
Suncorp Group Limited

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Financial results for the
half-year ended 31 December 2014

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Suncorp HY15 results presentation

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Results and operational highlights

Patrick Snowball

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Patrick Snowball

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CFO report

Business lines | Group capital

Steve Johnston

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Q&A

Suncorp Leadership Team

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Introduction

Patrick Snowball
Suncorp Group CEO

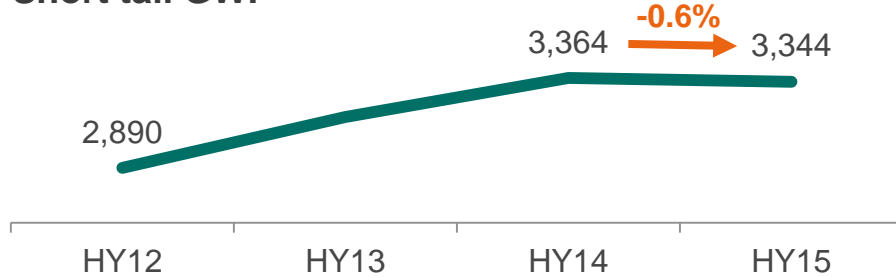
HY15 result overview (\$m)

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

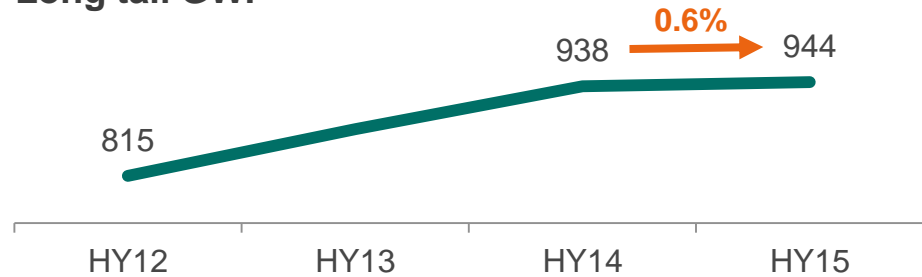
Top line growth

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

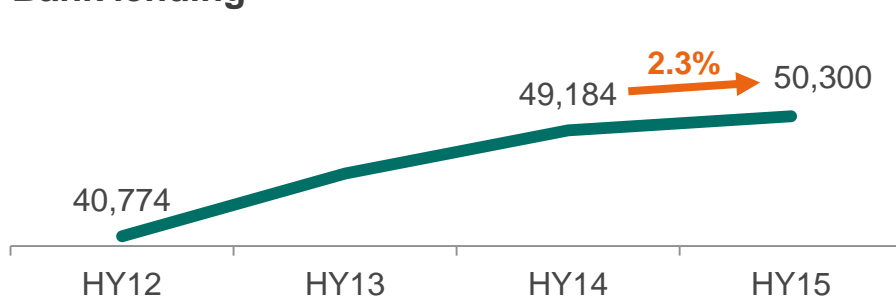
Short tail GWP*



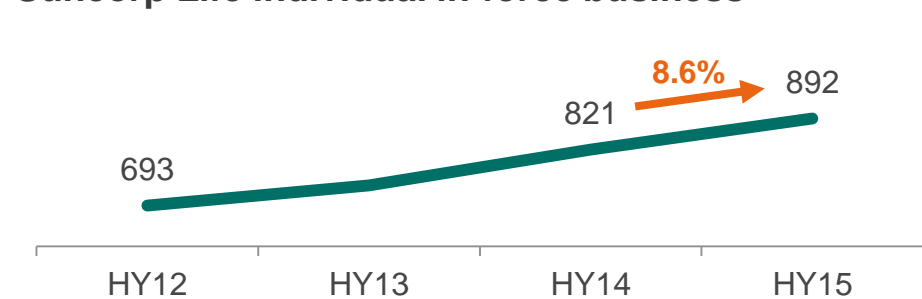
Long tail GWP*



Bank lending

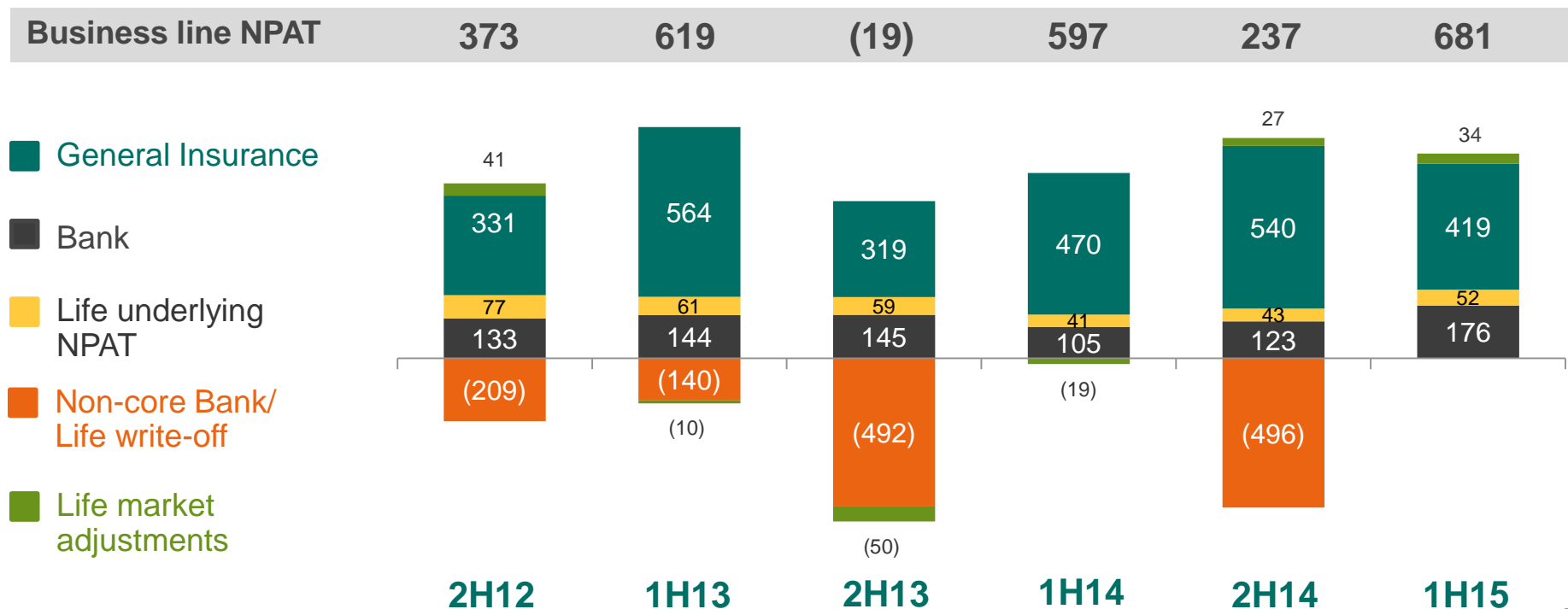


Suncorp Life individual in-force business



Suncorp Group NPAT (\$m)

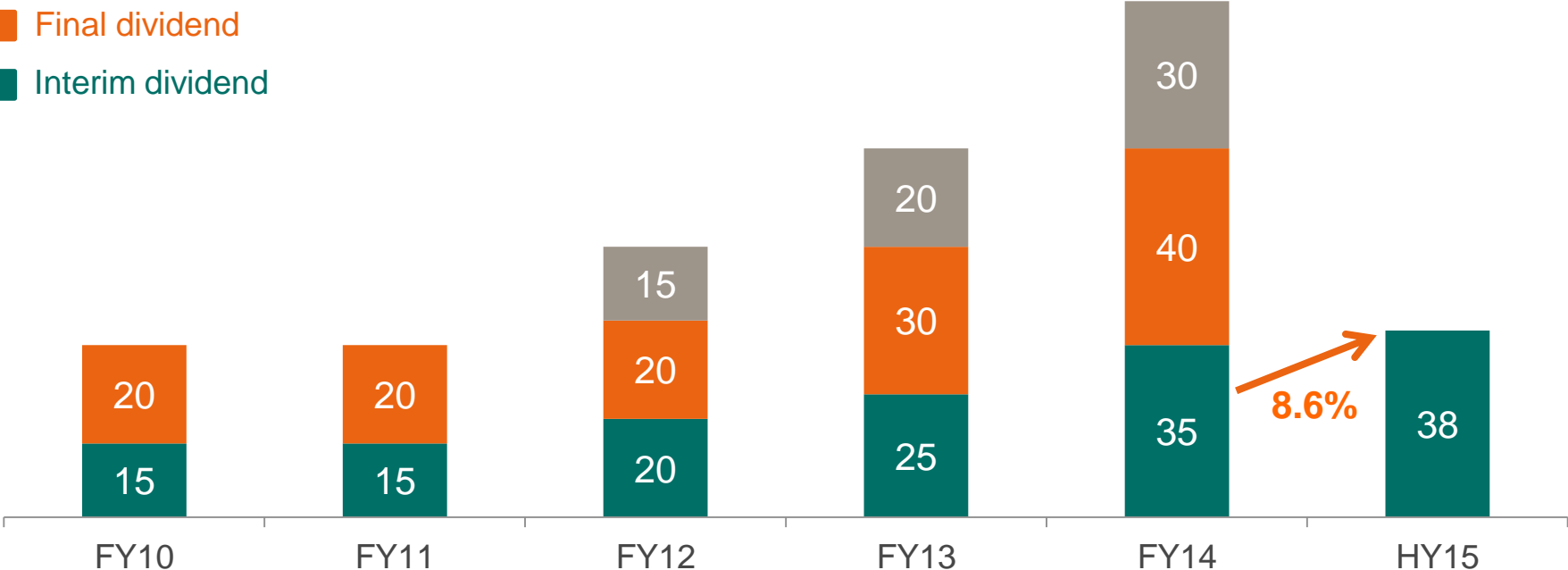
Diversification of earnings



Dividend

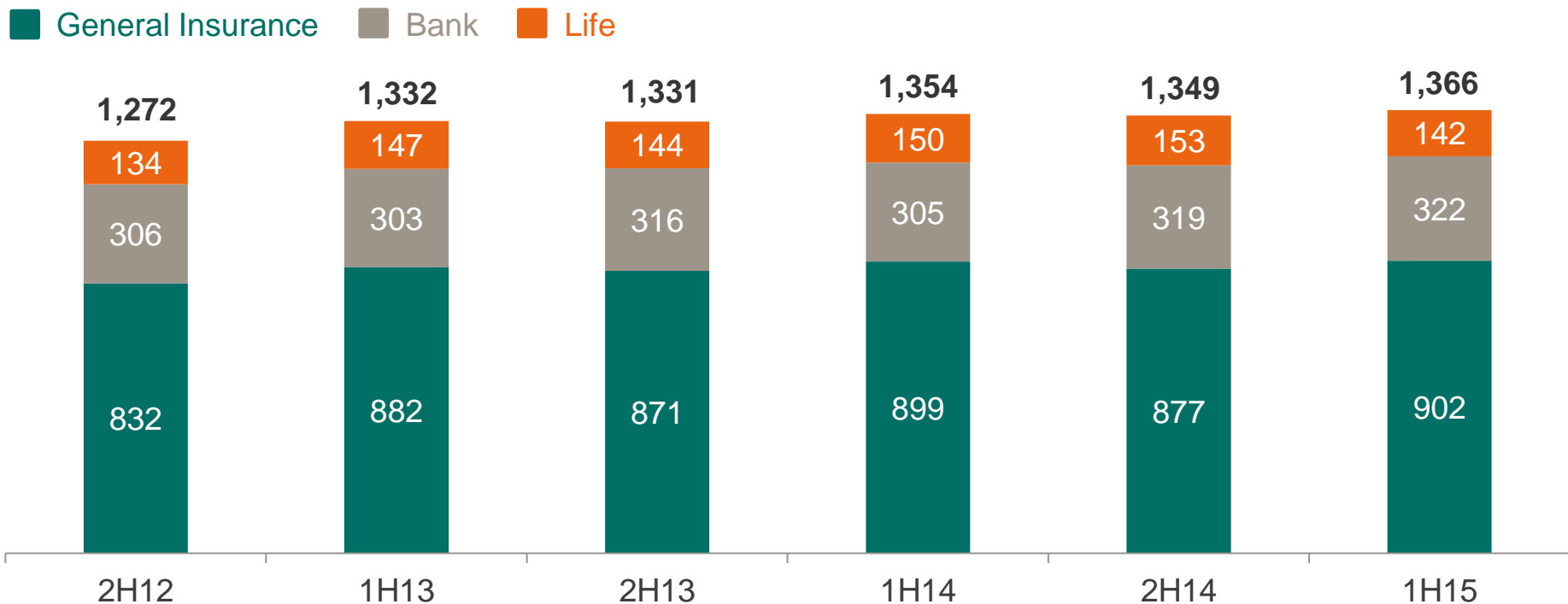
38 cent interim dividend, up 8.6%

- Special dividend
- Final dividend
- Interim dividend



Group operating expenses

Sub-inflation increase



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

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General Insurance

\$m	HY15	%Δ
General Insurance profit after tax	419	(11)

Underlying ITR of 14.8% exceeding
commitment to 'meet or beat' 12%

Reported ITR of 12.8%

Reserve releases of \$214 million

Natural hazards \$172 million
above allowance

GWP down 0.3% (ex FSL)

GI CET1 1.44x PCA

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)	
Total	4,288	(0.3)	
Australia	3,683	(1.4)	
New Zealand	605	6.5	2.8% in NZD terms

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Investment assets

Low yield environment reducing underlying yield

Insurance funds (\$9+bn)

- Investment income **\$266 million**
- MTM gains of **\$207 million** from decreases in risk-free rates
- MTM losses of **\$12 million** from widening of credit spreads
- MTM losses of **\$66 million** from decreases in break-even inflation
- Underlying yield of **2.9%** reflects low yield environment

Shareholder funds (\$3+bn)

- Investment income **\$82 million**
- MTM gains of **\$40 million** from decreases in risk-free rates
- MTM losses of **\$7 million** from widening of credit spreads
- International and domestic equities income of **\$26 million** from **\$480 million** portfolio

Total investment income of \$348 million – annualised return 5.7%

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

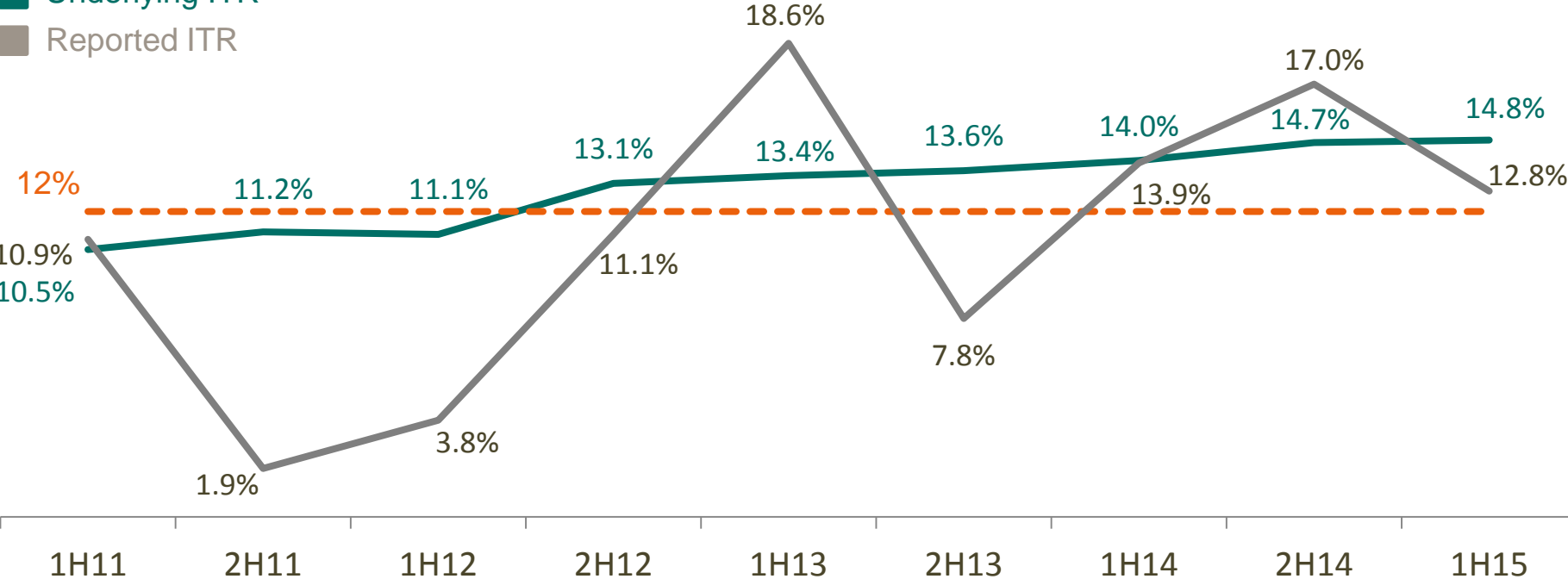
Reserve releases well above 1.5% of NEP

Underlying and Reported ITR

Building Blocks and Simplification delivering

■ Underlying ITR

■ Reported ITR



Suncorp Bank

\$m	HY15	%Δ
Bank profit after tax	176	68

NIM improved to **1.86%**
Bank CET1 increased to **8.82%**

Cost to income ratio down to **52.2%**
Deposit to loan ratio **66.1%**

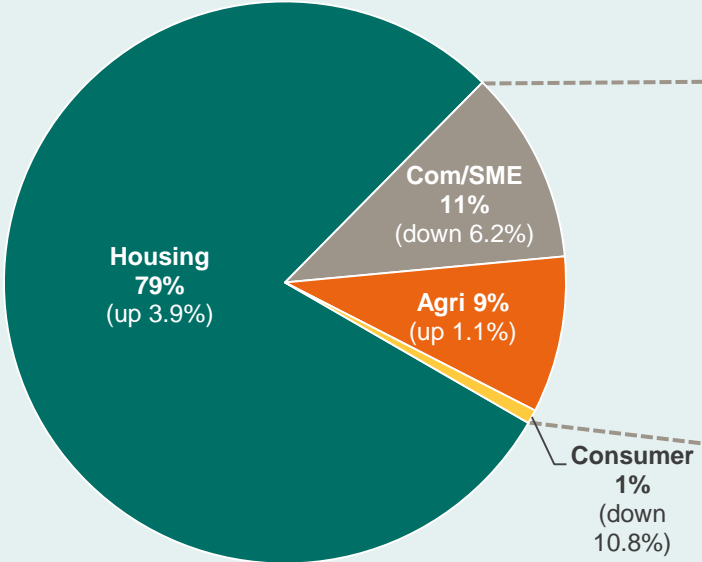
Home lending up **3.9%**
Agribusiness portfolio up **1.1%**

Non performing loans down **23.8%**
Gross impaired assets down **37.0%**

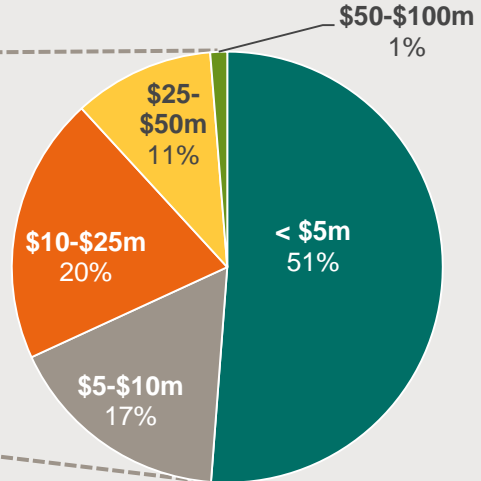
Suncorp Bank lending portfolio

Conservative approach to growth

Lending assets \$50.3 billion



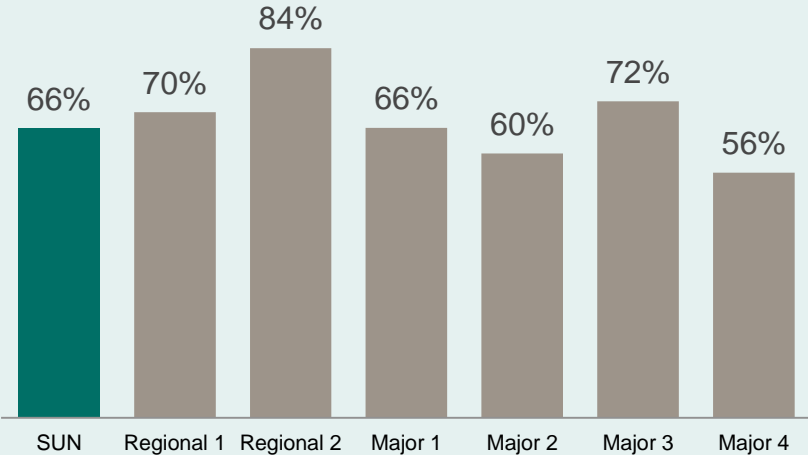
68% of business lending exposures <\$10m



Funding and Liquidity

Conservative balance sheet

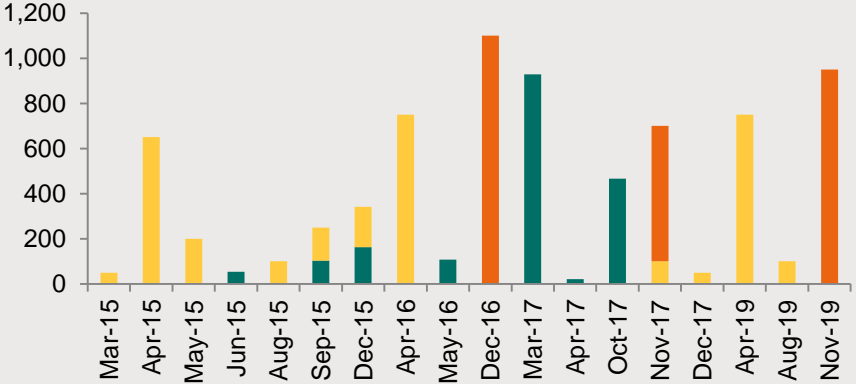
Deposit to loan ratio



Source: Company reports for 2014. Regional Bank data includes data for the Group, Major Bank data includes Retail and Business Bank divisions only

Long term funding profile (\$m)

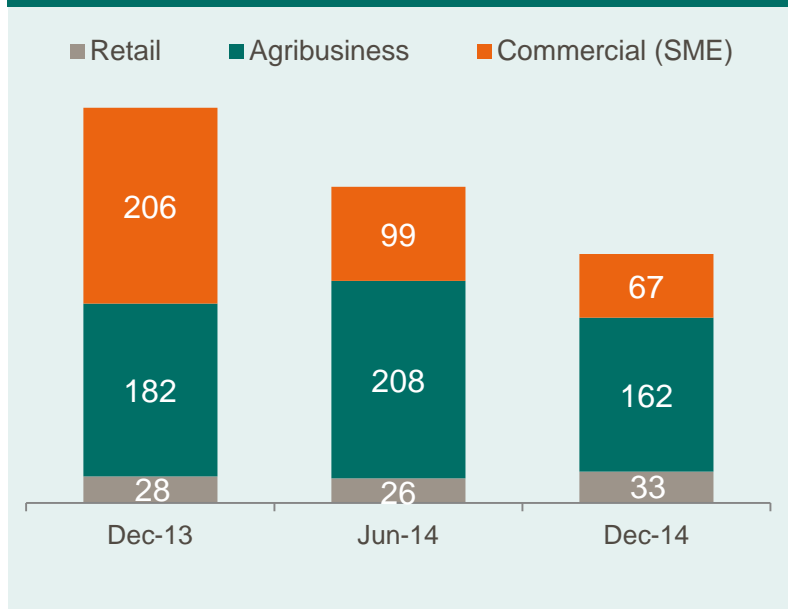
Legend: Covered (Orange), Senior Unsecured (Domestic) (Yellow), Senior Unsecured (Offshore) (Teal)



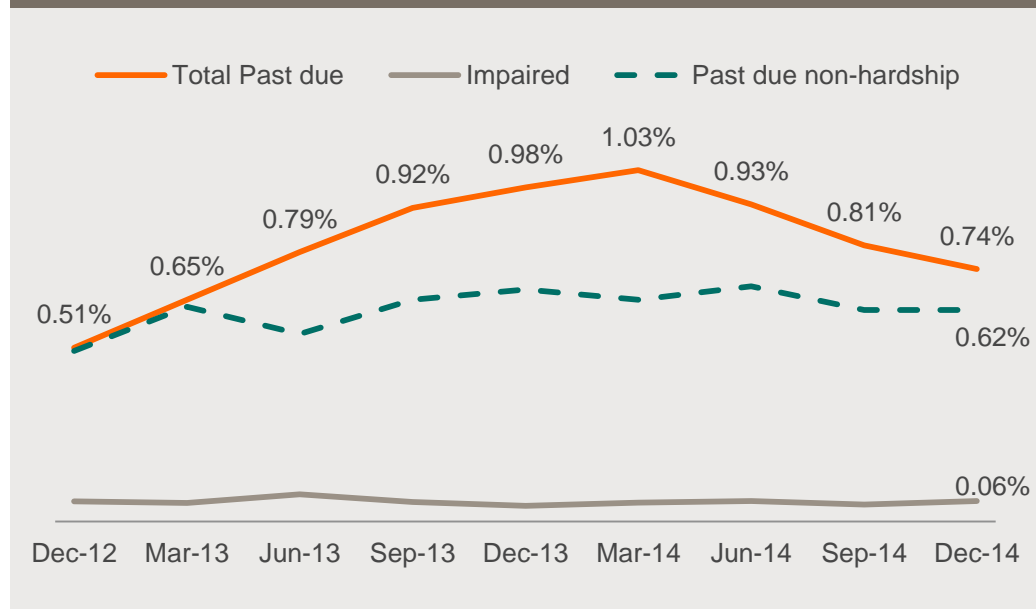
Credit quality

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

\$m	HY15	%Δ
Underlying profit after tax	52	27
Market adjustment after tax	34	n/a
Life profit after tax	86	291

Risk in-force annual premiums **up 8.6%**

Claims experience **\$6 million favourable**
Lapse experience **\$1 million favourable**

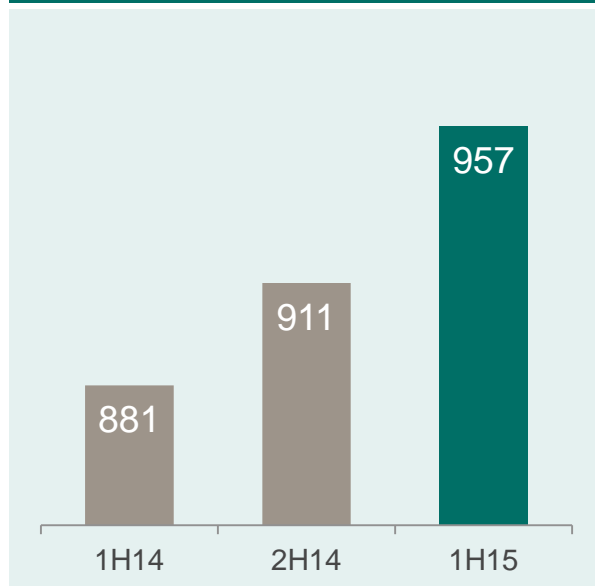
Super **up 51.9%** driven by WealthSmart and Everyday Super

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

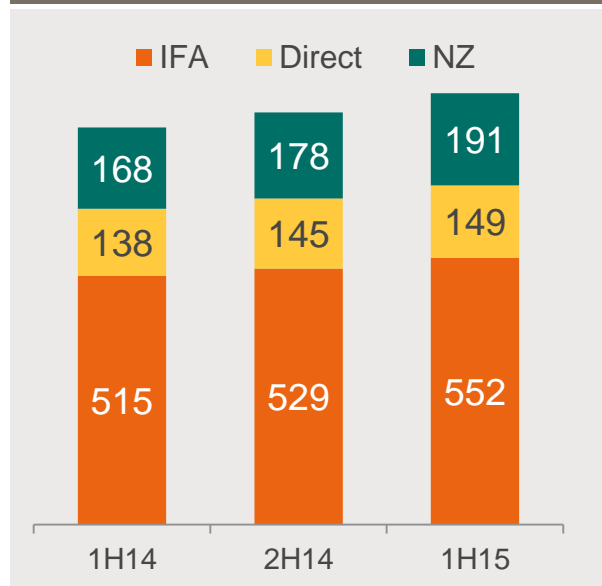
Suncorp Life

Growth in Life risk and superannuation (\$m)

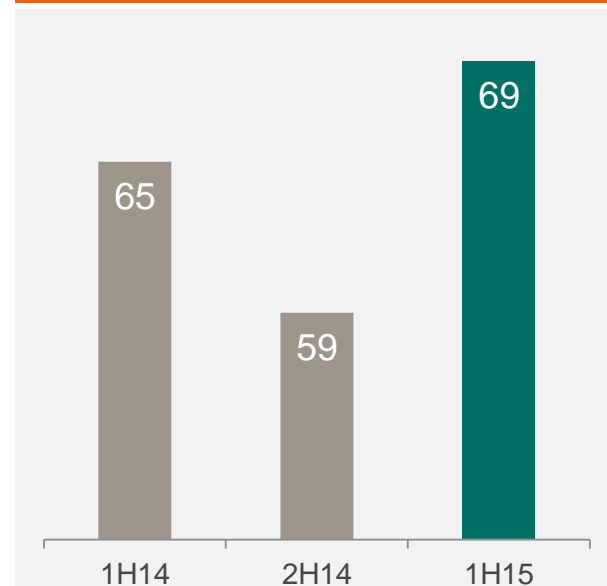
Life Risk in-force annual premium



Individual in-force by channel

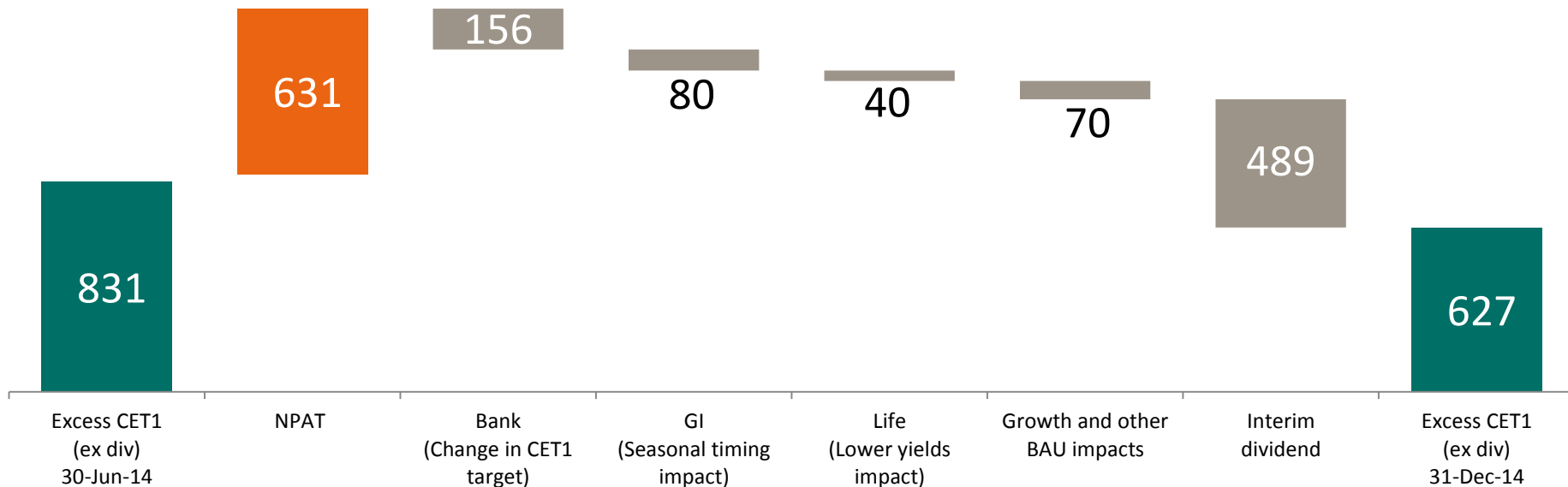


New business



HY15 CET1 movements (\$m)

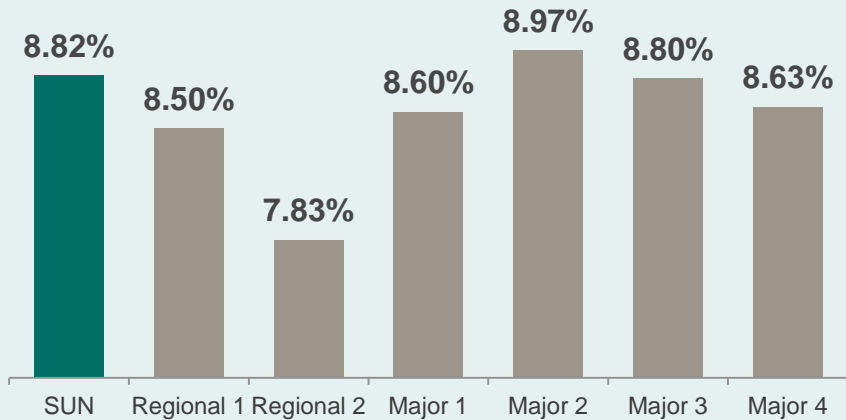
Reduction due to increased Bank CET1 target and GI timing issue



Suncorp Capital Ratios

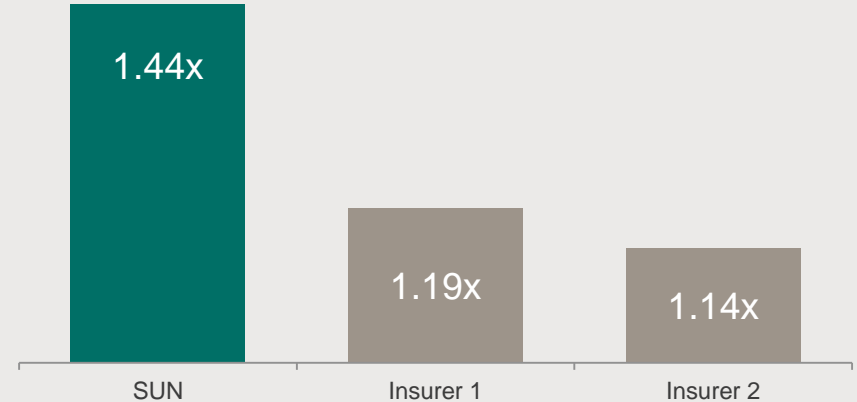
Strong General Insurance and Bank capital ratios

Bank CET1 ratios



Source: Latest published company reports.

General Insurance CET1 ratios*



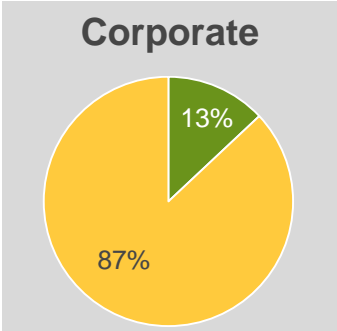
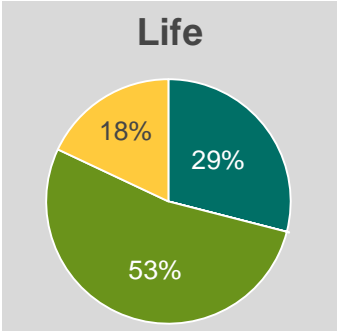
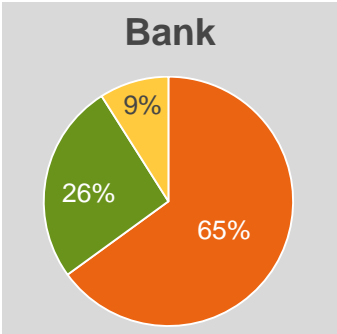
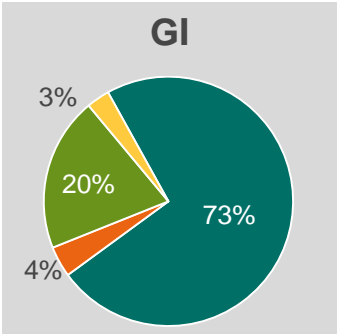
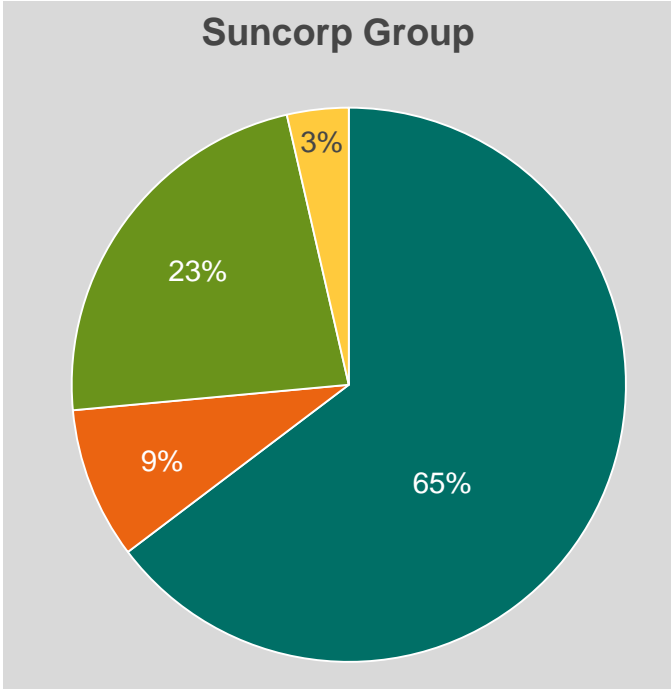
*Ratios listed relate to Prescribed Capital Amounts (PCA).
Source: Latest published company reports.

\$488 million of capital held at Suncorp Group Limited

Group Risk Based Capital

Capital volatility by key risk type

- Insurance Risk
- Counterparty Credit Risk
- Market Risk
- Operational Risk





Conclusion

Patrick Snowball
Suncorp Group CEO

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

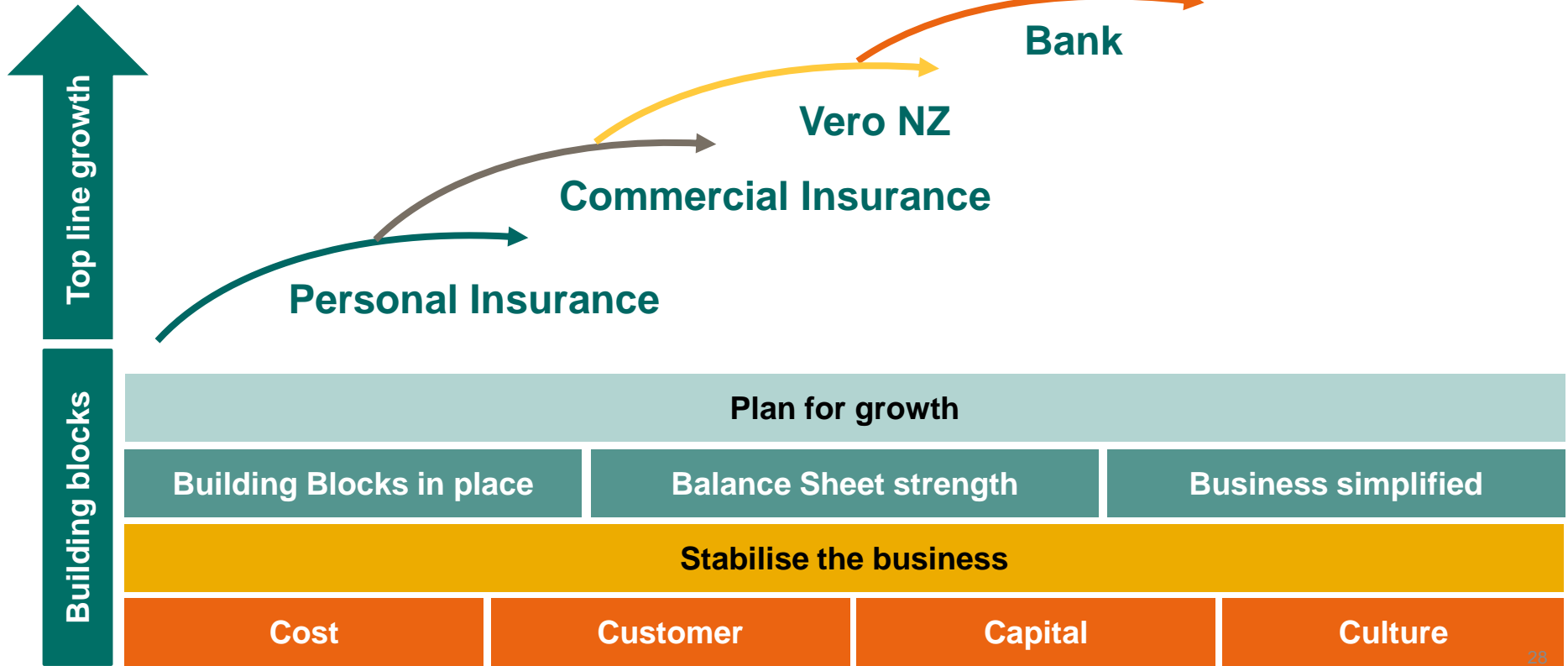
Simplification benefits of \$225 million in the 2015 financial year

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

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Suncorp's waves of growth



Suncorp's Strategic Assets

Our focus

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

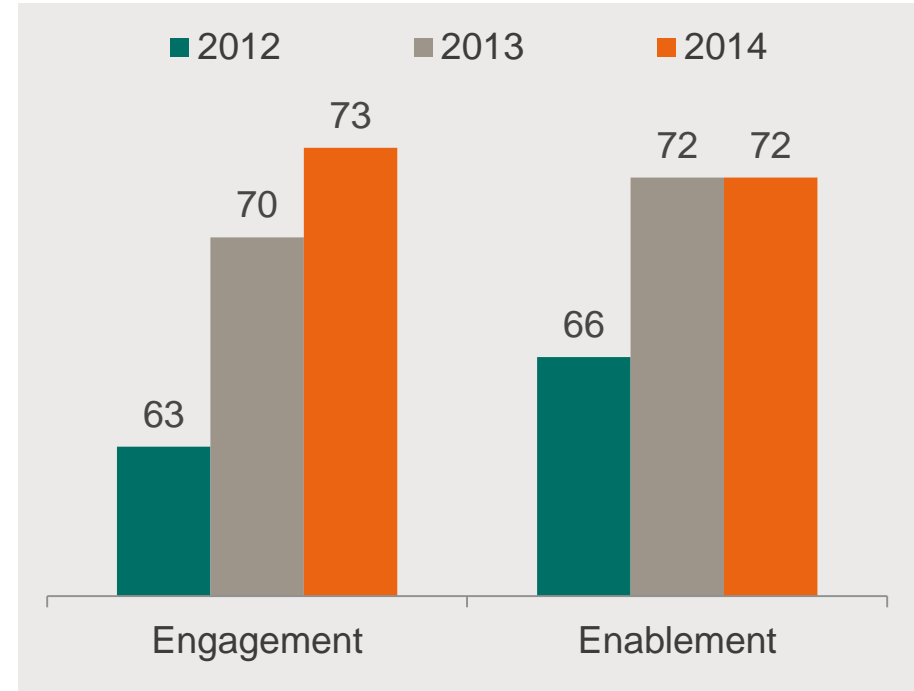
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Culture

Suncorp is now THE place to work

93% of Suncorp people participated in the latest survey

- Engagement and Enablement are at or above Global High Performance Norms
- Our Leader Index at 82 is 12 points above the Global High Performance Norm
- 'Proud to work for Suncorp' score is 84
- 'Teamwork and collaboration' score is 91



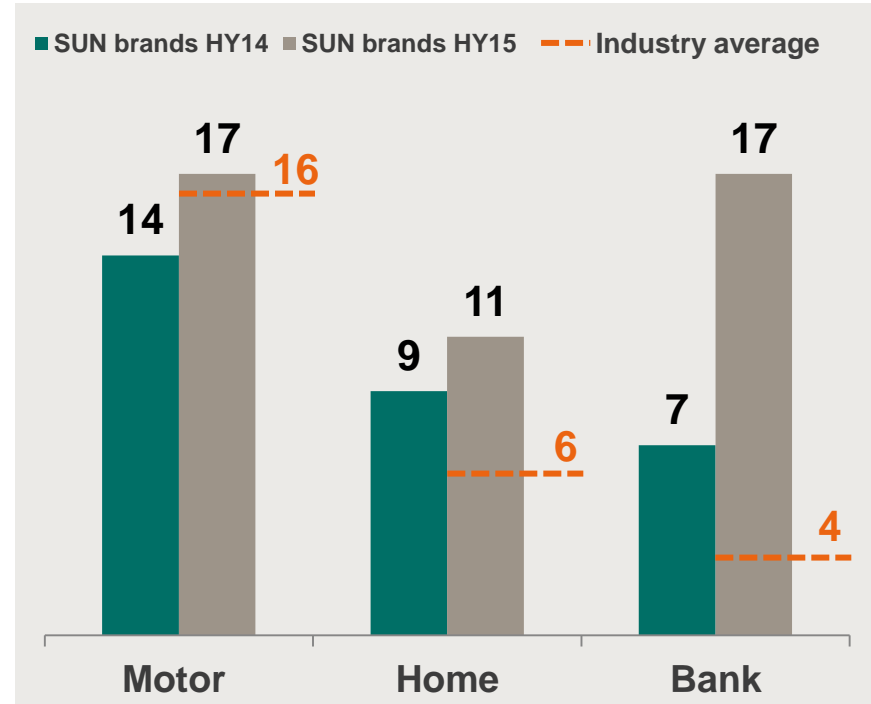
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Customer

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



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Q&A

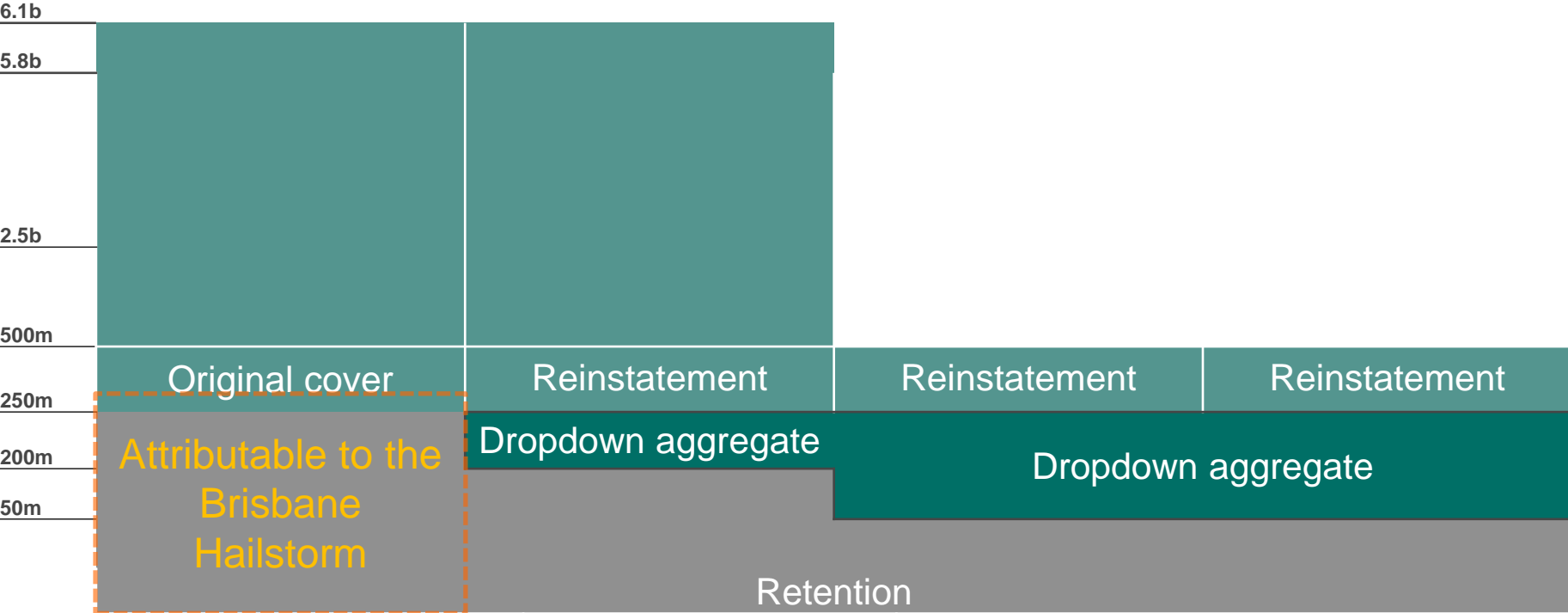
Financial results for the half-year ended 31 December 2014



Supplementary Slides

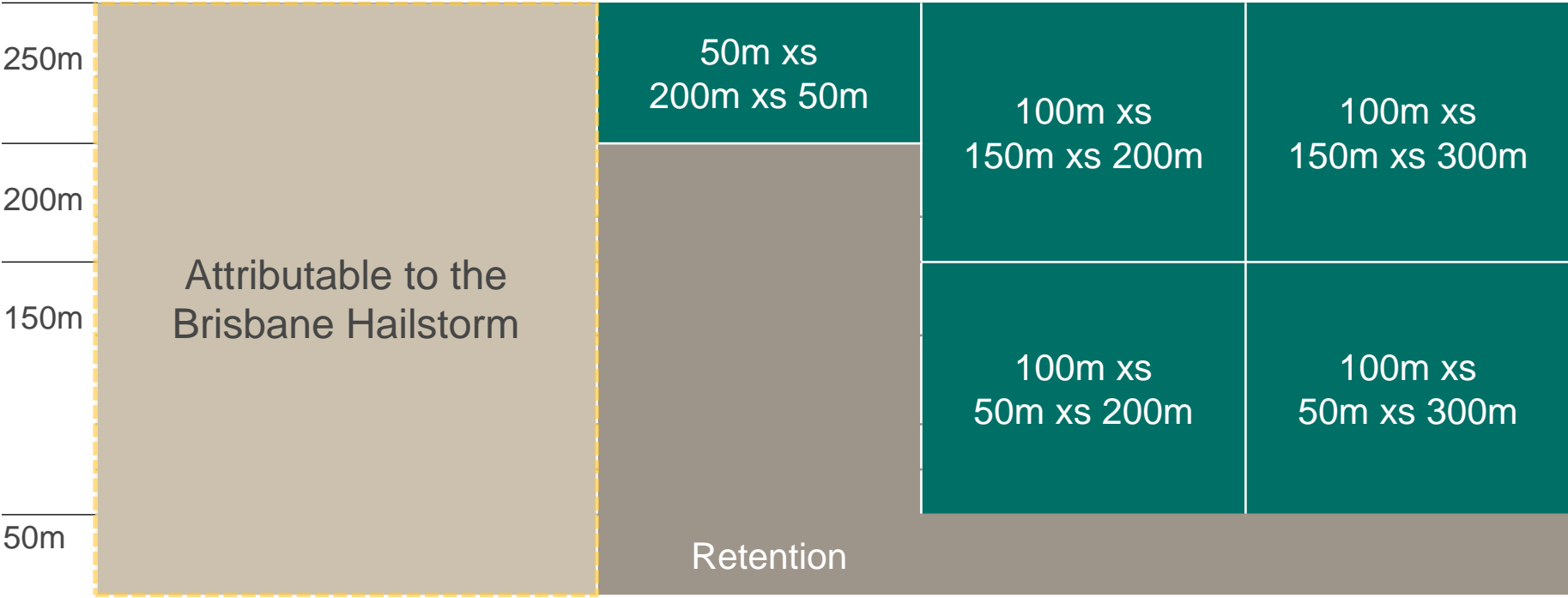
Financial results for the half-year ended 31 December 2014

FY15 Reinsurance program



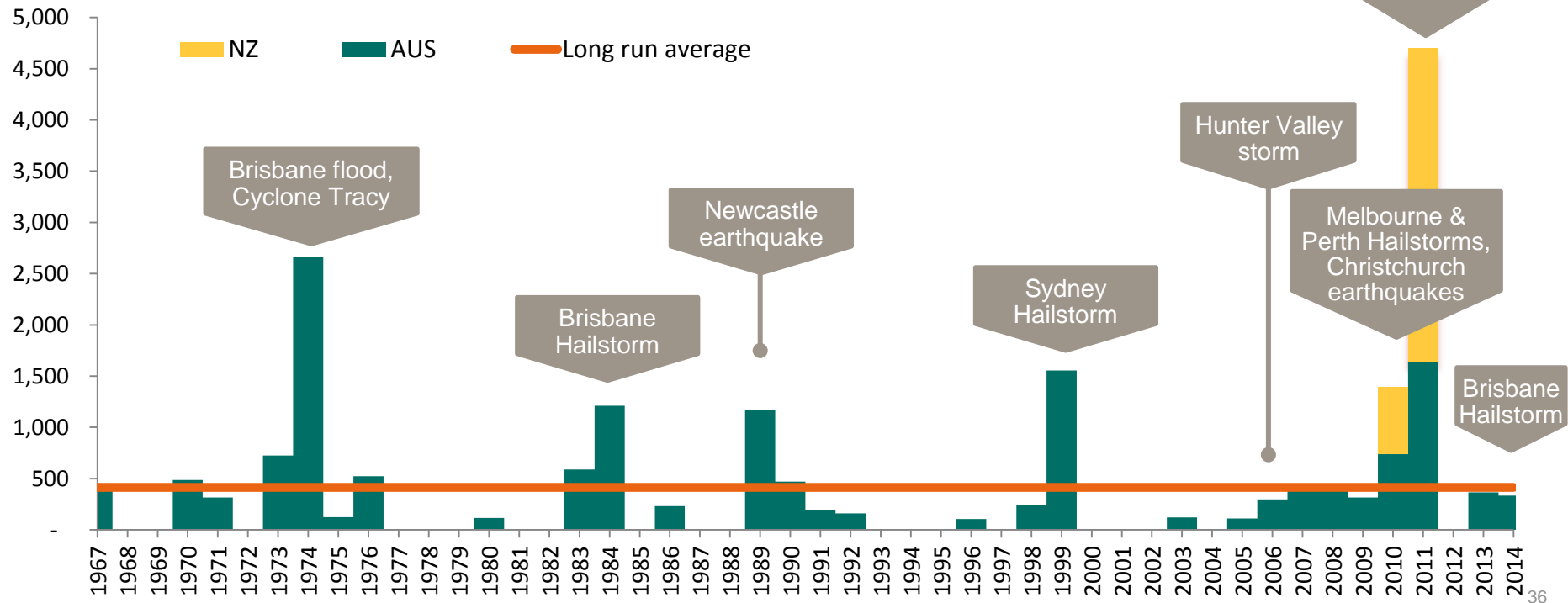
FY15 Reinsurance program

Drop-down aggregate program



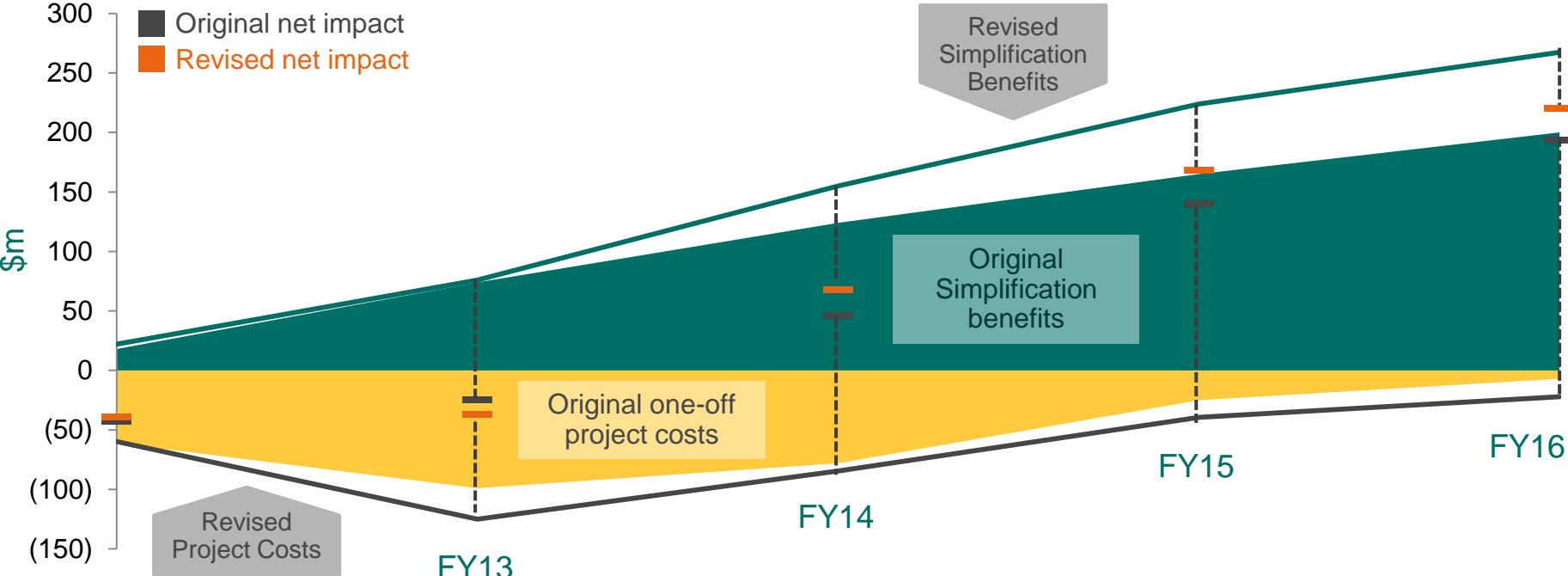
Natural hazards since 1967

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



Simplification benefits

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



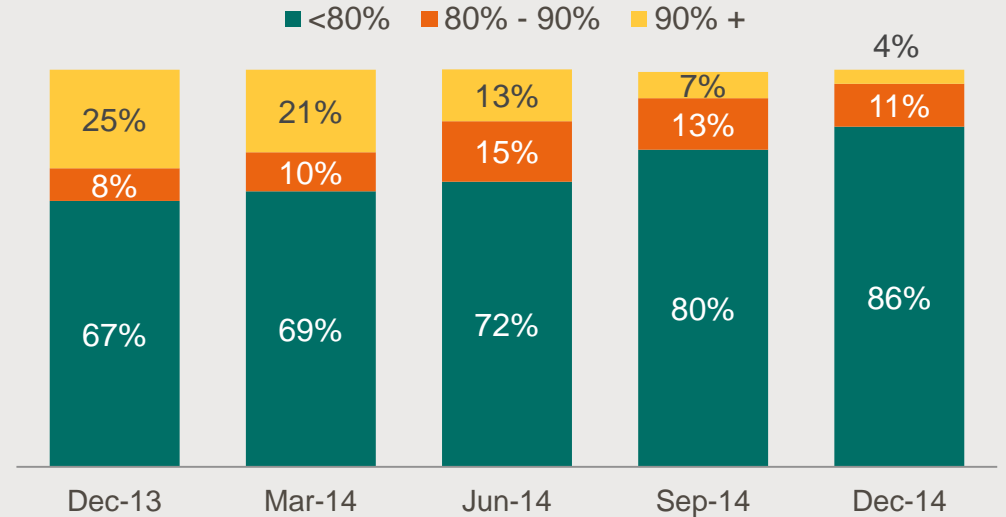
Housing loans

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



Project Ignite & Basel II Advanced Accreditation

Optimising Suncorp Bank

Project Ignite

Replacement of Bank legacy systems with a simplified, integrated and modern platform will:

- Address changing needs of customers and optimise the business, including risk management;
- More than halve the number of complex legacy technology systems; and
- Deliver a cost-to-income ratio below 50%

The project is halfway through implementation with expected completion in 2016.

Basel II Advanced Accreditation

Credit risk models validated and in use

Significant resources invested in strengthening risk management capability and culture over the past 12 months

Project on track for submission to APRA later in 2015

Suncorp capital at 31 December 2014

Excess capital position remains very strong

\$m	General Insurance	Bank	Life	NOHC and other entities	Suncorp Group total
CET1	3,040	2,754	412	488	6,694
CET1 target	2,323	2,732	334	189	5,578
Excess (pre-div)	717	22	78	299	1,116
Dividend					(489)
Excess (post-div)					627
CET1 ratios (pre-div)	1.44x	8.82%	1.54x		
CET1 targets	1.10x	8.75%	Amount equal to sum of PCA plus a target excess		

Important disclaimer

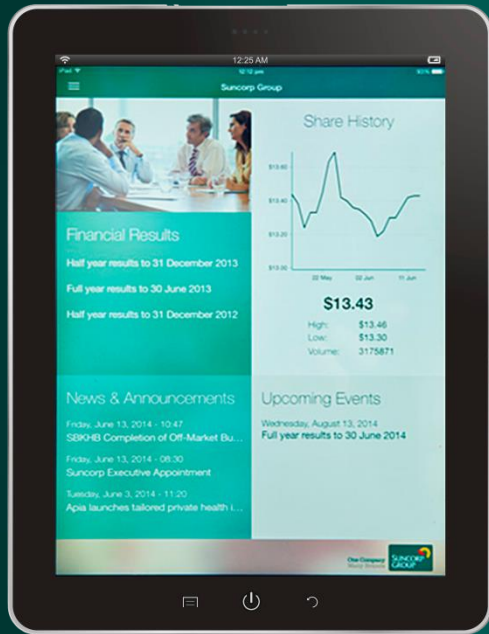
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