Suncorp Group Limited ABN 66 145 290 124

Directors' report & consolidated interim financial report

for the half-year year ended
31 December 2014

One Company
Many Brands

SUNCORP GROUP

Suncorp Group Limited and subsidiaries

ABN 66 145 290 124

Consolidated interim financial report

for the half-year ended 31 December 2014

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One Company Many Brands

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 2014 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 AO (Chairman)	Director since 2010
Ilana R Atlas	Resigned 20 August 2014
William J Bartlett	Director since 2010
Michael A Cameron	Director since 2012
Audette E Exel AO	Director since 2012
Ewoud J Kulk	Director since 2010
Dr Douglas F McTaggart	Director since 2012
Geoffrey T Ricketts CNZM	Director since 2010

Executive

Patrick J R Snowball (Managing Director and Group CEO)	Director since 2010

Dividends

A fully franked 2014 final dividend of $515 million (40 cents per share) and a fully franked 2014 special dividend of $386 million (30 cents per share) were paid on 1 October 2014. A fully franked 2015 interim dividend of $489 million (38 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.

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 $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.

In addition to improving shareholder returns, the Suncorp Group has continued to deliver exceptional service for its customers during the half-year. The benefits of operational efficiencies are being passed on to customers through improved service and, where possible, reduced prices. These initiatives are being reflected in improved retention rates and high levels of customer satisfaction.

Financial position and capital structure

Net assets of the Suncorp Group decreased to $13,575 million at 31 December 2014 from $13,799 million at 30 June 2014. The decrease in net assets of $224 million arises from the payment of the final and special dividends in respect of 30 June 2014, partially offset by the profit for the half-year.

The Suncorp Group continues to focus on maintaining a strong, de-risked balance sheet while remaining committed to returning surplus capital to shareholders. During the half-year, the Suncorp Group increased the Bank's Common Equity Tier 1 (**CET1**) target ratio by 50 basis points (**bps**) to 8.5% - 9.0% of Risk Weighted Assets in advance of potential regulatory changes. At 31 December 2014, the General Insurance group's CET1 capital position was 1.44 times the Prescribed Capital Amount (June 2014: 1.66 times), the Bank's CET1 ratio was 8.82% (June 2014: 8.54%) and Suncorp Life's excess CET1 capital to target was $78 million (June 2014: $97 million).

Review of operations (continued)

Financial position and capital structure (continued)

The Suncorp Group continues to hold capital well above regulatory and operating targets and has been operationalising its Risk Based Capital modelling which has confirmed the inherent diversification benefit that exists within the Suncorp Group. Risk Based Capital models are now embedded in the business areas and provide a robust framework for aligning capital targets, risk appetite and strategic decisions.

Additionally, $183 million of Tier 2 subordinated notes in the General Insurance business area were redeemed during the half-year. These notes were subject to transitional treatment under the APRA Prudential Standards.

The Suncorp Group's excess to CET1 targets is $627 million after adjustment for the declared dividend. The Suncorp Group maintains a very strong capital position with all businesses holding CET1 capital in excess of targets.

Suncorp-Metway Limited's Basel III APS 330 capital disclosures are made available at the regulatory disclosures section of **suncorpgroup.com.au/investors**.

Review of principal businesses

General Insurance profit after tax was $419 million (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.

Banking profit after tax was $176 million (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.

Review of operations (continued)

Review of principal businesses (continued)

Life profit after tax was $86 million (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.

Events subsequent to reporting date

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.

Other than the matter noted above, there has not arisen in the interval between 31 December 2014 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.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2014.

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 AO
Chairman

Patrick J R Snowball
Managing Director and Group CEO

11 February 2015

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 2014 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

Chris Hall
Partner

Brisbane
11 February 2015

Consolidated interim statement of comprehensive income

for the half-year ended 31 December 2014

CONSOLIDATED	Note	Dec 2014 $m	Dec 2013 $m
Revenue			
Insurance premium income		**4,917**	4,858
Reinsurance and other recoveries income		**1,052**	787
Banking interest income		**1,461**	1,513
Investment revenue		**733**	827
Other income		**301**	269
Total revenue		**8,464**	8,254
Expenses			
General insurance claims expense		**(3,739)**	(3,283)
Life insurance claims expense and movement in policyowner liabilities		**(430)**	(869)
Outwards reinsurance premium expense		**(633)**	(448)
Interest expense		**(946)**	(1,056)
Fees and commissions expense		**(415)**	(373)
Operating expenses		**(1,320)**	(1,348)
Losses on Banking loans, advances and other receivables	7.1.2, 7.1.3	**(43)**	(58)
Total expenses		**(7,526)**	(7,435)
Profit before income tax		**938**	819
Income tax expense	8	**(302)**	(268)
Profit for the period		**636**	551
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges		**25**	32
Net change in fair value of available-for-sale financial assets		**3**	12
Exchange differences on translation of foreign operations		**31**	88
Income tax expense		**(7)**	(15)
Total other comprehensive income		**52**	117
Total comprehensive income for the period		**688**	668
Profit for the period attributable to:			
Owners of the Company		**631**	548
Non-controlling interests		**5**	3
Profit for the period		**636**	551
Total comprehensive income for the period attributable to:			
Owners of the Company		**683**	665
Non-controlling interests		**5**	3
Total comprehensive income for the period		**688**	668
		Cents	**Cents**
Earnings per share:			
Basic earnings per share		**49.35**	42.88
Diluted earnings per share		**48.44**	42.49

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 2014

CONSOLIDATED	Note	Dec 2014	Jun 2014	Dec 2013
		$m	$m	$m
Assets				
Cash and cash equivalents		**880**	895	1,064
Receivables due from other banks		**566**	927	790
Trading securities		**2,298**	1,593	2,129
Derivatives		**701**	301	425
Investment securities		**26,521**	26,915	26,588
Banking loans, advances and other receivables		**50,111**	49,781	49,074
General insurance assets		**6,287**	6,603	6,562
Life assets		**722**	862	584
Property, plant and equipment		**199**	205	228
Deferred tax assets		**80**	183	20
Other assets		**480**	444	476
Goodwill and intangible assets		**5,751**	5,720	6,138
Total assets		**94,596**	94,429	94,078
Liabilities				
Payables due to other banks		**314**	81	186
Deposits and short-term borrowings		**44,630**	43,579	44,192
Derivatives		**591**	625	554
Payables and other liabilities		**1,547**	2,331	1,605
Current tax liabilities		**115**	379	111
General insurance liabilities		**14,412**	14,173	14,330
Life liabilities		**6,267**	6,374	6,161
Deferred tax liabilities		**60**	58	39
Managed funds units on issue		**180**	118	30
Securitisation liabilities	7.3	**2,858**	3,581	4,245
Debt issues	7.4	**7,720**	6,831	6,412
Subordinated notes	9	**1,382**	1,557	1,671
Preference shares	10	**945**	943	550
Total liabilities		**81,021**	80,630	80,086
Net assets		**13,575**	13,799	13,992
Equity				
Share capital	11	**12,678**	12,682	12,675
Reserves	12	**251**	206	151
Retained profits		**624**	885	1,154
Total equity attributable to owners of the Company		**13,553**	13,773	13,980
Non-controlling interests		**22**	26	12
Total equity		**13,575**	13,799	13,992

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 2014

CONSOLIDATED	Note	Equity attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Retained profits	Total		
		$m	$m	$m	$m	$m	$m
Balance as at 1 July 2014		**12,682**	**206**	**885**	**13,773**	**26**	**13,799**
Profit after tax for the period		**-**	**-**	**631**	**631**	**5**	**636**
Total other comprehensive income		**-**	**52**	**-**	**52**	**-**	**52**
Total comprehensive income		**-**	**52**	**631**	**683**	**5**	**688**
Transactions with owners, recorded directly in equity							
Dividends paid	5	**-**	**-**	**(897)**	**(897)**	**(9)**	**(906)**
Share-based payments		**6**	**-**	**(2)**	**4**	**-**	**4**
Treasury shares movements		**(10)**	**-**	**-**	**(10)**	**-**	**(10)**
Transfers		**-**	**(7)**	**7**	**-**	**-**	**-**
Balance as at 31 December 2014		**12,678**	**251**	**624**	**13,553**	**22**	**13,575**
Balance as at 1 July 2013		12,682	40	1,245	13,967	16	13,983
Profit after tax for the period		-	-	548	548	3	551
Total other comprehensive income		-	117	-	117	-	117
Total comprehensive income		-	117	548	665	3	668
Transactions with owners, recorded directly in equity							
Dividends paid	5	-	-	(640)	(640)	(7)	(647)
Share-based payments		(22)	-	(5)	(27)	-	(27)
Treasury shares movements		15	-	-	15	-	15
Transfers		-	(6)	6	-	-	-
Balance as at 31 December 2013		12,675	151	1,154	13,980	12	13,992

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 2014

CONSOLIDATED	Dec 2014	Dec 2013
	$m	$m
Cash flows from operating activities		
Premiums received	**5,646**	5,495
Claims paid	**(4,595)**	(4,411)
Interest received	**1,903**	1,976
Interest paid	**(997)**	(1,166)
Reinsurance and other recoveries received	**1,158**	1,118
Outwards reinsurance premiums paid	**(817)**	(600)
Other operating income received	**401**	314
Dividends received	**21**	33
Operating expenses paid	**(2,044)**	(1,948)
Income tax paid	**(470)**	(62)
Net decrease (increase) in operating assets		
Trading securities	**(702)**	1,325
Banking loans, advances and other receivables	**(373)**	(1,133)
Net increase in operating liabilities		
Deposits and short-term borrowings	**1,051**	645
Net cash from operating activities	**182**	1,586
Cash flows from (used in) investing activities		
Proceeds from sale of investment securities	**11,583**	7,945
Payments for purchase of investment securities	**(10,927)**	(8,054)
Proceeds from other investing activities	**65**	3
Payments for other investing activities	**(116)**	(85)
Net cash from (used in) investing activities	**605**	(191)
Cash flows (used in) from financing activities		
Net (decrease) in borrowings	**(286)**	(1,663)
Dividends paid on ordinary shares	**(897)**	(640)
Payment on call of subordinated notes	**(183)**	-
Payments for other financing activities	**(31)**	(35)
Payments for preference share redemption	**-**	(30)
Net cash (used in) financing activities	**(1,397)**	(2,368)
Net (decrease) in cash and cash equivalents	**(610)**	(973)
Cash and cash equivalents at the beginning of the period	**1,741**	2,641
Effect of exchange rate fluctuations on cash held	**1**	-
Cash and cash equivalents at the end of the period	**1,132**	1,668
Cash and cash equivalents at the end of the period comprises:		
Cash and cash equivalents	**880**	1,064
Receivables due from other banks	**566**	790
Payables due to other banks	**(314)**	(186)
	1,132	1,668

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 2014 comprises the Company and its subsidiaries (the **Suncorp Group**). The Suncorp Group conducts general insurance, banking and life insurance businesses in Australia and New Zealand. Operating segment information is presented in note 6.

The Suncorp Group is a for-profit entity and its consolidated financial report for the financial year ended 30 June 2014 is available upon request from the Company's registered office at Level 28, 266 George Street, Brisbane, Qld 4000 or at **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 2014 and any public announcements made by the Suncorp Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange (**ASX**) Listing Rules.

The consolidated interim financial report was approved by the Board of Directors on 11 February 2015.

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.

3. Significant accounting policies

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 financial report for the financial year ended 30 June 2014.

Where necessary, comparatives have been restated to conform to changes in presentation in the current period.

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.

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 financial report as at and for the financial year ended 30 June 2014.

5. Dividends

CONSOLIDATED	Dec 2014		Dec 2013	
	¢ per share	$m	¢ per share	$m
Dividends on ordinary shares				
2014 final dividend (Dec 2013: 2013 final dividend)	**40**	**513**	30	384
2014 special dividend (Dec 2013: 2013 special dividend)	**30**	**384**	20	256
Total dividends recognised in equity	**70**	**897**	50	640
Dividends declared since balance date and not recognised in the consolidated interim statement of financial position				
2015 interim dividend[1] (Dec 2013: 2014 interim dividend)	**38**	**486**	35	447

Note

1 The total 2015 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 2014. The actual dividend amount to be recognised in the consolidated financial statements for the financial year ending 30 June 2015 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.

6. Segment reporting

The basis of segmentation and basis of measurement of segment results are the same as those applied by the Suncorp Group in its consolidated financial report for the financial year ended 30 June 2014.

6.1 Segment results

BUSINESS AREAS	GENERAL INSURANCE				BANKING	LIFE	CORPORATE	
Operating segments	Personal $m	Commercial $m	GI NZ $m	Total $m	Banking $m	Life $m	Corporate $m	Total $m
Half-year ended 31 December 2014								
Revenue from external customers	**2,946**	**1,960**	**931**	**5,837**	**1,590**	**1,073**	**13**	**8,513**
Inter-segment revenue	**-**	**-**	**-**	**-**	**-**	**-**	**22**	**22**
Total segment revenue	**2,946**	**1,960**	**931**	**5,837**	**1,590**	**1,073**	**35**	**8,535**
Segment profit (loss) before income tax	**252**	**238**	**104**	**594**	**252**	**140**	**(48)**	**938**
Segment income tax (expense) benefit	**(76)**	**(71)**	**(28)**	**(175)**	**(76)**	**(54)**	**3**	**(302)**
Segment profit (loss) after income tax	**176**	**167**	**76**	**419**	**176**	**86**	**(45)**	**636**
Half-year ended 31 December 2013								
Revenue from external customers	2,946	1,826	727	5,499	1,595	1,257	11	8,362
Inter-segment revenue	-	-	-	-	1	5	21	27
Total segment revenue	2,946	1,826	727	5,499	1,596	1,262	32	8,389
Segment profit (loss) before income tax	351	288	29	668	149	59	(58)	818
Segment income tax (expense) benefit	(105)	(85)	(8)	(198)	(44)	(37)	12	(267)
Segment profit (loss) after income tax	246	203	21	470	105	22	(46)	551

6.2 Reconciliation of segment profit before tax

CONSOLIDATED	Dec 2014	Dec 2013
	$m	$m
Segment profit before income tax	**938**	818
Elimination of intra-group investments	**(3)**	(3)
Other consolidation eliminations	**3**	4
Consolidated profit before income tax	**938**	819

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 2014				Half-year ended 31 December 2013			
		General Insurance $m	Banking $m	Life $m	Corporate $m	General Insurance $m	Banking $m	Life $m	Corporate $m
Revenue									
Insurance premium income		**4,440**	**-**	**477**	**-**	4,398	-	460	-
Reinsurance and other recoveries income		**934**	**-**	**118**	**-**	675	-	112	-
Banking interest income		**-**	**1,461**	**-**	**-**	-	1,515	-	-
Investment revenue		**357**	**10**	**401**	**35**	331	(19)	610	32
Other income		**106**	**119**	**77**	**-**	95	100	80	-
Total revenue		**5,837**	**1,590**	**1,073**	**35**	5,499	1,596	1,262	32
Expenses									
General insurance claims expense		**(3,739)**	**-**	**-**	**-**	(3,283)	-	-	-
Life insurance claims expense and movement in policyowner liabilities		**-**	**-**	**(430)**	**-**	-	-	(869)	-
Outwards reinsurance premium expense		**(493)**	**-**	**(140)**	**-**	(533)	-	85	-
Interest expense		**(14)**	**(908)**	**(2)**	**(47)**	(18)	(1,023)	(2)	(39)
Fees and commissions expense		**(248)**	**(65)**	**(103)**	**-**	(216)	(61)	(102)	-
Operating expenses		**(749)**	**(322)**	**(202)**	**(36)**	(781)	(305)	(212)	(51)
Losses on Banking loans, advances and other receivables [1]	7.1.2, 7.1.3	**-**	**(43)**	**-**	**-**	-	(58)	-	-
Outside beneficial interests in managed funds		**-**	**-**	**(56)**	**-**	-	-	(103)	-
Total expenses		**(5,243)**	**(1,338)**	**(933)**	**(83)**	(4,831)	(1,447)	(1,203)	(90)
Profit (loss) before income tax	6.1	**594**	**252**	**140**	**(48)**	668	149	59	(58)
Income tax (expense) benefit	6.1	**(175)**	**(76)**	**(54)**	**3**	(198)	(44)	(37)	12
Profit (loss) for the period	6.1	**419**	**176**	**86**	**(45)**	470	105	22	(46)

Note

1 Comprises impairment expense on Banking loans, advances and other receivables of $43 million (December 2013: $45 million) (note 7.1.2) and loss on sale of Banking loans and advances of $nil million (December 2013: $13 million) (note 7.1.3).

6.3.2 Summary of assets and liabilities by business area

CONSOLIDATED	Note	As at 31 December 2014				As at 30 June 2014			
		General Insurance $m	Banking $m	Life $m	Corporate $m	General Insurance $m	Banking $m	Life $m	Corporate $m
Assets									
Cash and cash equivalents		**233**	**521**	**563**	**37**	281	463	707	17
Receivables due from other banks		**-**	**566**	**-**	**-**	-	927	-	-
Trading securities		**-**	**2,298**	**-**	**-**	-	1,593	-	-
Derivatives		**23**	**710**	**10**	**-**	23	334	5	-
Investment securities		**12,225**	**6,634**	**8,241**	**14,421**	12,963	6,500	9,040	14,665
Banking loans, advances and other receivables		**-**	**50,111**	**-**	**-**	-	49,781	-	-
General Insurance assets		**6,287**	**-**	**-**	**-**	6,603	-	-	-
Life assets		**-**	**-**	**722**	**-**	-	-	862	-
Due from Group entities		**117**	**169**	**22**	**1,274**	-	147	7	1,240
Property, plant and equipment		**32**	**-**	**4**	**163**	33	-	4	168
Deferred tax assets		**-**	**95**	**1**	**114**	-	98	22	128
Other assets		**180**	**223**	**54**	**43**	172	192	49	54
Goodwill and intangible assets		**5,097**	**262**	**228**	**164**	5,091	262	229	138
Total assets		**24,194**	**61,589**	**9,845**	**16,216**	25,166	60,297	10,925	16,410
Liabilities									
Payables due to other banks		**-**	**314**	**-**	**-**	-	81	-	-
Deposits and short-term borrowings		**-**	**45,104**	**-**	**-**	-	44,154	-	-
Derivatives		**193**	**424**	**15**	**1**	149	525	12	-
Payables and other liabilities		**637**	**386**	**147**	**386**	1,253	457	177	448
Current tax liabilities		**37**	**-**	**-**	**92**	23	-	1	370
Due to Group entities		**213**	**152**	**26**	**410**	392	160	56	13
General Insurance liabilities		**14,412**	**-**	**-**	**-**	14,173	-	-	-
Life liabilities		**-**	**-**	**6,267**	**-**	-	-	6,374	-
Deferred tax liabilities		**145**	**-**	**45**	**-**	81	-	42	-
Managed funds units on issue		**-**	**-**	**1,369**	**-**	-	-	2,357	-
Securitisation liabilities	7.3	**-**	**2,872**	**-**	**-**	-	3,598	-	-
Debt issues	7.4	**-**	**7,727**	**-**	**-**	-	6,839	-	-
Subordinated notes		**550**	**742**	**100**	**760**	727	742	100	758
Preference shares	10	**-**	**-**	**-**	**945**	-	-	-	943
Total liabilities		**16,187**	**57,721**	**7,969**	**2,594**	16,798	56,556	9,119	2,532
Net assets		**8,007**	**3,868**	**1,876**	**13,622**	8,368	3,741	1,806	13,878

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 2014	Dec 2013
	$m	$m
Collective provision		
Balance at the beginning of the period	**120**	102
Charge (credit) against impairment losses	**9**	(5)
Balance at the end of the period	**129**	97
Specific provision		
Balance at the beginning of the period	**106**	198
Charge against impairment losses	**32**	48
Impaired assets written off	**(29)**	(124)
Unwind of discount	**(5)**	(9)
Balance at the end of the period	**104**	113
Total provisions	**233**	210

7.1.2 Impairment expense on Banking loans, advances and other receivables

CONSOLIDATED	Dec 2014	Dec 2013
	$m	$m
Increase (decrease) in collective provision for impairment	**9**	(5)
Increase in specific provision for impairment	**32**	48
Bad debts written off	**2**	7
Bad debts recovered	**-**	(5)
Total impairment expense	**43**	45

7.1.3 Loss on sale of Banking loans and advances

CONSOLIDATED	Dec 2014	Dec 2013
	$m	$m
Loss on sale of Banking loans and advances	**-**	13

7.2 Banking – Short-term offshore debt securities

BANKING	Dec 2014	Dec 2013
	$m	$m
Balance at the beginning of the period	**2,711**	3,999
Proceeds from issues	**3,850**	3,575
Repayments	**(3,330)**	(4,057)
Foreign exchange translation and fair value movements	**234**	169
Balance at the end of the period	**3,465**	3,686

Short-term offshore debt securities are disclosed within the consolidated interim statement of financial position category of ‘Deposits and short-term borrowings’.

7.3 Banking – Securitisation liabilities

CONSOLIDATED	Dec 2014 $m	Dec 2013 $m
Banking		
Balance at the beginning of the period	**3,598**	4,802
Transaction costs amortised	**2**	2
Repayments	**(749)**	(573)
Foreign exchange translation movements	**21**	36
Balance at the end of the period	**2,872**	4,267
Consolidated		
Adjustments for intra-group investments in Banking's securitisation liabilities		
Balance at the beginning of the period	**(17)**	(25)
Repayments	**3**	3
Balance at the end of the period	**(14)**	(22)
Total securitisation liabilities	**2,858**	4,245

7.4 Banking – Debt issues

CONSOLIDATED	Dec 2014 $m	Dec 2013 $m
Banking		
Balance at the beginning of the period	**6,839**	7,313
Proceeds from issues	**2,063**	401
Transaction costs (incurred) amortised	**(1)**	1
Net proceeds	**2,062**	402
Repayments	**(1,378)**	(1,368)
Foreign exchange translation and fair value movements	**204**	86
Balance at the end of the period	**7,727**	6,433
Consolidated		
Adjustments for intra-group investments in Banking's debt issues		
Balance at the beginning of the period	**(8)**	(22)
Repayments	**1**	1
Balance at the end of the period	**(7)**	(21)
Total debt issues	**7,720**	6,412

Suncorp Group and Corporate disclosures

8. Income tax expense

The Suncorp Group's consolidated effective tax rate for the half-year ended 31 December 2014 was 32.2% (for the financial year ended 30 June 2014: 37.3%; for the half-year ended 31 December 2013: 32.7%).

Income tax expense adjustments have primarily arisen from:

- The life insurance statutory funds adjustment resulting in a $17 million (December 2013: $20 million) income tax expense. 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 2013: $4 million).

9. Subordinated notes

CONSOLIDATED	Dec 2014	Dec 2013
	$m	$m
Balance at the beginning of the period	**1,557**	1,646
Repayment on call of General Insurance subordinated notes	**(183)**	-
Foreign exchange translation and fair value movements	**6**	23
Transaction costs amortised	**2**	2
Balance at the end of the period	**1,382**	1,671

10. Preference shares

CONSOLIDATED	Dec 2014			Dec 2013		
	Banking	Corporate	Total	Banking	Corporate	Total
	$m	$m	$m	$m	$m	$m
Balance at the beginning of the period	**-**	**943**	**943**	30	549	579
Repayments on redemption	**-**	**-**	**-**	(30)	-	(30)
Transaction costs amortised	**-**	**2**	**2**	-	1	1
Balance at the end of the period	**-**	**945**	**945**	-	550	550

A summary of the terms of the preference shares can be found in notes 7.10 and 21 to the Suncorp Group consolidated financial report for the financial year ended 30 June 2014.

Corporate

Corporate preference shares consist of Convertible Preference Shares (**SUNPC** and **SUNPE**) issued by the Company.

Banking

Banking preference shares consisted of Reset Preference Shares (**SBKPA**) issued by Suncorp-Metway Limited. All outstanding SBKPA were redeemed for cash on 16 September 2013.

10.1 Preference share dividends recognised as interest expense

CONSOLIDATED	Dec 2014		Dec 2013	
	¢ per share	$m	¢ per share	$m
Convertible Preference Shares (SUNPC)				
September quarter	**130**	**7**	131	7
December quarter	**127**	**7**	126	7
	257	**14**	257	14
Convertible Preference Shares (SUNPE)				
September quarter	**108**	**4**	-	-
December quarter	**105**	**4**	-	-
	213	**8**	-	-
Reset Preference Shares (SBKPA)				
Period from March to September	**-**	**-**	215	1

11. Share capital

CONSOLIDATED	Issued capital $m	Share-based payments $m	Treasury shares $m	Total $m
Balance as at 1 July 2014	**12,717**	**50**	**(85)**	**12,682**
Share-based payments	**-**	**6**	**-**	**6**
Treasury shares movements	**-**	**-**	**(10)**	**(10)**
Balance as at 31 December 2014	**12,717**	**56**	**(95)**	**12,678**
Balance as at 1 July 2013	12,717	70	(105)	12,682
Share-based payments	-	(22)	-	(22)
Treasury shares movements	-	-	15	15
Balance as at 31 December 2013	12,717	48	(90)	12,675

11.1 Number of ordinary shares on issue

At 31 December 2014, 1,286,600,980 of ordinary shares were on issue. There have been no movements to this balance since 30 June 2014.

On 1 October 2014, 8,173,876 ordinary shares were allotted at the issue price of $14.64 per share under the Dividend Reinvestment Plan in respect of the 2014 final and special dividends. On 1 October 2013, 6,732,163 ordinary shares were allotted at the issue price of $12.71 per share under the Dividend Reinvestment Plan in respect of the 2013 final and special dividends. Shares for both allotments were acquired on market for delivery to shareholders and resulted in no issue of new shares.

12. Reserves

CONSOLIDATED	Equity reserve for credit losses $m	Hedging reserve $m	Assets available-for-sale reserve $m	Foreign currency translation reserve $m	Total $m
Balance as at 1 July 2014	**151**	**(33)**	**12**	**76**	**206**
Transfer to retained profits	**(7)**	**-**	**-**	**-**	**(7)**
Amount recognised in equity	**-**	**24**	**15**	**-**	**39**
Amount transferred from equity to profit or loss	**-**	**1**	**(12)**	**-**	**(11)**
Income tax	**-**	**(6)**	**(1)**	**-**	**(7)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**31**	**31**
Balance as at 31 December 2014	**144**	**(14)**	**14**	**107**	**251**
Balance as at 1 July 2013	131	(65)	(4)	(22)	40
Transfer from retained profits	(6)	-	-	-	(6)
Amount recognised in equity	-	30	5	-	35
Amount transferred from equity to profit or loss	-	2	7	-	9
Income tax	-	(11)	(4)	-	(15)
Exchange differences on translation of foreign operations	-	-	-	88	88
Balance as at 31 December 2013	125	(44)	4	66	151

13. Fair value of financial instruments

13.1 Comparison of fair value to carrying amounts

The following financial assets and liabilities are recognised and measured at fair value and therefore their carrying value equates to their fair value:

- financial assets at fair value through profit or loss including trading securities
- available-for-sale financial assets
- certain short-term offshore borrowings designated as financial liabilities at fair value through profit or loss
- derivatives.

The basis for determining their fair values has not changed since 30 June 2014 and is described in note 26.2 to the Suncorp Group consolidated financial report for the financial year ended 30 June 2014.

The table below discloses a comparison of carrying value and fair value of financial assets and liabilities that are not recognised and measured at fair value, where their carrying value is not a reasonable approximation of fair value. Significant assumptions and estimates used in determining their fair values have not changed since 30 June 2014 and are described in note 26.1 to the Suncorp Group consolidated financial report for the financial year ended 30 June 2014.

CONSOLIDATED	Note	Dec 2014		Jun 2014		Dec 2013	
		Carrying value $m	Fair value $m	Carrying value $m	Fair value $m	Carrying value $m	Fair value $m
Financial assets							
Held-to-maturity investments		**3,899**	**3,953**	3,958	3,995	4,080	4,124
Banking loans, advances and other receivables		**50,111**	**50,465**	49,781	50,142	49,074	49,132
Financial liabilities							
Deposits and short-term borrowings [1]		**41,165**	**41,226**	40,868	40,936	40,506	40,621
Debt issues	7.4	**7,720**	**7,804**	6,831	6,788	6,412	6,467
Subordinated notes	9	**1,382**	**1,409**	1,557	1,569	1,671	1,678
Preference shares	10	**945**	**985**	943	1,015	550	588

Note

1 Excludes short-term offshore borrowings designated as financial liabilities at fair value through profit or loss.

13.2 Fair value hierarchy

Financial assets and liabilities that are recognised and measured at fair value are categorised by a hierarchy which identifies the most significant input used in the valuation methodology:

- Level 1 – derived from quoted prices (unadjusted) in active markets for identical financial instruments that the Suncorp Group can access at the measurement date
- Level 2 – derived from other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly
- Level 3 – fair value measurement is not based on observable market data.

13.2 Fair value hierarchy (continued)

CONSOLIDATED	Level 1	Level 2	Level 3	Total
	$m	$m	$m	$m
As at 31 December 2014				
Financial assets				
Trading securities	**-**	**2,298**	**-**	**2,298**
Investment securities[1]	**4,829**	**17,793**	**-**	**22,622**
Derivatives	**7**	**682**	**12**	**701**
	4,836	**20,773**	**12**	**25,621**
Financial liabilities				
Deposits and short-term borrowings[2]	**-**	**3,465**	**-**	**3,465**
Derivatives	**27**	**539**	**25**	**591**
	27	**4,004**	**25**	**4,056**
As at 30 June 2014				
Financial assets				
Trading securities	-	1,593	-	1,593
Investment securities[1]	4,708	18,249	-	22,957
Derivatives	3	264	34	301
	4,711	20,106	34	24,851
Financial liabilities				
Deposits and short-term borrowings[2]	-	2,711	-	2,711
Derivatives	28	501	96	625
	28	3,212	96	3,336
As at 31 December 2013				
Financial assets				
Trading securities	-	2,129	-	2,129
Investment securities[1]	5,101	17,405	2	22,508
Derivatives	1	398	26	425
	5,102	19,932	28	25,062
Financial liabilities				
Deposits and short-term borrowings[2]	-	3,686	-	3,686
Derivatives	-	496	58	554
	-	4,182	58	4,240

Notes

1 Only includes financial assets at fair value through profit or loss and available-for-sale financial assets.

2 Only includes short-term offshore borrowings designated as financial liabilities at fair value through profit or loss.

There have been no significant transfers between Level 1 and Level 2 during the half-year ended 31 December 2014.

Level 3 derivatives relate to long-dated interest rate swaps and cross currency swaps in relation to the Apollo securitisation trusts where a significant input is the amortisation profile of the mortgage portfolio. The valuation methodology for derivative financial instruments classified within Level 3 of the fair value hierarchy is based on market data using observable quoted rates for actively traded tenor points. Where interpolation is used to value an instrument for the correct time periods, observable inputs such as the bank bill swap rate (**BBSW**) yield curves and swap curve rates are used.

The Suncorp Group's exposure to Level 3 financial instruments is restricted to an insignificant component of the portfolios to which they belong, such that any change in the assumptions used to value the instruments to a reasonably possible alternative do not have a material effect on the portfolio balance or the Suncorp Group's results.

13.2 Fair value hierarchy (continued)

The following table discloses the movements in financial instruments classified as Level 3 in the fair value hierarchy:

CONSOLIDATED	Dec 2014			Dec 2013		
	Asset		Liability	Asset		Liability
	Investment securities $m	Derivatives $m	Derivatives $m	Investment securities $m	Derivatives $m	Derivatives $m
Balance at the beginning of the period	-	34	96	3	41	109
Total gains or losses included as investment revenue in profit or loss for the period[1]	-	5	(5)	-	(6)	(41)
Transfer out to Level 2	-	-	(26)	-	(11)	(16)
Purchases	-	-	-	-	2	6
Settlements	-	(27)	(40)	(1)	-	-
Balance at the end of the period	-	12	25	2	26	58

Note

1 All gains/losses included in the profit or loss relate to assets and liabilities held at the end of the period (i.e. unrealised).

14. Changes in the composition of the Suncorp Group

The Suncorp Group did not acquire nor dispose of any material subsidiaries, interests in joint arrangements, 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 consolidated financial report for the financial year ended 30 June 2014.

Share-based payments

During the half-year, the following Long-term Incentives (**LTI**) grants were made to the Group CEO and executives as part of their remuneration package under the Suncorp Group Equity Incentive Plan:

- 276,839 (December 2013: 324,396) performance rights were offered to the Group CEO as approved and resolved by shareholders at the 2014 Annual General Meeting on 23 October 2014 (December 2013: 2013 Annual General Meeting on 24 October 2013). The fair value per share at grant date was $8.23 (December 2013: $7.13).
- 929,386 (December 2013: 1,010,448) performance rights were offered to executives on 1 October 2014 (December 2013: 1 October 2013). The fair value per share at grant date was $8.19 (December 2013: $7.30).

The vesting period is three years. The features and performance criteria for the LTI are described in note 12 to the Suncorp Group consolidated financial report for the financial year ended 30 June 2014.

16. Contingent assets and liabilities

There have been no material changes in contingent assets or contingent liabilities since 30 June 2014.

17. 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.

Other than the matter noted above, there has not arisen in the interval between 31 December 2014 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 5 to 18, 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 2014 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 AO	**Patrick J R Snowball**
Chairman	Managing Director and Group CEO

11 February 2015

Independent auditor's review report to the members of Suncorp Group Limited

We have reviewed the accompanying interim financial report of Suncorp Group Limited (the **Company**), which comprises the consolidated interim statement of financial position as at 31 December 2014, 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 the 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 2014 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 2014 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

Chris Hall
Partner

Brisbane

11 February 2015