Start of Transcript

Kelly Hibbins, Head of Investor Relations: Good morning everyone and welcome to Suncorp's FY18 half year results presentation. I would like to begin by acknowledging the Gadigal people of the Eora Nation, the traditional custodians of this land and pay my respects to all elders past, present and emerging.

The format of today's briefing will be an introduction and run through of the key highlights of the result by Suncorp's CEO & Managing Director, Michael Cameron, followed by a deep dive on some of the key areas in the financials by our CFO, Steve Johnston. Following that, Michael will provide some commentary around the Group's strategy and outlook. We will then follow with a Q&A session. I will now hand over to Michael.

Michael Cameron, CEO & Managing Director: Well good morning everyone. I trust you've had a chance to review the headline results. While the 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're 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 and 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 also laying out some key drivers of value to measure us against and more colour on the outcomes that we are committing to for future years. So let's start with the results as we reported them this morning.

The reported NPAT for the six months was $452 million. This includes the impact of the damaging hail storm in Victoria that occurred just before balance date, as well as the significant investment in our two major programs. Those programs are on track to drive higher future returns. 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.

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 benefiting from the hardening market. We've progressed our digital transformation and this will drive improved customer outcomes and also lower costs. Our investment in the Business Improvement Program will reset the cost base back to $2.7 billion and this will give Suncorp a more resilient model.

Increased regulation is driving additional costs that we need to manage and it's important to note that this deregulation will ultimately improve Suncorp's competitive position. Let's take a closer look at each of these highlights in a little bit more detail.

We're 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 and home GWP, with unit growth up and market shares stabilised. The optimisation program in the life business saw all metrics lift and a 56% increase 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 a far better than expected level.

The 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 the allowance.

Digital transformation is progressing really well, building the capacity 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 our customers. Digital interactions are up 19% since last year and 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%.

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'm confident continued focus in the second half will position us well for achieving the net targets. The program differs to what we've done in the past and also to what others are pursuing in the market. Beyond taking cost out of the business, the program is focused on improving customer experience and embedding a culture of continuous improvement. We're driving for a fundamental shift in the mindset of our people and the way in which we work.

There's 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're 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. As you know, this enabled Suncorp to enter the South Australian scheme.

Now I want to provide more detail around the outlook for shareholders. In FY19 we're 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 loan growth in the lending book and also effective funding to deliver a net interest margin of between 180 and 190 basis points. 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% to 80% range in future years is sustainable and we remain committed to returning excess capital to shareholders.

I now want to make a couple of comments on the performance of each of our businesses and this graph shows the steady increase of motor and home GWP. It is being achieved by growth in both units and price. Consumer loss ratios have also improved. We've executed significant improvements in both home and motor over the past 18 months. This was to better manage the claims inflation as being experienced across the industry.

The investments that we're making do impact margins in the short term, but we are further improving our competitive position. We're also seeing a meaningful turnaround in the life business as a direct result of our optimisation program. Steve will walk you through the improving metrics for each of the businesses in just a moment.

Now our team has done a great job of the banking business. The Bank delivered well above system growth and that compares 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 repositioned. Home lending and business lending have both benefited. 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're now confident of achieving our long-held targets for the Bank.

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 the expense controls allowed us to improve our margins. We've established four SMART repair centres, which are delivering customer benefits and lower costs. The team continues to focus on robust claims management and strengthened relationships across the direct and corporate relationships.

So with that overview of the result, I believe we've put some clear evidence of progress on the table. I'll now hand over to Steve and then I'll return to provide further commentary around our strategy and our outlook. Thank you.

Steve Johnston, Chief Financial Officer: Well thank you and good morning everyone. Today I'll briefly step through each of the business lines, then I'll cover our expense position, the underlying ITR and capital before I hand back to Michael to conclude the presentation.

So let me start with Insurance, which delivered net profit after tax of $264 million and that of course included a $30 million after tax contribution from the Australian life business. Now 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'll cover premiums, claims and investments and give you a true sense of operating performance.

First to premium and I've included these charts to show the positive momentum we have in our consumer portfolio. The story in motor is really pleasing, with two successive halves at positive volume and average written premium growth and that's resulted in a 4.7% increase in GWP for the half year. Home premium grew by a touch under 3%, with a small but manageable loss of unit. Together these portfolios added $92 million of premium and I've included this on this waterfall, which reconciles the premium movement over the half year. Commercial GWP increased by $11 million, or 1.5% and that reflects our disciplined approach to growth and the need to reprice the book to improve perspective profitability.

Now the commercial lines market is clearly hardening, however it does remain 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 and I've captured them on the right-hand side of this waterfall. The first of those relates to fire service levies where the New South Wales government's reversal of its decision to remove levies last year resulted in a requirement for us to repay $32 million in premiums, with two years to recover that amount.

Moving further to the right-hand side of the waterfall and CTP written premium decline which is primarily due to three factors. Firstly, there was a $53 million refund of premiums to the New South Wales 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. Secondly, the full year impact of successive premium reductions in Queensland and, to a lesser extent, in New South Wales, offset by a very small improvement in premium in South Australia, has netted out to a reduced premium of $27 million. Lastly, the prior period included the up-front collection of novated premium following the entry into the South Australian CTP scheme.

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

Now turning to claims, and again I have included a waterfall on the left of the slide, that calls out the key movements. Now it's important to note that the movement in net incurred claims includes $154 million mark to market impact, from the increases in risk free rates against the prior corresponding in period. 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, over the same period.

Excluding the accounting noise, net incurred claims costs have increased by 7.8%. Operational metrics continue to track favourably. Now as you can see from the charts on the right of the slide, active working claims volumes have continued to improve in both motor and home. Whilst ratios have also improved, and they're benefitting from our continued focus on claims costs, which includes driving record volume through our SMART motor repair shops and initiatives to deal with those problematic water claims.

Despite this, there've been several factors which have impacted net incurred claims in this period, and these need to be taken in to account when considering underlying claims trends. Firstly, natural hazards were $76 million higher for this half, compared to the prior period. Next, and importantly, 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 the change in the mix to the portfolio.

Our latest estimate of the costs for the December 2019 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 have been settled at the balance date. Risk margin and claims handling expenses have consequently increased proportionately to the outstanding claims provision. We expect most of the outstanding claims provision, the risk margin and the CHE associated with this event, will have unwound by the 30 June.

In terms of portfolio mix, the strong growth we've experienced in CTP has also driven an increase in both 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 they remain well above our usual expectation.

Now moving to the investment portfolios and investment income on the insurance funds of $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 with $106 million or 2.3% annualised, now slightly below our expectation of around 80 basis points above the risk free. The shareholder funds returned $72 million, representing a return of 5.1%. Now the offsetting movements in credit spreads and bond yields, were similar to those in the insurance funds, while the portfolio benefited from improvements in returns from equity markets and alternative asset classes.

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. Now very pleasingly, planned margins have benefited in and have improved, largely as a result of the pricing we've put in the book 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 in the P&L includes the realisation to profit of pricing initiatives.

We remain committed to improving the profitability of the Australian Life business through the comprehensive optimisation program, which as you can see is already beginning to deliver an improvement in claims outcomes, reduce costs, and is establishing a more sustainable business. Or course the optimisation program sits alongside a strategic review, which is ongoing and we will of course keep the market, and yourselves, fully updated as that progresses.

Turning to Banking & Wealth which returned to net profit after tax of $197 million. Total lending grew by 8.7% on an annualised basis, 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, that reflects free pricing activity and favourable funding conditions. This gives us confidence that over the medium term the Bank's net interest margin can operate in the 180 to 190 basis point range, which is a step-up on our previous expectation.

Now as discussed earlier, costs in the Bank have increased due to the Business Improvement Program and targeted investment in new capabilities. However, 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 our long run expectation of 10-20 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 segment such as the inner-city apartment market. 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 that 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 III and unquestionably strong capital requirements.

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

Finally, to the business lines and 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 by 10.4%. Net incurred claims reduced by 6.5%, with lower natural hazard costs, noting of course that the prior period was impacted by the Kaikoura earthquake.

On the working book, motor claims cost inflation continues to be seen across the New Zealand industry. Now, as Michael mentioned earlier, this has been closely managed with increased utilisation of our SMART repair centres and that's our key response. We've also seen reserve releases as settlements continue to progress on both the Canterbury and Kaikoura earthquakes. 95% of Canterbury claims and 80% 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 enforced growth of 5%. We've observed some volatility in morbidity claims during the half, which has resulted in negative experience.

Moving now to operating expenses, and as we've 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 for this half year of $1.4 billion have increased, however there are a number of good reasons for the movement.

Firstly, the investment in the Business Improvement Program, 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 upfront investment of $50 million will result in an opex skew between the halves, with the cost taken up-front and the benefits being realised in the second half of the financial year.

On the waterfall, we've 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 regulatory reviews and reforms. The remainder of the movements on the slide, are largely volume and growth related.

Turning now to the topic of the general insurance underlying ITR, and on this slide I've called out the key movements over the half. The first point to note is that the main movements are in Australia, as New Zealand has been stable over the period. The stand out movement is Australian consumer, which has been the main contributor to 110 basis point increase in margins.

As I discussed earlier, home and motor repair processes are running very well, with our vertically integrated supply chain enabling us to contain costs better than the rest of the industry. This means we've been able to more than cover inflation, providing a net benefit to margin. We expect this momentum to continue in to the second half.

As we discussed the full year in August, we have been facing in to 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 reform in New South Wales and the reduction in Queensland scheme pricing account for a 50 basis point impact. A significant fall in credit spreads over the period, has had an impact on portfolio yields and, like the mark to market movements, they are not removed from the underlying calculation. Finally, there is a 1.2% impact from the increased costs I spoke about earlier.

The successfully delivery of the Business Improvement Program, will assist in delivering a return to a 12% underlying ITR, as benefits to expenses and claims drive substantial improvements in margins. We'll also continue to reprice for claims cost inflation, higher natural hazards and to ensure our commercial books is delivering acceptable margins. We're confident that the improvement in margins will become evident from the second half of this year.

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 hand back to Michael to conclude the presentation.

Michael Cameron, CEO & Managing Director: Thanks Steve. I want to provide some commentary on the Group's strategy from here, including some of the key drivers of value to measure us against. Suncorp's strategy has been an evolution, it's been 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. Now our two major programs will improve both customer outcomes and shareholder outcomes.

We're 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 our costs. Today you've 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 many companies seek to improve their business, either by focusing on driving operational excellence, or improvement 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 over 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 our customers. We're improving our day to day operations, whilst ensuring that Suncorp is ready for the future. This is a logical and sensible path to long term growth.

This slide and the next one begin the process of laying out additional measures for tracking and assessing our performance. On the left, we show the clear linkage between our strategy to meet more customers' 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 benefits to be gained from meeting more of our customers' needs. This includes the impact of changes in revenue and expenses. On the right, we've 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.

In addition to revenue, expenses and claims costs et cetera 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 our 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 majority of the components of the accelerated spend have only commenced during this half it's still very early days.

For example, delivery of the new app, scaling of the reward and 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 also specialist skills.

This slide sets out the various functions and highlights the 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 products and services through our channels.

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'll go to your questions.

Historically, we have provided medium-term projections on our key metrics. As a result of the progress that 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% to 5%, and expense base of $2.7 billion, an underlying ITR of at least 12%, and our Banking cost to income ratio of around 50%, together with a net interest margin of 180 basis points and 190 basis points, we'll produce a cash ROE of 10%.

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

As I said, we intend to increase the dividend payout ratio this year. It will revert back to 60% to 80% in FY19.

So 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 FY20.

So thank you, and Steve and I look forward to now answering your questions. I will now hand over to Kelly who will co-ordinate the questions from within the room and also on the phone. So thank you.

Kelly Hibbins, Head of Investor Relations: Thanks Michael. We'll take questions from the room first. If I can just remind you to raise your hand and announce yourself so that people on the webcast can hear. So, maybe James.

James Coghill, UBS Analyst: James Coghill, UBS. Michael, just I heard you refer to clear evidence of progress on two occasions in your discussion there. When you presented the result you really only flagged opex and the hail storm as negatives in the result.

I mean the progress is not all that evidence. There's some quite significant underlying deterioration in some of the businesses. I guess the question that flows from that is one about accountability and these FY19 targets that you've rolled out.

How do you intend to actually weave that accountability into your executives? Are we going to see more differentiation in STI awards, in their KPIs? If you could just maybe comment on that, and I've got another question after that.

Michael Cameron, CEO & Managing Director: Sure. James, I think there is clear evidence that the strategy is working. If I look at the top line growth, I look at the turnaround in the Bank from zero growth to 8.7% growth, look at the life business.

Virtually every metric has shown a significant improvement from last year with a very strong profit. The New Zealand business - top line growth is strong. 3.9% across the rest of the business in the general insurance business is a great result.

As far as accountability I think structurally we've got very clear accountability. You mention the STI differentiation, our intention is of course this year to deliver that differentiation.

Last year there are a number of - well, essentially the whole team were in very new roles. We were trying to bond the team together to deliver the outcome. This year there's much more individual accountability for actions. But of course we're all in it to deliver the commitments that we are making today.

So I think we are making good progress. We've got a clear strategy. We've been, I think, very deliberate in investing into the business to deliver growth in the second half and into next year, and significant savings. Clear accountability and the issue of STI, we won't see the same pattern as last year where there is a consistent level of bonuses paid across the senior team.

James Coghill, UBS Analyst: Okay, the next question relates to the benefits in the BIP which are now meant to come through quite strongly in the second half. I was hoping that you could just perhaps provide a bit more colour about the nature of some of those benefits.

For instance, procurement and streamlining, $37 million. That's one of the largest items there. What is the nature of these benefits that will all come through so strongly in a half? We haven't seen much evidence of them coming through yet.

So if you could just comment in a little bit more detail about what your level of confidence in those actually coming through to the market at $10 million net in '18.

Michael Cameron, CEO & Managing Director: As Steve mentioned the mix between the first half and the second half is quite significant. The net cost in the first half is $28 million, the net benefit in the second half is $38 million. So you can see a significant move from negative $28 million to positive $38 million, and just as a result of the timing of the spend and the benefits.

Right across the organisation if I think about some of the structural changes we've made we have also introduced a number of customer outcomes. Zero touch claims where in the recent hail storm there was about 2,000 people that processed their claims directly through our online facility with no human touch at all.

The processing of loans within the Bank for small business - movement from 45 days down to 21 days. There is a long list of initiatives where we've been able to remove activities and we've also been able to enhance our claims processes across the business.

So they will continue to be delivered in the second half and into next year. As I said, full year run rate as at today is $124 million. We're absolutely confident. So if we did nothing else today, the changes we've already made through the procurement, and the things I mentioned, will deliver that sort of saving as a full year run rate in '19. Of course we've got the second half activity which we continue to work on. Then we've got activities planned in '19 as well that will deliver that. But procurement is an obvious one. Steve might like to make some specific comments. But no, as a purchaser we spend significant amounts of money right across the board in relation to claims et cetera. We've been able to negotiate significant savings across the board with those.

Steve Johnston, Chief Financial Officer: Look I think at first flush on the screens James those numbers may look daunting, but you've got to remember the base that we're approaching here on the opex base is around $2.7 billion. Simply aggregating our scale, using our scale is one key area. Working closer with our preferred suppliers, recontracting preferred suppliers, which we've done in this first half on updated terms and conditions which provides favourable benefit into the second half and into next year.

The claims space is, and certainly in the personal lines area is around $4 billion. I mean we are one of the biggest purchasers of many items - of white goods and otherwise. On the repair-side obviously we've got SMART. It runs at about 47%, that's record volume going through SMART. We've got 12 preferred repairers on fixed base contracts and we're putting around 15% of that through our repair network today. So that's over 60% of our claims volumes going through at a fixed price. SMART is more attractive than the contracted piece, but not by a huge differential.

So aggregation of scale driving better procurement activities is absolutely critical to the success of the Business Improvement Program. I think it's one area where we're probably tracking ahead of where our expectation was six months ago.

Michael Cameron, CEO & Managing Director: The pathing through the SMART centres, it's moved from 37% up to 44%, and that's over an 18-month period. So it's been a significant improvement in where those cars are being repaired and the benefits that we bring to the bottom line.

James Coghill, UBS Analyst: Okay, thank you.

Kelly Hibbins, Head of Investor Relations: Brett.

Brett Lemesurie, Velocity Trade Analyst: Thanks, Brett Le Lemesurie from Velocity Trade. A couple of questions. Firstly Steve, on the net incurred claims you showed the risk-free mark to market is increasing the net incurred claims. Then on the investment side you showed an increase in risk-free rates also resulting in a loss.

Steve Johnston, Chief Financial Officer: Well, obviously on the book you've got - well, you're comparing two different things there. One is the balance sheet movement in net incurred claims over a 12-month period. So it's the net incurred claims at the end of this period relative to 12 months ago. The movements on the investment returns are within the year.

So they are slightly different numbers. If you go back six months you'll see the impact largely coming through investment returns of the big mark to market movements six months ago. So essentially the book is matched. So you get - on the matched book you get a movement in net incurred claims as the risk free rate moves around, and you get an offsetting movement on investment income. The area that is exposed to movements which is not matched is the unearned premium liability, which as you know moves around with mark to market adjustments and is excluded from the underlying ITR calculation.

Brett Le Mesurier, Velocity Trade Analyst: The second question I've got is that we've seen IAG benefit from a quota share reinsurance deal. You're obviously not doing that. They're able to reduce volatility and increase the margin. So why are you not adopting the same approach?

Michael Cameron, CEO & Managing Director: It's an option that we consider each time that we review our reinsurance. It is a lever that we could use to - you mentioned a couple of benefits, the first one being managing volatility and earnings. Now of course we have a major part of our earnings coming from a Bank. So from a diversification of earnings perspective we think that we don't need quota share to deliver that. Having said that though, we have a quota share on the Queensland home book, 30% of that book. We also have a 50% quota share on South Australian and ACT CTP. So we're not afraid to use quota share, and as I say we analyse it quite frequently.

But in looking at the pricing and what's available we've decided at this point that there are no benefits to shareholders for us in taking an approach to the current earnings and looking forward at the medium-term structure of the business.

Kelly Hibbins, Head of Investor Relations: We might go to the phones now as there's a few questions on the phone.

Operator: Thank you. The first phone question comes from Daniel Toohey from Morgan Stanley. Please go ahead.

Daniel Toohey, Morgan Stanley Analyst: Thanks. Good morning guys. Just first thing on the Marketplace spend, you've invested $36 million of the $140 million that was flagged. Will you exhaust the 140 in the full year?

Michael Cameron, CEO & Managing Director: Daniel, we put forward the details of the spend at the AGM which we had towards the start of the half. We spent a lot of time going through a process of scoping and designing the implementation of that part of the strategy, 36 of the first half. It's probably going to be in the order of about 100 in the second half in line with the 142 that we had indicated.

Daniel Toohey, Morgan Stanley Analyst: Okay, so you will fully spend the 140.

Michael Cameron, CEO & Managing Director: Look it will be thereabouts, but we'll keep the market updated as we go through. But it certainly won't be more than the 142. That's guaranteed.

Daniel Toohey, Morgan Stanley Analyst: Okay, then you seem to be implying now that the Bank can run at a higher margin, the sort of 1.9 and that the outlook should be some margin expansion. Is that correct?

Michael Cameron, CEO & Managing Director: Yes, we've been very successful in funding. The team have done an outstanding job. Looking at the loan growth as we get more scale. We're certainly confident. As you know we've been hovering around the top end of the range. That seemed to make sense to indicate that the range is moving upwards. So to your specific question, the answer is yes.

Daniel Toohey, Morgan Stanley Analyst: Just on the underlying opex. I mean underlying opex is still growing at 3.3%. So, if you add the Business Improvement investment, it's running close to 6%. So, does it concern you that an underlying level when you want to on a broader outlook hold it flat at $2.7 billion. Will you be able to do that when the underlying thus far is seeming to run a little more elevated than you'd like.

Michael Cameron, CEO & Managing Director: That's why the Business Improvement Program is so key, and so important. Strategically to give better outcomes for our customers, but also to drive that expense base back. If we weren't undertaking the program, we'd see a situation where you'd see the impact of volume growth as you suggest coming through. In this year, or sorry in this half, we've seen an increase in the spend on regulatory. It's up $17 million, and the remainder of the increase, excluding BIP, as Steve talked about, was associated with volume related costs. So, if we're going to now see a continuation of growth in the top line, that will put pressure on expenses which drives the need for that Business Improvement Program to pull it back. But we're absolutely confident in providing that guidance today of delivering the $2.7 for the next year.

Daniel Toohey, Morgan Stanley Analyst: Just finally, Steve, the risk-free rate is actually as we look at it, improved, yet the mark to market impact on your reserves is quite a large negative, $154 million. So, is there anything else we're missing on that? I mean it just feels odd.

Steve Johnston, Chief Financial Officer: Look, I think Dan we'll talk about this this afternoon. Clearly, you've seen an increase in the risk-free rate over that period of time. Obviously the total yield of the portfolio is pretty much been neutralised by the significant reduction in credit spreads. So, if you look at it over the full year, as I mentioned to Brett before, you'll see that significant increase in risk free rates which is offset by the investment return.

The only areas that are isolated from that match part of the book is the unearned premium income which is exposed to movements in risk free rates in an absolute sense. So, we can talk it through this afternoon, but you'll see that's been a material issue for net incurred claims, albeit offset on the other side by the investment income.

Daniel Toohey, Morgan Stanley Analyst: Okay, thank you.

Operator: Thank you. The next question comes from Ross Curran from Deutsche Bank. Please go ahead.

Ross Curran, Deutsche Bank Analyst: Hi gents. Two quick questions actually relating back to the Bank. I didn't notice any commentary on the progress of migrating the Bank platform to Oracle. Can you comment on that? It seems the tone around Advanced Accreditation is shifted. Is that more of a long term stretch target now that anything that's sort of we should hang a hat on in the next one or two years?

Michael Cameron, CEO & Managing Director: Ross, just the first issue in relation to the implementation of Oracle. We have made a decision, I think we talked about this the last time at the last results to continue to run the transaction component of the system on Hogan in parallel. That is primarily because the upgrades associated with new versions of Oracle will incorporate all of the things we need.

It's just so much easier than, rather adopt or put the transaction system onto Oracle and then upgrade it down the track, we are actually better financially to wait for the new version to come out. That just means some additional costs of running the systems in parallel, but a much better customer experience, and overall a better cost outcome.

Just in relation to Advanced Accreditation. As you know we've been operating as an advanced bank. We have been essentially waiting for APRA to go through the process of approving our application. The announcement yesterday, or the consultation paper that was provided yesterday for APRA, we are now just going through and digesting what that means.

I think if you're a standardised bank it's not any additional impost, but as an advanced bank it's difficult without doing further work and engaging with the regulator to understand the precise impact. We'll work that over the next few weeks, or it may take a couple of months. But we are ready for Advanced Accreditation, and it's really been the process that has got in the way of getting that final approval.

Operator: Thank you. The next question comes from T.S. Lim from Bell Potter Securities. Please go ahead.

T.S. Lim, Bell Potter Securities Analyst: Good morning guys. Question for Michael if I may? I'd like to know if Suncorp operating model is still too complex. I mean the company seems to be always fighting alligators across so many fronts. You know banking, life, GI. Just wondering if Suncorp would do better as a pure play general insurer?

Michael Cameron, CEO & Managing Director: Well, I guess it's a point of differentiation, and key to providing a range of products and services to our customers. At the moment we've made a decision of course to have a strategic review in relation to the life business. But all of the life products, the banking products, and the insurance products are essential to provide to our customers on various platforms.

Look, we're here to create shareholder value, and provide great outcomes to customer. That's what we're focussed on. The sorts of questions that you raise, I guess we test from time to time. At this point we think that the structure of the business is perfectly positioned to meet the strategy that we have in place.

T.S. Lim, Bell Potter Securities Analyst: Thank you.

Michael Cameron, CEO & Managing Director: Thanks T.S.

Operator: Thank you. The next question comes from Ashley Dalziell from Goldman Sachs. Please go ahead.

Ashley Dalziell, Goldman Sachs Analyst: Morning guys. I've got another question on expenses, just on slide 22 your walk, or your waterfall I suppose. Outside of the BIP expenses everything to the right of that, the step up in costs that you're calling out today, were those items that were known when you gave the original $2.7 billion cost-based target for 2019 back a few months ago. Or is that incremental expense headwind that BIP is having to work harder to offset.

Steve Johnston, Chief Financial Officer: Thanks Ashley. Steve here. We've always had an aspiration of running the expense base around $2.7 billion. That sort of stretches back five or six years. We were able to do that based on the programs of work we did around simplification, an element of optimisation where we consolidated all of our policy administration systems and drove huge decommissioning benefits out of the group. That allowed us to reset to $2.7 billion.

Over the last four or five years it's hovered around that area. I mean clearly when the business does return to growth, you do get additional commission costs and marketing costs associated with that growth, and we understand and accept that. In terms of giving the future view that we can land the expense base at $2.7 billion, as Michael said earlier, it's very much predicated on our expectation of full delivery of the BIP benefits that we'll deliver a substantial improvement in our operating expense base over the next 12 months, and then into the following year.

That will allow the jaws to open up, the revenues to continue to increase in line with the premium expectations that we're providing and an expectation of driving the Bank at or above system, and capitalising on those benefits of the Business Improvement Program to deliver improved margin.

Ashley Dalziell, Goldman Sachs Analyst: Okay, thanks. I just have a second question on the underlying return in the tech reserves of 2.3%. I guess if all credit spreads and risk free were to hold broadly steady from here, are you still earning through that contraction in credit spreads that we saw through the bulk of the half, or can you record some improvement on that into the second half of 2018?

Steve Johnston, Chief Financial Officer: Steve here again. Ashley, I guess the last couple of weeks we've seen some widening of credit spreads. Now, obviously for an insurance company that wider spreads reverse some of those mark to market gains, but over time as the book works its way through, obviously we're turning those assets over on average three years.

Once we start to get the benefit of that higher underlying yield through a higher credit spread, the underlying yield of the portfolio lifts. Which is a good thing for an insurance business, particularly one with exposure to long-tail classes because your experience is always catching up with your pricing, or your pricing is always catching up with your experience sorry.

So, underlying improvement in credit spread is positive, but in the short term there's some mark to market pain you take as those spreads widen and, or positive benefit if they contract. So, there's been some widening. We think that's probably reasonable in the current economic conditions, and as I say it will take some time for the book to turn over.

Operator: Thank you. The next question comes from Toby Langley from Merrill Lynch. Please go ahead.

Toby Langley, Merrill Lynch Analyst: Good morning guys. Thanks for taking my question. Just focussing back again on the operating expense movement, and really zeroing in on acquisition costs. They were markedly up despite the somewhat soft GWP. Can you talk through what's really driving that? It looks like all of it is coming from the commercial side of the portfolio, but if you could provide some further colour, that would be helpful.

Steve Johnston, Chief Financial Officer: I think obviously in the commercial classes we do see some increase in acquisition costs, but also in the Bank. A big proportion of the growth that we're seeing in the Bank, in the half that's coming through the broker market, so there's a cost of acquisition sitting there. Obviously, I'm not sure that we're seeing significant increase in commission rates per sae, but clearly as the book does return to a growth profile, the cost of merchant fees and commissions still increase. It's pretty consistent with the growth profile, and if you track back over our historical disclosures, you'll see a similar alignment between written premium growth, Bank growth, and commission costs moving alongside that.

Michael Cameron, CEO & Managing Director: The only thing I'd add is that from a marketing perspective, it's very much campaign driven and there's probably a little bit of a mix between the weighting this year compared to last year. So, the spend on marketing, probably higher this year than last year, but may very well be lower in the second half and higher in the second half last year. So, the timing of those campaigns do have an impact.

Toby Langley, Merrill Lynch Analyst: With regards to CATs in the second half, are you able to give us any updates of your experience so far and perhaps provide a sense of the deductable erosion on your aggregate protection?

Michael Cameron, CEO & Managing Director: Sure, well the deductable is now $266 million as at December and was $65 million over the allowance. It's a point in time. I'm pleased to say that as at today, the 15th, we're probably right on with our allowance, in line with the allowance, which gives us encouragement for the full year. I think there's probably only been one event that - one additional event that would have gone into the aggregate cover in the last few weeks. That’s our position today, but who knows about tomorrow.

Toby Langley, Merrill Lynch Analyst: Okay. And, lastly, on the Business Improvement Program, I mean you're expecting pretty spicy uplift next year. What's the assumed retention of those Business Improvements benefits in terms of what the shareholder feels?

Michael Cameron, CEO & Managing Director: Well, we're expecting a major uplift in the second half of this year as well, so you don’t have to wait until '19. Those benefits will come through and offset some of those volume related costs that we talked about in the first half. That will happen in the second half and through to next year, but the sorts of things we're putting through - we've obviously appointed Lisa Harrison into a role to oversee all of our programs. The commitment of the team to deliver the savings and the customer improvements is there. There's no intention to not have them sticking and be sustainable into the future.

Steve Johnston, Chief Financial Officer: I think Toby - I'm sure you'll do the maths but, obviously, the disclosures we've given you today would assume a very high retention of those benefits through into both the cost to income ratio and the underlying ITR to deliver the 10% outcome that we're flagging today.

Michael Cameron, CEO & Managing Director: And, look, the specific guidance that we've provided - you'll note that, historically, we have talked about those numbers as aspirations to be delivered over a period of years. We're so confident that the programs are working, that we're committing to the - for the - to be achieved in FY19, as we've said today.

Toby Langley, Merrill Lynch Analyst: Okay. If I could just slip in one more point. You’ve called out your ROE ex-goodwill, or before goodwill. I think that’s for the first time. Is that going to be a metric you're going to encourage people to look at going forward?

Michael Cameron, CEO & Managing Director: We've included both in there, not because we're transitioning or softening up for a different way of measuring it. Our cash ROE is the only measure that really counts. It's really just in response to the question why is it 10% and not something higher. We just wanted to remind people, particularly offshore - people who may not know the history - that there is a large piece of goodwill that gets into the calculation. Having said that, the incremental ROE is really what matters and as you can see, we are committing to a significant increase over the next 24 months.

Toby Langley, Merrill Lynch Analyst: Thank you.

Operator: Thank you. The next question comes from Nigel Pittaway from Citigroup. Please go ahead.

Nigel Pittaway, Citigroup Analyst: Hi guys. Sorry, but focussing on costs again, but particularly on the Bank costs. I mean obviously they were up quite a lot over the period, $40 million. When you do look at the pack it says that $13 million of that was due to investment in digital payments and self-service capability and modernisation of the store network. Just to be clear, that's over and above the Business Improvement Program and the Marketplace acceleration brand refresh. And, secondly, is that now complete? Or do you envisage more of that to be going through the Bank expenses moving forward?

Michael Cameron, CEO & Managing Director: Nigel, the answer is yes, it is separate, but absolutely critical. We looked at the growth rates last year and said, well, why are we growing at a particular level, i.e. flat growth. We've now delivered 8.7%, which is a significant increase, well above system, and some of the improvements we're making around customer service are going to have a big impact. We can't do that without actually investing, and we will need to continue to invest, but we've made a substantial allowance for that within the $2.7 billion budget for next year. That doesn't assume that things like digital wallets are a once-off, we never have to worry about it again. It assumes that we have a program of activity.

Nigel Pittaway, Citigroup Analyst: Okay. Then - thank you for that. Then, secondly, just on the movement in New South Wales CTP margins for the introduction of a new scheme. I mean, presumably - so correct me if I'm wrong - part of this is the recognition of the lower prices coming ahead and the recognition of lower claims. Firstly, is that correct? And, secondly, if that is correct, can you comment about a pattern of likely profitability moving forward as the claims start to get recognised?

Michael Cameron, CEO & Managing Director: Sure. The pricing reduced by $124, and that happened on 1 December, so that has an impact. But in anticipation of that we deliberately priced at a point, and that's for a slowdown in volumes and against - you'll recall, last year we had a very large growth in CTP, so compared to last year it was much, much slower, which saw the - about a 15% reduction year-on-year.

The only issue, of course, was the pricing around the new reform is very deliberate and effective. The benefit that comes through from a claims perspective - which we do anticipate, and we price for - there is a bit of a lag. We're very comfortable with where we are from a margin perspective, and the pricing we've chosen and the volume of business is all very deliberate at the moment. A lot of the benefits there is that lag from a claims perspective, as you clearly understand.

Nigel Pittaway, Citigroup Analyst: Have we any idea - I don't suppose it's hard to give guidance, but any idea how long that lag may be?

Michael Cameron, CEO & Managing Director: It depends.

Steve Johnston, Chief Financial Officer: Look, it'll be there. Look, it's not a huge issue, Nigel. It's obviously one element of the margin story for FY19 - by no means the biggest one - and it'll be there through '19. I think the only other variable to call out - or two things that we're really focussed on in New South Wales. The first one is to continue to improve our claims processes, because that will buy us into some of the bonus margin that's available there, where you can demonstrate outperformance on claims, processes or risk management.

Obviously, if you're working to a base margin of 8% you can get some of that bonus. You convert that to a return on capital and it still remains within our targeted range.

The longer term variable around New South Wales CTP - which will take, probably, 18 months to two years to play out - is what the ultimate capital impost on that scheme will be. Clearly, a lower volatility implied in the scheme should, over time, result in a lesser capital requirement, but that will take 18 months to two years for the actuaries to get their heads around and get comfortable with the new claims pattern.

Drive hard for the bonus margin. Get the margin up above 10%, which implies a return on capital of around 14% in the current book, and then bring that capital charge down over time makes it quite an attractive scheme for us to be operating in.

Michael Cameron, CEO & Managing Director: We've assumed that equalisation will be neutral for us.

Nigel Pittaway, Citigroup Analyst: Okay. Thanks very much.

Kelly Hibbins, Head of Investor Relations: We might come back to the room. Kieren?

Kieren Chidgey, UBS Analyst: Thanks. Kieren Chidgey, UBS. Steve, just a question on slide 23, this GI underlying margin walk. Just trying to understand really what's driven the deterioration from 12% to 10.2% in the six month period. You're suggesting there that the operating expenses ex-BIP was a 1.2% drag, but your other disclosures through the report actually show the underlying expense ratio improved 30 basis points. First of all, just wondering what has gone into that 1.2% calculation. And, secondly, if that is the case, it would seem to suggest that that margin improvement is showing towards the right-hand side of 1.1% really hasn’t come through and you’ve seen, perhaps, quite a bit of claims inflation across the business.

Steve Johnston, Chief Financial Officer: Look, I think there's a whole range of things in the 1.2%, including claims handling expenses obviously flows through the expense line as well, a whole range of activities that we had to do, particularly in New South Wales around scheme reform. In the delta that I talked about on regulatory costs, a big component of that was getting our systems updated so that we could reset ourselves around the new scheme reform process in New South Wales that required an up-front system investment.

The other one's around fire service levies coming off and then going back on again required quite a deal of system investment. A significant - probably even higher than our usual allocated cost process - has gone through the general insurance underlying ITR. Now, we don’t expect the majority of them to be there next year.

In terms of claims cost inflation, obviously, in the home side we continue to see some inflation around water damage. We've put a specialist team in place there. The early signs are good and, hopefully, we'll be on top of that in the next six to 12 months.

On the motor side we have seen quite a significant improvement. As I talked about earlier, SMART is running well. We've got claims - fixed price claims - outside of SMART, 60% of claims on a fixed basis and around 15% leaking out into the non-aligned part of the repair network, so that feels good.

In terms of recoveries and settlements - which has been, probably, the biggest area of inflation on our motor book, what we call imported inflation - that’s where vehicles are repaired in others' repair networks or the right to drive issues are coming through. We saw that peak in the first part of the financial year, and you saw that in the valuation, so the first consumer valuation which is undertaken in September had a strengthening on short-tail.

That was largely around motor, or largely around right to drive activities, and also inflation in the outside market, which we anticipate, or we expected, was running at around 7%.

Now, the second valuation that we did - which is closer to the end of the financial year - saw that moderate somewhat to have come down to around about 4% to 5%. I think the trends there are positive, and I think the inflation in our working book - we back-engineer all of that to assume, on the working book in motor, is running at about 1.5% to 2%, which we think is very positive, and certainly allows us to gather margin as we get ahead of the market in terms of our repair processes.

Kieren Chidgey, UBS Analyst: Thanks. Just to pick up on that first point you made, the CHE costs increase you're actually including in that operating expense

Steve Johnston, Chief Financial Officer: Yes.

Kieren Chidgey, UBS Analyst: …line rather than sort of claims.

Steve Johnston, Chief Financial Officer: Yes.

Kieren Chidgey, UBS Analyst: Okay. Thanks.

Kelly Hibbins, Head of Investor Relations: Andrew…

Andrew Buncombe, Macquarie Securities Analyst: Hi. Andrew Buncombe, Macquarie Securities. Just three quick questions, if I can please? First of all, it would be interesting to know which brands are getting the better volume growth in the home and motor portfolio.

Michael Cameron, CEO & Managing Director: Gary, do you want to throw some light on that?

Gary Dransfield, CEO Insurance: Yes. Hi Andrew. AAMI has very much returned to growth in motor. There is a little bit of noise in our new business and renewal numbers between the brands because we - you might recall that we have removed Just Car and InsureMyRide from the market, so some of those renewals are returning through new business into AAMI and Shannons. But Shannons stays very, very strong in unit and average premium growth, in motor is quite a big substantial book now. AAMI really strong in motor. Interestingly, GIO is starting to get some growth in motor. I think the most pleasing one - because it speaks to the work that’s being done across an integrated banking and insurance brand in Queensland - is Suncorp growing in quite strongly in motor and average premium.

In home, as we said, we've shed a little bit of volume there as we've priced through natural hazards and the like. Again, I think Suncorp is moving really well in Queensland, so pretty much holding. AAMI losing a little bit of that share and GIO losing a bit of that share.

Andrew Buncombe, Macquarie Securities Analyst: Okay. Excellent. The second question - if you could just remind us on the New South Wales FSL tapering and, perhaps, the impact on the second half of GWP growth for the Australia division? Or was yours relatively flat?

Steve Johnston, Chief Financial Officer: The second half - I would have to take that on notice. I think it - my assumption is it'll be relatively flat, but probably fill that in this afternoon with you.

Andrew Buncombe, Macquarie Securities Analyst: Sure. Okay. Then the third one, specifically on the life insurance business. I understand that there's been a cost focus to improve the margins around that. But more broadly concerned about the lack of growth in that division, particularly given that that's one of the primary drivers of getting a premium multiple in the eventuality the sale.

Michael Cameron, CEO & Managing Director: I think the growth in premiums has been quite strong. We've seen quite an improvement period-on-period. That's both in the number of premiums, but also in the pricing that's gone through. At the same time we've been working on the costs and also the claims, and that's resulted in such an outstanding result for the business.

Andrew Buncombe, Macquarie Securities Analyst: Okay, great. Thank you.

Michael Cameron, CEO & Managing Director: Thanks Andrew.

Kelly Hibbins, Head of Investor Relations: If there's no more questions from the room we might just go to the last two questions on the phone please.

Operator: Thank you. The next phone question comes from David Humphreys from JCP Investment Partners. Please go ahead.

David Humphreys, JCP Investment Partners Analyst: Good morning gentlemen. A question on the Bank, if I may? Just referring to page 32 of the analyst pack, I note that your exposures to property investment and construction and development have increased by 10% over the half. Can you just give us some rationale as to why now is a good time to be increasing your exposures in that space, given most of your competitors are pulling back? I note that the increase in exposure is primarily the Queensland.

Michael Cameron, CEO & Managing Director: David, it moves up and down depending on where - it's not a deliberate decision to expand in that area. We've got $74 million of exposure at the moment. The limits are $20 million - sorry, $200 million - and our expectation is about 65% of that will roll off by the end of this year; so very, very conservative, very small part of our business, and we are actively looking at areas for growth, but we certainly aren't making a decision to deliberately double the size of that part of the business. David, do you want to make a couple of comments on where we have focussed and what we're doing?

David Carter, CEO Banking & Wealth: Thanks David. That table you were referring to comprises not just the inner-city apartment development market that Michael was just talking too, where we do keep a very close watch - but it also includes broader construction and development activity, including businesses that are engaged in the business of construction or development services, so it's a very broad industry category.

We have seen a little bit of expansion geographically, although, again, within markets that we know well. It's not so much doubling down in the same markets, a little bit broader, as well as a bit of activity in things like residential land subdivision and other things where demand is quite good, particularly in Queensland, where house prices are getting close to half those of Sydney. We have started to see interstate migration once again come back to market. It's very selective, as Michael highlighted, typically dealing with people we know, who've got a strong track record. We are seeing, generally, those developers, in particularly the Queensland market, take a fairly risk adverse approach now in that market, and we're very comfortable with the exposures we have there.

David Humphreys, JCP Investment Partners Analyst: Okay. My calculation of - just on $2.6 billion of exposure, should be more granular than in terms of your actual exposure.

David Carter, CEO Banking & Wealth: Yes. We can spell it out for you, if you like, with Steve and the CFOs, this afternoon with - break it out into the subcategories that sit under that industry sector, if you like.

Steve Johnston, Chief Financial Officer: That's a very broad category, David.

David Humphreys, JCP Investment Partners Analyst: I guess - I heard the same explanation back in 2008.

Steve Johnston, Chief Financial Officer: I might have given that to you. I can assure you it's different. I can absolutely assure you it's different.

David Humphreys, JCP Investment Partners Analyst: Thank you.

Operator: Thank you. The next phone question is a follow-up from Daniel Toohey from Morgan Stanley. Please go ahead.

Daniel Toohey, Morgan Stanley Analyst: Hi. Thanks guys. Just on the outlook for '19, I mean one thing you highlight - you're very clear on the targets. You specifically outline a 10% ROE. Achieving that commitment would imply an outcome on the life business. Is that what it implies?

Michael Cameron, CEO & Managing Director: No. No, it doesn't, Daniel. It assumes that the business is exactly the same as it is today. If we were to - one of the options, obviously, is a sale. If we were to go down that path, then that may have an impact on the result, but it doesn't assume that we need to sell the life business to achieve that outcome.

Daniel Toohey, Morgan Stanley Analyst: Okay. And just to clarify on the 12% underlying, that does obviously take into account the fact - 8% margin in New South Wales CTP and rising, claims volatility in Queensland CTP.

Michael Cameron, CEO & Managing Director: Yes, it does.

Daniel Toohey, Morgan Stanley Analyst: Okay. Thank you.

Michael Cameron, CEO & Managing Director: Great. Thanks Daniel.

Kelly Hibbins, Head of Investor Relations: Great. Thank you for joining us today. We look forward to catching up with many of you over the coming weeks. We will obviously be available by phone this afternoon if anybody's got a follow-up question.

Michael Cameron, CEO & Managing Director: Thanks everyone. That's great.

End of Transcript