



## Suncorp Group Investor Day

**Patrick Snowball, Group Chief Executive Officer**

30 May 2011



## Suncorp Group Investor Day

### Agenda

10.15	Patrick Snowball, Group CEO
10.20	Mark Milliner, Personal Insurance CEO
10.40	Anthony Day, Commercial Insurance CEO
11.00	Gary Dransfield, Vero NZ CEO
11.10	Morning tea and demonstration booths
11.40	Geoff Summerhayes, Suncorp Life CEO
12.00	David Foster, Suncorp Bank CEO
12.20	John Nesbitt, Group CFO
12.40	Q&A session and conclusion
1.15	Lunch



2

## Suncorp's journey

### One company. Many brands

#### Stabilise the business

- Strengthen the balance sheet
- Appoint an executive team
- Simplification / divestments
- Implement new business model
- Develop Group strategy

#### Plan for growth

- Identify and capitalise on key differentiators
- Clear targets for the Group and businesses
- Public commitments

#### Execution and delivery

- Relentless execution of plans
- Continued focus on simplification
- Demonstrate progress against commitments

#### Achievements

- Building blocks program is on track
- Working together as *One Team*
- Business continues to be simplified
- Strategy is being executed
- Balance sheet is strong

#### despite

#### Headwinds

- Multi-speed economy
- Slowing credit growth
- Large number of weather events
- Additional reinsurance costs

3



## Suncorp Group commitments

### General Insurer

- At least 3% increase in underlying GI margin by FY12
- \$235m benefit from the building blocks program
- One functionally aligned, customer focused PI team, delivering portfolio growth & scale in pricing and claims
- CI targeting market share growth of 3% over the next 3 years
- Double Group's scale and profit footprint in NZ over the next 3 years

Personal Insurance

Commercial Insurance

Vero NZ

### Regional Bank

- 1 to 1.3 times system housing lending growth by Dec 2010
- Sustained RoE >15% in Core Bank
- By 2013:
  - Over 1 million customers
  - Increase main bank customers by 50%
  - Treble customers & double branches in WA & NSW
  - Cost to income ratio in the mid-40's

### Niche Life Insurer

- 3 year focus:
  - Double new business volume
  - Double digit in-force premium growth, with focus on retention
  - Reduce acquisition expenses as % of new business premium
  - Reduce expenses as % of in-force premium
  - Improve disability claims experience

4



## Suncorp Group commitments

General Insurer	Regional Bank	Niche Life Insurer	
<ul style="list-style-type: none"> <li>• At least 3% increase in underlying GI margin by FY12</li> <li>• \$235m benefit from the building blocks program</li> <li>• One functionally aligned, customer focused PI team, delivering portfolio growth &amp; scale in pricing and claims</li> <li>• CI targeting market share growth of 3% over the next 3 years</li> <li>• Double Group's scale and profit footprint in NZ over the next 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• 1 to 1.3 times system housing lending growth by Dec 2010</li> <li>• Sustained RoE &gt;15% in Core Bank</li> <li>• By 2013:                             <ul style="list-style-type: none"> <li>• Over 1 million customers</li> <li>• Increase main bank customers by 50%</li> <li>• Treble customers &amp; double branches in WA &amp; NSW</li> <li>• Cost to income ratio in the mid-40's</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 3 year focus:                             <ul style="list-style-type: none"> <li>• Double new business volume</li> <li>• Double digit in-force premium growth, with focus on retention</li> <li>• Reduce acquisition expenses as % of new business premium</li> <li>• Reduce expenses as % of in-force premium</li> <li>• Improve disability claims experience</li> </ul> </li> </ul>	
<div style="display: flex; justify-content: space-around; font-size: small;"> <div style="border: 1px solid #ccc; padding: 2px;">Personal Insurance</div> <div style="border: 1px solid #ccc; padding: 2px;">Commercial Insurance</div> <div style="border: 1px solid #ccc; padding: 2px;">Vero NZ</div> </div>			
<b>Capital</b>	<b>Costs</b>	<b>Customer</b>	<b>Culture</b>
Agile capital flows	Scale to manage key processes; shared services; and lower unit costs	A single platform and view of our 9 million customers	A unified Group with improved leadership and employee engagement

5

## Suncorp Group Investor Day

### Personal Insurance

**Mark Milliner, Personal Insurance CEO**

30 May 2011

## Focussed execution of our strategy

Confidently responding to events & delivering strategy to improve ITR

### One Team Many Brands

- Operating as one team, on a single set of terms and conditions, functionally aligned to one strategy
- Taking a coordinated portfolio approach to events and operations
- Selectively growing our portfolio of brands

### One Pricing Approach

- Leveraging our sophisticated pricing capabilities and single pricing engine

### One Claims Model

- Leveraging our scale to drive industry leading cost control and service

### Margin

Contributing to an improvement of at least 3% in the underlying margin across GI between FY10 to FY12



7

## One team managing our business

...and a portfolio of well known and trusted brands

### One Team Many Brands

#### Completed

- Moved from a brand aligned structure to a functional structure, managing brands as a portfolio
- Successfully responded as one team to extraordinary events
- Moved from multiple terms and conditions, to one set of terms and conditions across all teams
- Aligned our one team around a single strategy which preserves the core elements of each brand
- Strengthened key brands
- Commenced aligning cultures

#### Impact

One team approach delivering:

- Full control of the end to end value chain
- Healthy staff engagement
- Reduced turnover

Portfolio of brands delivering:

- Strong linkages to customers
- High levels of advocacy across our brands
- Ability to compete effectively against large competitors and new entrants

### One Pricing Approach

### One Claims Model



8

## One pricing approach driving profitability

Sophisticated pricing capabilities across all brands improving yield

One Team  
Many  
Brands

One Pricing  
Approach

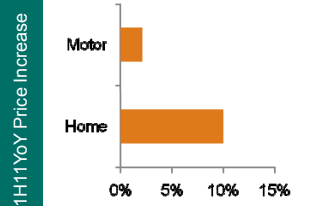
One Claims  
Model

### Completed

- Moved to one centralised pricing team
- Merged two pricing philosophies to one
- Moved to one pricing engine across our scale brands embedding:
  - Individual Customer Rating
  - Peril Based Rating
- Applied price increases to account for recent weather events

### Impact

- Ability to compete effectively
- Reduced churn
- Improved margins



9



## One claims model improving service and efficiency

Scale drives industry leading cost control and service

One Team  
Many  
Brands

One Pricing  
Approach

One Claims  
Model

### Completed

- Moved to one claims team
- Moved from different processes and capabilities across brands to one claims process
- Consolidated four claims systems to one (Guidewire)
- Introduced customer response teams
- Leveraged specialist repair technology and techniques across all of our brands
- Pooled purchasing across GI

### Impact

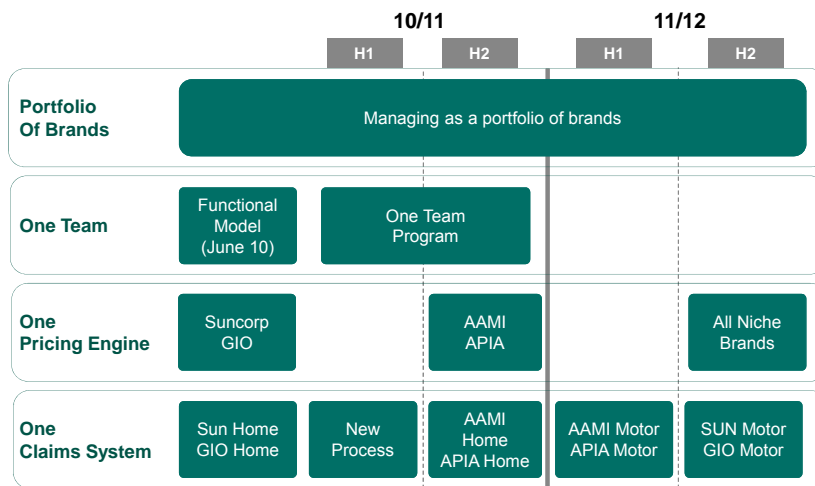
- Leveraged our best practices in claims across all of our brands
- Improved customer service
- Improved margins
- More efficient response to catastrophic events

10



## Our focused execution of strategy has...

Last year we committed to the following program of work

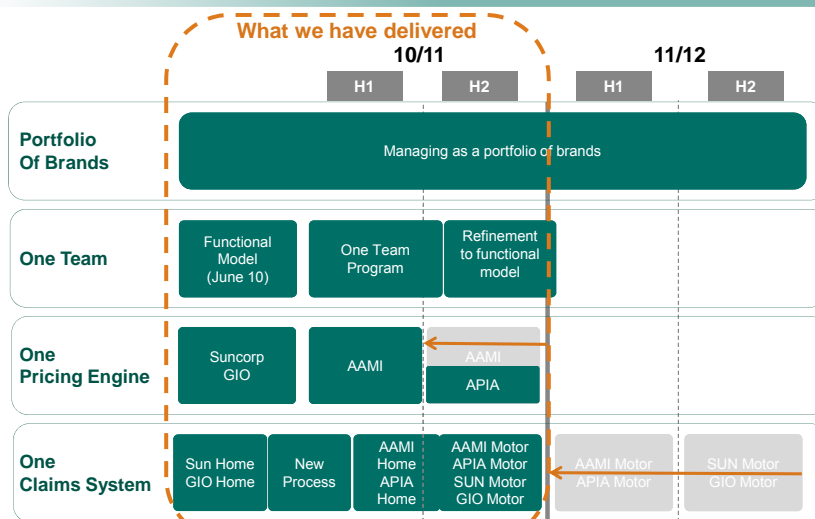


11



## ...delivered ahead of time and on budget

Contributing to at least 3% improvement in underlying GI margin

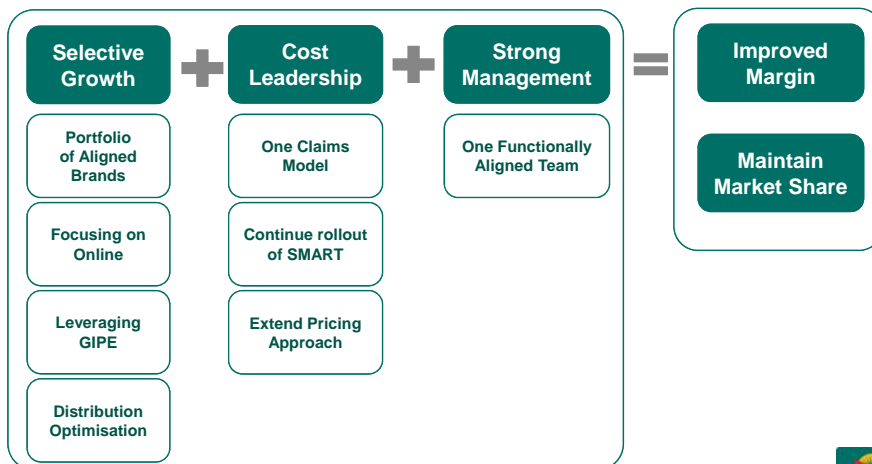


12



## Foundation set to maximise profitable growth

Strategy provides competitive advantage and foundation for growth



13



## Suncorp Group Investor Day Commercial Insurance

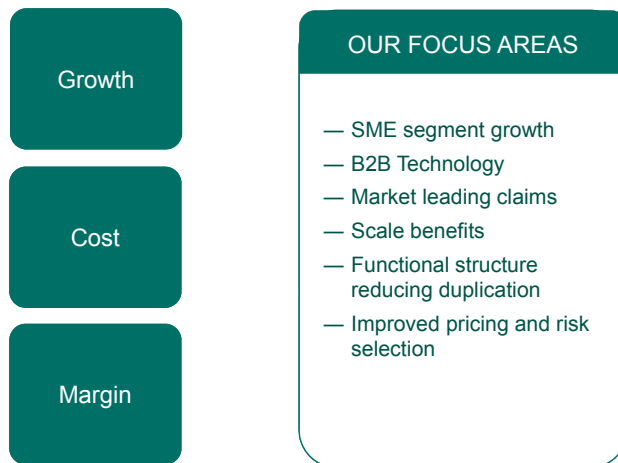
Anthony Day, Commercial Insurance CEO

30 May 2011



## Building momentum to deliver on strategic goals

Our foundation year centred on three tenets



15



## Growth

Significant progress in establishing a platform for growth

### What we've done

- B2B technology has been a key focus for growth
  - Launched SME Direct Online
  - Launched broker online platforms
  - Enhanced Claims Online
- Established Mid-Market Underwriting Rooms
- Improved claims experience and proven event management

### The impact

- Leading the trend in distribution channels
- Built capabilities to access and own the SME segment

### What we'll do next

- Continue to invest in B2B technology
- Realise benefits of our platform investment and continue to use our multi-brand strategy to maximise growth in target segments – particularly SME

16





## Cost and margin

### Driving scale, structure and technical expertise

#### What we've done

##### Cost and efficiency

- Implemented a single claims platform for CTP and Workers Compensation
- Embedded functional structure
- 'One Team' agreement and culture

##### Margin

- Implemented one pricing engine for SME / Commercial Motor
- Leveraged Group scale

#### The impact

- Improved efficiency through simplified processes, including speed and flexibility of pricing changes
- Improved margins
- Improved customer and broker claims experience

#### What we'll do next

- Continue to focus on cost and efficiency
- Drive value from functional structure

17



## Ongoing focus on executing CI's strategy

### Emphasis on balancing growth and risk while improving efficiency

#### LEVERAGING THE BENEFITS

This year was CI's "foundation" year, with investments spanning:

- Distribution and B2B Technology
- Pricing
- Claims
- One Team
- Leveraging scale

Our focus is now on extracting benefits from our investments

#### OUR ACTIONS WILL DELIVER

- Market share growth of around 3%
- Contributing to at least 3% improvement in underlying margin across GI by 2011/12

Growth

Cost

Margin

18



## Suncorp Group Investor Day Vero New Zealand

**Gary Dransfield, Vero New Zealand CEO**

30 May 2011



## New Zealand Update

### About myself

- 25 years financial services experience
- 15 yrs in general insurance with regular exposure to catastrophe management and disaster recovery
- Deep experience in building brands and channels

### The Vero New Zealand team

- Well regarded by all distribution channel partners
- Proud Kiwi business culture based on core values that are lived by our people
- Rigorous in seeking to lead the SME, commercial and corporate segments on pricing and underwriting discipline
- Well engaged with key stakeholders on industry issues



## Strong market position .....

Second largest NZ General Insurer with market share of 24%

### INTERMEDIATED



- 20% Share of Total Market
- Number 1 or 2 in the majority of classes
- Leader in broker channels

### DIRECT



- 4% Share of Total Market
- 3<sup>rd</sup> largest direct player
- Strong growth in motor insurance

21



## Christchurch earthquake update

### Direct consequences

- Cost for Suncorp, net of reinsurance recoveries, is around NZ\$120 million.
- Challenging environment to determine gross costs given ongoing aftershocks, local government, local Government regulations and the impact of the EQC
  - September ≈A\$500m
  - February ≈A\$1.6bn
- Total industry losses exceed total annual general insurance premium pool
- Significant reinstatement premiums have also been incurred including a further buydown to reduce exposure to a further NZ event to NZ\$20m

22



## Christchurch earthquake update

### Longer term implications

- Solid rate increases within a constrained risk profile
- Structure of NZ insurance industry under question
- Strong brand reputations of AA Insurance and Vero are an asset
- ACC privatisation appears uncertain

23



## Suncorp Group Investor Day

### Agenda

- |       |   |
|-------|---|
| 10.15 | Patrick Snowball, Group CEO                 |
| 10.20 | Mark Milliner, Personal Insurance CEO       |
| 10.40 | Anthony Day, Commercial Insurance CEO       |
| 11.00 | Gary Dransfield, Vero NZ CEO                |
| 11.10 | <b>Morning tea and demonstration booths</b> |
| 11.40 | Geoff Summerhayes, Suncorp Life CEO         |
| 12.00 | David Foster, Suncorp Bank CEO              |
| 12.20 | John Nesbitt, Group CFO                     |
| 12.40 | Q&A session and conclusion                  |
| 1.15  | Lunch                                       |

24



**Morning Tea**  
**...webcast will recommence at 11.40am AEST**

30 May 2011



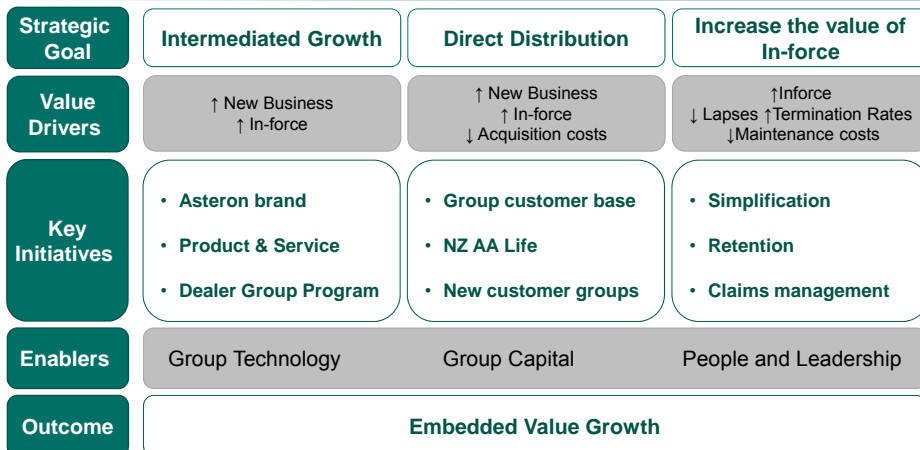
**Suncorp Group Investor Day**  
**Suncorp Life**

**Geoff Summerhayes, Suncorp Life CEO**  
30 May 2011



## Clear goals linked to drivers of Embedded Value

Life has a clear & executable strategy in a market with forecast double digit growth



27



## Strong IFA growth and momentum

Achieved strong new business growth & success in winning dealer group tenders



28 Source: NMG RDM Quarterly Reports, Individual Risk



## Direct growth through Group customer base

Achieved considerable growth from Group customer base & capability leverage

### One Company, Many Brands



### Key Progress

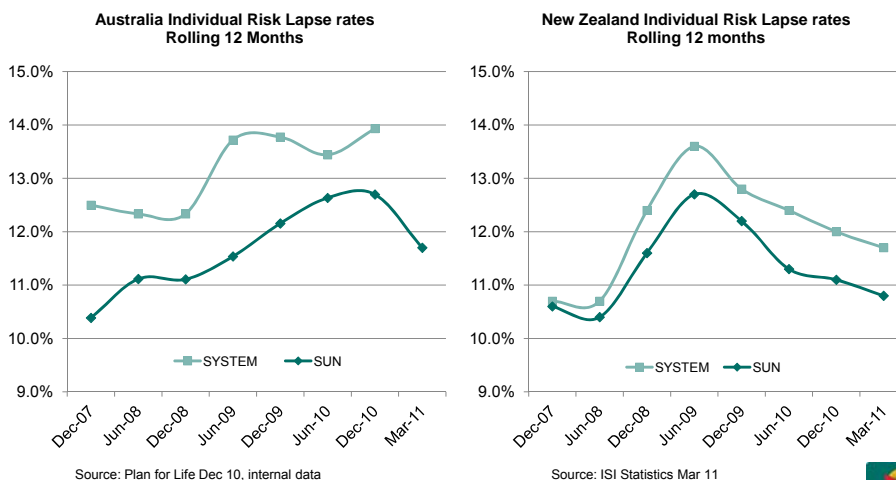
- Australian direct Life Risk new business sales up 31% on prior corresponding period
- Australian Superannuation new business sales via Suncorp Bank planners up 27%
- 4 Direct Life products launched to the Group customer base
- Leverage of Group brand equity to attract new customers.
  - 19% of Apia Funeral Plan customers are new to the Group
- Launched Million Dollar Woman, a new offer targeting a large, underinsured segment of the market

29



## Strong focus on levers to grow value of in-force






Key priority focus areas include retention and claims management



30



## Focussed on the levers of embedded value growth

Key Value Drivers	Current Status
Double New Business Volumes	
Reduce Acquisition Expenses as % of New Business	
Reduce Maintenance Expenses as % of In-force	
Double Digit In-force Growth & Address Retention	
Improve Disability Claims Experience	

31



## Suncorp Group Investor Day Suncorp Bank


David Foster, Suncorp Bank CEO

30 May 2011







**Why only break up with one big 4 bank?  
Say goodbye to them all.**

 13 11 75

Strong Money Ltd ABN/AC 114 014 017 725. Australian Credit Licence number 703661

 It's worth the switch  
**SUNCORP BANK** 


## Banking environment

### Current banking landscape

**What's changing?**

- Competition debate
- Regulation
- Funding – market uncertainty
- Majors – offshore focus and local sentiment
- Re-building and growing Queensland

**Opportunity for Suncorp Bank**



## The Suncorp Bank difference

### Clarity, simplicity and execution

**Suncorp Bank is the genuine alternative to the majors**

**Consumers want to bank with a non-major**

- Regional brands owned by majors have declining customer satisfaction (DBM, April 2011)
- 62% of consumers want to bank with a regional bank (Westpac, Dec 2009)
- Customers want better service and satisfaction

**Brand strength**

- Suncorp brand has strength and a bank of goodwill particularly post major events
- The largest in the second-tier banking sector and only 'A+' rated retail bank
- A 'major' market position in the key growth State of Queensland
- Leveraging the brand and financial strength of the larger Suncorp Group

**Clear position, purpose and direction**

- Simplicity, agility and a recent record of execution
- Deep and diversified access to global funding markets
- Extensive balance sheet growth capacity without funding concentration risk
- Strong capital and liquidity position
- Profitable growth in market share

35



## Delivering our market promise, by 2013

### Committed to financial and customer performance

**Housing lending growth: 1 to 1.3 times system**

- 1.5 times at Dec 2010
- 1.19 times Mar 2011

**Grow customer base to greater than one million**

- 125,835 business: +10.4% \*\*
- 856,524 personal: + 7.9% \*\*
- Total 982,359

**Cost to income ratio reduced to mid 40s**

- 52.9% at Dec 2010 (high watermark)

**Treble WA & NSW customers**

- WA: +88% \*\*
- NSW: +32% \*\*

**Return on Equity of 15%**

- 13.25% at Dec 2010 (15.36% ex flood provision)

**Increase complete customers\* by 50%**

- 215,513: +25.9% \*\*

**Double our branch footprint in WA and NSW**

- 14 new branches NSW \*\*
- 5 new branches WA \*\*
- 1,140 more ATMS \*\*

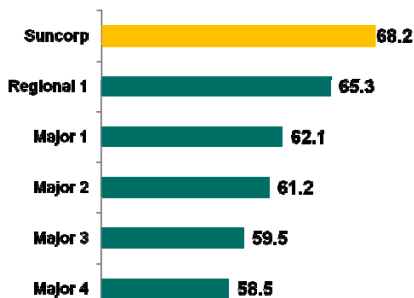
36

\* Complete customers hold three or more products with us. \*\*Growth since Jan 2010, at May 2011.



## Our customer service performance

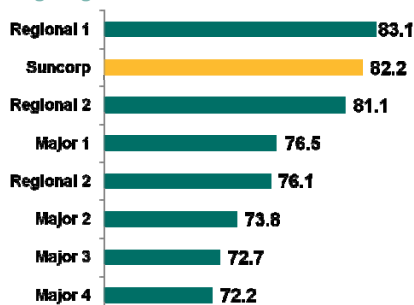
First in business satisfaction nationally



Source: Roy Morgan, Mar 11

Second in personal satisfaction in Qld

Strongest growth of all bank brands in Q3



Source: Roy Morgan, Mar 11

- Customer and MFI satisfaction better than the majors
- Top 2 share of wallet nationally\*
- 80% of customers consider us 1<sup>st</sup> choice\*\*
- Advocacy: Net Promoter Scores exceeding majors#

\*Roy Morgan consumer finance survey, Aust aged 14+ Retail Banking wallet. 12 months to Mar 11

\*\* TNS Market Monitor: All Suncorp MFI Customers Qld: 3 Months to Mar 11

# TNS Market Monitor: All Suncorp MFI Customers National: 6 Months to Mar 11

37



## Driving growth

We are clear on what we need to do

Customer Acquisition

- Driving consideration in key markets
- Expanding footprint
- Retention and complete customer

Delivering our small business & agri proposition

- An attractive proposition for new customers
- Specialist industry knowledge by region
- Engagement – roadshows, seminars and grants program

Simplification

- Banking platform
- Streamlining processes and reducing cost
- Productivity gains in processing

People, capability and culture

- People and capability are at the heart of our regional bank model
- Employee engagement is industry leading


38



## Initiatives making a difference


**Capability**

Free online budgeting tool



- Regions managed by regional 'CEO' and staff
- The Big Switch
- Budget Tracker
- Internet Banking

**Customer**



- Call a Real Person
- Event response
- Customer Insight to a branch level

**Community**



- Brand goodwill: history, roadshows, grants
- Queensland recovery: market share, insurance investment
- Community ambassadorship and event sponsorship

39



## Banking Platform Program

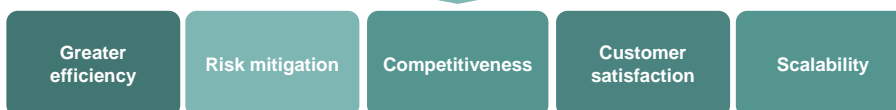
Three-year program to replace the core banking platform

Staged cost and contractual commitments

\$9m investment in year one to replace:

- Customer Relationship Management system
- Broker commission system
- Trade finance system

Cost savings and neutral P&L impact



40



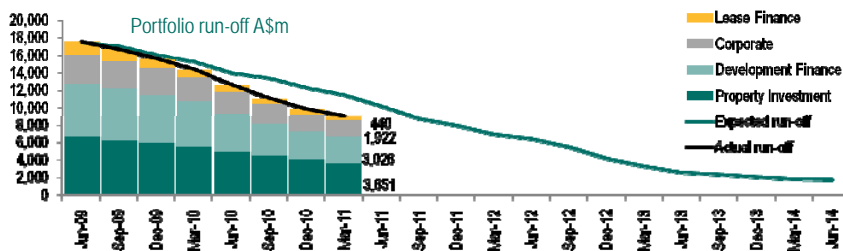
## Strong progress in the non-core portfolio

### De-risk

- \$8.5bn run-off. Ahead of target by \$2.4bn
- Fully match funded at portfolio inception
- Funding towers running off. \$8.5bn repaid since Jan 10
- Exposures >\$50m reduced from 121 to 62

### Capital

- Core equity tier 1 ratio 6.83% at Mar 11, from 3.89% Dec 08
- Working to maximise release of capital



41



## In Summary

### Leading the essential second tier banking sector

Core Advantages

Uniquely positioned to take market opportunity

Aggressive targets have been achieved

Clear strategy outlines our direction and promises

The momentum is building

Strategy

Suncorp Bank will be the best bank for middle Australia

Personal banking

Agribusiness

Small Business

42



## Suncorp Group Investor Day

**John Nesbitt, Group Chief Financial Officer**

30 May 2011

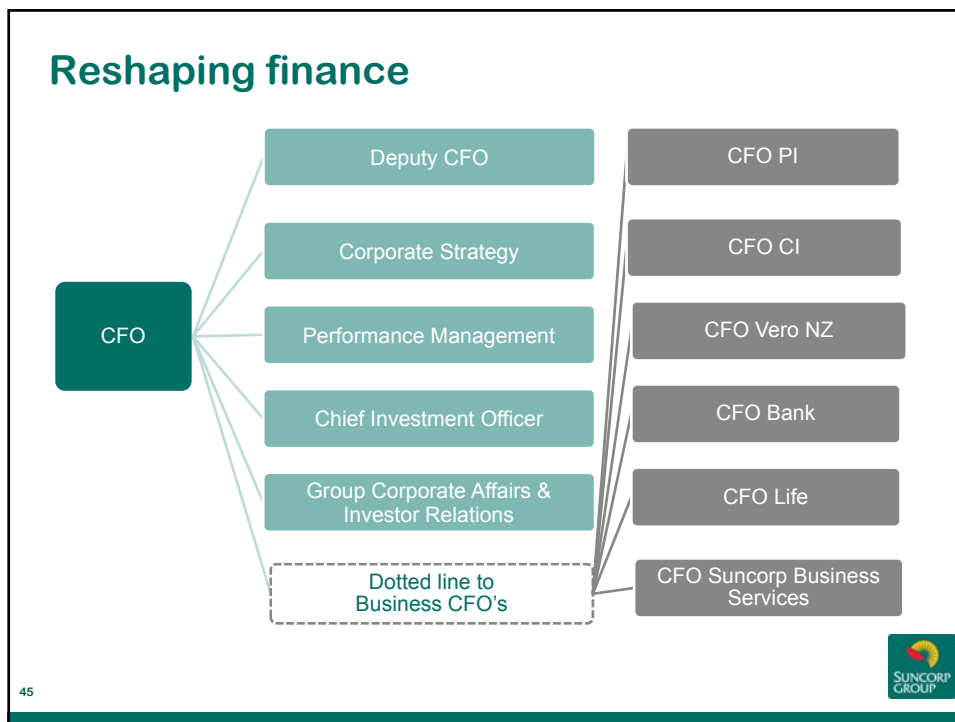


## CFO Overview

### Strong base to deliver strategy

- Finance transformation
- Natural hazard events
- Reinsurance update
- Strong balance sheet
- Capital management under the NOHC





### Natural hazards estimates as at 30 April 2011

Major Events	Gross Costs (\$m)	Net Costs (\$m)
VIC floods (Sep 10)	24	24
Christchurch earthquake (Sep 10)	490	46
Other smaller events - Brisbane storm/floods (Oct 10), Eastern Australian storms (Oct 10), Eastern Australian rain (Dec 10), South Australian storms (Dec 10)	50	50
Qld-NSW hail/rain (Dec 10)	45	45
Central & SW Qld flooding (Dec 10)	129	129
SEQ floods (Jan 11)	690	106
Victorian floods (Jan 11)	40	10
Cyclone Yasi (Feb 11)	239	10
Victorian floods (Feb 11)	124	38
Christchurch earthquake (Feb 11)	1,600	46
NSW-Vic storms (Mar 11)	13	13
<b>Major natural hazard events (as at 30 Apr 11)</b>	<b>3,444</b>	<b>517</b>
Minor natural hazards (1H11 \$94m, 2H11 \$132m to date)		<u>226</u>
Less: allowance for natural hazards		(423)
<b>Natural hazard costs above allowance (as at 30 Apr 11)</b>		<b>320</b>

46

## 2010/11 Reinsurance program at 30 May 2011

### Remaining capacity under catastrophe program

\$5.6bn	<b>Upper layers</b> Two full covers
\$1.75bn	<b>Layer Three</b> One full cover plus \$150m
\$1bn	<b>Layer Two</b> One full cover plus \$200m
\$500m	<b>Layer One</b> Two full covers
\$200m	<b>NZ dropdown</b> One NZ dropdown available
NZ\$20m	<b>Retention</b>

### Additional Reinstatements purchased

	1H11	2H11
1 x NZ dropdown (post Sep earthquake)	\$13m	
2 x \$200 - \$500m (post Sep earthquake and Bris floods)		\$120m
1 x \$500m - \$1bn (post Bris floods)		\$40m
1 x \$200m - \$500m (post Feb earthquake)		\$50m
Additional NZ covers (post Feb earthquake)		\$19m
<b>Total</b>	<b>\$13m</b>	<b>\$229m</b>

47



## Group Balance Sheet at 31 December 2010

### Balance Sheet

- Net assets stable at \$13.9 billion
- Goodwill and intangibles reduced to \$6.4 billion
- Net tangible assets increased to \$7.5 billion

### Core Capital Levels

General Insurance  
\$3.1bn

Bank  
\$2.6bn

Life  
\$1.7bn

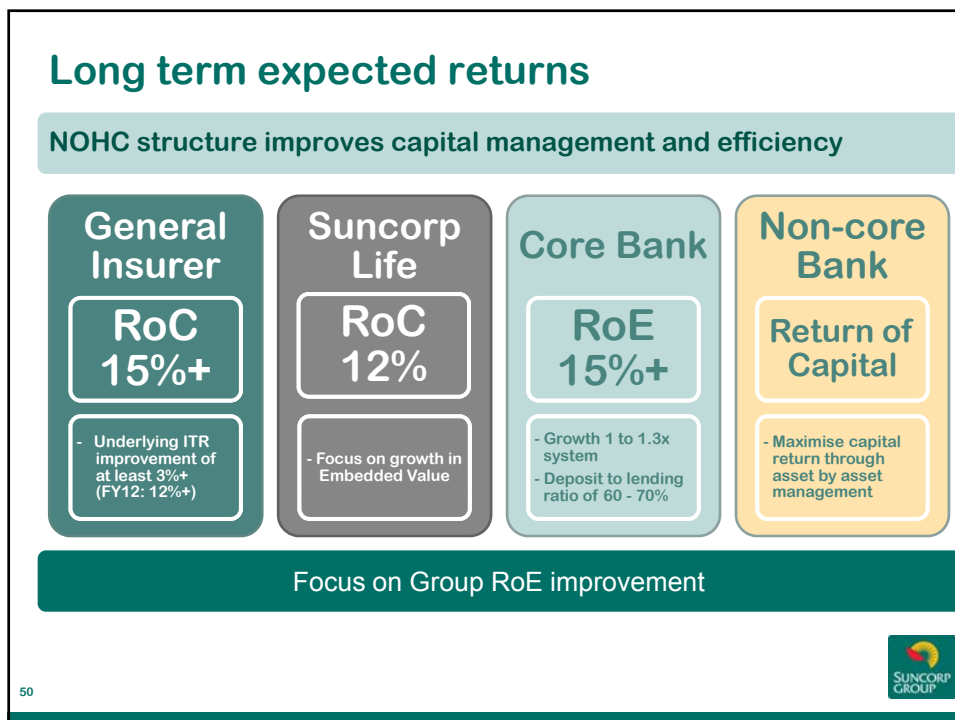
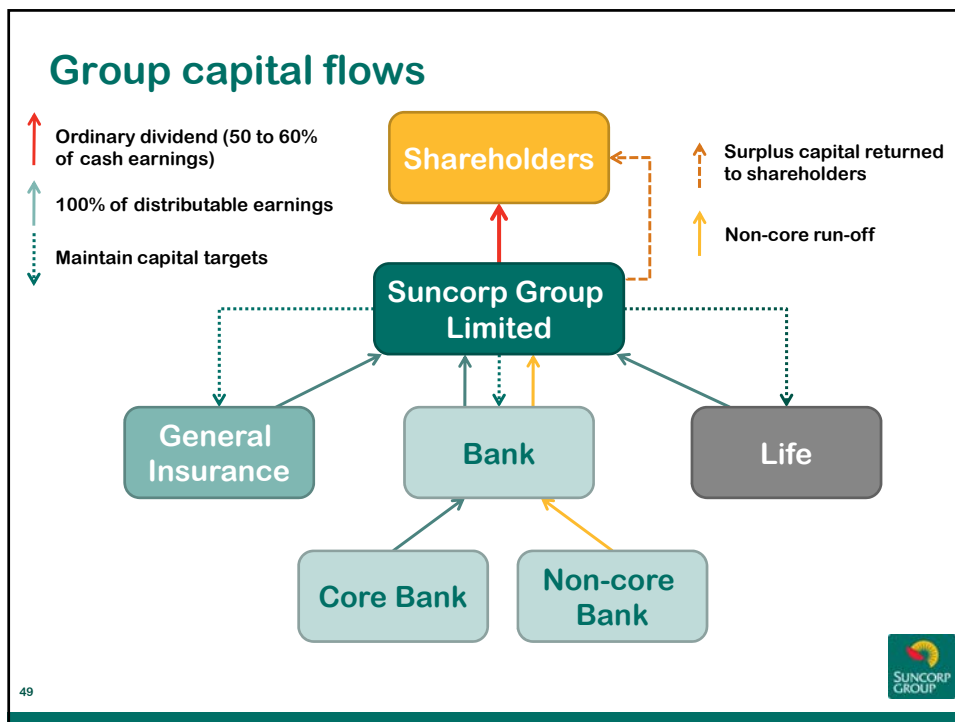
**Suncorp Group \$7.5bn\***

48

\* Includes non-regulated entities of \$181 million







## Suncorp Group Investor Day Questions and answer session

30 May 2011



## Suncorp Group Investor Day Conclusion

**Patrick Snowball, Group Chief Executive Officer**

30 May 2011



