ASX announcement

FY19 Results

Stronger second half performance benefiting from reinsurance protection.

Suncorp proposing to distribute $1 billion of capital to shareholders.

"In a watershed year for the industry, dominated by the Financial Services Royal Commission, Suncorp's purpose has never been more relevant. Despite higher natural hazards and a significant increase in regulatory costs, the core businesses remain resilient. To create a more sustainable company which delivers high yield and above system growth, Suncorp is focused on improving the performance of its core banking and insurance businesses. We are embracing regulatory change to strengthen trust and improve customer outcomes, leveraging our investments in digital and data, and driving efficiencies to optimise the Group's cost base."

STEVE JOHNSTON
Acting CEO

Cash earnings	Group UITR ratio	BIP net benefits	Net reserve releases	NPAT
$1,115m	12.3 %	$280m	$328m	$175m
↑ 1.5% from $1,098m in FY18	↑ from 10.6% in FY18	FY20 net benefit target upgraded to $380m	representing 3.8% of NEP	↓ 83.5% from $1,059m in FY18

Capital management

Fully franked special dividend	Fully franked final dividend	Total FY19 ordinary dividend	Total FY19 payout ratio	Proposed capital return
8 cps	44 cps	70 cps	81.2%	39cps
paid 3 May 2019			of cash earnings	subject to shareholder approval

FY19 result highlights

1. Solid base for growth
2. Improved margin outcome in Commercial Insurance
3. New Zealand result a standout
4. BIP continuing to deliver; progress on digital
5. Digital investment drives strong growth in at-call deposits in the Bank
6. Life sale completed

FY20 key priorities

In response to the changing operating environment, the Group's FY20 activities will be focused around a number of key priorities:

— **Improve the performance of core businesses** – ensure Suncorp's people and programs of work are aligned to improve the performance of its core businesses. Reinvigorate growth in core Insurance and Banking businesses with targeted initiatives and investment that have been identified to deliver both near and longer-term benefits for customers. The focus will be on leveraging the Group's competitive strengths and the digital investment made over the last two years.

— **Embrace regulatory change to deliver improved customer outcomes** - the priority is to strengthen trust and deliver better customer outcomes.

— **Leverage digital investments and data capability** – build on our digital foundations to meet the needs of customers and improve end-to-end operational efficiency.

— **Further improve operational efficiency** – reducing duplication and ensuring the Group's cost base is aligned to the revenue being generated by the three core businesses while improving end-to-end accountabilities. This will include embedding process improvement, operational excellence, digital AI and offshore partnering into BAU.

— **Building a resilient business that delivers high yield and above system growth** – simplify the business, improve earnings predictability and continue to focus on capital discipline and balance sheet strength.

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Group result overview

- **Group NPAT** of $175m, includes a $910m after tax non-cash loss on sale of the Australian Life Insurance and Participating Wealth Business.
- **Cash earnings** increased 1.5% to $1.1bn and includes stranded costs (net of transitional services agreement revenue) of $13m following the sale of the Australian Life Insurance and Participating Wealth Business, and a provision for remediation costs of $60m.
- **Profit after tax from ongoing functions** increased 1.0% supported by a strong contribution from New Zealand. The result was impacted by $129m in natural hazard costs above allowance, a 76% uplift in regulatory project costs, an increase in compliance costs and an increasingly competitive, slowing mortgage market.

Cash earnings
$1.1bn
↑ 1.5% FROM FY18

Insurance (Australia)

Profit after tax
$588m
↓ 13.7% FROM FY18

GWP
$8.2bn
↑ 1.3% FROM FY18

	FY 19 ($M)	FY 18 ($M)	FY 19 vs FY 18 (%)
General Insurance GWP	**8,245**	8,137	1.3
Net earned premium	**7,292**	7,191	1.4
Net incurred claims	**(5,448)**	(5,057)	7.7
Total operating expenses	**(1,556)**	(1,506)	3.3
Insurance trading result	**732**	886	(17.4)
Insurance (Australia) PAT	**588**	681	(13.7)

- The Insurance (Australia) result, down 13.7%, was largely driven by higher natural hazard claims costs. The second half benefited from the aggregate reinsurance cover, improvement in investment markets and BIP benefits.
- Home and Motor GWP increased by 2.4% driven by moderating average written premium increases, partially offset by a contraction in units. Excluding portfolio exits and de-risking from underperforming market segments, Commercial GWP grew 2.2% due to strong premium rates and optimised business mix, providing a solid base for long-term profitability. CTP GWP decreased 6.0% due to ongoing impacts of scheme reforms, with volumes remaining stable.
- Net incurred claims increased by 7.7% driven by higher natural hazard costs, the impact of risk-free rate movements and claims inflation, partially offset by BIP benefits.
- Total investment income increased by 51.9%.
- Operating expenses increased due to an uplift in regulatory costs and additional marketing spend to drive unit growth in the second half, partially offset by BIP benefits.
- Suncorp has commenced a 20-year strategic alliance with TAL offering market-leading life insurance solutions through Suncorp's Australian distribution channels. Under the terms of the strategic alliance, Suncorp will continue to earn income on the distribution of life insurance.

Banking & Wealth

- Banking & Wealth profit after tax of $364m was down 1.4%. Challenging operating and economic conditions combined with higher regulatory and compliance costs, were offset by a reduction in impairment losses and benefits from BIP.
- Initiatives designed to improve digital banking capability helped to deliver at-call deposit growth of 10.9%, 2.8 times system.
- The home lending portfolio grew 0.4% over the year, impacted by an increasingly competitive and slowing mortgage market. The business lending portfolio grew 3.6% over the year, reflecting solid growth in commercial lending, partially offset by a reduction in agribusiness lending due to prevailing drought conditions and the northern Queensland floods.
- Impairment losses remain low at 2bps of GLA, reflecting the sound credit quality of the lending portfolio.
- NIM contracted 5bps to 1.79%. Positive impacts from growth in at-call deposits were offset by the elevation of the bank bill swap rate for the majority of FY19 and an increase in mortgage discounting to retain customers.
- CTI of 56.2% reflects slower top-line growth, margin compression and the impact of higher regulatory and compliance costs.

	FY 19 ($M)	FY 18 ($M)	FY 19 vs FY 18 (%)
Banking profit after tax	**363**	375	(3.2)
Wealth profit after tax	**1**	(6)	n/a
Banking & Wealth PAT	**364**	369	(1.4)
Total housing loans	**47,811**	47,604	0.4
Total consumer lending	**149**	175	(14.9)
Total business lending	**11,333**	10,937	3.6
Total lending	**59,293**	58,716	1.0
Total customer funding	**38,903**	38,561	0.9

Profit after tax
$364m
↓ 1.4% FROM FY18

Gross loans & advances
$59.3bn
↑ 1.0% FROM FY18

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New Zealand

Profit after tax
$245m
↑ 81.5% FROM FY18

GWP
$1.6bn
↑ 10.1% FROM FY18

	FY 19 ($M)	FY 18 ($M)	FY 19 vs FY 18 (%)
General Insurance GWP	**1,566**	1,422	10.1
Net earned premium	**1,317**	1,168	12.8
Net incurred claims	**(654)**	(682)	4.1
Total operating expenses	**(417)**	(372)	12.1
General Insurance NPAT	**204**	99	106.1
Life Insurance NPAT	**41**	36	13.9
New Zealand NPAT	**245**	135	81.5

Note: Figures and commentary above are displayed in Australian dollars unless otherwise specified.

- The New Zealand General Insurance business delivered profit after tax of $245m, up 81.5%, driven by strong top-line growth and favourable working claims experience.
- GWP grew 10.1% driven by premium increases across all portfolios and supported by unit growth in the direct business.
- Net incurred claims were down 4.1%, driven by improved working claims as a result of changes to policy terms and conditions and claims efficiency savings. The improved claims performance was supported by a benign natural hazard environment.
- Operating expenses increased by 12.1%, predominantly driven by increases in commissions as a function of strong premium growth and increased profit shares payable to corporate partners.
- The Life Insurance business delivered profit after tax of $41m, up $5m on the prior period. In-force premium growth was supported by policy retention and premium growth.
- New Zealand's digital program has yielded positive results replacing key customer pain points with improved digital engagement.

Capital and Dividend

- Following completion of the sale of the Australian Life Insurance and Participating Wealth Business, Suncorp paid a fully franked, special dividend of 8 cents per share to shareholders in May 2019. Subject to shareholder approval at the Suncorp Annual General Meeting in September, the Board proposes to distribute the remaining surplus capital from the sale in the form of a 39 cents per share capital return with a related share consolidation. An announcement containing further information including a worked example, list of frequently asked questions and expected timetable can be found at **suncorpgroup.com.au.**
- Suncorp maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $990m after adjusting for the final dividend. The proforma excess CET1 position at 30 June 2019 after adjusting for the proposed pro-rata return of share capital and share consolidation would be $484m.
- Suncorp's cash earnings and strong balance sheet position has led to a fully franked final ordinary dividend of 44 cents per share, bringing the total full year ordinary dividend to 70 cents per share. This equates to a payout ratio of 81.2% of cash earnings.
- The Group's dividend policy remains unchanged. Suncorp will seek to maintain an ordinary dividend payout ratio of 60% to 80% of cash earnings and remains committed to returning surplus capital to shareholders.

Customer & Digital

Strategic investments, including the accelerated marketplace investment, made in digital capabilities to drive growth and meet regulatory requirements will continue to enable Suncorp to scale digital solutions across the customer base. These investments play a crucial role in navigating increased customer and community expectations creating a more resilient business and improving outcomes for customers.

> "Our digital investment over the last few years is enabling us to more effectively meet the needs of existing insurance and banking customers, while also providing a convenient and cost effective way of reaching new customers, and reducing our cost to serve."
>
> **STEVE JOHNSTON** Acting CEO

Further investment in digital capabilities to drive momentum in the core business, improving the Group's competitive position:

- Increasing number of digital users across both Insurance and Banking
- Enhanced self-service functionality reducing number of service calls received and mailpacks sent
- Simplified digital experiences with improved pre-population of data, making it easier for customers to navigate and purchase products

Delivering new value for customers, meeting more of their needs and driving retention:

- The Suncorp App was awarded Best Innovation in Customer Experience at the RFi Group Australian Banking Awards
- The New Payments Platform delivered in May, allows customers to make payments in near real-time
- Customers have spent $63m through Suncorp Rewards, saving $3.6m since launch

Continuously improving and enhancing systems to deliver positive customer outcomes and meet regulatory requirements:

- A single view of customers, facilitating simple and meaningful interactions, supporting adherence to compliance obligations and delivering an improved experience
- Launch of the AAMI Intelligent Virtual Assistant and the Scout Chatbot in the Suncorp App, providing customers with a convenient, easy to use and powerful digital experience

Outlook

- Insurance (Australia) will focus on:
  - reinvigorating its multi-brand strategy, targeting stable retention and improved unit growth
  - continuing to leverage the benefits of a national CTP portfolio with a focus on optimising growth through targeted opportunities
  - growing volume in profitable market segments within Commercial; GWP will be impacted by remaining realignment actions including portfolio exits, however, the improvement in margins is expected to continue
- Banking & Wealth will continue to simplify and digitise the business platform focusing on above system growth while maintaining a prudent risk appetite.
- New Zealand's strong performance will continue into FY20 however growth is expected to return to lower single-digit levels and working claims will return to more normalised levels following very favourable weather conditions in FY19.
- As announced at the FY19 Half Year Result, the natural hazard allowance in FY20 will be increased from $720m to $820m and the Group has purchased an additional $200m aggregate stop loss for $45m. This should improve the predictability of earnings moving forward. The magnitude of the increase in the natural hazard allowance and the cost of the stop loss cover, will impact the Group's ability to achieve its target of at least 12% underlying ITR in FY20.
- The project slate will be increased from $180m in FY19 to $260m in FY20. FY20 regulatory project costs are estimated to be $155m and will seek to address the Royal Commission recommendations, APRA Self-assessment actions and the continuation of several large inflight regulatory projects including IFRS17 and the Insurance and Banking Code of Practice changes. Annual regulatory project costs are expected to peak in FY20 and decline to approximately $100m in FY21.
- BIP will continue to enable investment in core areas of the business to improve outcomes for customers, while driving efficiencies in the cost base. BIP is expected to exceed its original FY20 net benefit target, increasing to $380m, reflecting the positive momentum of the program and the requirement to remove stranded costs following the sale of the Australian Life Insurance and Participating Wealth Business.
- Lower running yields due to lower risk-free rates and credit spreads, together with the absence of mark-to-market gains, are expected to impact the Insurance results.
- Reserve releases are expected to be above 1.5% of NEP, provided the benign inflationary environment continues.
- Suncorp remains committed to ensuring overall returns on capital exceed its cost of capital. However, factors impacting both the achievement of the underlying ITR and cost to income targets, alongside the historically low interest rate environment, will make it difficult to achieve an ROE target of 10% in FY20.
- To build on the strong digital foundations established over the last two years, a new dedicated Customer and Digital function is being established to develop innovative digital-first customer propositions. The Customer and Digital function will have responsibility for Group and Customer Strategy; Digital Strategy and Distribution; Brand and Marketing; and Enterprise Program Management Office. The new function will be led by Lisa Harrison, who will become Suncorp's Chief Customer and Digital Officer, and brings deep marketing, digital and insurance domain experience and strong leadership capabilities to this new role.
- Suncorp is also aligning its Australian contact centres, stores and intermediary distribution teams with its Banking and Insurance operations. This will remove duplication and clarify accountabilities. It also allows Suncorp to adapt more quickly to changing community expectations and to execute on priorities faster.
- Ultimately the focus is to improve outcomes in the core Banking and Insurance businesses and build a more resilient Suncorp.
- As a result of the organisation changes announced today CEO Customer Marketplace Pip Marlow has decided to leave the business effective end of August.

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BIP: Business Improvement Program | CET1: Common Equity Tier 1 | CTI: Cost to Income | CTP: Compulsory Third Party | FSL: Fire Services Levies | GLA: Gross Loans and Advances | GWP: Gross Written Premium | ITR: Insurance Trading Ratio | NEP: Net Earned Premium | NIM: Net Interest Margin | NPAT: Net Profit After Tax | PAT: Profit After Tax | ROE: Return on Equity | UITR: Underlying Insurance Trading Ratio

DISCLAIMER

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Contribution to profit by function

	Full Year Ended Jun-19 $M	Full Year Ended Jun-18 $M	Jun-19 vs Jun-18 %
Insurance (Australia)			
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)
Other income	92	82	12.2
Profit before tax	824	968	(14.9)
Income tax	(236)	(287)	(17.8)
Insurance (Australia) profit after tax	**588**	**681**	**(13.7)**
Banking & Wealth			
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 on loans and advances	531	562	(5.5)
Impairment losses on loans and advances	(13)	(27)	(51.9)
Banking profit before tax	518	535	(3.2)
Income tax	(155)	(160)	(3.1)
Banking profit after tax	363	375	(3.2)
Wealth profit after tax (1)	1	(6)	n/a
Banking & Wealth profit after tax	**364**	**369**	**(1.4)**
New Zealand			
Gross written premium	1,566	1,422	10.1
Net earned premium	1,317	1,168	12.8
Net incurred claims	(654)	(682)	(4.1)
Operating expenses	(417)	(372)	12.1
Investment income - insurance funds	21	12	75.0
Insurance trading result	267	126	111.9
Other income	15	10	50.0
Profit before tax	282	136	107.4
Income tax	(78)	(37)	110.8
General Insurance profit after tax	204	99	106.1
Life Insurance profit after tax	41	36	13.9
New Zealand profit after tax	**245**	**135**	**81.5**
Profit after tax from ongoing functions	**1,197**	**1,185**	**1.0**
Profit after tax from Australian Life Business	**23**	**78**	**(70.5)**
Profit after tax from functions	**1,220**	**1,263**	**(3.4)**
Life stranded costs net of transitional services agreement revenue	(13)	-	n/a
Customer remediation	(60)	-	n/a
Accelerated marketplace investment	-	(146)	(100.0)
Other profit (loss) before tax (2)	(50)	(63)	(20.6)
Income tax	18	44	(59.1)
Other profit (loss) after tax	**(105)**	**(165)**	**(36.4)**
Cash earnings	**1,115**	**1,098**	**1.5**
Net loss on sale of ceased operations (after tax) (3)	(899)	-	n/a
Acquisition amortisation (after tax)	(41)	(39)	5.1
Net profit after tax	**175**	**1,059**	**(83.5)**

1. Australian Life Business incorporates the performance of the Australian Life Insurance and Participating Wealth Business sold on 28 February 2019, as well as other distribution activities ceasing operation. Wealth profit after tax comparatives have been restated to adjust for the participating Wealth business included in the Australian Life Business. 2. 'Other' includes investment income on capital held at the Group level (Jun-19: $27m, Jun-18: $16m), consolidation adjustments and transaction costs (Jun-19: loss $2m, Jun-18: loss $9m), non-controlling interests (Jun-19: loss $20m, Jun-18: loss $13m), net external funding expense (Jun-19: $55m, Jun-18: $57m). 3. Net loss on sale of ceased operations includes a loss on sale of the Australian Life Insurance and Participating Wealth Business (Jun-19: $910m, Jun-18: n/a) and gain on sale of Resilium (Jun-19: $11m, Jun-18: n/a).