

FY18 Result Overview

“ Six months ago, we committed to a stronger second half, as the benefits of our strategy begin to flow through. I’m pleased to report a 34% uplift in NPAT¹ on the first half, contributing to a full year NPAT¹ of \$1,059m.

There are some key highlights for the year. The Business Improvement Program has exceeded our net benefits target by \$30m, while 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 has underpinned a special dividend, with total dividends to investors in FY18 up 11%. All of that gives us the momentum and confidence to deliver a 10% ROE² in FY19 and beyond. We have also completed the Australian Life business strategic review and we have signed a non-binding Heads of Agreement to divest the business. ”

MICHAEL CAMERON
CEO & Managing Director

STRONG SECOND HALF DRIVES FY19 MOMENTUM AND SPECIAL DIVIDEND



Financial Highlights

Reported net profit after tax
\$1,059m

↓ 1.5% from \$1,075m in FY17

- Includes upfront accelerated investment of \$146m in the marketplace
- Absorbed a four fold increase in regulatory costs to \$54m

Cash earnings
\$1,098m

↓ 4.1% from \$1,145m in FY17

Group underlying insurance trading ratio
10.6%

- 11.7% for 2H18
- Group natural hazard costs were \$688m, \$4m below the allowance

Fully franked total ordinary dividend

73cps

Special dividend

8cps

Total payout ratio

95.2%

Group top-line growth

2.4%

- AU Home and Motor Insurance GWP³ growth of 4.7%
- Bank lending growth 6.1%
- NZ General Insurance GWP³ growth of 5.7%



Result Highlights

- 1 Delivered **strong 2H18 performance**, NPAT¹ up 34% on 1H18
- 2 Business Improvement Program (BIP) delivered net benefits of \$40m, **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** - signed a non-binding Heads of Agreement to divest

Insurance (Australia)



“ Our Motor and Home portfolios have performed strongly with insurance premium and unit growth, and claims performance at better than industry levels. Operating expenses improved in the second half, as underwriting expenses declined and the benefits of the Business Improvement Program started to flow through. The team has also been successful in balancing the dynamics of the commercial and CTP⁴ books. ” MICHAEL CAMERON

	Jun 18 (\$M)	Jun 17 (\$M)	Jun 18 vs Jun 17 (%)
General Insurance GWP ³	8,137	8,111	0.3
Net earned premium	7,191	7,072	1.7
Net incurred claims	(5,057)	(4,923)	2.7
Total operating expenses	(1,506)	(1,442)	4.4
General Insurance NPAT ¹	681	689	(1.2)
Life Insurance NPAT ¹	58	34	70.6
Insurance (Australia) NPAT ¹	739	723	2.2

- Insurance (Australia) profit after tax increased by 2.2%, with profit after tax for the second half improving by 79.9% compared to 1H18. This improvement was driven by lower natural hazard costs and the realisation of claims benefits from BIP initiatives.
- The Home and Motor portfolios achieved GWP³ growth of 4.7%, with average written premium increases of 3.8% and unit growth of 0.9%. While CTP⁴ GWP³ decreased by 17.1%, this was primarily driven by the NSW scheme reform.
- Life Underlying Profit increased 43.4% to \$76m, reflecting higher planned profit margins, repricing benefits and favourable experience due to the Life Optimisation program of work.
- Net reserve releases of \$319m, above the long-run expectations of 1.5% of net earned premium.
- Total investment income was \$368m representing an annualised return of 3.1% for the full year.

Life Insurance Update

- Suncorp has signed a non-binding Heads of Agreement with TAL Dai-ichi Life Australia Pty Limited for the sale of 100% of the Australian Life Insurance business, with consideration expected to be approximately \$725m.
- 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. Suncorp anticipates returning approximately \$600m to shareholders. The structure of the capital return and the precise quantum will be announced prior to the completion of the transaction.

- Part of the arrangement will be a 20-year distribution agreement. The transaction is expected to be marginally accretive to cash ROE² in FY19.

Banking & Wealth



“ Deposit growth and lending growth were both strong, with new offers, digital functionality and a simplification of our processes driving good customer experience. We continue to achieve above system growth. ” MICHAEL CAMERON

	Jun 18 (\$M)	Jun 17 (\$M)	Jun 18 vs Jun 17 (%)
Banking profit after tax	375	396	(5.3)
Wealth profit after tax	14	4	250.0
Banking & Wealth profit after tax	389	400	(2.8)
Total housing loans	47,604	44,844	6.2
Other	11,112	10,480	6.0
Total Lending	58,716	55,324	6.1
Total Customer Funding	38,561	36,840	4.7

- Above system growth across home and business lending portfolios drove a 4.4% increase in net interest income.
- Total customer deposits increased 4.7%, flowing from new product offerings, enhanced digital functionality and simplified processes.
- Banking impairment charges of 5bps of GLA⁵, below the long-run operating range of 10 to 20 bps.
- Wealth profit after tax increased from \$4m to \$14m driven by improved investment income and reduced project costs.

New Zealand



“The New Zealand business has had very strong performance, with GWP³ up 5.7 per cent, reflecting both unit and premium growth, while claims and operating expenses have been well managed, leading to a significant uplift in profit.” **MICHAEL CAMERON**

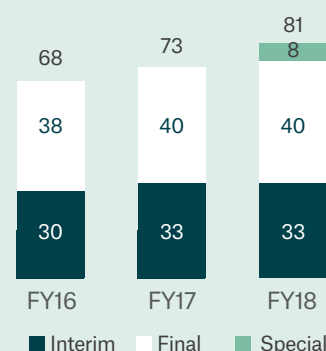
	Jun 18 (AU\$m)	Jun 17 (AU\$m)	Jun 18 vs Jun 17 (%)
General Insurance GWP ³	1,422	1,345	5.7
Net earned premium	1,168	1,099	6.3
Net incurred claims	(682)	(693)	(1.6)
Total operating expenses	(372)	(366)	1.6
General Insurance NPAT ¹	99	45	120.0
Life Insurance NPAT ¹	36	37	(2.7)
New Zealand NPAT ¹	135	82	64.6

- New Zealand reported a 65% increase in NPAT¹ to A\$135m.
- The General Insurance business delivered profit after tax of A\$99m up 120% from the prior year, driven by premium increases, strong unit growth, claims management and expense control.
- Reported insurance margins improved with an ITR⁶ of 10.8%, up from 4.8% in the prior year.
- GWP³ grew by 5.7% to A\$1.4bn, driven by premium increases across all portfolios and supported by unit growth across the direct and corporate partner channels.

Capital and Dividend

- Suncorp maintains a strong capital position with all businesses holding CET1⁷ in excess of targets. The Group's excess to CET1⁷ is \$448m after adjusting for the final dividend.
- Suncorp's profit result and strong balance sheet position for the full year has led to a fully franked final ordinary dividend of 40 cents per share. This brings the ordinary dividend for FY18 to 73 cents per share. The full year ordinary dividend equates to a payout ratio of 85.8% of cash earnings.
- The Group's strong balance sheet position has allowed for a fully franked special dividend of 8 cents per share. This brings the total full year dividend to 81 cents per share, up 11.0% on the prior year, equating to a payout ratio of 95.2% of cash earnings.
- After payment of the dividend, the franking account balance will be \$113m.

Dividends (cents per share)



Outlook and Targets

“At the half year, we pointed to a stronger second half, and a significant uplift in performance in FY19. The second half position reflects good momentum, and gives us confidence in achieving our FY19 targets.” **MICHAEL CAMERON**

	1H18	2H18	FY18	FY19 ⁹
Group top-line growth (%) ¹⁰	1.6	3.1	2.4	3-5
Expense base (\$bn) ⁹	1.4	1.3	2.7	2.7
Underlying ITR ⁶ (%)	9.4	11.7	10.6	>12
Bank Cost to Income Ratio (%)	54.9	54.5	54.7	~50
Net Interest Margin (%)	1.86	1.82	1.84	1.80-1.90
Cash ROE ² (%)	6.8	9.2	8.0	10
Ordinary dividend payout ratio (%) ¹¹	90.1	82.5 ¹¹	85.8 ¹¹	60-80

- Suncorp's key FY19 target is Cash ROE² of 10% (excluding the positive impact of the divestment of the Life business).
- Suncorp expects to report strong growth in FY19 driven by top line growth of 3-5%, maintaining an expense base (ex FSL⁸) of \$2.7bn and driving further efficiencies in its claims handling costs through BIP initiatives.

9 Subject to natural hazards at or below budget, movements in investment markets and regulatory reform. The forecast is ex FSL which is a pass through.
10. 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. 11. Cash earnings excluding special dividend.

Focus for FY19

STRATEGIC PRIORITIES

- To achieve our vision, Suncorp is focused on three strategic priorities to Elevate the Customer, Inspire our People, and Drive Momentum and Growth.

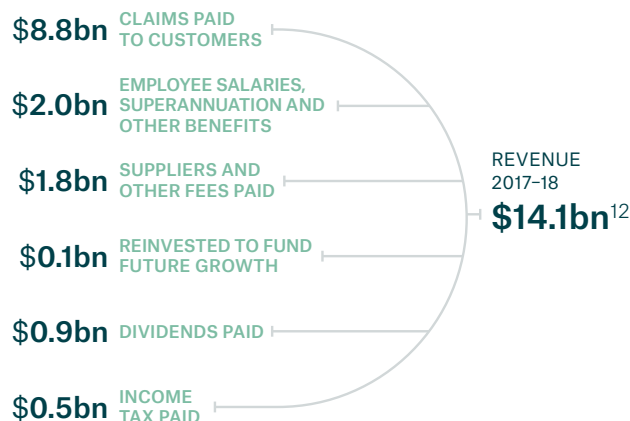
STRATEGIC PRIORITIES	FY18 ACHIEVEMENTS	FY19 AREAS OF FOCUS
Elevate the Customer	<ul style="list-style-type: none"> ✓ Delivered strategic investment in the marketplace component of the strategy: <ul style="list-style-type: none"> ✓ App launched ✓ Reward & Recognition program over 400,000 users ✓ One Suncorp portal ✓ Single view of customers to drive improved customer service ✓ Delivered API layer ✓ NPS improved ✓ 'Zero touch' digital claims 	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> ✓ Leadership Development Program and Social Learning Platform launched ✓ Created future workspaces in Sydney and Auckland ✓ 44% females in senior leader roles 	<ul style="list-style-type: none"> – Launch Future Ready Academy (redeployment) – Commence Brisbane workspace build – Develop and improve capability of our people
Drive Momentum and Growth	<ul style="list-style-type: none"> ✓ Group top line growth of 2.4% ✓ BIP net benefits in FY18 ahead of target - \$40m ✓ Life Insurance strategic review complete ✓ Optimised business portfolio: <ul style="list-style-type: none"> ✓ Tower NZ divestment ✓ Managed CTP⁴ Reforms ✓ Enhanced deposits offering (e.g. digital wallets) 	<ul style="list-style-type: none"> – Revenue growth – Deliver FY19 BIP targets <ul style="list-style-type: none"> – Continue investment in claims across motor, property and personal injury – Expand procurement program to all spend categories – Partnering opportunities – Life business separation and transition

How Suncorp contributes to the economy

As a leading financial services provider, Suncorp is proud of its significant contribution to the Australian economy.

Throughout the 2018 financial year, Suncorp has paid \$8.8bn in claims to support customers in the moments that matter, employed approximately 13,300 people across the Group and returned \$0.9bn to shareholders.

Remaining focused on the future, Suncorp is committed to reinvesting profit back into the business, to fund growth and ultimately improve the experience for customers and communities in which Suncorp operates.



¹² Net of interest expense

Contribution to profit by function

	Full Year Ended Jun-18 \$M	Jun-17 \$M	Jun-18 vs Jun-17 %
INSURANCE (AUSTRALIA)			
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)
Other income	82	65	26.2
Profit before tax	968	977	(0.9)
Income tax	(287)	(288)	(0.3)
General Insurance profit after tax	681	689	(1.2)
Life Insurance profit after tax	58	34	70.6
Insurance (Australia) profit after tax	739	723	2.2
BANKING & WEALTH			
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 on loans and advances	562	571	(1.6)
Impairment losses on loans and advances	(27)	(7)	285.7
Banking profit before tax	535	564	(5.1)
Income tax	(160)	(168)	(4.8)
Banking profit after tax	375	396	(5.3)
Wealth profit after tax	14	4	250.0
Banking & Wealth profit after tax	389	400	(2.8)
NEW ZEALAND			
Gross written premium	1,422	1,345	5.7
Net earned premium	1,168	1,099	6.3
Net incurred claims	(682)	(693)	(1.6)
Operating expenses	(372)	(366)	1.6
Investment income - insurance funds	12	13	(7.7)
Insurance trading result	126	53	137.7
Other income	10	10	-
Profit before tax	136	63	115.9
Income tax	(37)	(18)	105.6
General Insurance profit after tax	99	45	120.0
Life Insurance profit after tax	36	37	(2.7)
New Zealand profit after tax	135	82	64.6
Profit after tax from functions	1,263	1,205	4.8
Accelerated strategic investment	(146)	-	n/a
Other profit (loss) before tax ¹	(63)	(58)	8.6
Income tax	44	(2)	n/a
Other profit (loss) after tax	(165)	(60)	175.0
Cash earnings	1,098	1,145	(4.1)
Acquisition amortisation (after tax) ²	(39)	(70)	(44.3)
Net profit after tax	1,059	1,075	(1.5)

¹ 'Other' includes investment income on capital held at the Group level (Jun-18: \$16m, Jun-17: \$14m), consolidation adjustments (Jun-18: loss \$9m, Jun-17: loss \$3m), customer strategy investment (Jun-18: nil, Jun-17: loss \$13m), recognition of deferred consideration on Tyndall disposal (Jun-18: nil, Jun-17: \$3m), non-controlling interests (Jun-18: loss \$13m, Jun-17: loss \$10m), external interest expense and transaction costs (Jun-18: \$57m, Jun-17: \$49m). ² The decline in amortisation is due to the inclusion of the \$25m write down of the Autosure business in FY17.

Please refer to the Investor Pack glossary for a full list of definitions.