



Suncorp Group Limited

Financial results for the half year ended 31 December 2013

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Suncorp results presentation

Agenda

Results & operational highlights

Patrick Snowball

CFO report

Steve Johnston

Outlook

Patrick Snowball

Q & A

Suncorp Leadership Team

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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

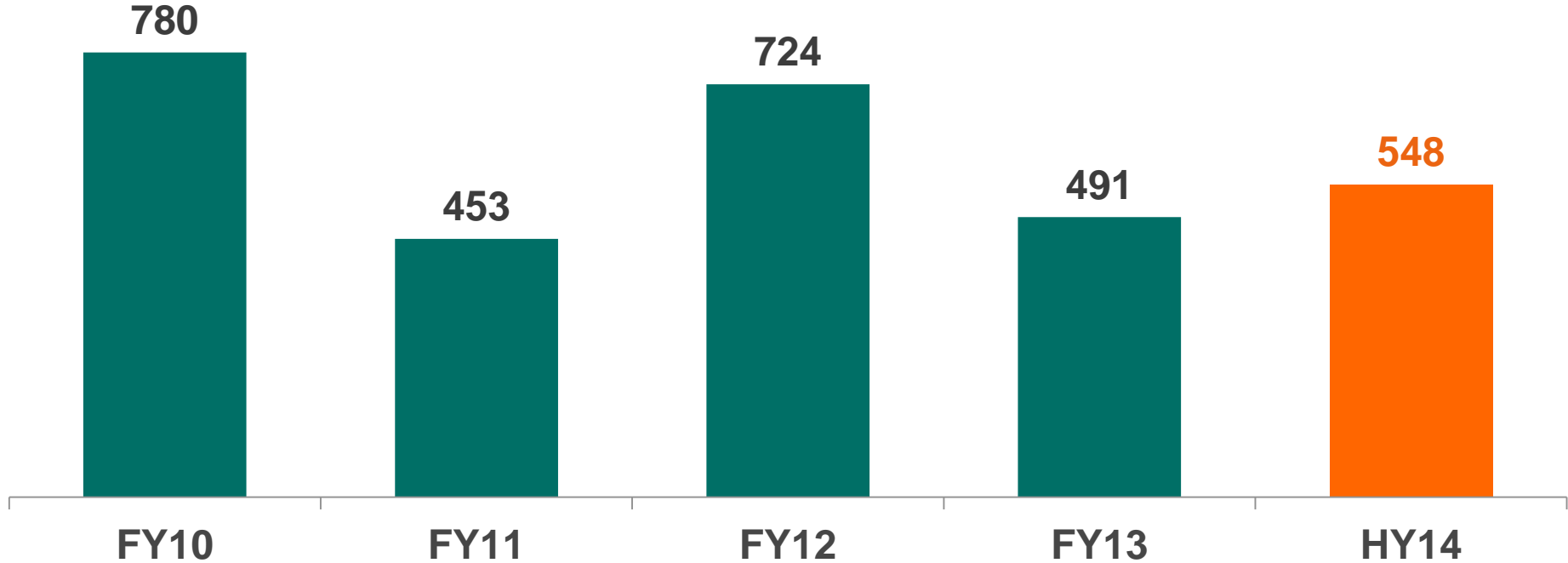
- Underlying ITR >12%
- Flat expense base
- De-risked balance sheet
- Increased ordinary dividends
- Capital returns
- Reduced volatility

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)

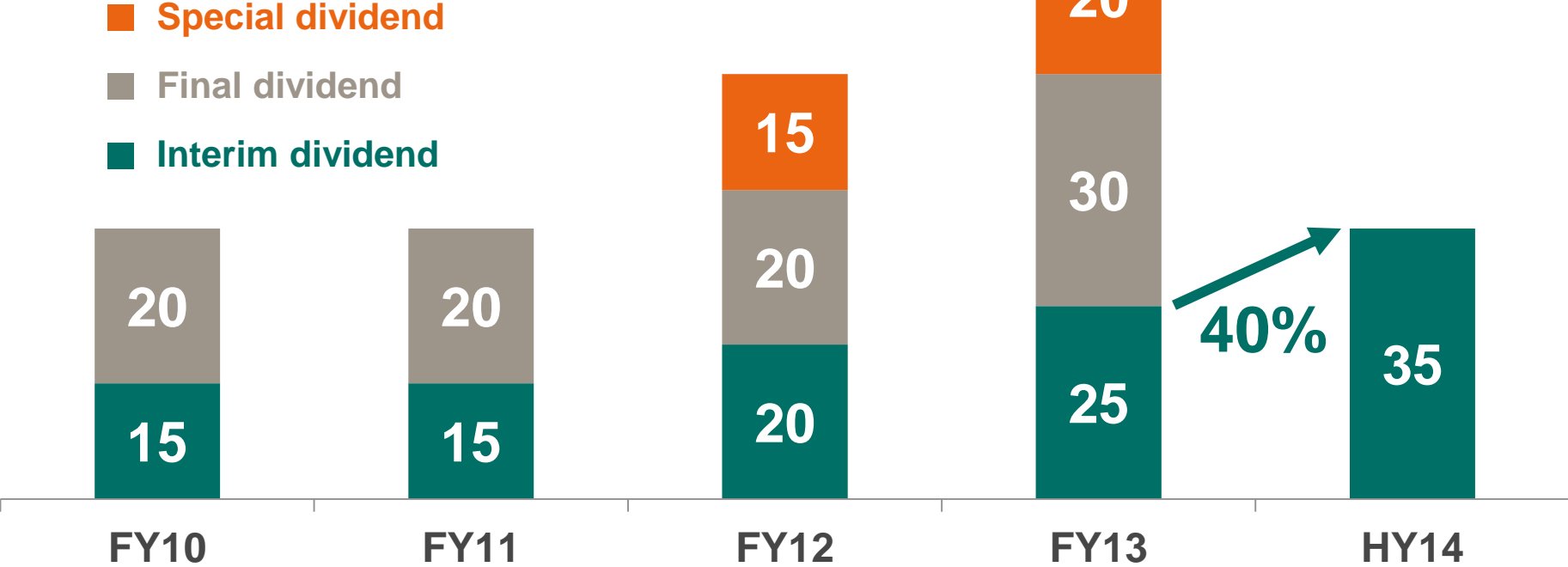
Building Blocks delivering and Non-core resolved



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Dividend

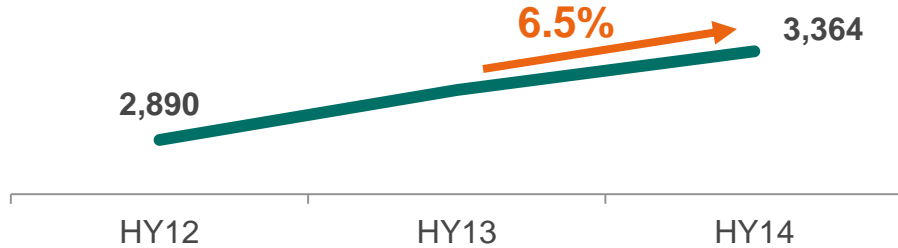
Interim dividend up 40%



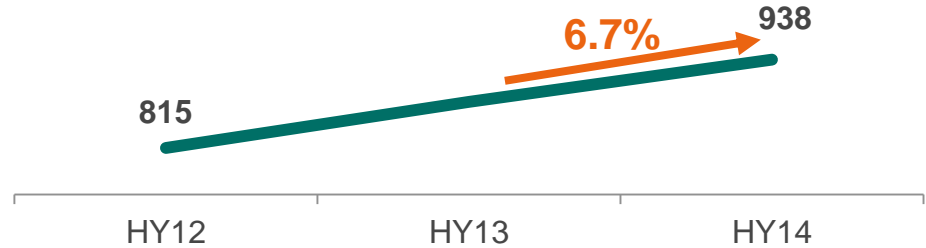
Top line growth

Growth across all three business lines (\$m)

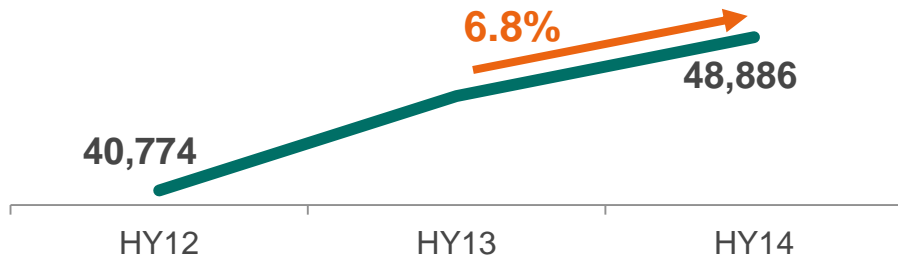
Short tail GWP*



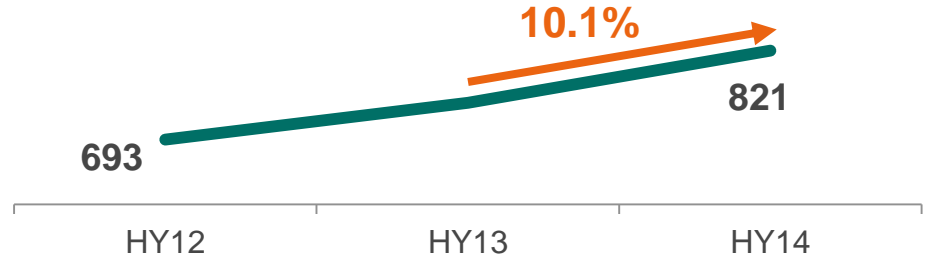
Long tail GWP*



Retail and Business Bank lending



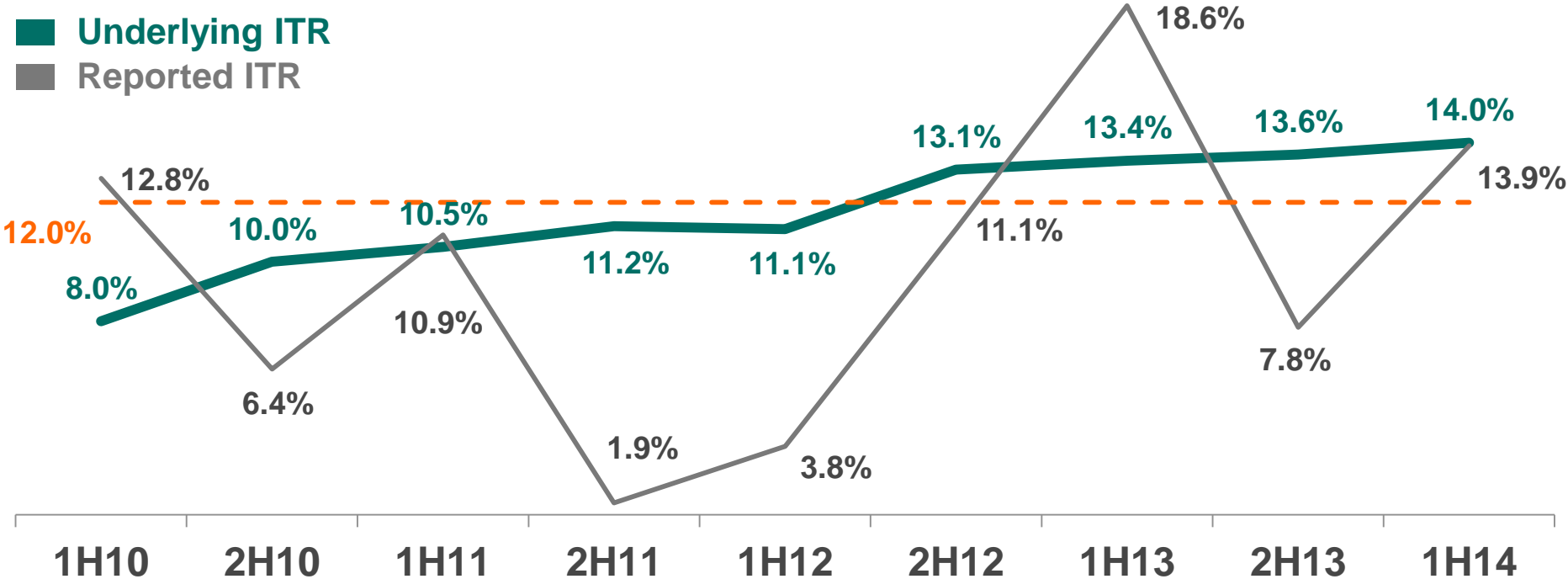
Suncorp Life individual in-force business



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)
Business line NPAT	597	619	(4)
Other profit and acquisition amortisation	(49)	(45)	9
NPAT	548	574	(5)

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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

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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)
Insurance trading result	537	534	1
Investment income - shareholder funds	141	142	(1)
NPAT	470	470	-
Reported ITR	13.9%	13.9%	-

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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
Total	4,302	6.6	
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
Total		331
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

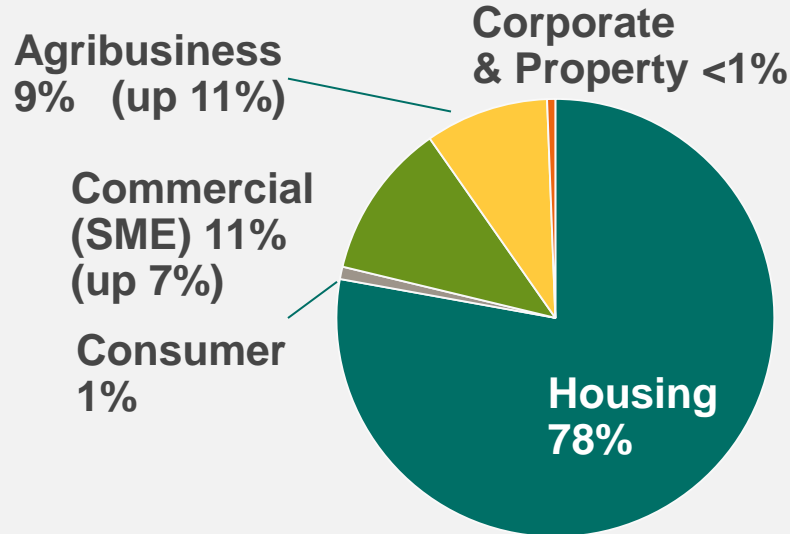
\$m	HY14	Consensus	%Δ
Net interest income	492	486	1
Non-interest income	20	41	(51)
Operating expenses	(305)	(300)	2
Profit before impairment losses	207	227	(9)
Loss on sale of loans and advances	(13)	-	n/a
Impairment losses on loans and advances	(45)	(37)	22
Profit before tax	149	190	(22)
Income tax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

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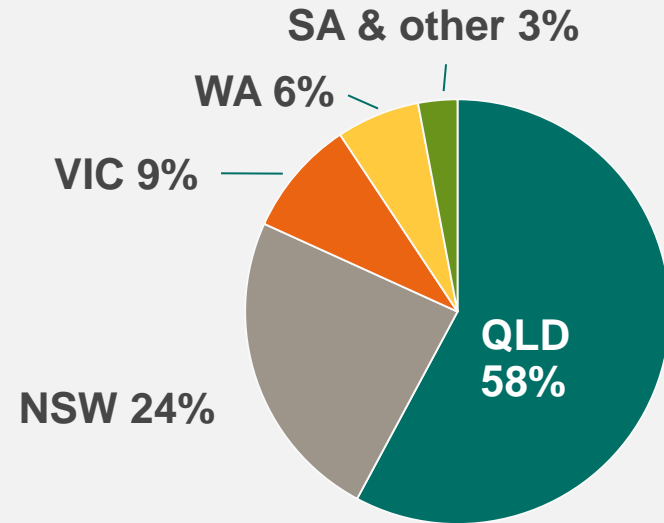
Lending assets of \$49.2 billion

Improved geographical diversification

Product split



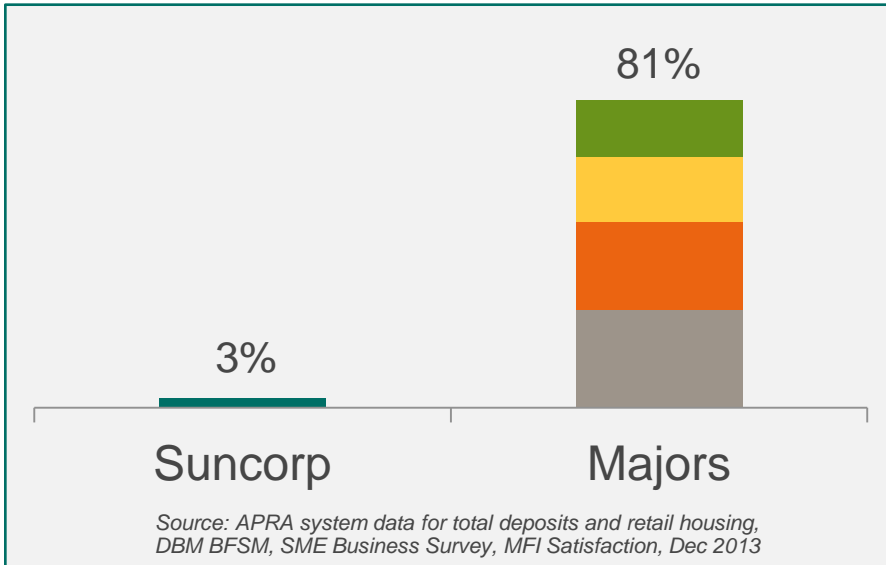
Geographic split



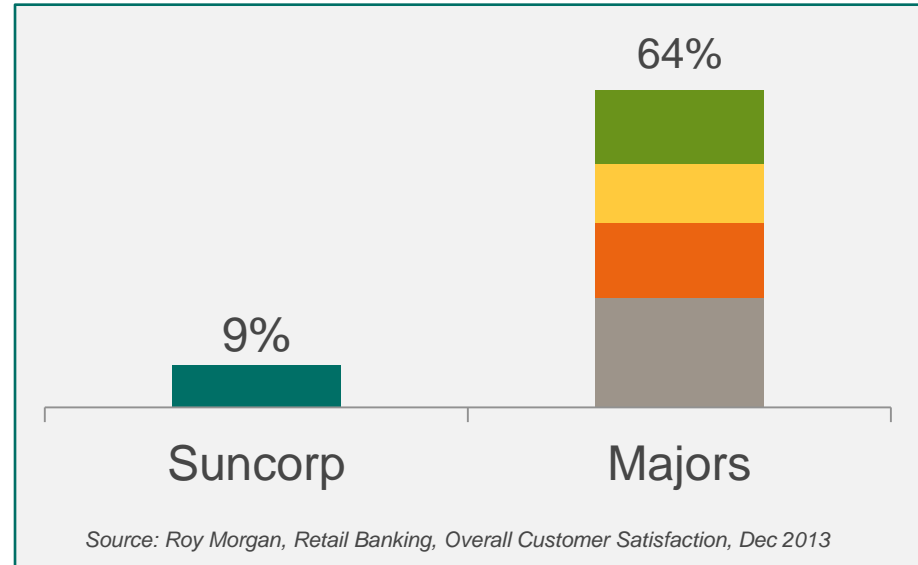
Suncorp market share

Opportunities to refocus on QLD market

National market share



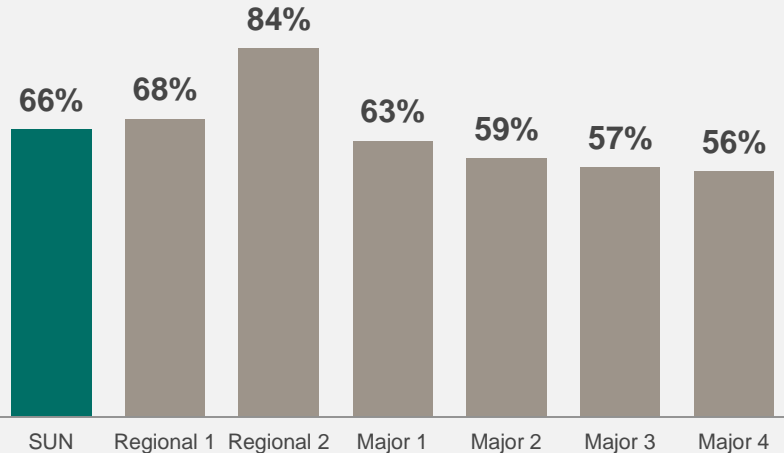
Retail market share in QLD



Funding and Liquidity

Conservative balance sheet

Deposit to loan ratio



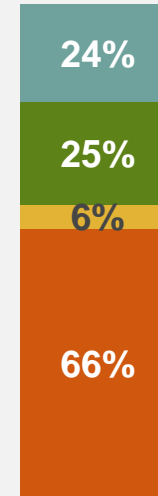
Source: Company reports for financial year 2013
Regional bank data is reported group ratios and majors data retail and business division only

Balance sheet components

Assets



Liab + Equity

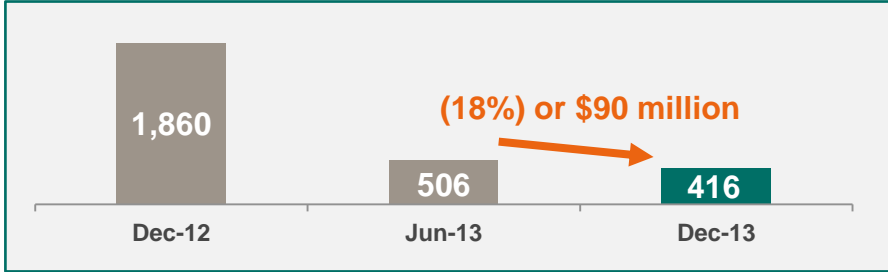


- Short-term wholesale
- Long-term wholesale
- Equity & other
- Retail deposits
- Liquid assets
- Lending

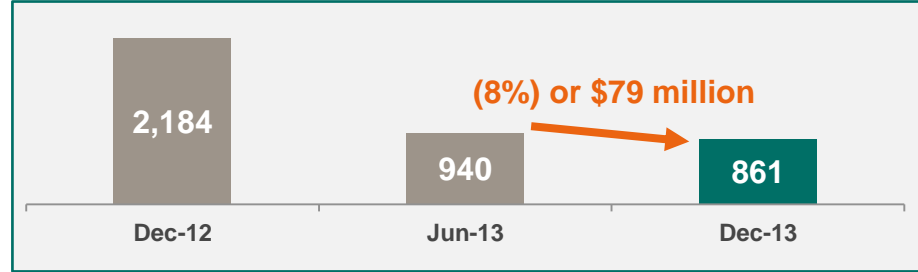
Credit quality

Reduced impaired assets and non-performing loans

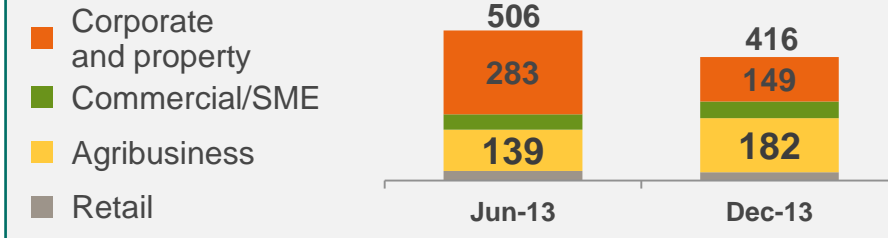
Gross impaired assets



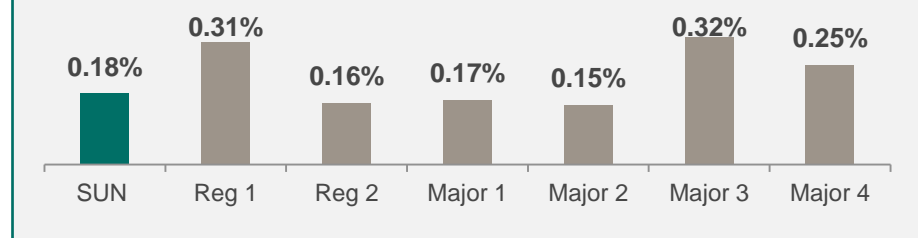
Non-performing loans



Impaired assets by segment



Impairment losses to gross loans



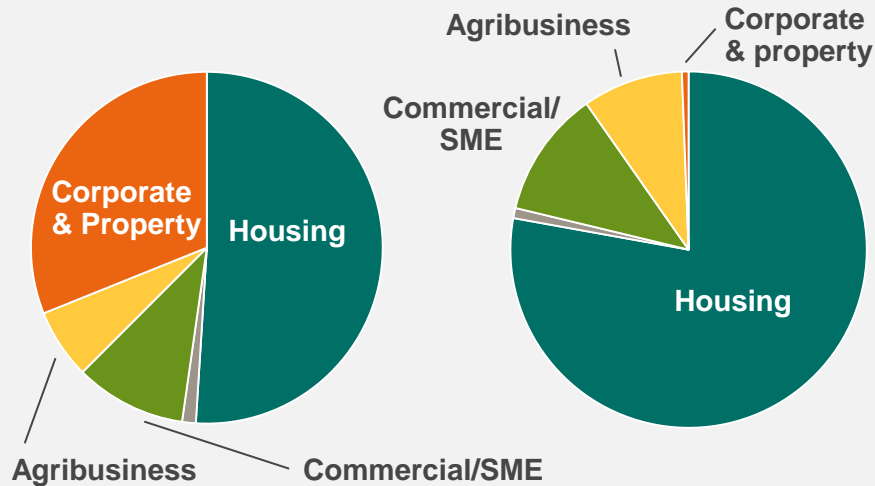
Suncorp Bank

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

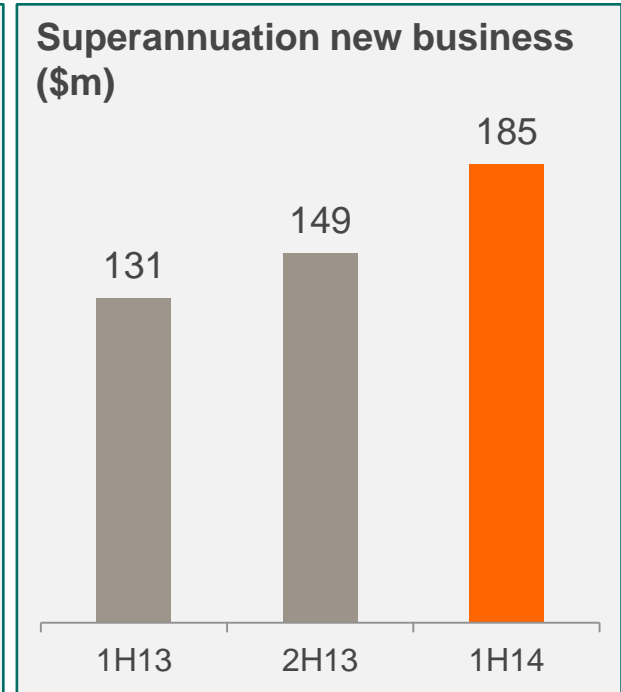
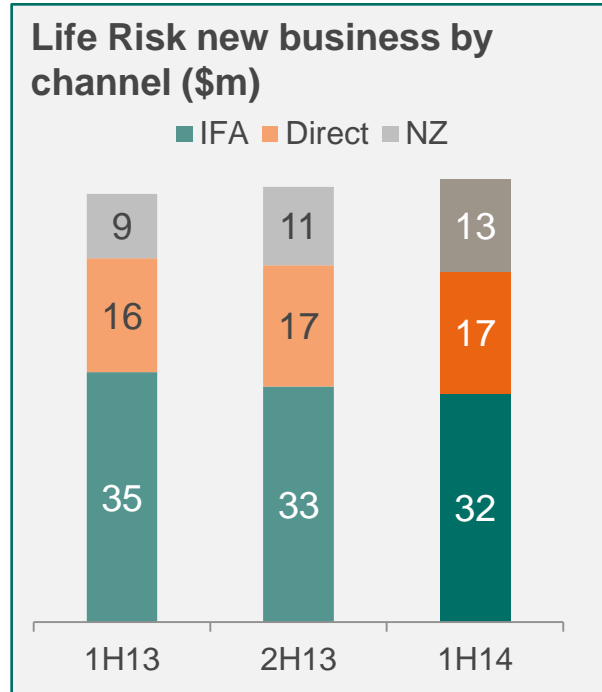
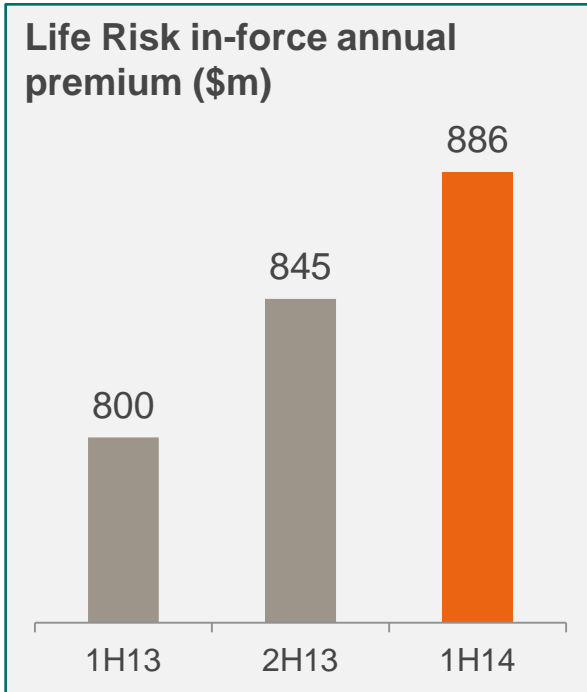
\$m	HY14	Consensus	%Δ
Underlying profit after tax	41	59	(31)
Market adjustment after tax	(19)	(16)	19
Life profit after tax	22	43	(49)

- 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

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Suncorp Life

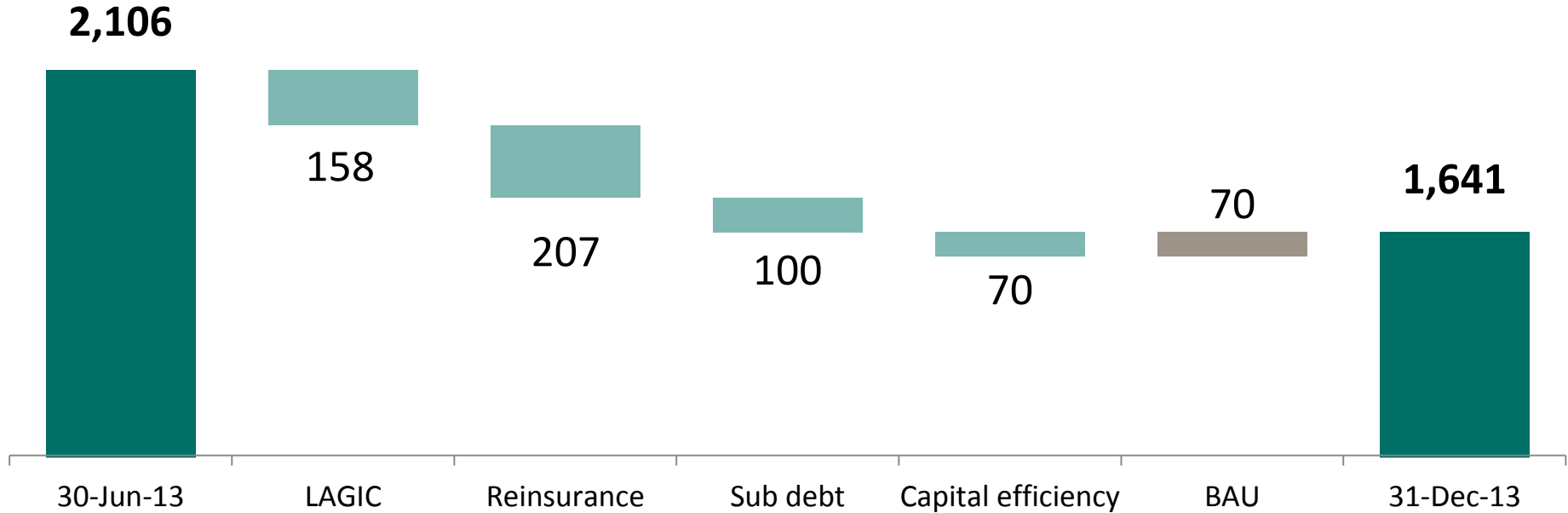
Growth in Life Risk and Superannuation



Suncorp Life capital

Contributing to the Group's surplus

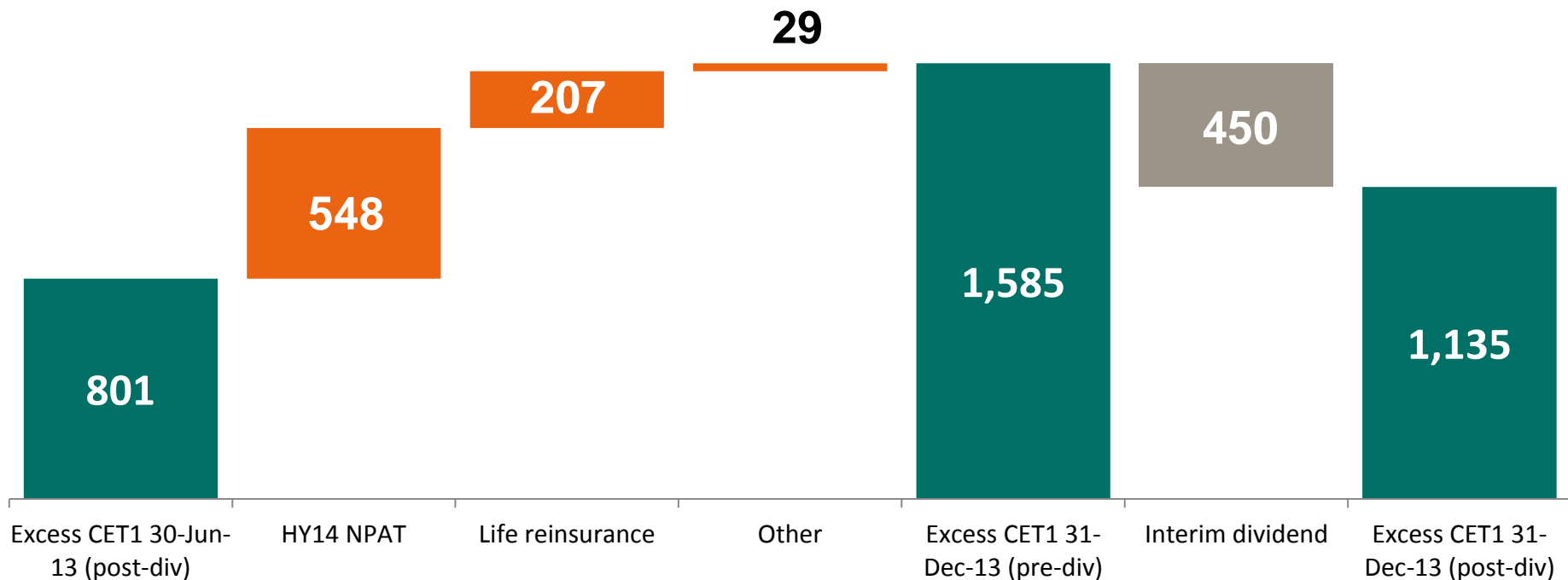
Capital movements (\$m)



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HY14 capital movements (\$m)

Group excess to CET1 over \$1.1 billion



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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**

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Q&A session



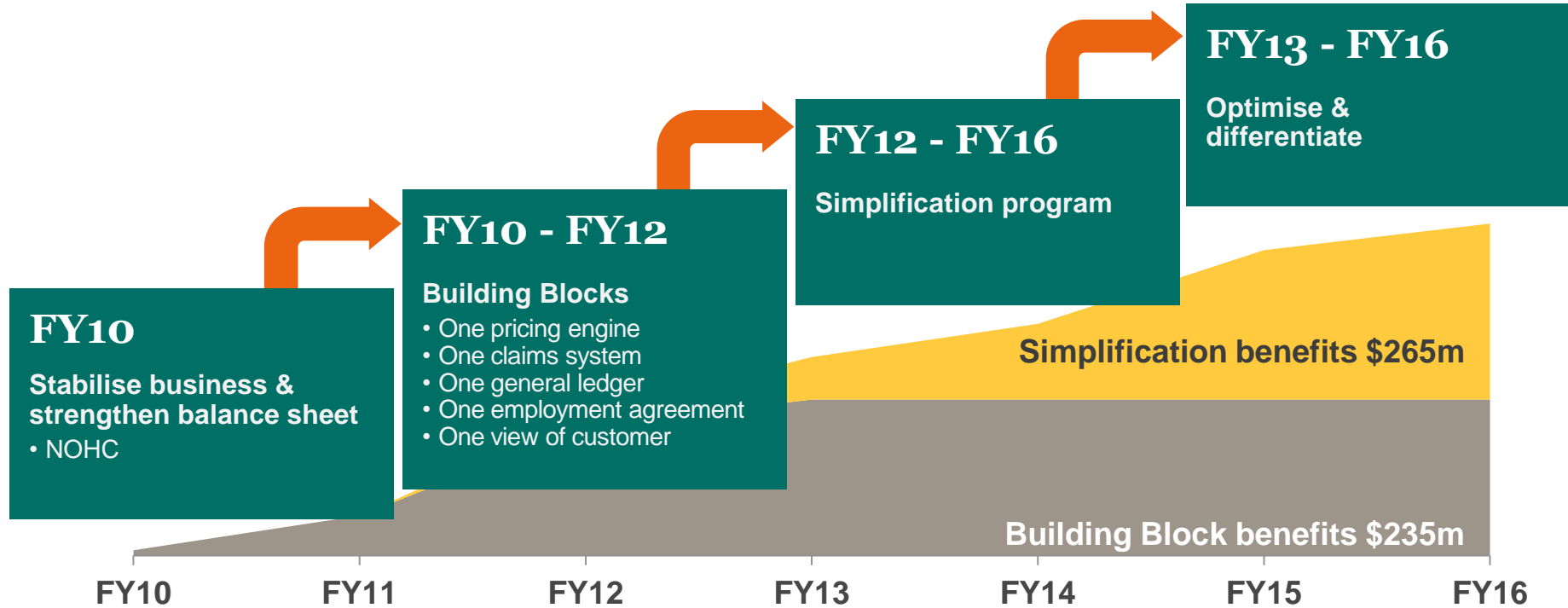


Supplementary slides



The Suncorp journey

'4Cs' drive the Group's competitive advantage

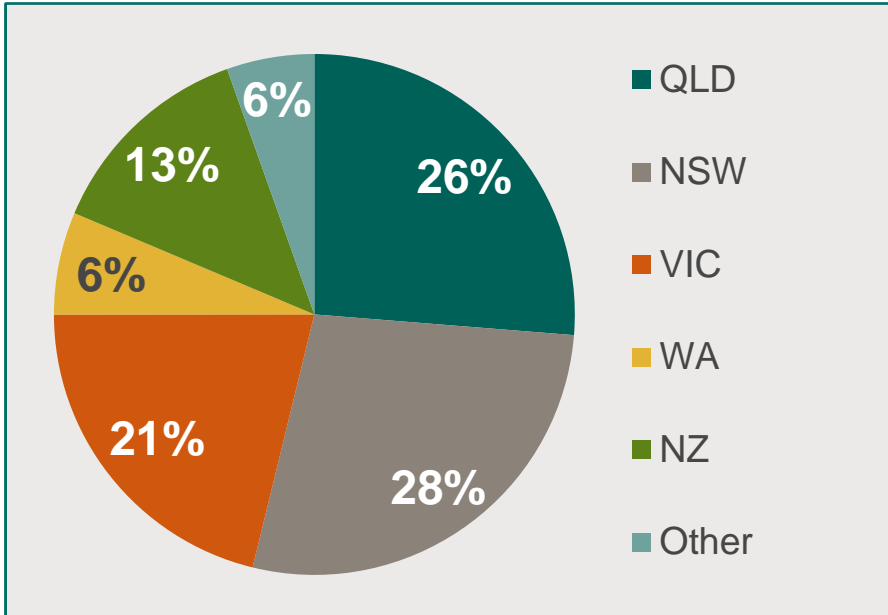


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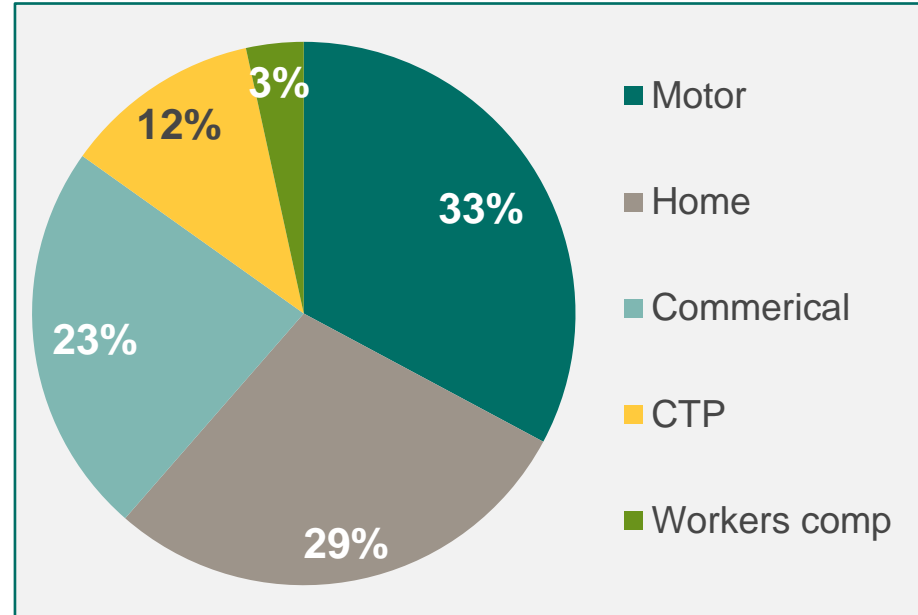
General Insurance

A diversified portfolio

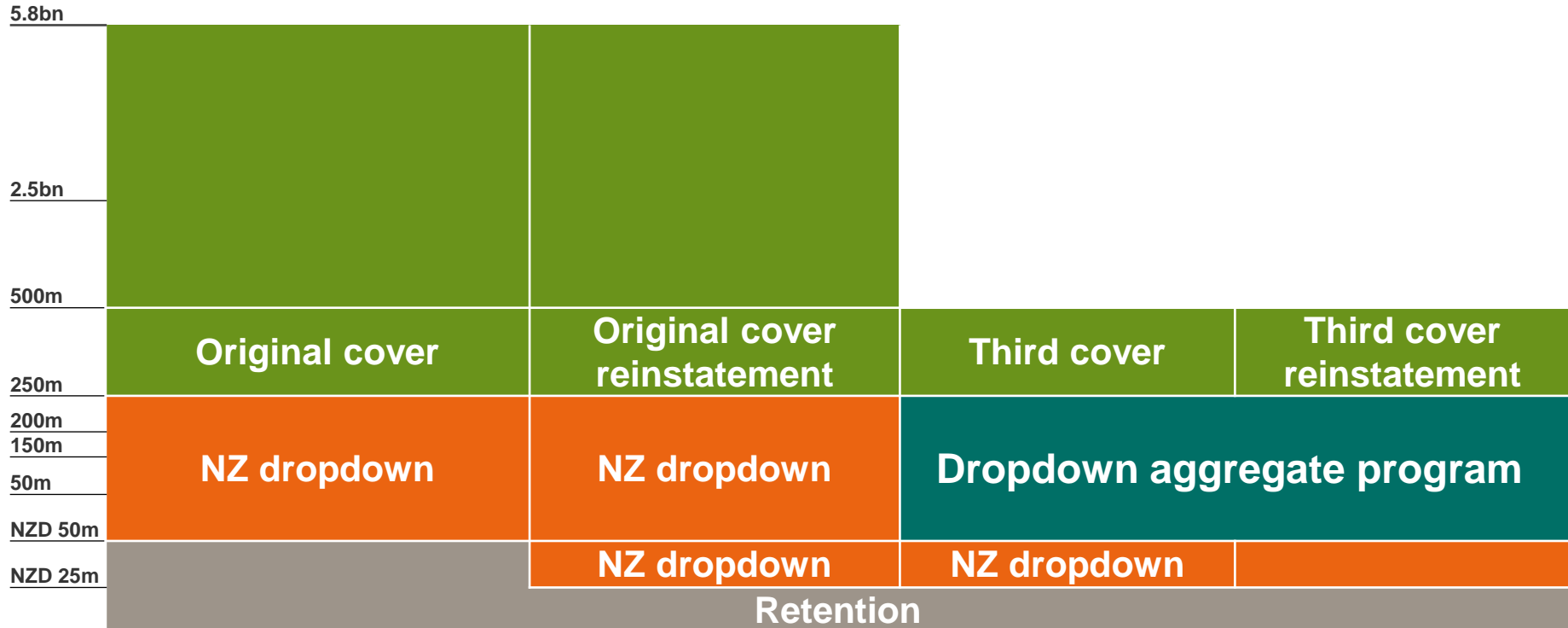
Geographic split



Product split

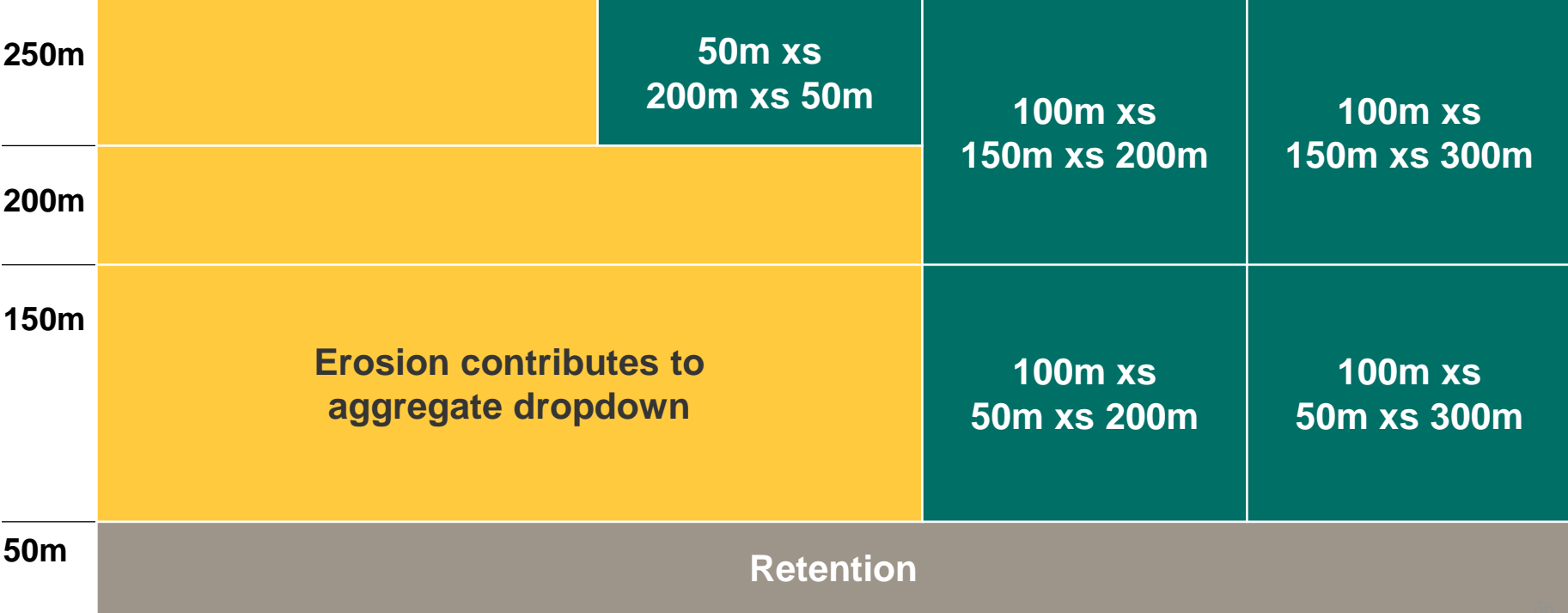


FY14 Reinsurance program



FY14 Reinsurance program

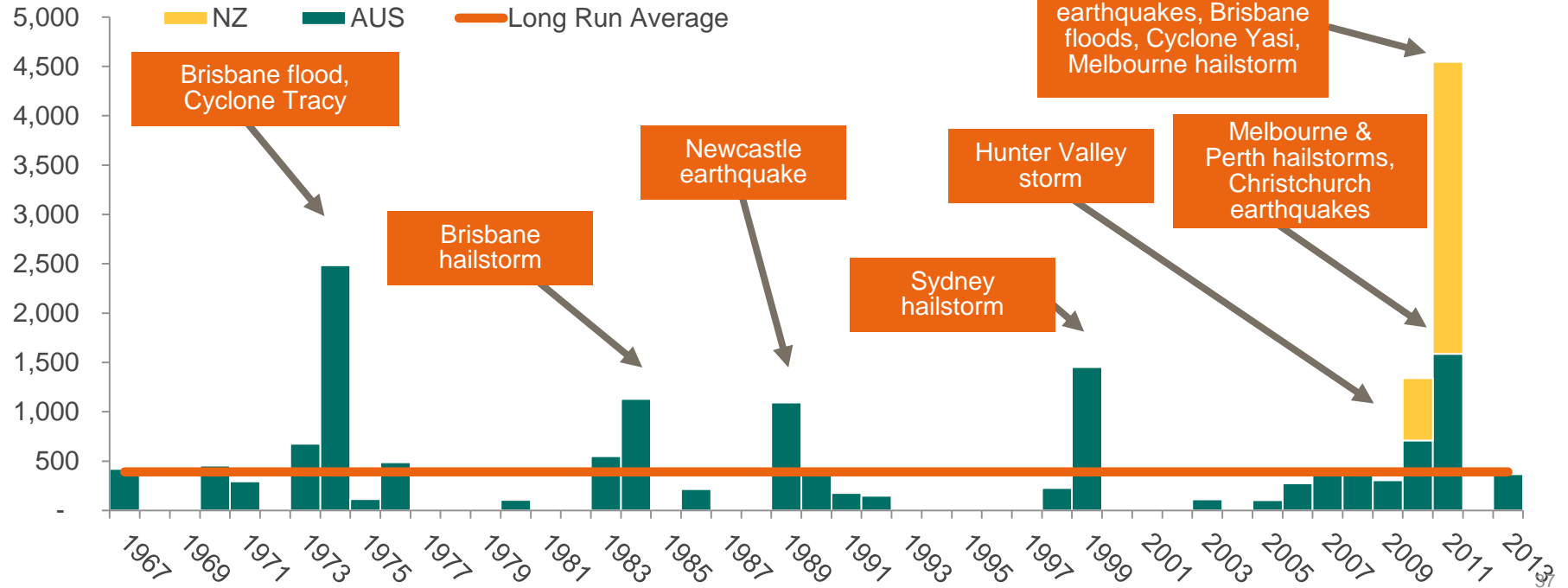
Drop-down aggregate program



Natural hazards since 1967

Suncorp long-term catastrophic loss experience

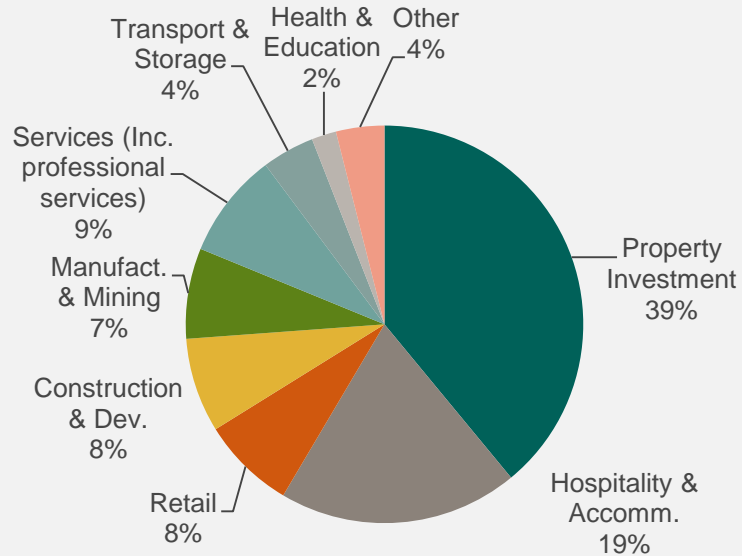
Events greater than \$100m, gross of all reinsurance



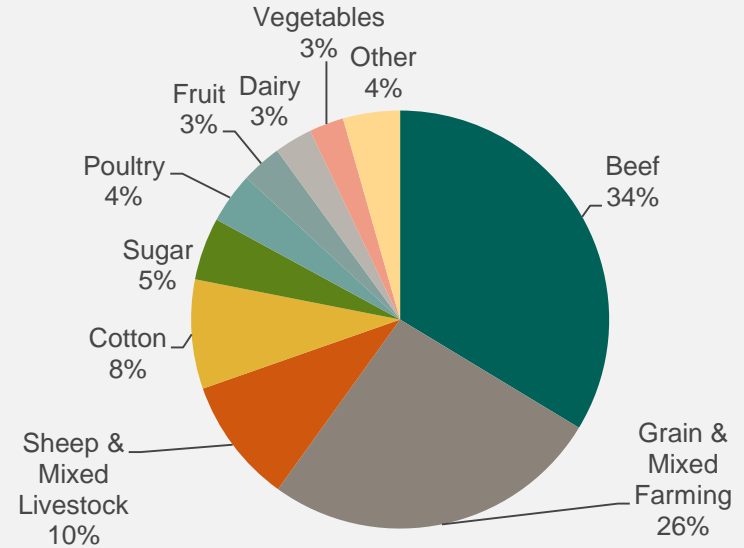
Suncorp Bank business lending

Diverse portfolios

Commercial/SME portfolio



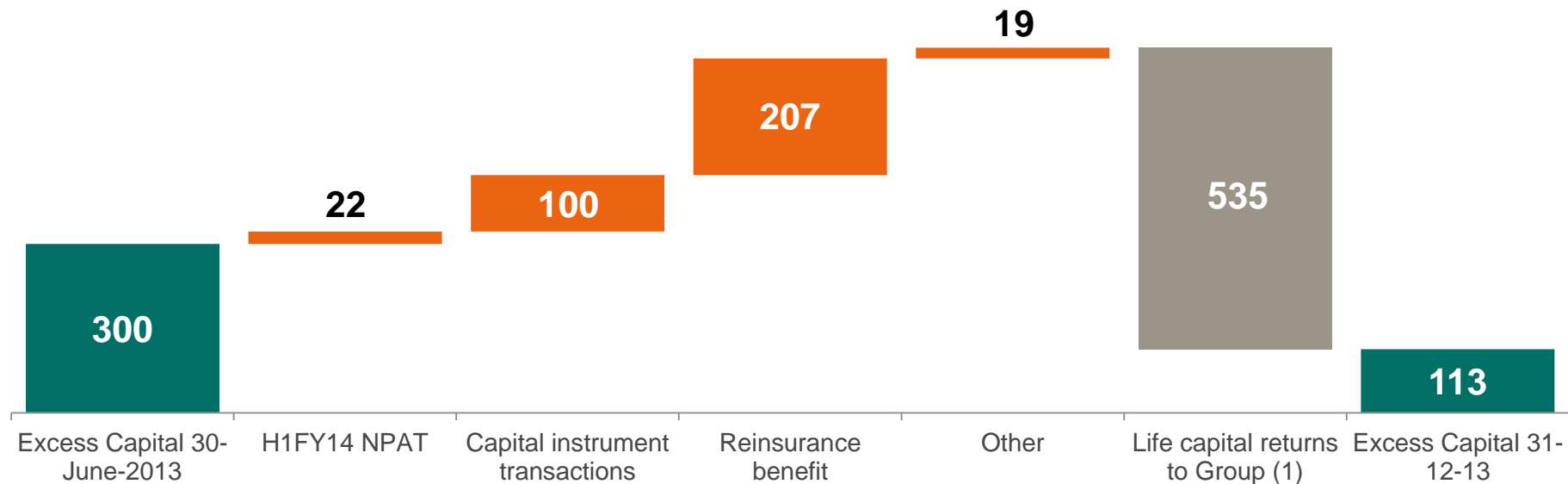
Agribusiness portfolio



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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
Excess (pre-div)	1,184	77	113	211	1,585
Dividend					(450)
Excess (post-div)					1,135
CET1 ratios	1.65x	8.25%	1.65x		
CET1 targets	1.10x	8%	Amount equal to sum of PCA plus a target excess		

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One Company
Many Brands

