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# Morgan's Queensland Investor Conference

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One Company  
Many Brands



21 October 2015



# Agenda



Suncorp's history and operations

Insurance – a fascinating industry!

Positive industry developments for Suncorp Bank and Life

Suncorp's diversified financial services business model

# Suncorp Group

Leading financial services brands in Australia and New Zealand



- Top 20 ASX listed company
- \$17 billion market capitalisation at 16 Oct 2015
- \$96 billion in group assets
- 14,500 employees in Australia and New Zealand
- 9 million customers
- End to end ownership of brands

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## Insurance – risky business

### Three key requirements

#### Distribution

- » Trust purchase
- » Be 'on the radar'

#### Price the risk

- » Understand the risk
- » Expertise in underwriting

#### Manage claims

- » Customer service
- » Scale as a competitive advantage

# Distribution – trusted brands

**Differentiated offerings, preserving core elements of each brand**



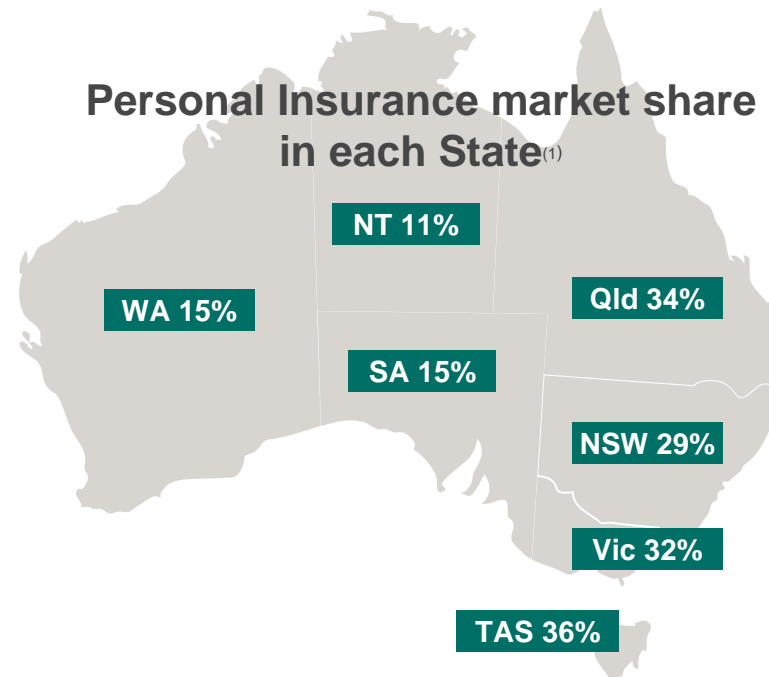
**Lead national brand:**

- Relieve stress
- Competitive price positions



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

- Providing certainty
- Service excellence and more comprehensive cover



**Suncorp Insurance:**

- The must-have Queensland insurance
- Strong community connections



**National life stage brand:**

- Rewarding over 50s
- Showing understanding
- Delivering service excellence

<sup>(1)</sup> Roy Morgan market shares (July 15)

# Suncorp Commercial Insurance



**Multi-channel model benefits evolving customer preferences**

Customer segments

**Global, Corporate, Mid Market, SME, Workers Compensation and CTP**

Our channels

**Direct**

**Adviser**

**Corporate partners and motor dealers**

**Broker**

Brands



(CTP)

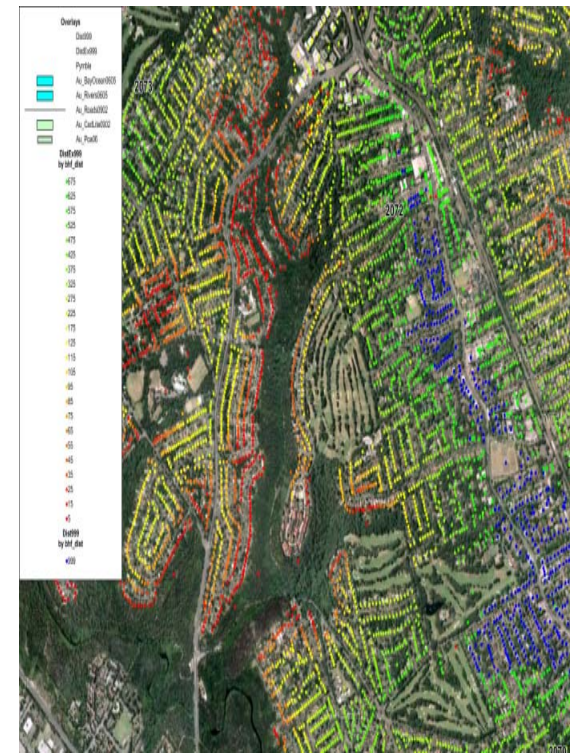
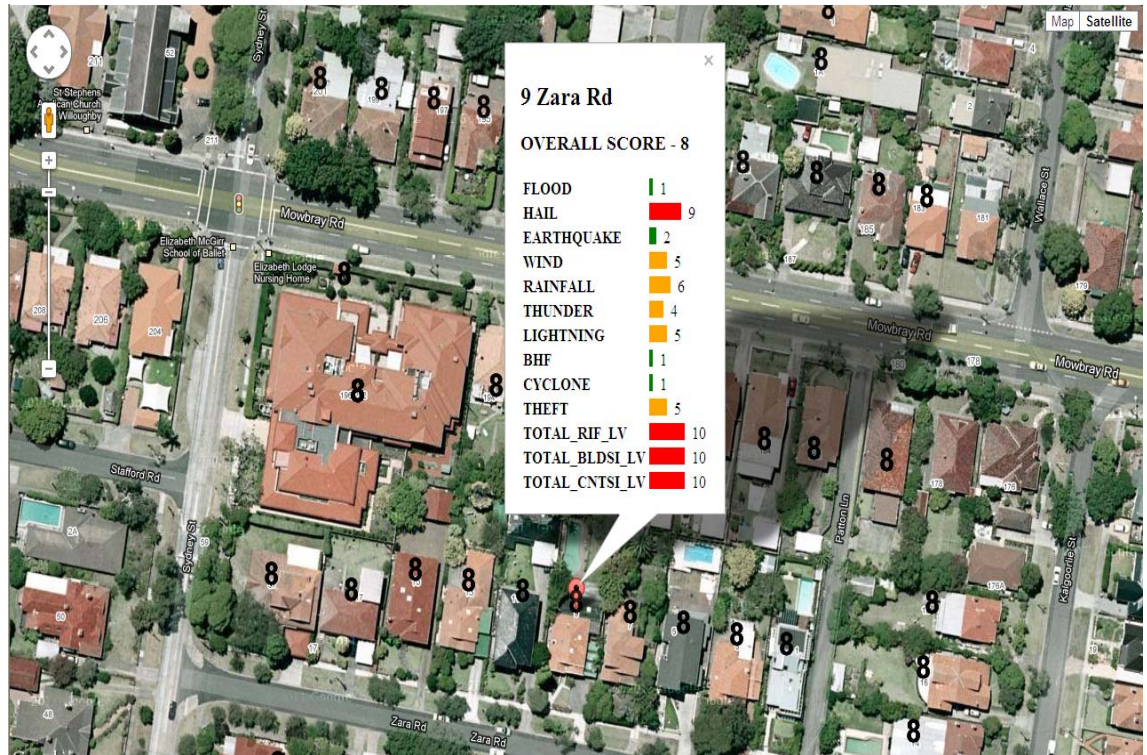


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# Price the risk....

## On an individual property basis



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## Manage the claims

### Supply chain innovations



#### SMART motor repairs

- » SMART repaired 127,000 cars during FY15 with \$400 average cost saving per car
- » Average repair time reduced to 11 hours from 5 days
- » Expected to grow to 30 sites and 5 SMART Plus sites during FY16

#### ACM Parts

- » Suncorp spends around \$450 million per annum on car parts with average mark-ups of 400%
- » Now a major direct acquirer of parts, Suncorp entered a JV with US-based LKQ, a global leader in aftermarket parts and parallel imports
- » Small acquisitions of salvage suppliers
- » Mitigating A\$ driven parts inflation for SMART and Suncorp aligned repairers

#### HomeRepair

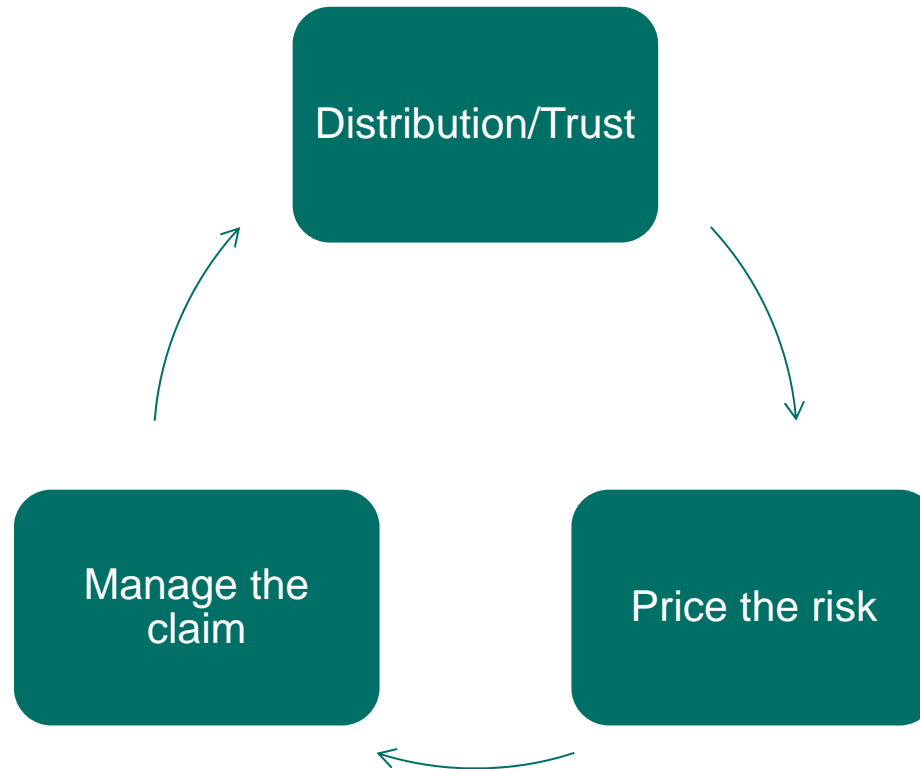
- » Launched in late 2014 and focused on low complexity home repairs
- » Targeting an estimated saving of \$300 per claim
- » Using innovative materials procurement, technology and workforce
- » Now established in Sydney, Melbourne and Brisbane

#### Personal injury claims

- » Short-tail approach to claims resolution
- » Focus on fast settlement and avoiding protracted legal disputes
- » Benefiting from low wage inflation and benign superimposed inflation
- » FY15 reserve releases of \$427m (5.4% of NEP) well above the long-run expectation of 1.5%
- » Expect reserve releases to be well above 1.5% in the short to medium term



# The insurance business cycle



# Suncorp's commitment to customers

**The most trusted insurer**



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# Suncorp Bank Operating Environment



## Considerations for Suncorp Bank

### Current operating environment

- » Low credit growth and interest rate environment
- » APRA's increase in major bank risk weightings for residential mortgages to at least 25% (from 16%) levels the competitive landscape
- » Ongoing competition for retail and business lending
- » Increasing regulatory compliance
- » Subdued business confidence and political uncertainty although recent signs of improvement
- » Prolonged drought conditions in Queensland and Northern NSW challenging agribusiness credit growth

### Suncorp Bank opportunities

- » Leverage A+/A1 credit rating, strong funding and capital position to improve on 3% mortgage market share
- » Ongoing investment in channel and geographic expansion with well supported home lending campaigns during FY15
- » Leverage 'Bank of the Year' awards
- » Growing the core franchise through 'connected customer' relationships
- » Delivery of Project Ignite will enable timely responses to changing customer needs and market competition to support future growth
- » Suncorp Bank's advanced risk management tools will inform decision making in line with its conservatively-set risk appetite
- » Group-led customer base initiatives will help support growth in highly competitive segments
- » A long history in agribusiness, a collaborative customer approach and a clear risk appetite continues to guide decisions around new business and management of customers in drought-affected areas

# Suncorp Life Operating Environment



## Considerations for Suncorp Life

### Current operating environment

- » Economic headwinds
- » Regulatory reform
- » Technological change
- » IFRS/Accounting change
- » Changing customer behaviour

### Suncorp Life opportunities

- » Conservatively positioned with increased reinsurance and a strengthened balance sheet
- » Forward-looking, conservative bias towards lapse and claims assumptions
- » Diversified distribution – IFA, Bank, Direct
- » Direct opportunity through General Insurance brands that are known and trusted
- » Group-led customer base initiatives will help support growth in highly competitive segments

# Suncorp's Strategic Assets

## Our focus

### Cost

- » Delivering scale cost benefits on third party **procured goods / services**
- » Sharing **scale on infrastructure** (real estate, enterprise technology) and **non-unique business services**

### Customer

- » Enhancing value to our **9 million customer** connections by deepening their relationships with Group brands

### Capital

- » Demonstrating a **diversification** benefit through improved Group Risk-based Capital modelling
- » Maintain **A+/A1** credit rating

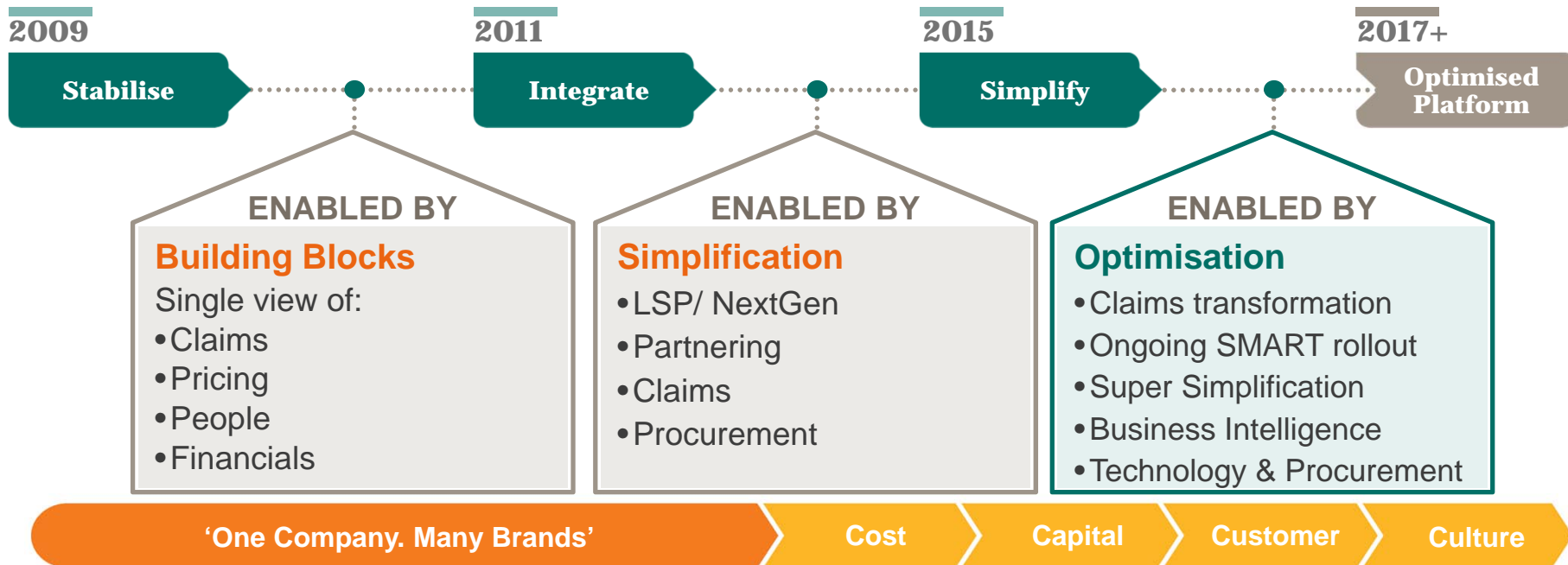
### Culture

- » Operating as '**One Company. Many Brands. One Team**'

# Suncorp Transformation



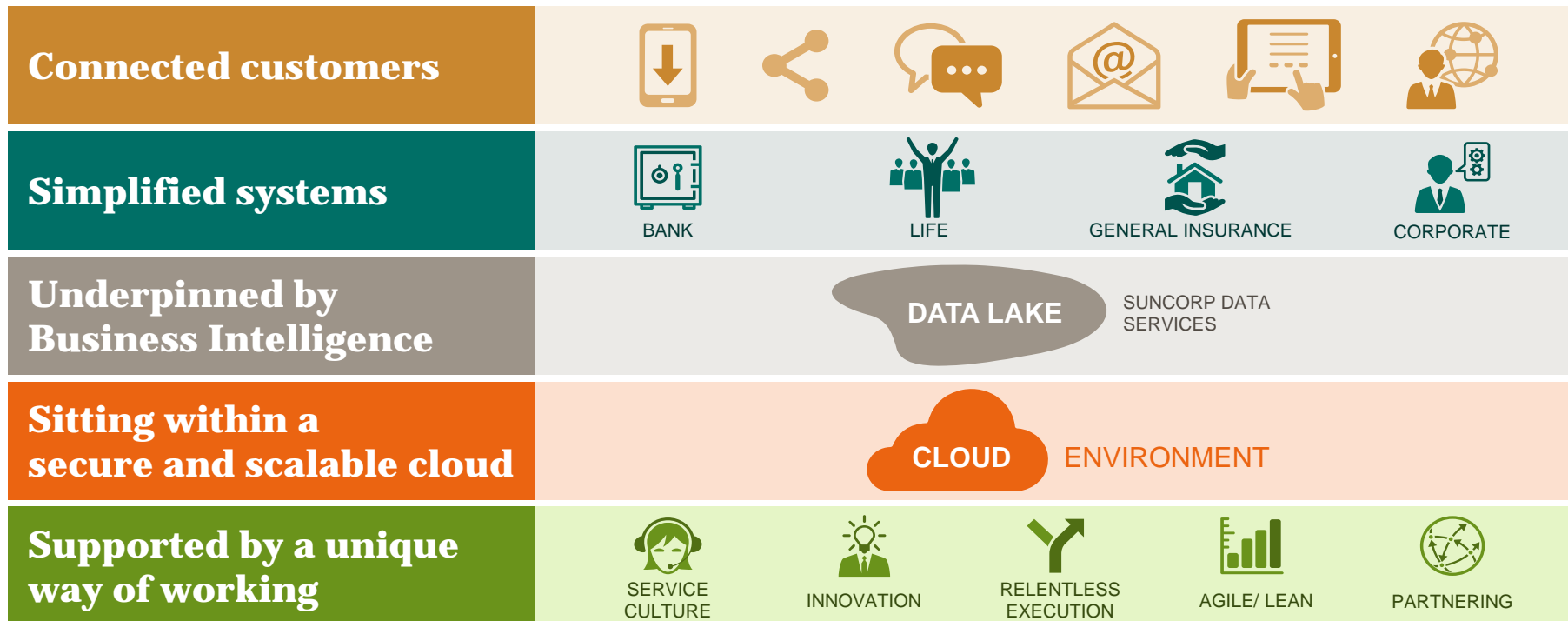
## Continuation of Suncorp Simplification and de-risking



# Optimised Platform



Unlocking the value for our 9 million customers



# 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





# Questions?

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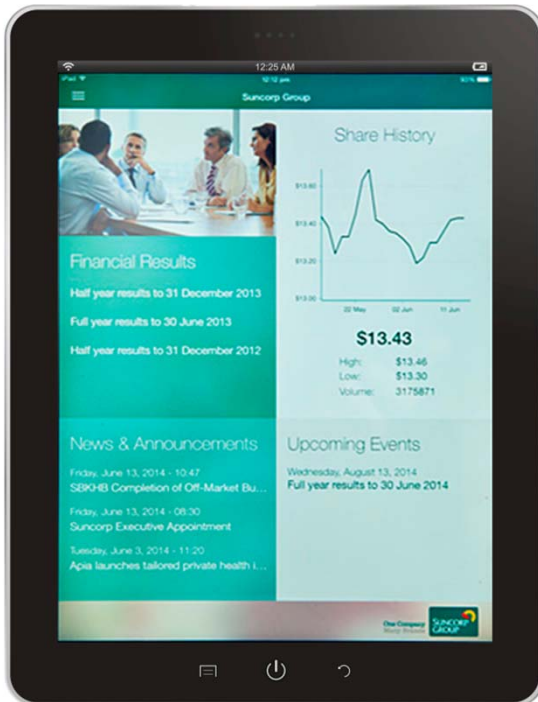
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