

# Half year results 2010

24 February 2010



# Agenda

- **Introduction & overview – Patrick Snowball**
- Detailed results – Clayton Herbert
  - General Insurance
  - Banking
  - Life
  - Capital
- Building blocks – Patrick Snowball
- Questions

# Group performance

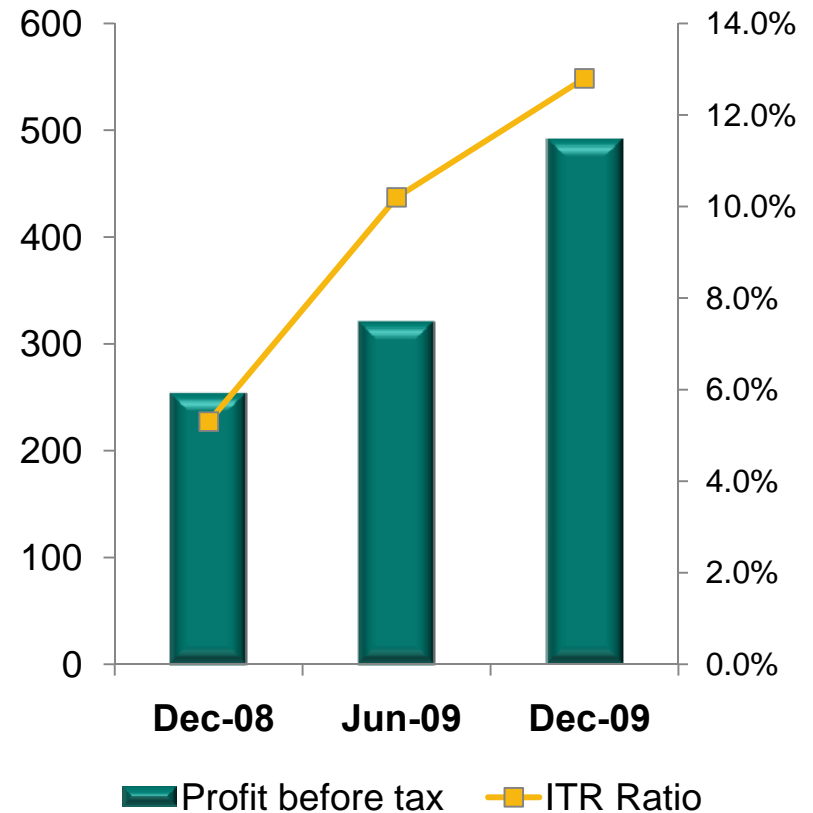
A\$m	1H10	1H10	%Δ
General Insurance profit after tax		347	89
Core Bank profit before tax	224		n/a
Non-core Bank profit before tax	(211)		n/a
Consolidated Bank profit after tax		4	(93)
Life profit after tax		105	(23)
Other (Promina acquisition items and L.J. Hooker disposal)		(92)	25
<b>GROUP NPAT</b>		<b>364</b>	<b>41</b>

Cash earnings per share	35.2 cents
Interim dividend per share	15 cents

# General Insurance overview

A\$m	1H10	%Δ
General Insurance profit after tax	347	89

- GWP up 7.5% excluding Covermore travel insurance
- Claims expense down 20.5%
- Positive variance to natural hazard allowance of \$56 million
- Revised Average Weekly Earnings (AWE) assumption by 0.5%, costing \$75 million
- Improved investment returns across both technical reserves and shareholder funds



Insurance trading result ratio of 12.8%

# Bank overview

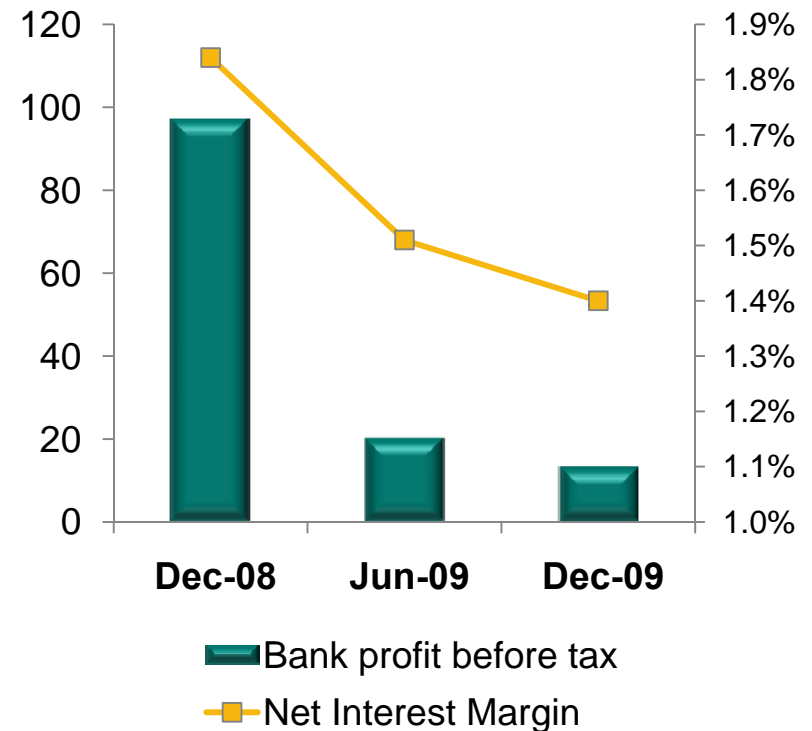
A\$m	1H10
Core Bank profit before tax	224
Non-core Bank profit before tax	(211)

## Core Bank

- Solid margins, improved deposit flows and low levels of impairment
- Deposit to core lending ratio of 69%

## Non-core Bank

- De-risking comes at a cost
- Actual run-off ahead of expectations

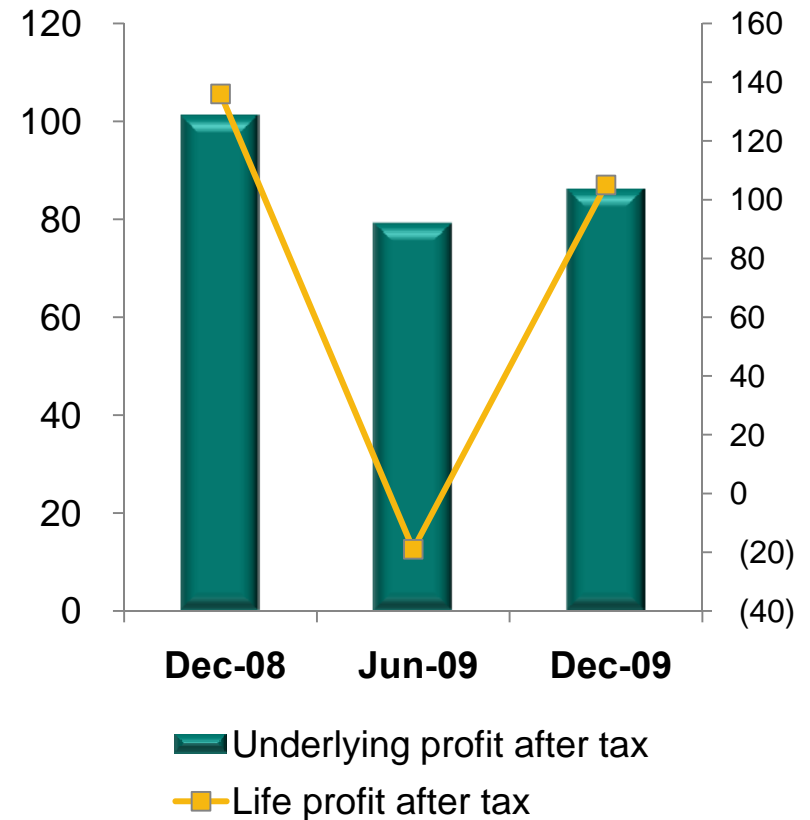


Consolidated banking profit after tax of \$4 million

# Life overview

A\$m	1H10	%Δ
Life profit after tax	105	(23)

- Underlying profit after tax down 14.9%
- Lapse experience negatively impacted the life risk profit which was down 21.7%
- Planned profit margin release up 5.3%
- EFA channel sales up 9% although Life new business sales down
- Operating expenses down 8.7% due to business simplification initiatives

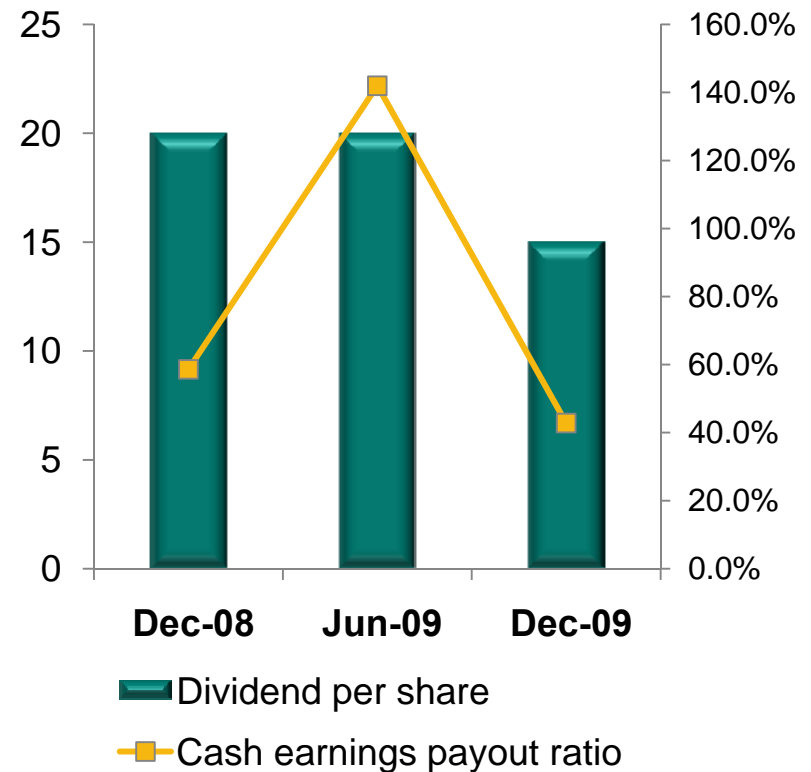


Embedded Value of \$2.3 billion

# Capital and dividends

A\$m	1H10
Interim dividend per share	15 cents

- 'Other' includes \$50 million profit on disposal of L.J. Hooker
- Group capital position strengthened to absorb multiple risks
- Capital will improve as the non-core book runs off and repatriates capital to the Group
- Appropriate balance between the needs of the business and shareholders



Dividend payout ratio of 46% based on cash earnings\*

\*excluding L.J. Hooker

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# General Insurance overview

A\$m	1H10	Δ%
Gross written premium	3,490	4.4
Net earned premium	3,144	5.2
Net incurred claims	(2,191)	(20.5)
Operating expenses	(812)	(3.2)
Investment income – insurance funds	260	(66.0)
<b>Insurance Trading Result (ITR)</b>	<b>401</b>	<b>153.8</b>
Investment income – shareholders' funds	100	(35.1)
Joint ventures and managed schemes	31	417.0
Capital funding	(41)	(36.9)
<b>Profit before tax</b>	<b>491</b>	<b>94.1</b>
Tax	(144)	108.7
<b>PROFIT AFTER TAX</b>	<b>347</b>	<b>88.6</b>

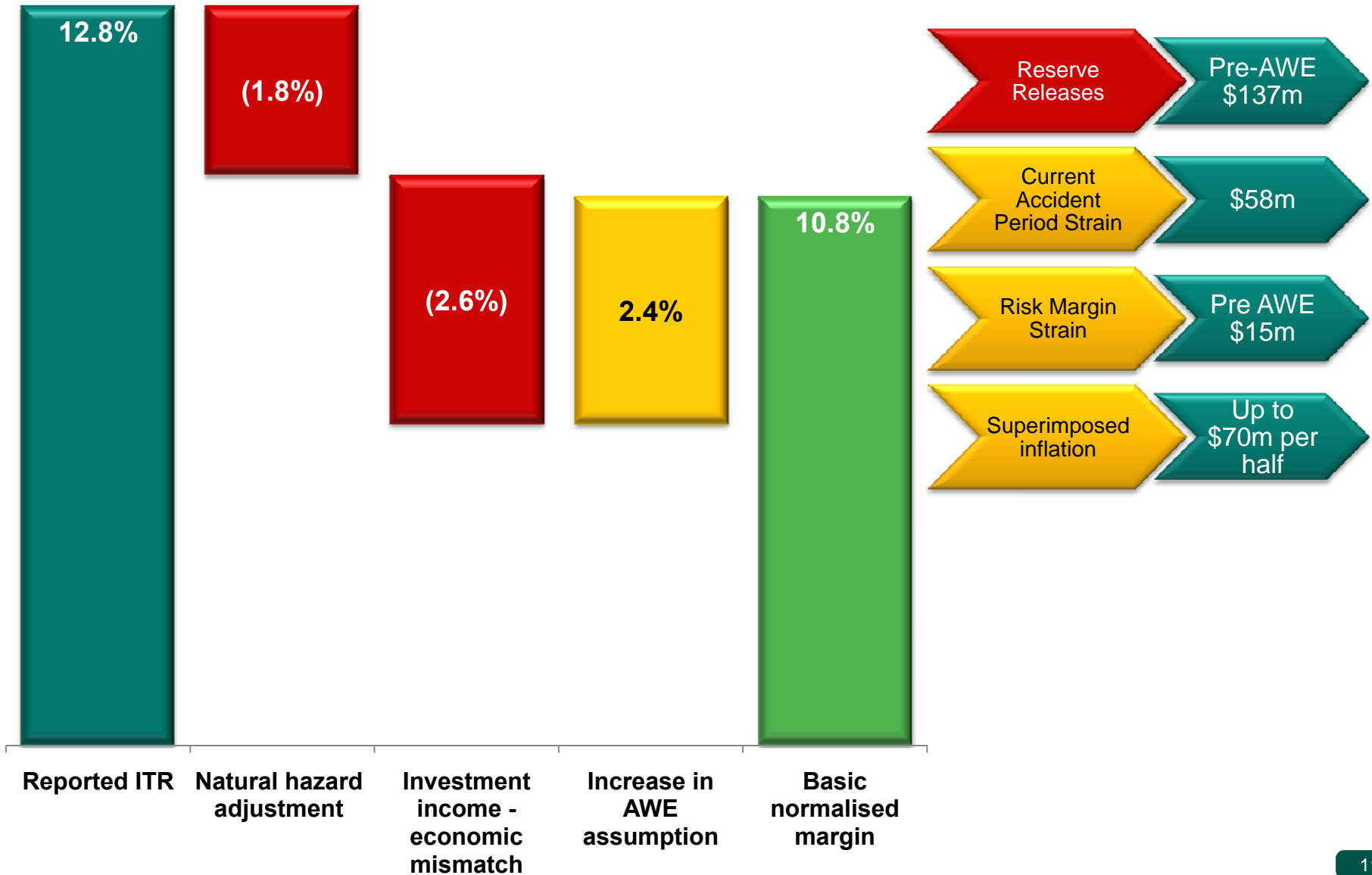
ITR Ratio of 12.8%

# Gross written premium

Product	1H10 (A\$m)	%Δ	Factors
Motor	1,205	6.8	Solid premium and net written unit growth
Home	867	13.9	Significant premium increases and resilient customer retention
Commercial	896	1.4	Hardening markets with solid increases in short-tail classes
CTP	406	17.0	Higher average premiums and good motor vehicle sales due to Government stimulus
Workers' Comp & Other	116	(48.0)	Impacted by cessation of Covermore travel insurance partnership
<b>Total</b>	<b>3,490</b>	<b>4.4</b>	

GWP up 7.5% excluding the Covermore impact

# General Insurance margin



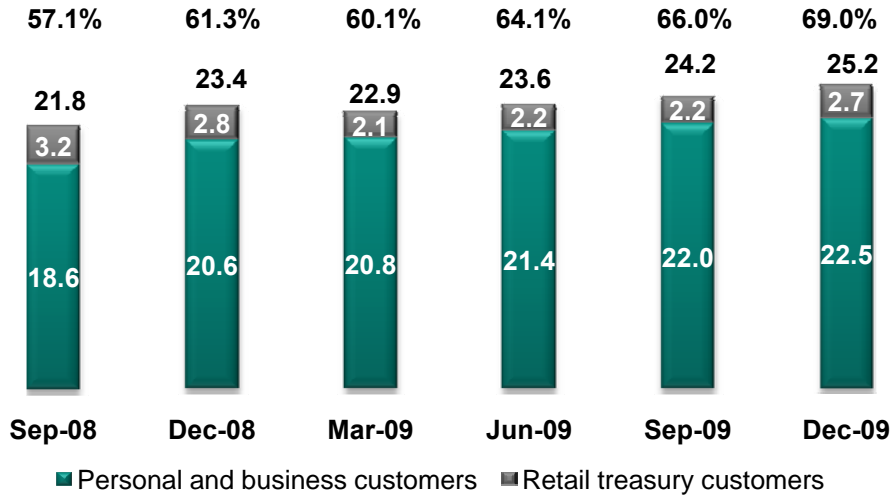
# Core bank

A\$m	1H10
Net interest income	371
Non-interest income	78
<b>Total income</b>	<b>449</b>
Operating expenses	(223)
Impairment losses	2
<b>PROFIT BEFORE TAX</b>	<b>224</b>

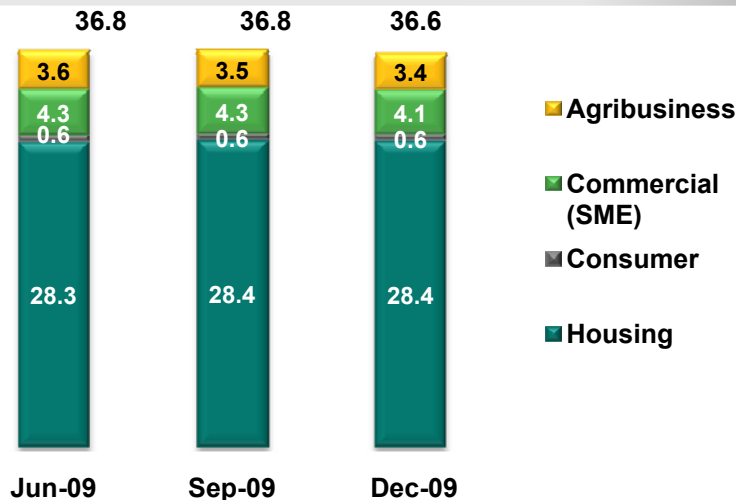
Net interest margin	1.76%
Cost to income ratio	49.7%

# Core bank: deposits and lending assets

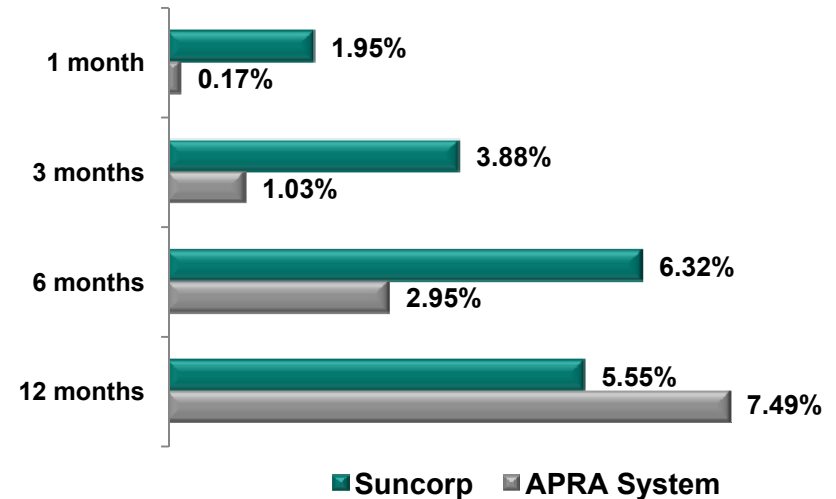
## Retail deposits (A\$b) and deposit to loan ratio (%)



## Core lending assets, A\$b



## Total deposits growth, December 2009

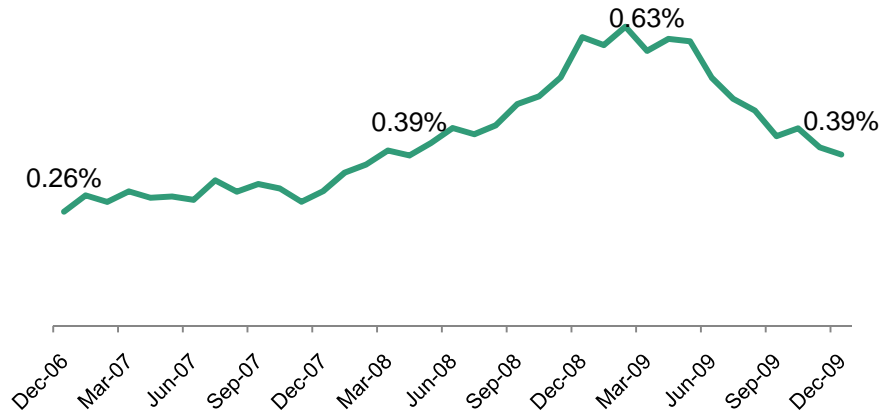


## Summary

- Strong performance against deposit to loan mix target of 60%-70%
- Deposit growth ahead of system over 1, 3 and 6 months
- Lending continues to be carefully managed to deposits. Deposit accumulation now enables increased lending growth in core markets.

# Core bank: credit quality

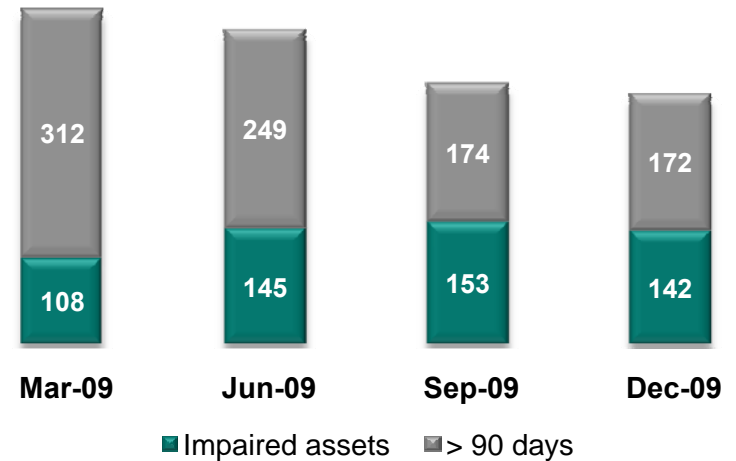
## Total retail arrears (past 90 days due)



## Bad and doubtful debt expense

A\$m	1H10
Collective provision charge	(19)
Specific provision charge	4
Actual net write-offs	17
<b>Impairment loss</b>	<b>2</b>

## Core gross non-performing loans trends, \$m



## Summary

- Credit quality of core portfolio remains strong
- Housing, agribusiness and commercial lending arrears at lowest levels in 3 years
- Improving quality of the loan book has enabled release of collective provision
- Excluding collective provision write-back, core bad debt charge would have been 17bp of credit risk weighted assets

# Non-core Bank

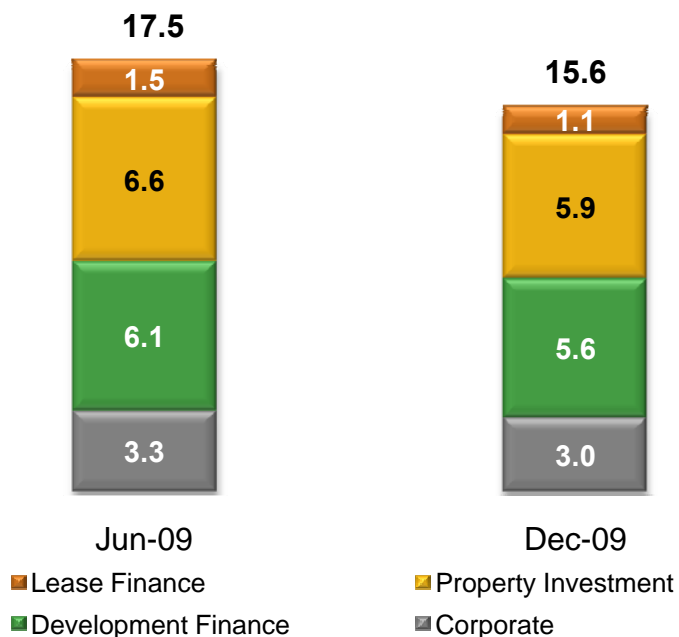
A\$m	1H10
Net interest income	95
Non-interest income	20
<b>Total income</b>	<b>115</b>
Operating expenses	(54)
Impairment losses	(272)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>(211)</b>
Net interest margin	0.78%
Cost to income ratio	47%

# Non-core bank: assets

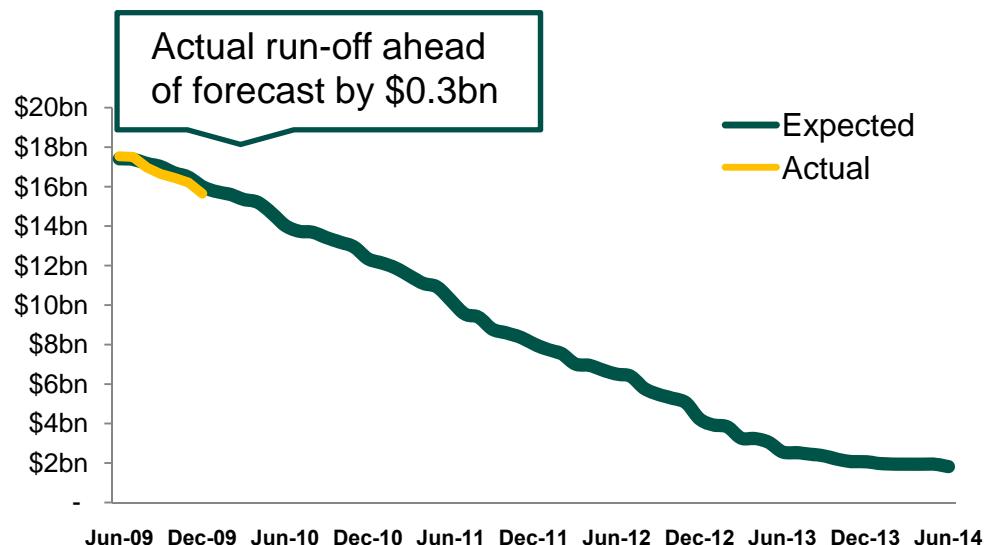
## Summary

- Run-off of \$1.9 billion during the half, ahead of forecast by \$0.3 billion
- Total facility limits have been reduced by over \$2.6 billion
- Seeing positive signs in the market regarding opportunities for divestment

## Non-core assets, A\$b



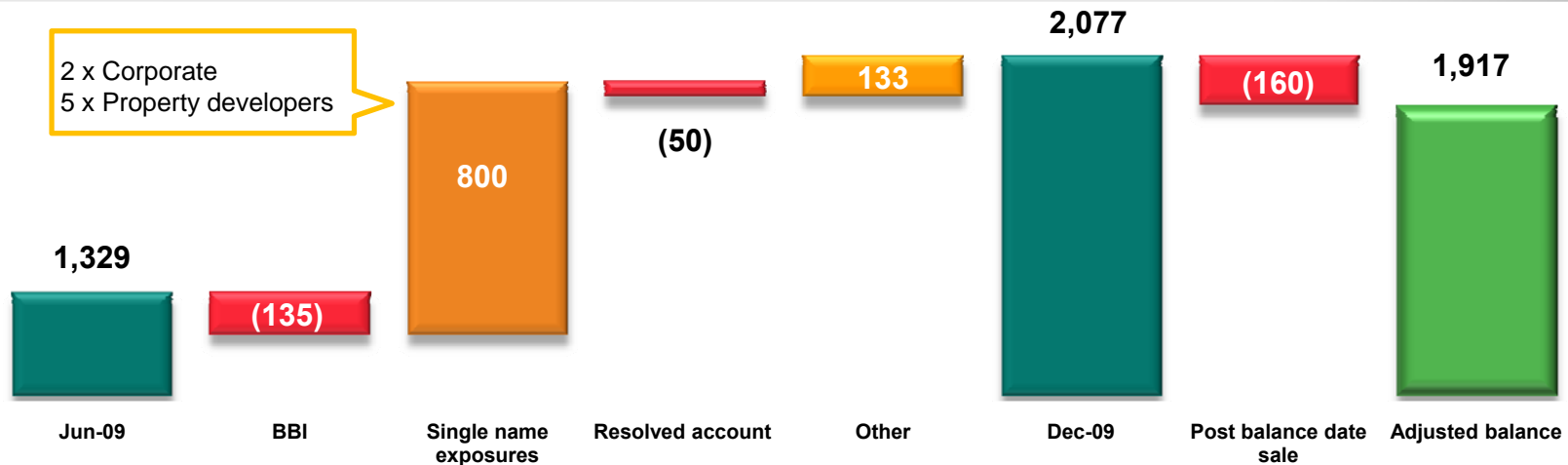
## Forecast run-off, A\$b





# Non-core bank: credit quality

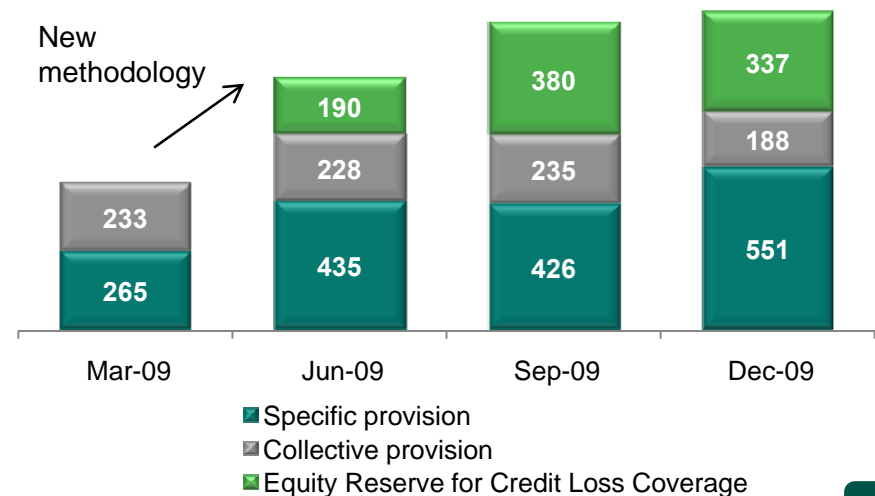
## Impaired asset movements, A\$m



## Impairment losses on loans and advances

A\$m	1H10
Collective provision charge	(40)
Specific provision charge	
- BBI write-off	(98)
- Single name impaired assets	180
- Other movements	73
Actual net write-offs (including BBI write-off )	157
<b>Impairment loss</b>	<b>272</b>

## Provisions, A\$m



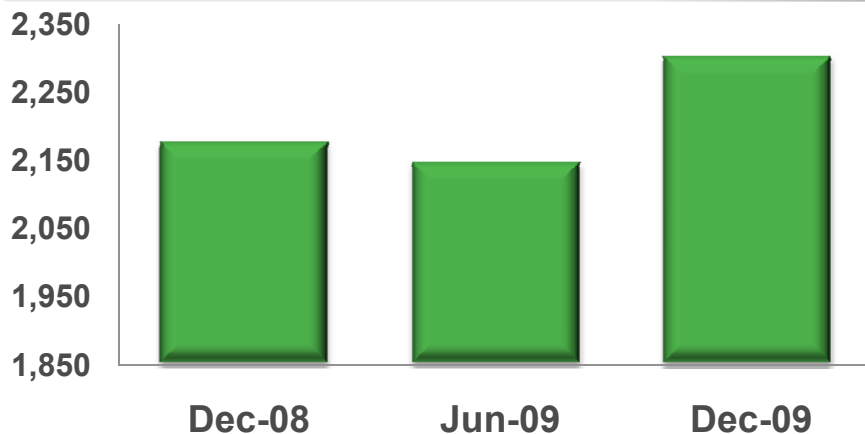
# Life overview

A\$m	1H10	%Δ
Life Risk Profit	36	(22)
Superannuation & Investments	19	(24)
Distribution	(5)	-
Asset Management	7	17
Underlying Investment Income	29	-
<b>Total Life Underlying Profit After Tax</b>	<b>86</b>	<b>(15)</b>
Market Adjustments	19	(46)
<b>PROFIT AFTER TAX</b>	<b>105</b>	<b>(23)</b>

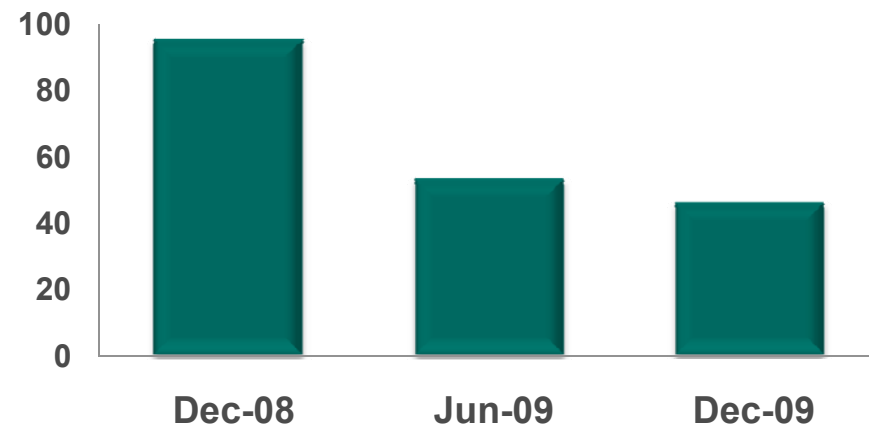
In-force premium (\$m)	757	6.2
Funds under management (\$bn)	25	7
Operating expenses (\$m)	157	(9)
Value of one year's sales (since June 2009) (\$m)	46	(13)
Embedded value (since June 2009) (\$m)	2,301	7

# Embedded Value (A\$m)

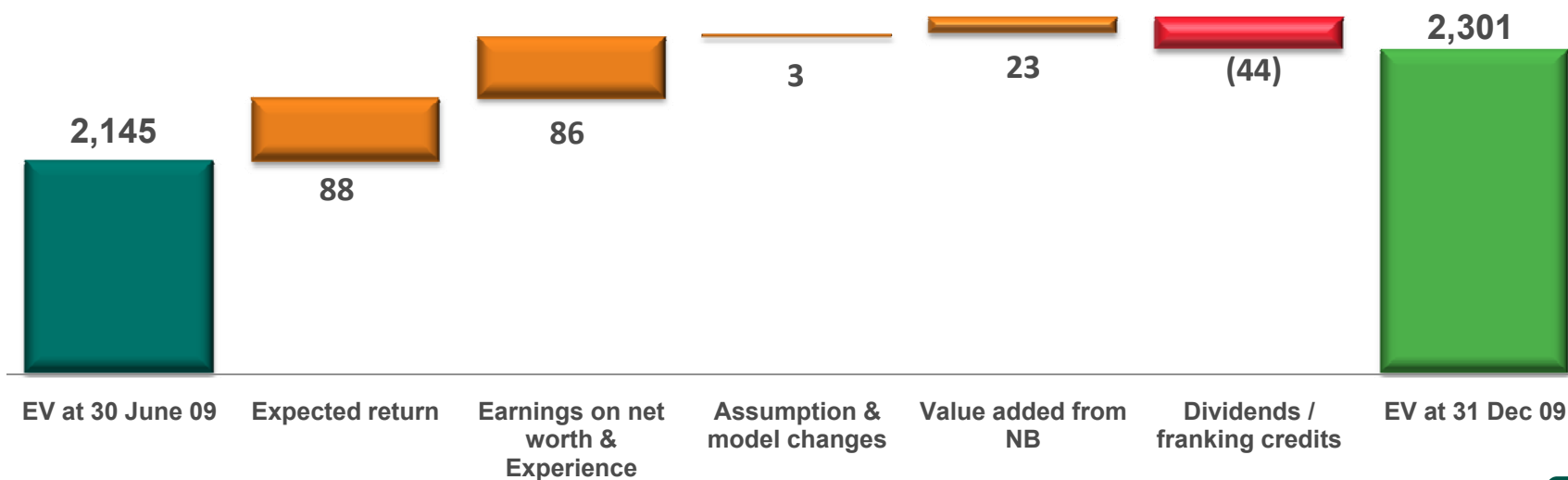
Embedded Value over time



Value of One Year's Sales (VOYS) over time



Change in Embedded Value: 30 June 2009 → 31 December 2009



# Group Capital

## Core Capital levels

- Investments in subsidiaries deducted from Bank capital
- Hybrid capital excluded
- General Insurance MCR of 1.81 times
- Bank Tier 1 core capital ratio of 6.25%

General  
Insurance  
\$2,685m

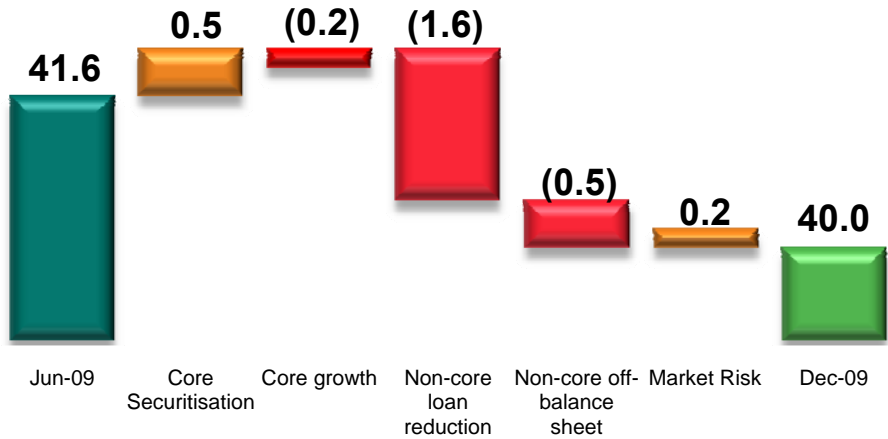
Bank  
\$2,501m

Life  
\$1,477m

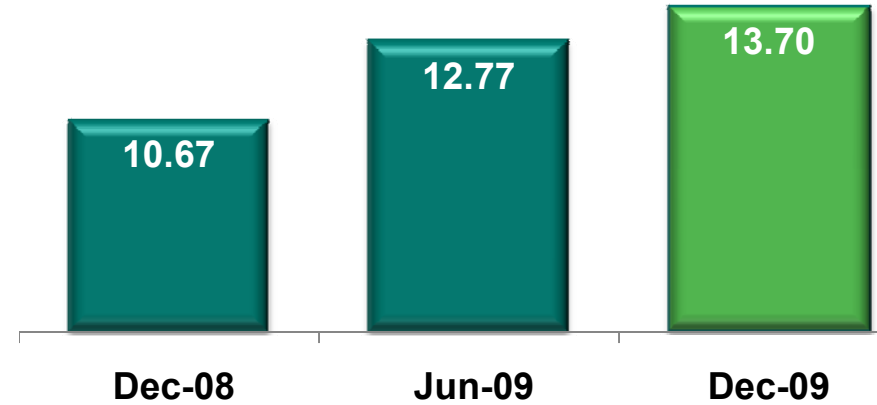
Group  
\$6,696m

# Bank capital

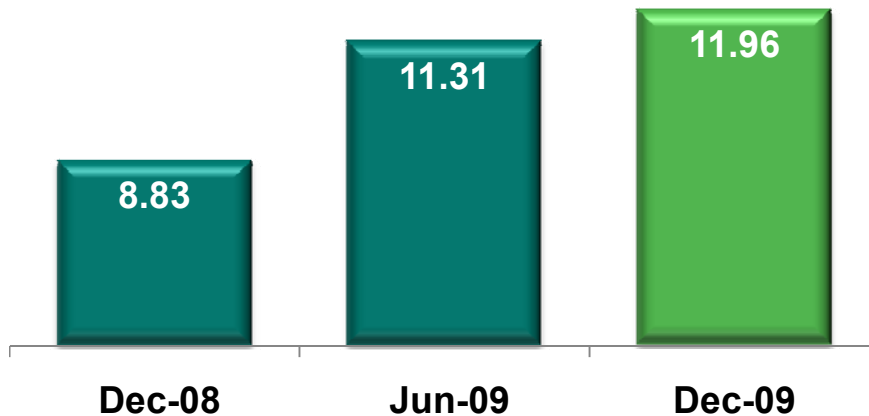
## Movement in risk weighted assets (\$bn)



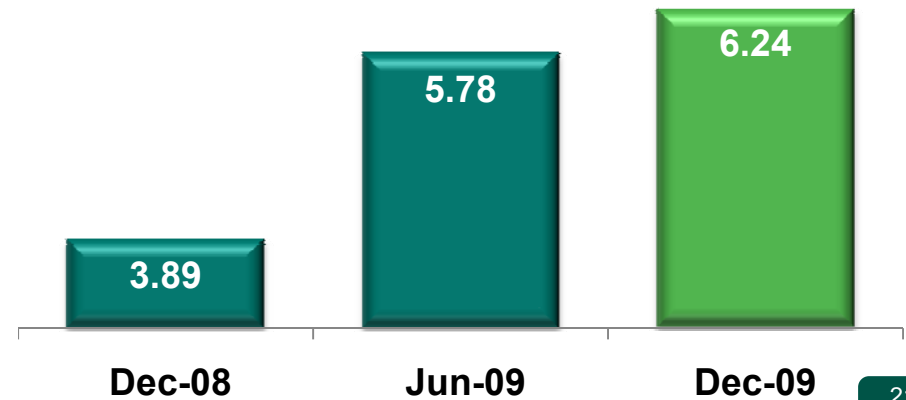
## Bank Capital Adequacy



## Tier 1 Capital



## Adjusted fundamental Tier 1



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# Strategic direction

## PHASE ONE

Getting to know the business



1 Sept 2009 to 28 Oct 2009

### Phase One

- External advice from industry experts
- Meet with Suncorp people in town halls and small groups
- Meet all key external stakeholders



- Consolidated review findings
- Finalised Senior Leadership Team
- Confirmed the three business lines as core to the Group.
- Affirmed the high level business strategies

## PHASE TWO

Laying the foundations of our strategy



29 Oct 2009 to 24 Feb 2010

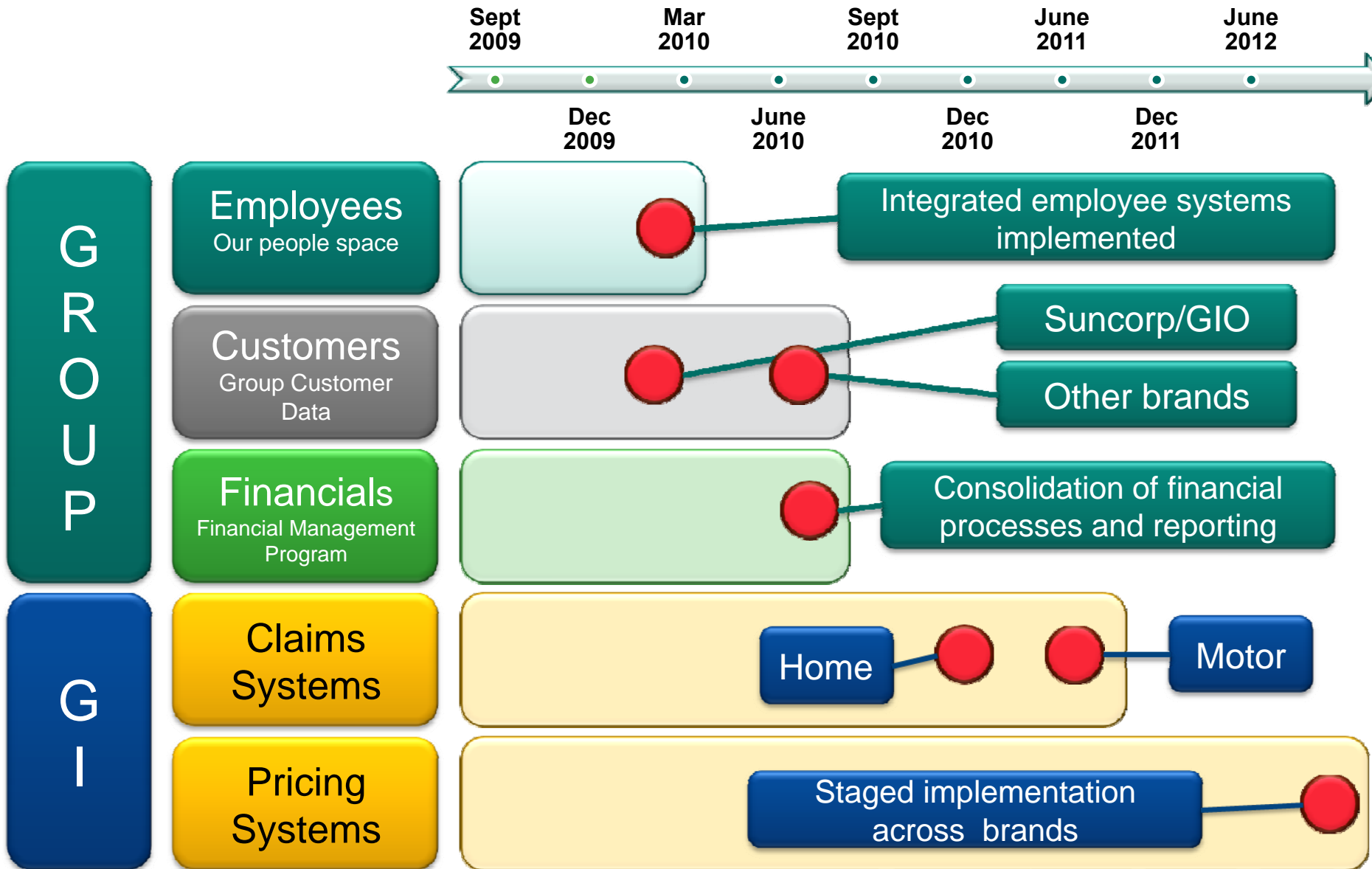
### Phase Two

- Review the legal and organisational structures
- Review the balance sheet and capital position
- Identify potential areas for simplification



- Aligned our legal and operational structures
- Strengthened the balance sheet
- Divested L.J. Hooker (non-strategic)
- Commenced divestment of Queensland and South Australian insurance joint ventures
- Launched Building Blocks projects

# Building Blocks

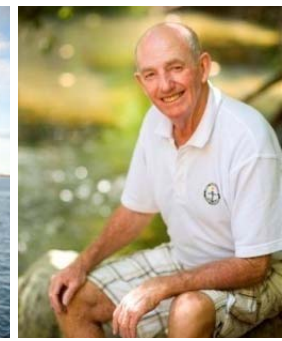




# The year ahead.....

## Key dates for 2010:

7 May	Banking strategy update David Foster, Bank CEO
21 May	General Insurance Investor Day Mark Milliner, PI CEO & Anthony Day, CI CEO
23 June	Life strategy update Geoff Summerhayes, Life CEO
25 August	FY10 Result and Group strategy Patrick Snowball, CEO & John Nesbitt, CFO



# Questions

Half Year Results 2010



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