Financial Results for the half year ended 31 December 2017

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Create a better today

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SUNCORP GROUP LIMITED
ABN 66 145 290 124

Michael Cameron

CEO & Managing Director

Good morning everyone. I trust you've had a chance to review the headline results.

While reported profit for this half is lower, you will see that our focus on running the business well is delivering solid top line performance.

Suncorp is well placed for a stronger second half. More importantly, the outlook is for a significant uplift in shareholder returns in future years.

This outlook is a direct result of our work over the past two years. We are now building momentum in both our top line, and our key programs which are beginning to contribute to better performance.

We've been listening to investor feedback. From today, you will begin to see more information on the linkage between the four pillars of our strategy and the creation of additional shareholder value. We are laying out some key drivers of value to measure us against and more colour on the outcomes we are committing to for future years.

Let's start with the results as reported this morning.

Result Overview

- Includes the impact of Victorian hail storm
- Impacted by significant business investment
- Reflects good top line growth
- Payout ratio well above historical levels

	HY18 ($m)	HY17 ($m)	Change (%)
Insurance (Australia)	264	369	(28.5)
Banking & Wealth	197	208	(5.3)
New Zealand	61	36	69.4
NPAT from functions	**522**	**613**	**(14.8)**
Other	(50)	(29)	72.4
Cash earnings	**472**	**584**	**(19.2)**
Acquisition Amortisation	(20)	(47)	(57.4)
Reported NPAT	**452**	**537**	**(15.8)**
Interim dividend	33 cps	33 cps	–

SUNCORP HY18 RESULTS 3

The reported NPAT for the six months was $452 million.

This includes the impact of the damaging Victorian hailstorm that occurred just prior to the balance date, as well as the significant investment in our two major programs.

Those programs are on track to drive higher future returns and we are already seeing good top line growth across all businesses.

The interim dividend was 33 cents, reflecting a payout ratio of 90%. This is well above our historical interim ratios, and consistent with our commitment to shareholders for FY18.

Highlights

1. Business **growing with strong top line growth**
2. Digital transformation to drive **improved customer experience and efficiencies** is well progressed
3. Investment in the Business Improvement Program to improve processes and deliver a more resilient Suncorp model, **on track to deliver sustainable benefits**
4. **Dynamic regulatory environment** has driven short term costs and longer term growth opportunities
5. Outlook is for a **significant uplift in performance** in FY19 and FY20

Two things are happening with growth:

— As a result of our intense focus on the business, Suncorp is growing and achieving good momentum.

— At the same time, we are benefitting from a hardening market.

We've progressed our digital transformation. This will drive improved customer outcomes and lower costs.

Our investment in the Business Improvement Program will reset the cost base back to $2.7 billion. This will give Suncorp a more resilient model.

Increased regulation is driving additional costs, that we need to manage. It's important to note that this new regulation will ultimately improve Suncorp's competitive position.

Let's take a closer look at each of these highlights in a little more detail, starting with the top line growth I mentioned earlier.

1. Business growing with strong top line growth

- Australian Motor & Home GWP up 3.9%[1], unit growth up and market shares stabilised. Focus on Insurance claims processes has driven margin expansion
- Commercial has prioritised margin over growth in units
- Life business metrics lifted, 56% underlying NPAT improvement to $39m
- Bank loan growth 8.7%, well above system, with strong margins and low loss rates, underpinned by improvements in customer experience and increased customer retention
- New Zealand Consumer GWP up 11%, driven by unit and premium growth, with NPAT up 81%

Result included the Business Improvement Program $50m, Marketplace $36m and Natural Hazards unfavourable $65m.

1. Excludes emergency services levy.

SUNCORP HY18 RESULTS 5

We are delivering good top line growth, and solid underlying performance across all businesses.

With working claims under control and effective pricing strategies, we have achieved 3.9% growth in Motor & Home GWP, with unit growth up, and market shares stabilised.

The Optimisation program in the Life business saw all metrics lift, and a 56% improvement in underlying NPAT, to $39 million for the half.

Bank loan growth at 8.7% is well above system. Margins are above our target range, and loss rates are at far better than expected levels.

New Zealand Consumer GWP was up 11%, with NPAT up 81%.

The result included Business Improvement Program investment of $50 million, Marketplace spend of $36 million, with Natural Hazards $65 million unfavourable to allowance.

2. Digital transformation well progressed

- Innovation is improving the customer experience
  - Pilot of the Reward & Recognition program, 55,000 users
  - 33% of the Group's online claims are now 'zero touch'
- Adoption of digital platform continues to grow:
  - 67 million digital interactions with our customers up by 19%, while self service transactions up by 20%
  - 3.38m Connected Customers[1]
- 10% reduction in customer complaints received by front line staff
- 82% customer retention maintained despite competition and price increases
- Increase in consumer NPS to 7.6

1. A customer is considered to be connected if they have two or more needs met across the need categories of Home, Self, Mobility and Money, or if they hold four or more Suncorp products.

Digital transformation is progressing well.

Building the capability quickly, means faster adoption by customers, and faster benefits to shareholders:

— The pilot Reward and Recognition program is being used by 55,000 customers, further embedding our relationship with them.

— Other examples include zero touch claims, better data management, and a single view of insurance and banking for customers.

Digital interactions are up 19% since this time last year. This has contributed to a 10% reduction in complaints.

Another good indication that our focus on digital is working is that our Consumer NPS has increased to 7.6.

3. Investment in Business Improvement Program (BIP) on track to deliver benefits

- Investment in Business Improvement Program $50m YTD, focused on:
  - Improving customer experience
  - Driving efficiencies
  - Embedding a culture of continuous improvement
- On track to deliver net benefits, with $124m gross benefit annualised run rate already locked in

	Cost	Benefit	Net[1]
FY18	$97m	$107m	$10m
FY19	$79m	$274m	$195m
FY20	$62m	$391m	$329m

1. Pre tax benefits

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As I said earlier, our Business Improvement Program is on track to deliver shareholder benefits.

The net benefits this year will be $10 million but that grows quickly to an expected $195 million next year, and $329 million in FY20.

With a gross benefits run rate of $124 million already locked in, I am confident the continued focus in the second half will position us well for achieving these net targets.

The program differs to what we have done in the past and also to what others in the market are pursuing.

Beyond taking cost out of the business, the program is focused on improving customer experience and embedding a culture of continuous improvement.

We are driving for a fundamental shift in the mindset of our people and the way in which we work.

There has been a lot of discussion about the increasing rate of Regulatory change and the bias of these changes towards greater competition.

We expect this trend to continue and together, with the improvements we are driving internally, we expect to be able to improve returns across our various businesses over the longer term.

A good early example is the structural changes to the CTP market. This enabled Suncorp to enter the South Australian scheme.

5. Outlook is for a significant uplift in performance in FY19 and FY20

- In FY19:
  - Business Improvement Program to drive annualised operating expenses back to $2.7bn
  - Underlying ITR expected to return to at least 12%, with the Cost to Income ratio around 50%, and Net Interest Margin between 1.80-1.90%
  - Combined with the initial results from digital transformation, will produce a Cash ROE of 10%
- Plan to increase dividend payout ratio in FY18, then sustainable range of 60-80%
- Excess capital returned to shareholders

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Now I want to provide more detail around the outlook for shareholders.

In FY19, we are committing to a $2.7 billion cost base despite expected volume growth, and inflation.

We expect that Suncorp's underlying ITR will return to at least 12%, and our Banking Cost to Income ratio will be around 50%.

We are also confident in the Bank's performance continuing with both growth in the lending book and effective funding to deliver a net interest margin in the 1.80% - 1.90% range.

The combination of these factors and the benefits of the digital transformation will get us to a Cash ROE of 10%.

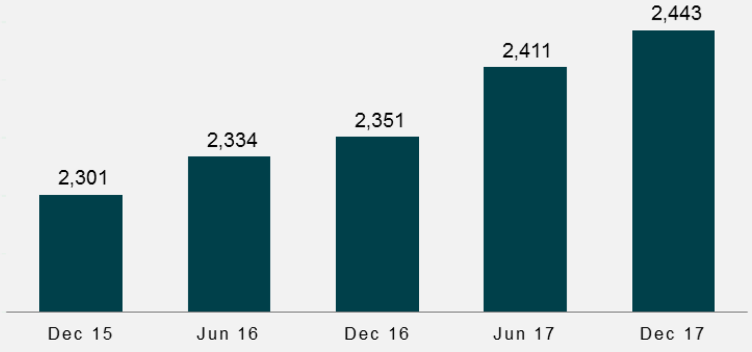
Although we plan to increase the dividend payout ratio this year, you should note that a 60-80% range in future years is sustainable, and we remain committed to returning excess capital to shareholders.

Insurance (Australia)

—

- GWP driven by unit growth and premium increases
- Working claims ratio improved reflecting benefits of operating efficiencies designed to offset inflation
- Business Improvement Program investment has impacted margins but will improve competitive position
- CTP reforms have short term impact on top line growth, long term benefits
- Life optimisation program delivering improvement in pricing

Gross Written Premium – Motor and Home (excluding FSL) ($m)



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I now want to make a couple of comments on the performance of each of our businesses.

This graph shows the steady increase in Motor & Home GWP. It is being achieved by growing both units and price.

Consumer loss ratios have also improved. We have executed significant improvements in both home and motor over the past 18 months to better manage the claims inflation that has been experienced across the industry.

The investments we are making do impact margins in the short term but we are further improving our competitive position.

We are also seeing a meaningful turn-around in the Life business as a direct result of our Optimisation program.

Steve will walk you through the improving metrics for each line of business in a moment.

Banking & Wealth

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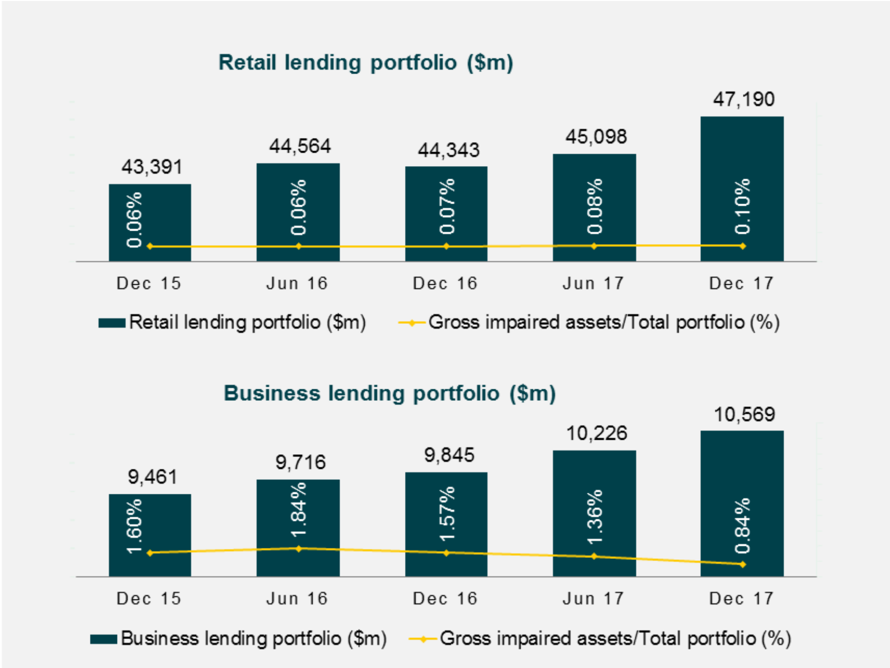
- Growth in lending of 8.7% materially above system
- Simplified origination processes and higher customer retention contributed to growth
- Increased investment in the business in FY18 to drive margins and more competitive position in future periods



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Our team has done a great job with the Banking business.

The Bank delivered well above system growth compared to a flat performance this time last year.

Origination processes were simplified there was a big and successful focus on retention and the brand has been re-positioned.

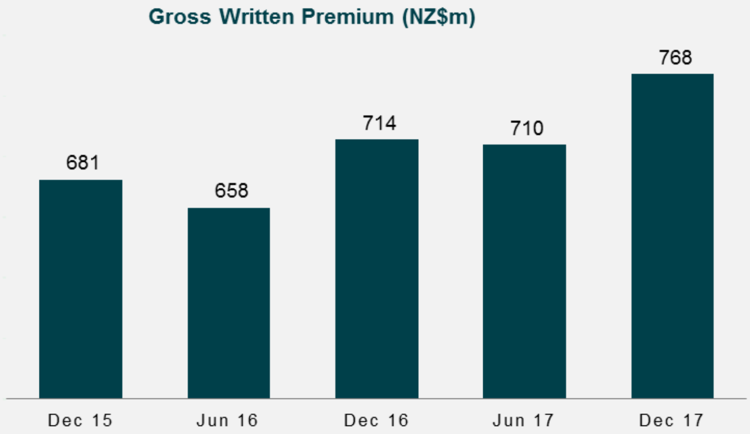
Home lending and Business lending both benefitted.

While the Bank is now achieving good growth, we will continue to protect margins by actively managing the cost base and maintaining a risk averse approach.

We are now confident of achieving our long held targets for the Bank.

New Zealand

- Strong result driven by premium increases, unit growth, strong claims management and expense control driving an ITR of 12.3%
- Pricing changes implemented in prior periods have been effective in offsetting the impacts of increased reinsurance premiums and claims cost inflation
- The rollout of SMART repair centres has been an effective response to cost inflation



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The New Zealand business continues to deliver strong premium growth at 7.6%. This again reflects both good unit growth and increased pricing.

We also saw a stabilisation of claims inflation in the New Zealand Consumer book. Our pricing strategies and expense control allowed us to improve margins.

We have established four SMART repair centres which are delivering customer benefits and lower costs.

The team continued to focus on robust claims management and strengthened relationships across the direct and corporate channels.

So, with that overview of the result I believe we have put some clear evidence of progress on the table.

I'll now hand over to Steve and then I will provide further commentary on our strategy and outlook.

SUNCORP

Steve Johnston

CFO

Thank you and good morning.

Today I will briefly step through each of the business lines then cover our expense position, underlying ITR and capital before handing back to Michael to conclude the presentation.

Insurance (Australia) NPAT

—

- NPAT down 28.5% to $264 million
- GWP flat with strong consumer growth offset by reform headwinds
- Home and Motor loss ratios improved by 80bps and 290bps
- Natural hazards $395 million (HY17: $319 million)
- Reserve releases of $129 million (HY17: $149 million)
- Underlying investment yield of 2.3%

	HY18 ($m)	HY17 ($m)	Change (%)
Gross written premium	4,004	4,031	(0.7)
Net earned premium	3,643	3,552	2.6
Net incurred claims	(2,724)	(2,374)	14.7
Operating expenses	(773)	(722)	7.1
Investment income - insurance funds	120	35	242.9
Insurance trading result	266	491	(45.8)
General Insurance profit after tax	234	358	(34.6)
Life Insurance profit after tax	30	11	172.7
Insurance (Australia) NPAT	**264**	**369**	**(28.5)**

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Starting with Insurance which delivered a net profit after tax of $264 million, including a $30 million after tax contribution from Life.

While this is a reduction on the prior period, we feel the underlying trends in this business are very positive.

As you know, insurance accounting and the impact of regulatory reforms always add noise to the P&L, so over the next few slides I will cover premium, claims and investments and give you a true sense of operational performance.

Home and Motor portfolio

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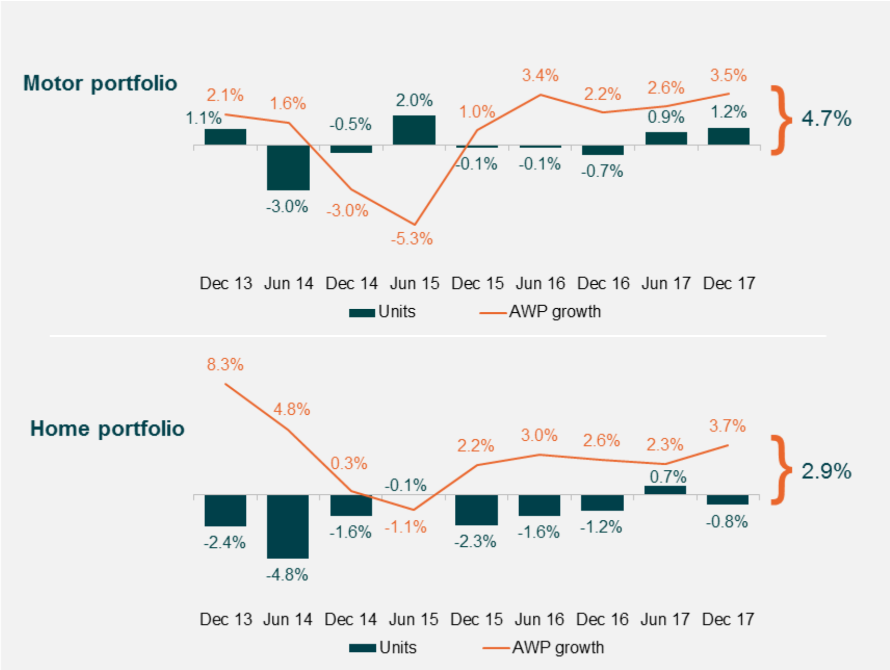
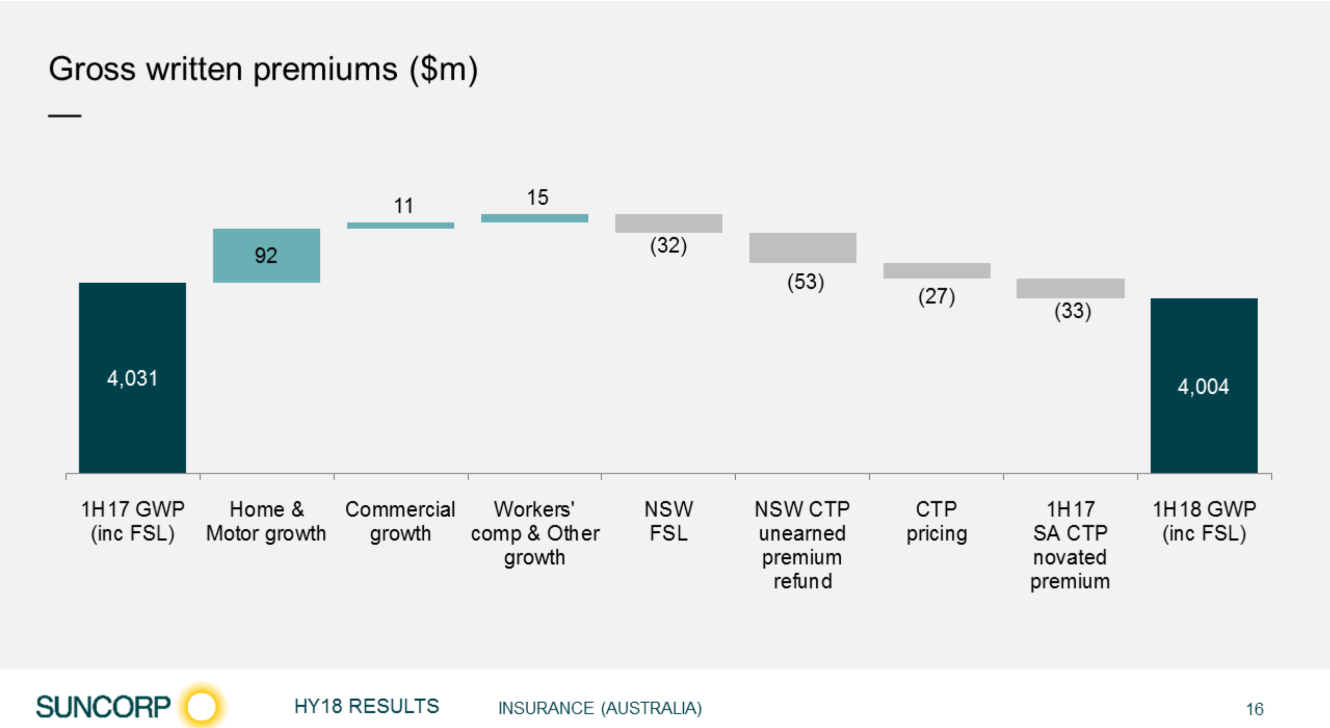
- Positive momentum across Home and Motor
- Motor positive premium and unit growth
- Home positive premium growth offset by small unit losses



First to premium, and I have included these charts to show the positive momentum we have in our consumer portfolios. The story in motor is very pleasing with two successive halves of positive volume and average written premium growth, resulting in a 4.7% increase in GWP for the half.

Home premium grew by a touch under 3%, with a small, but manageable, loss in units.



Together, these portfolios added $92 million of premium, which I have included on this waterfall which reconciles premium movements over the half.

Commercial GWP increased by $11 million, or 1.5%, reflecting our disciplined approach to growth and the need to reprice the book to improve prospective profitability. The commercial lines market is clearly hardening, however, it remains patchy, particularly at the top end where we are putting through price increases of around 20% but still seeing some loss of volume.

While we have good growth momentum across the majority of our portfolios, the headline GWP result has been impacted by a number of regulatory one-offs, which are captured on the right hand side of the waterfall.

The first relates to fire service levies where the NSW government's reversal of its decision to remove levies last year resulted in a requirement for us to repay $32 million in premium, with two years to recover this amount.

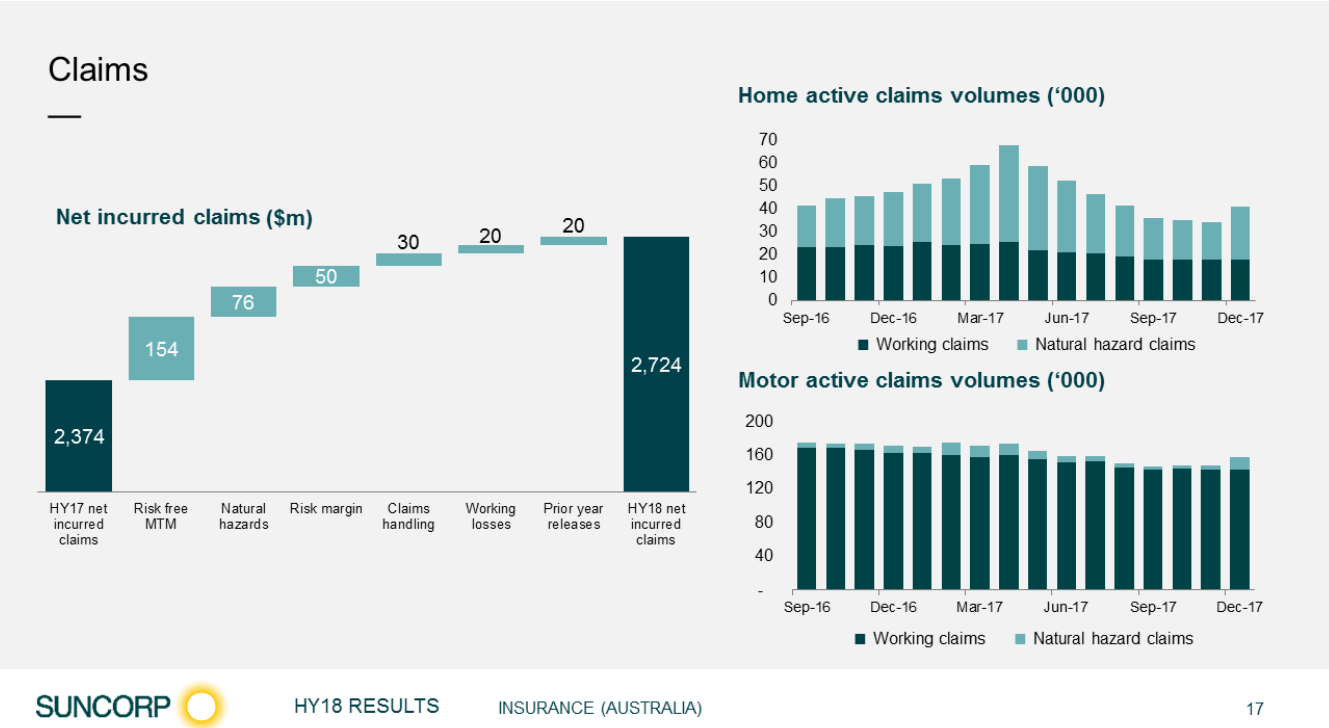
Moving further to the right of the waterfall and CTP written premium declined and this was primarily due to three factors:

— Firstly, a $53 million refund of premium to the NSW government as a result of scheme reform. This upfront hit to premium, will, over time be recovered through the claims line, resulting in a neutral outcome for margin.

— Second, the full year impact of successive premium reductions in Queensland and to a lesser extent New South Wales, offset by a small increase from South Australia, has reduced premium by $27 million.

— And lastly, the prior period included the up front collection of novated premium following the entry into the SA CTP scheme.

The transitionary impact of these reforms are now behind us and we are confident that our headline results will now more closely reflect the strong operating momentum the business has.



Turning to claims and again I have included a waterfall on the left of the slide that calls out the key movements.

It is important to note that the movement in net incurred claims includes a $154 million mark-to-market impact from increases in risk free rates. This explains half the net incurred claims movement, however, with the assets and liabilities matched, there is an offsetting mark-to-market impact to investment income.

Excluding the accounting noise, net incurred claims costs have increased by 7.8%.

Operational metrics continue to track favourably. As you can see from the charts on the right, active working claims volumes have continued to improve in both Motor and Home portfolios. Loss ratios have also improved, benefitting from our continued focus on claims processes, which include driving record volume through our SMART motor repair shops and initiatives to deal with problematic home water claims.

Despite this, there have been several factors which have moved against us this period which in our view are not reflective of an underlying claims deterioration.

Firstly, natural hazards were $76 million higher for this half compared to the prior period.

Next, risk margins and claims handling expenses, which in total have increased by $80 million, are a result of the timing of natural hazards as well as a change in the mix of our portfolio.

Our latest estimate of costs for the December 19 Victorian Hailstorm is $167 million. The full cost of this event is included in the outstanding claims provision at 31 December as effectively no claims had been settled at balance date. Risk margins and claims handling expenses have consequently increased proportionally to outstanding claims. We expect most of the outstanding claims provision, risk margin and CHE associated with this event will have unwound by 30 June.

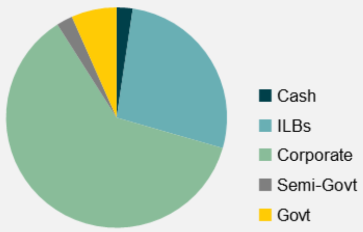
In terms of portfolio mix – the strong growth we experienced in CTP has also driven an increase in Risk Margin and CHE.

The last two factors to call out are working losses, which have grown in line with our book, and prior year releases which are slightly below last year, although well above our long run expectations of 1.5% of Group NEP.

Investments

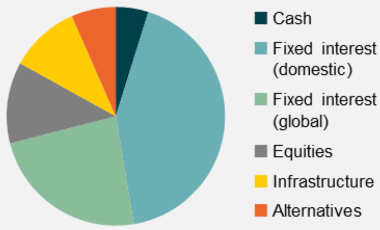
Insurance funds $8.9 billion

- **Investment income of $120 million (HY17: $35 million)**
- $24 million MTM loss from an increase in risk-free rates
- $30 million MTM gain from narrowing credit spreads
- $8 million MTM gain from outperformance of ILBs
- 2.3% annualised underlying return



Shareholders' funds $2.9 billion

- **Investment income of $72 million (HY17: $35 million)**
- 5.1% annualised return
- Returns driven by improving equities and narrowing credit spreads



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Moving to the investment portfolios, and investment income on the insurance funds was $120 million.

The headline result was supported by mark-to-market gains from narrowing credit spreads and the outperformance of inflation-linked bonds. This was offset by mark-to-market losses from an increase in risk-free rates. The underlying portfolio yield was $106 million, or 2.3% annualised, which is slightly below our expectation of around 80 basis points above the risk-free rate.

The shareholders' funds returned $72 million, representing a return of 5.1%. The offsetting movements in credit spreads and bond yields were similar to those in the insurance funds, while the portfolio benefitted from improvements in returns from equity markets and alternative asset classes.

Life Insurance NPAT

—

- Improving planned margins from repricing
- Optimisation program to deliver improved profitability
- Strategic review continuing

	HY18 ($m)	HY17 ($m)	Change (%)
Planned profit margin release	12	9	33.3
Experience	2	(2)	n/a
Other and investments	25	18	38.9
Underlying profit after tax	**39**	**25**	**56.0**
Market adjustments	(9)	(14)	(35.7)
Life Insurance NPAT	**30**	**11**	**172.7**
In-force annual premium	808	801	0.9
Total new business	32	33	(3.0)

Now to Australian Life, where underlying profit of $39 million is up 56% from the prior period. Reported NPAT is reduced to $30 million due to the revaluation of Deferred Acquisition Costs given the rise in long dated yields.

Pleasingly, planned margins have seen the benefit of repricing over the past year. Experience has also been modestly positive which is an encouraging sign given the adverse trends that others in the industry have experienced, particularly in income protection.

The 'other income' line includes the realisation to profit of pricing initiatives.

We remain committed to improving the profitability of the Australian Life Business through a comprehensive Optimisation program, which as you can see is already beginning to deliver an improvement in claims outcomes, reduced costs and a more sustainable business.

The Optimisation program sits alongside a strategic review which is on-going and we will, of course, keep the market fully informed as we progress.

Banking & Wealth NPAT

—

- Annualised lending growth of 8.7%
- NIM of 1.86% (HY17: 1.78%)
- Sound credit quality
- Stable funding profile
- Strong capital and balance sheet

	HY18 ($m)	HY17 ($m)	Change (%)
Net interest income	598	558	7.2
Net non-interest income	34	39	(12.8)
Operating expenses	(347)	(307)	13.0
Profit before impairment losses	285	290	(1.7)
Impairment losses	(13)	(1)	n/a
Income tax	(81)	(86)	(5.8)
Banking profit after tax	**191**	**203**	**(5.9)**
Wealth profit after tax	**6**	**5**	**20.0**
Banking & Wealth NPAT	**197**	**208**	**(5.3)**

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Turning to Banking and Wealth, which returned a net profit after tax of $197 million.

Total lending grew by 8.7% annualised, with an improved growth profile across both retail and business lending. Growth throughout the half was very strong, continuing the good balance sheet momentum which began in Q4 last year.

Net interest income was above the top end of our target range and above the prior corresponding period, reflecting repricing activity and favourable funding conditions. This gives us confidence that over the medium term the Bank's NIM can operate in the 180 to 190 basis point range, which is a step-up on our previous expectation.

As discussed earlier, costs in the Bank increased due to the Business Improvement Program and targeted investment in new capabilities. We remain confident that the cost to income ratio will revert to around 50% in FY19 as the BIP saves come through and as the revenue line benefits from the strong balance sheet growth and improved margin outlook.

Impairment losses of $13 million, represent just 4 basis points of gross loans and advances and remain well below the long-run operating range of 10 to 20 basis points.

The Bank continues to maintain disciplined lending practices and new business credit quality was strong over the period. Asset growth remained within APRA's macroprudential caps and we have low exposure to higher risk segments, such as inner city apartment markets.

We continue to make good use of our new modelling capabilities and risk systems which have been invested in as a result of our progress towards advanced accreditation. This means, for all intents and purposes, we operate the Bank as if it were advanced.

While the pathway to advanced status has been more protracted than we had originally anticipated, we continue to work constructively with the Regulator to clarify the next steps in this process and the associated Basel 3 and 'unquestionably strong' capital requirements.

Wealth delivered a half year profit after tax of $6 million which is up slightly from the pcp although remains depressed relative to its historical contribution. This is, in part, due to the costs of a more onerous regulatory environment and transitioning to new systems which will ultimately reduce the cost base.

New Zealand NPAT

—

- GWP grew 7.6%, driven by all product classes
- Lower natural hazard costs
- New SMART centres improving claims costs

	HY18 (NZ$m)	HY17 (NZ$m)	Change (%)
Gross written premium	768	714	7.6
Net earned premium	616	586	5.1
Net incurred claims	(348)	(372)	(6.5)
Operating expenses	(199)	(196)	1.5
Investment income – insurance funds	7	4	75.0
Insurance trading result	76	22	245.5
General Insurance profit after tax	**50**	**19**	**163.2**
Life Insurance profit after tax	**17**	**18**	**(5.6)**
New Zealand NPAT	**67**	**37**	**81.1**

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Finally to New Zealand, where the General Insurance business achieved gross written premium growth of 7.6%, with pleasing performance across all channels. On a like for like basis, excluding the impact of the sale of Autosure in FY17, GWP increased 10.4%.

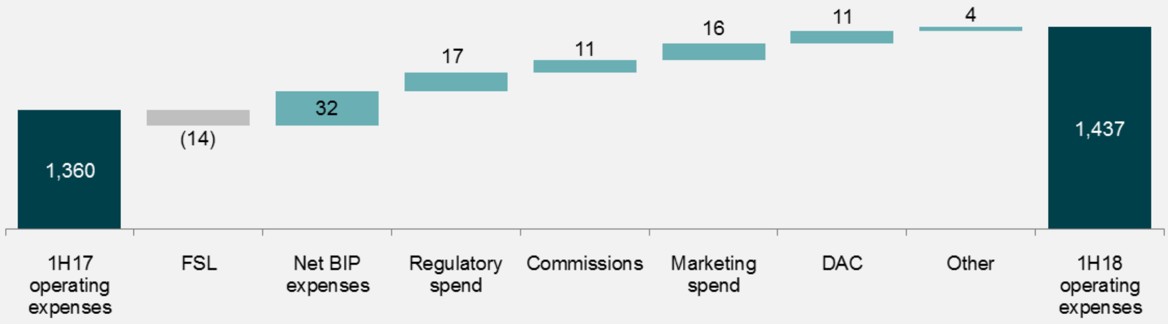
Net incurred claims reduced by 6.5%, with lower natural hazard costs, noting the prior period was impacted by the Kaikoura earthquake.

On the working book, Motor claims cost inflation continues to be seen across the NZ industry. This is being closely managed, with increased utilisation of SMART repair centres being the key response.

We have seen reserve releases as settlements continue to progress on Canterbury and Kaikoura earthquakes. 95% of Canterbury claims and 82% of Kaikoura residential claims have now been settled.

New Zealand Life delivered flat underlying profits on the prior period. Strong new business growth and retention rates have delivered in-force growth of 5.0%. We have observed some volatility in morbidity claims during the half which resulted in negative experience.

Group operating expenses ($m)



BIP expenses ($m)

1H18	Operating expenses	Claims expenses	Total
Expenses	(38)	(12)	(50)
Benefits	6	16	22
Net expenses	(32)	4	(28)

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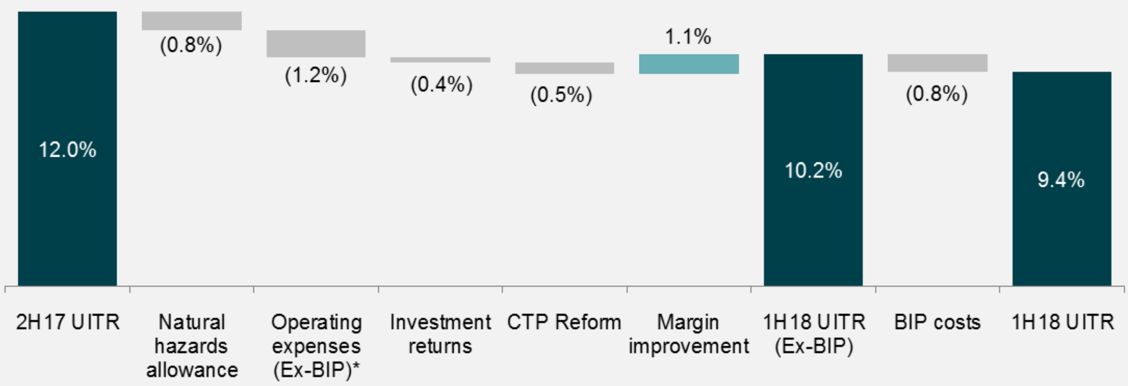
Moving now to operating expenses and as we have previously discussed, the Group's direct expense base has been maintained at around $2.7 billion for the past 4 years, absorbing wage and underlying inflation and increased commission costs as the Group has returned to growth.

Group direct costs this half year of $1.4 billion have increased, however, there are a number of good reasons for the movement. Firstly investment in BIP which will assist in driving our costs back to $2.7 billion in FY19. The program is designed to have a net in-year benefit to FY18, but the initial up front investment of $50 million will result in an opex skew between the halves, with the costs taken upfront and the benefits being realised in the second half of the year.

On the waterfall we have also called out the incremental cost of regulation, which has always been embedded in the Group's cost base but which has stepped up by $17 million this year as we respond to a plethora of Government and Regulator reviews and reform.

The remainder of the movements are largely volume and growth related.

GI underlying ITR



* Refer to Group operating expense walk

SUNCORP HY18 RESULTS 23

Turning now to the General Insurance underlying ITR and on this slide I have called out the key movements over the first half.

The first point to note is the main movements are in Australia, as NZ was stable over the period.

The standout movement is Australian consumer, which has been the major contributor to a 110 basis point increase in margin.

As I discussed earlier, home and motor repair processes are running very well with our vertically integrated supply chain enabling us to contain claims costs better than the rest of the industry. This means we have been able to more than cover inflation, providing a net benefit to margin.

We expect this momentum to continue into the second half.

However, as we pointed out at the full year result in August we have been facing into a number of short-term margin headwinds.

The first is the material increase in the natural hazard allowance which will take some time to price through.

CTP reforms in NSW and the reductions in QLD scheme pricing account for a 50 basis point impact.

The significant fall in credit spreads over the period has had an impact on portfolio yields and, unlike mark-to-market movements, this is not removed from the underlying calculation.

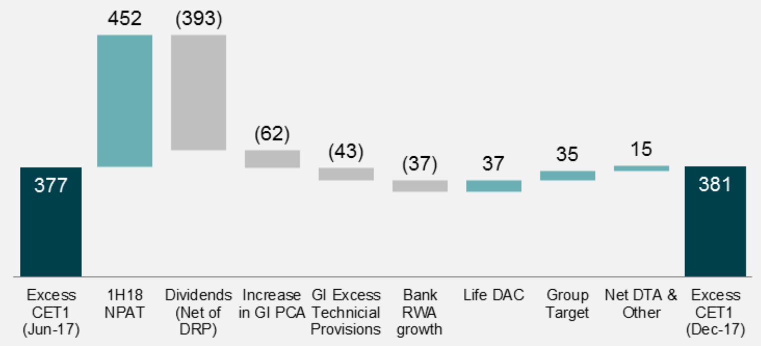
And finally, there is a 1.2% impact from the increased costs I spoke about earlier.

The successful delivery of BIP will assist in delivering a return to a 12% UITR as benefits to expenses and claims will drive substantial improvements in margins. We will also continue to reprice for claims cost inflation, higher natural hazards and to ensure our Commercial book is deliverable acceptable margins.

We are confident that the improvement in margins will be evident from the second half of this year.

Capital position ($m)

- CET1 excess of $381 million
- Increase in GI PCA driven by both Insurance Risk Charge and Asset Risk Charge (ARC)
- Reduction in GI Excess Technical Provisions due to normal seasonality
- Bank growth in risk weighted assets offset by RMBS issuance
- Reduction in Life DAC
- Removal of temporary Group target for expected ARC movements



Finally to capital, and we continue to maintain a very strong capital position.

This has enabled us to increase our payout ratio and match last year's 33 cent per share interim dividend. After the payment of the dividend we continue to hold a robust surplus, which is appropriate ahead of APRA finally determining the impact of 'unquestionably strong' on Bank capital.

On that note, let me now hand back to Michael.

SUNCORP

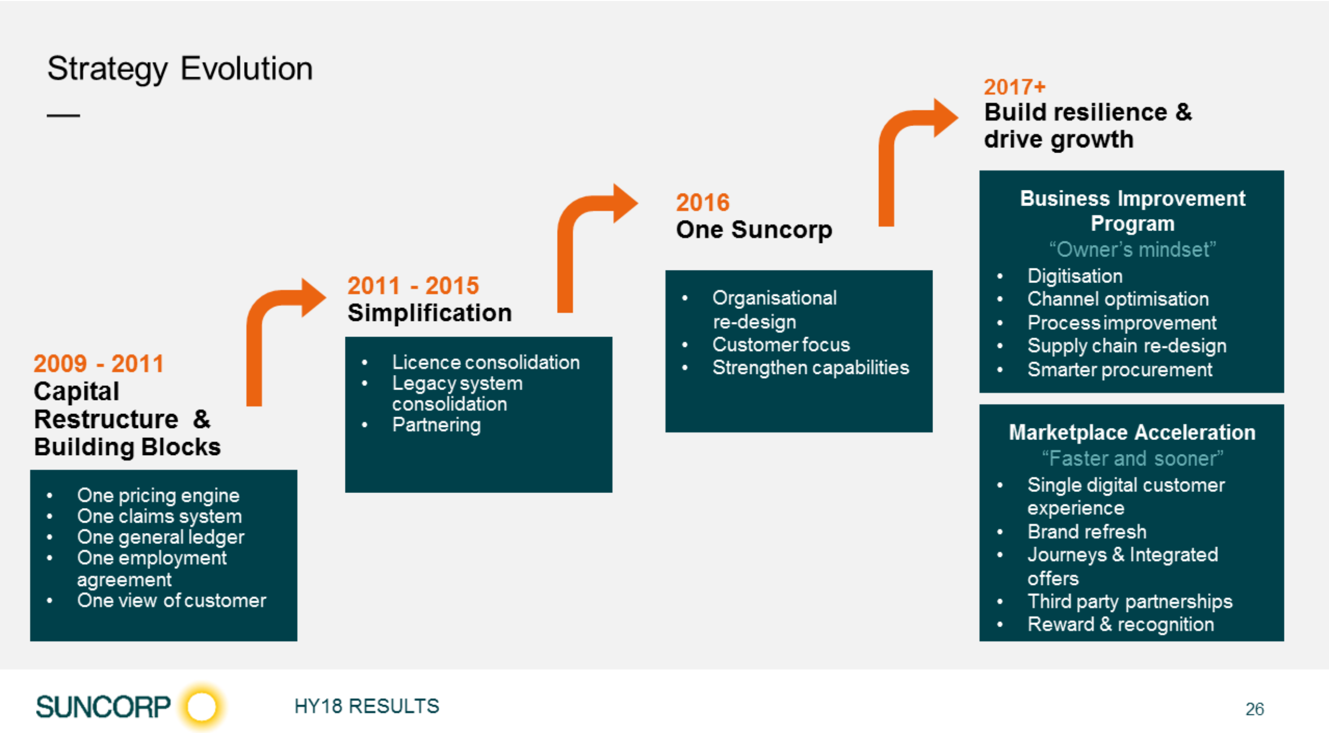
Michael Cameron

CEO & Managing Director

Thanks Steve. I want to provide some commentary on the group's strategy from here and in particular, some of the key drivers of value to measure us against.

Suncorp's strategy has been an evolution.

It is built on strong foundations, progressively established over a number of years.

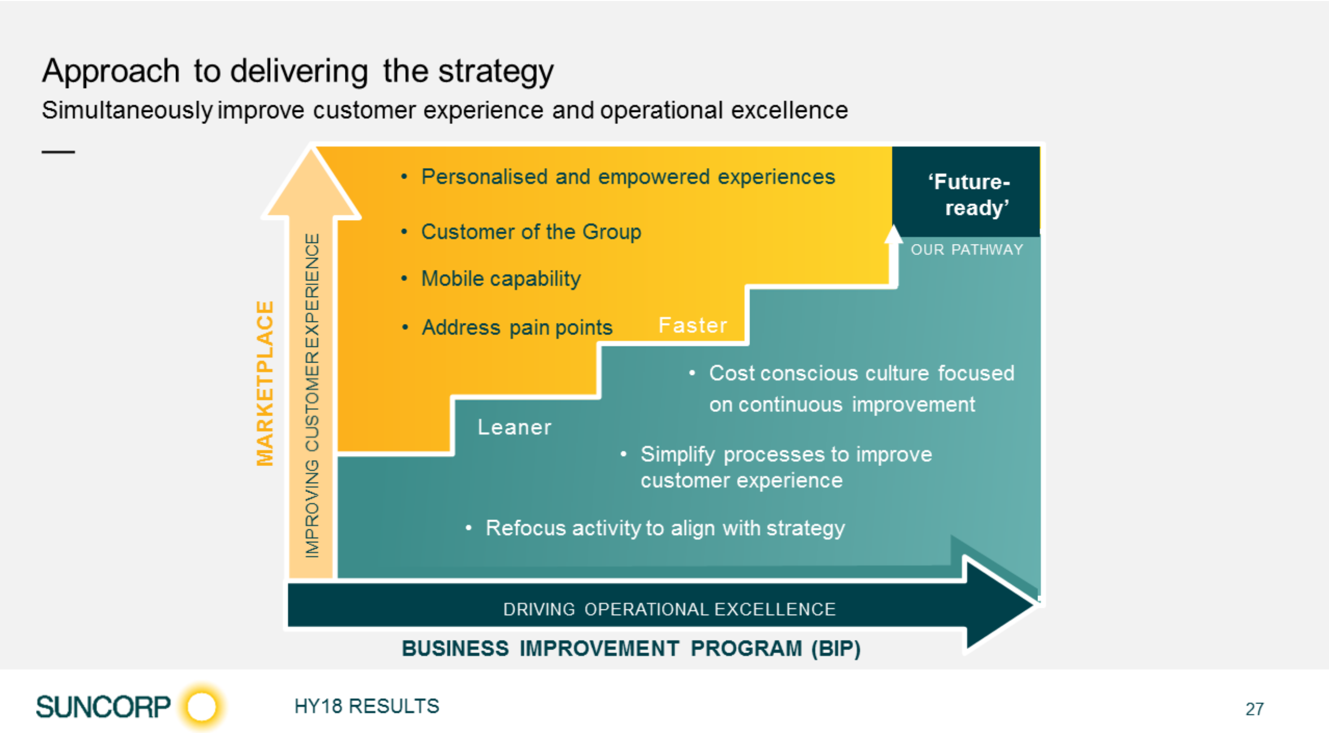


With most of the heavy lifting done on simplification, in 2016, the next logical step was aligning the structure around the customer.

With this complete, our two major programs will now improve both customer outcomes and shareholder outcomes.

We are now digitising the business and opening up access to all of our brands to our customers, to drive new sources of revenue while also reducing costs.

Today you have seen the first evidence of progress. There is more to come during the second half and much more in FY19.



It's fair to say that many companies seek to improve their business either by focusing on driving operational excellence or improving customer experience. We are doing both.

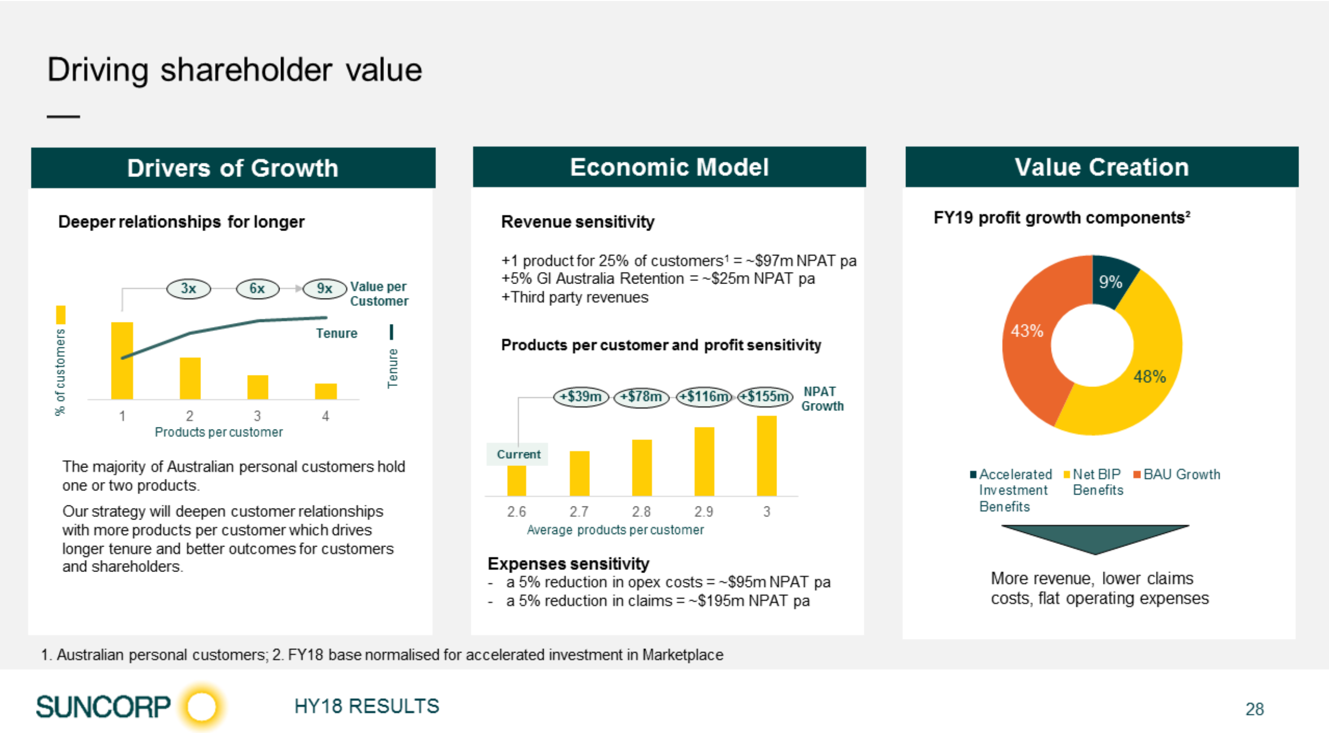
The Business Improvement Program creates capacity to invest in our customer initiatives in the short term and reduce our ongoing cost base in the long term.

The customer service initiatives under Marketplace are designed to be a key source of differentiation driving broader relationships with customers.

Working together, the two programs deliver operational excellence and increase Suncorp's relevance to customers.

We are improving our day to day operations while ensuring that Suncorp is ready for the future.

This is a logical and sensible path to long term growth.



This slide and the next begin the process of laying out additional measures for tracking, and assessing our progress.

On the left, we show the clear link between our strategy to meet more customer needs for longer and the increase in the value of that customer to the Group.

In the middle, we provide the model showing the financial benefit to be gained from meeting more of our customers' needs. This includes the impact of changes in revenue and expenses.

On the right, we have set out the profit growth components contributing to the FY19 financial outcomes. This includes the impact of accelerating our investment, the net benefits of the Business Improvement Program and the growth in our core businesses.

Engagement with our 9.6m Customers

	HY18
Increasing Connected Customers[1]	
Proportion of Customers Holding Multiple Products Across Different Needs	35%
Consumer Net Promoter Score (NPS)	7.6
Driving customer engagement via digital channels	
Number of Digital[2] Users	1,680,900
Proportion of Digital Claims	11.6%
Number of Digital Sales	359,100

1. A customer is considered to be connected if they have two or more needs met across the need categories of Home, Self, Mobility and Money, or if they hold four or more Suncorp products.
2. Digital users are unique visitors that have logged into our authenticated digital assets like internet banking, mobile banking app, insurance policy self-service web and mobile applications.

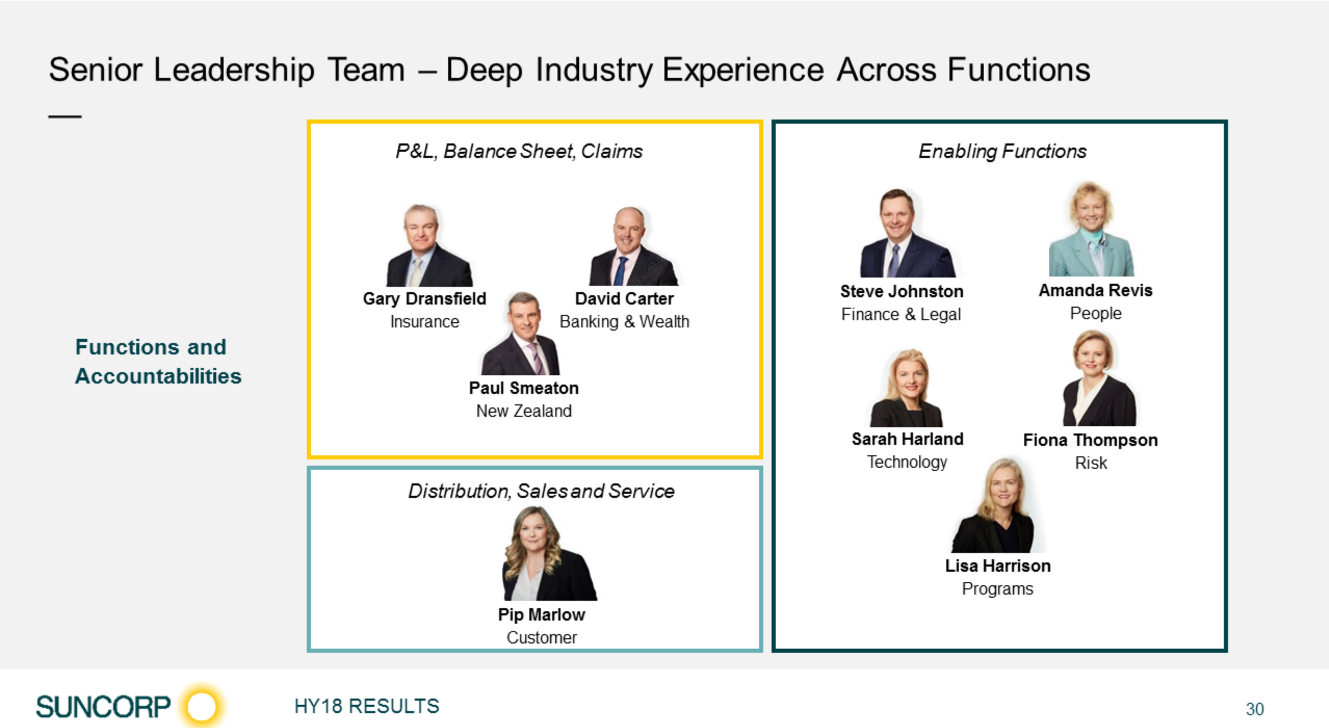
SUNCORP HY18 RESULTS 29

In addition to revenue, expenses and claims costs data etc that we already provide, this slide shows some starting point metrics for the other drivers of growth.

We will update these for future results to assist you in tracking our progress and potential. It should be noted from the outset that pricing strategies will have a direct impact on these metrics as we balance customer and shareholder benefits.

Given that the major components of the accelerated spend have only commenced during the half, it's still very early days.

For example, delivery of the new app, scaling of the Reward & Recognition program and the broader implementation of integrated offers, are all scheduled for the second half.



Suncorp has a strong, capable and aligned senior team to deliver on our strategy.

The team reflects a good balance of industry expertise, technology, diversity and specialist skills.

This slide sets out the various functions, and highlights clear accountability for P&L and Balance Sheet outcomes.

Importantly, core banking and insurance functions, such as claims management, remain embedded within the business lines.

To help deliver our strategy, all customer facing sales and service roles have been brought together. This includes contact centres, intermediaries, digital and stores. The aim is to progressively provide customers with access to a broader range of our products and services, through our channels.

Regulatory Environment

– Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
– Banking Executive Accountability Regime (BEAR)
– New Industry Codes of Practice
– QLD CTP Scheme
– ACCC Northern Australia Insurance Inquiry
– Productivity Commission Review into Competition in the Australian Financial System

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Beyond our focus on implementing the strategy, we are continuing to work closely with Government and Regulators on a long list of important reforms and reviews.

We have been actively reviewing and improving products and systems in recent years.

I believe our customer-focused strategy is aligned with the sentiment behind these reforms. Many of the reforms seek to improve customer outcomes and executive accountability across the industry.

I want to conclude our presentation now with a few further comments on outlook and then we will go to your questions.

Outlook and FY19 Targets[1]

Key FY19 targets are:

- Group top line growth of 3% to 5%
- Expense base of $2.7bn
- An underlying ITR of at least 12%, Bank Cost to Income (CTI) of around 50%, and Net Interest Margin (NIM) of 1.80% to 1.90%
- Producing a Cash ROE of 10%

– Reserve releases above 1.5% of net earned premium (NEP)

– Maintaining a dividend payout ratio of 60% to 80% of cash earnings and returning surplus capital to shareholders

1. Subject to natural hazards at or below budget, movements in investment markets and unforeseen regulatory reform

SUNCORP HY18 RESULTS 32

Historically, we have provided medium term projections on key metrics. As a result of the progress we are making with our two key strategic programs, today we are confident in giving specific guidance for FY19. This includes:

- top line growth of 3-5%
- an expense base of $2.7 billion
- an underlying ITR of at least 12%
- a Bank cost to income ratio of around 50%, and
- a NIM of between 1.80 to 1.90%

Producing a Cash ROE of 10%.

You should note that we expect reserve releases to be above 1.5% of NEP, subject to inflation remaining benign.

As I said, while we intend to increase the dividend payout ratio for FY18, it will revert to the 60-80% target range in FY19.

Summary

1. Business **growing with strong top line growth**
2. Digital transformation to drive **improved customer experience and efficiencies** is well progressed
3. Investment in the Business Improvement Program to improve processes and deliver a more resilient Suncorp model, **on track to deliver sustainable benefits**
4. **Dynamic regulatory environment** has driven short term costs and longer term growth opportunities
5. Outlook is for a **significant uplift in performance** in FY19 and FY20

SUNCORP HY18 RESULTS 33

In conclusion, we have a growing business with good momentum.

Today we have provided evidence that our strategy, our team, and our organisation will deliver an improved second half result and a significant uplift in performance in FY19 and '20.

Thank you. Steve and I look forward to answering your questions and discussing our commitments with you today and over the next week or two.

Kelly will now coordinate questions from within the room and on the phone.

Important disclaimer

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Thank you

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SUNCORP