SUNCORP

ASX announcement
HY20 Results

"The Group's results for the half year to 31 December 2019 reflect the early progress we have made in implementing the refocused strategy as outlined to the market in August 2019. While there's more to do, we delivered key initiatives across each of our four strategic priorities. This was achieved against a backdrop of challenging economic conditions and significant natural disasters, including bushfires and hailstorms. As the recovery continues, we are working closely with our customers to help them rebuild and get their lives back on track as soon as possible. We know this recovery will take time but with our capabilities and experience, we understand what it takes to support our customers and communities every step of the way.

We remain confident in the resilience of the Group and we will continue to take a strategic approach to protect the consistency of our earnings through strengthening our core businesses, supported by appropriate risk selection and significantly strengthened reinsurance arrangements."

STEVE JOHNSTON
Group CEO

Group NPAT
$642m
156.8% from $250m in 1H19

Ordinary Interim dividend
26 cps
Representing a payout ratio of 89.5% of cash earnings

Profit after tax from ongoing functions
$396m
6.2% from $422m in 1H19

1H20 result highlights

1. Improving growth in Australian Consumer Insurance units
2. Digital distribution channels, driving strong new business growth
3. Strong GWP growth in New Zealand driven by the direct and partner channels
4. Banking continues to report low impairment levels, a stable NIM and continued growth in at-call deposits
5. Strong balance sheet, providing capital flexibility
6. Sale of Capital SMART and ACM Parts; Suncorp's competitive advantage in claims maintained through a long-term strategic partnership with AMA

Suncorp's 2H20 activities will be focused on the delivery of key initiatives designed to achieve the Group's four key priorities:

2H20 Priorities

Improving the performance of our core businesses

Implementing programs that will reinvigorate growth in the core Insurance and Banking businesses, with targeted initiatives and investments that have been identified to deliver both near-and longer-term benefits for customers.

Embracing regulatory change

Remaining focused on embracing regulatory change to strengthen trust and drive improved customer outcomes. Suncorp's regulatory program of work is extensive and complex. To a large extent, implementation is dependent on regulators and the passage of new or amended legislation.

Leveraging our investment in digital and data

Leveraging our investment in digital and data to meet the needs of customers and improve end-to-end operational efficiency. Activities will be based on building on prior-year investment to embed digital and data in product design and distribution across all business functions.

Driving operational excellence

Driving operational excellence by further leveraging capabilities across the Group such as process improvement, partnering, AI and digital to reduce the cost to serve, and to improve efficiency.

*Please refer to page 3 of this announcement for further detail on the outlook for the FY20 result.

Group result overview

- **Group NPAT** increased 156.8% to $642m and includes the $293m after-tax profit on sale of Capital SMART and ACM Parts.
- Profit after tax from ongoing functions declined 6.2%. The result was impacted by lower reserve releases, an uplift in regulatory project costs, and a contraction in the home lending book.
- Group General Insurance underlying insurance trading ratio was 9.3%, impacted primarily by the increase in the natural hazard allowance, an increase in reinsurance costs, and the impact of lower yields and higher regulatory costs.
- Group net reserve releases of $58m, down 66.3%, reflecting lower releases from the Personal Injury portfolio, one-off strains in the Commercial Australia book and natural volatility in the short-tail book.

Group NPAT
$642m
↑ 156.8% FROM 1H19

Insurance (Australia)

Profit after tax
$123m
↓ 3.9% FROM 1H19

Home & Motor GWP
$2.6bn
↑ 3.1% FROM 1H19

	1H20 ($M)	1H19 ($M)	1H20 vs 1H19 (%)
General Insurance GWP	4,176	4,101	1.8
Net earned premium	3,681	3,689	(0.2)
Net incurred claims	(2,861)	(2,854)	0.2
Total operating expenses	(771)	(769)	0.3
Insurance trading result	148	191	(22.5)
Insurance (Australia) PAT	123	128	(3.9)

- Insurance (Australia) delivered PAT of $123m, down 3.9% on the pcp. The insurance trading result was $148m, representing an ITR of 4.0%, impacted by lower prior year reserve releases and natural hazard costs.
- Home and Motor GWP increased by 3.1%, driven by unit growth of 1.1% and average written premium increases. Commercial GWP increased by 2.5%. Removing the impact of portfolio exits, growth was 7.7% due to strong premium rate increases and volume growth in targeted market segments.
- Net incurred claims increased by 0.2%, driven by lower prior-year releases and the unfavourable impact of lower yields on discounting new claims, partly offset by lower natural hazard claims compared to prior periods.
- Reserve releases were $65m, representing 1.8% of Insurance (Australia) NEP, down $105m on the pcp. The reserve releases were the net result of Personal Injury long-tail releases well above the Group's long-term target of 1.5%, partially offset by strengthening in the Commercial long-tail portfolios and an overall short-tail strain of $6m, some of which were one-off in nature.
- Total investment income increased by 11.5% to $136m, benefitting from favourable movements in breakeven inflation, credit spreads and equities compared to the pcp.
- Operating expenses ratio increased by 0.1% on the pcp to 20.9%, primarily due to an increase in regulatory costs.

Banking & Wealth

- Banking & Wealth PAT of $171m was down 6.6% on the pcp. The result benefitted from a stable NIM and low credit impairment losses, offset by a contraction in lending growth, one-off fee impacts and elevated operating expenses.
- The at-call portfolio grew well above system at 11.8% to $25.2bn. At the same time, Banking moderated its negotiated retail and corporate term deposit portfolios to achieve intended funding and margin outcomes.
- NIM increased 2bps to 1.92% over the half, driven by the favourable shift in the funding mix from the growth in at-call deposits.
- Elevated expenses and lower lending growth impacted the cost to income ratio of 59.6%, up 3.5% on pcp.
- The home lending portfolio contracted 1.4% over the half, impacted by low system growth and elevated processing times, particularly within the broker network. The business lending portfolio contracted 1.3% over the half, primarily driven by a reduction in agribusiness lending as a result of ongoing drought conditions. The commercial portfolio reduced marginally over the half, driven by early project completion and increased customer repayments.

	1H20 ($M)	1H19 ($M)	1H20 vs 1H19 (%)
Banking profit after tax	171	182	(6.0)
Wealth profit after tax	-	1	(100.0)
Banking & Wealth PAT	171	183	(6.6)
Total housing loans	47,157	47,982	(1.7)
Total consumer lending	152	162	(6.2)
Total business lending	11,181	11,026	1.4
Total lending	58,490	59,170	(1.1)
Total customer funding	39,650	39,357	0.7

Profit after tax
$171m
↓ 6.6% FROM 1H19

At-call deposits
$25.2bn
↑ 11.8% FROM 2H19

New Zealand

Profit after tax
$108m
↓ 10.0% FROM 1H19

GWP
$876m
↑ 5.4% FROM 1H19

	1H20 ($M)	1H19 ($M)	1H20 vs 1H19 (%)
General Insurance GWP	**876**	831	5.4
Net earned premium	**744**	693	7.4
Net incurred claims	**(397)**	(340)	16.8
Total operating expenses	**(230)**	(217)	6.0
Insurance trading result	**123**	143	(14.0)
General Insurance PAT	**94**	103	(8.7)
Life Insurance PAT	**14**	17	(17.6)
New Zealand PAT	**108**	120	(10.0)

(Figures and commentary above are displayed in New Zealand dollars unless otherwise specified.)

- New Zealand achieved PAT of $108m, down 10.0% on the pcp. As expected, the result demonstrates a return to normalised natural hazard experience following the benign conditions that benefitted pcp results.
- The New Zealand General Insurance business delivered PAT of $94m, down 8.7% on the pcp. This was largely driven by increased natural hazard costs, up $24m on the pcp and remediation provisions of $8m predominantly relating to issues identified with customer discounts in prior periods. This was partially offset by continued disciplined portfolio management, delivering strong top line and earned premium growth.
- GWP grew by 5.4% to $876m (6.4% excluding remediation impacts). GWP growth was driven by premium increases across all portfolios and supported by unit growth in the direct business.
- Net incurred claims were $397m, up 16.8% on the pcp. This was driven by a normalisation of natural hazard costs, unit growth and higher frequency of large-loss house fires in the period.
- Operating expenses increased by 6.0%, reflecting higher commissions driven by premium growth, and 3.7% increase related to higher underwriting expenses attributable to increased technology and project costs. While expenses have increased, the total operating expense ratio has decreased from the pcp as a result of earnings growth.

Capital and Dividend

- During 1H20, the Group issued $389m of Additional Tier 1 Capital through Suncorp Group Limited as part of its capital management strategy. As part of the transaction, $206m of existing CPS3 securities were redeemed under a reinvestment offer.
- Suncorp maintains a strong capital position, with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $691m after adjusting for the interim dividend.
- Suncorp's cash earnings and strong balance sheet position has led to a fully franked interim ordinary dividend of 26 cents per share, equating to a payout ratio of 89.5% of cash earnings.

" *Each of our core businesses are positioned well in their respective markets and are operationally strong. We will continue to build our portfolio of brands while focusing on adding value through our digital platforms and shaping the business to better drive operational excellence and efficiency.* "

STEVE JOHNSTON
Group CEO

FY20 Outlook

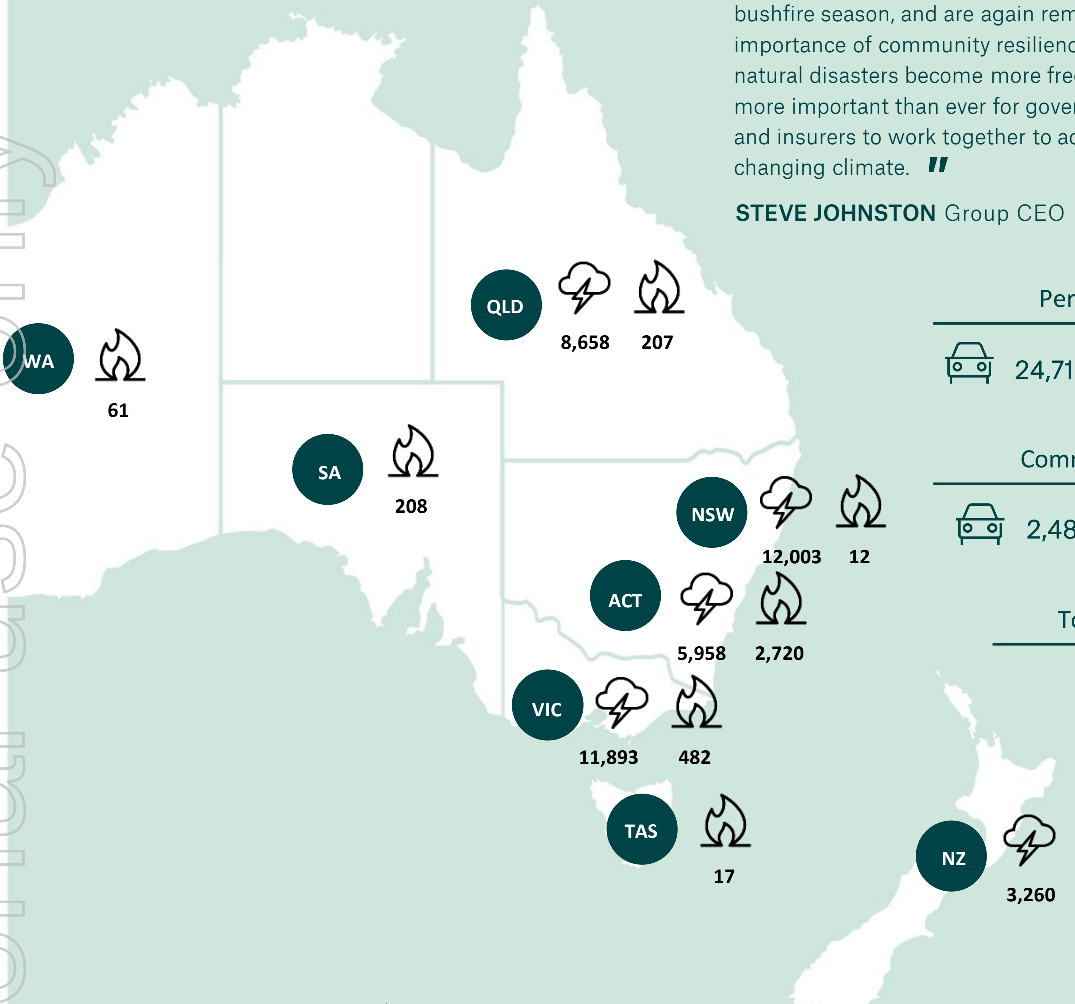
Key considerations impacting the FY20 result

- Suncorp's reinsurance program, including the $200m aggregate stop loss cover acquired for FY20, provides strong protection for FY20 earnings. This cover is aimed at limiting the full year natural hazard costs to the $820m allowance.
- Targeting at least flat unit growth in Australian Consumer Insurance for full year.
- FY20 Group reserve releases expected to be above 1.5% of NEP.
- Maintain impairment losses at the bottom end of the range of 5 -15 bps of gross loans and advances.
- NIM expected to remain within the operating range of 1.85% - 1.95%.
- A strategic review of the Wealth business has commenced.
- New Zealand top-line growth forecast to be mid single-digit levels.
- Normalisation of weather patterns in New Zealand will drive higher natural hazard costs.
- Maintain strong capital position to provide flexibility.
- Regulatory project costs expected to peak in FY20, with costs expected to gradually decline but remain elevated.
- Maintain an ordinary dividend payout ratio policy of 60-80% of cash earnings.
- The low-yield environment is expected to continue for the foreseeable future. While further RBA policy easing would lead to mark-to-market gains in the near term, this would drive lower running yield income in future periods. Although risk sentiment has been impacted by the recent outbreak of the coronavirus epidemic, the improvement in international trade relations and the low interest rate backdrop is supporting equity and credit markets. While this should continue to underpin markets over coming months, future investment returns look set to be lower relative to the past year.

Suncorp's response to natural hazards

> "After any severe weather event, we're committed to standing by our customers and communities and supporting them to recover and rebuild. We have just witnessed an unprecedented start to the storm and bushfire season, and are again reminded of the importance of community resilience and mitigation. As natural disasters become more frequent and severe, it's more important than ever for governments, communities and insurers to work together to address the impact of our changing climate."

STEVE JOHNSTON Group CEO



Personal claims

24,719	17,142

Commercial claims

2,481	1,137

Total claims

45,479

Recent natural hazard events[1]

- 7 natural hazard events across Australia and New Zealand in 1H20, and three subsequent events in Australia in January 2020.
- 42,219 claims lodged in Australia, with 38% lodged digitally[2].
- 3,260 claims lodged in New Zealand, with 7% lodged digitally[2].
- 90% of Australian bushfire assessments complete, with the balance coming from newly lodged claims and areas in VIC that have only recently opened for assessment.
- 27% of New Zealand claims have been finalised.

Supporting customers and communities

- Emergency accommodation, emergency funds and financial assistance.
- Dedicated client managers, supporting customers through the claims process.
- Financial relief package offered to Bank customers.
- Continuing to offer a range of financial and non-financial assistance to drought affected customers.

Advocacy focus areas

- Resilience initiatives; incentivising natural disaster mitigation in vulnerable communities.
- Increased support from all levels of government to build resilience.

1. Natural hazard event numbers reported above are as at 31 January 2020.
2. Does not include 'Report Only' claims. Report Only refers to claims that are initiated digitally and completed via another channel.

GLOSSARY

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 | Pcp: Prior corresponding period.

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Contribution to profit by function

	Half Year Ended Dec-19 $M	Dec-18 $M	Dec-19 vs Dec-18 %
Insurance (Australia)[(1)]			
Gross written premium	4,176	4,101	1.8
Net earned premium	3,681	3,689	(0.2)
Net incurred claims[(1)]	(2,861)	(2,854)	0.2
Operating expenses	(771)	(769)	0.3
Investment income - insurance funds	99	125	(20.8)
Insurance trading result	148	191	(22.5)
Other income	27	(15)	n/a
Profit before tax	175	176	(0.6)
Income tax[(1)]	(52)	(48)	8.3
Insurance (Australia) profit after tax	**123**	**128**	**(3.9)**
Banking & Wealth			
Net interest income	594	585	1.5
Net non-interest income	12	23	(47.8)
Operating expenses	(361)	(341)	5.9
Profit before impairment losses on loans and advances	245	267	(8.2)
Impairment losses on loans and advances	(1)	(7)	(85.7)
Banking profit before tax	244	260	(6.2)
Income tax	(73)	(78)	(6.4)
Banking profit after tax	171	182	(6.0)
Wealth profit after tax	-	1	(100.0)
Banking & Wealth profit after tax	**171**	**183**	**(6.6)**
New Zealand			
Gross written premium	827	768	7.7
Net earned premium	703	641	9.7
Net incurred claims	(375)	(315)	19.0
Operating expenses	(217)	(201)	8.0
Investment income - insurance funds	5	7	(28.6)
Insurance trading result	116	132	(12.1)
Other income	6	2	200.0
Profit before tax	122	134	(9.0)
Income tax	(33)	(39)	(15.4)
General Insurance profit after tax	89	95	(6.3)
Life Insurance profit after tax	13	16	(18.8)
New Zealand profit after tax	**102**	**111**	**(8.1)**
Profit after tax from ongoing functions	**396**	**422**	**(6.2)**
Profit after tax from discontinued business [(1)]	**1**	**28**	**(96.4)**
Profit after tax from functions	**397**	**450**	**(11.8)**
Life stranded costs net of transitional services agreement revenue	(11)	-	n/a
Other profit (loss) before tax [(2)]	(21)	(40)	(47.5)
Income tax	-	3	(100.0)
Other profit (loss) after tax	**(32)**	**(37)**	**(13.5)**
Cash earnings	**365**	**413**	**(11.6)**
Net profit (loss) on sale of ceased operations (after tax) [(3)]	293	(145)	n/a
Acquisition amortisation (after tax)	(16)	(18)	(11.1)
Net profit after tax	**642**	**250**	**156.8**

(1) Profit after tax from discontinued business incorporates the performance of the Capital SMART and ACM Parts sold on 31 October 2019, Insurance (Australia) comparatives have been restated to adjust for the participating Capital SMART and ACM Parts business performance.
(2) 'Other' includes investment income on capital held at the Group level (Dec-19: $9m; Dec-18: $10m), consolidation adjustments and transaction costs (Dec-19: nil; Dec-18: loss $11m), non-controlling interests (Dec-19:loss $8m; Dec-18: loss $9m), net external funding expense (Dec-19: $22m; Dec-18: $30m).
(3) Net profit (loss) on sale of ceased operations includes a gain on sale of SMART and ACM Parts (Dec-19: $293m; Dec-18: n/a), and the write down of goodwill related to the loss on the sale of the Australian Life Insurance and Participating Wealth Business (Dec-19: n/a; Dec-18: loss $145m).

This ASX announcement was authorised by the Suncorp Group Limited Board.