



Full year results 2010

25 August 2010



- **Introduction & highlights – Patrick Snowball**
- Detailed results – John Nesbitt
 - General Insurance
 - Banking
 - Life
 - Capital
- Group update – Patrick Snowball
- Conclusion – Patrick Snowball
- Questions

CHALLENGES

- Restore **credibility**
- Rebuild **confidence**
- Change the **culture**



PRIORITIES

Stabilisation

Balance sheet strength

Simplification

Executive team

Plan for growth

ONE COMPANY, MANY BRANDS

Challenges and priorities for 2009/10



Stabilisation



- Match funding & run off of Non-core portfolio
- Restore confidence in the Core Bank

Balance sheet strength



- Strengthen provisioning & revise methodology
- Conservative dividend

Simplification



- Remove distractions (LJ Hooker/RACQI/RAAI)
- Presentation of capital on a NOHC view

Executive team



- Completed executive team appointments
- One company, many brands

Plan for growth



- Strategy presentations for businesses
- Implementation of strategic plans

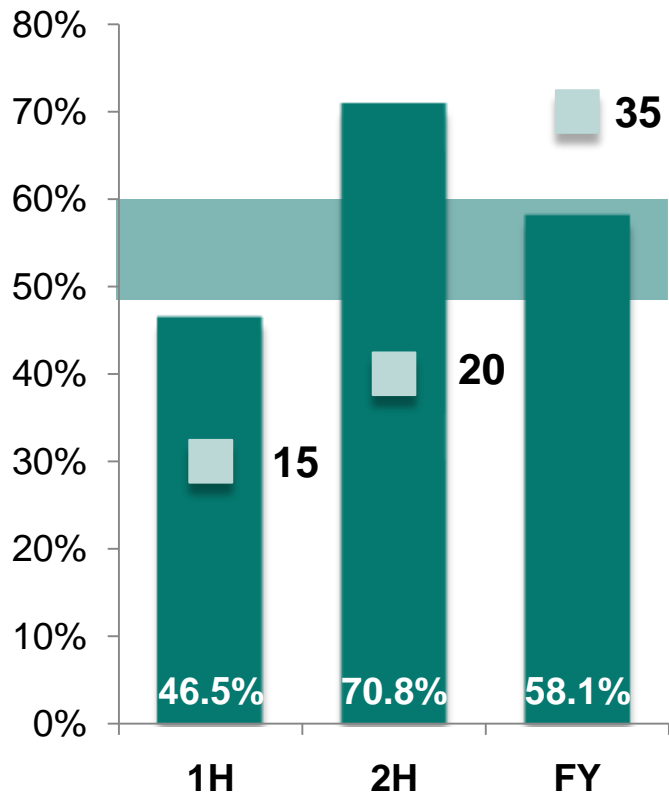
Result highlights



A\$m	FY10	%Δ
General Insurance profit after tax	557	34%
Consolidated Bank profit after tax before one offs	44	19%
Life profit after tax	222	90%
PROFIT AFTER TAX FROM BUSINESS LINES	823	37%
LJ Hooker/RACQI/RAAI	160	n/a
Intangible amortisation & other	(203)	n/a
GROUP NPAT	780	124%

Cash earnings per share (basic)	73.5 cents up 56%
Final dividend per share (fully franked)	20 cents
Full year total dividend per share (fully franked)	35 cents

Group performance



- Dividend payout ratio (ex disposals)
- Dividend per share (cents)

- Final dividend of 20cps, fully franked
- Dividend payout ratio, excluding divestments of 58%
- Neutralised dilutive effect of the DRP
- Strong capital position but regulatory uncertainty

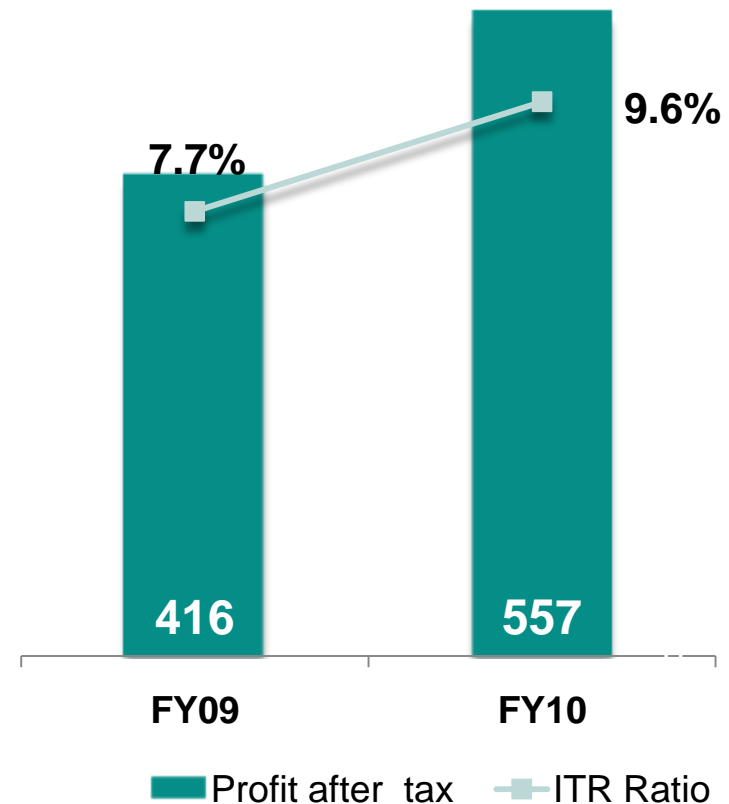
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General Insurance overview



A\$m	FY10	%Δ
General Insurance profit after tax	557	34%

- GWP up 6.5% excluding Covermore travel insurance
- Natural hazard claims above allowance by \$165m
- Revised Average Weekly Earnings (AWE) assumption by 0.5%, costing \$75m
- One off reduction in deferred acquisition costs reduced profit by \$47m
- Reserve releases of \$256m but conservative provisions remain
- Good momentum in underlying ITR improvement
- New Zealand ITR contribution of \$70m or 12.2%



Underlying ITR 9% for FY10

Gross Written Premium



Product	FY10	%Δ	Factors
Motor	2,451	6.4	Solid premium and net written unit growth
Home	1,725	13.6	Significant premium increases and resilient customer retention
Commercial	1,709	(0.1)	Increases in short-tail classes offset by exit in some business lines
CTP	837	13.3	Higher average premiums
Workers' Comp	222	5.7	Moderate increases in Western Australia
Other	83	(75.1)	Cessation of Covermore travel insurance partnership
Total	7,027	3.1	

GWP up 6.5% excluding the Covermore impact

General Insurance claims



Major natural hazard events	\$m
QLD – NSW storms (Feb 10)	27
NSW storms (Feb 10)	20
West QLD floods (Mar 10)	29
Melbourne storm (Mar 10)	200
Cyclone Ului (Mar 10)	42
Perth storm (Mar 10)	<u>155</u>
Total claims	473
Less: aggregate reinsurance cover	<u>(163)</u>
Total net claims	310
Minor natural hazards	255
Allowance for all natural hazards	<u>(400)</u>
Natural hazards above allowance	165

Other impacts on claims expense:

- Positive experience in working loss claims
- Some claims inflation in Perth and Melbourne following major events
- Reserve releases of \$256m well above long-run expectations of 1.5% of NEP (\$95m)

2010/11 outlook

Natural hazard allowance increases to \$460 million

Reinsurance program based on 2009/10 with:

- Catastrophe retention of \$200m
- \$400m of aggregate cover if events over \$10m exceed \$300m

General Insurance investment income



Investment income	FY10 A\$m
Underlying yield	355
Discount rate impact on insurance liabilities	142
Economic and accounting mismatch	105
Total	602

General Insurance expenses

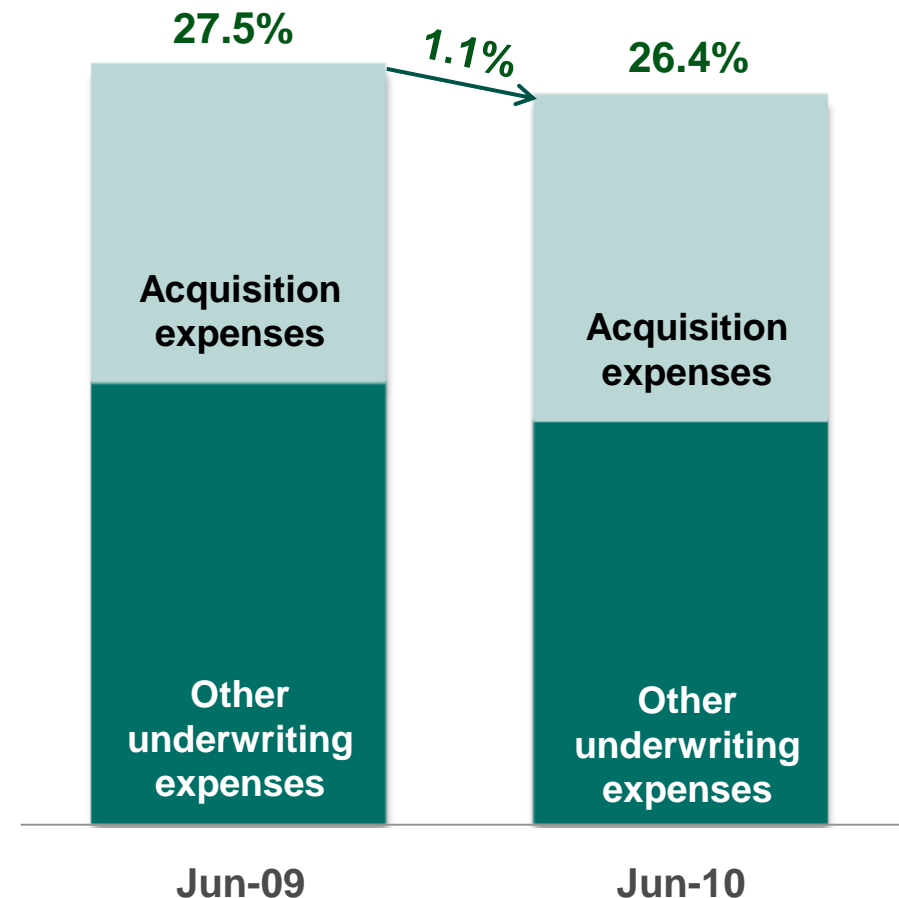


Acquisition and operating expenses of \$1,670m up 1.7%

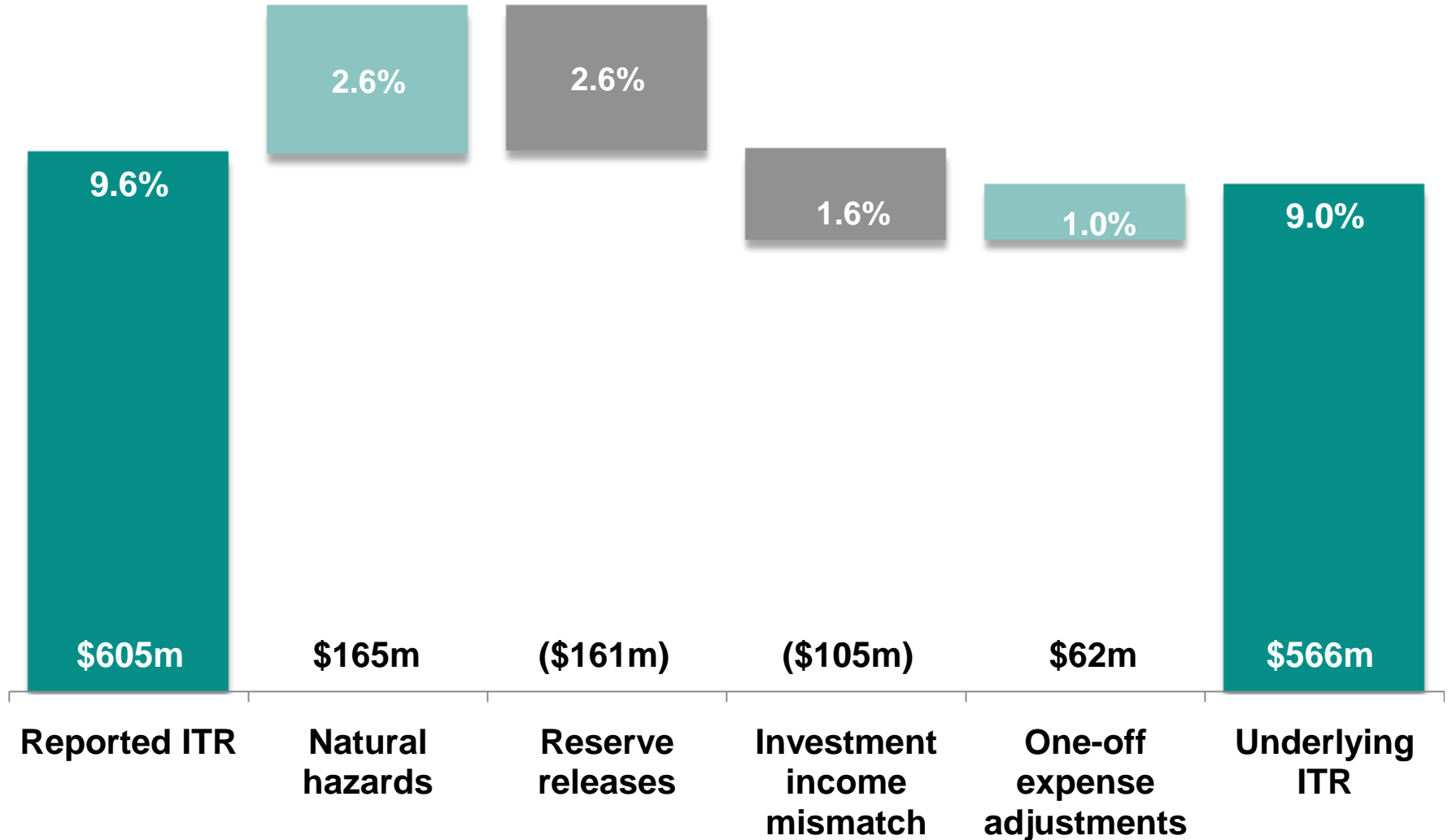
Expense Ratio of 26.4% down 1.1%

Impacted by:

- One off DAC charge of \$47m
- \$34m of one off restructure costs
- \$29m increase in Fire Service Levies



General Insurance margin



Consolidated Bank overview



A\$m	FY10	%Δ
Consolidated Bank profit after tax before one-off items	44	19

Core Bank

- Profit after tax \$268 million
- Total lending \$37.4 billion
- Strong deposit growth, ahead of system
- Improved net interest margin
- Well positioned for future growth

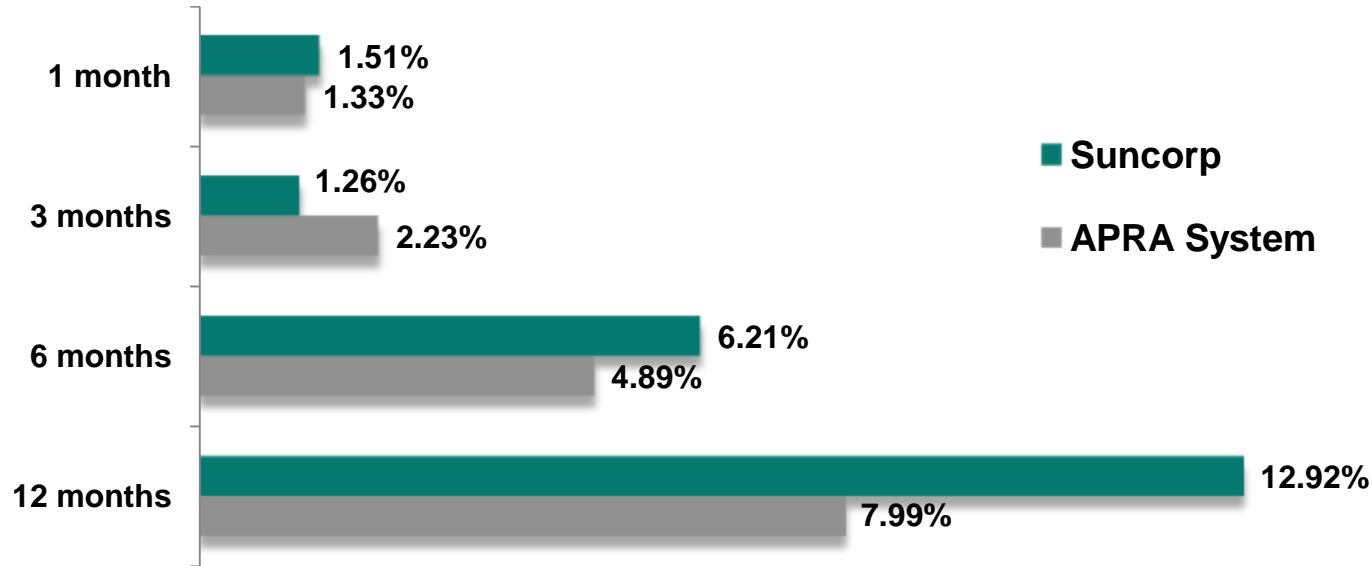
Non-core Bank

- Loss after tax \$224 million
- Total lending \$12.6 billion
- Run-off progressing well, ahead of plan
- Impaired assets stable and bad debts reducing
- De-risking has reduced margins

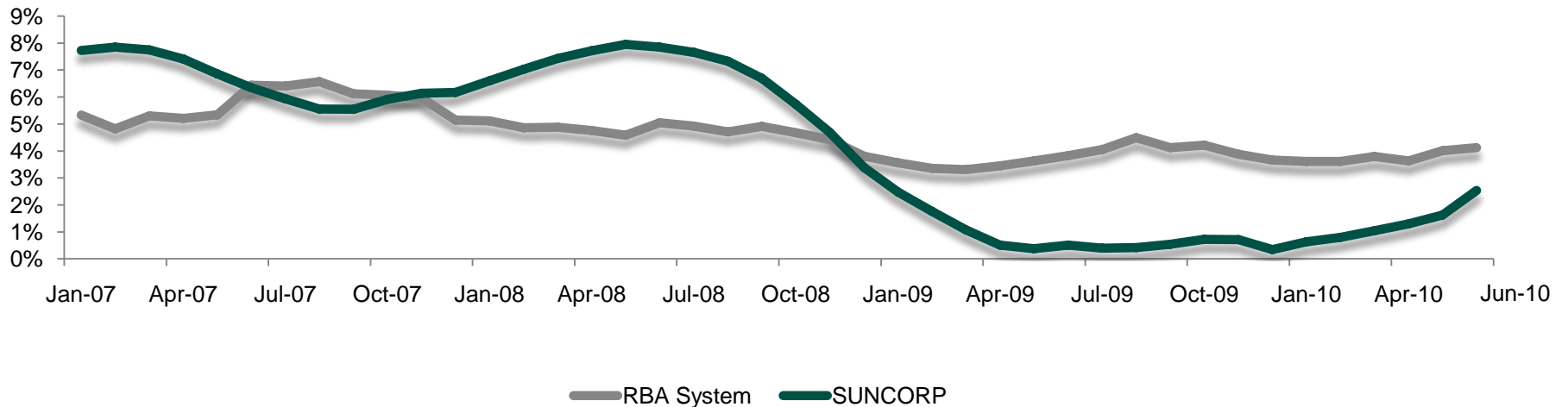
Core Bank: deposits and lending assets



Total deposits growth, June 2010



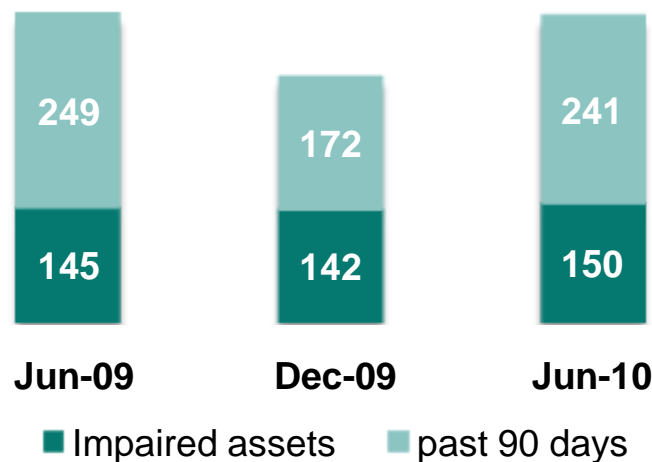
Suncorp historical mortgage growth v RBA system (6 month rolling)



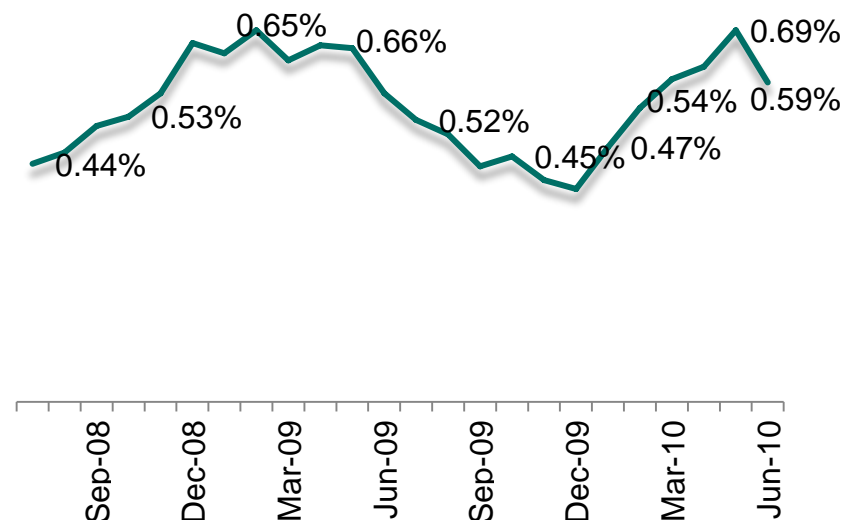
Core Bank: credit quality



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



Past 90 days due loans to gross loans



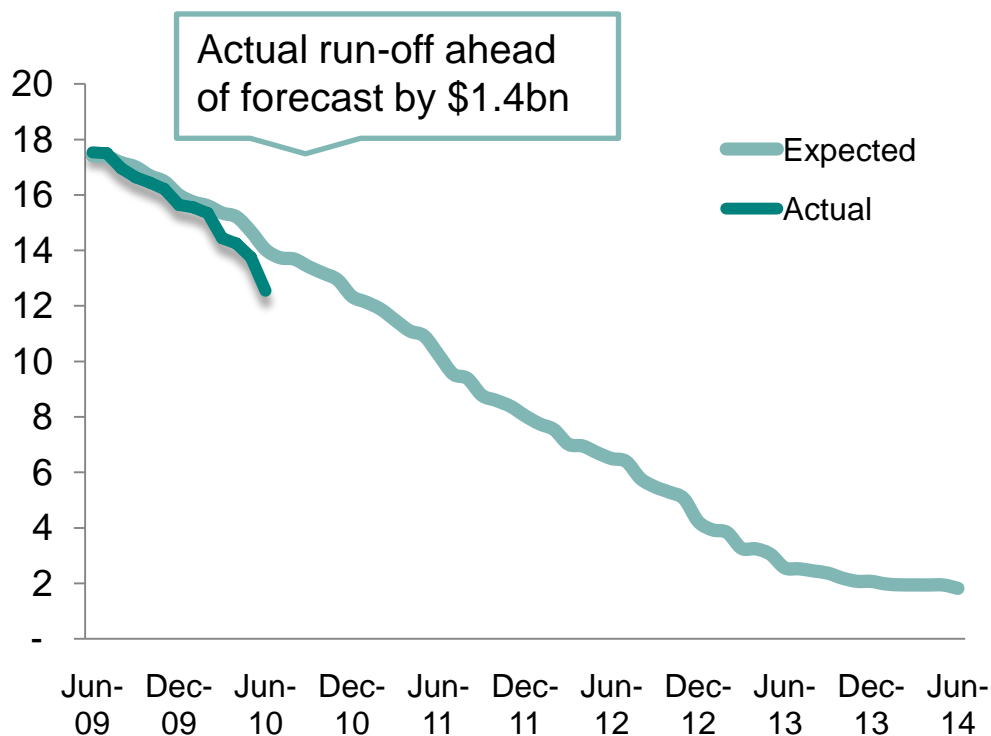
Bad and doubtful debt expense (normalised)

A\$m	FY10	1H10	2H10
Reported BDD	51	2	49
Methodology change	4	14	(10)
Normalised BDD	55	16	39
Normalised BDD to RWA	0.28%	0.17%	0.40%

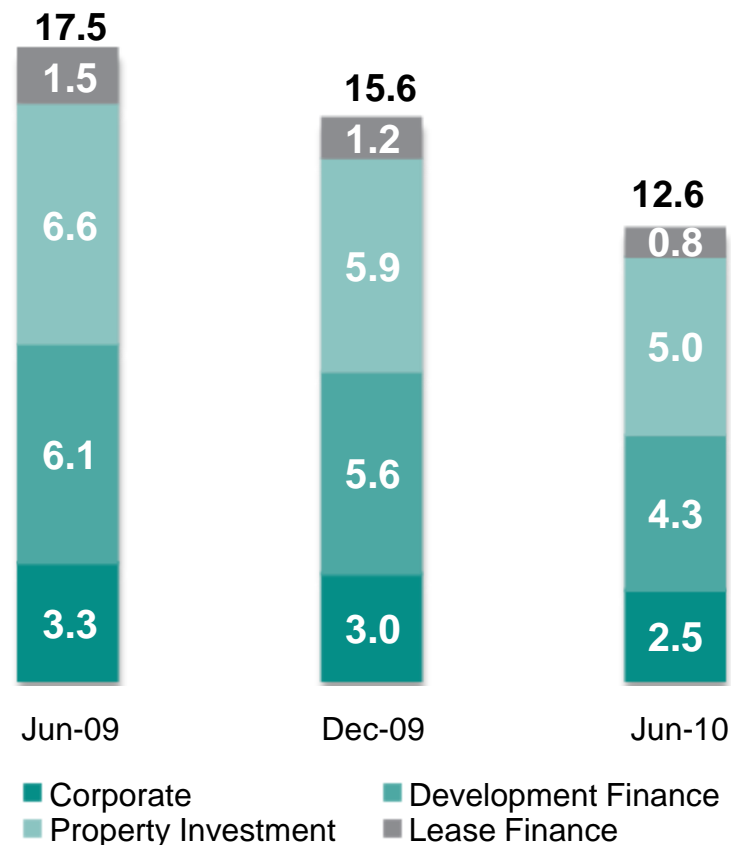
Non-Core Bank: assets



Forecast run-off, A\$bn



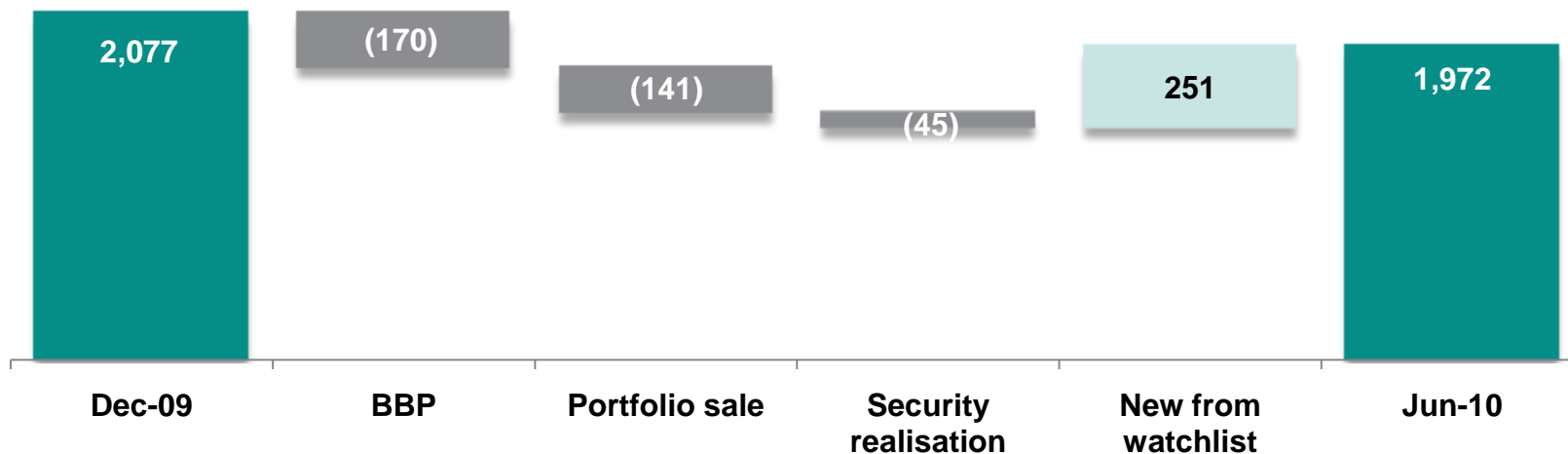
Non-core assets, A\$bn



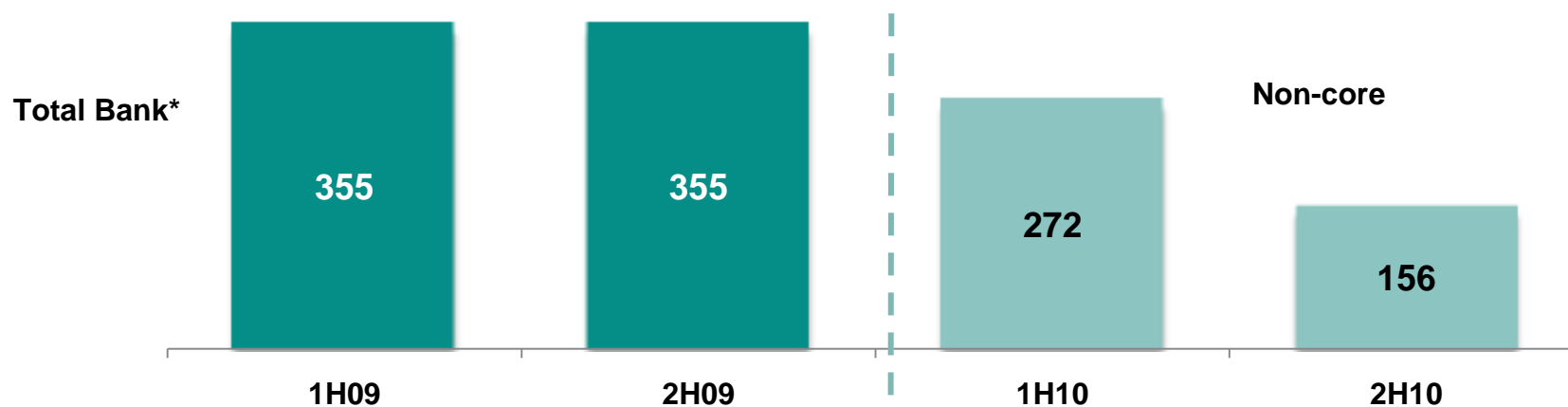
Non-Core Bank: credit quality



Impaired asset movements, A\$m



Impaired loss trends, A\$m



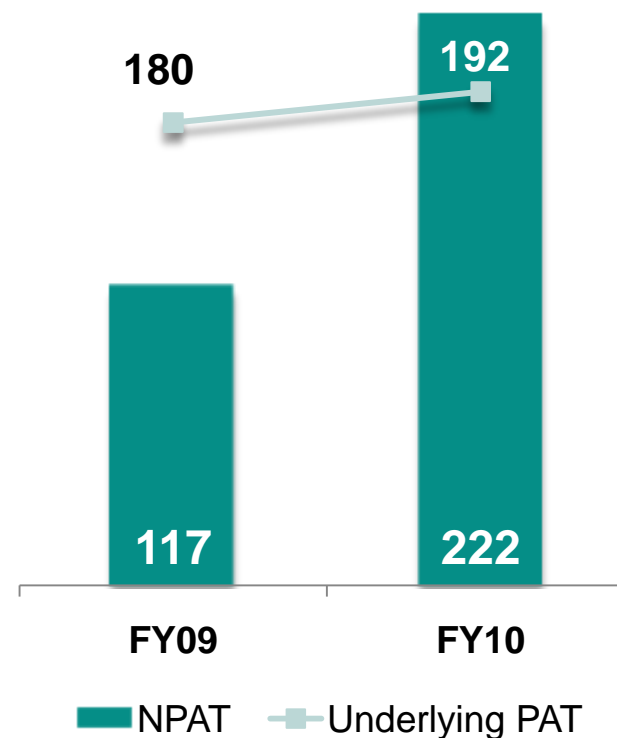
* Reporting periods prior to Core/Non-core reporting split
Total Bank charges are materially Non-core

Life overview



A\$m	FY10	%Δ
Life underlying profit after tax	192	7

- Life Risk profit \$137m, up 1%
- Planned profit margin release \$85m, up 8%
- In-force premiums \$784m, up 7%
- Life new business sales flat at \$86m
- Super & Investments profit \$41m, up 28%
- Asset Management profit \$14m, up 17%
- Operating expenses \$321m, down 5%

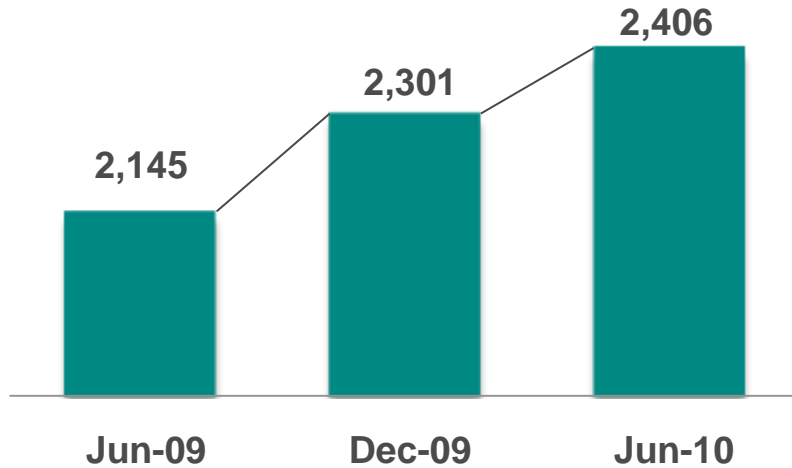


Embedded Value of \$2.4 billion, up 12%

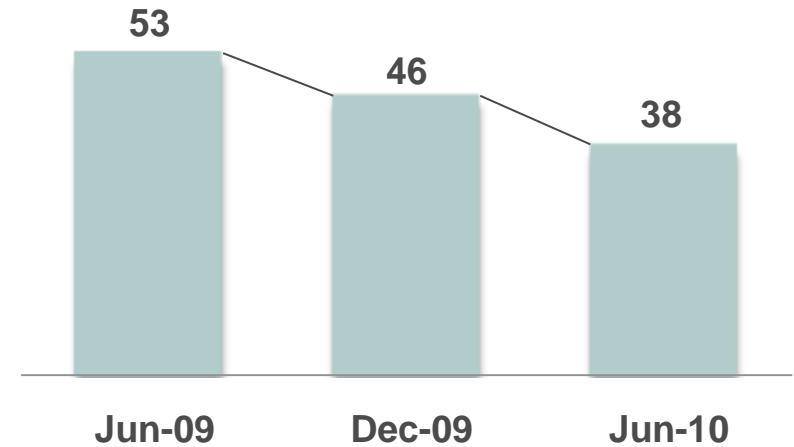
Embedded Value (A\$m)



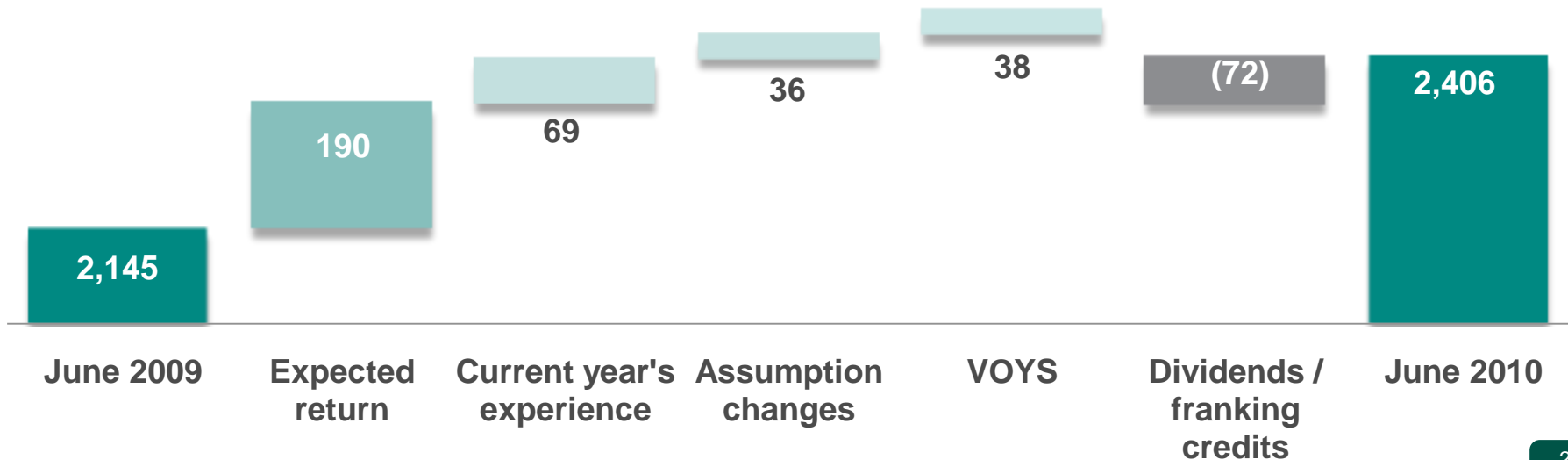
Embedded Value over time



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



Change in Embedded Value: 30 June 2009 → 30 June 2010



Group Balance Sheet



Balance Sheet

- Net assets of \$14 billion
- Includes goodwill and intangibles of \$6.6 billion
- Net tangible assets of \$7.4 billion

Core Capital Levels

**General
Insurance
\$3.0bn**

**Bank
\$2.6bn**

**Life
\$1.7bn**

**Group
\$7.4bn***

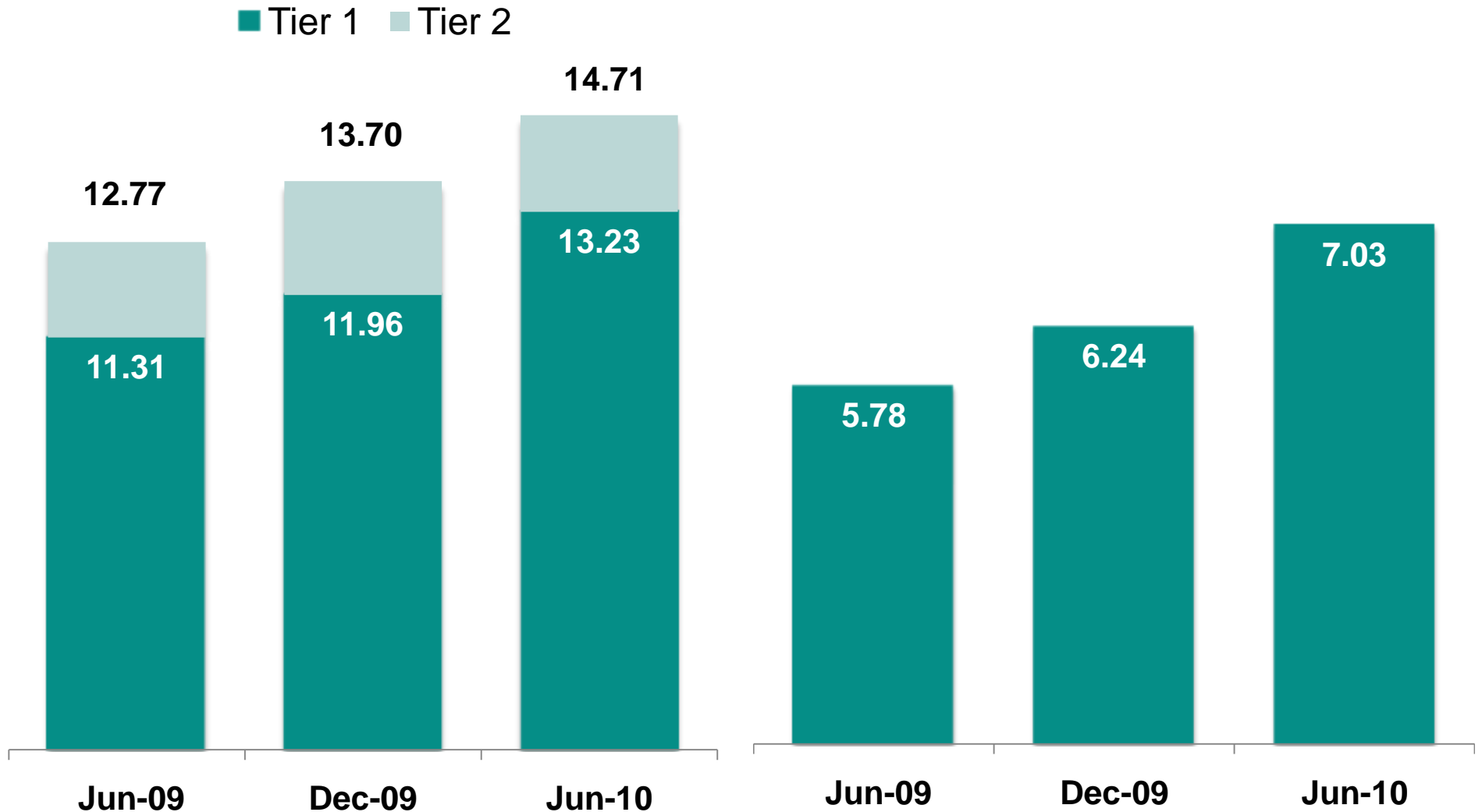
* Includes non-regulated entities of \$162 million

Capital ratios



Total Bank Capital Ratios (%)

Adjustment Fundamental Tier 1 (%)



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Group commitments and targets



General Insurer

- At least 3% increase in underlying GI margin by FY12
- \$235m benefit from building blocks at cost of \$120m
- One functionally aligned, customer focused PI team, delivering portfolio growth & scale in pricing and claims
- CI targeting market share growth of 3%
- 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 1m customers
 - Increase main bank customers by 50%
 - Treble customers & double branches in WA & NSW
- Cost to Income mid 40's

Niche Life Insurer

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

The Suncorp Group business model



GROUP

Capital and ratings benefits

ONE

- view of our 9 million customers
- approach to financial processes
- view of employees

Shared group services
Lean strong corporate centre

UNIQUE BUSINESSES

General Insurer

- Leading operations in both Australia and New Zealand
- Scale and iconic brands
- End-to-end control of brands, pricing, manufacturing and distribution

Personal Insurance

Commercial Insurance

Vero NZ

Regional Bank

- Regional Bank with HQ in QLD
- Able to grow selectively in other profitable markets
- Leader of 2nd tier banking sector
- Benefit of rating uplift from Suncorp Group

Niche Life Insurer

- Exceptional growth potential
- Independence in a changing market
- Access to customers and leading brands
- Group strength

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