



# Suncorp Group Limited

Financial results for the year ended 30 June 2013

# Suncorp results presentation

## Agenda

**Results and operational highlights**

**Patrick Snowball**

**CFO report**

- Core business lines
- Non-core Bank resolution
- Group capital

**John Nesbitt**

**Suncorp's strategic assets**

**Patrick Snowball**

**Q & A**

**Suncorp Leadership Team**

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# Introduction

Patrick Snowball  
Chief Executive Officer, Suncorp Group Limited

# FY13 result overview

	FY13	FY12	%Δ
General Insurance NPAT	883	493	79.1
Core Bank NPAT	289	289	-
Suncorp Life NPAT	60	251	(76.1)
<b>Core Business lines NPAT</b>	<b>1,232</b>	<b>1,033</b>	<b>19.3</b>
Non-core Bank	(632)	(263)	n/a
Other profit and acquisition amortisation	(109)	(46)	n/a
<b>Net Profit After Tax</b>	<b>491</b>	<b>724</b>	<b>(32.2)</b>

# Key commitments

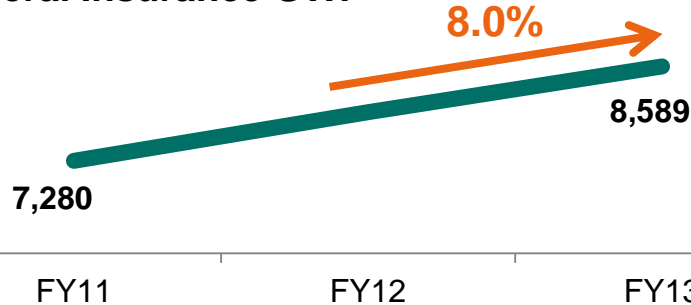
## One Company. Many Brands

- 1 Group growth of 7% to 9% per annum over the next two years
- 2 Simplification benefits of \$225 million in the 2015 financial year
- 3 'Meet or beat' an underlying ITR of 12% through the cycle
- 4 60% to 80% dividend payout ratio
- 5 Continue to return surplus capital
- 6 Group ROE of at least 10% in the 2015 financial year

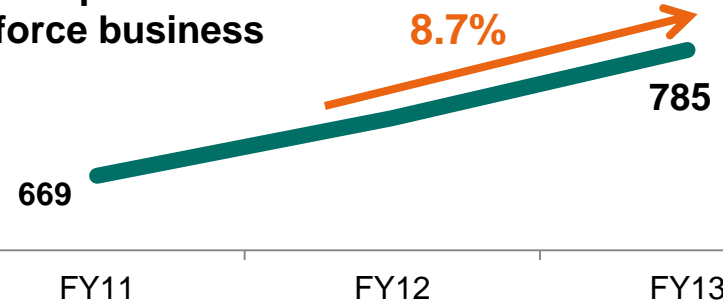
# Top line growth

Growth across all three business lines (\$m)

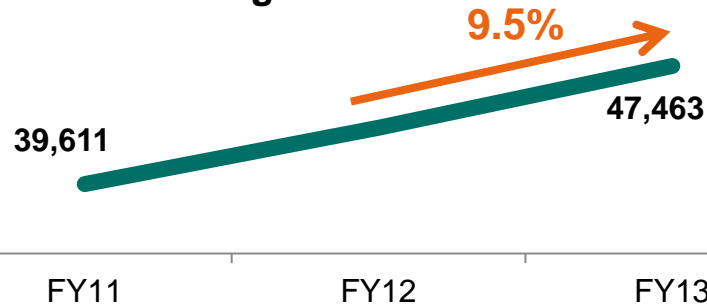
## General Insurance GWP



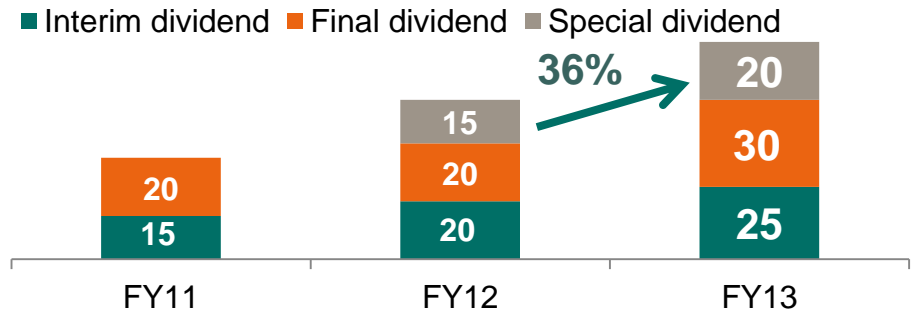
## Suncorp Life individual in-force business



## Core Bank lending assets



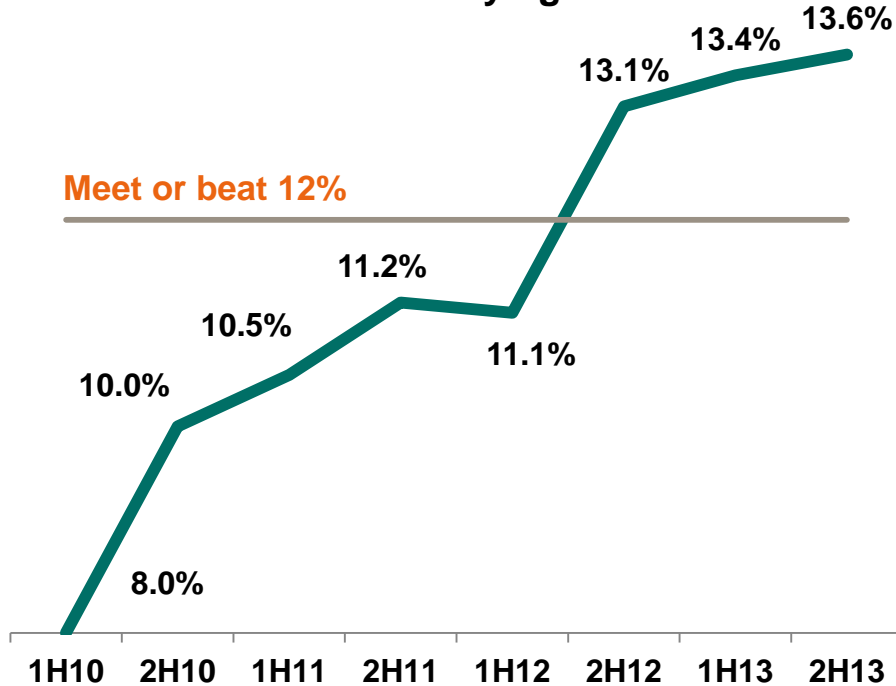
## Shareholder returns (cps)



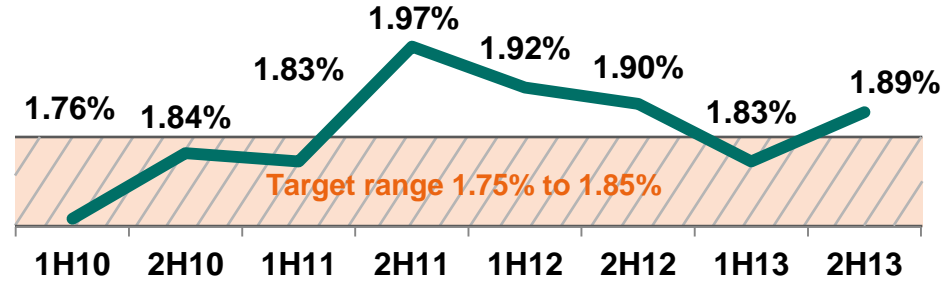
# Healthy margins

Above target levels

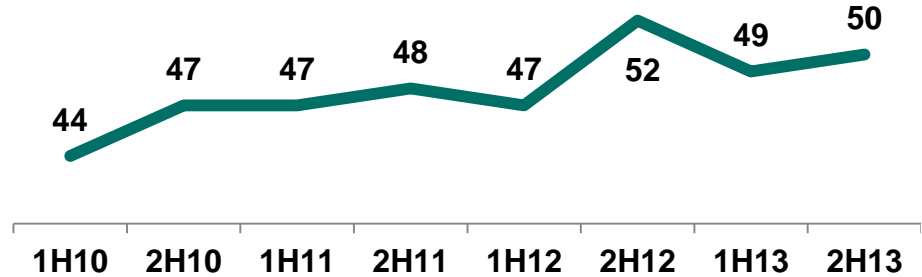
## General Insurance Underlying ITR



## Core Bank Net Interest Margin

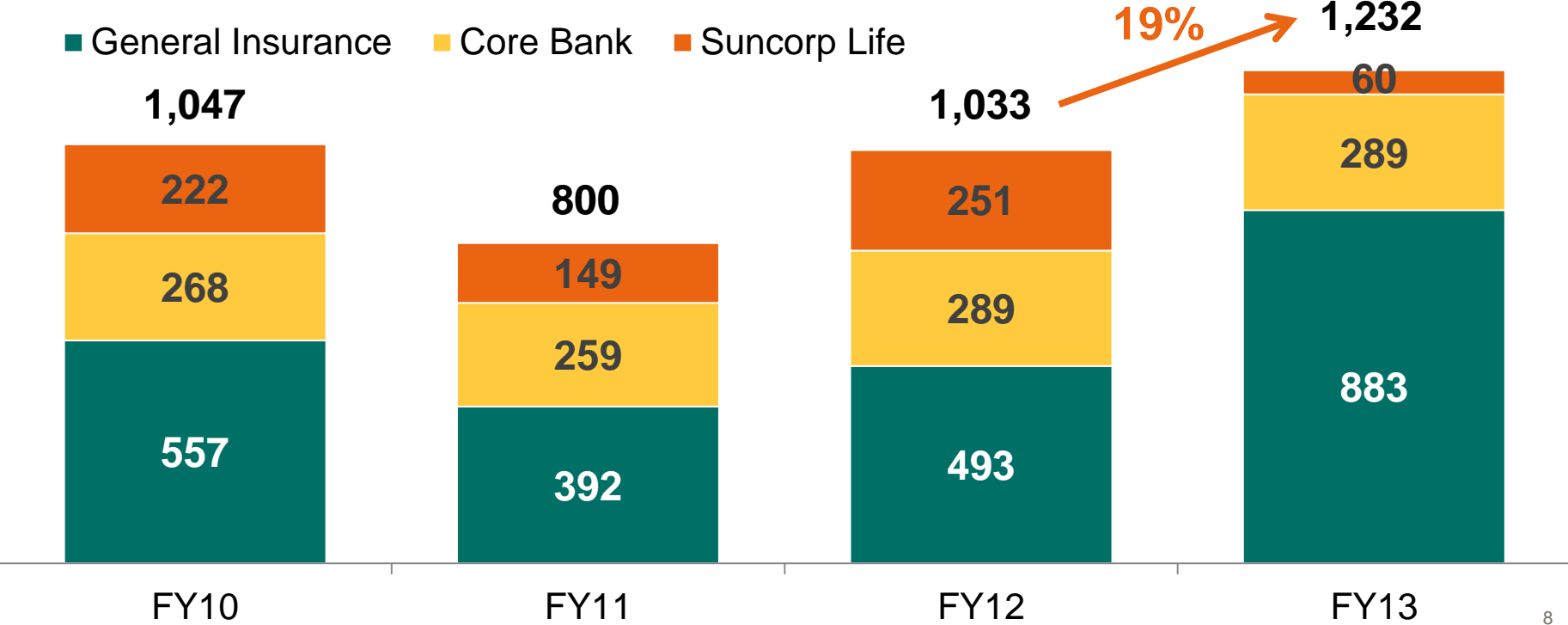


## Suncorp Life planned profit margin release (\$m)



# Core business profitability

## Improved earnings (Profit after tax \$m)







# Financial Results

John Nesbitt  
Chief Financial Officer, Suncorp Group Limited

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# General Insurance

## Underlying ITR of 13.5%

\$m	FY13	%Δ
<b>General Insurance profit after tax</b>	<b>883</b>	<b>79.1</b>

- GWP up 8.0%
- GWP up 8.5% after adjusting for FSL
- Reported ITR of 13.1%
- Delivered on the 'meet or beat' 12% underlying ITR target
- Natural hazard claims \$75 million above allowance
- Reserve releases of \$105 million broadly in line with long run expectations of 1.5% of NEP

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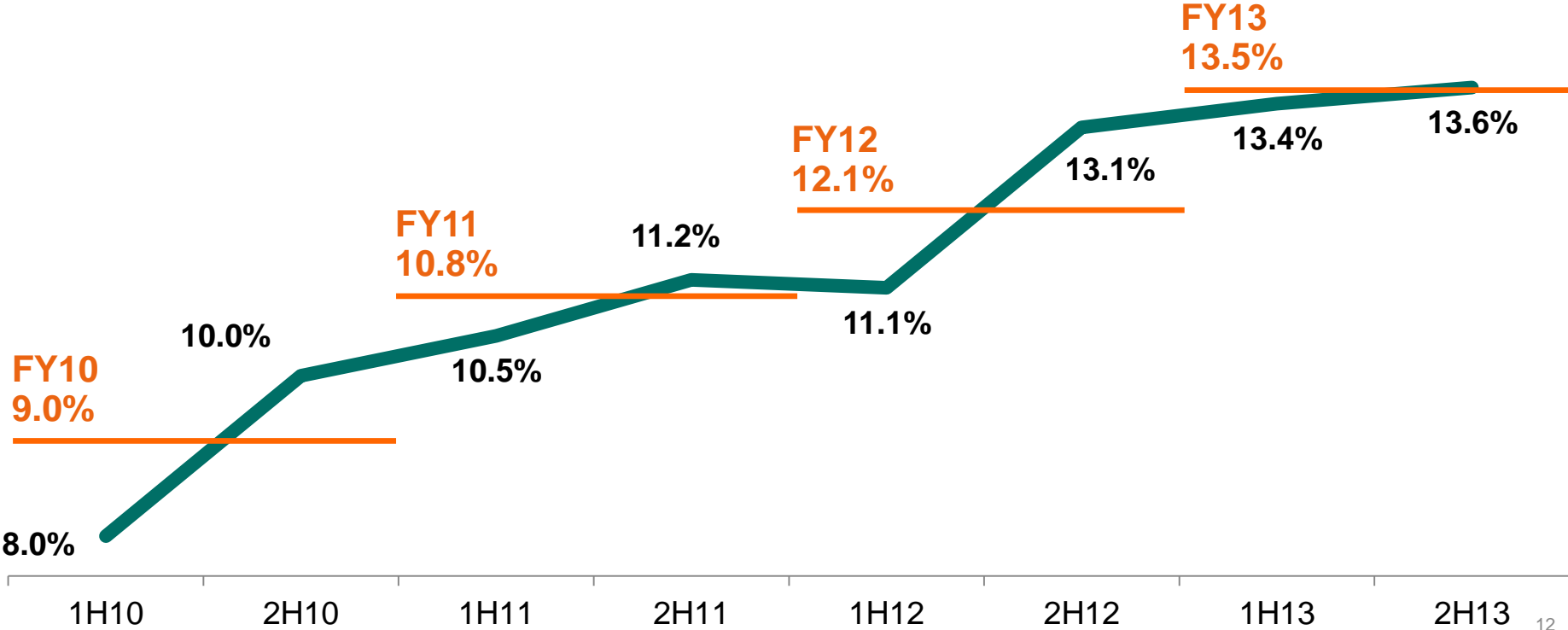
# Gross Written Premium

## GWP up 8.5% excluding FSL

Product	FY13 (\$m)	%Δ	Factors
Motor	2,764	4.7	A combination of unit and premium growth
Home	2,498	10.4	Premium increases to recover increased reinsurance
Commercial	1,987	8.4	Growth across all major product lines
CTP	978	8.5	Strong growth in NSW
Workers' comp & other	362	13.5	Price increases, wage growth and improved retention
<b>Total</b>	<b>8,589</b>	<b>8.0</b>	
Australia	7,645	7.3	
New Zealand	944	13.6	10.7% in NZ\$ terms

# Underlying ITR

Meet or beat 12% underlying ITR



# Core Bank overview

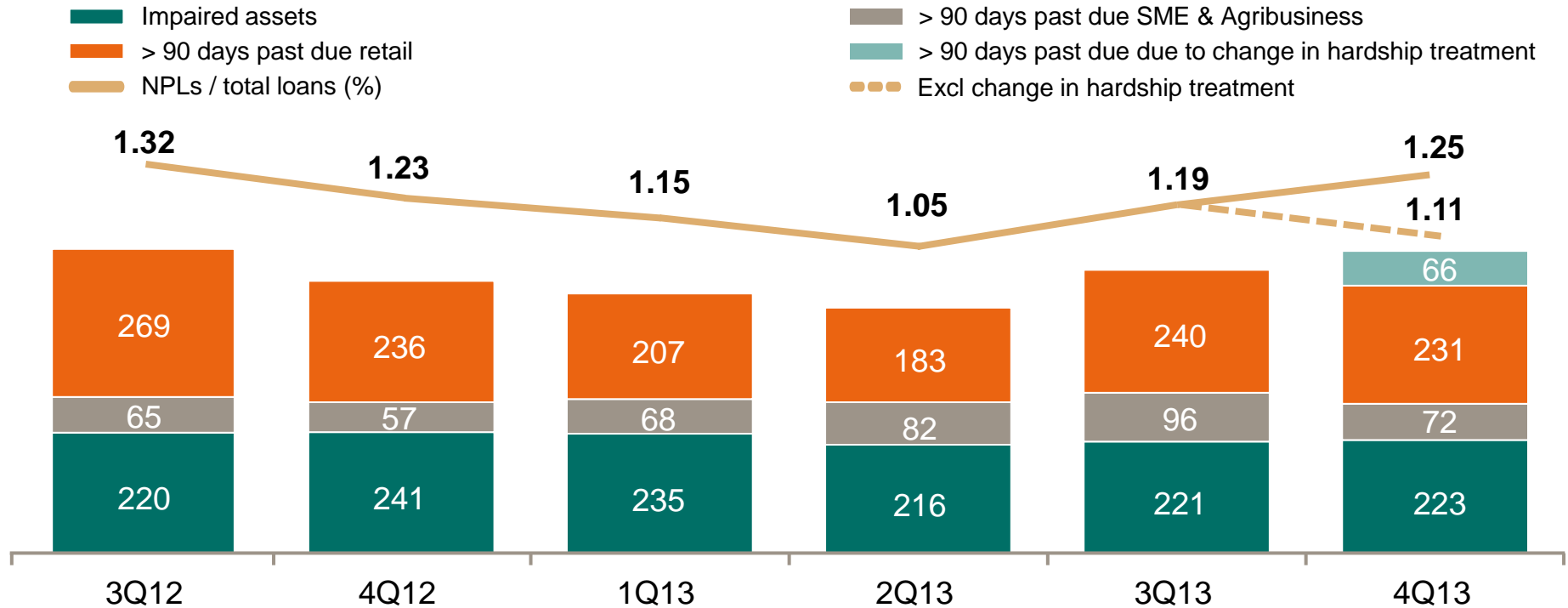
## Sustainable growth

\$m	FY13	%Δ
Core Bank profit after tax	289	Flat

- Home lending up 9.4% and Agribusiness up 11.8%
- Second half NIM was 1.89%, above target range of 1.75% to 1.85%
- Retail deposit to core lending 66.5% in target range of 60% to 70%
- Issued Senior Debt of \$750 million and RMBS of \$1.2 billion
- Impairment losses stable at \$64 million, within operating range

# Core Bank credit quality

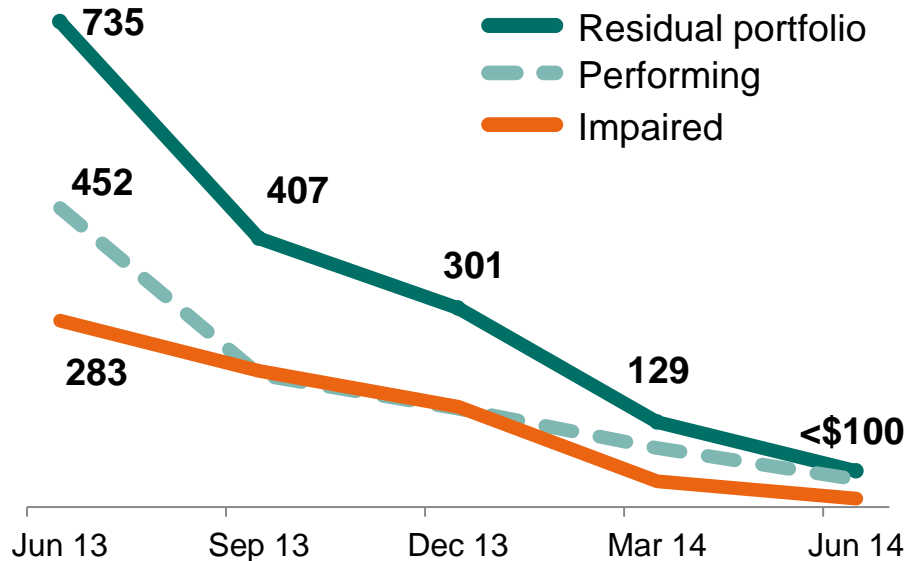
## Non-performing loans (\$m)



# Non-core Bank resolution

Run-off expected to be less than \$100 million by June 14

## Residual portfolio expected run-off

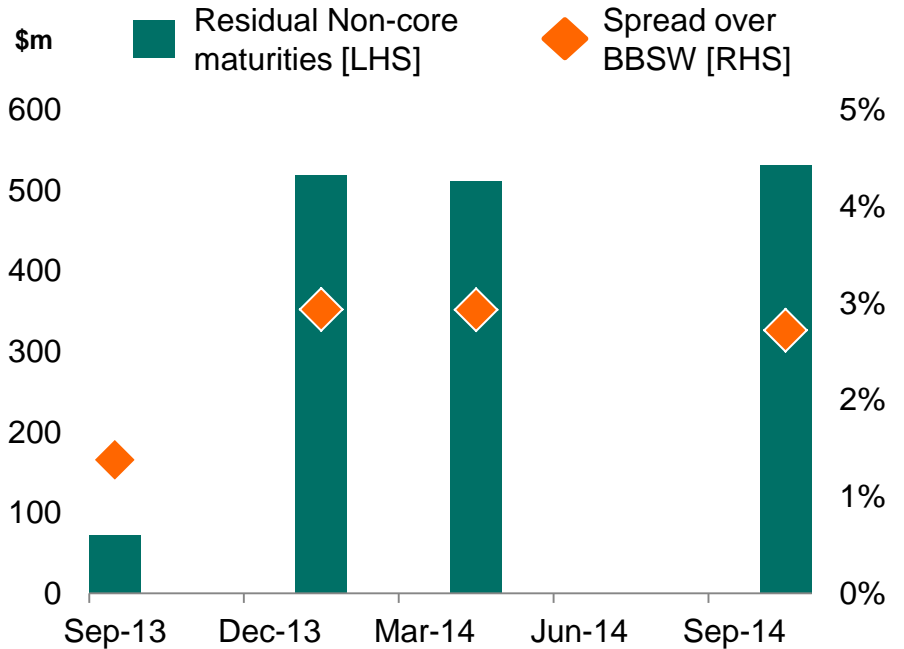
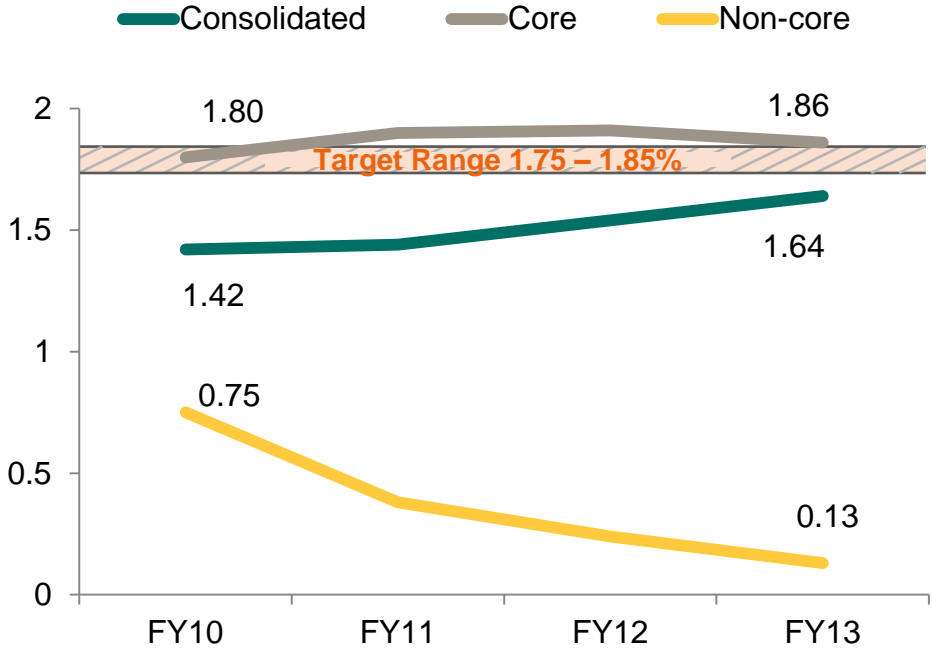


## Residual portfolio run-off

- Provision coverage in excess of 50%
- Around \$300 million in Dec13
- Less than \$100 million by Jun14
- Removes future impairment risk

# Consolidated Bank

## Stranded funding impact





# Suncorp Life overview

## Strong new business growth

\$m	FY13	%Δ
Life underlying profit after tax	120	(17.8)
Life profit after tax	60	(76.1)

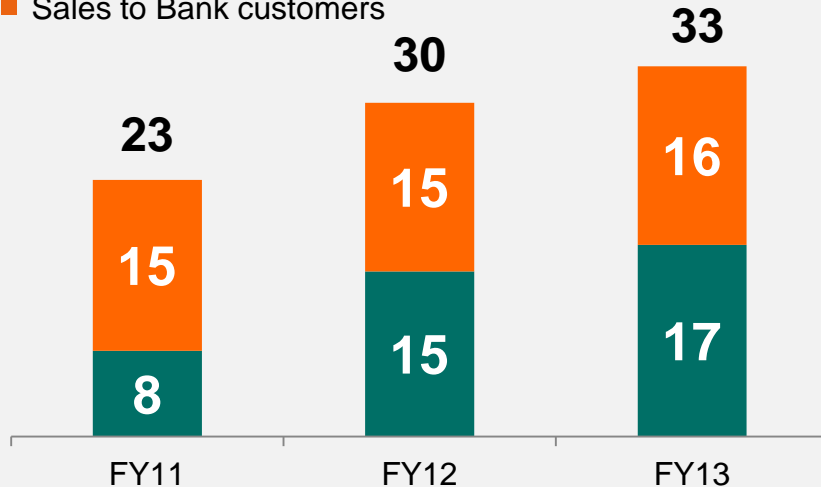
- Market adjustments after-tax loss of \$60 million due to:
  - increasing discount rates; and
  - negative investment income experience
- Disability claims experience negative \$20 million, Lapse experience negative \$26 million
- Individual Risk-in-force up 8.7%
- Embedded Value \$2,569 million and VOYS \$43 million
- New Zealand business performed strongly

# Direct distribution

70,000 Life and Superannuation customers

## Direct Life Sales (\$m)

- Sales to General Insurance customers
- Sales to Bank customers



## Demonstrating growth

- 3 new Direct Life products sold via AAMI, GIO and APIA
- Everyday Super for sale through the Bank
- Transitioning Life business model in-house, allows greater scalability
- 23 Life FTEs in the GI call centre
- Further innovation to be pursued through the Group's brands



# Capital



# Capital Management

Working through changes = greater clarity

## Regulatory change

- LAGIC
- Basel III
- Conglomerate Standards

## Resolving the Non-Core Bank

- De-risking the Group
- Sale of the Non-core portfolio of \$1.6 billion
- Residual portfolio with 50% provision coverage
- Core to provide stability of earnings

## Capital Management

- NOHC
- Life and GI single licence
- Replaced hybrids
- Issued Basel III and LAGIC compliant CPS2 and Sub debt
- FY14 reinsurance program

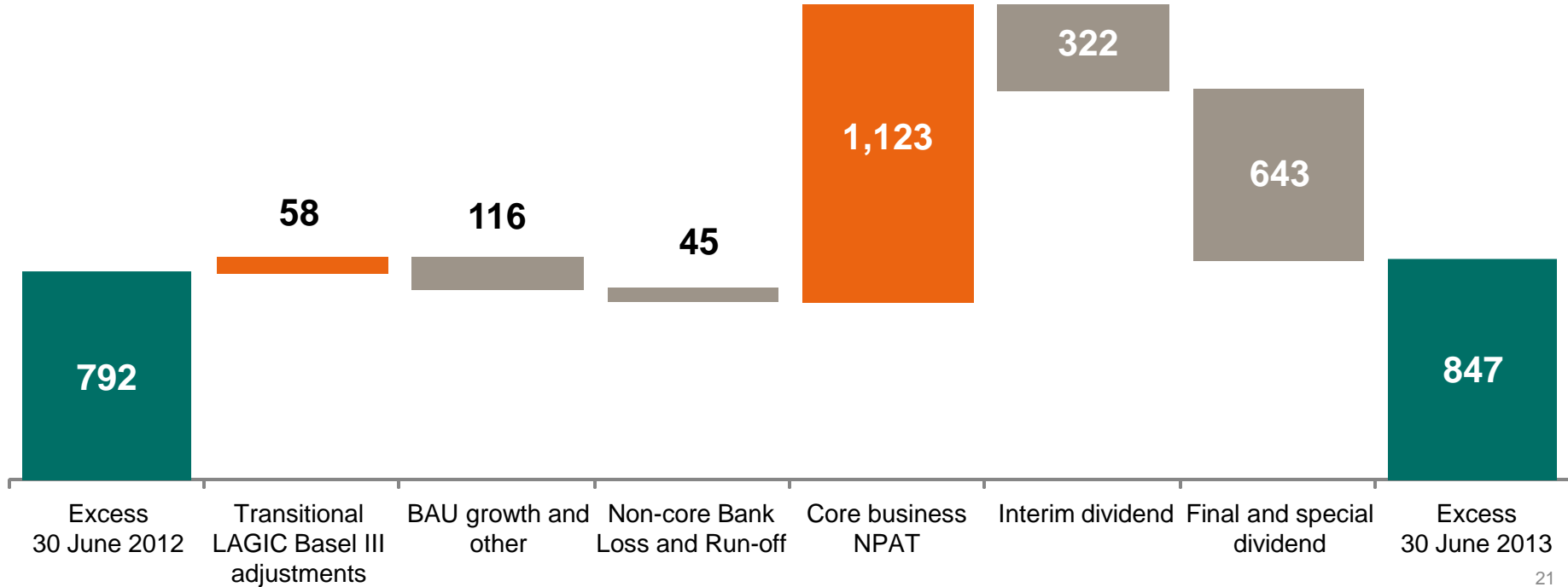
## Capital Targets

- CET1 targets for all business lines
- Provides a clear view of the use and management of capital
- Gearing levels set across the Group



# FY13 Capital movements

## Dividends funded by core business NPAT



# Pro-forma CET1 at 30 June 2013

## \$801 million excess to CET1 targets

A\$m	General Insurance	Bank	Life	NOHC and other entities	Suncorp Group Total
CET1	3,079	2,373	468	190	6,110
CET1 Target	2,335	2,445	352	177	5,309
<b>Excess</b>	<b>744</b>	<b>(72)</b>	<b>116</b>	<b>13</b>	<b>801</b>
CET1 ratios	1.45x	7.76%	1.75x		
CET1 Targets	1.10x	8%	Amount equal to sum of PCA plus a target excess		

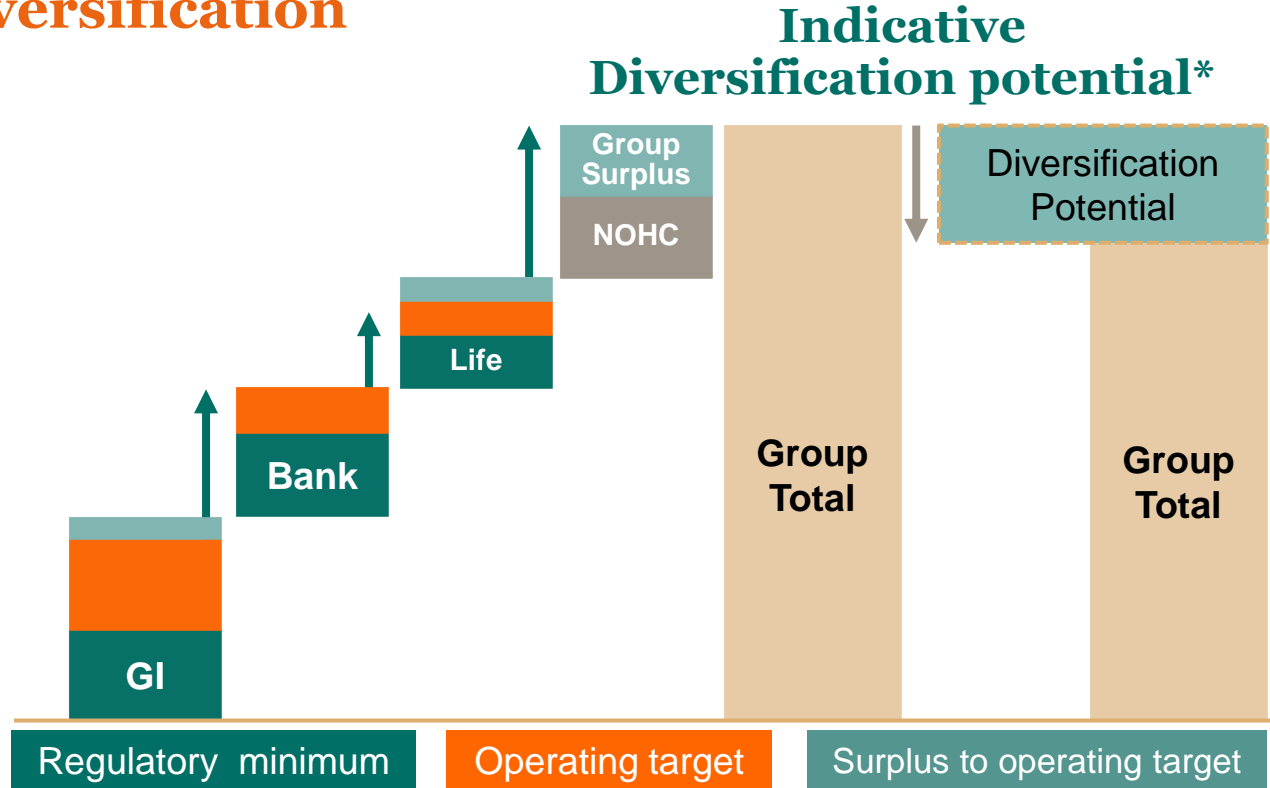
**Bank 8% target to be achieved by September 2013**

# Capital Strategy

## NOHC benefits - Diversification

Risk-based capital will allow us to:

- Quantify risk and optimise return
- Enhance decision making
- Understand diversification benefits





# Conclusion

Patrick Snowball  
Chief Executive Officer, Suncorp Group Limited



# General Insurance Supply Chain

Better outcomes for customers and shareholders

## Capital S.M.A.R.T.

- 23 sites across the country
- 120,000 cars repaired per year
- \$400 average cost saving per car

## Q-Plus

- 50% of Sydney metro heavy repairs
- 150 cars per week
- \$500 average cost saving per car

Supply chain optimisation

## Parts joint venture

- Scale benefits
- Reduced costs
- Faster turnaround

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# Suncorp's strategic assets

## Our focus

### Cost

- Deliver scale cost benefits on third party **procured goods / services**
- Share **scale on infrastructure** (real estate, enterprise technology) and **non-unique business services**

### Customer

- Enhancing the value of 9 million customers connections by deepening their relationships with Group brands

### Capital

- Demonstrating a **diversification** benefit through improved risk-based capital modelling
- A+/A1 credit rating

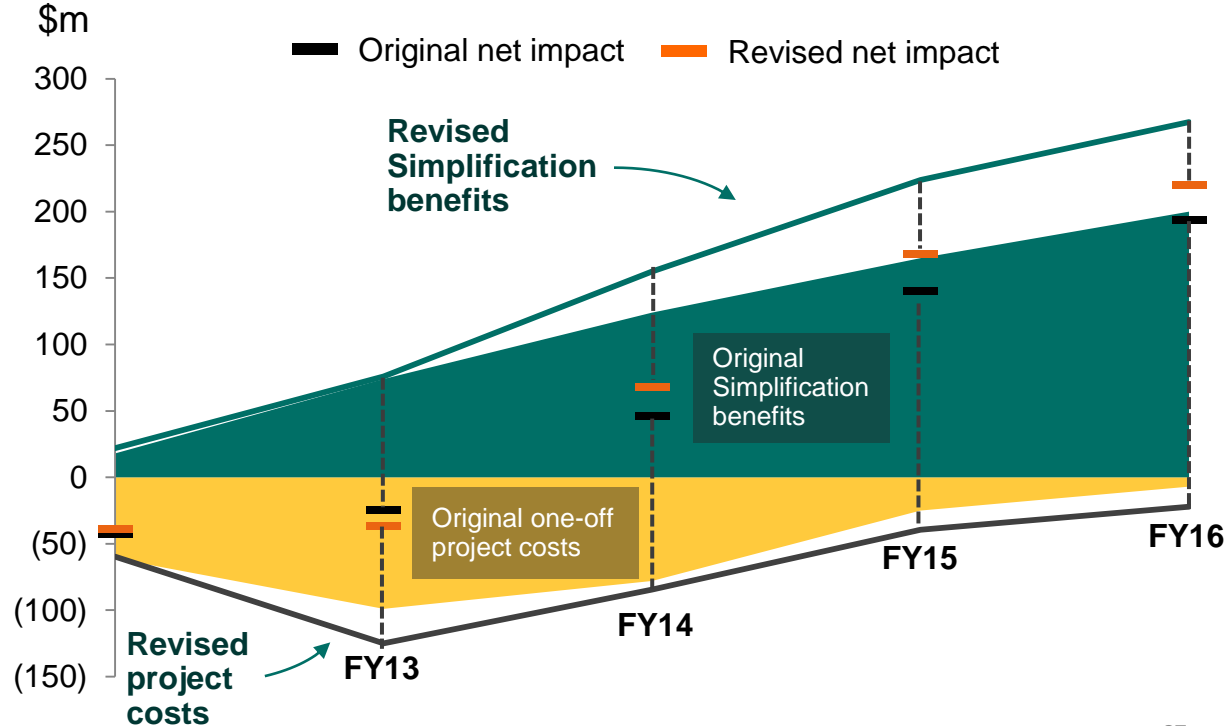
### Culture

- Operating as '**One Company. Many Brands. One Team**'

# Cost

## Simplification and procurement gains

- Simplification projects expected to deliver \$225 million in FY15 and \$265 million in FY16
- Increased project spend in FY13
- Further benefits from rationalising legal spend and Real Estate

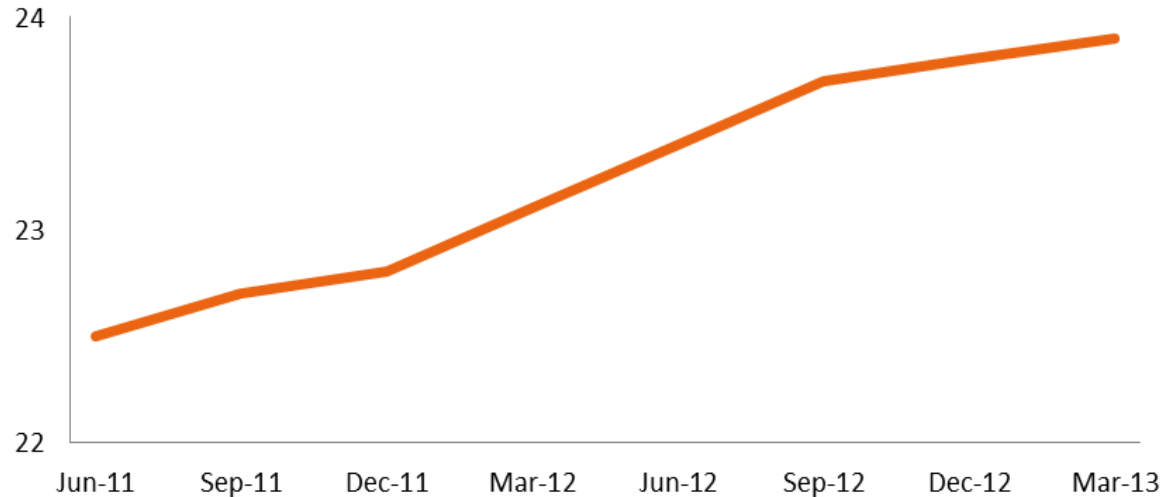


# Customer

## Growth from leveraging brands and the customer base

- 9 million customers
- Nearly 2 million have products from more than one business line
- Simple, everyday products for Australia and New Zealand
- Trusted brands that reach and connect with key customer segments
- Multi-brand, multi-channel approach

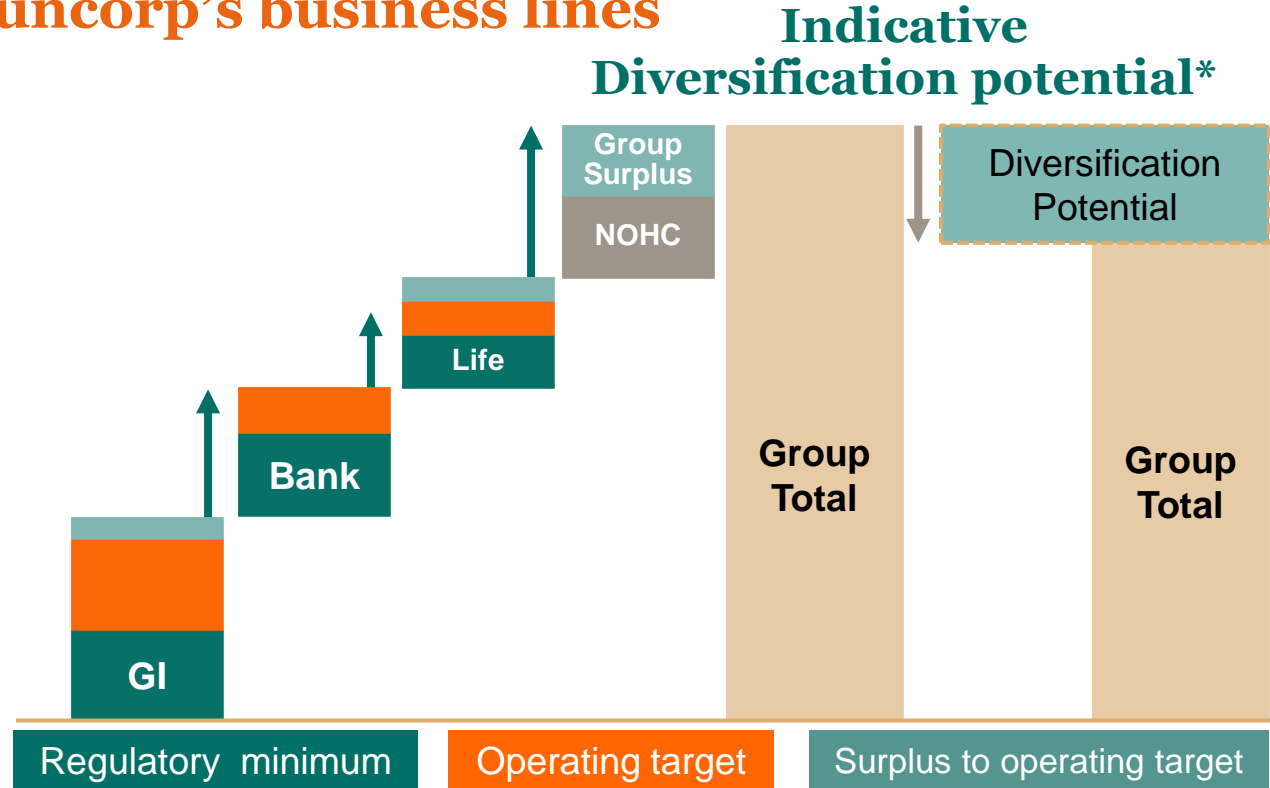
% of personal customers with products from more than one of the Suncorp Group business lines



# Capital

## Diversification in Suncorp's business lines

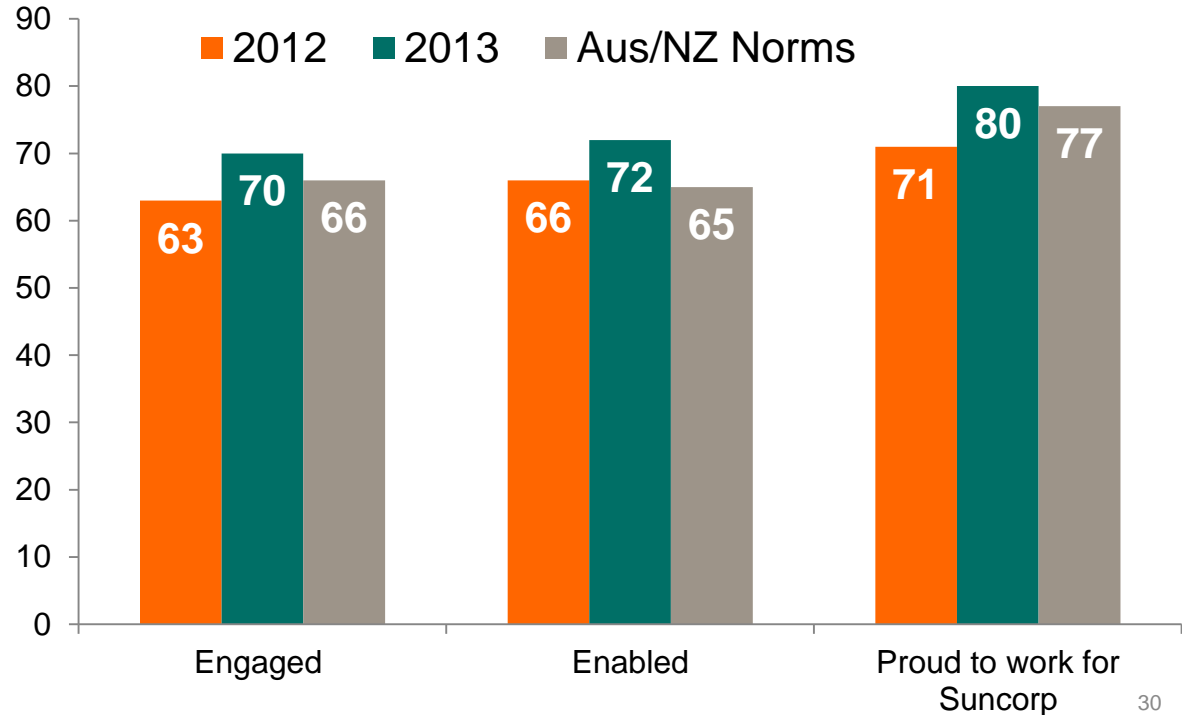
- NOHC structure
- Common Equity targets set
- Strong excess capital position remains intact
- A+/A1 credit ratings
- Risk-based capital program will quantify diversification benefits



# Culture

## Engagement scores demonstrate the progress

- Single set of terms and conditions
- Reinforcing a Suncorp culture
- Driving operational excellence
- Lifting leadership capability
- A proud history and an optimistic future



# The Suncorp journey

## 4Cs drive the Group's competitive advantage

### FY10

Stabilise the business & strengthen the balance sheet

- 3 year strategy
- Non-core Bank run-off
- Non Operating Holding Company

### FY10 - FY12

NOHC & Building Blocks

- One pricing engine
- One claims system
- One general ledger
- One employment agreement
- One view of customer

### FY12 - FY16

#### Simplification program

- Licence consolidation
- Legacy system consolidation
- Operational Excellence and partnering

### FY13 - FY16

#### Optimise and differentiate

- 'Meet or beat' 12% underlying ITR
- 10%+ ROE by FY15
- Additional Simplification benefits
- Deliver value from points of difference
- 4Cs drive the Group's strategic advantage



# Q&A session



# Suncorp's shareholder focus

## Yield

- Dividend payout ratio of 60% to 80%
- Return surplus capital
- Organic strategy
- Focus exclusively in Australia and New Zealand
- Growth in low risk market segments
- 275 million franking credits



## Growth

- 7% to 9% per annum growth across the business lines
- Leverage the Group's 9 million customers
- Multi-brand, multi-channel approach
- Simplification benefits



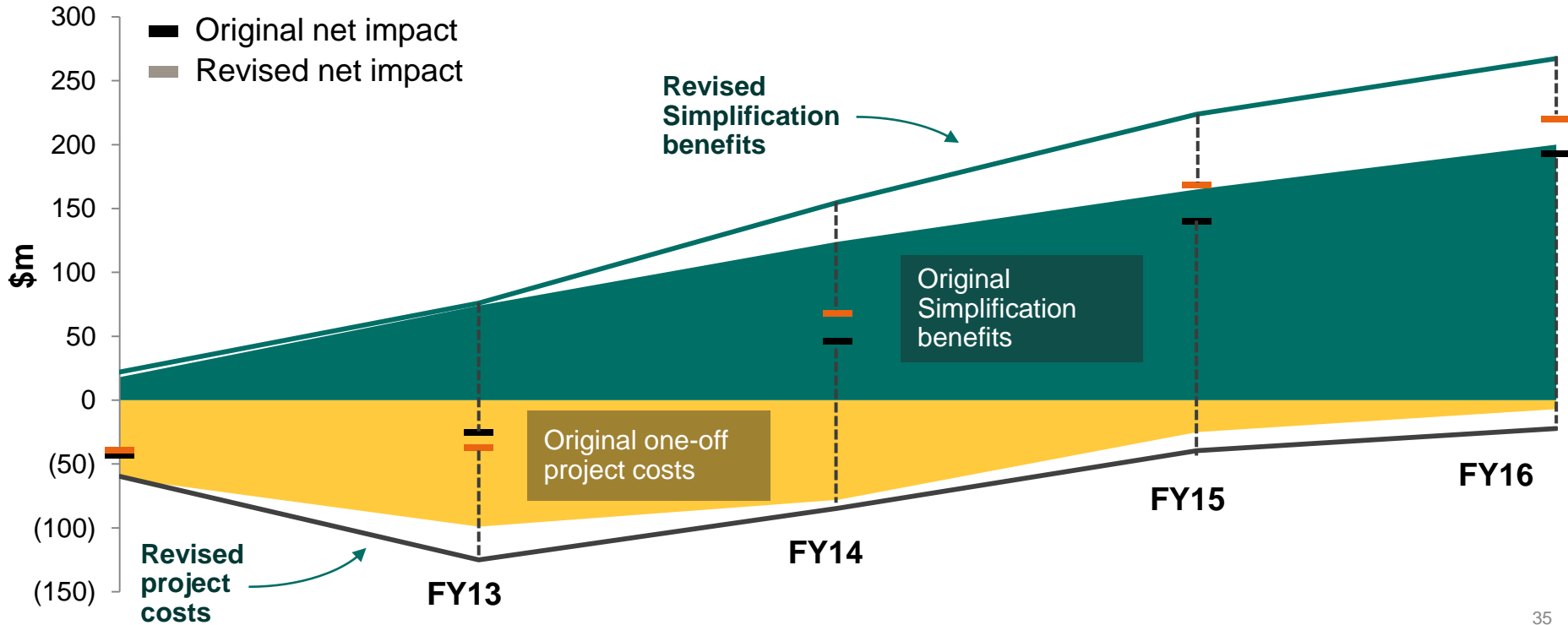
# Supplementary slides



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# Additional Simplification benefits

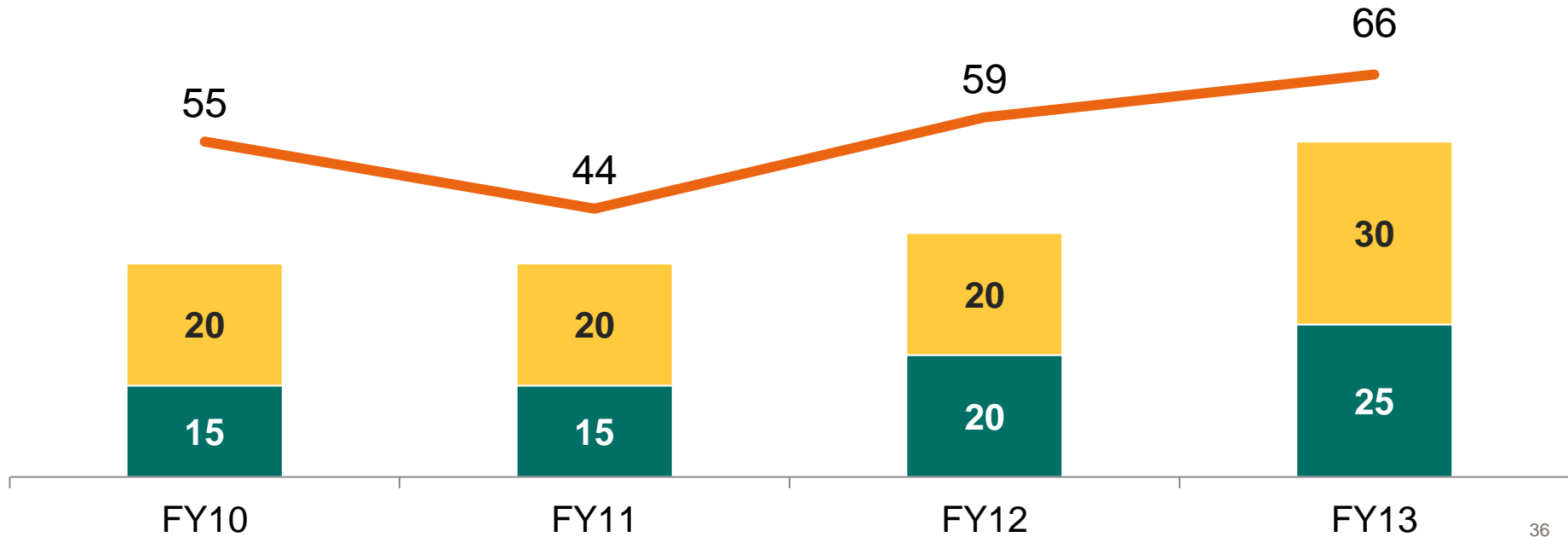
## Delivering more, sooner - \$225 million in FY15



# Suncorp's historical dividends

## The Non-core Bank impact

■ Interim    ■ Final    — 70% payout of cash earnings (ex non-core)



# FY14 Reinsurance program

5.8bn

2.5bn

500m

250m

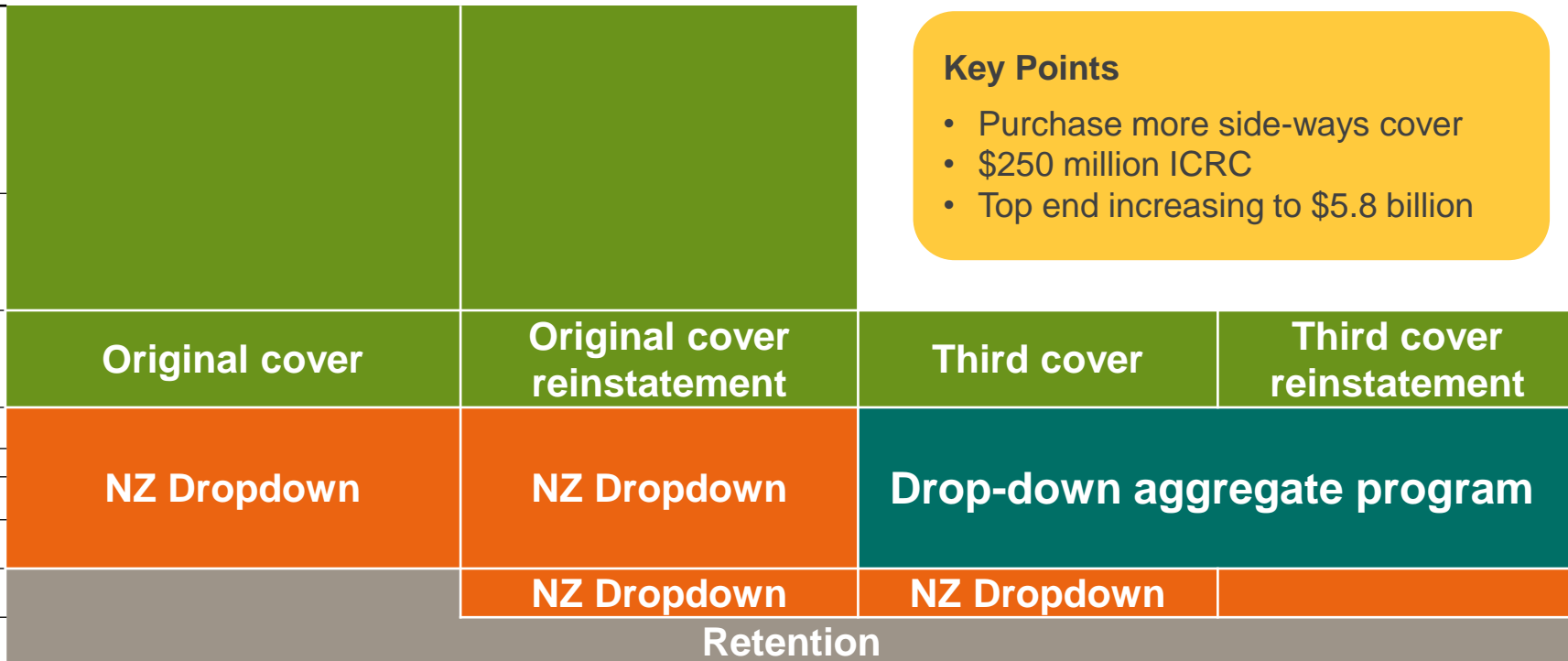
200m

150m

50m

NZD 50m

NZD 25m

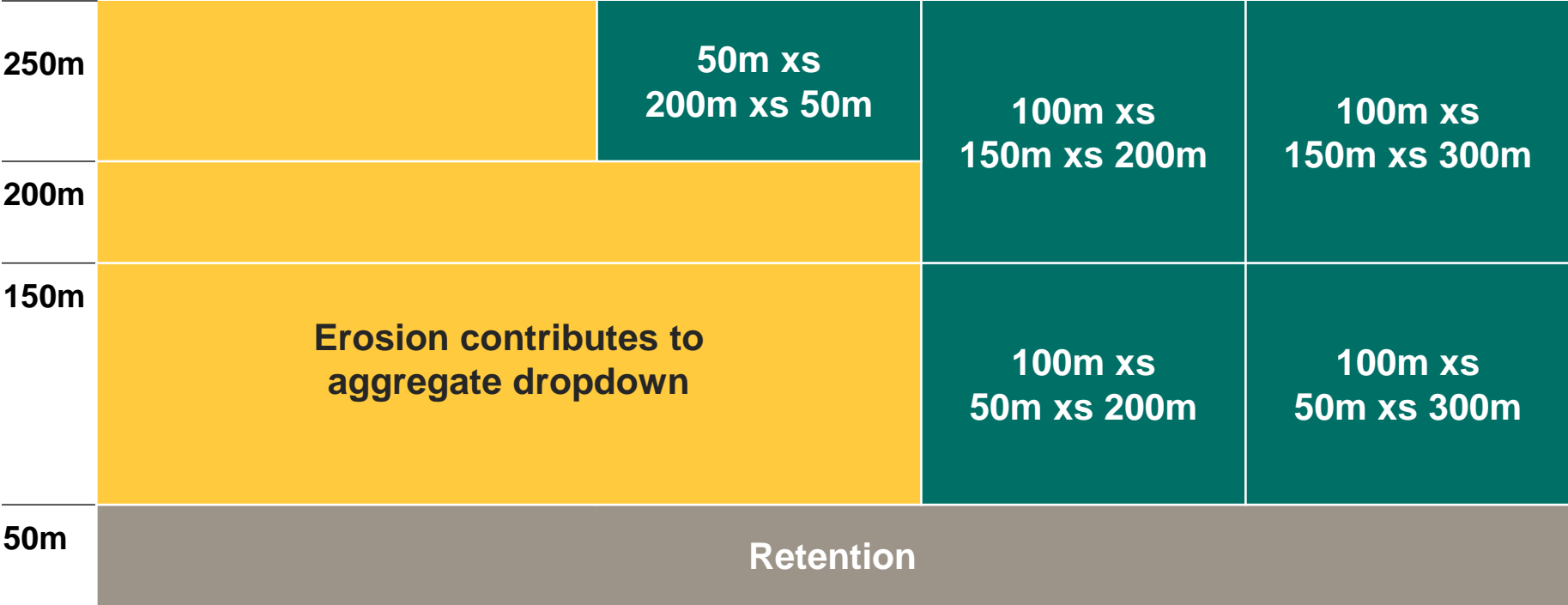


## Key Points

- Purchase more side-ways cover
- \$250 million ICRC
- Top end increasing to \$5.8 billion

# FY14 Reinsurance program

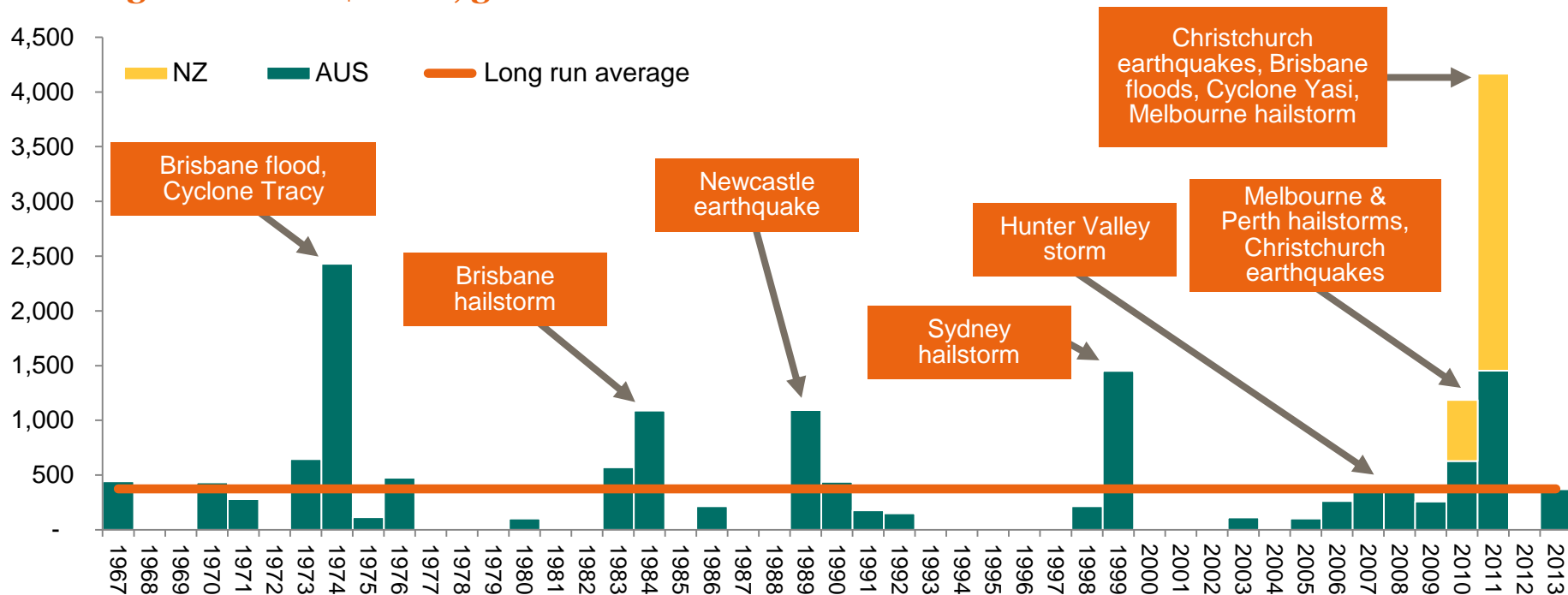
## Drop-down aggregate program



# Natural hazards since 1967

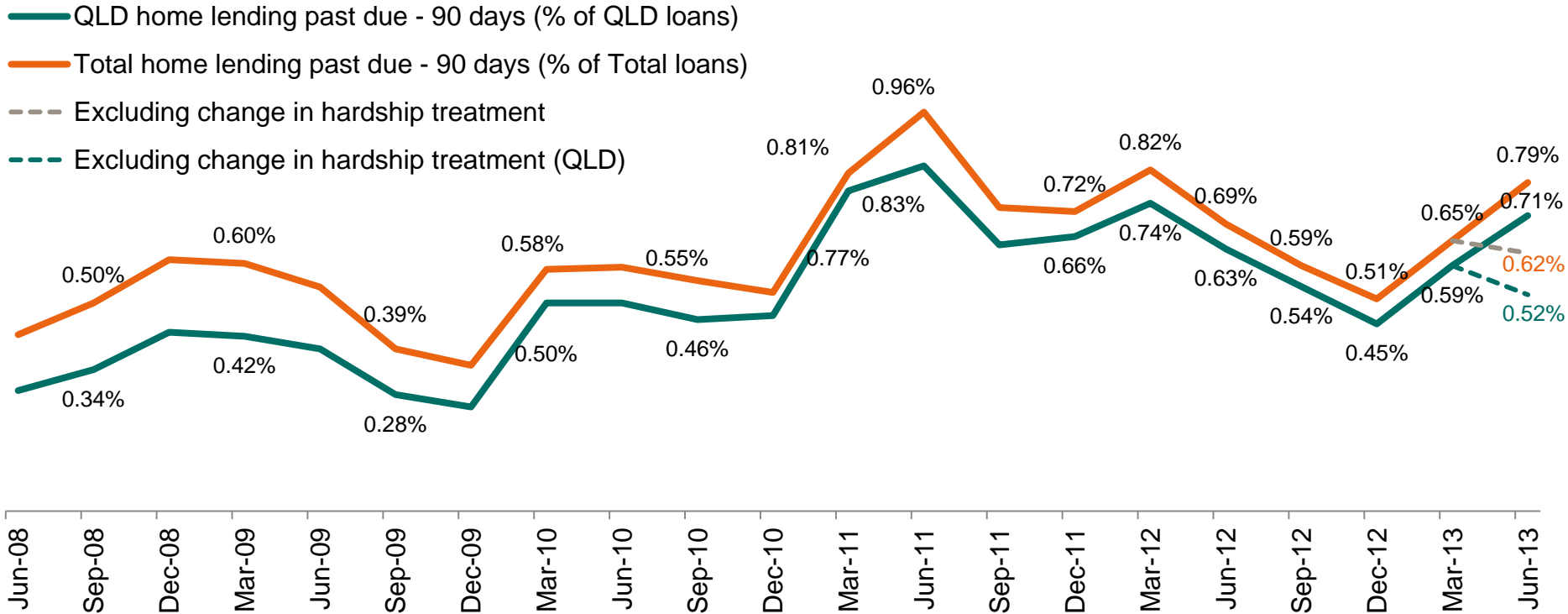
Suncorp long-term catastrophic loss experience

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



# Core Bank - credit quality

## Past due loans impacted by methodology change

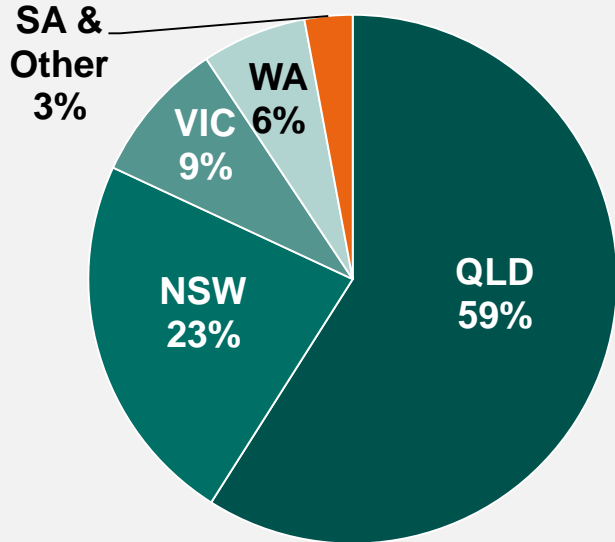




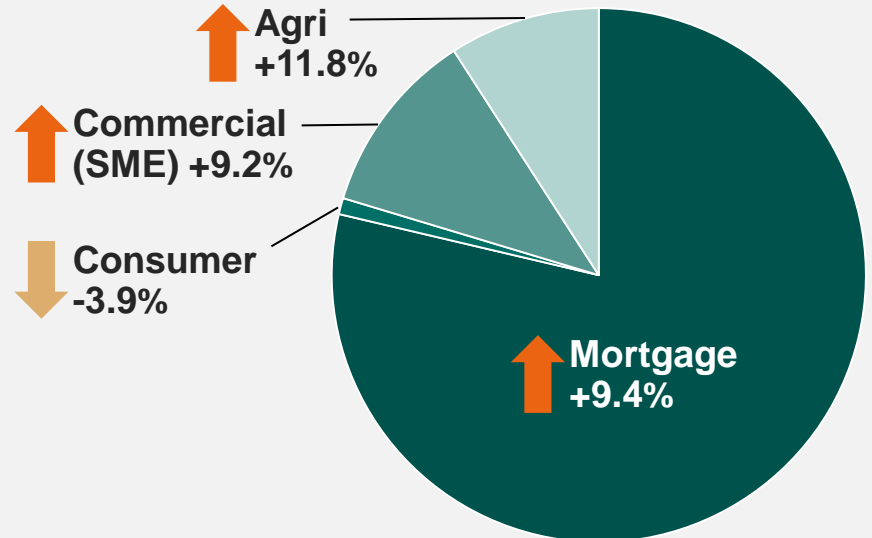
# Core Bank

Strong growth across all key segments

## Geographic Split



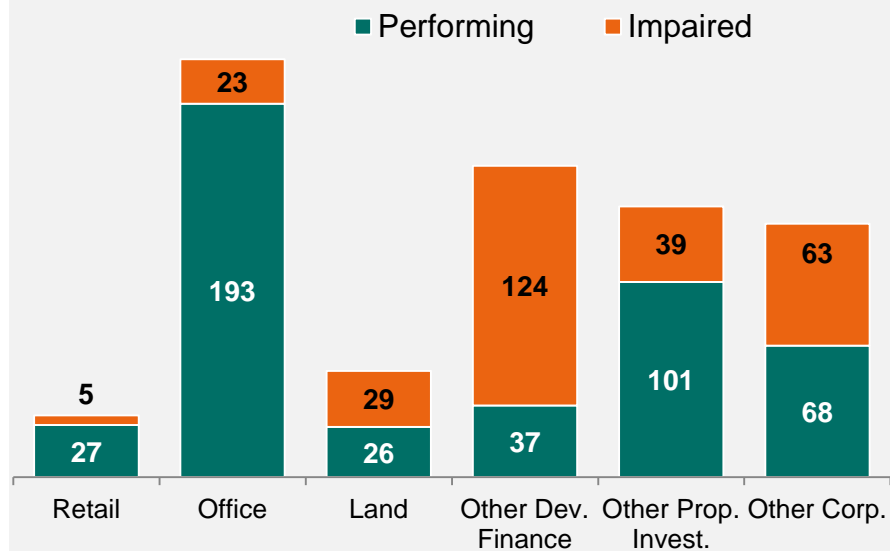
## Core lending assets (\$47.5bn) up 9.5%



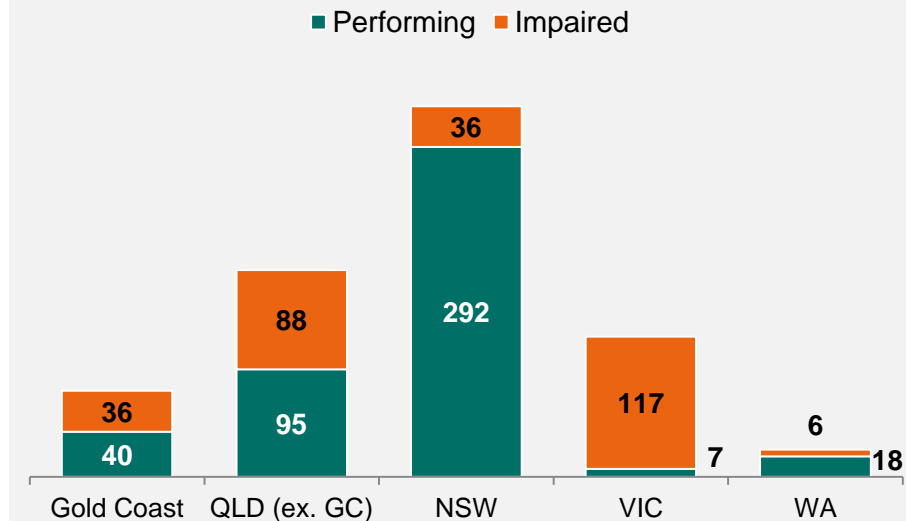
# Residual Non-Core

Residual loans \$735 million as at 30 June 2013

## ... by segment



## ... by geography

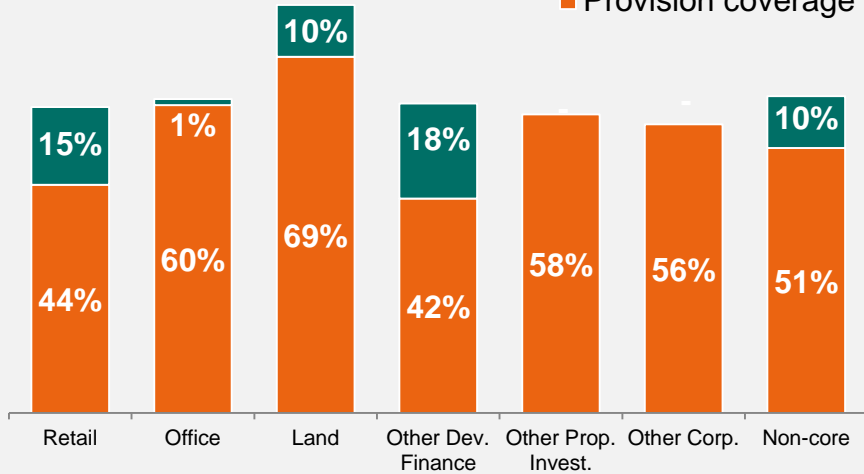


# Residual Portfolio

Well provisioned with continued run-off expected

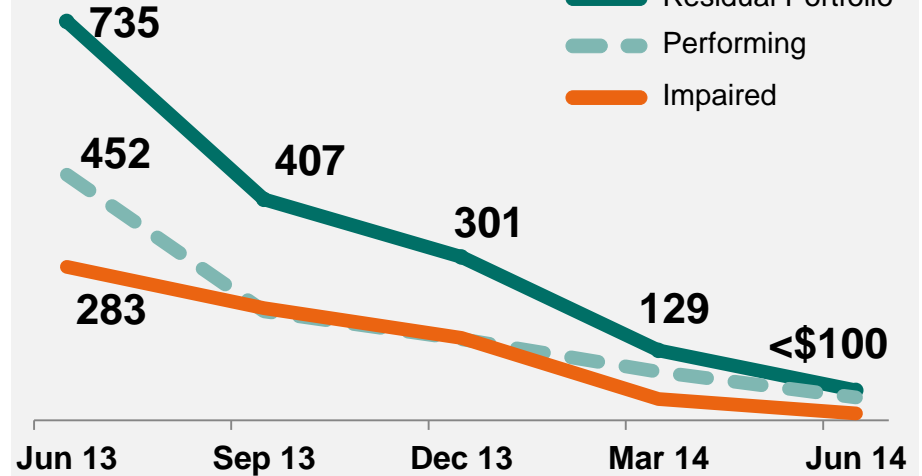
## Well provisioned

■ Additional coverage  
■ Provision coverage

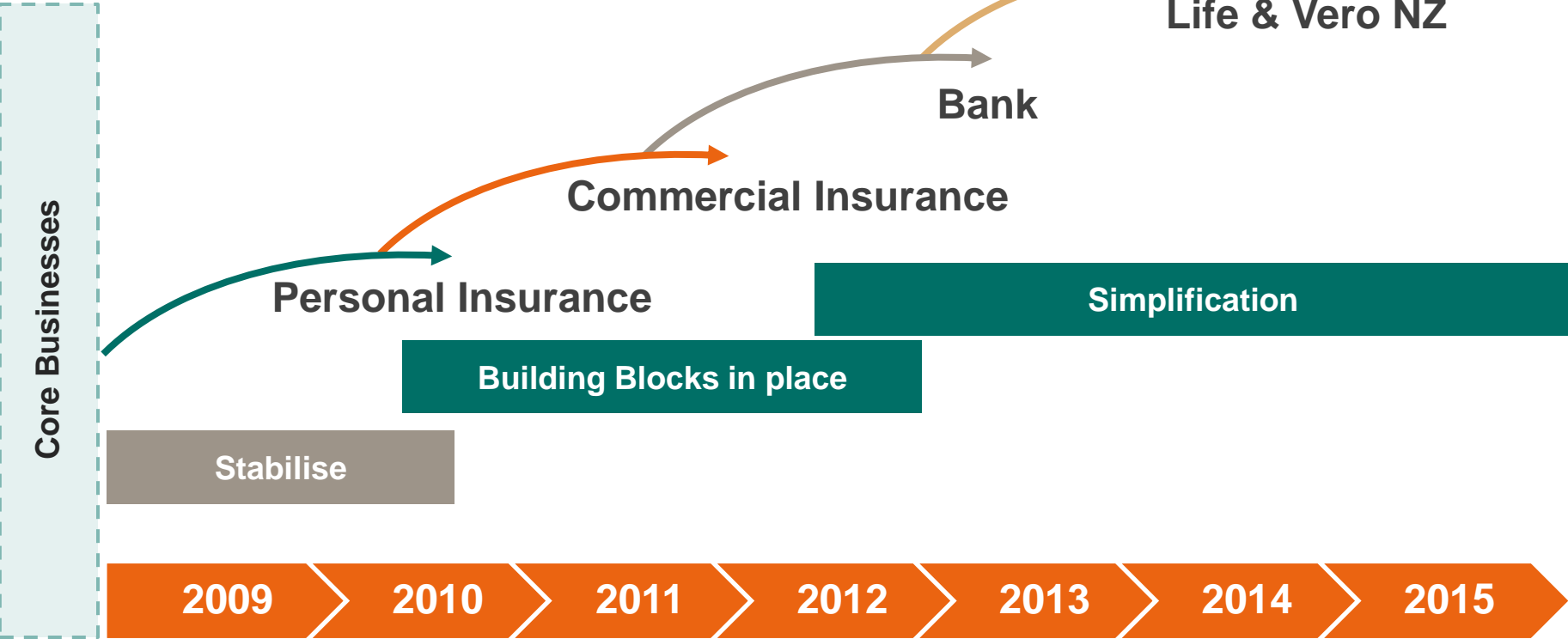


## Residual expected run-off (\$m)

— Residual Portfolio  
- - - Performing  
— Impaired



# Suncorp transformation



# Important disclaimer

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