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SUNCORP 

# Sale of Suncorp Bank

18 July 2022



# Key highlights



Sale of Suncorp Bank to ANZ for \$4.9 billion, representing 1.3x P/NTA

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Significant value realised for Suncorp shareholders

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Simplified group with a market leading general insurance business

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Positive outcome for customers and staff

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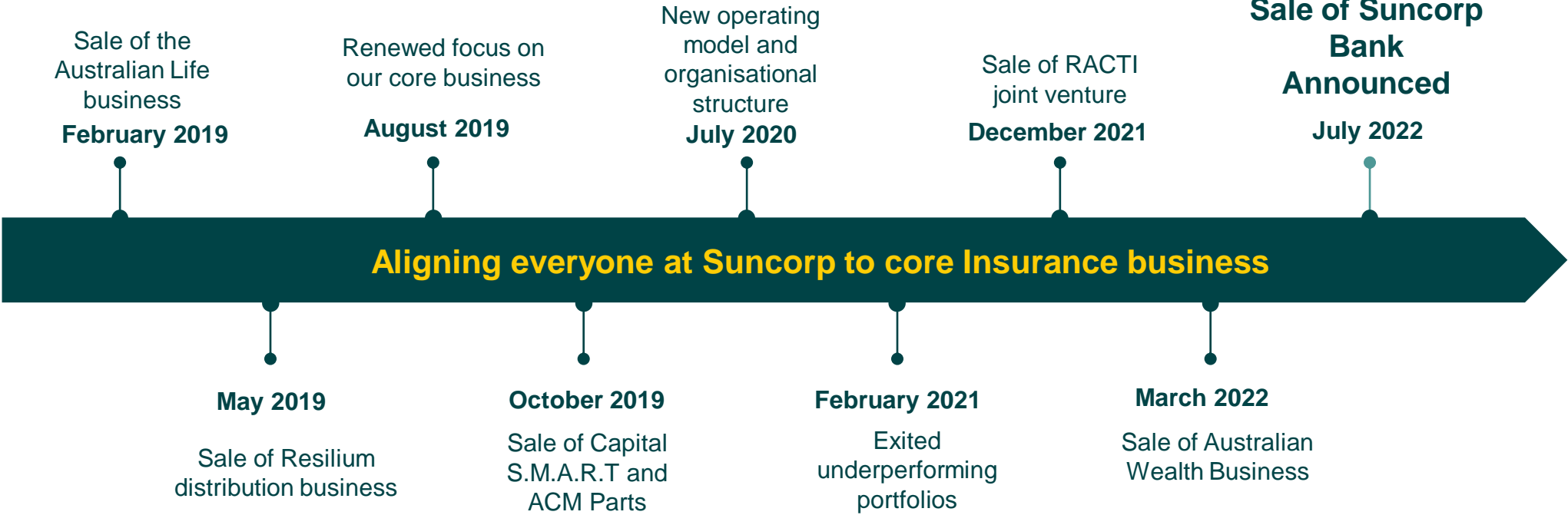
Opportunity to enhance and accelerate the plan for Suncorp Bank under ANZ ownership

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Reaffirming FY23 targets

# Reshaping and simplifying



Aligned to deliver best products and services for customers

Bank was set up with end to end processes with a new team in place and strategy well under way

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# Strategic rationale



Building futures and protecting what matters

- **Maximise** value for Suncorp shareholders with the offer representing an attractive premium

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- **Position** Suncorp Bank's customers, people and purpose for greater success over the medium to long term

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- **Alignment** of ambition with ANZ on the Bank's future potential

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- **Focus** on strategic initiatives within Suncorp's insurance businesses

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- **Simplify** Suncorp as an organisation with a commitment to being at the forefront of sustainability

# A strengthening of Suncorp and ANZ commitment to Queensland

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<p><b>Maintaining Suncorp Bank's strong Queensland presence</b></p>	<ul style="list-style-type: none"> <li>– For a period of 3 years post completion:             <ul style="list-style-type: none"> <li>– No net job losses in Queensland as a result of the acquisition</li> <li>– No further reductions in branch numbers in Queensland</li> </ul> </li> </ul>
<p><b>Broader ANZ commitment to the region</b></p>	<ul style="list-style-type: none"> <li>– Supporting ANZ's existing renewable lending commitments to support Queensland renewable projects and green Olympic Games infrastructure</li> <li>– Supporting energy projects particularly those targeting bioenergy and hydrogen over the next decade</li> </ul>
<p><b>Benefits for Suncorp Bank's Queensland customers and staff</b></p>	<ul style="list-style-type: none"> <li>– Access to product and technology initiatives currently being developed by ANZ</li> <li>– Additional development, career progression and training opportunities for Suncorp Bank employees</li> </ul>
<p><b>Broader Suncorp commitment to the region</b></p>	<ul style="list-style-type: none"> <li>– Queensland will continue to be head office and key functions will continue to operate from there</li> <li>– Claims centre of excellence</li> </ul>

# Transaction overview

<b>Transaction structure</b>	<ul style="list-style-type: none"> <li>– Sale of 100% of shares in SBGH Ltd, the holding company for Suncorp Bank (the <b>Bank</b>), to Australia and New Zealand Banking Group Limited (<b>ANZ</b>)</li> </ul>
<b>Consideration</b>	<ul style="list-style-type: none"> <li>– 100% cash consideration for the ordinary shares of the Bank</li> <li>– \$4.9 billion cash consideration, and a minimum brand licence fee of \$50 million to be received over time (representing \$10 million per year)</li> <li>– Price represents 1.3x P/NTA<sup>1</sup></li> </ul>
<b>Conditions Precedent</b>	<ul style="list-style-type: none"> <li>– As agreed in the Share Sale and Purchase Agreement (<b>SPA</b>), completion is subject to certain conditions including ACCC approval, Financial Sector (Shareholdings) Act approval from the Treasurer and certain amendments to the State Financial Institutions and Metway Merger Act 1996</li> </ul>
<b>Brand Licencing Agreement</b>	<ul style="list-style-type: none"> <li>– Suncorp and ANZ have entered into a 5 year Brand Licencing Agreement for Suncorp Bank</li> <li>– The term of the licencing agreement may be extended by an additional two years</li> </ul>
<b>Timeline to completion</b>	<ul style="list-style-type: none"> <li>– Expected approximately 12 months to completion</li> <li>– Targeting completion by second half of calendar year 2023</li> </ul>
<b>TSA</b>	<ul style="list-style-type: none"> <li>– A transitional services agreement (TSA) will be entered into for a period of two to three years from completion</li> </ul>
<b>Stranded costs</b>	<ul style="list-style-type: none"> <li>– Stranded costs, net of TSA, will be approximately \$40 million per year after tax from completion</li> <li>– We are committed to removing stranded costs with a targeted timeframe of three years post completion</li> </ul>

Note: (1) Based on last reported Net Tangible Assets of the Bank of \$3.6 billion as at 31 December 2021. This NTA is subject to change once the completion balance sheet is finalised.

# Indicative proceeds from transaction

- Upfront consideration of \$4.9 billion
- A \$50 million fee received over time (\$10 million per year for the brand licence)
- Implied accounting gain on sale (post-tax) of \$0.3 billion
- Estimated net proceeds (capital generated) of \$4.1 billion
- Consistent with the approach taken in previous divestments, the current intention is to return the majority of proceeds to shareholders
- Excess capital expected to be returned through combination of pro-rata capital return, fully franked special dividend and buybacks

## Indicative net transaction proceeds<sup>1</sup>

Net Tangible Assets	\$3.6bn
Premium paid to NTA	\$1.3bn
<b>Upfront consideration</b>	<b>\$4.9bn</b>
Less: indicative separation costs, transaction costs, other divestment related costs and provisions, and capital impacts	\$0.5bn
Less: indicative capital gains tax	\$0.3bn
<b>Estimated net proceeds (capital generated)</b>	<b>\$4.1bn</b>

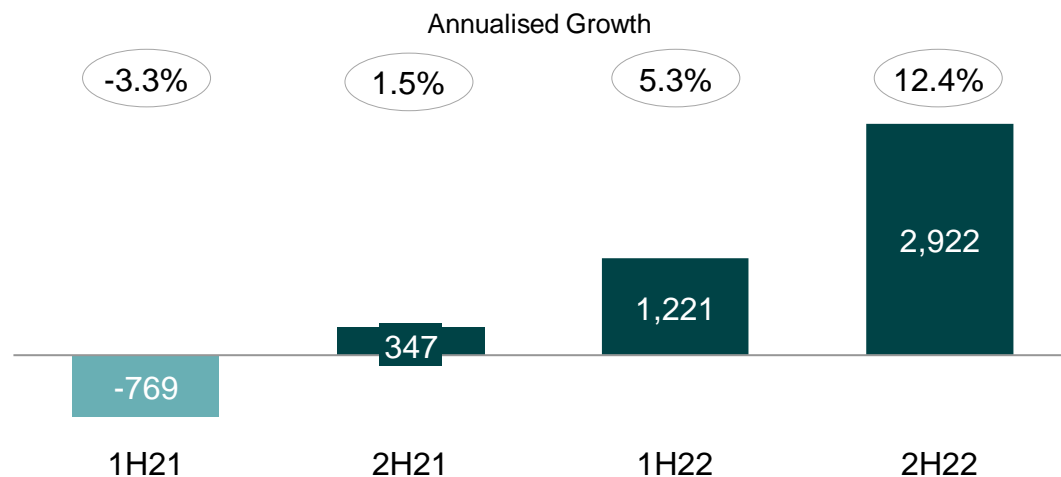
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# Bank Trading Update

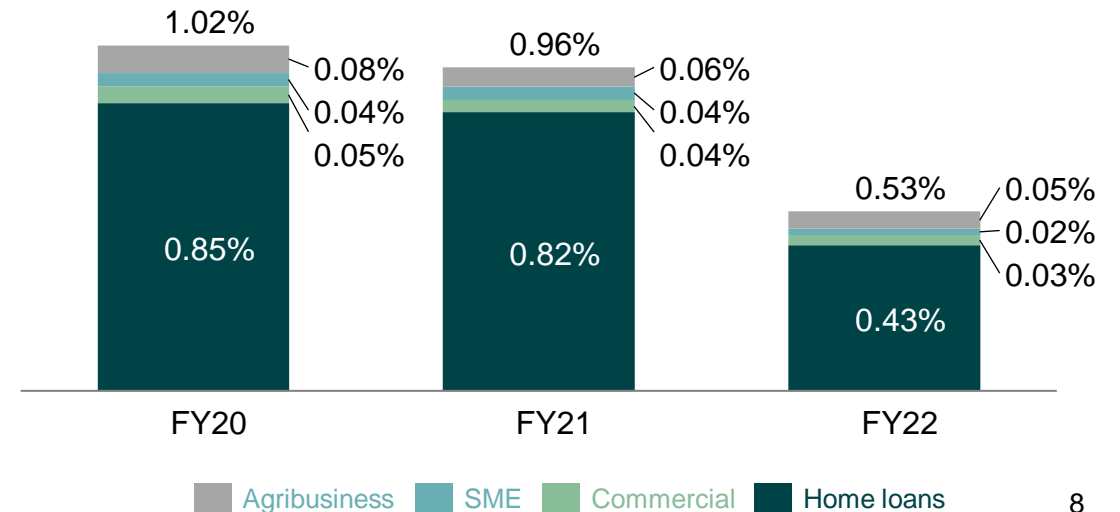
	FY22 <sup>1</sup> (\$m)	FY21 (\$m)	Change (%)
Net interest income	1,245	1,242	0.2
Other operating income	3	39	(92.3)
Operating expenses	(736)	(731)	0.7
<b>Profit before impairments</b>	<b>512</b>	<b>550</b>	<b>(6.9)</b>
Impairment release/(expense)	14	49	(71.4)
Income tax	(158)	(180)	(12.2)
<b>Banking profit after tax</b>	<b>368</b>	<b>419</b>	<b>(12.2)</b>
<b>CTI</b>	<b>59.0%</b>	<b>57.1%</b>	
<b>NIM</b>	<b>1.93%</b>	<b>2.07%</b>	

- Lending growth supported by strong turnaround times and credit quality:
  - Time to unconditional approval 9.1 days in 2H22 vs 17.4 days in PCP<sup>2</sup>
  - Origination LVR 66% in 2H22 vs 73% PCP; LVR >80% at 10% vs 19% PCP
  - Arrears at multi-year lows
- NIMs down 7bps in 2H22 (competitive pressures, higher liquids, mix)
- Decline in other operating income impacted by mark-to-market movements in economic hedges
- Collective provision balance stable at \$180m half-on-half
- Reaffirm CTI target of ~50% by end FY23
- Suncorp remains committed to the Bank until completion

## Net home lending growth (\$m, %)



## 90-day+ past due (% of total GLA)



<sup>1</sup> FY22 figures are unaudited and will be confirmed at the FY22 results announcement <sup>2</sup> Based on AFG data

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# The Suncorp Insurance portfolio

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Insurance (Australia)				New Zealand
<p><b>AAMI</b> <i>National Brand</i></p> 	<p><b>Suncorp and GIO</b> <i>Regional Champions</i></p> 	<p><b>Niche Brands</b> <i>Specialty</i></p> 	<p><b>Vero</b> <i>Commercial</i></p> 	<p><b>SUNCORP</b> </p> <p><b>vero</b></p> <p> <b>Asteron Life</b></p> <p><b>AA Insurance</b></p>

Australia and New Zealand have large and established general insurance markets, with ~A\$46bn and ~A\$7bn market sizes respectively<sup>1</sup>

With a strong competitive position and brand awareness in these markets, Suncorp Insurance is well positioned for continued success

Note: (1) APRA Quarterly General Insurance Performance Statistics, Dec 2021; Swiss Re

# Suncorp Insurance is an attractive investment opportunity for the future

## Attractive General Insurance markets



- Markets are well-regulated with established players
- Large and profitable markets in Australia and New Zealand, with \$46b and \$7b GWP respectively
- Growth rates are attractive across all General Insurance portfolios

## Strong competitive position



- Leading customer and brand positioning (AAMI, Suncorp, Vero, Shannons, AA Insurance)
- Leading market share position, which provides scale advantages
- Leading core insurance capabilities, especially on digital, claims and pricing
- Strong corporate culture and a highly engaged workforce (top quartile vs our peers)

## Compelling strategy focused on value delivery



- Create a leaner, more efficient and effective business
- Shift to higher-growth lines of business (esp. Commercial) to drive growth and diversify portfolio
- Develop a more sustainable, resilient portfolio (prevention, resilient houses, government advocacy)
- Increase participation in partnerships across Mobility, Home and Commercial portfolios

## Excellent outcomes with strong underlying performance



- Higher return on tangible equity
- Strong organic capital generation

# Reaffirming FY23 targets

**Returns**

Cash return on equity above the through-the-cycle cost of equity

**Key divisional metrics**

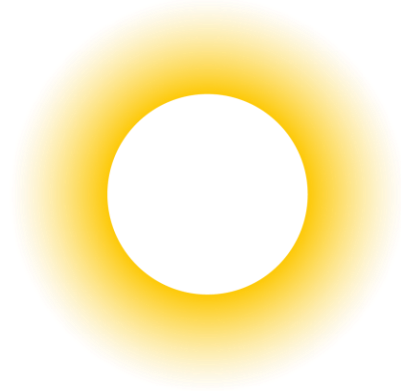
**General insurance**

Underlying ITR of 10 – 12% by FY23

**Banking**

Cost-to-income ratio of ~50% by FY23

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# SUNCORP

**Building futures and protecting what matters**

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# Appendix:

## Transitioning Suncorp Bank to ANZ

### Pre-completion

#### *~12 months*

- Continued delivery of the Bank's strategic priorities and objectives, ensuring customers, people and purpose remain first priority
- Separation program, including handover of control of Suncorp Bank dedicated systems
- Satisfaction of Conditions Precedents to the transaction
- Engagement with key stakeholders and regulators

### Transitional period

#### *~2 years*

- Two year Transitional Services Agreement (TSA) with ANZ has been entered into
- Objective is to ensure no disruption to Suncorp Bank's operations and continue to offer customers high quality service
- A range of customary transitional services will be provided to Suncorp Bank
- These support services include technology, operations, and finance capabilities for a period that allows ANZ to complete its integration plans
- The Suncorp App will be transferred to Suncorp Bank, with a focus on ensuring a seamless experience for existing Suncorp Banking customers

### Brand licencing period

#### *~5 years with potential for additional 2 years*

- A 5 year Brand Licencing Agreement (BLA) with ANZ has been entered into for the Suncorp Bank brand
- A Brand Licencing Committee will be established to govern the implementation of the BLA post completion
- Brand health will be monitored closely via a set of agreed key performance indicators, including reputation scores and NPS measures
- The BLA may be extended by up to two years
- By the end of the term of the licencing agreement, there will be a re-brand

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