



# Suncorp Group Limited

An introduction

# Suncorp Group

## Leading financial services brands in Australia and New Zealand

Top 20 ASX listed company

\$14.4 billion market capitalisation at 15 Feb 2013

\$93.5 billion in group assets

16,000 employees in Australia and New Zealand

9 million customers

End to end ownership of brands

AAMI



bingle  
.com.au



SUNCORP BANK

Asteron  
Life

vero



# Delivered on 3 year Strategy

## Improvements across all three core businesses

	31-Dec-12	31-Dec-09	Change
NPAT	574	364	57.7%
Interim dividend (cps)	25c	15c	66.7%
General Insurance GWP	4,225	3,490	21.1%
General Insurance Reported ITR (%)	18.6%	12.8%	up 5.8%
General Insurance Underlying ITR (%)	13.4%	8.0%	up 5.4%
Core Bank Loans	45,763	36,577	25.1%
Core Bank NIM	1.83%	1.76%	up 7 bps
Suncorp Life Individual Risk Premiums	739	602	22.8%
Suncorp Life Planned Profit margin release	49	40	22.5%
Non-core Bank loans	3,422	15,645	(78.1%)
Non-core Bank Gross Impaired Loans	1,644	2,077	(20.8%)
Total Group operating expenses	1,332	1,294	2.9%

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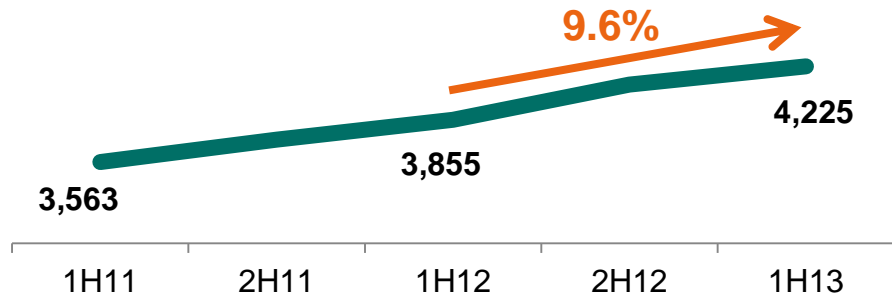
# 1H13 result overview

	1H13	1H12	%Δ
General Insurance NPAT	564	162	large
Core Bank NPAT	144	156	(7.7)
Suncorp Life NPAT	51	133	(61.7)
<b>Business lines NPAT</b>	<b>759</b>	<b>451</b>	<b>68.3</b>
Non-core Bank and other	(143)	(15)	n/a
Acquisition amortisation	(42)	(47)	(10.6)
<b>Net Profit After Tax</b>	<b>574</b>	<b>389</b>	<b>47.6</b>

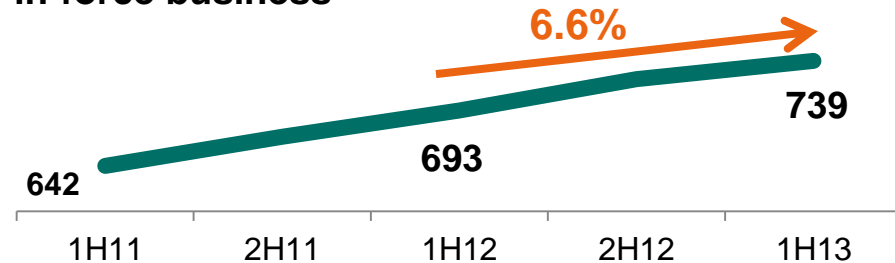
# Top line growth

## Growth across all three business lines (\$m)

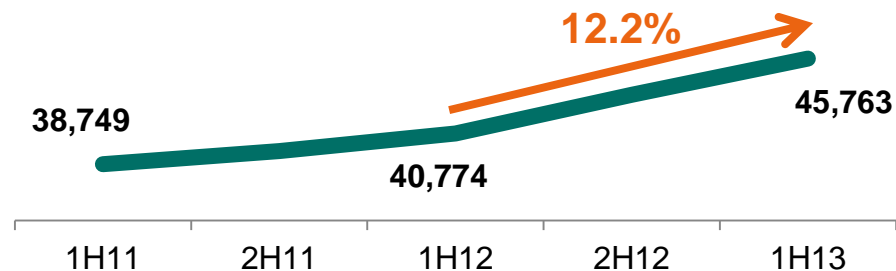
### General Insurance GWP



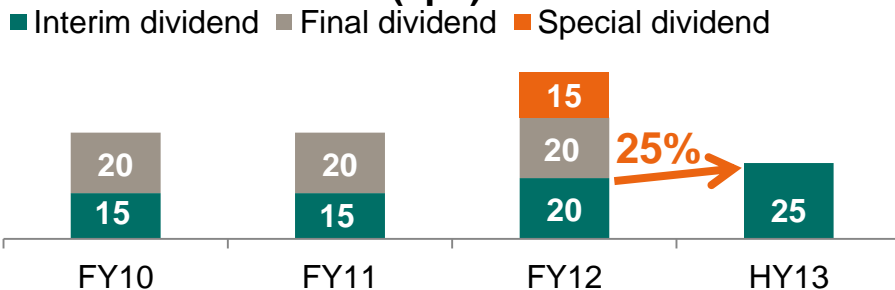
### Suncorp Life individual in-force business



### Core Bank lending assets



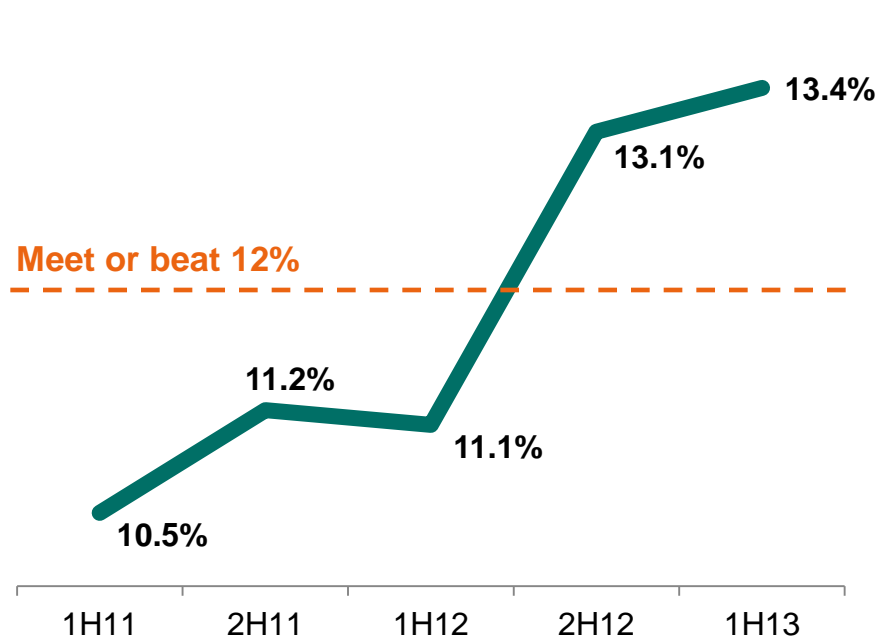
### Shareholder returns (cps)



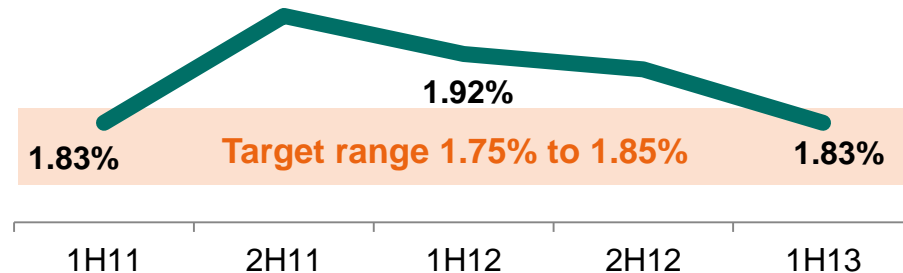
# Healthy margins

## With profitable growth

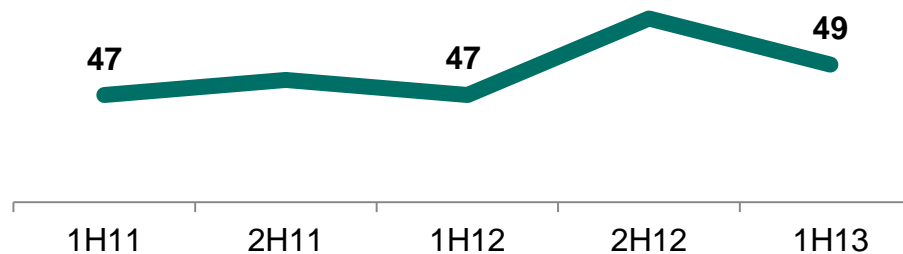
### General Insurance underlying ITR



### Core Bank NIM

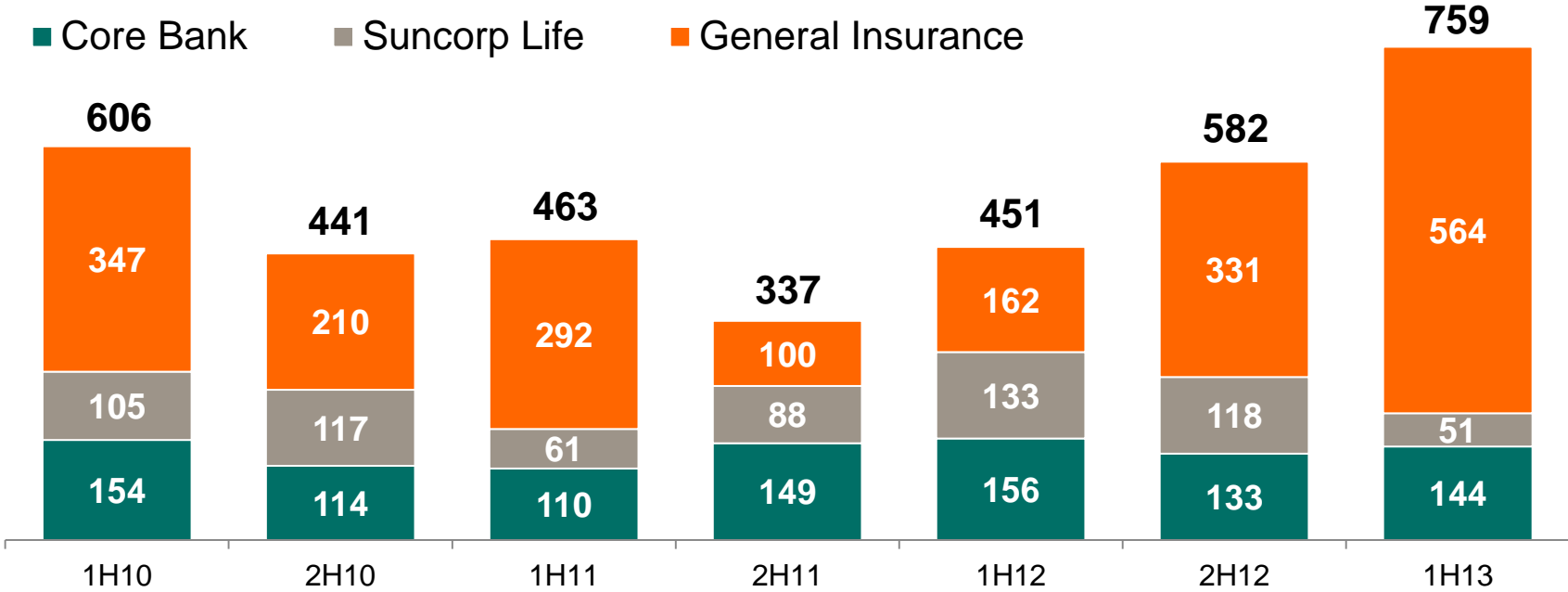


### Suncorp Life planned profit margin release (\$m)



# Core business profitability

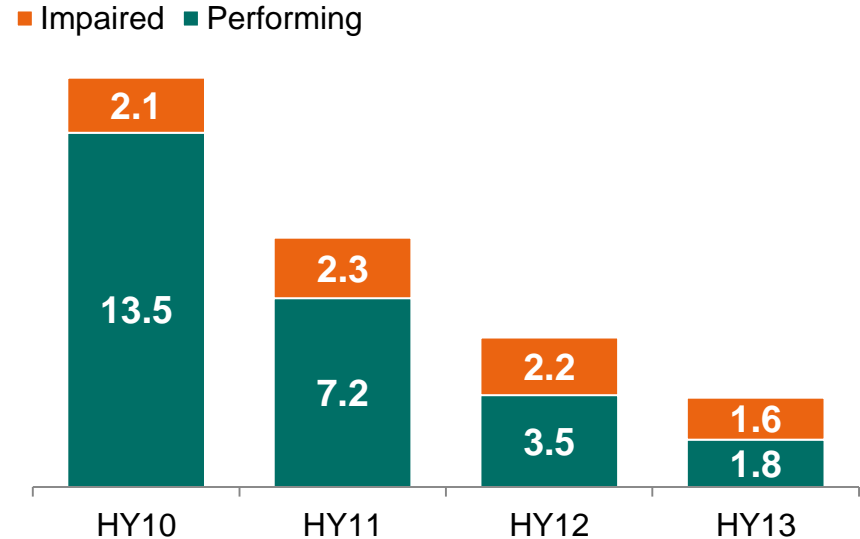
## Good earnings and great potential (NPAT \$m)



# Suncorp de-risking continues...

- Non-core down to \$3.4 billion, 20% of original size
- Excess capital of \$1.27 billion
- Comprehensive reinsurance program, including Quota Share for Queensland Home
- Divested non-strategic assets, Tyndall and RACQ JV
- Focus on low-risk segments

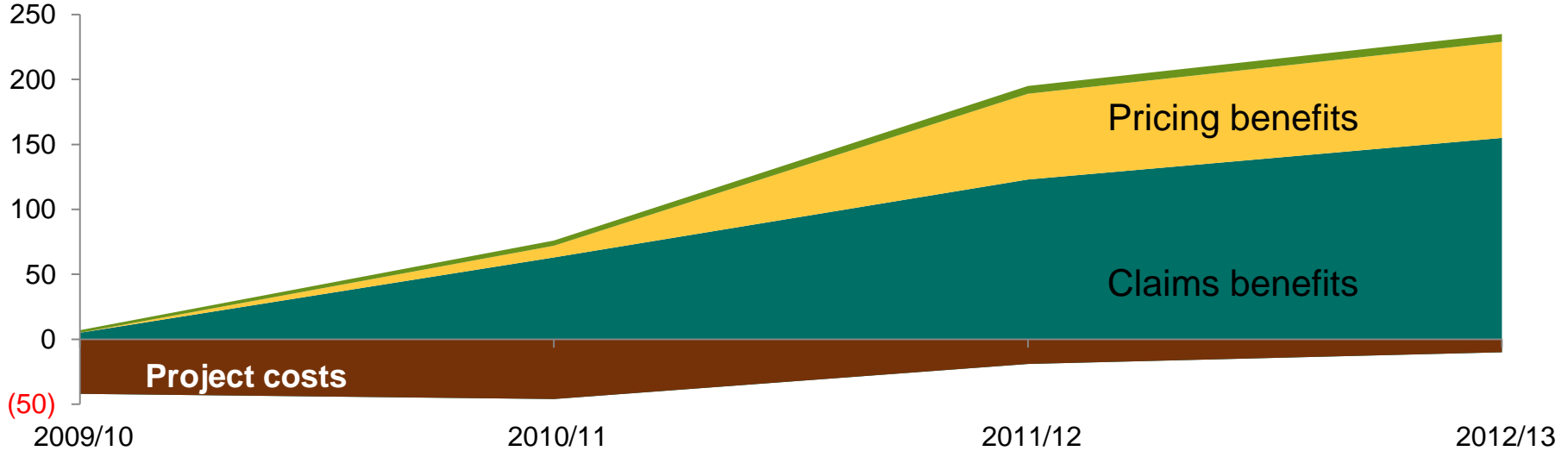
## Non-core Bank (\$bn)





# Building blocks delivering

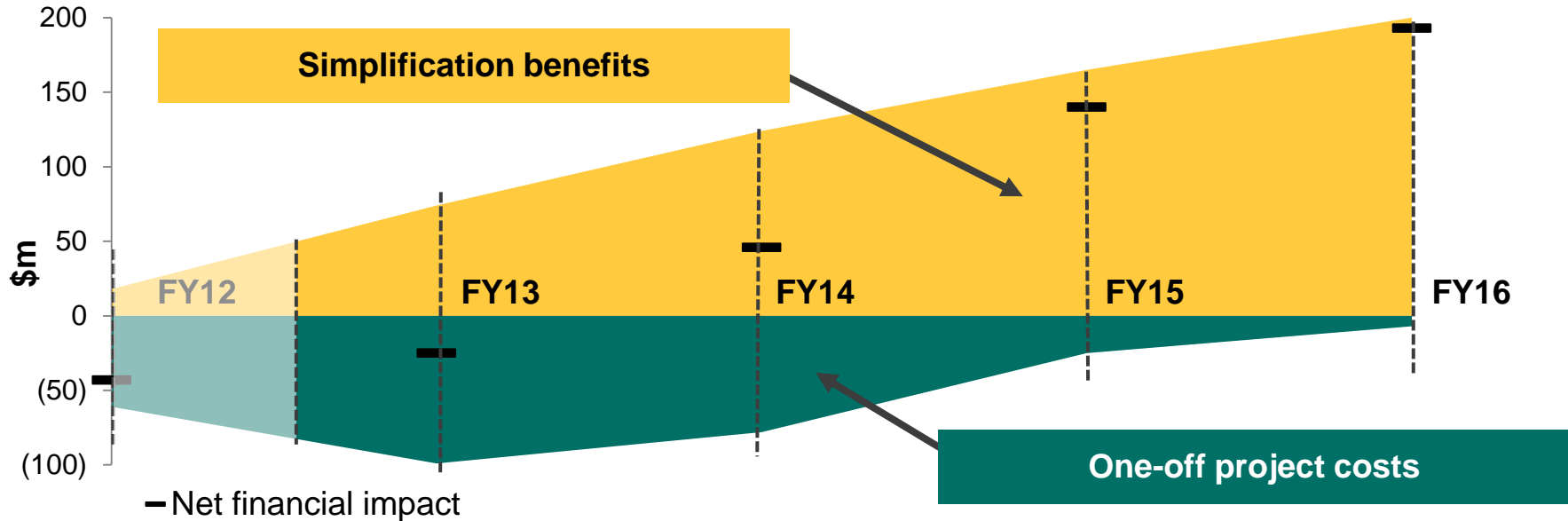
Contributing to 3%+ improvement in underlying GI margin



\$235 million annualised savings

# Simplification costs and benefits

## Financial impacts of Simplification program



Annualised benefits of \$200 million from FY16  
One-off total project costs of \$275 million

# Suncorp Group outlook

## Build on growth momentum and capitalise on the 4C's

<b>Group</b>	<ul style="list-style-type: none"><li>• Entering 2013 with strong momentum across all businesses</li><li>• New Simplification projects to build on Building Block benefits</li><li>• Capitalise on the 4C's – driving the Group competitive advantage</li><li>• Full year dividend payments in the target range of 60% to 80% of cash earnings</li></ul>
<b>General Insurance</b>	<ul style="list-style-type: none"><li>• Meet or beat 12% underlying ITR</li><li>• Systems consolidation and Single Licence well advanced</li><li>• Multi-year quota share program reduces QLD exposure</li></ul>
<b>Bank</b>	<ul style="list-style-type: none"><li>• Core Business geared to support 8% to 10% lending growth</li><li>• Non-core run off below \$2.7 billion, with less than half impaired by June 2013</li></ul>
<b>Life</b>	<ul style="list-style-type: none"><li>• Continue to unlock the value of Group's customer base</li><li>• Market remains challenging, focus on managing experience and costs</li></ul>



# General Insurance



# Personal Insurance brands

Differentiated offerings, preserving core elements of each brand

**AAMI**

## Lead national brand:

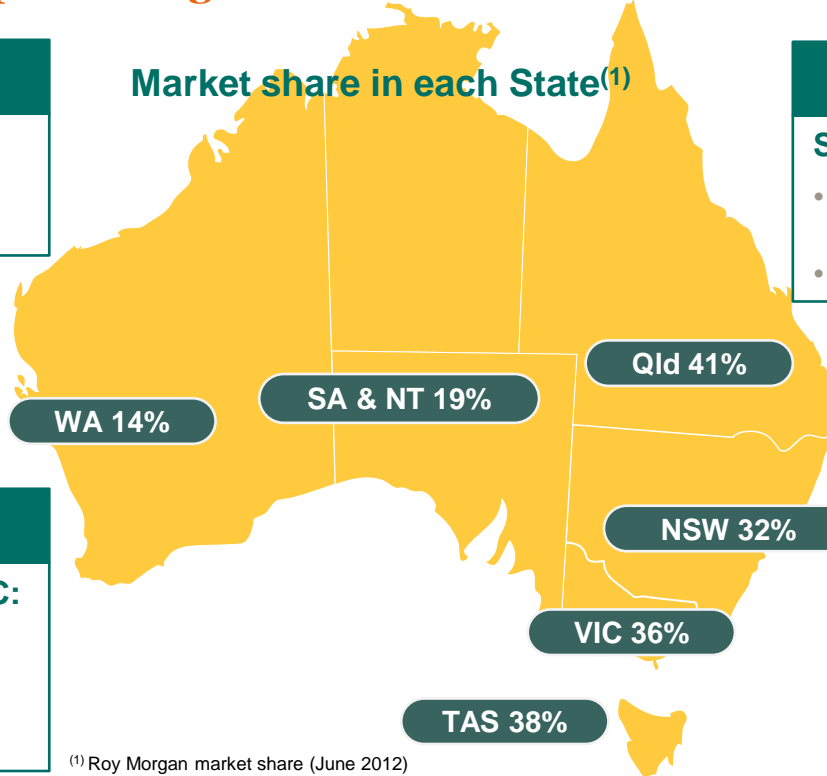
- Eliminating stress
- Competitive price positions

**GIO**

## State based brand in NSW and VIC:

- Providing certainty
- Service excellence and more comprehensive cover

## Market share in each State<sup>(1)</sup>



<sup>(1)</sup> Roy Morgan market share (June 2012)

**SUNCORP**  
Insurance

## Suncorp Insurance:

- Providing insurance to Queenslanders
- Strong community connections

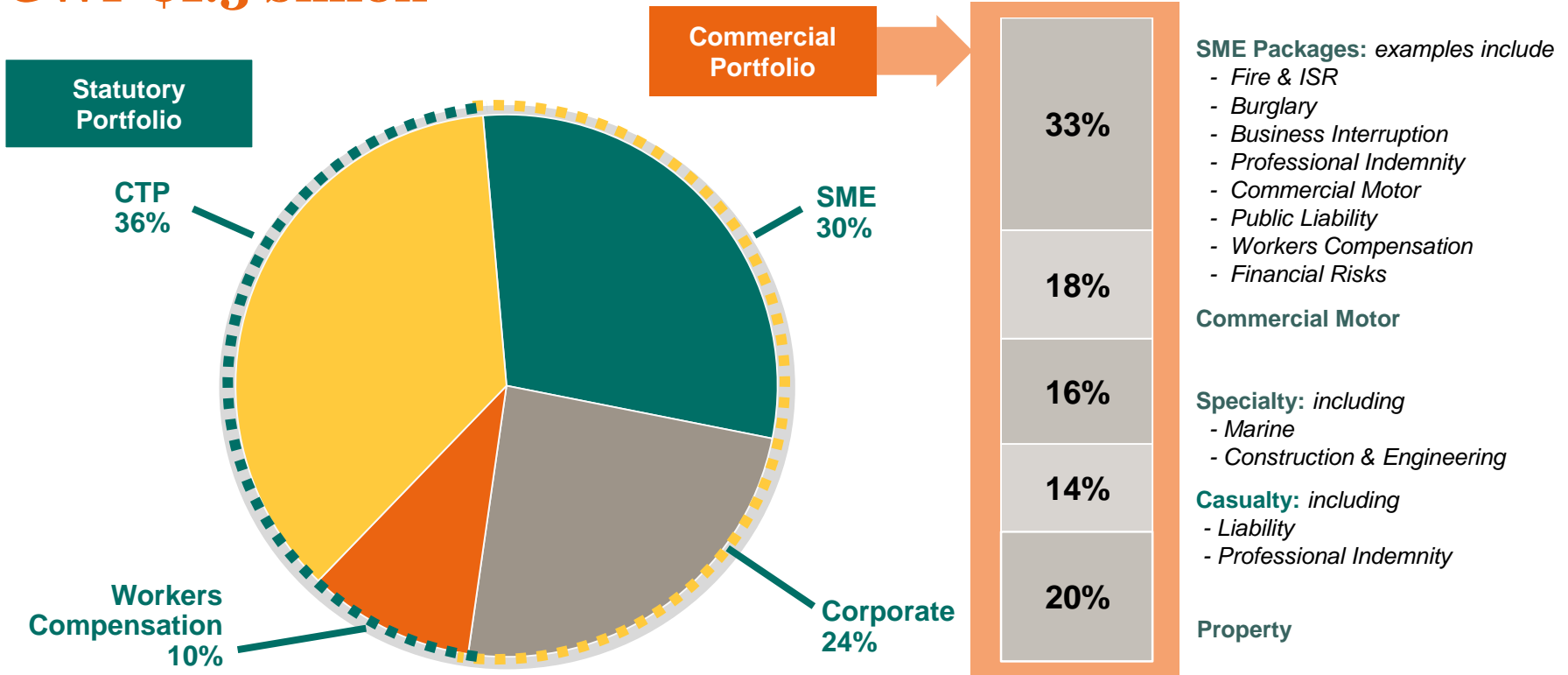
**Apia**

## National life stage brand:

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

# Commercial Insurance: products overview

GWP \$1.3 billion



# New Zealand General Insurance

## Second largest with 23% market share

### INTERMEDIATED



- 18% share of total market GWP
- 1<sup>st</sup> or 2<sup>nd</sup> largest in most classes
- Leader in broker channels

### DIRECT



- 5% share of total market GWP
- 2<sup>nd</sup> largest direct player
- Strong growth in motor insurance

# General Insurance

## Underlying ITR of 13.4%

\$m	1H13	%Δ
General Insurance profit after tax	564	large

- GWP up 9.6%
- Reported ITR of 18.6%
- Natural hazard claims below allowance by \$113 million
- Investment markets provided a mismatch benefit of \$118 million
- Delivered on the 'meet or beat' 12% underlying ITR target
- Reserve releases of \$41 million



# Gross Written Premium

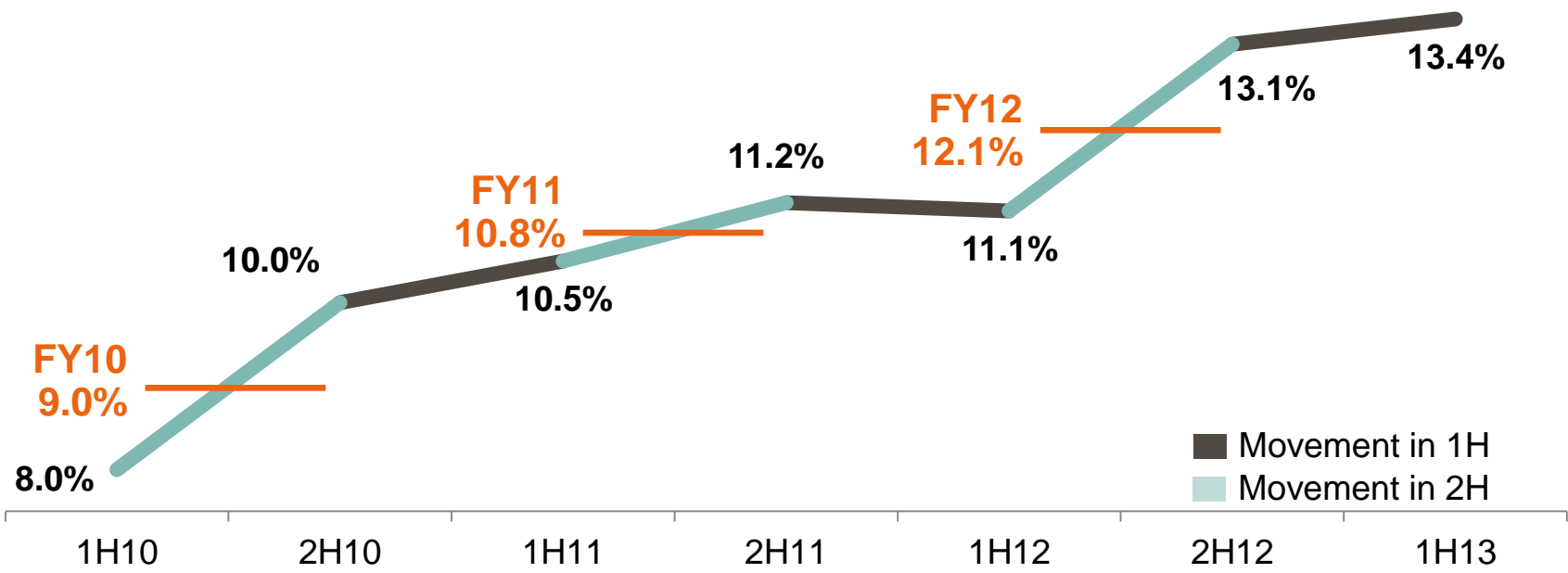
GWP up 9.6%

Product	HY13 (\$m)	%Δ	Factors
Motor	1,351	5.2	A combination of unit and premium growth
Home	1,252	14.5	Premium increases to recover additional reinsurance costs
Commercial	1,011	10.1	Strong growth in broker channel
CTP	467	8.1	Strong growth in NSW
Workers' comp & other	144	12.5	Price increases, wage growth and improved retention
<b>Total</b>	<b>4,225</b>	<b>9.6</b>	
Australia	3,761	9.3	
New Zealand	464	12.1	11.3% in NZ\$

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# Underlying ITR

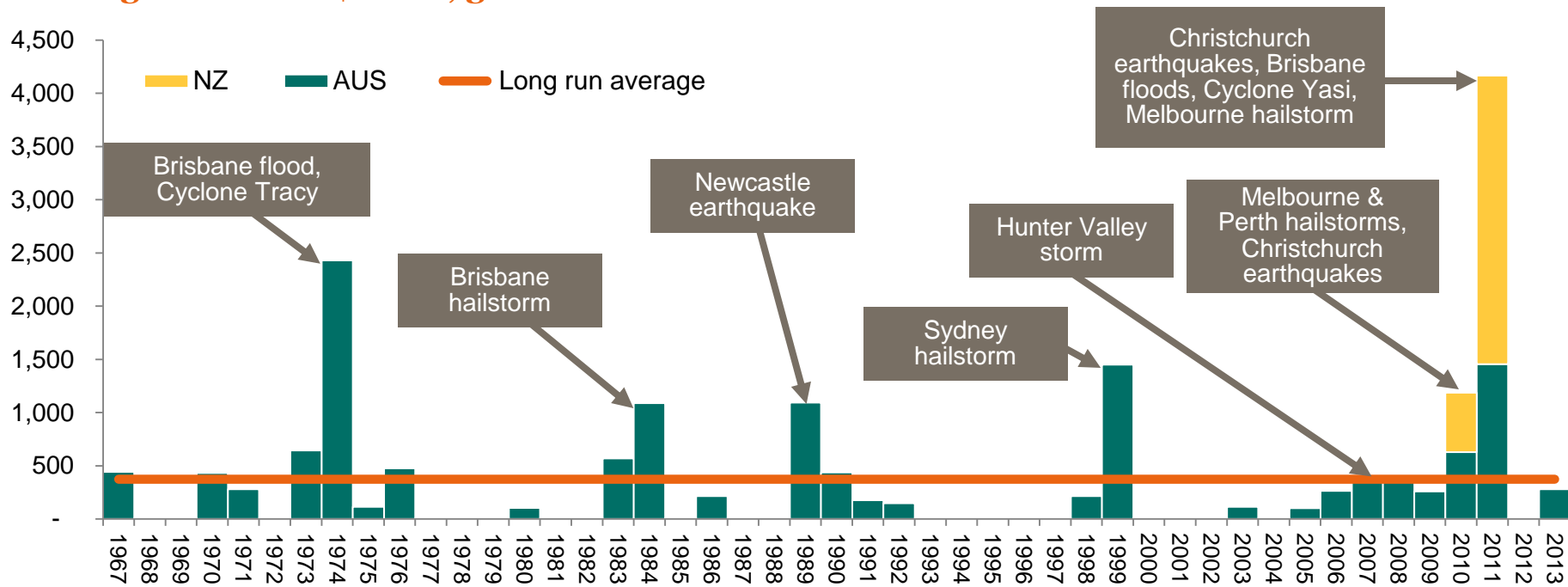
Meet or beat 12% underlying ITR



# Natural hazards since 1967

Suncorp long-term catastrophic loss experience

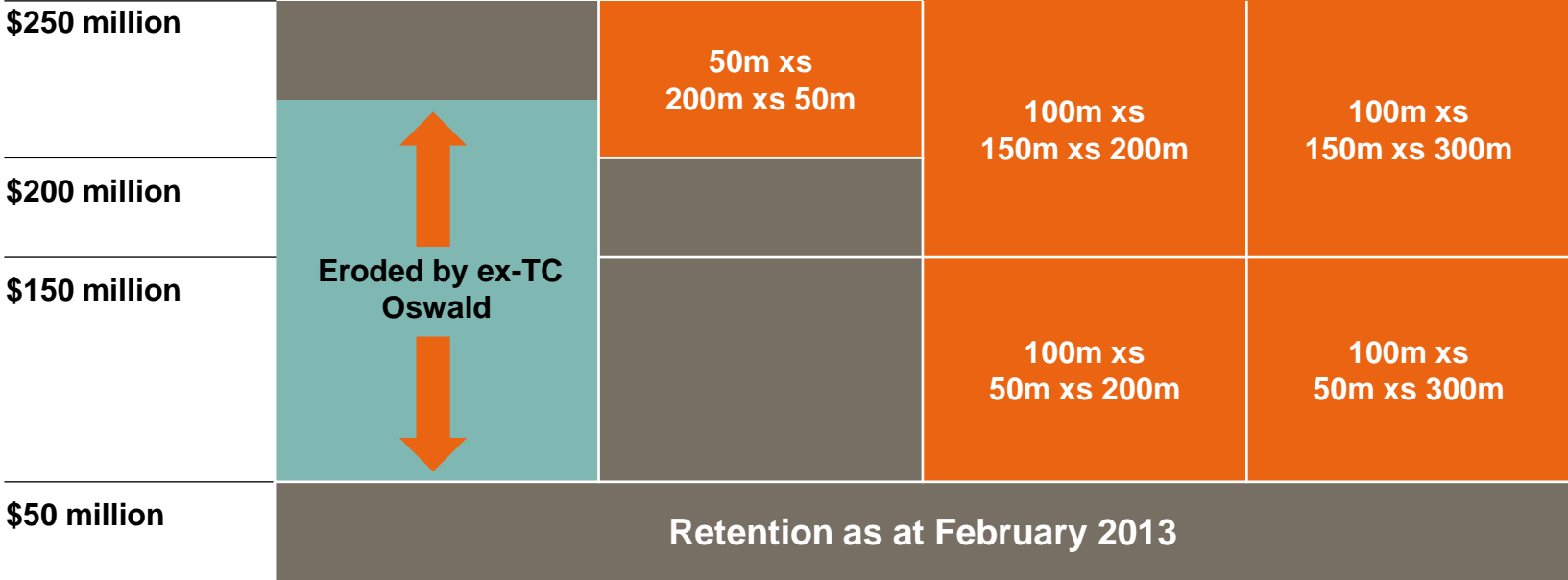
Events greater than \$100m, gross of all reinsurance



Source: Data supplied by the Insurance Council database.

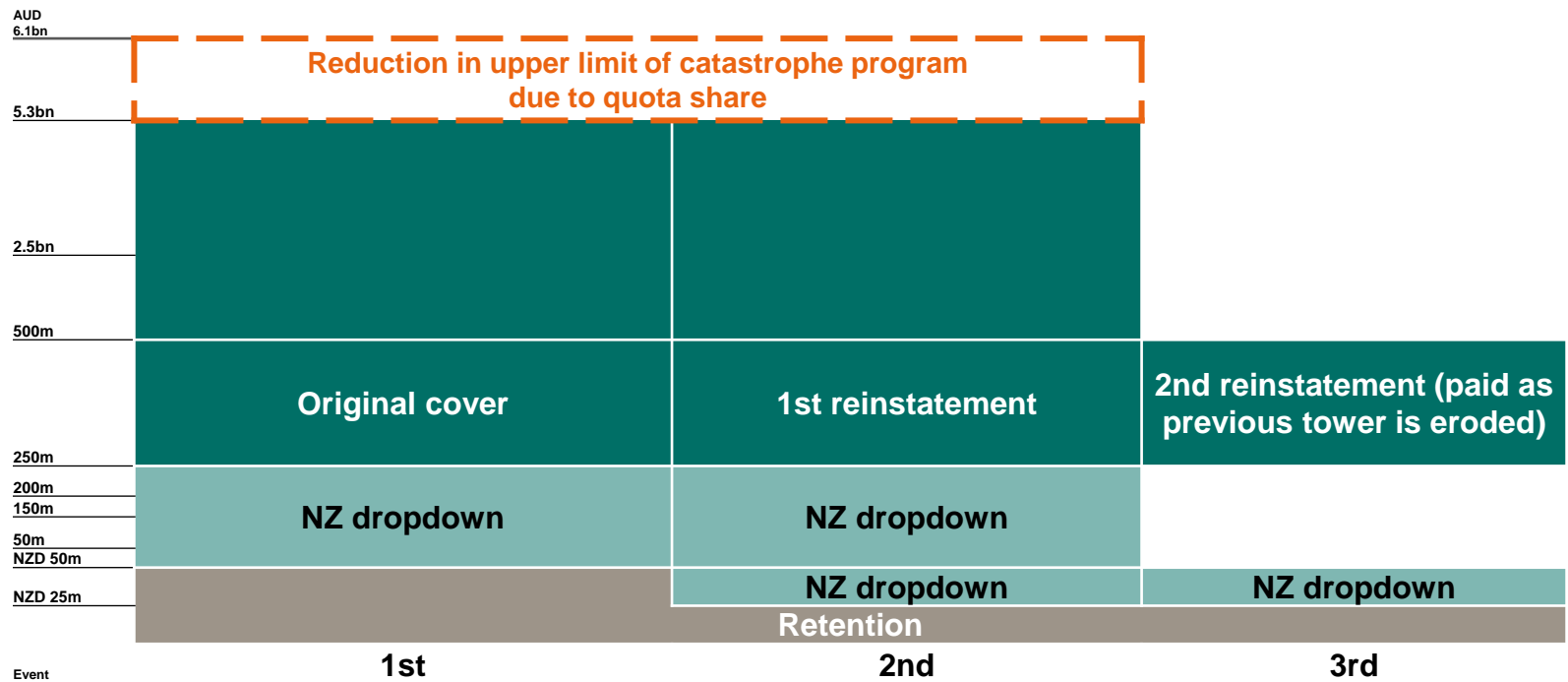
# FY13 Reinsurance program

## Dropdown aggregate program for Australian risks



# FY13 Reinsurance program

## Property catastrophe program





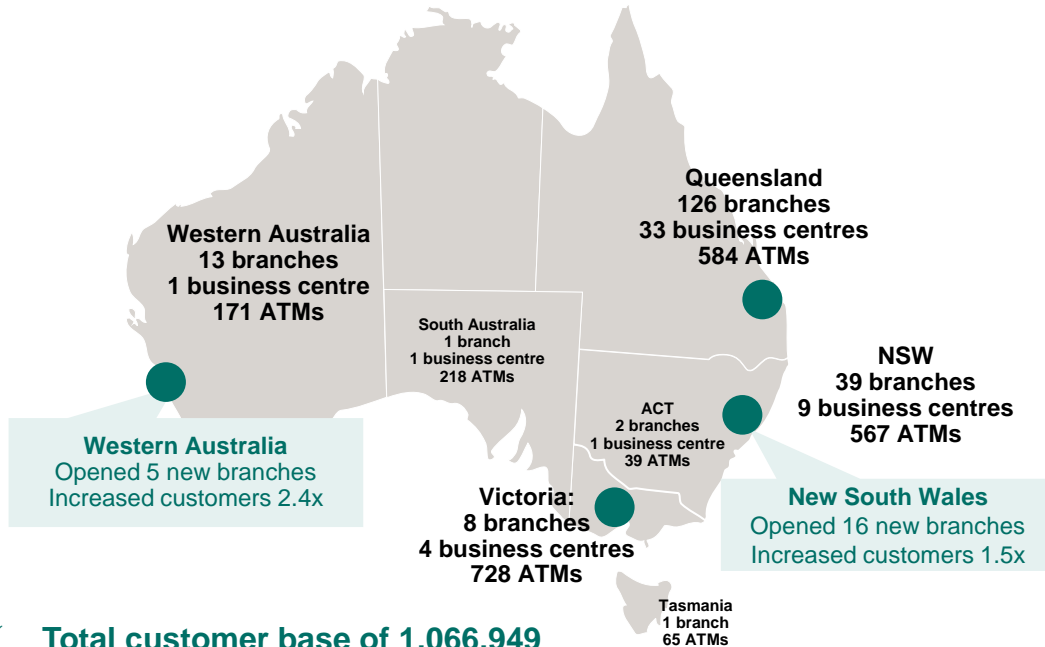
# Suncorp Bank



# Suncorp Bank

## The best bank for middle Australia...

... and AB&F Australian Financial Institution of the year (non-major)



- ✓ Total customer base of 1,066,949
- ✓ Complete customer growth of 35%

### Competitive advantage

- A+ credit rating
- Part of the Suncorp Group
- Strong capital and funding position

### Customer satisfaction\*

- Consistently better than the majors in Queensland and nationally for personal and business customers

### Recent award wins

- AB&F Awards: Australian Financial Institution of the Year (non-major) and innovative Card and Payment Product of the year for Visa Prepaid Card
- Money Magazine Gold, Silver and Bronze awards and Editor's Choice for the best bank online security
- CANSTAR five star ratings for business and personal products

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# Core Bank overview

## Sustainable growth

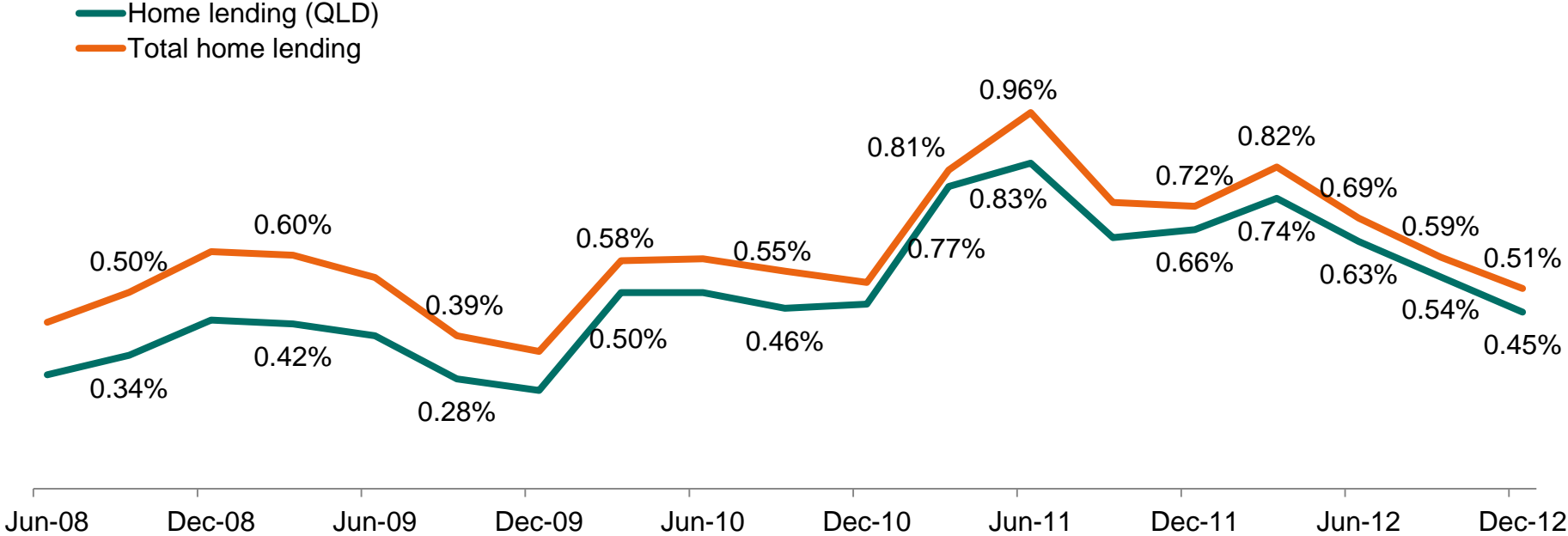
\$m	1H13	%Δ
Core Bank profit after tax	144	(7.7)

- Housing lending growth of 5.9% and Agribusiness lending up 4.7% for the half
- NIM 1.83% top end of the target range of 1.75% to 1.85%
- Retail deposit to core lending 66% remains in target range of 60% to 70%
- \$600 million covered bond issued in November
- Net impaired assets down 8.7%
- Underlying NPAT up 4%, adjusted for prior year flood provisioning benefit & other one-offs



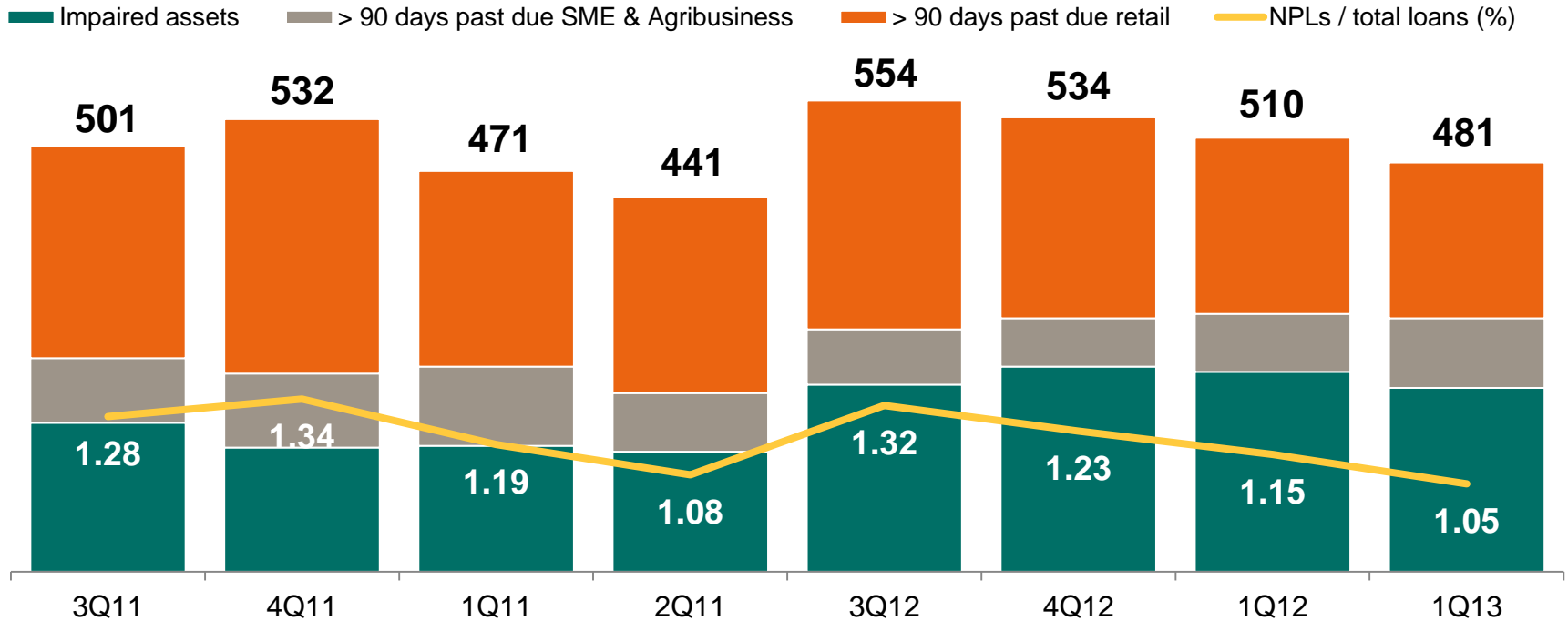
# Core Bank - credit quality

## Past due loans (90 days) to gross loans



# Core Bank - credit quality improving

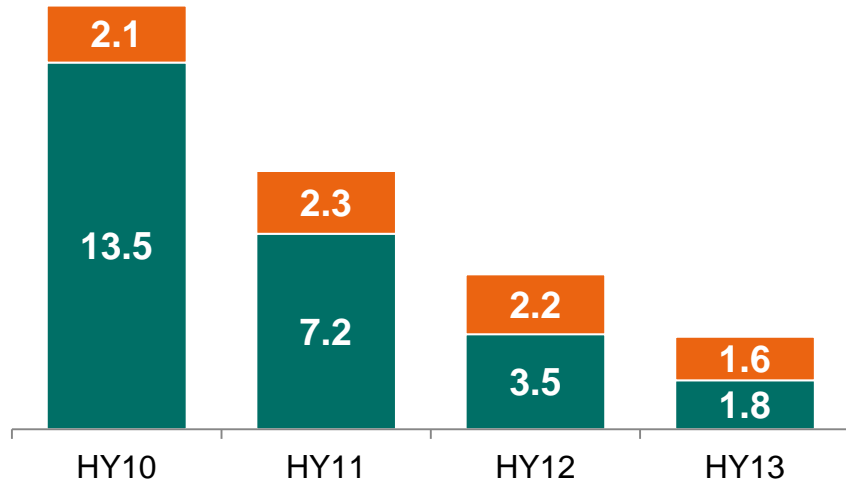
## Non-performing loans (\$Am)



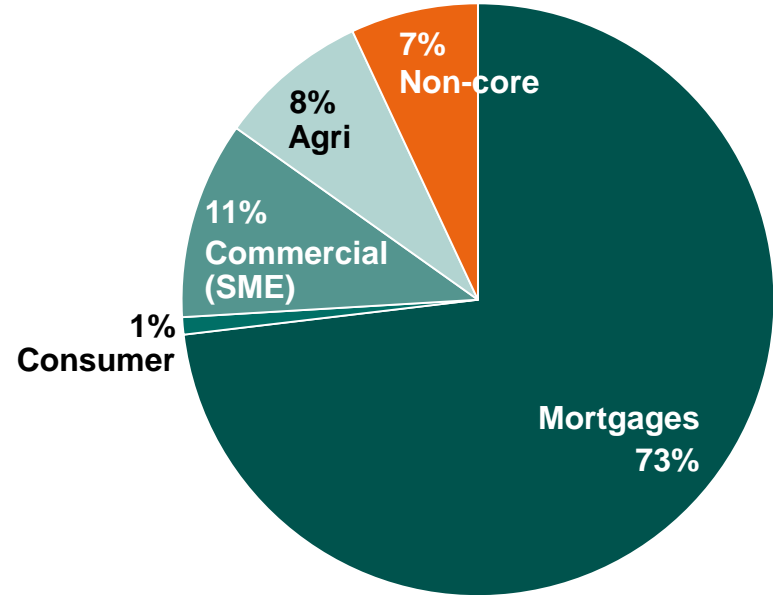
# Non-core Bank reduced significantly

## Non-core Bank (\$bn)

■ Impaired ■ Performing



## Suncorp Bank portfolio split

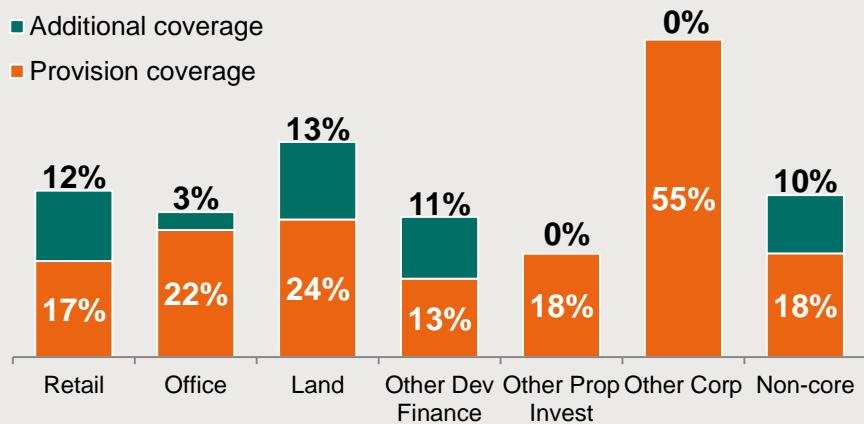


# Non-core Bank

## Underperforming segments

### Coverage & additional coverage<sup>(1)</sup>

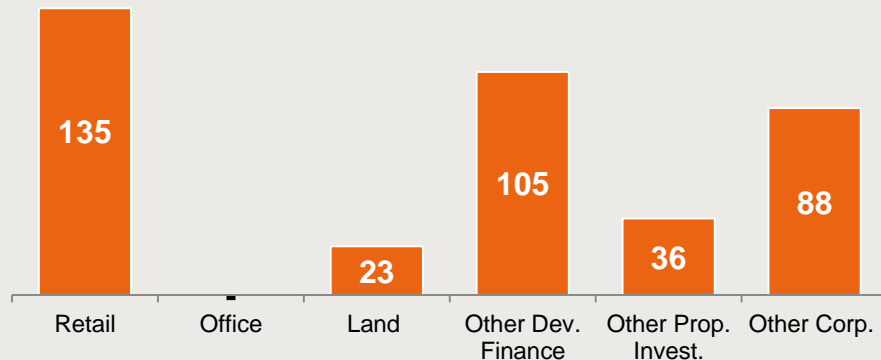
■ Additional coverage  
■ Provision coverage



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

<sup>(1)</sup> Additional coverage adjusts the numerator (specific provisions) and denominator (impaired assets) for amounts that have been partially written off.

### Impaired asset turnover<sup>(2)</sup>



Impaired asset turnover in 1H13 shows the impact of actions taken in under-performing segments

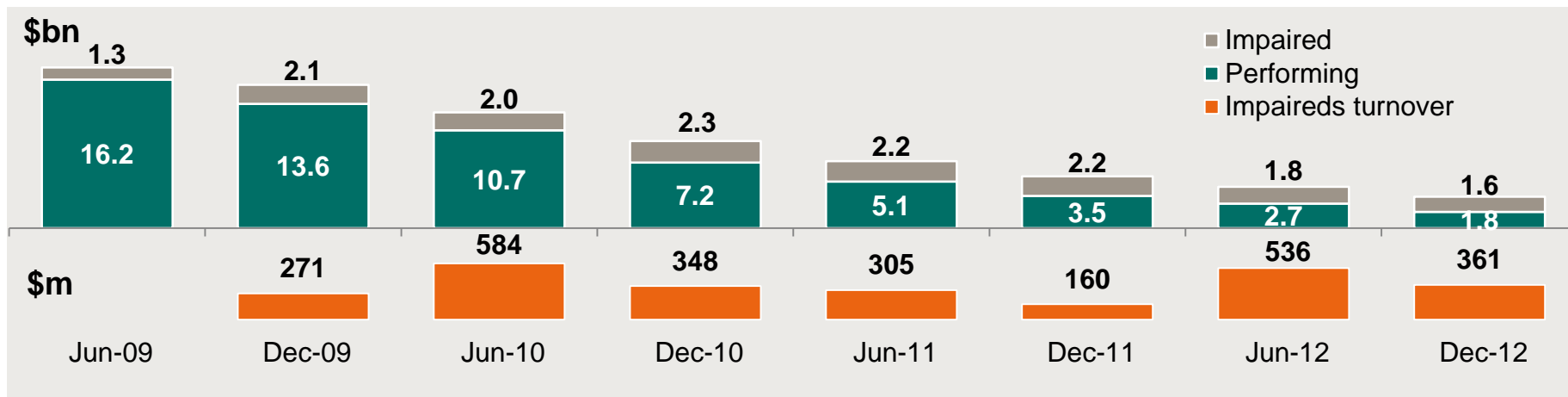
<sup>(2)</sup> Impaired asset turnover represents assets written off, sold, repaid, or returned to performing status over the year.

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# Non-core Bank

## Significant turnover in the impaired asset portfolio

### Portfolio run-off & impaired turnover<sup>(1)</sup>



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

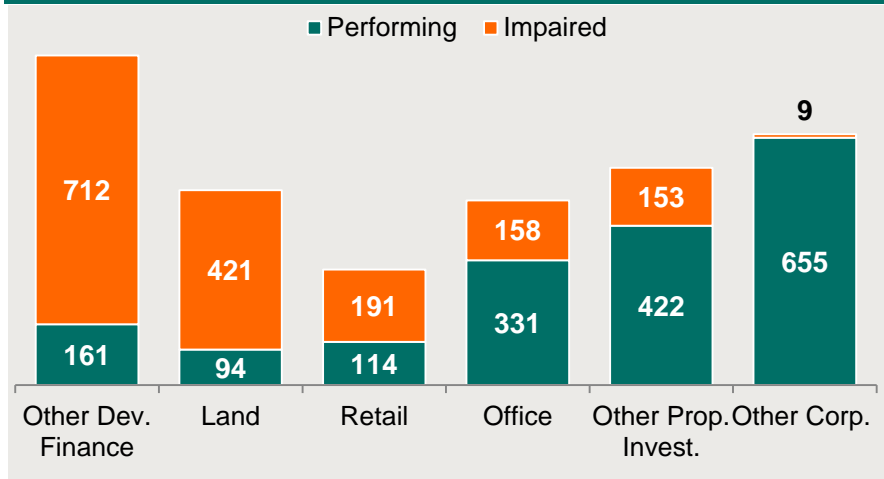
Non-core bank has actively written down / written off impaired balances and added to the impaired portfolio as risks have emerged

<sup>(1)</sup> Impaired asset turnover represents assets written off, sold, repaid, or returned to performing status over the year.

# Non-core Bank

## Impaired asset balances...

### ... by segment

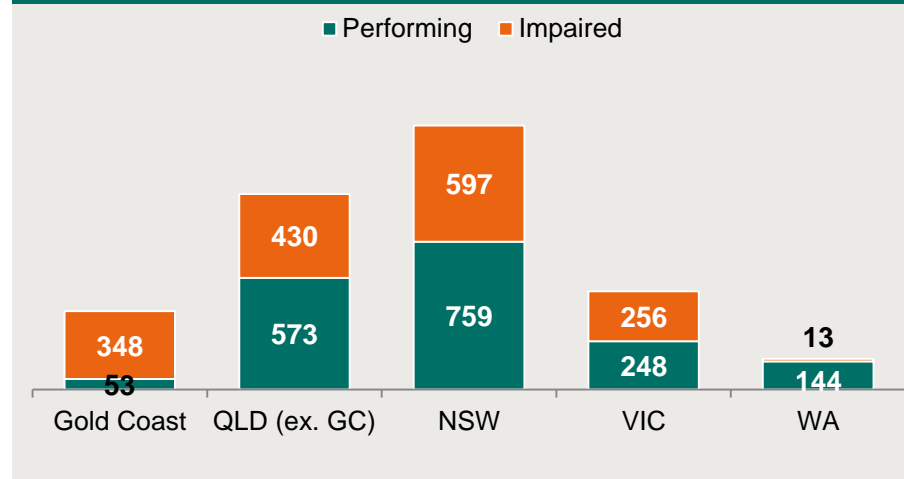


Development finance remains volatile

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

Limited geographic concentration

### ... by geography





# Suncorp Life



# Suncorp Life overview

## Strong new business growth

\$m	1H13	%Δ
Life profit after tax	51	(61.7)
Life underlying profit after tax	61	(11.6)

- Life risk new business up 18.2%
- Individual Life Risk in-force up 6.6%
- Embedded Value \$2.4 billion
- VOYS \$46 million



# Life new business by channel

## Strong results in individual business

Channel	1H13 (\$m)	%Δ	Comments
IFA	35	16.7	Compelling proposition in Asteron Life Complete
Direct	16	6.7	70% of sales were made to Group customers through the GI brands
NZ	9	28.6	Comprehensive relaunch of the product offering
<b>Total</b>	<b>60</b>	<b>15.4</b>	



# Capital



# Capital management

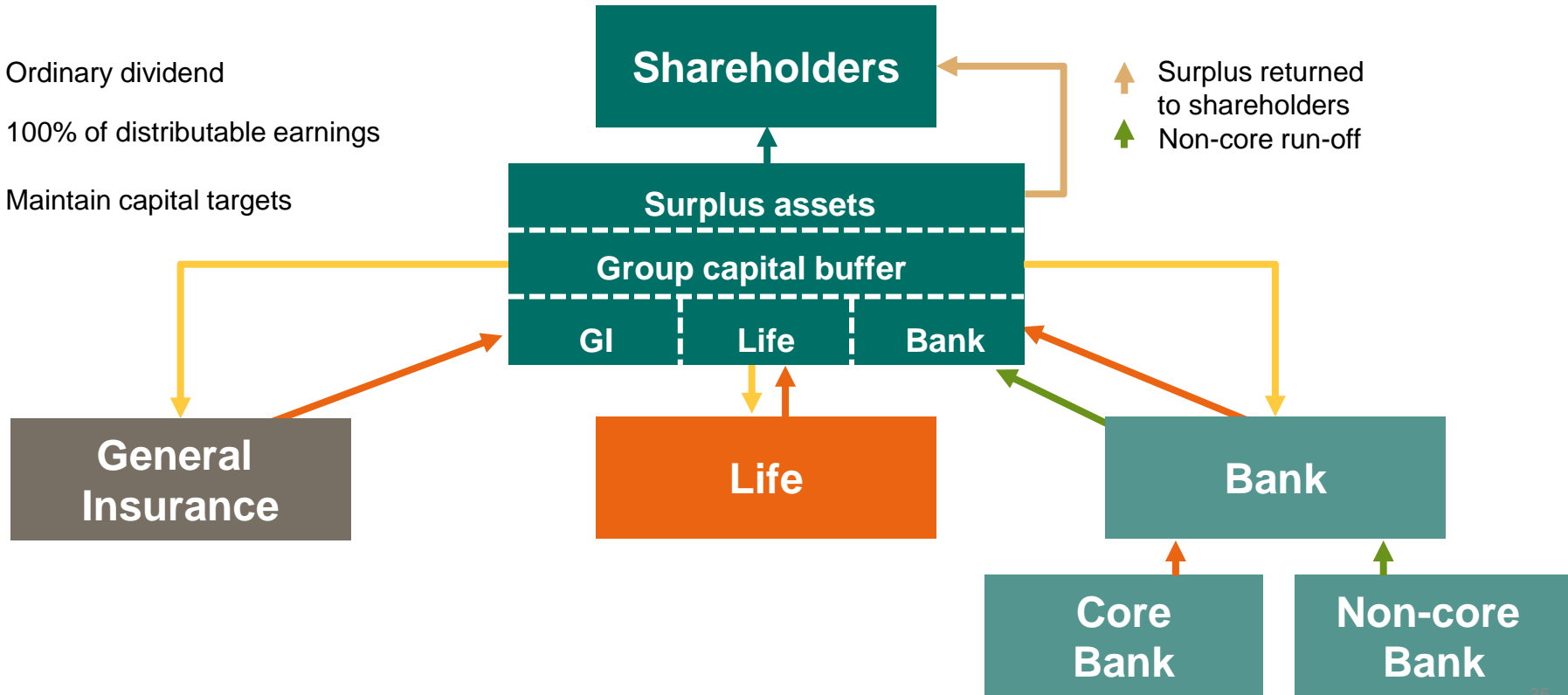
↑ Ordinary dividend

↑ 100% of distributable earnings

↓ Maintain capital targets

↑ Surplus returned to shareholders

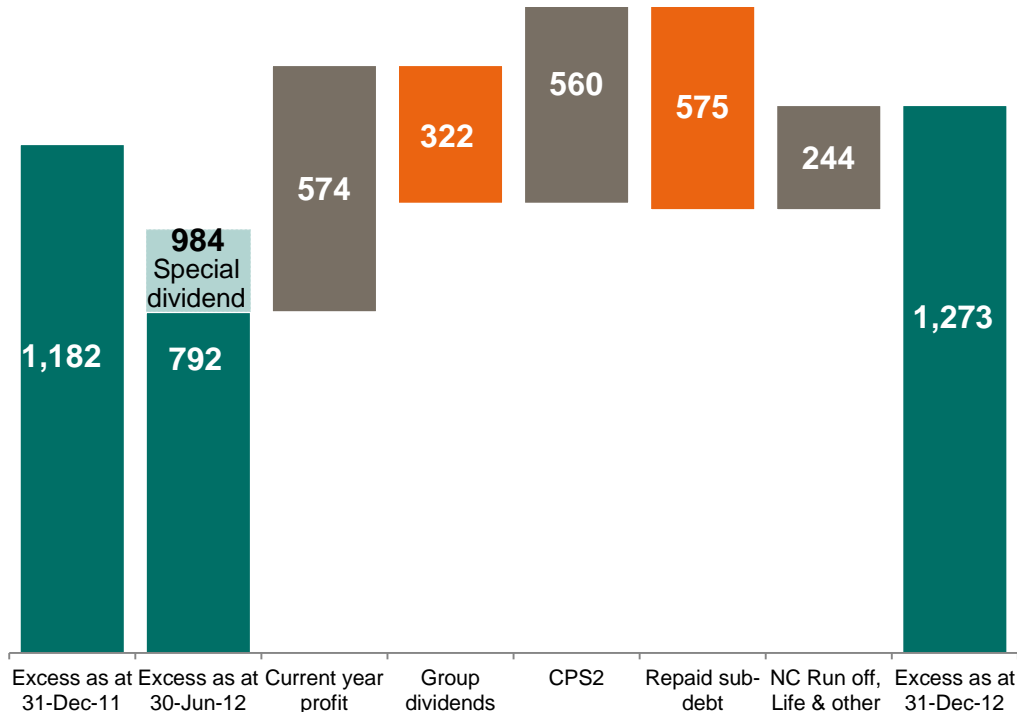
↑ Non-core run-off



# Group Capital

## Capital strengthening continues

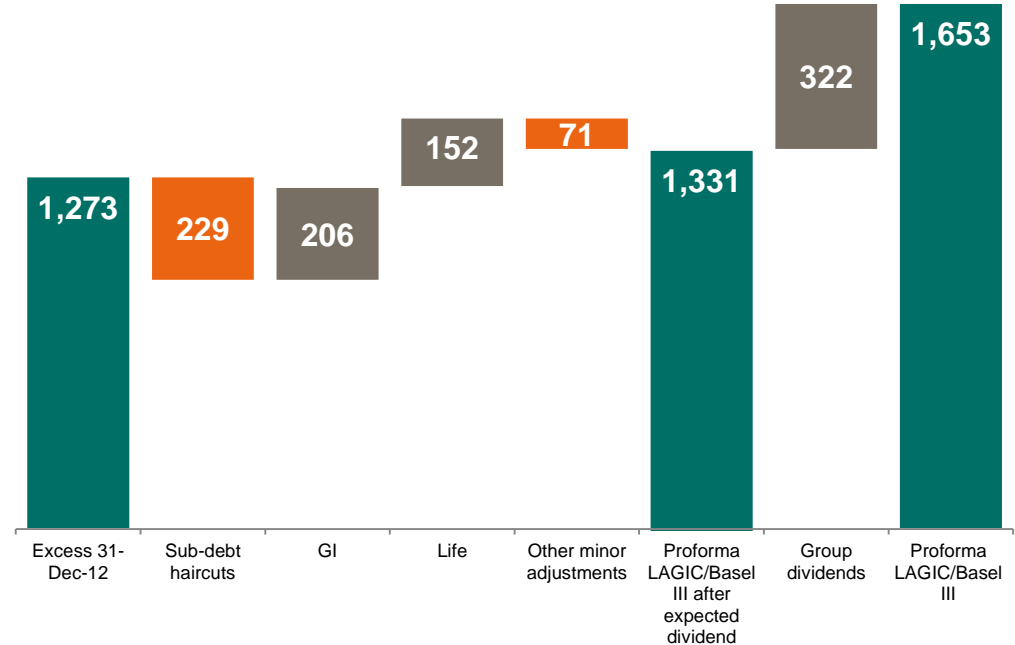
- Repaid \$575 million sub-debt
- Issued Basel III compliant CPS raising \$560 million
- Interim dividend 25 cents, up 25%
- DRP is non-dilutive
- Excess capital increases to \$1.65 billion on Basel III/LAGIC basis
- \$576 million franking credits



# Group Capital

## Proforma LAGIC/Basel III position

- Excess capital increases to \$1,653 million on Basel III/LAGIC basis
- Largest movement is the \$322 million treatment of expected dividend
- Proforma LAGIC/Basel III after expected dividends is \$1,331 million
- GI Group 2.01 times PCA
- Bank CAR at 12.1%
- Sub debt haircuts of \$229 million



# Capital position

## 31 December 2012

A\$m	General Insurance	Bank	Life	NOHC and other entities	Suncorp Group Total
<b>Total capital</b>	<b>3,778</b>	<b>4,085</b>	<b>2,054</b>	<b>776</b>	<b>10,693</b>
Target capital	3,214	4,054	1,920	232	9,420
<b>Surplus capital</b>	<b>564</b>	<b>31</b>	<b>134</b>	<b>544</b>	<b>1,273</b>
Target Ratios	1.45 times MCR	12.50% CAR			
<b>Actual Ratios</b>	<b>1.70 times MCR</b>	<b>12.52% CAR</b> <b>7.53% CET1</b>			

# Pro forma LAGIC & Basel III

## 31 December 2012

A\$m	General Insurance	Bank	Life	NOHC and other entities	Suncorp Group Total
Total capital	4,171	3,984	785	471	9,411
Target capital	3,007	4,085	499	167	7,758
Surplus capital	1,164	(101)	286	304	1,653
Actual Ratios	2.01 times PCA	7.39% CET1			



# Australian economy





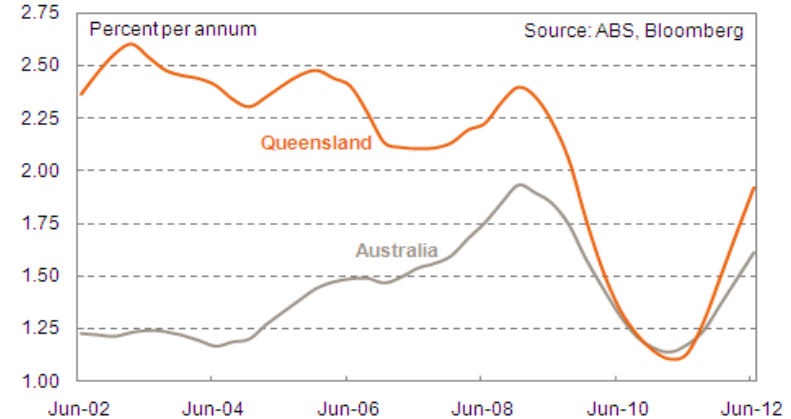
# Economic fundamentals are favourable

## Economic aggregates

	Australia	Queensland	Data as at:
Population	22.7m	4.6m	Jun-12
Annual Population Growth	1.6%	1.9%	As above
Unemployment Rate	5.4%	5.5%	Jan-13
Inflation	2.2%	2.2%	Dec-12
Gross Domestic / State Product	\$1,473bn	\$284bn	2011/12
Annual Growth in Real GDP/GSP	3.1%	4.0%	GDP Sep-12, GSP Jun-12
Budget Position	\$44bn deficit (3% of GDP)	\$6bn deficit (2% of GSP)	2011/12
Credit Rating (S&P/Moody's)	AAA / Aaa	AA+ / Aa1	Feb-13

- Sound economic growth rates (nationally & Queensland) plus low unemployment.
- Budget positions improving.
- Australia one of only 14 AAA rated sovereigns & one of 4 ex-Europe (S&P ratings).

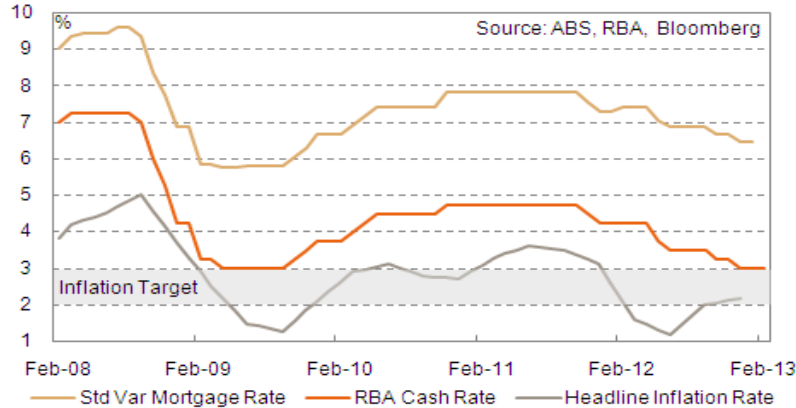
## Population growth



- Population growth has accelerated, assisted by rising immigration.
- Queensland continues to benefit from interstate migration.

# Interest rates & bond yields supporting growth

## Inflation & monetary policy



- Low inflation allowed official interest rates to be eased 125bp during 2012.
- RBA has stated (Feb-12) that scope remains to ease policy further should it be necessary to support demand.

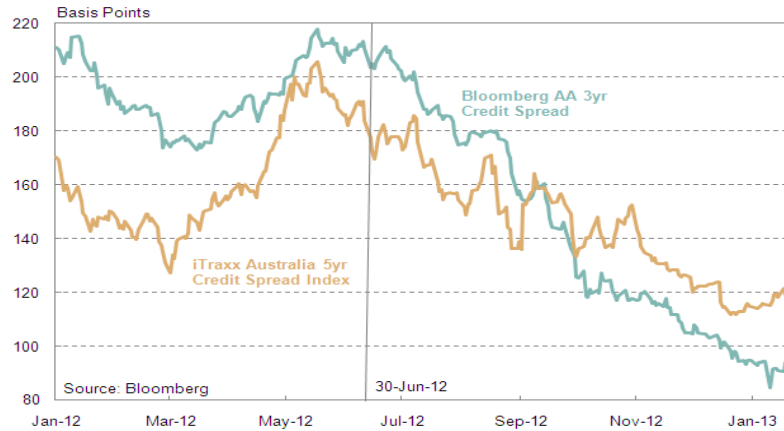
## 10 year govt bond yield



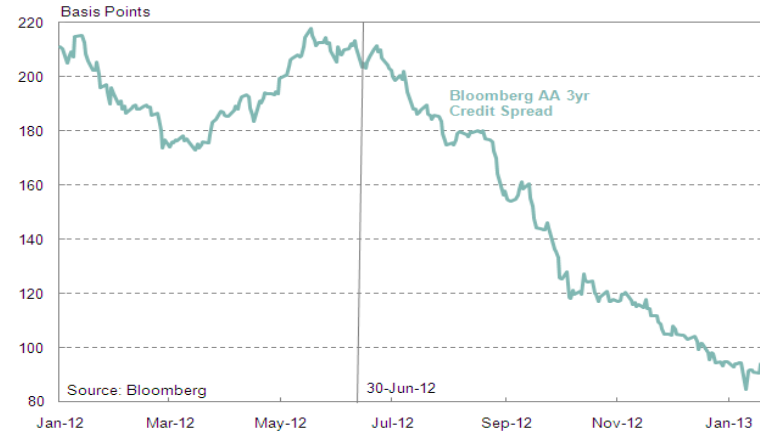
- 2012 saw a record low in the 10 year bond yield, with yields edging higher since that time.
- Higher yields than in other developed nations have underpinned the demand for Australian bond issuance (government and corporate).

# Sound corporate fundamentals

## Credit spreads have narrowed



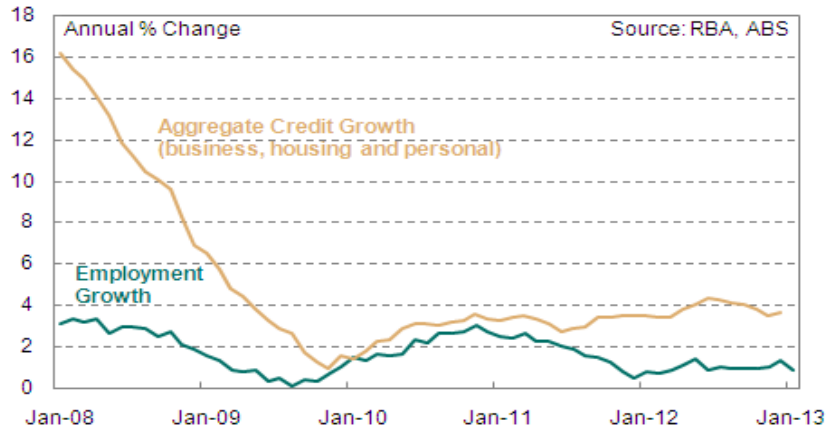
- Diminished risk aversion plus the sound domestic environment has enabled a narrowing of credit spreads.
- Standard & Poor's report no investment grade default in Australia in the past 5 years.



- Same chart , minus iTraxx.

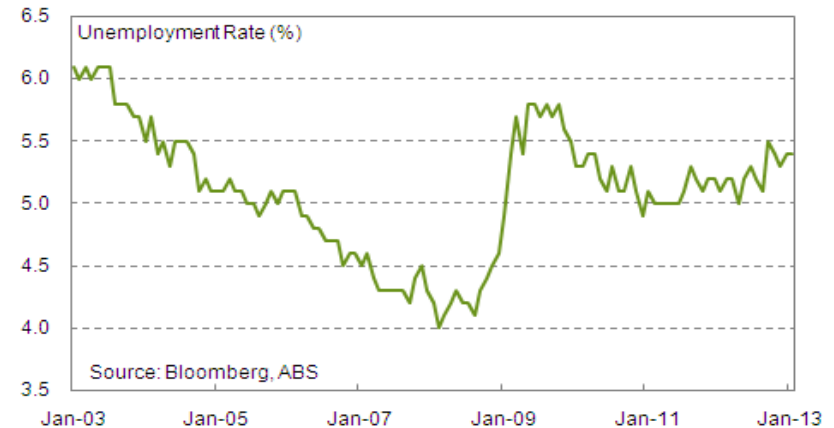
# Domestic activity: credit and labour market

## Job and credit growth



- Credit growth is gradually recovering, assisted by low interest rates.
- Job growth remains modest, leading to recent slight increase in unemployment.

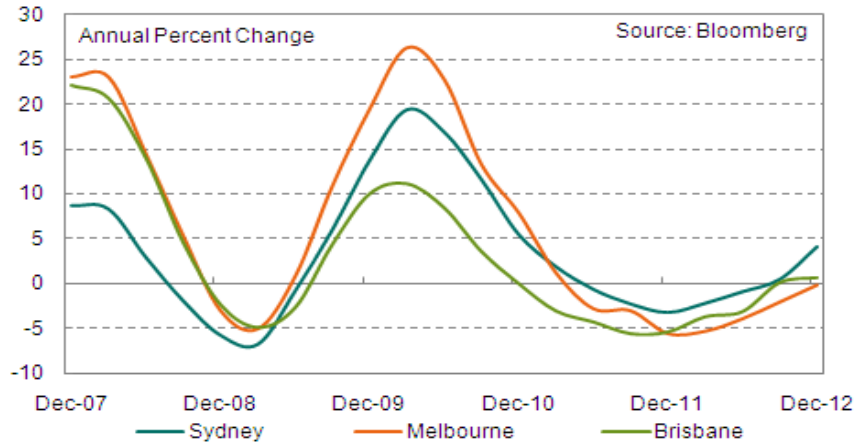
## Unemployment rate



- The RBA and Consensus point to the unemployment rate edging higher.
- By both historic and international standards, however, Australian unemployment is low.

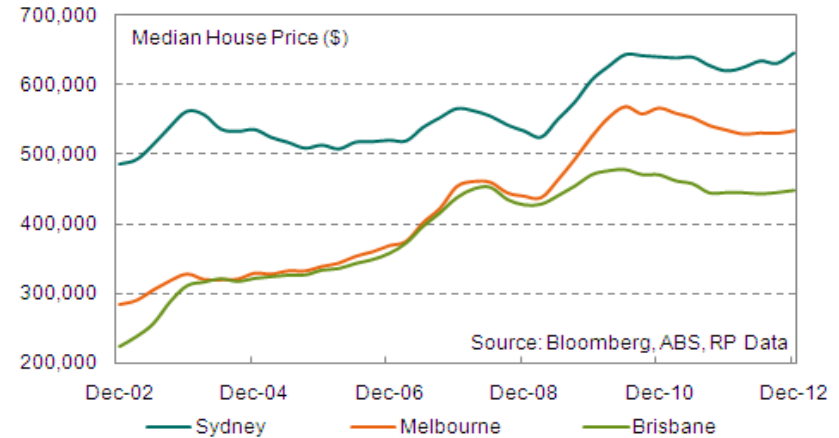
# House prices improve

## Recent house price growth



- Monetary policy (interest rates) still exert an influence over the housing sector.
- Recent rate cuts have improved housing demand yet the impact of the GFC continues to be felt.

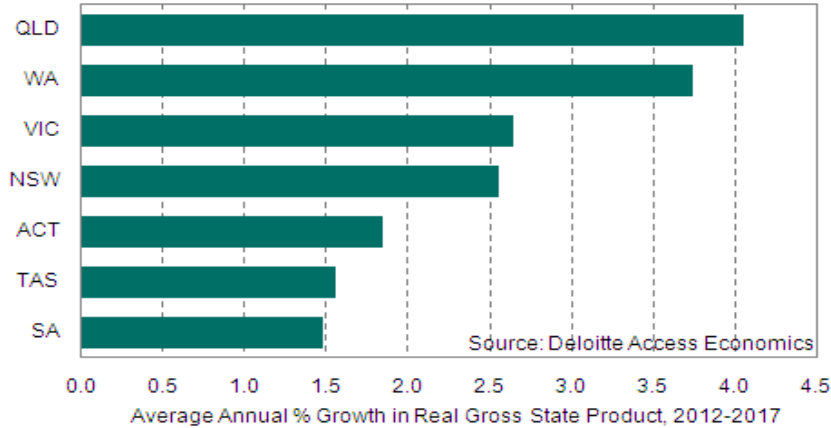
## Longer term price series



- Brisbane house prices have underperformed post-GFC.
- External forecasts (BIS Shrapnel) point to stronger growth than in Sydney and Melbourne over the period 2013 to 2015.

# Queensland prospects

## State & Territory growth



- Recent QLD underperformance seen giving way to strong growth over coming 5 years.
- Continued resource (gas) development, strong population growth and improved housing activity will contribute.

## Queensland Unemployment



- Queensland unemployment rate remains close to the national average.
- Recent trajectory has been broadly sideways at a slightly above average rate.

# Important disclaimer

This report contains general information which is current as at 20 February 2013. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Group or any product or service offered by Suncorp or any of its subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This report should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).



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