



Financial results for the half year  
ended 31 December 2016

*Create a better today*

SUNCORP GROUP LIMITED  
ABN 66 145 290 124  
DATA PACK  
RELEASE DATE 9 FEBRUARY 2017





## Results

- Group Net Profit After Tax \$537 million
- Group top line growth of 4.3%
- Expenses remain flat
- Dividend of 33 cents per share, up 10%
- Cash ROE of 8.5%



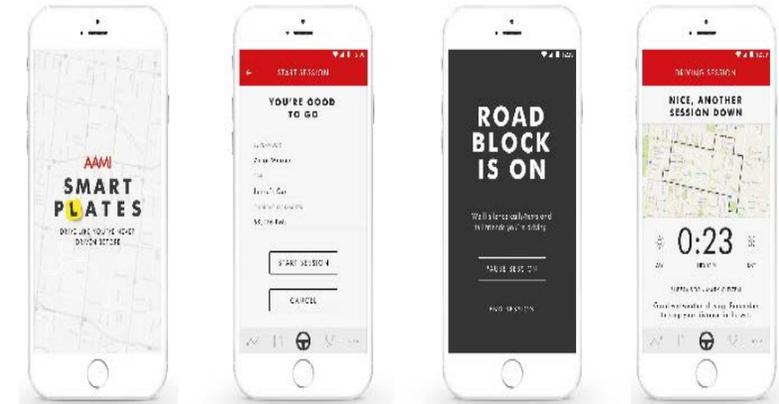
## Highlights

1. Embedded the **Marketplace strategy** to deliver greater value to customers
2. Momentum in **top line growth** of 4.3% reflects discipline in pricing and risk
3. Stabilisation of working claims is driving **improved UTR**
4. Recalibration of costs providing shareholder benefits and **reinvestment capacity**
5. More **resilient** Suncorp for a sustainable future

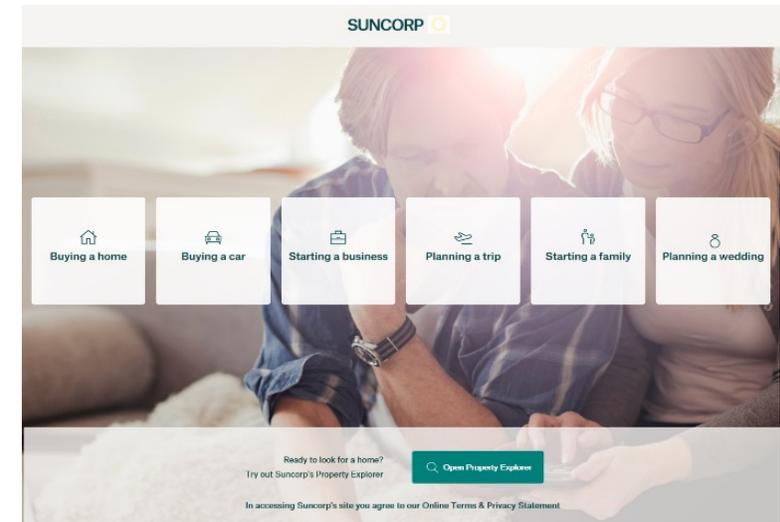
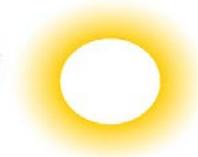
1.

Embedded the Marketplace strategy to deliver greater value to customers

- Parramatta Concept Store
- Health Insurance
- Annuities
- AAMI Smartplates app
- Marketplace apps
- Brand refresh
- Workbench



SUNCORP

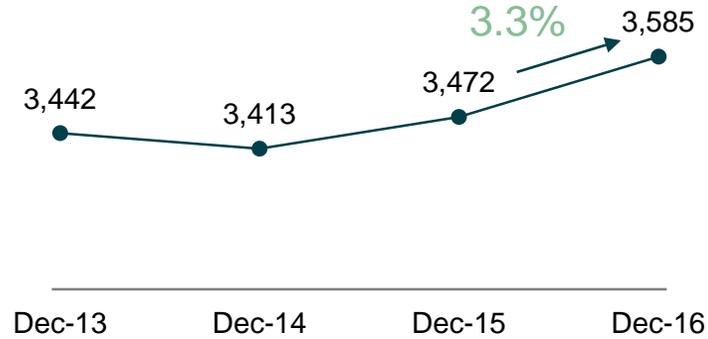


2.

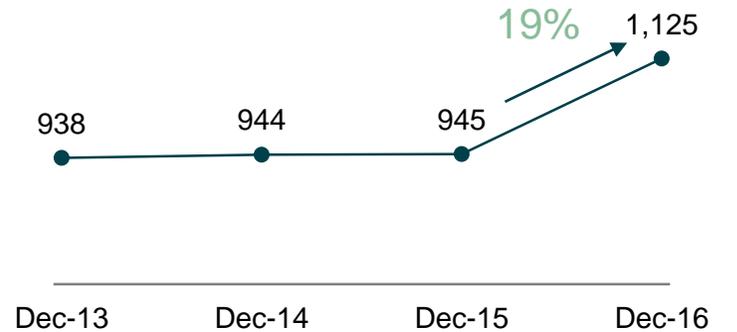
Momentum in top line growth of 4.3% reflects discipline in pricing and risk

- Premium increases in short-tail
- Significant long-tail growth
- Cautious Lending approach
- Moderate Life growth

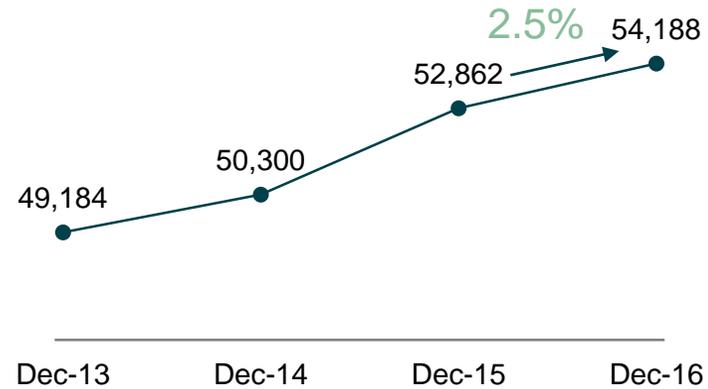
Short-Tail GWP (\$m)



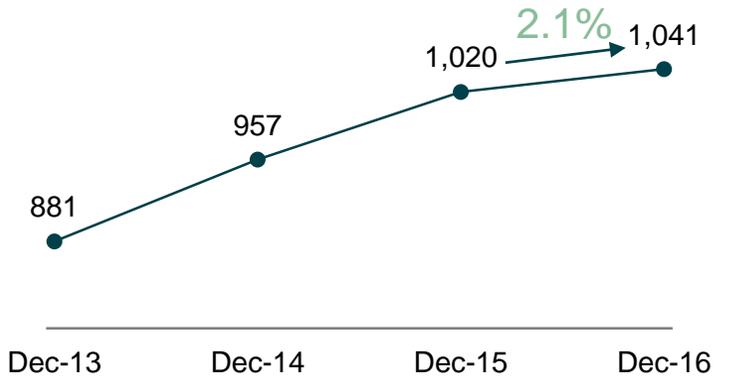
Long-Tail GWP (\$m)



Bank Lending (\$m)



Life In-Force Annual Premium (\$m)

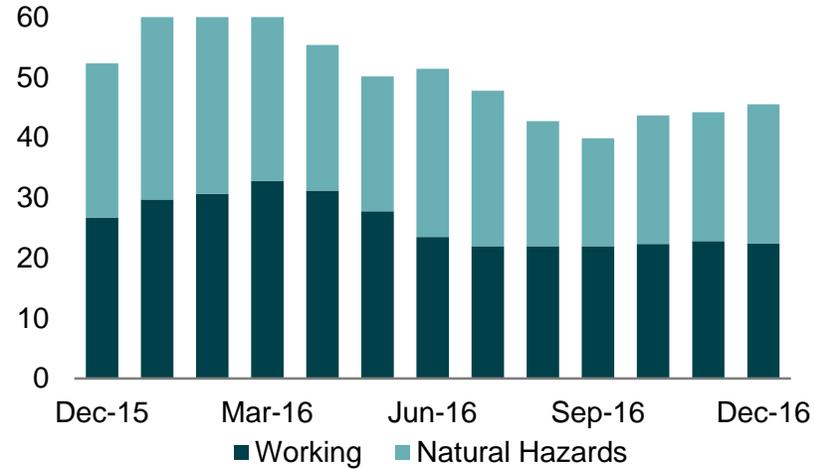


3.

Stabilisation of working claims is driving improved UTR

- Lower active claims
- Improved pathing
- Underlying ITR 10.1% to 11%

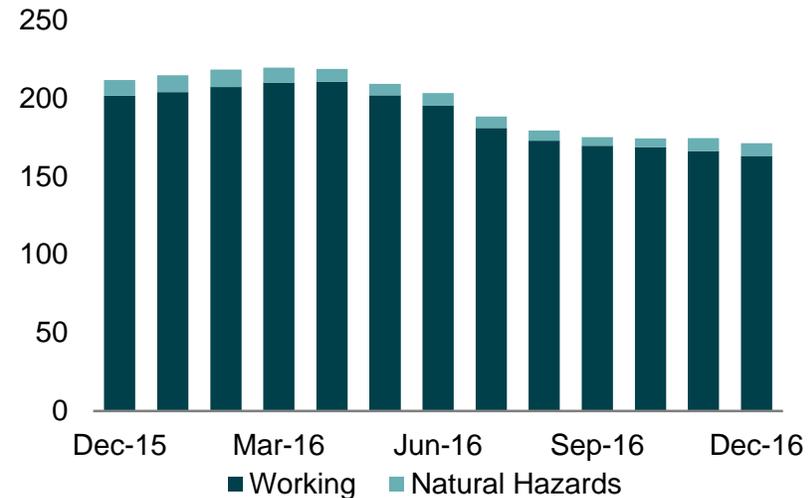
Home active claim volumes ('000)



Home average claim life (days)



Motor active claims volumes ('000)



Non-aligned motor repairs (%)



4.

## Recalibration of costs providing shareholder benefits and reinvestment capacity

- Flat expenses
- Restructure benefits on track
- Business improvement program



5.

## More resilient Suncorp for a sustainable future

- Dividend and capital
- Reinsurance
- Realignment of Investment Portfolio
- Additional expertise in the Senior Leadership Team



**David Carter**  
Chief Executive Officer  
Banking and Wealth



**Anthony Day**  
Chief Executive Officer  
Insurance



**Gary Dransfield**  
Chief Executive Officer  
Customer Platforms



**Sarah Harland**  
Chief Information Officer



**Steve Johnston**  
Chief Financial Officer



**Pip Marlow**  
(Commencing March 2017)  
Chief Executive Officer  
Strategic Innovation



**Kate Olgers**  
Chief Legal Officer



**Mark Reinke**  
Chief Customer  
Experience Officer



**Amanda Revis**  
Chief People  
Experience Officer



**Paul Smeaton**  
Chief Executive Officer  
New Zealand



**Fiona Thompson**  
Chief Risk Officer

## Result overview

- Business line NPAT up 12.7%
- Cash earnings up 5.0%
- Dividend up 10.0%

	HY17 (\$m)	HY16 (\$m)	Change (%)
Insurance (Australia)	369	259	42.5
Banking & Wealth	208	207	0.5
New Zealand	36	78	(53.8)
<b>Business Line NPAT</b>	<b>613</b>	<b>544</b>	<b>12.7</b>
Other	(29)	12	n.a
<b>Cash earnings</b>	<b>584</b>	<b>556</b>	<b>5.0</b>
Acquisition Amortisation	(47)	(26)	80.8
<b>Reported NPAT</b>	<b>537</b>	<b>530</b>	<b>1.3</b>
Interim dividend	33 cps	30 cps	10.0

## Insurance (Australia) NPAT

- NPAT up 42.5% to \$369 million
- GWP growth of 6.2%
- Reported ITR of 13.8%
- Natural hazards \$319 million
- Reserve releases of \$149 million
- Underlying investment yield of 2.3%

	HY17 (\$m)	HY16 (\$m)	Change (%)
Gross written premium	4,031	3,796	6.2
Net earned premium	3,552	3,480	2.1
Net incurred claims	(2,374)	(2,546)	(6.8)
Operating expenses	(722)	(724)	(0.3)
Invest income - Insurance funds	35	93	(62.4)
Insurance trading result	491	303	62.0
<b>General Insurance profit after tax</b>	<b>358</b>	<b>236</b>	<b>51.7</b>
<b>Life Insurance profit after tax</b>	<b>11</b>	<b>23</b>	<b>(52.2)</b>
<b>Insurance NPAT</b>	<b>369</b>	<b>259</b>	<b>42.5</b>

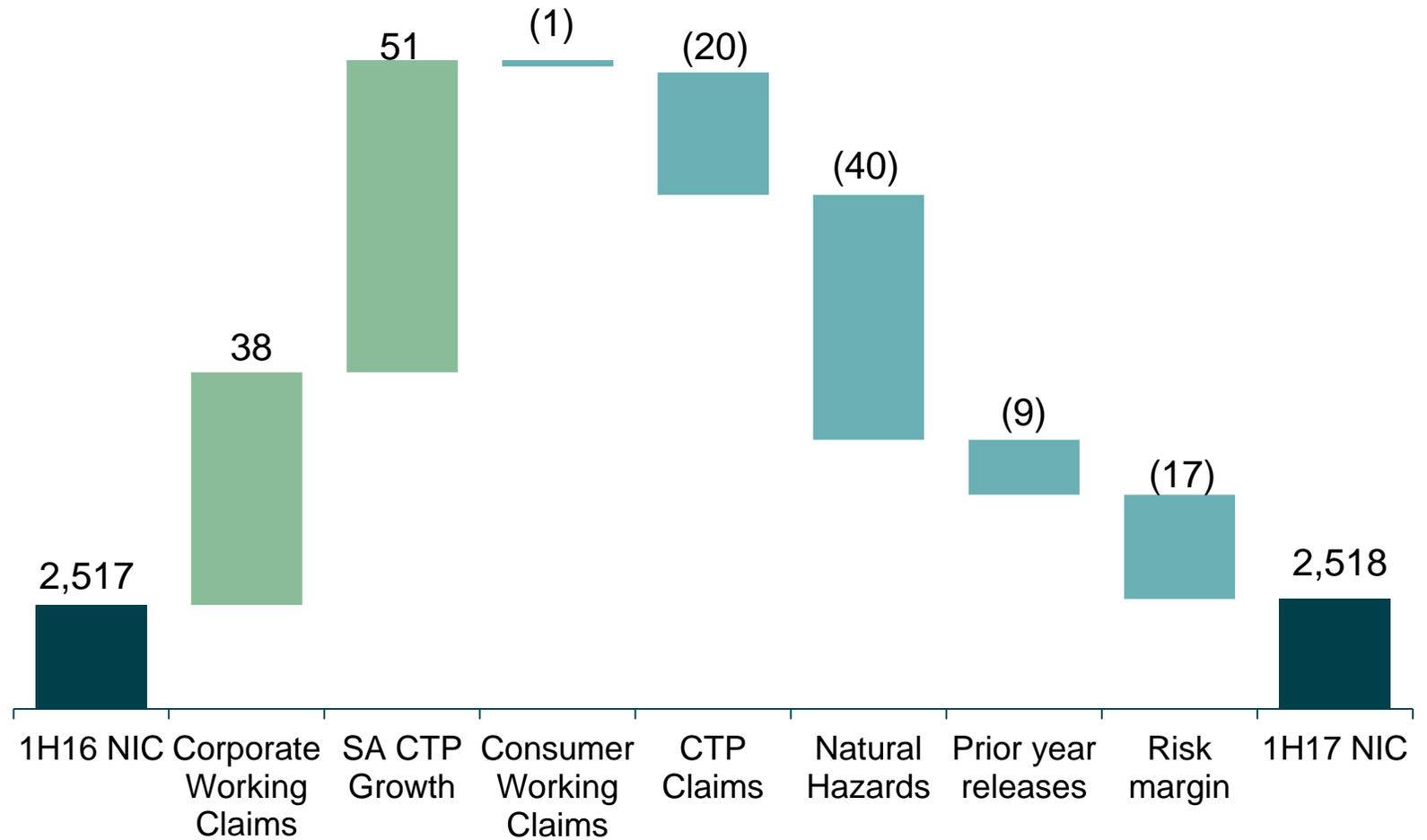
## Gross Written Premiums

- Growth in all classes
- Home & Motor low single digit price increases
- CTP growth from SA entry and NSW price increases
- Commercial underwriting discipline

	HY17 (\$m)	HY16 (\$m)	Change (%)
Motor	1,293	1,273	1.6
Home	1,123	1,097	2.4
Commercial	787	784	0.4
Compulsory third party	722	567	27.3
Workers compensation and other	106	75	41.3
<b>Total Gross Written Premium</b>	<b>4,031</b>	<b>3,796</b>	<b>6.2</b>

# Claims expense

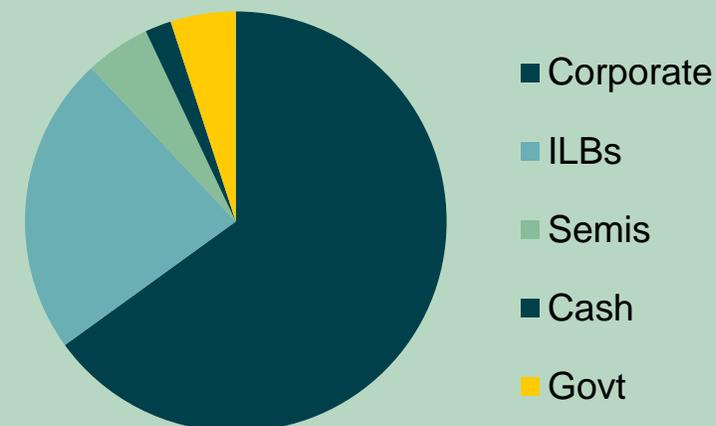
- Home & Motor claims costs down \$1 million
- Lower natural hazard claims
- SA CTP led to increased claims
- Lower CTP working claims
- Increased prior year releases and reduced risk margins
- \$232 million of claims >\$5 million



# Investments

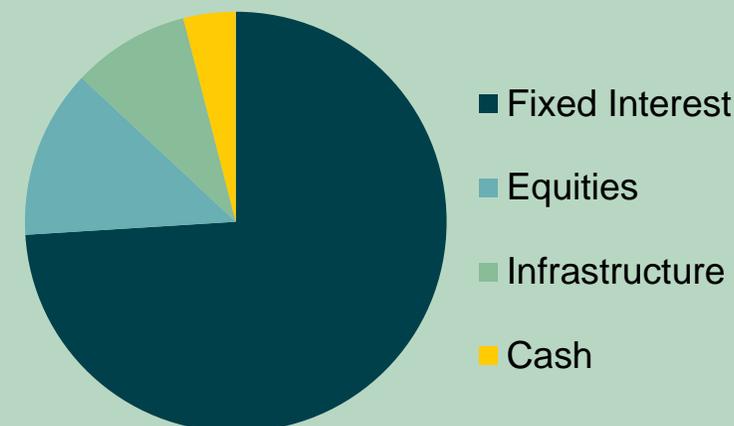
## Insurance funds \$9.2 billion

- Investment income of \$35 million (1H16: \$93 million)
- \$163 million MTM loss from an increase in risk-free rates
- \$22 million MTM gain from widening credit spreads
- \$69 million MTM gain from outperformance of ILBs
- 2.3% annualised underlying return



## Shareholder funds \$2.8 billion

- Investment income of \$35 million (1H16: \$24 million)
- 2.7% annualised return
- Returns driven by favourable equity markets and narrowing credit spreads, offset by MTM from rising bond yields



## Life Insurance NPAT

- Stable underlying profits
- Lapse and claims assumptions remain appropriate
- Optimisation program to deliver improved returns
- Exploring strategic alternatives

	HY17 (\$m)	HY16 (\$m)	Change (%)
Planned profit margin release	9	7	28.6
Experience	(2)	9	n/a
Other and investments	18	10	80.0
<b>Underlying profit after tax</b>	<b>25</b>	<b>26</b>	<b>(3.8)</b>
Market adjustments	(14)	(3)	366.7
<b>Life Insurance NPAT</b>	<b>11</b>	<b>23</b>	<b>(52.2)</b>
In-force annual premium	801	798	0.4
Total new business	33	38	(13.2)

## Banking & Wealth NPAT

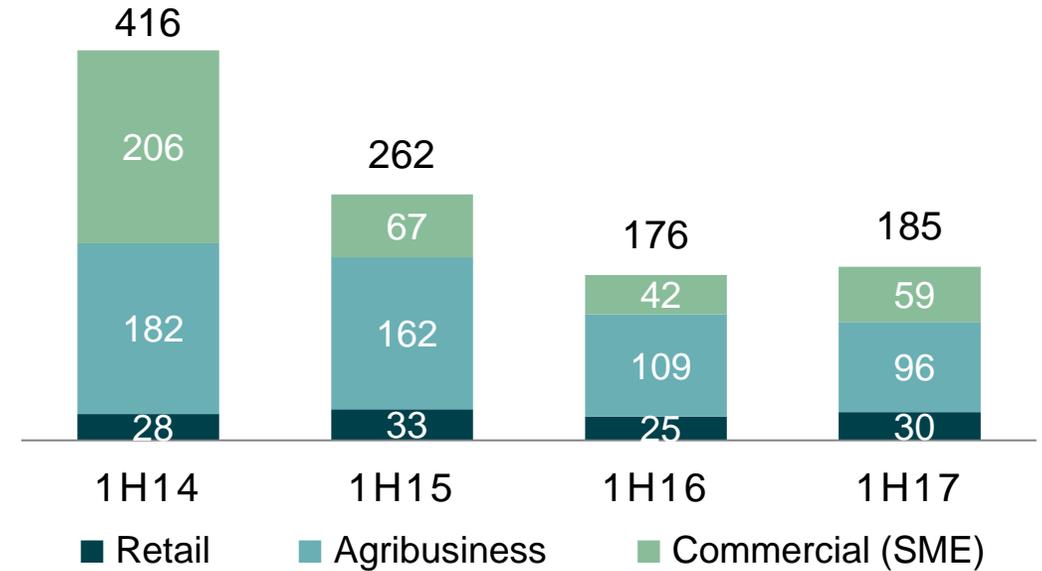
- Strong capital & balance sheet
- Disciplined cost management
- Improved credit quality
- Resilient funding profile
- Progress on strategic projects

	HY17 (\$m)	HY16 (\$m)	Change (%)
Net interest income	558	566	(1.4)
Net non-interest income	39	49	(20.4)
Operating expenses	(307)	(326)	(5.8)
Profit before impairment losses	290	289	0.3
Impairment losses	(1)	(11)	(90.9)
Income tax	(86)	(84)	2.4
Bank profit after tax	203	194	4.6
Wealth profit after tax	5	13	(61.5)
<b>Banking &amp; Wealth NPAT</b>	<b>208</b>	<b>207</b>	<b>0.5</b>

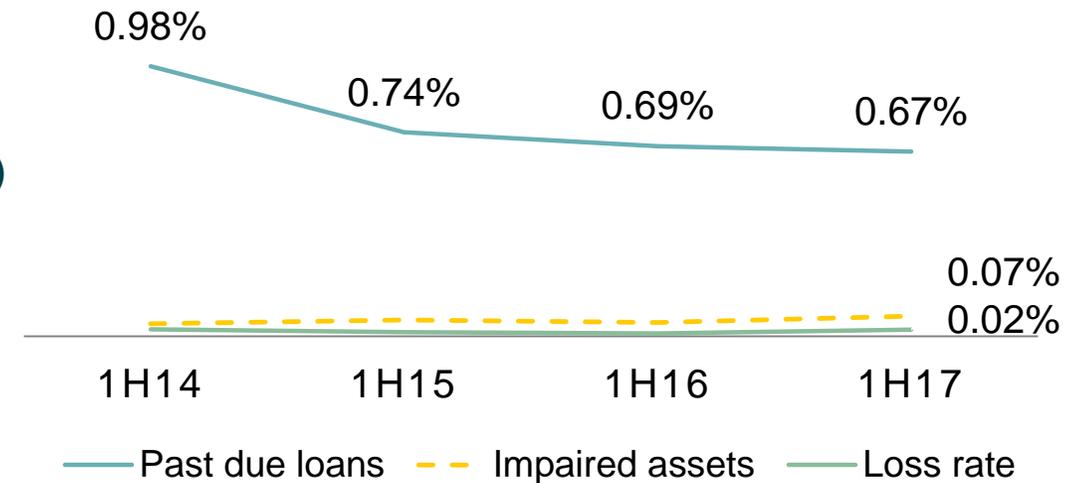
## Credit quality

- Continued focus on credit quality and risk management
- Impairment losses <0.01% of GLA
- Limited exposure to resources and inner-city apartments
- Improving agribusiness conditions

**Gross impaired loans by segment (\$m)**



**Home lending credit quality (% gross home loans)**



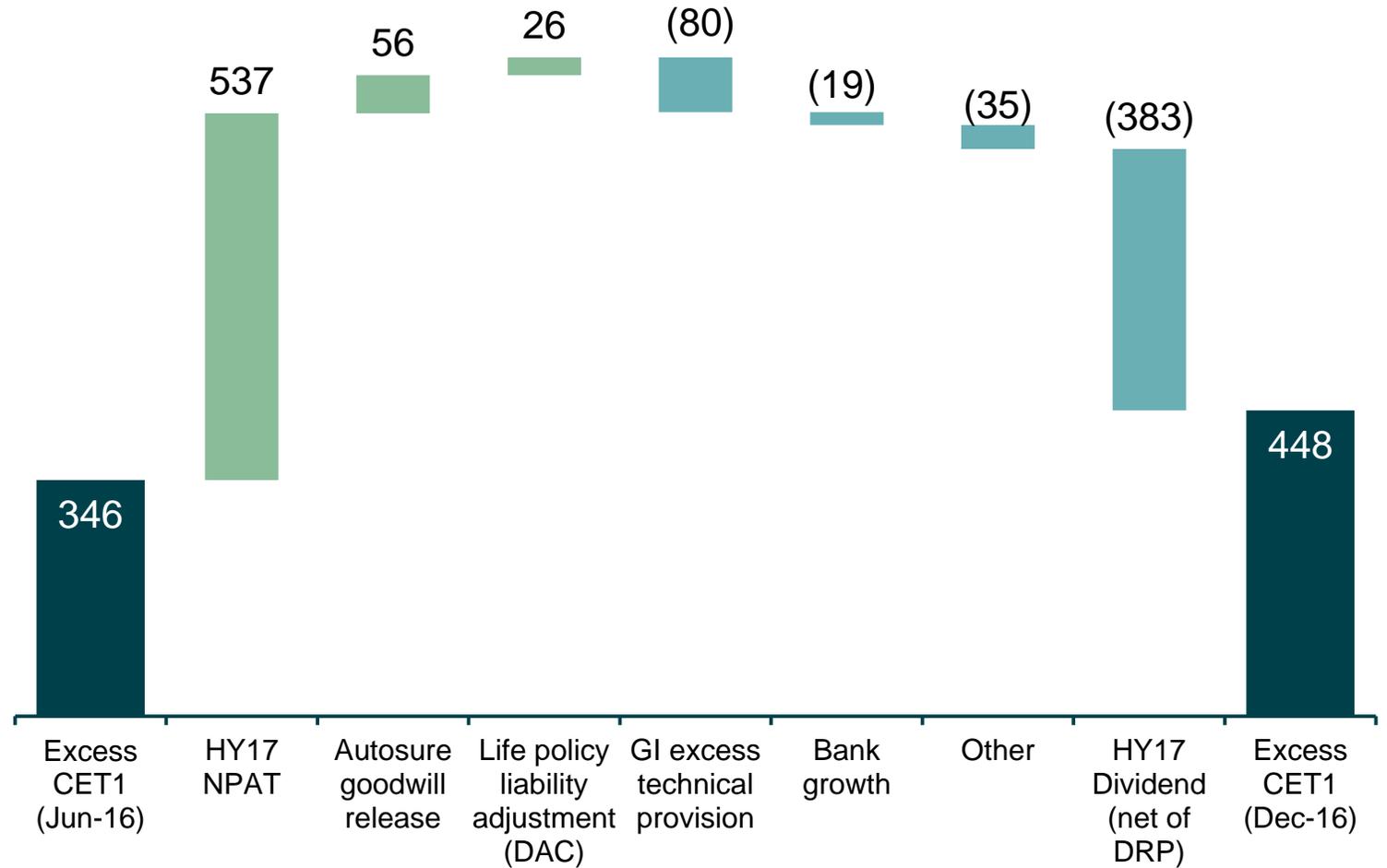
## New Zealand NPAT

- UTR above group target of 12%
- Kaikoura earthquake and aftershock impact NZ\$23 million
- 2010/11 'over-cap' EQC claims
- Personal lines grew 7.7%
- Life Insurance underlying profit growth of 41%

	HY17 (NZ\$m)	HY16 (NZ\$m)	Change (%)
Gross written premium	714	681	4.8
Net earned premium	586	562	4.3
Net incurred claims	(372)	(303)	22.8
Operating expenses	(196)	(183)	7.1
Investment income – insurance	4	7	(42.9)
Insurance trading result	22	83	(73.5)
General Insurance profit after tax	19	68	(72.1)
Life Insurance profit after tax	18	19	(5.3)
<b>New Zealand NPAT</b>	<b>37</b>	<b>87</b>	<b>(57.5)</b>

## Capital position

- CET1 excess increased to \$448 million
- NZ Autosure disposal \$56 million
- Positive Life adjustment
- Seasonal GI excess tech provision capital impact
- Subdued Bank growth





## Medium term targets

- Broadening of customer relationships
- Cost base flat in FY17 and FY18
- Improving underlying NPAT
- Sustainable ROE of at least 10%, which implies an underlying ITR of at least 12%
- Maintaining a dividend payout ratio of 60% to 80% of cash earnings and returning surplus capital to shareholders



## Priorities for next six months

### 1. **Stability and momentum**

- Further UTR improvement
- Continued top line growth

### 2. **Elevate the Customer**

- More Marketplace capabilities
- Customer value focus

### 3. **Recalibrate Costs**

- Flat costs
- Focus on reinvestment

Suncorp is on track to become the first **Marketplace** that fully meets customers' financial needs, providing access to all of our brands, products and services, through any channel or medium.



## Highlights

1. Embedded the **Marketplace strategy** to deliver greater value to customers
2. Momentum in **top line growth** of 4.3% reflects discipline in pricing and risk
3. Stabilisation of working claims is driving **improved UTR**
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5. More **resilient** Suncorp for a sustainable future

# HY17 Data Pack

*Create a better today*

**SUNCORP**



# Suncorp Group

Leading financial services brands  
in Australia and New Zealand



Top 20 ASX listed company

\$17 billion market capitalisation  
at 31 December 2016

\$97 billion in group assets

13,500 employees in Australia  
and New Zealand

Approximately  
9 million customers

End-to-end ownership of brands

## Suncorp's shareholder promise

Simplified, de-risked  
financial services group

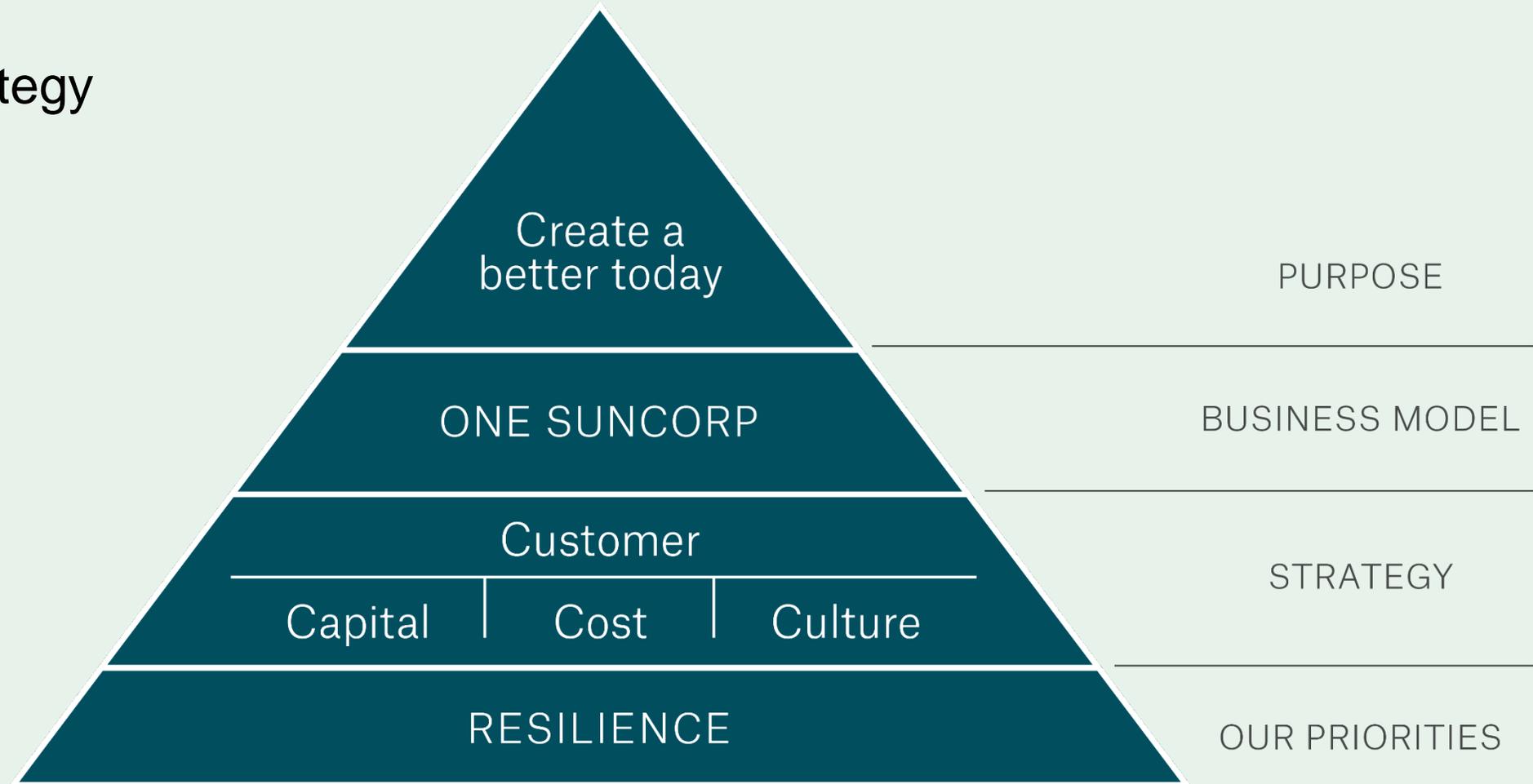
### Yield

- Dividend payout ratio of 60% to 80%
- Strategy focused exclusively in Australia and New Zealand
- De-risked and simplified business model
- Return surplus capital to shareholders

### Growth

- 'Above system' growth in key markets
- Multi-brand, multi-channel approach providing greater value to the Group's 9 million customers
- Efficiency-led profit growth
- Incremental market opportunities such as South Australia CTP

# Strategy



# Operating model



# Our strategy to grow Connected Customers



## Customer

Deep insights  
Priority segments  
New propositions



## Marketplace

Curate solutions  
Omni-channel  
Customer navigation



## Experience

Seamless experience  
Simplified journeys  
Personalised services

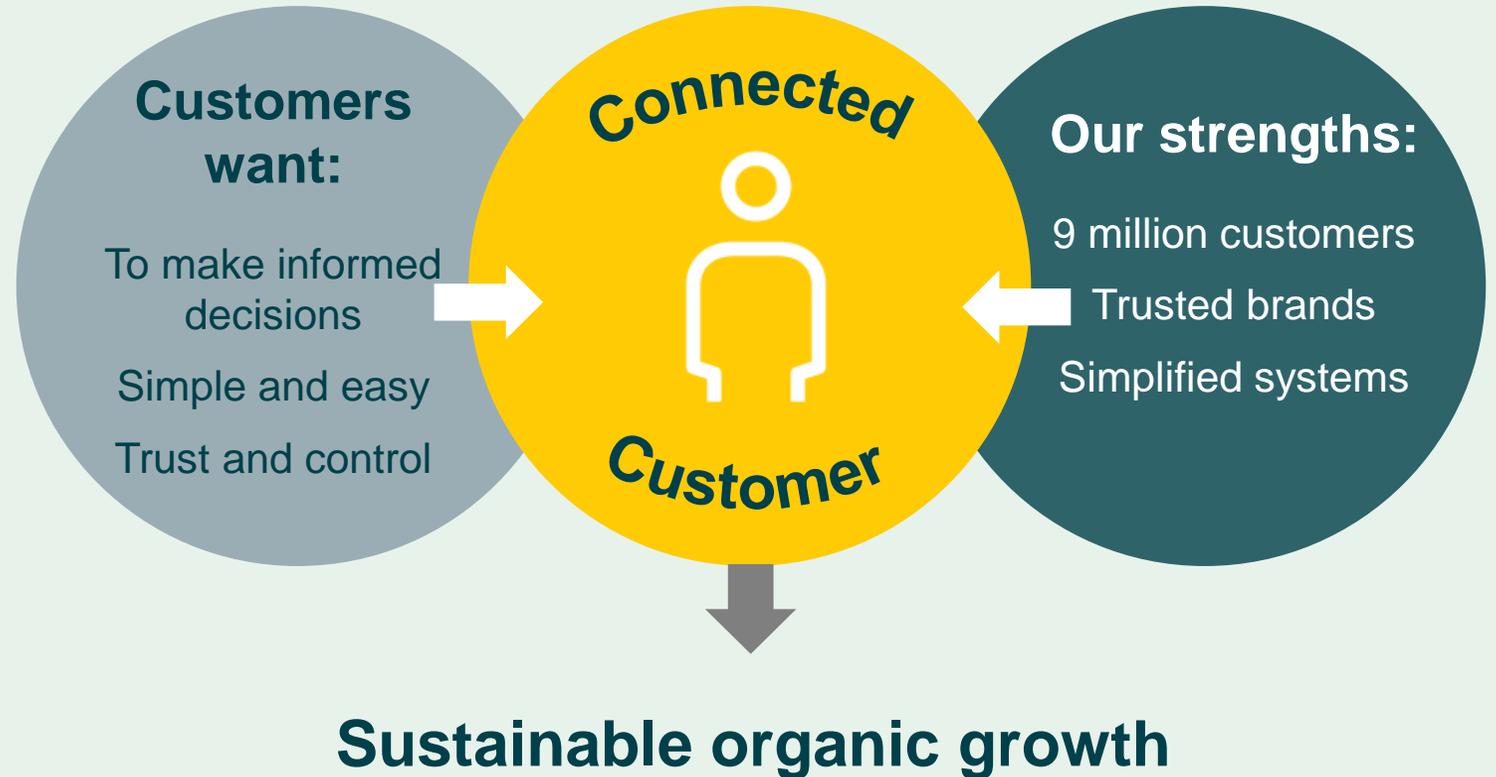


## Brands

Reposition master brand  
Distinct and complementary  
Networked

# Elevate the Customer

Creating a better today  
by growing customer  
connections



Connected Customers  
increasing frequency of interactions



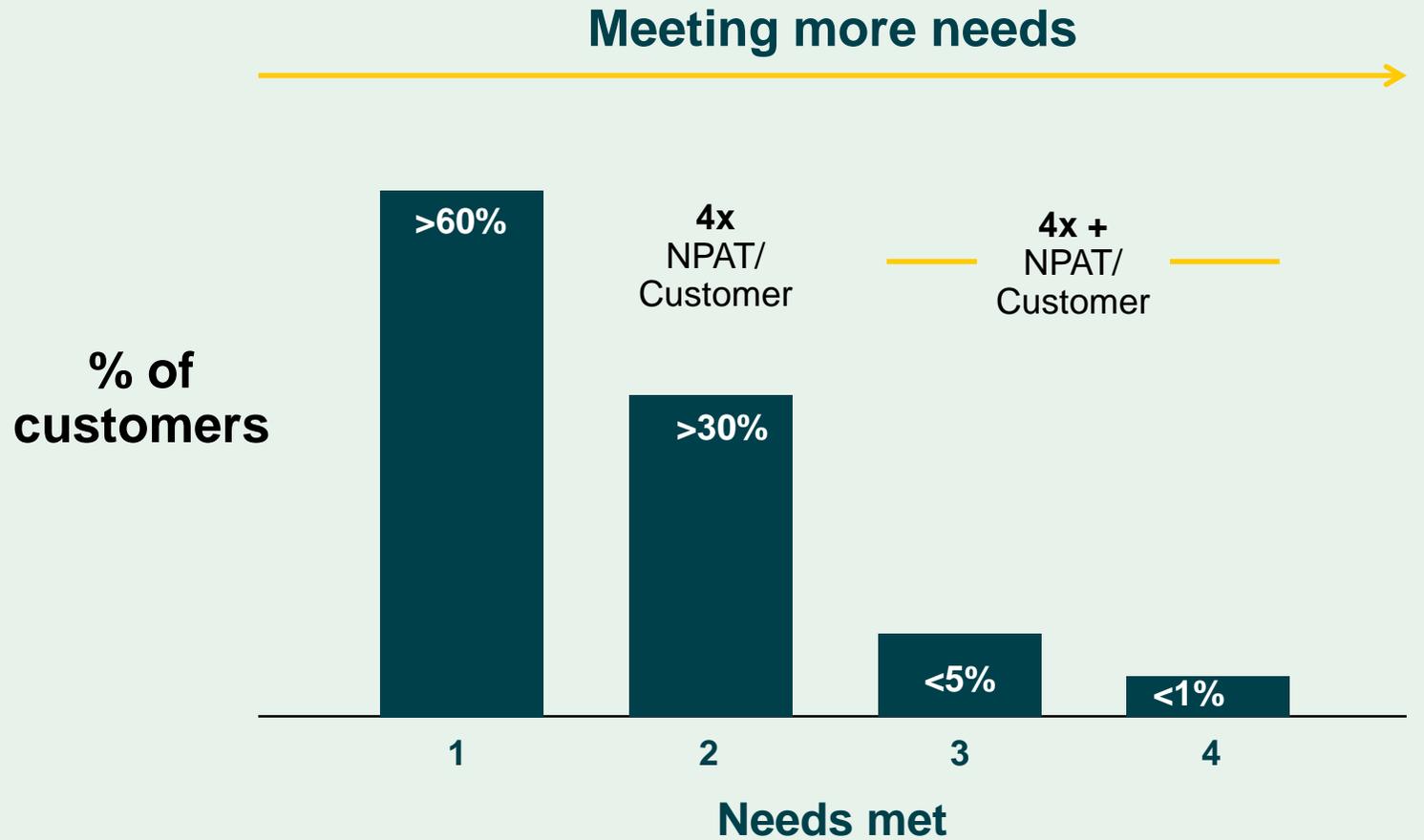
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**Connected Customers** = 2 or more needs met  
96% retention

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# Connecting customers creates value

Significant growth opportunity

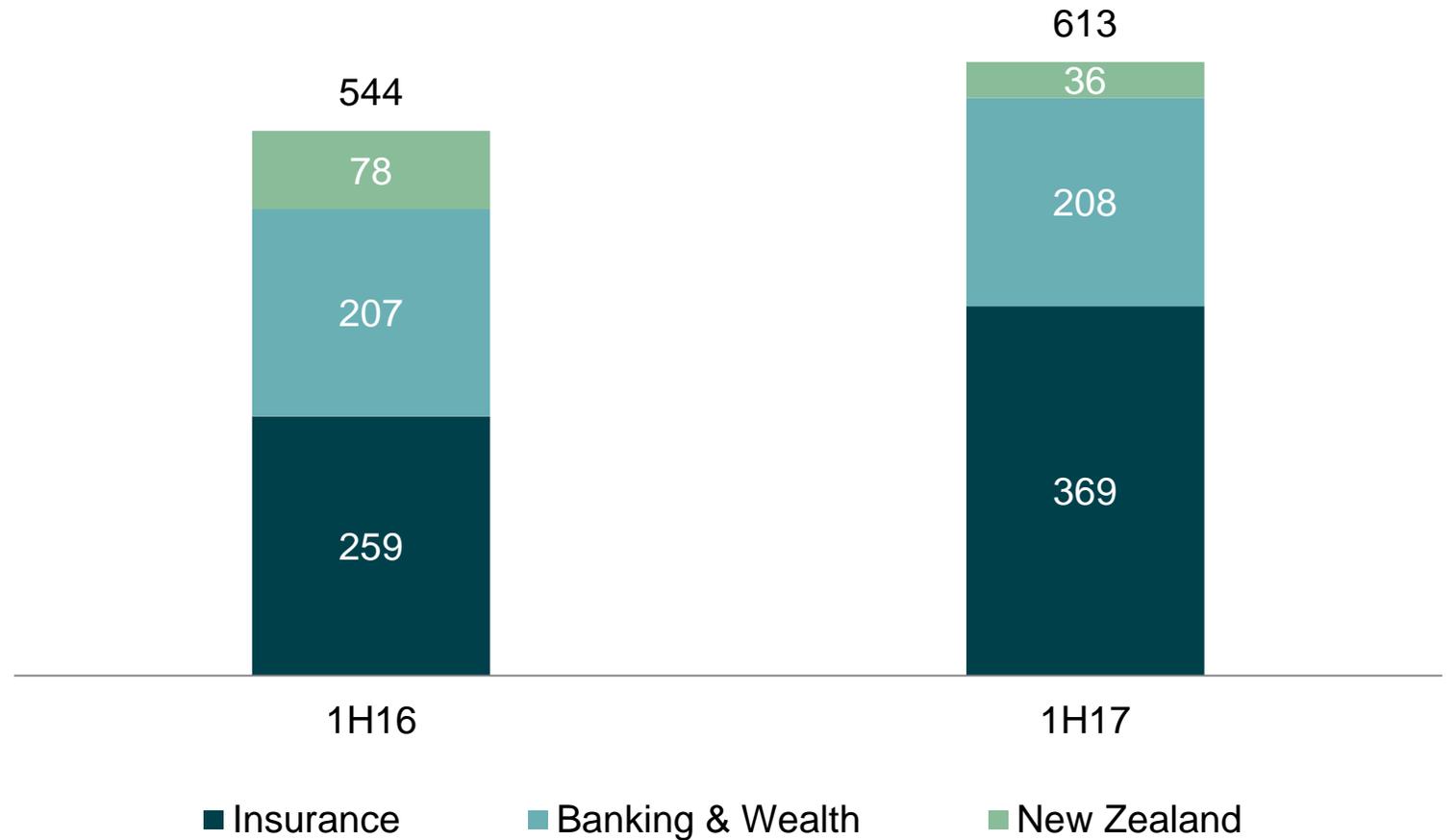


# Progress on Marketplace initiatives

Initiative	1H17	2H17
Connected customers	SME: Start a Business   Suncorp Start Company website launched SME: Grow a Business   9 Spokes Suncorp Business Toolbox analytics dashboard launched	Home: Generation Rent   Shared equity units Mobility: Learn to Drive   AAMI Smartplates launch in QLD and SA
Customer Workbench	Tactical solution providing a single view of each customer's holdings across brands and product types in pilot testing	Call Centre rollout Stores rollout
Digital Marketplace	Suncorp insurance products available via mobile banking app	AAMI personal and home loans via online channels Single portal for customers to access their Suncorp or AAMI products and services
Stores rollout	Parramatta Concept Store opened	Carindale Concept Store Sites secured for Brisbane and Sydney flagship stores
Health	Suncorp Private Health Insurance launched	AAMI Private Health Insurance launch with online quote and buy capability Online quote and buy for Suncorp Private Health Insurance
APIA savings account	Pilot launched in Parramatta store	Full rollout and online origination
Broker access	Co-branded Life product launched with Austbrokers	Open up more products and services to brokers
Other	Framework for future cross brand products and services complete Financial Inclusion Action Plan published	Replacement of cheque payments with EFT Mobile POS launch BPAY View for Insurance

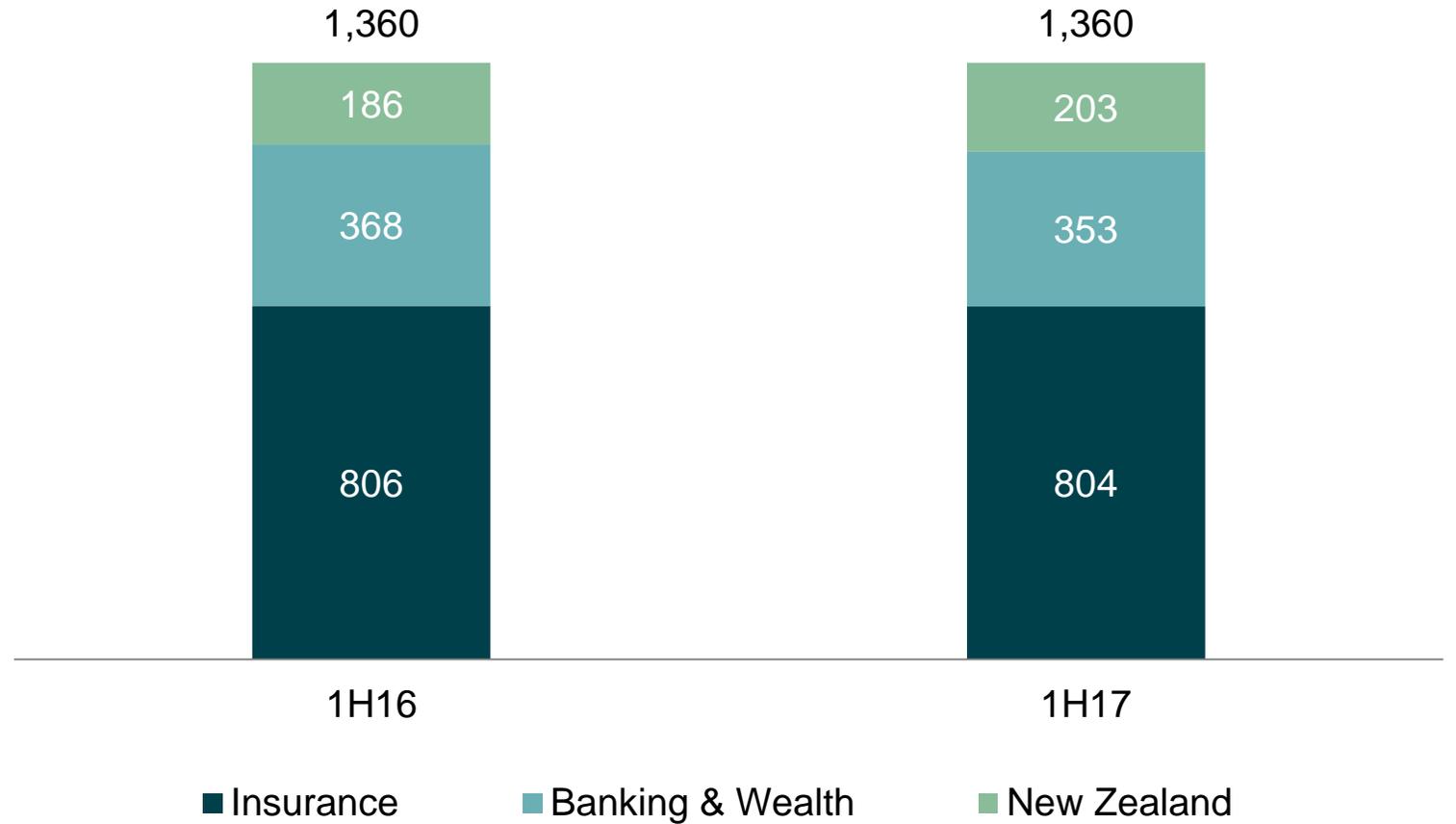
# Profit after tax from business lines (\$m)

Diversification of earnings



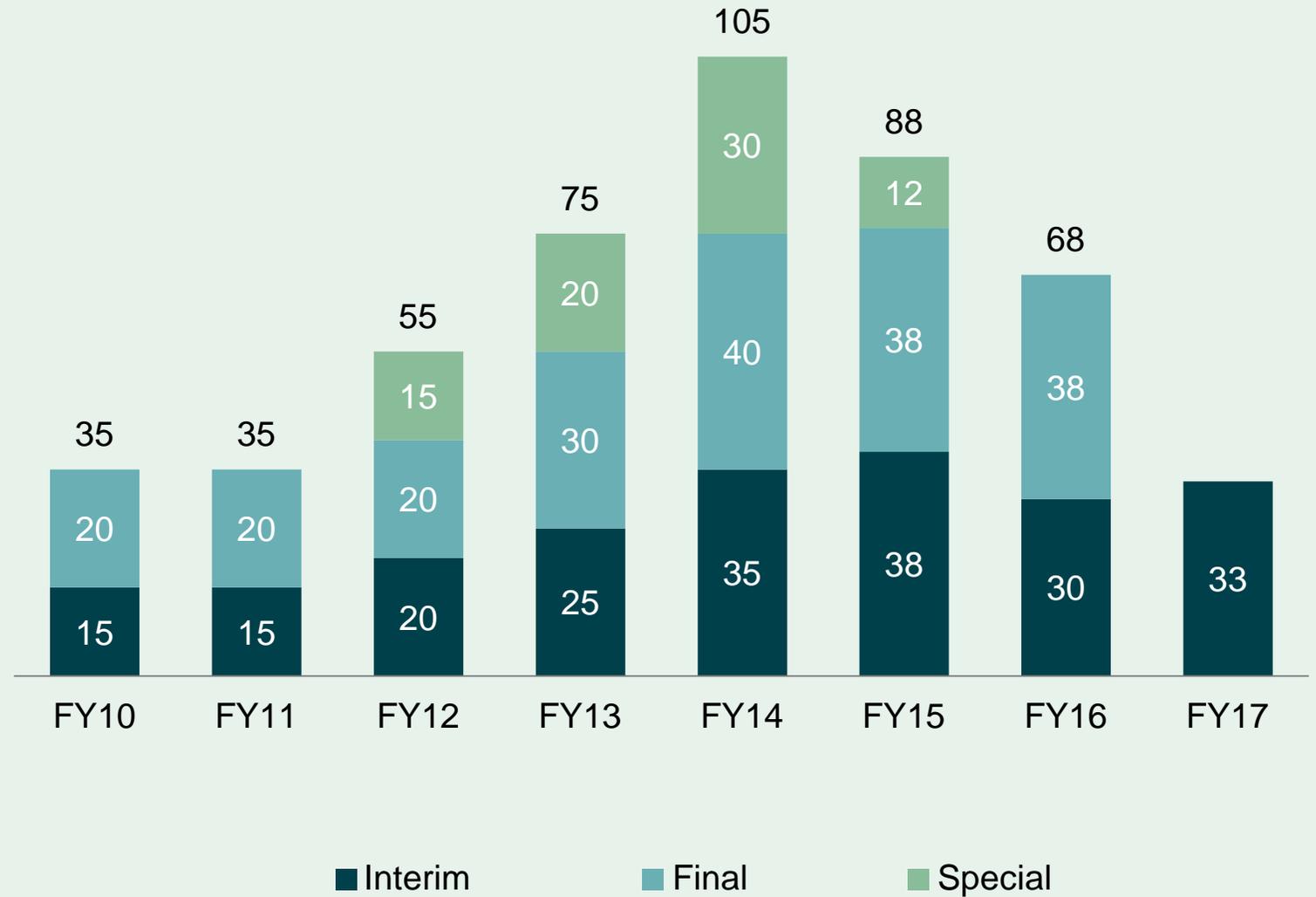
# Operating expenses (\$m)

Flat cost base in FY17 and FY18



## Dividends (cps)

- 33 cent interim dividend, up 10%
- cash earnings payout ratio of 72%

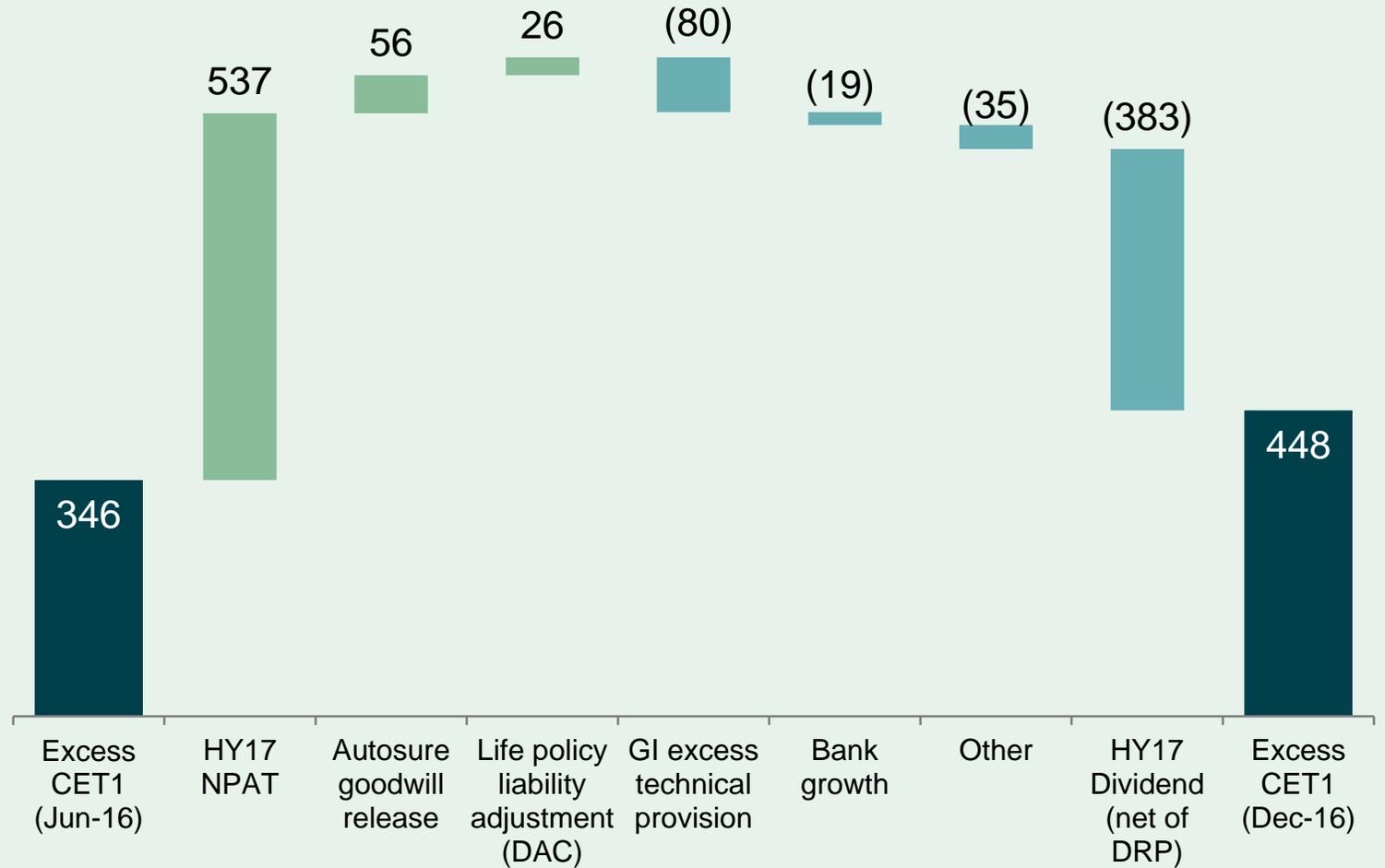


## Capital position (\$m)

	As at 31 December 2016				Total	Total as at 30 Jun 2016
	GI	Bank	Life	SGL, Corp Services & Consol		
CET1	2,848	2,913	525	121	6,407	6,338
CET1 Target	2,440	2,772	358	6	5,576	5,552
Excess to CET1 Target (pre div)	408	141	167	115	831	786
Group Dividend					(383)	(440)
Group Excess to CET1 Target (ex div)					<b>448</b>	346
<b>Common Equity Tier 1 Ratio</b>	<b>1.23x</b>	<b>9.20%</b>	<b>2.03x</b>			
Total Capital	4,133	4,270	625	121	9,149	8,860
Total Capital Target	3,486	3,880	424	(11)	7,779	7,743
Excess to Target (pre div)	647	390	201	132	1,370	1,117
Group Dividend					(383)	(440)
Group Excess to Target (ex div)					<b>987</b>	677
<b>Total Capital Ratio</b>	<b>1.78x</b>	<b>13.48%</b>	<b>2.42x</b>			

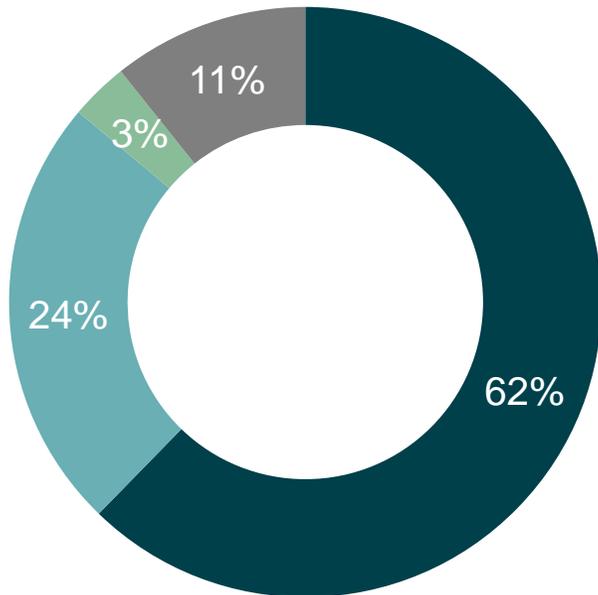
# CET1 capital base (\$m)

- CET1 excess increased to \$448 million
- NZ Autosure disposal \$56 million
- Positive Life adjustment
- Seasonal GI excess tech provision capital impact
- Subdued Bank growth

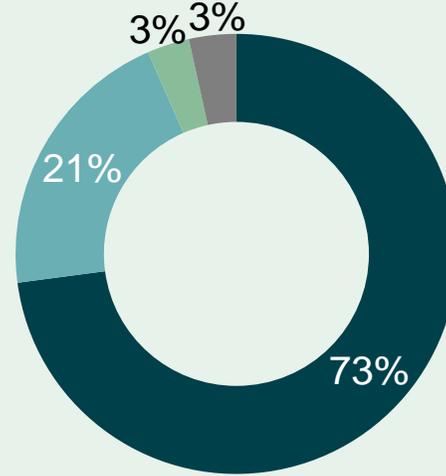


# Group Risk Based Capital (RBC)

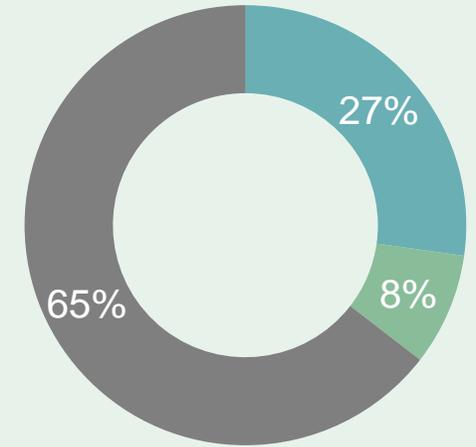
Group



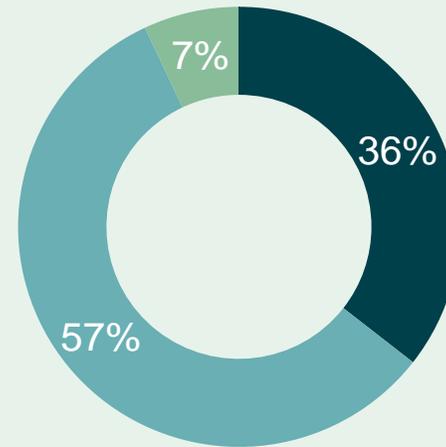
General Insurance



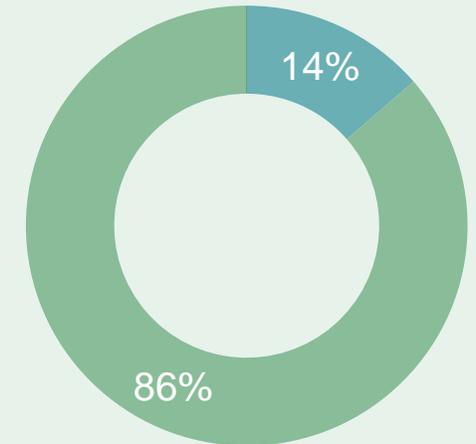
Bank



Life Insurance



Corporate



Insurance risk
  Market risk
  Operational risk
  Counterparty credit risk

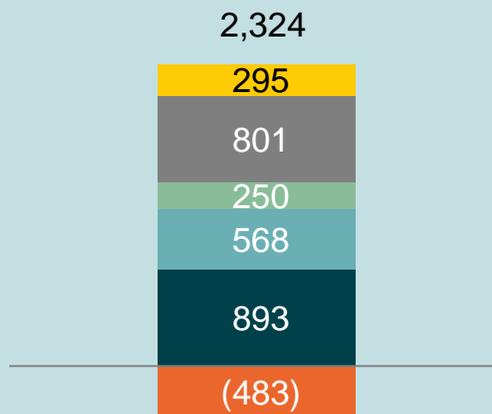
# General Insurance capital

## Total capital (\$m)



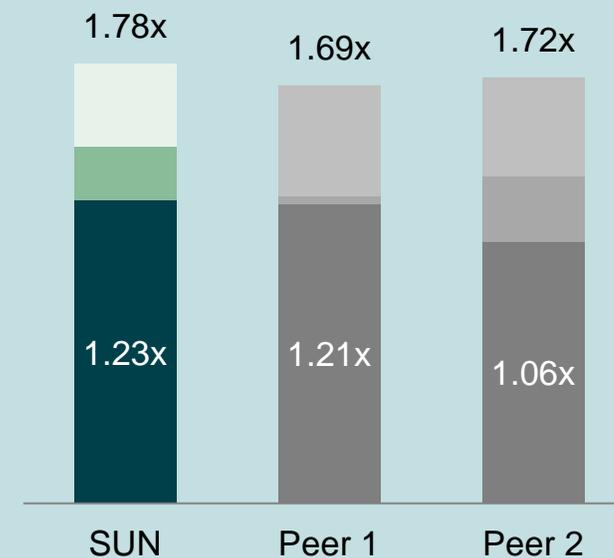
Common Equity Tier 1    Tier 2  
 Additional Tier 1

## Prescribed Capital Amount (PCA) (\$m)



Outstanding claims risk    Asset risk  
 Premium liabilities risk    Operational risk  
 Insurance concentration risk    Aggregation benefit

## Capital ratios vs peers



Common Equity Tier 1    Tier 2  
 Additional Tier 1

Source: Latest published company reports

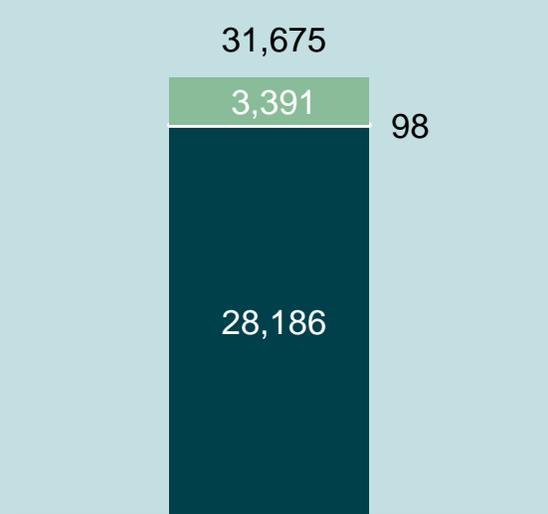
# Bank capital

### Total capital (\$m)



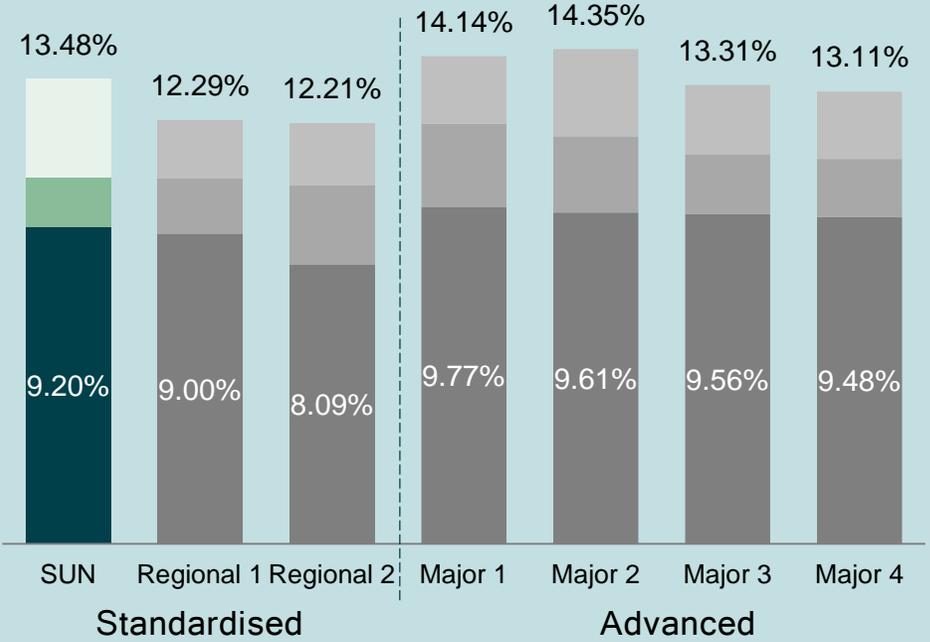
■ Common Equity Tier 1
 ■ Additional Tier 1
 ■ Tier 2

### Risk weighted assets (\$m)



■ Credit risk
 ■ Operational risk
 ■ Market risk

### Capital ratios vs peers

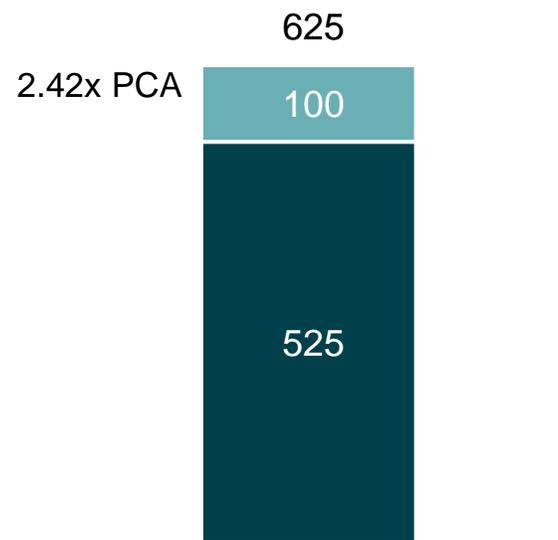


■ Common Equity Tier 1
 ■ Tier 2
 ■ Additional Tier 1

Source: Latest published company reports

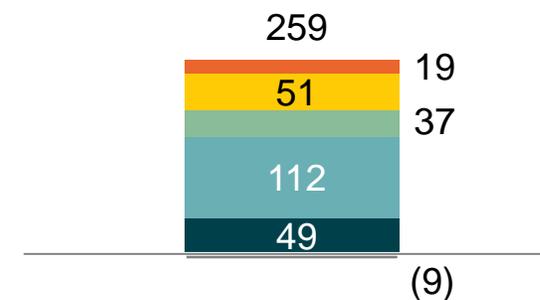
# Life Insurance capital

**Total capital (\$m)**



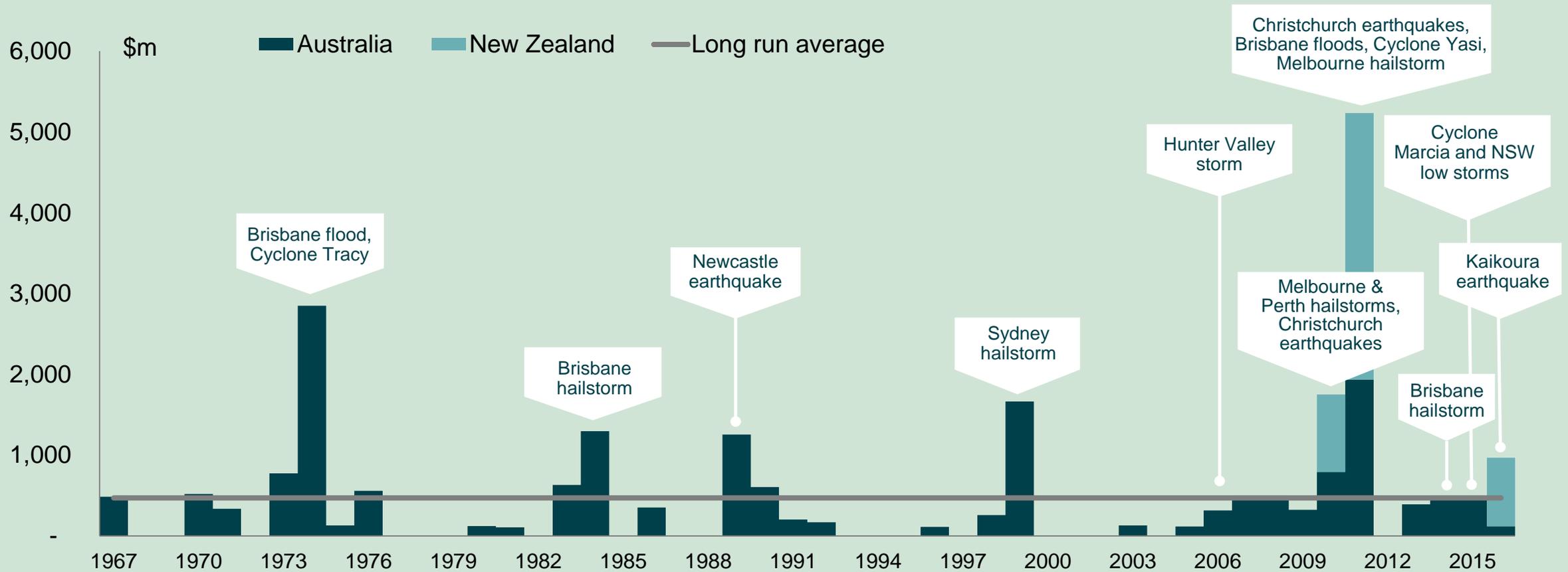
- Common Equity Tier 1
- Tier 2

**Prescribed Capital Amount (PCA) (\$m)**



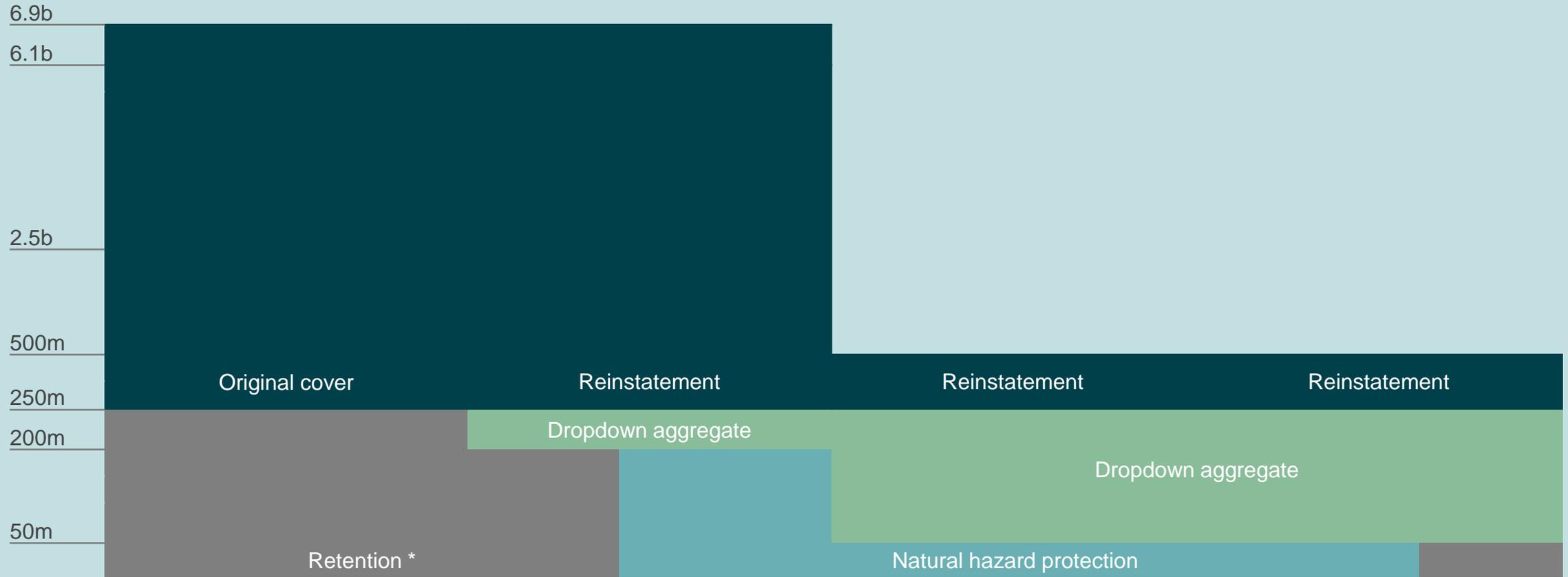
- Insurance risk
- Asset risk
- Operational risk
- Aggregation benefit
- Combined stress scenario adjustment
- Other regulatory requirements

# 50 year history of major weather events



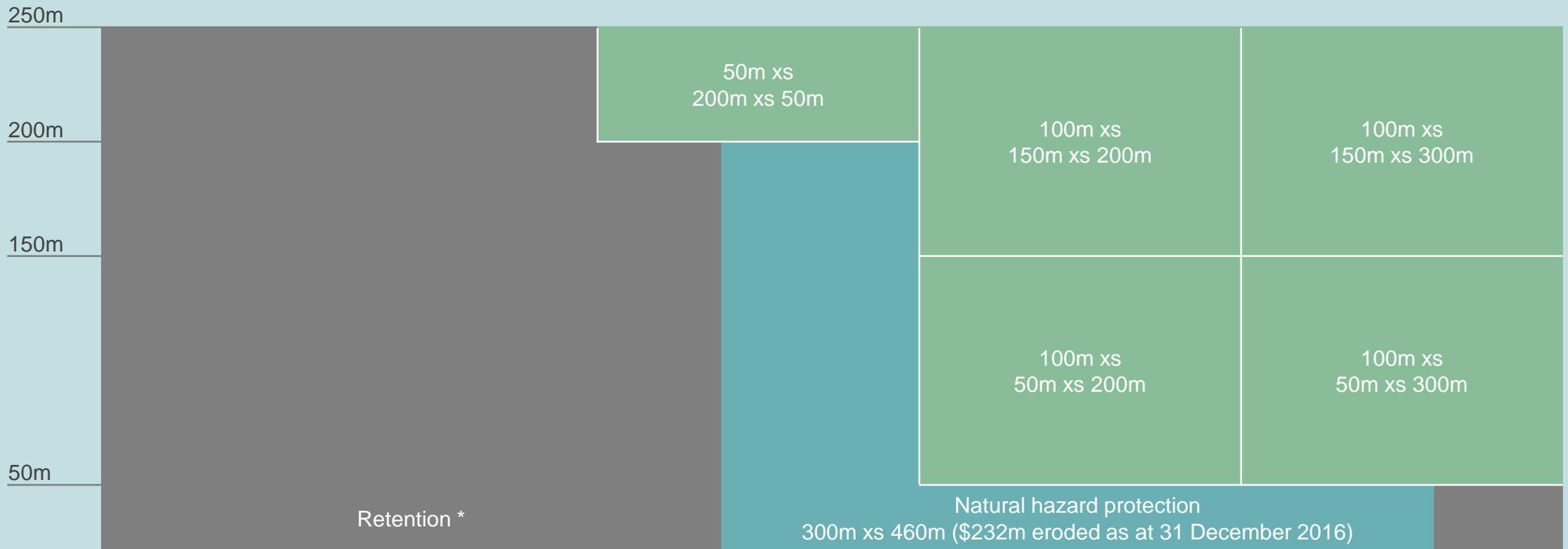
Adjusted for inflation, population growth and market share

# Reinsurance program



\* Relates to Australian events. Following the Kaikoura earthquake, the Group's maximum net retention for second and third New Zealand catastrophe events is NZ\$25 million.

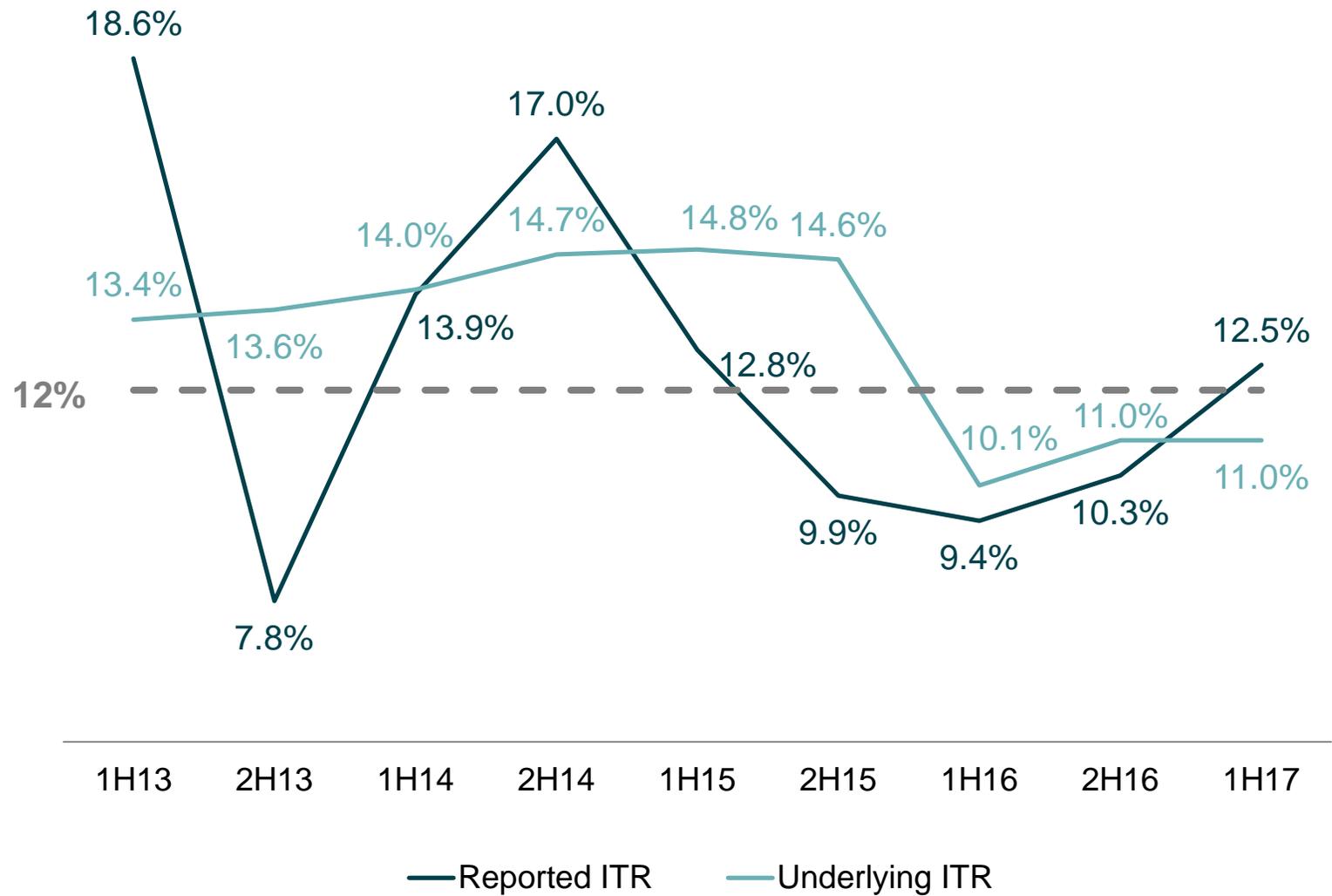
# Reinsurance program – dropdown aggregate



\* Relates to Australian events. Following the Kaikoura earthquake, the Group's maximum net retention for second and third New Zealand catastrophe events is NZ\$25 million.

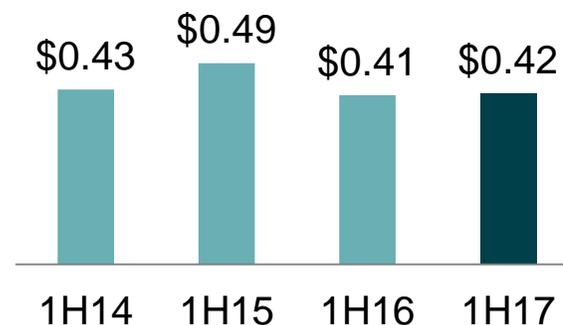
# General Insurance ITR

Underlying and reported ITR

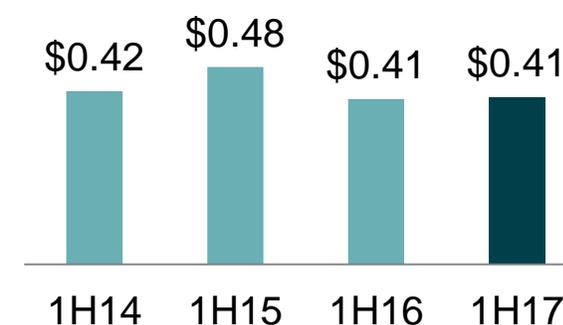


## Shareholder metrics

### EPS (basic)



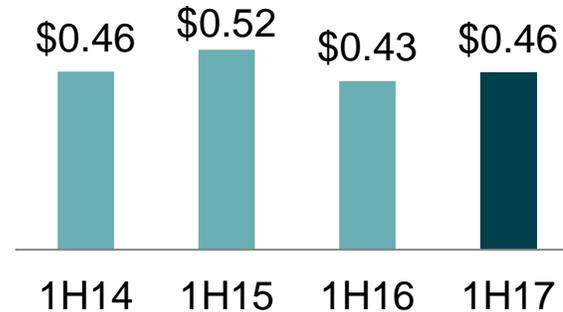
### EPS (diluted)



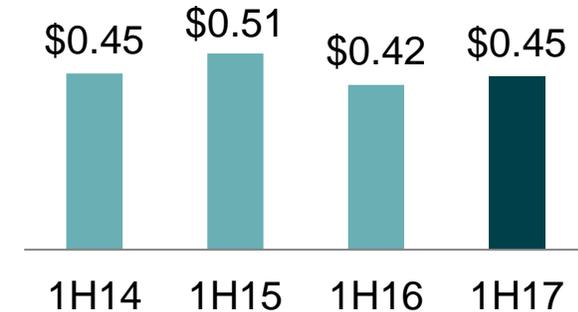
	1H14	1H15	1H16	1H17
<b>Numerator (\$m)</b>				
Earnings (EPS basic)	548	631	530	537
Interest expense on CPS (net of tax)	14	22	21	20
Earnings (EPS diluted)	562	653	551	557
<b>Denominator (m)</b>				
Weighted average ordinary shares (EPS basic)	1,278	1,279	1,279	1,281
Effect of conversion of CPS	45	69	80	73
Weighted average ordinary shares (EPS diluted)	1,323	1,348	1,358	1,354

## Shareholder metrics

### Cash EPS (basic)



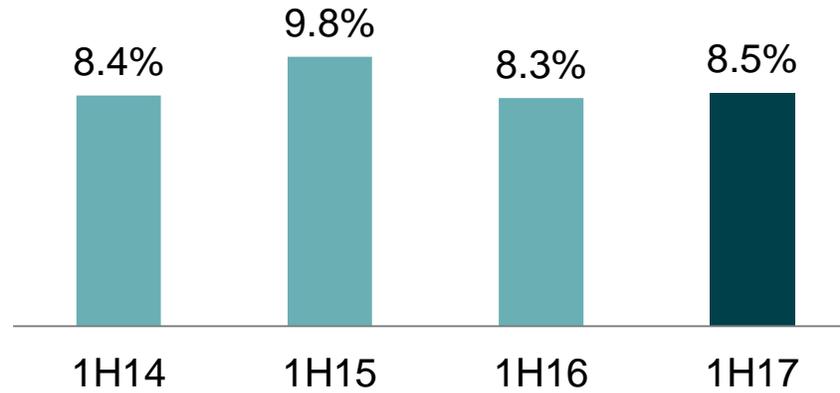
### Cash EPS (diluted)



	1H14	1H15	1H16	1H17
<b>Numerator (\$m)</b>				
Earnings (EPS basic)	587	660	556	584
Interest expense on CPS (net of tax)	14	22	21	20
Earnings (EPS diluted)	601	682	577	604
<b>Denominator (m)</b>				
Weighted average ordinary shares (EPS basic)	1,278	1,279	1,279	1,281
Effect of conversion of CPS	45	69	80	73
Weighted average ordinary shares (EPS diluted)	1,323	1,348	1,358	1,354

## Shareholder metrics

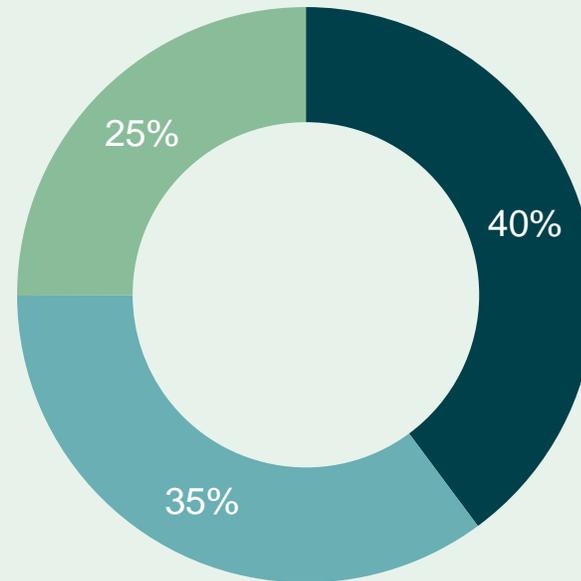
### Cash ROE



	1H14	1H15	1H16	1H17
<b>Cash ROE</b>				
Earnings (\$m)	587	660	556	584
Average shareholders' equity (\$m)	13,822	13,361	13,261	13,625

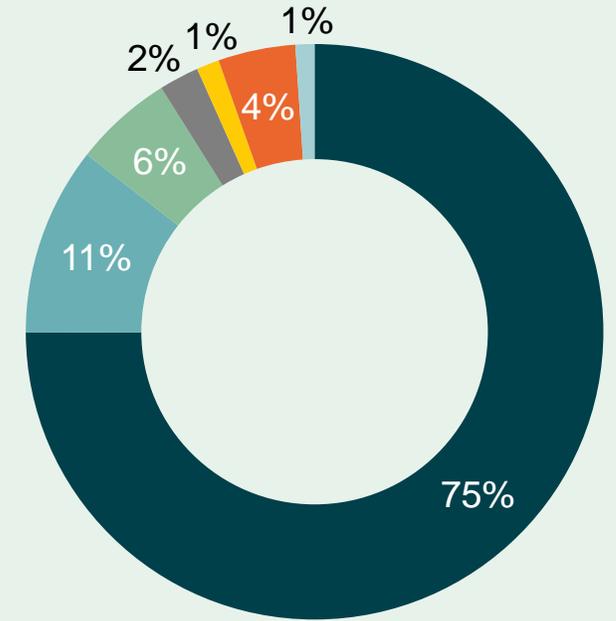
# Shareholder overview

### SUN shareholders by type



- Domestic Institutions
- Retail Investors
- International Institutions

### SUN shareholders by geography



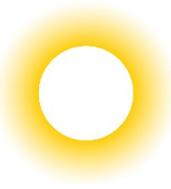
- Australia (Institutions & Retail)
- United States
- United Kingdom
- Hong Kong
- Japan
- Rest of Europe
- Rest of World

Source: Orient Capital, 16 December 2016

# Insurance

*Create a better today*

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## Insurance NPAT

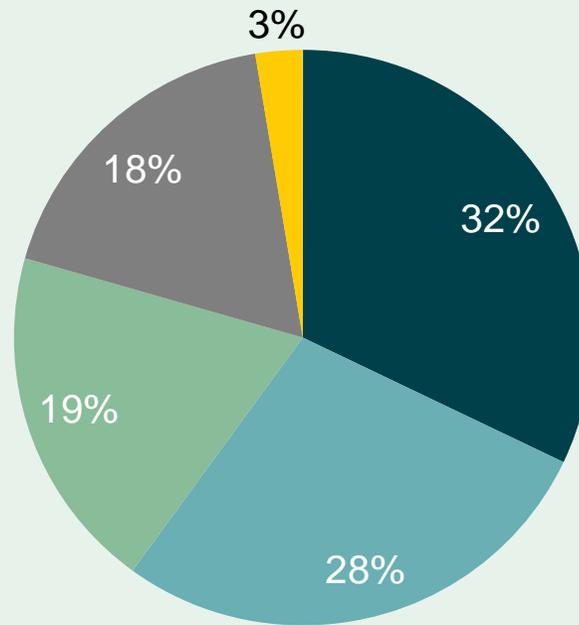
- NPAT up 42.5% to \$369 million
- GWP growth of 6.2%
- Reported ITR of 13.8%
- Natural hazards \$319 million
- Reserve releases of \$149 million
- Underlying investment yield of 2.3%

	HY17 (\$m)	HY16 (\$m)	Change (%)
<b>General Insurance</b>			
Gross written premium	4,031	3,796	6.2
Net earned premium	3,552	3,480	2.1
Net incurred claims	(2,374)	(2,546)	(6.8)
Operating expenses	(722)	(724)	(0.3)
Investment income - insurance funds	35	93	(62.4)
<b>Insurance trading result</b>	<b>491</b>	<b>303</b>	<b>62.0</b>
Other income	17	25	(32.0)
Income tax	(150)	(92)	63.0
<b>General Insurance profit after tax</b>	<b>358</b>	<b>236</b>	<b>51.7</b>
<b>Life Insurance profit after tax</b>	<b>11</b>	<b>23</b>	<b>(52.2)</b>
<b>Insurance NPAT</b>	<b>369</b>	<b>259</b>	<b>42.5</b>

# General Insurance Gross Written Premium

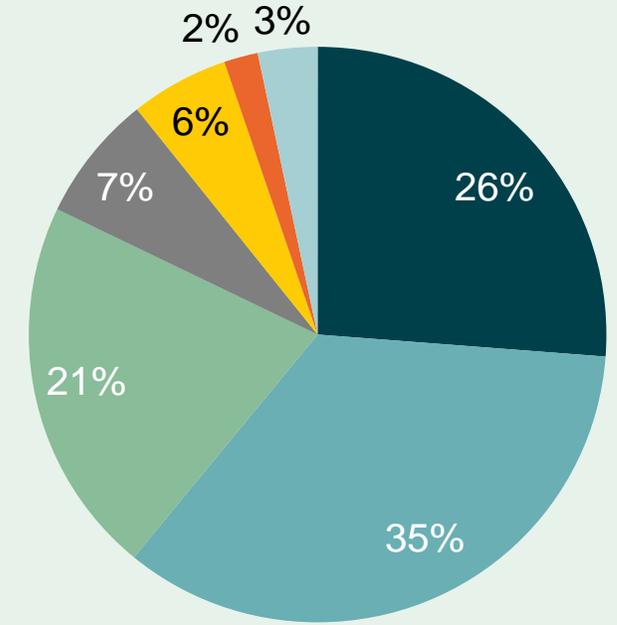
Total GWP of \$4.0 billion

Portfolio by product



- Motor
- Home
- Commercial
- CTP
- Workers compensation & other

Portfolio by geography



- Queensland
- New South Wales
- Victoria
- Western Australia
- South Australia
- Tasmania
- ACT & other

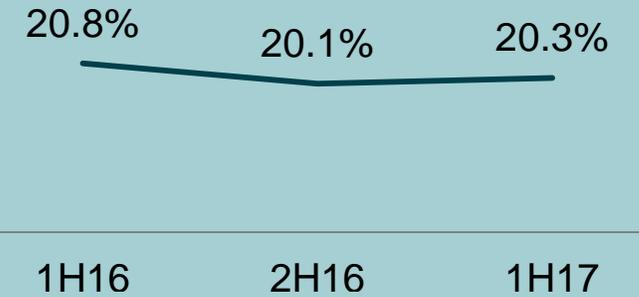
INSURANCE (AUSTRALIA)

## General Insurance key ratios

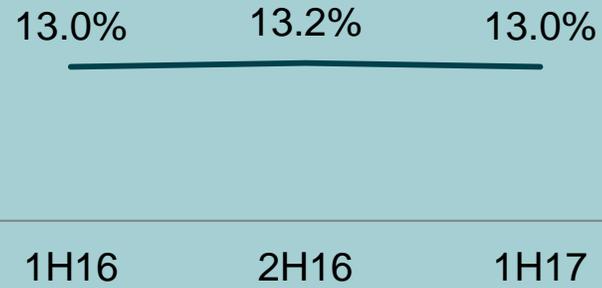
### Loss ratio



### Total operating expenses ratio



### Acquisition expenses ratio

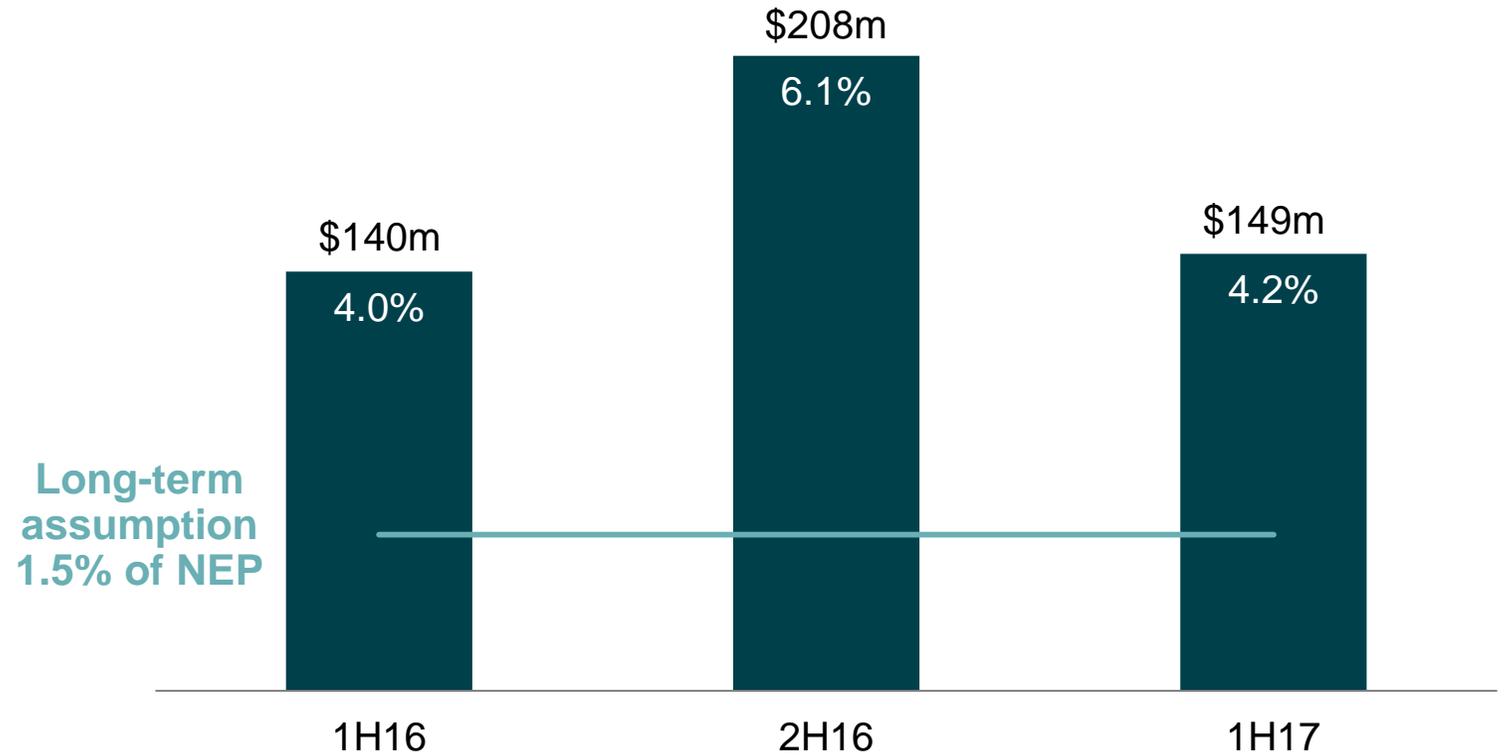


### Other underwriting expenses ratio



## General Insurance reserve releases

Conservative assumptions and proactive long-tail claims management



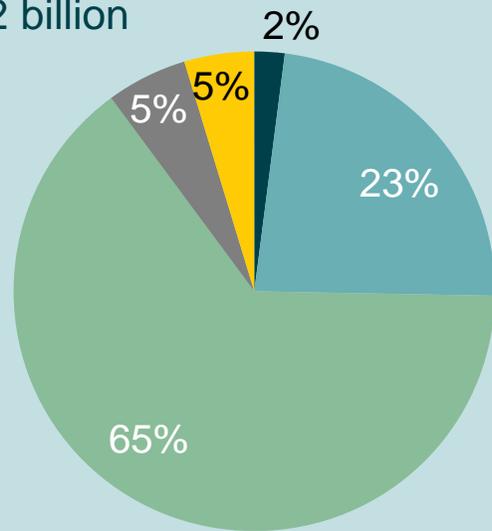
## Natural hazard events

Date	Event	Net costs (\$m)
Jul 2016	Southern winds	9
Sep 2016	South Australian and Victorian flooding	7
Sep 2016	Southern wind and rain	13
Oct 2016	Victorian wind storm	17
Oct 2016	Young and Parkes hail	6
Nov 2016	South Australian and Victorian storms	57
Nov 2016	Maryborough storm	6
Nov 2016	Internal reinsurance on Kaikoura earthquake	28
Nov 2016	Gympie hail	10
Dec 2016	Ipswich hail	9
Dec 2016	South Australian and Victorian storms	50
	Total events over \$5 million	212
	Other natural hazards attritional claims	107
	<b>Total natural hazards</b>	<b>319</b>
	Less: allowance for natural hazards	(300)
	Natural hazards costs above allowance	19

# General Insurance investment asset allocation

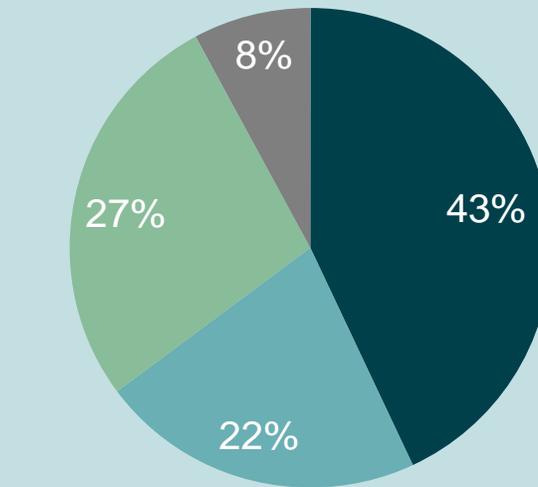
## Insurance funds

\$9.2 billion



- Cash and short-term deposits
- Inflation-linked bonds\*
- Corporate bonds
- Semi-Government bonds
- Commonwealth Government bonds

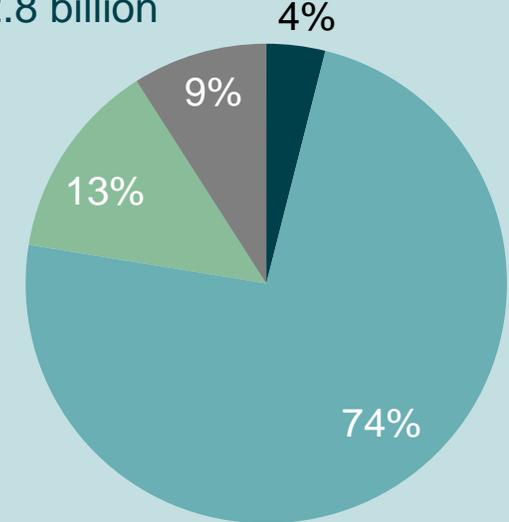
## Fixed income credit quality



- AAA
- AA
- A
- BBB

## Shareholders' funds

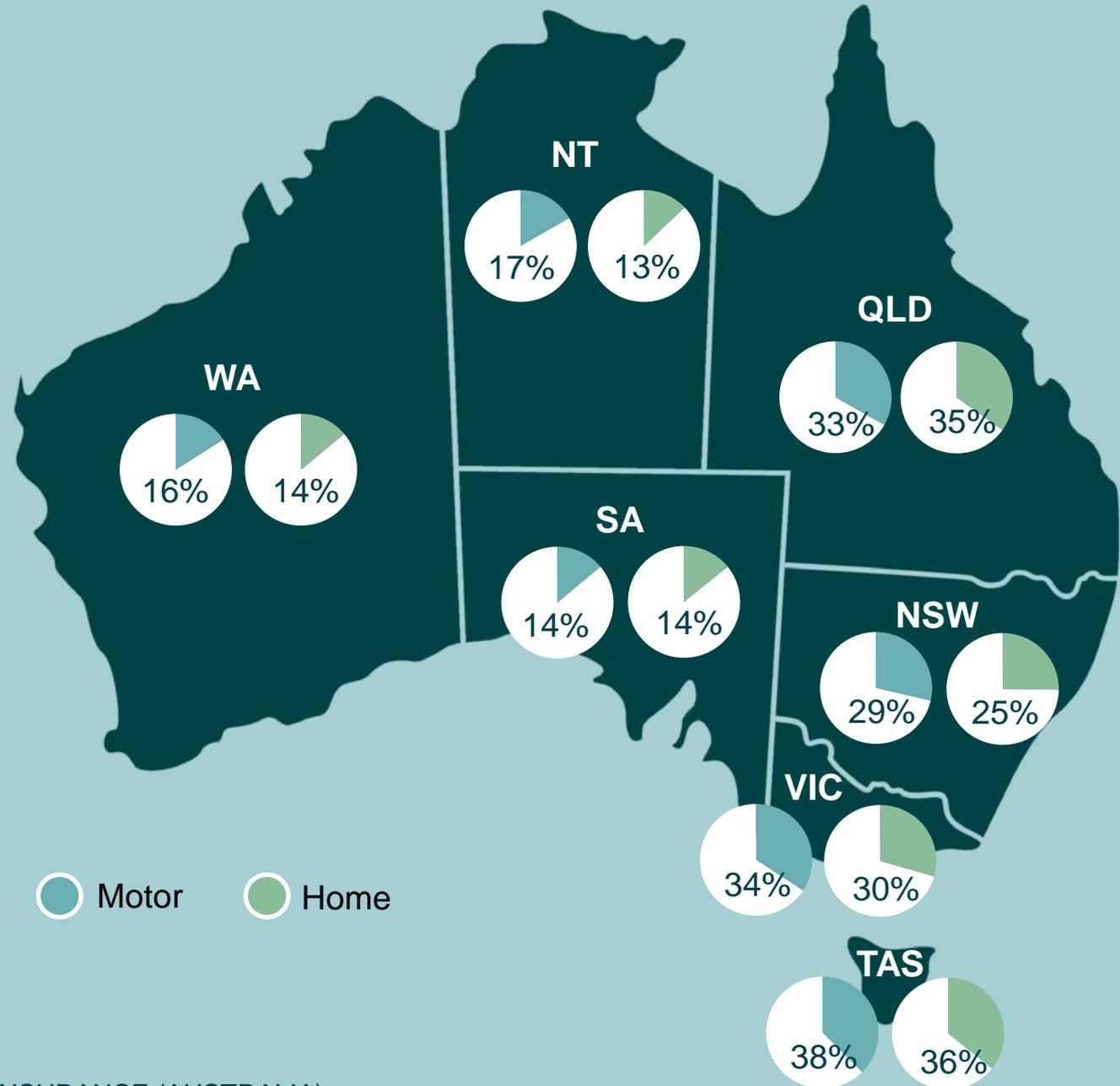
\$2.8 billion



- Cash and short-term deposits
- Interest-bearing securities
- Equities
- Infrastructure and property

\* The total effective exposure to inflation-linked securities in the Insurance funds portfolio is \$2.9 billion after accounting for both physical bonds and derivatives.

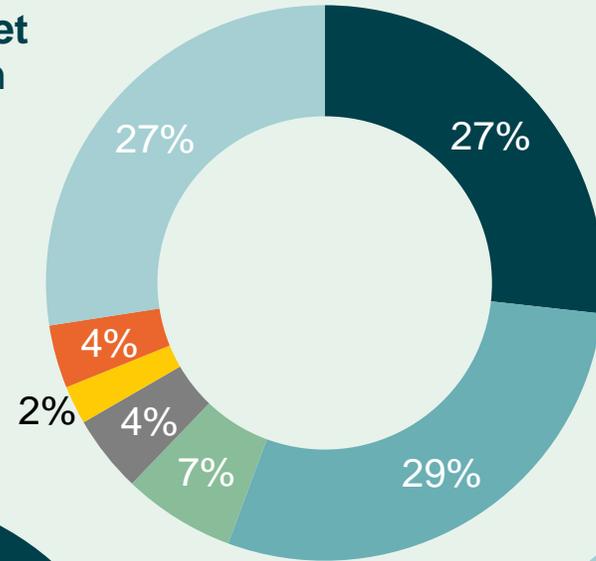
# Personal lines market share



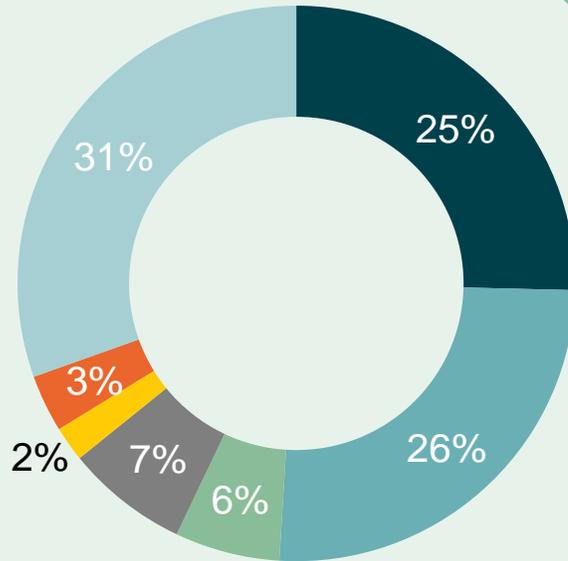
Source: Roy Morgan, November 2016

# Personal lines market share

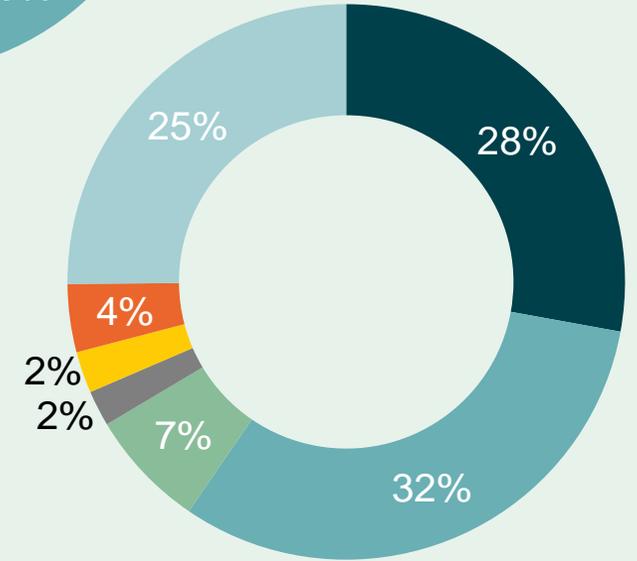
**Total market**  
\$17.6 billion



**Home**  
\$8.3 billion



**Motor**  
\$9.3 billion



Suncorp
  Peer 1
  Peer 2
  Peer 3
  Peer 4
  Peer 5
  Others

Source: Roy Morgan, November 2016

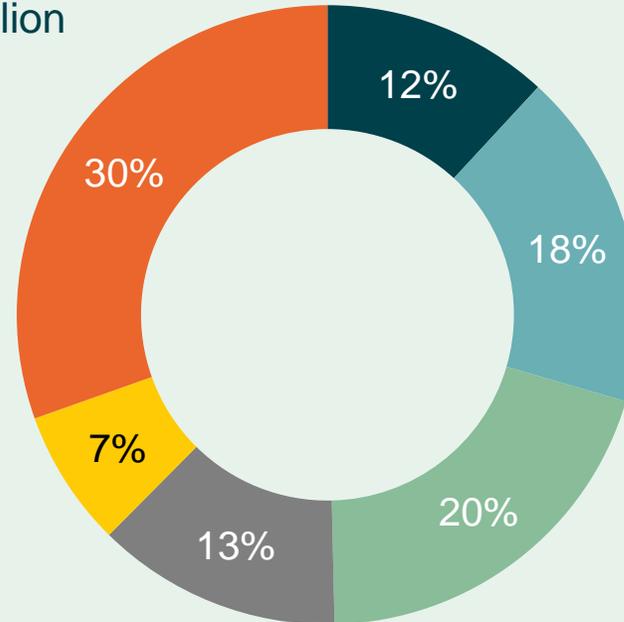


HY17

INSURANCE (AUSTRALIA)

## Commercial lines market share

Total market  
\$12.9 billion

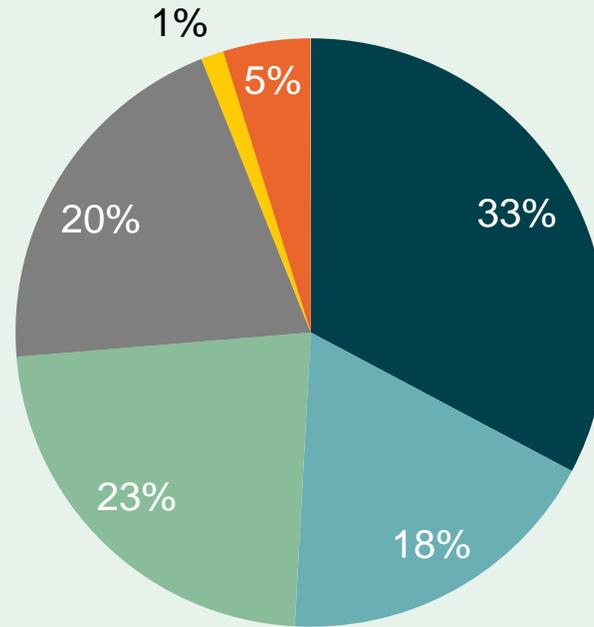


■ Suncorp ■ Peer 1 ■ Peer 2 ■ Peer 3 ■ Peer 4 ■ Others

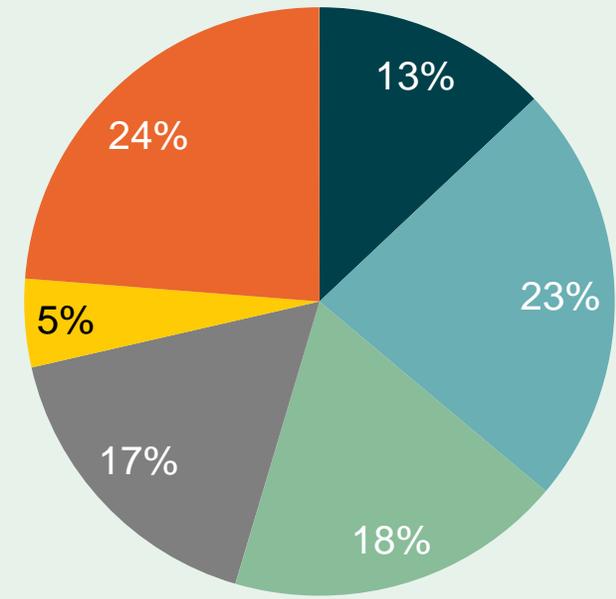
Source: Latest Suncorp estimates

# Personal Injury market share

**CTP \***  
\$3.9 billion



**Workers compensation**  
\$1.0 billion

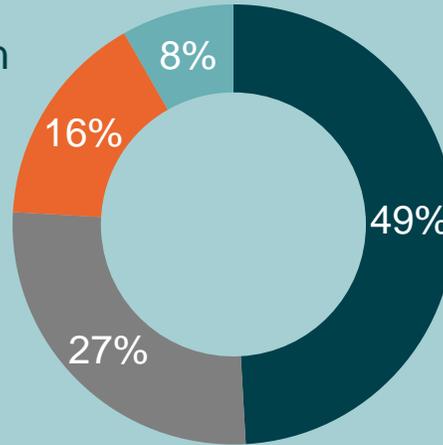


Suncorp
  Peer 1
  Peer 2
  Peer 3
  Peer 4
  Others

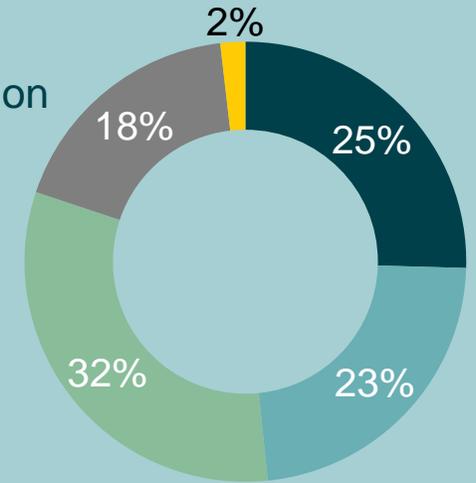
Source: Latest Suncorp estimates  
\* CTP includes QLD, NSW & ACT schemes only

# CTP market share

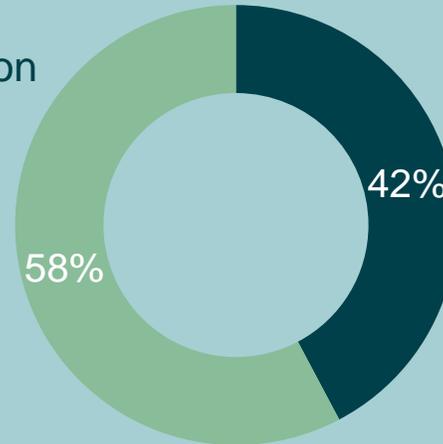
**QLD\***  
\$1.2 billion



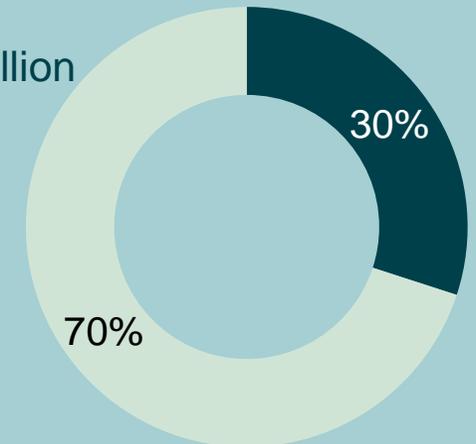
**NSW\*\***  
\$2.7 billion



**ACT\***  
\$170 million



**SA\*\*\***  
\$458 million



■ Suncorp 
 ■ Peer 1 
 ■ Peer 2 
 ■ Peer 3 
 ■ Peer 4 
 ■ Peer 5 
 ■ Rest of market

Source: State scheme regulators  
 \* as at December 2016  
 \*\* as at September 2016  
 \*\*\* as at June 2016

## Life Insurance NPAT

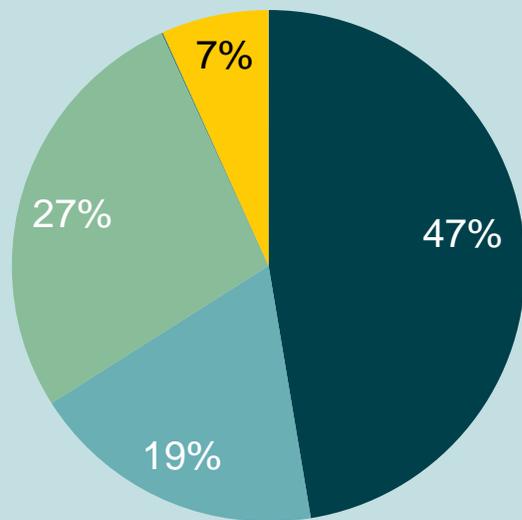
- Stable underlying profits
- Lapse and claims assumptions remain appropriate
- Optimisation program to deliver improved returns
- Exploring strategic alternatives

	HY17 (\$m)	HY16 (\$m)	Change (%)
Planned profit margin release	9	7	28.6
Experience	(2)	9	n/a
Other and investments	18	10	80.0
<b>Underlying profit after tax</b>	<b>25</b>	<b>26</b>	<b>(3.8)</b>
Market adjustments	(14)	(3)	366.7
<b>Life Insurance NPAT</b>	<b>11</b>	<b>23</b>	<b>(52.2)</b>
In-force annual premium	801	798	0.4
Total new business	33	38	(13.2)

# Life Insurance in-force premium

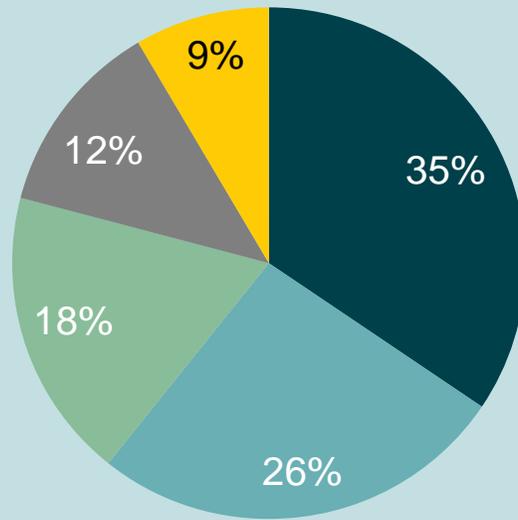
Total in-force premium of \$801 million

### Premium by product



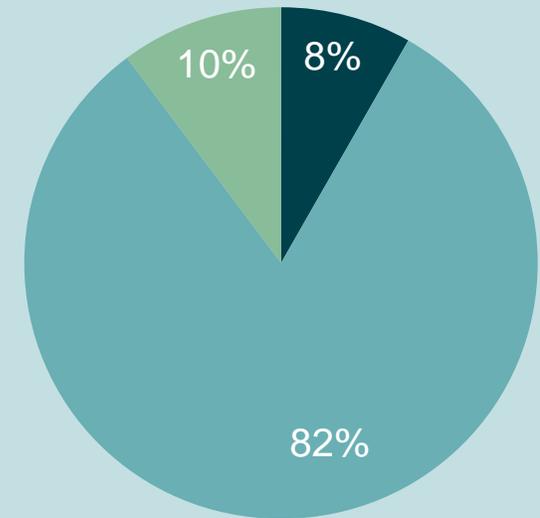
- Term & TPD
- Income protection
- Trauma
- Group

### Premium by geography



- Queensland
- New South Wales
- Victoria & Tasmania
- Western Australia
- Other

### Premium by channel

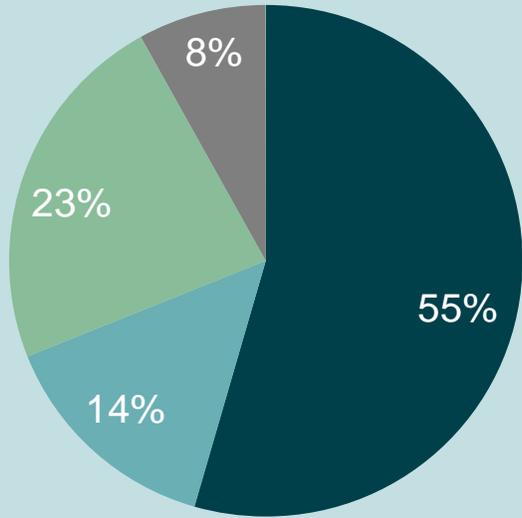


- Direct via General Insurance brands
- Advised
- Group & other

# Life Insurance new business

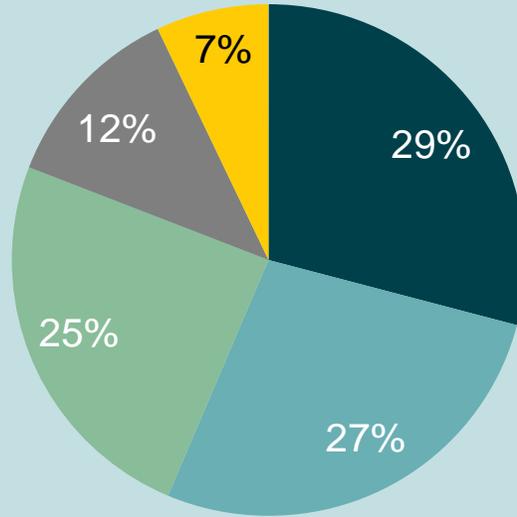
Total new business of \$33 million

New business by product



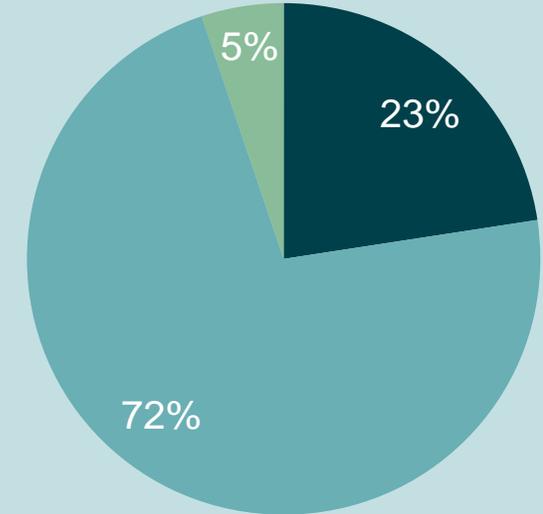
- Term & TPD
- Income protection
- Trauma
- Other

New business by geography



- Queensland
- New South Wales
- Victoria & Tasmania
- Western Australia
- Other

New business by channel



- Direct via General Insurance brands
- Advised
- Group & other

## Life Insurance key metrics (\$m)

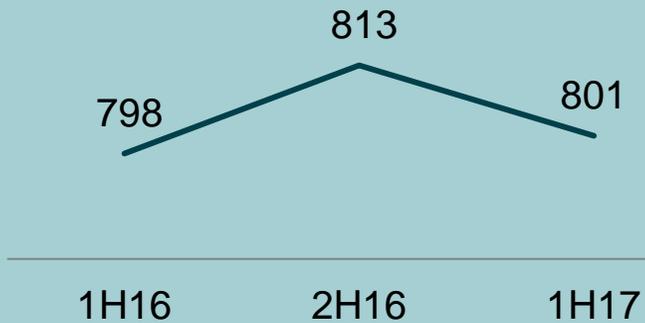
### Planned margins



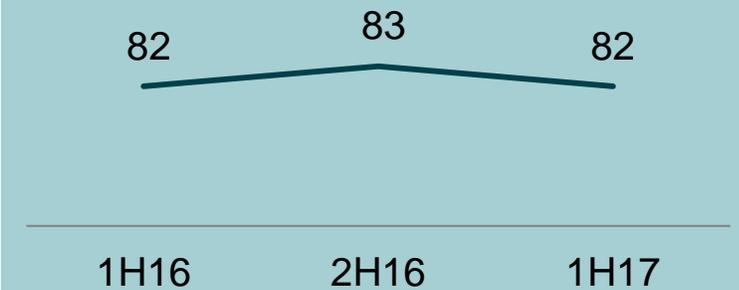
### Claims and lapse experience



### In-force premium

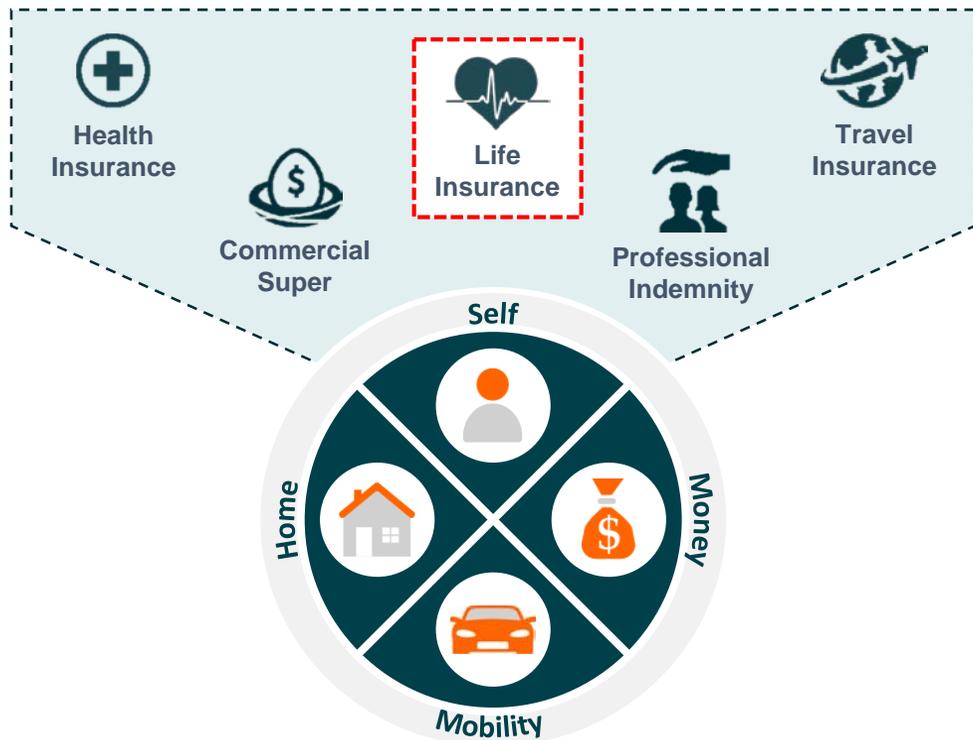


### Operating expenses



# Life Insurance (Australia)

Life Insurance meets a core customer need



Life Insurance is a core component of the Suncorp financial services Marketplace, however, currently delivers sub-optimal ROE.

## Key Initiatives

- Optimise efficiencies in claims and expense management
- Streamline processes under new operating model
- Improve customer connectivity
- Product and claims innovation

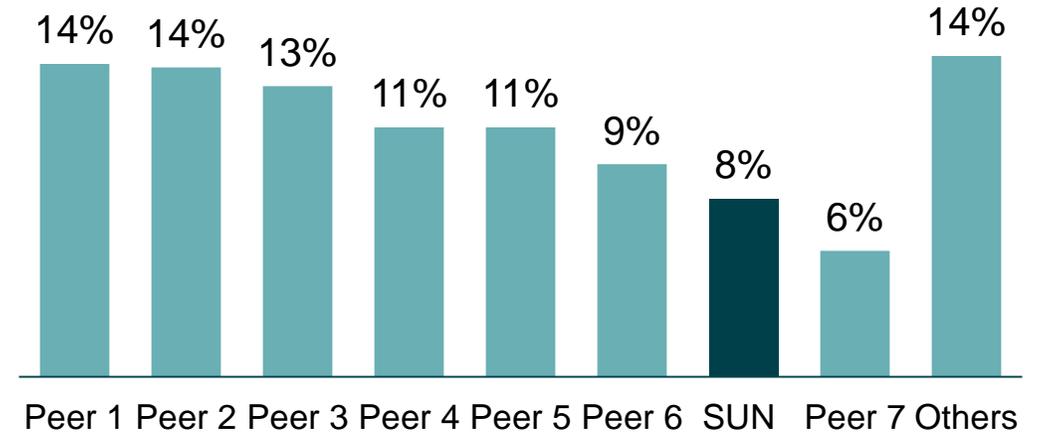
## Outcomes

- Improved customer experience
- Enhanced competitiveness
- Improved shareholder returns
- Reduced earnings volatility

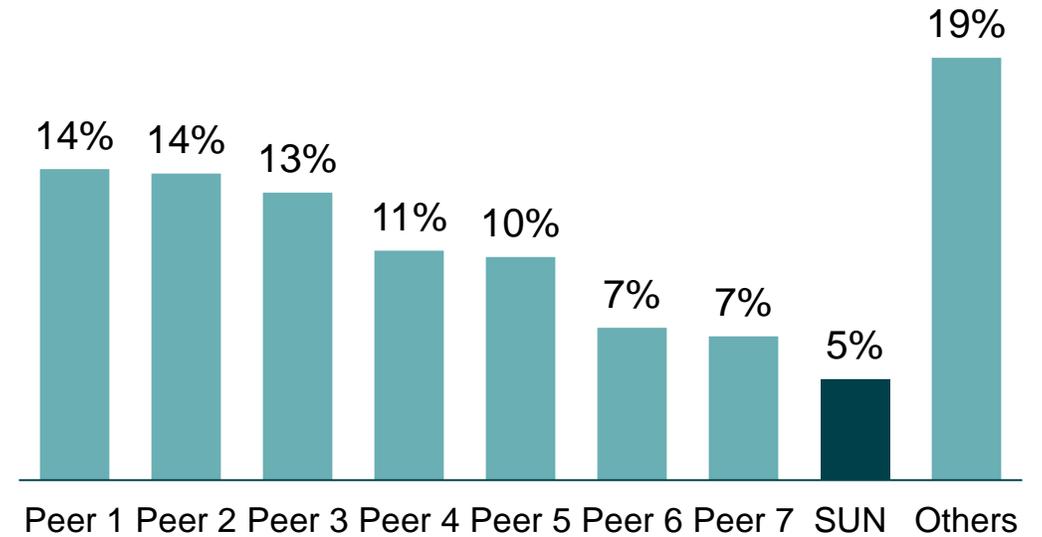
# Life Insurance market share

Individual risk

**In-force**  
\$9.5 billion



**New business**  
\$1.0 billion

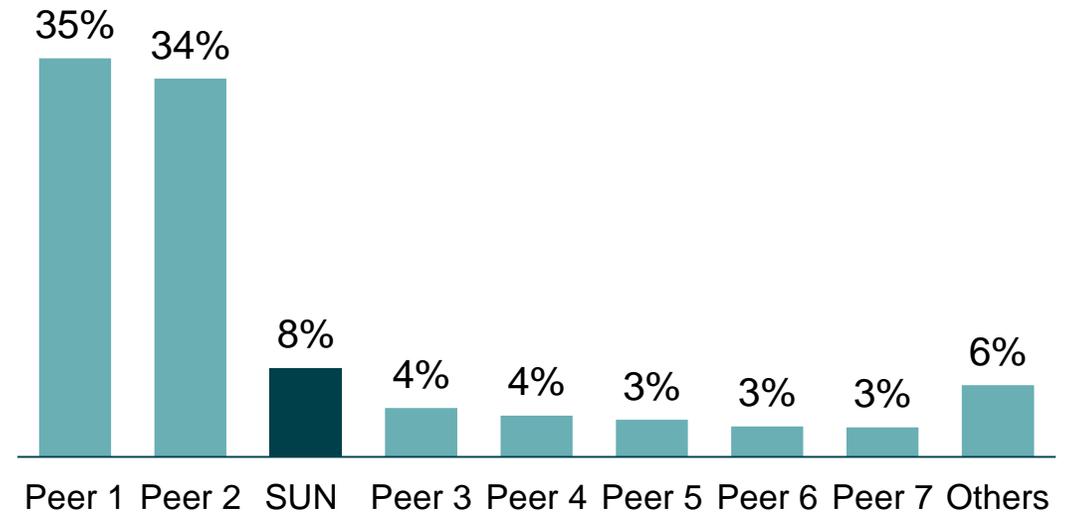


Source: NMG Consulting, September 2016  
In-force portfolio includes IFA, Bank and Direct business

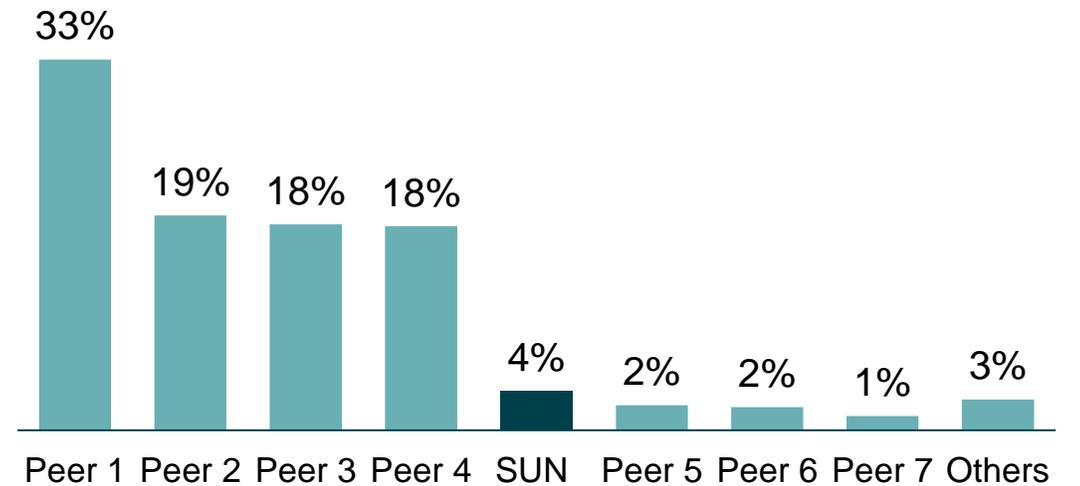
# Life Insurance market share

Share by distribution channel

**Direct**  
\$1.0 billion



**Bank**  
\$2.4 billion

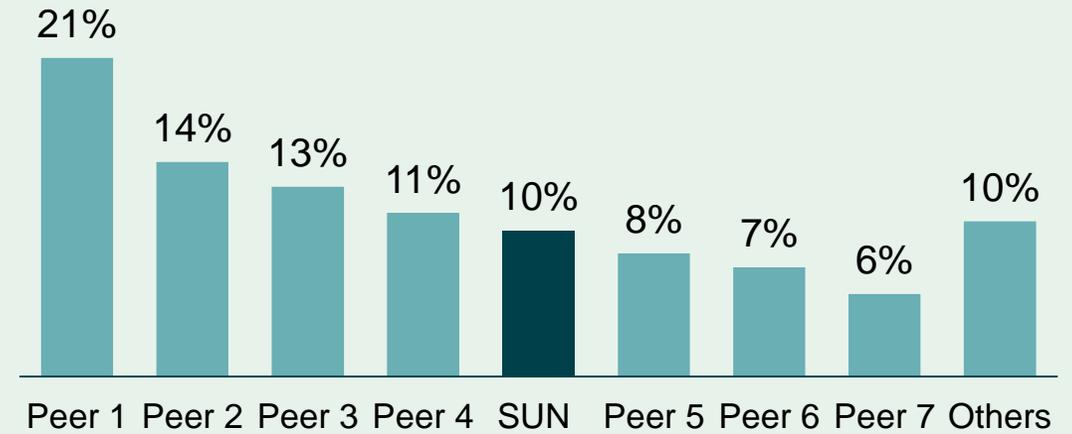


Source: NMG Consulting, September 2016

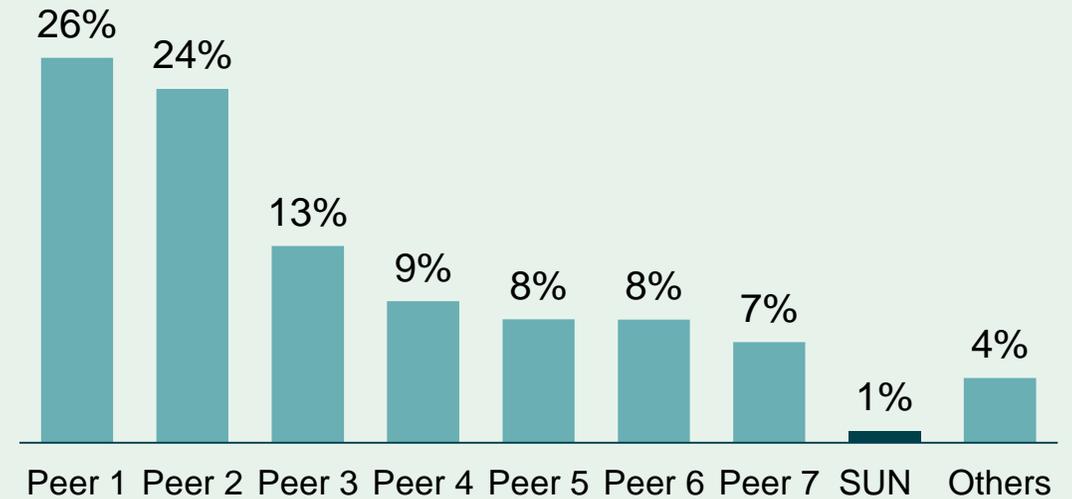
## Life Insurance market share

Share by distribution channel

**IFA**  
\$6.1 billion



**Group**  
\$6.5 billion

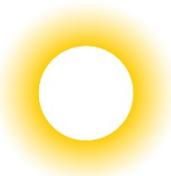


Source: NMG Consulting, September 2016

Banking & Wealth

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## Banking & Wealth NPAT

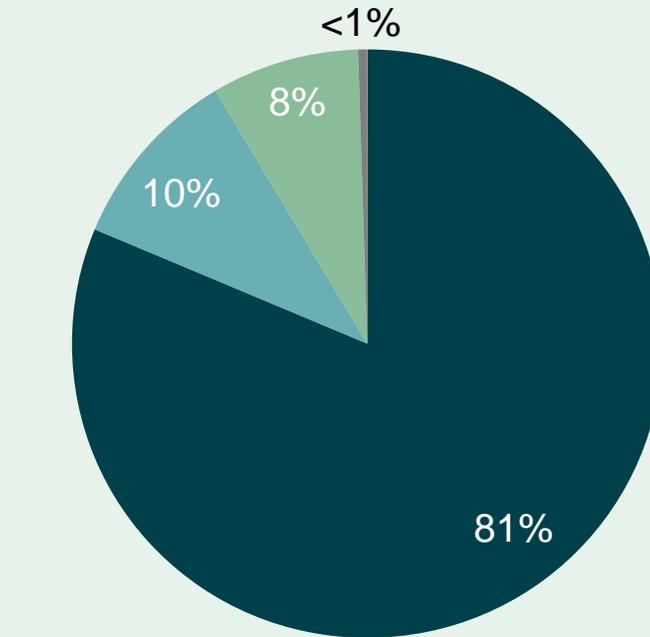
- Strong capital & balance sheet
- Disciplined cost management
- Improved credit quality
- Resilient funding profile
- Progress on strategic projects

	HY17 (\$m)	HY16 (\$m)	Change (%)
<b>Bank</b>			
Net interest income	558	566	(1.4)
Net non-interest income	39	49	(20.4)
Operating expenses	(307)	(326)	(5.8)
Profit before impairment losses on loans and advances	290	289	0.3
Impairment losses on loans and advances	(1)	(11)	(90.9)
Income tax	(86)	(84)	2.4
<b>Bank profit after tax</b>	<b>203</b>	<b>194</b>	<b>4.6</b>
<b>Wealth profit after tax</b>	<b>5</b>	<b>13</b>	<b>(61.5)</b>
<b>Banking &amp; Wealth NPAT</b>	<b>208</b>	<b>207</b>	<b>0.5</b>

# Total lending portfolio

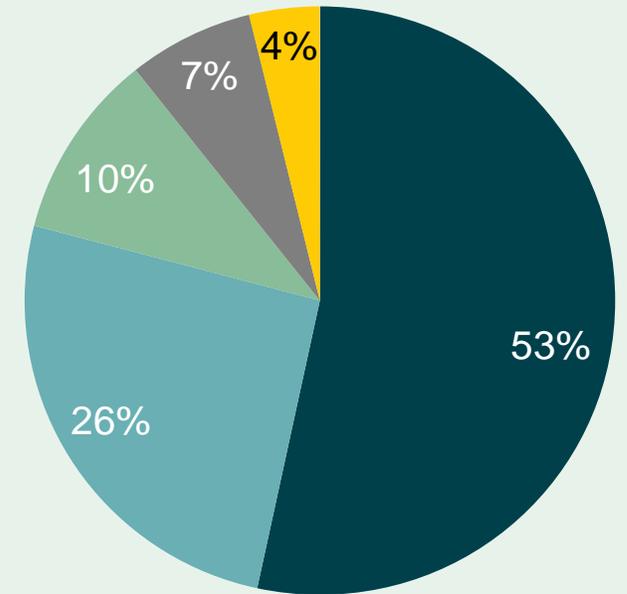
Total assets of \$54.2 billion

### Lending assets by portfolio



- Housing
- Commercial (SME)
- Agribusiness
- Consumer

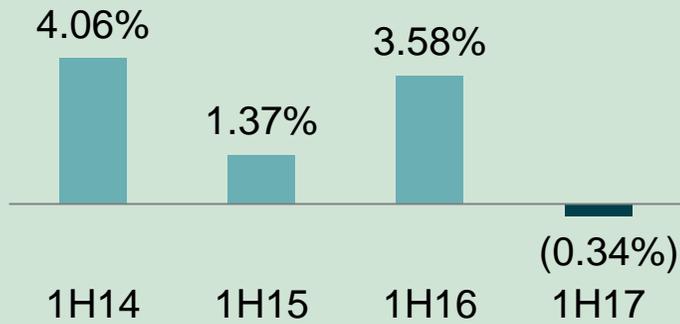
### Portfolio by geography



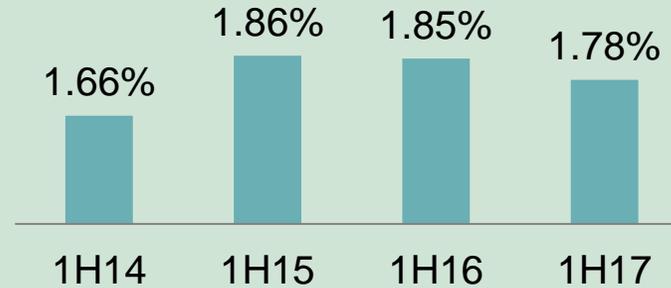
- Queensland
- New South Wales
- Victoria
- Western Australia
- South Australia and other

# Bank key ratios

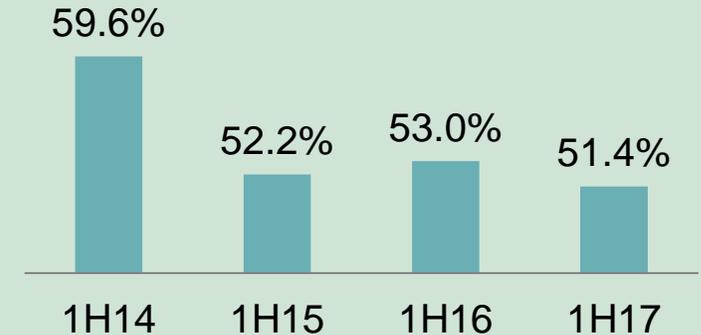
**Lending growth (annualised)**



**Net interest margin  
(interest-earning assets)**



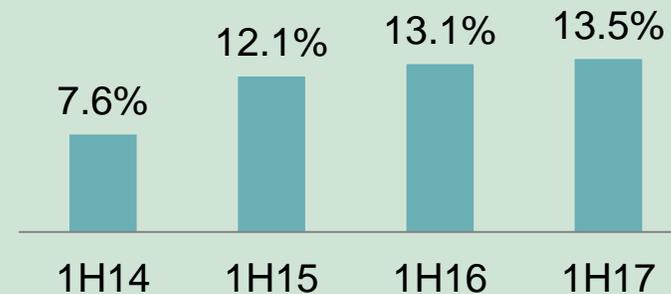
**Cost to income ratio**



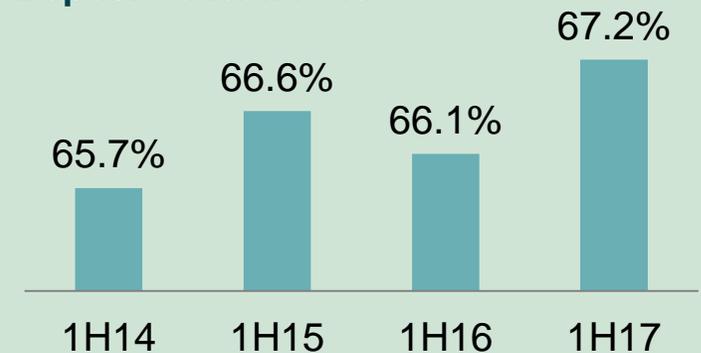
**Impairment losses to gross loans  
and advances (annualised)**



**Return on Common Equity Tier 1**



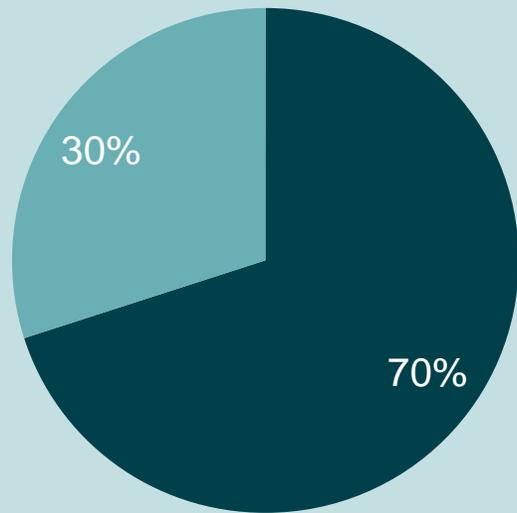
**Deposit to loan ratio**



# Home lending portfolio

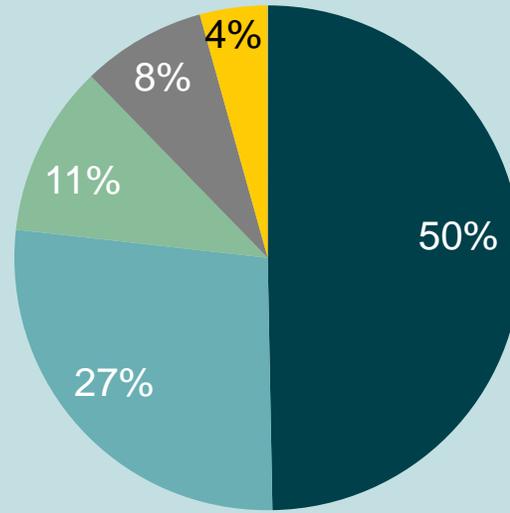
Total assets of \$44.1 billion

### Portfolio by borrower type



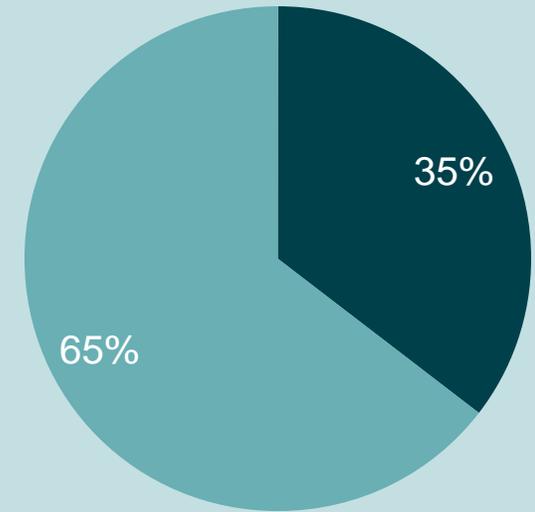
■ Owner occupied ■ Investor

### Portfolio by geography



■ Queensland ■ Western Australia  
■ New South Wales ■ South Australia and other  
■ Victoria

### Portfolio by channel

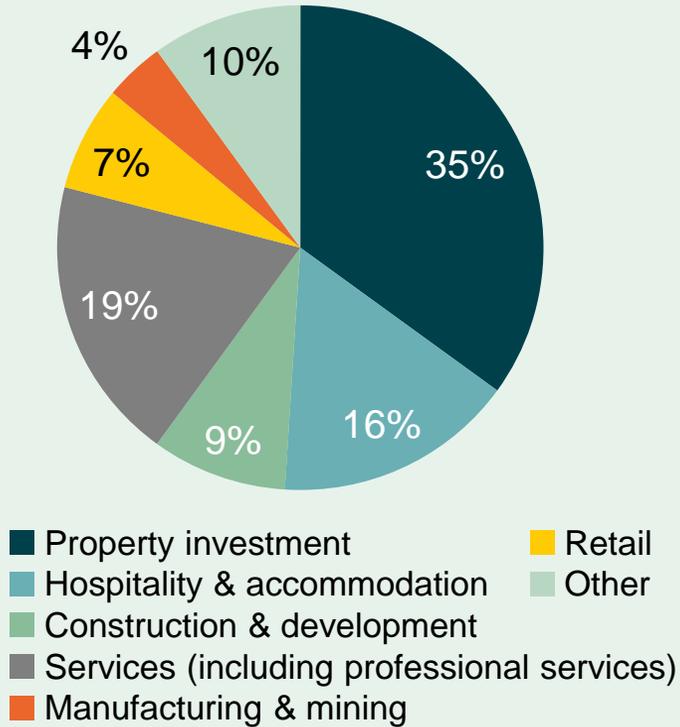


■ Direct ■ Intermediaries

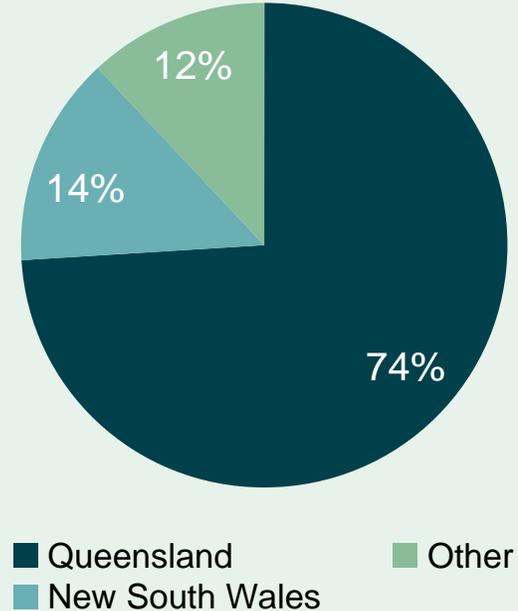
# Commercial (SME) portfolio

Total assets of \$5.5 billion

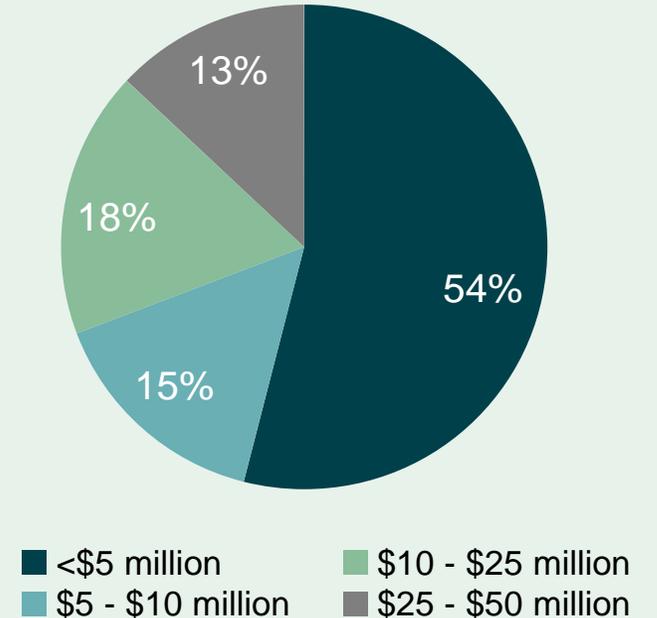
Portfolio by industry



Portfolio by geography



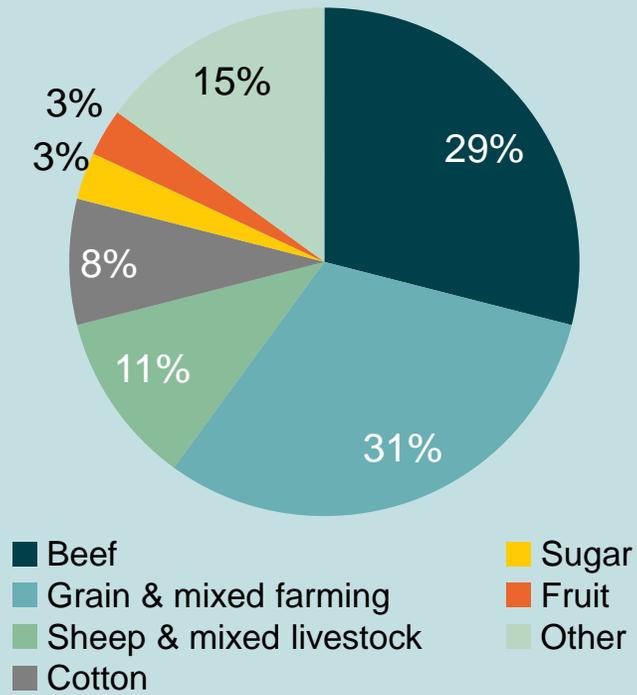
Portfolio by exposure size



# Agribusiness portfolio

Total assets of \$4.4 billion

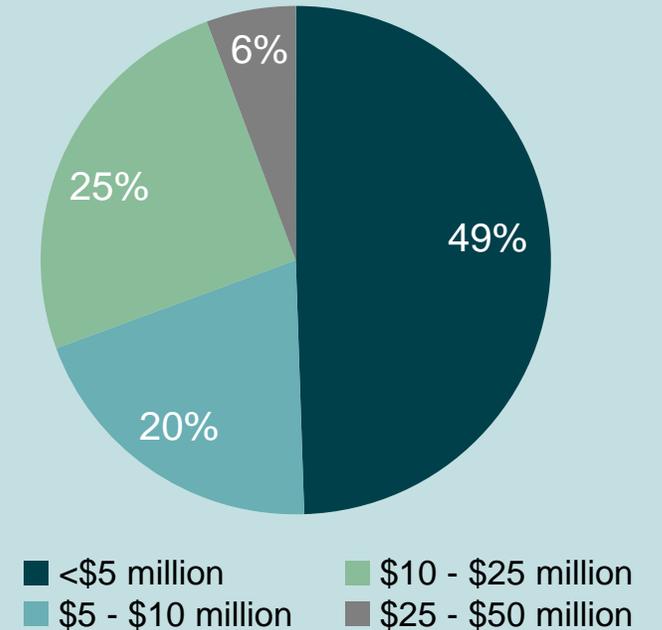
### Portfolio by industry



### Portfolio by geography



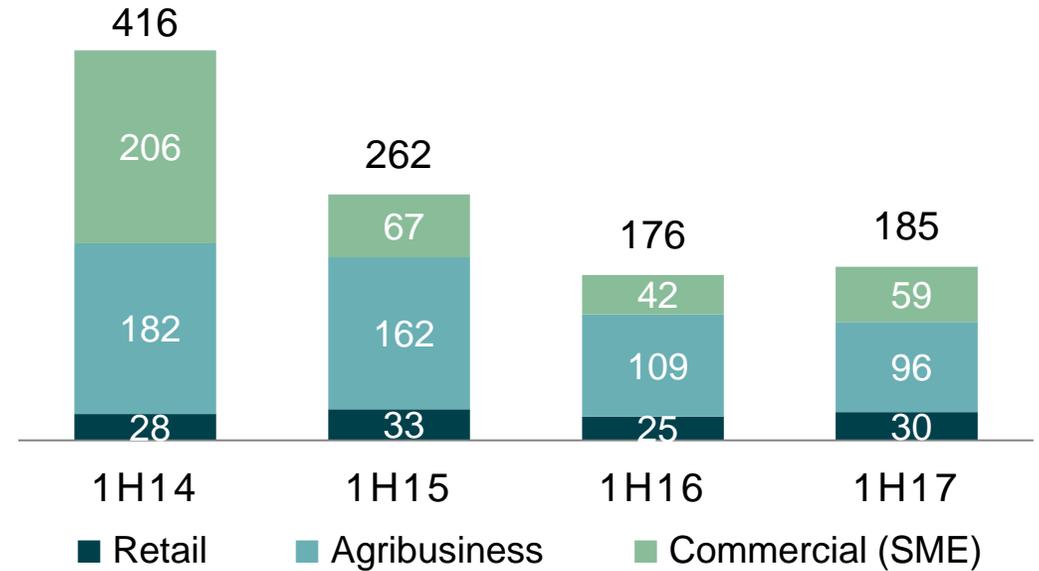
### Portfolio by exposure size



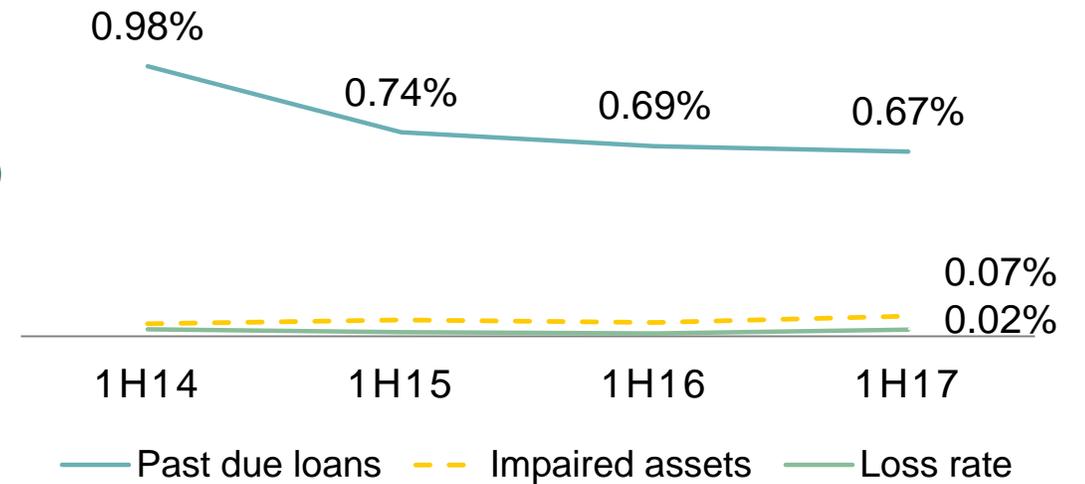
## Credit quality

- Continued focus on credit quality and risk management
- Impairment losses <0.01% of GLA
- Limited exposure to resources and inner-city apartments
- Improving agribusiness conditions

**Gross impaired loans by segment (\$m)**



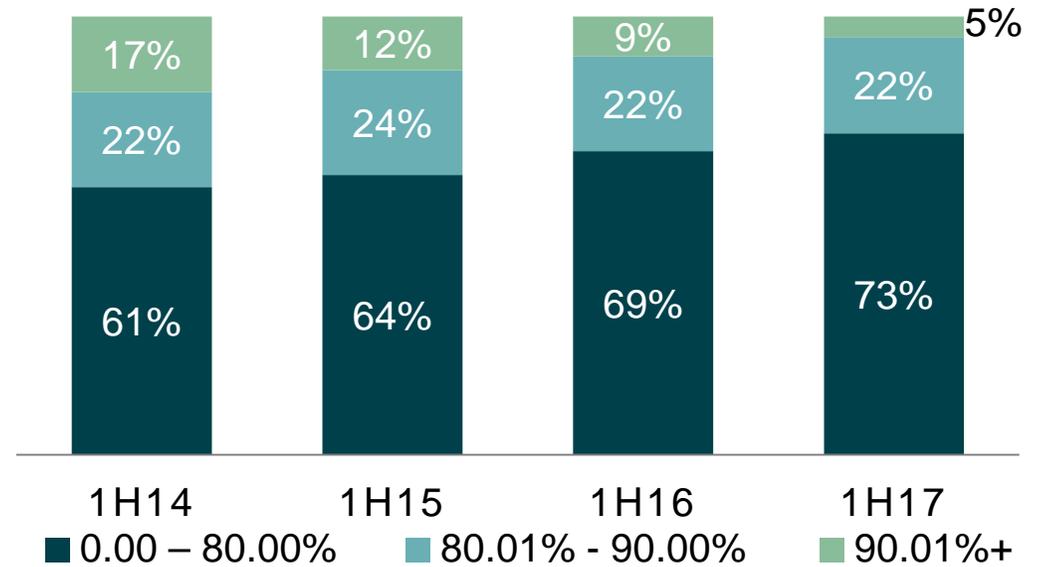
**Home lending credit quality (% gross home loans)**



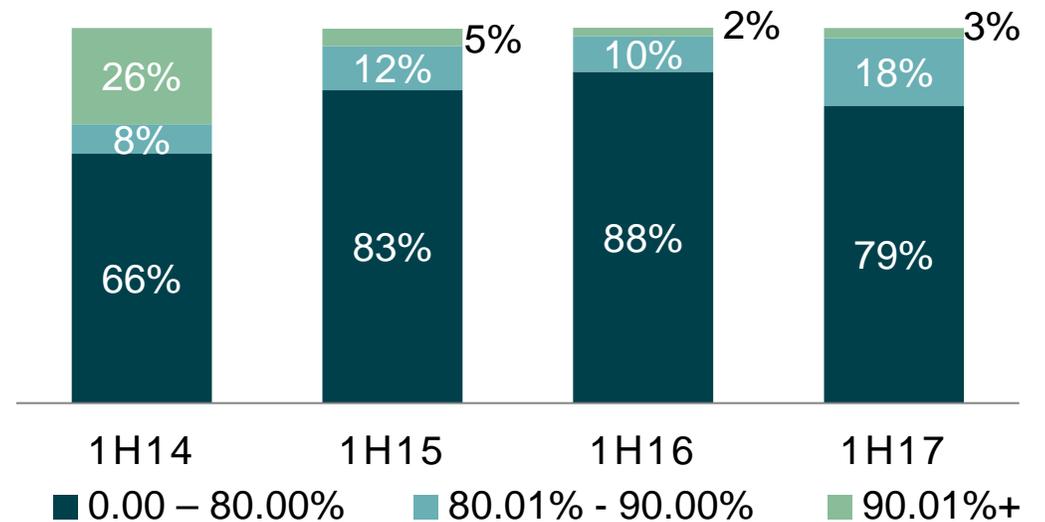
# Loan to value ratio (LVR)

Total home lending assets of \$44.1 billion

## Home lending assets by LVR



## Home lending new business by LVR



# Credit quality

Relativity to peers

Source: Latest peer financial reports

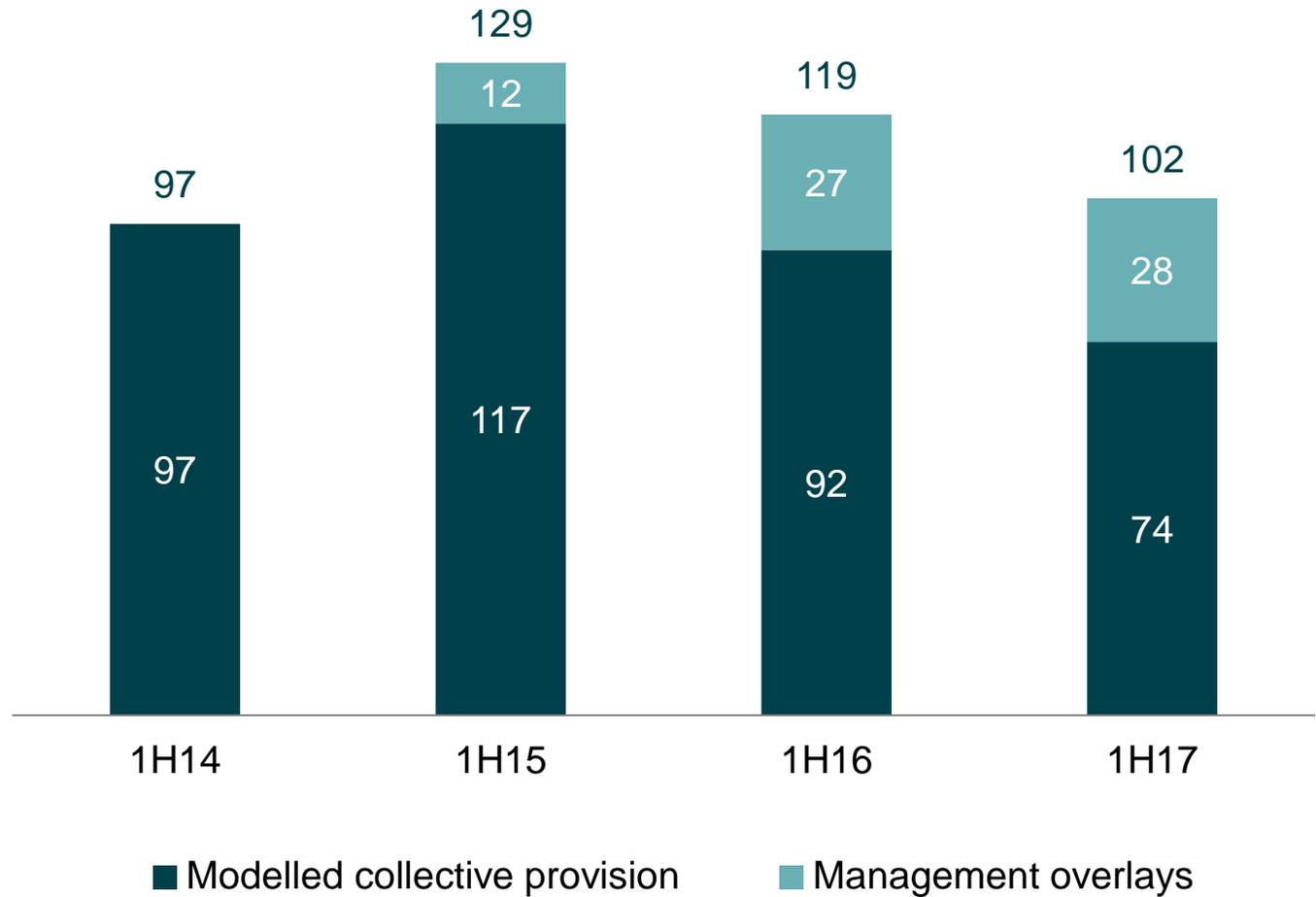
## Impairment losses to gross loans



## Net impaired loans to gross loans



## Collective provision (\$m)

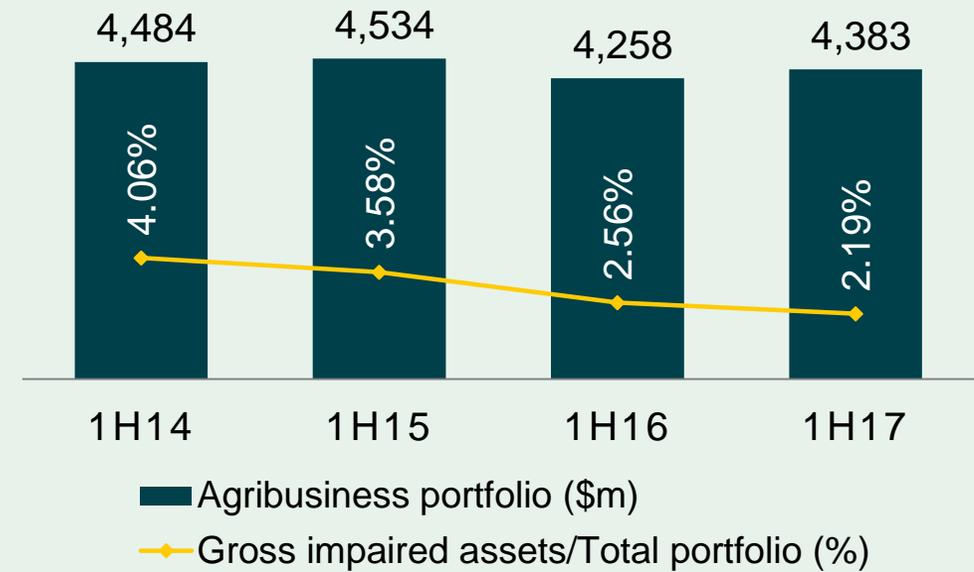


# Portfolio credit quality

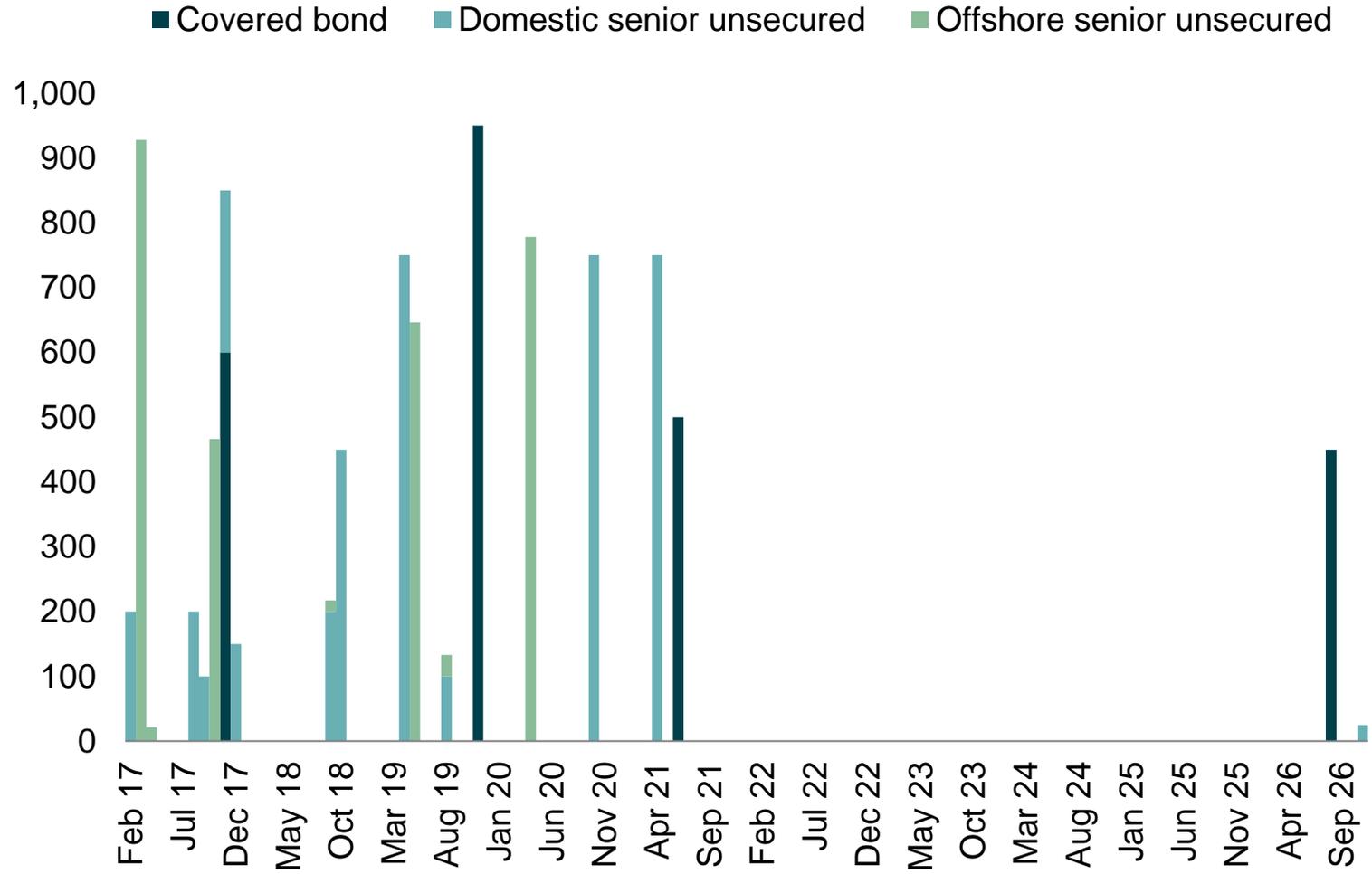
## Commercial (SME) portfolio



## Agribusiness portfolio

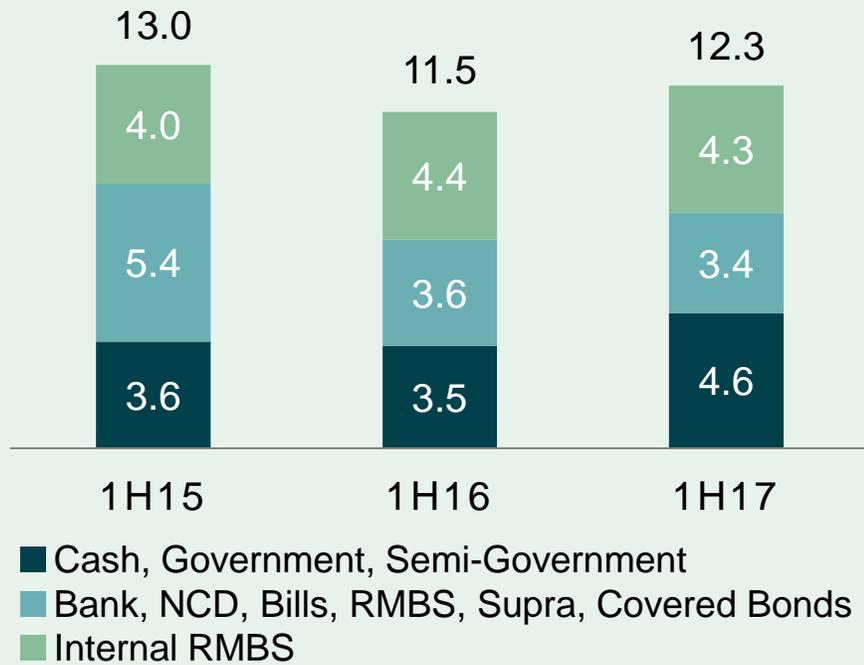


# Long-term funding profile (\$m)

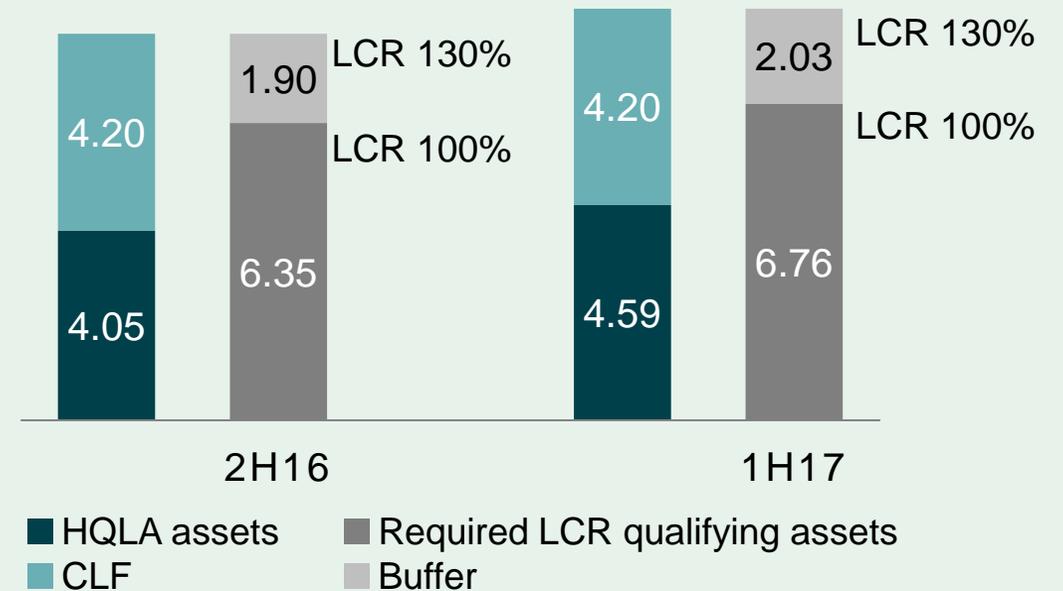


# Liquid assets and Liquidity Coverage Ratio

### Components of liquid assets (\$b)



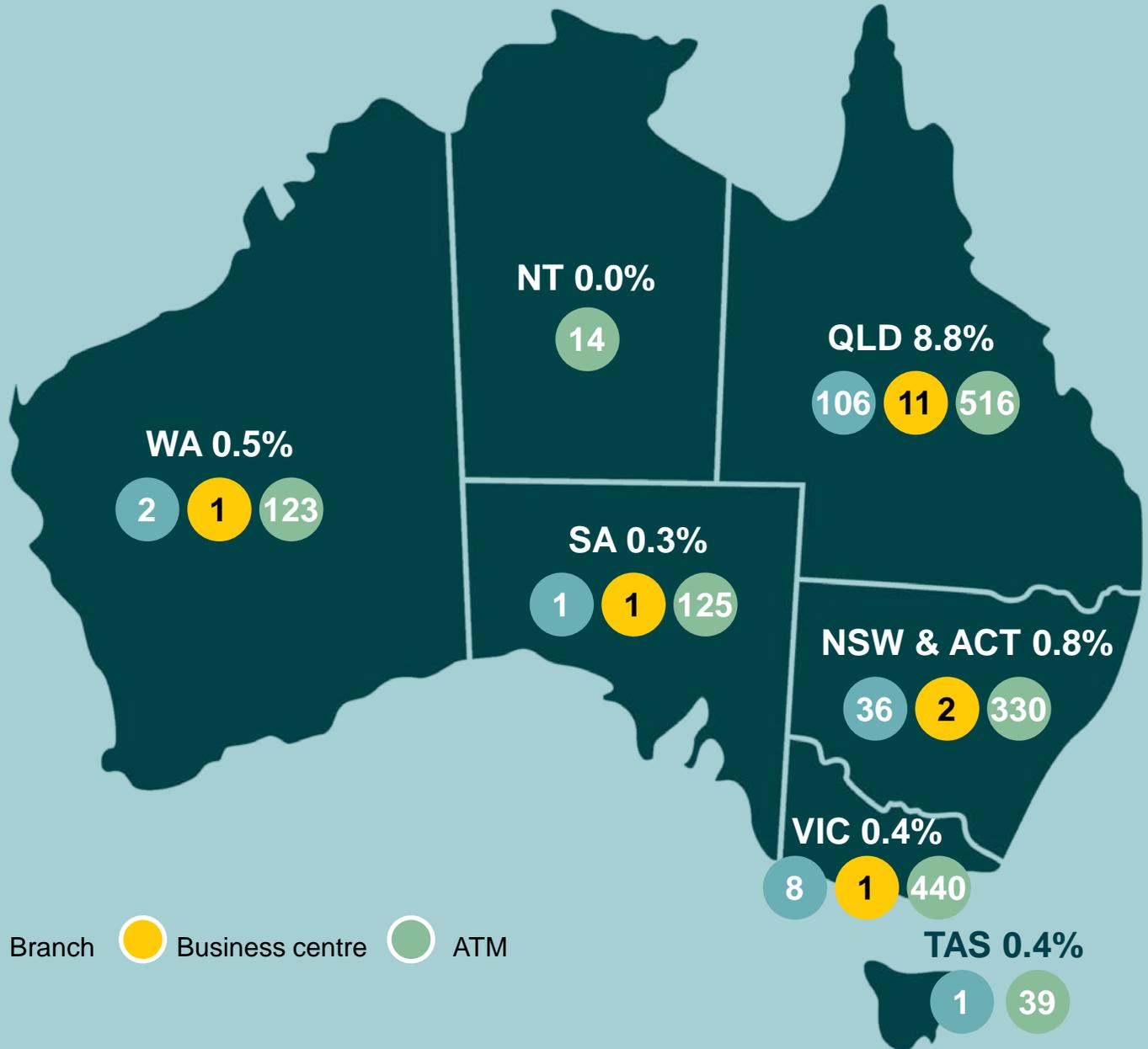
### Components of LCR\* (\$b)



\* based off AUD LCR

# Bank market share

Retail banking market share and Suncorp footprint



Source: Roy Morgan, December 2016

Branch Business centre ATM

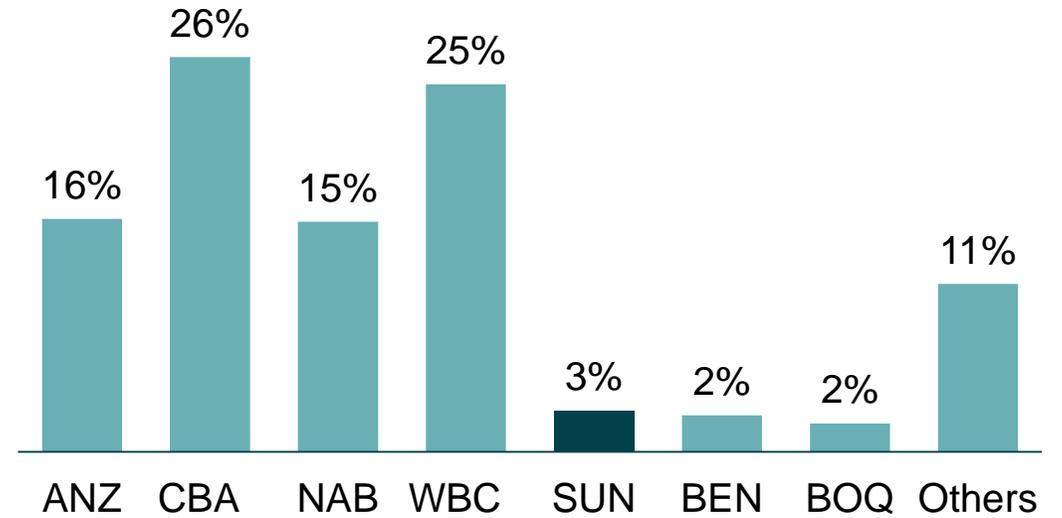


HY17

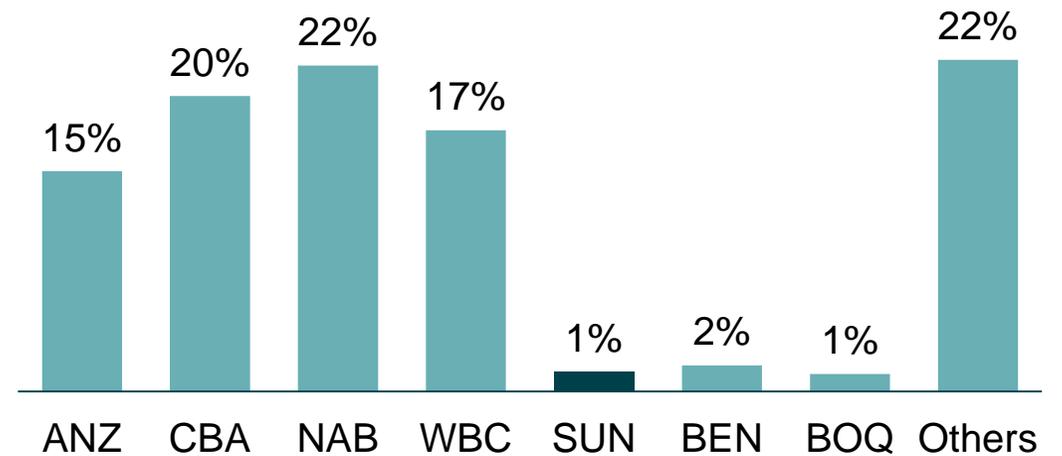
BANKING & WEALTH

# Bank market share

## Mortgage lending

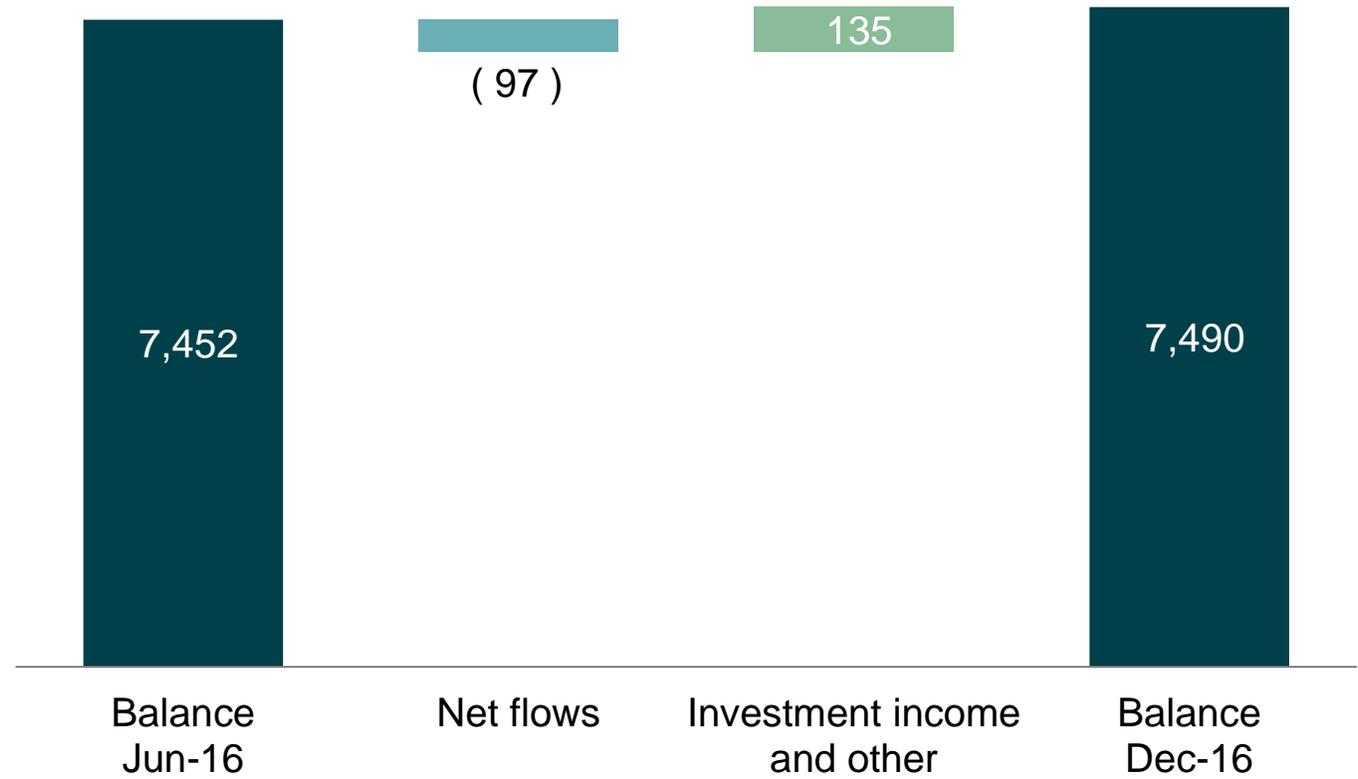


## Business lending



Source: APRA, December 2016

Funds under management and administration (\$m)



New Zealand

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## New Zealand NPAT

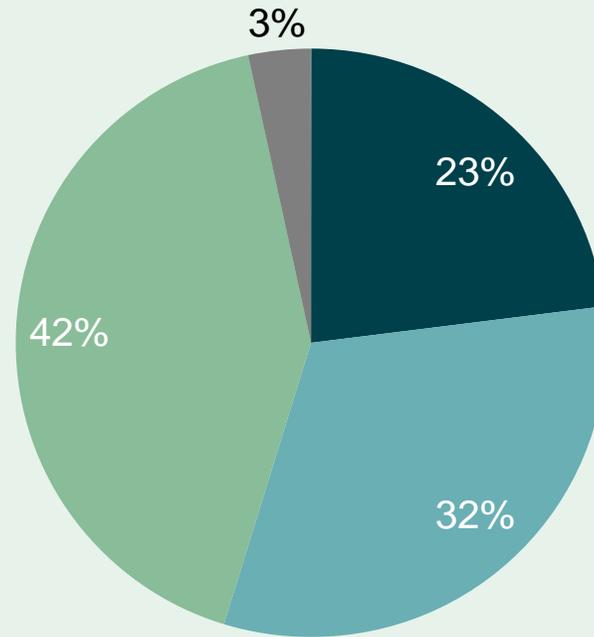
- UTR above group target of 12%
- Kaikoura earthquake and aftershock impact NZ\$23 million
- 2010/11 'over-cap' EQC claims
- Personal lines grew 7.7%
- Life Insurance underlying profit growth of 41%

	HY17 (NZ\$m)	HY16 (NZ\$m)	Change (%)
<b>General Insurance</b>			
Gross written premium	714	681	4.8
Net earned premium	586	562	4.3
Net incurred claims	(372)	(303)	22.8
Operating expenses	(196)	(183)	7.1
Investment income - insurance funds	4	7	(42.9)
<b>Insurance trading result</b>	<b>22</b>	<b>83</b>	<b>(73.5)</b>
Other income	5	10	(50.0)
Income tax	(8)	(25)	(68.0)
<b>General Insurance profit after tax</b>	<b>19</b>	<b>68</b>	<b>(72.1)</b>
<b>Life Insurance profit after tax</b>	<b>18</b>	<b>19</b>	<b>(5.3)</b>
<b>New Zealand NPAT</b>	<b>37</b>	<b>87</b>	<b>(57.5)</b>

# General Insurance Gross Written Premium

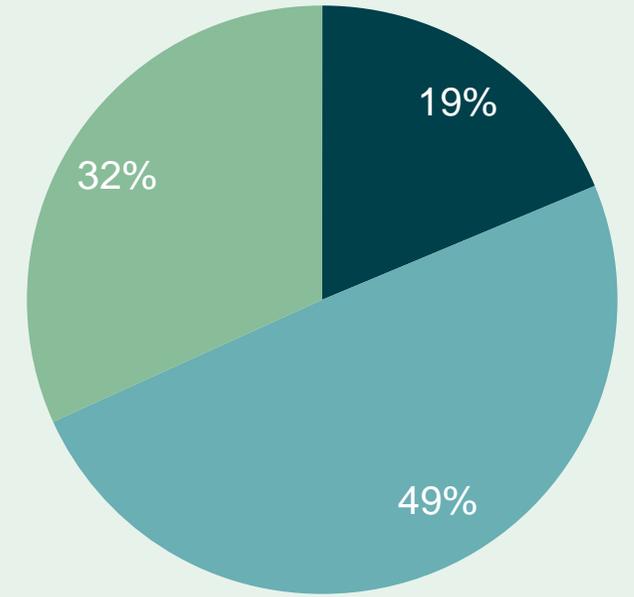
Total GWP of NZ\$714 million

### Portfolio by product



- Motor
- Commercial
- Home
- Other

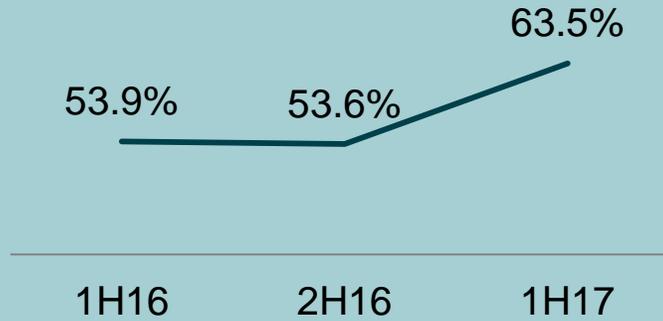
### Portfolio by channel



- Direct
- Strategic partners & financial intermediaries
- Brokers

## General Insurance key ratios

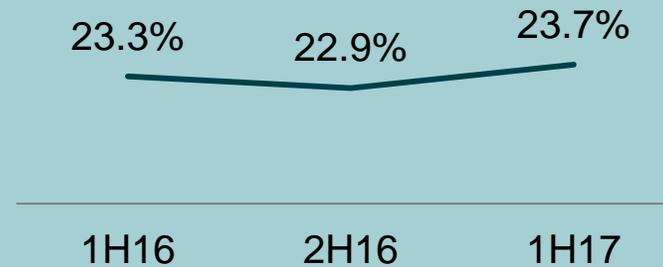
### Loss ratio



### Total operating expenses ratio



### Acquisition expenses ratio



### Other underwriting expenses ratio

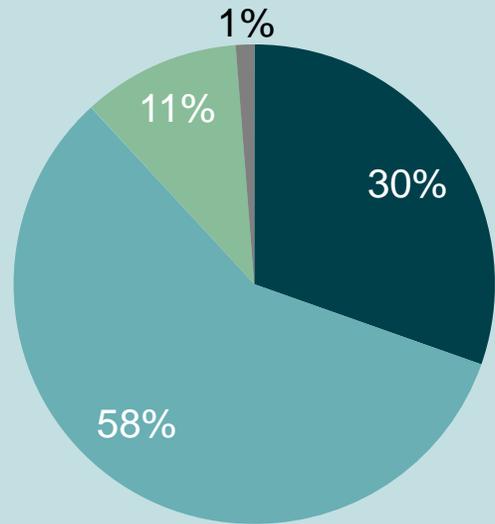


## Natural hazard events

Date	Event	Net costs (NZ\$m)
Nov 16	Kaikoura earthquake (net of internal reinsurance)	20
Nov 16	North Island rain	1
Nov 16	South Island earthquake aftershock	3
	Other natural hazards attritional claims	9
	<b>Total natural hazards</b>	<b>33</b>
	Less: allowance for natural hazards	(11)
	Natural hazards costs above allowance	22

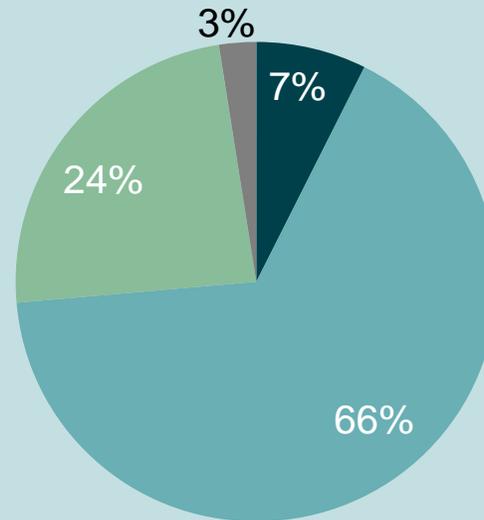
# General Insurance investment asset allocation

**Insurance funds**  
NZ\$490 million



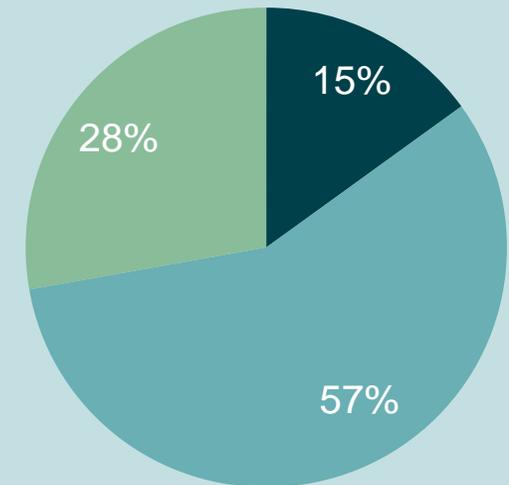
- Cash and short-term deposits
- Local government bonds
- Corporate bonds
- Government bonds

**Fixed income credit quality**



- AAA
- AA
- A
- BBB

**Shareholders' funds**  
NZ\$320 million

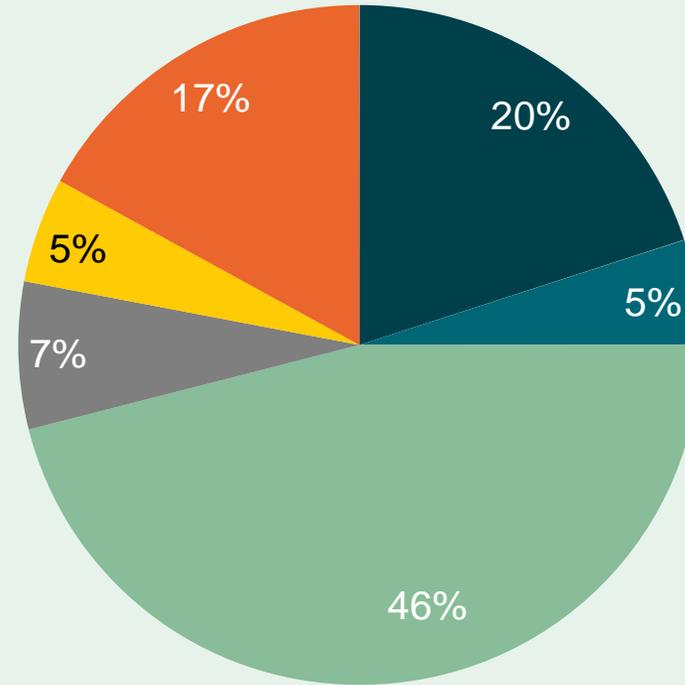


- Cash and short-term deposits
- Interest-bearing securities
- Equities

# General Insurance market share

Total NZ\$5.2 billion

Source: Insurance Council New Zealand, September 2016



■ Vero (Suncorp NZ)

■ AAI (Suncorp NZ)

■ Peer 1

■ Peer 2

■ Peer 3

■ Others

## Life Insurance NPAT

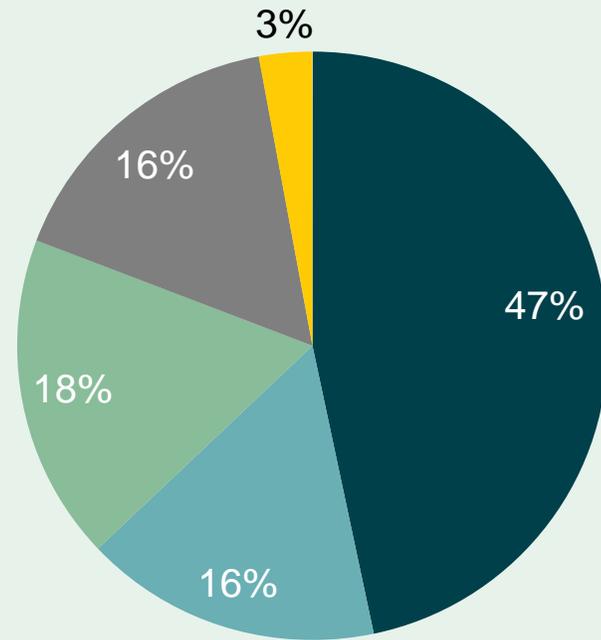
- Underlying profit up 41.2%
- Favourable experience
- Strong in-force growth with new business up 15.4%

	HY17 (NZ\$m)	HY16 (NZ\$m)	Change (%)
Planned profit margin	15	16	(6.3)
Experience	5	(4)	n/a
Other and investments	4	5	(20.0)
Underlying profit after tax	24	17	41.2
Market adjustments	(6)	2	n/a
<b>Life Insurance NPAT</b>	<b>18</b>	<b>19</b>	<b>(5.3)</b>

# Life Insurance in-force premium

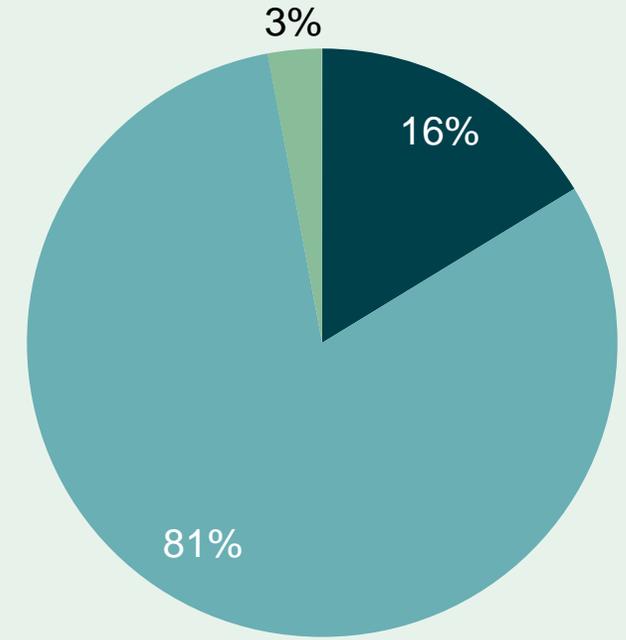
Total in-force premium  
of NZ\$240 million

### Premium by product



- Term & TPD
- Trauma
- Income protection
- Other
- Group

### Premium by channel

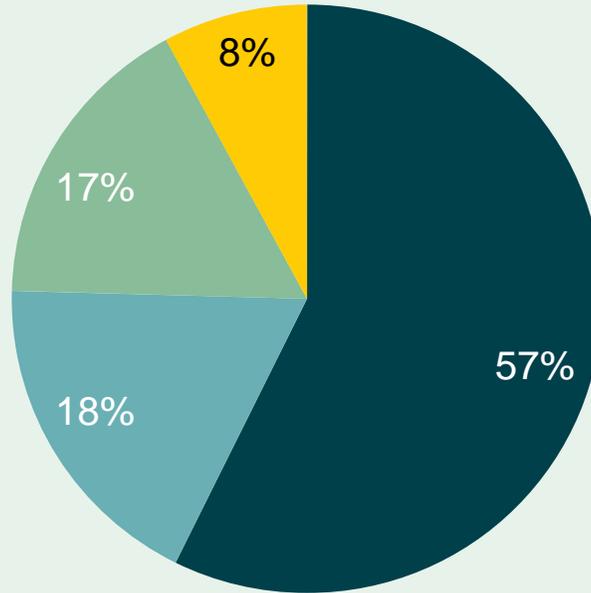


- Direct
- Advised
- Group & other

# Life Insurance new business

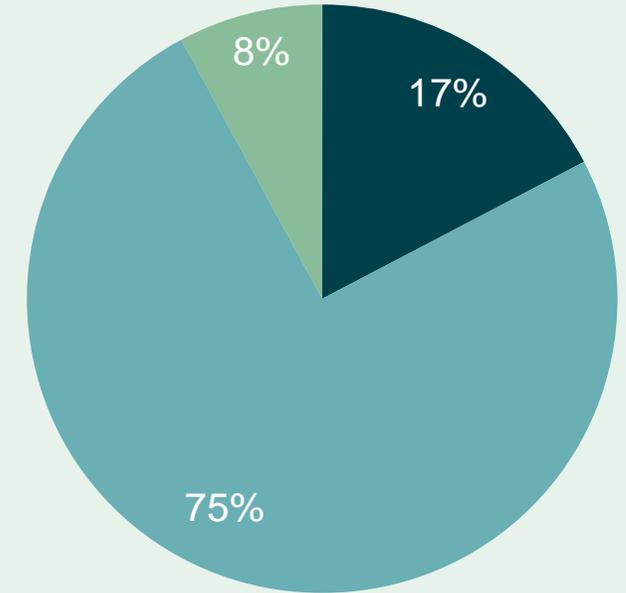
Total new business  
of NZ\$15 million

### New business by product



- Term & TPD
- Trauma
- Income protection
- Group

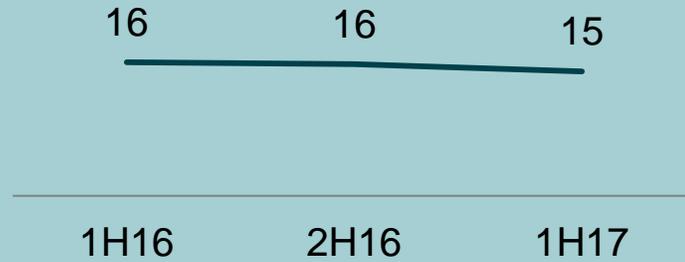
### New business by channel



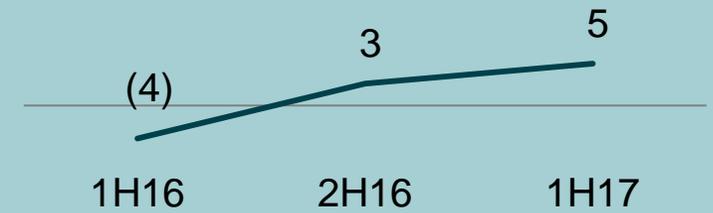
- Direct
- Advised
- Group & other

# Life Insurance key metrics (NZ\$m)

## Planned margins



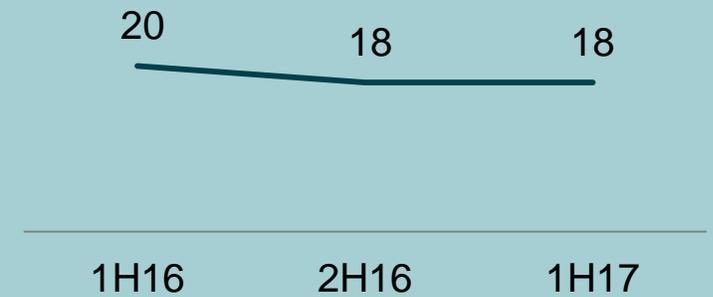
## Claims and lapse experience



## In-force premium



## Operating expenses

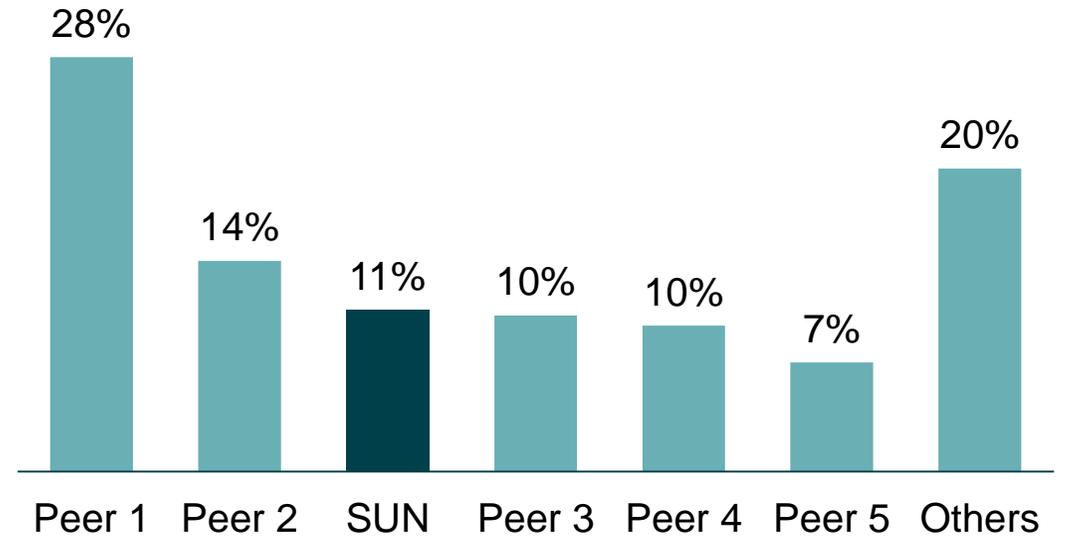


# Life Insurance market share

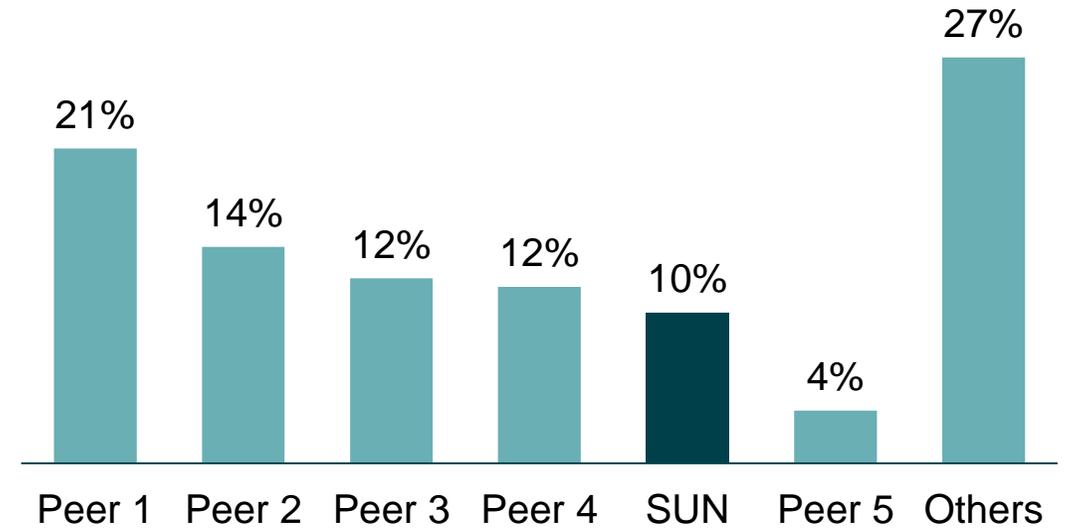
Individual risk

Source: Melville Jessup Weaver, September 2016

**In-force**  
NZ\$2.1 billion



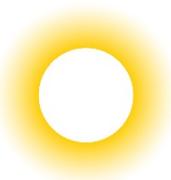
**New business**  
NZ\$60 million



Economy



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## Economic Fundamentals

- Supportive fundamentals for both Australia and Queensland
- Australia continues to see moderate growth despite the fall in mining investment
- For Queensland, population growth has lifted and the budget is in surplus

	Australia	Queensland	Data
Population growth	1.4%	1.4%	Jun-16, annual
Economic growth	2.2%	2.0%	AUS: Sep-16 annual, trend QLD: 2015-16 annual
Unemployment rate	5.6%	5.9%	Nov-16, trend
Inflation	1.3%	1.5%	Sep-16, annual
Budget position	\$37bn deficit (2.1% of GDP)	\$2bn surplus (0.6% of GSP)	2016-17 estimate
Credit rating (S&P / Moody's)	(AAA neg outlook / Aaa stable)	(AA+ stable / Aa1 neg outlook)	Dec-16

***“The economy continues to adjust to the end of the resources boom. Our expectation is that GDP growth will be close to potential over the next few quarters”***

*RBA, 22 November 2016*

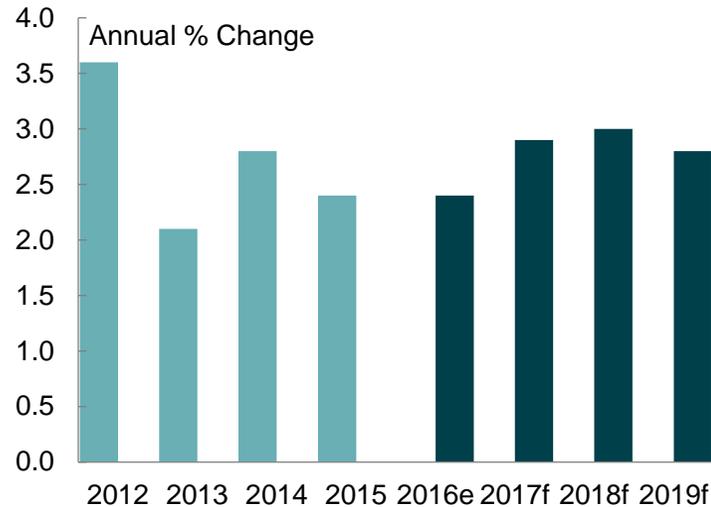
# Growth Outlook

- Australia is forecast to record continued moderate economic growth, with domestic income and demand recovering
- Queensland is projected to lead economic growth among the states

*“Queensland has a lovely portfolio of sectors – and as some lose steam, others are taking up the slack”*

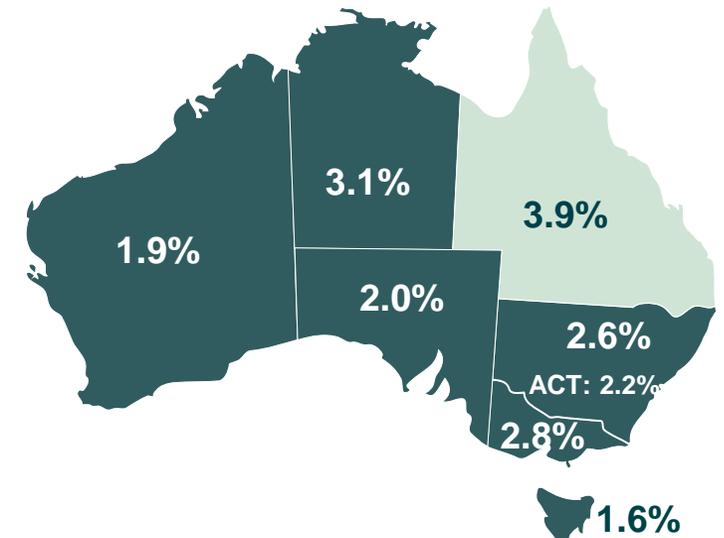
*Deloitte Access Economics, September 2016*

## GDP outlook



Source: ABS, Suncorp, Deloitte Access Economics

## State prospects

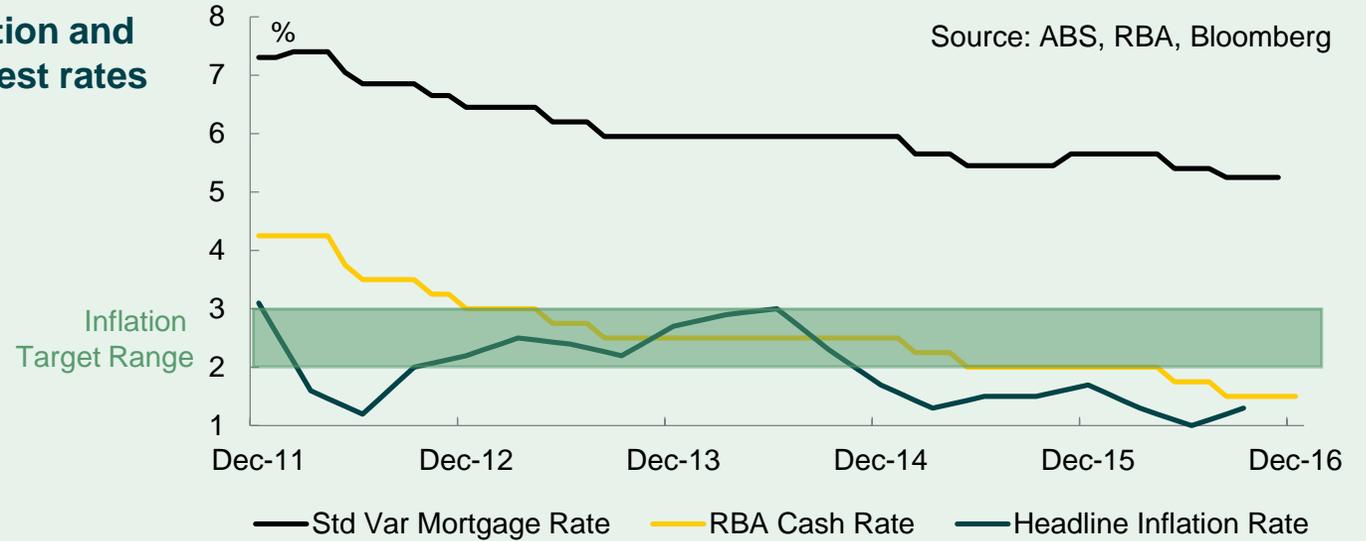


Gross State Product annual average forecast 2017-2019  
Source: Deloitte Access Economics, Sep-16

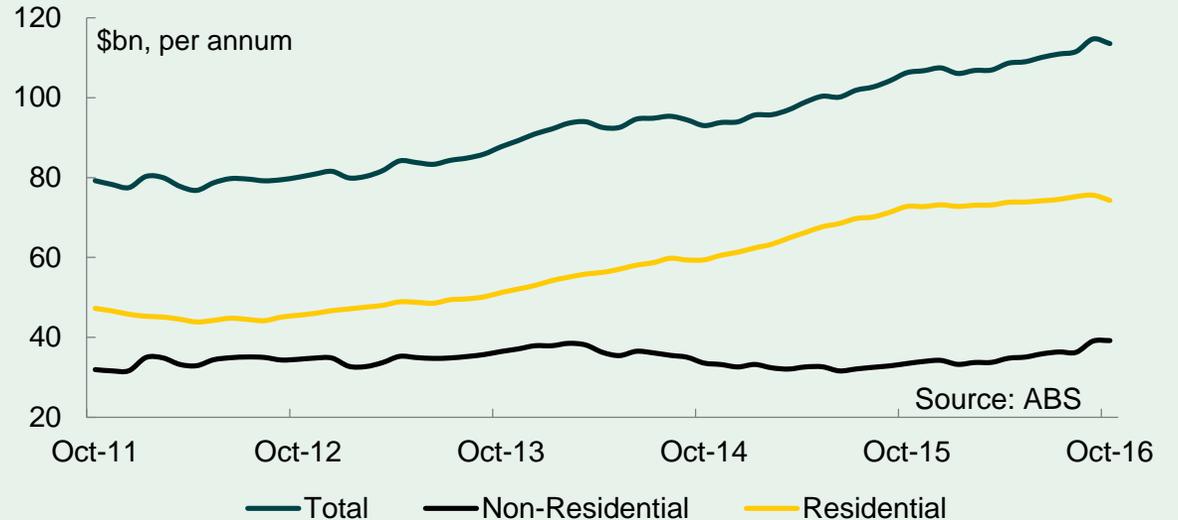
# Monetary policy remains highly supportive

- Cash rate reached a record low in August 2016. No further cuts anticipated from here
- Low rates are supporting residential and, recently, non-residential building
- Inflation likely to return to the RBA target range during 2017

## Inflation and interest rates



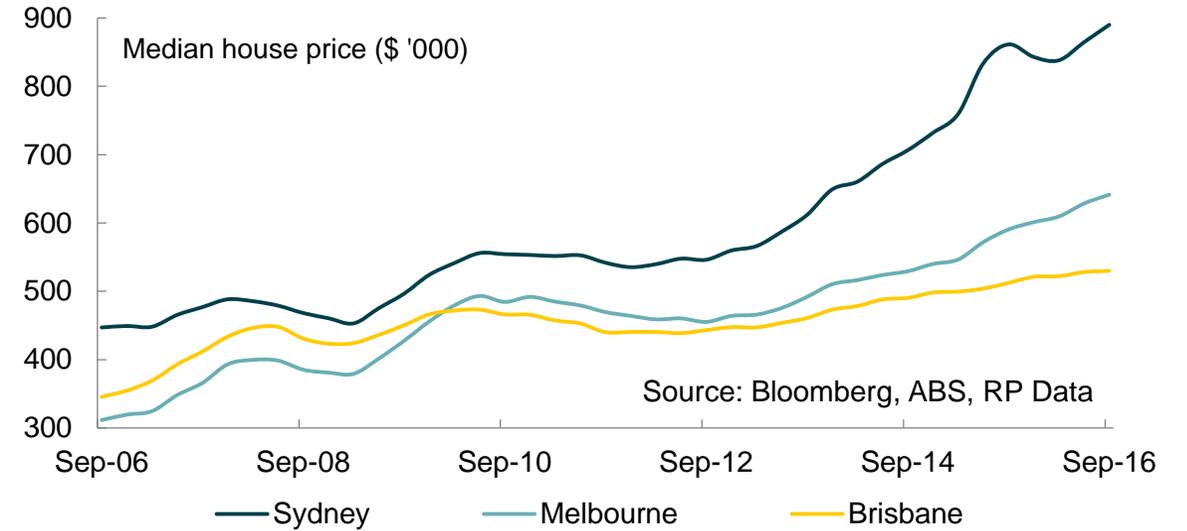
## Building approvals



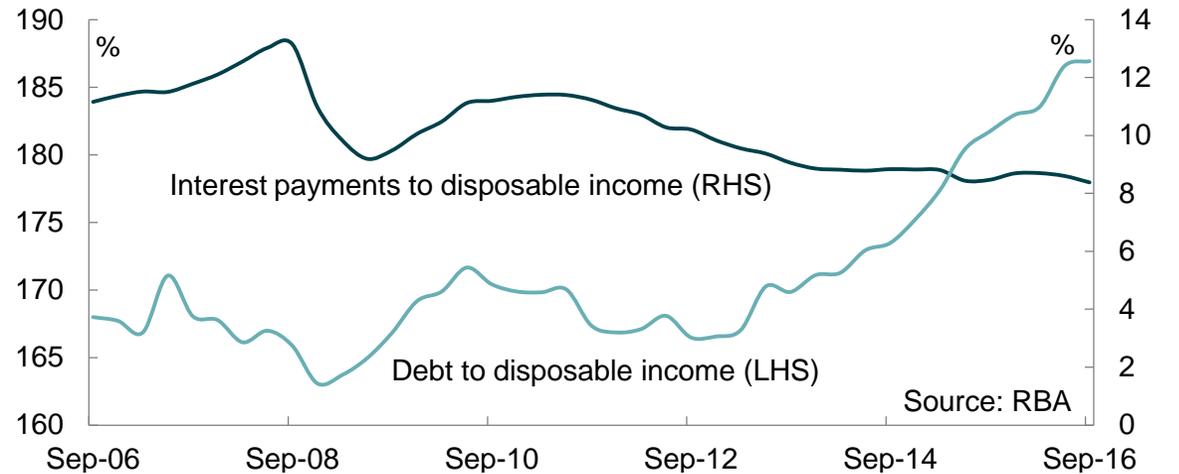
## Housing market buoyant yet risks contained

- Housing being supported by demographics, low rates and a sound economy
- Some areas of localised oversupply emerging
- Household debt elevated, yet servicing ratio low and savings still above pre-GFC levels
- RBA states that household risks have eased  
(FSR Aug-16)

### House prices



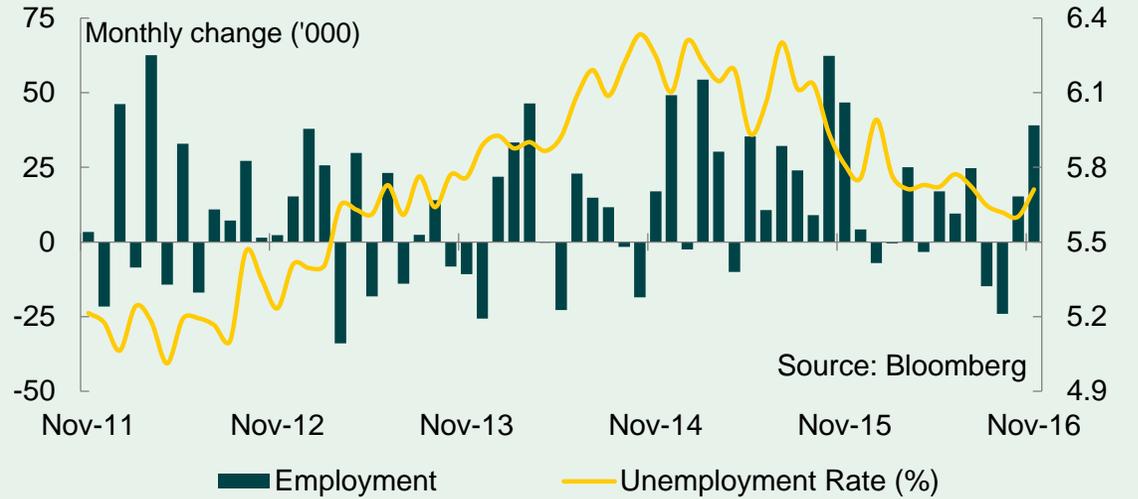
### Household debt and debt servicing



# Labour market making gradual progress

- Despite faltering job growth, unemployment has eased
- Encouragingly, future job growth is expected to be concentrated in those sectors that are the largest employers

## Labour market



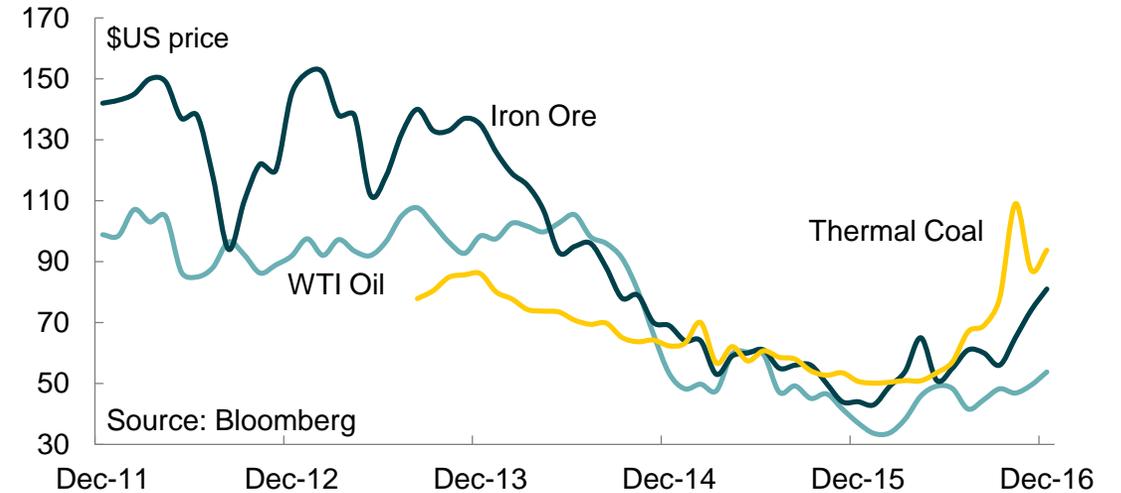
## Sector employment outlook



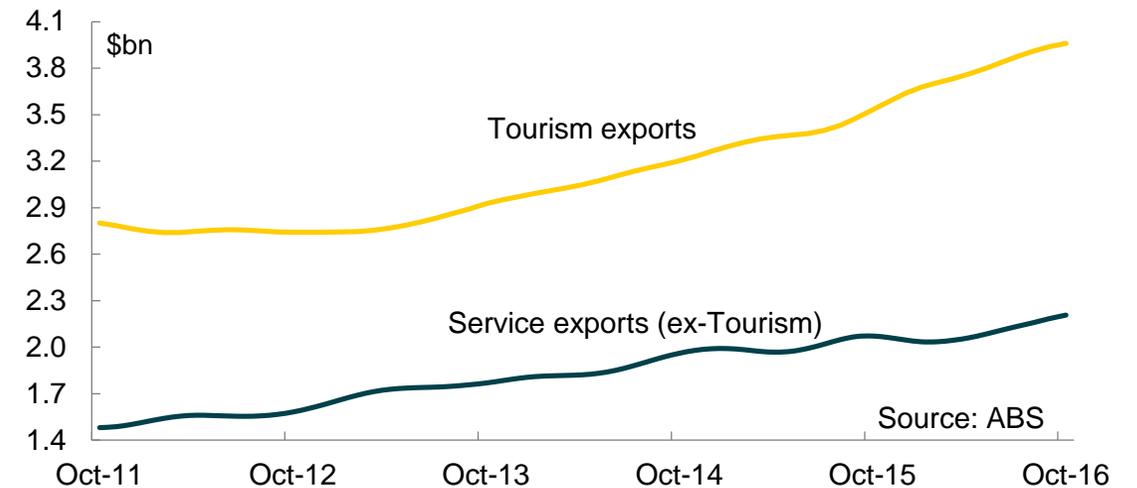
## Favourable export outlook

- Commodity prices have lifted, assisted by improved Chinese industrial activity
- Tourism earnings are rising strongly (annual growth of 11% over past 3 years)
- Other areas of export growth include financial and IT related services

### Commodity prices



### Service exports and tourism



# Glossary

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# Glossary

Acquisition expense ratio	Acquisition expenses expressed as a percentage of net earned premium
ADI	Authorised Deposit-taking Institution
Annuities market adjustments	The value of annuity obligations are determined by discounting future obligations into today's dollars using risk-free rates. The value of such obligations fluctuates as market referenced discount rates change. The value of assets backing annuity obligations also fluctuates with investment markets. The net impact of both of these market-driven valuation changes are removed from Suncorp Life's Underlying Profit and recorded as annuity market adjustments
APRA	Australian Prudential Regulation Authority
Basis points (bps)	A 'basis point' is 1/100th of a percentage point
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets, the profit or loss on divestments and their tax effect
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business

# Glossary

Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 Ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank
Connected Customer	Connected customers represent customers with two or more needs met across the following need categories: Home / Property; Self; Mobility and Money
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Credit risk-weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables
Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share
Effective tax rate	Income tax expense divided by profit before tax
Embedded Value	Embedded Value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits

# Glossary

Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Fire service levies (FSL)	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable State Government. Fire service levies were established to cover corresponding fire brigade charges
Funds under administration (FUA)	Funds where the Superannuation Australia business receives a fee for the administration of an asset portfolio
General Insurance – Commercial	Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, and public liability and professional indemnity insurance
General Insurance – Consumer	Consumer insurance products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance
Gross non-performing loans	Gross impaired assets plus past due loans
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium
Life insurance policyholders' interests	Amounts due to an entity or person who owns a life insurance policy. This need not be the insured. This is distinct from shareholders' interests

# Glossary

Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net profit after tax	Net profit after tax attributable to owners of the Company derived in accordance with Australian Accounting Standards
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium
Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by cash earnings

# Glossary

Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax
Profit after tax from business lines	The net profit after tax for the Insurance, Banking & Wealth and New Zealand business lines
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years
Total capital ratio	Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA
Total operating expense ratio	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Total risk-weighted assets	Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA
Treasury shares	Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries
Value of one year's sales (VOYS)	An estimate of the present value of all distributable profits expected from the new policies sold in a given year

# Disclaimer

This report contains general information which is current as at 9 February 2017. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Group or any product or service offered by Suncorp or any of its subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This report should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to the business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied.

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