

13 December 2018

## Australian Life Sale Update

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On 4 September 2018, Suncorp (ASX: SUN | ADR: SNMCY) announced that it had signed a share sale deed with TAL Dai-ichi Life Australia Pty Ltd (TAL) to sell its Australian life insurance business. In preparation for its 2019 Half Year Results announcement on Thursday 14 February 2019, Suncorp is releasing further information on the impact of the sale on the ongoing business. Suncorp continues to target a completion date of 28 February 2018 subject to receipt of regulatory approvals.

### 2019 Half Year Result

The Australian Life Insurance result for the 1H19 period, combined with the Participating Wealth business previously reported through the Banking & Wealth function, will be disclosed as a separate line item in the Investor Pack tables. This will incorporate the performance of Suncorp Life and Superannuation Limited (SLSL), the entity being sold, as well as other discontinuing distribution activities. Refer to tables 1 - 4 in the Appendix which reflect the impact of the sale on proforma FY18 accounts. In the 1H19 statutory accounts, only the earnings of SLSL will be disclosed as 'profit/(loss) after tax from discontinued operations'.

Under the share sale agreement, Suncorp will sell its Australian life business for approximately \$725 million, which includes the purchase consideration and adjusted net worth. As previously disclosed the sale is expected to result in an after tax non-cash loss on sale of approximately \$880 million, to be reflected in the 2019 Full Year Result. The after-tax loss includes a \$145 million write down of goodwill which will be reflected in the 1H19 result.

At 31 December 2018, assets to be transitioned to TAL upon sale will be reflected as 'held for sale' in the balance sheet. Refer to table 5 in the Appendix for a FY18 proforma Life Insurance and Wealth statement of assets and liabilities.

### Stranded costs

Following the sale of the Australian life business, Suncorp estimates that after factoring in a number of transition service agreements (TSAs), that will be finalised during the pre-completion process with TAL, there will be approximately \$30 million pre-tax of annualised stranded costs retained by the business. Suncorp will work to remove these stranded costs from the business by the end of FY20. The impact of stranded costs on the FY19 result, assuming completion of the sale on 28 February 2018, is forecast to be approximately \$10 million pre-tax and will be disclosed as a separate line item in 'Other profit (loss) after tax' in the Group contribution to profit by function table in the Investor Pack.

The costs covered by TSAs will be removed following the completion of each transition arrangement. Initiatives to remove stranded costs will be managed by Suncorp's Program Excellence function, responsible for the execution of the Business Improvement Program.

### Update on Group Capital Position

As announced on 4 October 2018, Suncorp intends to seek shareholder approval to return approximately \$600 million, as a pro-rata return of capital and share consolidation.

### Distribution agreement

Following the completion of the sale, Suncorp will commence a 20-year strategic alliance with TAL to offer market-leading life insurance solutions through Suncorp's Australian distribution channels. Under the terms of the proposed strategic alliance, Suncorp will continue to earn income on the distribution of life insurance and will recognise this as 'Other Income' within the Insurance (Australia) function in the Investor Pack.

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**About Suncorp**

Suncorp Group Limited is a provider of financial services and solutions, helping customers to make good choices and take positive action to improve their financial wellbeing. Since 1902, we have created value for stakeholders while being a responsible and resilient business. Today, we are a top 20 ASX-listed company with \$99 billion in assets. We employ approximately 13,300 people and serve over nine million customers across Australia and New Zealand.

Suncorp's products, services and experiences are designed to make it easier for customers to meet their financial needs. It brings together the Group's strong portfolio of banking & wealth and insurance solutions from across its many brands including Suncorp, AAMI, GIO, Apia, Shannons and Vero as well as those from our partners.

## Appendix

### Table 1: Proforma contribution to profit by function

	Half Year Ended	
	Jun-18	Dec-17
	\$M	\$M
<b>Insurance (Australia)</b>		
Gross written premium	4,133	4,004
Net earned premium	3,548	3,643
Net incurred claims	(2,333)	(2,724)
Operating expenses	(733)	(773)
Investment income - insurance funds	138	120
Insurance trading result	620	266
Other income	20	62
Profit before tax	640	328
Income tax	(193)	(94)
<b>Insurance (Australia) profit after tax</b>	<b>447</b>	<b>234</b>
<b>Banking &amp; Wealth</b>		
Net interest income	583	598
Net non-interest income	26	34
Operating expenses	(332)	(347)
Profit before impairment losses on loans and advances	277	285
Impairment losses on loans and advances	(14)	(13)
Banking profit before tax	263	272
Income tax	(79)	(81)
<b>Banking profit after tax</b>	<b>184</b>	<b>191</b>
<b>Wealth profit after tax</b>	<b>-</b>	<b>(6)</b>
<b>Banking &amp; Wealth profit after tax</b>	<b>184</b>	<b>185</b>
<b>New Zealand</b>		
Gross written premium	719	703
Net earned premium	604	564
Net incurred claims	(363)	(319)
Operating expenses	(190)	(182)
Investment income - insurance funds	5	7
Insurance trading result	56	70
Other income	13	(3)
Profit before tax	69	67
Income tax	(16)	(21)
<b>General Insurance profit after tax</b>	<b>53</b>	<b>46</b>
<b>Life Insurance profit after tax</b>	<b>21</b>	<b>15</b>
<b>New Zealand profit after tax</b>	<b>74</b>	<b>61</b>
<b>Profit after tax from ongoing functions</b>	<b>705</b>	<b>480</b>
<b>Australian Life Business held for sale profit after tax</b>	<b>36</b>	<b>42</b>
<b>Profit after tax from functions</b>	<b>741</b>	<b>522</b>
Marketplace acceleration investment	(110)	(36)
Other profit (loss) before tax <sup>(1)</sup>	(32)	(31)
Income tax	27	17
<b>Other profit (loss) after tax</b>	<b>(115)</b>	<b>(50)</b>
<b>Cash earnings</b>	<b>626</b>	<b>472</b>
Acquisition amortisation (after tax)	(19)	(20)
<b>Net profit after tax</b>	<b>607</b>	<b>452</b>

(1) 'Other' includes investment income on capital held at the Group level (Jun-18: \$7m, Dec-17: \$9m), consolidation adjustments (Jun-18: loss \$8m, Dec-17: loss \$1m), non-controlling interests (Jun-18: loss \$4m, Dec-17: loss \$9m), external interest expense and transaction costs (Jun-18: \$27m, Dec-17: \$30m).

**Table 2: Proforma Australian Life Business held for sale profit contribution**

	Half Year Ended	
	Jun-18	Dec-17
	\$M	\$M
Planned profit margin release	13	12
Experience	1	2
Life other and investments	23	25
Wealth products	9	11
Market and other adjustments	(10)	(8)
<b>Australian Life Business held for sale profit after tax</b>	<b>36</b>	<b>42</b>

**Table 3: Proforma Wealth profit contribution (continuing business)**

	Half Year Ended	
	Jun-18	Dec-17
	\$M	\$M
Underlying profit after tax	-	(7)
Other adjustments	-	1
<b>Profit attributed to shareholders</b>	<b>-</b>	<b>(6)</b>

**Table 4: Proforma Wealth funds under administration (continuing business)**

	Half Year Ended	
	Jun-18	Dec-17
	\$M	\$M
<b>Funds under administration</b>		
Opening balance at the start of the period	6,416	6,319
Inflows	297	316
Outflows	(399)	(450)
Investment income and other	97	231
<b>Balance at the end of the period</b>	<b>6,411</b>	<b>6,416</b>

**Table 5: Proforma Life Insurance and Wealth statement of assets and liabilities**

	As at Jun-18 \$M
<b>Assets</b>	
Invested assets	513
Assets backing annuity policies	9
Assets backing participating policies	160
Deferred tax assets	10
Reinsurance ceded	14
Assets classified as held for sale <sup>(1)</sup>	4,808
Other assets	111
Goodwill and intangible assets	69
<b>Total assets</b>	<b>5,694</b>
<b>Liabilities</b>	
Payables	89
Outstanding claims liabilities	134
Deferred tax liabilities	112
Liabilities classified as held for sale	3,259
Policy liabilities	(35)
Unvested policyholder benefits <sup>(2)</sup>	24
<b>Total liabilities</b>	<b>3,583</b>
<b>Net assets</b>	<b>2,111</b>
<b>Policyholder assets</b>	
<b>Assets</b>	
Invested assets	175
Assets backing annuity policies	9
Assets backing participating policies	160
Assets classified as held for sale	2,693
<b>Total Policyholder assets</b>	<b>3,037</b>
<b>Liabilities</b>	
Policy liabilities	320
Liabilities classified as held for sale	2,693
Unvested policyholder benefits <sup>(2)</sup>	24
<b>Total Policyholder liabilities</b>	<b>3,037</b>
<b>Policyholder net assets</b>	<b>-</b>
<b>Shareholder assets</b>	
<b>Assets</b>	
Invested assets	338
Deferred tax assets	10
Reinsurance ceded	14
Assets classified as held for sale <sup>(1)</sup>	2,115
Other assets	111
Goodwill and intangible assets	69
<b>Total Shareholder assets</b>	<b>2,657</b>
<b>Liabilities</b>	
Payables	89
Outstanding claims liabilities	134
Deferred tax liabilities	112
Liabilities classified as held for sale	566
Policy liabilities	(355)
<b>Total Shareholder liabilities</b>	<b>546</b>
<b>Shareholder net assets</b>	<b>2,111</b>

(1) Includes goodwill of \$145 million, which will be written off in the 1H19 result.

(2) Includes participating business policyholder retained profits.