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**Suncorp Group Limited**

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An Introduction  
September 2015

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# Suncorp Group

## Leading financial services brands in Australia and New Zealand

Top 20 ASX listed company

\$18 billion market capitalisation at 4 August 2015

\$96 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
- 'Above system' growth in key markets
- Multi-brand, multi-channel approach leveraging the Group's 9 million customers

# Suncorp Group

## Key targets

**1** 'Above-system' growth in key target markets

**2** Optimisation benefits of \$170 million in 2018 financial year

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

**4** Sustainable Group ROE of at least 10%

**5** 60% to 80% dividend payout ratio

**6** Continuing to return surplus capital to shareholders

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# FY15 result overview (\$m)

	FY15	FY14	%Δ
General Insurance NPAT	756	1,010	(25.1)
Bank NPAT	354	228	55.3
Suncorp Life NPAT	125	92	35.9
<b>Business lines NPAT</b>	<b>1,235</b>	<b>1,330</b>	<b>(7.1)</b>
Other	(44)	(26)	69.2
<b>Cash earnings</b>	<b>1,191</b>	<b>1,304</b>	<b>(8.7)</b>
Life Insurance write-down	-	(496)	n/a
Other profit and acquisition amortisation	(58)	(78)	(25.6)
<b>NPAT</b>	<b>1,133</b>	<b>730</b>	<b>55.2</b>

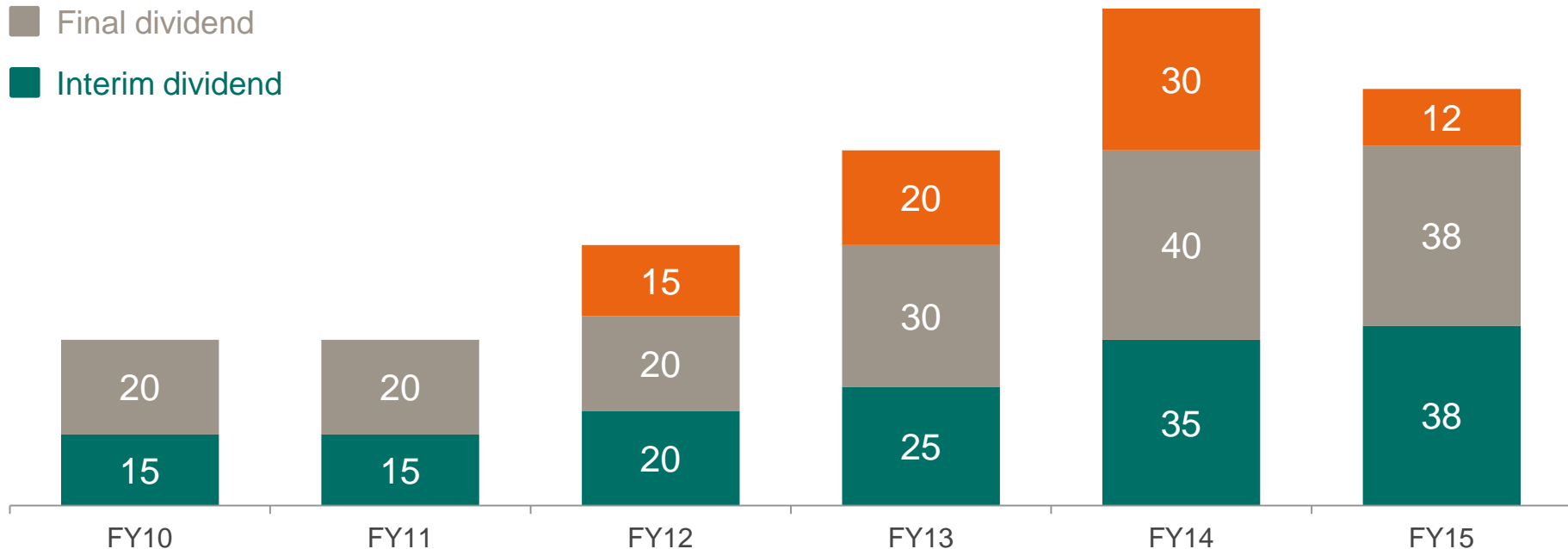
# Dividend

## 38 cent final dividend and 12 cent special dividend

Special dividend

Final dividend

Interim dividend



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# Suncorp market shares

## Growth opportunities

Incremental growth opportunities  
in markets where we are a  
leading player

Home and Motor  
Insurance  
29%

QLD CTP  
51%

Growth opportunities from entering  
new markets and expanding in  
existing markets

CI Aust  
16%

CI NZ  
25%

PI NZ#  
24%

CTP NSW  
21%

Potential to grow to natural market share  
in targeted segments

Suncorp Bank^  
3%

Suncorp Life`  
5%

# Suncorp's Strategic Assets

## Our focus

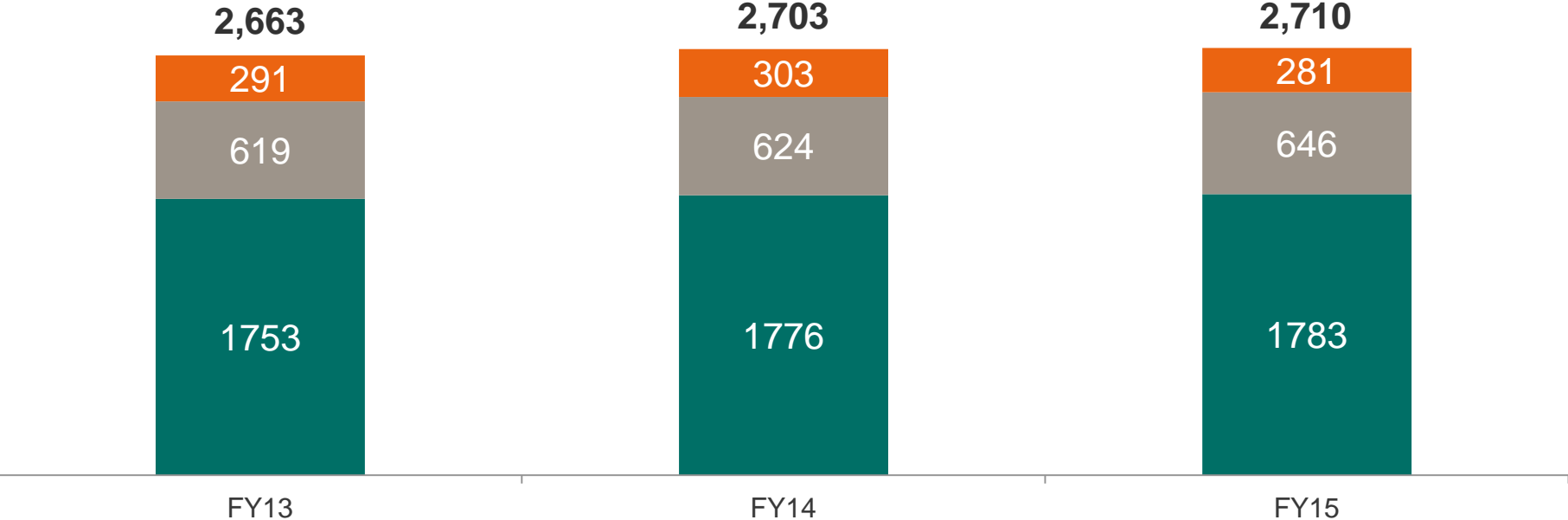
Cost	<ul style="list-style-type: none"><li>• Deliver scale cost benefits on third party <b>procured goods / services</b></li><li>• Share <b>scale on infrastructure</b> (real estate, enterprise technology) and <b>non-unique business services</b></li></ul>
Customer	<ul style="list-style-type: none"><li>• 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>



# Group operating expenses

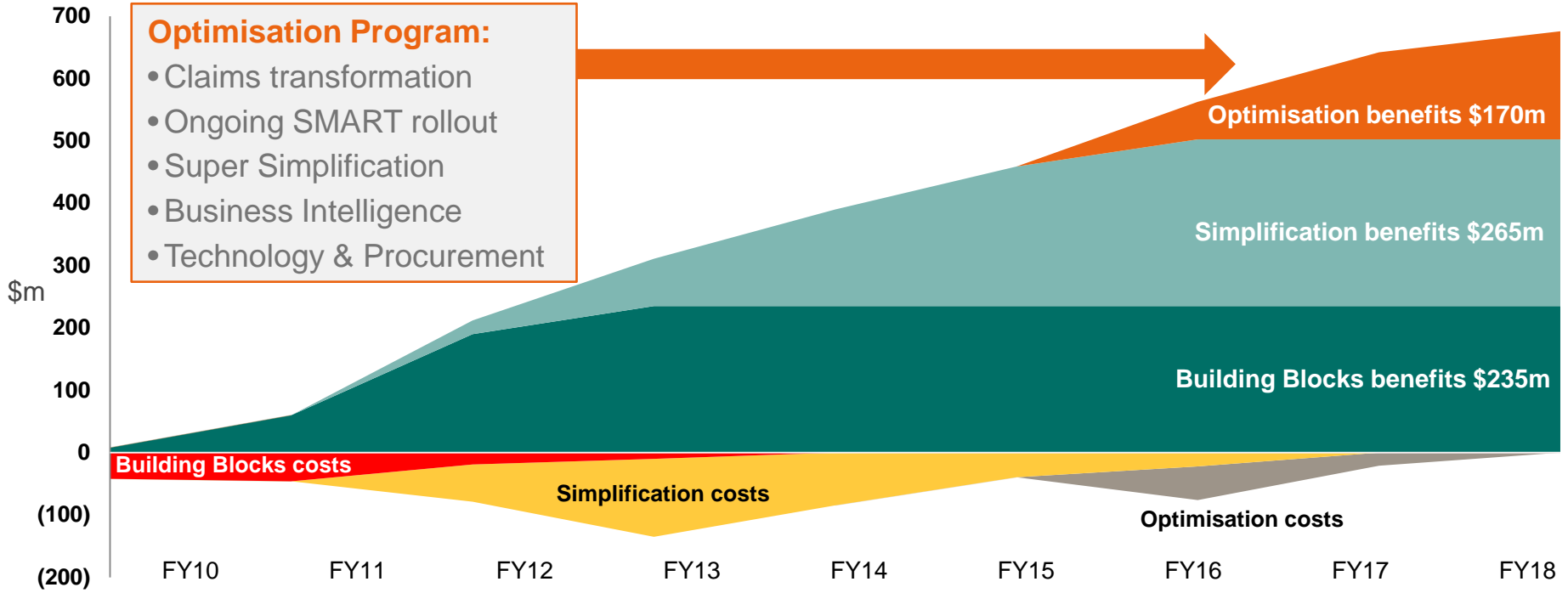
Less than 1% annual increase

Life Bank General Insurance



# Optimisation

## The next phase



# Customer

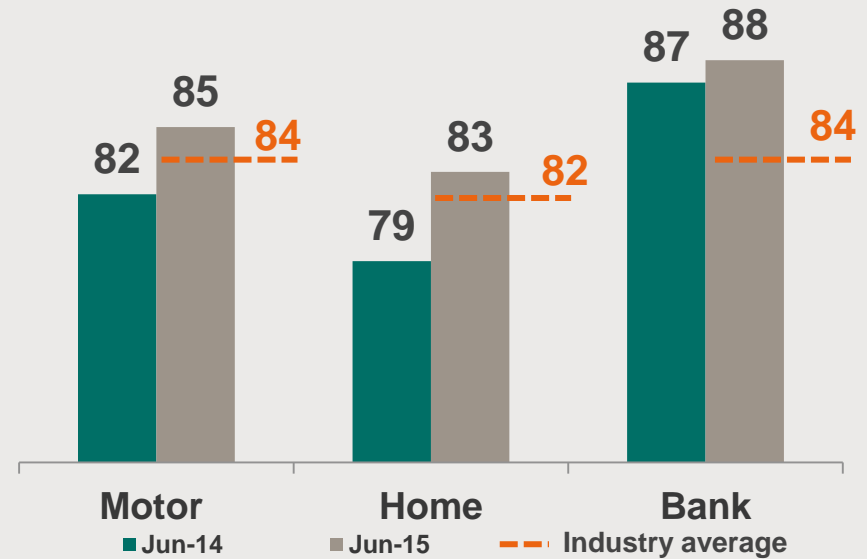
## A strengthened customer franchise



### Strong outcomes across the Group

- Industry leading satisfaction in key business lines
- 4 of the top 5 most advocated national insurance brands
- 1.6% increase in Personal Insurance retention in FY15
- Deeper relationships
- Attracting new customers

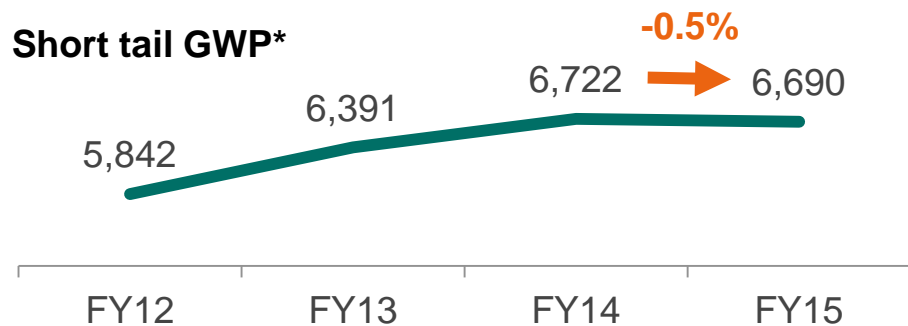
### Industry leading customer satisfaction



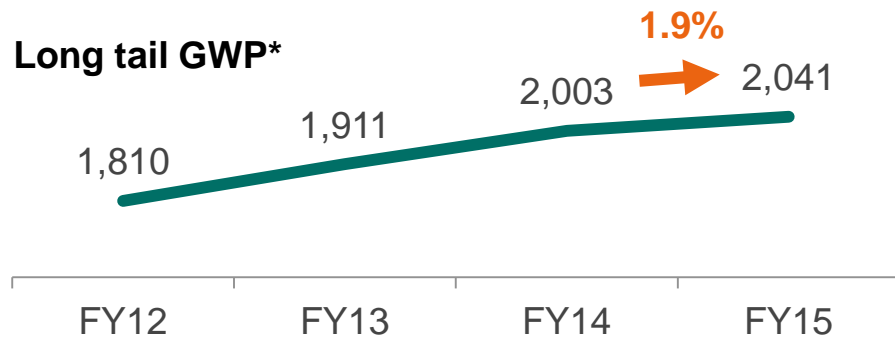
# Top line growth

## Growth in key target segments

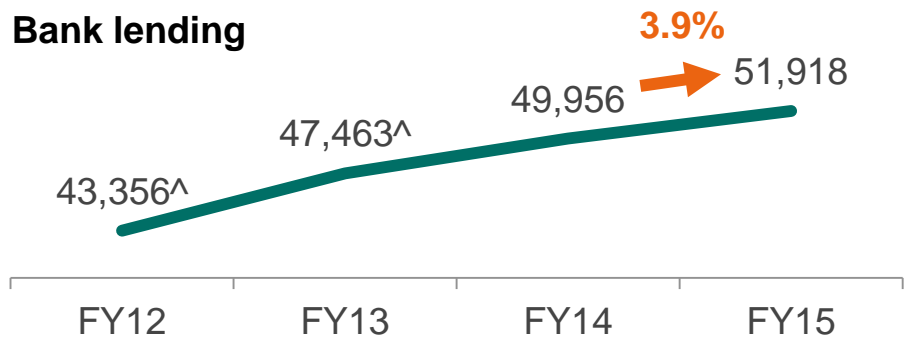
### Short tail GWP\*



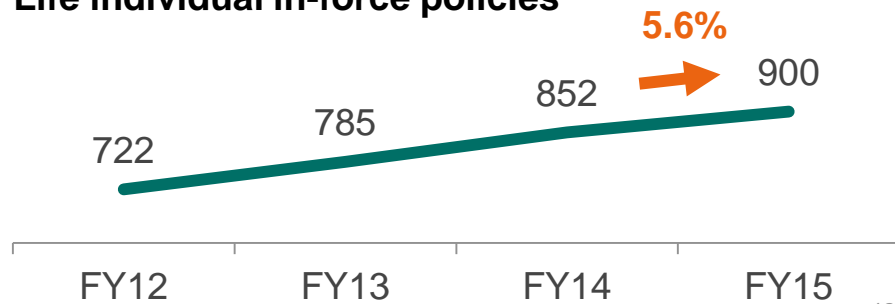
### Long tail GWP\*



### Bank lending



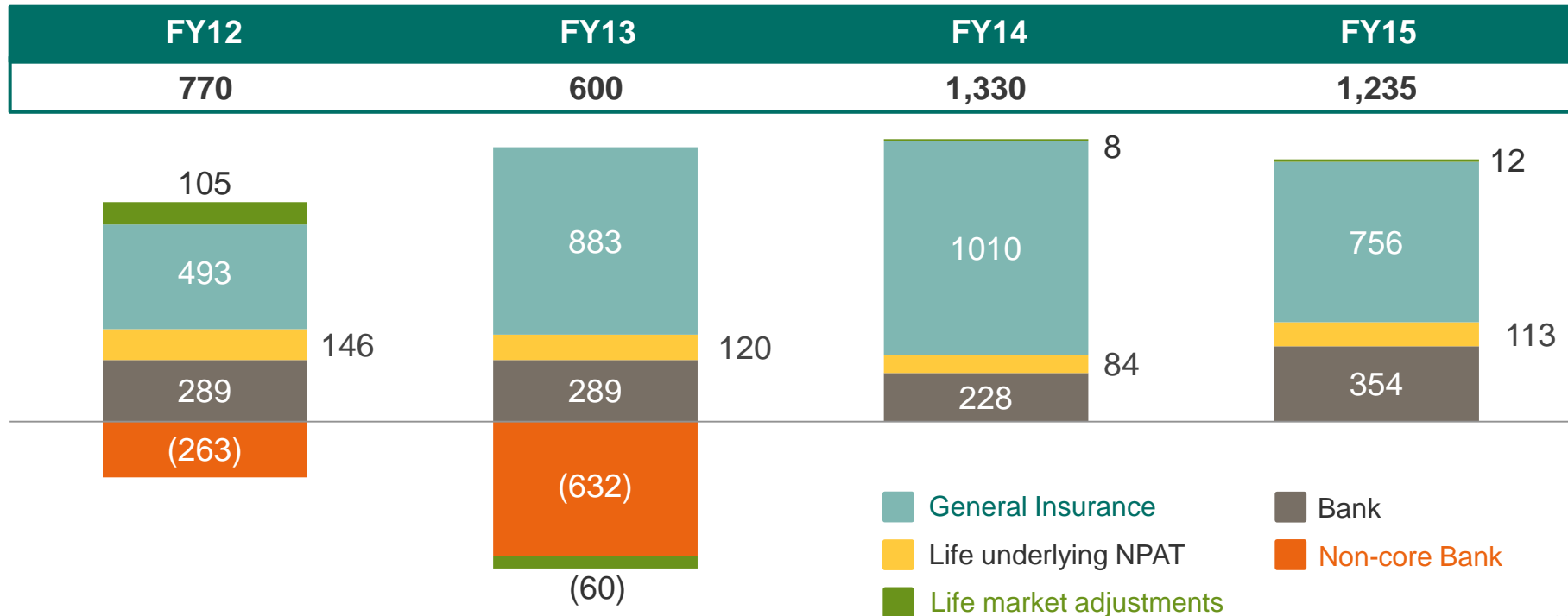
### Life individual in-force policies



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# Suncorp Group business line NPAT (\$m)

## Profit diversification



# General Insurance

\$m	FY15	%Δ
General Insurance profit after tax	756	(25.1)

Underlying ITR of 14.7% exceeding commitment to 'meet or beat' 12%  
Reported ITR of 11.4%

Reserve releases of \$427 million  
Natural hazards \$473 million above allowance

GWP up 0.1% with positive unit growth in Personal lines

GI CET1 1.40x PCA

# Gross Written Premium

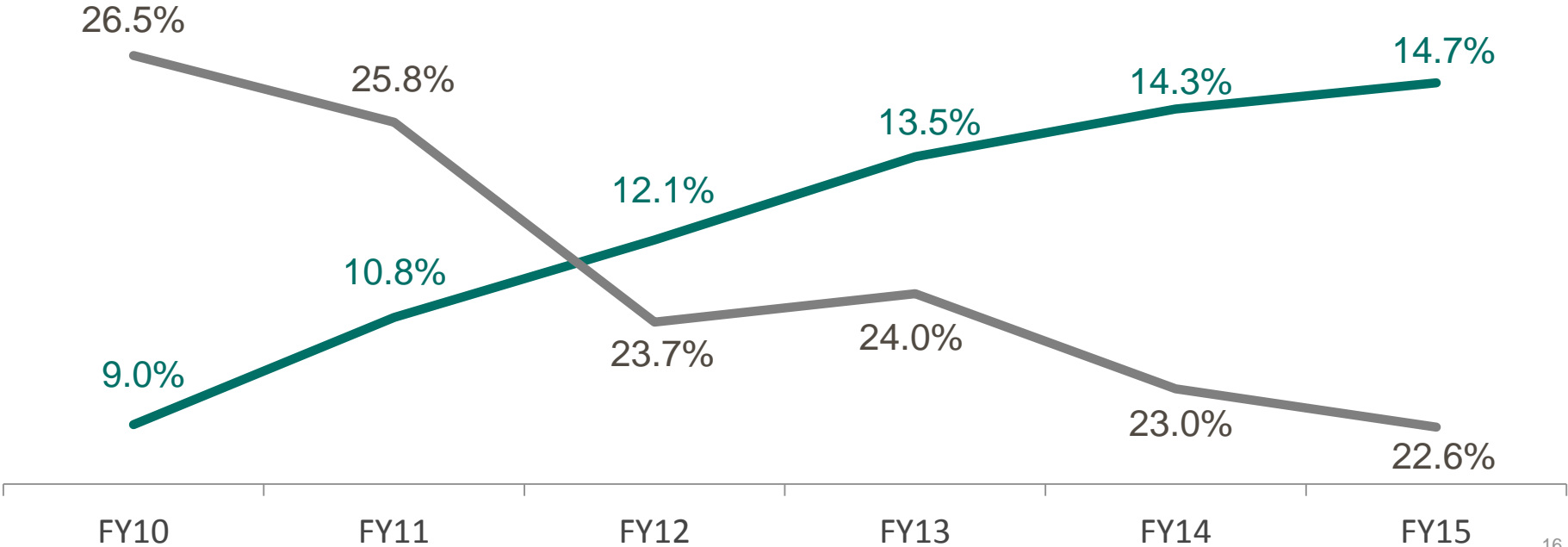
## Passing on efficiency benefits

Product	FY15 (\$m)	%Δ	Factors
Motor	2,770	(2.1)	Customer unit growth offset by reduction in average written premiums
Home	2,449	0.4	Targeted reductions driving high retention rates and moderated unit losses
Commercial	2,326	(0.1)	Disciplined underwriting and focus on margin
CTP	1,112	5.9	Good growth across Qld, NSW and ACT
Other	74	(5.1)	
<b>Total</b>	<b>8,731</b>	<b>0.1</b>	
Australia	7,526	(0.8)	
New Zealand	1,205	5.7	2.9% in NZD terms

# Underlying ITR and Operating Expense Ratio

Building Blocks and Simplification continuing to deliver

■ Underlying ITR   ■ Operating Expense Ratio





# 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**

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# Personal Insurance brands

## Differentiated offerings, preserving core elements of each brand

### AAMI

#### Lead national brand:

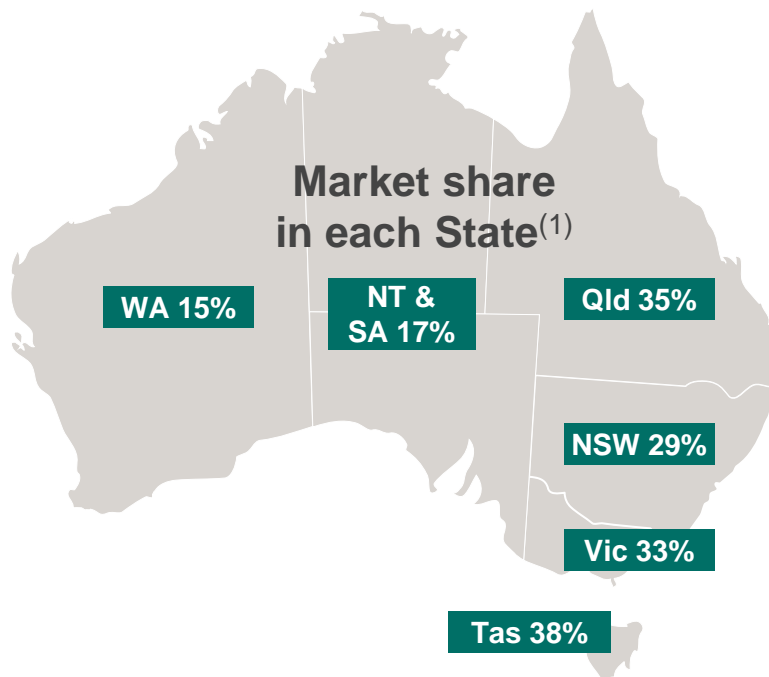
- Eliminating stress
- Competitive price positions



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

- Providing certainty
- Service excellence and more comprehensive cover

<sup>(1)</sup> Roy Morgan market shares (May 2015)



#### Suncorp Insurance:

- Providing insurance to Queenslanders
- Strong community connections

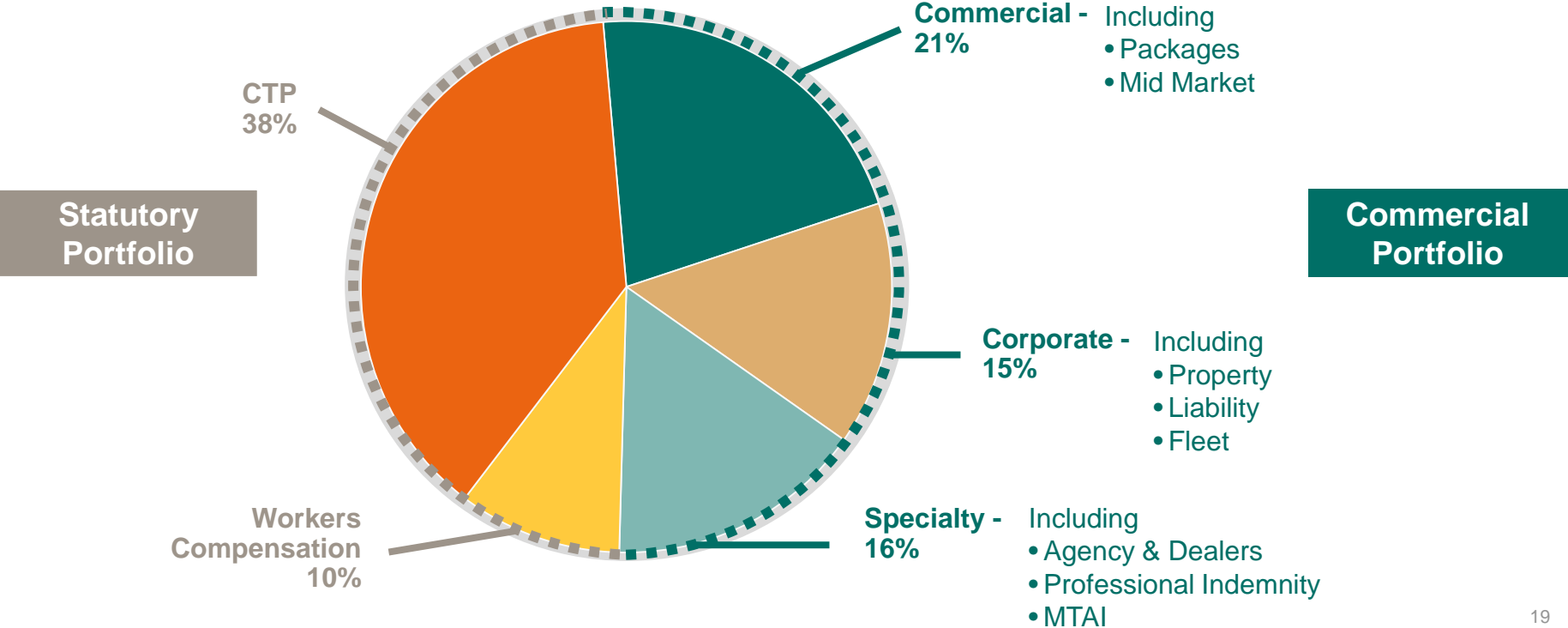


#### National life stage brand:

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

# Commercial Insurance: products overview

GWP \$2.9 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

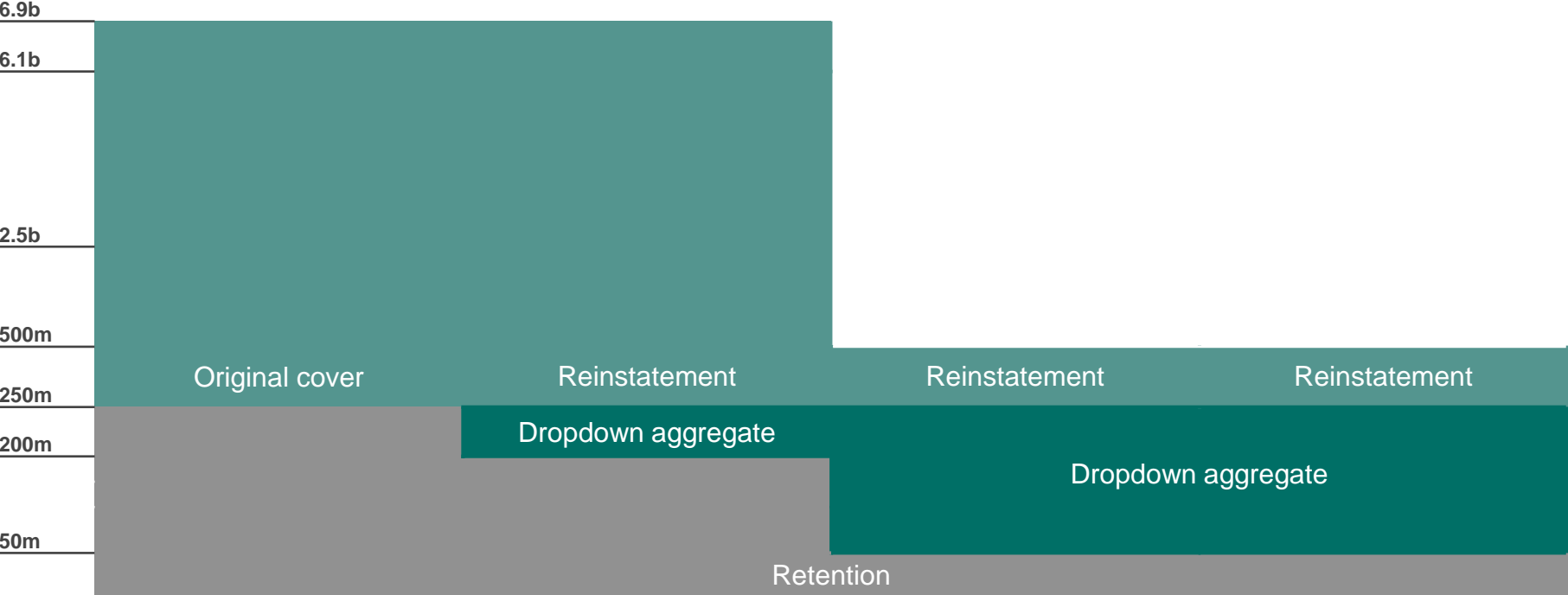
## Direct



**Insurance**

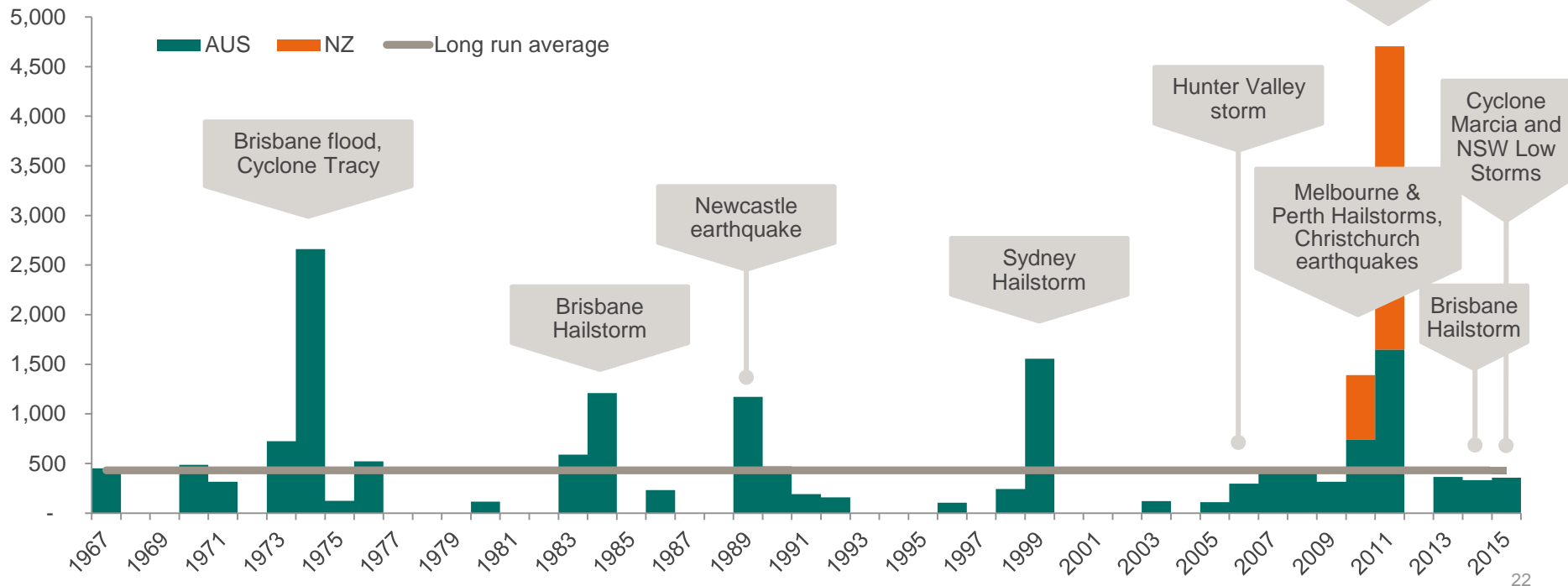
- 5% share of total market GWP
- Strong growth in domestic motor insurance – 21% market share (units)
- 2<sup>nd</sup> largest direct player

# FY16 Reinsurance program



# Natural hazards since 1967

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



# Suncorp Bank

\$m	FY15	%Δ
Bank profit after tax	354	55.3

NIM improved to **1.85%**  
Bank CET1 increased to **9.15%**

Cost to income ratio down to **53.4%**  
Deposit to loan ratio **65.3%**

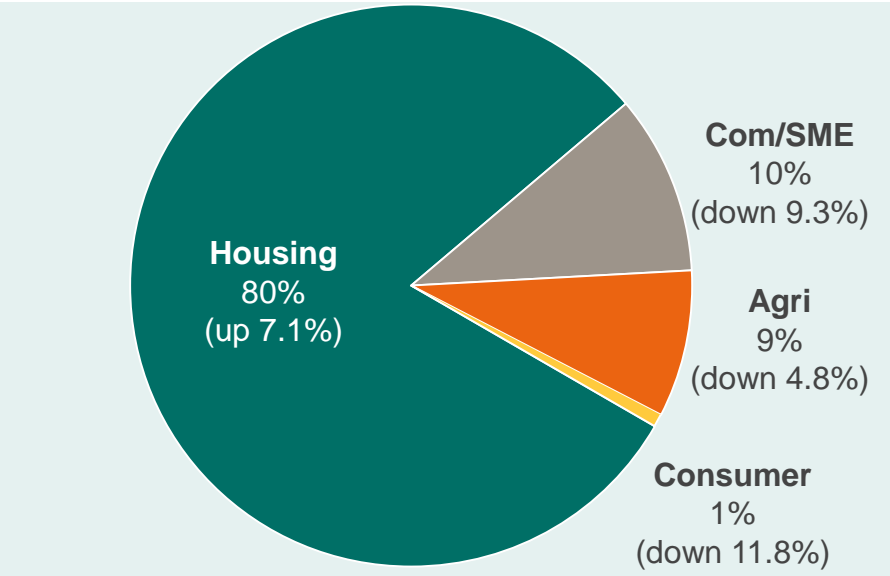
Home lending up **7.1%**  
Business lending **down 7.3%**

Non performing loans **down 20.1%**  
Gross impaired assets **down 34.5%**

# Suncorp Bank lending portfolio

## Conservative approach to growth

Lending assets \$51.9 billion



Over 200 branches & 2150 ATMs

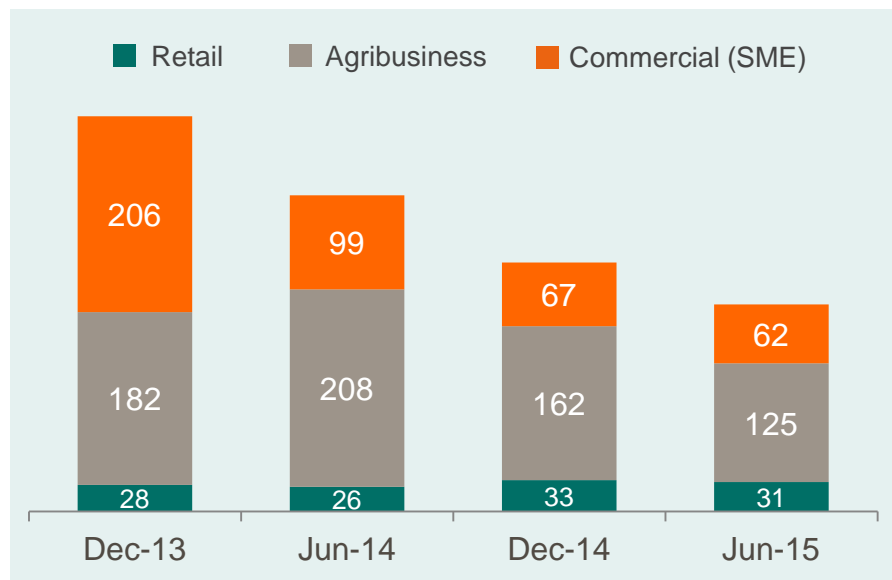




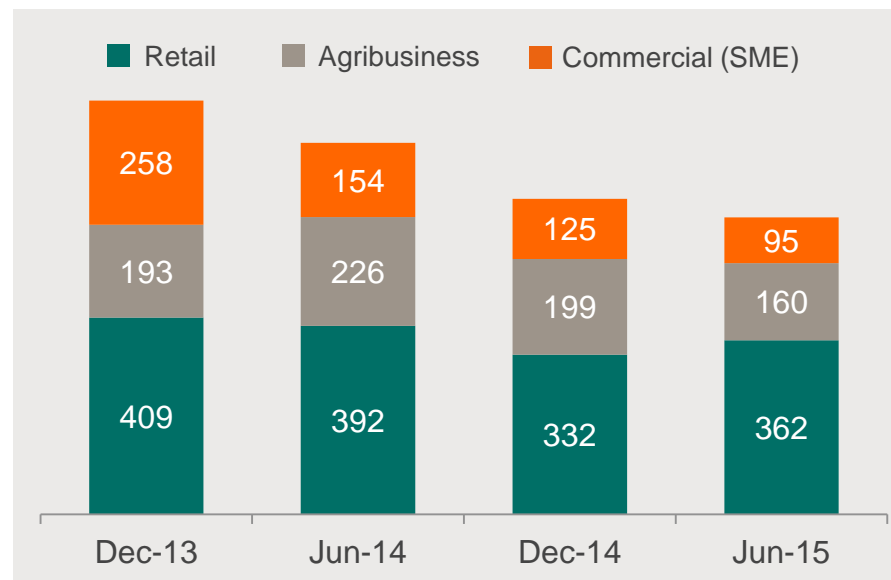
# Credit quality

## Impaired and non-performing loans both down significantly

### Gross impaired loans by segment



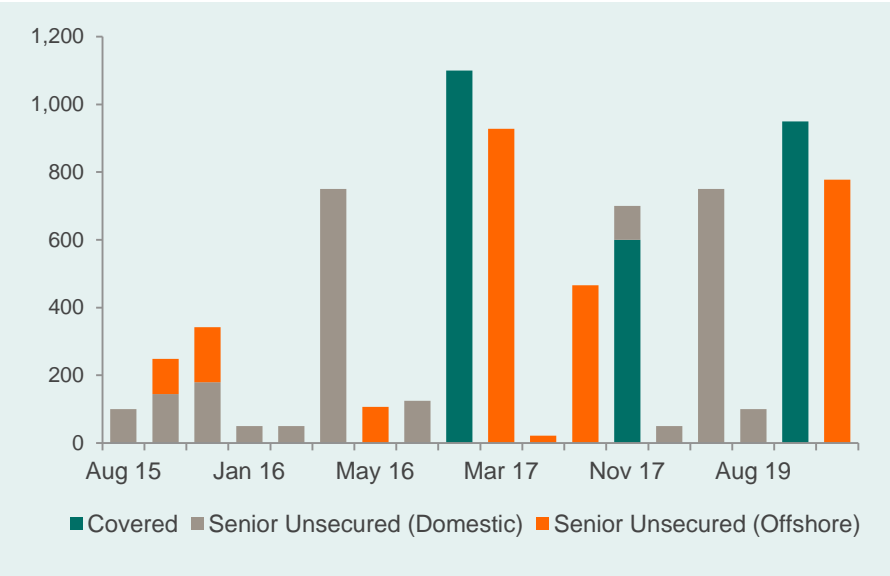
### Total non-performing loans by segment



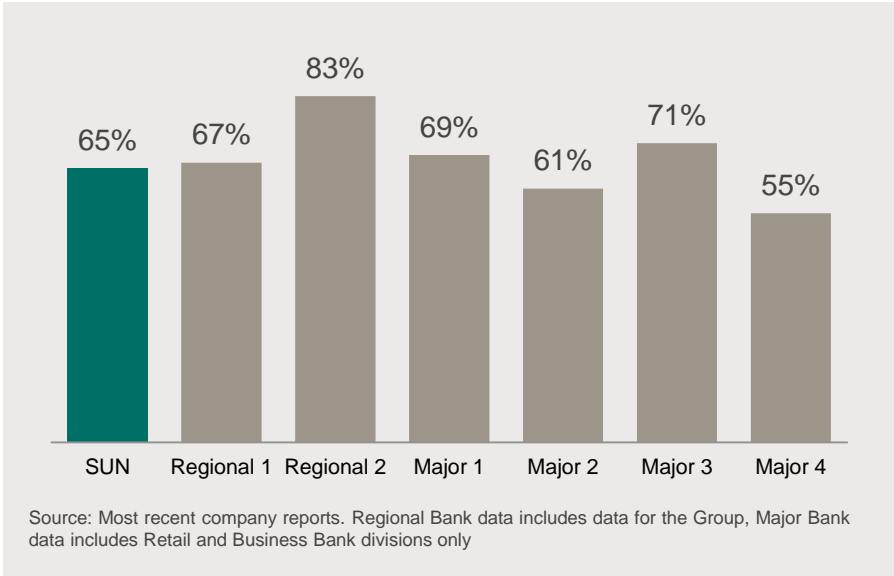
# Funding and Liquidity

## Conservative balance sheet

### Long term funding profile (\$m)



### Deposit to loan ratio



# 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

### Bank of the year

- Money Magazine's "**Bank of the year**"
- Euromoney's "**Best Bank in Australia**"
- Industry leading customer **satisfaction**
- **A+/A1** credit rating
- Basel II **Advanced Accreditation**
- New banking platform – **Project Ignite**

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# Suncorp Life

\$m	FY15	%Δ
Underlying profit after tax	113	34.5
Market adjustment after tax	12	50.0
<b>Life profit after tax</b>	<b>125</b>	<b>35.9</b>

Individual in-force premiums **up 5.6%**

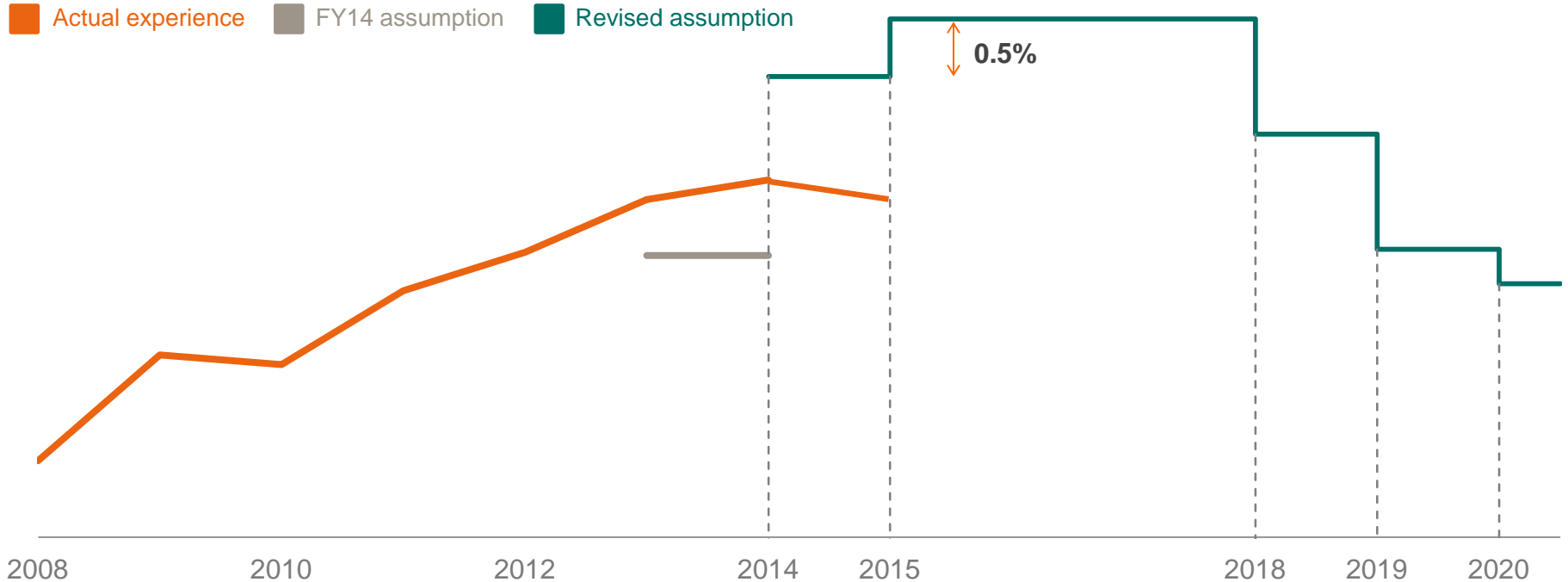
Claims experience **\$8 million favourable**  
Lapse experience **\$7 million favourable**

Super new business **up 23.4%** driven by  
WealthSmart and Everyday Super

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

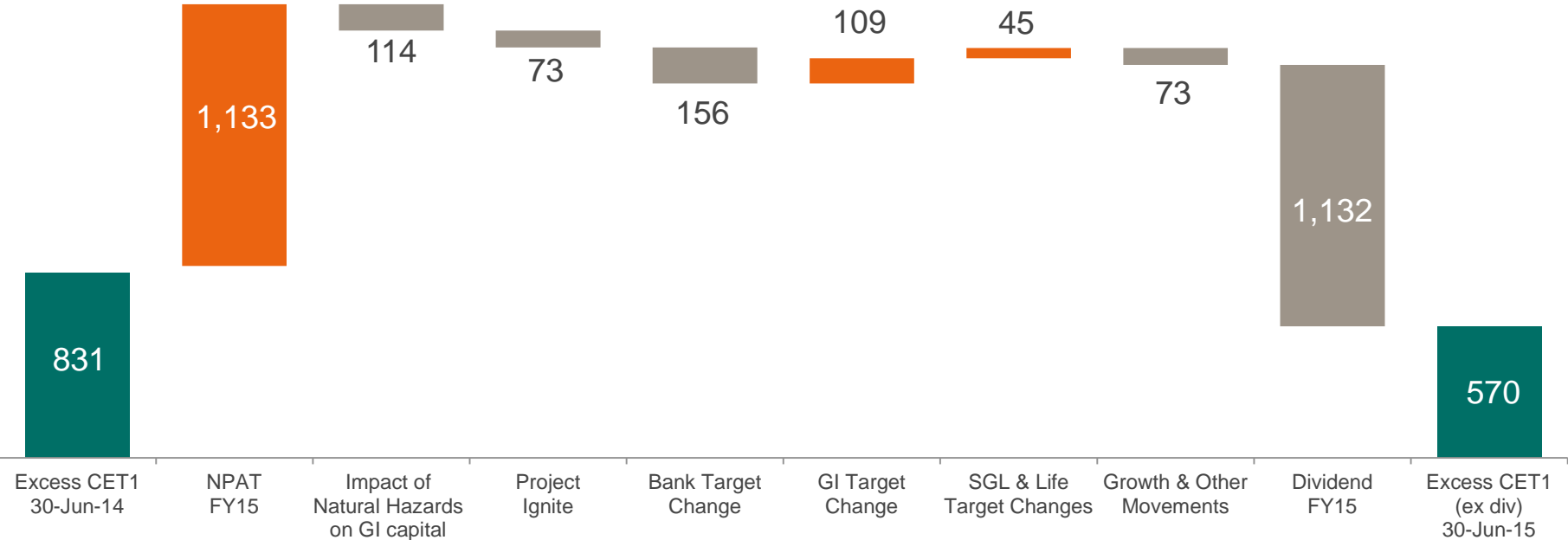
# Life rebased assumptions

## Illustrative lapse example



# FY15 CET1 movements (\$m)

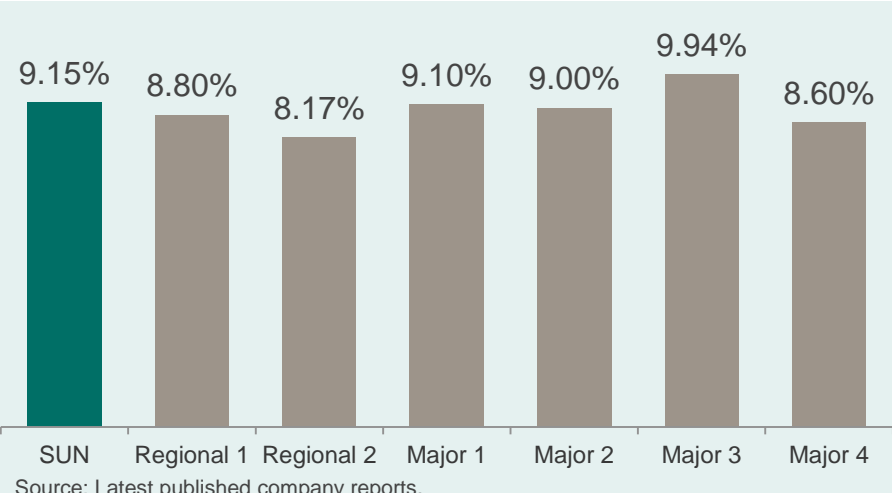
## Reduction due to increased Bank CET1 target



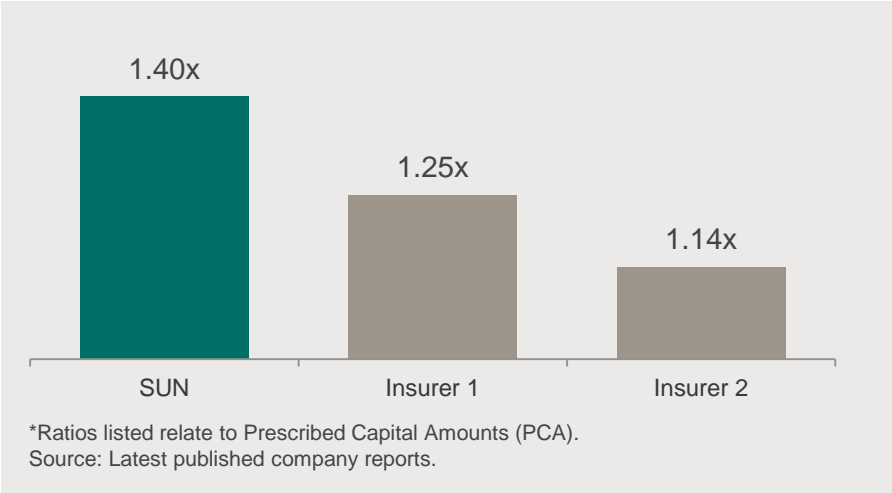
# Suncorp Capital Ratios

## Strong General Insurance and Bank capital ratios

### Bank CET1 ratios



### General Insurance CET1 ratios\*

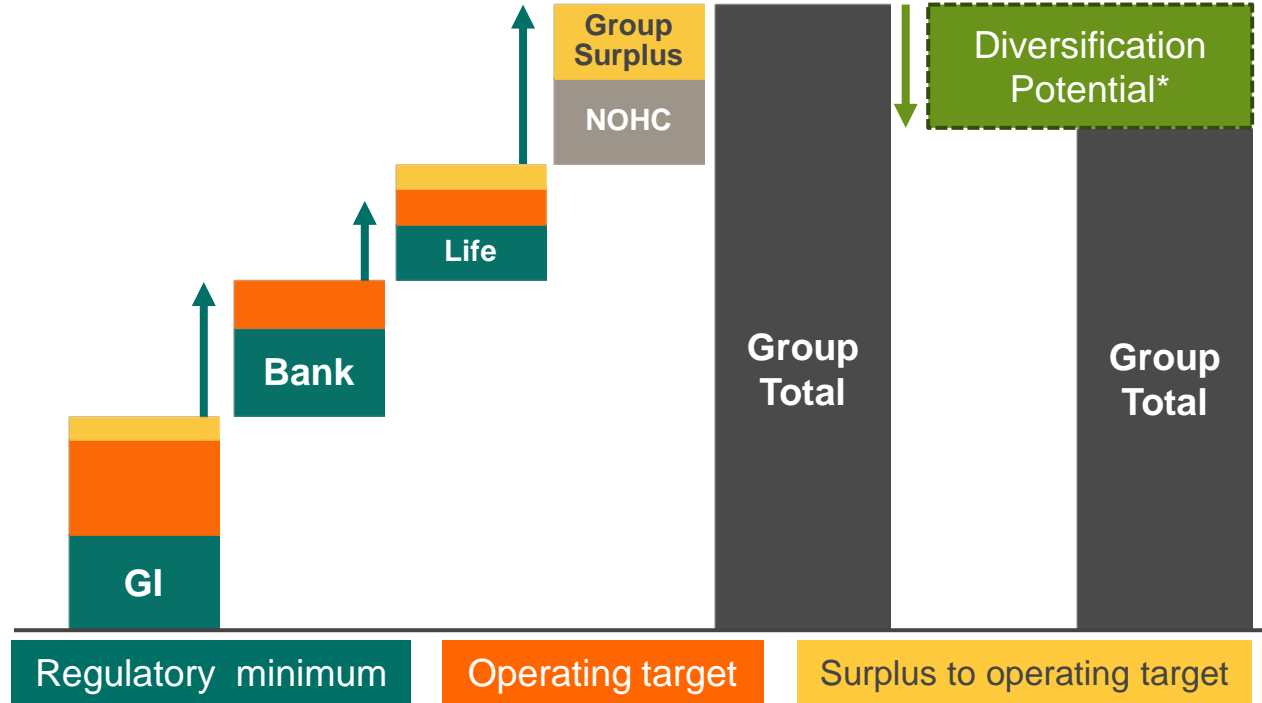


**Additional \$320 million of capital held at Suncorp Group Limited**

# 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

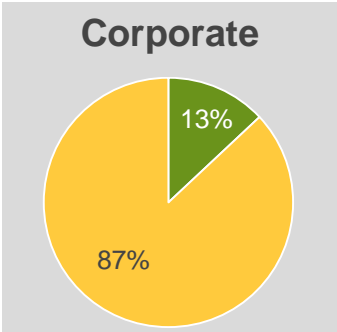
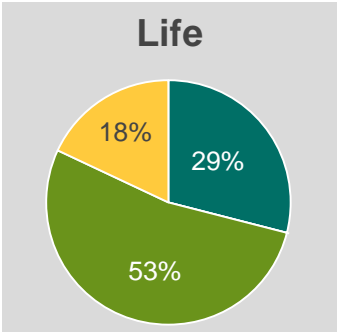
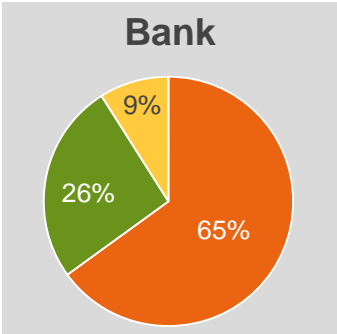
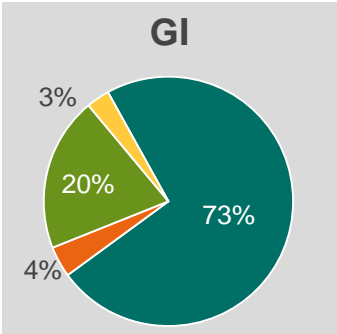
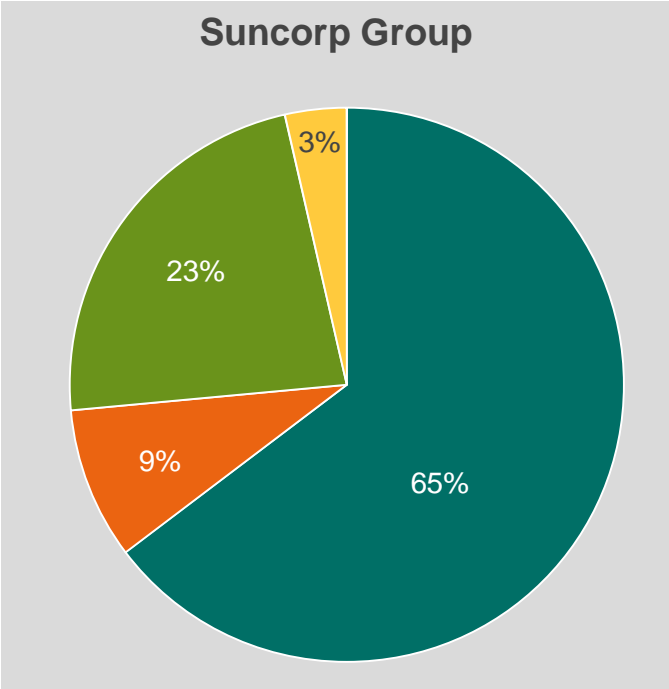
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# Group Risk Based Capital

## Capital volatility by key risk type

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



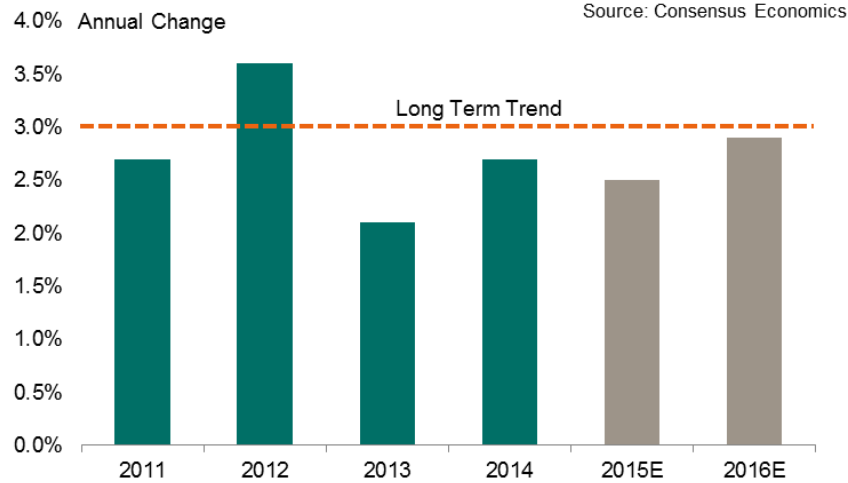


# Australian economy



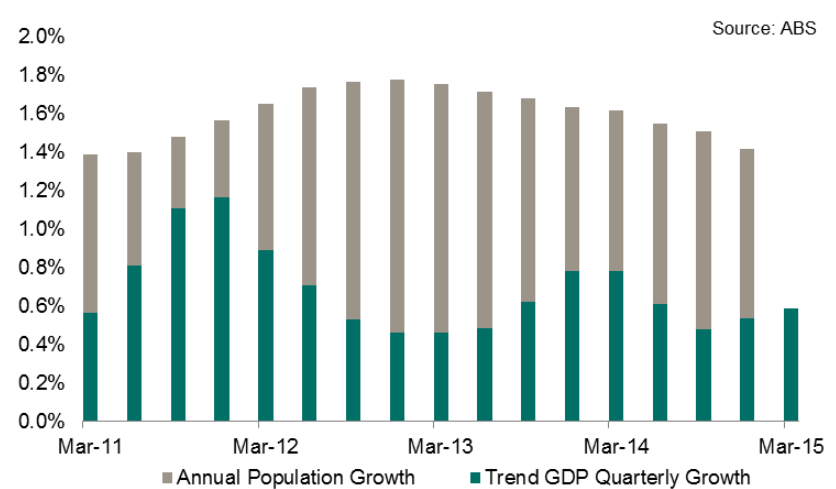
# Economic fundamentals are favourable

## Australian economic growth



- Australia continues to record above average economic growth, despite lower commodity prices and mining investment.
- Consensus forecasts now point to growth moving closer to the long run trend.

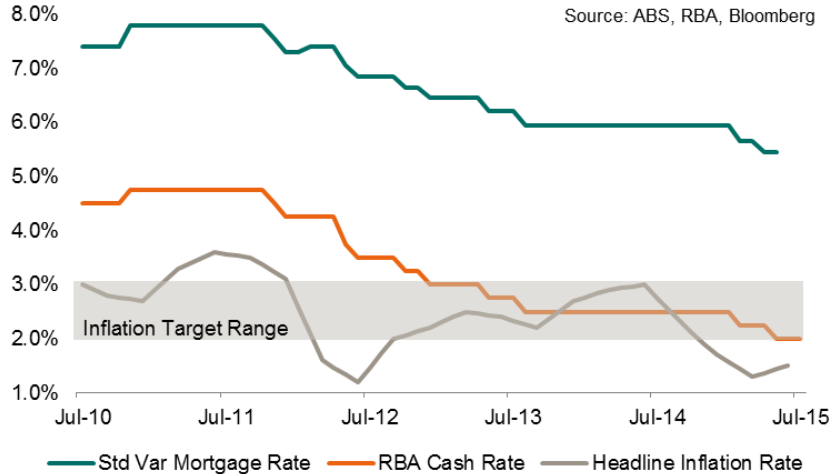
## GDP and population growth



- Fundamentals remain positive, including Australia's population growth of 1.4% per annum and the nation's AAA credit rating (one of 12 AAA rated sovereigns and one of only 4 ex-Europe).

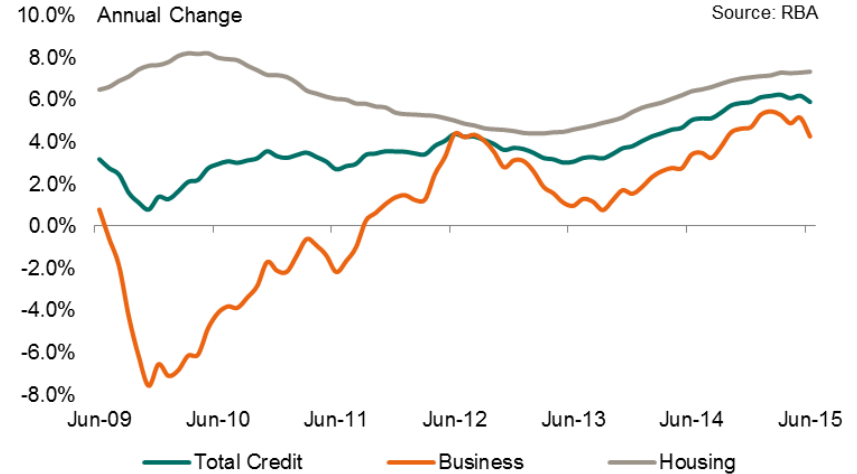
# Monetary policy is supporting activity

## Inflation & interest rates



- Low inflation and below trend growth prompted RBA rate cuts in February and May 2015.
- Monetary conditions (reflecting interest rates and the exchange rate) are now clearly expansionary.
- No further RBA moves are currently forecast.

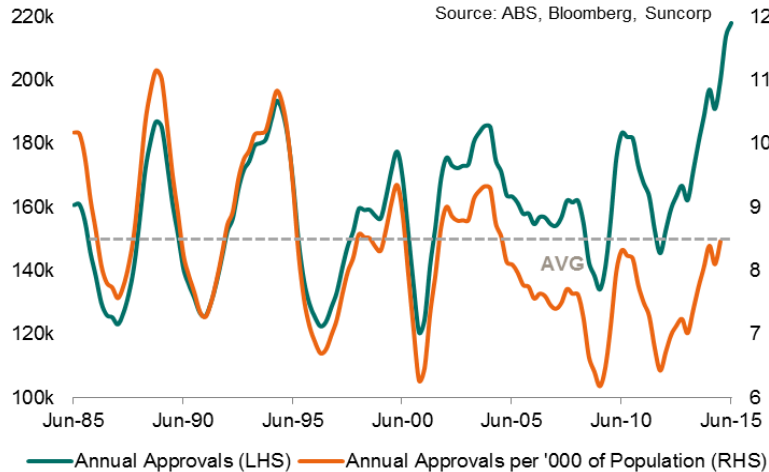
## Lending growth



- Lending has accelerated, with the recent rate cuts providing additional stimulus.
- Although led by residential investors, business borrowing is firmer than in recent years.

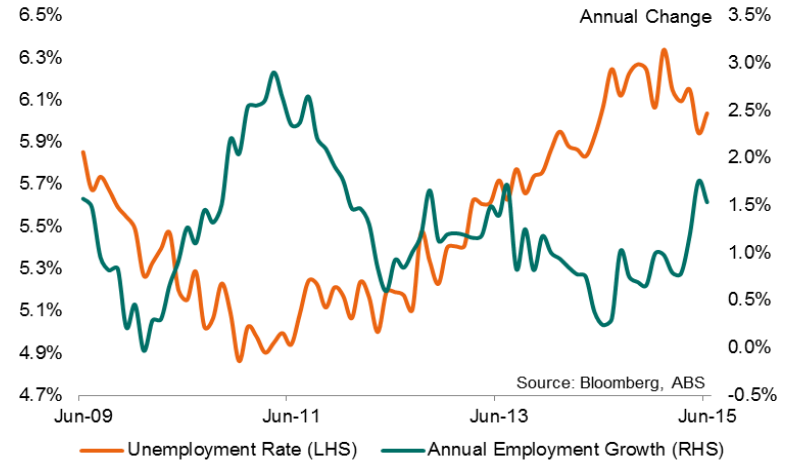
# Favourable trends in building and labour

## Building approvals



- Dwelling approvals are at long term highs.
- Adjusting for population growth suggests continued growth in this important sector.

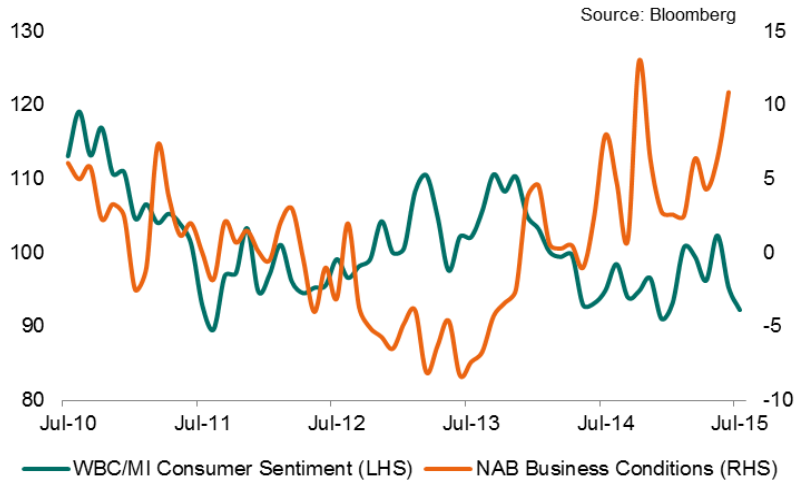
## Labour market



- Labour market conditions have improved, with employment (and vacancies) showing moderate growth.
- Unemployment may have peaked, with the June 2015 rate of 6.0% down from a recent peak of 6.3% in January.

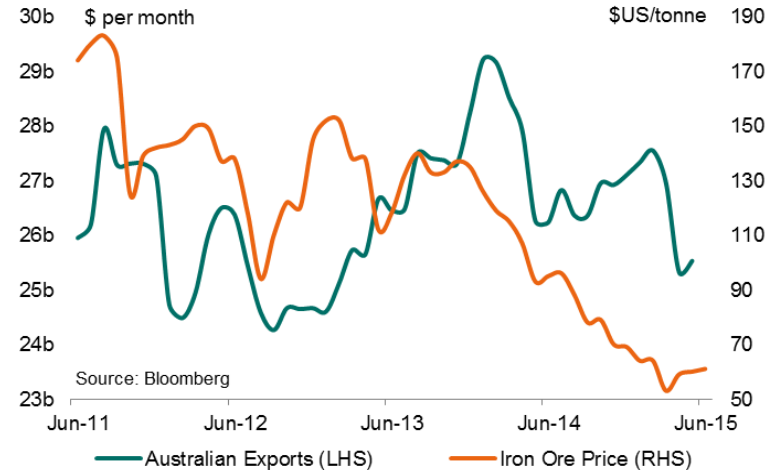
# Other indicators are mixed

## Confidence indicators



- Business and consumer confidence indicators have been volatile.
- The recent lift in business confidence is counterbalanced by soft consumer sentiment.

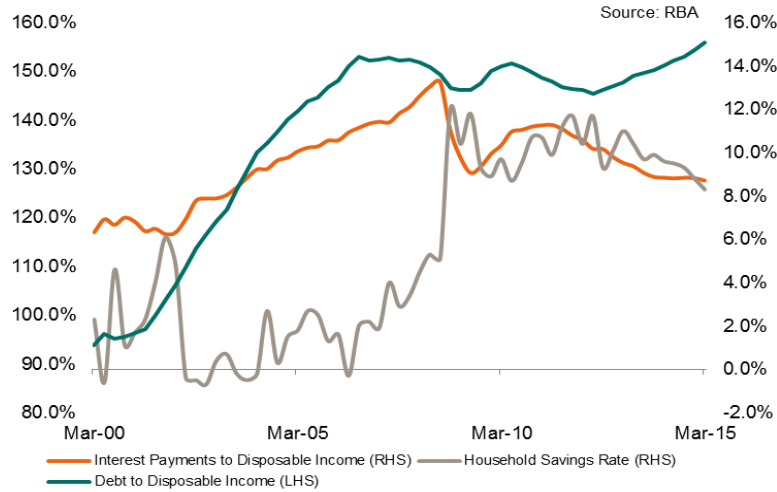
## Exports and commodity prices



- Falling commodity prices have impacted national income and mining investment.
- Export revenues have been more resilient, however, Mining volumes remain elevated while service exports are benefiting from the more competitive AUD.

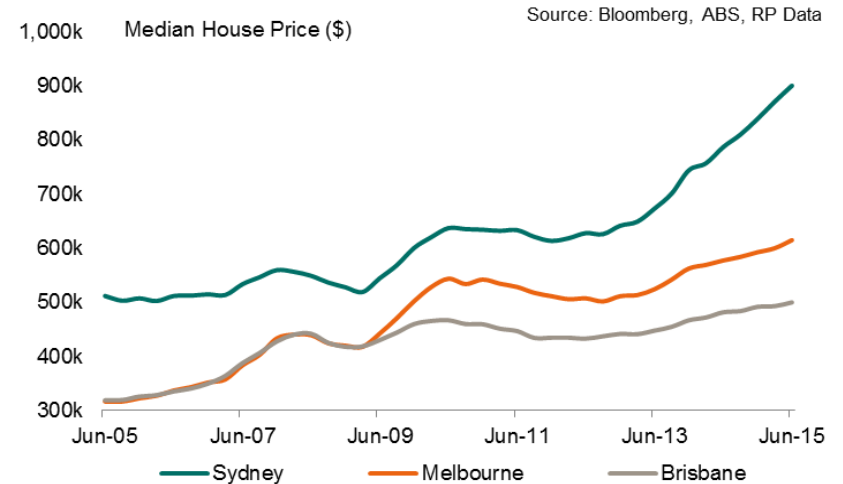
# Household financial conditions

## Debt and debt servicing



- Notwithstanding the lift in household borrowing, interest payments have fallen and savings have been maintained.
- Meanwhile, the RBA notes that “*indicators of overall household financial stress remain low*” (Financial Stability Review 2015).

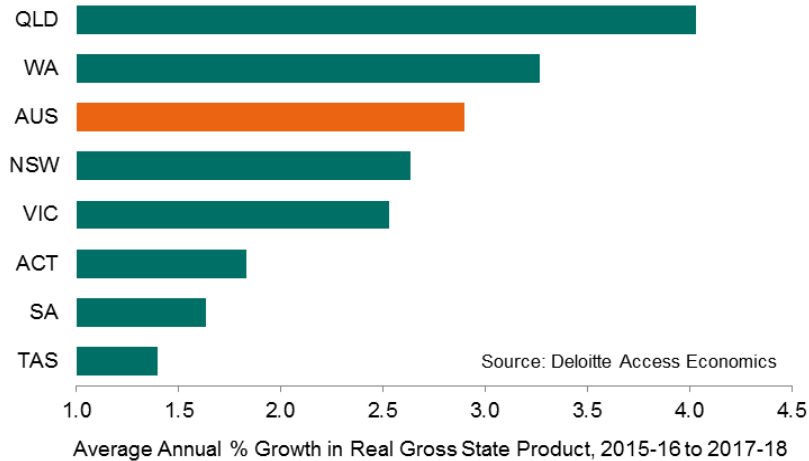
## House prices



- Increases in house prices have boosted household wealth. Brisbane prices have grown more slowly than those of Sydney and Melbourne.
- The resulting affordability advantage is supportive of QLD population inflows.

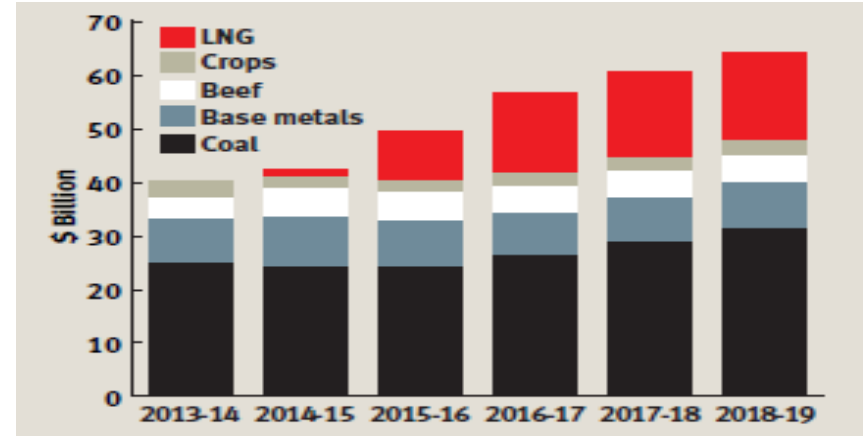
# Queensland prospects

## State economic growth



- Queensland is forecast to outperform over the period to 2017-18, with real economic growth of 4.0%, compared to the national rate of 2.9%.
- Lower commodity prices have, however, had an impact not evident in real terms.

## QLD commodity exports



Source: QLD 2015-16 State Budget

- Notwithstanding lower energy prices, QLD exports are set to benefit from LNG production.
- By 2017, Australia is projected to be the world's largest producer and exporter of LNG.



# Important disclaimer

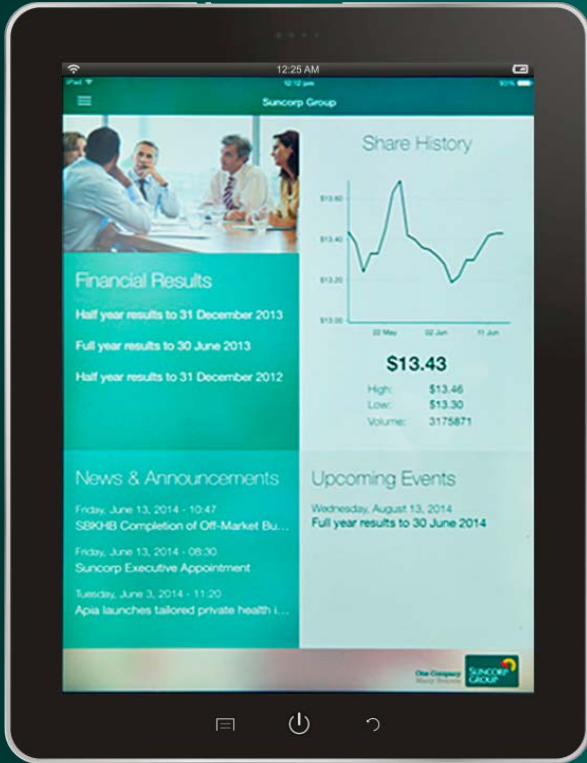
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