


**SUNCORP**

**Financial Results presentation**  
Suncorp Group Limited

24 August 2011

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GROUP**

## Agenda

1. **Introduction**
2. Achievements: Group transformation
3. Achievements: Group balance sheet
4. CFO Report
  - General Insurance
  - FY12 Reinsurance program
  - Bank
  - Life
  - Capital
5. Conclusion

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## Achievements: Group transformation

FY10	STABILISATION	<b>Stabilise the balance sheet</b>	✓
		Appoint the executive team	✓
		Commence the simplification process	✓
		Build the business model	✓
		Identify the building blocks	✓
FY11	STRENGTHENING	Establish the NOHC	✓
		<b>Strengthen the balance sheet</b>	✓
		ONE employment agreement	✓
		ONE pricing engine	✓
		ONE claims process	✓
		ONE view of customer	✓

The Group is stronger despite an unprecedented series of major events

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## Achievements: Group balance sheet

FY10	STABILISE THE BALANCE SHEET	Strengthen provisioning methodology
		Conservative dividend
		Achieved 70% core deposit to lending target
		Match funding non-core bank
		Disposals (LJ Hooker, RACQI, RAAI)
FY11	STRENGTHEN THE BALANCE SHEET	Affirm Bank's status within the Group
		Non-core run-off ahead of schedule
		Conservative approach to flood overlay
		Disposals (Tyndall, NZGT)
		Liquidity well above regulatory requirements
		Dividend policy to preserve capital surplus

The balance sheet is stronger despite an unprecedented series of major events

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## Result highlights

A\$m	FY11	FY10
General Insurance profit after tax	392	557
Consolidated Bank profit after tax	84	44
Life profit after tax	149	222
<b>PROFIT AFTER TAX FROM BUSINESS LINES</b>	<b>625</b>	<b>823</b>
Disposal of wealth management operations (FY10: LJ Hooker, RACQ, RAAI)	(79)	160
Intangible amortisation & other	(93)	(203)
<b>GROUP NPAT</b>	<b>453</b>	<b>780</b>
<b>FULL YEAR DIVIDEND</b>	<b>35cps</b>	<b>35cps</b>

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## Result highlights

### Achievements

- On track to deliver \$235m in annual building blocks benefits
- On track to increase underlying ITR by at least 3%
- GWP growth of 5.2% (excluding product exits)
- System lending growth and new branch rollout in Core Bank
- RoE 15%+ in Core Bank
- Run-off of Non-core Bank ahead of plan
- Life Risk New Business sales up 21% with Direct sales up 44%
- Capital surplus of \$1,245m above operating targets



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## General Insurance overview

A\$m	FY11
General Insurance profit after tax	392

- GWP up 3.6% on a reported basis; 5.2% excluding portfolio exits
- Natural hazard claims above allowance by \$325m
- Reinsurance reinstatement costs of \$232m
- Reserve releases well above expectations
- Good momentum in underlying Insurance Trading Ratio (ITR/margin)

Underlying ITR of 10.8% (up from 9% in FY10)

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## Gross Written Premium

Product	FY11	%Δ	Factors
Motor	2,558	4.4	Solid premium and net written unit growth
Home	1,924	11.5	Significant premium increases and resilient customer retention
Commercial	1,641	(4.0)	Rate increases across targeted channels, 2.3% increase excluding portfolio exits
CTP	864	3.2	Net written unit growth and renewal rates
Workers' comp & other	293	(3.9)	Premium reductions in Western Australia
<b>Total</b>	<b>7,280</b>	<b>3.6</b>	

GWP up 5.2% excluding exited business

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## Natural hazards costs

Date	Major Events (A\$m)	Gross Costs	Net Costs
Sept 10	VIC floods	24	24
Sept 10	Christchurch earthquake	429	45
Oct 10	Brisbane storms/floods	10	10
Oct 11	Eastern Australia storms	13	13
Dec 11	Eastern Australia rain, South Australian storms, QLD-NSW hail/rain	67	67
Dec 11	Central and Southwest QLD floods	103	103
Dec 11	Christchurch earthquake	9	9
Jan 11	Rockhampton floods	20	20
Jan 11	Toowoomba & Brisbane floods	686	116
Jan 11	Victorian floods	39	10
Feb 11	Cyclone Yasi - North QLD	320	10
Feb 11	Victorian storms/floods	122	24
Feb 11	Christchurch earthquake	2,024	45
Mar 11	NSW/VIC storms	13	13
Jun 11	Christchurch earthquake	78	15
	<b>Major natural hazard events</b>	<b>3,957</b>	<b>524</b>
	Other natural hazard events		261
	Less: allowance for natural hazards		(460)
	<b>Natural hazard costs above allowance</b>		<b>325</b>

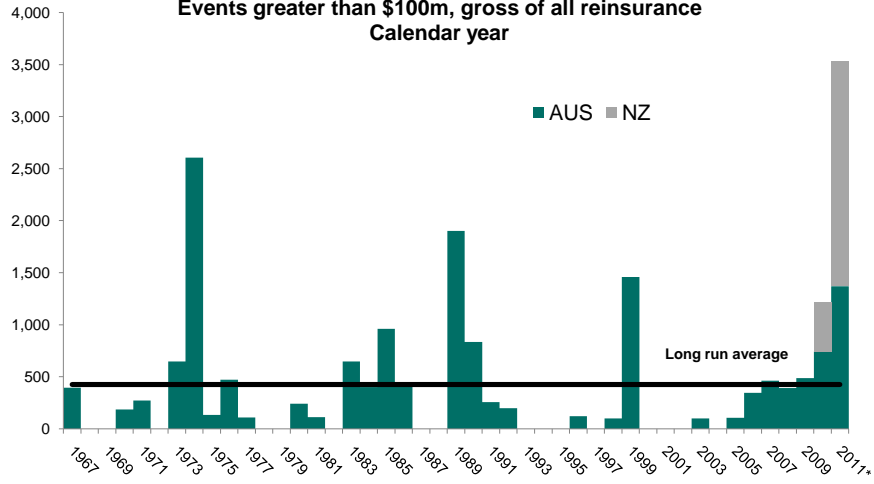
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## Natural hazards over the past 40 years

Long term catastrophic loss experience  
Events greater than \$100m, gross of all reinsurance  
Calendar year



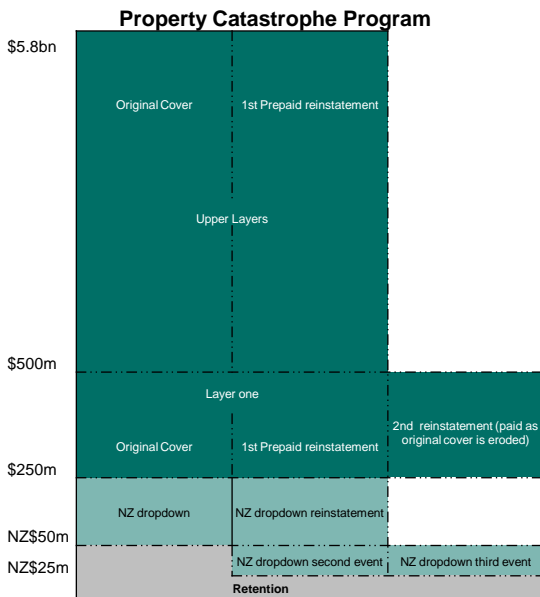
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Data supplied by Risk Frontiers (Macquarie University) using the Insurance Council database.  
\* Year to date

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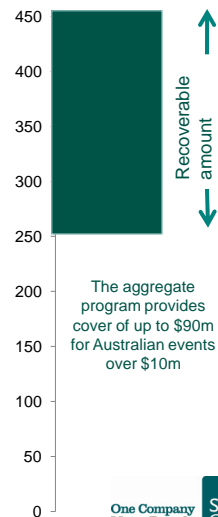


## FY12 Reinsurance program



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### Aggregate Program



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## FY12 Reinsurance program

### Key differences from FY11

- **Main Cat attachment points**
  - **Upper limit:** up by \$200m to \$5.8bn
  - **Lower limit:** up by \$50m to \$250m
  - **NZ lower limit:** down by NZ\$10m to NZ\$50m
- Additional subsequent event drop-down to NZ\$25m in New Zealand purchased
- **Aggregate program**
  - Retention reduced to \$250m
  - Cover reduced to \$200m
- AAMI flood cover from early 2012

### Recovering additional costs

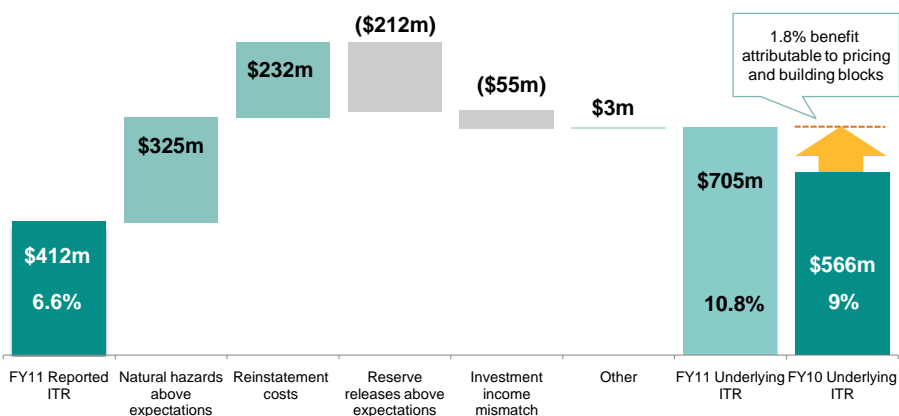
- Total program costs approx \$730m
- Additional costs being recovered across:
  - Home (10% in March, and 4% in June)
  - Commercial property
  - NZ property classes (30%)

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## Underlying ITR

Significant improvement in underlying ITR to 10.8% from 9%



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## Core Bank overview

### Key performance snapshot

	1H11	2H11	Total
Net profit after tax (\$Am)	110	149	259
NIM (%)	1.83	1.97	1.90
Cost to income ratio (%)	53.0	52.0	52.5
Deposit to core loan ratio (%)	70.8	70.4	70.4
Impairment losses to RWA (bps)	42	8	24

- Home lending marginally above system
- Solid Core business lending growth despite contracting system
- Operating expenses up 9% due to investment in bank franchise
- Net interest margin improved 10bps

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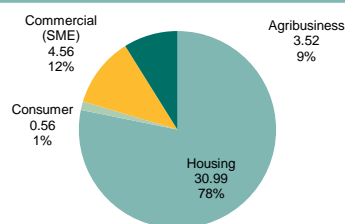


## Core Bank deposits and lending assets

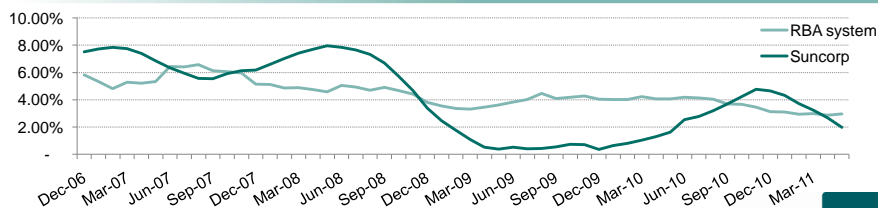
### Summary

- Total lending up 6.1%
- Mortgage growth at 1.02x system
- Retail lending up 6.3% despite slower 2H
- Business lending growth up 5.4% due to increased distribution in NSW and WA
- Active management of lending and deposit mix preserves deposit to loan ratio at 70%

### Core lending assets (\$Abn)



### Mortgage growth vs. RBA system (6 month rolling)



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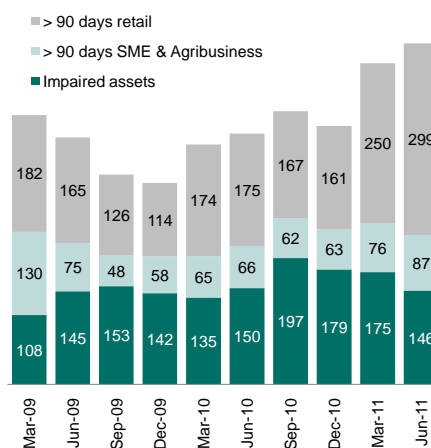


## Core Bank credit quality

### Summary

- Very low actual loss experience
- Deterioration in retail arrears continues but is slowing
- Book well secured and has external LMI coverage
- Impaired assets down due to repayments and assets returning to performing status
- No write back of \$25m flood provision raised 1H

### Core non-performing loans trends (\$Am)



### Impairment losses (\$Am)

	Q411	FY11
Collective provision charge <small>(incl. \$25 million flood overlay in the first half)</small>	(2)	16
Specific provision charge	2	32
Actual net write-offs	3	3
<b>Impairment loss on loans and advances</b>	<b>3</b>	<b>51</b>

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## Non-core Bank overview

### Key performance snapshot

A\$m	30 Jun 2010	31 Dec 2010	30 Jun 2011
Loans and advances	12,638	9,820	7,744

A\$m	1H11	2H11	Total 2011
BDD expense	(170)	(104)	(274)
Net profit after tax	(107)	(68)	(175)

- Successful portfolio run-off experience
- Significant reduction in profile of loss experience over recent quarters
- Construction risk now removed
- Portfolio is demonstrating its lengthy seasoning

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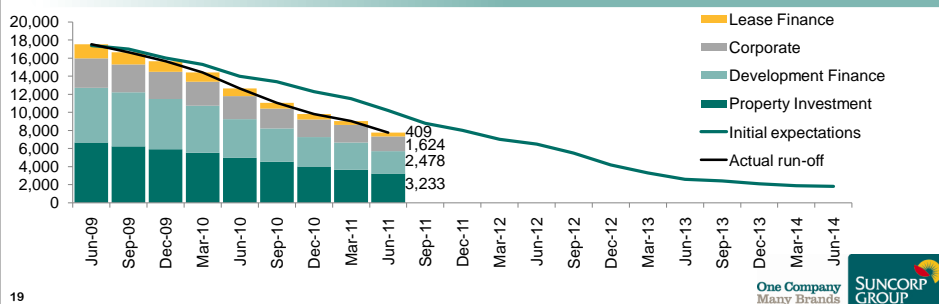


## Non-core Bank assets

### Summary

- Total non-core portfolio at \$7.7bn, less than Core Bank business lending
- \$4.9bn run-off for the year, ahead of initial target by \$2.5bn
- Opportunities for refinancing and asset sales continue across the portfolio
- 53 accounts at >\$50m

### Non-core Portfolio (\$Am)

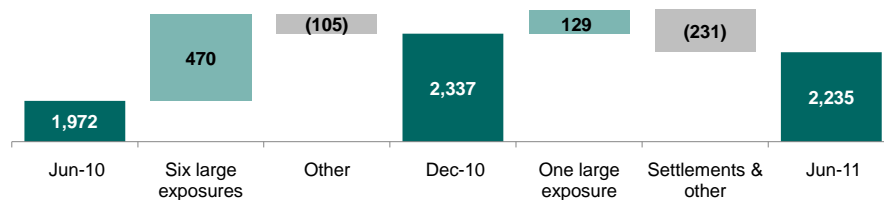


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## Non-core Bank credit quality

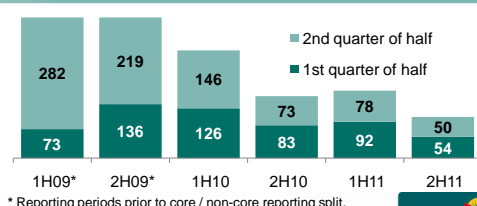
### Impaired asset movements (\$Am)



### Impairment losses (\$Am)

	Q4 11	FY 11
Collective provision charge	(25)	(40)
Specific provision charge (incl. \$40 million IFRS adjustment in Q4)	70	297
Actual net write-offs	5	17
<b>Impairment loss on loans and advances</b>	<b>50</b>	<b>274</b>

### Impairment loss trend (\$Am)



\* Reporting periods prior to core / non-core reporting split.

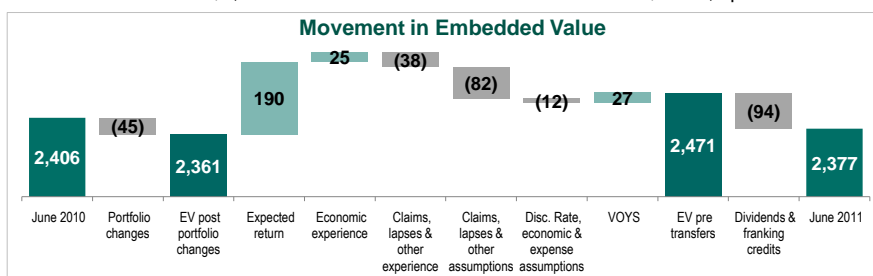
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## Suncorp Life overview

A\$m	FY11
Life profit after tax	149

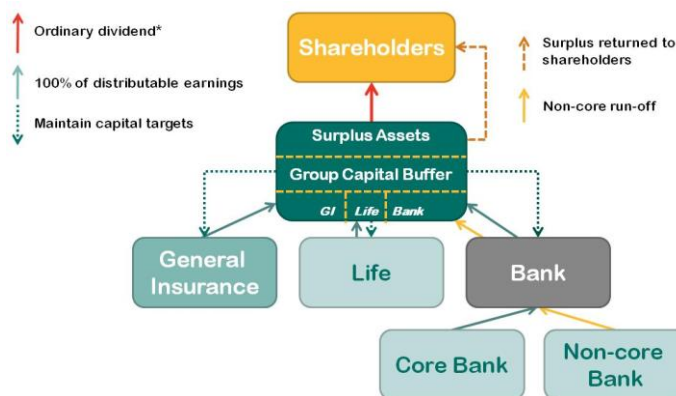
- Underlying NPAT of \$147m, impacts:
  - Disability claims experience
  - Lapse experience
  - New business sales of \$104m, up 21%
  - Direct sales of \$23m, up 44%
  - S&I new business sales up 17%
  - Individual in-force of \$669m, up 7%
- Embedded Value of \$2,377m



22% of LNB sales from the direct channel



## Capital management under the NOHC



- Capital targets at the GI and Bank operating level are 1.45x MCR and 12.5% CAR
- At the Group level, target includes 0.05x GI MCR and 0.5% of Bank CAR
- Group capital buffer represents the excess over operational capital targets

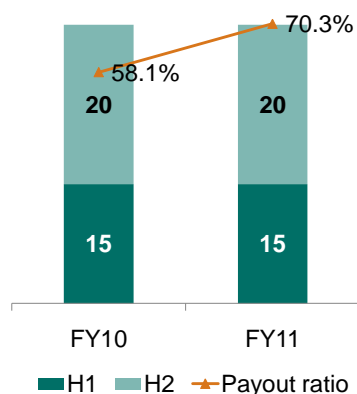


## Capital strength

### Capital initiatives

- Redeemed \$520m in sub debt
- Redeemed \$42m in RPS
- NOHC and revised targets
- Reset the dividend target payout ratio from 50% to 70% of cash earnings, ex divestments
- Final dividend at top of revised payout range
- Maintain a zero discount on the DRP and buy DRP shares on-market

### Dividend (cents per share)



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## Capital position at 30 June 2011

### Strong capital position at Group and LOB levels

A\$m	GI	Bank	Life	NOHC and other group entities	SUN Group
Net Tier 1	2,756	3,335	1,763	713	8,567
Net Tier 2	769	1,333	-	(15)	2,087
<b>Total Capital</b>	<b>3,525</b>	<b>4,668</b>	<b>1,763</b>	<b>698</b>	<b>10,654</b>
Target capital ratios	1.45x MCR	12.5% CAR		0.05x MCR + 0.5% CAR + circa \$100m for service companies	
Target capital	3,059	4,296	1,686	368	9,409
<b>Surplus Capital</b>	<b>466</b>	<b>372</b>	<b>77</b>	<b>330</b>	<b>\$1,245m</b> excess of internal targets

- LOB and Group capital positions strong despite natural catastrophes
- \$72m in Reset Preference Shares to be exchanged in September 2011
- \$220m in Subordinated Debt with a first call date in October 2011

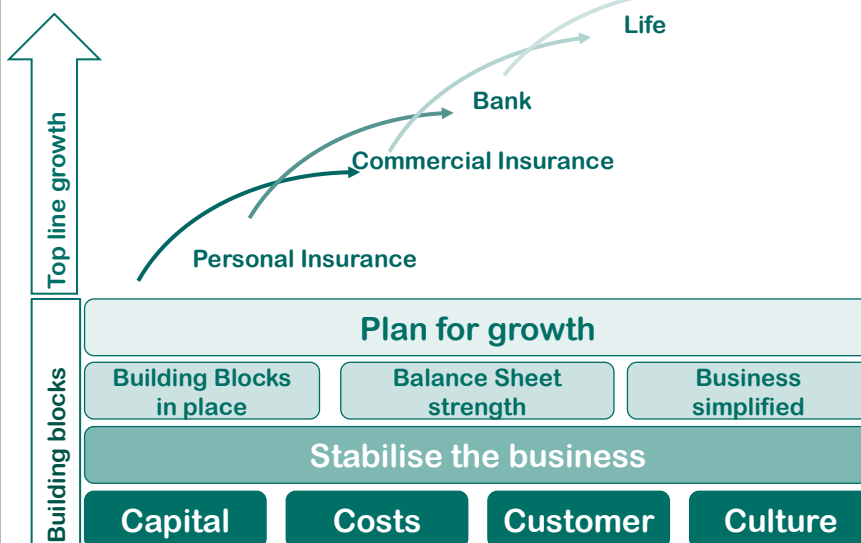
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## Delivering value



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