Suncorp Group Limited

Suncorp Bank

Debt Investor Presentation

One Company
Many Brands

SUNCORP GROUP

Suncorp Investor Update

Agenda

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Suncorp Group

Leading financial services brands in Australia and New Zealand

Top 15 ASX listed company

$16.8 billion market capitalisation* as at 18 November, 2015

$94 billion in group assets

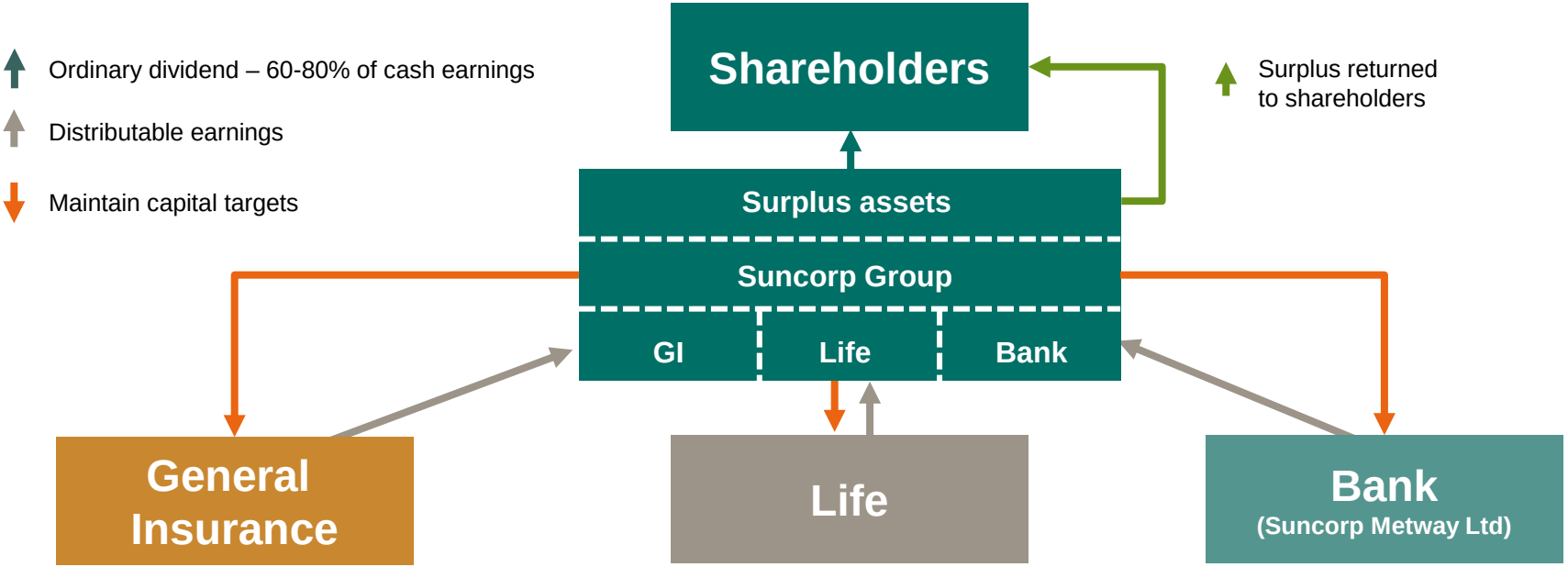
14,500 employees in Australia and New Zealand

9 million customers

Issuer Credit Ratings of A+ / A1 / A+ with S&P / Moody's / Fitch respectively

*Source: Bloomberg

Group Capital Structure



- Suncorp Metway Ltd is the entity that issues senior debt instruments on behalf of the Bank
- General Insurance is the entity that issues sub-debt instruments on behalf of AAI Limited and SIF Limited
- Suncorp Group Limited is typically the entity that issues Basel III compliant CPS

Group Financial Results and Capital

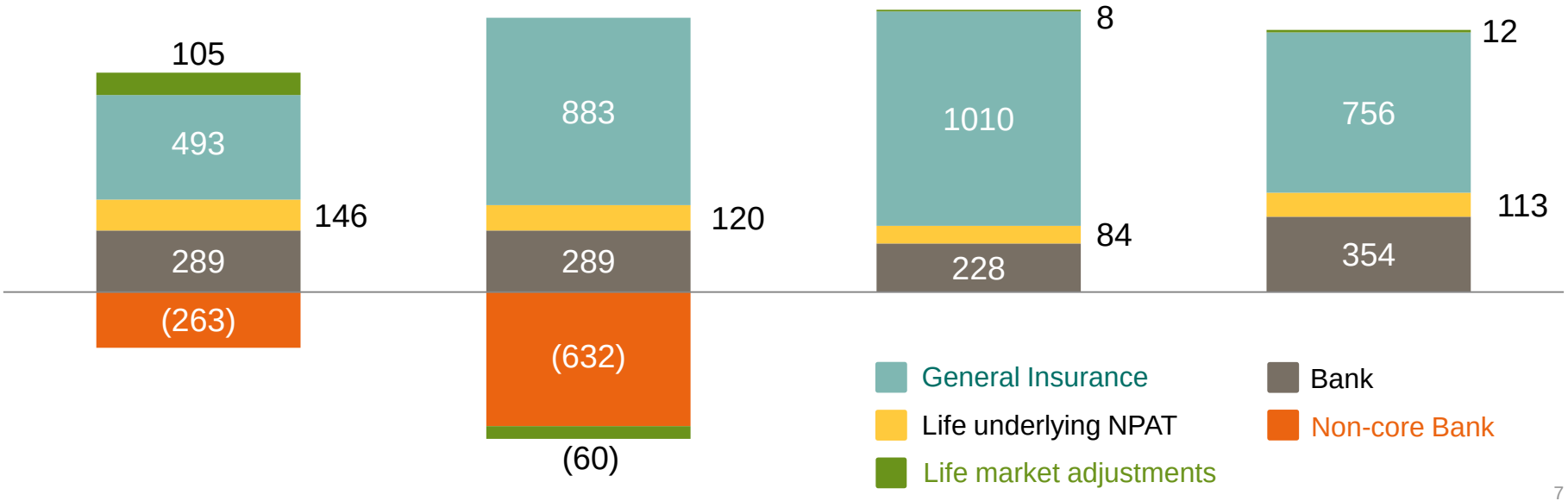
Result overview ($m) (June 2015)

	FY15	FY14	%Δ
General Insurance NPAT	756	1,010	(25.1)
Bank NPAT	354	228	55.3
Suncorp Life NPAT	125	92	35.9
Business lines NPAT	**1,235**	**1,330**	**(7.1)**
Other	(44)	(26)	69.2
Cash earnings	**1,191**	**1,304**	**(8.7)**
Life Insurance write-down	-	(496)	n/a
Other profit and acquisition amortisation	(58)	(78)	(25.6)
NPAT	**1,133**	**730**	**55.2**

Suncorp Group business line NPAT ($m) (June 2015)

Profit diversification

FY12	FY13	FY14	FY15
770	600	1,330	1,235



General Insurance (June 2015)

$m	FY15	%Δ
General Insurance profit after tax	756	(25.1)

Underlying ITR of **14.7%** exceeding commitment to 'meet or beat' 12%

Reported **ITR** of **11.4%**

Reserve releases of **$427 million**

Natural hazards **$473 million** above allowance

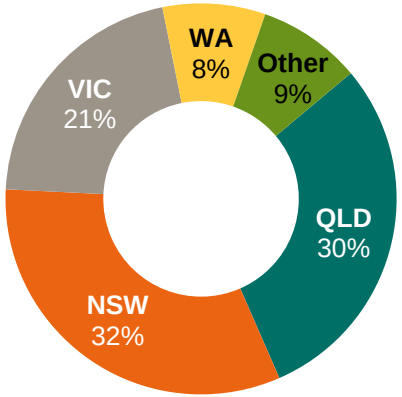
GWP up 0.1% with positive unit growth in Personal lines

GI CET1 **1.40x** PCA

A diversified insurance portfolio

Geographic diversification

Gross Written Premium by Geography



Market Share

Home and Motor Insurance Australia - 28%

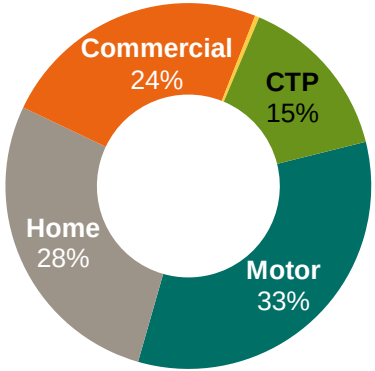
Commercial Insurance Australia - 17%

Compulsory Third Party QLD - 50%

Compulsory Third Party NSW - 27%

Diversified by industry class

Gross Written Premium by Product



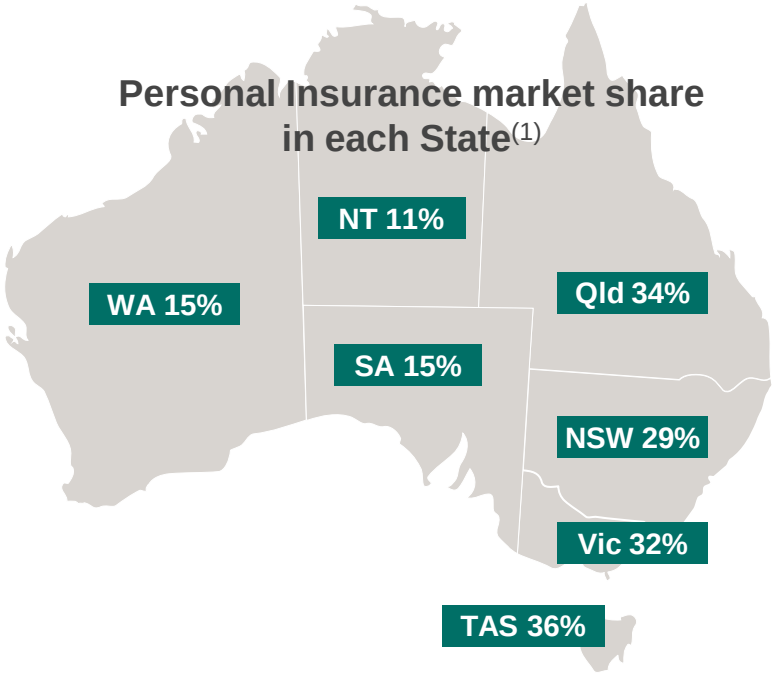
Distribution – trusted brands

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

Personal Insurance market share in each State[1]



Suncorp Insurance:
- The must-have Queensland insurance
- Strong community connections

National life stage brand:
- Rewarding over 50s
- Showing understanding
- Delivering service excellence

[1] Roy Morgan market shares (Jul 2015)

Suncorp Life (June 2015)

$m	FY15	%Δ
Underlying profit after tax	**113**	**34.5**
Market adjustment after tax	12	50.0
Life profit after tax	**125**	**35.9**

Individual in-force premiums **up 5.6%**

Claims experience **$8 million favourable**

Lapse experience **$7 million favourable**

Super new business **up 23.4%** driven by WealthSmart and Everyday Super

Strong growth in **Direct** sales via insurance brands

Suncorp Bank (June 2015)

$m	FY15	%Δ
Bank profit after tax	354	55.3

NIM improved to **1.85%**

Bank CET1 increased to **9.15%**

Cost to income ratio down to **53.4%**

Deposit to loan ratio **65.3%**

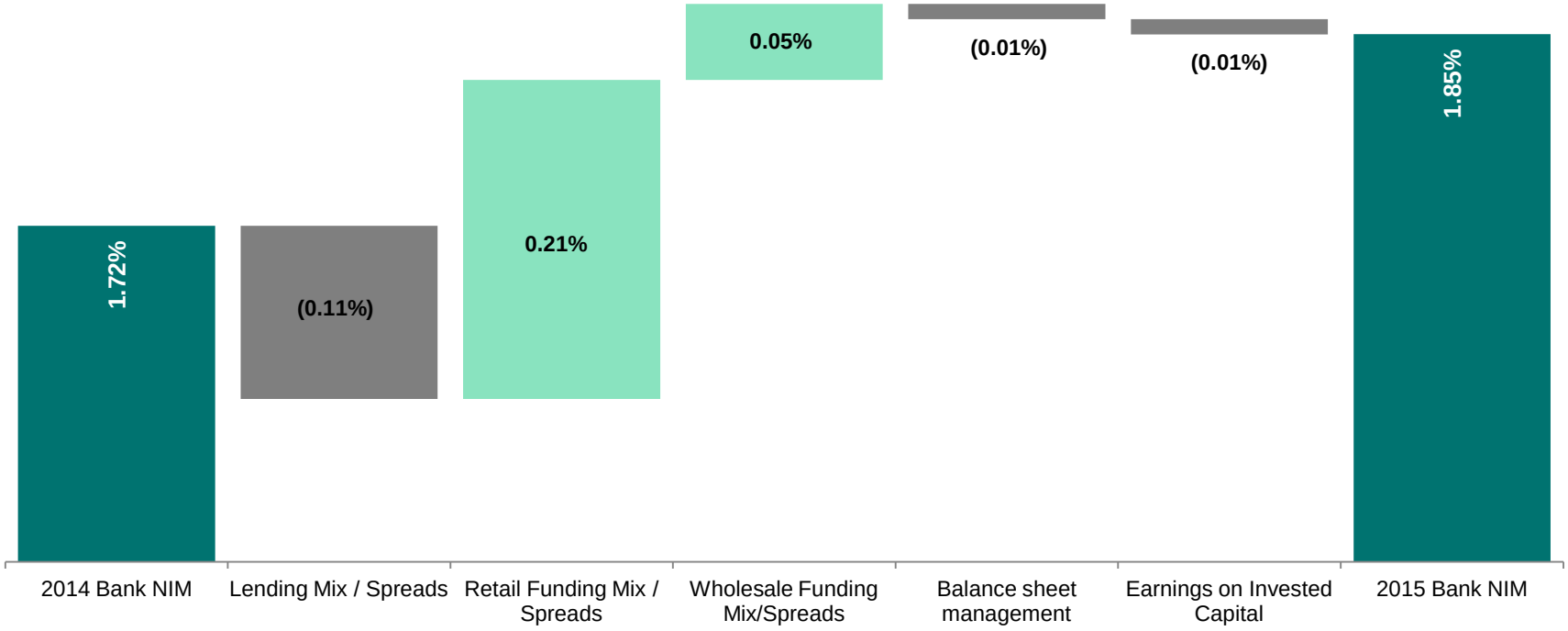
Home lending **up 7.1%**

Business lending **down 7.3%**

Non performing loans **down 20.1%**

Gross impaired assets **down 34.5%**

Suncorp Net Interest Margin Movements (June 2015)



Suncorp capital (June 2015)

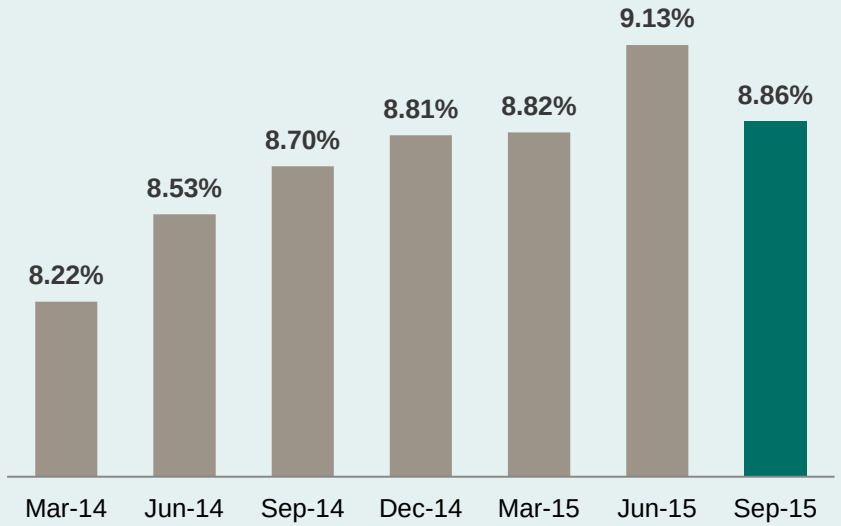
$570m excess CET1 on a post-dividend basis

$m	General Insurance	Bank	Life	NOHC and other entities	Suncorp Group total
CET1	**3,069**	**2,802**	**438**	**320**	**6,629**
CET1 target	**2,298**	**2,678**	**334**	**106**	**5,416**
Excess (pre-div)	**771**	**124**	**104**	**214**	**1,213**
Dividend					**(643)**
Excess (post-div)					**570**
CET1 coverage ratio (pre-div)	1.40x	9.13%	1.77x		
CET1 targets	1.05x	8.75%	Amount equal to sum of PCA plus a target excess		

Aps330 Capital (Sept 2015)

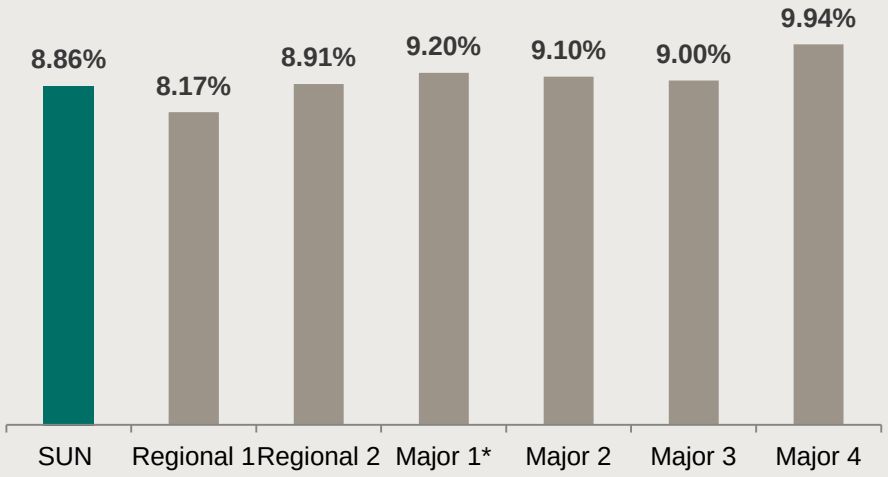
Strong capital position

Capital (CET1 ratio)



Note: The Bank's CET1 ratio decreased from Jun-15 to Sep-15 following the declaration of the Suncorp Group dividend in August.

CET1 position relative to peers



CET1 source: regulatory CET1 per latest company disclosures. Majors as at Jun-15, Regional 1 as at Aug-15 and Regional 2 as at May-15. Major 1 is a pro-forma ratio post capital raising.

Suncorp market shares

Growth opportunities

Incremental growth opportunities in markets where we are a leading player

- Home and Motor Insurance 29%
- QLD CTP 51%

Growth opportunities from entering new markets and expanding in existing markets

- CI Aust 16%
- CI NZ 25%
- PI NZ# 24%
- CTP NSW 21%

Potential to grow to natural market share in targeted segments

- Suncorp Bank^ 3%
- Suncorp Life` 5%

#Vero and AAI
^Residential mortgages
`In-force individual risk premiums Australia.

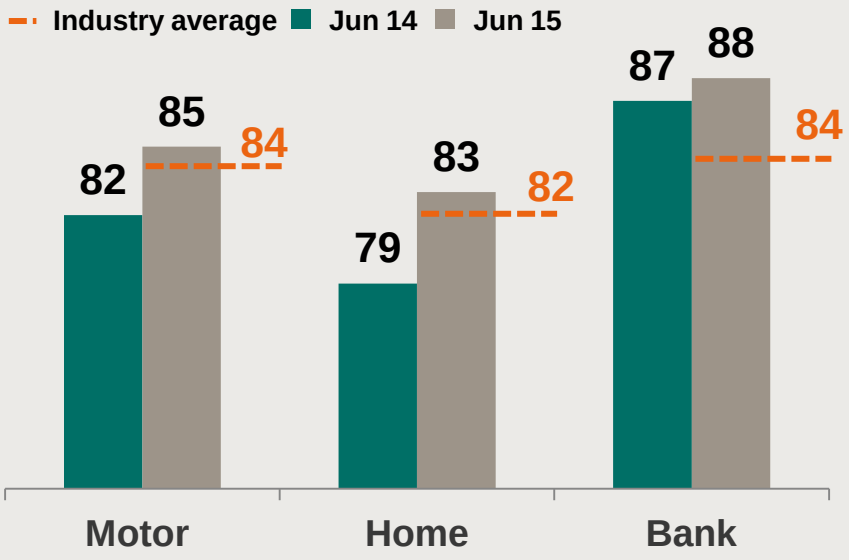
Customer

A strengthened customer franchise

Strong outcomes across the Group

- Industry leading satisfaction in key business lines
- 4 of the top 5 most advocated national insurance brands
- Improved retention
- Deeper relationships
- Attracting new customers

Industry leading customer satisfaction



Optimised Platform

Unlocking the value of our 9 million customers

Connected customers

Simplified systems

BANK | LIFE | GENERAL INSURANCE | CORPORATE

Underpinned by Business Intelligence

DATA LAKE — SUNCORP DATA SERVICES

Sitting within a secure and scalable cloud

CLOUD ENVIRONMENT

Supported by a unique way of working

SERVICE CULTURE | INNOVATION | RELENTLESS EXECUTION | AGILE/ LEAN | PARTNERING

Suncorp Bank – APS330 Sept 2015 Update

Suncorp Bank (Sept 2015)

Australia's leading regional bank

Home lending **up 2.9%**

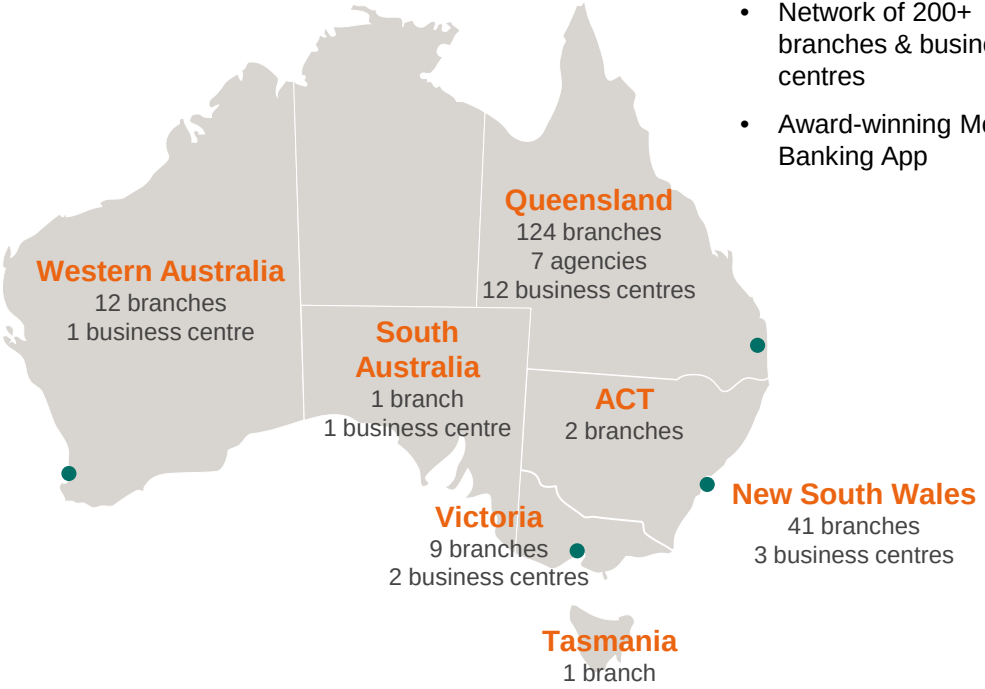
Business lending **down 1.7%**

Bank CET1 8.86% comfortably within the 8.50%-9.00% target range

Non performing loans **down 7.8%**

Gross impaired assets **down 7.3%**

- Total customer base of 1,059,000
- Network of 200+ branches & business centres
- Award-winning Mobile Banking App

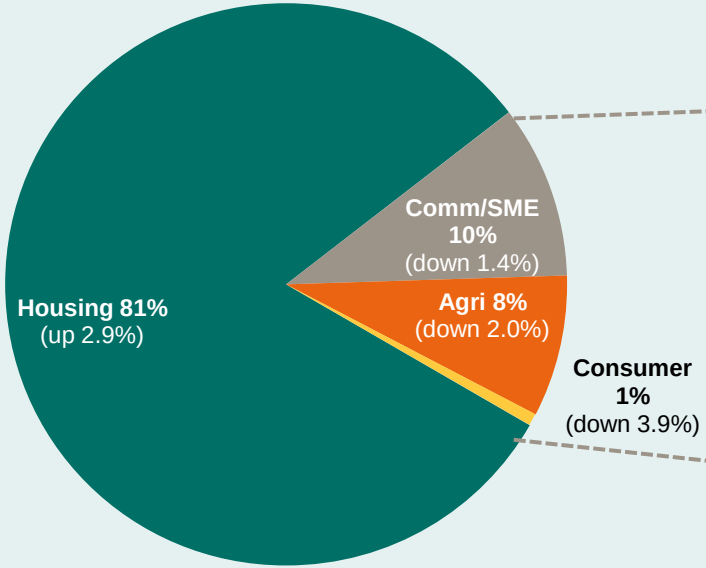


Branch, Business Centres as at Sep 2015.
Customer figures at Dec 2014. Mobile Banking App won the QLD iAward, June 2014.

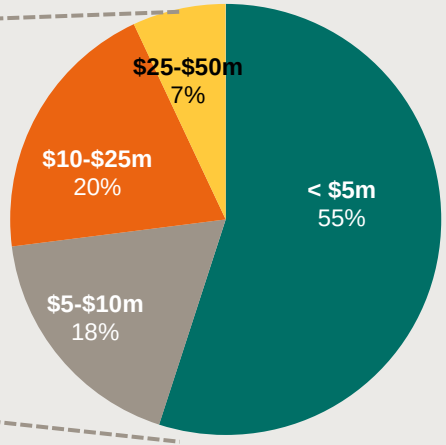
Suncorp Bank lending portfolio (Sept 2015)

Conservative approach to growth

Lending assets $53 billion



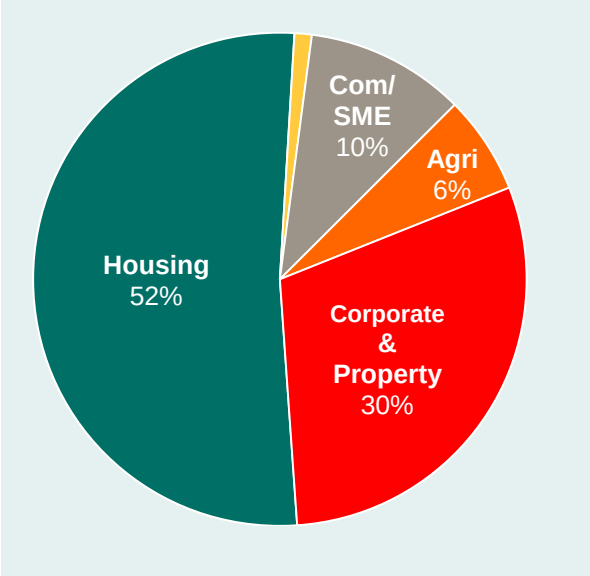
73% business lending exposures <$10m



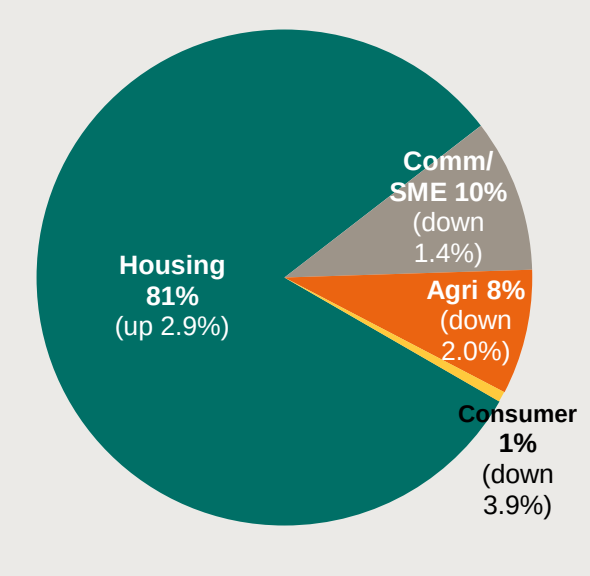
Suncorp Bank lending portfolio (Sept 2015)

Now significantly de-risked with 80% mortgage portfolio

Jun 2009 Lending portfolio ($54.4 bn)



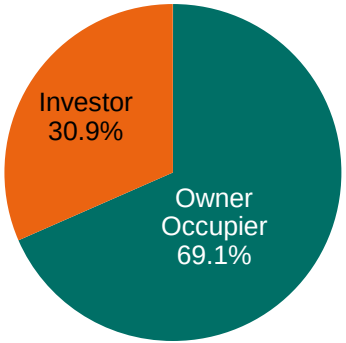
Sep 2015 Lending portfolio ($53 bn)



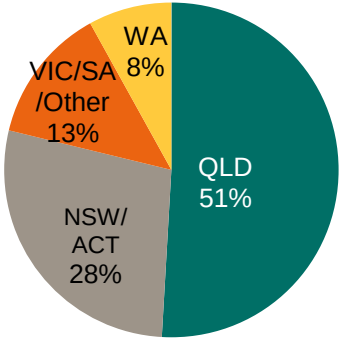
Portfolio Metrics	Jun 2009	Sept 2015
Exposures over $50m	121	0
Impaired assets	$1,474m	$202m
Impairment losses	$710m	$6m

Mortgage portfolio (Sept 2015)

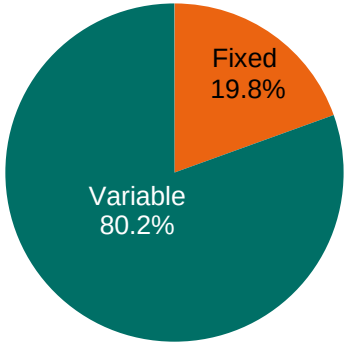
Loan Type



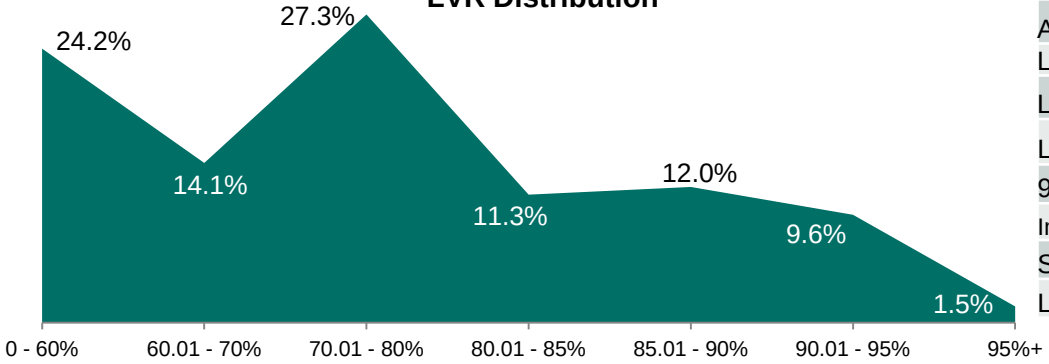
Geography



Interest Type



LVR Distribution

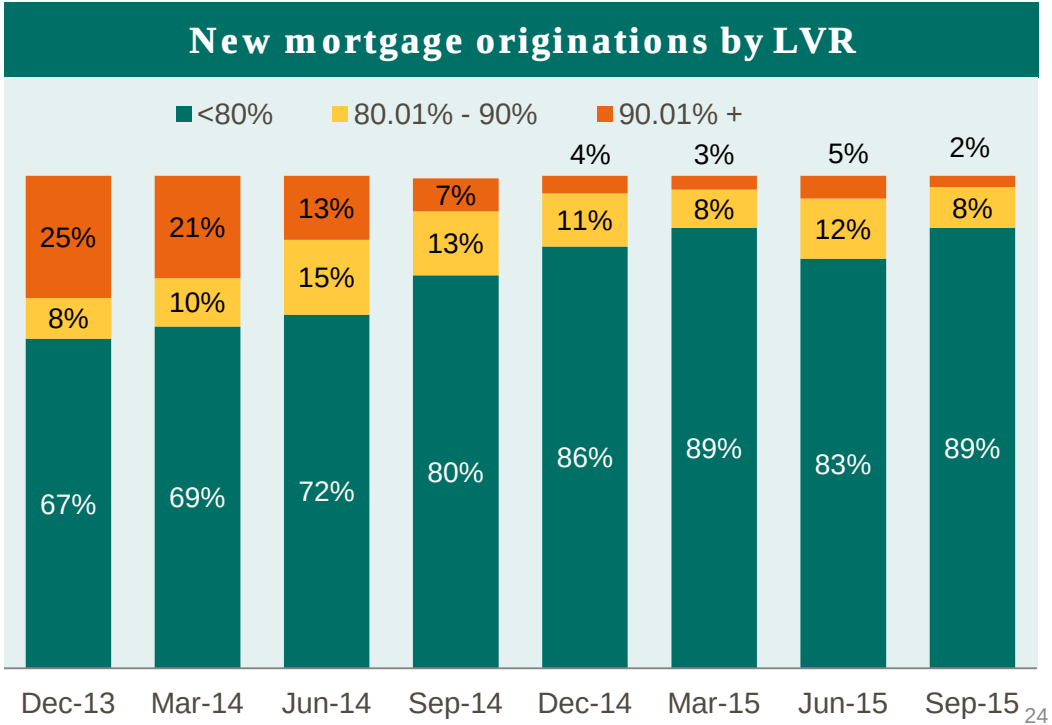


Retail	FY14	HY15	Sep15
Owner Occupier	69.5%	68.9%	69.1%
Investor	30.5%	31.1%	30.9%
Interest Only	22.1%	23.7%	24.4%
Low Doc	3.2%	2.7%	2.0%
Direct	40.3%	39.4%	36.5%
Broker	59.7%	60.6%	63.5%
Mortgage Insured	47.8%	44.7%	38.4%
Not Mortgage Insured	52.2%	55.3%	61.6%
Fixed	20.9%	20.8%	19.8%
Variable	79.1%	79.2%	80.2%
Average Loan size	$218,488	$219,800	$224,536
LVR Group (0.00% - 80%)	59.2%	61.7%	65.6%
LVR Group (80.01% - 90%)	24.0%	24.8%	23.3%
LVR Group (90.01% and above)	16.7%	13.5%	11.0%
90 days+ past due	0.93%	0.78%	0.67%
Impairment losses to Gross Loans	0.06%	0.06%	0.06%
Specific Provisions	0.01%	0.01%	0.01%
Loss Rate	0.004%	0.001%	0.001%

Housing loans – New Originations (Sept 2015)

Improved LVR mix

- Continued improvement in quality of new home lending
- Significant improvement in risk grades at origination
- Portfolio LVR mix continues to shift toward sub-80% lending

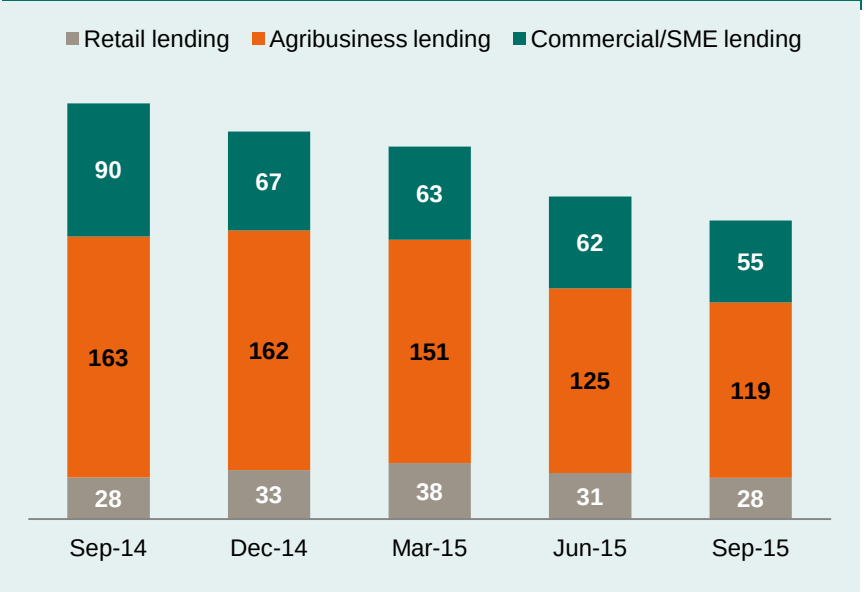


Credit quality (Sept 2015)

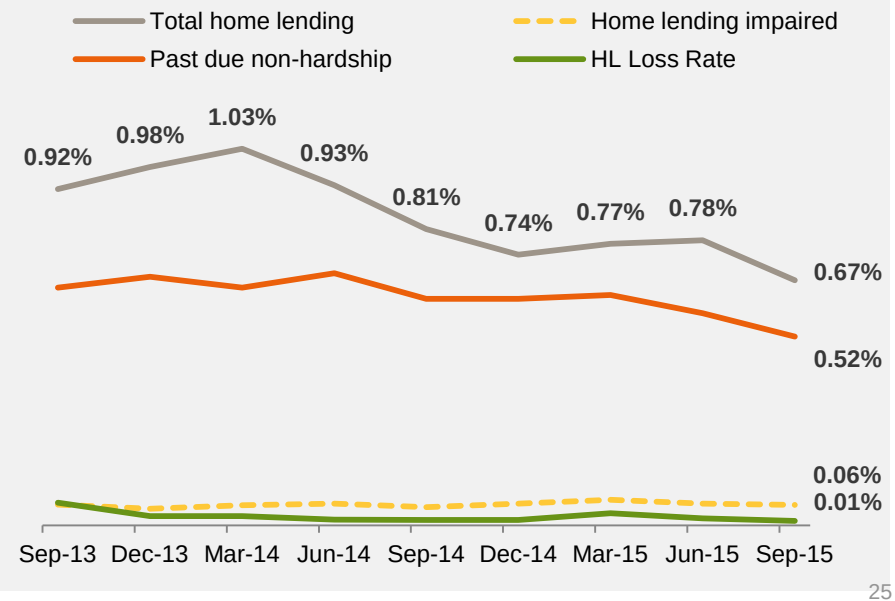
Impaired and non-performing loans both down significantly

Realising benefits from improved lending asset quality underpinned by enhanced risk management capability

Gross impaired loans by segment ($m)



Past due home loans (% gross home loans)

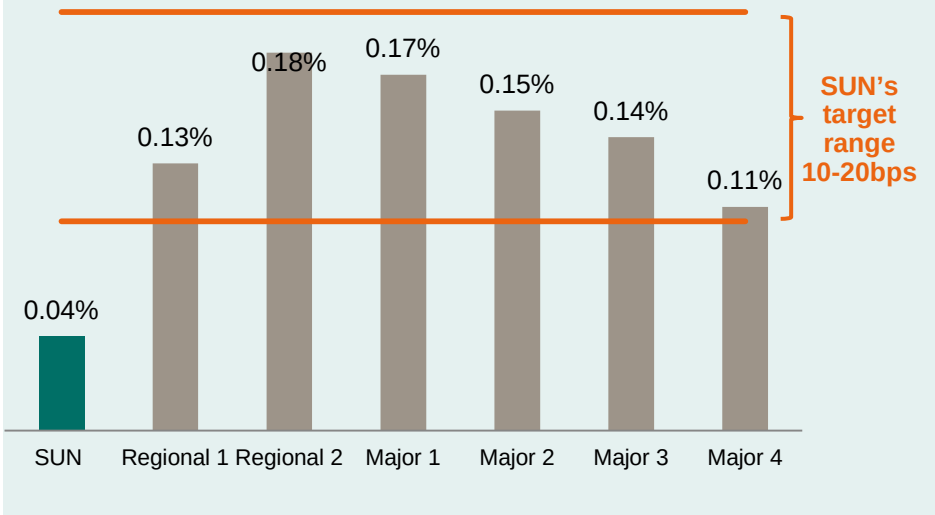


APS 330 Credit quality (Sept 2015)

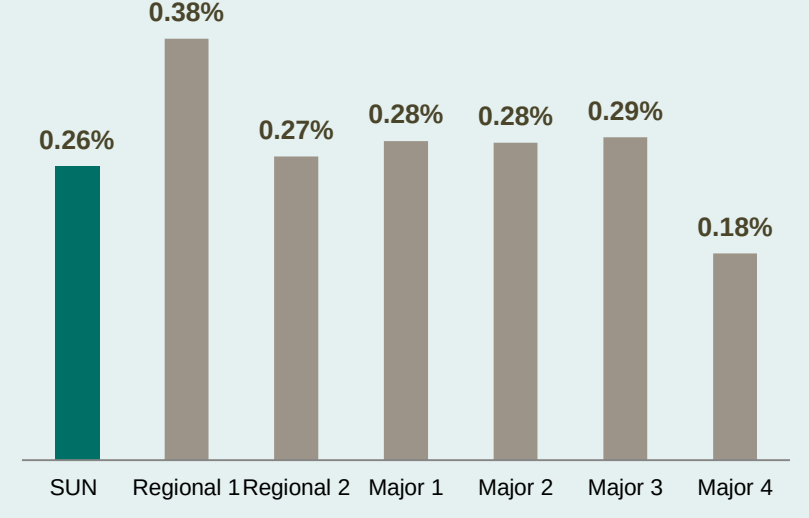
Impairments

- Impairment losses of $6 million demonstrates Suncorp Bank's focus on risk management and improved credit quality.

Impairment losses to gross loans



Net impaired loans to gross loans

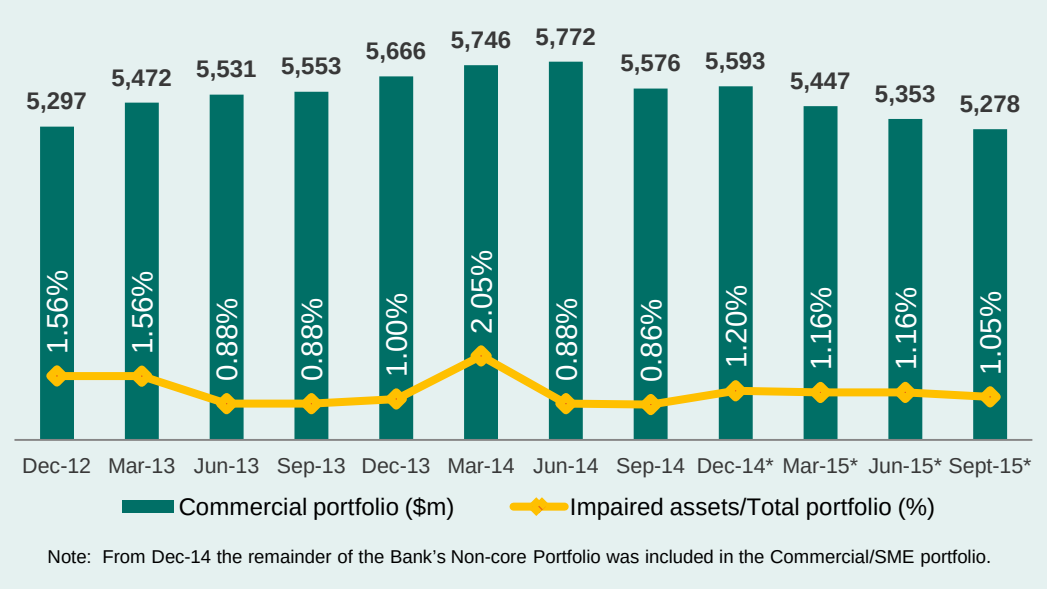


Source: Latest peer financial reports

Risk Position (Sept 2015)

Commercial (SME) asset growth and credit quality

- Portfolio contracted 1.4% to $5.3 billion
- Credit quality is within risk tolerances with impaired assets declining 12.7%
- The Bank continues to write low-risk, well secured business lending within its target market
- The portfolio is heavily weighted towards less than $5 million lending, with 99% of customer groups within this range.
- By value, more than 55% of the portfolio consists of customer groups with an average exposure of less than $5 million.

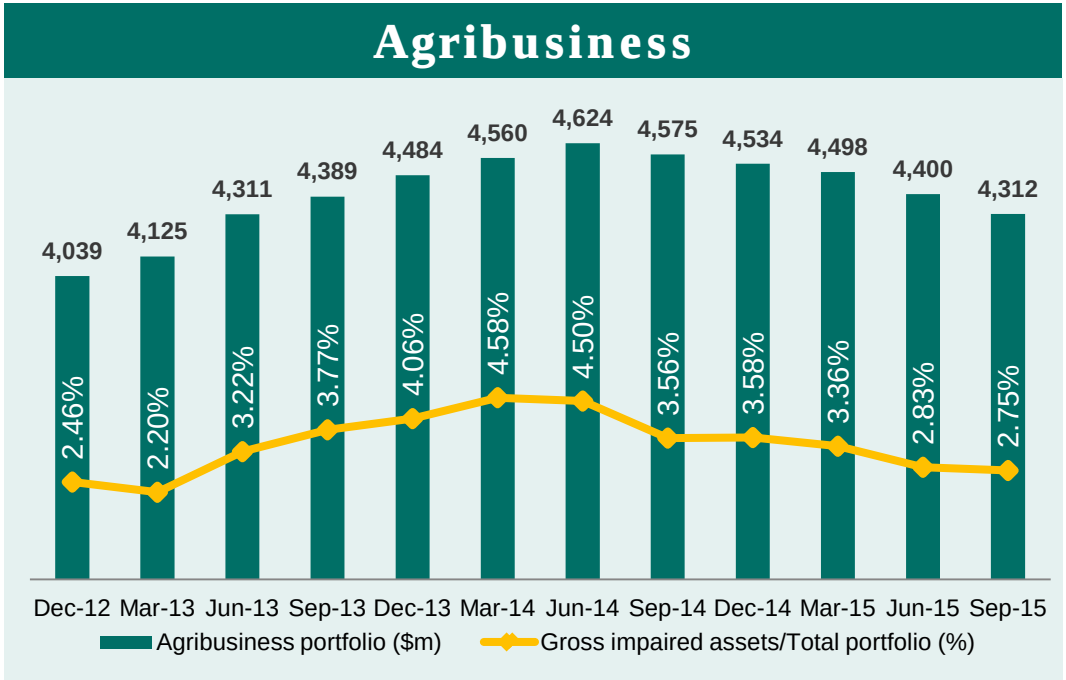


Note: From Dec-14 the remainder of the Bank's Non-core Portfolio was included in the Commercial/SME portfolio.

Risk Position (Sept 2015)

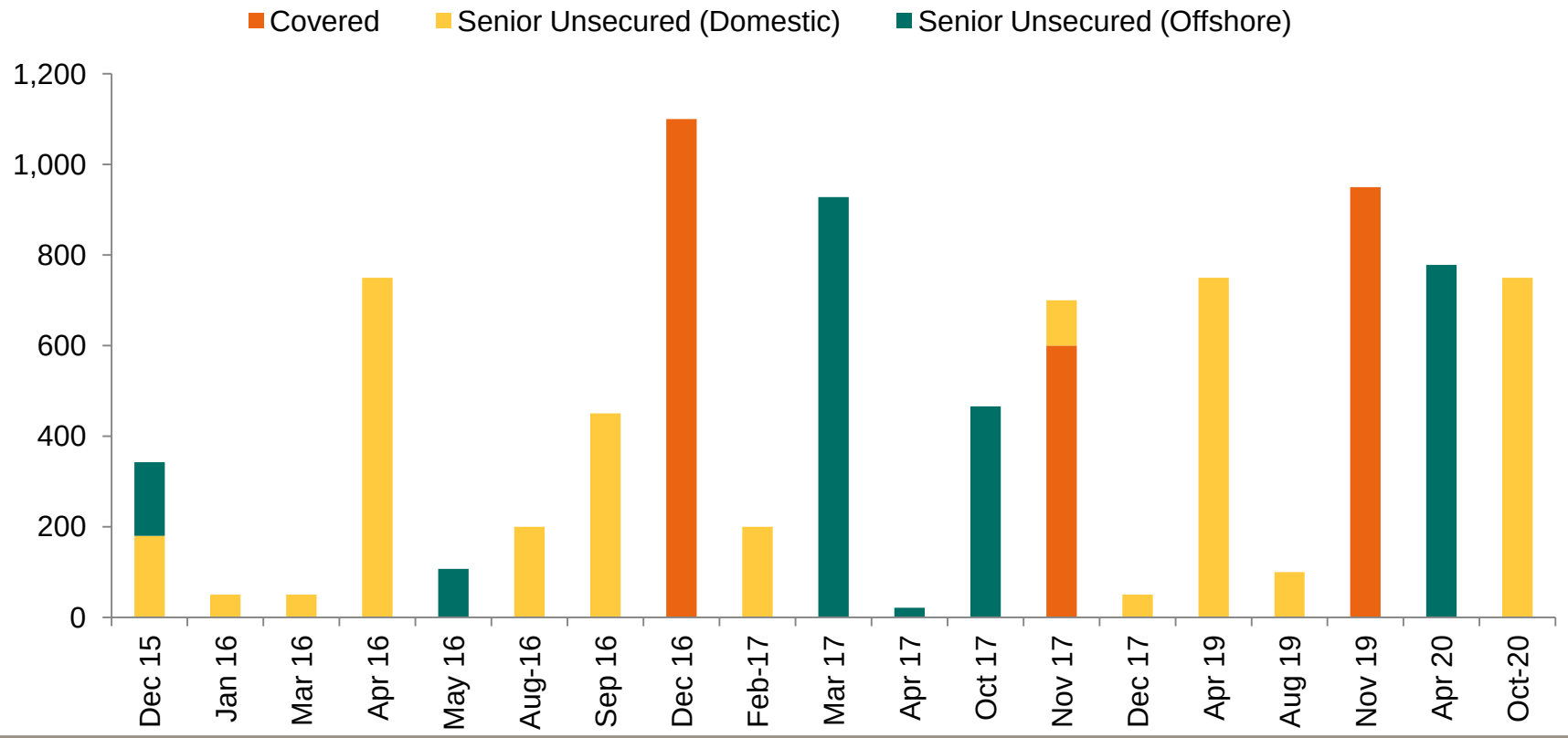
Agribusiness asset growth and credit quality

- Portfolio contracted 2.0% to $4.3 billion
- Credit quality is within risk tolerances with impaired assets declining 21.2%
- The Bank continues to exercise care and caution with its approach to risk selection in the agribusiness sector
- The portfolio is heavily weighted towards less than $5 million lending, with 93% of customer groups within this range.



Funding & Liquidity

Long Term Funding Profile ($m)



Funding and Liquidity

Diverse access to funding markets

- Strong Bank issuer credit rating of A+ / A1 / A+ creates genuine competitive advantage to other regional banks
- Modest term funding requirements for FY15/16
- The bank continues to look for strategic opportunities to lengthen and diversify term funding from established, well recognised domestic and offshore programmes
  - Short Term Wholesale supported by strong domestic fund appetite with diversity into offshore CP markets
  - During FY15 the Bank executed RMBS, covered bond and senior unsecured transactions in the A$, GBP and USD markets.
  - Suncorp Bank has historically issued in A$, US$, EUR, GBP, JPY & Asian currencies with all funds swapped into A$

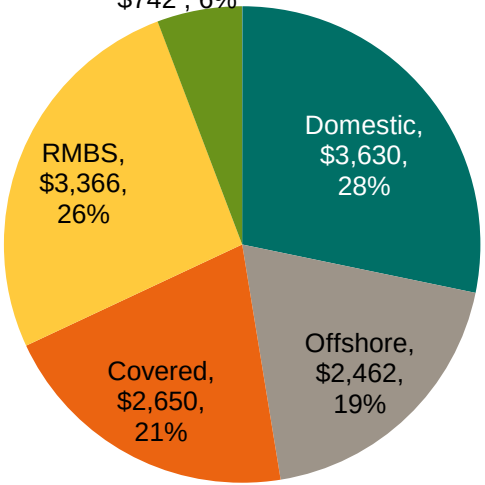
Issue Date	Amount	Tenor
Covered Bond		
Oct 2014	A$950m	5yr FRN/5yr Fixed
Nov 2012	A$600m	5yr Fixed
Jun 2012	A$1.1bn	4.5yr Fixed
Senior Unsecured (Benchmark)		
Oct 2015	A$750m	5yr FRN/Fixed
Apr 2015	US$600m	5yr Fixed
Sep 2014	GBP250m	3yr FRN
Apr 2014	A$750m	5yr FRN
Mar 2014	US$850	3yr FRN/Fixed
Apr 2013	A$750m	3yr FRN
Private Placements		
Nov 2015 *Outstandings*	US$290m	Offshore Private Placements
Nov 2015 *Outstandings*	A$1.38bn	Domestic Private Placements
RMBS		
Mar 2015	A$1.25bn	4yrs weighted average
May 2013	A$1.15bn	4yrs weighted average

Diversification of Funding Profile

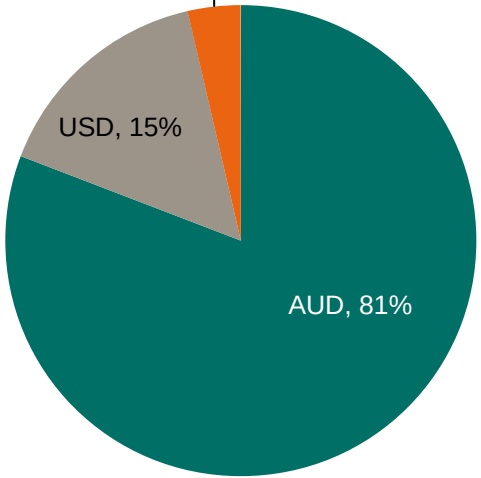
November 2015

- Suncorp Bank's Funding profile has diversified to include multi-currency and longer tenor issuance.
- Suncorp Bank has access to a wide range of wholesale funding markets with a proven ability to execute transactions.

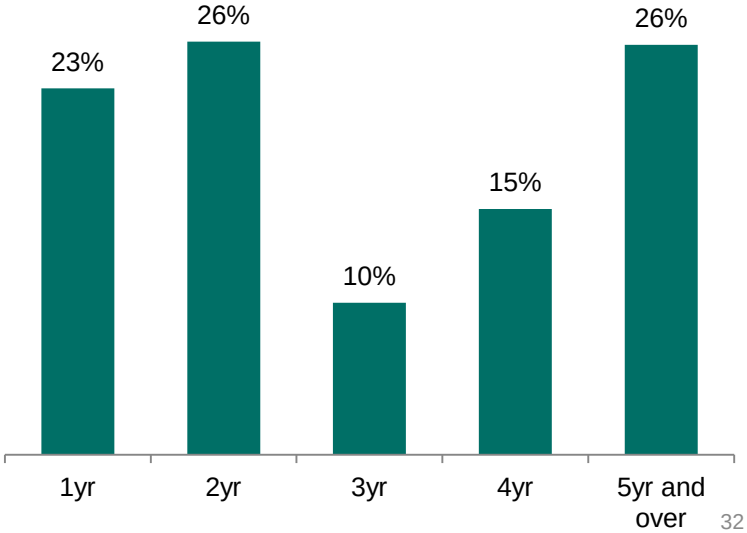
Asset Class



Currency Class



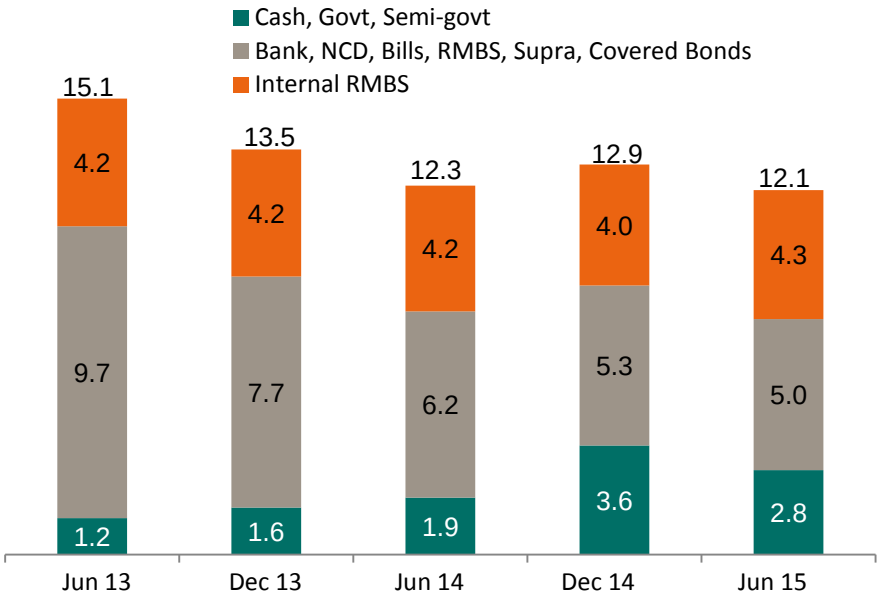
Remaining Tenor



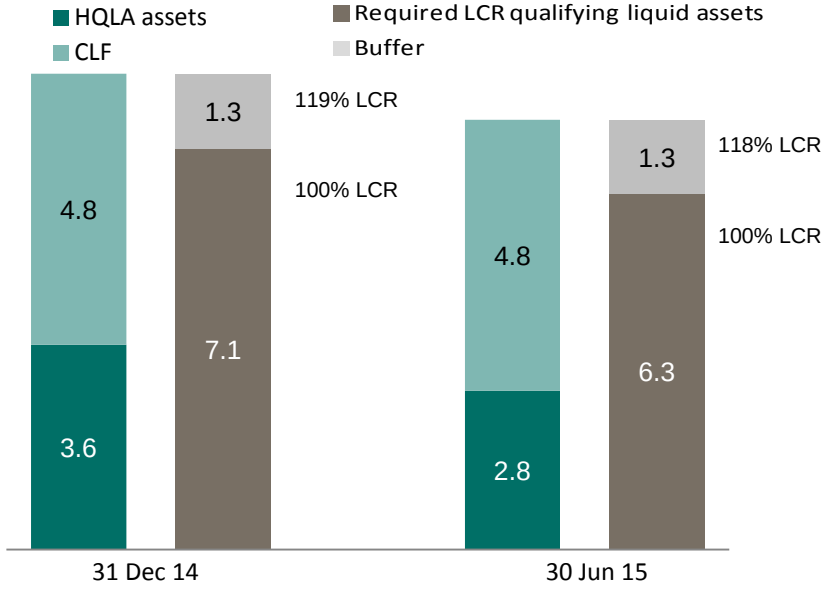
* *Charts do not include Preference Shares*

Liquid Assets transitioned to LCR (June 2015)

Components of Liquid Assets ($bn)



Components of LCR ($bn)



The Bank's transition to Basel III APS210 Liquidity standards has changed the composition of the Bank's liquid assets. The median LCR since implementation from 1 January to 30 June 2015 was 120%. The LCR at 30 June 2015 was 118%.

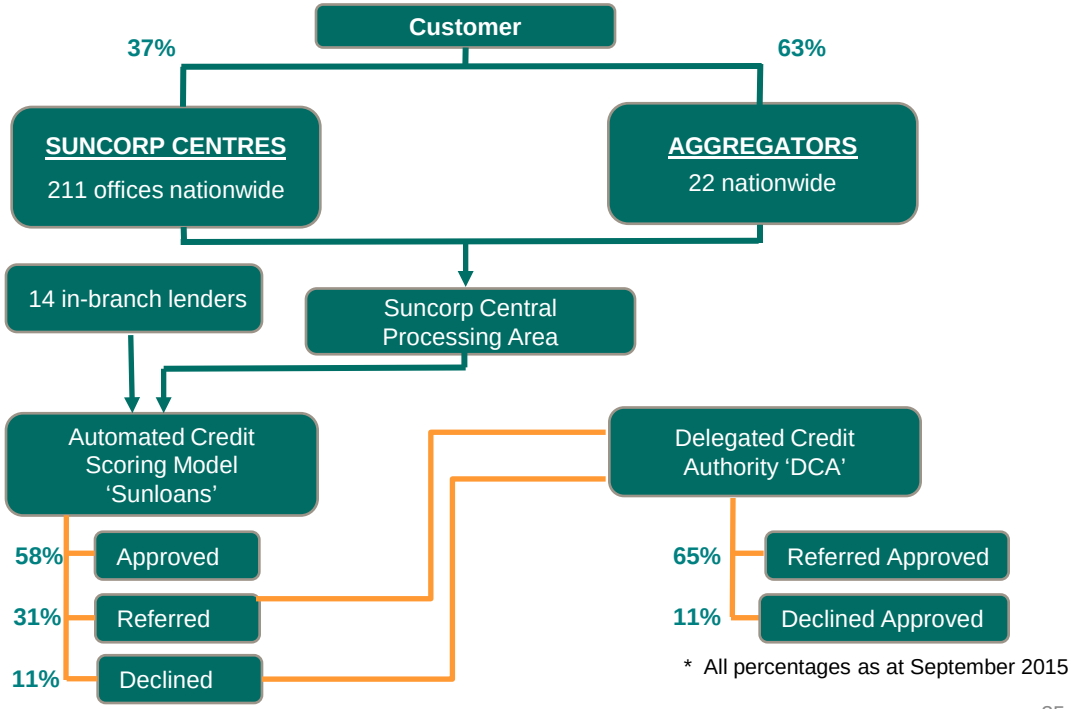
LCR defined as Liquidity Coverage Ratio.
CLF defined as Committed Liquidity Facility

Australian Mortgages

Suncorp Bank mortgage portfolio

Home loan underwriting process

- Suncorp has a custom built origination system called Sunloans
- This system has an automated decision engine model (scorecard) which reflects the Bank's risk strategy and underwriting criteria
- Underwriting that is not approved via the scorecard is completed by accredited Suncorp staff under a Delegated Credit Authority approved by the Chief Risk Officer *
- Aggregators/ Brokers have no approval authority
- Post approval, audits are performed regularly by the hindsight review team and QBE LMI for LMI loans



* All percentages as at September 2015

* Delegated by the Chief Risk Officer to Executive Manager Credit Oversight and Assurance for Delegated Credit Authority below Banking Credit.

Suncorp Bank mortgage portfolio

Underwriting criteria & valuation requirements

Underwriting Criteria	Valuation Requirements
Overview: • Underwriting criteria is built into Suncorp's automated Credit Scoring Model – • Credit Bureau reports required for all borrowers. Where report is not satisfactory, loan is referred via the scorecard to a higher approval authority for decision • Delegated Credit Authorities are held in the Banking Credit team and selected Lending Staff who are achieving benchmark results in Compliance	**Overview:** • All valuations are undertaken by Accredited Panel Valuers appointed by Suncorp • Suncorp utilises approx. 120 valuers nationwide • Independent valuations undertaken for approx. 85% of loans on Suncorp's balance sheet
Serviceability: • Customer serviceability determined via an assessment of affordability using the greater of the "floor" rate (5 year BBSW average for the previous quarter + 3% buffer + an overlay of 156bps) or the actual Customer product rate + 2% • Confirmation and stability of employment investigated and appropriate income details required • To verify loan affordability, Minimum Household Living Expenses are adopted if they are higher than the customer's actual living expenses. These allowances are updated quarterly and align with recognised indices	**Valuations are required:** • Loans with LVR > 70% *(subject to the purpose & loan amount)* • For metro properties if loan amount > $500,000 ** • For non metro properties if loan amount > $300,000 ** • Suncorp valuations are processed via the valuation management system (VMS), which is a fully automated system supplied by Core Logic that links the Bank to the Valuation firms – the selection of a valuer is random and controlled by the system. • Credit Policy and valuation rules are applied via the valuation decision maker (VDM), which determines the type of valuation to be used for a particular scenario. • Lenders / Banking Credit can override the system and request a full valuation. *** If the LVR is <= 80% and the loan amount is < $1M, a valuation may not be required if the contract of sale is acceptable and the Bank can validate same***
Acceptable loan security: • Parameters establish acceptable security types, acceptable geographic locations, maximum LVR and maximum loan amounts for particular locations • For fully verified loans, maximum LVR (inclusive of LMI fee) is capped at 95% LVR • All loans are supported by registered 1st mortgage with full recourse to the borrower	**Panel valuers are individually accredited based on:** • Industry qualifications • Current professional development certificates • Minimum $1m professional indemnity insurance cover • Approval by Suncorp Banking Credit and LMI sign off

Suncorp Bank mortgage portfolio

Mortgage brokers

Broker Accreditation Requirements	Overview of Mortgage Brokers
Formal accreditation process: • Must have ASIC issued Australian Credit License or be appointed as a Credit Representative by a license holder • be a member of an approved Aggregator group • Must be a member of the Mortgage and Finance Association of Australia or Finance Brokers Association of Australia (MFAA or FBAA) • Cannot be registered without full industry accreditation (e.g. National Consumer Credit Protection (NCCP) training) • Ongoing training requirements also need to be achieved	**Broker responsibilities:** • Act as intermediaries between the borrower and Suncorp in the initial phase of mortgage origination • Act solely as originators of loan applications and have no authority to perform any part of the loan assessment, approval or servicing • Validation of employment and income data conducted by Suncorp staff
Experience and training (administered by Aggregators): • Must have a minimum of 2 years industry experience • Must be a member of the Mortgage and Finance Association of Australia or Finance Brokers Association of Australia (MFAA or FBAA) and be personally identified (e.g. 100-point check) • Have a Certificate IV in Mortgage Lending • Subject to clear Australian Federal Police checks • Must hold Professional Indemnity Insurance	**An annual review process is performed by Channel Management on Aggregator relationships and includes:** • The quality/quantity of mortgage applications • Percentage of Suncorp business and arrears • Portfolio trends compared to industry averages • Changes in ownership • Fraudulent and suspicious activity

Suncorp Bank mortgage portfolio

Comprehensive arrears management

Customer Contact Strategy (Collections)

Day 1 – Day 60

- System generated arrears notice sent on Day 7
- After Day 7 continuous contact via predictive dialler
- Aim to elicit “Promise to Pay”
- 14 full-time Officers dedicated to covering outbound calls
- 5 full-time Officers dedicated to covering inbound calls
- Default Notice / Notice to Exercise Power of Sale 30 days
- Staff target 80-85 contacts per person per day

Mitigation Strategy (Recoveries)

Day 60 – Day 90

- Customer transferred to Late Collections Team (5 staff)
- Notice to Quit issued
- Strict adherence to NCC Guidelines
- Approval of Hardship Cases on application basis
- QBE LMI send arrears report at 60 days

Legal Process and Asset Realisation (Repossessions)

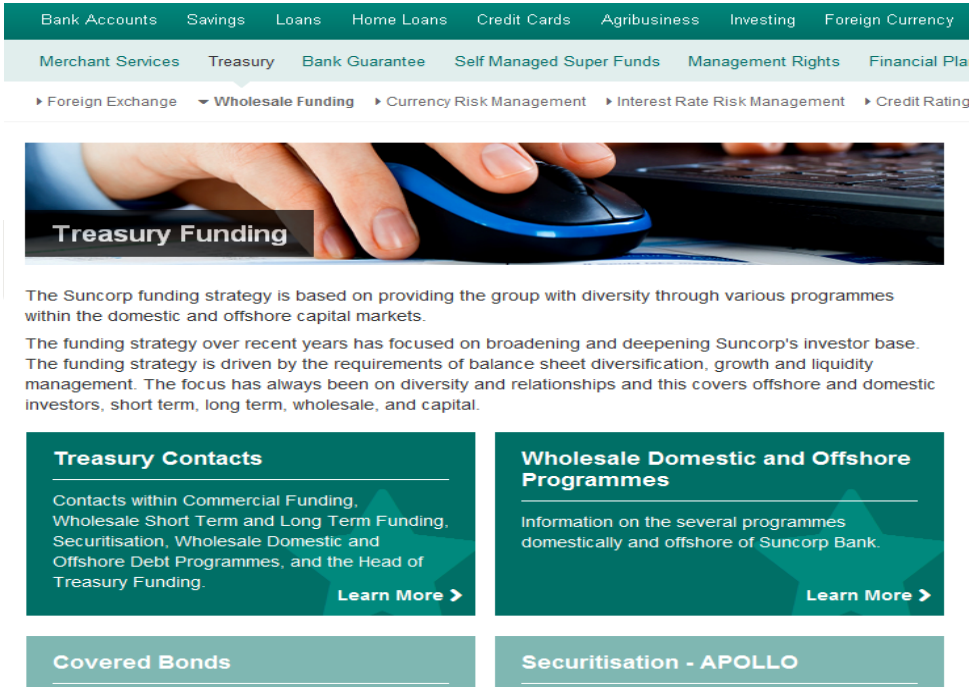
90 + Days

- Lodge Statement of Claim with Supreme Court
- File Writ of Possession
- Judgement and execute warrant for vacant possession
- Obtain valuation, recommend real estate agent and complete any capital works as required
- Repossessions Team focus on loss mitigation strategy (5 staff)
- Auction and sale of property
- LMI claim made for any shortfall

Investor Reporting

For further information on Treasury Funding please go to

http://www.suncorpbank.com.au/financial-services/treasury/wholesale-funding



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Important disclaimer

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All amounts are in Australian dollars unless otherwise stated.

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