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**Suncorp Group Limited**

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An Introduction  
February 2015

1

# Suncorp Group

## Leading financial services brands in Australia and New Zealand

Top 15 ASX listed company

\$19 billion market capitalisation at 10 Feb 2015

\$94 billion in group assets

14,500 employees in Australia and New Zealand

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%** 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
- FY15 top-line growth of 'low single digits'
- Multi-brand, multi-channel approach leveraging the Group's 9 million customers

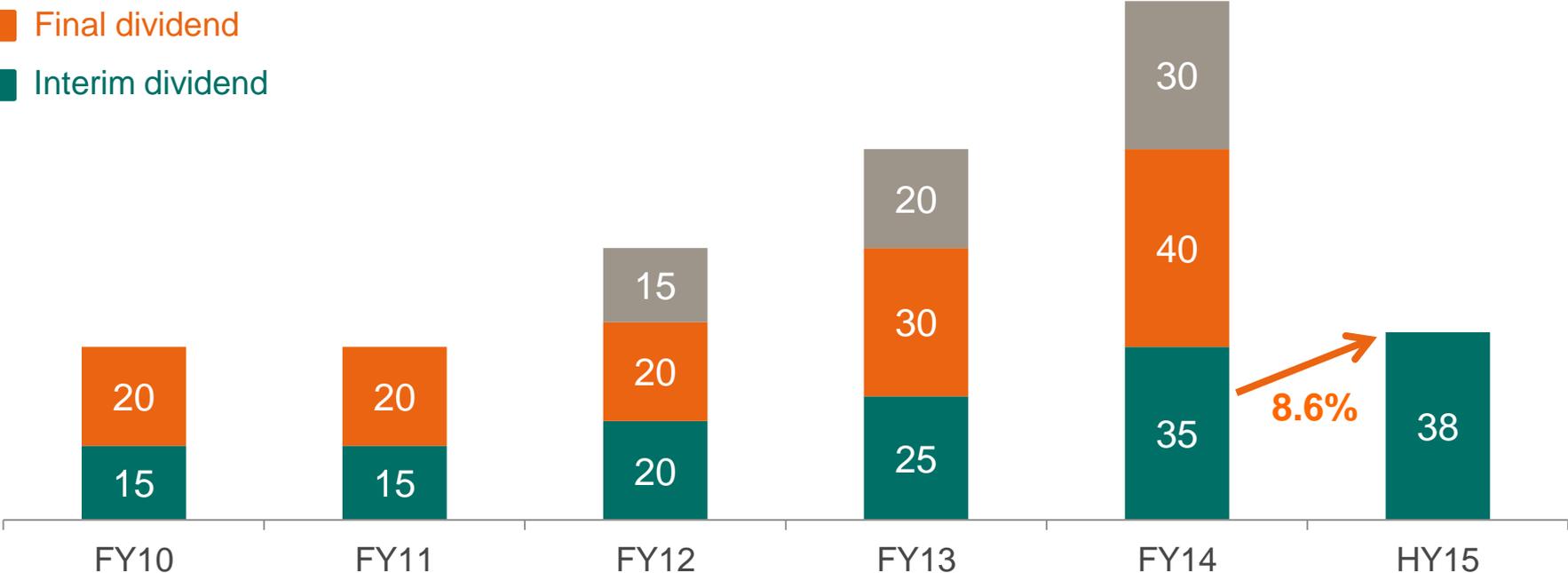
# HY15 result overview (\$m)

	HY15	HY14	%Δ
General Insurance NPAT	419	470	(11)
Bank NPAT	176	105	68
Suncorp Life NPAT	86	22	291
<b>Business lines NPAT</b>	<b>681</b>	<b>597</b>	<b>14</b>
Other	(21)	(10)	110
<b>Cash earnings</b>	<b>660</b>	<b>587</b>	<b>12</b>
Other profit and acquisition amortisation	(29)	(39)	(26)
<b>NPAT</b>	<b>631</b>	<b>548</b>	<b>15</b>

# Dividend

38 cent interim dividend, up 8.6%

- Special dividend
- Final dividend
- Interim dividend



# Suncorp's Strategic Assets

## Our focus

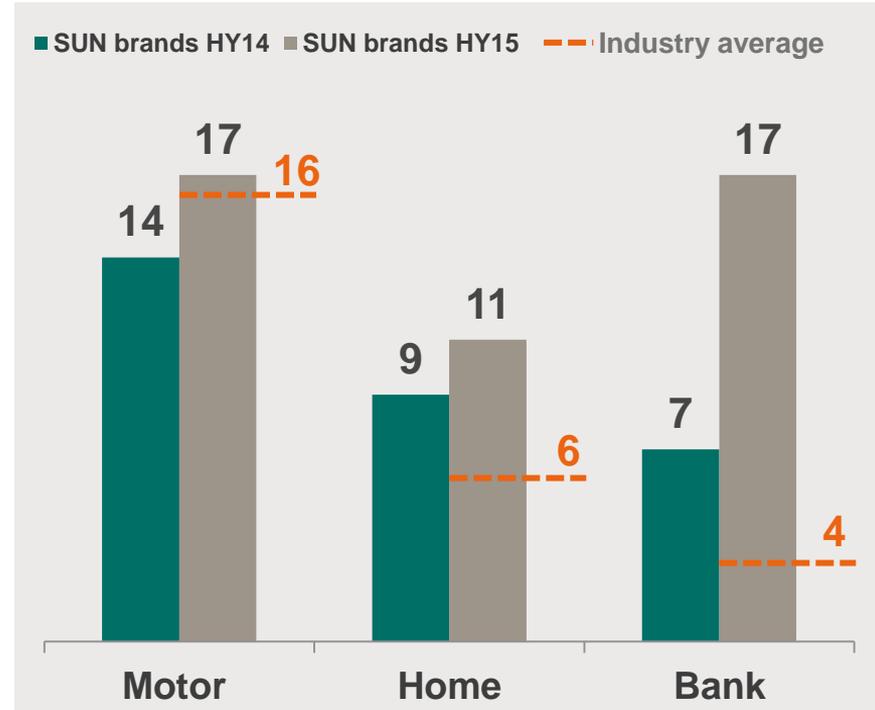
Cost	<ul style="list-style-type: none"><li>• Deliver scale cost benefits on third party <b>procured goods / services</b></li><li>• Share <b>scale on infrastructure</b> (real estate, enterprise technology) and <b>non-unique business services</b></li></ul>
Customer	<ul style="list-style-type: none"><li>• Enhancing the value of <b>9 million customers</b> connections by deepening their relationships with Group brands</li></ul>
Capital	<ul style="list-style-type: none"><li>• Demonstrating a <b>diversification</b> benefit through improved Group Risk Based Capital modelling</li><li>• <b>A+/A1</b> credit rating</li></ul>
Culture	<ul style="list-style-type: none"><li>• Operating as '<b>One Company. Many Brands. One Team</b>'</li></ul>

# Customer

## Strong and growing customer advocacy

### Very strong metrics across the Group

- 3 of the top 4 most advocated national insurance brands
- Improving customer retention
- Brisbane Hailstorm claims satisfaction average score 9 out of 10
- Bank customer satisfaction well above majors
- Vero #2 position with Commercial Insurance brokers



7

# Suncorp Group

## Key commitments

1

Group growth of 'low single digits' in the 2015 financial year

2

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

3

60% to 80% dividend payout ratio

4

Continue to return surplus capital

5

Simplification benefits of \$225 million in the 2015 financial year

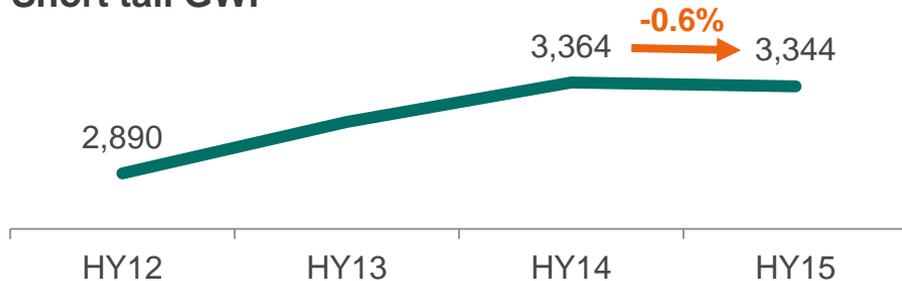
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**Group ROE of at least 10% in the 2015 financial year**

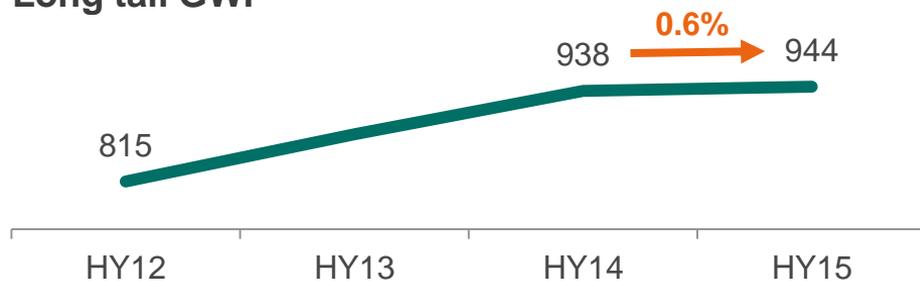
# Top line growth

## Reduced target of 'low single digits' (\$m)

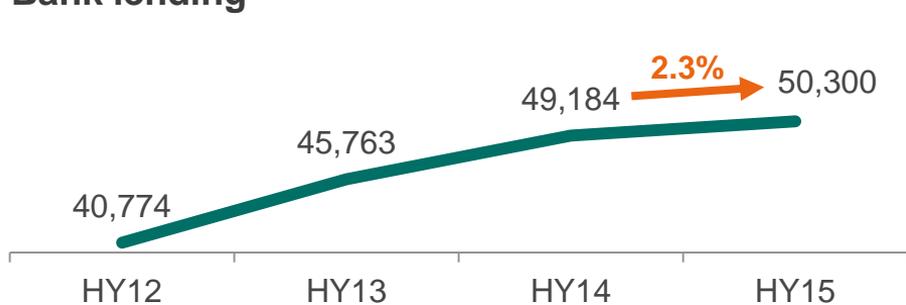
### Short tail GWP\*



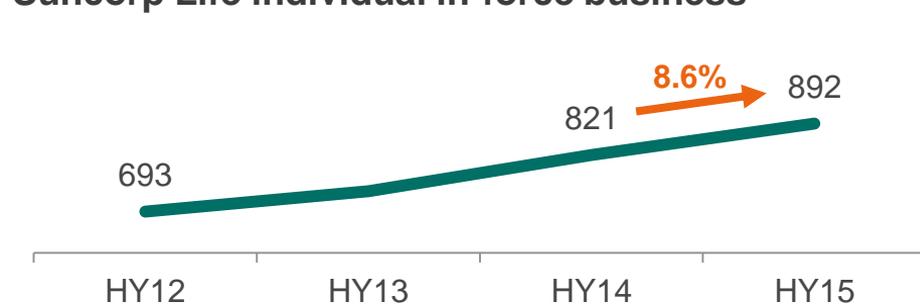
### Long tail GWP\*



### Bank lending

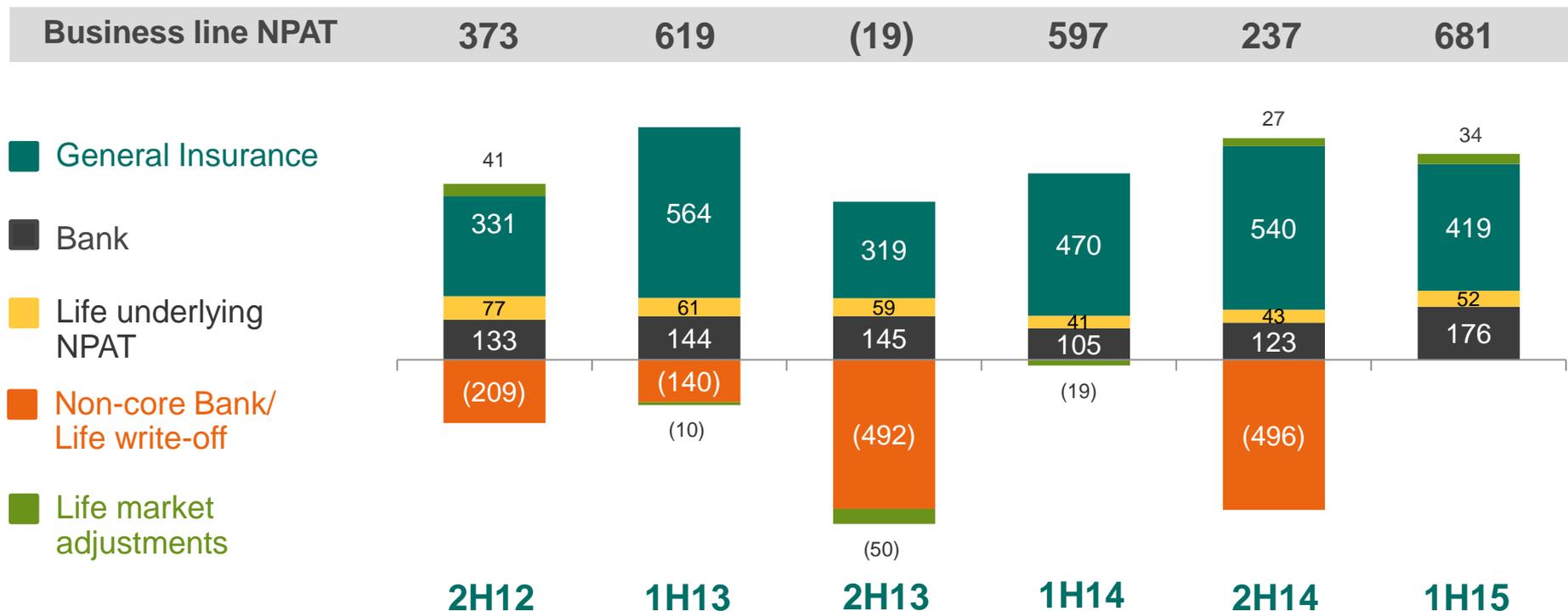


### Suncorp Life individual in-force business



# Suncorp Group NPAT (\$m)

## Diversification of earnings



# General Insurance

## The engine room

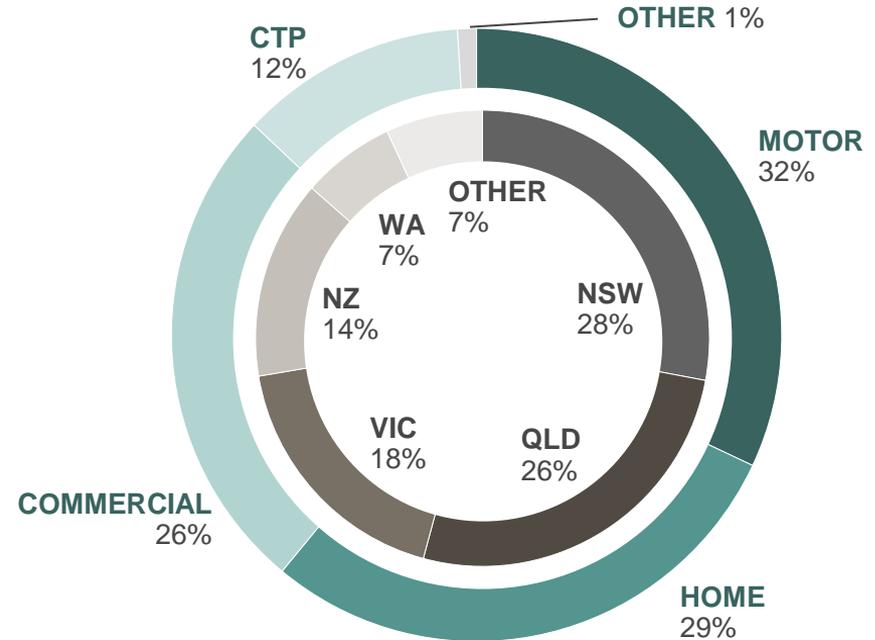
### Results

- NPAT \$419 million
- GWP down 0.3% (ex FSL)
- Underlying ITR of 14.8%
- Reported ITR of 12.8%
- Natural hazard claims \$470 million including \$250 million Brisbane Hailstorm
- Reserve releases of \$214 million

### Outlook

- Underlying ITR in FY15 to be well ahead of 12%
- Personal Insurance will continue delivering superior margins
- Commercial Insurance GWP to grow at 3 – 4% above system
- Natural Hazard allowance of \$595 million
- Reinsurance rates have declined

### GWP by product and geography



# Gross Written Premium

## Passing on efficiency benefits

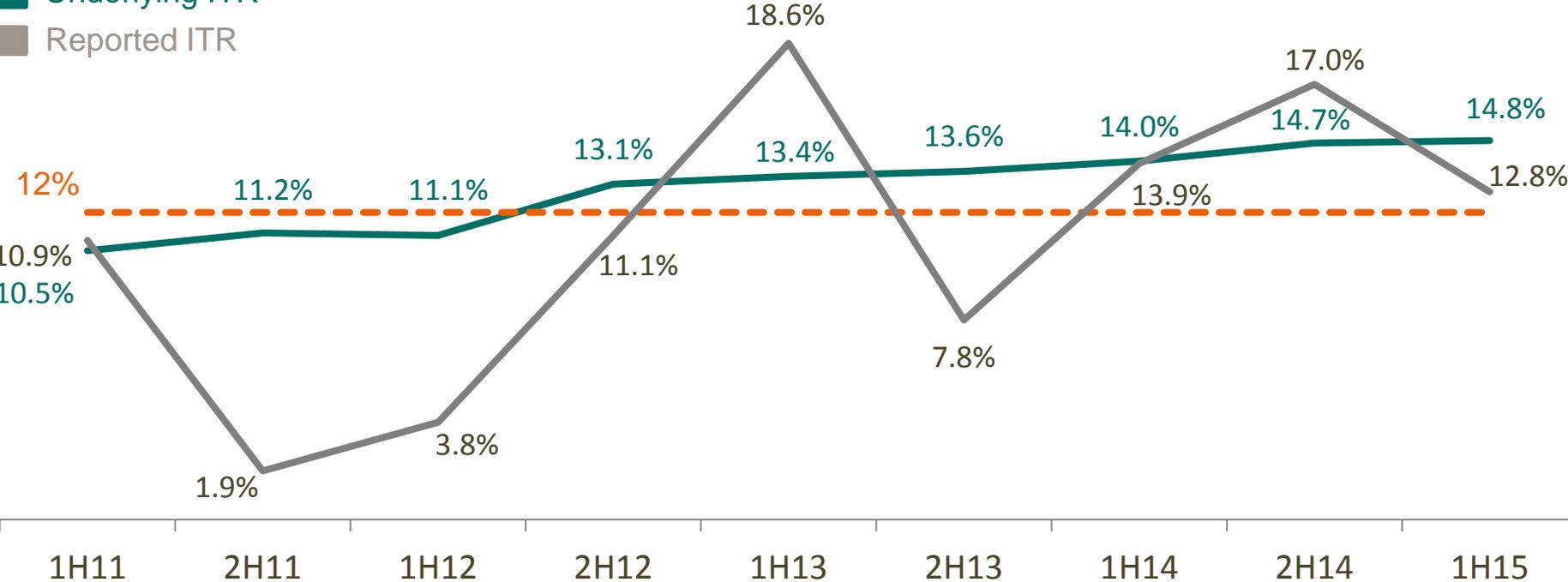
Product	HY15 (\$m)	%Δ	Factors
Motor	1,385	(1.9)	Lower average written premiums and 1.1% reduction in units
Home	1,227	0.3	Targeted premium reductions driving high retention rates and moderated unit losses
Commercial	1,108	(1.2)	Maintaining underwriting discipline
CTP	531	5.1	Strong retention in NSW and Qld, continued penetration in ACT
Other	37	(9.8)	
<b>Total</b>	<b>4,288</b>	<b>(0.3)</b>	
Australia	3,683	(1.4)	
New Zealand	605	6.5	2.8% in NZD terms

# Underlying and Reported ITR

## Building Blocks and Simplification delivering

■ Underlying ITR

■ Reported ITR



# Long-tail claims

## Ongoing systems improvement delivering

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

# Personal Insurance brands

Differentiated offerings, preserving core elements of each brand

## AAMI

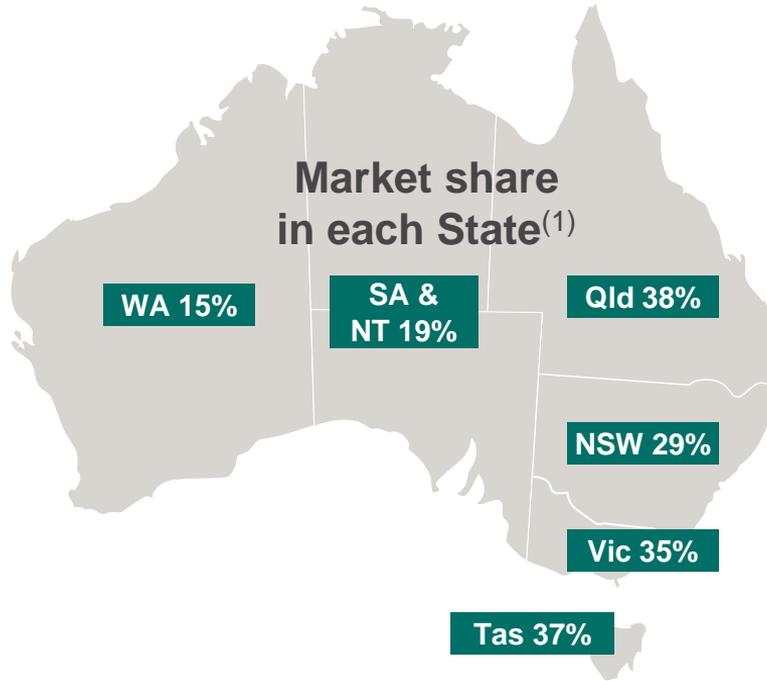
**Lead national brand:**

- Eliminating stress
- Competitive price positions



**State based brand in NSW and VIC:**

- Providing certainty
- Service excellence and more comprehensive cover



<sup>(1)</sup> Roy Morgan market share (December 2014)



**Suncorp Insurance:**

- Providing insurance to Queenslanders
- Strong community connections

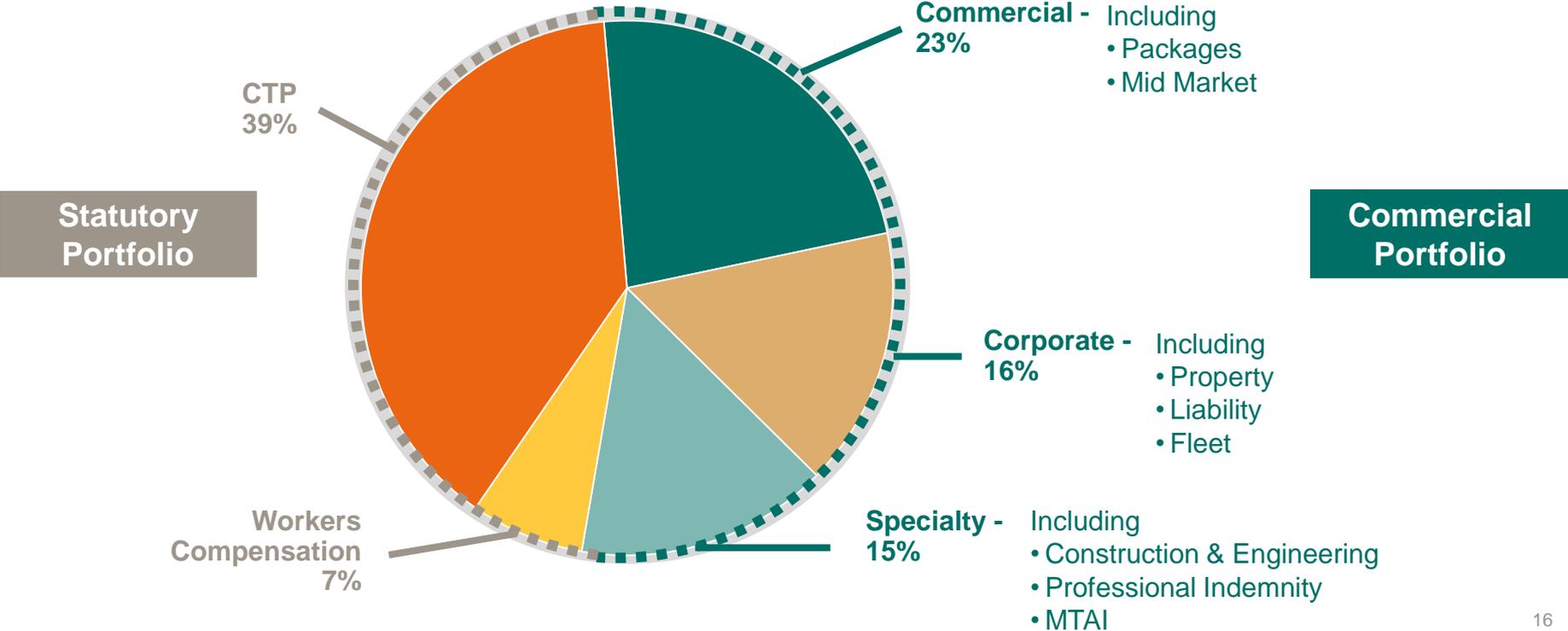


**National life stage brand:**

- Rewarding experience
- Delivering service excellence
- Protecting what matters to Australia's Over 50s

# Commercial Insurance: products overview

GWP \$1.4 billion



# New Zealand General Insurance

Second largest with 24% market share

## Intermediated



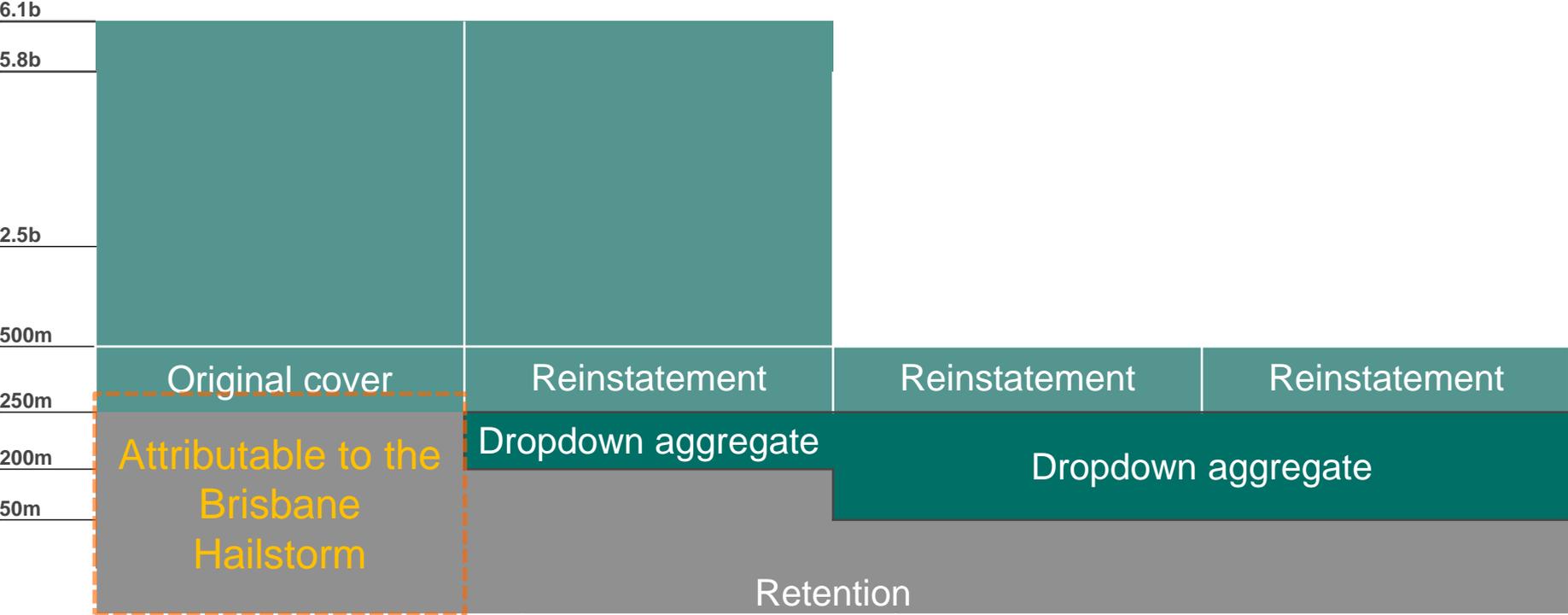
- 19% share of total market GWP
- 1<sup>st</sup> or 2<sup>nd</sup> largest in most classes
- Leader in broker channels

## Direct



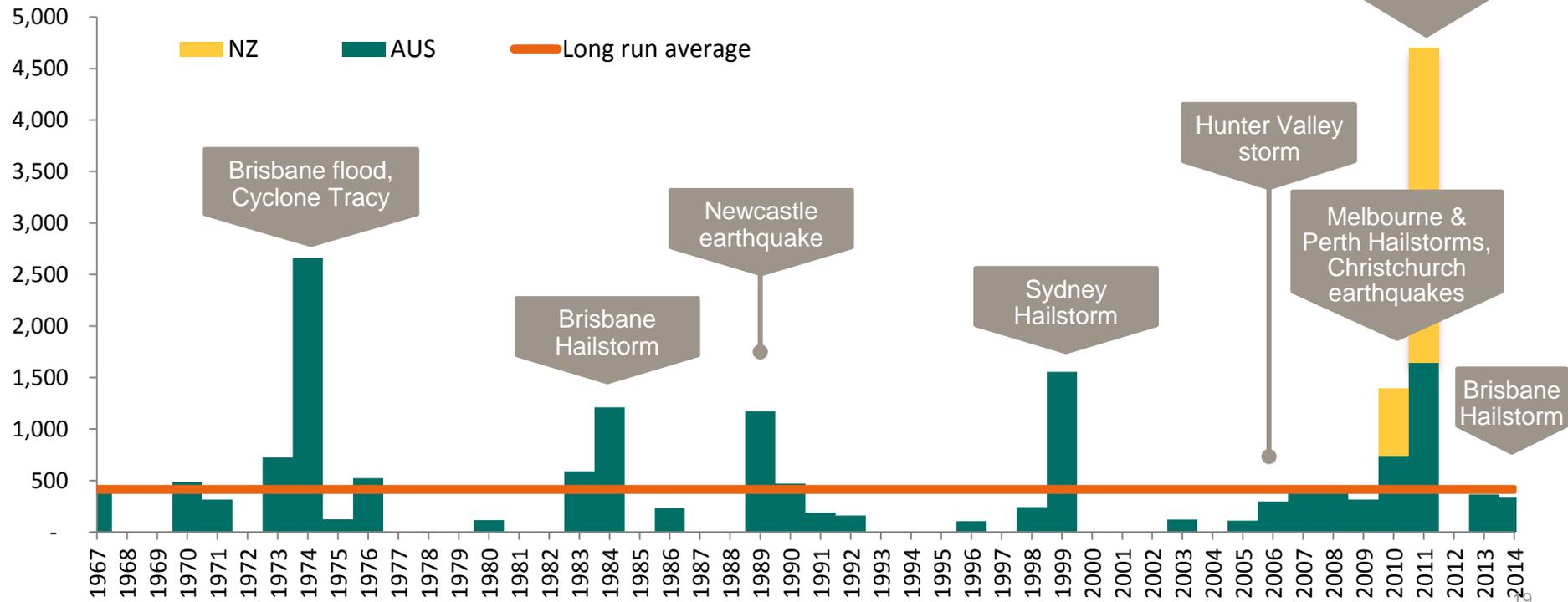
- 5% share of total market GWP
- Strong growth in domestic motor insurance – 21% market share (units)
- 2<sup>nd</sup> largest direct player

# FY15 Reinsurance program



# Natural hazards since 1967

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



# Suncorp Bank

## Sustainable growth over the medium term

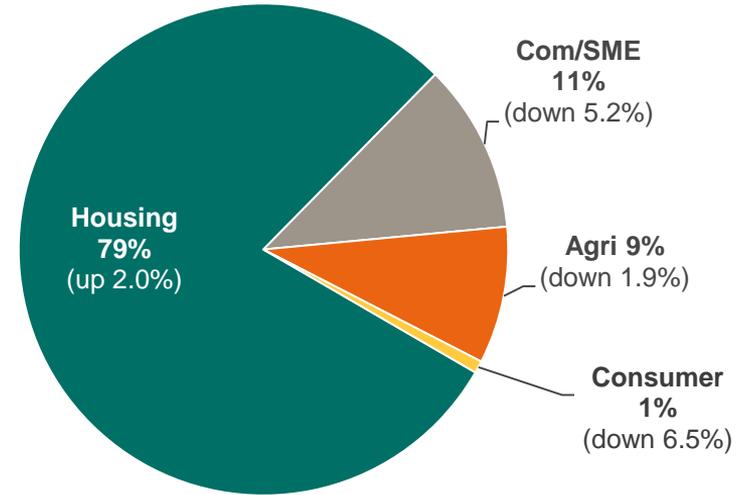
### Results

- NPAT of \$176 million
- Home lending up 3.9% focus on credit quality
- Gross Non-performing loans down 23.8%
- NIM of 1.86% slightly above target range
- Deposit to loan ratio of 66.1%
- Cost to income ratio of 52.2%

### Outlook

- Lending growth 1 - 1.3 x system
- Maintain NIM 1.75% - 1.85%
- Deposit to lending ratio 60 - 70%
- Cost to Income ratio below 53%
- Return on CET1 of 12% – 15%

### Suncorp Bank lending portfolio



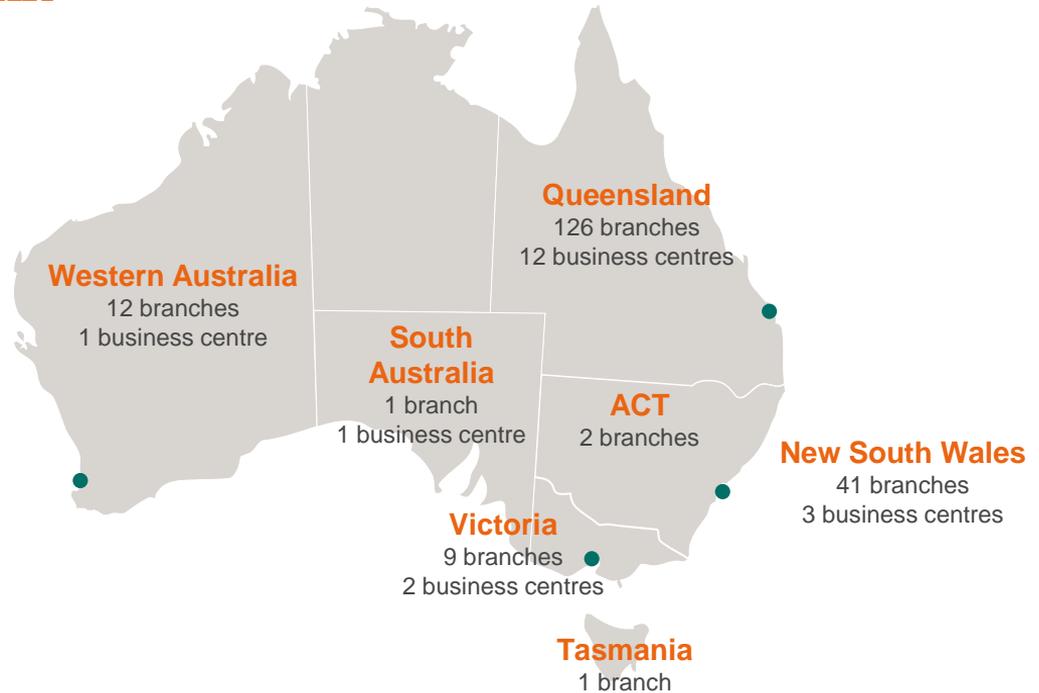
Lending assets  
\$50.3 billion

68% business lending  
exposures <\$10m

# Suncorp Bank

## Australia's leading regional bank

- Total customer base of 1,109,000 growth of 12%
- Complete customer growth of 50%
- Network of 200+ branches & business centres
- Access to over 2,150 ATMs
- Award-winning Mobile Banking App



Branch, Business Centre and ATM data as at June 2014.  
Customer figures at June 2014. Growth from June 2011.  
Mobile Banking App won the QLD iAward, June 2014.

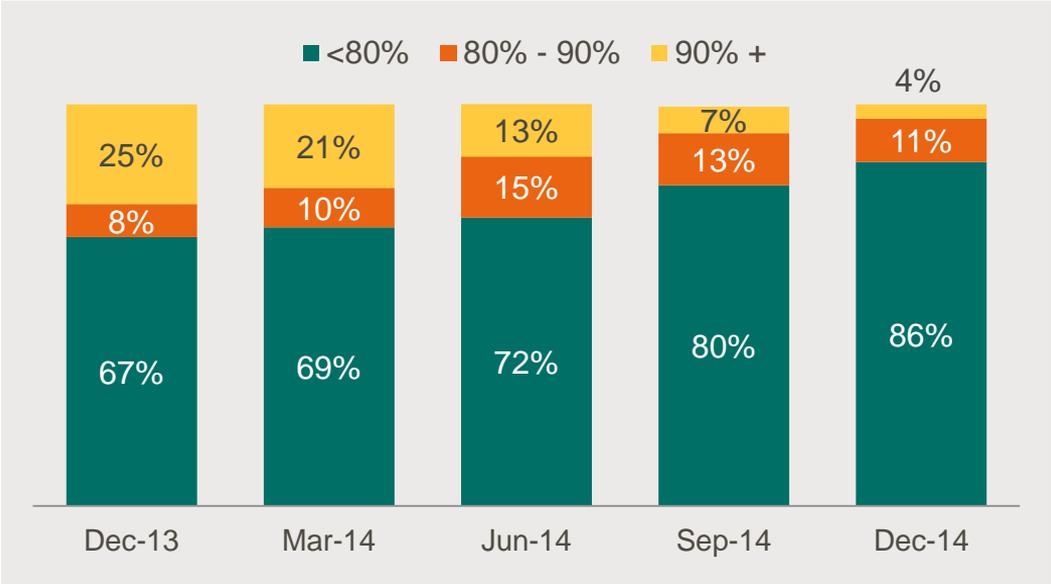
# Housing loans

## Improved LVR mix

### Conservative approach to mortgage lending

- Steady improvement in home lending portfolio quality
- LVR mix has shifted notably toward sub-80% lending
- 84% of new loans written over the half were at or below 80% LVR

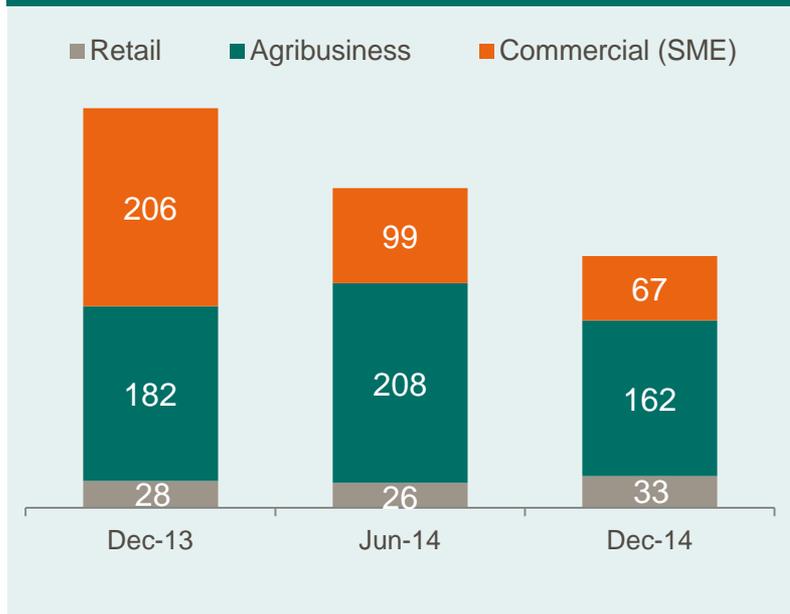
### Mortgage disbursements by LVR



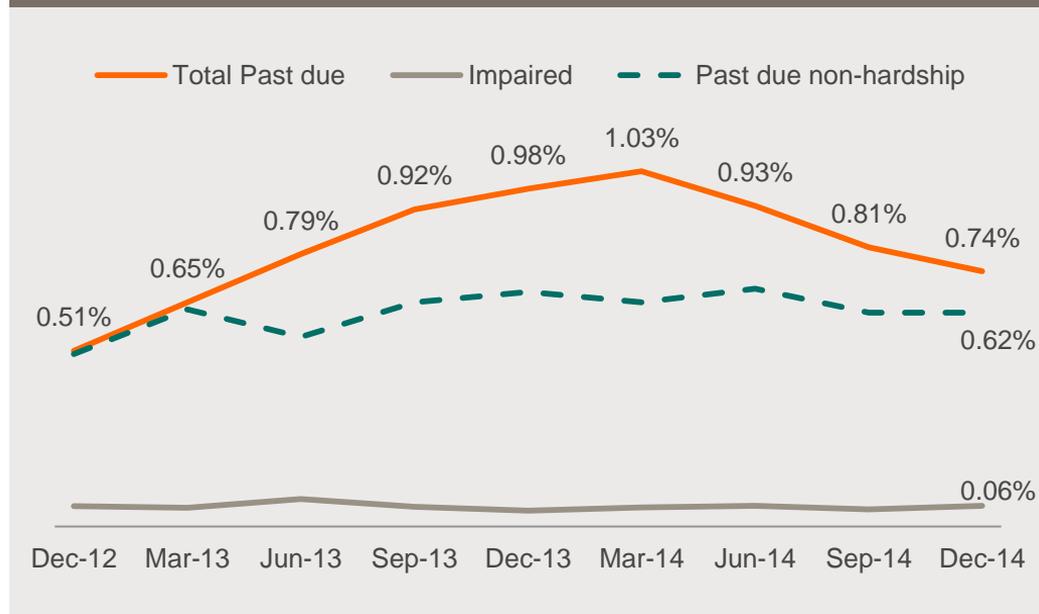
# Credit quality

## Reduced non performing loans

### Gross impaired loans by segment



### Past due home loans (% gross home loans)



# 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

### Australia's leading regional bank

- Basel II **Advanced Accreditation**
- New banking platform – Project **Ignite**
- **A+/A1** credit rating
- High customer **satisfaction**

# Suncorp Life

## Strengthened assumptions and improved capital efficiency

### Results

- **Life profit after tax** \$86 million
- **Life risk inforce** premiums up 8.6%
- **Strong direct** new business sales
- **Super** up 51.9% driven by Everyday Super

### Outlook

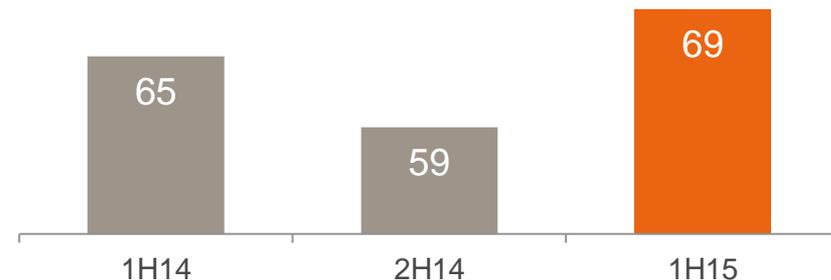
- **Planned margins** have moderated following increased reinsurance and strengthened assumptions
- **Expectation** inbuilt into assumptions is for further deterioration in FY15 & FY16
- **Industry** wide reform of structural issues are a key priority

### Growth in Life risk and superannuation (\$m)

#### Life Risk in-force annual premium



#### Total new business

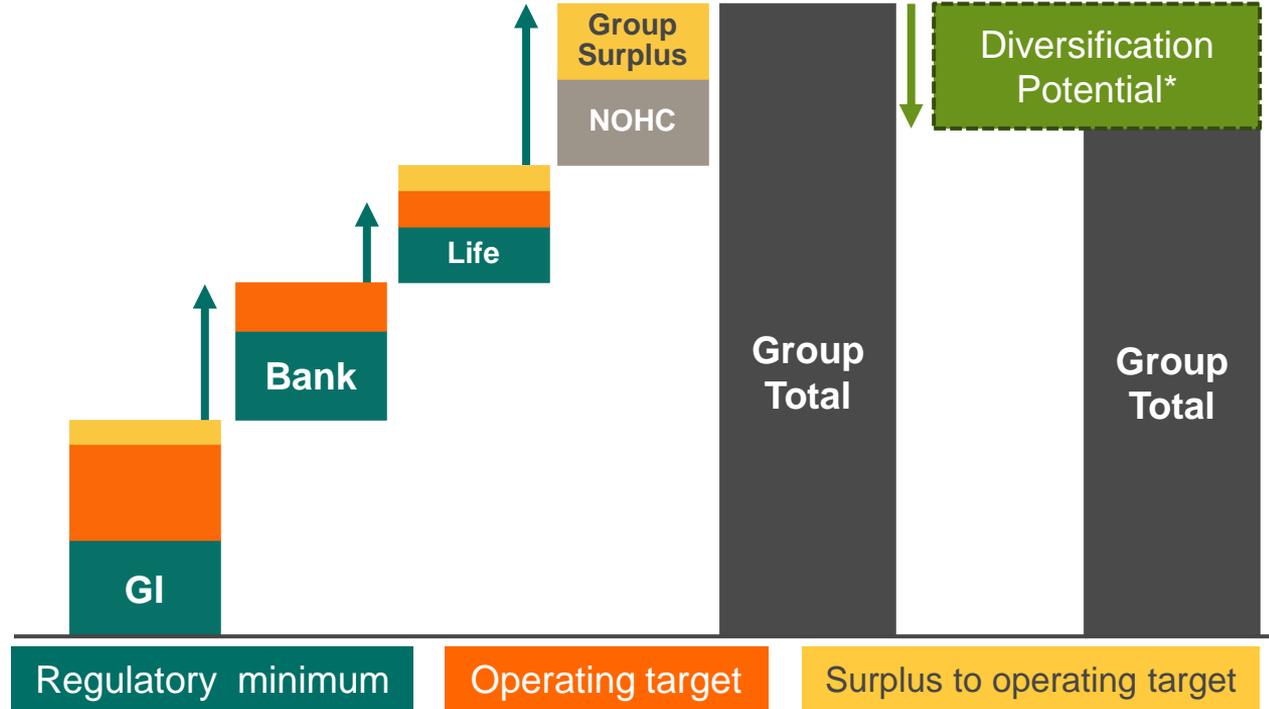


25

# Capital

## Risk-based capital modelling progressing

- Simplification and de-risking have supported capital returns
- Balance sheet very strong
- Risk-based capital on track
- Enhance decision making



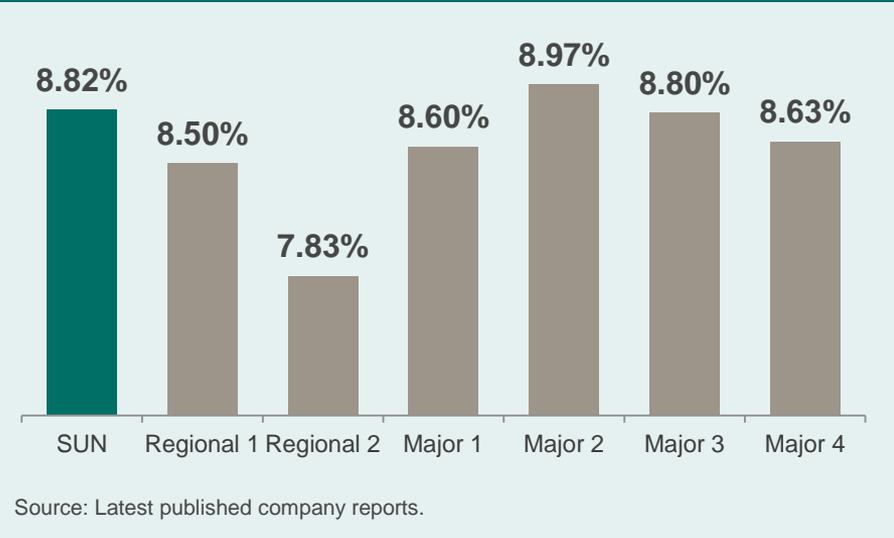
\*Chart not to scale

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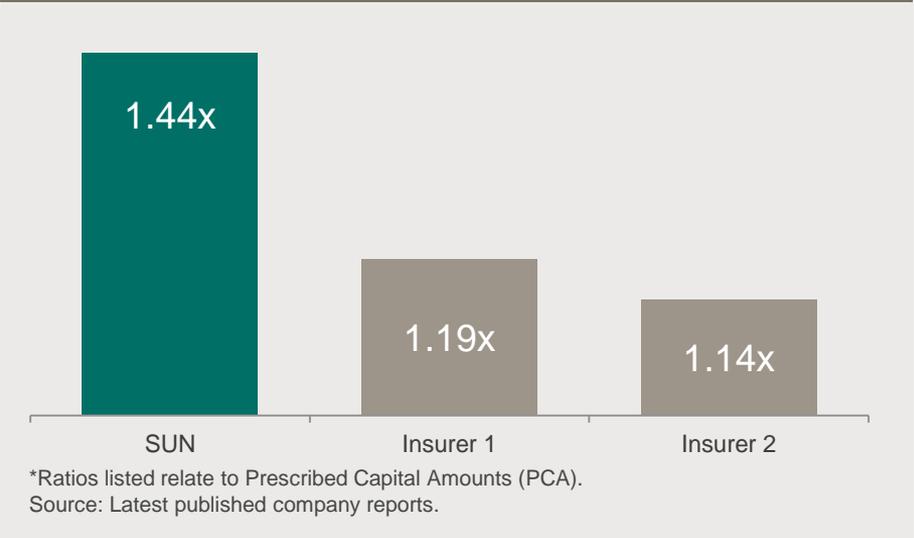
# Suncorp Capital Ratios

Strong General Insurance and Bank capital ratios

## Bank CET1 Ratios



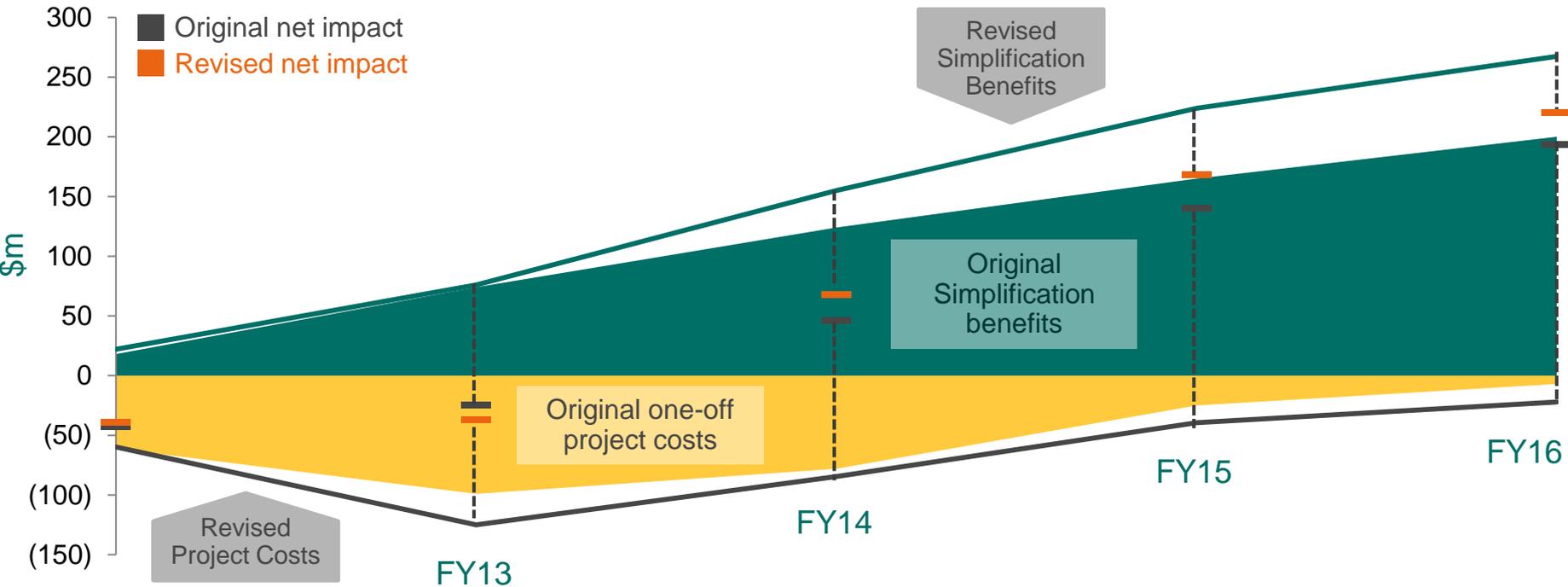
## General Insurance CET1 ratios\*



**\$488 million of Capital held at Suncorp Group Limited**

# Simplification benefits

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



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