

ASX announcement

One Company
Many Brands



11 February 2015

Suncorp Group Limited Financial Results - Half Year Ended 31 December 2014

Attached for immediate release is the Suncorp Group Limited **Appendix 4D – Half Year Report** for period ended 31 December 2014.

The following associated documents will be provided separately for lodgement:

- Half Year Results Summary - 31 December 2014
- Consolidated Interim Financial Report - 31 December 2014
- SUN 2015 Interim Dividend and DRP
- Announcement of Consolidated Financial Results - 31 December 2014

A handwritten signature in cursive script, appearing to read "Darren Solomon".

Darren Solomon
Company Secretary
Suncorp Group Limited

attach.



Suncorp Group Limited ABN 66 145 290 124

Appendix 4D

Half-year report

for the half-year ended 31 December 2014

One Company
Many Brands



Appendix 4D

Half-year report

For the half-year ended 31 December 2014

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross-referenced to the Suncorp Group Limited consolidated interim financial report for the half-year ended 31 December 2014, which is enclosed.

1. Company details

Suncorp Group Limited and its subsidiaries (the **Suncorp Group**)

ABN 66 145 290 124

Reporting period: 1 July 2014 to 31 December 2014

Previous corresponding reporting period: 1 July 2013 to 31 December 2013

2. Results for announcement to the market

Comparison to previous corresponding period	Increase / Decrease	%	To \$m
Revenue from ordinary activities	Increase	2.54	8,464
Net profit from ordinary activities after tax attributable to owners of the Company	Increase	15.15	631
Net profit for the period attributable to owners of the Company	Increase	15.15	631

Suncorp Group Limited and its subsidiaries (the Suncorp Group) recorded a consolidated net profit after tax attributable to owners of the Company of \$631 million for the half-year ended 31 December 2014. This strong result was achieved despite the \$250 million impact of the worst Brisbane storm in the past 30 years.

The divisional operating profit before tax is as follows:

	December 2014 \$m	December 2013 \$m
General Insurance	594	668
Suncorp Bank	252	149
Suncorp Life	140	59
Corporate / other	(48)	(57)
Profit before income tax	938	819
Income tax	(302)	(268)
Profit for the half-year	636	551
<i>Attributable to:</i>		
Owners of the Company	631	548
Non-controlling interests	5	3
Profit for the half-year	636	551

2. Results for announcement to the market (continued)

General Insurance

General Insurance reported a profit after tax of \$419 million for the half-year ended 31 December 2014 (31 December 2013: \$470 million).

The Insurance Trading Result (ITR) was \$506 million (December 2013: \$537 million), representing an ITR ratio of 12.8% (December 2013: 13.9%). The result was driven by underwriting discipline in a highly competitive market together with a continued focus on claims and expense management.

Personal Insurance gross written premium (GWP) inclusive of Fire Service Levies (FSL) reduced by 2.8% as the business passed on the benefits of operational efficiencies and lower reinsurance rates. As a result of a number of customer initiatives, such as AAMI roadside assist, there was improved customer retention and positive unit growth in the December quarter. Commercial Insurance GWP inclusive of FSL grew by 0.6% with a strong focus on quality risk selection.

Net incurred claims were \$2,805 million (December 2013: \$2,608 million), with a loss ratio of 71.1% (December 2013: 67.5%). Natural hazard claims were \$470 million, with experience \$172 million above long run allowances primarily driven by the Brisbane hail event. Reserve releases of \$214 million were well above the expectation of 1.5% of net earned premium of \$59 million. This was attributable to proactive management of long-tail claims and a benign wage and super-imposed inflation environment.

Investment income was \$357 million (December 2013: \$331 million), with gains from reductions in risk-free rates partially offset by the relative underperformance of inflation-linked bonds.

Suncorp Bank

Suncorp Bank reported a profit after tax of \$176 million for the half-year ended 31 December 2014 (31 December 2013: \$105 million).

This result was achieved through an improved net interest margin (NIM), a reduced cost to income ratio of 52.2% (December 2013: 59.6%) including a favourable one-off \$19 million legal settlement, and lower impairment charges. Home lending growth of 2.0% reflects the Bank's conservative approach and a focus on the 'below 80%' loan to valuation ratio market.

Net interest income was \$553 million (December 2013: \$492 million). The Bank's NIM improved 20 bps compared to the half-year ended 31 December 2013 to 1.86% to sit above the target operating range of 1.75% to 1.85%. The NIM benefited from moderation of term deposit pricing and improvements in funding composition as growth in lower cost retail transaction accounts reached 14.0%. Retail deposits remain a core source of funding, with a deposit to loan ratio of 66.1%. An 'A+/A1' credit rating and access to a broad range of wholesale funding markets enables the Bank's diversified funding capability.

The Bank has established a stronger balance sheet over the past twelve months. Banking loans, advances and other receivables increased to \$50,111 million, representing a \$330 million increase from 30 June 2014. This period of lower growth provided the opportunity to focus on balance sheet quality, strengthen the capital position and improve the NIM. The Bank has taken a considered approach to lending growth in a low interest rate environment.

Gross non-performing loans reduced 15.0% to \$656 million (June 2014: \$772 million). Gross impaired assets decreased 21.3% to \$262 million from June 2014, representing 0.52% of gross loans and advances. Impairment losses on loans and advances were \$43 million (December 2013: \$45 million). Provision coverage has increased and the Bank continues to hold appropriate provisioning for stress across the agribusiness segment and will retain the drought provision recognised at 30 June 2014.

Suncorp Life

Suncorp Life reported a profit after tax of \$86 million for the half-year ended 31 December 2014 (31 December 2013: \$22 million). It comprises a \$34 million (December 2013: \$23 million) profit after tax from Life Risk, \$18 million (December 2013: \$18 million) profit after tax from Superannuation and a \$34 million profit after tax (December 2013: \$19 million loss after tax) arising from market adjustments.

The increase in Life Risk profit is mainly attributable to favourable claims and lapse experience contributing to a \$7 million profit after tax (December 2013: unfavourable contributing to a \$27 million loss after tax).

Annual in-force premiums increased by 8.6% to \$957 million as Life continued to focus on retention and value over volume, ensuring new business is written on a more sustainable footing.

Direct in-force was up 8.0% to \$149 million compared to the half-year ended 31 December 2013. Direct in-force via General Insurance brands continue to provide growth as Life unlocks the 'One Company. Many Brands' opportunity to better fulfil the holistic protection needs of Suncorp Group customers.

Superannuation delivered strong growth with net new business of \$281 million driven by good growth in both Everyday Super and WealthSmart. However this was offset by outflows from historical product offerings.

Corporate / other

Corporate / other loss before tax of \$48 million (December 2013: loss before tax of \$58 million) mainly relates to investment income on capital held at Group level of \$35 million (December 2013: \$32 million); interest expense on convertible preference shares (SUNPC & SUNPE) and subordinated notes (SUNPD) of \$48 million (December 2013: \$39 million); and amortisation of acquisition intangible assets of \$37 million (December 2013: \$51 million).

Dividends

	Amount per share	Franked amount per share
Ordinary Shares (SUN)		
2014 Final ordinary dividend – paid	40 cents	40 cents
2014 Special dividend – paid	30 cents	30 cents
2015 Interim ordinary dividend – payable on 1 April 2015	38 cents	38 cents
Convertible Preference Shares (SUNPC)		
17 June 2014 to 16 September 2014 – paid	\$1.2959	\$1.2959
17 September 2014 to 16 December 2014 – paid	\$1.2720	\$1.2720
17 December 2014 to 16 March 2015 – payable on 17 March 2015	\$1.2773	\$1.2773
Convertible Preference Shares (SUNPE)		
17 June 2014 to 16 September 2014 – paid	\$1.0754	\$1.0754
17 September 2014 to 16 December 2014 – paid	\$1.0538	\$1.0538
17 December 2014 to 16 March 2015 – payable on 17 March 2015	\$1.0615	\$1.0615

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

Ordinary Shares (SUN)	20 February 2015
Suncorp Convertible Preference Shares (SUNPC)	10 March 2015
Suncorp Convertible Preference Shares (SUNPE)	3 March 2015

3. Net tangible assets per security

	December 2014	December 2013
Net tangible assets per security	\$6.12	\$6.14

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

There was no material acquisition or disposal of subsidiaries during the half-year.

5. Dividends

Refer to the Consolidated interim financial report enclosed and 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 20 February 2015.

7. Details of associates and joint venture entities

Associate / Joint Venture	December 2014		December 2013	
	Holdings	Profit Contribution	Holdings	Profit Contribution
	%	\$	%	\$
RACT Insurance Pty Ltd	50	Not material	50	Not material
NTI Limited	50	Not material	50	Not material
AA Life Services Ltd	50	Not material	50	Not material
Capital Managers Pty Ltd	40	Not material	40	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.

10. Subsequent events

On 9 February 2015, the Suncorp Group was advised of a potential issue relating to the 2011 catastrophe reinsurance program which could impact on expected recoveries. This potential issue is contrary to the Suncorp Group's understanding of its additional reinsurance purchases made in 2011. This issue is of a technical nature and relates to the placement of reinsurance cover after the combination of the September 2010 Christchurch earthquake, the Brisbane floods and Cyclone Yasi.

It is uncertain whether this will have any financial impact; however, the Suncorp Group's maximum exposure will not exceed \$118 million after tax. The Suncorp Group has not recognised any financial impact in the preparation of its results for the six months to 31 December 2014.

The Suncorp Group will have detailed consultation with its reinsurance brokers and advisors.