Financial Results for the full year ended 30 June 2018

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SUNCORP GROUP LIMITED
ABN 66 145 290 124

SUNCORP

Michael Cameron

CEO & Managing Director

Good morning everyone and thank you for joining us.

Result overview

- Profit from functions **up 4.8%** year-on-year
- 2H18 NPAT **$607m** (1H18: $452m)
- Result includes:
  - **Accelerated investment** in marketplace component of strategy
  - Four fold increase in **regulatory costs** to $54m
- **Natural hazard** costs slightly lower than allowance
- Total ordinary dividend of 73 cps
- Strong balance sheet drives **special dividend** of 8 cps
- Cash earnings **payout ratio of 95.2%**[1]

	FY18 ($m)	FY17 ($m)	Change (%)
Insurance (Australia)	**739**	723	2.2
Banking & Wealth	**389**	400	(2.8)
New Zealand	**135**	82	64.6
NPAT from functions	**1,263**	**1,205**	**4.8**
Other[2]	**(63)**	(60)	5.0
Accelerated Investment	**(102)**	-	n/a
Cash earnings	**1,098**	**1,145**	**(4.1)**
Acquisition Amortisation[3]	**(39)**	(70)	(44.3)
Reported NPAT	**1,059**	**1,075**	**(1.5)**
Final dividend (cps)	**40**	40	-
Full year dividend (cps)	**73**	73	-
Special dividend (cps)	**8**	-	n/a
Total dividend (cps)	**81**	73	11.0

1. Includes special dividend.
2. 'Other' includes investment income on capital held at the Group level (FY18: $16m, FY17: $14m), consolidation adjustments (FY18: loss $9m, FY17: loss $3m), customer strategy investment (FY18: nil, FY17: loss $13m), recognition of deferred consideration on Tyndall disposal (FY18: nil, FY17: $3m), non-controlling interests (FY18: loss $13m, FY17: loss $10m), external interest expense and transaction costs (FY18: $57m, FY17: $49m).
3. Amortisation of intangible assets associated with the Promina acquisition. Decline due to the inclusion of $25m write down of the Autosure business in FY17.

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Six months ago, we committed to a stronger second half, reflecting the early benefits of our strategy. I'm pleased to report a 34% uplift in NPAT between the first and second half. This gives us a full year NPAT of $1.059 billion.

As expected the slightly lower year-on-year result was driven by the accelerated investment in the strategy. That investment will now help deliver a further uplift in shareholder returns in FY19.

We also said we would increase our dividend payout ratio this year, to look-through the one-off investment. We have done this and also announced a special dividend. Total dividends to investors in FY18 are up 11%.

Result highlights

1. Delivered **strong second half performance**
2. Business Improvement Program **exceeding targets**
3. **Digitisation** beginning to drive benefits
4. **Robust balance sheet** underpins special dividend
5. Momentum to deliver **sustainable uplift** in FY19
6. Australian Life business **strategic review complete**

In addition to the strong second half performance there are a number of key highlights in the full year result.

The Business Improvement Program exceeded our net benefits target by $30m.

Digitisation of the business is beginning to drive our strategy to increase the number and range of services that our customers can choose to access through Suncorp.

Our robust balance sheet underpinned a special dividend.

All of that gives us the momentum and confidence, to deliver a 10% ROE in FY19 and beyond.

And finally the Life business strategic review is complete and we have signed a Heads of Agreement to divest the business.

1. Delivered **strong second half performance**

- Group top line growth of 2.4%
  - Australia **Motor & Home GWP** increased 4.7% (excluding FSL)
  - Improved performance in the **Life business**
  - **Bank Home Lending** growth 1.2x system, second half moderated in response to market conditions
  - **New Zealand** General Insurance GWP increased 8.2% (10.2% adjusted for the sale of Autosure in FY17)
- Optimising business portfolio
  - **Tower NZ** investment divested
  - **Advanced accreditation** systems are delivering sound credit metrics
  - **Commercial** Insurance in Australia concentrated on mid market, SME and restoring returns
  - **CTP** balancing market share with returns as regulatory reforms work through system
  - **SMART,** innovative repairers delivering high quality services to customers and significant cost advantage

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Let’s look at the highlights in more detail.

Top line growth was 2.4%.

Australian Motor and Home GWP increased by 4.7%. This reflects both premium and unit growth. Our Life business experienced a turnaround and Bank home lending growth was 1.2x system for the year. The New Zealand GWP grew at 8%. When adjusted for the sale of Autosure, that is 10%.

We continued to review the portfolio and we’ve completed the exit of our Tower NZ investment. The Bank benefited from using the Advanced accreditation approach and the Insurance team delivered a good result balancing the dynamics of the Commercial and CTP books.

2. Business Improvement Program **exceeding targets**

- Investment in Business Improvement Program $104m in FY18:
  - **$144m in gross benefits** ($122m in 2H18)
  - **Net benefits of $40m** versus target of $10m
  - Improved the **customer experience** e.g. Uber at SMART
  - **Increased efficiencies** e.g. motor claims pathing
  - Embedding a culture of **continuous improvement**

Pre-tax ($m)	Cost		Benefit		Net Benefit	
	Target	Actual	Target	Actual	Target	Actual
FY18	97	**104**	107	**144**	10	**40**
FY19	79	-	274	-	195	-
FY20	62	-	391	-	329	-

- On track to **exceed** FY19 benefits, with **$187m gross benefit** annualised run rate already locked in
- Embedded an **'owner's mindset'** and culture of continuous improvement

SUNCORP FY18 RESULTS 6

The first year of the Business Improvement Program has delivered a net benefit of $40m. That is well ahead of our target.

We start FY19 with a $187m gross benefit annualised run rate, already locked in. This gives us confidence that we will exceed the $274m target for FY19.

I'll give you some examples of where we are adding value. We have increased the percentage of motor claims processed by SMART from 42% to 45%. That's an increase of 6,000 cars per annum. On the digital side customers are benefitting from the increased use of e-statements and the introduction of self-service password resets and SMS renewal alerts.

3. **Digitisation** beginning to drive benefits

Customer convenience and retention

- Scaled **Reward and Recognition** program
  - Over 400,000 users
  - 3% uplift in products per customer
  - 1.7% uplift in retention
- **App** launched
  - Customer launch 29 July
  - Phased updates over coming months
  - One Suncorp Portal available for all brands
  - 7 new adjacent ecosystems
- National **brand refresh** well advanced
- Investment in **foundational infrastructure** delivering a single view of our customers
- Significant investment in **API layer** will facilitate future development across the Group

	FY18	FY17
Connected customers[1]		
Proportion of customers with multiple needs met (%)	**35**	35
Consumer Net Promotor Score (NPS)	**+7.3**	+5.9
Business Net Promotor Score (NPS)	**+2.7**	-0.6
Customer engagement via digital channels		
Number of digital users[2] (m)	**2.74**	2.51
Proportion of digital claims[3] (%)	**12.4**	10.5
Proportion of 'zero touch' digital claims[3] (%)	**33**	13
Proportion of digital sales[4] (%)	**25**	23

1. A customer is connected if they have two or more needs met across Home, Self, Mobility and Money, or if they hold four or more Suncorp products in the same need.
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.
3. Relates to Australian home and motor claims only.
4. Relates to Australian General Insurance new business sales only.

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The one-off investment in the acceleration of the marketplace component of the strategy will increasingly deliver value to all stakeholders. The program was delivered on-time and on-budget. The expected benefits to emerge in FY19 remain in line with those reported at the half year.

This table indicates the early benefits from digitisation. Remember most of the deliverables were only completed towards the end of FY18.

We repriced our NSW CTP ahead of reforms. Excluding the impact of this net customer inflows have doubled to 66,000.

The new Reward and Recognition program, already has over 400,000 users with an early 3% uplift in products per customer and a 1.7% uplift in retention.

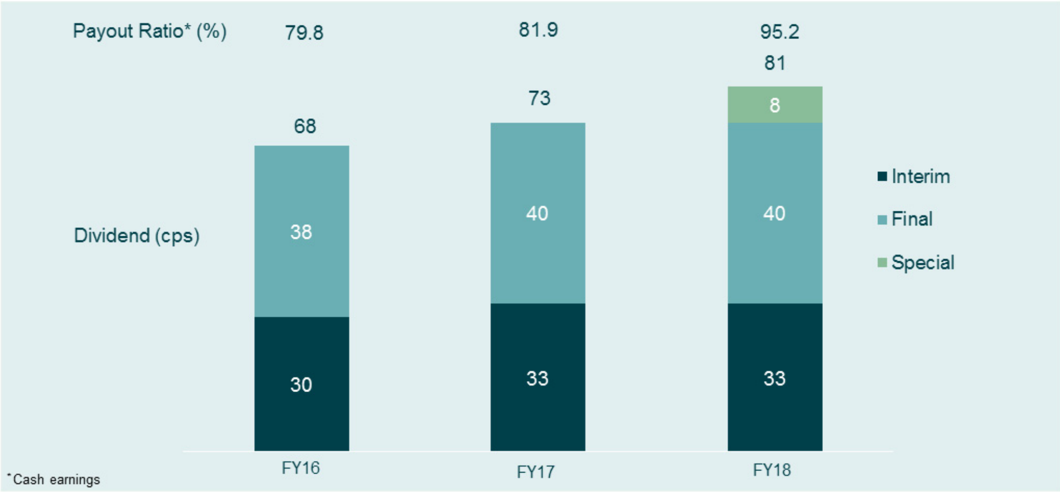
The new App was launched last week and you probably have already seen the rollout of the refreshed branding.

A significant part of the one-off investment was in foundational infrastructure. The new API layer is key to facilitating future enhancements to customer experience such as open banking.

So it's early days but these indicators are a pleasing start.

4. **Robust balance sheet** underpins special dividend

— Suncorp remains committed to **returning excess capital** to shareholders



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The balance sheet is in very good shape.

This has underpinned a full year dividend of 73 cents and together with the eight cent special takes total dividends to 81 cents. This represents a payout ratio of 95%.

We remain committed to returning excess capital to shareholders.

Steve will take you through our surplus capital position in a moment.

5. Momentum to deliver **sustainable uplift** in FY19

Metric	1H18	2H18	FY18	FY19 Target[1]
Group top line growth[2] (%)	1.6	3.1	2.4	3-5
Expense base[3]	1.4	1.3	2.7	2.7
UITR (%)	9.4	11.7	10.6	≥12
CTI (%)	54.9	54.5	54.7	~50
NIM (%)	1.86	1.82	1.84	1.80-1.90
Cash ROE (%)	6.8	9.2	8.0	10
Ordinary dividend payout ratio[4] (%)	90.1	82.5	85.8	60-80

1. Subject to natural hazards at or below budget, movements in investment markets and regulatory reform.
2. Excluding the impact of FSL and CTP, 1H18 growth was 4.1% and 2H18 growth was 5.0%. Group growth disclosed in the 1H18 result was calculated on different basis, excluding FSL and SA CTP. The current calculation will be used consistently going forward.
3. The forecast is ex FSL which is a pass through.
4. Cash earnings excluding special dividend.

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At the half year, we pointed to a stronger second half and a significant uplift in performance in FY19.

The second half position outlined on this slide reflects good momentum and gives us confidence in achieving our FY19 targets.

The CTI ratio is likely to be challenging given increasing regulatory costs. As you can see, the UITR of 11.7% for the past six months is a significant step up from the first half. We are now well-positioned to be above 12% in FY19.

Likewise, the ROE of 9.2% demonstrates a clear pathway to 10%.

6. Australian Life business **strategic review complete**

- Assessment of a number of alternatives concluded **divestment the best option**
- Non-binding **Heads of Agreement** signed
- Sale contract expected to be **executed in August**
- **Consideration** $725m, non-cash **write off** $880m
- Net proceeds will lead to a **capital return to shareholders** in FY19
- 20 year **distribution agreement**
- **Accretive to Cash ROE** in FY19

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In addition to the improving financial performance of the Life business we have completed the strategic review. The review involved the assessment of a number options, including additional reinsurance, partnership arrangements, and divestment. We concluded that a divestment of the business is the best option.

Following detailed discussions with a number of parties we have signed a non-binding Heads of Agreement with TAL Dai-ichi Life Australia and we expect to execute a sale contract by the end of the month.

The consideration of $725m will result in a non-cash write off of $880m and proceeds of around $600m will be returned to shareholders later in FY19.

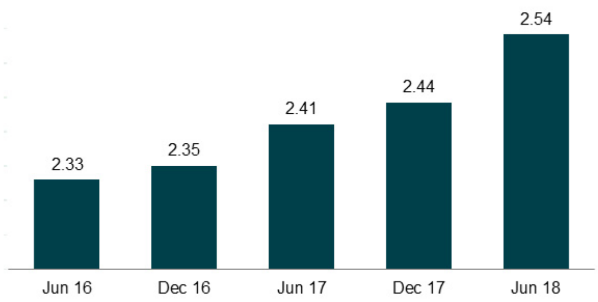
Part of the arrangement will be a 20 year distribution agreement and the transaction will be accretive to our Cash ROE.

Let's now have a brief look at each of our core businesses.

Insurance (Australia)

- Positive **GWP growth** in Consumer and Commercial
- Improved underlying **claims performance**
- **Natural hazards** for Australia $36m below the allowance
- Operating expenses reflect **investment in BIP**
- Increase in **Life Underlying Profit** of 43.4%

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



The Insurance business in Australia has seen Consumer GWP grow through a combination of unit growth and price. We’ve also experienced a good uplift in Commercial GWP.

In addition to the strong top line growth claims performance has been better than industry levels assisted by BIP initiatives and SMART centre efficiency.

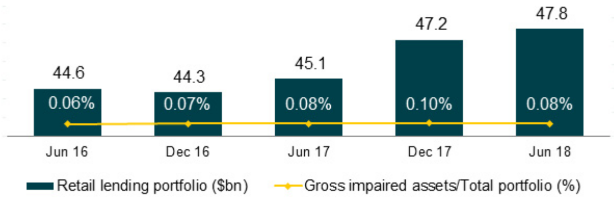
Expenses are being tightly managed and reflect investment in BIP and technology.

The Life business benefitted from higher margins, repricing benefits and favourable experience.

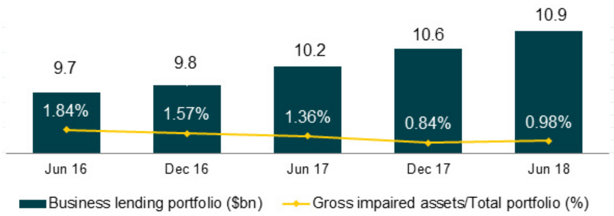
Banking & Wealth

- Home lending growth of 6.2%, **1.2x system**
- At-call **deposit growth of 7.1%** - new product offerings, enhanced digital functionality and simplified processes
- Stable NIM reflects **elevated BBSW**
- Strong **profit increase in Wealth** - increased investment income and reduced project costs
- Arrears and Bad debts **remain low**

Retail lending portfolio ($bn)



Business lending portfolio ($bn)



Home lending growth in the Bank over the year was 6.2% or 1.2x system.

The very strong growth we reported in the first half moderated in the second half, as a result of high levels of competition, aggressive pricing across the industry, and slowing system growth.

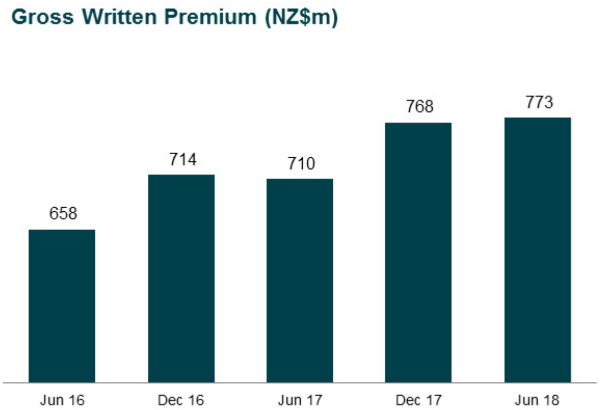
Deposit growth was also strong at 4.7%, including at-call deposit growth of 7.1% with new offers and digital functionality. Customers are also benefitting as we continue to simplify our processes.

NIM has been stable with BBSW rates at unusual levels, but expected to moderate.

There has been a strong increase in the Wealth NPAT. Investment returns and project expenses have returned to historical levels.

New Zealand

- Increased NPAT – **premium increases**, unit growth, claims management and expense control
- Strong GWP growth – **unit growth** across the direct and corporate partner channels
- Improved insurance **margins** – ITR of 10.8%
- **Natural hazard costs** exceeded allowance by NZ$35m



In New Zealand, GWP growth was also very strong at 8.2% reflecting unit growth and premium increases. Claims and operating expenses were well managed driving a strong UITR.

Natural hazards in New Zealand were above allowance but as reported on a Group basis were slightly lower than the total allowance.

I'll now hand over to Steve.

SUNCORP

Steve Johnston

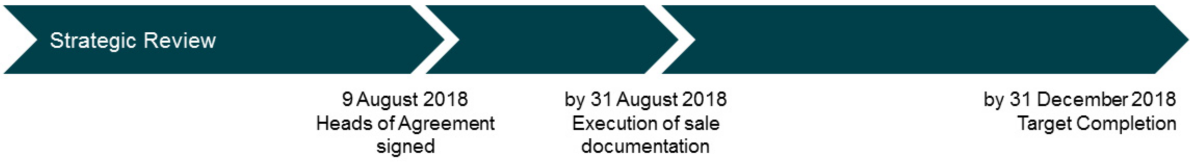
Chief Financial Officer

Thank you Michael and good morning.

Before I move to the results commentary, let me take a moment to expand on some of the details associated with the Heads of Agreement we have announced today.

Life Insurance – Heads of Agreement with TAL Dai-ichi Life Australia

- Strategic review completed
- Proposed sale of Suncorp Life & Superannuation Limited, including Australian Life Risk and Participating business via sale of shares
- TAL is part of the Dai-ichi Life Group, one of the world's largest insurance groups, insuring almost 4 million Australians
- Deal includes a 20 year distribution arrangement



- Subject to regulatory and other standard approvals

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The first point to make is that the decision to divest follows a comprehensive strategic review which considered a number of options – with retain and optimise at one end of a continuum, and full divestment at the other.

As you will see later in my presentation, the improved operational performance under the optimisation program provides a relevant benchmark against which all other options can be assessed.

While the decision to enter into a Heads of Agreement with Dai-ichi Life takes into account our assessment of internal operational and wider industry outlooks, it has primarily been taken on capital allocation grounds.

To the specifics of the Heads of Agreement: and although at this point it is non-binding, we have made significant progress and with most commercial terms agreed, are on a path to execute final documentation before the end of the month.

Life Insurance – Forecast consideration and capital return ($m)

- Forecast consideration of $725m
- Forecast capital return of ~$600m
- Non-cash write-down of $880m
- Marginally accretive to FY19 ROE

Life EV	**$2,050m**
Less: NZ Life & Other EV	($700m)
Australian Life EV	**$1,350m**
Less: Discount rate adjustment	($250m)
Less: Franking credits	($70m)
Adjusted EV	**$1,030m**
Forecast consideration	**$725m**
Less: Separation & transaction costs, other provisions	$90m
Less: AT1 capital funding	$35m
Forecast capital return	**~$600m**

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I have outlined some key metrics on this slide including an adjustment to better reflect the Australian Life EV for the purpose of a transaction.

Headline consideration, including forecast adjustments to net worth through to completion, is expected to be around $725m. Once separation costs, transaction expenses, hybrid capital and other provisions are taken into account, we anticipate returning somewhere in the order of $600m to shareholders when the deal completes. The return will be subject to APRA approval. Following the return of capital, we would expect Suncorp's capital position to continue to remain comfortably in excess of its targets.

A completed transaction will result in a non-cash write down to goodwill and net assets of around $880m, to be booked in the FY19 year.

While we expect a sale will be marginally accretive to cash ROE in FY19, the ultimate impact will depend upon the date of completion as well as the timing and form of the capital return.

The benefits to ROE will obviously grow in FY20 given we get the full year benefit of the lower capital base and as we run off stranded costs under a new stream of work in the BIP program.

Insurance (Australia) NPAT

- NPAT up 2.2% to $739m
- Insurance trading result $866m (FY17: $912m)
- Insurance trading ratio 12.3% (FY17: 12.9%)
- GWP up 0.3% to $8.1b
- Home and Motor GWP up 4.7%
- Natural hazards $625 million (FY17: $655 million)
- Reserve releases of $319 million (FY17: $301 million)
- Underlying investment yield of 2.5%

	FY18 ($m)	FY17 ($m)	Change (%)
Gross written premium	8,137	8,111	0.3
Net earned premium	7,191	7,072	1.7
Net incurred claims	(5,057)	(4,923)	2.7
Operating expenses	(1,506)	(1,442)	4.4
Investment income - insurance funds	258	205	25.9
Insurance trading result	886	912	(2.9)
General Insurance profit after tax	**681**	**689**	**(1.2)**
Life Insurance profit after tax	**58**	**34**	**70.6**
Insurance (Australia) NPAT	**739**	**723**	**2.2**

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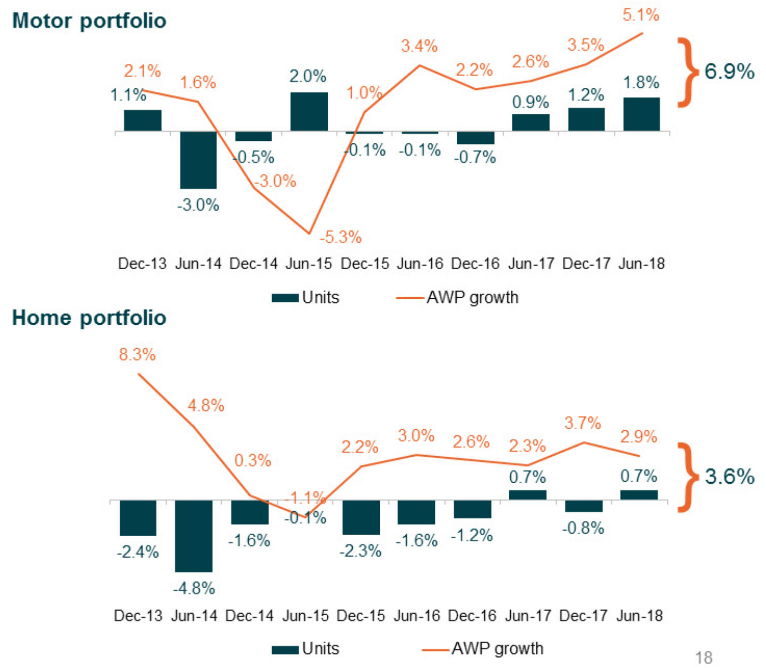
Turning to the result and starting with the Australian Insurance business which delivered a net profit after tax of $739 million, including a $58 million after tax contribution from Life.

The General Insurance result demonstrated very strong underlying trends - consistent with the commentary we provided at the half year result in February.

Over the next few slides I will cover premiums, claims and investments giving you a true sense of operational performance.

Home and Motor portfolio

- Positive premium growth across the consumer portfolio throughout the year
- Motor unit growth accelerated in 2H
- Home unit growth recovered in 2H following NSW ESL impact in 1H
- Premiums and units both expected to continue growing throughout FY19



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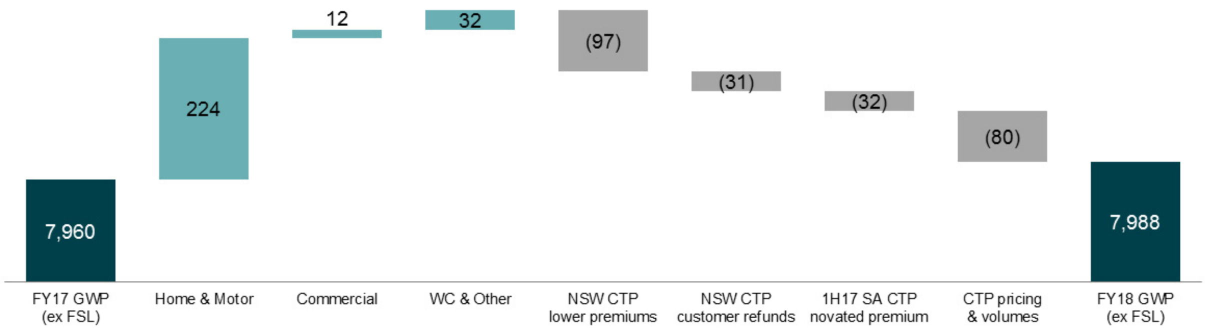
First to premiums, and the positive momentum in our consumer portfolios has continued into the second half of the year.

This is a slide I first introduced in February and it provides a five year, half on half, picture of written premium in the home and motor portfolios.

You can see at the top of the slide that we have now had three successive halves of positive volume and average written premium growth in Motor, resulting in a 6.9% improvement in GWP for the second half versus the prior period.

Home GWP growth accelerated to 3.6%, reversing the losses from the first half and resulting in units being flat over the full year.

Gross written premiums ($m)



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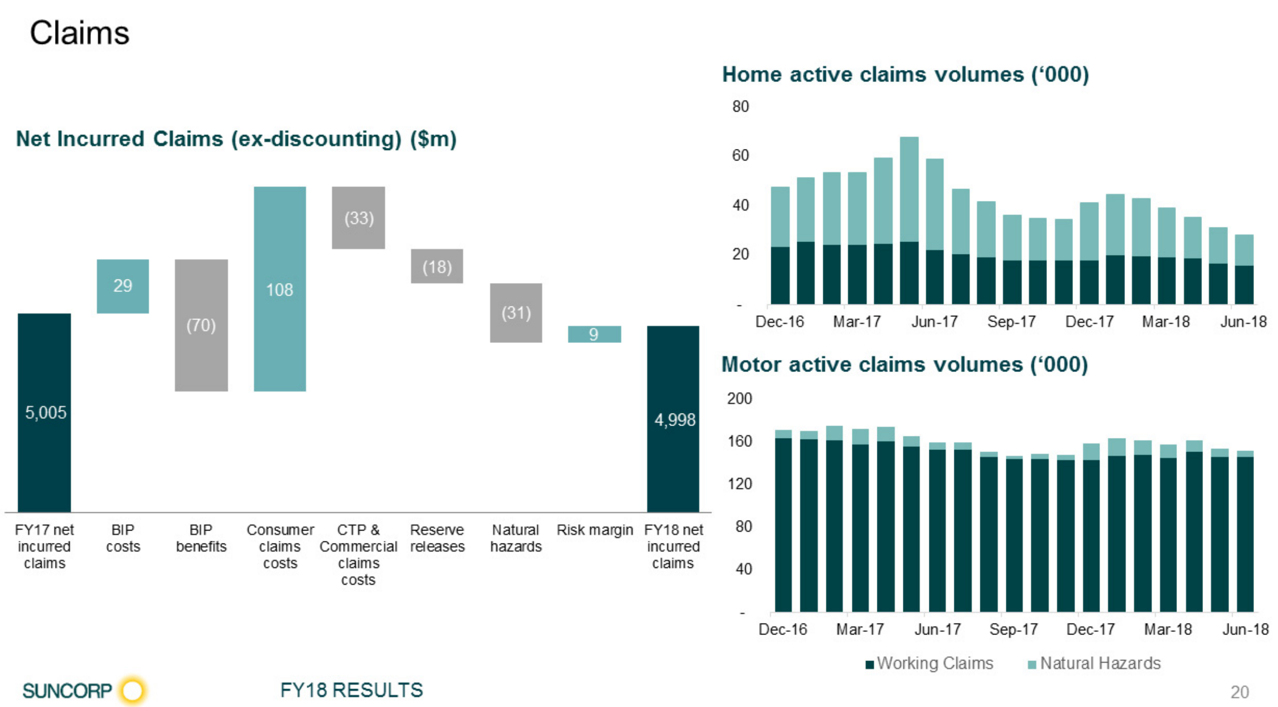
The strong growth in Home and Motor is evident in this GWP waterfall, which shows that the consumer portfolio combined added $224 million of premium for the year.

Commercial GWP increased by $12 million reflecting our disciplined approach to growth and the need to reprice the book to improve prospective profitability. This has seen us step back from the top-end property market where competition is most intense and where pricing, in our view, does not adequately reflect risk. Pleasingly, across the commercial lines mid-market, pricing continued to harden during the critical June renewal period and this is evident by premium rate increases ranging from mid-single digit to high teens with overall retention levels being maintained.

As I explained in February, the headline result has been impacted by a number of regulatory changes in our CTP portfolios, the full year effects of which are captured in the grey bars on the right hand side of the waterfall.

In respect of the NSW scheme, our strategy has been to remain competitive but not lead on price while we monitor the impact of the reforms, particularly the risk equalisation mechanisms.

In Queensland, we continue to engage with the regulator to ensure customers are appropriately covered and to ensure that scheme pricing is sustainable.



Turning to claims and on the left of the slide I have included the undiscounted view of net incurred claims. This clearly shows the impact of BIP to claims costs with benefits realised helping offset inflation in underlying claims costs.

Motor claims has been the main focus of the FY18 program. Here we are simplifying claims experience for our customers and deepening relationships with key suppliers, as well as driving more volume through SMART and our fixed cost repairer network.

On the right of the slide you can see active claims volumes have continued to improve. This is important in the context of BIP as it has allowed us to get the program set at a time when active claims volumes are at historically low levels. This, alongside the demonstrated progress in FY18, gives us confidence around the delivery of the FY19 BIP claims program.

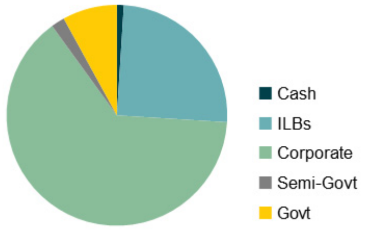
To the long-tail book and pre-tax releases of $353 million reflect a continuance of lower than assumed average weekly earnings inflation and little, or no, evidence of superimposed inflation across all schemes. The net release of $319 million takes into account the short-tail strengthening in the first half from increased third party demand costs in motor, a factor that has moderated as the year has progressed.

To finish up on claims, you will recall at the 1H result the Victorian Hailstorm just prior to balance date had driven a large increase in risk margin which impacted net incurred claims. It follows that the more benign natural hazard environment over the second half of the year has also meant lower total claims numbers and this has corresponded with a release in risk margin relative to December 17.

Investments

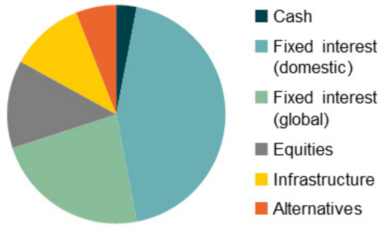
Insurance funds $9.3 billion

- **Investment income of $258 million (FY17: $205 million)**
- $1 million MTM gain from an increase in risk-free rates
- $20 million MTM gain from narrowing credit spreads
- $12 million MTM gain from outperformance of ILBs
- 2.5% annualised underlying return



Shareholders' funds $3.0 billion

- **Investment income of $110 million (FY17: $98 million)**
- 3.8% annualised return
- Returns driven by narrowing credit spreads and strong equities



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Moving to the investment portfolio, and investment income on the insurance funds was $258 million.

The headline result was supported by mark to market gains from narrowing credit spreads and a small outperformance from inflation linked bonds.

The underlying yield on the portfolio was 2.5%, slightly below our expectation of 80 basis points above the risk-free rate.

The shareholders' funds returned $110 million, representing a return of 3.8%. The main drivers of the result were again narrowing credit spreads as well as strong equity returns.

Life Insurance NPAT

- Repricing and claims benefits flowing through to planned margins
- Benefits of loss recognition reversal due to repricing of IP and Trauma
- Underlying investment income stable
- In-force premium growth due to retail and direct offset by run-off in closed Group

	FY18 ($m)	FY17 ($m)	Change (%)
Planned profit margin release	25	19	31.6
Experience	3	(6)	n/a
Other and investments	48	40	20.0
Underlying profit after tax	**76**	**53**	**43.4**
Market adjustments	(18)	(19)	(5.3)
Life Insurance NPAT	**58**	**34**	**70.6**
In-force annual premium	816	806	1.2
Total new business	59	62	(4.8)

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Now to Australian Life, where the net profit contribution was $58 million.

Planned margins continued to improve as the optimisation program gained traction through repricing, claims initiatives and product rationalisation.

Experience has also been modestly positive, while underlying investment income has been stable.

The other income line includes around $25m recognised to profit as a reversal of capitalised losses arising from the 2013 balance sheet reset.

This tailwind to the Life P&L is nearing an end, so for those of you looking for an earnings benchmark for FY19, it may be appropriate to back some, or all, of this out.

Banking & Wealth NPAT

- Lending growth of 6.1%
- At-call deposit growth of 7.1%
- NIM of 1.84% (FY17: 1.83%)
- Impairment losses 5bps of GLA
- Strong capital and balance sheet
- Wealth PAT of $14m, up $10m

	FY18 ($m)	FY17 ($m)	Change (%)
Net interest income	1,181	1,131	4.4
Net non-interest income	60	76	(21.1)
Operating expenses	(679)	(636)	6.8
Profit before impairment losses	562	571	(1.6)
Impairment losses	(27)	(7)	285.7
Income tax	(160)	(168)	(4.8)
Banking profit after tax	**375**	**396**	**(5.3)**
Wealth profit after tax	**14**	**4**	**250**
Banking & Wealth NPAT	**389**	**400**	**(2.8)**

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Turning to Banking and Wealth, which returned a net profit after tax of $389 million, down 2.8%.

At the top line, the Bank grew net interest income by 4.4%, underpinned by lending growth of 6.1% for the full year.

Home lending growth moderated from 2 times system in the first half of the year to 1.2 times system for the full year as we maintained a cautious approach to lending while owner occupier / P&I lending competition intensified.

Net interest margins remained relatively flat year on year, with favourable shifts in the funding mix offset by impacts to lending spreads on the back of heightened price-driven competition and an elevated BBSW.

The Bank has reduced and removed a range of customer fees which has flown through the non-interest income line.

We continue to prioritise the credit quality of the portfolio, with impairment losses representing just 5 basis points of gross loans and advances, well below the through the cycle operating range of 10 to 20 basis points.

Costs in the Bank are higher following increased investment in marketing, regulation and technology, including the first full year amortisation charge for the core banking platform. BIP has also been a net cost to the bank over the year, however, the initiatives relating to digitisation, sales and service optimisation and process improvement will begin to deliver an improved cost to income ratio in the second half of FY19.

Wealth delivered a full year profit of $14m. This result was due to increased investment income and lower project costs, following the completion of the Super Simplification Program.

Finally, we remain in constructive discussions with APRA regarding the pursuit of Basel II Advanced Accreditation. Unfortunately the path to Advanced has coincided with the introduction of Unquestionably Strong and Basel III capital requirements. This means APRA are unlikely to be in a position to define the impacts of these reforms on both Advanced and standardised bank capital until into calendar year 2019.

In the meantime, we continue to operate as 'if Advanced' and you can see from our capital disclosures we have plenty of flexibility to move in whatever direction makes sense for the Group.

New Zealand NPAT

- NPAT increased 70.1% driven General Insurance premium rate increases
- GI GWP grew 8.2%, driven by rate increases and unit growth in all channels
- Claims costs remain well controlled
- Life NPAT broadly stable

	FY18 (NZ$m)	FY17 (NZ$m)	Change (%)
Gross written premium	1,541	1,424	8.2
Net earned premium	1,267	1,163	8.9
Net incurred claims	(739)	(735)	0.5
Operating expenses	(404)	(387)	4.4
Investment income – insurance funds	13	14	(7.1)
Insurance trading result	137	55	149.1
General Insurance profit after tax	**109**	**47**	**131.9**
Life Insurance profit after tax	**39**	**40**	**(2.5)**
New Zealand NPAT	**148**	**87**	**70.1**

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Moving to New Zealand, which has delivered a strong result driven by premium increases, unit growth, claims management and strong expense control.

In FY18, New Zealand has been impacted by a number of weather events which have resulted in hazard costs being $35m over allowance.

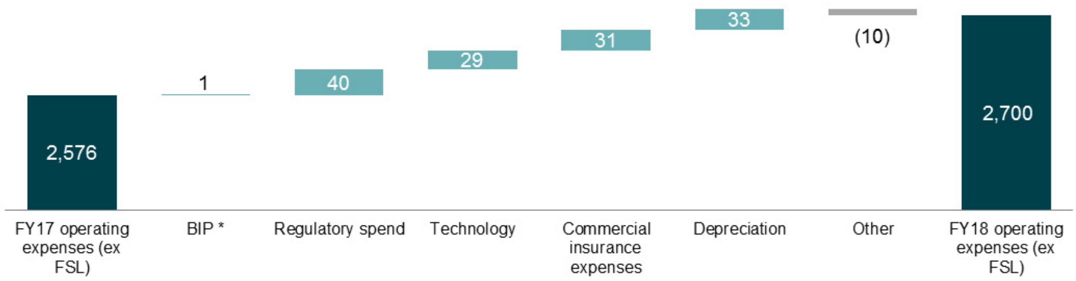
While the cost of the Kaikoura earthquake was capped last year by reinsurance, this year we have worn most of the cost of these weather events as they have come in under the threshold of our main cat reinsurance program and the NZ drop downs.

The high cost of natural hazards has been offset by improvements in working claims. The rollout of four SMART shops in Auckland, Christchurch and Wellington have contributed to this result.

Accordingly, the underlying ITR in NZ remains comfortably above the Group target of 12%.

The NZ Life result was stable and growth in in-force and underlying profit is also expected to continue next year.

Group operating expenses (ex-FSL) ($m)



Group operating expenses: BIP net cost / (benefits) ($m)

	1H18	2H18	FY18
Insurance net cost / (benefit)	19	(25)	(6)
B&W net cost / (benefit)	13	(6)	7
Total BIP net cost / (benefit)	32	(31)	1
Total Group operating expenses	**1,375**	**1,325**	**2,700**

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* BIP benefits to operating expenses only. Claims benefits of $41m are reflected in net incurred claims. For further information on BIP refer to page 9 of the Investor Pack.

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Now to Group operating expenses presented here net of FSL, which increased 5% to $2.7 billion, impacted in part by strong growth and a range of other factors, which are outlined on this slide.

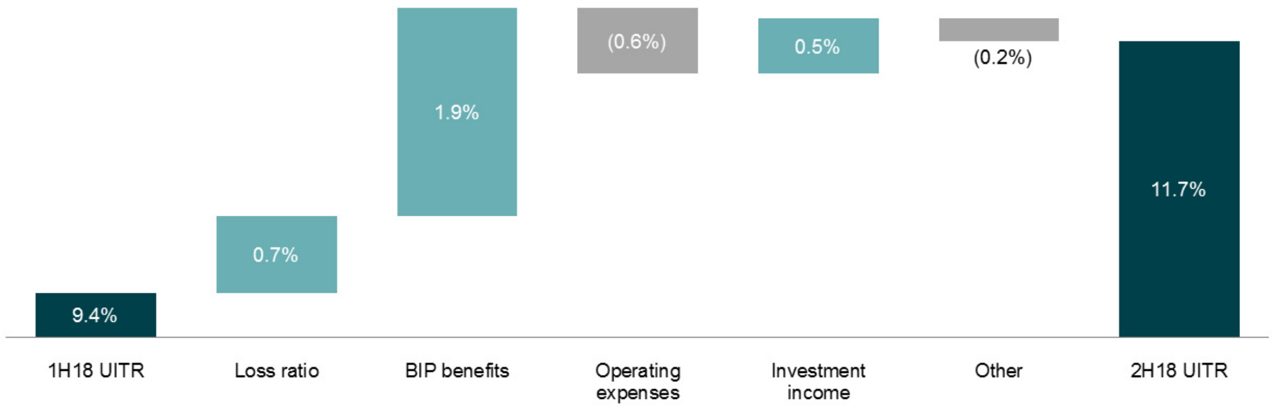
Spending on regulation and technology has increased, which is unlikely to come as a surprise. Commercial insurance expenses have increased by $31 million primarily due to a change in mix of business.

Depreciation and amortisation has increased by $33 million across the year. While this impacts the Group expense base, as it rolls off the balance sheet it supports the improved capital outlook.

At the bottom of the slide I have included a half on half view of the net benefit impact of BIP on the Group opex base.

The momentum in the program and the ‘locked in’ benefit stream underpins our confidence in operating expenses remaining below $2.7 billion for FY19.

GI Underlying ITR – 2H18 vs 1H18



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Turning now to the General Insurance UITR which was 10.6% for the full year.

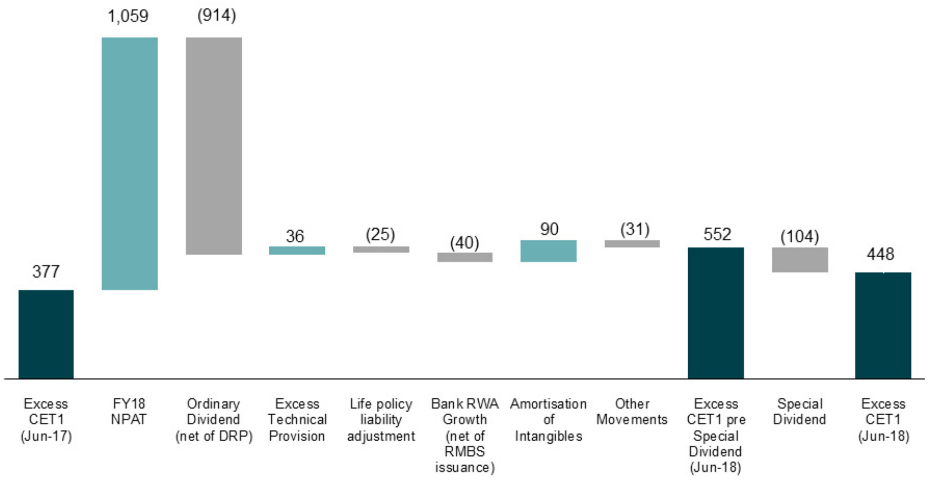
Again I would make the point that the UITR is not a measure of profitability, rather a reference point for the performance from one period to another based on a consistent set of adjustments.

As the waterfall shows, there has been a material improvement over the second half of the year with the underlying ITR increasing from 9.4% to 11.7%. You can see on the slide that this is driven by loss ratio improvements, the BIP program becoming a net contributor, and the mitigation of the regulatory headwinds we reported in the first half.

This is clear evidence of the operational momentum we have in our general insurance business, which will continue to be further strengthened with BIP.

CET1 capital base ($m)

- CET1 excess of $448 million
- Strong excess capital has allowed for a special dividend
- Excess technical provision benefited from improved loss ratios in motor
- Increase in the Life DAC deduction
- Bank growth in risk weighted assets offset by RMBS issuance
- Reduction in intangibles



Finally to capital, and the waterfall calls out the key movements over the course of the year, highlighting the underlying strength of our balance sheet.

This means than in considering our capital position at year end, we were able to meet our commitment to look through the accelerated investment and match the FY17 ordinary dividend, as well as neutralise the second half DRP, and then still be left with over $550 million of excess capital.

In addition, a Life divestment will further lighten our capital demands and reduce volatility, giving the Board confidence to pay up to our regulatory cap of 100% of NPAT via an 8 cent per share special dividend.

Therefore, after the payment of $1,052 million of dividend we continue to hold a robust $448 million surplus, providing us with great flexibility as we move through FY19.

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

SUNCORP

Michael Cameron

CEO & Managing Director

Thanks Steve.

Outlook – BIP tracking ahead of targets

- Gross benefits for FY19 of **$187m already locked in**
- BIP net benefits in FY19 expected to **exceed** original target of $195m
- BIP investment weighted to 1H FY19 with benefits **skewed to the second half** of FY19
- **Priorities** for FY19:
  - Further investment in claims capability
  - Digital functionality
  - Expansion of Partnering and Procurement programs

Gross Benefits already locked in		FY19			FY20		
		Cost	Benefit	Net Benefit	Cost	Benefit	Net Benefit
$m		$m	$m	$m	$m	$m	$m
11	Digitisation of customer experience	(22)	27	5	(8)	38	30
12	Sales and Service channel optimisation	(17)	13	(4)	(18)	30	12
12	End-to-end process improvement	(1)	45	44	-	45	45
92	Claims supply chain re-design	(26)	122	96	(13)	196	183
60	Smarter procurement and streamlining our business	(13)	67	54	(23)	82	59
187	**Total**	**(79)**	**274**	**195**	**(62)**	**391**	**329**

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As previously discussed, we are tracking ahead of our BIP targets and already expect to exceed the net benefits for FY19.

As was the case in FY18 we anticipate investment will be weighted to the first half with the benefits from those programs flowing in the second half.

A number of the programs in FY19 build on FY18 initiatives for example, in the areas of claims capability.

Like any major program over time we would expect movements in expenses and benefits between categories. But the key point is all members of the team are held to account, to deliver the total target.

Outlook – Insurance (Australia)

Growth in the Insurance (Australia) underlying trading result will be driven by a number of factors:

- Consumer GWP **growth between 4% and 6%**
  - Premium rises driven by natural hazards costs and inflation
- The Commercial portfolio will continue to focus on **returning margins** to target levels
- Medium term CTP reform expected to **reduce margin volatility** and improve customer outcomes; in the short term CTP will reduce GWP and underlying ITR
- Further investment in operational claims efficiencies will drive **improved customer experience** and operational claims metrics
- Reinsurance costs are broadly in line with prior year, having benefitted from **renewal timing**

Moving to Insurance.

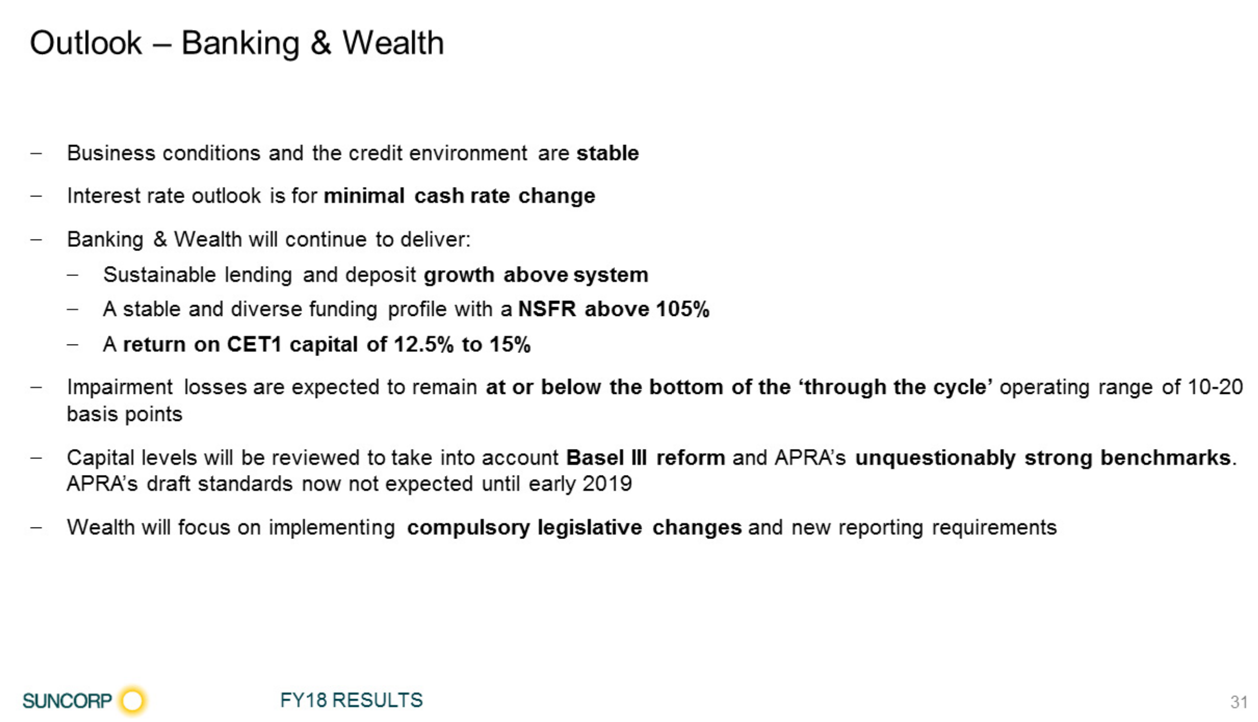
Opportunities exist to achieve top line growth of 4 – 6% in Consumer GWP driven by the recovery of industry claims inflation.

In Commercial, the focus will be on disciplined pricing and selective growth.

We expect CTP reform to continue to reduce earnings volatility while GWP and margins moderate.

Our intense claims focus will benefit customer experience and enable further efficiencies across the board.

I'm pleased that reinsurance costs for FY19 are better than expected given the timing of the renewal.



In the Bank and Wealth business, our current expectation is that system growth will moderate in FY19. We expect to be slightly ahead of this.

Advanced accreditation systems have driven an improved impairment loss position. This is expected to remain at or below the bottom of our long term range of 10-20 basis points.

The benefits of the BIP in Banking will start to flow through earnings in FY19 offsetting increasing regulatory costs.

Business conditions are stable and the credit environment benign however we will continue to watch the impact of the drought.

I expect the retail system to remain slow and the interest rate outlook is for minimal change.

Funding cost pressures will continue. Our analysis indicates that we will see a shift to principal and interest loans, which will impact savings rates.

Outlook – New Zealand

- **Positive outlook** for New Zealand
- GWP growth is expected to remain **above system** at mid single digit levels driven by intermediated, corporate partner and direct channels. NEP will be supported by recent price increases
- A program of **efficiency initiatives** has been implemented to offset inflation and unit growth
- Motor **claims cost inflation** to be managed with pricing, product changes and improved claims process including SMART
- Life in-force premium and **underlying profit growth is expected to continue** driven by an ongoing focus on sustainable commissions, strong intermediary relationships and market-leading retention

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New Zealand’s outlook is positive with a hardening market offsetting industry claims inflation.

The economy is solid with strong GDP underpinned by agriculture, tourism and net migration.

The RBNZ is expected to leave cash rates around 1.75%. Unemployment is also expected to be stable.

This backdrop provides encouraging operating conditions for the year ahead.

Outlook – Customer

- Suncorp's customer focused strategy means we are well placed to respond to the heightened **regulatory** and **political scrutiny on the sector**
  - **Budgeted regulatory spend to increase again** in FY19 to >$90m, 36 separate projects, spend incorporated into annual project pool and Group expense target
  - **Customers will benefit** from the majority of projects
- Suncorp will continue to focus on delivering choice, transparent and flexible solutions, convenience, personalisation, and recognition
- Key customer priorities for FY19-21 funded within the annual project budget include:
  - Continue to **digitise** the business and build the integration/intelligence layer
  - Tailor model in line with evolving customer behaviours and optimise for **efficiency** and reach
  - Use enhanced capabilities to meet customer expectations for **increasingly personalised services**

I am sure every financial institution is taking lessons from the current Royal Commission. We cannot yet know the extent of regulatory changes that will result from the Commissioner's findings and recommendations.

What we do know, is that the current regulatory environment continues to sharpen the focus on the importance of culture and behaviours in driving positive outcomes for customers.

Against that backdrop, the strategic changes that Suncorp has been implementing are proving to be both timely and beneficial for customers, and shareholders.

One of the benefits of the increased public discussion on financial services models is that it's now possible to be more positively differentiated. This is particularly evident if you create transparency and choice for customers and are focused on meeting genuine customer needs. This is exactly at the heart of our strategy.

Our customer priorities include continuing to digitise the business, matching customer requirements, and increasingly personalising our services.

Outlook and FY19 Targets[1]

- **Key FY19 target** is **Cash ROE of 10%** (excluding the positive impact of the divestment of the Life business)
  - Driven by:
    - 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) at the low end of a 1.80% to 1.90% range
- 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 regulatory reform.

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With that overview, today we confirm our target of Cash ROE of 10% for FY19. This excludes the positive impact of the Life divestment.

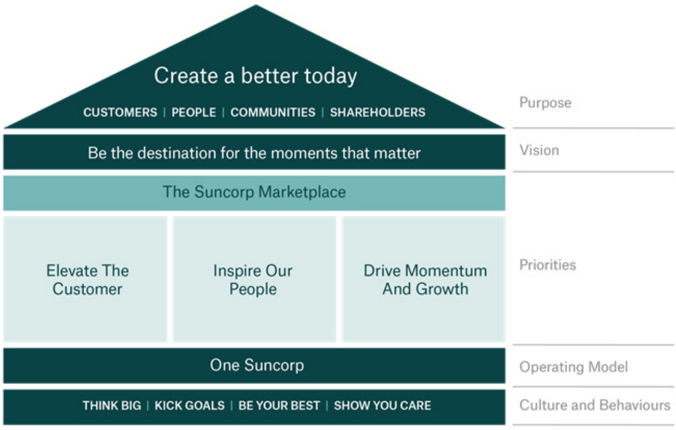
Our target is driven by:

- top line growth of 3% to 5%
- an expense base of $2.7bn
- an underlying ITR of at least 12%,
- a Bank Cost to Income of around 50%, and
- a Net Interest Margin (NIM) at the low end of a 1.80% to 1.90% range.

We expect reserve releases to be above 1.5% of NEP subject to inflation remaining benign. We intend to deliver an ordinary dividend in the 60% to 80% target range.

Critical actions to achieve FY19 Group targets

1. Business Improvement Program
   - Gross Benefits – Opex Savings $152m
     – Claims cost reduction $122m
2. Revenue growth – GWP and NII
3. Digital Transformation
4. Project Initiatives (weightings)
   - Regulatory ~50%
   - System Upgrades ~25%
   - Discretionary ~25%
5. Life business separation and transition



We are focusing intensely on shareholder returns while maximising performance for all of our stakeholders.

We have five critical actions to underpin the delivery of the FY19 targets. You should measure our progress against these throughout the year.

First is ensuring the Business Improvement Program is well resourced and the governance processes firmly in place to continue to deliver benefits.

Second is growing our revenue through GWP and NII improvements.

Third is providing better customer experiences assisted by further digitisation.

Fourth is our project initiatives. These are included in our cost base for FY19 and will return to more historic levels. The weighting towards regulatory will increase reflecting a doubling of spend in FY19. This will allow us to meet our current regulatory demands while also improving customer outcomes.

Finally separation and transition of the Life business will provide a return of capital, and an improved ROE.

Focus for FY19

Strategic Priorities	FY18 Achievements	FY19 Areas of Focus
Elevate the Customer	☑ Delivered strategic investment in the marketplace component of the strategy: ☑ App launched ☑ Reward & Recognition program over 400,000 users ☑ One Suncorp portal ☑ Single view of customers to drive improved customer service ☑ Delivered API layer ☑ NPS improved ☑ 'Zero touch' digital claims	◻ Increase digital communications and digital self-service functionality ◻ Enhance technology platforms for frontline employees (workbench, telephony) ◻ Grow customer usage of the App, Reward and Recognition, and ecosystems ◻ Deliver regulatory projects and enhance the resilience and security of our systems
Inspire Our People	☑ Leadership Development Program and Social Learning Platform launched ☑ Created future workspaces in Sydney and Auckland ☑ 44% females in senior leader roles	◻ Launch Future Ready Academy (redeployment) ◻ Commence Brisbane workspace build ◻ Develop and improve capability of our people
Drive Momentum and Growth	☑ Group top line growth of 2.4% ☑ BIP net benefits in FY18 ahead of target – $40m ☑ Life Insurance strategic review complete ☑ Optimised business portfolio: ☑ Tower NZ divestment ☑ Managed CTP Reforms ☑ Enhanced deposits offering (e.g. digital wallets)	◻ Revenue growth ◻ Deliver FY19 BIP targets ◻ Continue investment in claims across motor, property and personal injury ◻ Expand procurement program to all spend categories ◻ Partnering opportunities ◻ Life business separation and transition

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This slide provides more detail on what we delivered in FY18 and our specific deliverables for the coming year.

These are all aligned to our strategic priorities and should assist investors to monitor our progress.

While these items may be refined and added to over time we will provide updates on progress each six months.

Summary

1. Delivered **strong second half performance**
2. Business Improvement Program **exceeding targets**
3. **Digitisation** beginning to drive benefits
4. **Robust balance sheet** underpins special dividend
5. Momentum to deliver **sustainable uplift** in FY19
6. Australian Life business **strategic review complete**

In conclusion we have delivered a strong second half performance and the Business Improvement Program has exceeded targets.

The digitisation of the business is beginning to drive benefits and we have invested for future returns.

We've announced a special dividend underpinned by a robust balance sheet. We've also concluded our strategic review of the Life business.

Today we have provided further evidence that our strategy, our team and our organisation will deliver a significant uplift in performance in FY19. I'm confident that this improvement will be sustainable well beyond FY19.

I want to close this presentation by acknowledging the enormous effort of our people in delivering this result.

Thank you. Steve and I look forward to answering your questions.

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