	4,653	4,552
Claims paid	(3,837)	(4,512)
Interest received	2,135	2,533
Interest paid	(1,324)	(1,647)
Reinsurance and other recoveries received	1,161	1,700
Outwards reinsurance premiums paid	(590)	(486)
Other operating income received	964	194
Dividends received	57	82
Operating expenses paid	(2,510)	(2,052)
Income tax paid	(144)	(195)
<i>Net increase (decrease) in operating assets</i>		
Trading securities	736	1,329
Banking loans, advances and other receivables	(679)	1,085
<i>Net increase (decrease) in operating liabilities</i>		
Deposits and short-term borrowings	352	(84)
Net cash from operating activities	974	2,499
Cash flows from (used in) investing activities		
Proceeds from sale of investment securities	17,204	17,669
Payments for purchase of investment securities	(16,255)	(18,256)
Proceeds from disposal of property plant and equipment and intangible software	2	103
Proceeds from other investing activities	31	-
Payments from other investing activities	(55)	(93)
Net cash from (used in) investing activities	927	(577)
Cash flows (used in) financing activities		
Net (decrease) in borrowings	(1,877)	(1,505)
Payment on call of subordinated notes	(407)	(173)
Dividends paid on ordinary shares	(449)	(256)
Proceeds from (payments for) preference shares issued (redeemed)	560	(72)
Payments for other financing activities	(19)	(14)
Net cash (used in) financing activities	(2,192)	(2,020)
Net (decrease) in cash and cash equivalents	(291)	(98)
Cash and cash equivalents at the beginning of the period	979	1,466
Effect of exchange rate fluctuations on cash held	(1)	(4)
Cash and cash equivalents at end of the period	687	1,364
Cash and cash equivalents at end of the period comprises:		
Cash and cash equivalents	595	1,231
Receivables due from other banks	124	159
Payables due to other banks	(32)	(26)
	687	1,364

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 2012 comprises the Company and its subsidiaries (the **Suncorp Group**).

The Suncorp Group is a for-profit entity and its consolidated annual financial report for the financial year ended 30 June 2012 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.

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 financial report of the Suncorp Group for the financial year ended 30 June 2012 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 20 February 2013.

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 34.1.19 to the Suncorp Group consolidated financial report for the financial year ended 30 June 2012.

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

Except as described below, 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 2012. The following changes are also expected to be reflected in the Suncorp Group's consolidated financial statements as at and for the financial year ending 30 June 2013.

Since 1 July 2012, the Suncorp Group has adopted AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. Consequently, the format of the consolidated interim statement of comprehensive income has been revised to present items of other comprehensive income that may be reclassified to profit or loss in the future separately from items that would never be reclassified to profit or loss. This is a change in presentation only and has no impact on earnings per share or net income. These changes have been applied retrospectively.

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.

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 2012.

The liability adequacy test (LAT) is used to assess the sufficiency of the unearned premium liability to cover all expected future cash flows relating to future claims against in-force insurance contracts. It is based on prospective information and is heavily dependent on assumptions and judgements. At 31 December 2012, the LAT resulted in a deficiency of \$24 million for the Australian Commercial Insurance portfolio and a surplus for the Australian Personal Insurance and New Zealand General Insurance portfolios (December 2011: surplus for each portfolio). Consequently, a \$24 million (December 2011: \$nil) write-down of deferred acquisition costs has been recognised in the half-year.

5. Dividends

CONSOLIDATED	Dec 2012		Dec 2011	
	¢ per share	\$m	¢ per share	\$m
Dividends on ordinary shares				
2012 final dividend (Dec 2011: 2011 final dividend)	20	257	20	256
2012 special dividend	15	192	-	-
Total dividends recognised in equity	35	449	20	256
Dividends declared since balance date and not recognised in the consolidated interim statement of financial position				
<i>Dividend on ordinary shares</i>				
2013 interim dividend (Dec 2011: 2012 interim dividend) ¹	25	320	20	256

Notes

- The total 2013 interim dividend on ordinary shares declared 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 2012. Actual amount to be recognised in the consolidated financial statements for the financial year ending 30 June 2013 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 2012.

Notes to the consolidated interim financial statements (continued)

6.1. Segment results

BUSINESS AREAS	GENERAL INSURANCE				BANKING	LIFE	CORPORATE	
Operating segments	Personal	Commercial	GI NZ	Total	Banking	Life	Corporate	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Half-year ended 31 December 2012								
Revenue from external customers	2,849	1,828	571	5,248	1,859	1,175	18	8,300
Inter-segment revenue	-	-	-	-	6	4	-	10
Total segment revenue	2,849	1,828	571	5,248	1,865	1,179	18	8,310
Segment profit (loss) before income tax	461	295	46	802	13	96	(44)	867
Segment income tax expense	(139)	(86)	(13)	(238)	(9)	(45)	4	(288)
Segment profit (loss) after income tax	322	209	33	564	4	51	(40)	579
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) benefit	(12)	(31)	(21)	(64)	(36)	(28)	12	(116)
Segment profit (loss) after income tax	31	77	54	162	102	133	(13)	384

6.2. Reconciliation of segment profit before tax

CONSOLIDATED	Dec 2012	Dec 2011
	\$m	\$m
Segment profit before income tax	867	500
Elimination of intra-group investments revenue	(11)	(11)
Other consolidation eliminations	9	17
Consolidated profit before income tax	865	506

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

CONSOLIDATED	Note	Half-year ended 31 December 2012				Half-year ended 31 December 2011			
		General Insurance	Banking	Life	Corporate	General Insurance	Banking	Life	Corporate
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue									
Insurance premium income		4,099	-	400	-	3,727	-	366	-
Reinsurance and other recoveries income		625	-	100	-	1,051	-	96	-
Banking interest income		-	1,787	-	-	-	2,088	-	-
Investment revenue		426	8	599	18	505	14	(60)	19
Other income		98	70	80	-	80	123	81	36
Total revenue		5,248	1,865	1,179	18	5,363	2,225	483	55
Expenses									
General Insurance claims expense		(2,930)	-	-	-	(3,871)	-	-	-
Life insurance claims expense and movement in policyowner liabilities		-	-	(617)	-	-	-	26	-
Outwards reinsurance premium expense		(498)	-	(87)	-	(368)	-	(81)	-
Interest expense		(24)	(1,303)	-	(5)	(37)	(1,619)	-	(6)
Fees and commissions expense		(215)	(52)	(100)	(1)	(128)	(46)	(78)	-
Operating expenses		(779)	(303)	(206)	(56)	(733)	(291)	(183)	(74)
Impairment expense on Banking loans, advances and other receivables	7.1.2	-	(194)	-	-	-	(131)	-	-
Outside beneficial interests in managed funds		-	-	(73)	-	-	-	(6)	-
Total expenses		(4,446)	(1,852)	(1,083)	(62)	(5,137)	(2,087)	(322)	(80)
Profit (loss) before income tax	6.1	802	13	96	(44)	226	138	161	(25)
Income tax expense	6.1	(238)	(9)	(45)	4	(64)	(36)	(28)	12
Profit (loss) for the period	6.1	564	4	51	(40)	162	102	133	(13)

Notes to the consolidated interim financial statements (continued)

6.3.2. Summary of assets and liabilities by business area

CONSOLIDATED	Note	As at 31 December 2012				As at 30 June 2012			
		General Insurance \$m	Banking \$m	Life \$m	Corporate \$m	General Insurance \$m	Banking \$m	Life \$m	Corporate \$m
Assets									
Cash and cash equivalents		94	341	577	365	113	549	828	212
Receivables due from other banks		-	124	-	-	-	154	-	-
Trading securities		-	4,077	-	-	-	4,787	-	-
Derivatives		44	427	-	-	50	424	10	-
Investment securities		11,825	5,114	8,280	14,714	11,477	6,308	8,191	14,132
Banking loans, advances and other receivables		-	49,677	-	-	-	49,210	-	-
General Insurance assets		6,862	-	-	-	7,688	-	-	-
Life assets		-	-	624	-	-	-	721	-
Due from Group entities		28	190	12	-	128	144	-	-
Property, plant and equipment		27	-	4	178	24	-	4	188
Deferred tax assets		-	185	-	110	-	241	-	120
Other assets		252	319	31	22	323	350	19	62
Goodwill and intangible assets		5,177	262	657	111	5,216	262	672	114
Total assets		24,309	60,716	10,185	15,500	25,019	62,429	10,445	14,828
Liabilities									
Deposits and short-term borrowings		-	41,842	-	-	-	41,544	-	-
Derivatives		130	1,287	3	-	124	2,369	4	-
Payables due to other banks		-	32	-	-	-	41	-	-
Payables and other liabilities		871	502	173	300	1,457	634	225	325
Current tax liabilities		2	-	-	100	-	-	-	51
Due to Group entities		-	-	-	226	-	-	52	220
General Insurance liabilities		14,351	-	-	-	14,835	-	-	-
Life liabilities		-	-	5,678	-	-	-	5,786	-
Deferred tax liabilities		142	-	86	-	132	-	48	-
Managed funds units on issue		-	-	1,534	-	15	-	1,608	-
Securitisation liabilities	7.3	-	4,326	-	-	-	3,839	-	-
Debt issues	7.4	-	8,250	-	-	-	9,598	-	-
Subordinated notes	10	711	267	-	-	708	666	-	-
Preference shares	11	-	764	-	547	-	762	-	-
Total liabilities		16,207	57,270	7,474	1,173	17,271	59,453	7,723	596
Net assets		8,102	3,446	2,711	14,327	7,748	2,976	2,722	14,232

7. Banking – Specific disclosures

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

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

CONSOLIDATED	Dec 2012 \$m	Dec 2011 \$m
Collective provision		
Balance at the beginning of the period	145	177
(Credit) against impairment losses	(4)	(11)
Balance at the end of the period	141	166
Specific provision		
Balance at the beginning of the period	392	387
Charge against impairment losses	196	128
Impaired assets written off	(191)	(50)
Unwind of discount	(65)	(78)
Balance at the end of the period	332	387
Total provisions	473	553

Notes to the consolidated interim financial statements (continued)

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

CONSOLIDATED	Dec 2012	Dec 2011
	\$m	\$m
Decrease in collective provision for impairment	(4)	(11)
Increase in specific provision for impairment	196	128
Bad debts written off	10	17
Bad debts recovered	(8)	(3)
Total impairment expense	194	131

7.2. Banking – Short-term offshore debt securities

BANKING	Dec 2012	Dec 2011
	\$m	\$m
Balance at the beginning of the period	3,715	3,840
Proceeds from issues	3,458	9,419
Repayments	(3,668)	(11,522)
Foreign exchange translation and fair value movements	(53)	130
Balance at the end of the period	3,452	1,867

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.

7.3. Banking – Securitisation liabilities

CONSOLIDATED	Dec 2012	Dec 2011
	\$m	\$m
Banking		
Balance at the beginning of the period	3,839	3,634
Proceeds from issues	1,000	1,250
Transaction costs (incurred) amortised	(2)	(2)
Net proceeds	998	1,248
Repayments	(538)	(518)
Foreign exchange translation movements	27	(8)
Balance at the end of the period	4,326	4,356
Consolidated		
Adjustments for intra-group investments in Banking's securitisation liabilities		
Balance at the beginning of the period	(39)	(102)
Repayments	18	59
Balance at the end of the period	(21)	(43)
Total securitisation liabilities	4,305	4,313

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.

Notes to the consolidated interim financial statements (continued)

7.4. Banking – Debt issues

CONSOLIDATED	Dec 2012	Dec 2011
	\$m	\$m
Banking		
Balance at the beginning of the period	9,598	10,151
Proceeds from issues	987	-
Transaction costs amortised (incurred)	(1)	6
Net proceeds	986	6
Repayments	(2,281)	(1,629)
Foreign exchange translation and fair value movements	(53)	178
Balance at the end of the period	8,250	8,706
Consolidated		
Adjustments for intra-group investments in Banking's debt issues		
Balance at the beginning of the period	(29)	(120)
Proceeds from issues	(15)	(8)
Repayments	-	98
Balance at the end of the period	(44)	(30)
Total debt issues	8,206	8,676

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.

Suncorp Group and Corporate disclosures

8. Income tax expense

The Suncorp Group's consolidated effective tax rate for the half-year ended 31 December 2012 was 33.3% (for the year ended 30 June 2012: 24.4%; for the half-year ended 31 December 2011: 22.9%).

Income tax expense adjustments have primarily arisen from:

- The life insurance statutory funds adjustment resulting in a \$19 million income tax expense (December 2011: \$8 million income tax credit). 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 preference shares increased income tax expense by \$7 million (December 2011: \$7 million).
- For the half-year ended 31 December 2011, 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.

9. Investment property

Investment property comprises a number of commercial properties held for short-term rentals and long-term leases to third parties and premises held for capital appreciation. It is presented in the consolidated interim statement of financial position within other assets, and are included in the General Insurance business area.

At 30 June 2012, investment property was carried at a fair value of \$127 million. Included in this balance was a property carried at \$31 million, which was classified as held for sale. This property was sold during the half-year ended 31 December 2012 and resulted in nil gain or loss on disposal for the half-year.

At 31 December 2012, the remaining investment properties are classified as held for sale. As a result of market movement in property prices, a \$21 million fair value loss was recorded for the half-year ended 31 December 2012 (December 2011: \$10 million).

Notes to the consolidated interim financial statements (continued)

10. Subordinated notes

CONSOLIDATED	Dec 2012			Dec 2011		
	General			General		
	Insurance \$m	Banking \$m	Total \$m	Insurance \$m	Banking \$m	Total \$m
Balance at the beginning of the period	708	666	1,374	678	846	1,524
Repayment on call of subordinated notes	-	(407)	(407)	-	(173)	(173)
Foreign exchange translation and fair value movements	3	8	11	20	(3)	17
Balance at the end of the period	711	267	978	698	670	1,368

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.

11. Preference shares

CONSOLIDATED	Dec 2012			Dec 2011		
	Banking	Corporate	Total	Banking	Corporate	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Balance at the beginning of the period	762	-	762	830	-	830
Proceeds from issue	-	560	560	-	-	-
Repayments on redemption	-	-	-	(72)	-	(72)
Transaction costs incurred	-	(13)	(13)	-	-	-
Transaction costs amortised	2	-	2	2	-	2
Balance at the end of the period	764	547	1,311	760	-	760

Banking

Banking preference shares consist of Reset Preference Shares (SBKPA) and Convertible Preference Shares (SBKPB). These are issued by Suncorp-Metway Limited.

SBKPA 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 securities from SBKPA holders. Exchange consideration of \$72 million was settled in cash and the exchanged securities were cancelled on this date. The number of SBKPA on issue as at 31 December 2012, 30 June 2012 and 31 December 2011 was 304,063. The next reset date is 14 September 2016.

The SBKPB 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 SBKPB on issue as at 31 December 2012, 30 June 2012 and 31 December 2011 was 7,350,000.

Corporate

On 6 November 2012, the Company issued 5,600,000 Convertible Preference Shares (SUNPC) at an issue price of \$100 per share. SUNPC are fully paid, convertible preference shares and are unsecured and perpetual in nature. They will pay, subject to the terms outlined in the Prospectus and at the Company's discretion, floating rate, quarterly, non-cumulative, and preferred dividends which are expected to be fully franked. SUNPC will mandatorily convert into a variable number of the Company's ordinary shares on or after 17 December 2019 (subject to satisfaction of the Mandatory Conversion Conditions), unless they are exchanged earlier. The Company may elect to exchange SUNPC following the occurrence of certain events, subject to APRA approval; or on the optional exchange date of 17 December 2017. In a Non-Viability Trigger Event, SUNPC are converted or written off. A Non-Viability Trigger Event occurs where APRA determines that without the conversion or write off; or without a public sector injection of capital or equivalent, the Company would become non-viable.

Notes to the consolidated interim financial statements (continued)

11.1. Preference share dividends recognised as interest expense

CONSOLIDATED	Dec 2012		Dec 2011	
	¢ per share	\$m	¢ per share	\$m
Reset Preference Shares (SBKPA)				
Period from March to September	212	1	255	3
Convertible Preference Shares (SBKPB)				
September quarter	119	9	145	11
December quarter	119	9	141	10
	238	18	286	21
Convertible Preference Shares (SUNPC)				
December quarter	61	3	-	-

12. Share capital

CONSOLIDATED	Share-based			
	Issued capital	Share-based payments	Treasury shares	Total
	\$m	\$m	\$m	\$m
Balance as at 1 July 2012	12,717	75	(120)	12,672
Share-based payments	-	(7)	-	(7)
Treasury shares movements	-	-	12	12
Balance as at 31 December 2012	12,717	68	(108)	12,677
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

12.1. Number of ordinary shares on issue

At 31 December 2012, 1,286,600,980 of ordinary shares were on issue. There have been no movements to this balance since 30 June 2011.

On 1 October 2012, 7,376,305 ordinary shares were allotted at the issue price of \$9.17 per share under the Dividend Reinvestment Plan in respect of the 2012 final and special dividends. 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 2011 final dividend. Shares for both allotments were acquired on market for delivery to shareholders and resulted in no issue of new shares.

Notes to the consolidated interim financial statements (continued)

13. Reserves

CONSOLIDATED					
	Equity reserve for credit losses	Hedging reserve	Assets available- for-sale reserve	Foreign currency translation reserve	Total
	\$m	\$m	\$m	\$m	\$m
Balance as at 1 July 2012	147	(107)	(5)	(90)	(55)
Transfer to retained profits	(14)	-	-	-	(14)
Amount recognised in equity	-	23	8	-	31
Amount transferred from equity to profit or loss	-	15	(12)	-	3
Income tax	-	(16)	1	-	(15)
Exchange differences on translation of foreign operations	-	-	-	12	12
Balance as at 31 December 2012	133	(85)	(8)	(78)	(38)
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

14. Changes in the composition of the Suncorp Group

The Suncorp Group did not acquire nor dispose of any material subsidiaries or interests in joint venture entities or associates during the current or prior interim reporting periods.

15. Related parties

Except as disclosed below, arrangements for related parties continue to be in place as disclosed in the 30 June 2012 consolidated annual financial report.

Changes in the composition of key management personnel

Following the expiry of Robert Stribling's employment contract with the Suncorp Group on 30 June 2012, Clayton Herbert was appointed as the Group Chief Risk Officer on 1 July 2012.

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 2012, the following grants were made during the interim period:

- Rights to 1,020,377 shares (December 2011: 1,160,435 shares) were offered to executives as part of their remuneration package on 1 October 2012 (December 2011: 1 October 2011). The fair value per share at grant date was \$5.93 (December 2011: \$5.27).
- Rights to 446,752 shares (December 2011: nil) were offered to the Group CEO as approved and resolved by shareholders at the 2012 Annual General Meeting on 25 October 2012. The fair value per share at grant date was \$6.41.

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 2012.

17. Subsequent events

Since 31 December 2012, the Suncorp Group has received approximately 23,000 claims associated with Ex-Tropical Cyclone Oswald, which has impacted communities across areas of Queensland and New South Wales. The Suncorp Group's 30% quota share arrangement on the Queensland home insurance portfolio will limit the net claims costs associated with this event. At the date of this report, the Suncorp Group anticipates the net claims costs associated with these events to be between \$200 million and \$220 million.

On 14 January 2013, the Suncorp Group repurchased Government guaranteed debt with a carrying value of \$250 million for \$253 million. On 15 February 2013, the Suncorp Group repurchased Government guaranteed debt with a carrying value of \$892 million for \$897 million. These repurchases resulted in a loss of \$8 million.

Except as noted above, there has not arisen in the interval between 31 December 2012 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.

Directors' declaration

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

1. The consolidated interim financial statements and notes set out on pages 7 to 21, 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 2012 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.

Signed in accordance with a resolution of the directors:

Dr Zygmunt E Switkowski
Chairman

Patrick J R Snowball
Managing Director

20 February 2013



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 2012, 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 2012 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 2012 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
20 February 2013