


Suncorp Group Limited

Financial results for the year ended 30 June 2012

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Financial results for the year to 30 June 2012
22 August 2012



Introduction

Patrick Snowball
Chief Executive Officer Suncorp Group Ltd

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Suncorp Results Presentation

Agenda

Results and operational highlights	Patrick Snowball
CFO Report <ul style="list-style-type: none"> • Group Capital • Core Business Line results (General Insurance, Core Bank, Life) • Non-core Bank 	John Nesbitt
Outlook	Patrick Snowball
Q & A	Suncorp Leadership Team

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FY12 result overview

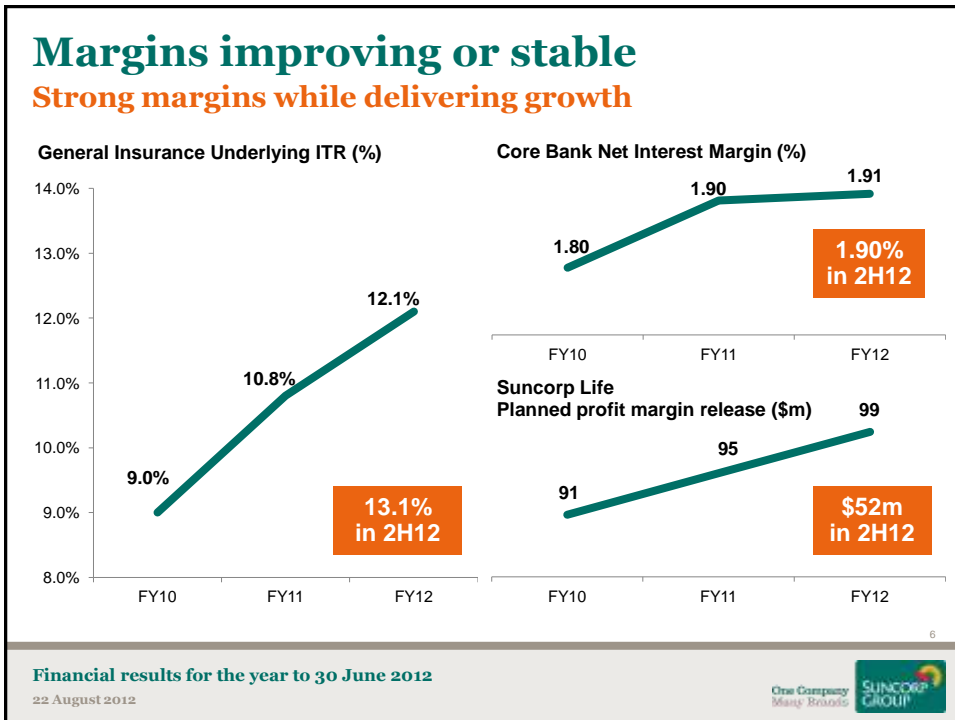
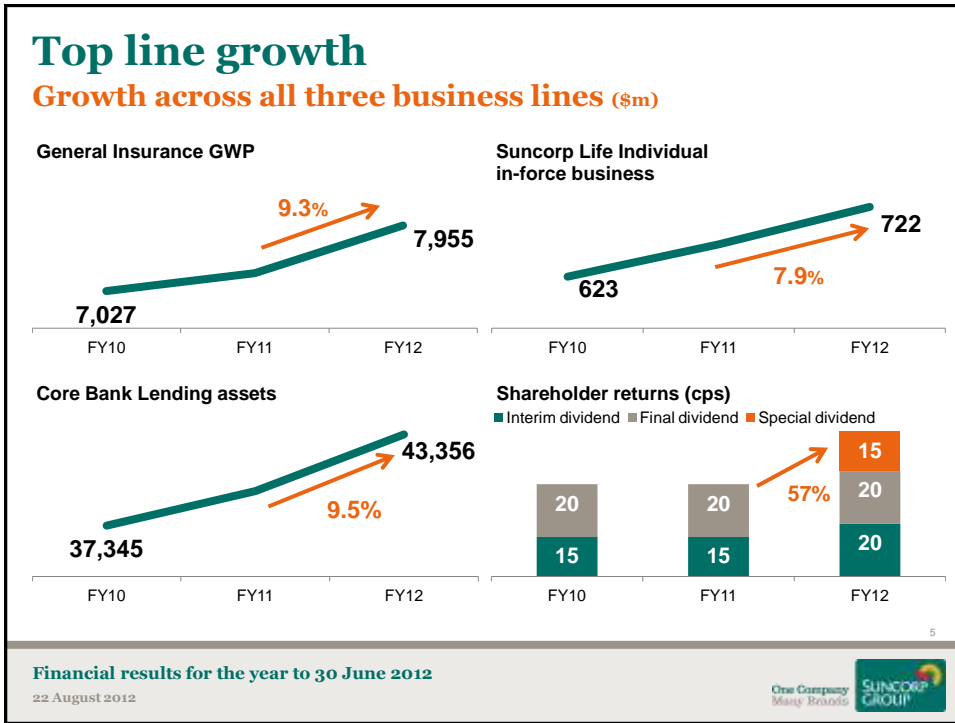
	FY12	FY11	%Δ
General Insurance NPAT	493	392	25.8
Core Bank NPAT	289	259	11.6
Suncorp Life NPAT	251	149	68.5
Non-core Bank NPAT	(263)	(175)	50.3
Business line NPAT	770	625	23.2
Property consolidation, NOHC earnings & other (after tax)	(46)	(172)	(73.3)
Net Profit After Tax	724	453	59.8

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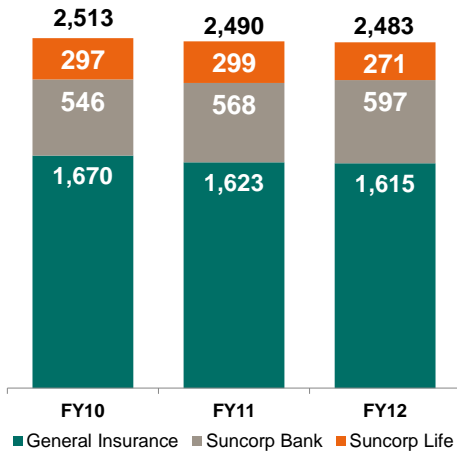




Operating expenses

Ongoing focus on cost control (\$m)

- Expenses have fallen while delivering top line growth
- Significant transformational change within the business including the building block initiatives
- Project costs fully absorbed within the expense base
- Further simplification projects to drive further reductions in the expense base
- Head office expenses have been allocated



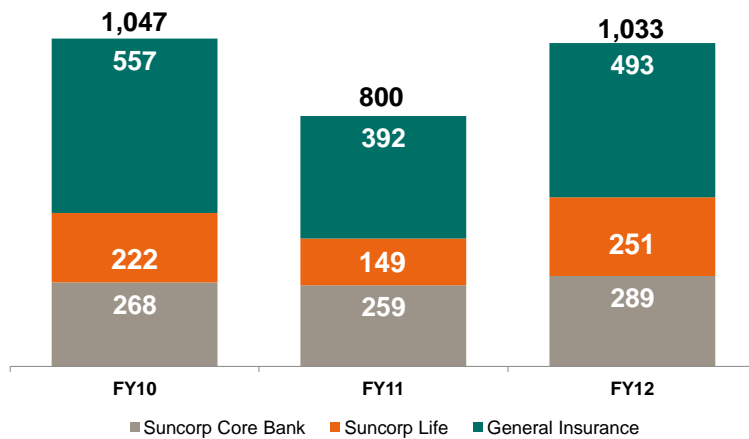
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Core Business are delivering good earnings and have great potential

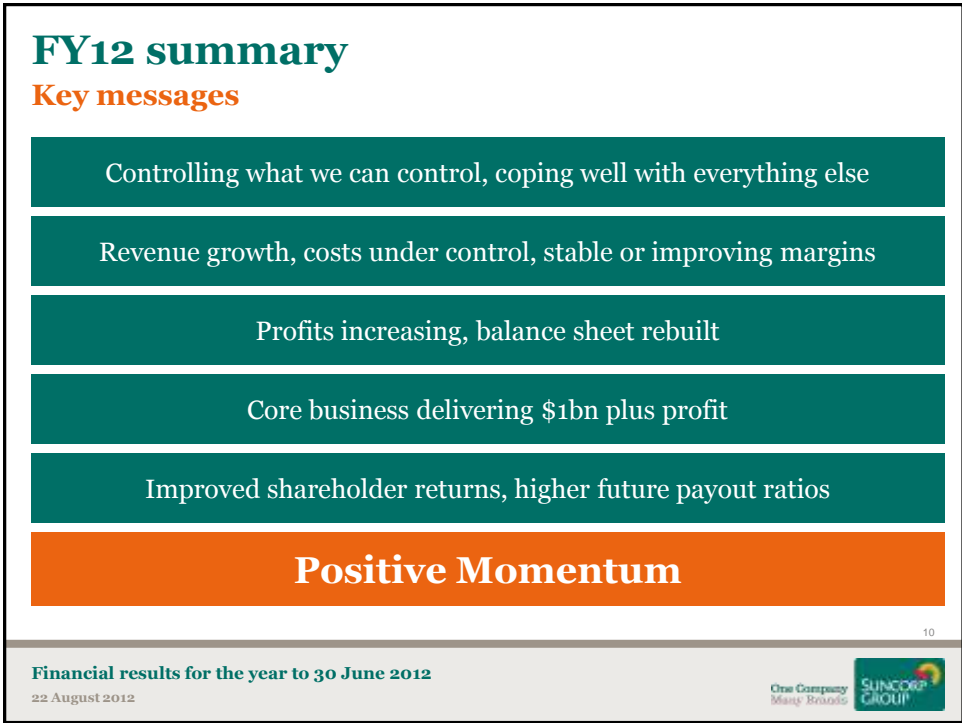
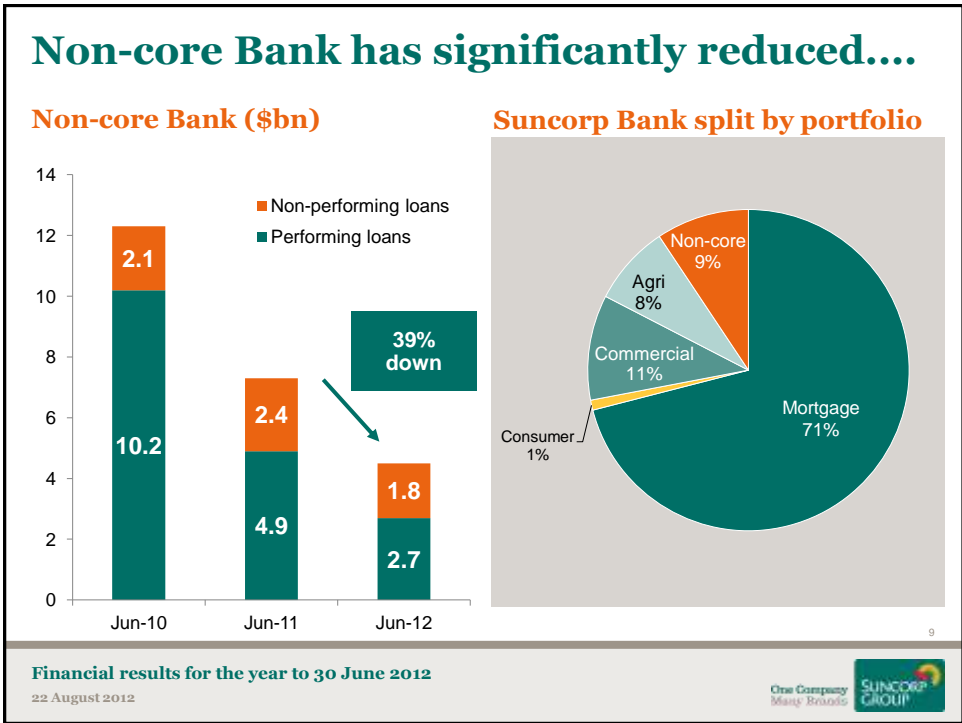
Core Business Profitability (\$m)



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Financial Results

John Nesbitt
Chief Financial Officer

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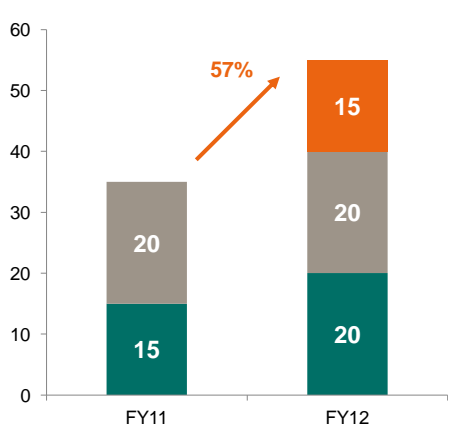
Dividend and capital

Capital initiatives

- Final dividend of 20cps
- Special dividend of 15cps
- Repaid around \$300 million in hybrid capital
- Continue to neutralise DRP
- Increased dividend target payout ratio to between 60% and 80% of cash earnings
- \$792 million of capital retained above operating targets
- 559 million of franking credits
- Well placed for LAGIC and Basel III

Dividend (cps)


■ Interim ■ Final ■ Special



Year	Interim (cps)	Final (cps)	Special (cps)	Total (cps)
FY11	15	20	0	35
FY12	20	20	15	55

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General Insurance overview

Underlying ITR of 12.1%

\$m	FY12	%Δ
General Insurance profit after tax	493	25.8

- GWP up 9.3% on a reported basis
- Delivered 3% improvement in Underlying ITR
- Natural hazard claims above allowance by \$278 million
- Negative investment income mismatch of \$197 million
- Reserve releases \$64 million above long run expectations
- Operating expenses down 0.5%

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Gross Written Premium

GWP up 9.3%

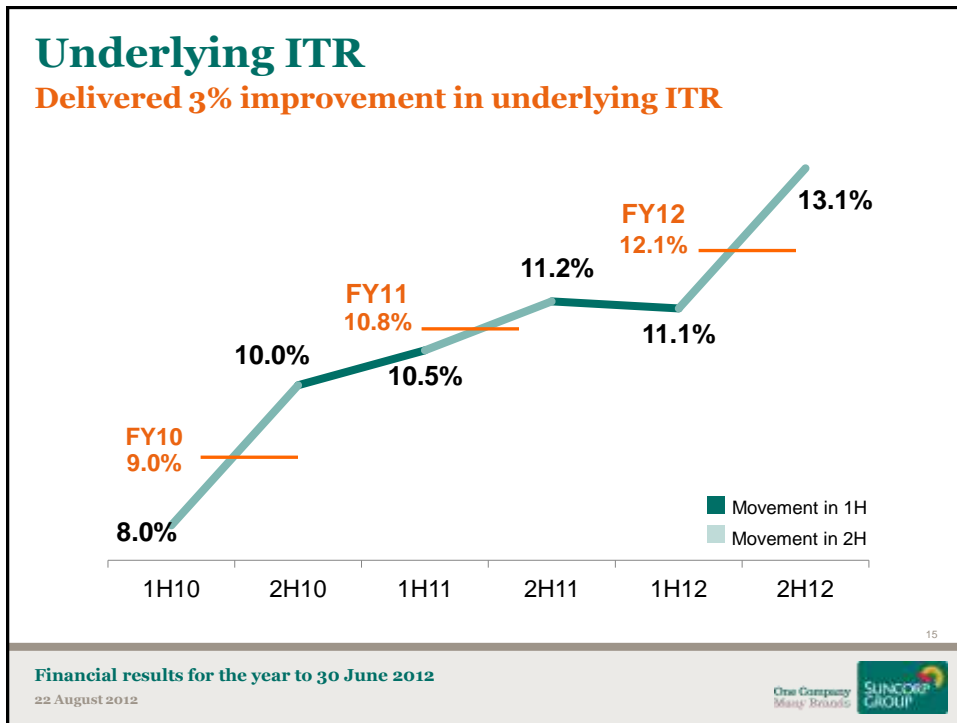
Product	FY12 (\$m)	%Δ	Factors
Motor	2,640	3.2	Price leadership and 2.3% unit growth in the second half
Home	2,262	17.6	Strong premium growth due to increased natural hazards and reinsurance costs
Commercial	1,833	11.7	Selecting and pricing risks with GIPE, strong retention rates across all channels
CTP	901	4.3	Net written unit growth in NSW and Qld
Workers' comp & other	319	8.9	Price increases and wage growth
Total	7,955	9.3	
Australia	7,124	9.1	
New Zealand	831	22.3	19.1% in NZ\$

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Core Bank overview

Sustainable growth

\$m	FY12	%Δ
Core Bank profit after tax	289	11.6

- House lending growth of 9.6%
- Stable NIM 1.91%
- Deposit to Core lending ratio 68.9% at high end of the 60-70% target range
- Cost to income ratio 52.8%
- \$1.6 billion covered bond issued in May 2012
- Impaired losses down 19.6% to \$41 million

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Core Bank lending

Strong growth in core markets

Product	FY12 (\$bn)	%Δ	Comments
Retail (mortgages and consumer)	34.4	9.1	Ability to capture market share and good growth across channels & regions.
Agribusiness	3.9	10.0	Strengthening brand presence through selective sponsorship in 110 th year. E.g. "Australian Beef Week", "Year of the Farmer".
Commercial/SME	5.1	11.2	Broadening market base with focus on professional and medical services.
Total	43.4	9.5	

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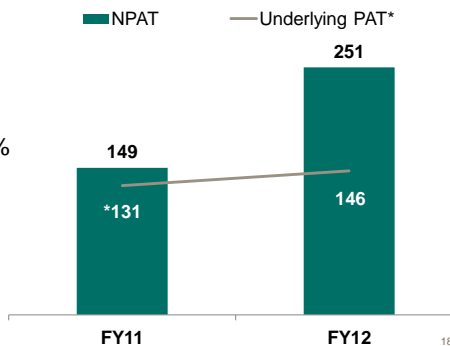
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Suncorp Life overview

\$m	FY12	%Δ
Life profit after tax	251	68.5
Underlying profit after tax	146	11.5*

- Individual Inforce up 7.9%
- Embedded Value \$2.6 billion up 9.5%
- VOYS increased to \$49 million up 81.5%



*excludes businesses divested in 2011

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Life new business by channel

Strong results in major business areas

Channel	FY12 (\$m)	%Δ	Comments
IFA	62	10.7	Combining continued market leading capabilities with innovative product design
Direct	30	30.4	Increasing penetration of Group customer base
Group	5	(61.5)	Impacted by a decision to pursue only business that delivers an acceptable rate of return
NZ	14	16.7	Strong growth in targeted segments, complementing good growth in Direct
Total	111	6.7%	

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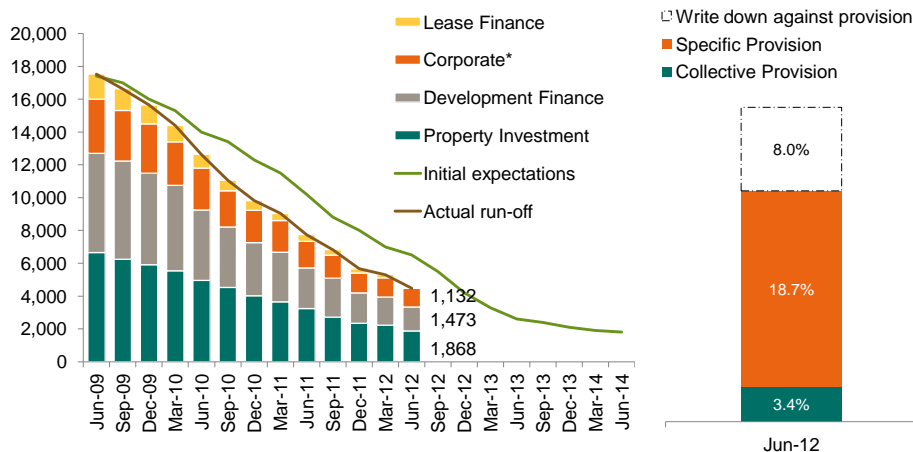
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Non-core Bank

Run-off continues ahead of expectation

Coverage ratio
(% of impaired)



* Includes Lease Finance from June 2012

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Financial Results

John Nesbitt
Chief Financial Officer

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Conclusion

Patrick Snowball
Chief Executive Officer Suncorp Group Ltd

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Conclusion


Growth and strength despite global and domestic challenges

- Quota-share arrangement has reshaped the risk profile of General Insurance
- Underlying ITR target to 'meet or beat' 12%
- Price increases in long-tail classes to offset lower investment yields
- Suncorp Bank to deliver 1 to 1.3 times system
- Margin pressure from deposit competition
- Suncorp Life business to focus on Direct and IFA channels
- Non-core will continue to run-down and expected to be under \$3 billion at June 2013
- Capital position remains well in excess of targets

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Q&A Session

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The Suncorp journey

FY10-FY12
Realising the benefits of Building Blocks

FY12 - FY13
Accelerate & embed simplification program

FY12 - FY14
Identify further opportunities to drive value

- Supply chain efficiencies
- Improve Group ROE

FY13 - FY15
Reset targets and drive for growth

- Improve Life EV
- Core Banking
- Commercial Insurance

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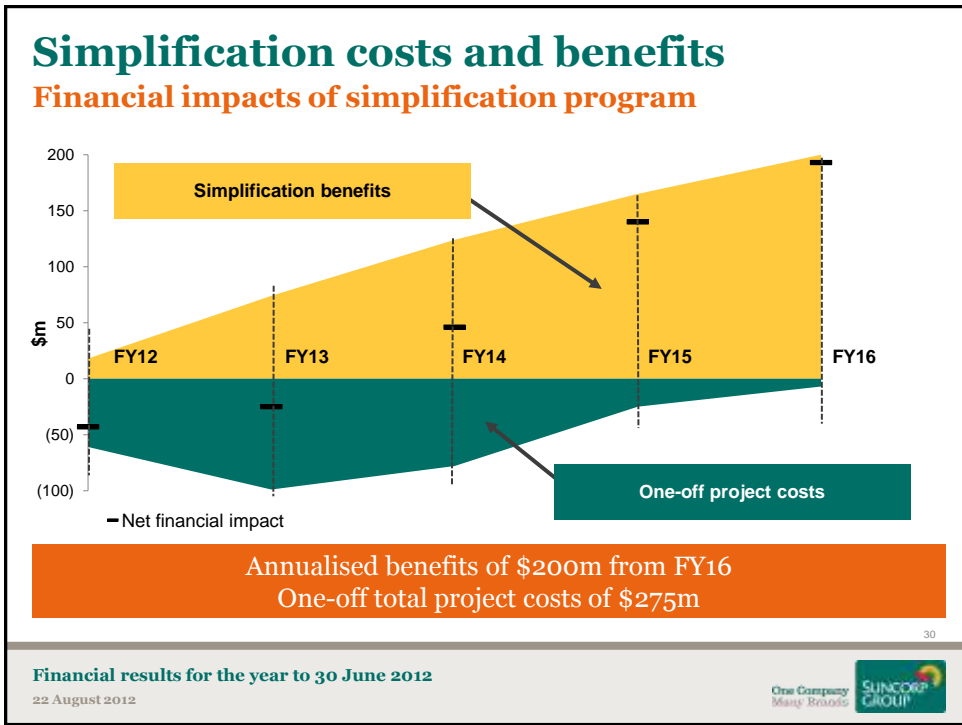
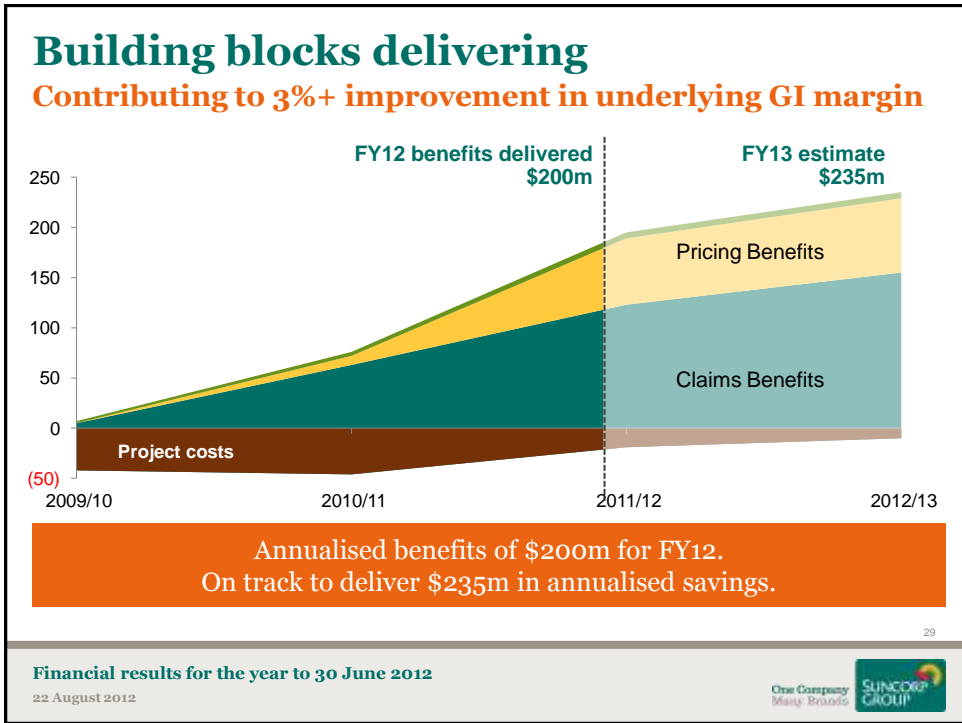
Supplementary slides



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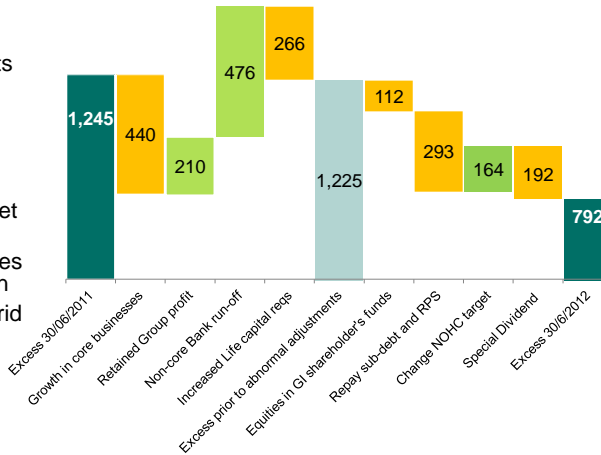


Dividend and capital

Capital update

- Strong capital position supports growth in core businesses
- Payout ratio of 62.4% results in \$210 million of retained capital
- Non-core Bank run-off contributes \$476 million
- Impact of discount rates on Suncorp Life increases target by \$266 million
- Equities investment increases capital target by \$112 million
- \$293 million in subdebt/hybrid repaid
- NOHC target reduced by 0.5% of Bank CAR in December 2011
- Special dividend of 15cps

Movement in capital excess to operating targets (\$m)



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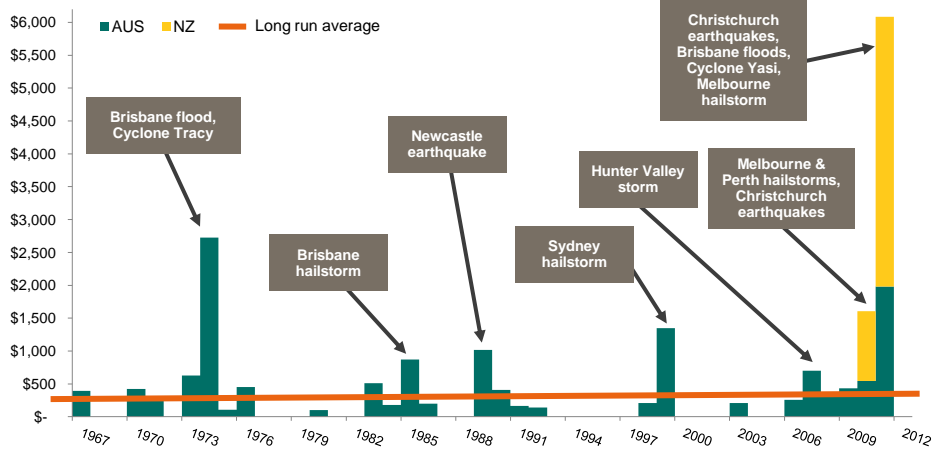
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Natural hazards over the past 45 years

Suncorp long-term catastrophic loss experience

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



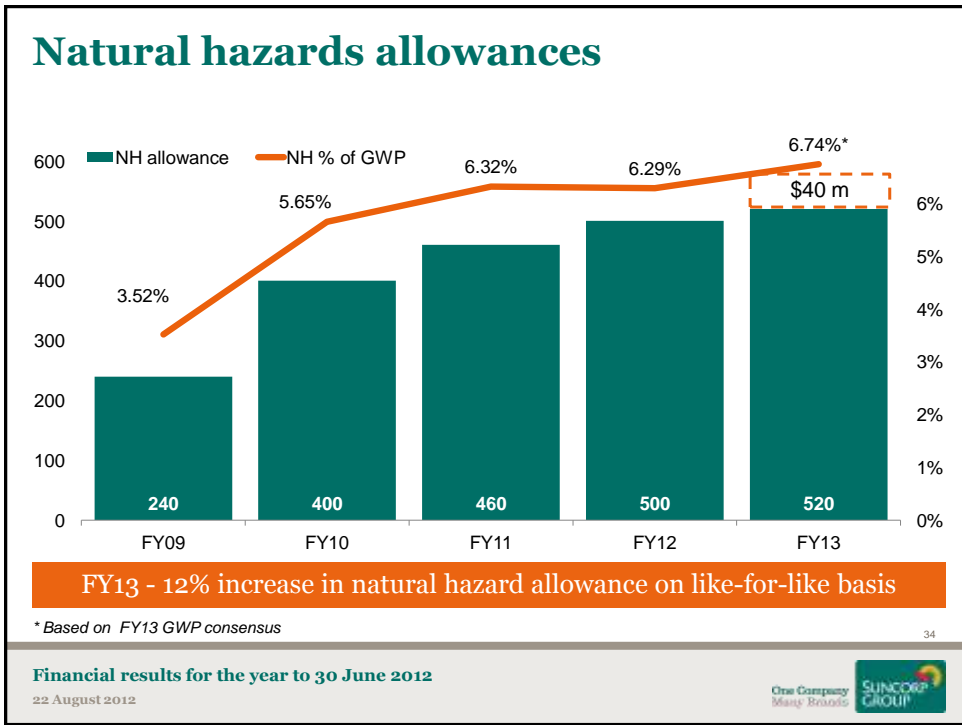
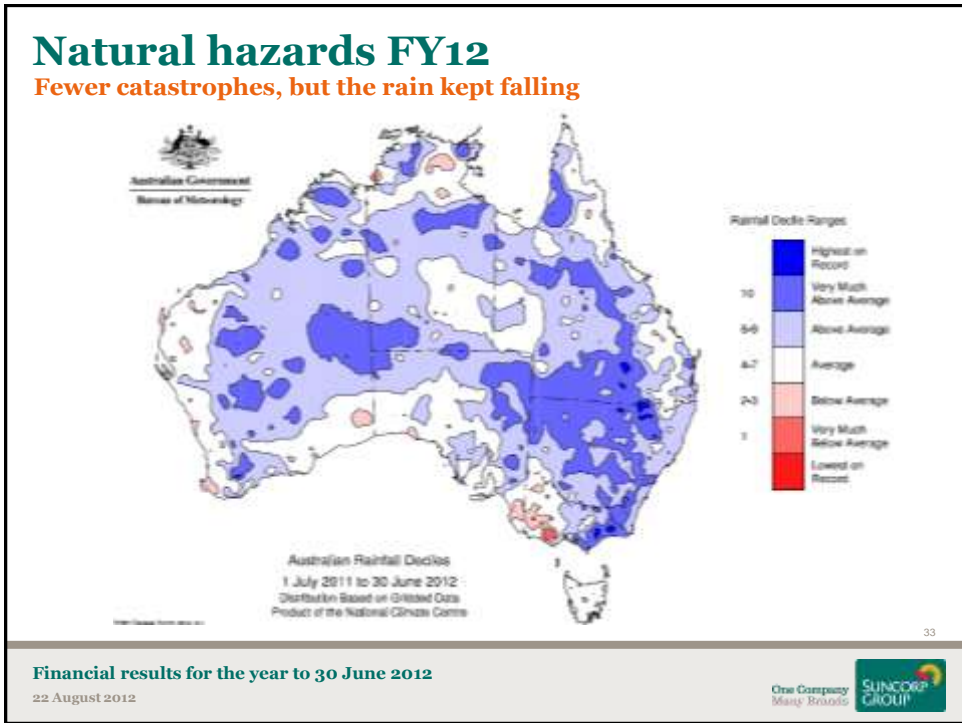
Source: Data supplied by the Insurance Council database.

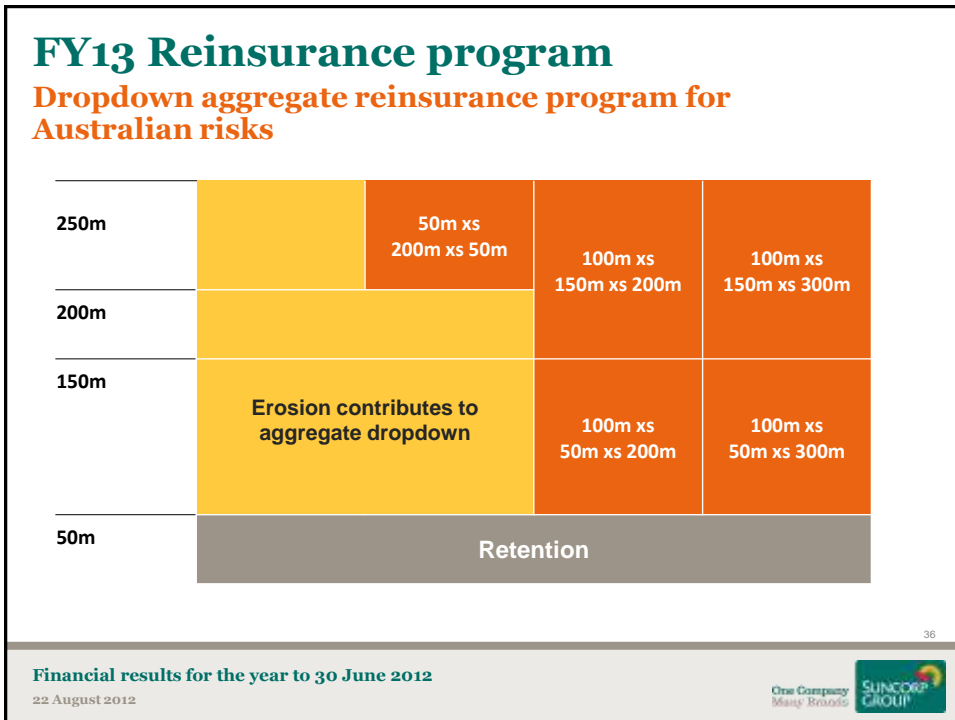
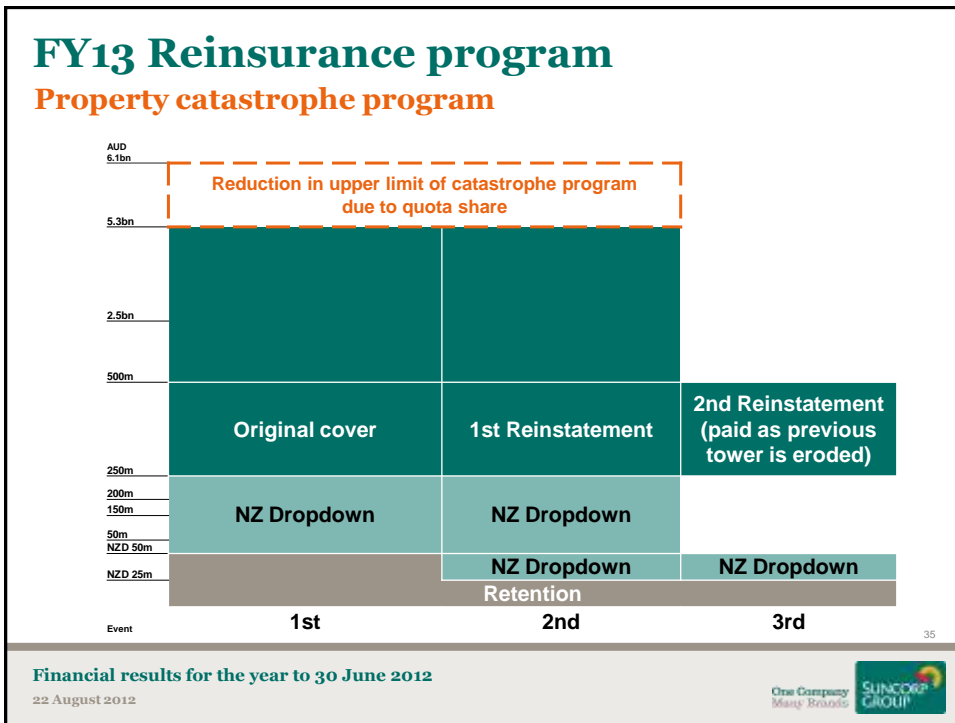
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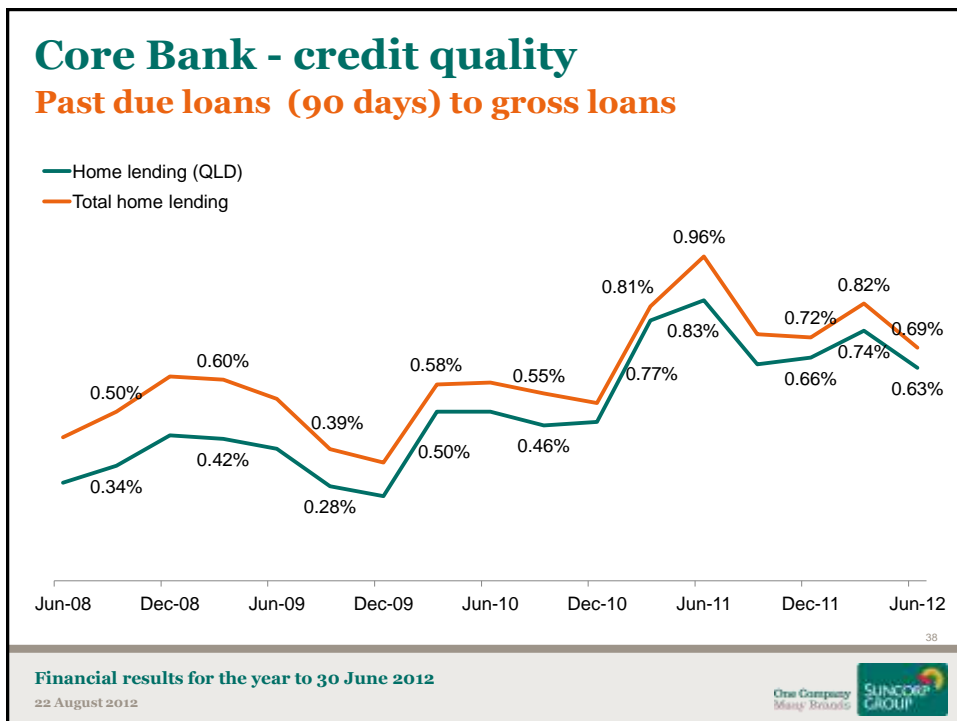
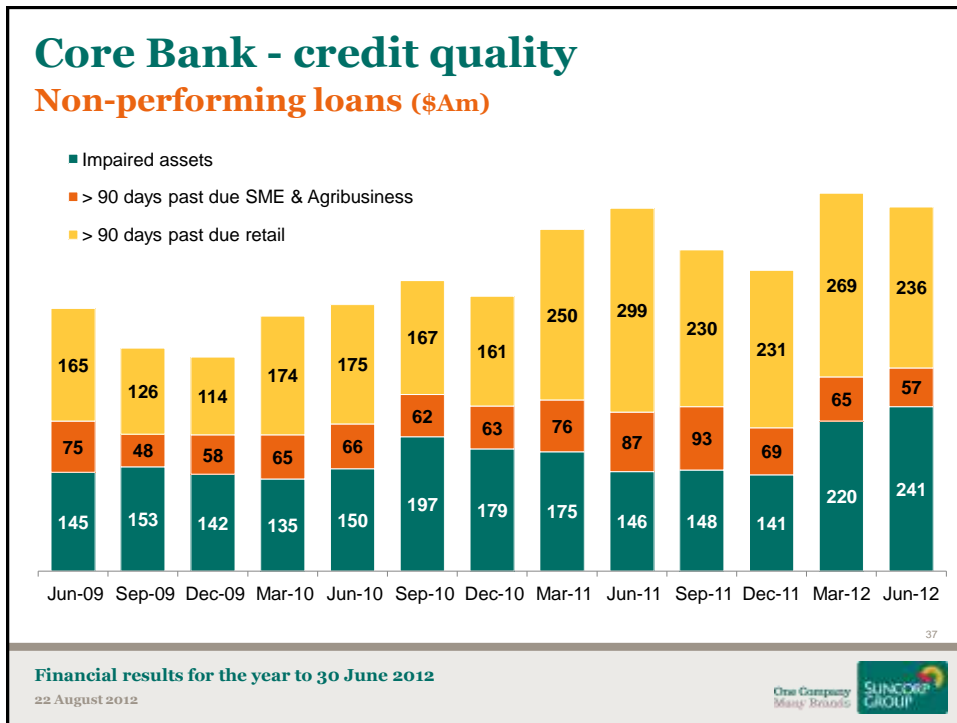
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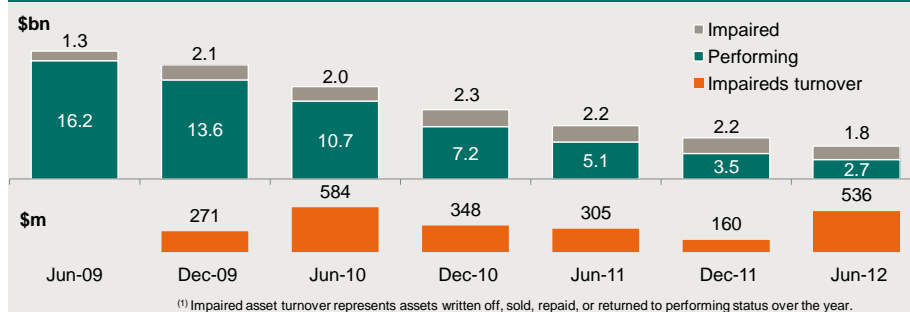




Non-core Bank

Impaired asset portfolio has exhibited significant turnover since inception

Portfolio run-off & impaired turnover⁽¹⁾



Historical analysis shows composition of Non-core impaired portfolio has changed significantly over time

Non-core bank has actively written down / written off impaired balances and added to the impaired portfolio as risks have emerged

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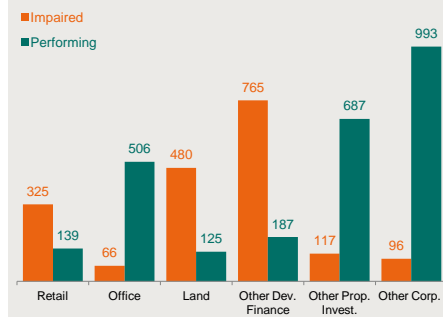
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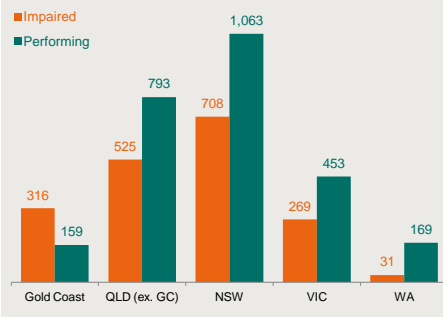
Non-core Bank

Impaired portfolio by industry sub-segment and by geography

Impaired asset balances by segment



Impaired asset balances by geography



Development finance remains volatile

Under-performing Retail property impaired exposures written off or written down

Limited geographic concentration

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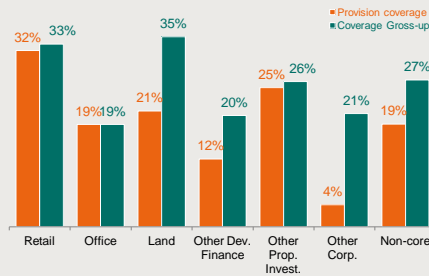
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Non-Core Bank

Provision coverage and impaired asset turnover in under-performing market segments

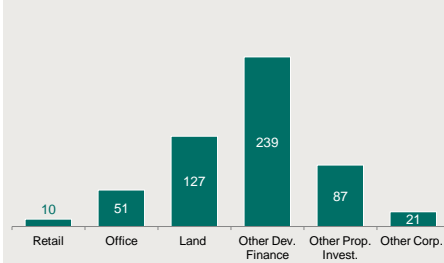
Coverage & coverage gross up⁽¹⁾



⁽¹⁾ Coverage gross up adjusts the numerator (specific provisions) and denominator (impaired assets) for amounts that have been partially written off.

Grossing up both provisions and impaired balances for partial write downs shows coverage under a less aggressive write-down strategy would be higher than reported

Impaired asset turnover⁽²⁾



⁽²⁾ Impaired asset turnover represents assets written off, sold, repaid, or returned to performing status over the year.

Impaired asset turnover in FY12 shows the impact of actions taken in under-performing segments

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