
Suncorp Group Limited

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Financial results for the
full year ended 30 June 2015

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Suncorp FY15 results presentation

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CFO report

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Introduction

Patrick Snowball
Suncorp Group CEO

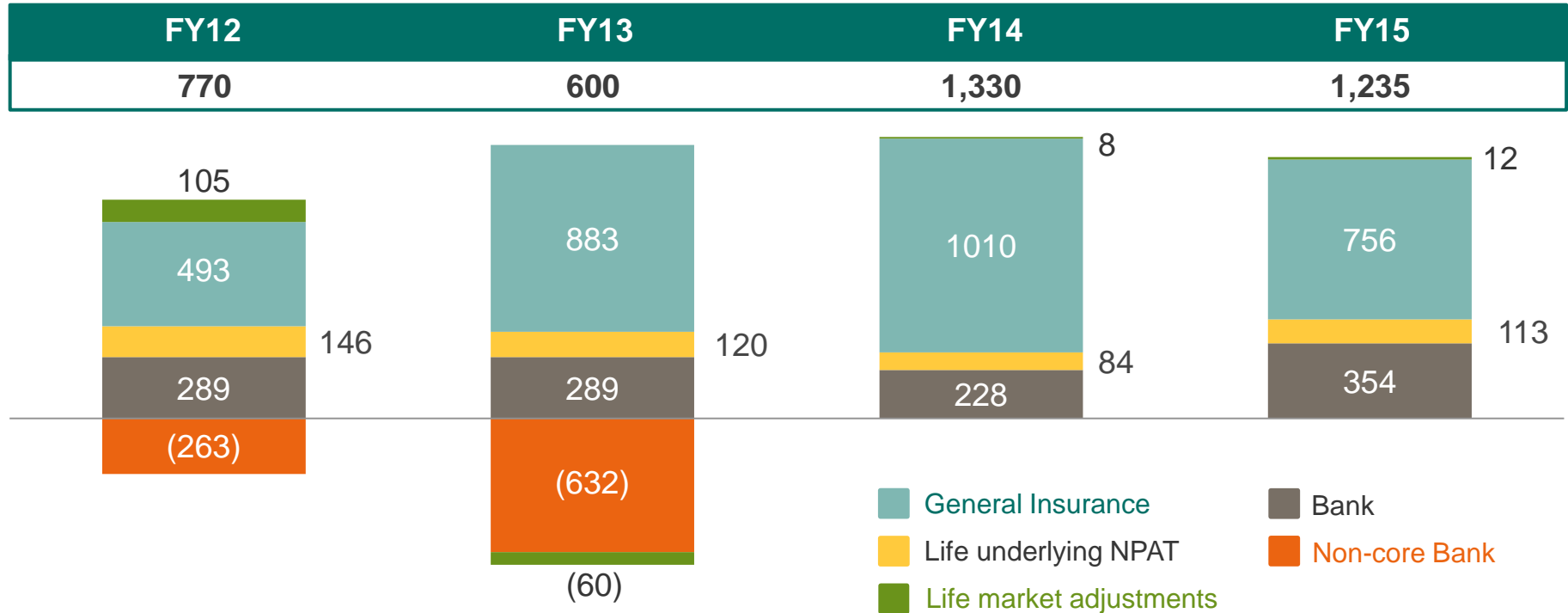
FY15 result overview (\$m)

	FY15	FY14	%Δ
General Insurance NPAT	756	1,010	(25.1)
Bank NPAT	354	228	55.3
Suncorp Life NPAT	125	92	35.9
Business lines NPAT	1,235	1,330	(7.1)
Other	(44)	(26)	69.2
Cash earnings	1,191	1,304	(8.7)
Life Insurance write-down	-	(496)	n/a
Other profit and acquisition amortisation	(58)	(78)	(25.6)
NPAT	1,133	730	55.2

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Suncorp Group business line NPAT (\$m)

Profit diversification



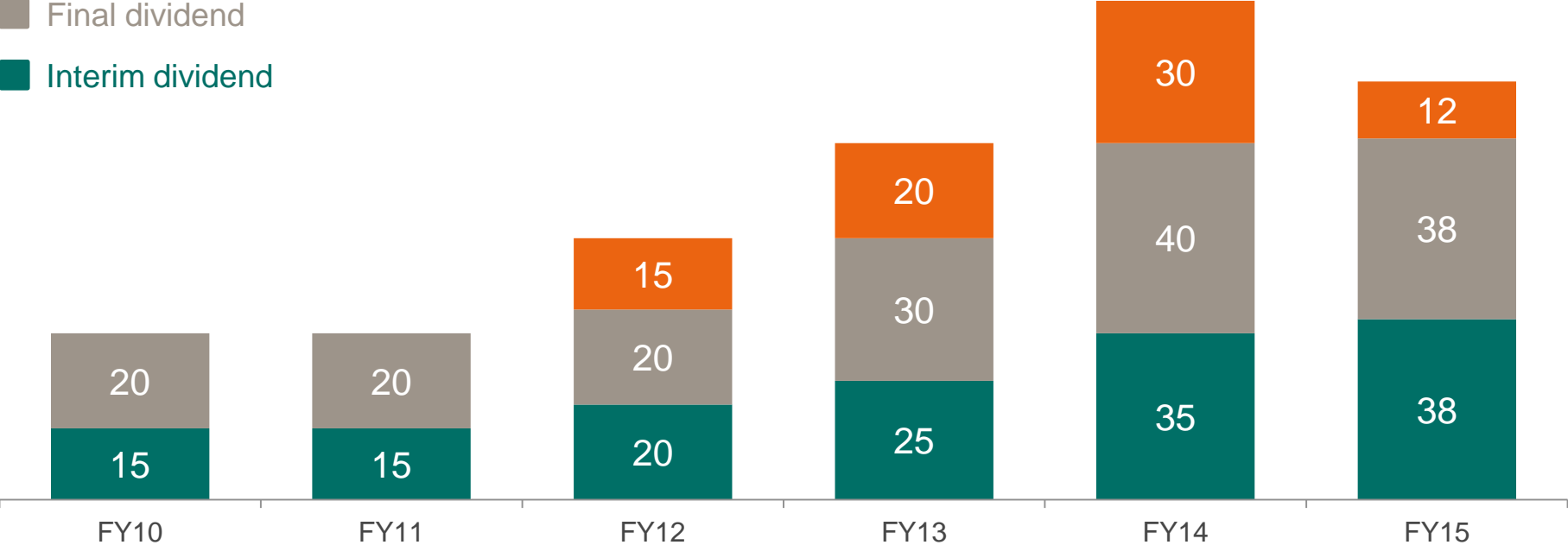
Dividend

38 cent final dividend and 12 cent special dividend

Special dividend

Final dividend

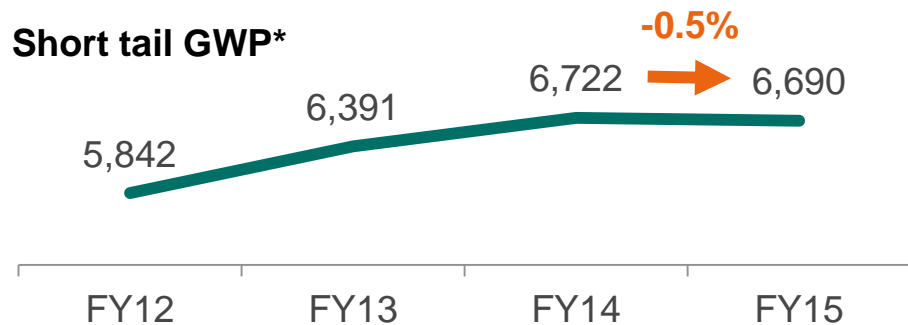
Interim dividend



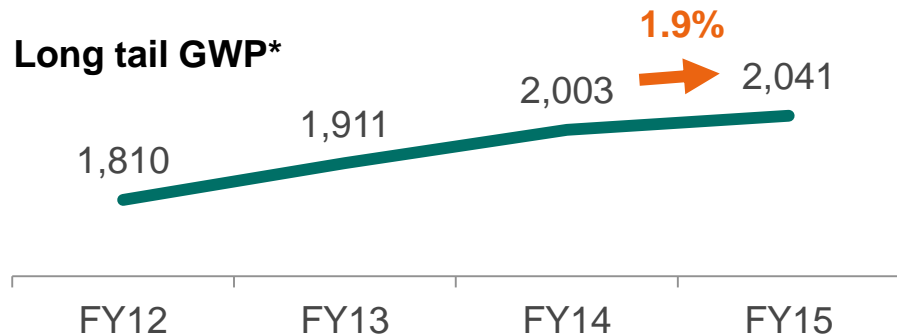
Top line growth

Growth in key target segments

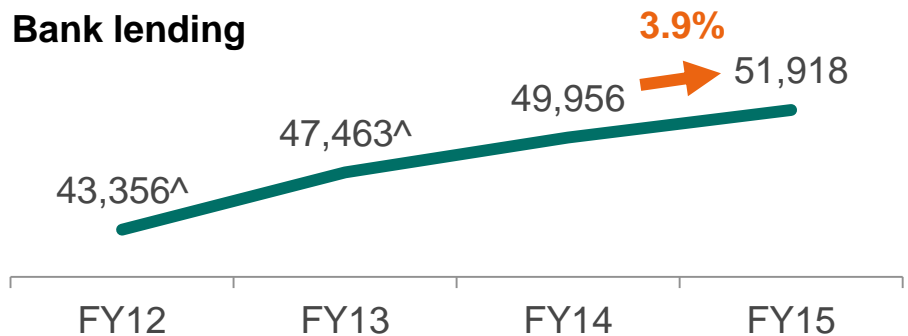
Short tail GWP*



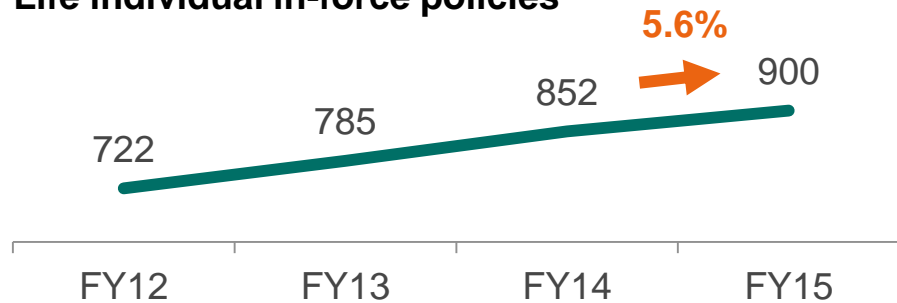
Long tail GWP*



Bank lending

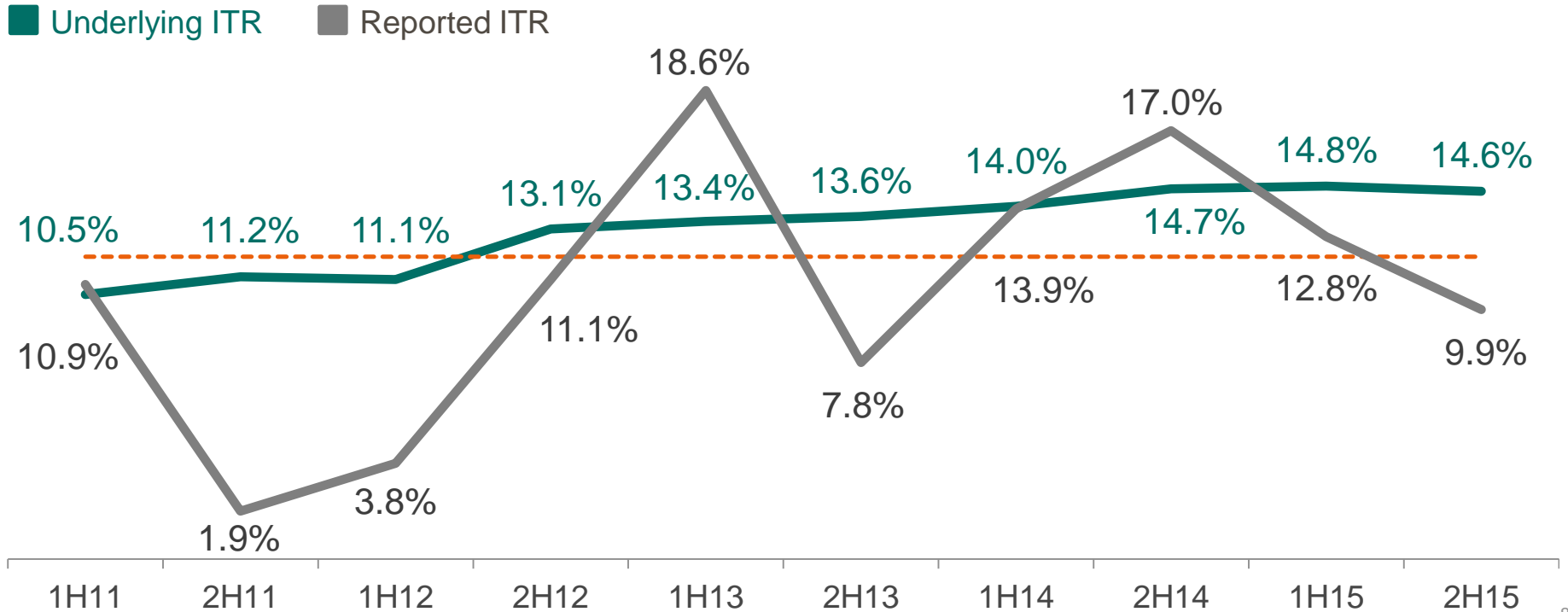


Life individual in-force policies



Underlying and Reported ITR

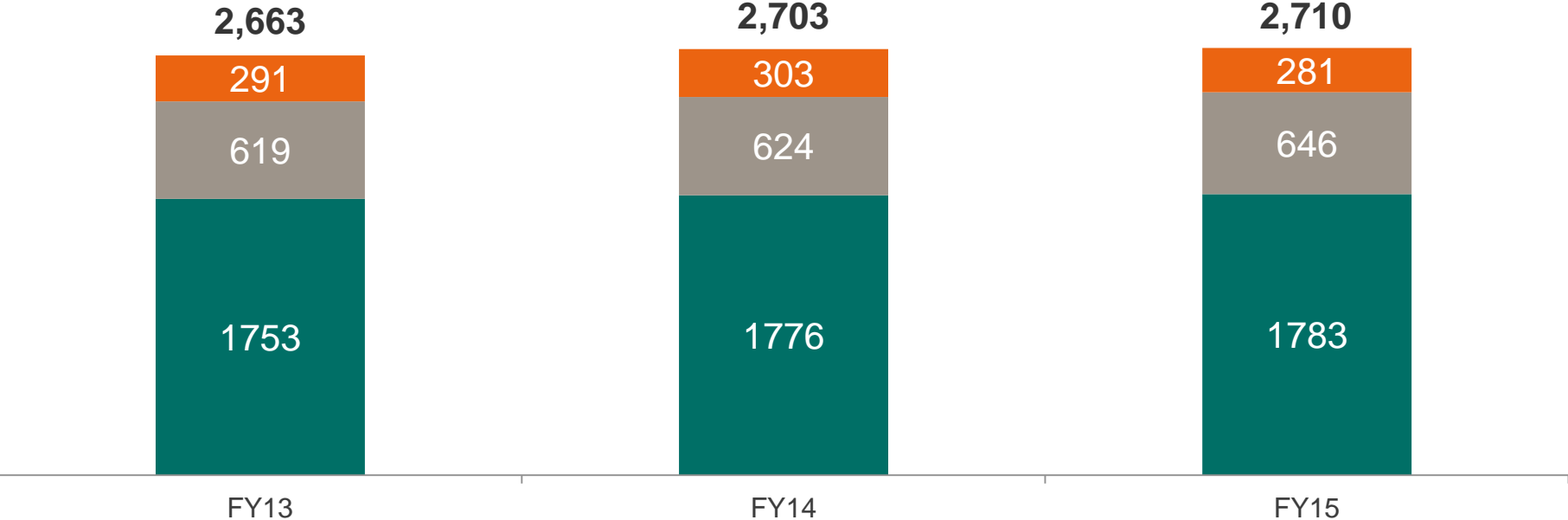
Building Blocks and Simplification continue to deliver



Group operating expenses

Less than 1% annual increase

Life Bank General Insurance



Customer

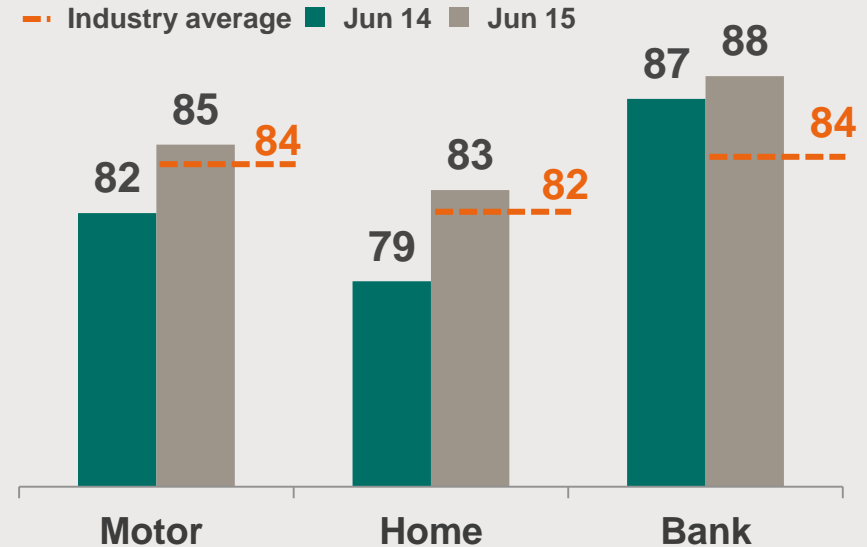
A strengthened customer franchise



Strong outcomes across the Group

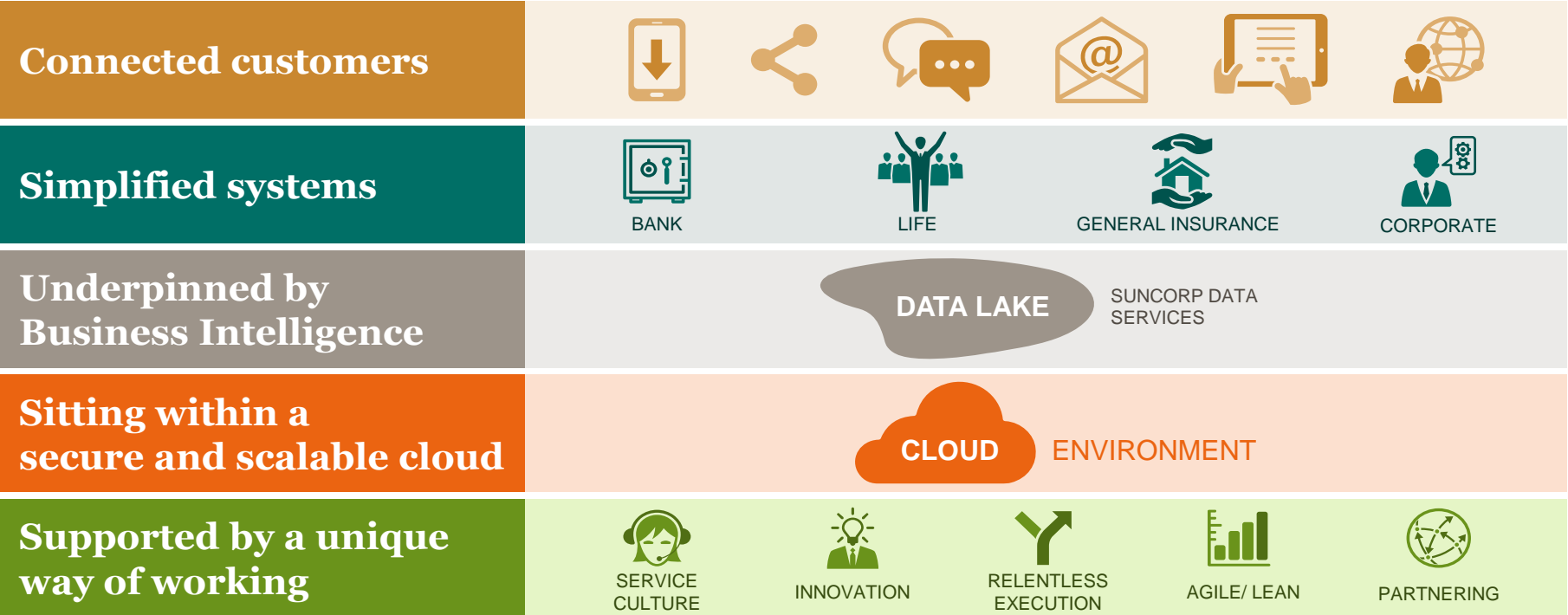
- Industry leading satisfaction in key business lines
- 4 of the top 5 most advocated national insurance brands
- Improved retention
- Deeper relationships
- Attracting new customers

Industry leading customer satisfaction



Optimised Platform

Unlocking the value of our 9 million customers





CFO Report

Steve Johnston
Suncorp Group CFO

Suncorp's shareholder promise

Simplified, de-risked financial services group

Yield

- Dividend payout ratio of **60%** to **80%** and return of surplus capital
- Organic strategy, focused exclusively in Australia and New Zealand
- De-risked and simplified business model



Growth

- Efficiency-led profit growth
- 'Above system' growth in key markets
- Multi-brand, multi-channel approach leveraging the Group's 9 million customers

General Insurance

\$m	FY15	%Δ
General Insurance profit after tax	756	(25.1)

Underlying ITR of 14.7% exceeding commitment to 'meet or beat' 12%
 Reported ITR of 11.4%

Reserve releases of \$427 million
 Natural hazards \$473 million above allowance

GWP up 0.1% with positive unit growth in Personal lines

GI CET1 1.40x PCA

Gross Written Premium

Passing on efficiency benefits

Product	FY15(\$m)	%Δ	Factors
Motor	2,770	(2.1)	Customer unit growth offset by reduction in average written premiums
Home	2,449	0.4	Targeted reductions driving high retention rates and moderated unit losses
Commercial	2,326	(0.1)	Disciplined underwriting and focus on margin
CTP	1,112	5.9	Good growth across Qld, NSW and ACT
Other	74	(5.1)	
Total	8,731	0.1	
Australia	7,526	(0.8)	
New Zealand	1,205	5.7	2.9% in NZD terms

Investment assets

Low yield environment reducing underlying yield

Insurance funds (\$9+bn)

- Investment income **\$399 million**
- MTM gains of \$176 million from decreases in risk-free rates
- MTM losses of \$30 million from widening of credit spreads
- MTM losses of \$56 million from decreases in break-even inflation
- Underlying yield of 3.3% reflects low yield environment

Shareholder funds (\$3+bn)

- Investment income **\$163 million**
- Total returns on cash and interest bearing securities of \$115 million
- Total returns on Equities and Infrastructure assets of \$48 million
- Annualised return of **5.2%**

Total investment income of \$562 million – annualised return 4.4%

General Insurance

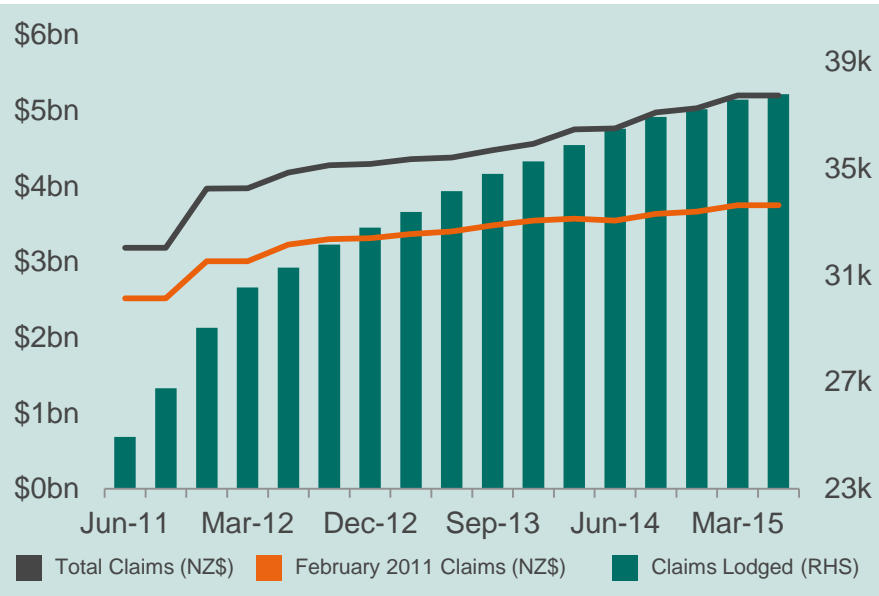
Event costs for FY15

Date	Event	Gross costs \$m	Net Costs \$m
Sep 2014	East Melbourne Storm	17	17
Oct 2014	Sydney Storm	22	22
Nov 2014	Brisbane Hailstorms	361	250
Dec 2014	East Coast Storms	34	34
Jan 2015	South Brisbane Hail	13	13
Feb 2015	Cyclone Marcia	149	149
Mar 2015	Narrabri Chinchilla Hail	33	33
Apr 2015	NSW Low Storms	250	135
Apr 2015	NSW ANZAC Day Hail	84	62
May 2015	QLD NSW Low Storms	55	52
May/June 2015	New Zealand events	28	16
	Other smaller natural hazard claims	285	285
Total		1,331	1,068
Less: FY15 allowance for natural hazards			595
Natural hazards costs above allowance			473

New Zealand Earthquake

Good progress being made

Historical total claims development



Risk of further increases diminishing

- In total, \$4.5 billion or 85% of total claims paid.
- Commercial claims: 92% contracted or settled with only five outstanding claims exceeding \$10 million
- Residential claims: 77% of reported incurred claims cost paid, significantly higher than industry
- New Adverse Development Cover provides additional protection

General Insurance reserve releases

FY15 net reserve release of \$427 million or 5.4% of NEP

**Building Blocks
delivered one
claims system**

**Simplification
reduced legal
costs**

**Management
have reduced
settlements and
duration**

**Absence of
wage and
superimposed
inflation**

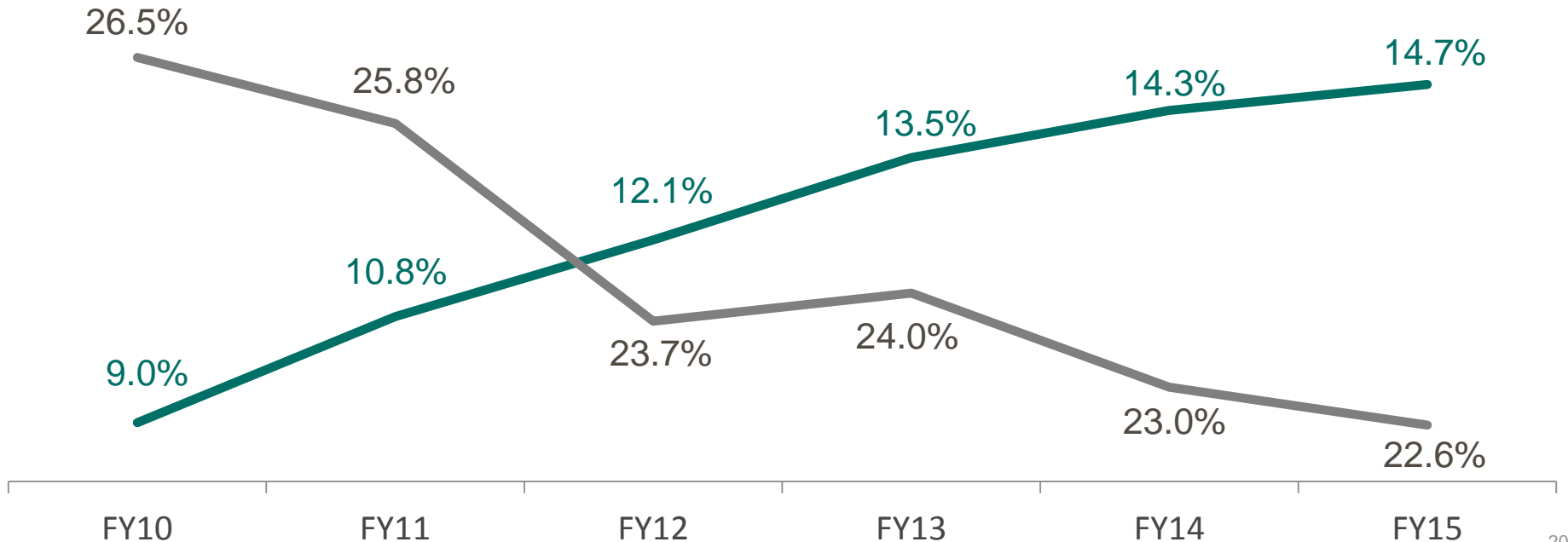
**Optimised
claims
processes**

Reserve releases well above 1.5% of NEP

Underlying ITR and Operating Expense Ratio

Building Blocks and Simplification continuing to deliver

■ Underlying ITR ■ Operating Expense Ratio



Suncorp Bank

\$m	FY15	%Δ
Bank profit after tax	354	55.3

NIM improved to **1.85%**
Bank CET1 increased to **9.15%**

Cost to income ratio down to **53.4%**
Deposit to loan ratio **65.3%**

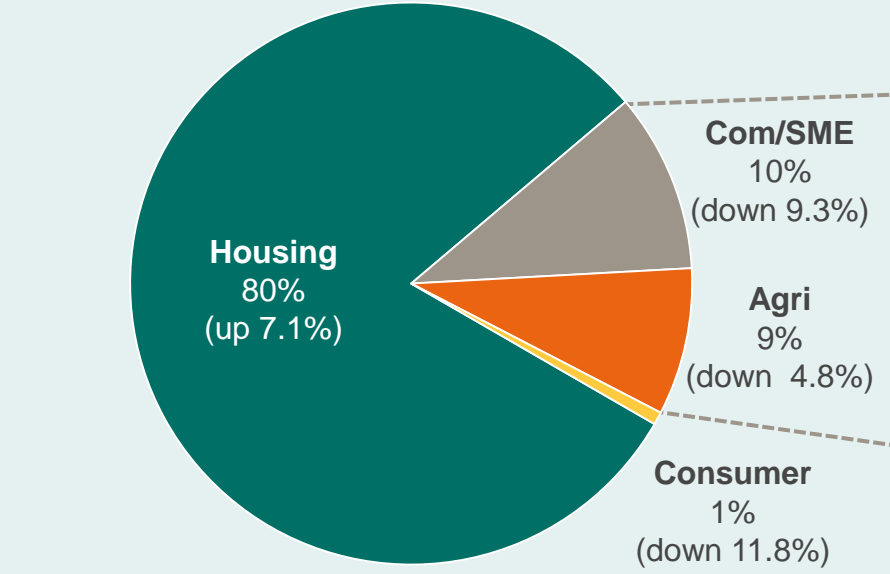
Home lending up **7.1%**
Business lending **down 7.3%**

Non performing loans **down 20.1%**
Gross impaired assets **down 34.5%**

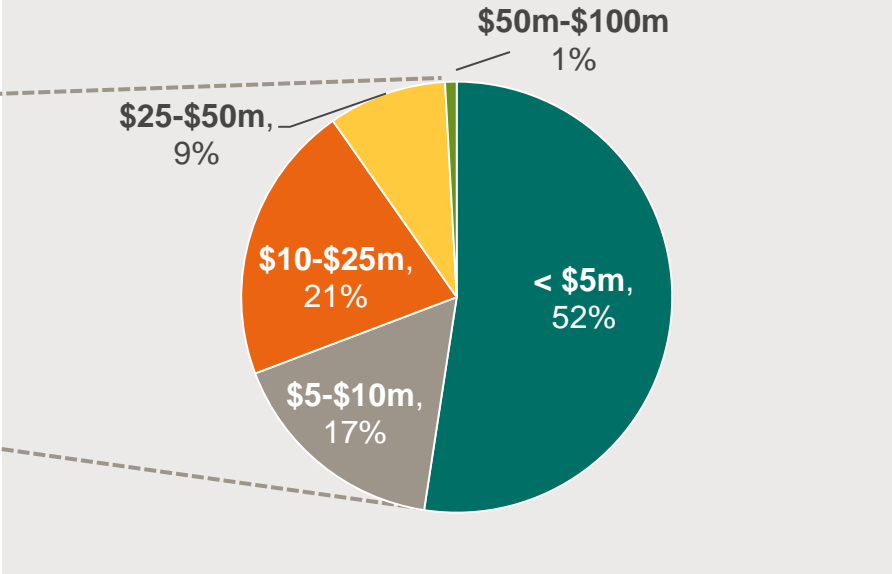
Suncorp Bank lending portfolio

Conservative approach to growth

Lending assets \$51.9 billion



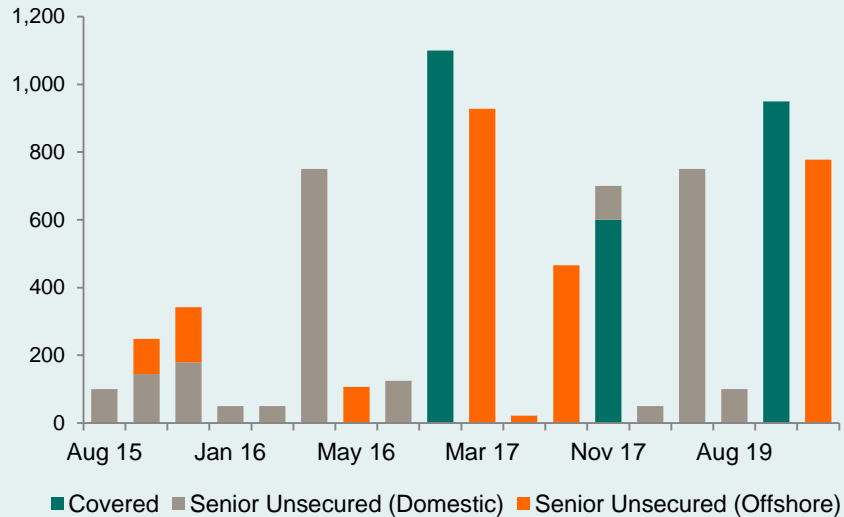
69% of business lending exposures <\$10m



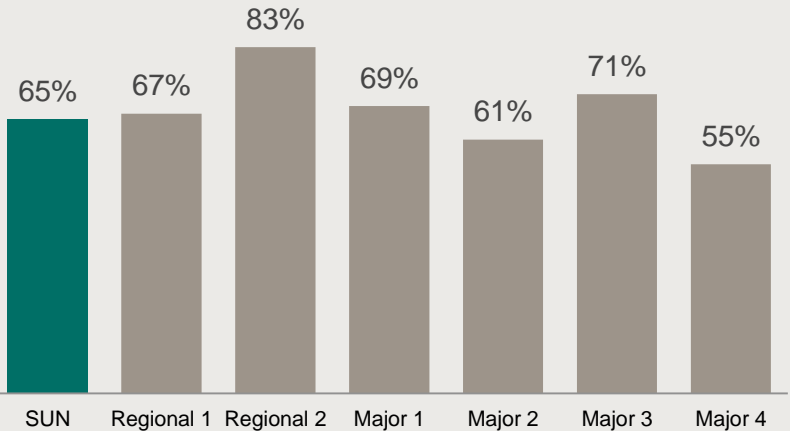
Funding and Liquidity

Conservative balance sheet

Long term funding profile (\$m)



Deposit to loan ratio

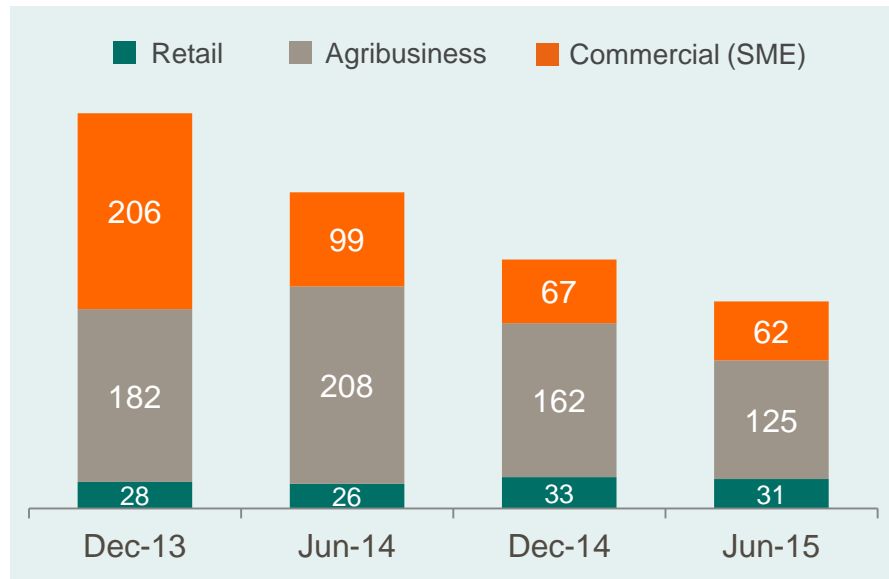


Source: Most recent company reports. Regional Bank data includes data for the Group, Major Bank data includes Retail and Business Bank divisions only

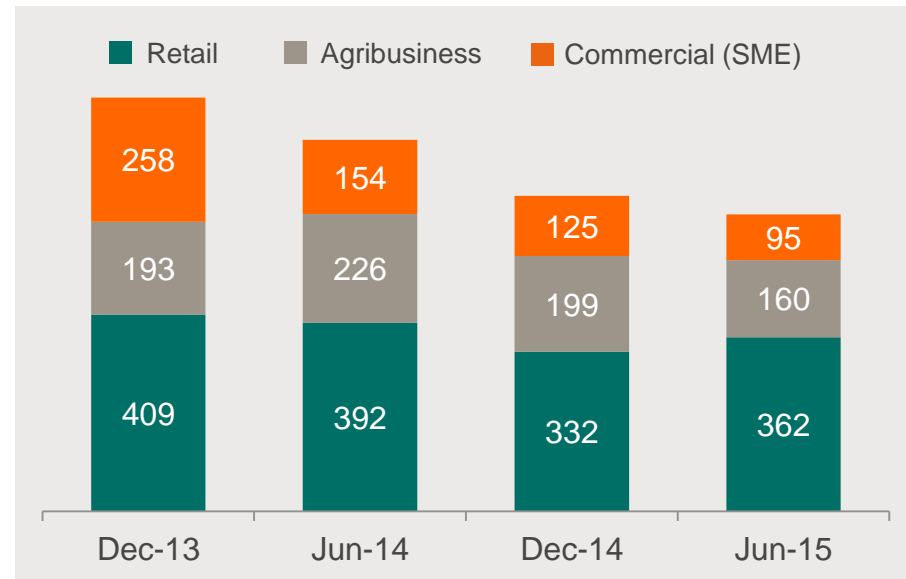
Credit quality

Impaired and non-performing loans both down significantly

Gross impaired loans by segment



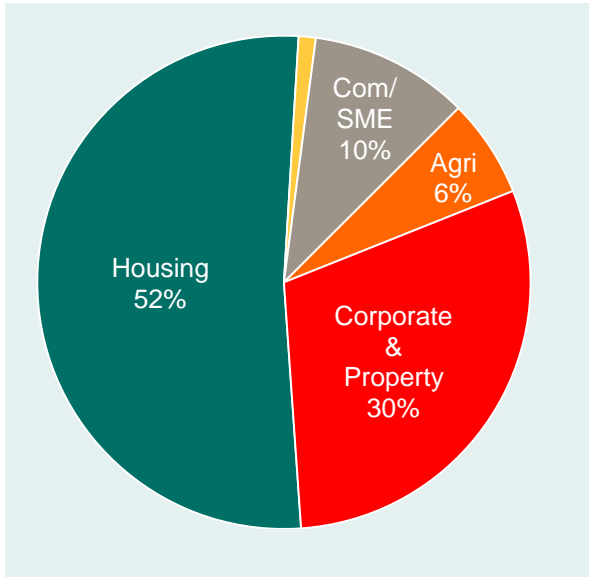
Total non-performing loans by segment



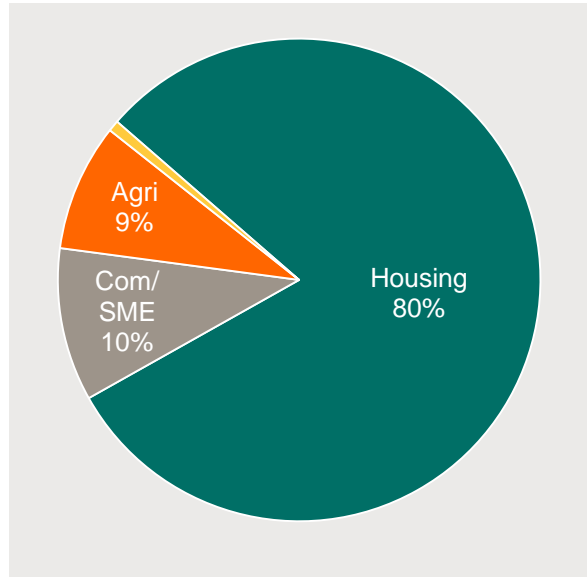
Suncorp Bank lending portfolio

Now significantly de-risked with 80% mortgage portfolio

**2009 Lending portfolio
(\$54.4 bn)**



**2015 Lending portfolio
(\$51.9 bn)**



Portfolio Metrics	2009	2015
Exposures over \$50m	121	1
Margin	1.68%	1.85%
Impaired assets	\$1,474m	\$218m
Impairment losses	\$710m	\$58m

Suncorp Bank

Contributing sustainable earnings to the Group

Key targets

- NIM **1.75%** to **1.85%**
- Retail deposit to loan ratio **60%** to **70%**
- Drive the **cost to income ratio** towards 50%
- Sustainable retail lending growth of **1** to **1.3** times system

Bank of the year

- Money Magazine's "**Bank of the year**"
- Euromoney's "**Best Bank in Australia**"
- Industry leading customer **satisfaction**
- **A+/A1** credit rating
- Basel II **Advanced Accreditation**
- New banking platform – Project **Ignite**

Suncorp Life

\$m	FY15	%Δ
Underlying profit after tax	113	34.5
Market adjustment after tax	12	50.0
Life profit after tax	125	35.9

Individual in-force premiums **up 5.6%**

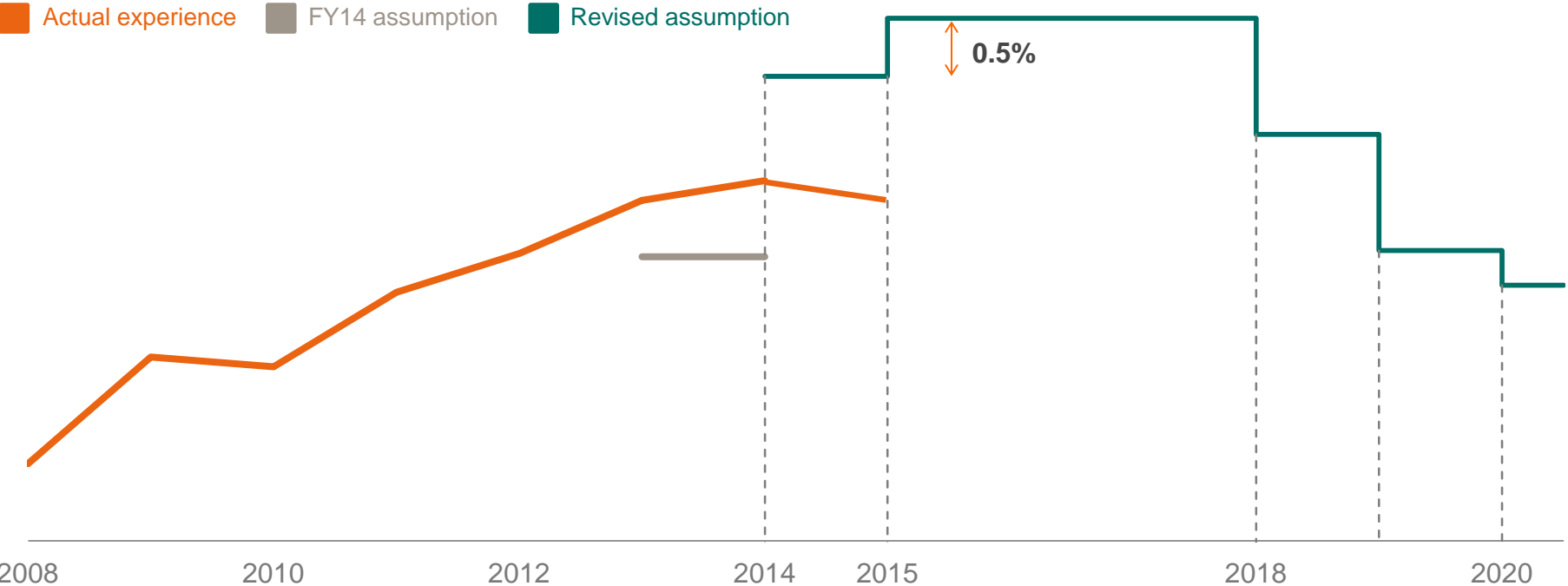
Claims experience **\$8 million favourable**
Lapse experience **\$7 million favourable**

Super new business **up 23.4%** driven by WealthSmart and Everyday Super

Strong growth in **Direct** sales via insurance brands

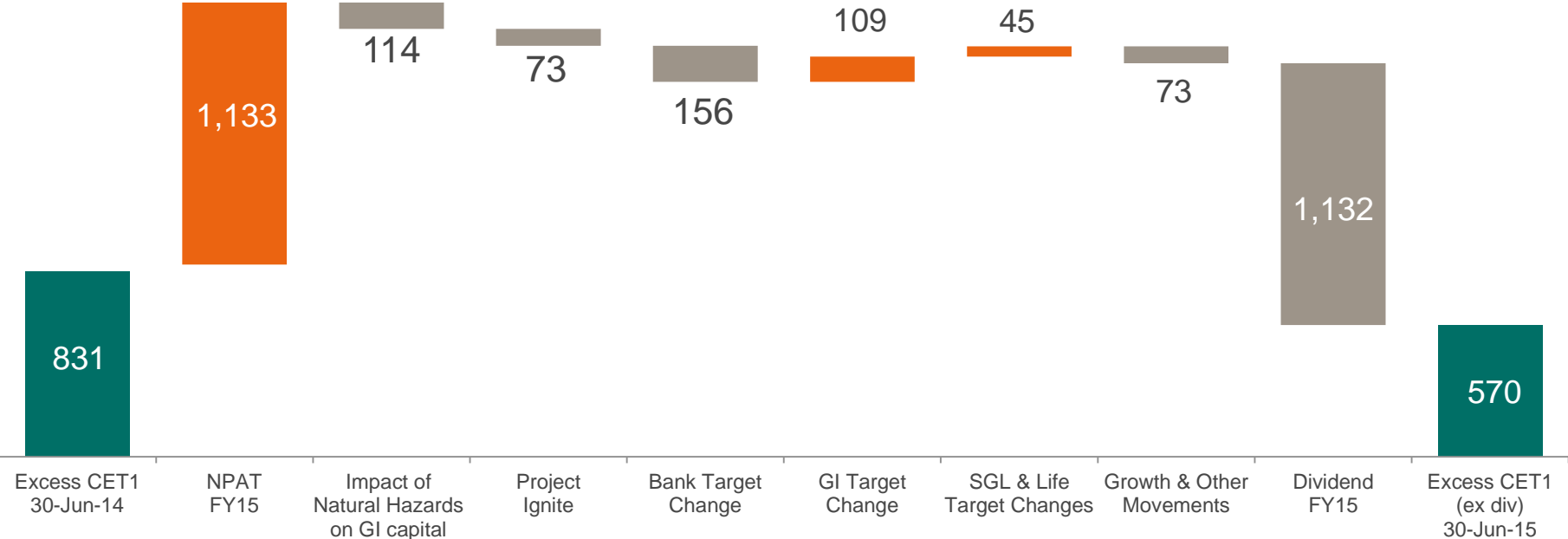
Life rebased assumptions

Illustrative lapse example



FY15 CET1 movements (\$m)

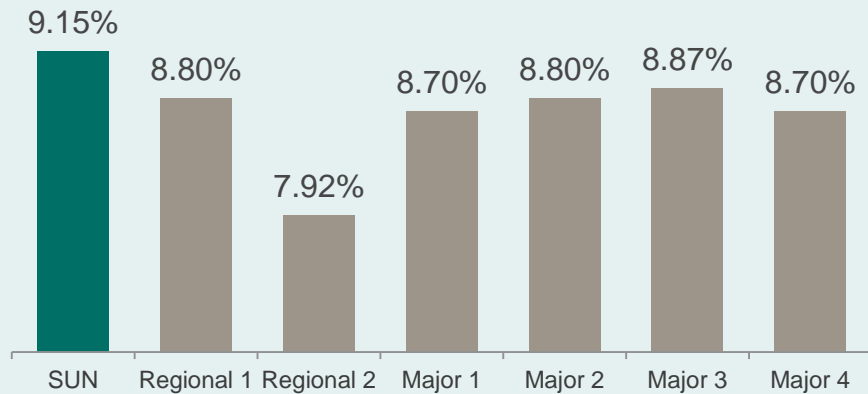
Reduction due to increased Bank CET1 target



Suncorp Capital Ratios

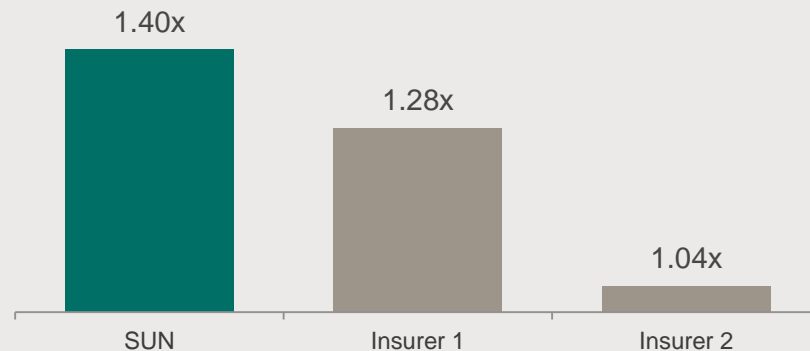
Strong General Insurance and Bank capital ratios

Bank CET1 ratios



Source: Latest published company reports.

General Insurance CET1 ratios*



*Ratios listed relate to Prescribed Capital Amounts (PCA).
Source: Latest published company reports.

Additional \$320 million of capital held at Suncorp Group Limited

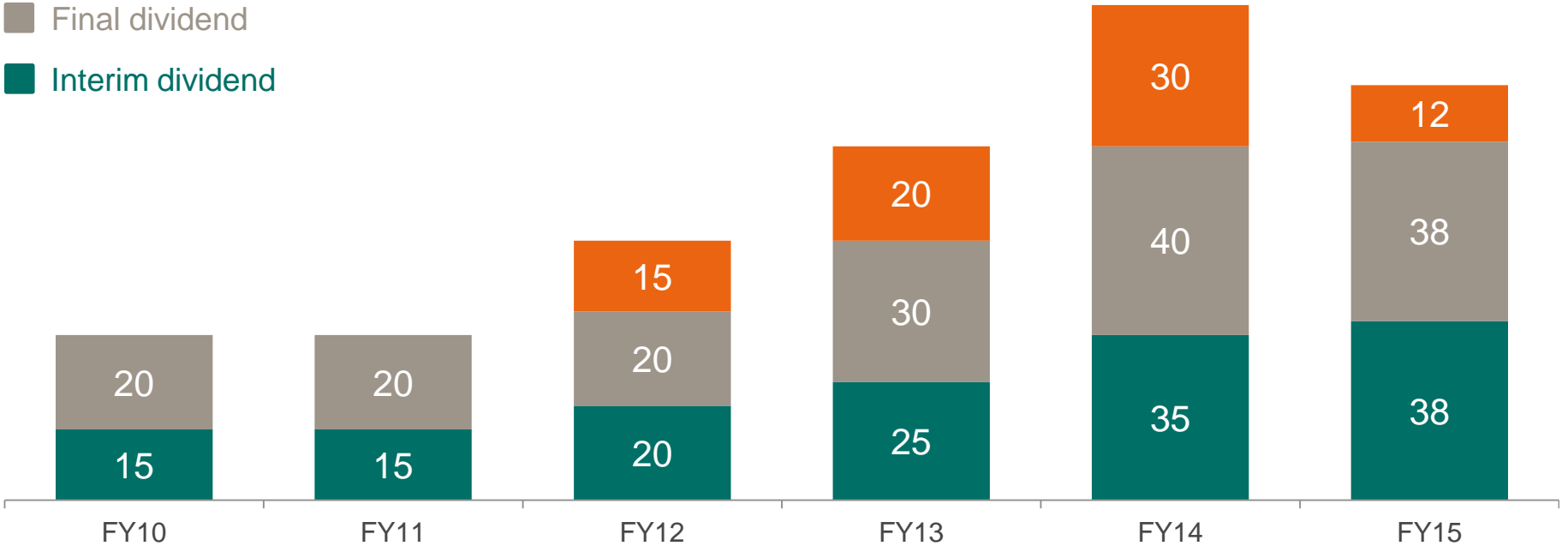
Dividend

38 cent final dividend and 12 cent special dividend

Special dividend

Final dividend

Interim dividend



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Suncorp Group

Key targets

1

'Above-system' growth in key target markets

2

Optimisation benefits of \$170 million in 2018 financial year

3

'Meet or beat' an underlying ITR of 12% through the cycle

4

Sustainable Group ROE of at least 10%

5

60% to 80% dividend payout ratio

6

Continuing to return surplus capital to shareholders

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Conclusion

Patrick Snowball
Suncorp Group CEO



Q&A

Financial results for the full-year ended 30 June 2015



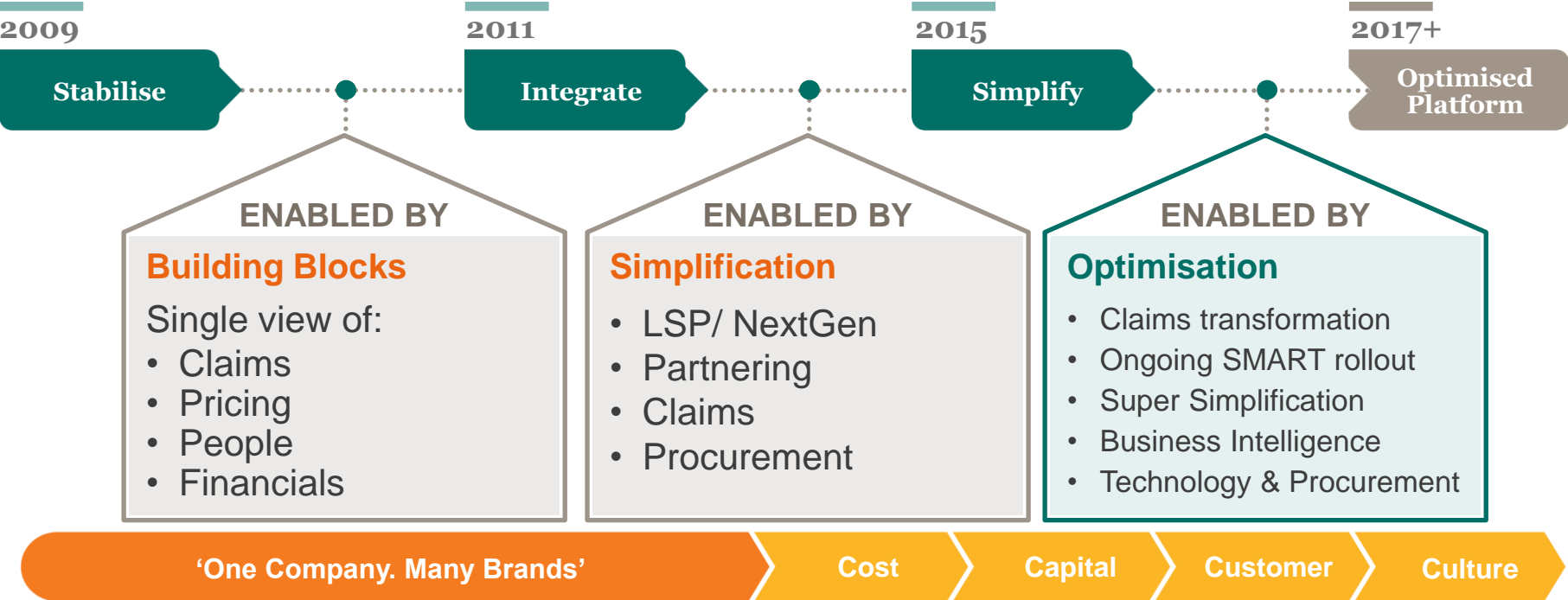
Supplementary Slides

Financial results for the full-year ended 30 June 2015

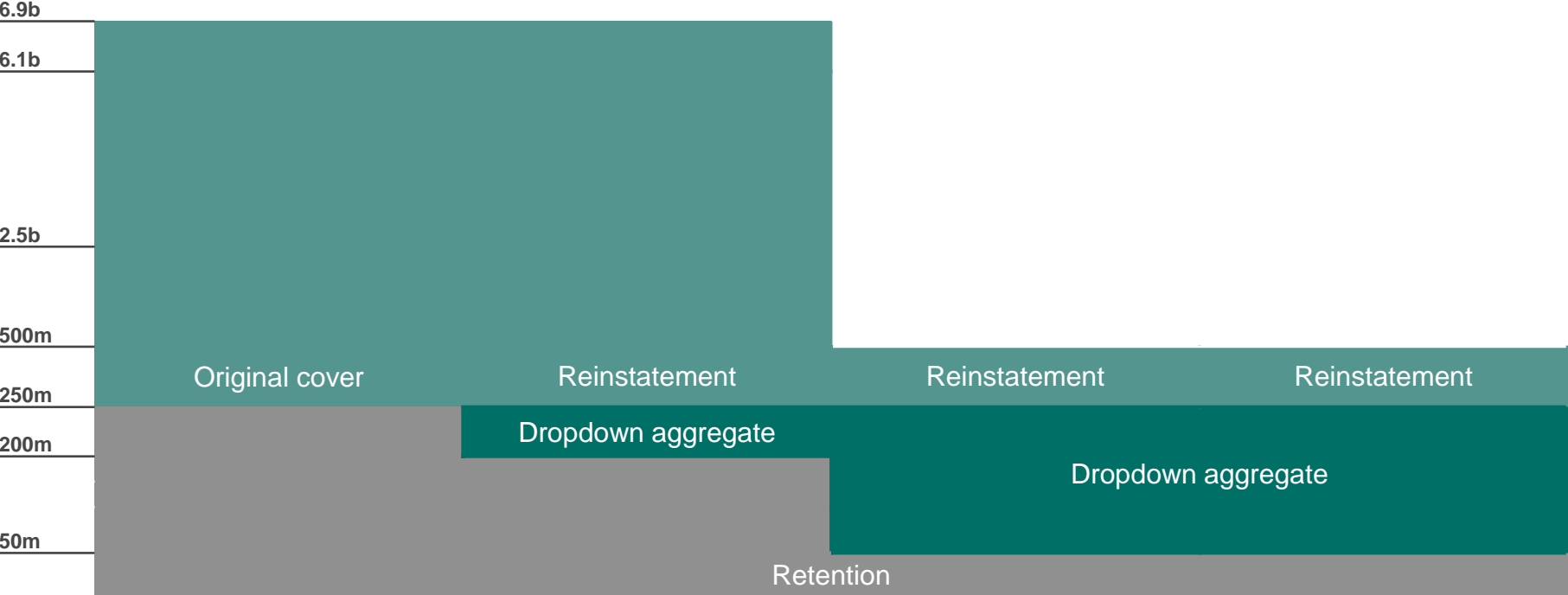
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Suncorp transformation

Optimised Platform in 2017

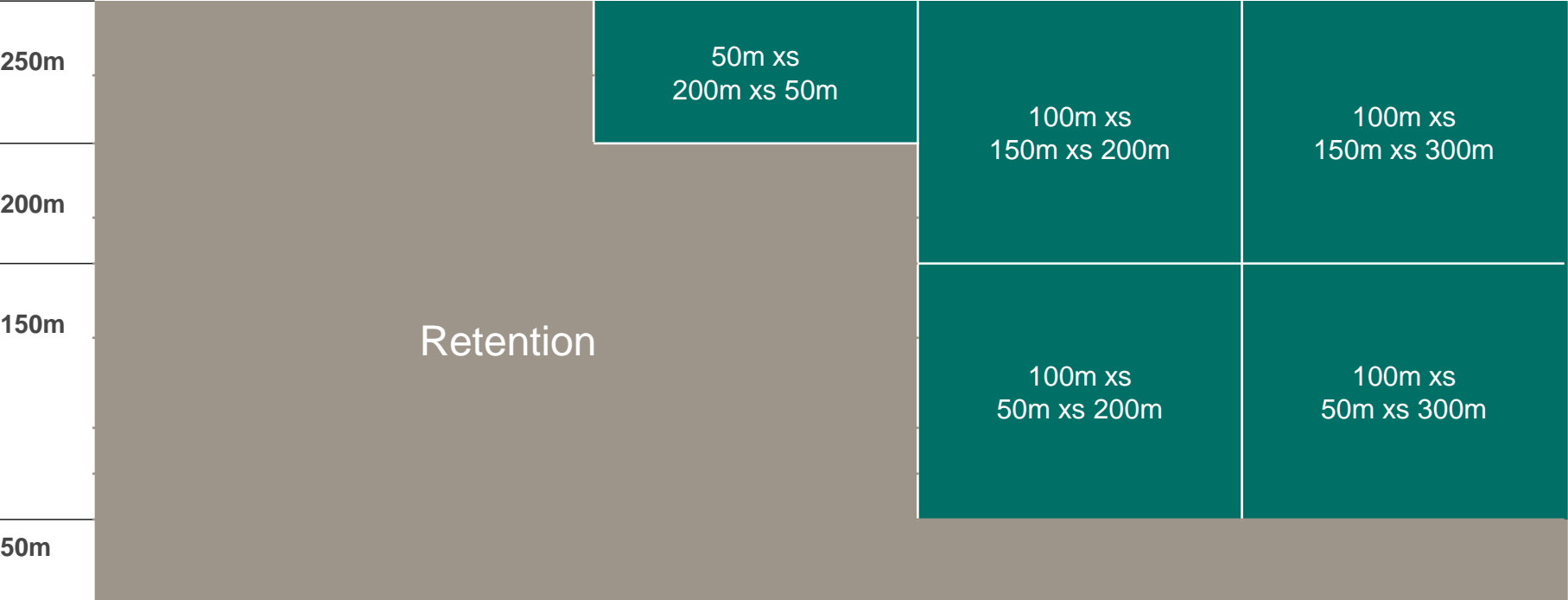


FY16 Reinsurance program



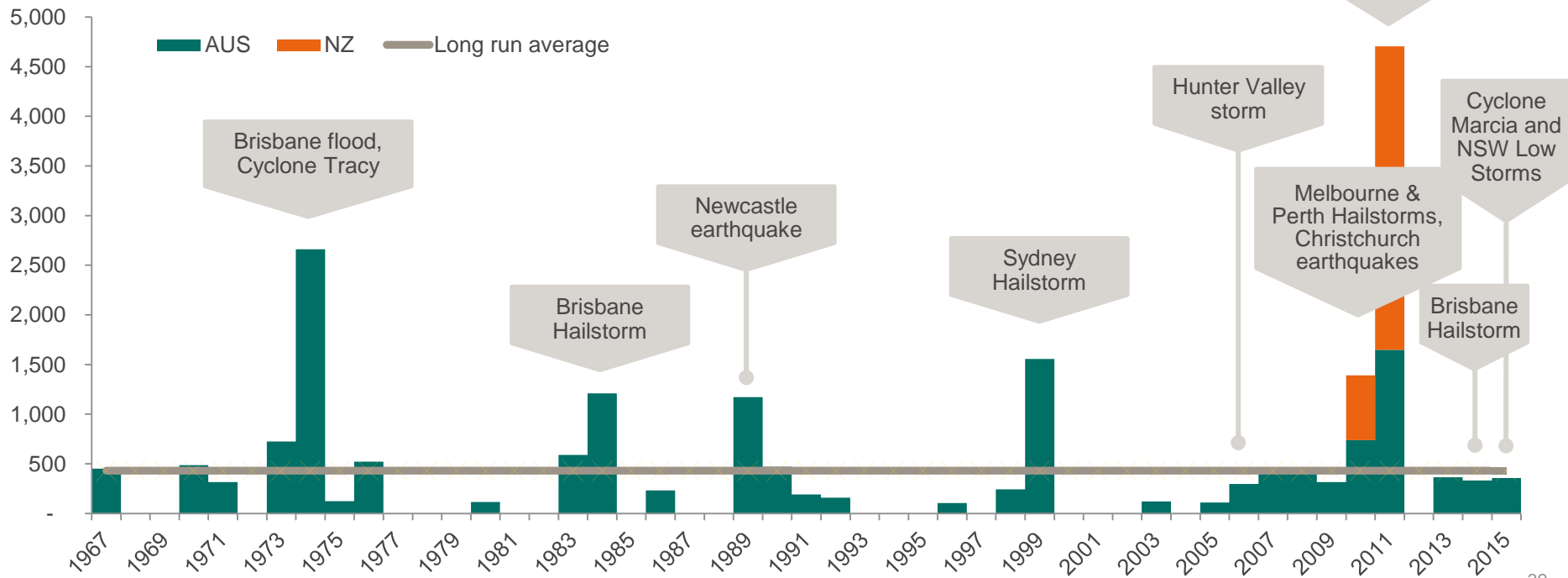
FY16 Reinsurance program

Drop-down aggregate program fully placed



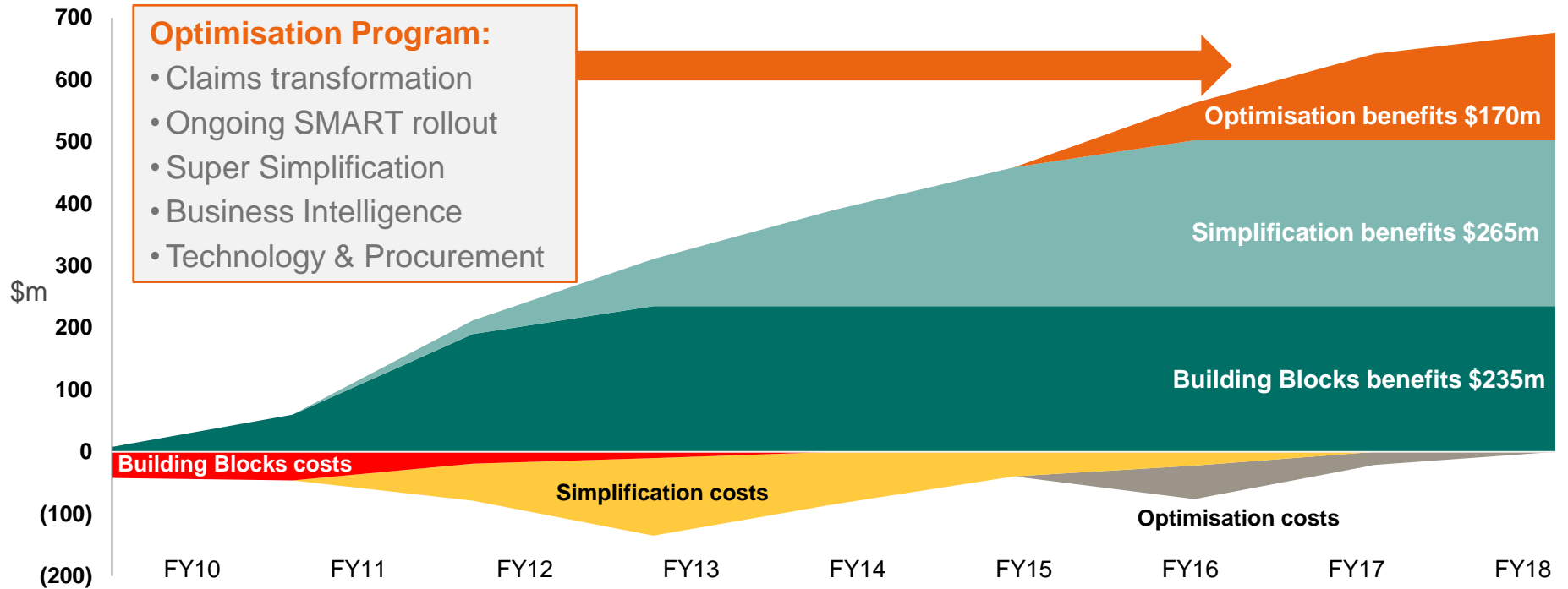
Natural hazards since 1967

Suncorp long-term catastrophic loss experience
Events greater than \$100m, gross of all reinsurance



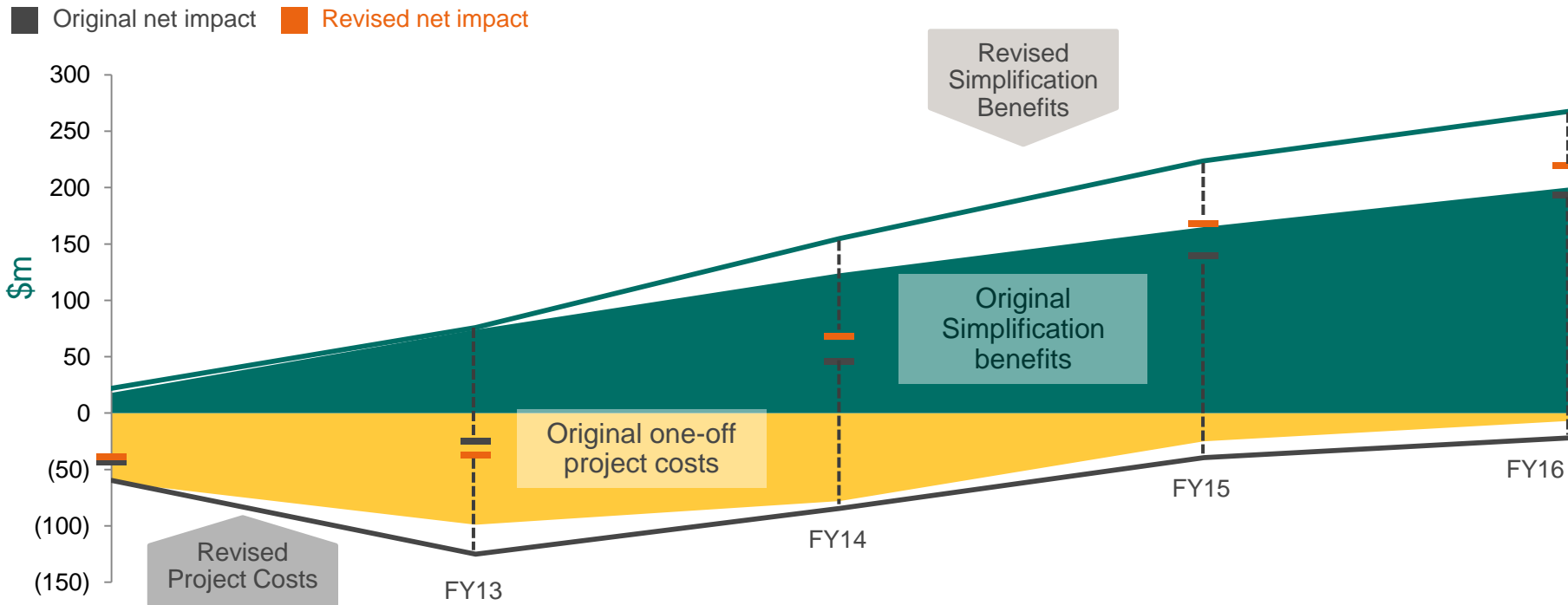
Optimisation

The next phase



Simplification benefits

\$225 million in FY15, \$265 million in FY16



Suncorp capital at 30 June 2015

\$570m excess CET1 on a post-dividend basis

\$m	General Insurance	Bank	Life	NOHC and other entities	Suncorp Group total
CET1	3,069	2,802	438	320	6,629
CET1 target	2,298	2,678	334	106	5,416
Excess (pre-div)	771	124	104	214	1,213
Dividend					(643)
Excess (post-div)					570
CET1 coverage ratio (pre-div)	1.40x	9.15%	1.77x		
CET1 targets	1.05x	8.75%	Amount equal to sum of PCA plus a target excess		

Suncorp market shares

Growth opportunities

Incremental growth opportunities
in markets where we are a
leading player

Home and Motor
Insurance
29%

QLD CTP
51%

Growth opportunities from entering
new markets and expanding in
existing markets

CI Aust
16%

CI NZ
25%

PI NZ#
24%

CTP NSW
21%

Potential to grow to natural market share
in targeted segments

Suncorp Bank^
3%

Suncorp Life`
5%

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Important disclaimer

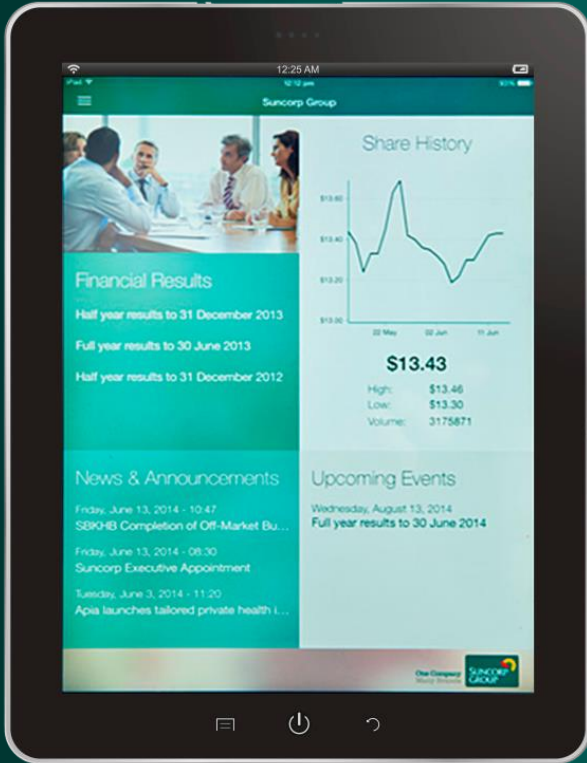
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