



# Suncorp Group Limited

Financial results for the half year ended 31 December 2013

1

# Suncorp results presentation

## Agenda

**Results & operational highlights**

**Patrick Snowball**

**CFO report**

**Steve Johnston**

**Outlook**

**Patrick Snowball**

**Q & A**

**Suncorp Leadership Team**

2



# Introduction

**Patrick Snowball**  
Chief Executive Officer, Suncorp Group Limited

# Suncorp's strategic priorities

## Relentless execution

### Strategy

- Building Blocks
- Simplification
- Non-core Bank resolution
- NOHC
- Increased reinsurance (Queensland Quota-share and Life Risk)
- Exit from unfavourable markets (Life Group, Farm Insurance, Aviation etc)

### Delivering

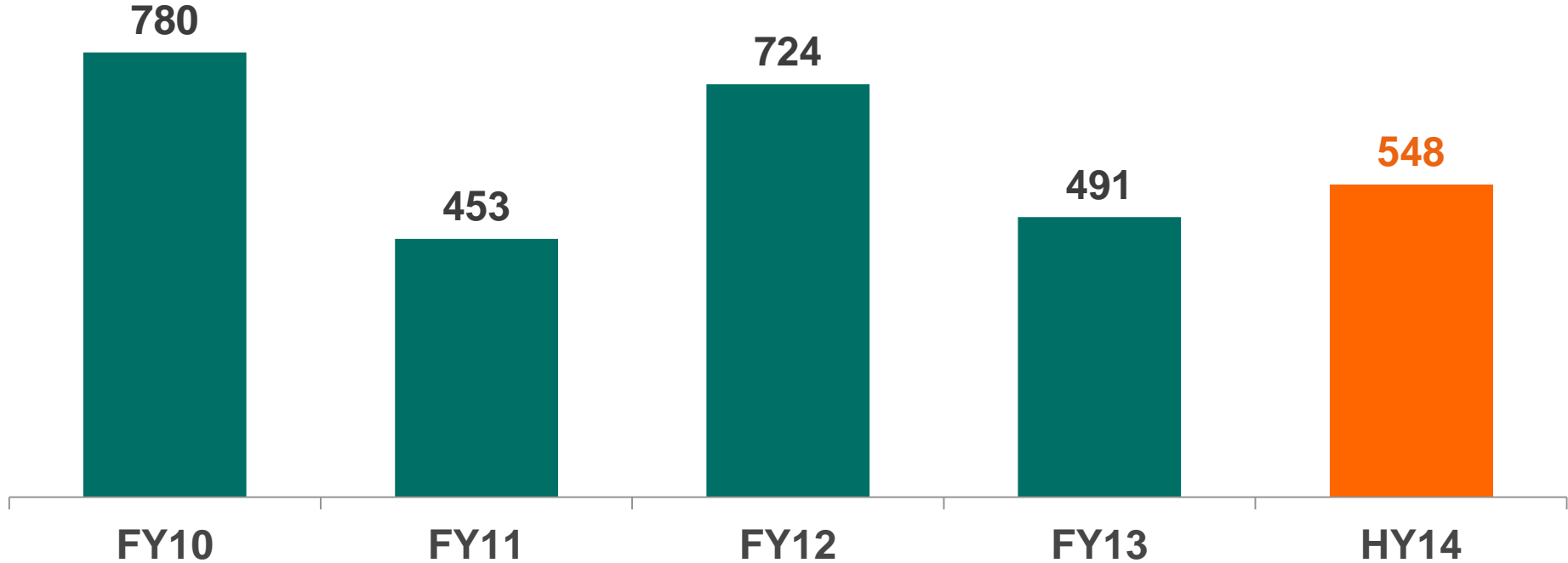
- Underlying ITR >12%
- Flat expense base
- De-risked balance sheet
- Increased ordinary dividends
- Capital returns
- Reduced volatility

### Commitments

- 10%+ ROE
- Underlying ITR >12%
- Growth 7% to 9%
- \$225 million Simplification benefits
- 60% to 80% dividend payout ratio
- Continue to return surplus capital
- Strategic value of 4C's

# Suncorp Group NPAT (\$m)

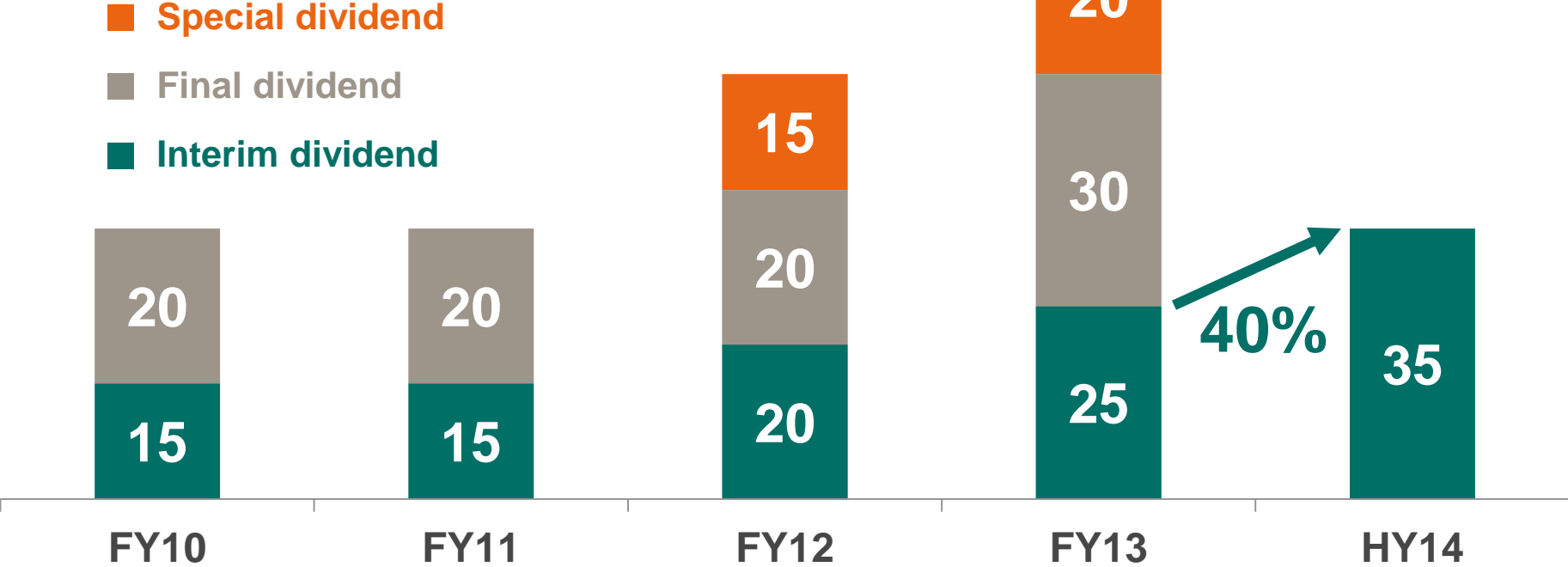
Building Blocks delivering and Non-core resolved



5

# Dividend

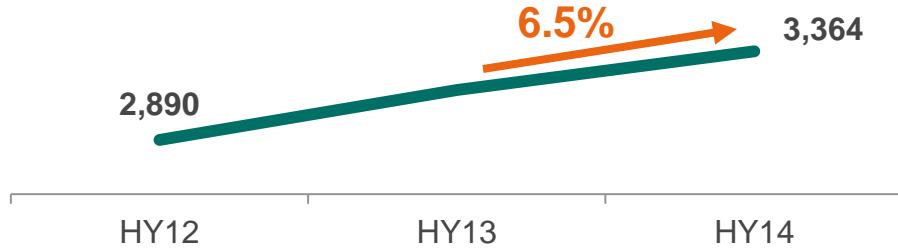
Interim dividend up 40%



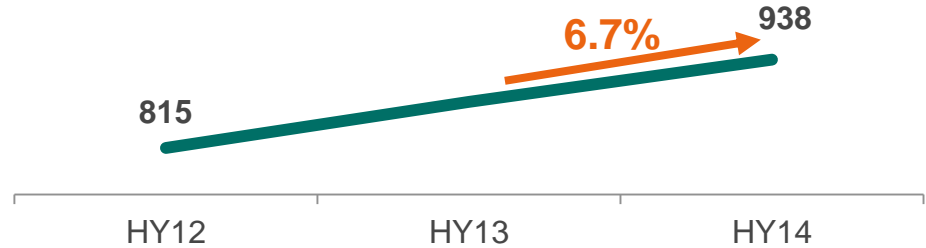
# Top line growth

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

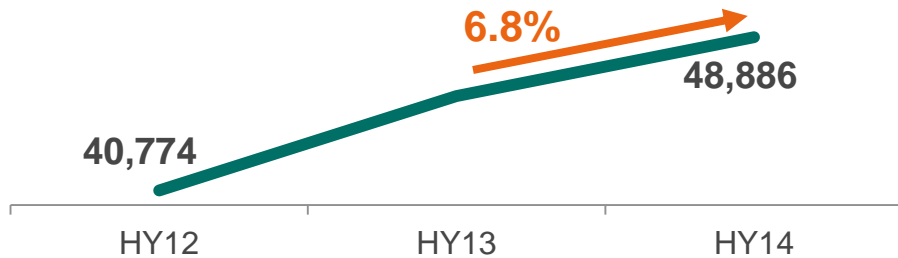
### Short tail GWP\*



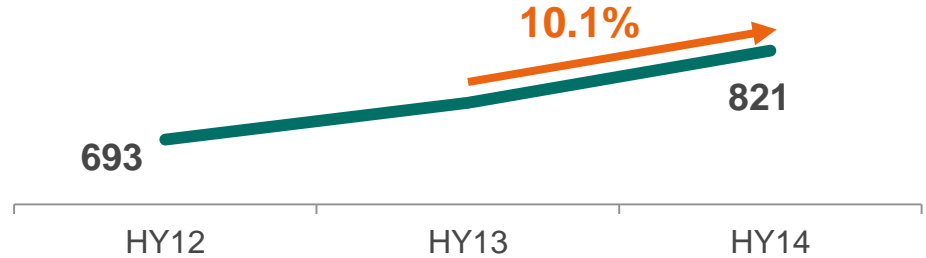
### Long tail GWP\*



### Retail and Business Bank lending



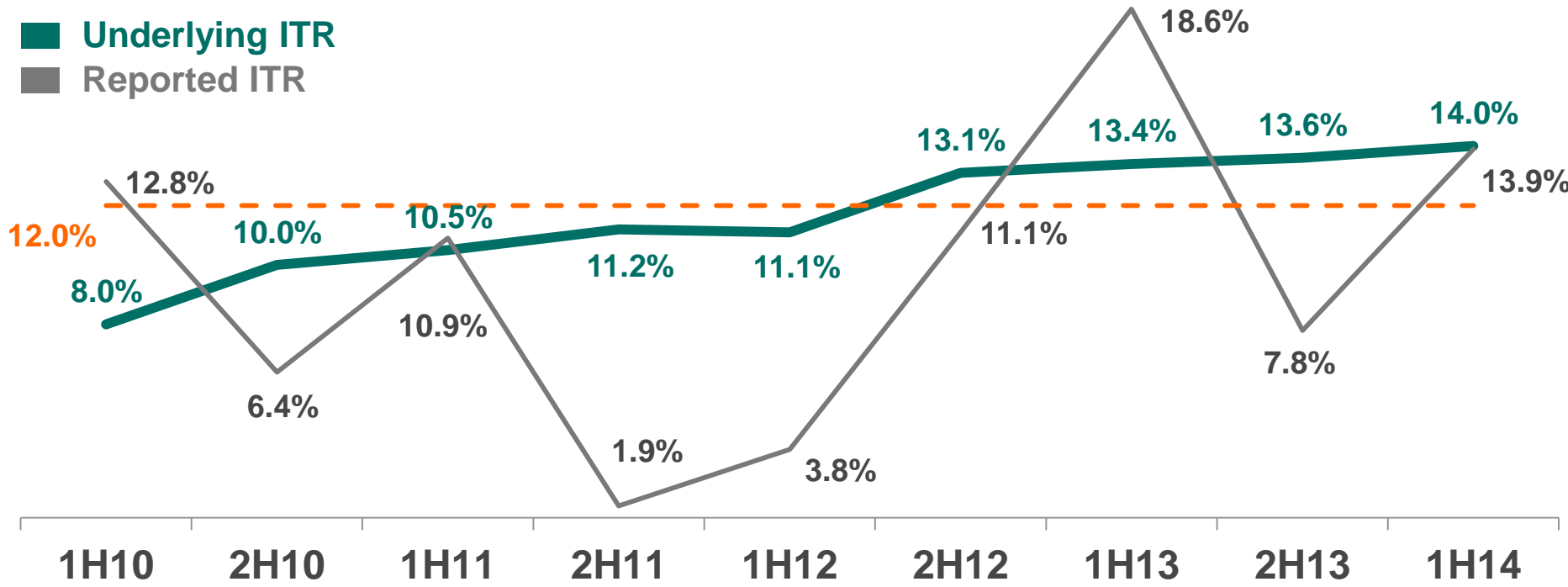
### Suncorp Life individual in-force business



# Underlying and Reported ITR

## Building Blocks and Simplification delivering

■ Underlying ITR  
 ■ Reported ITR





# HY14 result overview (\$m)

	HY14	HY13	%Δ
General Insurance	470	564	(17)
Bank	105	4	large
Suncorp Life	22	51	(57)
<b>Business line NPAT</b>	<b>597</b>	<b>619</b>	<b>(4)</b>
Other profit and acquisition amortisation	(49)	(45)	9
<b>NPAT</b>	<b>548</b>	<b>574</b>	<b>(5)</b>

9



# Financial results

**Steve Johnston**  
Chief Financial Officer, Suncorp Group Limited

# Suncorp's shareholder focus

## 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

- Target 7% to 9% per annum growth across the business lines
- Multi-brand, multi-channel approach leveraging the Group's 9 million customers
- Ability to recycle efficiencies into growth in low risk market segments

11

# Suncorp priorities

## HY14 focus

- Deliver the benefits of Simplification
- Manage General Insurance franchise and prioritise margins
- Transition the Bank post Non-core
- De-risk and reduce capital consumption of Suncorp Life
- Balance sheet discipline

# General Insurance

**NPAT of \$470 million**

\$m	HY14	Consensus	%Δ
Gross written premium	4,380	4,486	(2)
Gross written premium (ex FSL)	4,302		
Net earned premium	3,865	3,843	1
Net incurred claims	(2,608)	(2,578)	1
Operating expenses	(899)	(915)	(2)
Investment income - insurance funds	179	184	(3)
<b>Insurance trading result</b>	<b>537</b>	<b>534</b>	<b>1</b>
Investment income - shareholder funds	141	142	(1)
<b>NPAT</b>	<b>470</b>	<b>470</b>	<b>-</b>
<b>Reported ITR</b>	<b>13.9%</b>	<b>13.9%</b>	<b>-</b>

13

# Gross Written Premium

## Up 6.6% excluding Fire Service Levies

Product	HY14 (\$m)	%Δ	Factors
Motor	1,412	4.8	Unit and premium growth in a competitive market
Home	1,230	8.9	Premium increases with some unit reduction in QLD
Commercial	1,008	6.2	Growth with continued underwriting discipline
CTP	505	8.1	Strong growth in NSW and ACT
Workers' comp & other	147	1.4	Price increases, new business and improved retention
<b>Total</b>	<b>4,302</b>	<b>6.6</b>	
Australia	3,734	4.5	
New Zealand	568	22.4	9.0% in NZD terms

# Claims experience

## Short tail and long tail

Date	Event	Net costs \$m
Sep 2013	NZ Canterbury storms	15
Oct 2013	Victorian wind	10
Oct 2013	NSW bushfires	63
Oct 2013	NSW Central Coast hail	23
Nov 2013	NSW/QLD storms	66
Nov 2013	Gold Coast hail	34
	Other natural hazards attritional claims	120
<b>Total</b>		<b>331</b>
Less: allowance for natural hazards		(282)
Natural hazards costs above allowance		49

### Reserve releases:

- Net \$56 million
- Broadly in-line with long-term expectation of 1.5% of NEP
- NZ earthquake strengthening of AUD\$27 million

# Investment assets

## Low yields with credit spread gains

### Insurance funds

- \$9.1 billion
- Investment income \$179 million
- Underlying yield 3.6%
- MTM gains of \$49 million from narrowing credit spreads
- Returns of \$33 million on index linked bonds

### Shareholder funds

- \$3.3 billion
- Investment income \$141 million
- Underlying yield 4.1% on fixed income
- MTM gains of \$21 million from narrowing credit spreads
- Income from equities \$79 million

**78% of fixed interest investments rated 'AA' or above**



# General Insurance

## Overview

- General Insurance NPAT \$470 million
- GWP up 6.6%
- Underlying ITR of 14.0%, Reported ITR of 13.9%
- Delivered on the 'meet or beat' 12% Underlying ITR target
- Natural hazard claims \$49 million above allowance
- Reserve releases of \$56 million

# Suncorp Bank

## Absorbing Non-core impacts

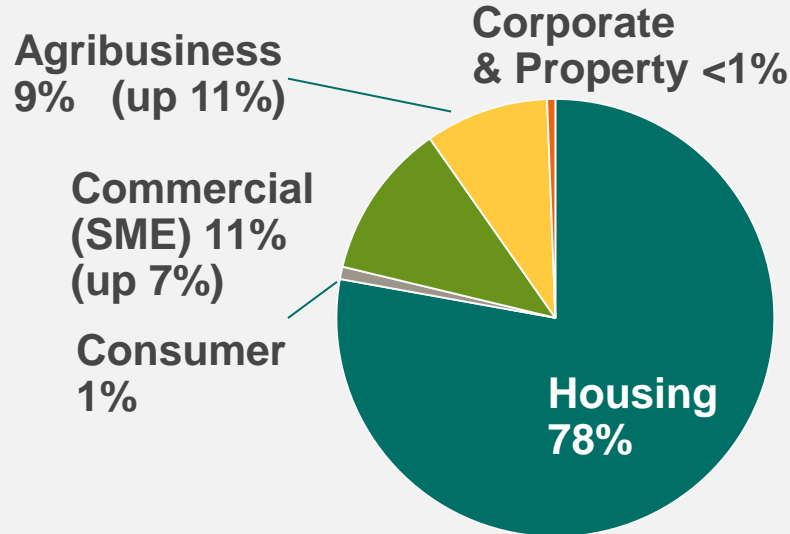
\$m	HY14	Consensus	%Δ
<b>Net interest income</b>	<b>492</b>	<b>486</b>	<b>1</b>
Non-interest income	20	41	(51)
Operating expenses	(305)	(300)	2
<b>Profit before impairment losses</b>	<b>207</b>	<b>227</b>	<b>(9)</b>
Loss on sale of loans and advances	(13)	-	n/a
Impairment losses on loans and advances	(45)	(37)	22
<b>Profit before tax</b>	<b>149</b>	<b>190</b>	<b>(22)</b>
Income tax	(44)	(59)	(25)
<b>NPAT</b>	<b>105</b>	<b>131</b>	<b>(20)</b>

18

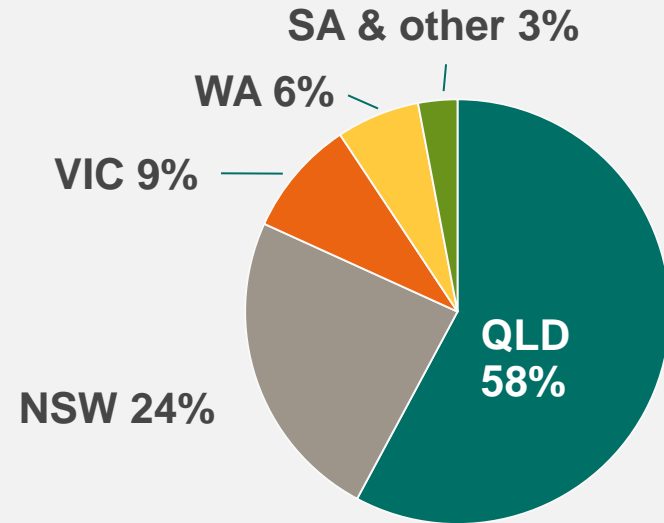
# Lending assets of \$49.2 billion

## Improved geographical diversification

### Product split



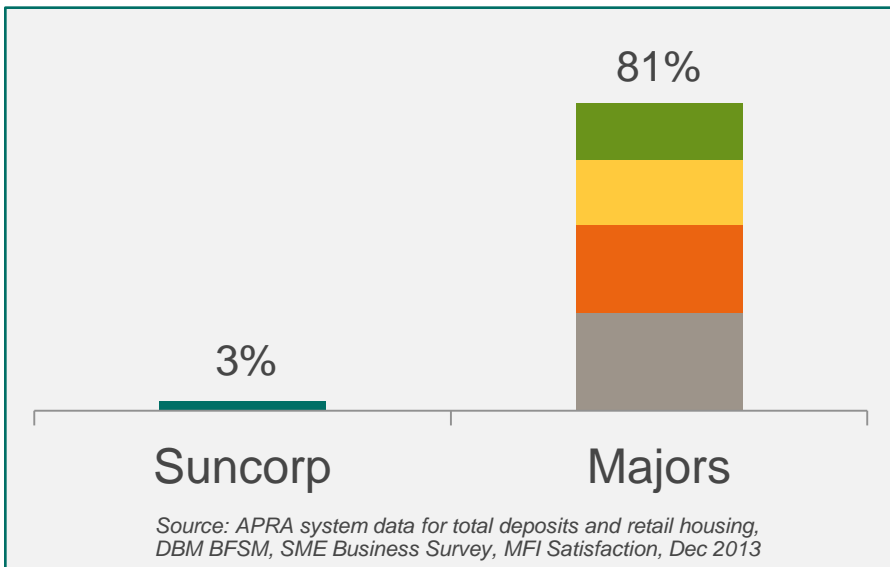
### Geographic split



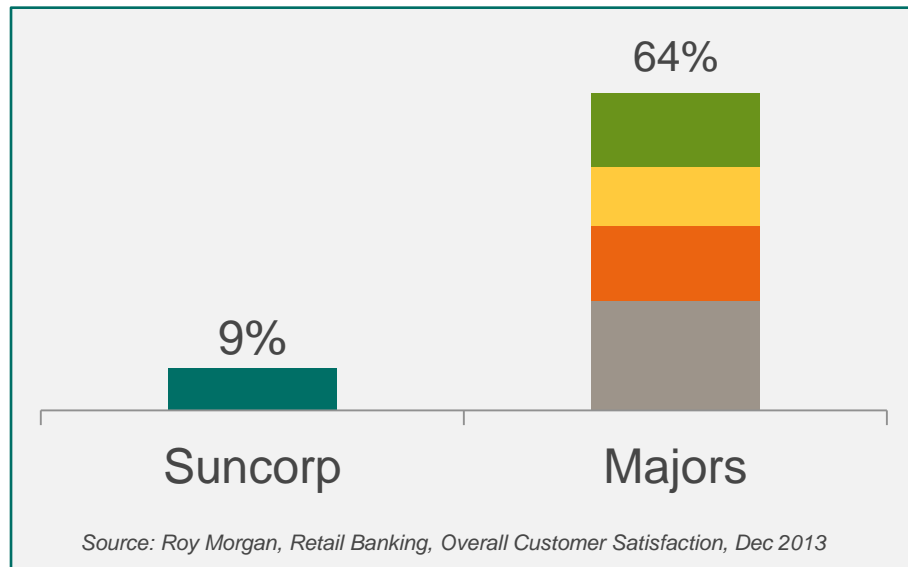
# Suncorp market share

## Opportunities to refocus on QLD market

### National market share



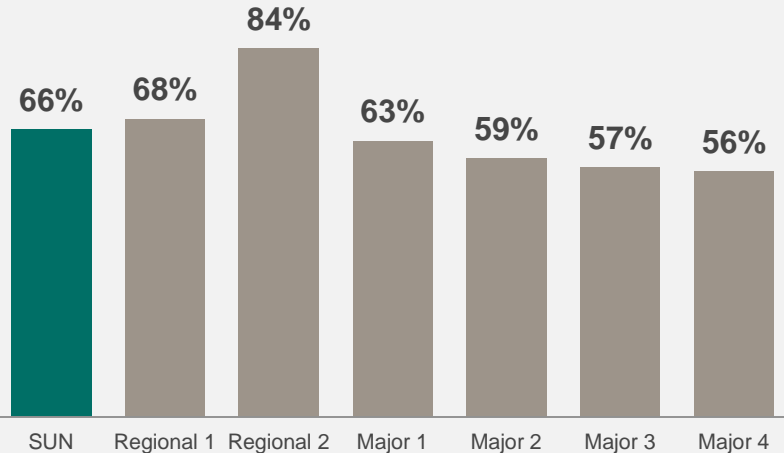
### Retail market share in QLD



# Funding and Liquidity

## Conservative balance sheet

### Deposit to loan ratio



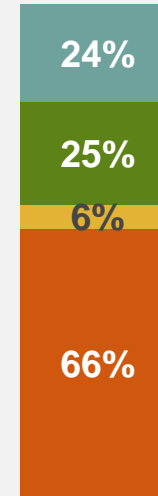
Source: Company reports for financial year 2013  
Regional bank data is reported group ratios and majors data retail and business division only

### Balance sheet components

#### Assets



#### Liab + Equity

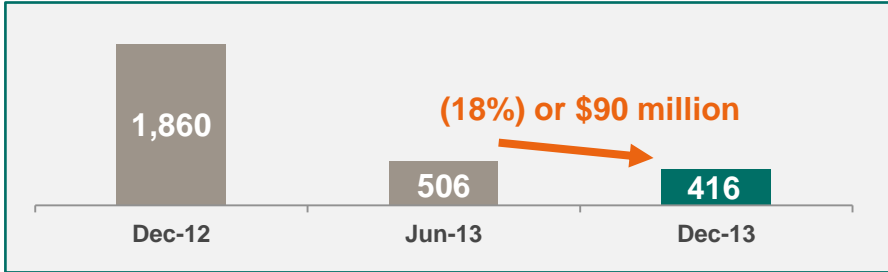


- Short-term wholesale
- Long-term wholesale
- Equity & other
- Retail deposits
- Liquid assets
- Lending

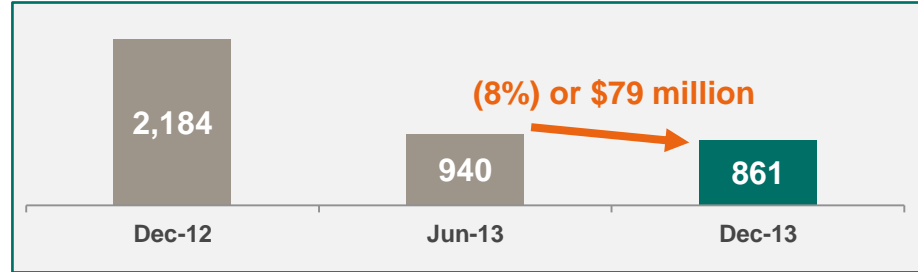
# Credit quality

## Reduced impaired assets and non-performing loans

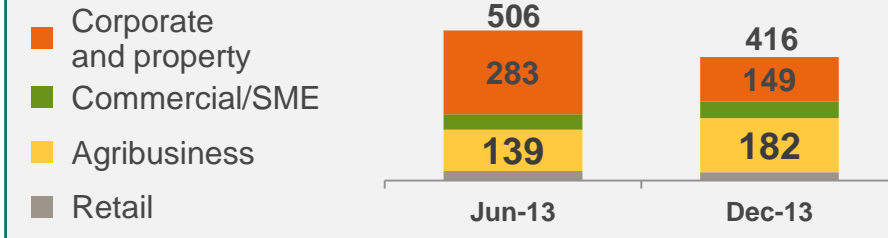
### Gross impaired assets



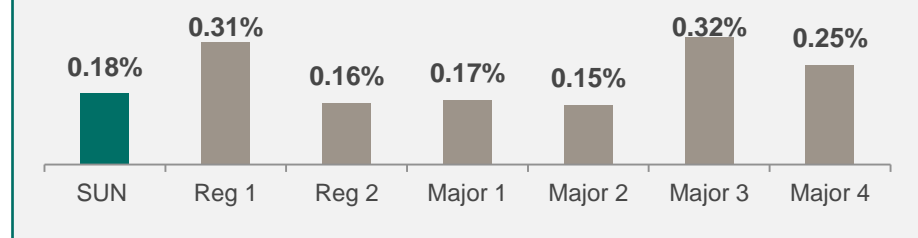
### Non-performing loans



### Impaired assets by segment



### Impairment losses to gross loans



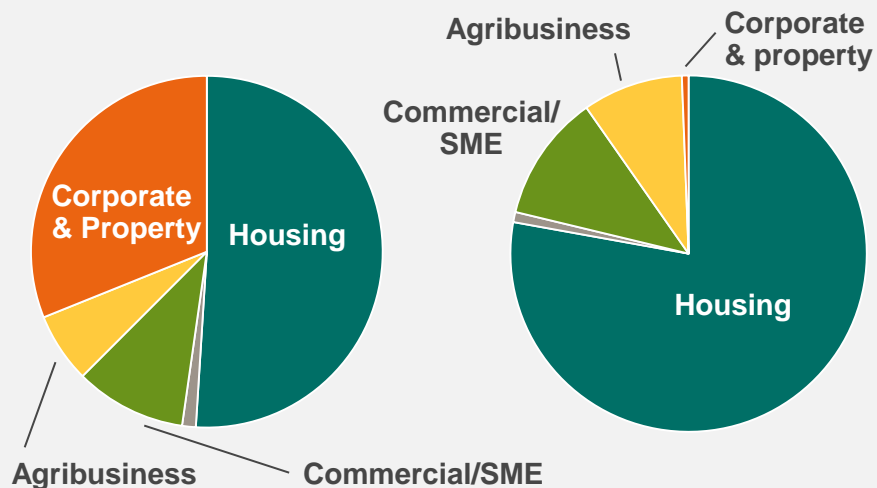
# Suncorp Bank

## De-risked with growth levers

### Product split

Jun-08: \$55.2 billion

Dec-13: \$49.2 billion



### Building key differentiators

Basel II advanced accreditation

Banking platform

Maintain A+/A1 credit rating

# Suncorp Life overview

## Improved capital efficiency

\$m	HY14	Consensus	%Δ
Underlying profit after tax	41	59	(31)
Market adjustment after tax	(19)	(16)	19
Life profit after tax	22	43	(49)

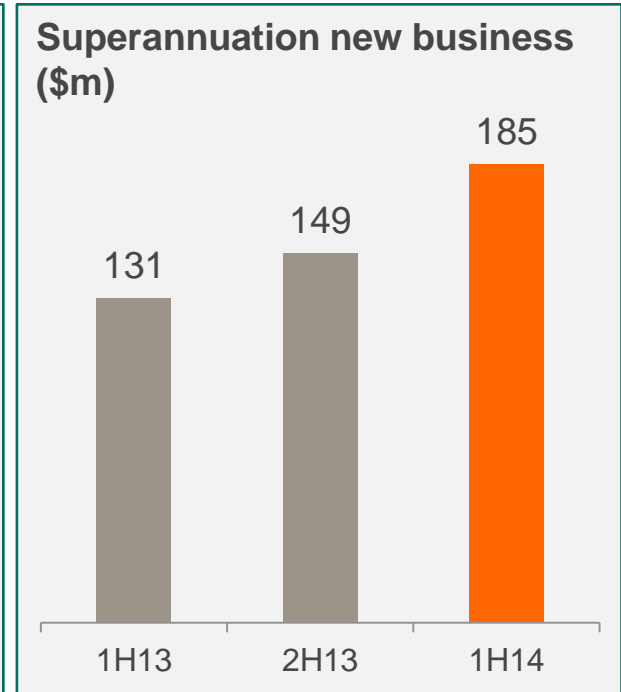
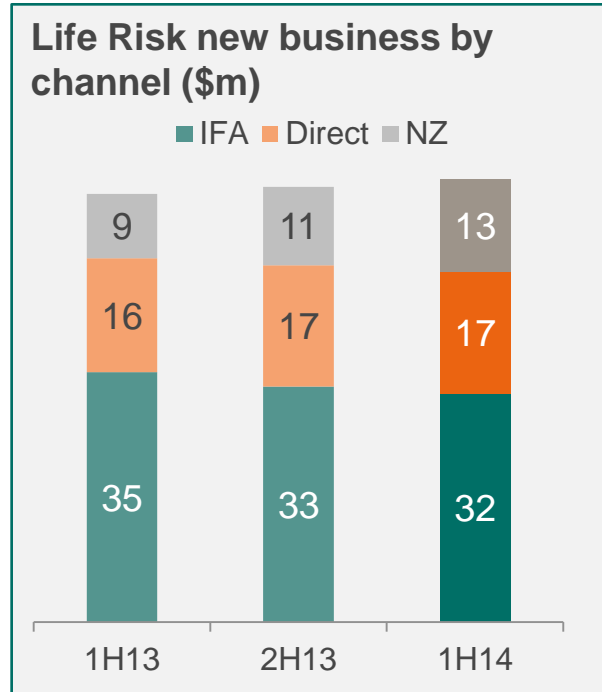
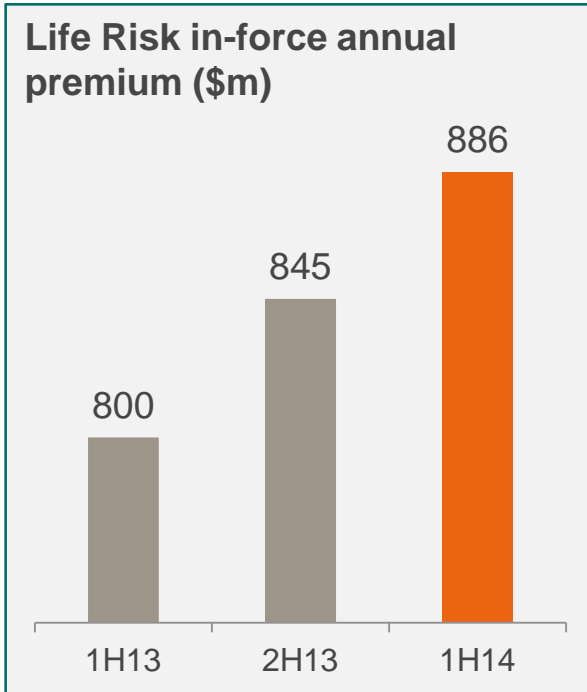
- Shift in capital efficiency resulting in \$535 million capital return to Group
- Life Risk inforce annual premiums up 10.8% to \$886 million
- Direct new business sales up 6.3% to \$17 million with distribution now managed in-house
- Super business up 41% driven by Everyday Super
- Reduction in planned margins reflects strengthened assumptions and additional reinsurance
- Disability claims experience negative \$10 million, lapse experience negative \$17 million
- New Zealand business performed strongly

24



# Suncorp Life

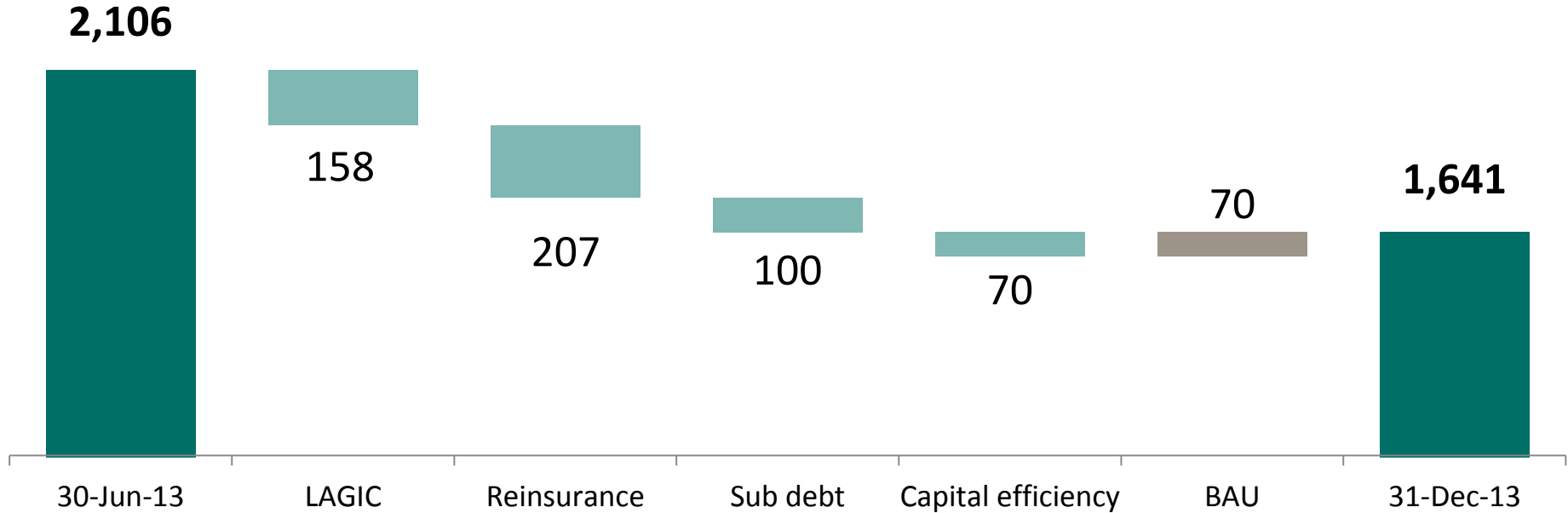
## Growth in Life Risk and Superannuation



# Suncorp Life capital

## Contributing to the Group's surplus

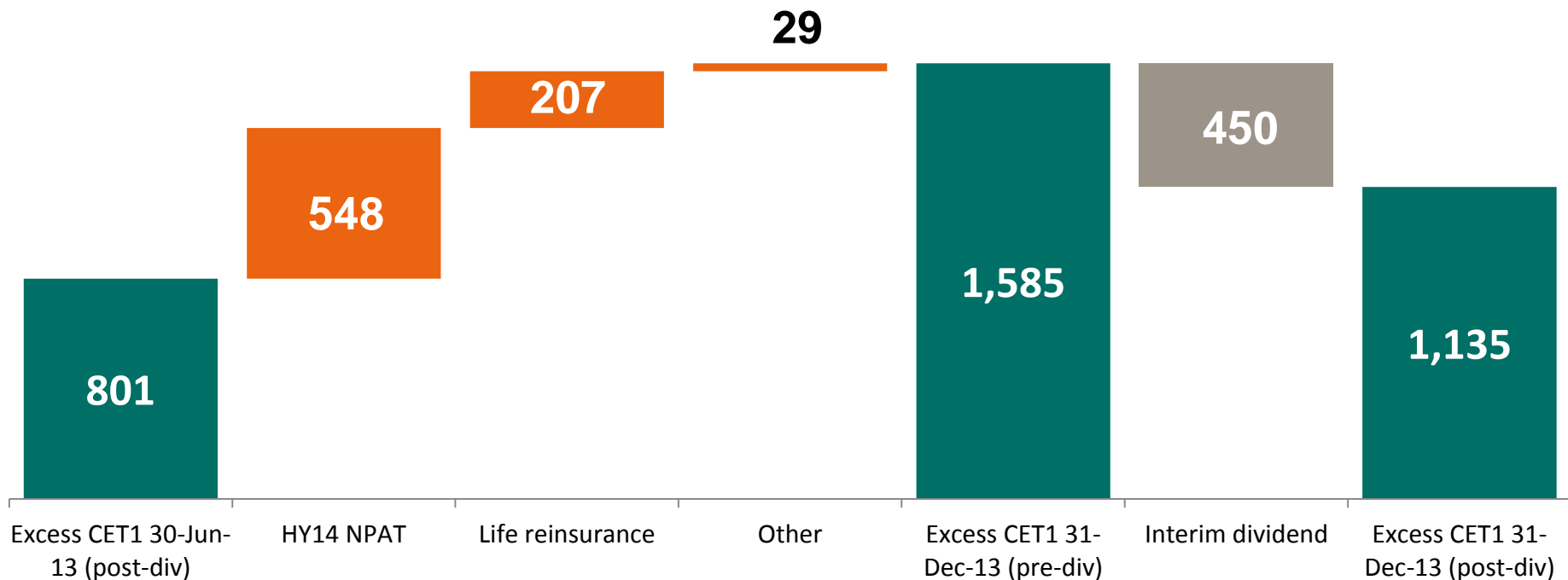
Capital movements (\$m)



26

# HY14 capital movements (\$m)

Group excess to CET1 over \$1.1 billion



27



# Conclusion

**Patrick Snowball**  
Chief Executive Officer, Suncorp Group Limited

# Outlook

## Focus for the remainder of 2014

### General Insurance

- 'Meet or beat' 12% underlying ITR
- Balance margin and growth
- Capitalise on any market disruption from market consolidation

### Bank

- Growth 1 to 1.3 times system
- NIM heading back to target range of 1.75% to 1.85%
- Cost to income heading back to target range for FY15

### Life

- Focus on direct distribution and Everyday Super
- Manage lapse and claims challenges
- Driving industry structural reforms

### Capital

- Dividend payout ratio range 60% to 80% of cash earnings
- Commitment to return surplus capital

# Suncorp Group

## Key commitments

- 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**

30



# Q&A session





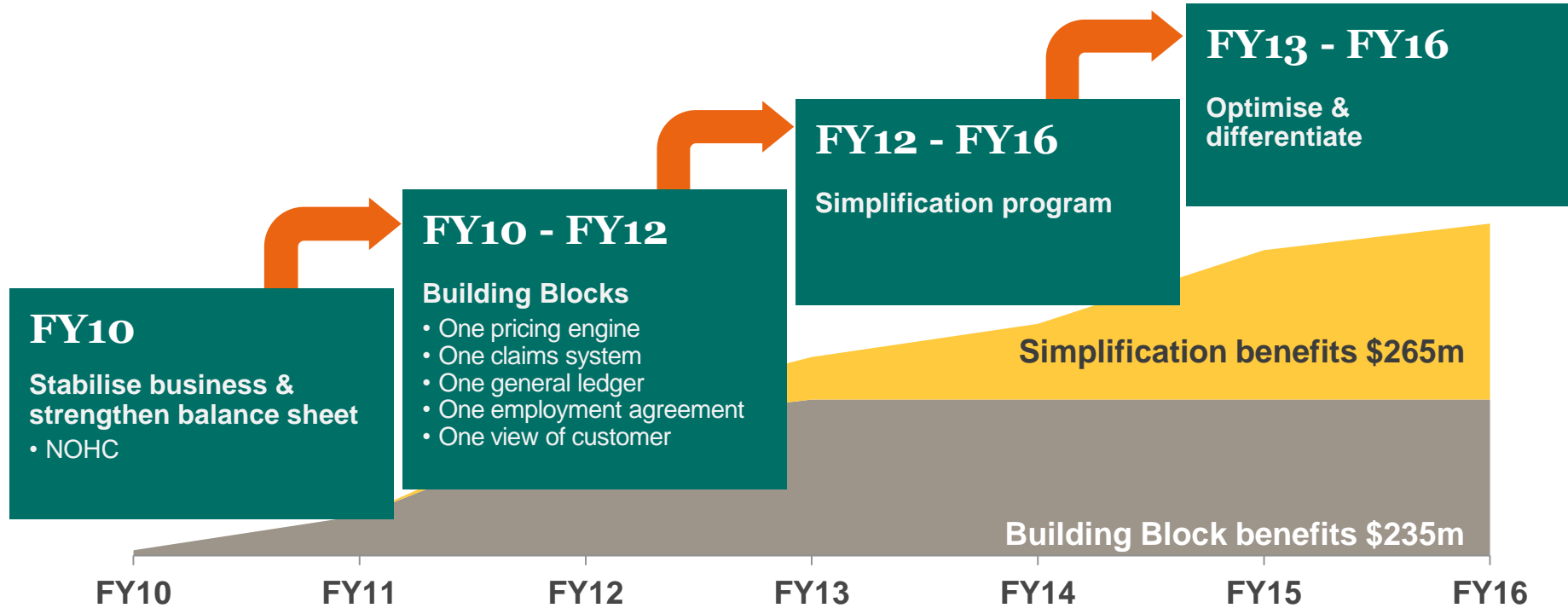
# Supplementary slides





# The Suncorp journey

'4Cs' drive the Group's competitive advantage

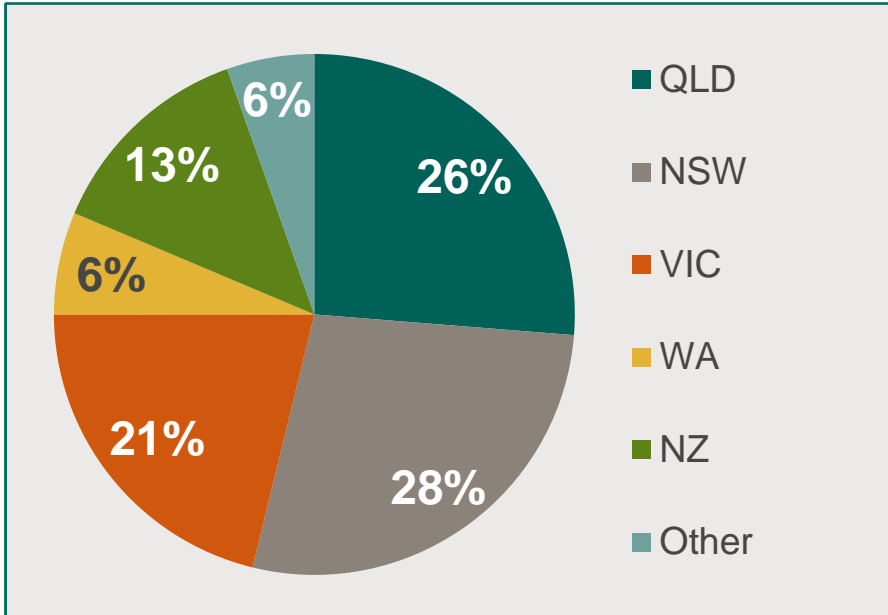


33

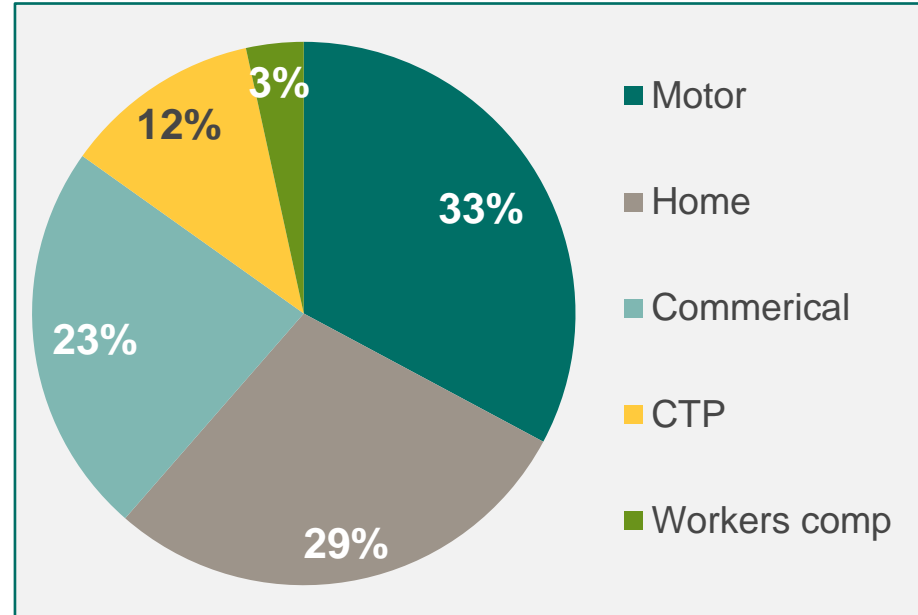
# General Insurance

## A diversified portfolio

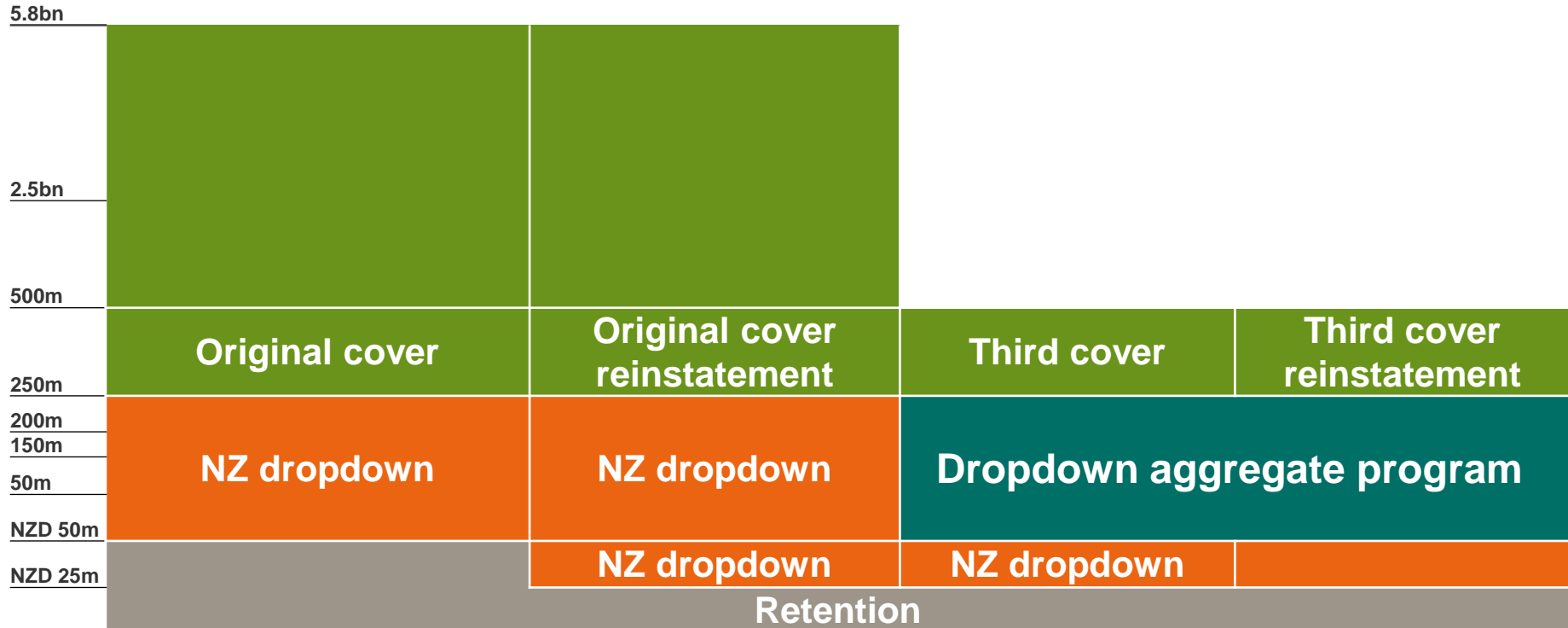
### Geographic split



### Product split

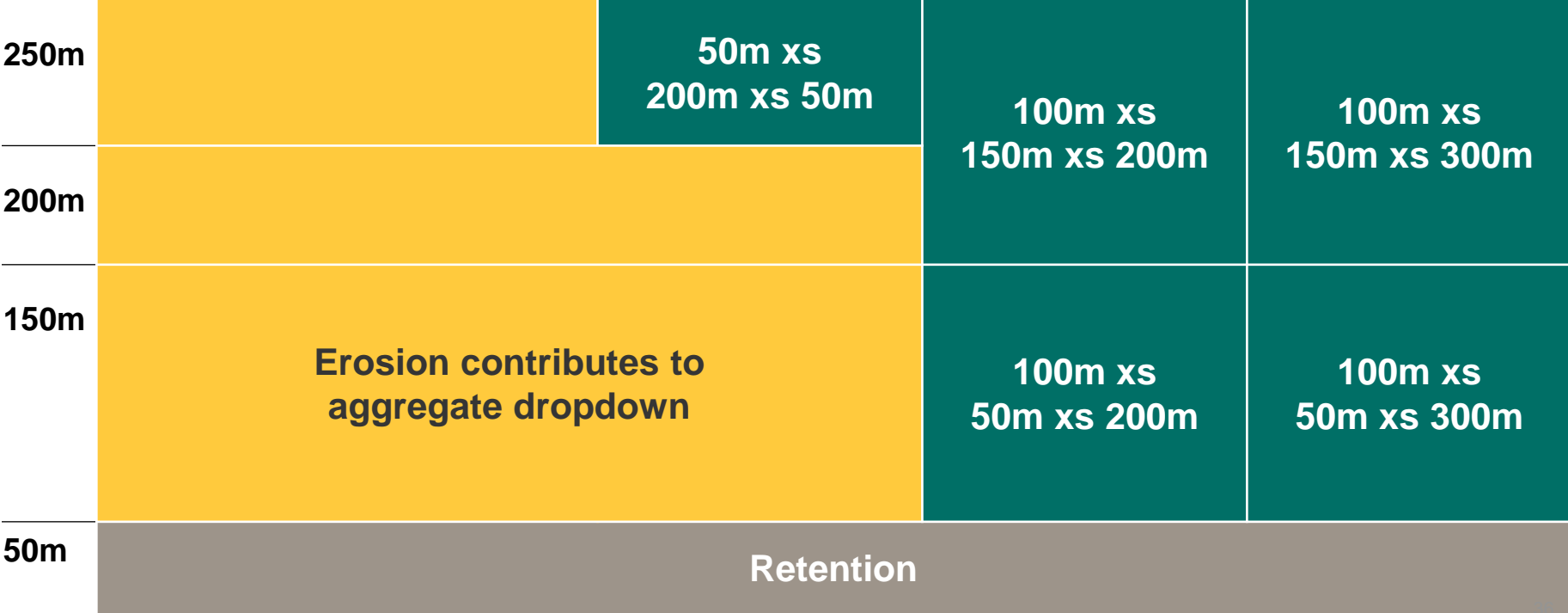


# FY14 Reinsurance program



# FY14 Reinsurance program

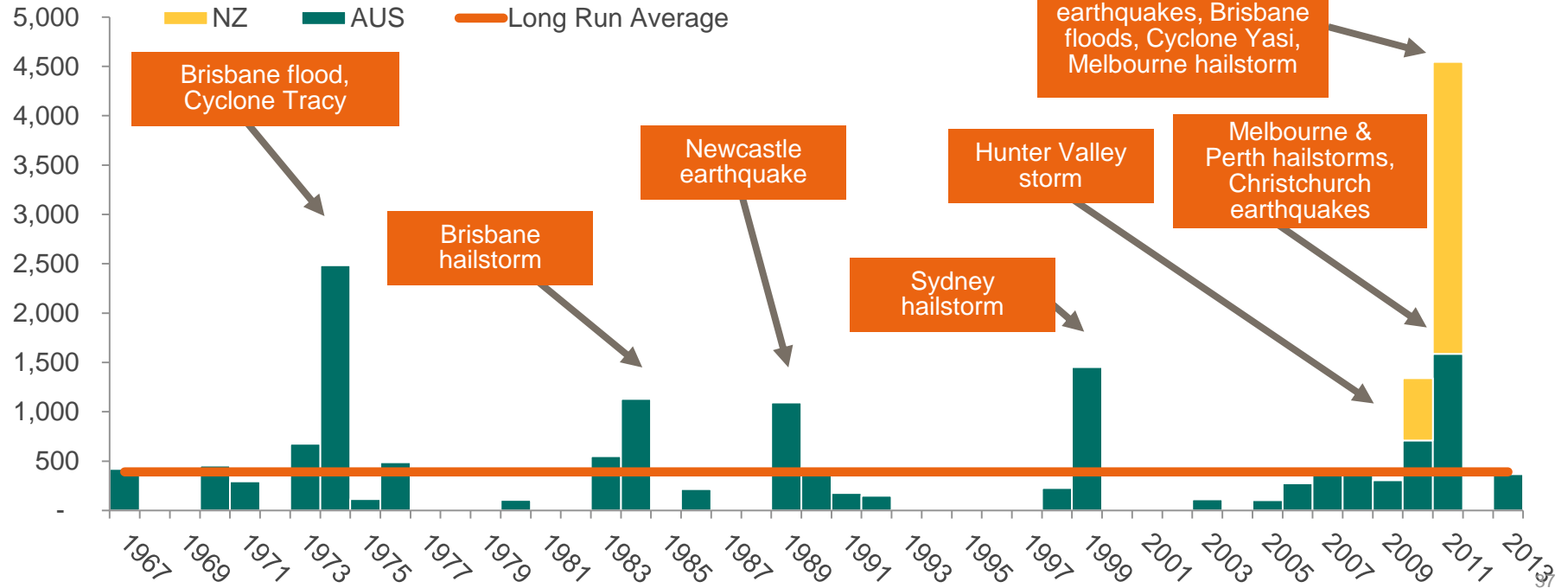
## Drop-down aggregate program



# Natural hazards since 1967

## Suncorp long-term catastrophic loss experience

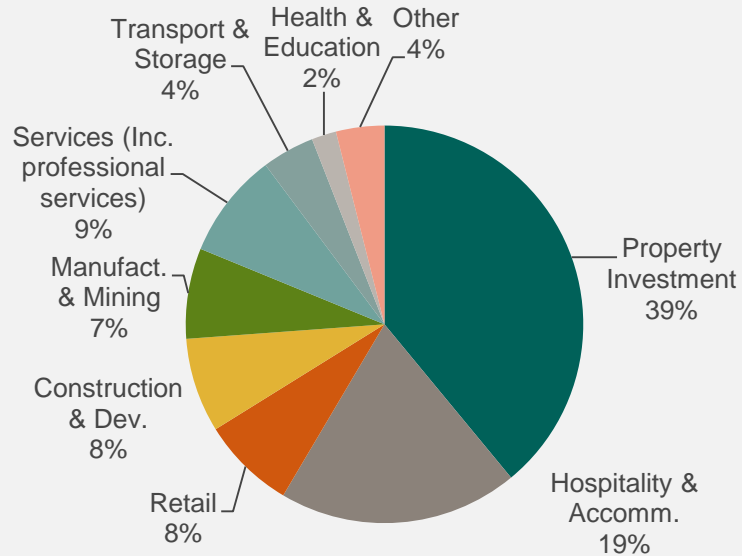
Events greater than \$100m, gross of all reinsurance



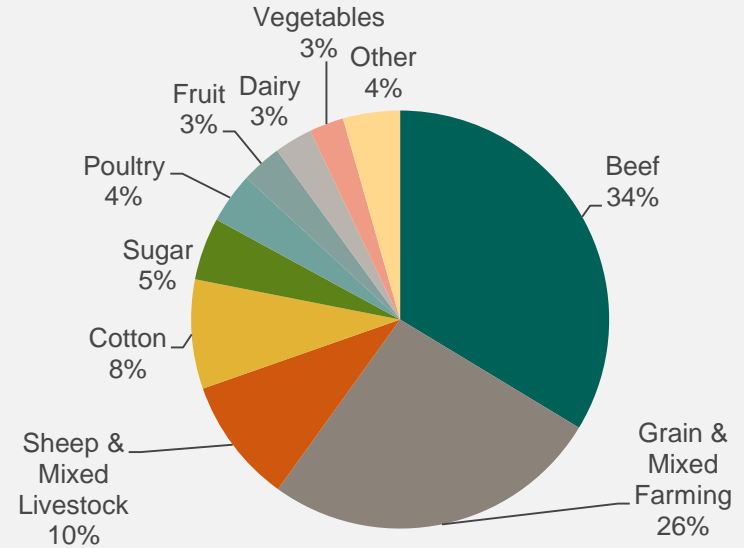
# Suncorp Bank business lending

## Diverse portfolios

### Commercial/SME portfolio



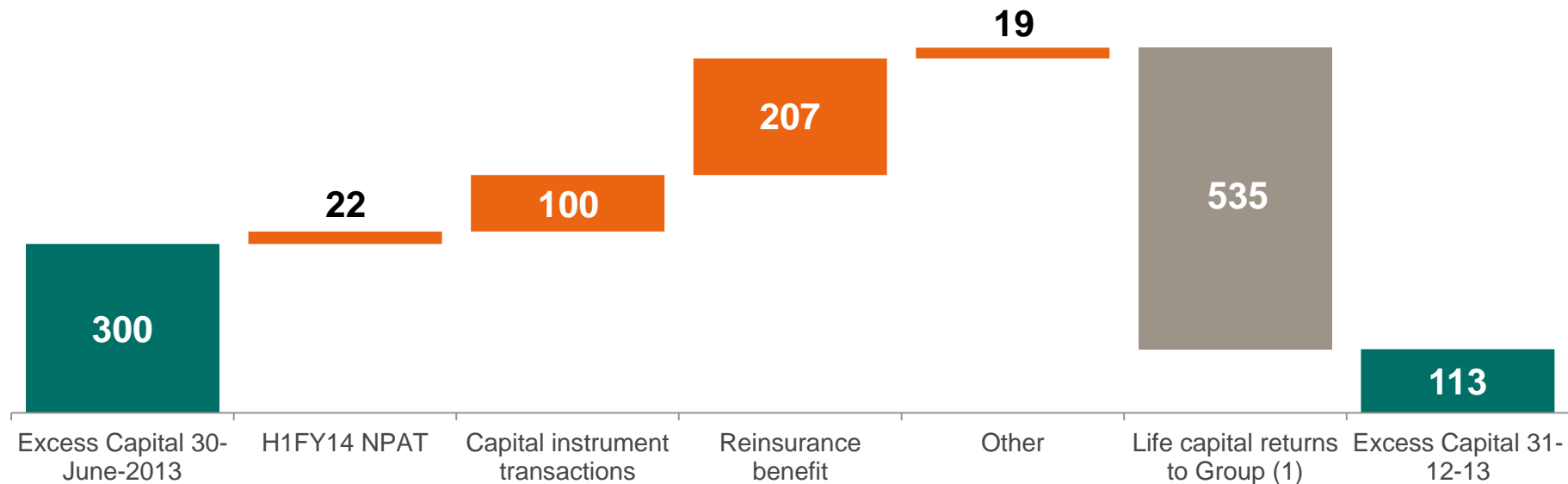
### Agribusiness portfolio



38

# Life Capital

## Contributing to the Group's surplus



(1) Life capital return breakdown:

- \$158m LAGIC benefits

- \$207m excess capital reinsurance benefit

- \$100m CET1 reduction as a result of capital rebalancing (subdebt)

- \$70m excess capital return

# Suncorp Group Capital

**\$1,135 million excess to CET1 targets post dividend**

A\$m	General Insurance	Bank	Life	NOHC and other entities	Suncorp Group total
CET1	3,532	2,535	517	402	6,986
CET1 target	2,348	2,458	404	191	5,401
<b>Excess (pre-div)</b>	<b>1,184</b>	<b>77</b>	<b>113</b>	<b>211</b>	<b>1,585</b>
Dividend					(450)
<b>Excess (post-div)</b>					<b>1,135</b>
CET1 ratios	1.65x	8.25%	1.65x		
CET1 targets	1.10x	8%	Amount equal to sum of PCA plus a target excess		

40



# Important disclaimer

This report contains general information which is current as at 19 February 2014. 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 our 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.

Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

# Contact Details

**Mark Ley**

mark.ley@suncorp.com.au  
+61 2 8121 1221

**Andrew Dempster**

andrew.dempster@suncorp.com.au  
+61 7 3135 2425

**Susan Duncalfe**

susan.duncalfe@suncorp.com.au  
+61 7 3135 3729

**Sam Miller**

samantha.miller@suncorp.com.au  
+61 7 3135 2415

**Nick Perchey**

nick.perchey@suncorp.com.au  
+61 2 8121 9206

One Company  
Many Brands

