
Financial Results for the full year ended 30 June 2019
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Create a better today for our customers
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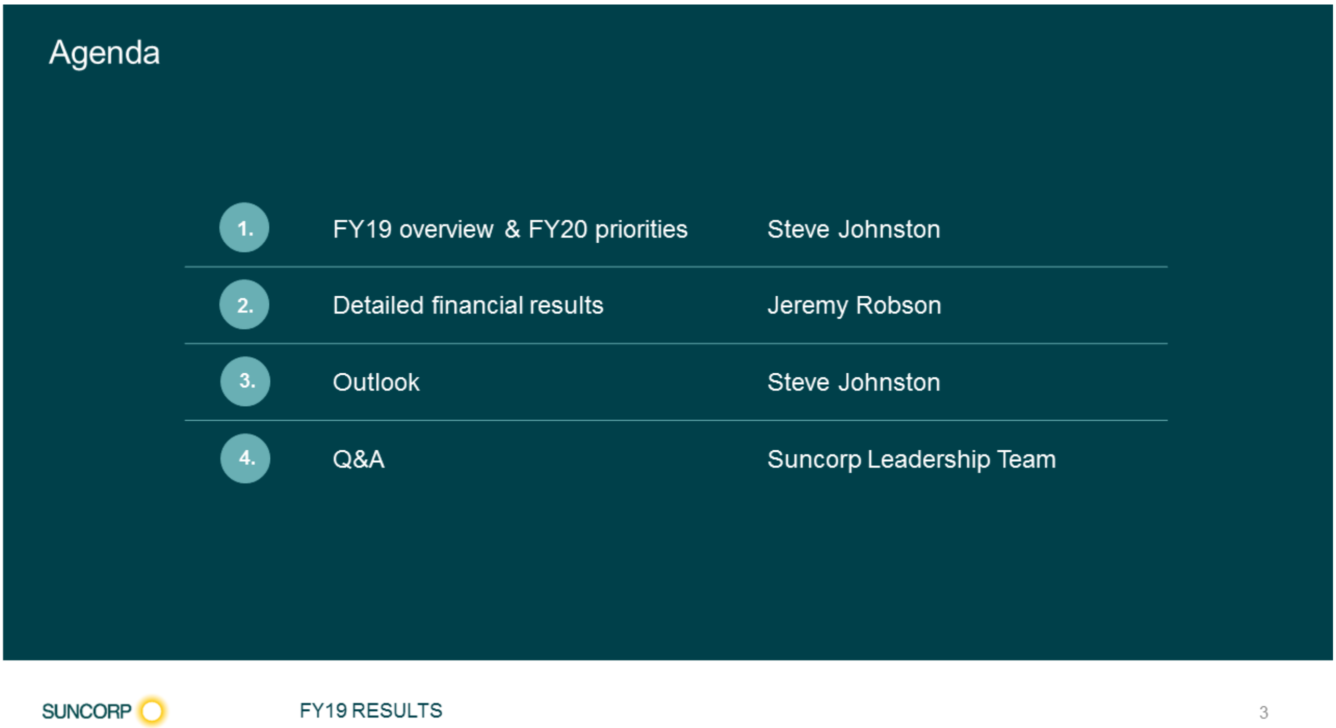
SUNCORP GROUP LIMITED
ABN 66 145 290 124
SUNCORP

Good morning everyone and welcome to the Suncorp FY19 results presentation.

Today, I am joined on stage by our Acting CFO, Jeremy Robson, and in the front row by members of our Senior Leadership Team.

On behalf of all present 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.



I will start with an overview of the FY19 result, tell you about the work we are doing to focus the business, and give you a sense of our priorities for FY20.

Jeremy will provide a more detailed run through of the numbers, including our year end capital position.

I will then speak to the outlook for the Group and our three operational businesses.

We are keen to take your questions after the presentation and I will be asking my SLT colleagues to participate in that session.

Result overview

- FY19 NPAT **$175m** (FY18: $1,059m)
- Result includes:
  - Loss on sale of Life $910m
  - Investment markets negative impact on pcp $51m[1]
  - Natural hazards increase of $161m[1] on pcp
  - Reserve release flat on pcp $328m[1]
  - Regulatory project costs[1] (including remediation provision) increased from $54m to $155m[2]
- Ordinary dividend payout ratio of 81%, reflecting strong capital position
- Life sale total capital to be returned $610m
  - 8cps special dividend paid 3 May 2019
  - 39cps capital return to be paid 24 October 2019 subject to shareholder approval

1. Pre tax impact
2. Includes a provision for remediation costs of $60m
3. 'Other' includes: a provision for remediation costs of $60m and Life stranded costs net of Transitional Service Arrangement revenue $13m. For a full definition refer page 5 of the Investor Pack

	FY19 ($m)	FY18 ($m)	Change (%)
Insurance (Australia)	**588**	681	(13.7)
Banking & Wealth	**364**	369	(1.4)
New Zealand	**245**	135	81.5
NPAT from ongoing functions	**1,197**	1,185	**1.0**
Australian Life Business	**23**	78	**(70.5)**
Other[3]	**(110)**	(63)	74.6
Accelerated Investment	**-**	(102)	
Cash earnings	**1,115**	1,098	**1.5**
Loss on sale of discontinuing operations after tax	**(899)**	-	n/a
Acquisition Amortisation	**(41)**	(39)	5.1
Reported NPAT	**175**	1,059	**(83.5)**
Final ord. dividend (cps)	**44**	40	10
Full year ord. dividend (cps)	**70**	73	(4.1)
Special dividend (cps)	**8**	8	-
Total dividend (cps)	**78**	81	(3.7)

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To the result, and we have reported net profit after tax of $175m; a cash profit of $1.115 billion and a final ordinary dividend of 44 cents per share fully franked.

As you can see on the left of the slide, a number of factors impacted the result. The most material are the loss on sale of the life business, and increased natural hazard, regulatory and compliance costs.

These landed largely 'as flagged' at the half year in February, resulting in 67% of the full year cash profit being delivered in the second half. This underscores the back-ended protection provided by our reinsurance covers as well as some result highlights that I'd like to call out on slides.

The first relates to our key portfolios of home, motor and mortgage lending. While our full year performance is not as strong as we had hoped, we exited FY19 with a solid base to build on into FY20.

We achieved a significant improvement in margins across commercial insurance.

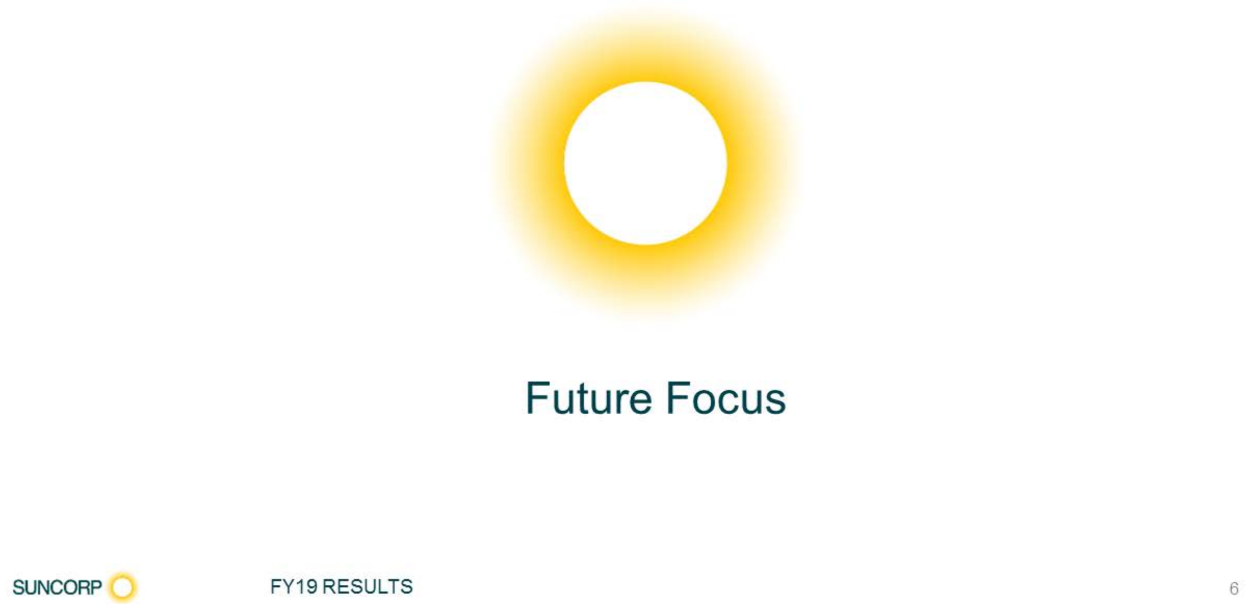
The NZ result was a stand out with premium growth, claims improvements and benign natural hazards contributing to a record profit.

We also made good progress on our big programs of work. The Business Improvement Program exceeded target; and we've increased the number of customers interacting with us digitally.

The investment in digital has been particularly successful in the Bank with at-call deposit growth of 10.9%.

And finally, in a difficult market, we completed the Life sale; and ended up in a slightly better than expected position from a capital return perspective.

Subject to shareholder approval at the forthcoming AGM, we expect to return the remaining proceeds via a 39 cent per share capital return on October 24. This means we will be returning over a billion dollars of capital to shareholders, equivalent to 83 cents per share, over the next ten weeks.



I now want to spend a few minutes outlining our priorities for the business from here.

When the Chairman asked me to step in as Acting CEO she gave me, and the SLT, a mandate to make the necessary decisions to keep driving the business forward.

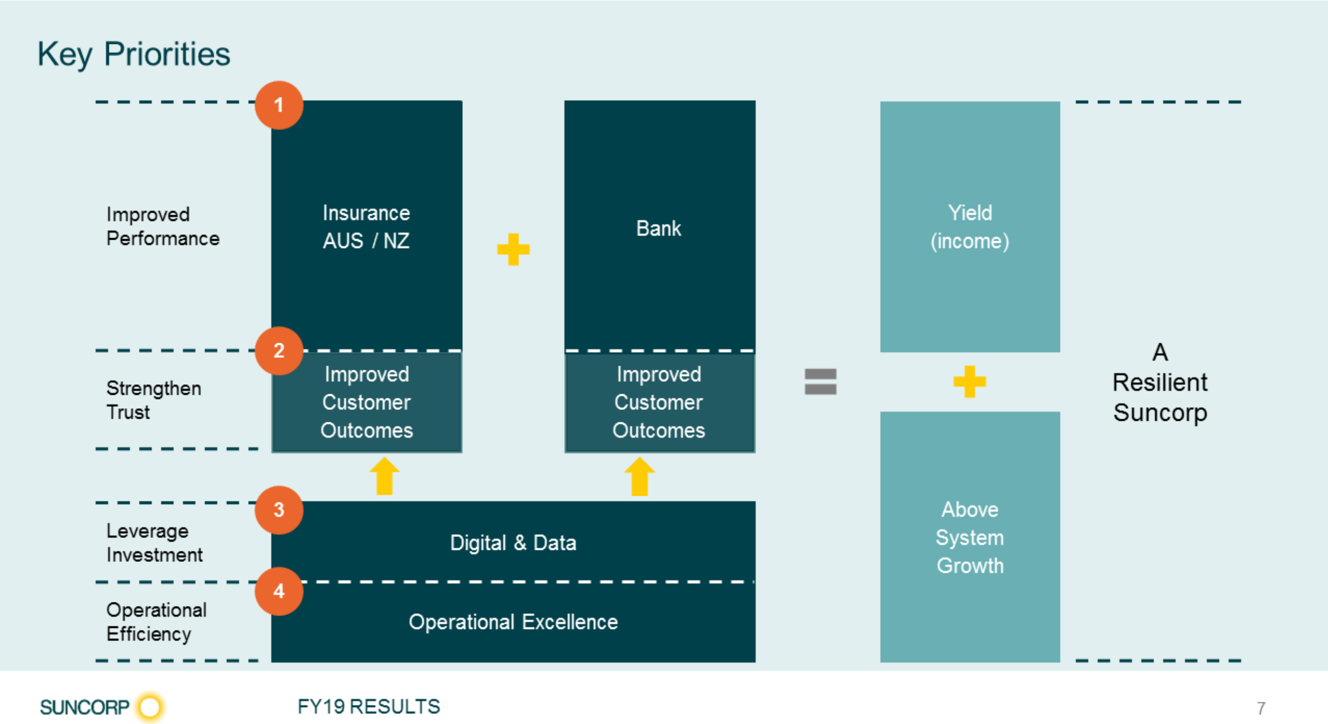
We have fantastic businesses, market leading brands, a committed team, and a culture that drives us to support our customers when they need us most.

But clearly there are some areas where we haven’t got it 100% right or where we haven’t clearly explained our intent.

We acknowledge the more aspirational elements of the marketplace component of the strategy, and the associated third-party revenues that were assumed to flow from those activities, have been too ambitious relative to where our business is at and the funds we have available to invest.

But digitising our business and improving the way we collect and then use data is absolutely the right strategy.

The changes we are announcing today bring an increased focus to delivering value from the digital assets that have been built over the past two years. I am confident they will prove to be of lasting benefit to the Group, its customers and shareholders.



We have set ourselves four clear priorities for FY20:

– Number 1 is an absolute focus on delivering performance improvement in each of the three businesses.

– Two: We are embracing regulatory change. Strengthening trust has become even more important in the post Royal Commission era and we will continue to make significant investments to improve customer outcomes

– Three: We are leveraging the investments we have made, and the capability we have built in both digital and data, in support of our three businesses

– And four: We are focused on delivering efficiencies by reducing duplication and keeping the Group cost base aligned with revenues

The sum of all this work will be a more resilient Suncorp, with an investment thesis built around high yield and system plus growth

I'll now provide a brief summary of these priorities and the actions we are taking to bring about change.

1 Improve the performance of our core businesses

Insurance (AUS & NZ)

- Reinvigorate multi brand strategy
- Disciplined underwriting
- Innovative products
- Best in class claims
- Resilient earnings

+

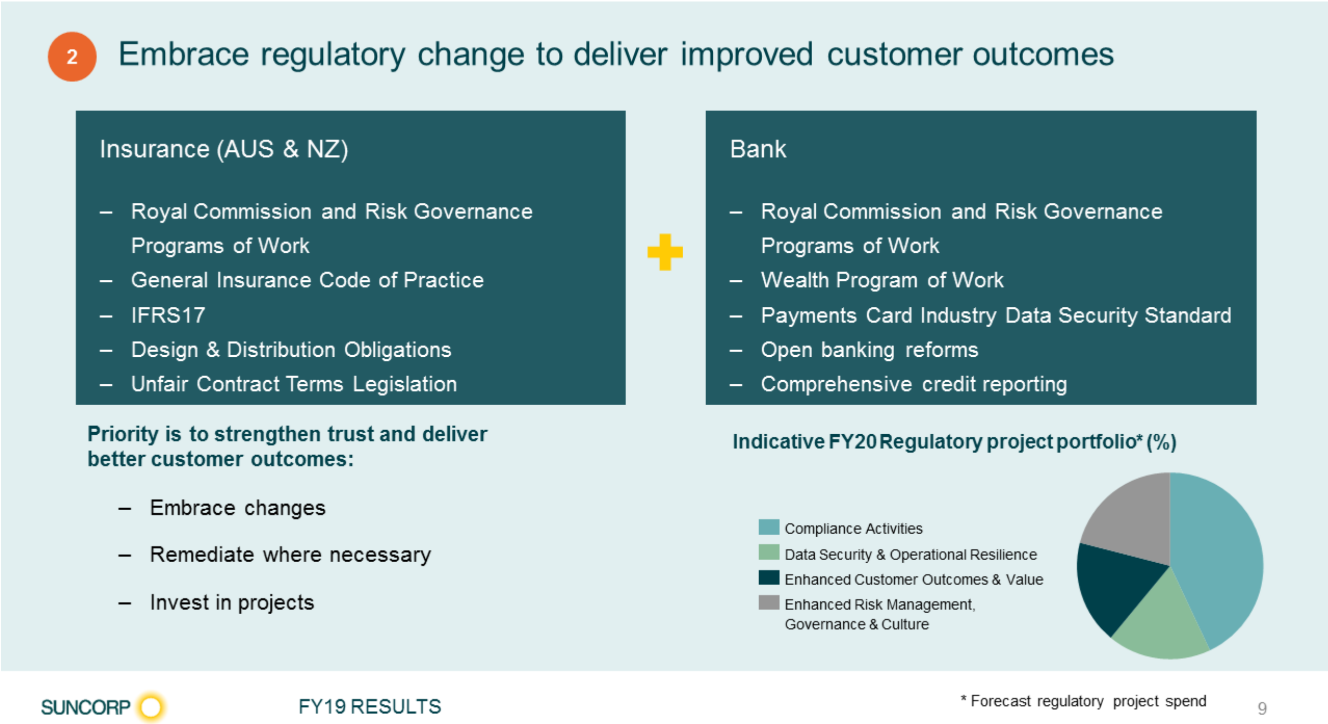
Bank

- Digital first products and functionality
- Open banking ready
- 'Win' Queensland in direct
- Improved broker servicing and fulfilment
- Low risk

Our first priority is to ensure all our people and all our programs of work are aligned to improve the performance of our core businesses.

In Insurance this means reinvigorating our multi brand strategy; maintaining a disciplined approach to underwriting; and embedding digital and data in product design and distribution. We will focus on being best in class for claims management across short and long-tail classes and through innovative use of reinsurance, we will continue to reduce earnings volatility.

In Banking we are focused on a digital-first approach to products and functionality; fast tracking our preparations to being open banking ready; 'winning' Queensland in direct; improving broker servicing and fulfilment; and maintaining a low risk/high quality credit book.



To our next priority – our response to the Royal Commission and other regulatory reviews.

The Commission identified industry-wide deficiencies and forced us all to review our businesses from top to bottom. This has resulted in large remediation and system investments across financial services.

To avoid or defer action, or to categorise these costs as a burden or an imposition is to reinforce the very reason the industry got itself into this situation.

Our priority is to embrace these changes. We are remediating where necessary and investing in a range of projects which, in aggregate, will strengthen trust and lead to better customer outcomes.

Jeremy will provide more granular detail on the program of work through FY20 and the expected cost profile through to FY21.

3 Leverage digital investments and data capability

Foundations in place – focus on extracting value

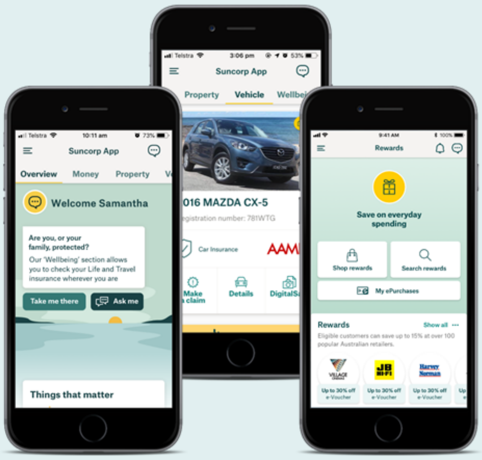
- 440 APIs unlocking data from core systems
- Platform combining products & services on digital assets
- New identity management capability
- Single digital customer view
- Data science capability for zero touch claims
- Suncorp App
- AI & data analytics

– Reusable platform (flexibility & optionality) across brands

– Lower cost to serve

– Faster development times for new products

– Reward & Recognition platform



Turning to slide 10. Investing in digital and data is both essential and uncontroversial. For Suncorp it:

– allows us to more effectively meet the needs of existing Insurance and Banking customers

– provides a convenient and cost-effective means of reaching new customers

– creates a platform for us to meet more customer needs by connecting products from across our business, and finally,

– drives down the cost to serve.

The accelerated marketplace spend included investments in digital infrastructure, including Application Program Interfaces, or APIs, that currently support the Suncorp App and our contact centre customer workbench.

Digital has also enabled a single customer view, a new identity management system and a scalable rewards platform.

Data science and digital have supported zero touch claims – a capability used to great effect in the Sydney hailstorm.

What is not well understood is the extent to which the digital foundations we have in place today provide flexibility and optionality – allowing us to drive significant long-term value from what we have built.

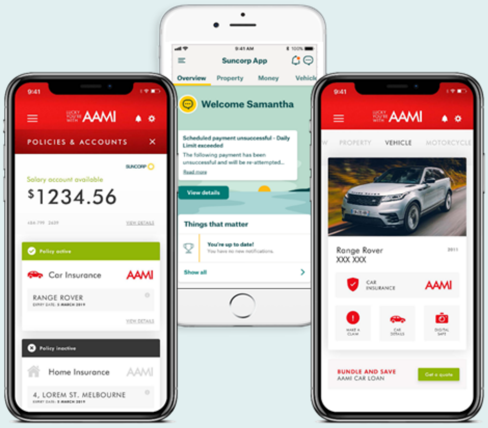
To their credit, Sarah and the technology team have future proofed this investment, building a network of APIs connecting to core systems that were digitally enabled and consolidated over the past ten years.

Our task now is to capitalise on this work, meet the needs of our customers and deliver on the digital business case and I want to talk to that on the next slide.

3 Digital advancements

Leverage foundational spend over the last two years to facilitate:

– Digital Bank proposition under Suncorp Brand on the new platform with InApp account origination
– Banking App parity, real-time payments and implementation of PayID solution
– AAMI Insurance App launched on new platform with simplified Quote & Buy
– CTP digital improvement across brands (website and App)
– AAMI Commercial Insurance leveraging data science to simplify and uplift buying experience
– Use of AI to optimise claims supply chain e.g. expansion of 'zero touch' claims capability and predictive claims determination
– Digitise and automate internal and customer-facing processes
– Uplift in Self Service and knowledge management capability across all digital assets



AAMI App Concept and Digital Banking Proposition

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Our progress here is most obvious in the bank where our customers have shown a high propensity to interact with us digitally and where a series of incremental investments in FY20 will provide us with full digital banking capability.

Further demonstrating the flexibility of what we have built, in FY20 we will be focused on the digitisation of our Insurance business.

We will re-skin the Suncorp App, with AAMI livery, simplify quote and buy capability and create a leading insurance app for our AAMI customer base.

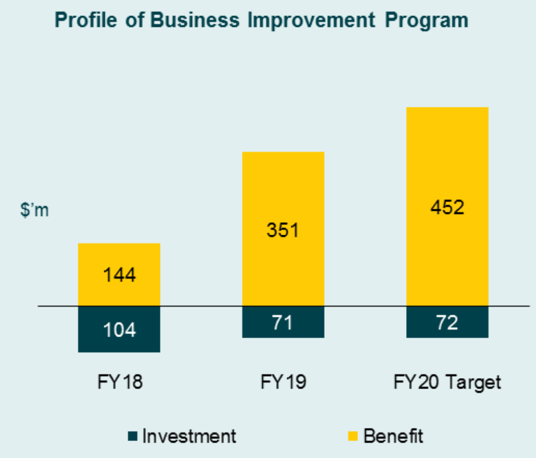
We will also develop a new technology platform to increase digital interactions across our CTP portfolio, drive growth and improve the customer experience.

With the foundations now in place all these enhancements can be delivered with only a modest additional investment.

4

Further improve operational efficiency

- FY20 Net BIP benefits target upgraded from $329 to $380m
- Upgraded program includes Life stranded costs
- BIP to be embedded in BAU
- Focus on end to end process excellence



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Turning to priority four on Slide 12.

Over the past decade we have used a series of programs to improve the operational efficiency of our business.

You will be familiar with our building blocks, simplification, optimisation and, most recently, the business improvement program.

All these programs have been successful in their own right and, in aggregate, costs have been well managed over that time.

Jeremy will run through the BIP outcomes for FY19 and the plan for FY20 in a moment.

But moving forward our focus will be embedding process improvement, operational excellence, digital and AI into BAU.

And then be held accountable for our management of the overall cost base and the expense ratios in our three lines of business.

5 Building a resilient business that delivers high yield and above system growth

- Natural hazard and reinsurance protection
- Superior credit quality
- Simplify
  - Life divestment
  - Capital SMART
- Return on capital discipline
- Focus on retention as a platform for growth
- Balance Sheet strength

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The sum of all our efforts under the priorities we have set out for FY20 is to restore and reinforce Suncorp as an attractive investment for those seeking reasonable growth, high yield and maximum franking capacity.

What has historically held us back has been our management of the volatility associated with weather, investment markets, credit quality and sub-scale businesses.

We have taken a number of steps over the past 12 months to address these issues.

- We have increased our natural hazard allowance and purchased a reinsurance stop-loss
- We have reinforced our high-quality investment book
- Our credit quality continues to be reflective of a low risk bank, and
- We have a very strong balance sheet and a disciplined approach to portfolio performance.

More recently, there have been some concerns over loss of market share and our explanation of our strategy and direction.

I'm confident that the priorities we have laid out today will go a long way to addressing those issues.

But to deliver we need to be focused, have clear accountabilities and be biased to execution.

And we need to make changes to the way we organise ourselves.

Focused and Aligned Structure

- New Customer and Digital function created:
  - Includes Digital, Marketing, Group and Customer strategy and the Program Excellence office; and
  - Contact centre, stores and intermediary distribution teams, that currently sit in the customer marketplace function, will be moved to Insurance and Bank.
- The Functional CEO will be Lisa Harrison currently Suncorp's Chief Program Excellence Officer.

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Accordingly, today we are announcing the following structure changes.

- A new enabling function bringing together digital, marketing, customer and strategy will be established. Working alongside our technology team, this function will develop innovative digital-first customer propositions for our insurance and banking businesses.
- Our contact centre, stores and intermediary distribution teams, that currently sit in the customer marketplace function, will be moved to Insurance and Bank.

These changes have three immediate benefits:

- it allows the new function to be totally focused on the customer and digital programs of work
- remove duplication, and
- clarify accountabilities.

These changes and the clarification of our go-forward strategy will align all our efforts behind improving the outcomes in our core businesses and, in turn, build a more resilient Suncorp.

Organisational change is often a catalyst for senior executives to consider their future. I am personally disappointed that the changes we are announcing today will see Pip Marlow leave Suncorp. Pip has played an instrumental role in building the customer centric culture that defines Suncorp today.

We are however fortunate, that within our ranks we have an executive of Lisa Harrison's capability and deep domain experience to step into this new role.

With that I will hand to Jeremy to go through the numbers in detail.

Thanks Steve and good morning everyone.

Before I step you through the normal results commentary, I just wanted to provide a brief update on the completion of the Australian Life sale.

Completion of Australian Life business sale and capital return

GROUP

- Suncorp successfully completed the sale of its Australian Life Business to TAL Dai-ichi Life Australia Pty Ltd (TAL) on 28 February 2019
- Consideration $746m, non cash write off of $910m, goodwill component of $145m recognised in 1H19 result
- $610m of capital to be returned to shareholders
  - 8 cents per share fully franked special dividend paid on 3 May 2019, equating to approximately $104m, as the first component of the return of excess capital
  - $506m return of capital, equating to 39 cents per share, combined with a related share consolidation subject to shareholder approval at the AGM. If approved, the return of capital payment will be made on 24 October 2019.
- Strong capital position post capital return with pro-forma CET1 Excess of $484m
- 20 year strategic alliance with TAL
- Annualised stranded costs of ~$30m pre-tax being addressed by Business Improvement Program, and plans in place to remove by end of FY20 on a run-rate basis. Impact in FY20 expected to be ~$18m.
- Costs covered by Transitional Service Arrangements (TSAs) of ~$35m will be extracted in full by end FY21.

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We successfully completed the sale on 28 February and paid a fully franked 8 cents per share, special dividend to shareholders in May. This represented the first component of the return of excess capital from the sale.

I'm pleased to say the completion process has now been finalised, resulting in total consideration of $746 million, slightly higher than our original forecast of $725 million. While this is pleasing, I do note the non-cash loss on sale is now slightly higher at $910 million reflecting more prudent provisioning for separation costs.

As Steve said, we propose to distribute the balance of the sale proceeds via a $506 million pro-rata capital return, equivalent to 39 cents per share, combined with a related share consolidation, subject to approval at the AGM. This takes the total capital return to $610 million or 47 cents per share.

I also draw your attention to our approach to stranded costs as outlined on the slide which will continue to impact into FY20.

Insurance

INSURANCE (AUSTRALIA)

- PAT down 13.7% to $588m
- GWP up 1.3% to $8.2bn. Home and Motor GWP up 2.4%
- Natural hazards $835m, $155m above allowance (FY18: $625m, $36m below allowance)
- Reserve releases of $322m, 4.4% of NEP (FY18: $319m, 4.4% of NEP)
- BIP benefits partially offsetting claims inflation
- Volatility in investment markets with net contribution from market movements $135m (FY18: $200m)

	FY19 ($m)	FY18 ($m)	Change (%)
Gross written premium	8,245	8,137	1.3
Net earned premium	7,292	7,191	1.4
Net incurred claims	(5,448)	(5,057)	7.7
Operating expenses	(1,556)	(1,506)	3.3
Investment income - insurance funds	444	258	72.1
Insurance trading result	732	886	(17.4)
Investment income – shareholder funds	115	110	4.5
Insurance (Australia) PAT	**588**	**681**	**(13.7)**

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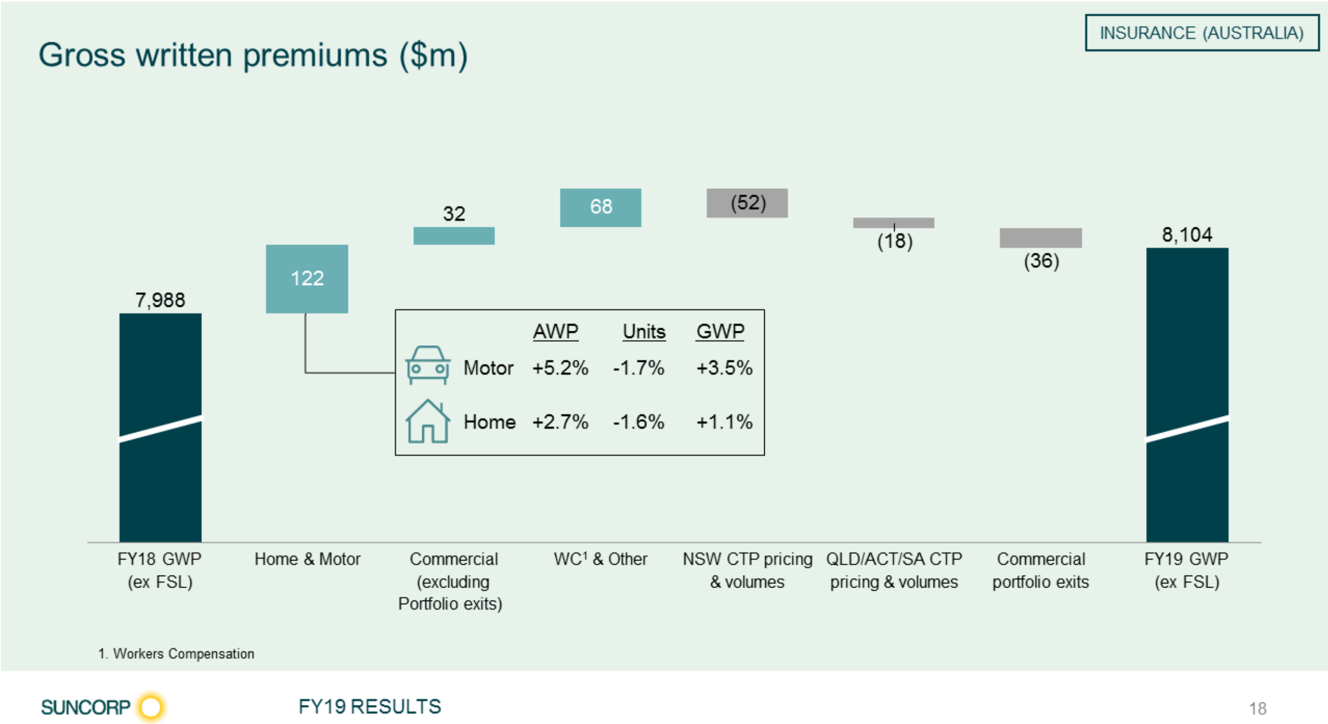
Turning to the results and starting with the Australian Insurance business where the second half benefited from the reinsurance protection we had in place and improved investment market conditions.

While the FY19 result is down on the prior period, this was largely driven by higher natural hazard costs in the first half and weaker investment markets. However, we have seen an improvement in underlying margins, driven by the continued benefits of the BIP program and the realignment of the Commercial portfolio.

Over the next few slides, I will cover the key drivers of the Insurance (Australia) result.



I have shown here a waterfall breaking down our GWP growth for the year.

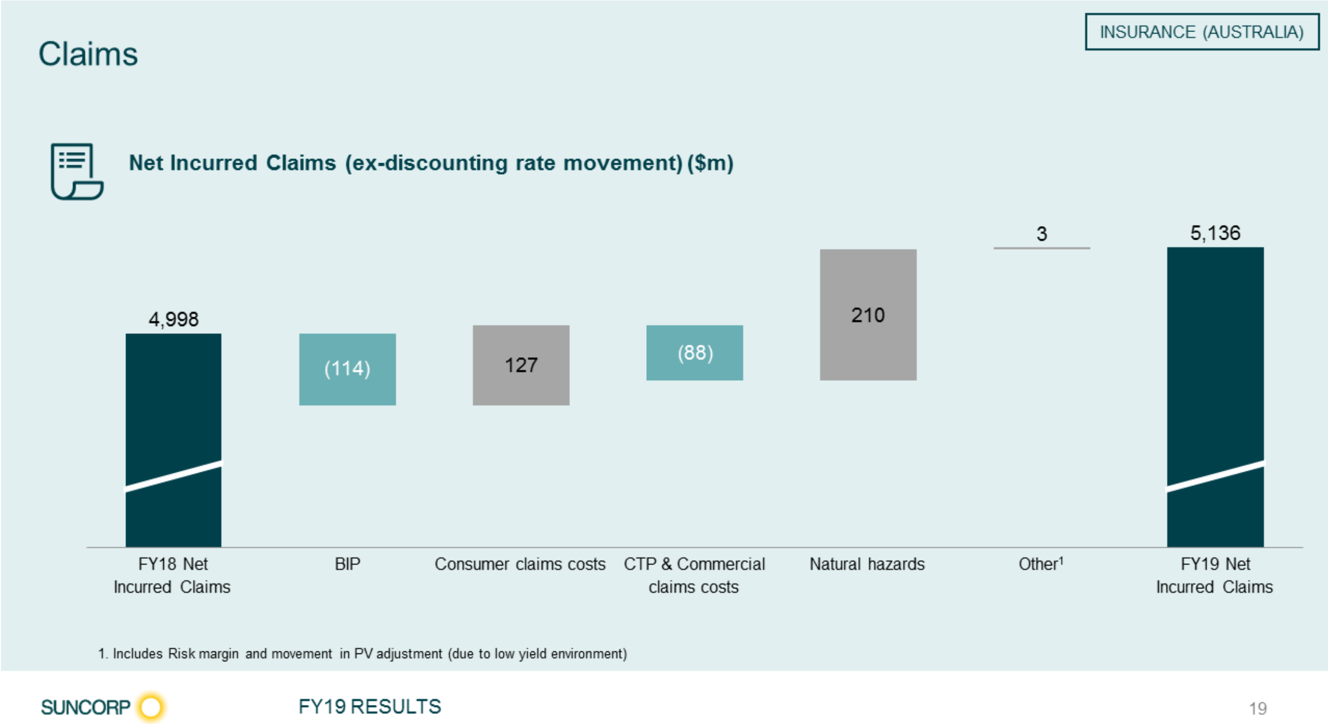
In Consumer, unit growth continues to be impacted by lower new business opportunities as a result of the economic environment, with reduced turnover in dwellings as well as a reduction in new car sales. Overall, lower new business has been partially offset by pleasingly strong and stable retention.

We took further actions in the second half to drive growth. This included increased marketing spend, pricing changes in some segments, and increased call centre resourcing. Together with the initiatives Steve referred to earlier, we would expect unit growth to improve into FY20.

Commercial GWP increased 2.2% after taking into account the impact of portfolio exits. This reflects our disciplined portfolio realignment, with strong premium rate increases partially offset by the selective non-renewal of poorer risks.

We are very pleased with the overall margin improvement in Commercial and expect this to continue into FY20. It is worth noting that the strategic decision to exit some portfolios will continue to impact on FY20 and in particular the exit from the Longitude strata business, equivalent to circa $70 million in GWP.

Overall CTP GWP decreased by $70 million, driven mainly by the scheme reform in NSW which became effective on 1 December 2017. The fall in Qld GWP reflected reductions in the ceiling price over the course of the year of $18, but I note we saw a $9 increase in the ceiling price effective from 1 July and expect a further $8 increase effective 1 October. While this is positive, we do expect to see continued pricing pressures in the other states.



Turning to claims and I have included the usual undiscounted view of net incurred claims in the waterfall. This clearly shows the impact of the significant natural hazard events as well as the ongoing positive effect of BIP which is helping to offset underlying inflation.

The improvement in CTP and Commercial claims costs reflects the impact of scheme reforms in CTP and the benefits from realignment of the Commercial portfolio.

Both Home and Motor have benefited from lower claims volumes. In Home this is evenly split between exposure and frequency while in motor the principal driver is lower frequency. In Home, large loss fire claims, in excess of $100k, and elevated water claims explain the increase. In Motor, higher average repair costs, including the effect of regulatory changes to total loss claims were the key drivers of the movement.

Investments

FY19 Insurance funds $9.4bn

- **Investment income of $444m (FY18: $258m)**
- $290m MTM gain from a decrease in risk-free rates
- $16m MTM gain from narrowing credit spreads
- $78m MTM loss from underperformance of inflation linked bonds (ILBs)
- 2.3% annualised underlying return

FY19 Shareholders' funds $3.0bn

- **Investment income of $115m (FY18: $110m)**
- 3.9% annualised return
- Returns driven primarily by MTM gains on bond portfolio and rebound in equity markets

INSURANCE (AUSTRALIA)

Key investment market indicators

	Jun-19	Jun-18	Δ
Australian equities (total return)	70,292	63,015	+11.5%
International equities (hedged total return)	1,763	1,660	+6.2%
3 year bond yields (%)	0.96	2.06	-110bp
10 year bond yields (%)	1.32	2.63	-131bp
10 year breakeven inflation rate (%)	1.38	1.96	-58bp
AA 3 year credit spreads (bp)	66	78	-12bp

FY20 Investment performance

Investment income on the Insurance funds is expected to be impacted by the downward shift in the yield curve, including:

- Lower running yields (due to lower risk free rates and credit spreads)
- Absence of MTM gains on the bond portfolio

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Moving to the investment portfolio. The headline Insurance funds' result reflects mark-to-market gains from the significant fall in risk-free rates and narrowing of credit spreads, partially offset by the relative underperformance of inflation-linked bonds.

The underlying yield on the portfolio was 2.3%, slightly down on the first half and at the bottom end of our expected range above risk free, as we see the impact of the reduction in credit spreads and lower overall yields.

Looking ahead, persistent low interest rates translating into lower running yields and mark-to-market gains potentially reversing will put pressure on investment income and in turn margins going forward, particularly in the long-tail book.

New Zealand

- PAT increased 76.4% driven by strong top-line growth
- GI GWP grew 8.4% driven by premium rate increases
- Favourable natural hazards and working claims experience, benefitting from a benign weather environment
- Life in-force premium up 3.9%, supported by strong policy retention

NEW ZEALAND

	FY19 (NZ$m)	FY18 (NZ$m)	Change (%)
Gross written premium	1,670	1,541	8.4
Net earned premium	1,403	1,267	10.7
Net incurred claims	(697)	(739)	(5.7)
Operating expenses	(444)	(404)	9.9
Investment income – insurance funds	22	13	69.2
Insurance trading result	284	137	107.3
General Insurance profit after tax	**217**	**109**	**99.1**
Life Insurance profit after tax	**44**	**39**	**12.8**
New Zealand PAT	**261**	**148**	**76.4**

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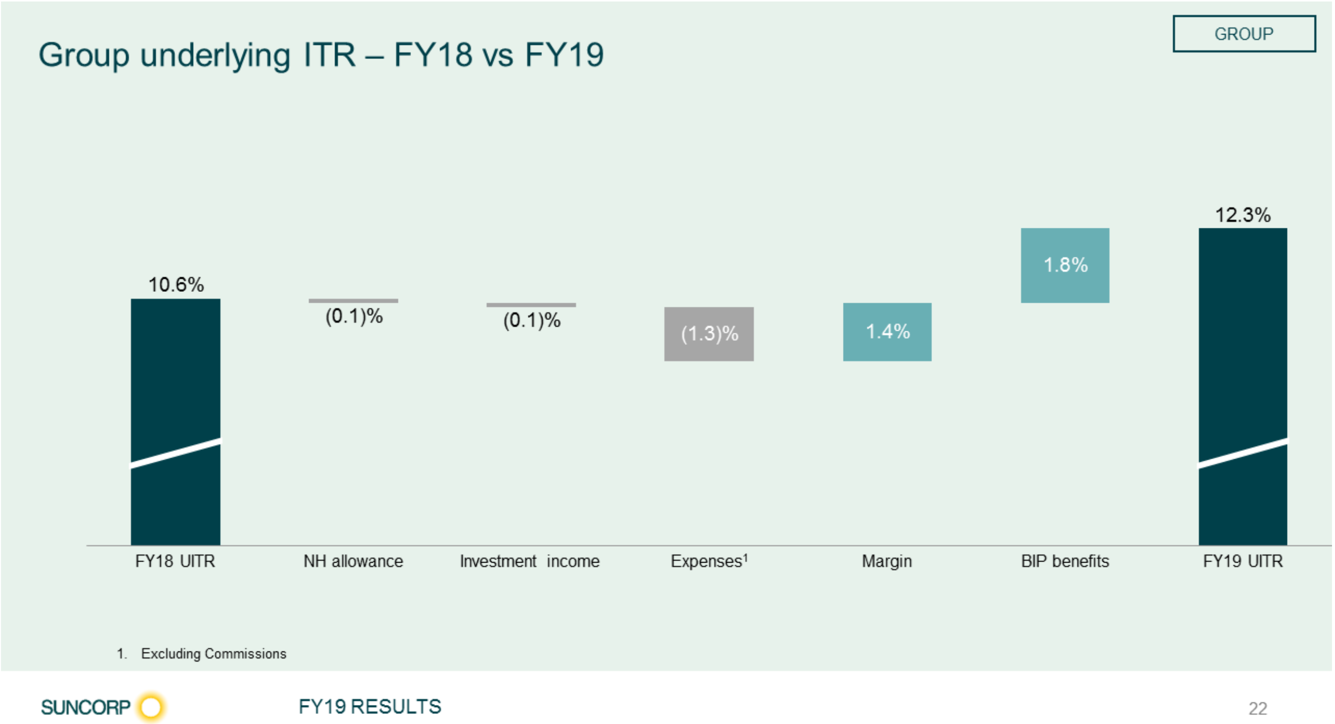
Next to New Zealand which delivered a very pleasing result, driven by strong GWP growth across all portfolios and a relatively benign weather environment.

Net incurred claims were down 5.7% reflecting favourable natural hazards as well as improved working claims. The increase in operating expenses was mainly due to higher commissions as a function of the strong premium growth.

The New Zealand Life result of $44 million was slightly higher than the prior period driven by continued solid in-force premium growth, supported by strong policy retention.

Looking ahead, we do expect New Zealand GWP growth to moderate in FY20 following the strong premium increases seen over the last two years. We also anticipate working claims to return to more normalised levels.



Moving to the Group underlying ITR, which has improved significantly since FY18.

As the waterfall shows, the higher natural hazard allowance in FY19 and higher operating expenses, were more than offset by the net claims and expense benefits emerging from BIP. The margin improvement was driven by continued expansion in New Zealand and the benefits from the ongoing realignment of the Commercial portfolio.

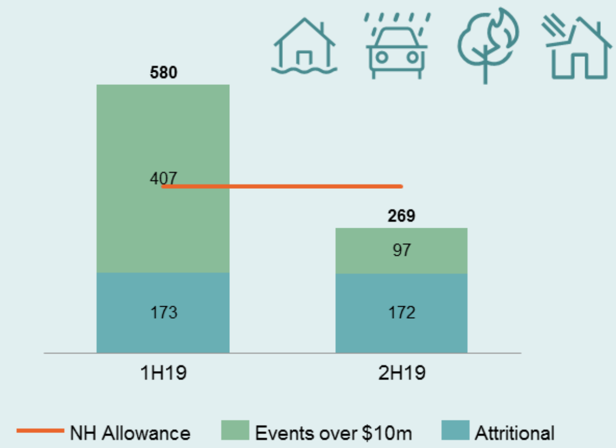
As Steve mentioned earlier, we have increased the natural hazard allowance in FY20 and purchased an aggregate stop-loss cover. While we remain committed to re-pricing for these changes over the medium term, when combined with a lower interest rate environment and increased regulatory costs, this will make the Group underlying ITR target of at least 12%, harder to achieve in the medium term.

GROUP

Natural Hazards and Reinsurance

- Natural hazards costs $129m above FY19 allowance
- NSW & SEQ hailstorm impact limited to $250m pre-tax under maximum first event retention
- Townsville Floods impact limited to $63m as remaining aggregate deductible under NHAP eroded
- February Sydney Storms and NSW/SEQLD March Hail & Storms fully recoverable
- $25m[1] additional premium incurred as natural hazard aggregate protection (NHAP) recoveries exceed $100m
- Approximately $100m remaining cover under NHAP at end FY19
- FY20 reinsurance costs expected to be broadly in line with FY19[2]

FY19 Natural hazard impact ($m)



1. Additional premium is proportionate to the amount of recoveries made under the NHAP and is capped at $25m once recoveries reach $100m
2. Excludes costs of aggregate stop loss protection in FY20 and any additional premium payable for recoveries made under the NHAP

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I also wanted to cover off the impacts from natural hazard events and how our Reinsurance program has protected us in the second half of the year. As you can see from the chart, our natural hazard costs for 2H19 was $269 million, despite a number of events including the Townsville floods, as the benefits of both the NHAP and dropdown covers kicked in.

I'd also like to outline the key features of the FY20 reinsurance program and natural hazard allowance.

Firstly, the main CAT program and dropdown covers remain in place and the NHAP also remains in place with a slightly higher deductible of $515 million.

Secondly, the natural hazard allowance has been increased by $100 million to $820 million.

And finally, we have also purchased a new Aggregate Stop Loss protection. This provides an additional $200 million of ground up cover for all retained natural hazard losses in excess of the natural hazards allowance, in effect moving the allowance to just over $1 billion.

While the additional allowance and stop-loss cover do create a headwind for the underlying ITR in FY20, they improve both the quality and predictability of our earnings.

Banking & Wealth

- Lending growth of 1.0%
- At-call deposit growth of 10.9%
- NIM of 1.79% (FY18: 1.84%)
- Impairment losses 2 bps of GLA
- Strong capital and balance sheet

BANKING & WEALTH

	FY19 ($m)	FY18 ($m)	Change (%)
Net interest income	1,163	1,181	(1.5)
Net non-interest income	50	60	(16.7)
Operating expenses	(682)	(679)	0.4
Profit before impairment losses	531	562	(5.5)
Impairment losses	(13)	(27)	(51.9)
Income tax	(155)	(160)	(3.1)
Banking profit after tax	**363**	**375**	**(3.2)**
Wealth profit after tax	**1**	**(6)**	**n/a**
Banking & Wealth PAT	**364**	**369**	**(1.4)**

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Turning to Banking and Wealth, which delivered a resilient profit after tax of $364 million, broadly in line with the prior period.

Total lending grew 1%, principally reflecting moderation in mortgage lending, with a highly competitive and slowing housing market, as well as Suncorp's early adoption of increased serviceability and verification requirements.

NIM was flat on the first half at 179 basis points but 5 points lower than FY18. The positive impact from the strong growth in at-call deposits was more than offset by the elevated BBSW during the year and intense price-driven competition in the mortgage market. Despite the recent tightening in BBSW, our expectation is that NIM will remain under pressure in FY20 mainly due to competition in the mortgage market and the limited ability to re-price already low-rate deposits.

We continue to prioritise credit quality, with impairment losses representing just 2 basis points of GLA. This credit quality is consistent across all of our lending portfolios.

Operating expenses were flat, reflecting a significant uplift in regulatory costs being largely offset by BIP benefits. However, the effect of slower lending growth resulted in a cost-to-income ratio of 56.2% in line with the first half but well above our target. Based on our forecast level of regulatory and compliance spend and the current low rate environment, the Bank is unlikely to achieve its 50% CTI target in the short term.

GROUP

Business Improvement Program exceeding targets

- Net BIP benefits for FY19 of $280m exceeded target of $225m
- Locked in gross annualised benefits of $359m
- Operating expenses for FY19 contained to $2.7bn
- FY20 net BIP benefits target upgraded to $380m (original target was $329m)

Pre-tax ($m)	Cost		Benefit		Net Benefit	
	Target	Actual	Target	Actual	Target	Actual
Actual FY18	97	**104**	107	**144**	10	**40**
Actual FY19[1]	79	**71**	304	**351**	225	**280**
Target FY20[2]	72	-	452	-	380	-

1. Net benefit target upgraded from $195m to $225m at 1H19
2. Benefits upgraded from $391m to $452m, costs increased from $62m to $72m and net benefits upgraded from $329m to $380m at FY19. This includes the net benefits from the removal of Life stranded costs. Life stranded costs of ~$30m are expected to be removed on a run-rate basis by end of FY20.

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As Steve outlined, the savings from BIP have enabled us to make the necessary investments in core areas of the business.

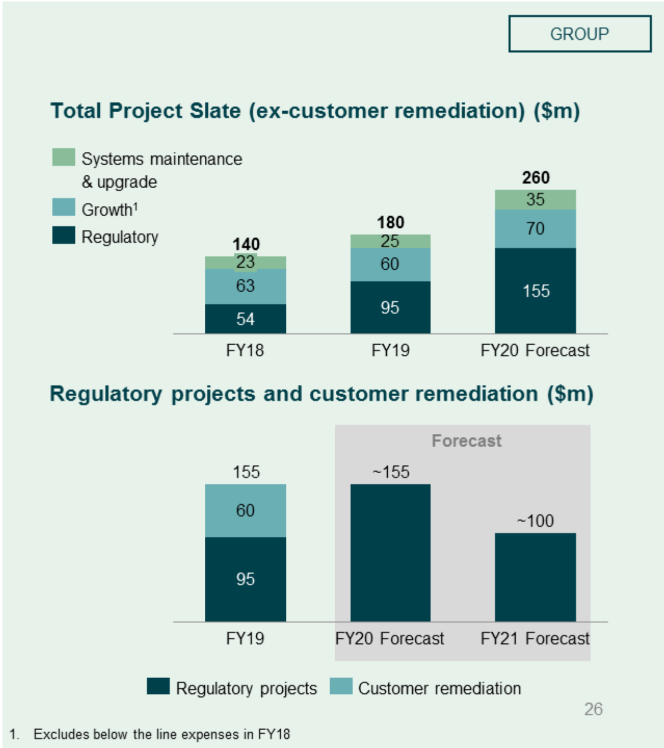
We now expect to deliver at least $380 million in net benefits in FY20, which includes the removal of the life stranded costs. This new target has been upgraded from $329m previously. I note that the net incremental benefits for FY20 are expected to be phased into the second half, as the new programmes of works are initiated in the first half.

Cost discipline remains a key priority and I expect the overall Group cost base in FY20 to remain at around $2.7 billion (ex-FSL) as BIP benefits continue to help absorb inflation, and fund investments in the core business and the increased regulatory spend.

Project slate including regulatory costs

- Regulatory project costs ($95m) and customer remediation ($60m) totalled $155m
- FY19 regulatory project costs $95m, up 76% on FY18
- FY19 result also includes a $60m provision for anticipated customer remediation in relation to:
  - Royal Commission
  - Various remediation costs associated with legacy Guardian Financial Planning business, Consumer Credit Insurance and Suncorp Wealth
- The costs were slightly above the $140m combined regulatory project costs ($110m) and remediation costs ($30m) forecast at the 1H19 result
- FY20 Project slate $260m, up ~45% on FY19 with material uplift in regulatory project spend
- Having peaked in FY20, regulatory project costs expected to reduce to ~$100m by FY21

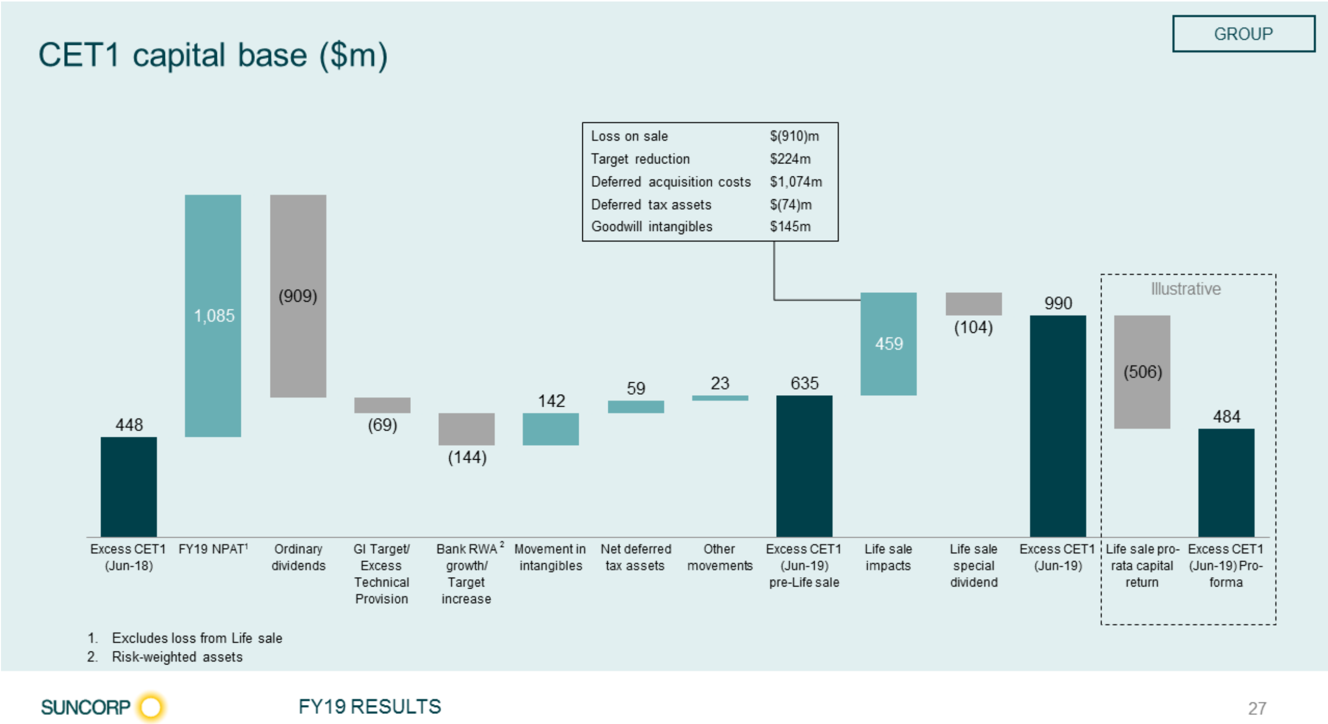
SUNCORP FY19 RESULTS



Total regulatory project costs for FY19 came in at $95 million. We have also included a customer remediation provision for $60 million in the results, which is higher than we anticipated at the interim. This relates to the anticipated costs associated with the Royal Commission and various remediation costs in relation to the legacy Guardian Financial Planning business, Consumer Credit Insurance and the Suncorp Wealth business.

We expect to increase our overall project slate in FY20 to allow for additional regulatory spend, drive growth in the core business while making sure we continue to invest in the necessary systems maintenance and upgrade activities.

Having peaked in FY20, regulatory project costs are expected to step down to approximately $100 million in FY21 but remain higher than pre-Royal Commission.



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

The Board has approved a final fully franked dividend of 44 cents per share, which brings the total ordinary dividends for the year to 70 cents, equivalent to a payout ratio of 81%, in line with our targeted range.

Looking at the waterfall, in the Bank, over half of the $144 million reduction in excess CET1 includes a 25 basis points increase to the Bank's target for meeting APRA's "unquestionably strong" benchmarks, with the remaining 25 points expected to be reflected in 1H20.

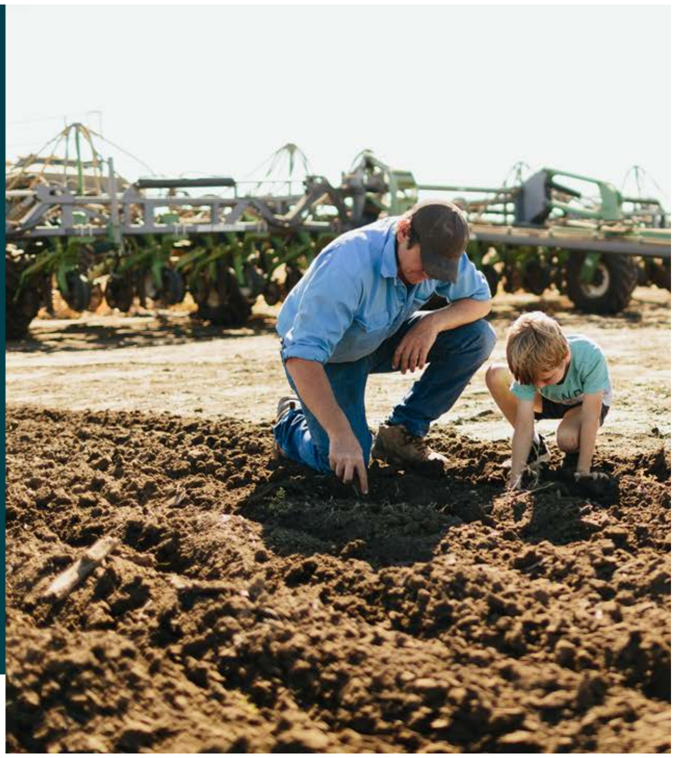
As I said, our capital position is strong. Following payment of the proposed 39 cent capital return, our pro-forma excess CET1 is over $480 million as you can see on the right-hand side of the waterfall.

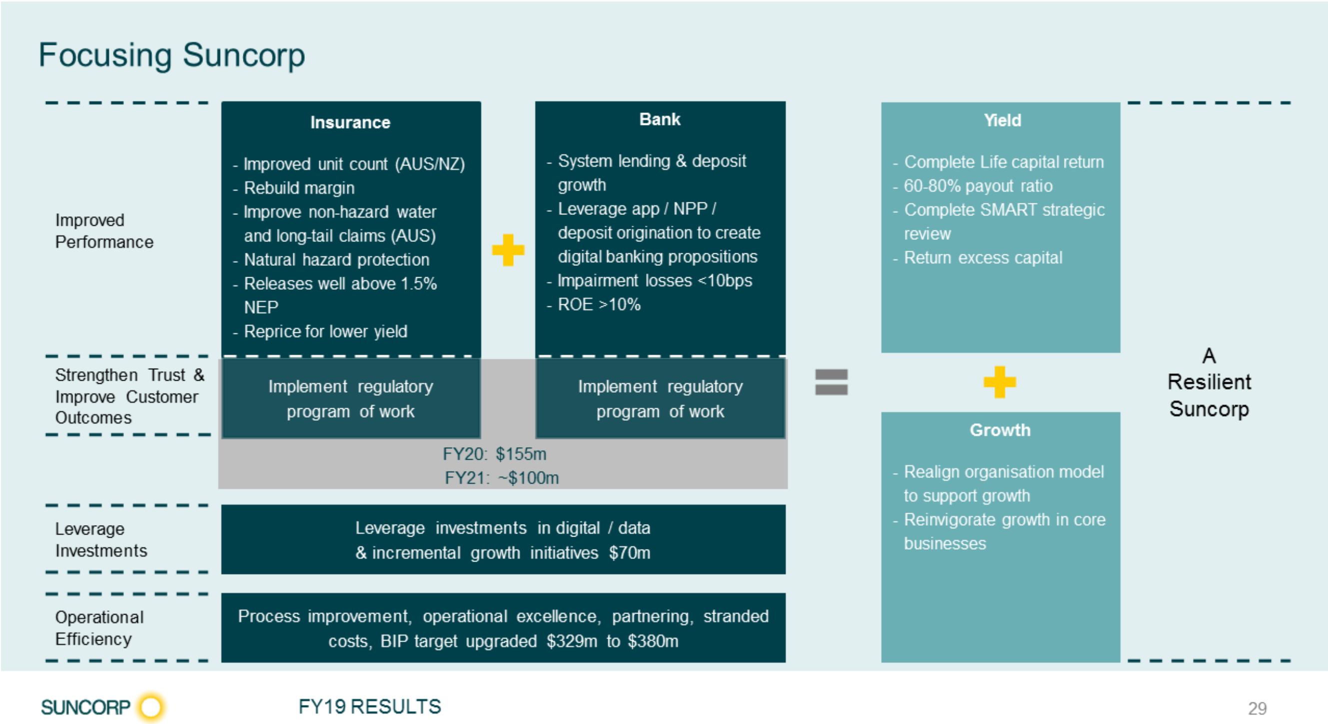
In conclusion, with BIP on track to deliver higher than anticipated benefits, our actions to reduce volatility in earnings through a higher natural hazard allowance and stop loss cover, combined with the prudent uplift of the project slate to invest in regulatory projects and growth in the core businesses – we feel well placed to deliver on the strategic agenda that Steve has outlined today.

Steve Johnston

Acting CEO

SUNCORP FY19 RESULTS





In running through the outlook and the key priorities for FY20, I'll return to the framework introduced at the start of the presentation.

We have four key priorities – become operationally efficient, leverage the investments in digital and data, strengthen trust and improve the performance of our three businesses.

To deliver this, and in doing so create a more resilient Suncorp, we are already making changes to our structure and accountabilities as discussed earlier.

In Insurance we are looking to improve our unit count across both Australia and New Zealand while maintaining the medium-term priority of driving the margin back to 12%. Wherever possible we will reprice for lower yields. We are prioritising improved non-hazard water and long tail claims. Our expectations of continued low inflation, this will see releases well ahead of the 1.5% of NEP.

In the Bank we are targeting above system growth in lending and deposits. As in Insurance, we will be conscious of margin and the quality of the business being written. Over the year you will see the Bank leverage its digital investments and take to market its digital banking capability. We expect impairment losses to remain below the bottom end of our 10-20bps guidance range and we will attack the cost to income ratio through improved revenue growth, discipline around margin and the Group's operational efficiency program.

Along with the $155m spend on regulatory changes, $70m of growth related initiatives will improve outcomes for customers. Over the medium to long term I expect our project envelope to be somewhere between $175m - $225m depending on investment priorities.

To the overall Group cost base, we have upgraded our expectation of net BIP benefits to $380m and confirmed that our total cost base will be around $2.7bn.

We continue to remain committed to ensuring that overall returns on capital exceed the Group's cost of capital. However, in the prevailing low interest rate environment and with the increased weather allowance and elevated regulatory spend the achievement of a 10% ROE is unlikely.

Our immediate balance sheet priority is to achieve shareholder approval for the Life capital return and get over a billion dollars of capital back to shareholders in the next 10 weeks. We expect to complete the SMART strategic review in the first half and of course we remain committed to return to shareholders any capital that is excess to the needs of the business.

Summary

- Suncorp is a leading Australian and New Zealand general insurer with a competitive banking offering
- Delivering on Business Improvement Program
- Investment in digital has delivered a re-useable platform that delivers flexibility and optionality across Suncorp's suite of brands
- Active portfolio management including sale of Life Insurance Australia and strategic review of Capital SMART
- Strong regional bank, high quality conservative book, competitive fully digital banking platform by year end
- Market leading general insurance businesses which is performing solidly and has a significant scope for improvement
- Focused strategy which will seek to drive end-to-end performance in Insurance and Banking

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In closing, I would like to reiterate that Suncorp has three fantastic businesses, a passionate and capable team and a unique culture.

I believe the priorities we have laid out today will drive improved performance across the business.

I would like to take this opportunity to thank all of the Suncorp employees who have worked hard to deliver on our purpose of "creating a better today for our customers".

I am now happy to take questions.

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