



Suncorp Group Limited

Financial results for the six months to 31 December 2011

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22 February 2012

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One Company
Many Brands



Suncorp Results Presentation

Agenda

- Results and operational highlights – Patrick Snowball
- CFO Report – John Nesbitt
 - Capital
 - Investments
 - General Insurance
 - Bank
 - Life
- Outlook – Patrick Snowball

Result overview

Improved Group profitability

	1H12	1H11	%
General Insurance NPAT	162	292	(44.5)
Core Bank NPAT	156	110	41.8
Non-core Bank NPAT	(54)	(107)	(49.5)
Suncorp Life NPAT	133	61	118%
Business line NPAT	397	356	11.5%
Amortisation, divestments, NOHC investment income and other	(8)	(133)	n/a
Net Profit After Tax	389	223	74.4%

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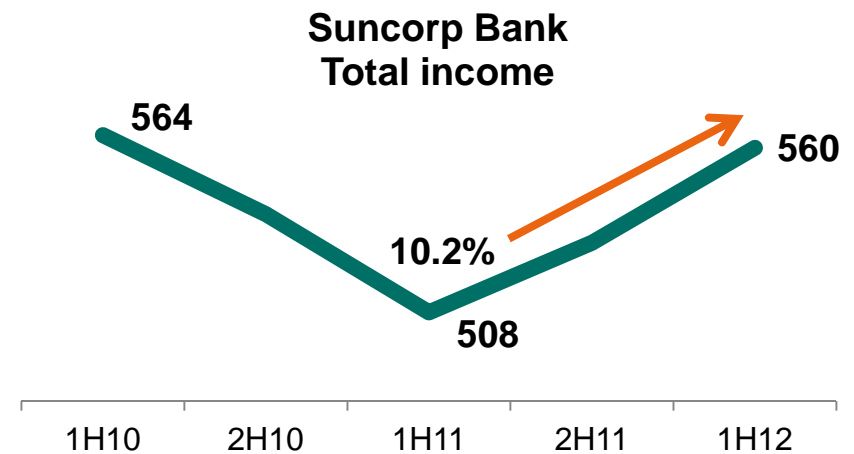
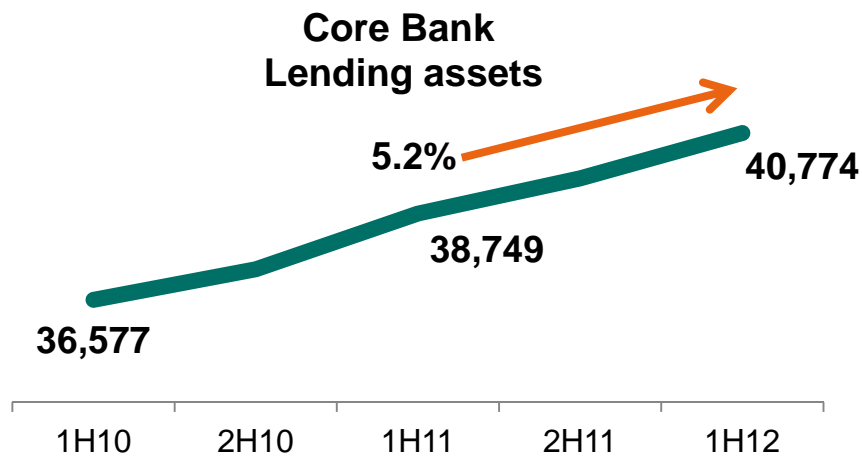
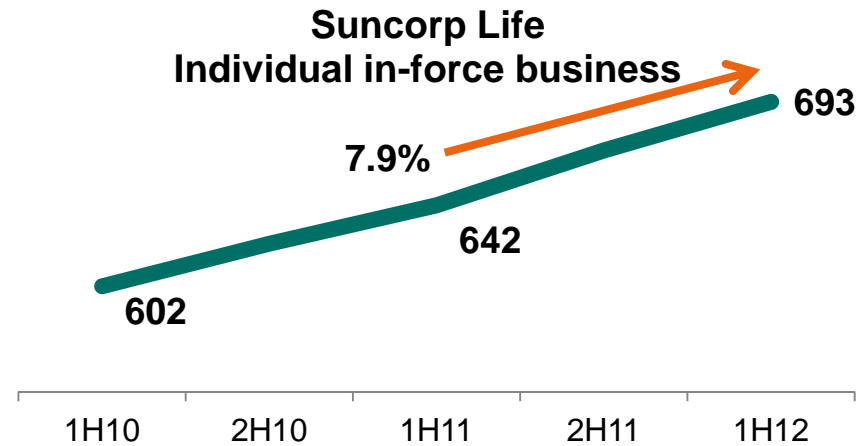
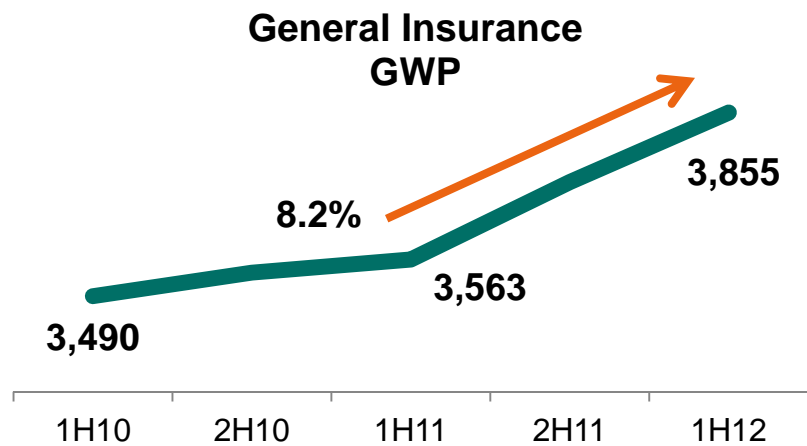
Result highlights

Suncorp continues to strengthen.....

- Surplus capital of around \$1.2 billion above target
- 'A+' credit rating retained
- Interim dividend 20 cents per share, DRP neutralised
- GI premium growth of 8.2%, building block benefits realised
- GI underlying ITR of 11.1%
- Core Bank RoE 15% with lending growth, good margins
- Non-core Bank portfolio reduced to \$5.7 billion
- Life Risk New Business sales up 12.2% with Direct sales up 36%
- Growth across all businesses
- Tight control of expenses

Top line growth

Growth across all three business lines (A\$m)



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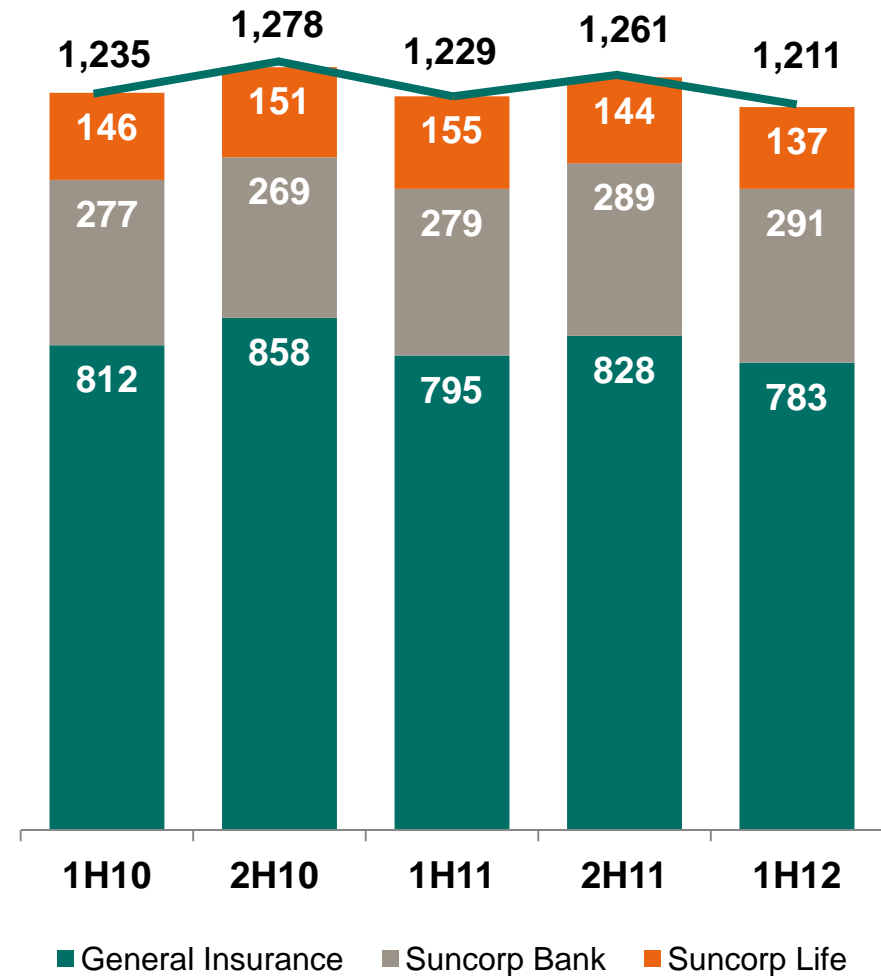
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Operating expenses

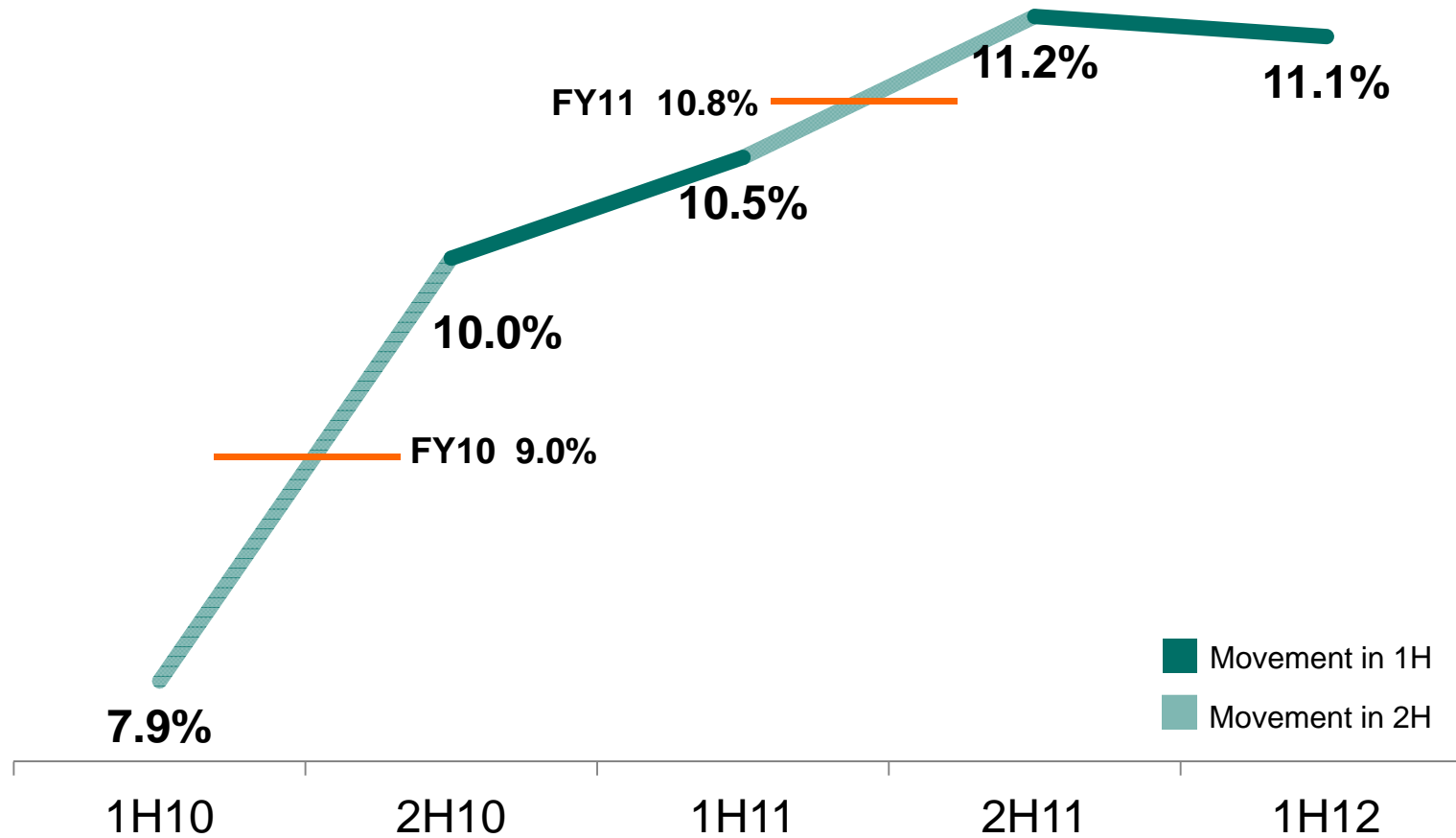
Ongoing focus on cost control (A\$m)

- Expenses have fallen while delivering top-line growth
- Significant transformational change within the business including the building block initiatives
- Dealing with the operational challenges of the natural hazard events
- All head office expenses have been allocated



Underlying ITR trends

Second half historically shows greater improvement



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Capital and investments

John Nesbitt
Group Chief Financial Officer

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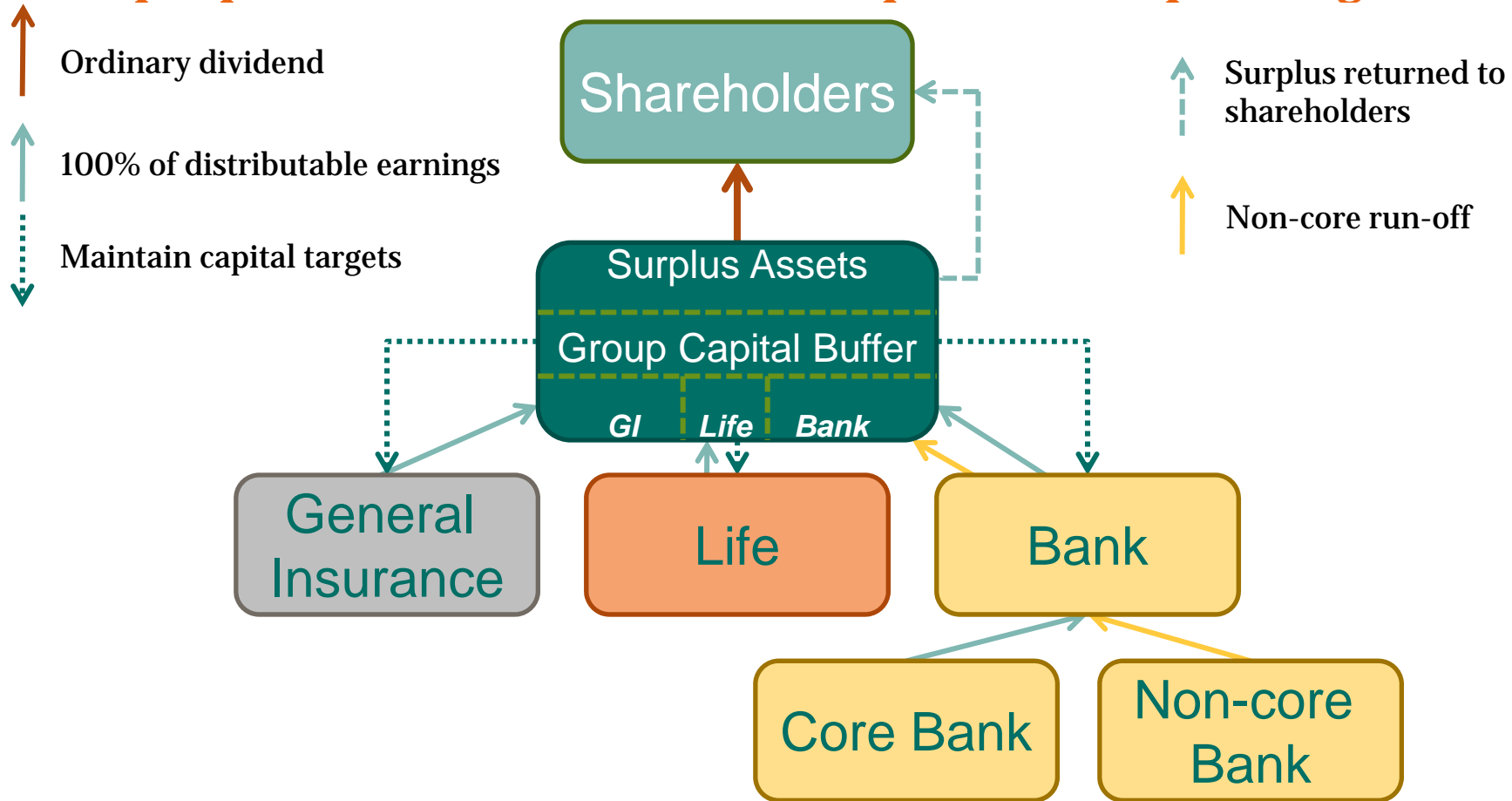
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Capital management under the NOHC

Group capital buffer is the excess over operational capital targets



- Capital targets at the GI and Bank operating level are 1.45x MCR and 12.5% CAR
- At the Group level, target includes 0.05x GI MCR

Capital position at 31 December 2011

The Suncorp Group continues to strengthen...

A\$m	General Insurance	Bank	Life	NOHC and other Group entities	Suncorp Group Total
Total capital	3,568	4,358	1,890	633	10,449
Target capital	3,055	4,098	1,922	192	9,267
Surplus capital	513	260	(32)	441	1,182
Target Ratios	1.45 times MCR	12.5% CAR		0.5 times MCR plus \$100m for service entities	
Actual Ratios	1.69 times MCR	13.1% CAR 7.48% CET1			

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Dividend and capital

Capital update

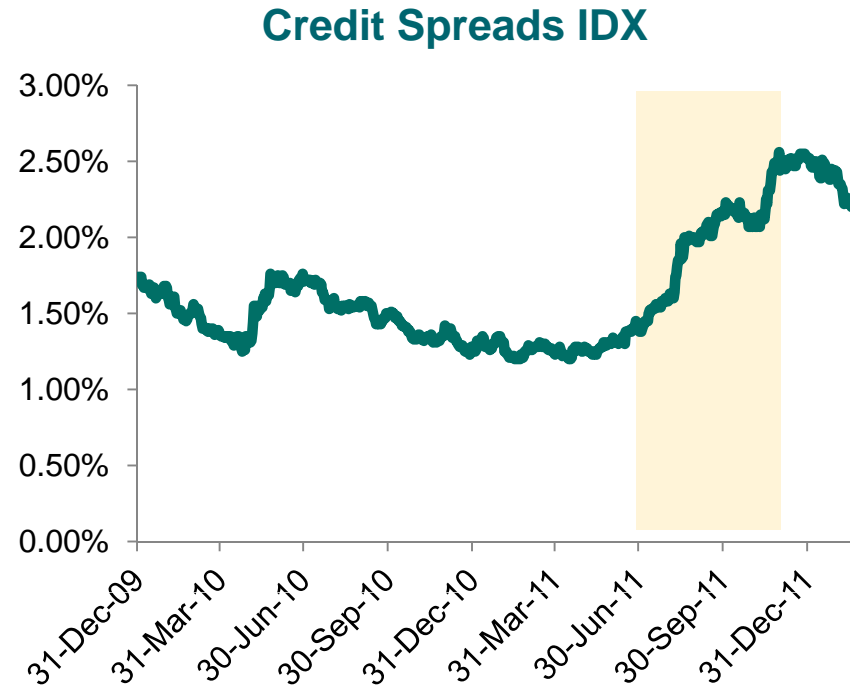
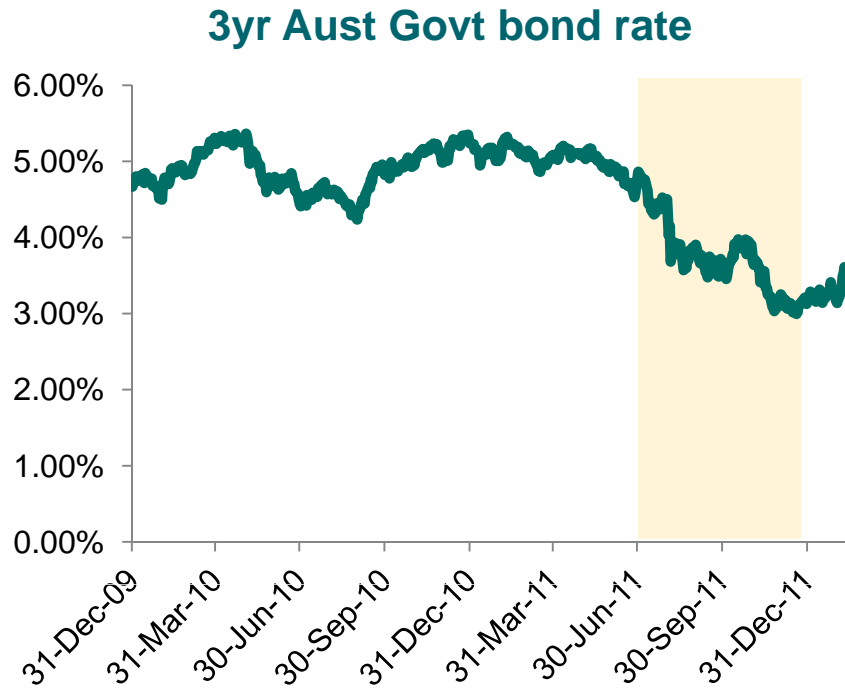
- Redeemed \$293m in subordinated debt and reset preference shares
- Increased interim dividend
- Midpoint of the payout target range of 50% to 70% cash earnings
- Maintain a zero discount on the DRP and buy DRP shares on-market

Movement in surplus capital



Suncorp Group investments

Historical movements – risk free rate and credit spreads



Source: Reuters and Bloomberg

Australian Government 3yr bond rate = risk free rate = GI discount rates

Suncorp Group investments

How market movements impact Suncorp Group

Impact of lower discount rates

General Insurance technical reserves

- increased claims expense \$281m
- Increased investment income \$281m

General Insurance shareholders funds

- increased investment income \$90m

Suncorp Life

- increased market adjustment \$62m

Suncorp Bank

- minimal impact

Impact of widening credit spreads

General Insurance technical reserves

- No claims expense impact
- reduced investment income \$109m

General Insurance shareholders funds

- reduced investment income \$31m

Suncorp Life

- minimal impact

Suncorp Bank

- minimal impact

Net impact is only \$12 million

Suncorp Group investments

Short-term volatility

- Investment profile and diversified business provide natural hedges
- Impact on technical reserves is removed from underlying ITR calculation

Long-term impacts

- Product pricing is based on expected investment returns
- 60% of long-tail premiums are regulated
- 1% fall in the 3-yr bond rate means CTP prices need to increase 4%
- From 1 April 2012, Queensland CTP ceiling increases \$5 or 1.6%



General Insurance

John Nesbitt
Chief Financial Officer

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General Insurance overview

Underlying ITR of 11.1%

A\$m	HY12	%
General Insurance profit after tax	162	(44.5)

- GWP up 8.2% on a reported basis
- Natural hazard claims above allowance by \$149m
- Reinsurance expense of \$368m
- Reserve releases consistent with expectations
- Positive momentum in underlying Insurance Trading Ratio (ITR/margin)

Gross Written Premium

GWP up 8.2%

Product	HY12 (A\$m)	%	Factors
Motor	1,284	1.7	Solid premium and price leadership
Home	1,093	15.9	Significant premium increases through targeted risk selection
Commercial	918	9.3	Rate increases across targeted channels and continued market hardening
CTP	432	0.9	Net written unit growth
Workers' comp & other	128	42.2	Premium increases to reflect wage adjustments and legislation changes
Total	3,855	8.2	

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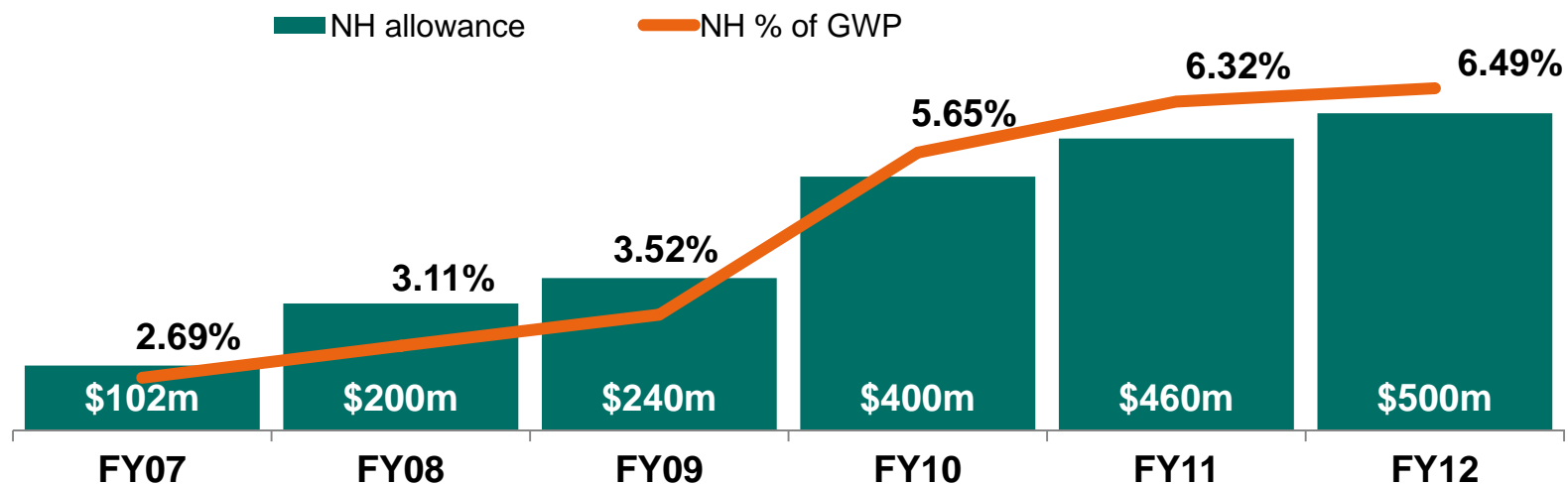
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Natural hazards costs

Date	Major Events (A\$m)	Cost
Oct-11	South-east Queensland hail	15
Nov-11	NSW/VIC flooding	16
Dec-11	Christchurch earthquake	10
Dec-11	Melbourne hail	234
	Other smaller natural hazards (including six events above \$5m)	114
1H12	Total natural hazard events	389
	Less: allowance for natural hazards	240
1H12	Natural hazard costs above allowance	149

In January & February, natural hazard events \$30 million above allowance



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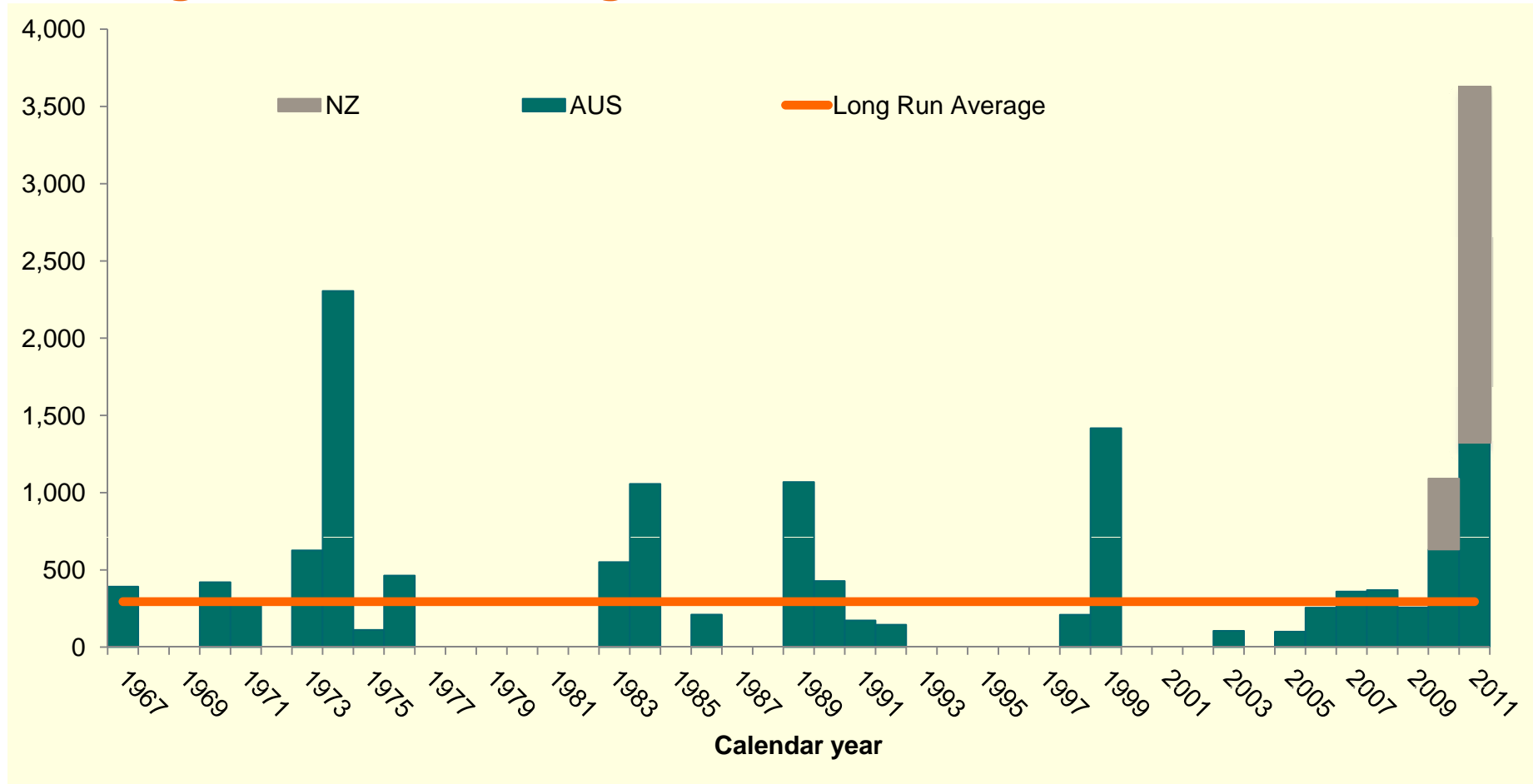
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Natural hazards over the past 45 years

Long-term catastrophic loss experience

Events greater than \$100m, gross of all reinsurance



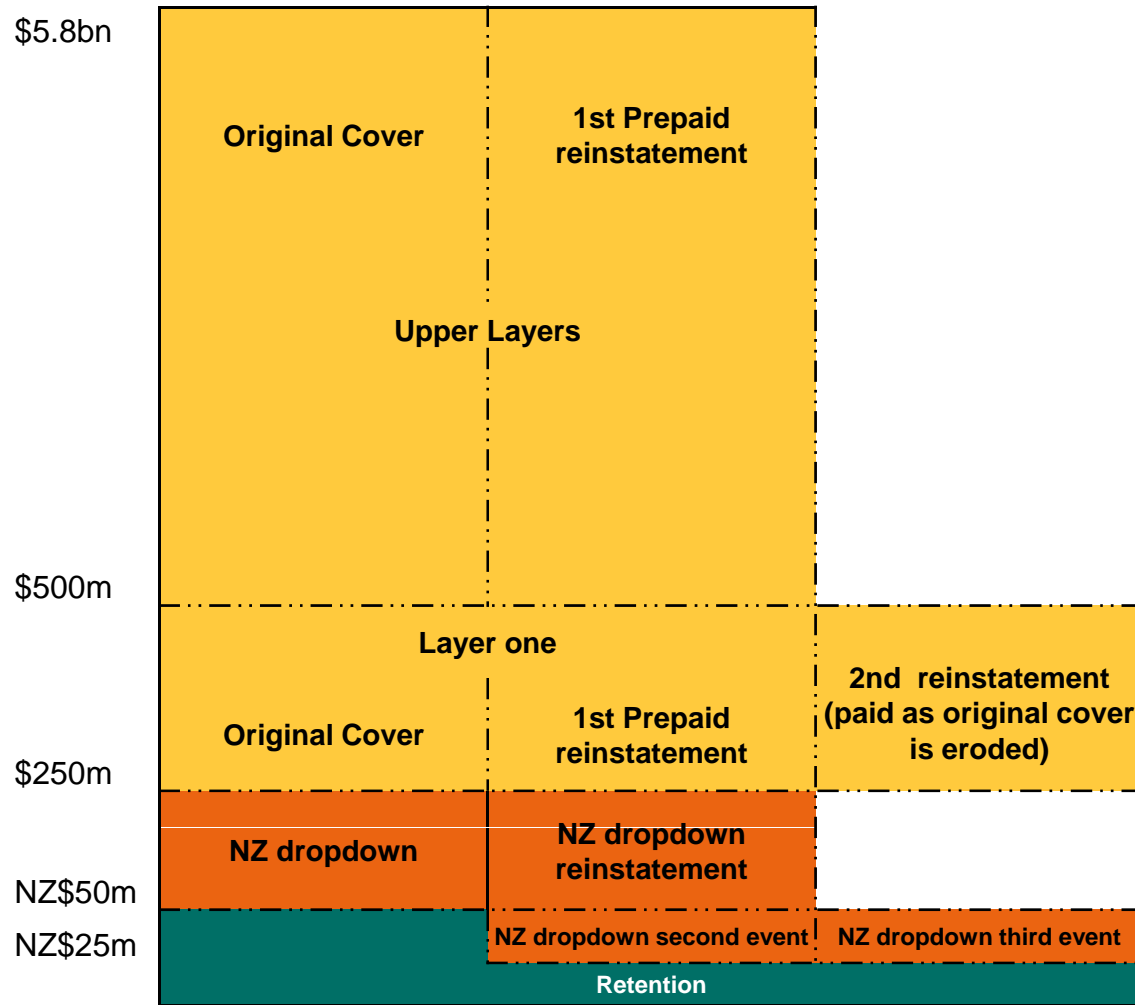
Source: Data supplied by Risk Frontiers (Macquarie University) using the Insurance Council database.

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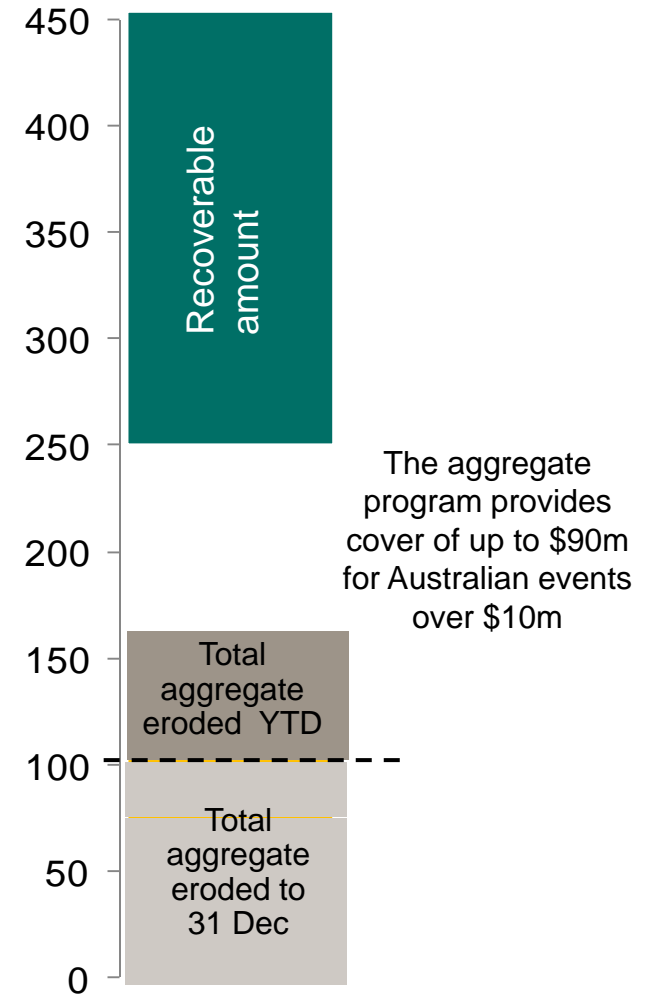
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FY12 Reinsurance program

Property catastrophe program



Aggregate program

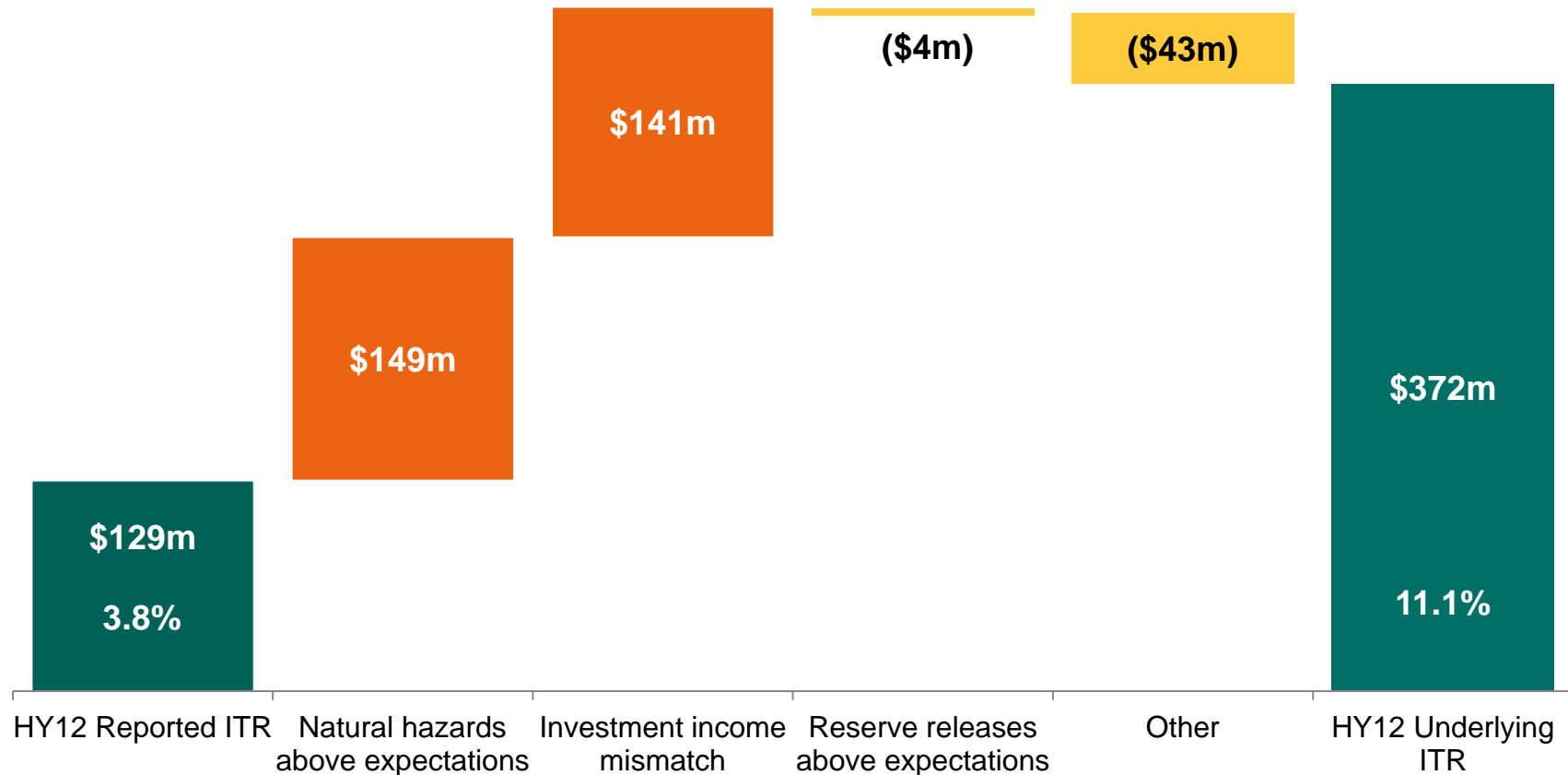


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Underlying ITR

Improvement in underlying ITR from 9% FY10 and 10.5% 1H11





Suncorp Bank

John Nesbitt
Chief Financial Officer

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Core Bank overview

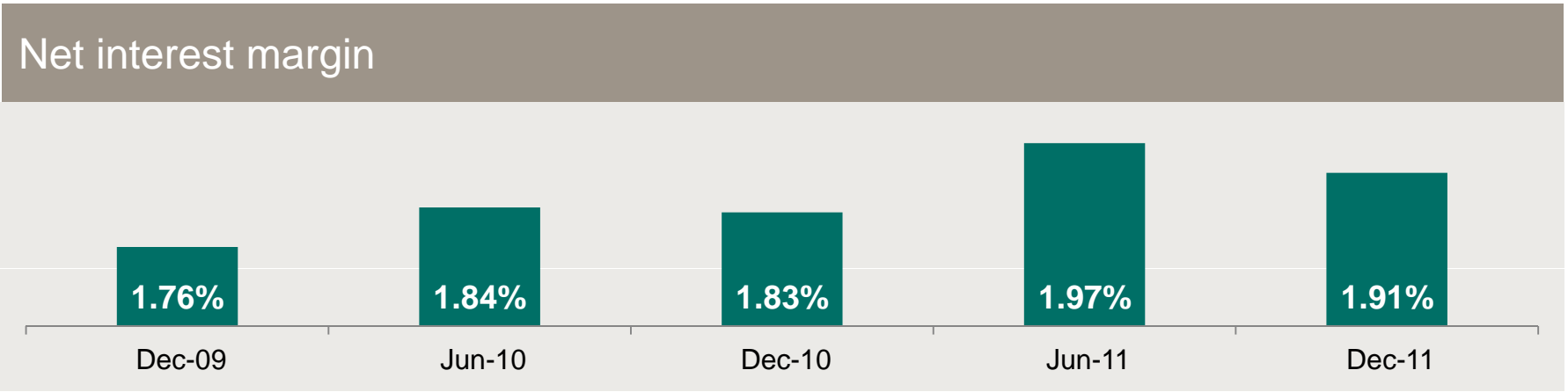
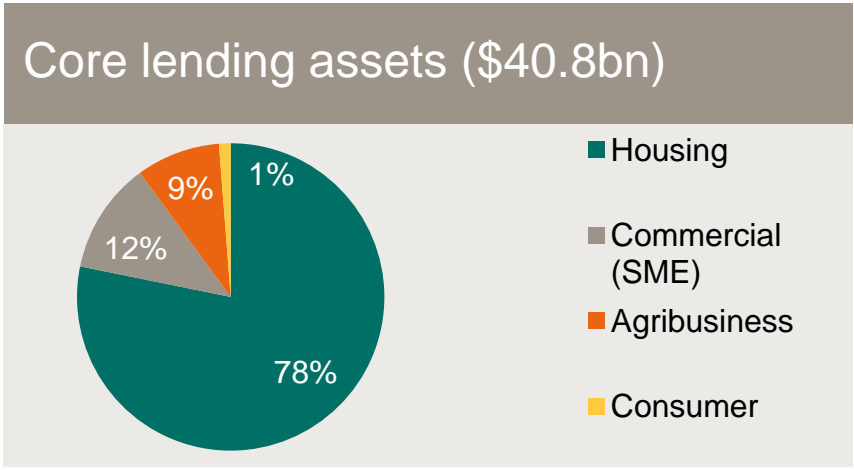
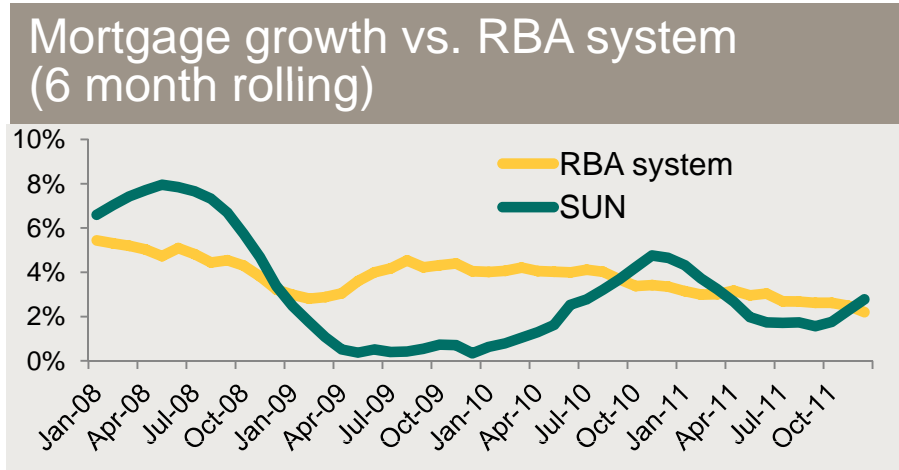
Improved result in challenging conditions

A\$m	HY12	%
Core Bank profit after tax	156	41.8

- Returned to above system home lending growth
- Deposit to lending ratio at 69.4%
- Maintained 'A+/A1' credit rating
- Commenced first phase of Core System replacement program

Core Bank

Returning to above system home lending growth



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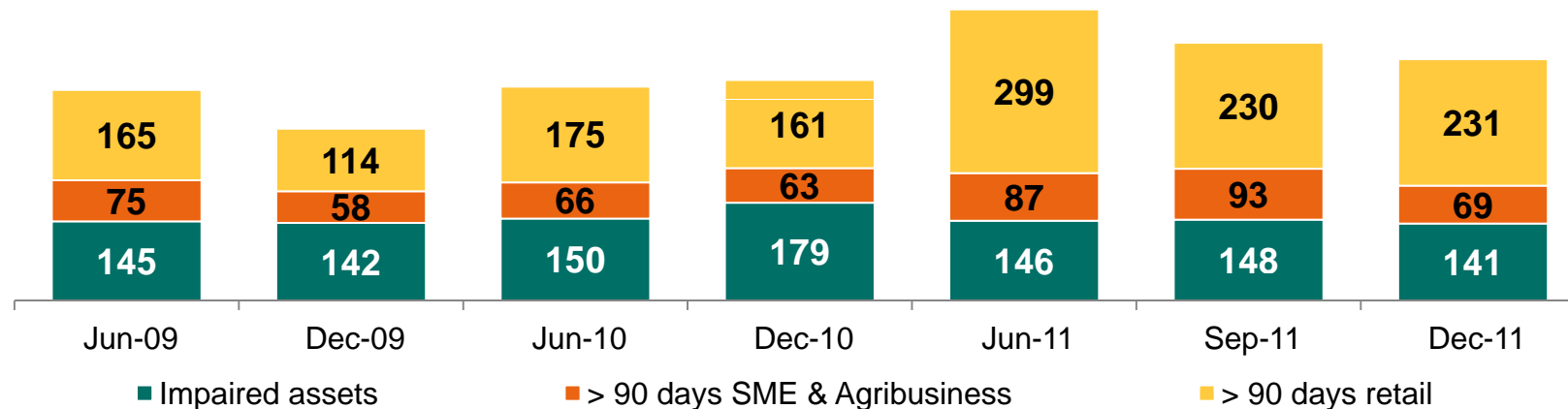
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Core Bank - credit quality

Core impairment losses (\$Am)

	HY12	FY11
Collective provision charge	(6)	16
Specific provision charge	13	32
Actual net write-offs	2	3
Impairment loss on loans and advances	9	51

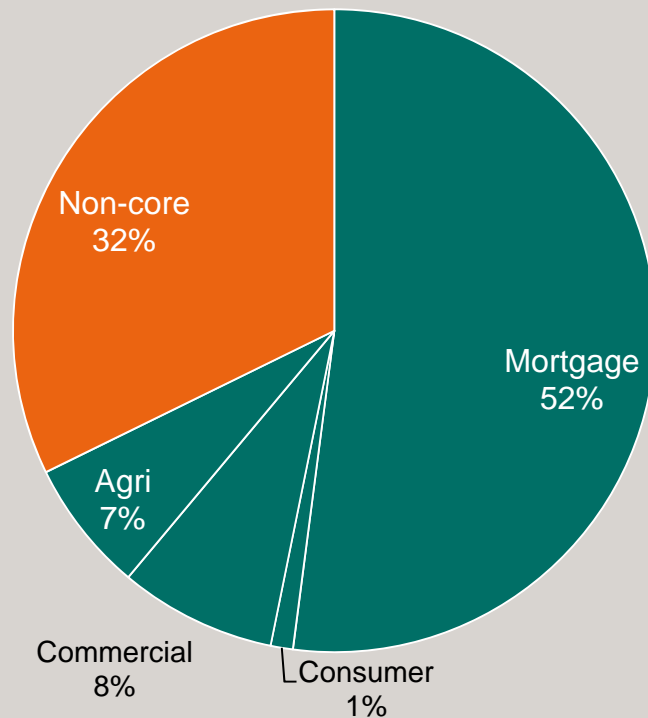
Core non-performing loans (\$Am)



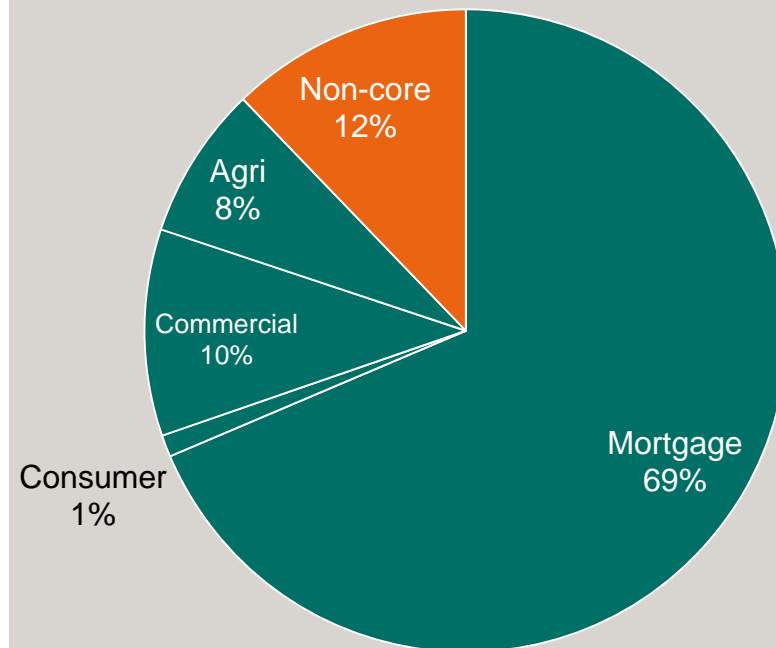
Suncorp Bank change in lending assets

Non-core portfolio is now only 12% of total lending assets

June 2009 (\$54.4bn)



December 2011 (\$46.4bn)



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Non-core Bank overview

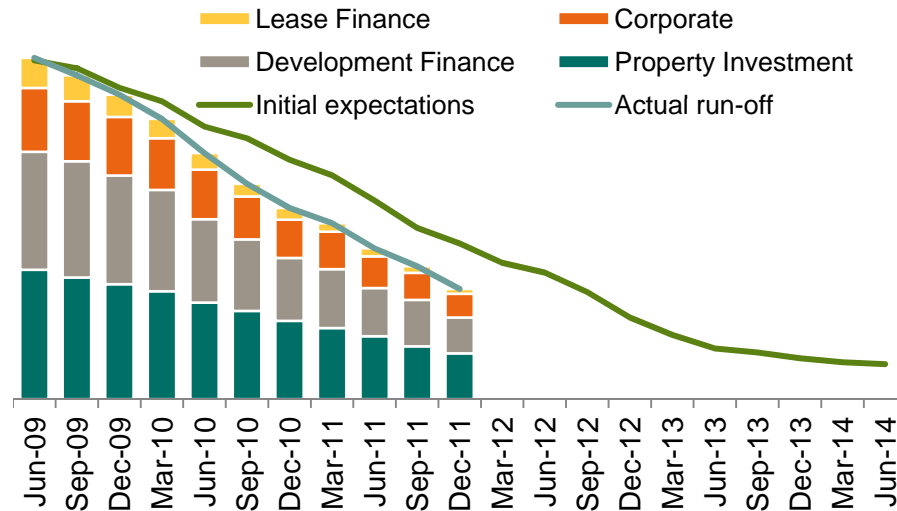
Improved result in challenging conditions

A\$m	HY12	%
Non-core Bank loss after tax	(54)	(49.5)

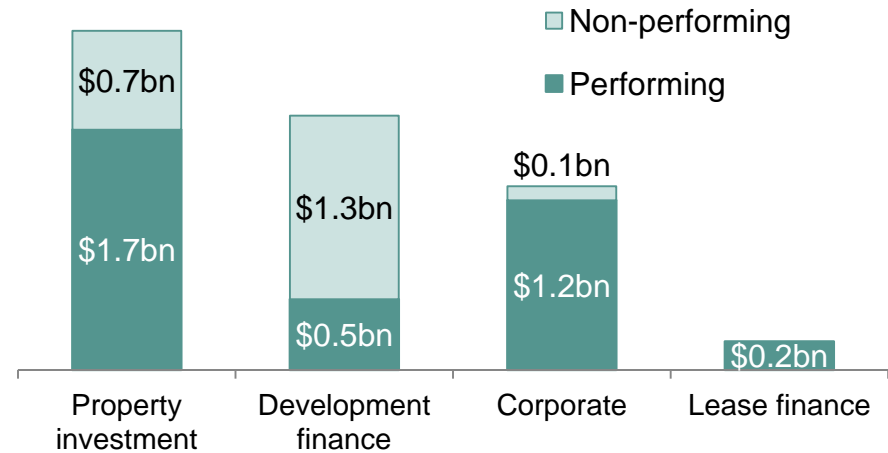
- Portfolio reduced to \$5.7bn
- Impaired assets of \$2.16bn, down from \$2.24bn
- Match funding of the Non-core book limits refinancing risk

Non-core Bank – portfolio composition

Run-off profile



Performing vs. non-performing



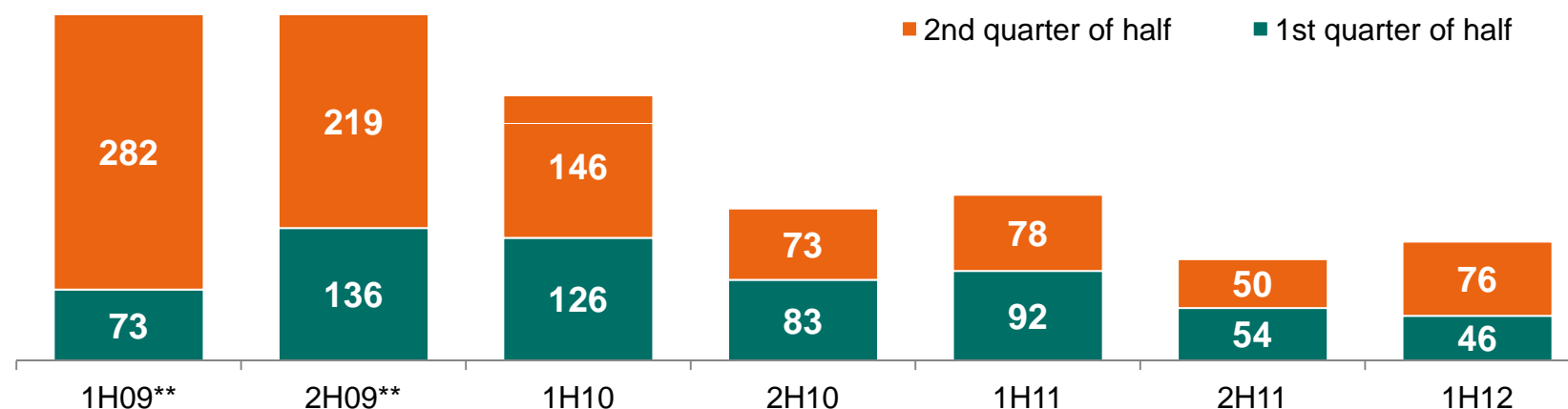
- Run-off exceeding targets with portfolio reduced to \$5.7bn
- 44 exposures of >\$50m down from 53 exposures at June 2011
- Pace of run-off is expected to slow

Non-core Bank – credit quality

Non-core impairment losses (\$Am)

	HY12	FY11
Collective provision charge	(5)	(40)
Specific provision charge	115	297
Actual net write-offs	12	17
Impairment loss on loans and advances	122	274

Non-core impairment loss trends (\$Am)

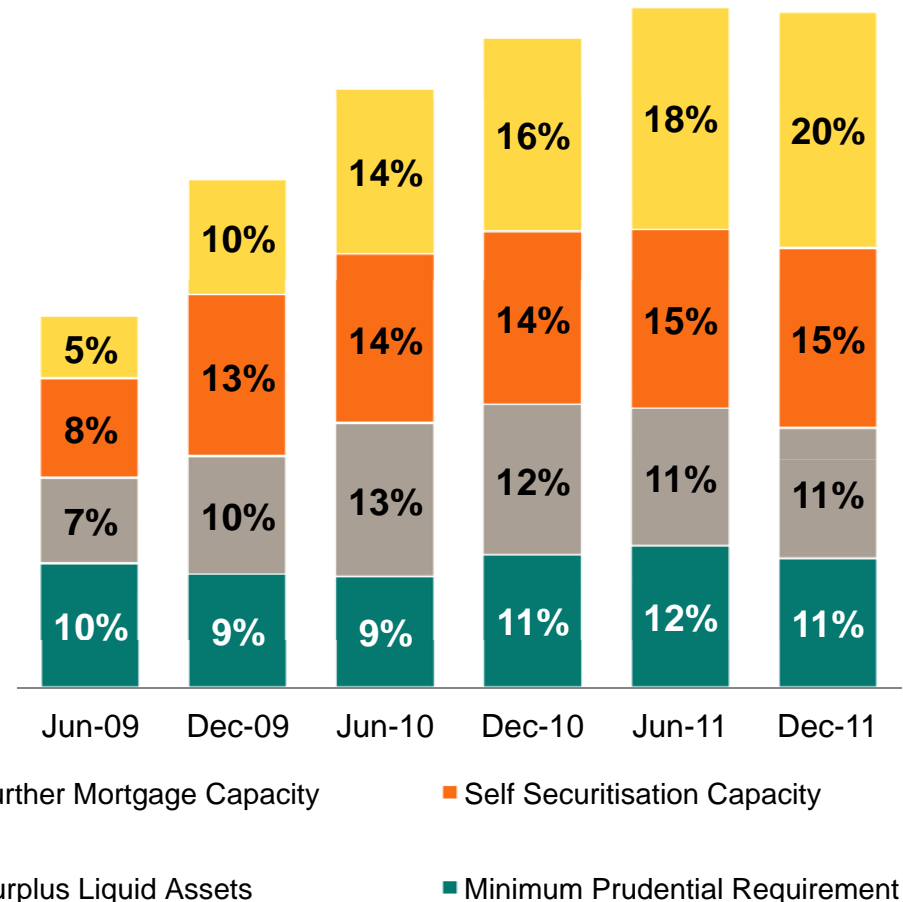


** Reporting periods prior to Core/Non-core reporting split.

Total Bank liquidity & funding

Liquidity as a percent of lending assets

- The Bank continues to hold strong levels of liquidity:
 - circa 20% Liquid Asset ratio
 - substantial contingent liquidity
 - Non-core book is matched funded
- In 2011, accessed senior unsecured and RMBS markets
- Modest term funding requirements for 2012 of approx \$2bn to be sourced via covered bonds, senior unsecured or RMBS markets





Suncorp Life

John Nesbitt
Chief Financial Officer

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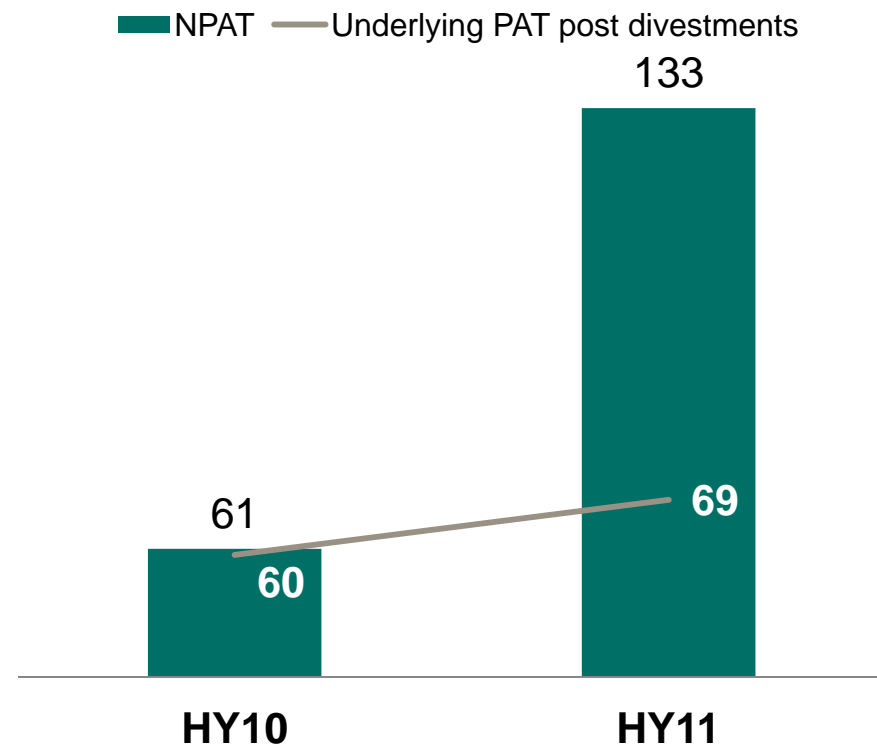


Suncorp Life overview

Underlying profit up 15%

A\$m	HY12	%
Life profit after tax	133	118

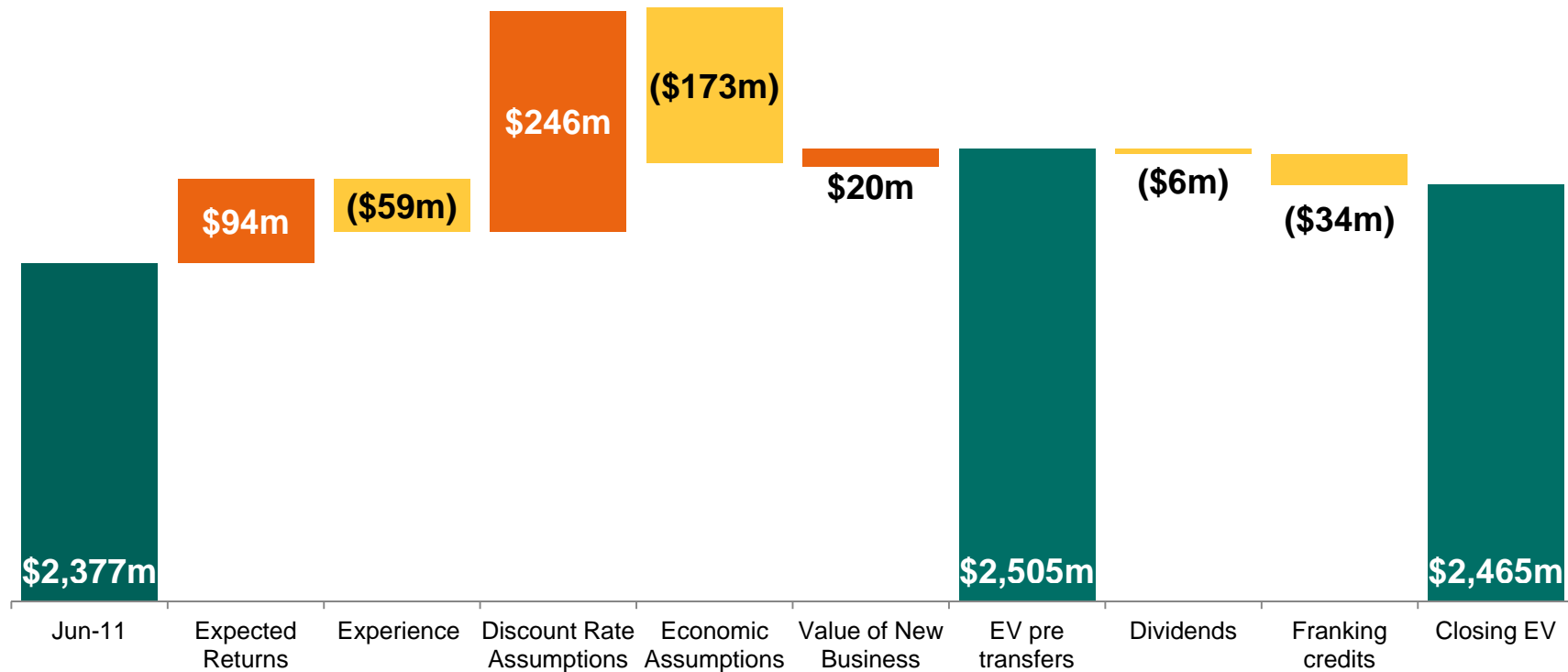
- Underlying Profit of \$69m up 15%*
- EV grew 3.7% to \$2.46bn
- VOYS up 35%, to \$54m
- Individual in-force \$693m, up 8%
- New business sales of \$55m, up 12.2%
- Operating expenses \$137m, down 12%
- Completed merger of the Australian Life Companies



* Underlying profit excludes divested businesses

Suncorp Life Embedded Value

Embedded Value 3.7% to \$2.46bn

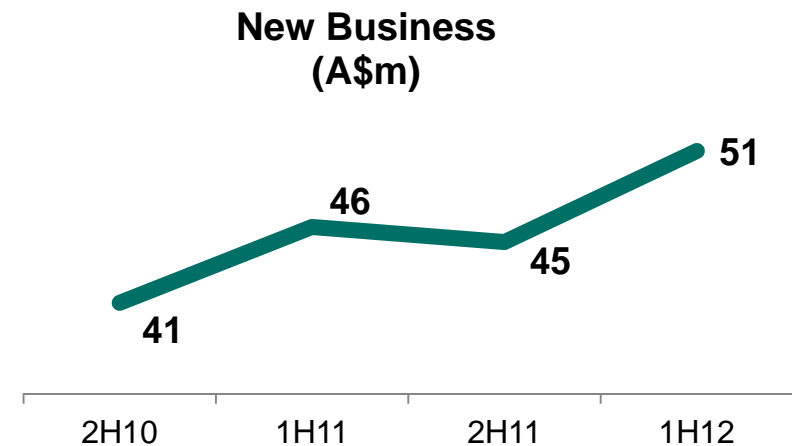
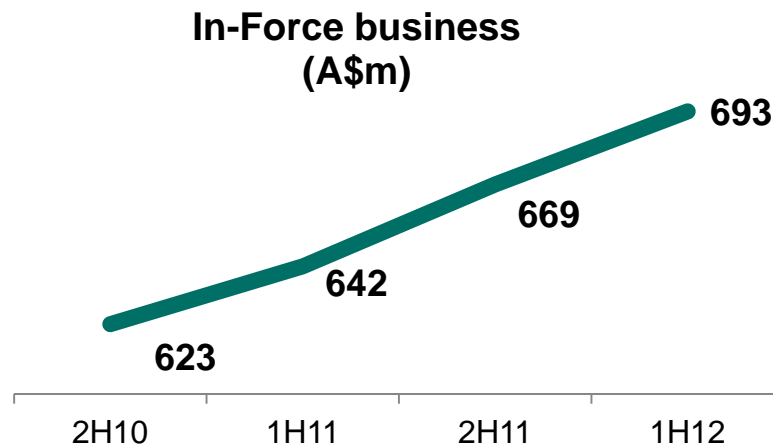


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Suncorp Life growth story

Momentum continues to build



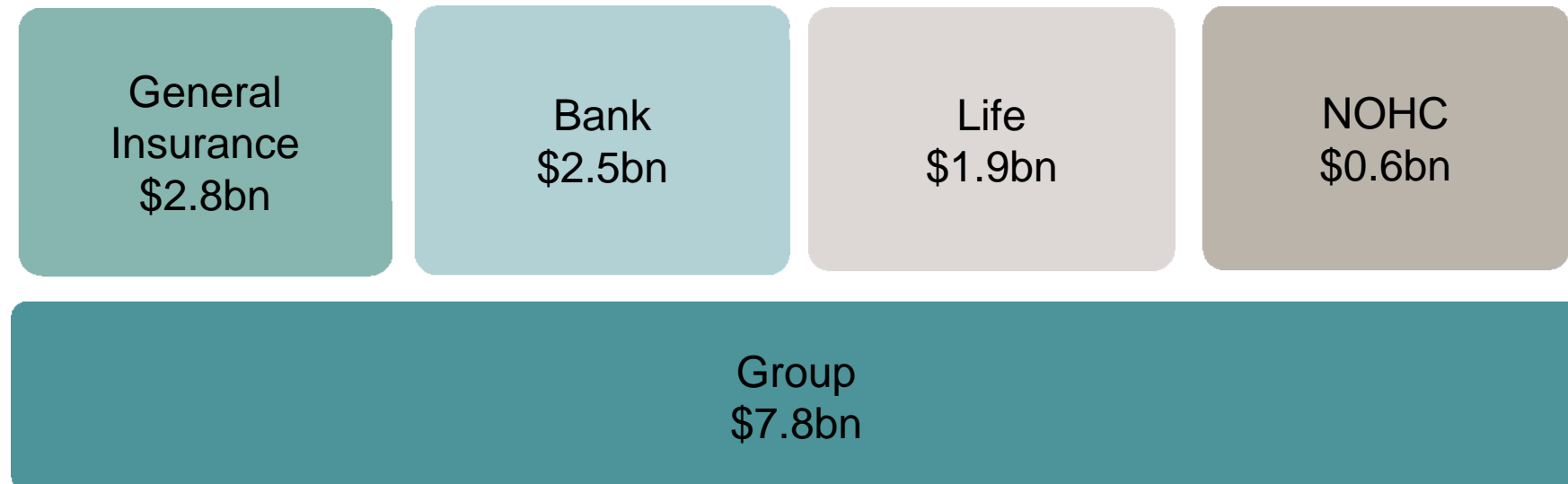
- Individual In-Force premium grew 8%
- New Business premium momentum has also continued with an uplift of 12.2%
- IFA Growth in Australia was 7%
- Our growth in Direct to the Group Customer base was 36%

Suncorp Group

Balance sheet continues to strengthen

- Return on equity remains too low
- Core Bank is delivering the targeted 15% RoE
- Non-core Bank has a negative RoE but is contributing to the surplus capital
- Returns from GI and Life are being impacted by Goodwill

Core Capital



Conclusion

Growth and strength despite global and domestic change

- Premium increases in short and long-tail classes required to offset additional natural hazard allowance and lower investment yields
- Confident can achieve an underlying ITR of at least 12% for the 2H12
- Suncorp Bank to deliver 1 to 1.3 times system lending growth
- Margin pressure from deposit competition
- Non-core run-off will slow
- Life business to focus on direct and IFA channel growth

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