Annual Report 2018–19

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Create a better today for our customers

SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

Contents

COVER IMAGE: Elizabeth Jarman has been a Suncorp small business customer for four years.

Year in review

About us

Suncorp Group Limited is a leading financial services provider in Australia and New Zealand, enabling more than nine million customers to better protect and enhance their financial wellbeing.

With a heritage dating back to 1902, we have grown to become a top-20 ASX-listed company with more than 13,000 people and $96 billion in assets. We offer banking, wealth management and insurance products and services through our well-recognised brands including Suncorp, AAMI, GIO, Apia, Shannons and Vero, as well as those from our partners.

Through these products and services we:

— protect what matters to our customers

— help our customers recover from injury

— support our customers' everyday financial needs, and

— enable customers and businesses to reach their financial goals.

Our purpose, vision and strategy

Suncorp's purpose is to create a better today for our customers.

In 2019 we refined our purpose to put greater emphasis on our customers. By living our purpose, our decisions and actions empower customers to secure their financial future with confidence.

Our vision is to be the destination for the moments that matter. We will continue to demonstrate our unique culture by doing the right thing and being there for our customers and communities when they need us most.

Our strategy aims to build sustainable competitive advantage across four strategic capabilities: brilliant customer experience; digital; product innovation; and engaged and enabled people. We are focused on strengthening our core businesses by concentrating on our customers, products and brands while building on our strong digital foundations.

Highlights

During 2018–19 we delivered total dividends to ordinary shareholders[1] of 78 cents per share, achieved a consumer net promoter score of +5, maintained gender parity in our leadership roles and further reduced our greenhouse gas emissions by six per cent.

Our financial performance

Total dividends to ordinary shareholders[1]
78 cents per share

Cash earnings
$1,115m

Net profit after tax[2]
$175m

Our customers, people and society

Consumer net promoter score[3]
+5.0

Investment in local communities
$9.2m

Women in leadership
51%

Our environment

Reduction in greenhouse gas emissions[4]
6% ↓

Reduction in air travel[5]
16% ↓

Reduction in fuel used in company vehicles
12% ↓

1. Includes special dividend of eight cents per share from the proceeds of the sale of the Australian Life Business and Participating Wealth Business 2. Impacted by the sale of the Australian Life Business and Participating Wealth Business, which resulted in a $910 million loss 3. Source: DBM Consumer Atlas, 12-month rolling as at 30 June 2019 (excludes New Zealand) 4. Based on Scope 1 and Scope 2 emissions 5. Excludes Suncorp Insurance Ventures

Message from the **Chairman**

Our ambition is to create value for our shareholders by creating value for our customers. In a period of heightened regulatory scrutiny and increasing community expectations, 2018–19 has called on our ability to adapt and transform in driving toward this goal.

Suncorp is the first Australian financial services company to be recognised by the Chartered Institute for Procurement & Supply with certification for its supplier governance and ethical practices.

Our culture of flexible working, inclusion and diversity is helping the Group to maintain gender balance in leadership roles.

We operate in a dynamic market, influenced by new entrants, advancing technologies, new payment platforms, and redefined customer expectations. Our customers rightly expect us to not only respond to their needs but to anticipate and then meet those needs. These factors, alongside the Financial Services Royal Commission[1] outcomes are influencing how we run our company. Our digital strategy focuses on improving customer outcomes and strengthening the performance of our insurance and banking businesses. We are also enhancing our products and services, and continuing to drive operational excellence. Achieving this will rebuild trust and create a robust platform for growth.

Improving customer outcomes

Last year we introduced a new Board Customer Committee to accentuate the voice of our customers in our boardroom. Already, we are understanding more deeply the quality and consistency of our customer service and are better assessing our products to ensure they represent fair value.

Importantly, at the heart of Suncorp's purpose is supporting our customers when they need us most. Looking back, the year was characterised by several major weather events – floods in north Queensland, hailstorms in Sydney, bushfires in central Queensland and flash flooding in Melbourne – all devastating events which impacted thousands of customers, displaced communities and cost the industry billions.

Our teams mobilised across the country to help communities recover and rebuild. I am proud of our industry-leading response from our banking and insurance businesses which have set new standards.

A responsible business

Our new Responsible Banking and Insurance Policy addresses environmental, social and governance risks, including those identified by the Financial Services Royal Commission, our own Risk Governance Self-assessment to APRA[2] and the New Zealand FMA/RBNZ[3] review.

Building stronger relationships with our key stakeholders is vital. I would like to thank everyone who helped us identify the most material economic, environmental and social topics facing Suncorp and the industry. These include deepening trust and strengthening conduct, increasing transparency and disclosure, ensuring our products represent fair value and understanding the impact of climate change. Importantly, they are consistent with the priorities underway at Suncorp as we work to build a more responsible and resilient business.

Responding to the changing regulatory environment

There is no doubt that 2018–19 was a defining year for financial services – marking the start of a new era for the industry.

As the Financial Services Royal Commission exposed areas where banks and insurers did not always act in the best interests of their customers, Suncorp is further prioritising customer outcomes, strengthening governance, improving transparency and aligning remuneration principles with these interests.

We are also addressing the outcomes of our APRA self-assessment which was conducted by the Board.

The review both identified a number of strengths across the Group, as well as areas for continuous improvement – such as increasing our focus on risk and compliance, strengthening our controls for issue identification, escalation and resolution and promptly dealing with customer remediation issues. Suncorp has already implemented a number of the recommendations including enhancing the focus on non-financial risks. The broader response to the self-assessment now forms part of our regulatory program of work.

Dividend and capital return

A stronger second half performance, reflecting the benefits of our reinsurance protection, as well as a solid contribution from the Business Improvement Program and margin improvements in the core portfolio, has improved full year cash earnings. This, together with a strong balance sheet position, has led the Board to declare a fully franked final dividend of 44 cents per share. This takes the total full year dividend to 70 cents per share, with a pay-out ratio of 81.2%, above the top end of the target range.

In addition, in May the Company paid an 8 cents per share fully franked special dividend from the proceeds of the Australian Life Business[4] sale; and subject to shareholder approval at the AGM in September, the Board proposes to distribute the remaining surplus capital from the sale in the form of a 39 cents per share return of capital with a related share consolidation.

The final dividend, combined with the capital return, will result in over $1 billion or 83 cents per share being paid out to shareholders in the next three months.

CEO succession and Board appointments

In May, we announced the departure of CEO & Managing Director Michael Cameron. I would like to thank Michael for his leadership of a customer-first culture and accelerating our technology and digital capabilities.

Acting CEO Steve Johnston is a very experienced executive with a deep understanding of our core insurance and banking businesses. With the full support of the Board, he is leading Suncorp with renewed energy and focus to drive the business forward.

The Board is undertaking a comprehensive domestic and international search, and from a high calibre pool of internal and external candidates hopes to announce the new CEO in the latter part of the year.

Board renewal remains a continued focus. In September 2018, we farewelled Dr Ziggy Switkowski who served 13 years on the Board and almost 7 years as Chairman. Sylvia Falzon was also formally elected as a non-executive director and in October we welcomed Ian Hammond to the Board. Ian will be standing for election at the Annual General Meeting in September 2019, as will Sally Herman, who is seeking re-election.

Ian and Sally bring a wealth of financial services and insurance experience with a strong capability in governance, risk management and insights into evolving customer trends, as well as the external factors shaping our industry.

On behalf of the Board I want to thank our people for their genuine dedication to our customers, their hard work and commitment during a challenging year. And to our customers and shareholders, thank you for your loyalty and ongoing support.

Christine McLoughlin

CHRISTINE MCLOUGHLIN
CHAIRMAN
7 AUGUST 2019

1. Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry 2. APRA – Australian Prudential Regulation Authority 3. New Zealand FMA/RBNZ – Financial Market Authority/Reserve Bank of New Zealand 4. Australian Life Business incorporates the performance of the Australian Life Insurance and Participating Wealth Business (Suncorp Life & Superannuation Limited)

Board of Directors

CHRISTINE MCLOUGHLIN
BA, LLB (Hons), FAICD
Independent non-executive director since February 2015. Chairman since September 2018. Inaugural Chairman Customer Committee; Chairman Nomination Committee.

LINDSAY TANNER
BA (Hons), LLB (Hons), MA (Melb)
Independent non-executive director since January 2018. Member Customer, Nomination, and Risk Committees.

SYLVIA FALZON
MIR (Hons), BBus, FAICD, SFFin
Independent non-executive director since September 2018. Member Customer, Nomination, and People and Remuneration Committees.

SALLY HERMAN
BA, GAICD
Independent non-executive director since October 2015. Chairman Risk Committee. Member Audit, Customer, Nomination, and People and Remuneration Committees.

IAN HAMMOND
BA (HONS), FCA, FCPA, FAICD
Independent non-executive director since October 2018. Member Audit, Customer, and Nomination Committees.

DR DOUGLAS MCTAGGART
BEcon (Hons), MA, PhD, DUniv, FAICD, SFFin
Independent non-executive director since April 2012. Chairman Audit Committee. Member Customer, Nomination, and People and Remuneration Committees.

SIMON MACHELL
BA (Hons), FCA
Independent non-executive director since April 2017. Chairman People and Remuneration Committee. Member Audit, Customer, and Nomination Committees.

AUDETTE EXEL AO
BA, LLB (Hons)
Independent non-executive director since June 2012. Member Customer, Nomination, and Risk Committees.

Notes: The Chairman is an ex-officio member of the Audit, People and Remuneration, and Risk Committees. Dr McTaggart is also a director on the Boards of Suncorp's New Zealand licenced entities. Mr Tanner is also Chairman of Group subsidiary Suncorp Insurance Ventures Pty Ltd.

Message from the Acting **CEO**

It is a privilege to be able to report to you on our activities for the 2018–19 financial year.

Our achievements would not have been possible without the hard work and dedication of our people. It has been a challenging but productive year and I would like to thank them for their perseverance and their ongoing commitment to supporting our customers.

In a year dominated by the Financial Services Royal Commission our customer-centric purpose has never been more relevant and being a responsible, transparent and ethical company is at the heart of our response to the Commission's findings and recommendations.

As part of our aim to continually improve, we are undertaking a number of measures to strengthen our business. This includes a peak investment of $155 million in governance and regulatory programs. While these come at a significant cost, we see it as an opportunity to further improve our processes and deliver better outcomes for customers. That, in turn, will create a more resilient and sustainable Suncorp.

Financial performance

Suncorp's financial year 2019 net profit after tax (NPAT) was $175 million. Cash profit, which is the basis upon which we calculate our dividend payments, was $1,115 million. Accordingly, the final ordinary dividend is 40 cents per share, fully franked, slightly below last year's payment. The difference between the NPAT and cash profit is predominately explained by the loss on sale of the Australian Life Business which was finalised in February. The decision to divest the Australian Life Business, and the successful completion of the sale to TAL[1], will further de-risk and simplify our business. As part of the sale transaction, we have agreed a 20-year partnership with TAL which will see us continue to distribute life insurance products under our portfolio of market-leading brands.

The Board has committed to return the proceeds of the sale to shareholders in the form of a $506 million return of capital with a related share consolidation. The proposed capital return follows the payment of eight cents per share, fully franked, special dividend from the sale proceeds on 3 May 2019. If approved by shareholders at the AGM, the return of capital payment will be made on 24 October 2019 and will bring the total capital returned to shareholders from the sale to $610 million, slightly above the $600 million previously advised.

The **Australian Insurance business** has delivered a profit after tax (PAT) of $588 million which is a reduction of 13.7 per cent on the prior year. The insurance performance was impacted by a series of natural hazard events, including the Townsville floods and Sydney hailstorm, resulting in an increase of $155 million above our natural hazard allowance. Underlying margins, which adjust for weather and investment market volatility, have improved over the year.

The **Banking & Wealth** business has delivered a PAT of $364 million, which is a small reduction on the prior period. This reflects a slowdown in the housing sector and increased competition for both mortgages and deposits. Impairment losses remain very low reflecting the high-quality nature of the bank's lending book.

The **New Zealand** business has delivered a PAT of $245 million, an 81.5 per cent increase on the 2018 financial year. Strong growth in written premium, improvements in claims management and a benign year for natural hazards contributed to this record profit.

At the **Group** level, regulatory and remediation costs of $155 million were also well above our expectation but, as I pointed out, these will result in better outcomes for our customers. The Business Improvement Program (BIP), has again exceeded targets, partially offsetting these higher regulatory project costs. The program surpassed its original target for 2018–19 of $225 million, with net benefits of $280 million for the year.

Embracing a digital future

We continue to invest in technology with a focus on ensuring our systems and processes are efficient, while at the same time making it easier for our customers. Nearly half of motor claims during the Sydney hailstorm were lodged online, with a third being completed by the customer through zero-touch functionality. This process has also extended to GIO, Suncorp, Shannons and Apia home insurance customers. Our focus is on using technology to deliver best-in-class services that benefit our customers while also streamlining processes for our people.

In 2018–19 we also added new functionality within the Suncorp App. The App is gaining traction, with more than 525,000 downloads since August 2018. It was also awarded the Best Innovation in Customer Experience at this year's RFi Banking Awards. Importantly, the App and our broader digital program positions us well for the introduction of Open Banking and can be leveraged more broadly going forward.

Being recognised

Pleasingly we have maintained gender balance of women in leadership and have been recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency for the sixth year running. This award recognises Suncorp's focus on being a leader for workplace gender equality and building an inclusive culture.

It was also great to see our people being recognised by the industry with our New Zealand business awarded Direct General Insurance company of the year and our Bank named Money Magazine's Bank of the Year and Business Bank of the Year for the second consecutive year. This award recognised the Bank's investment in new digital capabilities, sharp focus on listening to customer feedback and ongoing commitment to ensuring all customers have access to competitive rates and flexible, rewarding products.

Outlook

Over the planned period we are focused on driving a digital strategy that will strengthen our core businesses and improve customer outcomes. In 2019–20 we are:

1. Aligning Suncorp to improving the performance of our core businesses
2. Embracing regulatory change in order to build trust and improve customer outcomes
3. Leveraging our investment in digital and data
4. Driving operational excellence, removing duplication and optimising the Group's cost base
5. Creating a more resilient Suncorp delivering high yield and above system growth.

To deliver on our strategy, we are simplifying our structure to make it easier for our people to work together, to help our customers and importantly, to execute on our priorities.

This change also enables Suncorp to build on our strong digital foundations. We are ready to scale, leverage and extend our digital capability to deliver even more benefits to our customers as well as our business.

To drive this we are creating a new function called Customer & Digital – this dedicated team will leverage the proven experience of our Technology, Data and Labs team to take our customer and digital strategy to a new level.

We are also aligning our contact centres, stores and intermediary teams together with our Banking and Insurance operations. This will remove duplication and complexity and improve accountability. It also allows us to adapt more quickly to changing community expectations and to execute our priorities faster.

Finally, I would like to thank you, our shareholders, for your continuing support.

STEVE JOHNSTON
ACTING CEO
7 AUGUST 2019

1 TAL – TAL Dai-ichi Life Australia Pty Ltd

Senior Leadership Team

FIONA THOMPSON
BEc, LLB
Chief Risk Officer

GARY DRANSFIELD
GAICD
Chief Executive Officer Insurance

LISA HARRISON
BCom, MBA, GAICD
Chief Program Excellence Officer

STEVE JOHNSTON
BBus (Management), BBus (Public Administration)
Acting CEO

DAVID CARTER
BCom, GDipAppFin, GDip-FinPlan, FCPA, FFin, GAICD
Chief Executive Officer Banking & Wealth

AMANDA REVIS
BSc (Hons), GAICD
Chief People Experience Officer

JEREMY ROBSON
BCom, ACA
Acting Chief Financial Officer

SARAH HARLAND
BA (Hons), MBA, GAICD
Chief Information Officer

PAUL SMEATON
BBus (Management)
Chief Executive Officer New Zealand

PIP MARLOW
MAICD
Chief Executive Officer Customer Marketplace

Business update 2018–19

In a year characterised by the Financial Services Royal Commission and increased regulatory spend, we are focused on implementing a regulatory program of work that will strengthen trust with our customers and the community.

2018–19 was a transformational year for the financial services sector, following the Royal Commission. To address the Royal Commission's recommendations, APRA self-assessment actions and the continuation of several large inflight regulatory projects, we committed to an increased regulatory spend as part of our commitment to rebuild trust with our customers and the community.

The regulatory program of work continues to evolve, and while there is much to be done, we are on track with a robust program in place. We are implementing reforms and improving systems and processes to ensure the interests of our customers are at the centre of everything we do, and that we are providing appropriate support to customers experiencing vulnerability.

Suncorp continued to invest in digital and data capability. Through our accelerated marketplace spend, we have made significant progress in advancing our digital strategy, investing in infrastructure, including application program interfaces (APIs), to enable a single view of customer, a new identity management system and a scalable rewards platform. Our task now is to capitalise on this work and continue to uplift self-service, including providing customers with a full digital banking experience. More detail can be found in section 1.9 of the Operating and Financial Review of this Annual Report.

OUR PERFORMANCE

Suncorp delivered cash earnings of $1,115 million and a NPAT of $175 million. This result reflects the loss on the sale of the Australian Life Business, higher natural hazard costs, increased regulatory investment and volatile investment markets impacted the Group's performance. In response to these challenges, the natural hazard allowance in 2019–20 will be increased from $720 million to $820 million and we have purchased an additional $200 million natural perils reinsurance cover, to improve the predictability of earnings. Our underlying business remains resilient.

KEY PERFORMANCE HIGHLIGHTS

Peak investment in regulatory projects in 2018–19 of $155 million, which will be maintained in 2019–20 to meet customer and community expectations.

Insurance Australia achieved PAT[1] of $588 million which is a reduction of 13.7 per cent on the previous year.

In 2018–19, our Insurance business in Australia paid out more than 98% of all consumer (motor and property) insurance claims. Over the year, Suncorp received approximately 179,000 property insurance claims and 555,000 motor insurance claims, paying out approximately $3.7 billion, annually averaging more than $10.3 million per day.

Banking & Wealth achieved PAT[1] of $364 million, with strong growth in deposits. This result was underpinned by investment in new customer solutions, simplifying processes and improving our customers' digital experience.

Suncorp New Zealand General Insurance delivered PAT[1] of $204 million, with strong top-line growth and favourable natural hazard and working claims experience driving the improved performance. By the end of June 2019, Suncorp New Zealand had settled 99.4% of all home claims from the Kaikoura earthquake, while the Canterbury earthquake program had been officially closed and all remaining earthquake claims are now managed by the business as usual claims team. The New Zealand Life insurance business delivered PAT[1] of $41 million, driven by continued growth of in-force premium and underlying investment performance.

1 PAT – Profit after tax

Our network of brands

SUNCORP · AAI Insurance · AAMI · Apia · bingle as simple as it sounds · CIL Caravan and RV Insurance · Essentials by AAI · GIO · Shannons · vero · terri scheer

DRIVING A MORE RESPONSIBLE COMPANY

At the heart of Suncorp's purpose is doing the right thing for our stakeholders and taking responsibility for our environment.

Addressing environmental, social and governance risks and opportunities

Our business decisions are guided by four corporate responsibility principles: Trust and Transparency, Responsible Financial Services, Sustainable Growth, and Resilient People and Communities.

Environmental, Social and Governance (ESG) considerations are being embedded across our value chain.

Suncorp's Responsible Investment Policy incorporates ESG considerations into investment manager selection and the evaluation of investment risks and opportunities. Our Corporate Responsibility Principles are also embedded in our Procurement Policy and Supplier Code of Practice for our Australian operations. And additionally, in 2019 we strengthened our commitment to delivering responsible financial services with the development of a Responsible Banking and Insurance Policy for our Australian operations.

In 2018–19, we engaged our stakeholders to complete a materiality assessment to identify those ESG topics that are the most material to our business. These inform our ESG risks and opportunities, and our action plans. The number one consideration is the heightened importance to our stakeholders of restoring credibility and trust in financial services and the fairness and value of products and services. This is driving us to do better.

Anticipating and addressing customers' needs

Putting customers first is now enshrined in our vision, driving initiatives to help us continually improve their experiences such as:

- **Voice of the Customer** – this platform helps us capture feedback and gain sharper insights into customers' evolving needs
- **Customer Guardian Network** – identifies customer pain points to drive improvements
- **Frontline Forum** – a tool to engage our frontline teams to obtain direct feedback on better solutions and ways to improve.

Supporting vulnerable customers

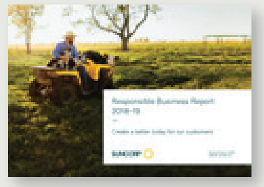
Our Customer Advocate continues to champion the voice of the customer across our banking and insurance businesses. The work undertaken by the Office of the Customer Advocate is driving business process enhancements and creating employee education programs to deepen our ability to respond to and support customers, especially those who may be experiencing vulnerability.

We have established Customers Experiencing Vulnerability teams that provide dedicated and specialist support for our banking and insurance customers.

Further detail on Suncorp's corporate responsibility approach, progress and performance can be found in the

RESPONSIBLE BUSINESS REPORT.

Available at suncorpgroup.com.au/cr/reports



Suncorp became a signatory to the UN Global Compact, UN Principles for Sustainable Insurance, and UN Principles for Responsible Investment.

20%

CONSUMER CLAIMS[1] LODGED DIGITALLY

$8,175m

TOTAL CLAIMS[2] PAID TO CUSTOMERS

100%

ACCEPTANCE OF SUPPLIER CODE OF PRACTICE

MEETING THE NEEDS OF CUSTOMERS ON THE ROAD

As one of the largest motor insurance providers in Australia, we are focused on getting our customers back on the road safely and quickly. We are improving our digital capability to support customers after an accident by facilitating a simple and seamless claims process.

Following the December 2018 hailstorms, nearly half (45 per cent) of motor claims were lodged online, with a third being completed by the customer using the zero-touch functionality. This meant that more of our people were available to support customers with more complex claims.

Our network of repair sites also supports customers through a convenient and quick claims process. During the year, Capital S.M.A.R.T expanded its operations to 50 locations across Australia and New Zealand, and increased the scope of the repair work it offers. Uber is now a transport option from our Capital S.M.A.R.T repair centres.

Suncorp is the largest provider of Compulsory Third Party (CTP) insurance in the country. In South Australia, the Australian Capital Territory, New South Wales, and Queensland, Suncorp continues to support CTP scheme reforms that provide better protection for customers.

DELIVERING FOR OUR HOME CUSTOMERS

We support our customers with our residential lending products, as well as our home insurance products that provide peace of mind and protection in the event the unexpected happens.

There's no doubt the increasing risk of severe weather contributes to the cost of home insurance in northern Australia. In response, Suncorp has been helping customers and the community to make insurance more affordable.

To date more than 40,000 customers are receiving up to 20 per cent savings in their building insurance premiums by participating in our Cyclone Resilience Benefit program which rewards them for taking positive action in reducing cyclone risk. It is a key part of our Protecting the North program and demonstrates our commitment to making insurance more accessible in northern Australia.

This year's response to natural disasters included a storm in Queensland's Wide Bay Burnett region in October 2018; hailstorms across the Sydney, NSW Central Coast, and South East Queensland regions in December 2018; an East Coast low which impacted NSW and Victoria; and extensive flooding in Townsville in February 2019.

We know that getting customers back into their homes quickly means delivering excellence in the claims process. In Townsville, we are proud of the support we provided to our customers in response to the floods, which included hosting a series of community forums and establishing a Customer Support Centre as a place where customers go to discuss their claim in person. We purchased caravans to house customers who preferred to stay closer to home, given the pressure on the rental market in the region, and assigned dedicated client managers for large loss customers, providing a central point of contact throughout the process. These improvements in claims handling make a real difference and provide additional support to our customers in these challenging times.

HomeRepair, Suncorp's national repairer subsidiary, has expanded its geographic footprint to form a nationwide first-response service for Suncorp customers.

Our new Policy Finder initiative enables home and motor customers to find their policy number by simply entering their mobile phone number, enabling more customers to lodge their claim online. Since the launch in March, customer complaints about finding their policy online have more than halved and claims[1] lodged online have increased to 20 per cent (up from 12 per cent in the prior corresponding period).

IMPLEMENTING REGULATORY CHANGE

Against the backdrop of the Royal Commission, we strengthened our approach to responsible lending, with new guidelines and practices to support mortgage brokers and internal lenders. Our residential lending guidelines provide greater transparency and consistency, and a deeper understanding of our customers' living expenses. This helps us make decisions that support our customer's best interests over the long term. We have streamlined the lending experience by consolidating and simplifying forms and improving online tools, and will continue to enhance and simplify the process during 2019–20.

The new Banking Code of Practice came into effect on 1 July 2019 and is another important part of our regulatory program of work. Suncorp is committed to the Code, and supportive of the changes, including those relating to small business and vulnerable customers; these have been a clear focus of our work.

Our Insurance team has taken a leading position within the industry in developing the new General Insurance Code of Practice and we are starting to implement these changes as well as the Royal Commission recommendations, including a large focus on customers and third parties who are vulnerable and improving transparency across the value chain.

SUPPORTING THE NEEDS OF BUSINESS

To support Australian small business owners and agribusiness customers, we have pledged $3 billion of new credit to help them invest and grow. For Australian retailers, our 'Wave and Save' product automatically reverts to the lowest cost option whenever their customers tap and pay.

Our commercial insurance solutions protect the assets and livelihoods of a range of businesses, from sole traders and small–medium enterprises (**SMEs**) through to multinationals. During the year, Suncorp created a specialist claims proposition for brokers, which includes a dedicated case management model for intermediated claims, a specialist commercial building repair panel, and access to market-leading business interruption capabilities.

We also re-launched AAMI's online insurance builder to help small businesses obtain an insurance quote online. This aims to educate SMEs, enabling them to take decisions and independently research and buy appropriate insurance.

Suncorp offers workers compensation insurance in all markets open to competitive underwriting – Western Australia, Tasmania, ACT, and the Northern Territory – as well as acting as a claims agent in NSW. Throughout the year we have continued to strengthen our working relationship with icare, the NSW Nominal Insurer, to support people injured in the workplace.

Suncorp is taking a leadership position in developing the new General Insurance Code of Practice.

90%

RESPONSIBLE INVESTMENT POLICY COVERAGE

1 Relates to Australian home and motor claims only 2 Relates to all claims paid across all product lines in Australia and New Zealand.

+525k
APP DOWNLOADS

3.35m
DIGITAL USERS

ENABLING CUSTOMERS TO SECURE THEIR FINANCIAL FUTURE

Suncorp supports personal, SME and agribusiness customers with banking and wealth products.

During the year, we invested in our digital and payments capability, delivering digital wallet enhancements, faster payments using the Suncorp App via the New Payments Platform, and customer self-service options for everyday banking needs. These have all contributed to positive customer feedback and reduced calls to the contact centre.

With the wealth transformational program embedded across our superannuation business, we have a simplified product offering and improved digital experience. We are on track to meet all regulatory change milestones as part of a rigorous program of work.

EXPANDING OUR SERVICES TO HELP CUSTOMERS SAVE TIME AND MONEY

New partnerships with Everyday Repairs and Utilizer have come online helping customers maintain their homes and save money on energy bills. Suncorp's health insurance partnership with nib implemented private health reforms to support affordability and improve comparability of products.

Our partnership with PetSure provides customers with a new AAMI pet insurance solution, and our Benefits program continues to expand giving customers access to rewards and discounts from more than 100 retailers.

PROTECTING NEW ZEALAND CUSTOMERS

Suncorp New Zealand offers general and life insurance products through Vero, Vero Liability and Asteron Life. We also work in joint venture with the New Zealand Automobile Association to distribute directly to customers under the AA Insurance and AA Life brands.

Our strategy is centred around connecting New Zealanders to valuable products and services that enhance and protect their financial wellbeing. This includes a successful retention program to work with customers who are thinking of leaving, and finding solutions that continue to provide them with the protection they need. Customer feedback has been positive, with customers reporting that their needs were considered and solutions found that worked for them.

DRIVING OPERATIONAL EXCELLENCE

The Business Improvement Program has exceeded its targets for the past two years, and we will now focus on embedding this program as part of business as usual. In the context of a dynamic regulatory landscape, we will continue to drive operational excellence and have $359 million annualised benefits locked in. Automation, robotics and technology are also playing a large role in driving efficiencies and improvements across the business.

SIMPLIFYING OUR BUSINESS

In February 2019, we completed the sale of the Australian Life Business, Suncorp Life & Superannuation Limited, to TAL. The sale agreement included a 20-year strategic alliance with TAL to offer market-leading life insurance solutions through our Australian distribution channels. Under the terms of the strategic alliance, we continue to earn income on the distribution of life insurance.

We also completed the sale of our general insurance distribution business Resilium via a management buyout. Resilium remains an important distribution channel for Suncorp as our relationships with our intermediated partners and third parties remain key.

To deliver on our strategy and strengthen the performance in our core businesses, we are simplifying our structure. This will deliver efficiencies, reduce duplication and keep our cost base aligned to the revenues generated by our three businesses, creating a more resilient Suncorp.

Finally, we continue to digitise and automate processes to make things easier for our people and customers.

Awards and recognition

RFi Group Australian Banking Innovation Awards

RFi Group Australian Insurance Awards 2018

Money Magazine Bank and Business Bank of the Year

ANZIIF Direct General Insurance Company of the Year

Australian LGBTI Inclusion Award

YEAR IN REVIEW

Our people and culture

While 2018–19 has been a challenging year following the Royal Commission and responding to 10 natural hazard events, our more than 13,000 people remain passionate about our purpose, to create a better today for our customers.

84%
OF OUR PEOPLE EMBRACE FLEXIBLE WORK ARRANGEMENTS

$1.66k
SPENT ON FORMAL LEARNING AND DEVELOPMENT PER FTE[1]

92%
HIGH PERFORMER RETENTION

BUILDING AN ENGAGED WORKFORCE

To deliver on our purpose, Suncorp needs an inclusive and engaged workforce with the skills, tools and mindsets that will deliver brilliant customer experiences. Our focus is on building our people's capabilities so they are:

— **aligned to our purpose** – creating a better today for our customers is at the heart of our culture of caring for others, doing the right thing and being courageous. Our people are empowered to bring this purpose to life by committing to clear accountabilities and sharing a common goal.

— **energised and optimistic** – we are building a work environment where our people are highly engaged and feel excited about creating a better today for our customers.

— **prepared for the future** – we are anticipating how customers' needs will change and are striving to build the skills, environment and ways of working to meet these, both now and in the future.

We are building capabilities and investing in innovative workspaces

We are investing in technologies and using automation, robotics and artificial intelligence to connect customers with our brands, products and services. These technologies will also help control conduct risk and drive efficiencies across the business.

We are also investing in innovative work environments, such as the new 80 Ann Street headquarters in Brisbane that will be completed in 2022. This development will bring together our Brisbane workforce in a single, modern and collaborative workplace that will keep pace with our future needs. The new building will deliver similar operational efficiencies to those in Sydney, Auckland and Melbourne – the Sydney project delivered close to a 30 per cent cost efficiency as well as a positive impact on our environmental footprint.

At Suncorp, 84 per cent of our people are embracing flexible work arrangements to balance their personal and professional lives. We continue to support our people to work flexibly and recognise that greater flexibility helps increase diversity and inclusivity in our workforce.

We are enabling our people to develop and grow

Developing our people is core to building a diverse and resilient workforce that is prepared for a rapidly-changing business environment.

In 2019–20, our Future Ready program will provide additional online tools and guided support to help our people develop their own personal change plans and prepare for the future. Future Ready will focus both on future capabilities required, as well as the core capabilities required for today, such as risk maturity.

We are investing in developing our people's capabilities through on-the-job learning experiences, structured development and increasing the content available through systems such as Cognita, our mobile learning platform. Current initiatives include trialling a new conversation model to support performance and development discussions, and extending Cognita to deliver a better digital learning experience.

IMPROVING RISK CULTURE AND MATURITY

Risk management is a critical part of our business and we continue to evolve our approach to reflect changes in the operating environment and to community expectations.

Our vision for risk management is underpinned by the Future of Risk Principles we use to support decision-making. These include ensuring that risk is business-owned, data-driven and future-focused, and we are investing in initiatives to improve how we manage and support our people to better own and manage their risks, obligations and accountabilities. This year our Risk Optimisation Program has further strengthened our risk and compliance practices.

A FAIR, TRANSPARENT AND RESPONSIBLE REMUNERATION FRAMEWORK

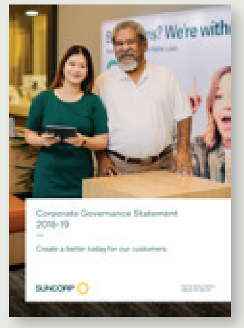
We operate a fair, transparent and responsible remuneration framework aligned to business strategy, risk tolerance, and appropriate behaviour. During the year we reviewed the remuneration framework to ensure it remains contemporary, appropriately supports our customer-centric purpose and keeps pace with the evolving regulatory environment.

1 FTE – Full-time equivalent.

TO FIND OUT MORE SEE OUR

CORPORATE GOVERNANCE STATEMENT

Available at suncorpgroup.com.au/about/corporate-governance



As a result of this review, the Board made a number of changes to the remuneration framework for 2019–20. This included a refresh of the remuneration objective and principles with a key focus on providing exceptional outcomes for our customers and shareholders, and encouraging our employees to always do the right thing.

We also made changes to the remuneration frameworks of customer-facing retail banking employees to ensure these were not inadvertently creating any conflicts of interest. This included transitioning all Australian-based roles that participated in a customised incentive plan onto the Corporate Incentive Plan. This is a shift away from remuneration structures heavily driven by financial measures to a whole-of-role assessment of performance and behaviours.

The Board will continue to monitor the remuneration framework's efficacy, as well as both external and internal requirements, to ensure it supports the achievement of Suncorp's strategic objectives.

Details of the 2018–19 remuneration framework and outcomes, as well as the changes for 2019-20, are outlined in the Remuneration Report on pages 55 to 79.

ENSURING HIGH STANDARDS OF CORPORATE GOVERNANCE

Throughout 2018–19, Suncorp's governance arrangements were consistent with the high standards expected of an ASX-listed company and compliant with the *ASX Corporate Governance Principles* and *Recommendations* (3rd edition). Our 2018–19 Corporate Governance Statement and Responsible Business Report have more information on how we approach and meet our governance and regulatory obligations.

Strategy update

Implementing our strategy requires that we strengthen our core businesses by focusing on our customers, products and brands while building on our strong digital foundations and driving operational excellence.

To achieve the strategy, we will build on our digital and data capabilities while driving operational excellence, including through the Business Improvement Program. To achieve our strategic aspiration, Suncorp is focused on building four strategic capabilities.

We are also establishing a new Customer & Digital function. This dedicated team will work alongside the strong expertise in Technology, Data and Labs to deliver innovative digital-first products.

BUILDING OUR STRATEGIC CAPABILITY

BRILLIANT CUSTOMER EXPERIENCE

We strive to deliver brilliant customer experiences by building trusted relationships, clearly differentiated brands and enhancing our channels to meet customers' expectations.

DIGITAL

Our customers are increasingly choosing to engage with us through our digital channels. Our Zero Touch Claims, Growth Saver online account and Suncorp App are initiatives that have helped build differentiated digital solutions. We will also help customers self-serve where it makes sense and continue to digitise and automate processes to drive efficiencies and make things easier for our people.

PRODUCT INNOVATION

We will enhance existing products and create new, innovative solutions while improving our product capability, including risk management and pricing.

ENGAGED AND ENABLED PEOPLE

We will build an inclusive, diverse, highly engaged and capable workforce that works as one team to deliver value to customers.

OUR 2019-20 PRIORITIES

To enable us to build our strategic capabilities, we have identified three clear priorities for the year ahead.

Drive growth

In our core brands that have a strong customer base and differentiated offering, we will drive growth through enhancing existing products and creating better solutions particularly for SME customers.

In Banking, we will evolve to become a digital leader. Our digital insurance offering will further develop with a focus on building a seamless digital sales and service functionality across mass brands and creating simple self-service capabilities.

Strengthen trust

We aim to strengthen the trust of our customers and the community through our regulatory and maintenance programs and proactive engagement with our customers around performance on service measures.

We will continue to respond to evolving community and regulator expectations and we are committed to clear and timely communication with all our stakeholders.

Show passion

We are preparing for the future of work and simplifying our processes and systems. We will develop the skills, tools and mindsets to connect with customers in ways that deliver value to them. We remain committed to building resilient communities.

Operating and Financial Review

Operating and Financial Review

This section is an extract from the FY19 Investor Pack which is available in full on the Suncorp Group website. Information in this section should be read in conjunction with the basis of preparation, disclaimer and glossary set out in the FY19 Investor Pack. The FY19 Investor Pack has not been audited nor reviewed in accordance with Australian Accounting Standards. In the context of ASIC's Regulatory Guide 230, this report contains information that is 'non-IFRS financial information' such as the General Insurance underlying insurance trading result and Life underlying profit after tax. The calculation of these metrics is outlined in the FY19 Investor Pack and they are shown as they are used internally to determine operating performance.

1 Group results

1.1 2018–19 Group result highlights

Key financial highlights from the 2018–19 year included:

- **Cash earnings increased 1.5 per cent on the prior corresponding period (pcp)** to $1.1 billion and includes stranded costs (net of transitional services agreement) of $13 million following the sale of the Australian Life Business, and a below the function line provision for remediation costs of $60 million
- **Group net profit after tax (NPAT) of $175 million,** includes a $910 million after tax non-cash loss on sale of the Australian Life Business netted against an $11 million after tax profit on the sale of general insurance distribution business, Resilium
- **Profit after tax from ongoing functions increased 1.0 per cent** supported by a strong contribution from New Zealand. The result was impacted by $129 million in natural hazard costs above allowance, a 76 per cent uplift in regulatory project costs, an increase in compliance costs and an increasingly competitive, slowing mortgage market
- **The Business Improvement Program (BIP) delivered net benefits of $280 million,** with $359 million annualised gross benefits locked in, well ahead of forecast
- **A final ordinary dividend of** 44 cents per share fully franked has been declared, taking the full year ordinary dividend to 70 cents per share reflecting a cash earnings payout ratio of 81.2 per cent
- The **sale of the Australian Life Business has successfully completed.** Following the payment of an eight cents per share special dividend in May, 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,** subject to shareholder approval
- **The Group maintains a strong capital position,** proforma excess CET1 position after adjusting for the proposed pro-rata return of shareholder capital and share consolidation would be $484 million
- General Insurance **underlying insurance trading ratio was 12.3 per cent**
- **Net reserve releases of $328 million,** broadly in line with the pcp representing 3.8 per cent of net earned premium (**NEP**) well above the long-run expectation of 1.5 per cent NEP
- Insurance (Australia) profit after tax declined 13.7 per cent to $588 million primarily due to the impact of natural hazard costs above allowance. **Australian Home and Motor gross written premium (GWP) increased 2.4 per cent** (excluding fire service levies)
- Banking & Wealth profit after tax was $364 million reflecting a **moderating mortgage market, increasing competition and elevated funding costs**
- Home lending growth below system and at-call deposit growth materially above system. Banking **impairment charges of 2 basis points** of gross loans and advances, were well below the long-run operating range of 10 to 20 basis points
- **New Zealand General Insurance GWP increased 8.4 per cent** (in New Zealand dollar terms) driven by premium increases across all portfolios. Profit after tax of NZ$261 million (A$245 million) increased 76.4 per cent reflecting favourable working claims and natural hazard experience.

		Full Year Ended		Jun-19	Half Year Ended	
		Jun-19	Jun-18	vs Jun-18	Jun-19	Dec-18
Profit after tax from ongoing functions	$M	1,197	1,185	1.0	770	427
Profit after tax from functions	$M	1,220	1,263	(3.4)	770	450
Cash earnings	$M	1,115	1,098	1.5	702	413
Net profit after tax	**$M**	**175**	**1,059**	**(83.5)**	**(75)**	**250**
Cash earnings per share – diluted	(cents)	84.05	83.37	0.8	52.44	31.54
Cash return on average shareholders' equity	(%)	8.4	8.0		10.9	6.0
Insurance trading ratio	(%)	11.6	12.1		15.8	7.4
Underlying insurance trading ratio	(%)	12.3	10.6		12.4	12.2
Bank net interest margin (interest-earning assets)	(%)	1.79	1.84		1.79	1.79
Ordinary dividends per ordinary share	(cents)	70.0	73.0	(4.1)	44.0	26.0
Payout ratio (excluding special dividend) – cash earnings	(%)	81.2	85.8		81.1	81.4
Special dividends per ordinary share	(cents)	8.0	8.0	-	8.0	-
General Insurance total capital PCA[1] coverage	(times)	1.85	1.84		1.85	1.67
Bank Common Equity Tier 1 ratio	(%)	9.28	9.07		9.28	9.16

1 PCA – Prescribed Capital Amount. For definitions please refer to the Glossary section in the FY19 Investor Pack available on the Suncorp Group website.

1.2 Contribution to profit by function

	Full Year Ended		Jun-19
	Jun-19 $M	Jun-18 $M	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[1]	**23**	**78**	**(70.5)**
Profit after tax from functions	**1,220**	**1,263**	**(3.4)**
Life stranded costs net of TSA[2] revenue	(13)	-	n/a
Customer remediation	(60)	-	n/a
Accelerated marketplace investment	-	(146)	(100.0)
Other profit (loss) before tax[3]	(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)[4]	(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 TSA – Transitional Services Agreement. For definitions please refer to the Glossary section in the FY19 Investor Pack available on the Suncorp Group website.
3 'Other' includes investment income on capital held at the Group level (Jun-19: $27 million, Jun-18: $16 million), consolidation adjustments and transaction costs (Jun-19: loss $2 million, Jun-18: loss $9 million), non-controlling interests (Jun-19: loss $20 million, Jun-18: loss $13 million), net external funding expense (Jun-19: $55 million, Jun-18: $57 million).
4 Net loss on sale of ceased operations includes a loss on sale of the Australian Life Insurance and participating Wealth business (Jun-19: $910 million, Jun-18: n/a) and gain on sale of Resilium (Jun-19: $11 million, Jun-18: n/a).

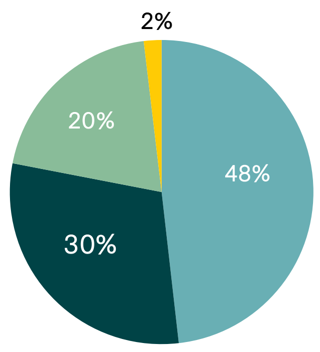
1.3 Group ratios and statistics

		Full Year Ended Jun-19	Jun-18	Jun-19 vs Jun-18 %
Performance ratios				
Earnings per share[1 2]				
Basic	(cents)	13.54	82.17	(83.5)
Diluted[3]	(cents)	13.54	80.54	(83.2)
Cash earnings per share[1 2]				
Basic	(cents)	86.24	85.20	1.2
Diluted	(cents)	84.05	83.37	0.8
Return on average shareholders' equity[1]	(%)	1.3	7.7	
Cash return on average shareholders' equity[1]	(%)	8.4	8.0	
Cash return on average shareholders' equity pre-goodwill[1]	(%)	13.0	12.4	
Return on average total assets	(%)	0.18	1.08	
Insurance trading ratio	(%)	11.6	12.1	
Underlying insurance trading ratio	(%)	12.3	10.6	
Bank net interest margin (interest-earning assets)	(%)	1.79	1.84	
Shareholder summary				
Ordinary dividends per ordinary share	(cents)	70.0	73.0	(4.1)
Special dividends per ordinary share	(cents)	8.0	8.0	-
Payout ratio (excluding special dividend)[1]				
Net profit after tax	(%)	517.3	89.0	
Cash earnings	(%)	81.2	85.8	
Payout ratio (including special dividend)[1]				
Net profit after tax	(%)	576.4	98.7	
Cash earnings	(%)	90.5	95.2	
Weighted average number of shares				
Basic	(m)	1,292.9	1,288.8	0.3
Diluted	(m)	1,380.2	1,377.0	0.2
Number of shares at end of period[4]	(m)	1,293.3	1,291.9	0.1
Net tangible asset backing per share	($)	5.93	6.39	(7.2)
Share price at end of period	($)	13.47	14.59	(7.7)
Productivity				
Australian General Insurance expense ratio	(%)	21.3	20.9	
Banking cost to income ratio	(%)	56.2	54.7	
New Zealand General Insurance expense ratio	(%)	31.6	31.9	
Financial position				
Total assets	($M)	96,235	99,333	(3.1)
Net tangible assets	($M)	7,673	8,251	(7.0)
Net assets	($M)	13,133	13,973	(6.0)
Average shareholders' equity	($M)	13,352	13,703	(2.6)
Capital				
General Insurance total capital PCA coverage	(times)	1.85	1.84	
General Insurance Common Equity Tier 1 PCA coverage	(times)	1.39	1.37	
Bank total capital ratio	(%)	13.45	13.52	
Additional capital held by Suncorp Group Limited	(%)	9.28	9.07	(19.9)

1 For definitions please refer to the Glossary section in the FY19 Investor Pack available on the Suncorp Group website.
2 Refer to Appendix 3.3 in the FY19 Investor Pack available on the Suncorp Group website for detailed earnings per share calculations.
3 Capital notes and preference shares will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations as per AASB 133 Earnings per share.
4 The number of diluted shares at the end of the period was 1,385.8 million.

1.4 2018–19 Group result overview

Profit after tax from functions



Suncorp delivered cash earnings up 1.5 per cent on the pcp to $1.1 billion. Group NPAT of $175 million was impacted by a $910 million after tax non-cash loss on sale of the Australian Life Business, netted against an $11 million after tax profit on the sale of general insurance distribution business, Resilium.

Profit after tax from ongoing functions increased 1.0 per cent to $1.2 billion, with second half profit up 9.2 per cent on the pcp driven by:

– a strong 2018–19 New Zealand result with profit after tax of NZ$261 million, up 76.4 per cent on the pcp, driven by top-line growth across Motor, Home and Commercial portfolios and a benign natural hazard environment
– significant margin improvement in Commercial portfolios in Insurance (Australia)
– the initiatives designed to improve the digital banking capability over the last two years, including online origination of accounts and self-service functionality, helped to deliver at-call deposit growth of 10.9% in the Bank
– continued progress on Suncorp's programs of work with the BIP delivering total net benefits of $280 million, $55 million ahead of target, and an increase in customers digitally interacting with Suncorp
– the second half result benefited from the back ended protection of Suncorp's reinsurance program
– investment in the second half in marketing and distribution has created a solid platform for growth in key product portfolios into 2019-20.

Insurance (Australia)'s underlying margins improved over the period, driven by the ongoing benefits achieved through the BIP and realignment in the Commercial portfolio. The result was impacted by a contraction in unit growth in Home and Motor, natural hazard costs above allowance, the ongoing impact of compulsory third party (CTP) scheme reform, and higher regulatory and compliance costs.

In New Zealand, strong GWP growth combined with a benign natural hazard environment and favourable working claims experience, resulted in a significant increase in reported profit and strong margin improvement.

The result includes Group reserve releases of $328 million representing 3.8 per cent of NEP.

Banking & Wealth's performance was supported by 10.9 per cent growth in at-call deposits offset by below system growth in home lending, reflecting a slowdown in the housing sector and increased levels of competition, lower non-interest income, funding cost pressures as a result of the elevated bank bill swap rate throughout most of the year and the impact of regulatory costs. The contribution from BIP initiatives was $45 million offsetting increases in other expenses including regulatory costs. Credit quality remains strong with impairment charges of 2 basis points of gross loans and advances.

The Group made significant progress in 2018–19 in advancing its digital strategy and established foundational capabilities that will assist in more effectively meeting increased customer and community expectations. During the period the Group leveraged the marketplace investment to enable a single customer view, new identity management system, data science capability for zero touch claims and a scalable Reward platform.

In February 2019, Suncorp successfully completed the sale of its Australian Life Business. The financial performance of this business has been disclosed within the Australian Life Business line, along with other distribution activities ceasing operation. The 2018–19 after tax profit of $23 million reflects eight months of trading in 2018–19 with planned profit margins in the second half offset by claims experience. Excluding the contribution from the Australian Life Business, profit after tax from ongoing functions increased by 1.0 per cent.

OPERATING AND FINANCIAL REVIEW

Cash earnings of $1.1 billion includes Life stranded costs net of transitional services agreement of $13 million and a provision for remediation costs of $60 million (see section 1.7 Group operating expenses for further details). In 2017–18 cash earnings included the $146 million pre-tax accelerated marketplace investment.

The after tax non-cash loss on the sale of the Australian Life Business of $910 million, is larger than the original forecast of $880 million reflecting more prudent provisioning for separation costs.

The Group's cash earnings and strong balance sheet position has led to the Board declaring a fully franked final dividend of 44 cents per share. This takes the total full year dividend to 70 cents per share equating to a payout ratio of 81.2 per cent, above the top end of the target range.

In May, Suncorp paid an eight cents per share fully franked special dividend from the proceeds of the Australian Life Business sale. Subject to shareholder approval at the Suncorp Annual General Meeting (AGM) 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.

If approved by shareholders at the AGM, the capital return payment will be made on 24 October 2019 and will bring the total capital returned to shareholders from the sale to $610 million, slightly above the $600 million previously advised.

For further details please see the ASX announcement released on 7 August 2019 ***Suncorp announces $506 million shareholder distribution***.

1.5 2019–20 Group outlook and priorities

Over the past 12 months, Suncorp's operating environment has undergone significant change. In response to this changing environment, the Group's 2019–20 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 business. 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 – leverage the 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 artificial intelligence (AI) and offshore partnering into business as usual
- 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.

To realise the above priorities the project slate (excluding BIP investment slate of $72 million in 2019–20) will be increased from $180 million (excluding remediation costs) in 2018–19 to $260 million in 2019–20 encompassing:

- 2019–20 regulatory project costs which are estimated to be $155 million and will seek to address the Royal Commission recommendations, APRA self-assessment actions and the continuation of several large in-flight regulatory projects including IFRS 17 and the Insurance and Banking Code of Practice changes. Annual regulatory project costs are expected to peak in 2019–20 and decline to approximately $100 million in 2020–21
- an increase in investment in growth projects from $60 million in 2018–19 to $70 million in 2019–20. Investment will be directed towards product innovation; enhancing existing products, delivering new solutions and leveraging Suncorp's digital foundations and competitive strengths. The focus will be on projects with demonstrated payback over the short to medium term
- an increase in systems maintenance and upgrade project spend from $25 million in 2018–19 to $35 million in 2019–20 to improve customer service levels and support Suncorp in meeting its regulatory requirements.

Ongoing digitisation and improvement of the customer experience will continue, focused on the uplift in self-service and knowledge management capabilities. This will include providing customers with a full digital banking experience as well re-skinning the Suncorp App to launch an AAMI Insurance App with simplified quote and buy capabilities. For further information please see section 1.9 Customer and digital.

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.

As a result of the organisation changes announced today CEO Customer Marketplace, Pip Marlow, has decided to leave the business, effective the end of August.

Other factors that will impact the 2019–20 result include:

- As announced at the half-year result, the natural hazard allowance in 2019–20 will be increased from $720 million to $820 million and the Group has purchased an additional $200 million aggregate stop loss for $45 million. 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 per cent underlying insurance trading ratio (ITR) in 2019–20. The Group remains committed to repricing its insurance portfolios to take account of these higher hazard costs
- Elevated regulatory project spend, combined with the outlook for funding costs and a competitive and moderating credit market, will constrain the Bank from achieving its 50 per cent cost to income (CTI) target in 2019–20. A resumption in credit growth would alleviate this pressure
- 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 2019–20 net benefit target, increasing to $380 million, reflecting the positive momentum of the program and the requirement to remove stranded costs following the sale of the Australian Life Business. For further information on the BIP outlook please see section 1.8 Business Improvement Program
- 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 per cent 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 CTI targets, alongside the historically low interest rate environment, will make it difficult to achieve an return on equity (ROE) target of 10 per cent in 2019–20.

The Group's dividend policy remains unchanged. Suncorp will seek to maintain an ordinary dividend pay-out ratio of 60–80 per cent of cash earnings and remains committed to returning surplus capital to shareholders.

Subsequent to the sale of the Australian Life Business, 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.

1.6 Group top-line growth

Group top-line growth of 2.3 per cent reflects strong growth across all portfolios in New Zealand combined with solid growth in Australian Home and Motor, and a slowdown in Banking lending growth impacted by the moderating mortgage market and adoption of tighter responsible lending controls.

Regulatory reform has impacted CTP premium income. Business exits due to portfolio realignment and de-risking from underperforming segments have contributed to a small contraction in the Australian Commercial portfolio.

Top-line growth excluding fire service levies (FSL) and CTP was 3.3 per cent.

	Weighting[2]	Full Year Ended Jun-19	Jun-18
	%	%	%
Group top-line growth			
General Insurance GWP[1]	73	2.6	1.1
Bank lending assets	25	1.0	6.1
NZ Life in-force premium	2	8.1	1.3
Group top-line growth	100	2.3	2.3

1 General Insurance GWP is made up of Insurance (Australia) GWP and New Zealand GWP in Australian dollar terms.
2 Following the sale of the Australian Life Business, the Group top-line growth calculation has been adjusted to reweight contributions from the remaining business functions.

1.7 Group operating expenses

Group total operating expenses (excluding FSL) were $2.7 billion, down 0.6 per cent on the pcp. Following changes to the New South Wales FSL scheme in the first half of 2018, FSL increased 27.8 per cent to $161 million.

BIP delivered a total improvement in operating expenses of $126 million compared to the pcp. These BIP benefits and the reduction in operating expenses following the sale of the Australian Life Business were largely offset by the following:

– a 76 per cent increase in regulatory project spend, up $41 million to $95 million and a $22 million uplift in expenses relating to business as usual regulatory compliance
– a $36 million increase in commission expenses driven by strong top-line growth in New Zealand
– an additional $21 million of marketing and advertising spend and $9 million of investment in the contact centres to support growth in Insurance (Australia)
– an additional $15 million invested in growth joint ventures, AA Insurance and NTI
– New Zealand software impairments of $8 million, following a strategic review of core platforms.

Operating expenses by function

	Full Year Jun-19	Jun-18	Jun-19 vs Jun-		Half Year Ended Jun-19	Dec-18	Jun-18	Dec-17	Jun-19 vs	Jun-19 vs Jun-
	$M	$M	%		$M	$M	$M	$M	%	%
Insurance (Australia) operating expenses										
Acquisition expenses	1,005	989	1.6		508	497	504	485	2.2	0.8
Other underwriting expenses	390	391	(0.3)		203	187	165	226	8.6	23.0
Insurance (Australia) operating expenses	1,395	1,380	1.1		711	684	669	711	3.9	6.3
New Zealand operating expenses										
Acquisition expenses	302	260	16.2		153	149	131	129	2.7	16.8
Other underwriting expenses	115	112	2.7		63	52	59	53	21.2	6.8
Life operating expenses	36	33	9.1		19	17	17	16	11.8	11.8
New Zealand operating expenses	453	405	11.9		235	218	207	198	7.8	13.5
Banking & Wealth operating expenses										
Banking operating expenses	682	679	0.4		341	341	332	347	-	2.7
Wealth operating expenses[1]	70	68	2.9		36	34	31	37	5.9	16.1
Banking & Wealth operating expenses	752	747	0.7		377	375	363	384	0.5	3.9
Australian Life Business operating expenses	85	168	(49.4)		20	65	86	82	(69.2)	(76.7)
Group total operating expenses	2,685	2,700	(0.6)		1,343	1,342	1,325	1,375	0.1	1.4
Life stranded costs net of TSA revenue	13	-	n/a		13	-	-	-	n/a	n/a
FSL	161	126	27.8		76	85	64	62	(10.6)	18.8
Group total operating expenses (including FSL & Life stranded costs net of TSA)	2,859	2,826	1.2		1,432	1,427	1,389	1,437	0.4	3.1

Note: 2018–19 BIP net benefit of $280 million: $125 million net operating expense benefit (included in table above) and a $155 million net benefit in claims expenses.

1 Wealth operating expense comparatives have been restated to adjust for the participating Wealth business included in the Australian Life Business operating expenses.

Regulatory project costs and customer remediation

The Royal Commission identified industry-wide deficiencies, compelling all financial services organisations to review their business models resulting in large remediation programs and system investments. Suncorp is committed to embracing regulatory change and has prioritised remediation and investment in a range of projects which will, in aggregate, strengthen trust and transparency and deliver better outcomes for customers.

Regulatory project costs and customer remediation spend for 2018–19 was $155 million, slightly ahead of the $140 million flagged at the first half result.

Regulatory project costs increased from $54 million in 2017–18 to $95 million in 2018–19. These costs have been reflected in the functional results. The large increase in regulatory project costs in 2018–19 was primarily driven by the emergence of projects to meet regulatory requirements and heightened community expectations stemming from the Royal Commission, Codes of Practice changes for both Banking and Insurance and the continuation of various large in-flight regulatory projects. Key regulatory projects and indicative costs for 2018–19 are shown in the table below. Spend on the top 10 regulatory projects in 2018–19 was $75 million.

Top 10 regulatory projects spend
CTP scheme changes and compliance requirements across ACT, SA, Qld and NSW
Wealth regulatory program of work to meet ongoing member compliance requirements
Ensure compliance with Payment Card Industry Data Security Standard
Compliance with APRA & ABS requirements for economic and financial statistics data collection
Participation in the Royal Commission and responding to Commission inquiries
Compliance with Tax & Charges Reforms
Changes to systems, processes and procedures to adhere to new General Insurance Code of Practice
Enabling Customer of the Group – focus areas include advice, privacy, consent and licensing
Implementation of new Insurance processes to comply with IFRS 17
Code of Banking Practice compliance and customer commitments on standards of practice, disclosure and conduct principles
Top 10 regulatory projects spend: $75 million
Other regulatory projects spend: $20 million
2018–19 total regulatory projects spend: $95 million

For further information on Suncorp's regulatory environment please see section 3.2 Group regulatory snapshot.

An additional $60 million provision for remediation costs, taken below the profit from functions line, increased from $30 million as anticipated in the first half. The provision relates to anticipated costs associated with the Royal Commission and various remediation costs in relation to issues including Guardian Financial Planning, Consumer Credit Insurance and Suncorp's Wealth business.

Regulatory project costs in 2019–20 are expected to be in the order of $155 million and are expected to decline in 2020–21 to approximately $100 million.

Suncorp is committed to addressing the recommendations of the Royal Commission and is generally well placed to respond through additional investment into regulatory activities and the introduction of a dedicated program of work which will monitor progress. Work is already underway on a number of the recommendations including the implementation of updates the Bank and General Insurance Codes of Practice. Where relevant Suncorp is also taking the opportunity to engage in the consultation processes either directly or through industry bodies.

Suncorp acknowledges that whilst not a direct recommendation, a strong customer-focused culture is at the core of any response. In consideration, a culture program has been established which will consider Suncorp's desired culture and the activities required to assess and achieve this. As part of this program, enhancements have already been made to Suncorp's remuneration frameworks to ensure there is an appropriate balance between financial and non-financial measures and to better align performance and reward outcomes.

For further information please refer to the FY19 Data Pack available on the Suncorp Group website.

1.8 Business Improvement Program

BIP is a three-year program, which commenced in 2017-18, and is focused on sustainable initiatives that will improve customer experience, drive efficiencies and embed a culture of continuous improvement.

BIP delivered a total net benefit of $280 million for 2018–19, $55 million ahead of target, with $351 million in gross benefits and $71 million of costs. This has been achieved through better returns from existing initiatives in motor claims supply chain re-engineering and additional benefits from procurement and streamlining the business streams. At 30 June 2019, locked in annualised gross benefits are $359 million (30 June 2018: $187 million, 31 December 2018: $296 million).

BIP three-year program summary

	Cost		Benefit		Net Benefit	
Pre-tax	Target $M	Actual $M	Target $M	Actual $M	Target $M	Actual $M
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 $195 million to $225 million at the first half 2019.
2 Benefits upgraded from $391 million to $452 million, costs increased from $62 million to $72 million and net benefits from $329 million to $380 million at 2018–19. This includes the net benefits from the removal of Life stranded costs. Life stranded costs of ~$30 million are expected to be removed on a run-rate basis by end of 2019–20.

2018–19 BIP outcomes

	Full Year Ended		Half Year Ended			
	Jun-19 $M	Jun-18 $M	Jun-19 $M	Dec-18 $M	Jun-18 $M	Dec-17 $M
Expenses	(71)	(104)	(29)	(42)	(54)	(50)
Benefits	351	144	214	137	122	22
Net benefits	280	40	185	95	68	(28)

Note: Gross benefits are the in-year profit and loss benefits flowing from the BIP initiatives that have been delivered since the program commenced in July 2017.

Key initiatives delivered during the year include:

– Digitisation of customer experience: Reducing the cost of customer communications by building digital capabilities and making it easier for customers to interact with Suncorp across their preferred channel. This stream has completed over 150 releases, which has delivered reductions in 2018–19 of 3.5 million physical mailpacks and over 760,000 calls into the contact centres. Benefits stemming from online self-servicing generally have a longer lead time. Growth in these benefits is expected to continue as the initiatives become more developed and widely accepted by customers
– Sales and service channel optimisation: The store optimisation program continued to focus on improved digital capabilities and the use of in-store technologies to encourage customers towards self-service, such as the rollout of Smart ATMs. Focus on increased self-service in niche brands, saw Apia and CIL customers equipped with the ability to process payments through an automated payment IVR (Interactive Voice Recognition)
– End-to-end process improvement: Following the deployment of the LiveFlow methodology across banking and insurance, more efficient processes have continued to improve the customer experience. This stream has deployed new lodgement tools and simpler process steps for home loan origination, a new dynamic form and centralised servicing for customers with existing loans and simplified lending processes across Business Banking. In deposits, a self-service online PIN set/reset tool has been used by 70,000 customers since its introduction in late 2018. Insurance renewal and direct debit SMS notifications have replaced less effective outbound calls and have resulted in ~10 per cent uplift in payments received within three days of contact. EFT transfers for policy refunds have reduced the number of cheques and remittances issued by over 170,000 during the last 12 months
– Claims supply chain re-design: There has been a continued focus on efficiency across Motor, Property and Personal Injury claims to improve the customer experience and drive better financial outcomes. Motor and Property initiatives have improved claims pathing, digital functionality and customer benefits such as enhanced hire car options. This has included straight-through online claim lodgement and repairer allocation for low complexity property claims. Investment in analytics is delivering support to Personal Injury customers with proactive injury management strategies, enabling individuals to return to work/life sooner. Improved data and analytics functionality has also been deployed to support reducing fraud and exaggerated claims. In total, the stream delivered $140 million in benefits in 2018–19 including a $31 million contribution to the Group's reserve releases
– Smarter procurement and streamlining the business: A procurement review of key relationships and terms continued across all categories of spend in 2018–19 (e.g. marketing, media purchasing, technology, real estate) along with investment in processes to drive productivity and efficiency in the workforce.

2019–20 BIP targets

		FY20	
	Expense $M	Benefit $M	Net benefit $M
Operating expenses	(55)	239	184
Claims expenses	(17)	213	196
Total	(72)	452	380

Suncorp expects to exceed its original 2019–20 net BIP benefits target of $329 million and is on track to deliver $380 million of net benefits as set out in the table above.

The major streams of work for 2019–20 include:

– continuing to optimise and embed claims improvements through automated triage, prioritisation and pathing of claims, fraud minimisation and investment in business intelligence to improve return to work outcomes for customers and claims performance
– digital functionality enhancements, including expanding the Intelligent Virtual Assistant across additional brands, improved speech analytics and the continued drive to digital versus paper communications
– process automation, in particular to support home lending growth
– continuation of the procurement program, including claims procurement
– a stranded cost program, focusing on personnel, real estate and supplier costs.

The overall target for 2019–20 BIP benefits has been increased to reflect the positive momentum of the program and the requirement to remove stranded costs following the sale of the Australian Life Business.

Suncorp will retain approximately $30 million in annualised pre-tax stranded costs following the sale. BIP will ensure that these additional costs will be removed from the business by the end of 2019–20 on a run rate basis, through managing personnel costs and reducing real estate and supplier costs. Other costs covered by TSAs with the purchaser will be removed following the completion of each transition arrangement.

1.9 Customer and digital

The Group has made significant progress in advancing its digital strategy and established foundational capabilities that will assist in more effectively meeting increased customer and community expectations.

The Marketplace program included investments in digital infrastructure including Application Program Interfaces (**APIs**) that are currently supporting the Suncorp App, Customer Workbench and sales pipeline initiatives. The investment has also enabled a single customer view, new identity management system, data science capability for zero touch claims and a scalable Reward platform. These capabilities, albeit with some incremental investment, give the Group flexibility and optionality in how it leverages core systems, products and brands to drive growth and customer retention, while reducing the cost to serve. For example, the Group can re-skin the Suncorp App to be a new App under any of the Group's brands, use existing APIs to facilitate open-banking readiness, leverage AI driven customer utilities (such as making digital buying easier through pre-population of known or inferred data), expand 'zero touch' capability for a greater range of claims scenarios and develop a fully digital banking platform. At the same time, it means that subsequent development times for new products and services are faster and more cost effective to implement.

	Full Year Ended	
	Jun-19	Jun-18
Connected customers[1]		
Proportion of customers holding multiple products across different needs	35%	35%
Consumer Net Promoter Score (NPS)	+5.0	+7.3
Business Net Promoter Score (NPS)	+2.1	+2.7
Customer engagement via digital channels		
Number of digital[2] users (m)	3.35	2.74
Proportion of digital claims[3]	20%	12%
Proportion of 'zero touch' digital claims[3]	38%	33%
Proportion of new business Insurance sales via digital[4]	25%	25%
Proportion of new business Banking sales via digital[5]	46%	25%

Note: Customer statistics are reported on a 12-month rolling basis.

1 A customer is considered to be connected if they have two or more needs met across the need categories of Home, Self, Mobility and Money, or if they hold four or more Suncorp products.
2 Digital users are visitors that have logged into Suncorp's authenticated digital assets like internet banking, mobile banking app, insurance policy self-service web and mobile applications. 2018-19 digital users have been calculated using an updated methodology to account for digital assets launched in 2018–19. Using this methodology the number of digital users for the period Dec-18 was 3.07 million (previously disclosed as 3.20 million).
3 Relates to Australian Home and Motor claims only.
4 Relates to Australian General Insurance new business sales only.
5 Relates to at-call deposit account openings only.

Digital-led initiatives in 2018–19 included:

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

- digital users across both Insurance and Banking increased by 22 per cent
- nearly 50 per cent of at-call deposit accounts were originated online over the past 12 months
- enhancing self-service functionality has saved over 760,000 service calls to the Contact Centre. Increasing electronic notice delivery reduced mailpacks by 3.5 million in 2018–19
- simplifying digital experiences through 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 has been downloaded over 525,000 times and has over 300,000 registered users. The 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. Since launch, 56 per cent of 'pay someone' transactions have been via the platform
- Suncorp Rewards has over 580,000 registrations, with customers spending $63 million and saving $3.6 million since launch. To date transacting users hold more products per customer by an average of 5 per cent and are 4 per cent more likely to be retained compared to customers not on the platform

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

- enabling frontline team members to have a single view of customers, facilitating simple and meaningful interactions with customers, supporting adherence to compliance obligations and delivering an improved experience
- since the launch of the AAMI Intelligent Virtual Assistant in late March, the web experience has handled 38,000 questions from customers. Scout Chatbot in the Suncorp App now answers more than 60,000 questions each month, providing customers with a convenient, easy to use and powerful digital experience.

Key 2019-20 focus areas are:

- ongoing digitisation of the organisation, focused on the continued uplift in self-service and knowledge management capabilities across key digital assets. These initiatives include providing customers with a full digital banking experience as well re-skinning the Suncorp App to launch an AAMI Insurance App with simplified quote and buy capabilities
- continuous improvement of the customer experience by removing pain points to make processes easier. This includes increasing the pre-population of customer information to drive efficiency and deliver personalised customer experiences
- rebuilding trust with customers through increased transparency to drive better customer outcomes supported by the Group Customer Advocate office
- continuing to roll out initiatives to drive customer engagement and interaction through targeted brand propositions and improvements to the Reward and Recognition program.

Group Customer Advocate

Reporting to the Board Customer Committee and established in 2018-19, the Customer Advocate role was created to drive better customer outcomes, by providing objective assessments on the ethical and moral integrity of Suncorp's processes, decisions and practices.

The 2018–19 Customer Advocate focus areas were:

- **strengthening the voice of the customer** by offering impartial reviews on the outcome of individual complaints to consider whether a fair and reasonable decision was achieved. A group wide program, 'Emerging Issues', was also launched focusing on the proactive identification, management and elimination of systematic issues affecting customers
- **focusing the organisation on social issues** that impact customers and the advocation of change. The 'Customers Experiencing Vulnerability Roadmap (**CEV**)', was developed in 2018–19. Underpinned by the belief that customers should only be required to share their story once, CEV is helping to streamline the customer experience. Additionally, in partnership with the Queensland University of Technology, the Scam Victimisation Program was established to understand how Suncorp can better protect customers against the rise of scams in Australia
- **in conjunction with the Customer team, inspiring Suncorp's people** to be the voice of the customer. Through the development of a training model that focuses on awareness and understanding of vulnerability, frontline staff are being equipped with the skillset to respond when they identify a customer experiencing vulnerability. Frontline staff are being involved in the strategic decision-making process through the 'Frontline Forum', and the customer-centric leadership program, 'Customer Guardian Network', is internally recognising champions of change.

Suncorp's current support approach for vulnerable customers focuses on reactive customer contact and relies on the recognition of cues by frontline staff. In 2019–20, the Customer Advocate will focus on partnering with key stakeholders to design a strategy that uses behavioural indicators to facilitate proactive customer interaction.

1.10 Group General Insurance

1.10.1 Group reported and underlying ITR

The Group underlying insurance trading ratio has improved from 10.6 per cent in 2017–18 to 12.3 per cent in 2018–19 reflecting:

- margin expansion in New Zealand
- ongoing claims cost benefits from BIP to Australian Home and Motor portfolios
- operating expenses benefits from BIP across the Group
- realigning the Australian Commercial portfolio.

Reconciliation of reported ITR to underlying ITR

	Full Year Ended		
	Jun-19 $M	Jun-18 $M	Jun-17 $M
Reported ITR	998	1,012	965
Reported reserve releases (above) below long-run expectations	(198)	(194)	(166)
Natural hazards above (below) long-run allowances	129	(4)	89
Investment income mismatch	112	28	(46)
Other:			
Risk margin	(41)	(22)	(19)
Abnormal (Simplification/restructuring) expenses	34	63	61
Additional Reinsurance Premium[1]	25	-	53
Underlying ITR	1,059	883	937
Underlying ITR ratio	12.3%	10.6%	11.5%

1 Includes $25 million of additional premium in respect of the NHAP in 2018–19 (the additional premium is proportionate to the amount of recoveries made under the NHAP and is capped at $25 million once recoveries reach $100 million).

1.10.2 Reinsurance

Reinsurance spend and security

General Insurance outwards reinsurance expense for 2018–19 was $1,140 million, up 3.4 per cent on the pcp. The increase is mainly due to the $25 million additional premium in respect of the Natural Hazard Aggregate Protection[1] (NHAP).

The reinsurance program has been maintained for 2019–20. The program is provided by a range of reinsurers, with over 85 per cent of protection provided by reinsurers rated 'A+' or better.

Main catastrophe program

Suncorp's 2019–20 main catastrophe program is similar to prior years with enhanced natural hazards protection to reduce earnings volatility.

From 1 July 2019, the upper limit on the main catastrophe program, which covers the Home, Motor and Commercial Property portfolios across Australia and New Zealand for major events, will remain unchanged at $7.2 billion. The cover purchased provides Suncorp with a limit in line with APRA requirements and in excess of Reserve Bank of New Zealand (RBNZ) regulatory requirements.

The Group's maximum event retention in Australia remains at $250 million. Consistent with the 2018–19 program, the main catastrophe program includes one prepaid reinstatement which covers losses up to $7.2 billion for a second event and two further prepaid reinstatements at the lower layer which covers losses up to $500 million for the third and fourth events.

1 The additional premium is proportionate to the amount of recoveries made under the NHAP and is capped at $25 million once recoveries reach $100 million.

In addition to the main catastrophe program, the Group has purchased dropdown aggregate protection in the form of three dropdowns:

- Dropdown 1 (50 million xs 200 million xs 50 million) provides $50 million of cover, for events greater than $200 million once the cumulative impact of qualifying events reach $50 million
- Dropdown 2 (100 million xs 150 million xs 200 million) provides $100 million of cover, for events greater than $150 million once the cumulative impact of qualifying events reach $200 million
- Dropdown 3 (100 million xs 50 million xs 200 million) provides $100 million of cover, for events greater than $50 million once the cumulative impact of qualifying events reach $200 million.

The Group will also have in place a prepaid reinstatement for Dropdown 2 and Dropdown 3. In aggregate, the dropdowns provide an additional $450 million of protection against large natural hazard events. The manner in which the dropdowns interact with the main catastrophe program and natural hazard aggregate protection (NHAP, see section below) depends on the size and frequency of natural hazard events. The extent to which the horizontal dropdown layer has been eroded will determine when a dropdown may be triggered and the amount of recoveries available.

For New Zealand, the Group continues to purchase a program to reduce the first event retention to NZ$50 million and the second and third event retentions to NZ$25 million. Similar to Australia, the dropdowns in place for New Zealand in aggregate provide NZ$590 million of protection against large natural hazard events. An internal reinsurance agreement with Insurance (Australia) reduces New Zealand's retention for a first and second New Zealand event to NZ$20 million. However, this arrangement exists for capital purposes only and does not impact the Group's net exposure of NZ$50 million.

Natural Hazard Aggregate Protection (NHAP)

Suncorp's NHAP remains in place for 2019–20. This cover provides $300 million of cover for events greater than $10 million once aggregate costs have reached $515 million (deductible). The three-year NHAP arrangement which commenced in 2017-18 will expire on 30 June 2020.

Quota share arrangements

Suncorp's main quota share arrangement is the 30 per cent multi-year quota share arrangement covering the Queensland Home Insurance portfolio. Suncorp maintains strong market share within Queensland and the quota share reduces concentration risk in this region.

Suncorp has a 50 per cent quota share in place for its retained share of CTP business in ACT and a 32.5 per cent quota share for CTP business in South Australia. Suncorp has also renewed its 50 per cent quota share on large global property risks.

Other quota share arrangements continue to be investigated and implemented where they provide sufficient capital and earnings benefits to offset the profit ceded to reinsurance partners.

Aggregate stop loss protection

For 2019–20 the Group has purchased an Aggregate Stop Loss protection aiming to limit natural hazards exposure to the natural hazards allowance, which has been increased to $820 million. This new protection provides an additional $200 million of cover for all retained natural hazard losses, not just those events greater than $10 million, in excess of the natural hazards allowance. The increase in the allowance and the stop loss cover improves the quality and predictability of earnings, countering the inherently volatile impact weather events can have on the results.

1.10.3 Natural hazards

Natural hazard costs for 2018–19 were $849 million, $129 million above the allowance of $720 million for the year.

This was primarily driven by a significant weather system which resulted in hailstorms across the Sydney, Central Coast and South-East Queensland regions in December 2018 and the Townsville Floods in January and February 2019.

Total claims costs arising from the Sydney hailstorm exceeded the maximum first event retention under the main catastrophe program, limiting the financial impact of this event to $250 million pre-tax.

The Townsville floods in January and February 2019 triggered Suncorp's dropdown and NHAP covers resulting in a retained loss of $63 million. The Townsville floods were considered two separate events for the purpose of reinsurance recoveries. The February Sydney Storms and NSW SEQLD March Hail & Storms events were fully recoverable through the 2018–19 reinsurance program.

Suncorp's natural hazards experience in 2018–19 is shown in the table below:

Date	Event	Net costs $M
Oct 18	Wide Bay Burnett	70
Nov 18	NSW Severe Low	24
Dec 18	East Coast Low	83
Dec 18	NSW & SEQ Hailstorm	250
Jan 19	January Sydney Storms	14
Jan 19	Townsville Floods 1	63
Feb 19	Townsville Floods 2	-
Feb 19	February Sydney Storms	-
Mar 19	NSW SEQLD March Hail & Storms	-
Total events over $10m		504
Other natural hazards attritional claims		345
Total natural hazards		849
Less: allowance for natural hazards		(720)
Natural hazards costs above allowance		129

Natural hazard allowance

Suncorp will increase its 2019–20 natural hazard allowance by $100 million to $820 million, up from $720 million in 2018–19.

This represents a A$9 million increase in New Zealand's share of the allowance to A$49 million, up from A$40 million in 2018–19, and a $91 million increase to Insurance (Australia)'s share of the allowance to $771 million, up from $680 million in 2018–19.

The large increase in allowance reflects Suncorp placing more weight on the experience of recent years than has been done in the past.

The Group's natural hazard allowance is determined through a process combining the Group's view of risk through modelled catastrophe losses in conjunction with the reinsurance program.

The Group's robust reinsurance program, including natural hazards aggregate protection and quota share covers, is also taken into account in determining the final natural hazard allowance.

The allowance is a long-term calculation based on experience over many years, with actual experience varying in any single year.

1.11 Capital and dividends

1.11.1 Capital

Suncorp Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite.

The Group is subject to, and complies with, external capital requirements set and monitored by the APRA and the RBNZ.

The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Group as a whole and each regulated entity, is capitalised to meet both internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the Group's capital requirements.

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 and Tier 2 instruments. Capital targets are structured according to risk appetite, business lines regulatory frameworks and APRA's Non-Operating Holding Company conditions.

For regulatory purposes, capital is classified as follows:

- Common Equity Tier 1 (CET1) comprising accounting equity with adjustments for intangible assets and regulatory reserves
- Tier 1 Capital comprising CET1 plus Additional Tier 1 Capital such as hybrid securities with 'equity-like' qualities
- Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, together with specific Bank reserves eligible as regulatory capital
- Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

CET1 has the greatest capacity to absorb potential losses, followed by Additional Tier 1 Capital and then Tier 2 Capital.

Capital position at 30 June 2019

During the year, the Group issued $600 million of subordinated debt through Suncorp Group Limited as part of its capital management strategy, which was fully deployed to the Bank as Basel III compliant Tier 2 capital. The issuance facilitated the redemption of the Company's existing $770 million of subordinated debt. Following the $600 million Tier 2 issuance and $770 million Tier 2 redemption, the Group now has a more optimal level of Tier 2 capital.

On 28 February 2019 Suncorp announced the successful completion of the sale of the Australian Life Business to TAL Dai-ichi Life Australia Pty Ltd (TAL). Suncorp is in the process of returning approximately $610 million of capital to shareholders. A special dividend of eight cents per share, representing $104 million, was paid to shareholders in May 2019. The balance of the capital will be returned via a capital return and related share consolidation, which remains subject to shareholder approval.

Over the year, the Group's excess CET1 (after payment of the dividend) increased to $990 million. The main impacts on the Group's excess capital position were:

- NPAT after payment of dividends
- an increase in the General Insurance PCA due to an increase in the Insurance Risk Charge and a higher Asset Risk Charge
- an increase in Bank risk-weighted assets due to balance sheet growth and a 25 basis point (bps) increase to the Bank capital target to support the transition to APRA's 'unquestionably strong' capital benchmark
- amortisation of intangibles driven by past acquisition intangibles and capitalised project costs
- a reduction in the net deferred tax assets largely due to unrealised gains on the investment portfolio
- the sale of the Australian Life Business
- the payment of an eight cents per share special dividend from the sale of the Australian Life Business.

	As at 30 June 2019					
	General Insurance[2] $M	Bank[2] $M	Life[3] $M	SGL, Corp Services & Consol $M	Total $M	Total 30 June 2018 $M
CET1	3,413	3,085	706	137	7,341	6,881
CET1 target	2,697	2,993	100	(10)	5,780	5,810
Excess to CET1 target (pre div)	716	92	606	147	1,561	1,071
Group dividend					(571)	(623)
Group excess to CET1 target (ex div)					990	448
Common Equity Tier 1 ratio[1]	1.39x	9.28%				
Total capital	4,533	4,473	706	137	9,849	9,585
Total target capital	3,677	4,157	100	(33)	7,901	7,952
Excess to target (pre div)	856	316	606	170	1,948	1,633
Group dividend					(571)	(623)
Group excess to target (ex div)					1,377	1,010
Total capital ratio[1]	1.85x	13.45%				

1 Capital ratios are expressed as coverage of the PCA for General Insurance and as a percentage of risk-weighted assets for the Bank.
2 The Bank and General Insurance targets are shown as the midpoint of the target operating ranges.
3 Life includes $506 million of capital that will be returned to shareholders from the sale of the Australian Life Business as well as capital relating to the New Zealand Life Insurance business and the remaining Wealth business.

In terms of the CET1 positions across the Group (pre-dividend):

– the General Insurance businesses' CET1 position was 1.39 times the PCA, above its target operating range of 1.0 to 1.2 times PCA
– the Bank's CET1 Ratio was 9.28 per cent, above the top of its target operating range of 8.75–9.25 per cent
– the Life businesses' excess CET1 to target was $606 million
– an additional $147 million of excess CET1 was held at the Company and Corporate Services level.

The Group maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $990 million 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 $484 million.

1.11.2 Dividends

The Group aims to pay annual dividends based on a target payout ratio of 60–80 per cent of cash earnings.

The Group's profit result and strong balance sheet position for the year has led to a fully franked ordinary dividend of 44 cents per share. This brings the total full year ordinary dividend to 70 cents per share, down 4 per cent on the prior year, and equating to a payout above the target range at 81 per cent of cash earnings.

The Group intends to acquire existing shares under the Dividend Reinvestment Plan for the final dividend. The final ordinary dividend will be paid on 25 September 2019. The ex-dividend date is 14 August 2019. The Group's franking credit balance is set out in the table below.

	Half Year Ended		
	Jun-19 $M	Dec-18 $M	Jun-18 $M
Franking credits			
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	59	152	113

1.12 Financial position summary

Total assets decreased by $3,098 million or 3.1 per cent to $96,235 million compared with 30 June 2018.

– **Cash and cash equivalents decreased by $79 million** driven by increased cash outflows from financing activities, mainly the repayment of securitisation liabilities and dividends paid. This was partially offset by strong cash inflows from operating activity, mainly driven by reduced trading securities
– **Receivables due from other banks increased by $25 million** mainly due to increased cash collateral required for derivative trading activity
– **Trading securities have decreased by $412 million** largely driven by a transition into cash and cash equivalents, especially reverse repurchase agreements
– **Derivative assets have increased by $410 million** driven by favourable movements in the valuation of interest rate swaps and foreign exchange derivatives
– **Investment securities have decreased by $3,463 million** with the sale of the Australian Life Business contributing $3,482 million, partially offset by strong investment returns in New Zealand
– **Loans and advances increased by $556 million** due to moderate lending growth over the period
– **Premiums outstanding** increased by $134 million largely in line with revenue growth
– **Reinsurance and other recoveries increased by $279 million** mainly due to higher natural hazard costs in Australia, offset by reductions in the outstanding New Zealand earthquake claims and the sale of the Australian Life Business
– **Gross Policy liabilities ceded under reinsurance** decreased by $507 million largely due to the sale of the Australian Life Business
– **Goodwill and other intangible assets have decreased by $262 million** mainly due to the write-off of the goodwill for the Australian Life Business and amortisation of software
– **Other assets increased by $104 million** driven by an increase in investment receivable amounts and amounts due from reinsurers partially offset by a reduction in trade receivables and other deferred expenses.

Total liabilities decreased by $2,258 million or 2.6 per cent to $83,102 million compared with 30 June 2018.

– **Payables due to other banks increased by $205 million** largely driven by increased cash collateral deposited with Suncorp
– **Derivative liabilities have increased by $249 million** mainly due to mark-to-market of interest rate swaps.
– **Outstanding claims liabilities have increased by $435 million** due to claims on natural hazards in Australia, offset by reduced outstanding claims in New Zealand and the sale of the Australian Life Business
– **Gross policy liabilities** have reduced by $2,721 million due to the sale of the Australian Life Business
– **Managed funds units on issue have reduced by $438 million** as the Group no longer holds a controlling interest in four unregistered managed investment schemes due to the sale of the Australian Life Business
– **Securities liabilities decreased by $1,017 million** due to repayments on the underlying securitised mortgages within the Apollo Series trusts
– **Debt issues have increased by $504 million** due to a new issue of covered bonds in September 2018 and an increase in foreign senior unsecured floating rate notes, partially offset by reduced domestic senior unsecured floating rate notes
– **Loan capital has decreased by $169 million** driven by the repayment of $770 million subordinated notes in November 2018 partially offset by the new issuance of $600 million of subordinated notes in September 2018.

Total equity has decreased by $850 million or 6.0 per cent to $13,113 million compared with 30 June 2018.

– **Share capital has increased by $26 million** due to share-based payments and a reduction in treasury shares
– **Reserves increased by $72 million** mainly due to foreign exchange translation gains from the New Zealand Dollar to the Australian Dollar conversion of the New Zealand operations, the initial application of AASB 9 *Financial Instruments* and positive movements in cash flow hedging reserve
– **Retained profits decreased by $948 million** largely due to the dividends paid to shareholders partially offset by profit attributable to owners of the Company.

2 Functional results

2.1 Insurance (Australia)

2.1.1 Insurance (Australia) result overview

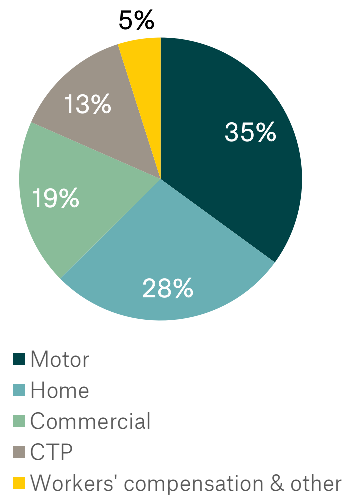
Key financial highlights from the 2019 year included:

- Insurance (Australia) delivered profit after tax of $588 million, down 13.7 per cent, largely driven by higher natural hazard claims costs relative to the pcp. The second half profit after tax improved 242 per cent on the first half, benefiting from the aggregate reinsurance cover and continued BIP benefits. The insurance trading result was $732 million, representing an ITR of 10.0 per cent
- GWP (excluding FSL) increased 1.5 per cent to $8,104 million. Excluding CTP and Commercial portfolio exits, GWP growth was 3.3 per cent
- Home and Motor GWP increased by 2.4 per cent driven by moderating average written premium increases, partially offset by a contraction in units. Commercial GWP declined by 0.3 per cent due to the impact of portfolio exits and de-risking from underperforming market segments. Removing the impact of these exits, growth was 2.2 per cent achieved through strong premium rates and optimised business mix as a solid base for long-term profitability
- CTP GWP decreased by 6.0 per cent due to ongoing impacts of scheme reforms with volumes remaining stable. Workers' Compensation and other growth of 20.7 per cent was primarily due to premium rate increases, strong retention rates on existing accounts and increases in the wage pool of insured workforces, predominantly in Western Australia. The result also included some additional new business growth in Tasmania and the ACT
- Net incurred claims increased by 7.7 per cent driven by higher natural hazard costs, the impact of risk-free rate movements and claims inflation, partly offset by the continued benefits from BIP initiatives, realignment of the Commercial portfolio and lower claims costs in CTP post reform. Reserve releases were $322 million, representing 4.4 per cent of NEP, above the Group's long-run expectation
- Total investment income increased by 51.9 per cent to $559 million, benefiting from mark-to-market gains due to the significant reduction in bond yields during the year and a rebound in equity markets in the second half. This was partly offset by the underperformance of inflation-linked bonds from the decrease in breakeven inflation levels
- Operating expenses ratio increased by 0.4 per cent (0.1 per cent excluding FSL) due to an increase in regulatory costs and additional marketing spend to drive unit growth in the second half, partially offset by BIP benefits.

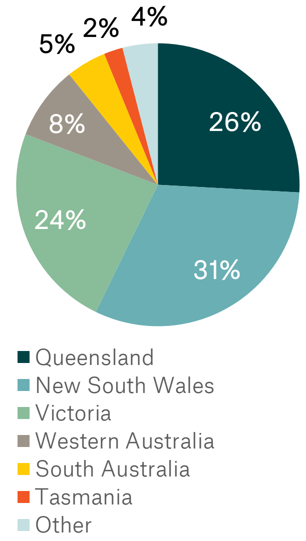
	Full Year Ended Jun-19 $M	Full Year Ended Jun-18 $M	Jun-19 vs Jun-18 %	Half Year Ended Jun-19 $M	Half Year Ended Dec-18 $M
Gross written premium by product					
Motor	2,877	2,779	3.5	1,474	1,403
Home	2,230	2,206	1.1	1,117	1,113
Commercial	1,506	1,510	(0.3)	720	786
Compulsory third party	1,094	1,164	(6.0)	520	574
Workers' compensation and other	397	329	20.7	248	149
Fire Service Levies	141	149	(5.4)	65	76
Total gross written premium	8,245	8,137	1.3	4,144	4,101
Net earned premium	7,292	7,191	1.4	3,603	3,689
Net incurred claims	(5,448)	(5,057)	7.7	(2,593)	(2,855)
Total operating expenses	(1,556)	(1,506)	3.3	(787)	(769)
Insurance trading result	732	886	(17.4)	542	190
Insurance (Australia) profit after tax	588	681	(13.7)	455	133
	%	%		%	%
Total operating expenses ratio	21.3	20.9		21.8	20.8
Insurance trading ratio	10.0	12.3		15.0	5.2

Insurance (Australia) GWP (excluding FSL) increased 1.5 per cent to $8.1 billion

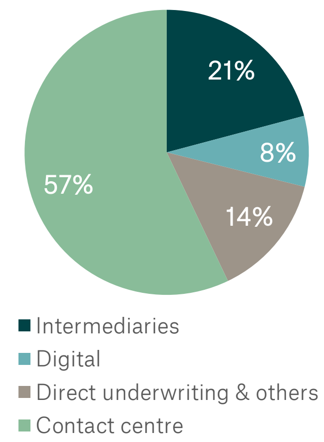
Portfolio by product



Portfolio by geography



Portfolio by channel



2.1.2 Insurance (Australia) outlook and priorities

Insurance (Australia)'s key priority will be to reinvigorate its multi-brand strategy with state-based campaigns and enhanced propositions for mass brands including AAMI, GIO and Suncorp, building on the digital foundations established over the last two years. The 2019–20 result will primarily be driven by the following factors:

- stable retention and improved unit growth in the Home and Motor portfolios into 2019–20 and beyond. This will be achieved through revised marketing campaigns, digital initiatives to improve the sales pipeline, and investment in product innovation and redesign
- the Commercial portfolio will focus on maintaining target profitability through disciplined underwriting and risk selection. The focus will move towards growing volume in profitable market segments, although overall premium growth in the short term will continue to be impacted by the remaining realignment actions including portfolio exits. In particular, 2019–20 will be impacted by the strategic exit from the Longitude strata portfolio, which includes $67 million of expiring premium
- ongoing reforms and change in the CTP operating environment will continue to drive reduced volatility across the schemes and improved customer outcomes. Suncorp will continue to leverage the benefits of a national CTP portfolio with a focus on optimising growth and profit through targeted opportunities in each scheme. The SA CTP scheme transitioned to a competitive market model on 1 July 2019
- in Workers' Compensation, the portfolio will continue to exercise discipline in pricing
- further investment in operational claims efficiencies are expected to improve both customer experience and operational claims metrics
- there will be a focus on optimising all channels to market by building a seamless digital, end-to-end sales and service functionality across mass brands including via targeted initiatives such as:
  - leveraging Suncorp's App foundations which are brand agnostic and can be utilised across brands to increase resonance with customers
  - launching the AAMI App on a new platform with simplified quote and buy functionality
  - contact centres continuing to support more complex and valuable interactions
  - continued investment in customer workbench and a Group-wide telephony platform to drive stability and service.

– in 2019–20 the Group natural hazard allowance increases from $720 million to $820 million. Insurance (Australia)'s share of the increased 2019–20 allowance is $91 million, thereby increasing the allowance to $771 million, up from $680 million in 2018–19. The Group has also purchased an additional $200 million natural perils reinsurance cover to sit on top of the allowance. This will provide a further level of cover that will work in conjunction with Suncorp's main catastrophe program and NHAP program. 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 per cent underlying ITR in 2019–20. The Group remains committed to repricing its insurance portfolios to take account of these higher hazard costs.
– in 2019–20 reserve releases are expected to remain above the long-run expectation of 1.5 per cent of Group NEP, provided inflation remains below current average long-run assumptions.
– Suncorp expects the unprecedented low-yield environment to continue over the short to medium term, putting continued pressure on investment income and margins across the Insurance industry, particularly in long-tail classes. Suncorp will continue to price for this, where appropriate, and work with regulators to ensure statutory schemes remain profitable.
– regulatory project costs associated with policy and claims handling are expected to be higher in 2019–20. This is seen as an opportunity for Suncorp to improve customer experiences and build brand loyalty over time.
– following the sale of the Australian Life Business, Suncorp commenced a 20-year strategic alliance with TAL to offer 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.

2.2 Banking & Wealth

2.2.1 Banking & Wealth result overview

Key financial highlights from the 2019 year included:

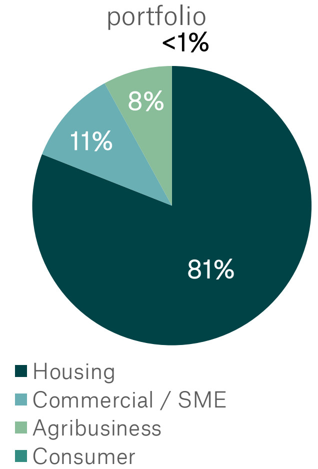
- Banking & Wealth profit after tax of $364 million was down 1.4 per cent on the pcp. Challenging operating and economic conditions combined with higher regulatory and compliance costs, were offset by a $14 million reduction in impairment losses and a net contribution from BIP of $45 million
- Initiatives designed to improve digital banking capability over the last two years, including online origination of accounts and self-service functionality, helped to deliver at-call deposit growth of 10.9 per cent, 2.8 times system. The launch of near real-time payments was a key milestone in 2018–19
- Due to the significant growth in lower cost funding from at-call deposits and reduced funding requirements in the subdued credit growth environment, term deposits were managed lower over the year, reducing 10.2 per cent
- The home lending portfolio grew 0.4 per cent over the year, impacted by an increasingly competitive and slowing mortgage market. The business lending portfolio grew 3.6 per cent over the year, reflecting solid growth in commercial lending, partially offset by a reduction in agribusiness lending due to the impacts of various weather events including drought and the northern Queensland floods
- Impairment losses remain low at 2 bps of gross loans and advances (GLA) reflecting the sound credit quality of the lending portfolio
- Net interest margin (NIM) contracted 5 bps to 1.79 per cent. Positive impacts from growth in at-call deposits were offset by the elevation of the bank bill swap rate for the majority of 2018–19 and an increase in mortgage discounting to retain customers.
- Operating expenses increased 0.4 per cent, reflecting higher regulatory and compliance costs and higher depreciation related to digital capabilities including digital wallets and near real time payments, and the core banking platform, which have been largely offset by BIP benefits. CTI of 56.2 per cent reflects slower top-line growth, margin compression and the impact of higher regulatory and compliance costs.

	Full Year Ended			Half Year Ended	
	Jun-19 $M	Jun-18 $M	vs Jun-18 %	Jun-19 $M	Dec-18 $M
Banking profit after tax	363	375	(3.2)	181	182
Wealth profit after tax	1	(6)	n/a	-	1
Banking & Wealth profit after tax	364	369	(1.4)	181	183
Total home lending	47,811	47,604	0.4	47,811	47,982
Consumer lending	149	175	(14.9)	149	162
Commercial (SME)	6,843	6,402	6.9	6,843	6,662
Agribusiness	4,490	4,535	(1.0)	4,490	4,364
Total lending	59,293	58,716	1.0	59,293	59,170
At-call deposits	22,502	20,289	10.9	22,502	21,330
Term deposits	16,401	18,272	(10.2)	16,401	18,027
Total customer funding	38,903	38,561	0.9	38,903	39,357
Wealth funds under management and administration	6,377	6,411	(0.5)	6,377	6,011
	%	%		%	%
Customer funding growth (annualised)	0.89	4.67		(2.33)	4.09
Lending growth (annualised)	0.98	6.13		0.42	1.53
Net interest margin (interest-earning assets)	1.79	1.84		1.79	1.79
Cost to income ratio	56.2	54.7		56.4	56.1
Impairment losses to gross loans and advances (annualised)	0.02	0.05		0.02	0.02

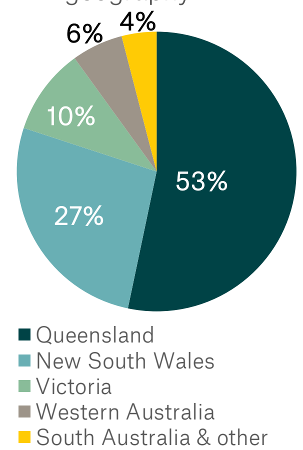
Note: Comparative figures for Wealth have been restated to adjust for the participating Wealth business included in the Australian Life Business result.

Banking & Wealth total home lending assets of $47.8 billion up 0.4 per cent since 30 June 2018

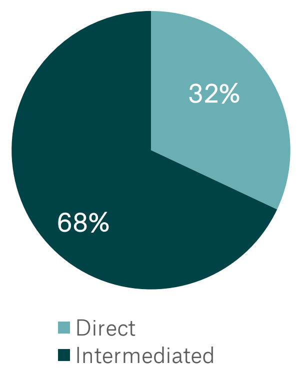
Lending assets by portfolio



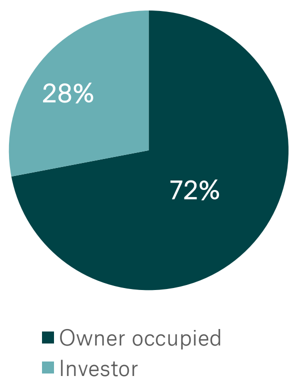
Lending assets by geography



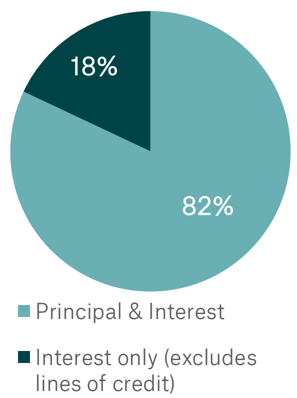
Home lending portfolio by channel



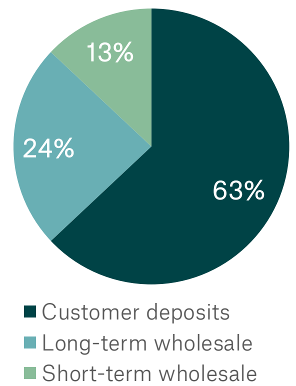
Home lending portfolio by borrower type



Home lending New business origination by repayment type



Funding portfolio



2.2.2 Banking & Wealth outlook and priorities

Above system growth in all portfolios, while maintaining a prudent risk appetite, continues to be a priority. Suncorp is committed to growing the small to medium enterprises (SME) and agribusiness portfolios, supporting these markets through increased access to credit. The 2019–20 result for Banking & Wealth will be driven by the following factors:

- changes in APRA's serviceability assessment guidelines and the reduction in the RBA cash rate are expected to improve momentum in the mortgage market in 2019–20
- above system growth in at-call deposits will remain a priority, driven by the continued delivery of enhanced digital banking capabilities. Term deposits will continue to be managed in line with market conditions and business funding requirements
- Banking will leverage the digital foundations built to date and the success in deposits and transactions to drive transformation:
  - Leveraging the App, New Payments Platform and deposit origination functionality to drive digital banking propositions
  - Improve customer experience through provision of self service and faster response times
  - Lowering marginal unit costs to drive efficiency in the face of commoditisation of retail products
- Banking continues to closely monitor and support agribusiness customers impacted by prevailing drought conditions and is proud to offer a range of financial and non-financial assistance solutions
- Banking will continue to target a Net Stable Funding Ratio comfortably above 105 per cent
- CTI will be impacted by the ongoing elevated regulatory costs and the lower forecast Reserve Bank of Australia's cash rate in 2019–20. Regulatory costs are expected to remain elevated in 2019–20, however will deliver improved outcomes for customers and will be partially offset by BIP benefits. Disciplined cost management will continue to be a focus for 2019–20
- the NIM is expected to remain under pressure in the medium term, despite wholesale funding costs starting to ease. Sustained pressure on the NIM from price-driven mortgage competition is further intensified by significant political pressure to stimulate the economy through low home loan rates and balancing the interests of savers
- from 2019–20, Banking will adopt a NIM calculation that is more comparable with peers. The target operating range will be adjusted to 1.85–1.95 per cent
- impairment losses to GLA are expected to remain below the bottom end of the 10 to 20 bps through-the-cycle operating range, however are expected to normalise in the medium term in line with the economic cycle. Suncorp's low level of impairments provides opportunities for growth, while remaining within targeted operating parameters
- APRA's released its draft prudential standards incorporating Basel III reforms in June 2019. Expected impacts cannot be confirmed before APRA releases the final standards. Additionally, the interaction between 'unquestionably strong' levels of capital (to be reached by 1 January 2020) and APRA's proposed standards (effective 1 January 2022) is unclear; however Suncorp is well placed to meet expected 'unquestionably strong' requirements
- following the sale of the Australian Life Business, implementation of the significant regulatory change program continues. Member growth and investment initiatives in 2019–20 provide a stronger growth outlook for the superannuation portfolio.

2.3 New Zealand

Note: All figures and commentary in the New Zealand section are displayed in New Zealand dollars unless otherwise specified.

2.3.1 New Zealand result overview

Key financial highlights from the 2018–19 year included:

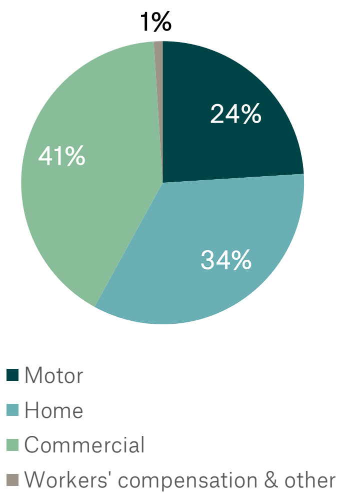
- New Zealand achieved profit after tax of $261 million, up 76.4 per cent on the pcp
- The New Zealand General Insurance business delivered profit after tax of $217 million, up 99.1 per cent on the pcp. This was driven by disciplined portfolio management delivering strong top-line growth and favourable working claims experience. The result has also benefited from favourable natural hazard experience
- GWP grew by 8.4 per cent to $1,670 million, driven by premium increases across all portfolios and supported by unit growth in the direct business
- Net incurred claims were $697 million, down 5.7 per cent on the pcp, 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 following two years of significantly higher event experience
- Operating expenses increased by 9.9 per cent, predominantly driven by increases in commissions as a function of strong premium growth and increased profit shares payable to corporate partners
- Reported ITR of 20.2 per cent, up from 10.8 per cent in the pcp. Underlying ITR also improved and remains above the Group target of 12 per cent
- The New Zealand Life Insurance business delivered profit after tax of $44 million, up $5 million on pcp. In-force premium grew by 3.9 per cent, supported by policy retention and premium growth
- Suncorp's digital program has yielded positive results by replacing key customer pain points with improved digital engagement and delivering other key initiatives including shifting to end-to-end claims processing and enabling onboarding through Asteron Connect.

		Full Year Ended		Half Year Ended	
	Jun-19 NZ$M	Jun-18 NZ$M	Jun-19 vs Jun-18 %	Jun-19 NZ$M	Dec-18 NZ$M
General Insurance					
Gross written premium by product					
Motor	406	375	8.3	208	198
Home	558	516	8.1	288	270
Commercial	685	630	8.7	333	352
Other	21	20	5.0	10	11
General Insurance gross written premium	**1,670**	**1,541**	**8.4**	**839**	**831**
Net earned premium	1,403	1,267	10.7	710	693
Net incurred claims	(697)	(739)	(5.7)	(357)	(340)
Total operating expenses	(444)	(404)	9.9	(227)	(217)
Insurance trading result	284	137	107.3	141	143
General Insurance profit after tax	**217**	**109**	**99.1**	**114**	**103**
Life Insurance					
Underlying profit after tax	39	35	11.4	23	16
Life Insurance profit after tax	**44**	**39**	**12.8**	**27**	**17**
New Zealand profit after tax	**261**	**148**	**76.4**	**141**	**120**
	%	%		%	%
Total operating expenses ratio	31.6	31.9		32.0	31.3
Insurance trading ratio	20.2	10.8		19.9	20.6

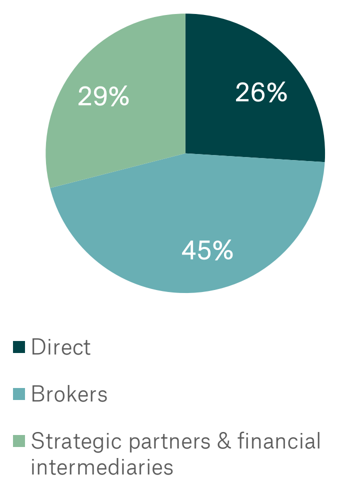
OPERATING AND FINANCIAL REVIEW

New Zealand GWP increased 8.4 per cent to $1.7 billion

Portfolio by product



Portfolio by channel



2.3.2 New Zealand outlook and priorities

In 2019–20, New Zealand's top-line growth is expected to return to lower single-digit levels, working claims will return to more normalised levels following very favourable weather conditions in 2018–19 and there will be an uplift in the natural hazard allowance.

New Zealand continues to focus on building a resilient business to meet a greater number of customer and business partner needs and the following factors will support this aim and the 2019–20 results:

- system GWP growth is expected to return to lower single-digit levels over the medium term following strong growth over the last two years supported by industry repricing activity on the back of significant weather events. Above system growth is targeted via the corporate partner and direct channels. Moderate growth in the broker channel is also expected to be maintained
- the New Zealand natural hazard allowance will increase $8 million to $53 million in 2019–20
- New Zealand's efficiency program continues to be a focus and is largely embedded as part of normal business operations. Initiatives will continue to drive operational efficiencies and improve customer outcomes. Claims initiatives such as an increased focus on the management of medium to large property claims, approved repairer and SMART centre utilisation and policy excess reviews have already demonstrated improvements in working claims and will continue into 2019–20
- New Zealand will seek to leverage the Group's digital foundations and continue to invest in digitising the business to create better outcomes for customers and intermediaries by:
  - completing the digitisation and automation of renewals
  - improving customer communication via their preferred channel by focusing on data quality to enable more personalised conversations
  - improving claims outcomes for customers through the delivery of low-touch, self-service claims experience
- investment returns are expected to be impacted by lower running yields, given the downward shift in the yield curve
- Life underlying profit levels are expected to be maintained into 2019–20 with no significant movements in life experience anticipated. An ongoing focus on sustainable commissions, strong intermediary relationships and retention is expected to support in-force premium growth
- regulatory project activity will be primarily focused on responding to the RBNZ and Financial Markets Authority's Conduct and Culture Review of New Zealand Life insurers which was completed in January 2019. The New Zealand Government announced its intention to fast-track consumer protection measures in the financial sector and intends to introduce conduct-related legislation by the end of 2019 and changes to insurance contracts law by mid-2020
- Earthquake Commission levy changes that came into force 1 July 2019 will have no material impact.

3 Risk management and regulatory snapshot

3.1 Risk management

Suncorp recognises that strong risk culture, good governance and effective risk management are essential to achieving Suncorp's strategy and maintaining its social licence to operate. Suncorp's Enterprise Risk Management Framework lays the foundation for Suncorp's approach to risk management and will continue to evolve in support of Suncorp's strategy and operating environment. Each APRA-regulated entity within Suncorp has its own Board-approved risk appetite statement which has separate tolerances for capital sufficiency, the maintenance of credit ratings and a range of key risk drivers. Key strategic risks that may impact business strategies or financial prospects are set out in the table below.

CUSTOMER EXPECTATIONS, TECHNOLOGY AND COMPETITORS	
Suncorp's ability to continue delivering positive customer value as customer expectations increase (e.g. for a seamless personalised digital experience) and new digital competitors seek to disrupt existing business models.	→ Suncorp's customer strategy and business improvement plan focuses on making it easier, faster and more convenient for customers (including through physical and digital channels). → The focus on regulatory and system investment will help ensure Suncorp delivers to customer expectations and promises. → Suncorp actively monitors strategic risks and responds through various initiatives, incorporating these into the strategy and business planning process.
PRIORITISATION AND EXECUTION OF STRATEGIC INITIATIVES	
Suncorp's ability to allocate and balance the required investment across strategic priorities and successfully deliver projects and initiatives.	→ Suncorp's project portfolio investment has been determined based on a combination of factors, particularly a risk-based view of project demand, organisation capacity to deliver and alignment to the Group's financial objectives. → Suncorp's project management capability, tools and governance and the ongoing focus on project risk management mitigate this risk.
PEOPLE	
Maintaining an engaged workforce with appropriate culture, conduct and capability to execute the strategy.	→ Suncorp is driving various initiatives to connect people with our purpose, deliver the Suncorp experience and build the workforce and workspace of the future.
DATA, TECHNOLOGY AND OPERATIONS	
Suncorp's ability to develop, maintain and protect fit for purpose technology and data capabilities to enable the strategy; and avoid loss, compromise or unavailability of systems and business operations.	→ Suncorp's strategy has a focus on digital enablement, with expanded development of reusable APIs, data and analytics. → Suncorp actively monitors internal systems and cyber security threats, and is continually investing in systems, processes and controls to maintain a secure, stable and resilient technology environment. → Contingency planning and testing is performed in case of disruption to critical systems and business processes.
STAKEHOLDER CONFIDENCE	
Suncorp's ability to maintain the confidence of the community, investors and regulators.	→ Suncorp meets the expectations of our stakeholders by doing the right thing, improving customer experience, delivering operational excellence and leveraging the strength of Suncorp's core business. → Suncorp's ongoing focus on customer, conduct and culture will help maintain confidence, in an environment of deteriorating trust in financial services.
COMPLIANCE (INCLUDING REGULATORY)	
Failure to comply with applicable legal, policy and regulatory requirements and from changes in the legal and regulatory environment.	→ Suncorp has programs in place to ensure the implementation of regulatory change. → Suncorp's Enterprise Compliance Strategy and Risk Optimisation Program has increased Suncorp's capability to satisfy regulatory expectations by enhancing awareness and standardising management of compliance.
FINANCIAL OBJECTIVES	
Suncorp's ability to achieve its financial objectives, as set out within the Business Plan.	→ Disciplined portfolio management, operational excellence and investment in core systems and regulatory initiatives will continue to strengthen Suncorp's core business. → Suncorp actively manages its liquidity and funding positions and ensures appropriate contingency arrangements are maintained.
ECONOMIC CONDITIONS	
Financial performance is significantly affected by changes in investment markets and economic conditions both globally and in Australia and New Zealand.	→ Suncorp consistently monitors these risks by examining market conditions and adopts appropriate financial management strategies to help protect the business.
CLIMATE CHANGE AND RESILIENCE	
Physical impacts of climate change, significant weather events and natural hazards that exceed expectations.	→ Suncorp's Climate Change Action Plan forms the basis for maturing the assessment, management and disclosure of climate change risks and opportunities. Suncorp reduces financial volatility through the effective management of capital and reinsurance.

3.2 Group regulatory snapshot

Suncorp operates across a number of highly-regulated industry sectors. There have been, and continue to be, significant domestic and global legislative and regulatory reforms and proposals, as well as numerous government and regulator consultations, reviews and inquiries which may result in changes that may impact Suncorp Group and its operations in Australia and New Zealand.

There are also various proposals and changes from global regulatory, advisory and standard-setting bodies such as the International Association of Insurance Supervisors, the Basel Committee on Banking Supervision, the International Organisation of Securities Commissions and the Financial Stability Board which if adopted, or followed by domestic regulators, may increase operational and capital costs or requirements.

Suncorp is committed to embracing these regulatory changes and is well placed to respond through the additional regulatory investment in 2019–20 and the establishment of the Regulatory Program. Suncorp is taking active steps to implement the changes with a number of improvements already in place.

Suncorp is engaging with regulators, the Government and industry bodies to provide feedback and guide the policy direction. Matters which may impact Suncorp Group, its insurance businesses in Australia and New Zealand and its Banking & Wealth business are set out below.

MATTERS WHICH MAY IMPACT SUNCORP GROUP

- **The Royal Commission's Final Report into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission)** and the Australian Government announcement to act upon on all 76 recommendations including:
  - all **industry codes** should **contain enforceable provisions**, with contraventions constituting a breach of the law
  - **BEAR should be extended to all APRA-regulated entities**, including superannuation trustees and insurers
  - **hawking of superannuation products and insurance products should be banned**
- **BEAR legislation imposing additional duties and behavioural expectations**
- **Introduction of the consumer data right** which is intended to give Australians greater control over their data, empowering customers to choose to share their data with trusted recipients only for the purposes that they have authorised
- **Potential increased enforcement activity by ASIC** which will focus on "deterrence, public denunciation and punishment of wrongdoing by way of litigation and not by the pursuit of negotiated outcomes"
- **Passing of the Treasury Laws Amendment** (Design and Distribution Obligations and Product Intervention Powers) **Act 2018** (Bill)) to impose design and distribution obligations on the issuers, providers and distributors of financial products and provide ASIC with a product intervention power.
- **New "vigorous" approach by APRA to the use of enforcement powers**
- **APRA is directing additional resources** to a multi-year effort involving inter-related streams of work to intensify **supervision of governance, accountability and culture of APRA-regulated entities**
- **APRA, RBA and ASIC are increasing scrutiny of entities' approach to climate change as a material risk**, expecting risk assessment to be with CPS 220 and SPS 220, and using the Taskforce on Climate-related Disclosures as the mechanism to support entities' deeper assessment and disclosure. The AASB and Auditing and Assurance Standards Board released guidance stating if **climate-related risks are important to investors' decision-making**, it should be considered material and reflected in **financial statements**
- Proposed establishment by the Australian Government of a **statutory compensation scheme of last resort Introduction of the Modern Slavery Act 2018 (Cth) which requires certain entities** based or operating in Australia **to publish annual Statements** detailing their actions to address the risk of modern slavery in their operations and supply chain
- **The Productivity Commission's Final Report into increasing competition** in the Australian financial system and the **Federal Government's intention to provide significant additional funding to smaller banks and non-bank lenders**
- The **development of a Code of Practice for insurance in superannuation** to address claims handling processes
- **Ongoing focus on enhancing board governance and risk management in the superannuation industry** led by APRA
- **APRA** commencing **consultation to clarify and strengthen remuneration requirements**

MATTERS WHICH MAY IMPACT INSURANCE OPERATIONS

AUSTRALIA

- **Australian Competition and Consumer Commission's (ACCC) inquiry into the supply of residential (home), contents and strata insurance in northern Australia**, and any recommendations made as a result
- The Australian Capital Territory (**ACT**) Parliament passing **the Motor Accident Injuries Bill 2019 that effects reforms to the ACT CTP insurance scheme** by replacing the current at-fault common law scheme with a new hybrid no-fault common law scheme
- **The** Insurance Council of Australia's **review of the General Insurance Code of Practice Final Report recommendations.** The Code reiterates core commitments and high standards of conduct on insurers, their employees, distributors and service suppliers in particular areas
- **The extension of the unfair contract terms legislation to insurance contracts**
- Passing of **legislation to update and reform the New South Wales CTP motor accident insurance scheme** and the **New South Wales Government review of CTP insurers' profits**
- Development of **guidelines and legislative support for the trial and use of automated vehicles**

NEW ZEALAND

- **Financial Markets Authority and Reserve Bank of New Zealand** issued a **Thematic Review of Life Insurer Conduct and Culture** which required New Zealand Life insurers to provide a detailed response including an action plan to address feedback, a gap analysis against the Australian Royal Commission final report and a 5-year systematic review of insurers' existing products. **General insurers** are required to report to their boards on the same matters by 31 October 2019
- **New Zealand Government proposed reform to New Zealand's insurance contract law** by mid-2020 including changes to the duty of disclosure and remedies for non-disclosure, changes to the Unfair Contract Terms regime, proposals to provide specific information such as core policy terms or summary documents, participation in comparison websites
- **Public inquiry into the EQC** is underway with findings and recommendations due by March 2020
- **Canterbury Earthquake Tribunal Act was passed into law,** and provides an alternate forum for policyholders with unresolved claims
- **Financial Services Legislation Bill** passed commencing June 2020 **requiring all financial advisers to be licensed, meet competency standards, comply with a Code of Conduct**, prioritise their customer's interests and make certain discloses.

MATTERS WHICH MAY IMPACT BANKING & WEALTH OPERATIONS

- **APRA** commencing **consultation on revisions to the Authorised Deposit-taking Institutions (ADI) capital framework to give effect to expectations for 'unquestionably strong' capital ratios and implement the recently finalised Basel III reforms**. Given the need for extensive consultation, the revised prudential standards are likely to be in effect from 2022.
- **Australian Banking Association's (ABA) amendments to the Banking Code of Practice** following the Royal Commission recommendations
- **APRA's proposed revisions to its guidance** (*Prudential Practice Guide APG 223 Residential Mortgage Lending*) **on** the **serviceability assessments** that ADIs perform **on residential mortgage loan applications** with the revisions being:
  - removing the quantitative guidance on the level of the serviceability floor rate. APRA will still expect ADIs to determine, and regularly review, their own level of floor rate, but ADIs will be able to choose a prudent level based on their own portfolio mix, risk appetite and other circumstances;
  - increasing the expected level of the serviceability buffer from at least 2 per cent (most ADIs currently use 2.25 per cent) to 2.5 per cent, to maintain prudence in overall serviceability assessments; and
  - removing the expectation that a prudent ADI would use a buffer "comfortably above" the proposed 2.5 per cent.
- **APRA and ASIC's consultation on updating responsible lending guidance to improve the lending practice** in the Australian financial services sector, which includes considering the role of expense benchmarks when verifying a consumer's financial situation
- **APRA's imposition of new capital and maximum requirements in respect of residential mortgage lending**
- **Open Banking as a component of the consumer data right** will change traditional ownership and use of customer bank data, enabling easier comparisons of different products for customers, more informed choices, as well as switching of bank providers, with a phased implementation approach across products and type of bank provider from July 2019 through to July 2021
- **APRA's changes to the large exposures prudential framework**, which came into effect from 1 January 2019
- **Australian Government's establishment of a Drought Finance Taskforce** to leverage resources and share insights on how the Government and banks could further support drought-affected farmers and rural and regional small businesses.

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Directors' Report

Directors' Report

The directors present their report together with the financial report of the Suncorp Group (the **Suncorp Group, Suncorp** or the **Group**), being Suncorp Group Limited (the **Company**) and its subsidiaries, for the financial year ended 30 June 2019 (**2018–19**) and the auditor's report thereon. Terms that are defined appear in bold the first time they are used.

1. Directors' profiles

The names of the people who served as directors of the Company at any time during or since the end of the 2018–19 financial year are set out below. All non-executive directors are members of the Nomination Committee.

Christine McLoughlin

BA, LLB (Hons), FAICD
Non-executive Chairman

Ms McLoughlin has been a director of the Group since February 2015 and Chairman since September 2018. She is Chairman of the Customer and Nomination Committees and an ex-officio member of the Audit, People and Remuneration, and Risk Committees. Ms McLoughlin brings to Suncorp her experience as a director on the boards of ASX Top 50 companies in the financial services, resources, health insurance and infrastructure sectors for the past ten years. Her executive career was in leadership roles in financial services and telecommunications sectors in ASX Top 20 Companies. Ms McLoughlin is a director of listed company nib holdings limited (since March 2011) and Chairman of Venues NSW. She is also a director of McGrath Foundation and Chairman of the Minerva Network. Her previous directorships of listed companies include Whitehaven Coal Limited (May 2012–February 2018) and Spark Infrastructure RE Limited (October 2014–October 2017). She was also inaugural Chairman of the Australian Payments Council. Ms McLoughlin is a member of the Australian Securities & Investments Commission's Non-Executive Director Advisory Panel, a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women.

Audette Exel AO

BA, LLB (Hons)
Non-executive director

Ms Exel has been a director of the Group since June 2012 and is a member of the Customer and Risk Committees. She brings to Suncorp deep business experience in banking, insurance and reinsurance, investment management and corporate advice, and a strong legal background. Ms Exel gained a deep understanding of business, governance and compliance from her former roles as Managing Director of BSX-listed Bermuda Commercial Bank (1993–1996), Chairman of the Bermuda Stock Exchange (1995–1996) and as a regulator on the board of the Bermuda Monetary Authority (1999–2005). She began her career as a lawyer specialising in international finance. Ms Exel is the founder and Chair of the Adara Group, a pioneering organisation which exists to support people living in poverty, and is the Chief Executive Officer of its corporate advice businesses. She is the recipient of numerous awards, including an honorary Order of Australia for service to humanity.

Sylvia Falzon

MIR (Hons), BBus, FAICD, SFFin
Non-executive director

Ms Falzon has been a director of the Group since September 2018 and is a member of the Customer and People and Remuneration Committees. She brings to Suncorp valuable experience in the areas of business development, marketing and brand management, customer service, risk and compliance, together with remuneration and people strategies. Ms Falzon has held senior positions within the financial services sector having worked for major life insurance and asset management organisations over a 30-year career. Through her executive career and now as a non-executive director, she has gained valuable insights working in large consumer-facing and highly-regulated businesses within the financial services, healthcare, retail and aged care sectors. Ms Falzon is a non-executive director of listed companies Perpetual Limited (since November 2012), Regis Healthcare (since September 2014) and Premier Investments (since March 2018). Ms Falzon is also Chairman of the Governing Board of Cabrini Australia Limited, a diversified not-for-profit, health and technology service provider. She was a non-executive director of previously listed company SAI Global (October 2013–December 2016).

Ian Hammond

BA (Hons), FCA, FCPA, FAICD
Non-executive director

Mr Hammond has been a director of the Group since October 2018 and is a member of the Audit and Customer Committees. He brings to Suncorp extensive knowledge of the financial services industry, and expertise in financial reporting and risk management. He has deep experience across the insurance, banking, wealth management and property sectors, and a keen interest in digital and technology trends. Mr Hammond is a non-executive director of listed company Perpetual Limited (since March 2015) where his board roles include Chairman of the Audit, Risk and Compliance Committee. He also serves on the board of Venues NSW, as well as several not-for-profits including Mission Australia and Chris O'Brien Lifehouse. Previously Mr Hammond was a non-executive director of Citigroup Pty Limited. Mr Hammond spent more than 35 years at PwC, including 26 years as a partner. He was lead partner for several of Australia's major financial institutions and was previously a member of the Australian Accounting Standards Board and the International Accounting Standards Board.

Sally Herman

BA, GAICD
Non-executive director

Ms Herman has been a director of the Group since October 2015. She is Chairman of the Risk Committee, and a member of the Audit, Customer, and People and Remuneration Committees. She brings to Suncorp strong expertise in running retail banking and insurance products, setting strategy for financial services businesses and working with customers, shareholders, regulators and government. Ms Herman has deep executive experience running customer-facing financial services businesses in the US and Australia. She has held board positions (including on subsidiary boards) of financial services organisations for over 20 years, with a focus on governance, regulation and compliance. Her current listed company directorships include Breville Group Limited (since March 2013), Premier Investments Limited (since December 2011), and Evans Dixon Limited (since May 2018). She is also a director of Investec Property Limited, responsible entity of listed trust Investec Australia Property Fund (since July 2013). At Westpac, Ms Herman oversaw stakeholder engagement including customers, shareholders, government and regulators. She also ran the product function of retail and business banking, including general insurance as well as internet banking, in various roles at Westpac.

Simon Machell

BA (Hons), FCA
Non-executive director

Mr Machell has been a director of the Group since April 2017. He is Chairman of the People and Remuneration Committee and a member of the Audit and Customer Committees. He is a non-executive director of Prudential Corporation Asia, the senior independent director of Pacific Life Re and chairs Pacific Life Re's Australian entity board. As a non-executive director of Tesco Bank and Chairman of Tesco Underwriting in the UK, he has considerable insight into changing customer expectations and engaging customers through digital channels. Mr Machell brings to Suncorp an international perspective on current industry trends in insurance, and insights into the risks and opportunities associated with emerging technologies and new business models. He has deep operational and strategic knowledge of the insurance industry and has planned and delivered significant change programs. In his executive career, Mr Machell spent over 20 years with Norwich Union/Aviva running the finance, service centre and claims functions before becoming CEO of the UK General Insurance business in 2005. Subsequently, he ran its portfolio of international businesses across Asia and Eastern Europe before embarking on a plural career in 2013.

Dr Douglas McTaggart

BEcon (Hons), MA, PhD, DUniv, FAICD, SFFin
Non-executive director

Dr McTaggart has been a director of the Group since April 2012. He is Chairman of the Audit Committee and a member of the Customer and People and Remuneration Committees. He also chairs AA Insurance Limited (a Suncorp joint venture with the New Zealand Automobile Association) and is a director of Suncorp's New Zealand licensed entities. He brings to Suncorp great insight around regulator and government engagement, the economic landscape, organisational efficiency and financial management. Dr McTaggart has an extensive background in financial markets and has deep academic and commercial experience. He is well-versed in operating in a rapidly changing regulatory environment and engaging effectively with regulators and government stakeholders. Dr McTaggart is a former CEO of QIC, Under Treasurer of the Queensland Department of Treasury, and a director of UGL Limited. He is currently Chairman of listed company Spark Infrastructure RE Limited (and a director since December 2015), and SunCentral Maroochydore Pty Ltd. He serves on the Australian National University Council and the Expert Advisory Panel, Indigenous Home Ownership Capital Funding.

Lindsay Tanner

BA (Hons), LLB (Hons), MA (Melb)
Non-executive director

Mr Tanner has been a director of the Group since January 2018. He is a member of the Customer and Risk Committees and Chairman of Group subsidiary Suncorp Insurance Ventures Pty Ltd. He is President of Essendon Football Club and a non-executive director of Virgin Australia International Holdings. He brings to Suncorp an acute appreciation of the technological, regulatory and political changes shaping the financial services industry. Mr Tanner has worked at the highest levels of government and business for over 35 years, including as Minister for Finance and Deregulation from 2007–2010, where he played a significant role in regulatory reform in the financial services sector. He also served as Minister for the Future Fund during the Global Financial Crisis. Mr Tanner is a recognised authority on corporate governance and has been a Special Adviser for financial advisory firm Lazard (Australia) for the past nine years, where he has had extensive involvement in the financial sector and with Mergers and Acquisitions. He was also a non-executive director of listed company Covata Limited (January 2017–January 2019) and Lifebroker, the life insurance broking company. Mr Tanner began his professional career as a lawyer representing consumers in disputed personal injury and motor insurance claims.

Former non-executive Chairman

Dr Zygmunt Switkowski AO, former non-executive Chairman, retired from the Board by rotation on 20 September 2018; he had been a non-executive director of the Group since September 2005.

Former executive director

Mr Michael Cameron, who had been a non-executive director of the Company since April 2012, was appointed CEO[1] & Managing Director in October 2015. Mr Cameron's directorship ceased effective 26 May 2019.

2. Directors' meetings

The table below sets out the number of directors' meetings held during 2018–19 (including meetings of the five Board Committees) and the number of meetings attended by each director (or former director) of the Company.

	Suncorp Board of Directors		Audit Committee		Risk Committee		People and Remuneration Committee		Customer Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
C McLoughlin (Chairman)	17	17	3	3	5	5	5	5	3	3	1	1
M Cameron	16	15	4	4	5	5	4	4	2	2	-	-
A Exel AO	17	17	-	-	5	5	-	-	3	3	1	1
S Falzon	12	12	-	-	-	-	4	4	3	2	-	-
I Hammond	11	10	3	3	-	-	-	-	3	2	-	-
S Herman	17	17	5	5	5	5	5	5	3	3	1	1
S Machell	17	16	5	5	-	-	5	5	3	3	1	1
Dr D McTaggart	17	16	5	5	-	-	5	5	3	3	1	1
Dr Z Switkowski AO	6	6	2	2	2	1	1	1	-	-	1	1
L Tanner	17	17	-	-	5	5	-	-	3	3	1	1

A Number of meetings held during the year while the director was a member of the Board or Committee.
B Number of meetings attended by the director during the year while the director was a member of the Board or Committee.
As a former executive director (until 26 May 2019), Mr Cameron attended the Audit Committee, Customer Committee, Risk Committee, and People and Remuneration. Committee meetings at the invitation of those committees. There are no management representatives appointed as members of any Board Committee.

3. Directors' interests as at 30 June 2019

The relevant interest of each current director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange (**ASX**) in accordance with section 205G(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), as at 30 June 2019, is as follows.

Director	Number of fully paid ordinary shares
C McLoughlin	50,000
A Exel AO	18,242
S Falzon	7,600
I Hammond	19,118
S Herman	26,000
S Machell	35,000
Dr D McTaggart	27,922
L Tanner	6,100

Based on their shareholdings as at 30 June 2019, as outlined in the Remuneration Report, all non-executive directors are on track to meet the minimum shareholding requirement.

4. Company Secretaries

The Company Secretary is directly accountable to the Board, through the Board Chairman, for all corporate governance matters that relate to the Board's proper functioning.

Mr Darren Solomon was appointed Company Secretary in March 2010 having joined Suncorp in 1989 as a senior lawyer in the legal department before moving to Company Secretariat in 2006.

Ms Kristy Huxtable, who was appointed Company Secretary in August 2016, stepped down from this role on 14 February 2019.

5. Remuneration Report

The Remuneration Report is set out on pages 55 to 79 and forms part of the 2018–19 Directors' Report.

1 CEO – Chief Executive Officer

6. Principal activities

The principal activities of the Suncorp Group during 2018–19 were the provision of insurance, banking and wealth products and services to the retail, corporate and commercial customers in Australia and New Zealand.

There were no significant changes in the nature of Suncorp Group's activities during 2018–19, other than as set out in section 9 below. More detail on the Group's activities is included in the Business Update and Operating and Financial Review sections of this Annual Report.

7. Dividends

A fully franked 2018 final dividend of $623 million (48 cents per share, comprising a 40 cents per share ordinary dividend and an eight cents per share special dividend) was paid on 19 September 2018.

A fully franked 2019 interim ordinary dividend of $338 million (26 cents per share) was paid on 2 April 2019 and a fully franked special dividend of $104 million (eight cents per share) was paid on 3 May 2019.

A fully franked 2019 final ordinary dividend of $571 million (44 cents per share) has been determined by the directors.

Further details of dividends on ordinary shares provided for or paid are set out in note 4 to the consolidated financial statements.

8. Operating and Financial Review

The Operating and Financial Review section is on pages 17 to 45 of this Annual Report.

9. Significant changes in Suncorp Group's state of affairs

In February 2019, Suncorp completed the sale of the Australian Life Business[1], Suncorp Life & Superannuation Limited, to TAL Dai-ichi Life Australia Pty Ltd (TAL). The sale agreement included a 20-year strategic alliance with TAL to offer market-leading life insurance solutions to Suncorp's customers through its Australian distribution channels. Under the terms of the strategic alliance, Suncorp continues to earn income on the distribution of life insurance.

There have been no other significant changes in the state of affairs of the Group during 2018–19, other than as disclosed in this Annual Report.

10. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Company in future financial years.

11. Likely developments

The likely developments are summarised in section 1.5 Group outlook and priorities section of the Operating and Financial Review contained in this Annual Report.

12. Impacts of legislation and other external requirements

In terms of domestic and global legislative and regulatory reforms, the principal matters that could or may impact Suncorp Group are detailed in section 3.2 of the Operating and Financial Review in this Annual Report.

13. Environmental and Corporate Responsibility reporting

Suncorp seeks to innovate and optimise its economic, social and environmental outcomes throughout its business and value chain. The Group believes in conducting business in a way that protects and sustains the environment for current and future generations, and has a responsibility to continue to reduce its environmental impact and be transparent about environmental performance.

1 Australian Life Business incorporates the performance of the Australian Life Insurance and Participating Wealth Business (Suncorp Life & Superannuation Limited).

Climate change presents strategic and financial risks and opportunities for Suncorp and its communities. Suncorp is committed to reducing its carbon emissions and preparing for the physical impacts of climate change and the transition to a net-zero carbon emissions economy by 2050.

Suncorp is responding to climate-related risks and opportunities through the implementation of its Climate Change Action Plan and Environmental Performance Plan. The Climate Change Action Plan details Suncorp's actions for managing climate-related risks and opportunities. The Environmental Performance Plan details actions to proactively reduce the Group's environmental footprint, foster innovation and partnerships, engage and educate Suncorp people, and track and openly disclose environmental performance. The Environmental Performance Plan will be refreshed with a broader program of activity for 2019–20, to further decrease emissions and reduce waste. The Group continues to modernise ways of working and will integrate sustainability principles to deliver workspaces that are healthy, flexible and minimise the impact on the environment.

Suncorp annually reports greenhouse gas emissions and energy consumption in Australia under the *National Greenhouse Emissions Reporting Act 2007* (Cth). Implementation of Suncorp's Environmental Performance Plan has resulted in a 6.3% reduction in Scope 1 and Scope 2 greenhouse gas emissions over the past year. Suncorp has also developed a group-wide view of environmental metrics and strategies to reduce waste. The target is a 51% absolute reduction in Scope 1 and Scope 2 greenhouse gas emissions by 2030.[1] Further details on Suncorp's activities and initiatives are provided in the Sustainable Growth section of the 2018–19 Responsible Business Report.

14. Non-audit services

During the year, KPMG, the Company's auditor, performed certain services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the financial year by the auditor and, having received the appropriate confirmations from the Audit Committee, is satisfied that the auditor's provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The amounts paid or due and payable to KPMG and its related practices for non-audit services provided during the 2018–19 financial year (and the 2017–18 financial year) are set out below.

SERVICES OTHER THAN STATUTORY AUDIT

	2019 $000	2018 $000
Audit-related fees (regulatory)		
APRA reporting	775	1,114
Australian financial services licences	103	137
Other regulatory compliance services	467	370
	1,345	1,621
Audit-related fees (non-regulatory)		
Other assurance services	1,055	1,467
	1,055	1,467
Other services		
Tax compliance	-	12
Other non-audit related services[2]	1,637	2,206
	1,637	2,218
	4,037	5,306

1 From 2017–18 baseline for Suncorp corporate operations in Australia and New Zealand; prepared using science-based target methodologies.
2 Relates to accounting advisory services and provision of technology resources to assist in access and security management of application systems.

15. Indemnification and insurance of officers and directors

Under rule 39 of the Company's Constitution, the Company indemnifies each person who is or has been a director, secretary or officer of the Company (each an officer for the purposes of this section). The indemnity relates to liabilities to the fullest extent permitted by law to another party (other than the Company or a related body corporate) that may arise in connection with the performance of their duties to the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith.

The Constitution stipulates that the Company will meet the full amount of such liabilities, including costs and expenses incurred in defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the Corporations Act.

The Company has also executed deeds of access, indemnity and insurance with each officer of the Company's subsidiaries, and deeds of indemnity and insurance with the officers of related bodies corporate and joint venture companies. Those deeds, which are subject to certain conditions and limitations, provide an indemnity to the full extent permitted by law for liabilities incurred by that person as an Officer, including reasonable legal costs incurred in respect of certain legal proceedings and an entitlement to directors' and officers' liability insurance. The deeds containing access rights provide access to company records following the cessation of the officer's position with the relevant company.

During 2018–19 the Company paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been an officer of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered by or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

16. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 83 and forms part of the 2018–19 Directors' Report.

17. Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and, in accordance with that legislative instrument, amounts in the Directors' Report and the consolidated financial statements have been rounded to the nearest one million dollars unless otherwise stated.

Remuneration Report

Message from the Chairman of the Board and the Chairman of the People and Remuneration Committee

Dear Shareholder

The Board is pleased to present the Suncorp Group's Remuneration Report for the financial year ended 30 June 2019 (**2018–19**).

Our Cash Earnings increased 1.5 per cent over the prior year period reflecting very strong results from our New Zealand business offset to an extent by the impact of natural hazard costs in Australia significantly above allowance, a material increase in regulatory project and compliance costs, an increasingly competitive and slowing mortgage market and volatile investment market movements.

Our financial results were also impacted by the sale of our Australian Life Business[1] which resulted in a $910 million non-cash loss arising from the sale. As a result of the sale, Group net profit after tax was $175 million for 2018-19. The Board took the view that Suncorp was not the best long-term owner of this business and the sale will enable our customers to continue to access industry-leading life products from a company whose core business is life insurance, through our long-term alliance with TAL Dai-ichi Life. Shareholders will benefit from the sale by receiving a 39 cents per share ($506 million) capital return. The capital return remains subject to shareholder approval at the Annual General Meeting in September 2019. The proposed capital return follows the payment of an eight cents per share ($104 million), fully franked special dividend paid from the sale proceeds in May 2019.

The year was also characterised by several major weather events which impacted thousands of customers and displaced communities. Our employees mobilised from across the country to help customers and communities recover. This contributed to achieving above target performance against a number of customer measures.

In considering performance against Financial, Customer, Risk and People measures, below target short-term incentive (**STI**) outcomes were awarded to the former CEO & Managing Director and Senior Leadership Team.

The past year has seen continued change in both community expectations and the regulatory landscape, with APRA[2] recently releasing a proposed prudential standard on remuneration for consultation. This is expected to come into force from 1 July 2021 and we are working through how our remuneration arrangements may need to be adjusted to meet these requirements. Our intention is to introduce a non-financial measure into the long-term incentive (**LTI**) plan for 2020–21 and over the coming 12-months, we will be considering which measure is most appropriate to meet the needs of all of our stakeholders.

The remuneration framework has been reviewed over the year to ensure it remains contemporary, appropriately supports our refreshed purpose to *create a better today for our customers* and keeps pace with the evolving regulatory environment. As a result, the Board has made a number of changes to the remuneration framework for 2019–20:

- Our remuneration objective and principles have been refreshed with a key focus on motivating employees to provide exceptional outcomes for our customers and shareholders and encouraging our employees to always do the right thing.
- After considering the most appropriate internal measure to drive shareholder returns, and after consulting with investors and proxy advisors, cash return on equity has been introduced into the LTI plan. This measure operates alongside relative total shareholder return (TSR) and each measure has a 50 per cent weighting.
- The Group Scorecard which heavily influences the size of the STI pool and individual Senior Leadership Team STI awards, has been rebalanced to better reflect the interests of all stakeholders. There is now an equal split between financial and non-financial measures, with financial measures weighted at 50 per cent, customer measures weighted at 20 per cent, and risk and people measures weighted at 15 per cent each. The STI measures have also been simplified.
- In line with the Sedgwick Review Recommendations[3], and to strengthen individual consequence management, an STI behavioural gateway and modifier has been introduced that is linked to Suncorp's Code of Conduct. This applies to all executives and employees and can lead to an employee's STI being reduced (down to nil) if they do not adhere to the Code of Conduct.
- The Chief Risk Officer's reward package has been restructured to place greater emphasis on fixed remuneration to reduce any actual or perceived conflicts of interest arising from variable remuneration tied to company performance. Given this, the minimum shareholding requirement for this role has been reduced to 75 per cent of fixed remuneration.

1 Australian Life Business incorporates the performance of the Australian Life Insurance and Participating Wealth Business (Suncorp Life & Superannuation Limited).
2 Australian Prudential Regulation Authority.
3 This refers to Stephen Sedgwick's *Retail Banking Remuneration Review* dated 19 April 2017. Mr Sedgwick was appointed by the Australian Bankers' Association to undertake an independent review of product sales commissions and product based payments in retail banking in Australia. The Review was intended to identify options for strengthening the alignment of retail bank incentives, practices and good customer outcomes.

Throughout 2018–19, the Board also expanded the malus criteria and introduced clawback criteria. This applies to all deferred incentives, including LTI awards.

Suncorp-Metway Limited has been compliant with the Banking Executive Accountability Regime (**BEAR**) from 1 July 2019 when the obligations commenced. Clear accountability maps and supporting statements have been created to ensure effective execution of core responsibilities by all Accountable Persons. All Accountable Persons also have a BEAR compliant remuneration structure, with the Senior Leadership Team having had such a structure since 1 July 2018.

During the year, Suncorp also transitioned all customer-facing retail banking employees from customised incentive plans onto the Corporate Incentive Plan (**CIP**). Under the CIP, STI awards are based on performance against a scorecard of financial and non-financial measures, as well as the demonstration of desired behaviours to drive the right customer outcomes. Financial measures now have a maximum weighting of 33 per cent in line with the Sedgwick Review Recommendations.

The Board is confident that the remuneration arrangements are strategically aligned and reinforce executive accountability, responsible business practices and effective risk management as well as drive a constructive company culture. Feedback from our stakeholders, including the wider community, regulators and shareholders, is actively encouraged and used in the development of our remuneration practices.

We trust that you will find the information provided in this report informative and that it demonstrates the strong alignment that Suncorp's executive remuneration practices have with performance outcomes, the experience of our customers and employees, community expectations and shareholder returns.

CHRISTINE MCLOUGHLIN

Chairman of the Board

7 August 2019

SIMON MACHELL

Chairman of the People and Remuneration Committee

Remuneration Report for 2018–19

This report explains Suncorp Group's remuneration structure for key management personnel (**KMP**) and demonstrates the strong alignment that Suncorp's executive remuneration practices have with performance outcomes, the experience of our customers and employees, community expectations and shareholder returns. KMP are the people who have authority and responsibility for planning, directing and controlling the activities of the Suncorp Group and includes the non-executive directors. The KMP are outlined in the remuneration tables in this report.

For the purposes of this report, 'executive' means the former Chief Executive Officer (**CEO**) & Managing Director and Senior Executives. Senior Executives includes the Acting CEO and Acting Chief Financial Officer (**CFO**). Suncorp's external auditor, KPMG, has audited sections 2-8 of this report against the disclosure requirements of the Corporations Act.

1. Executive remuneration and performance snapshot

1.1 2018-19 executive remuneration strategy and structure

OBJECTIVE

To provide competitive rewards that attract, retain and motivate talented employees to achieve our strategic objectives by providing exceptional outcomes for our customers and shareholders.

PRINCIPLES

Reward simply and fairly	Align to our strategy	Encourage our employees to always do the right thing	Drive ownership and accountability	Embrace risk management

	Fixed remuneration	Short-term incentives (STI)	Long-term incentives (LTI)
PURPOSE	Reflects the role scope and individual's skills and experience and is set in the context of market remuneration levels.	Rewards the achievement of Group, function and individual outcomes over a 12-month period.	Rewards the creation of long-term shareholder value.
STRUCTURE	Consists of base salary, superannuation, and any salary-sacrificed benefits.	Delivered as a mix of cash (50% for former CEO & Managing Director, 65% for Senior Executives) and share rights (50% for former CEO & Managing Director, and 35% for Senior Executives). Half of share rights vest on the first anniversary and half vest on the second anniversary of the date of grant. Share rights are subject to malus and clawback criteria.	Delivered as performance rights. Vests subject to the achievement of a three year performance measure and service condition. If performance rights vest, they become vested rights at the end of Year 3, and convert into shares at the end of Year 4. Subject to malus and clawback criteria.
2018-19 APPROACH	Reviewed annually against a peer group consisting of financial services companies in the S&P/ASX 100, excluding real estate investment trusts.	Former CEO & Managing Director was assessed against the Group Scorecard as well as other relevant factors as considered by the Board. Senior Executives are primarily assessed against their individual contribution, and their function's contribution, to the Group Scorecard. The Board also applies a judgement and behavioural overlay, including a risk assessment.	The performance measure is relative total shareholder return (**TSR**) against the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding real estate investment trusts and mining companies). For futher detail, see section 3.

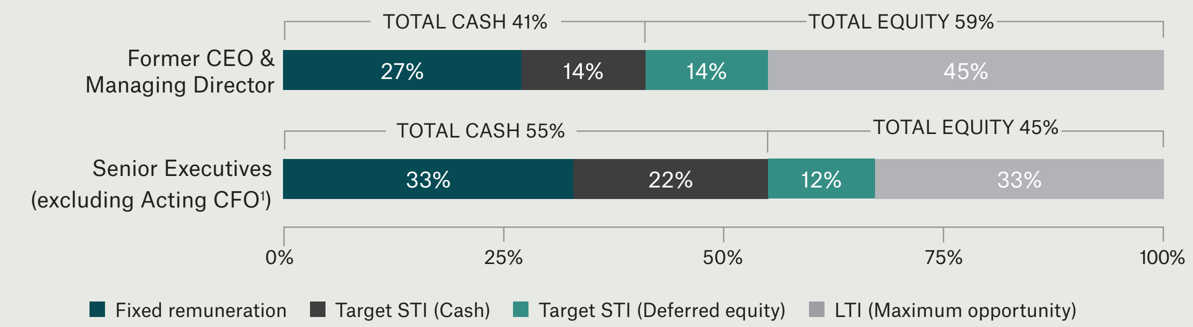
Performance measure	Weighting
Adjusted Net Profit After Tax (**Adjusted NPAT**)	40%
Cash Return on Equity (**ROE**)	20%
Key Customer Measures	20%
Group Risk Maturity Measure Risk Management and Compliance Measures	10%
Engagement Lost Time Injury Frequency Rate (**LTIFR**) Talent and People Deveopment Organisational Culture	10%

For futher detail, see section 2.

POSITIONING

Total target remuneration for the executives is evaluated on an annual basis against relevant roles in our comparator group, defined as the financial services companies in the S&P/ASX 100, excluding real estate investment trusts.

1.2 2018-19 executive remuneration mix



1. This reflects the remuneration mix of Mr Johnston in his role as CFO. Mr Johnston and Mr Robson were appointed Acting CEO and Acting CFO respectively during the reporting period and their remuneration was varied effective 26 May 2019. See section 1.4 for information on the remuneration arrangements for Mr Johnston and Mr Robson as Acting CEO and Acting CFO respectively.

The remuneration mix and structure for all executives is BEAR-compliant as the lesser of 20 per cent of total remuneration, or 40 per cent of variable remuneration, is deferred for four years.

1.3 2018-19 executive performance and remuneration outcomes

Fixed remuneration

- ***Former CEO & Managing Director:*** There was no change to fixed remuneration.
- ***Acting CEO and Acting CFO:*** See information in section 1.4.
- ***Other Senior Executives:*** Taking into account external benchmarking, moderate fixed remuneration adjustments were made to three Senior Executives to support market alignment.

  The average fixed remuneration increase across the other Senior Executives was 2%.

Short-term incentives (STI)

- ***Performance outcomes against the Group Scorecard:*** A summary of the performance outcomes is below.

Performance measure	Performance outcome
Adjusted NPAT	Below Target
Cash ROE	Below Target
Key Customer Measures	Target
Group Risk Maturity Measure Risk Management and Compliance Measures	Below Target
Engagement LTIFR Talent and People Development Organisational Culture	Target

- ***Former CEO & Managing Director:*** Actual STI outcome was 25% of target.
- ***Acting CEO:*** Actual STI outcome was 39% of target.[1]
- ***Senior Executives:*** Actual STI outcomes ranged between 33% and 67% of target.

For further detail, see section 2.

Long-term incentives (LTI)

- ***Performance outcomes:*** The 2015 LTI grant was tested against the relative TSR performance condition on 31 August 2018. Suncorp's TSR was at the 47th percentile of the peer group of companies.
- ***LTI outcomes:*** As Suncorp's TSR was below the median (50th percentile) of the peer group, the 2015 LTI awards lapsed.

1. Actual STI outcome for Mr Johnston reflects his performance as CFO.

1.4 Remuneration arrangements for the Acting CEO and Acting CFO

The Acting CEO, Mr Steve Johnston (previously CFO), was appointed during the reporting period and his remuneration was varied effective 26 May 2019. At this time, his fixed remuneration was increased from $1 million to $1.3 million for the duration that he acts in this role. His target STI remains at 100 per cent of fixed remuneration and will be apportioned for the 2019–20 award for time he performed the Acting CEO role. Thirty-five percent of Mr Johnston's actual 2019–20 STI award will be deferred, with 50 per cent vesting on the first anniversary, and 50 per cent vesting on the second anniversary, of the date of grant. Mr Johnston continues to participate in the LTI plan based on 100 per cent of his CFO fixed remuneration. Mr Johnston's remuneration structure is BEAR-compliant through the level and operation of the LTI component.

Mr Johnston's 2018–19 target STI amount and deferral conditions did not change upon appointment to Acting CEO. It was based on 100 per cent of his CFO fixed remuneration and the deferral conditions are the same as those outlined above.

Mr Johnston's remuneration package also includes a one-off equity award with a face value of $300,000 in recognition of his acceptance of the Acting CEO role and the increased contribution expected from him during this time. This award of 21,978 rights (based on the one-month volume weighted average price (**VWAP**) up to 26 May 2019) will vest on 26 May 2020, provided Mr Johnston has not given notice of his resignation or been terminated for cause at the time of vesting. It is subject to malus and clawback criteria.

The Acting CFO, Jeremy Robson (previously Deputy CFO) was appointed during the reporting period. His remuneration was varied effective 26 May 2019 and he became a KMP from this time. Mr Robson's fixed remuneration increased to $630,000 for the duration that he performs this role. His target STI for 2019–20 was increased to 100 per cent of fixed remuneration to align to the other Senior Executives and will be apportioned for the time spent in the Acting CFO role. To ensure BEAR compliance, 40 per cent of the actual 2019–20 STI award for Mr Robson relating to time served as Acting CFO will be deferred for four years.

Mr Robson does not participate in the LTI plan. Mr Robson's 2018–19 target STI and deferral conditions did not change on appointment to Acting CFO. These are reflective of the arrangements that he had in place as Deputy CFO.

The above interim remuneration levels were determined in light of relevant remuneration benchmark data and are considered by the Board to be fair and reasonable.

1.5 Former CEO & Managing Director's remuneration arrangements on cessation of employment

The former CEO & Managing Director, Michael Cameron, stepped down as a KMP on 26 May 2019. He remains employed in an advisory capacity until 9 August 2019. Mr Cameron remained eligible to participate in the 2018–19 STI plan. In light of Group performance, and other relevant factors as considered by the Board, his actual STI was $525,000 or 25% of the target opportunity. See section 2 for further information.

Mr Cameron's existing STI deferred equity awards will remain on-foot after cessation of employment and will vest in the normal course, subject to malus and clawback criteria. His LTI awards will be pro-rated for the period of time he was employed during the relevant performance period. They will vest in the normal course, subject to achievement of the relative TSR performance measure and malus and clawback criteria.

Under his contract, Mr Cameron is entitled to receive 12 months' notice, or a payment in lieu. Following cessation of employment, Mr Cameron will receive his contractual entitlements, including the balance of his notice period paid, being $1.668 million.

Mr Cameron is not entitled to participate in the 2019–20 STI plan.

1.6 Changes for 2019–20

The executive and employee remuneration changes for 2019–20, including changes to customer-facing retail banking employees, are outlined at the front of this Remuneration Report in the shareholder letter from the Chairman of the Board and the Chairman of the People and Remuneration Committee. The Acting CEO and Acting CFO remuneration arrangements are outlined in section 1.4, and the former CEO & Managing Director's remuneration arrangements on cessation of employment are outlined in section 1.5.

1.7 Remuneration paid, or vested, for the executives over 2018–19

	Remuneration earned in respect of 2018–19			Past 'at-risk' remuneration vested in 2018–19					Future 'at-risk' remuneration opportunity relating to 2018–19
	Fixed[1]	Other[2]	2018–19 incentives[3]	Deferred STI (cash)[4]	Deferred STI (equity)[5]	LTI / RSP (equity)[6]	Actual remuneration earned or vested in 2018–19[7]	2018–19 STI (deferred equity)[8]	LTI / RSP (equity) opportunity in 2018–19[9]
	$000	$000	$000	$000	$000	$000	$000	$000	$000
Senior Executives									
Steve Johnston[10] *Acting CEO*	1,024	-	254	268	221	-	1,767	144	1,300
David Carter *CEO Banking & Wealth*	837	-	182	103	138	43	1,304	104	800
Gary Dransfield *CEO Insurance*	1,050	-	228	250	232	-	1,760	130	1,050
Sarah Harland *Chief Information Officer*	737	-	221	-	119	-	1,077	126	700
Lisa Harrison *Chief Program Excellence Officer*	600	-	169	66	48	38	921	96	600
Pip Marlow *CEO Customer Marketplace*	1,000	-	215	-	60	802	2,077	122	1,000
Amanda Revis *Chief People Experience Officer*	837	-	218	217	177	-	1,449	124	800
Jeremy Robson *Acting CFO*[11]	70	-	19	80	52	41	261	9	-
Paul Smeaton *CEO New Zealand*	869	-	277	175	186	-	1,507	158	833
Fiona Thompson *Chief Risk Officer*	650	-	198	51	124	32	1,055	113	650
Former executive director									
Michael Cameron[12] *Former CEO & Managing Director*	1,861	1,668	237	668	664	-	5,098	250	1,092

1 This reflects fixed remuneration, including base salary, superannuation and any salary sacrificed benefits.
2 This includes the payment on cessation of employment that will be paid to Mr Cameron. It represents the balance of his payment in lieu of notice which will be paid in accordance with contractual commitments. Mr Cameron will receive no other benefits on cessation of employment.
3 This includes the cash component of STI which relates to 2018–19 performance. The cash component of STI represents 50 per cent of the total 2018–19 STI for the former CEO & Managing Director, 65 per cent of the total 2018–19 STI for Senior Executives (excluding the Acting CFO) and 70 per cent of the total 2018-19 STI for the Acting CFO.
4 This reflects the deferred cash STI awarded for 2015–16 that vested during 2018–19. For Mr Smeaton, a portion relates to the vesting of deferred STI awarded prior to his appointment as a Senior Executive. For Mr Carter, Ms Harrison, Mr Robson, and Ms Thompson, this fully relates to vesting of deferred STI awarded prior to their appointment as a Senior Executive.
5 This reflects deferred equity STI awarded for 2016–17 that vested during 2018–19. For Mr Carter and Ms Thompson, a portion relates to vesting of deferred STI awarded prior to their appointment as Senior Executives. For Ms Harrison and Mr Robson, this fully relates to vesting of deferred STI awarded prior to their appointment as Senior Executives.
6 This represents vesting of past awards made under the LTI or restricted share plan (**RSP**) (including awards made on commencement at Suncorp in recognition of incentives forgone with the executive's previous employer) that were granted in prior years and that vested in 2018–19. The 2015 LTI grant did not vest on 30 September 2018 as the relative TSR performance measure was not met. Ms Marlow received tranche 2 of 3 of her restricted shares awarded on commencement at Suncorp on 1 July 2018. Mr Carter, Ms Harrison, Mr Robson and Ms Thompson's restricted shares that vested during the year relate to awards granted prior to becoming a Senior Executive.
7 This refers to the total of remuneration earned in respect of 2018–19 and past 'at-risk' remuneration that vested in 2018–19.
8 This includes the deferred equity portion of the 2018–19 STI award which is subject to malus and clawback criteria and the risk of forfeiture over the deferral period. To align the executives with the shareholder experience over the performance period, the total number of rights to be granted in August 2019 as part of the STI is based on the deferred STI amount (plus actual dividends paid in the 2018–19 performance year) divided by the June 2018 volume weighted average price of $14.23.
9 This includes the 2018–19 LTI grant which is subject to malus and clawback criteria and the risk of forfeiture over the deferral period. For Mr Cameron, the LTI granted in 2018–19 has been pro-rated to $1.092 million at face value to reflect the LTI opportunity at cessation of employment ($0.52 million on a fair value basis calculated as the number of performance rights that will remain on-foot after cessation of employment multiplied by the fair value at grant date, assuming the performance measure is met). The full 2018-19 LTI granted to Mr Cameron was $3.5 million at face value ($1.68 million on a fair value basis). For Mr Johnston, the value represents LTI granted in 2018–19 reflecting his previous CFO role and a one-off equity grant awarded in recognition of his acceptance of the Acting CEO role and the increased contribution expected from him over this time. Mr Robson does not participate in the LTI plan.
10 Mr Johnston was appointed Acting CEO during the reporting period and his remuneration was varied effective 26 May 2019. He held the role of CFO for the balance of 2018–19 and served as a KMP for the entire financial year.
11 Mr Robson was appointed Acting CFO during the reporting period and his remuneration was varied effective 26 May 2019. He held the role of Deputy CFO for the balance of 2018-19. Remuneration disclosures above have been pro-rated and reflect the time that he served as KMP in the Acting CFO role.
12 Mr Cameron ceased being a KMP on 26 May 2019. He remains employed in an advisory capacity until 9 August 2019. Remuneration disclosures above have been pro-rated and reflect the time that he served as a KMP. His full 2018–19 incentive (cash) was $262,500 and his full 2018–19 STI (deferred equity) was $277,629.

2. Short-term incentives

The table below outlines the key terms and conditions of the STI plan for 2018–19. Any material changes in the operation of the plan for 2019–20 are also indicated.

Plan	Corporate Incentive Plan
Plan rationale	To incentivise the achievement of key performance measures over a 12-month period that create sustainable value for all stakeholders.
STI opportunity	(see table below)

Executives	Target STI	Maximum STI
Former CEO & Managing Director, Acting CEO[1] and other Senior Executives (excluding the Acting CFO)[2]	100 % of fixed remuneration if targets outlined in scorecards are achieved	150% of fixed remuneration if targets outlined in scorecards are exceeded and stretch performance levels are achieved

Group Scorecard		
Performance category	2018–19 weighting	2019–20 weighting
Financials	60%	50%
Customer	20%	20%
Risk	10%	15%
People and Culture	10%	15%

Performance against the Group Scorecard, as recommended by the People and Remuneration Committee and approved by the Board, heavily influences the size of the STI pool.

Further detail on the Group Scorecard measures, and performance against these measures, is outlined later in this section.

Performance assessment	The former CEO & Managing Director was assessed against the Group Scorecard and other relevant factors as considered by the Board. The Acting CEO and each other Senior Executive (other than the Acting CFO) were assessed based on their individual and their function's contribution towards the achievement of the Group Scorecard, as well as other relevant factors considered by the Board. The Acting CEO's STI for 2018–19 was based on his performance as CFO. Other relevant factors that the Board considers includes customer outcomes, risk management and individual factors such as adherence to the Suncorp behaviours set out in 'Our Compass'. These are the behavioural expectations that the Board believes form a foundation for successful and sustainable performance. The Acting CFO was assessed against pre-determined scorecard measures that were aligned to his remit in the role of Deputy CFO.
Performance period	The 12 months ended 30 June 2019.
Delivery mechanism	(see table below)

Executive	Cash	Share Rights: Deferred over one year	Share Rights: Deferred over two years	Share Rights: Deferred over three years
Former CEO & Managing Director	50%	25%	25%	-
Acting CEO[3] and other Senior Executives	65%	17.5%	17.5%	-
Acting CFO[3]	70%	10%	10%	10%

To focus executives on total shareholder returns from the start of the performance period, the allocation of share rights is determined based on the VWAP one month prior to the start of the performance period. The allocation of share rights also reflects the value of dividends paid over the performance period.

Malus and clawback	The deferred share rights are subject to malus and clawback criteria. See section 5.3 for further information.
Termination of employment	See section 6 for the treatment of STI on termination.

1 For 2018–19, the Acting CEO's target and maximum STI remained at 100 per cent and 150 per cent of his CFO fixed remuneration respectively. For 2019–20, the Acting CEO's target and maximum STI remained at 100 per cent and 150 per cent of fixed remuneration, however it will be based on his Acting CEO fixed remuneration for the proportion of time spent in the year as Acting CEO.
2 For 2018–19, the Acting CFO's target and maximum STI remained at the Deputy CFO level. For 2019–20, the Acting CFO's target STI and maximum STI increased to 100 per cent and 150 per cent of his Acting CFO fixed remuneration for the proportion of time spent in the year as Acting CFO.
3 Given the interim nature of the Acting CEO and Acting CFO roles, the Acting CEO remained on the STI deferral arrangements for Senior Executives, and the Acting CFO remained on the standard deferral arrangements that applied to him as Deputy CFO.

Rationale and weighting for 2018-19 scorecard measures

Outlined below are the scorecard measures and weightings for 2018–19, along with the rationale as to why each scorecard measure was chosen.

Scorecard Category	Scorecard measure	Weighting	Rationale
Financials	Adjusted NPAT	40%	The Board considers Adjusted NPAT to be an appropriate reflection of the Suncorp Group's performance relative to its targets. The measure provides relevant information used internally to evaluate the performance of Suncorp functions, and to analyse trends in revenue and cash-based expenses, based upon controllable items. It is the basis for operational objectives and is used to allocate resources. As a measure of management performance, it is an effective measure for STI. Adjusted NPAT provides stakeholders with a clear understanding of the Group's results. It excludes the effects of a limited range of actions and special items that do not reflect the ordinary earnings of the business. Over time, Adjusted NPAT allows the evaluation of Suncorp's period-over-period operating performance. The Board considers this measure to be useful to shareholders in evaluating the underlying operating performance of the business. Adjusted NPAT has been determined on a consistent basis since 2011–12. Net adjustments over 2018–19 were $122 million (post-tax).
	Cash ROE	20%	Cash ROE is a measure of the Group's profitability and how efficiently Suncorp utilises investments to generate income. Cash ROE considers all controllable and uncontrollable items.
Customer	Key Customer measures	20%	Customer measures are included in the Group Scorecard to align to our purpose to *create a better today for our customers* and as a key consideration in the longer term, sustainable performance of the Group. Proportion of connected customers: Measures the depth of customer relationships through meeting two or more customer needs in different categories (or four products within a single category). Net Promoter Score (NPS) – Consumer and Business: Gauges customers' willingness to recommend Suncorp to others. Number of digital users (million), % of digital claims, and % of new business via digital – Insurance and Banking: Measures customer take-up of digital assets, lodgement of digital claims and increased activations across digital channels. % of Level 1 complaints resolved within five days: Reflects the focus on 'doing the right thing' for customers, resulting in reducing the volume and increasing the efficient resolution of customer complaints. Internal Dispute Resolution bypass rate: Tracks the extent to which Suncorp supports its customers through internal dispute resolution channels thereby reducing the frequency of customers having to pursue external resolution processes.
Risk	Group Risk Maturity measure	10%	This provides an objective measurement that consistently and transparently assesses and tracks the quality of risk management and risk-based performance at a Company level through an aggregated measure of risk maturity which is independently audited.
	Risk Management and Compliance measures		This is an assessment made by the Board based on a dashboard of risk metrics including material regulatory matters, material breaches of the Suncorp Group Risk Appetite Statement tolerances and thresholds, indicators of a risk-aware culture across the Group, and management of conduct risk. It also incorporates external advisor and Board Risk Committee feedback. The metrics provide insights to the Board on the Group's risk culture, compliance practices, incident management and the control environment.
People	Engagement	10%	This measure provides clarity on the quality of the employee experience, and supports optimised workforce performance. High levels of employee engagement mean that Suncorp is better positioned to deliver valued outcomes to its customers and deliver Suncorp's strategy.
	LTIFR		LTIFR provides an indication of the number of injuries that result in lost time for each one million hours worked. Suncorp promotes safety and wellbeing and its Safety Management systems are designed to minimise preventable injury and illness.
	Talent and People Development		This measures the strength of Suncorp's approach to building leadership talent. Effective development and succession planning ensures Suncorp is focused on building the executive capability required to deliver the Business Plan, including valued customer outcomes, today and in the future.
	Organisational culture		This is an assessment made by the Board of the strength of Suncorp's culture, drawing on an organisational culture dashboard which provides qualitative and quantitative data in relation to Customer, Risk and Performance cultural dimensions.

2018–19 Group Scorecard measures and performance outcomes

STRATEGIC DRIVER	MEASURES	ACTUAL PERFORMANCE OUTCOME: Below Target	Target	Target to Maximum	2018–19 ACHIEVEMENT
FINANCIALS					
Deliver targeted Profit after Tax	Adjusted NPAT	✓			The Group delivered an Adjusted NPAT result of $297 million which was below target.
Improve shareholder returns	Cash ROE	✓			Cash ROE for the year was 8.4% which was below target. Cash earnings were impacted by volatile items including natural hazards and investment markets.
CUSTOMER					
Create value for customers	Key Customer Measures		✓		Strong performance across the key customer measures has been driven by sustained momentum in digital throughout the year, in addition to a strong focus on supporting customers through the complaints process during a volatile period in financial services. Good progress was also made in relation to connected customers. Investment in competitive pricing, in addition to sustained marketing activity should support stabilisation of Net Promoter Scores longer term.
RISK					
Manage risk within agreed parameters	Group Risk Maturity Model	✓			Performance against the Group Risk Maturity Model reflected the strength of Suncorp's risk management practices and provides confidence in Suncorp's risk culture.
	Risk Management and Compliance Measures				The Group continues to manage "Severe" level risks well as evidenced by the general effectiveness of our control environment. Core risk and compliance practices will continue to be enhanced with a focus on control management, compliance and action resolution.
PEOPLE					
Maintain an organisational culture that aligns risk, people and customer outcomes	Engagement		✓		The engagement score from the April employee pulse was 60% which is in line with Australian and New Zealand average level of engagement.
	LTIFR				The LTIFR result of 1.3 compares favourably to the most recent industry average of 1.9 and shows Suncorp's commitment to ensuring its people are safe and well.
	Talent and People Development				Talent and development planning for senior roles has strengthened following the introduction of a robust, externally facilitated program undertaken by the SLT and robust talent mapping and assessments for successor roles to the Senior Leadership Team.
	Organisational Culture				Results across the cultural dimensions of Customer, Risk, Performance and Behaviours were as targeted.
OVERALL PERFORMANCE OUTCOME		✓			

Executive STI performance outcomes in 2018–19

Actual STI outcomes for 2018–19 for the executives are outlined below.

	Actual STI Awarded[1]	Target STI[2]	STI award as % of target STI	Maximum STI[3]	STI award as % of maximum STI	% of maximum STI award forfeited	Amount Deferred[4]
	$000	$000		$000			$000
Senior Executives							
S Johnston[5]	390	1,000	39	1,500	26	74	136
D Carter	280	850	33	1,275	22	78	98
G Dransfield	350	1,050	33	1,575	22	78	122
S Harland	340	750	45	1,125	30	70	119
L Harrison	260	600	43	900	29	71	91
P Marlow	330	1,000	33	1,500	22	78	115
A Revis	335	850	39	1,275	26	74	117
J Robson[6]	28	41	67	62	45	55	9
P Smeaton	427	850	50	1,275	33	67	150
F Thompson	305	650	47	975	31	69	107
Former executive director							
M Cameron[7]	473	1,893	25	2,839	17	83	236

1 This is the total actual STI before any deferral. For Mr Cameron and Mr Robson, the actual STI disclosed above has been pro-rated to reflect the time served as KMP in 2018–19. Mr Cameron's full 2018–19 STI awarded was $525,000, being 25% of full-year target.
2 Target STI is 100 per cent of fixed remuneration for the former CEO & Managing Director, Acting CEO and other Senior Executives (excluding Mr Robson). Mr Cameron and Mr Robson's target STI as disclosed above has been pro-rated to reflect the time served as KMP in 2018–19. Mr Cameron's full 2018–19 target STI was $2.1 million.
3 Maximum STI for executives is 150 per cent of the target STI opportunity.
4 50 per cent of the former CEO & Managing Director's STI outcome and 35 per cent of Senior Executives' STI outcome (excluding the Acting CFO) is deferred into share rights for two years with 50 per cent vesting on the first anniversary and 50 per cent vesting on the second anniversary of the date of grant.
Mr Cameron's deferred amount disclosed above has been pro-rated to reflect the time served as KMP in 2018–19. The actual amount deferred is $262,500. For 2018–19, Mr Robson remained on the STI deferral framework for Executive General Managers with 30 per cent deferral into share rights vesting in equal tranches over three years. The deferred amount shown for all executives does not include actual dividends paid in the 2018–19 performance year. See the table in section 1.7 for the total amount deferred including total dividends paid in the 2018–19 performance year.
5 Mr Johnston was appointed Acting CEO during the reporting period and his remuneration was varied effective 26 May 2019. He held the role of CFO for the balance of 2018–19 and was a KMP over the full financial year.
6 Mr Robson was appointed Acting CFO during the reporting period and his remuneration was varied effective 26 May 2019. He became a KMP from this time. He held the role of Deputy CFO for the balance of 2018–19.
7 Mr Cameron ceased being a KMP on 26 May 2019. He remains employed in an advisory capacity until 9 August 2019.

3. Long-term incentives

The table below outlines the key terms and conditions of the LTI plan for 2018–19. Any material changes in the operation of the plan for 2019–20 are also indicated.

Plan	Suncorp Group Equity Incentive Plan. For the purposes of this report, this is referred to as the **LTI plan**.
Plan rationale	To focus executives on creating long-term shareholder value.
LTI opportunity	**Executive** — **LTI** Former CEO & Managing Director — 226,886 performance rights (equating to $3.5 million) were granted in 2018–19. These will be pro-rated to 70,798 rights on cessation of employment (equating to $1.092 million). Senior Executives[1] — 100% of fixed remuneration
LTI instrument	Performance rights. A performance right entitles the executive to one fully paid ordinary share in the Company (or under limited circumstances at the Board's discretion, a cash payment in lieu of an allocation of ordinary shares in the Company) at no cost. Performance rights vest after three years providing service conditions and performance measures are achieved. For awards made in 2018–19 onwards, if performance rights vest, they will convert into vested rights and these rights are required to be held by the executive for a further one-year period. At the end of Year 4, the vested rights are converted to shares. For awards made prior to 2018–19 that are still on-foot, the performance rights will convert into shares after three years, provided the service conditions and performance measures are achieved. To more closely align the experience of the executive to shareholders, a dividend equivalent payment (**DEP**) is made at the end of the four-year deferral period on any vested rights that convert to shares. DEPs are made at the end of the three-year period in relation to LTI awards granted prior to 2018–19 that are still on-foot based on any performance rights that convert to shares.
Allocation	The LTI opportunity is divided by the VWAP of the ordinary share over the five days preceding the date of grant. No discount is applied for the probability of achieving the performance measures.
Performance measure	Relative TSR against a peer group of companies (**Peer Group**). This measure was chosen because it offers a relevant indicator of changes in shareholder value by comparing the Company's return to shareholders against the returns of companies of a similar size and investment profile. It also aligns shareholder returns with reward outcomes for executives over the long term and minimises the impact of market cycles. Executives will only derive value from the LTI awards if the Company's TSR performance is at, or greater than, the 50th percentile (median) of the Peer Group. For 2019–20, Cash ROE has been added as a secondary performance measure to operate alongside relative TSR. Further information on this performance measure will be outlined in the 2019-20 Remuneration Report.
Peer Group	In the absence of a sufficiently sized comparator group of similar sized financial services companies, the Peer Group is the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding real estate investment trusts and mining companies), as determined at the commencement of each grant. If a company in the Peer Group is suspended or delisted from the ASX during the performance period, it may be removed from the Peer Group.
Vesting Schedule	**Relative TSR performance outcomes** — **Percentage of LTI award that will vest** Below the 50th percentile — 0% At the 50th percentile (median) — 50% Between the 50th and 75th percentiles — Pro-rata vesting between the 50th and 75th percentiles At or above the 75th percentile — 100%
Performance and deferral period	Performance period — 3 years Deferral period — 4 years For all LTI awards that were granted prior to 2018–19 and are still on-foot, the performance and deferral period is three years.
Malus and clawback	All performance rights are subject to malus and clawback criteria. See section 5.3 for further information.
Termination provisions	See section 6 for information on the treatment of LTI awards on termination.

1 The Acting CEO's LTI opportunity for 2019–20 continues to be based on 100 per cent of his CFO fixed remuneration. Due to the interim nature of the role, the Acting CFO does not participate in the LTI plan.

Performance summary: 2015–2019

Company performance summary over the five financial years to 30 June 2019

Year ended 30 June	Group NPAT $M[1]	Closing share price $	Dividend per share cents
2019	175[2]	13.47[3]	78
2018	1,059	14.59	81
2017	1,075	14.82	73
2016	1,038	12.18	68
2015	1,133	13.43	88

1 This figure refers to Group NPAT. Adjusted NPAT is the profitability figure used in the STI plan. See section 2 for information on Adjusted NPAT.
2 Group NPAT for 2019 was impacted by the $910 million loss arising from the sale of the Australian Life Business. Cash earnings were $1,115 million.
3 This is the closing share price at 28 June 2019.

Suncorp's TSR over the five financial years to 30 June 2019 was 36.45 per cent.

4. Minimum shareholding requirement

To further align executives' interests with those of shareholders, executives are required to have a minimum shareholding in the Company equivalent to at least 100 per cent of one year's pre-tax (gross) fixed remuneration. From 2019–20, given the change in remuneration structure for the Chief Risk Officer role, the minimum shareholding requirement for this role will reduce to 75 per cent of one year's pre-tax (gross) fixed remuneration.

Executives are required to meet the minimum shareholding requirement four years from the October following their appointment, with 50 per cent to be achieved after two years. The value of the shares for the purposes of this requirement is the market value of the underlying shares.

Based on their shareholding as at 30 June 2019, all executives are on track to meet the shareholding requirement.

Detailed share ownership information for executives and directors is shown in section 8.4.

5. Remuneration governance, risk and conduct

5.1 Remuneration governance framework

The People and Remuneration Committee recommends the Group's people and remuneration framework and practices to the Board for approval. It assists the Board in fulfilling its responsibilities by ensuring that frameworks are in place that enable the Group to attract, motivate and retain talent and support the achievement of strategic objectives.

In 2018–19, remuneration outcomes for the former CEO & Managing Director and Acting CEO were recommended by the People and Remuneration Committee and approved by the Board. For the other Senior Executives, these were recommended by the Chairman of the People and Remuneration Committee, having regard to input provided by the Chief People Experience Officer, endorsed by the People and Remuneration Committee, and approved by the Board.

The People and Remuneration Committee receives input from the Risk Committee, Audit Committee, external advisors and management as illustrated below.

Board

PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee members as at 30 June 2019 are:

Chairman	Simon Machell
Members	Sylvia Falzon
	Sally Herman (Chairman of the Risk Committee)
	Dr Douglas McTaggart (Chairman of the Audit Committee)
Ex-officio member	Christine McLoughlin

The People and Remuneration Committee's responsibilities are outlined in its charter available at **suncorpgroup.com.au/about/corporate-governance.** The People and Remuneration Committee met five times during 2018–19. The biographies of the People and Remuneration Committee Chairman and members are outlined in the Directors' Report.

RISK COMMITTEE

Advises the People and Remuneration Committee on risk matters that may impact remuneration outcomes. This includes providing input into the Group Scorecard goal-setting and performance assessment process.

CHAIRMEN OF RISK COMMITTEE, AUDIT COMMITTEE AND PEOPLE AND REMUNERATION COMMITTEE

Form a recommendation on the release, reduction, lapse or clawback of deferred incentives for the former CEO & Managing Director, Acting CEO and other Senior Executives. This recommendation is made having regard to a report that is prepared by the Chief Risk Officer, with input from the Remuneration Oversight Committee that also consists of the Chief Financial Officer and the Chief People Experience Officer. The Chairman of the People and Remuneration Committee makes a recommendation which is considered for endorsement by the People and Remuneration Committee and approval by the Board.

EXTERNAL ADVISERS

Provide independent advice, as needed, to the People and Remuneration Committee.

No remuneration recommendations were made by a remuneration consultant during 2018–19.

MANAGEMENT

Advises the People and Remuneration Committee based on specialist expertise and business knowledge.

5.2 Remuneration alignment with risk management

Suncorp is committed to effective risk management throughout the Group, with risk management considering both financial and non-financial risks.

During 2018–19, Suncorp introduced a Non-Financial Risk Committee, made up of the Senior Leadership Team, to support the identification, assessment, monitoring, and mitigation of non-financial risks. The introduction of this governance structure complements existing frameworks and processes, and ensures a more holistic approach to the management of risk.

The Enterprise Risk Management Framework (**ERMF**) lays the foundation for all Suncorp's risk management processes. The ERMF seeks to ensure the integration of effective risk management across the Group and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy). All employees are educated on the importance of managing risk and the link between risk management and the outcomes for our customers, employees and shareholders.

The Board sets the risk appetite for the Group and has ultimate responsibility for the effectiveness of the Group's risk management practices. In addition, there are common members between the Board People and Remuneration, Risk, and Audit Committees.

Suncorp develops its strategy and business plan both in consideration of the Group's risk appetite and with regard to the broader external environment.

In determining 'at-risk' remuneration, the Board ensures risk management is considered through:

	APPLICATION: All employees and executives	APPLICATION: Executives only
Separately-weighted risk measures in the Group Scorecard.	✓	
Individual adherence to risk management policies. The application of appropriate risk management practices is assessed to ensure that the former CEO & Managing Director, Acting CEO, other Senior Executives and other employees adhere to the ERMF and the Suncorp Group Risk Appetite Statement and have demonstrated prudent management of the risks that the Group faces. This includes a consideration of both financial and non-financial risks.	✓	
An assessment based on behavioural and cultural measures to ensure performance is aligned to expected ethical standards and employees doing the right thing.	✓	
The Board's application of a judgment overlay on the Group Scorecard outcome, with risk management considered as a key component of the overall performance outcome.	✓	
The hedging prohibition (described below).	✓	
Incorporation of malus and clawback criteria into deferred incentive awards (including LTI awards).	✓	
Deferral of a significant portion of executives' short-term incentive awards.		✓
Requiring executives to meet the minimum shareholding requirement as outlined in section 4.		✓

In determining performance and remuneration outcomes, the People and Remuneration Committee considers all relevant factors to demonstrate alignment with the Group's risk appetite and adherence to effective risk management practices to ensure that long-term financial soundness of outcomes is determined, before the Board makes its final determination of the overall STI pool and individual STI awards for the executives.

Hedging prohibition

The Suncorp Group Securities Trading Policy regulates dealing by directors, employees and contractors in Suncorp securities and prohibits hedging transactions to limit the economic risk of a holding in the Company's securities including unvested rights.

All KMP are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results.

Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy.

Further detail can be found in the 2018–19 Corporate Governance Statement at suncorpgroup.com.au/about/corporate-governance.

5.3 Incentivising desired conduct and applying consequences for misconduct

Desired conduct at Suncorp is incentivised or encouraged in a number of ways, including:

- The structure of the Group Scorecard consisting of a number of scorecard measures across the categories of Financials, Customer, Risk and People and Culture. The purpose is to reflect all of Suncorp's stakeholders;
- Individual scorecards which impact performance ratings and STI payments being based on both the achievement of performance objectives as well as demonstration of desired behaviours; and
- The deferred remuneration arrangements, and minimum shareholding requirement, in place which encourage executives to adopt a longer-term mindset in making decisions.

Consequences for misconduct are particularly seen through:

- The behavioural STI gateway and modifier introduced for 2019–20 linked to the Code of Conduct. This applies to all executives and employees and can lead to an employee's STI being reduced (down to nil) if they do not adhere to the Code of Conduct; and
- The malus and clawback criteria as outlined below.

Malus and clawback

Deferred incentives (including STI deferred awards, LTI unvested awards, and LTI vested awards subject to further deferral) are subject to malus and clawback criteria based on the Board's judgment. During 2018–19, the Board approved expanded malus criteria and introduced clawback criteria.

In summary, malus and clawback criteria enable the Board, in its absolute discretion and subject to compliance with the law, to determine that a participant's deferred incentives will be fully or partially lapsed (malus) during the deferral period or any shares or cash payment allocated on the vesting of vested rights (including any vested dividend amount) will be forfeited (clawback). In exercising its discretion, the Board will consider whether this is desirable to protect the Group's financial soundness or to respond to unforeseen circumstances.

6. Employment agreements – summary

The former CEO & Managing Director and Senior Executives are employed by Suncorp Staff Pty Limited, a wholly-owned subsidiary of the Company, under standard employment agreements with no fixed term.

A summary of the agreements for the former CEO & Managing Director and Senior Executives is outlined below.

	Former CEO & Managing Director	Senior Executives
Notice period/ termination payments	Employer-initiated termination Incapacity: 9 months Misconduct: none All other cases: 12 months Employee-initiated termination: 6 months	Employer-initiated termination Incapacity: 3 months Misconduct: none All other cases: 12 months Employee-initiated termination: 3 months
Treatment of STI cash on termination	Employer-initiated and employee-initiated termination Resignation or redundancy: A cash STI award may be received, subject to performance, at Board discretion. Misconduct: No cash STI will be awarded. All other cases: Board discretion.	
Treatment of STI deferral on termination	Employer-initiated and employee-initiated termination Resignation: Any unvested deferred incentive is forfeited. Redundancy: Any deferred incentive will generally vest at the end of the original deferral period and will remain subject to malus and clawback criteria. Misconduct: All unvested deferred incentives are forfeited. All other cases: Board discretion.	
Treatment of LTI on termination	Unvested equity *Qualifying reason*[1] The Board has the discretion to determine that any unvested LTI performance rights will continue until the relevant vesting dates and remain subject to the performance measures and malus and clawback criteria, unless otherwise determined by the Board. *Non-qualifying reason* All unvested awards are forfeited. Vested rights Any vested rights will continue beyond cessation of employment and convert into shares in the normal course, subject to malus and clawback criteria.	
Treatment of restricted shares on termination[2]	*Qualifying reason*[1] The Board has the discretion to determine that any unvested restricted shares will be pro-rated for the time served in the vesting period and those reduced number of restricted shares will vest at the termination date subject to malus and clawback criteria, unless otherwise determined by the Board. *Non-qualifying reason* All unvested awards are forfeited.	
Change of control	Where a change of control of the Company occurs, deferred STI and a pro-rata award of current year STI may be awarded, and unvested LTI may vest on a pro-rata basis (subject to the satisfaction of applicable performance measures).	Impact of a change of control on remuneration is at Board discretion.

1 This includes death, total and permanent disablement, retirement, redundancy as a result of a Suncorp Group restructure, or any other reason determined by the Board.
2 These shares were granted to some of the executives prior to becoming a KMP.

7. Non-executive director remuneration arrangements

7.1 Remuneration structure

Remuneration component	Description
Fee philosophy	To ensure the Suncorp Group attracts and retains suitably qualified and experienced non-executive directors.
Fee structure	Non-executive directors receive fixed remuneration only, paid as director fees, and do not participate in any performance-based incentive plans. The Chairman receives a fee for chairing the Board and is not paid any additional fees for chairing the Nomination and Customer Committee meetings or attending the Audit, Risk, and People and Remuneration Committee meetings as an ex-officio member. Other non-executive directors receive a base fee and additional fees for each additional Committee chairmanship and membership, excluding the Nomination Committee and the Customer Committee where no additional fee is paid. Fees are based on a number of factors, including the requirements of the role, the size and complexity of the Suncorp Group, and market practice.
Superannuation	Suncorp Group Limited pays compulsory superannuation guarantee contributions (**SGC**) of 9.5% of the director's fee on behalf of all eligible non-executive directors. The Company's general practice is to cap SGC at 9.5% of the Maximum Contribution Base (**MCB**). Superannuation in excess of the MCB is delivered in the form of voluntary additional superannuation contributions or the non-executive director may elect to take this amount as fees. If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.
Aggregate annual fee pool	Non-executive director aggregate fees are within the shareholder-approved maximum aggregate total remuneration limit of $3,500,000 including SGC.
Minimum shareholding requirement	Non-executive directors have four years from the October following their appointment to achieve the minimum shareholding requirement, equivalent to 100% of one year's pre-tax (gross) base fees. A 50% shareholding is required to be achieved after two years. Base fees refer to the Board Chairman fee or Board Member fee only excluding SGC. Based on their shareholding as at 30 June 2019, all non-executive directors are on track to meet this requirement. Detailed share ownership information for the non-executive directors is shown in section 8.4.

7.2 Remuneration levels for non-executive directors

Outlined below are the non-executive director fees for 2018–19. There were no changes to fees over 2018-19.

		Board	Committee[1]		
			Audit	Risk	People and Remuneration[2]
		$000	$000	$000	$000
Chairman fees	Fee	600	60	60	50
	Associated SGC	57	6	6	5
	Total Fee	657	66	66	55
Member fees	Fee	220	30	30	25
	Associated SGC	21	3	3	2
	Total Fee	241	33	33	27

1 No fee is payable for chairmanship or membership of the Nomination Committee. No fee was payable for chairmanship or membership of the Customer Committee in its inaugural year.
2 The People and Remuneration Committee Chairman and Member fees increased to $66,000 and $33,000 respectively (including SGC) for 2019–20. This aligns the People and Remuneration Committee fees to the Audit and Risk Committee fees, recognising the similar workload and complexity associated with each of these committees.

8. KMP statutory remuneration disclosures

8.1 Non-executive director remuneration during 2018–19 and 2017–18

	Year	Short-term benefits		Post-employment benefits		Total
		Salary and fees	Non-monetary benefits[1]	Superannuation - Statutory	Superannuation – Other[2]	
		$000	$000	$000	$000	$000
Non-executive directors						
Christine McLoughlin[3] *Chairman*	2019	526	-	21	29	576
	2018	300	-	20	9	329
Audette Exel AO *Director*	2019	250	-	21	3	274
	2018	250	-	20	4	274
Sylvia Falzon[4] *Director*	2019	198	-	16	3	217
	2018	-	-	-	-	-
Ian Hammond[5] *Director*	2019	183	-	15	2	200
	2018	-	-	-	-	-
Sally Herman *Director*	2019	335	-	21	11	367
	2018	314	-	20	10	344
Simon Machell[6] *Director*	2019	293	6	21	7	327
	2018	243	-	20	3	266
Dr Douglas McTaggart[7] *Director*	2019	387	-	21	16	424
	2018	305	-	20	9	334
Lindsay Tanner *Director*	2019	265	-	21	5	291
	2018	120	-	10	1	131
Former non-executive director						
Dr Ziggy Switkowski AO[8] *Former Chairman*	2019	148	3	6	8	165
	2018	600	-	20	37	657

1 Non-monetary benefits refer to costs met by the Suncorp Group for spouse airfares.
2 Superannuation in excess of the quarterly MCB is delivered in the form of voluntary additional superannuation contributions or the director may elect to take this amount as fees.
3 Ms McLoughlin was appointed Chairman of the Board on 20 September 2018.
4 Ms Falzon was appointed to the Board on 1 September 2018.
5 Mr Hammond was appointed to the Board on 2 October 2018.
6 Mr Machell was appointed Chairman of the People and Remuneration Committee on 20 September 2018.
7 Dr McTaggart is also a member of the New Zealand subsidiary boards.
8 Dr Switkowski retired from the Board on 20 September 2018.

REMUNERATION REPORT

8.2 Executive remuneration during 2018–19 and 2017–18

		Short-term benefits				Post-employment benefits	Long-term benefits			Share-based payments			
		Salary	Cash incentives	Non-monetary benefits[1]	Other[2]	Superannuation benefits	Deferred incentives[3]	Other[4]	Termination benefits[5]	Deferred STI[6]	Equity Granted[7]	Total remuneration	Performance related
		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
Senior Executives													
S Johnston[8]	2019	1,003	254	-	67	21	1	83	-	262	525	2,216	47%
Acting CEO	2018	980	575	-	41	20	10	16	-	266	477	2,385	56%
D Carter	2019	816	182	6	27	21	1	24	-	193	350	1,620	45%
CEO Banking & Wealth	2018	766	450	4	-	20	4	22	-	190	239	1,695	52%
G Dransfield	2019	1,029	228	15	52	21	1	16	-	261	511	2,134	47%
CEO Insurance	2018	1,030	584	13	12	20	9	17	-	275	481	2,441	55%
S Harland	2019	716	221	1	4	21	-	13	-	185	322	1,483	49%
Chief Information Officer	2018	666	414	-	(1)	20	-	12	-	168	235	1,514	54%
L Harrison	2019	579	169	5	6	21	-	9	-	148	199	1,136	45%
Chief Program Excellence Officer	2018	577	357	4	25	20	2	38	-	120	104	1,247	47%
P Marlow	2019	979	215	4	20	21	-	16	-	200	523	1,978	47%
CEO Customer Marketplace	2018	950	556	-	4	20	-	17	-	164	683	2,394	59%
A Revis	2019	816	218	17	(34)	21	1	20	-	216	401	1,676	50%
Chief People Experience Officer	2018	780	473	14	(9)	20	8	13	-	216	381	1,896	57%
J Robson[9] *Acting CFO*	2019	70	19	-	1	-	-	-	-	75	1	166	57%
P Smeaton	2019	844	277	10	1	25	1	-	-	232	408	1,798	51%
CEO New Zealand	2018	804	474	-	(8)	24	6	-	-	222	351	1,873	56%
F Thompson	2019	629	198	8	(21)	21	-	10	-	171	283	1,299	50%
Chief Risk Officer	2018	616	372	7	2	20	2	28	-	161	192	1,400	52%
Former executive director													
M Cameron[10]	2019	1,840	237	24	(28)	21	3	(96)	1,668	1,048	1,778	6,495	47%
Former CEO & Managing Director	2018	2,080	914	28	8	20	19	35	-	793	1,593	5,490	61%

1 Non-monetary benefits include costs met by the Suncorp Group for spouse airfares and rebates on insurance premiums.
2 Other short-term benefits refer to annual leave accruals.
3 The amount of deferred incentives awarded to the former CEO & Managing Director and Senior Executives in 2018–19 relates only to the interest accrued in 2018–19 from the 2015–16 cash-based deferral. The deferred equity portion of the 2018–19 STI is outlined in 'Share-based payments – Deferred STI'.
4 Other long-term benefits refer to long service leave accruals.
5 This includes the payment on cessation of employment that will be paid to Mr Cameron. It represents the balance of his payment in lieu of notice which will be paid in accordance with contractual commitments. Mr Cameron will receive no other benefits on cessation of employment.
6 STI deferred into equity-settled rights is expensed to the profit & loss from the start of the performance period to the end of the deferral period.
7 Equity granted refers to grants under the LTI Plan and RSP. Awards are expensed to the profit & loss based on the fair value at grant date over the period from grant date to vesting date. The assumptions underpinning these valuations are set out in note 11 to the financial statements.
8 Mr Johnston was appointed Acting CEO during the reporting period and his remuneration was varied effective 26 May 2019. He held the role of CFO for the balance of 2018-19 and served as a KMP for the entire financial year.
9 Mr Robson was appointed Acting CFO during the reporting period and his remuneration was varied effective 26 May 2019. He held the role of Deputy CFO for the balance of 2018-19. Remuneration disclosures above have been pro-rated and reflect the time that he served as a KMP.
10 Mr Cameron ceased being a KMP on 26 May 2019. He remains employed in an advisory capacity until 9 August 2019.

8.3 Movement in equity plans

The movement of performance rights, share rights and restricted shares during 2018–19 is outlined below.

	Performance rights/share rights/restricted shares granted[1]			Fair value yet to vest					
	Number	Grant date	Financial year in which grant may vest	Min[2] $	Max[3] $	Market value at date of grant[4] $	Vested in year %	Forfeited in year %	Vested in year Number
Senior Executives									
S Johnston[5]	73,651	1 September 2015	30 June 2019	-	-	-	-	100%	-
	14,221	15 August 2017	30 June 2019	-	-	-	100%	-	14,221
	74,422	1 September 2016	30 June 2020	-	500,116	949,625	-	-	-
	14,220	15 August 2017	30 June 2020	-	192,823	192,823	-	-	-
	11,237	10 August 2018	30 June 2020	-	175,522	175,634	-	-	-
	21,978	30 June 2019	30 June 2020	-	296,044	296,044	-	-	-
	77,214	1 September 2017	30 June 2021	-	443,208	1,008,415	-	-	-
	11,236	10 August 2018	30 June 2021	-	175,169	175,619	-	-	-
	64,824	1 September 2018	30 June 2022	-	575,637	1,004,124	-	-	-
D Carter[6]	6,977	1 September 2015	30 June 2019	-	-	-	-	100%	-
	2,520	1 September 2016	30 June 2019	-	-	-	100%	-	2,520
	8,125	15 August 2017	30 June 2019	-	-	-	100%	-	8,125
	775	15 August 2017	30 June 2019	-	-	-	100%	-	775
	2,520	1 September 2016	30 June 2020	-	32,075	32,155	-	-	-
	42,830	29 June 2017	30 June 2020	-	287,818	645,020	-	-	-
	8,124	15 August 2017	30 June 2020	-	110,161	110,161	-	-	-
	775	15 August 2017	30 June 2020	-	10,509	10,509	-	-	-
	8,786	10 August 2018	30 June 2020	-	137,237	137,325	-	-	-
	774	15 August 2017	30 June 2021	-	10,495	10,495	-	-	-
	57,911	1 September 2017	30 June 2021	-	332,409	756,318	-	-	-
	8,786	10 August 2018	30 June 2021	-	136,974	137,325	-	-	-
	51,859	1 September 2018	30 June 2022	-	460,508	803,296	-	-	-
G Dransfield	62,022	1 September 2015	30 June 2019	-	-	-	-	100%	-
	10,976	1 March 2016	30 June 2019	-	-	-	-	100%	-
	14,935	15 August 2017	30 June 2019	-	-	-	100%	-	14,935
	72,463	1 September 2016	30 June 2020	-	486,951	924,628	-	-	-
	14,934	15 August 2017	30 June 2020	-	202,505	202,505	-	-	-
	11,402	10 August 2018	30 June 2020	-	178.099	178,213	-	-	-
	81,075	1 September 2017	30 June 2021	-	465,371	1,058,840	-	-	-
	11,401	10 August 2018	30 June 2021	-	177,742	178,198	-	-	-
	68,066	1 September 2018	30 June 2022	-	604,426	1,054,342	-	-	-
S Harland	7,672	15 August 2017	30 June 2019	-	-	-	100%	-	7,672
	50,920	1 September 2016	30 June 2020	-	342,182	649,739	-	-	-
	7,672	15 August 2017	30 June 2020	-	104,032	104,032	-	-	-
	8,088	10 August 2018	30 June 2020	-	126,335	126,415	-	-	-
	50,189	1 September 2017	30 June 2021	-	288,085	655,468	-	-	-
	8,087	10 August 2018	30 June 2021	-	126,076	126,400	-	-	-
	45,377	1 September 2018	30 June 2022	-	402,948	702,890	-	-	-
L Harrison[7]	6,216	1 September 2015	30 June 2019	-	-	-	-	100%	-
	2,246	1 September 2016	30 June 2019	-	-	-	100%	-	2,246
	3,073	15 August 2017	30 June 2019	-	-	-	100%	-	3,073
	2,246	1 September 2016	30 June 2020	-	28,587	28,659	-	-	-
	3,073	15 August 2017	30 June 2020	-	41,670	41,670	-	-	-
	6,971	10 August 2018	30 June 2020	-	108,887	108,957	-	-	-
	3,073	15 August 2017	30 June 2021	-	41,670	41,670	-	-	-
	46,328	1 September 2017	30 June 2021	-	265,923	605,044	-	-	-
	6,970	10 August 2018	30 June 2021	-	108,662	108,941	-	-	-
	38,894	1 September 2018	30 June 2022	-	345,379	602,468	-	-	-
P Marlow[8]	52,329	31 March 2017	30 June 2019	-	-	-	100%	-	52,329
	3,859	15 August 2017	30 June 2019	-	-	-	100%	-	3,859
	52,329	31 March 2017	30 June 2020	-	693,359	691,279	-	-	-
	3,859	15 August 2017	30 June 2020	-	52,328	52,328	-	-	-
	10,856	10 August 2018	30 June 2020	-	169,571	169,679	-	-	-
	69,493	1 September 2017	30 June 2021	-	398,890	907,579	-	-	-
	10,855	10 August 2018	30 June 2021	-	169,229	169,664	-	-	-
	64,824	1 September 2018	30 June 2022	-	575,637	1,004,124	-	-	-
A Revis	56,208	1 September 2015	30 June 2019	-	-	-	-	100%	-
	11,380	15 August 2017	30 June 2019	-	-	-	100%	-	11,380
	60,712	1 September 2016	30 June 2020	-	407,985	774,685	-	-	-
	11,379	15 August 2017	30 June 2020	-	154,299	154,299	-	-	-
	9,243	10 August 2018	30 June 2020	-	144,376	144,468	-	-	-
	61,771	1 September 2017	30 June 2021	-	354,566	806,729	-	-	-
	9,243	10 August 2018	30 June 2021	-	144,098	144,468	-	-	-
	51,859	1 September 2018	30 June 2022	-	460,508	803,296	-	-	-

	Performance rights/share rights/restricted shares granted[1]			Fair value yet to vest					
	Number	Grant date	Financial year in which grant may vest	Min[2] $	Max[3] $	Market value at date of grant[4] $	Vested in year %	Forfeited in year %	Vested in year Number
J Robson[9]	7,009	1 September 2015	30 June 2019	-	-	-	-	100%	-
	2,413	1 September 2016	30 June 2019	-	-	-	100%	-	2,413
	3,438	15 August 2017	30 June 2019	-	-	-	100%	-	3,438
	2,413	1 September 2016	30 June 2020	-	30,713	30,786	-	-	-
	3,438	15 August 2017	30 June 2020	-	46,619	46,619	-	-	-
	2,722	10 August 2018	30 June 2020	-	42,518	42,545	-	-	-
	3,437	15 August 2017	30 June 2021	-	46,606	46,606	-	-	-
	2,720	10 August 2018	30 June 2021	-	42,405	42,514	-	-	-
	2,720	10 August 2018	30 June 2022	-	42,296	42,514	-	-	-
P Smeaton	54,269	1 September 2015	30 June 2019	-	-	-	-	100%	-
	11,967	15 August 2017	30 June 2019	-	-	-	100%	-	11,967
	61,406	1 September 2016	30 June 2020	-	412,648	783,541	-	-	-
	11,966	15 August 2017	30 June 2020	-	162,259	162,259	-	-	-
	9,259	10 August 2018	30 June 2020	-	144,626	144,718	-	-	-
	61,771	1 September 2017	30 June 2021	-	354,566	806,729	-	-	-
	9,259	10 August 2018	30 June 2021	-	144,348	144,718	-	-	-
	54,028	1 September 2018	30 June 2022	-	479,769	836,894	-	-	-
F Thompson[10]	5,426	1 September 2015	30 June 2019	-	-	-	-	100%	-
	1,906	1 September 2016	30 June 2019	-	-	-	100%	-	1,906
	204	15 August 2017	30 June 2019	-	-	-	100%	-	204
	7,741	15 August 2017	30 June 2019	-	-	-	100%	-	7,741
	1,906	1 September 2016	30 June 2020	-	24,295	24,321	-	-	-
	34,862	29 June 2017	30 June 2020	-	234,273	525,022	-	-	-
	7,740	15 August 2017	30 June 2020	-	104,954	104,954	-	-	-
	204	15 August 2017	30 June 2020	-	2,766	2,766	-	-	-
	7,263	10 August 2018	30 June 2020	-	113,448	113,521	-	-	-
	204	15 August 2017	30 June 2021	-	2,766	2,766	-	-	-
	46,328	1 September 2017	30 June 2021	-	265,923	605,044	-	-	-
	7,262	10 August 2018	30 June 2021	-	113,215	113,505	-	-	-
	42,136	1 September 2018	30 June 2022	-	374,168	652,687	-	-	-
Former executive director									
M Cameron[11]	226,639	24 September 2015	30 June 2019	-	-	-	-	100%	-
	42,662	15 August 2017	30 June 2019	-	-	-	100%	-	42,662
	235,017	22 September 2016	30 June 2020	-	1,579,314	2,998,817	-	-	-
	42,661	15 August 2017	30 June 2020	-	578,483	578,483	-	-	-
	33,139	10 August 2018	30 June 2020	-	477,864	517,963	-	-	-
	270,251	14 September 2017	30 June 2021	-	1,551,241	3,407,865	-	-	-
	33,138	10 August 2018	30 June 2021	-	476,856	517,947	-	-	-
	226,886	20 September 2018	30 June 2022	-	1,676,688	3,273,965	-	-	-

1 The expiry date for performance rights and the fair value per right can be found in note 11.1 to the financial statements.
2 The minimum value of shares yet to vest is nil, since the service condition or performance measure may not be met and consequently the shares may not vest.
3 For equity-settled performance rights, the maximum value yet to vest is determined as the fair value at grant date, assuming all performance measures are met.
4 Market value at date of grant is calculated based on the number of shares granted multiplied by the closing share price as traded on ASX on the date of grant. Where the date of grant falls on an ASX non-trading day, the closing share price of the preceding trading day is used.
5 Mr Johnston was awarded 21,978 share rights in recognition of his acceptance of the Acting CEO role and the increased contribution expected from him during this time. This award will vest on 26 May 2020, subject to service conditions and the Suncorp Group Equity Incentive Plan Rules.
6 Mr Carter was awarded 7,559 restricted shares prior to commencing as a Senior Executive relating to his previous Executive General Manager role. These shares vest equally over three years from 1 September 2016 and the balance of 2,520 shares will vest on 31 August 2019, subject to meeting the service conditions and the Suncorp Group Equity Incentive Plan Rules.
7 Ms Harrison was awarded 24,755 restricted shares prior to commencing as a Senior Executive relating to her previous Executive General Manager role. The balance of 2,246 shares will vest on 31 August 2019, subject to meeting the service conditions and the Suncorp Group Equity Incentive Plan Rules.
8 Ms Marlow was awarded 156,988 restricted shares upon commencement of employment in recognition of incentives forgone with her previous employer. These shares vest equally over three years from 1 July 2017 and the balance of 52,329 shares will vest after the Closed Period ends following the 2018-19 Annual Results Announcement, subject to meeting service conditions and the Suncorp Group Equity Incentive Plan Rules.
9 Mr Robson was awarded 7,238 restricted shares relating to his previous Executive General Manager role. These shares vest equally over three years from 1 September 2016 and the balance of 2,413 shares will vest on 31 August 2019, subject to meeting the service conditions and the Suncorp Group Equity Incentive Plan Rules.
10 Ms Thompson was awarded 6,884 restricted shares prior to commencing as a Senior Executive relating to previous roles. The balance of 1,906 shares will vest on 31 August 2019, subject to meeting the service conditions and the Suncorp Group Equity Incentive Plan Rules.
11 Mr Cameron's LTI awards will be pro-rated for time served in the performance period upon cessation of employment on 9 August 2019. 70,798 rights (of 226,886 rights) from the 2018 LTI grant and 174,332 rights (of 270,251 rights) from the 2017 LTI grant will remain on foot and will vest subject to the original vesting conditions and the Suncorp Group Equity Incentive Plan Rules.

8.4 Related party transactions

Loans to KMP and their related parties

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of the banking business. All loans have normal commercial terms, which may include employee discounts on the same terms available to all employees of the Suncorp Group. No amounts have been written down or recorded as provisions as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to KMP and their related parties, where the individual's aggregate loan balance exceeded $100,000 at any time during the reporting period, are outlined below.

	2018–19			
	Balance 1 July 2018	Balance 30 June 2019	Interest charged during the year[1]	Highest balance
	$000	$000	$000	$000
Senior Executives				
S Johnston	1,200	1,200	-	1,200
D Carter	783	482	28	783
A Revis	4,595	4,340	148	4,595
P Smeaton	403	1,903	10	1,925

1 The loans may have offset facilities, in which case the interest charged is after the offset. No interest was charged on Mr Johnston's loan as it was fully offset.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Suncorp Group to KMP and their related parties, and the number of individuals in each group, are outlined below.

	2018–19		
	KMP	Other related parties	Total
	$000	$000	$000
Opening balance	5,931	1,050	6,981
Closing balance	5,227	2,698	7,925
Interest charged	173	13	186
	Number	Number	Number
Number of individuals at 30 June 2019	4	2	6

Movement in securities held by KMP

The movement during the reporting period in the number of securities in the Company held directly, indirectly or beneficially by each of the KMP, including their related parties, is outlined below.

			1 July 2018 – 30 June 2019			
		Balance 1 July 2018	Received as remuneration[1]	Purchases (sales)	Other changes[2]	Balance 30 June 2019
		Number	Number	Number	Number	Number
Non-executive directors						
C McLoughlin	Ordinary shares	26,000	-	24,000	-	50,000
A Exel AO	Ordinary shares	17,253	-	-	989	18,242
S Falzon	Ordinary shares	-	-	5,260	2,340	7,600
I Hammond	Ordinary shares	-	-	15,377	3,741	19,118
S Herman	Ordinary shares	20,000	-	6,000	-	26,000
S Machell	Ordinary shares	30,000	-	5,000	-	35,000
Dr D McTaggart	Ordinary shares	26,408	-	-	1,514	27,922
L Tanner	Ordinary shares	2,200	-	3,900	-	6,100

REMUNERATION REPORT

			1 July 2018 – 30 June 2019			
		Balance 1 July 2018 Number	Received as remuneration[1] Number	Purchases (sales) Number	Other changes[2] Number	Balance 30 June 2019 Number
Senior Executives[3]						
S Johnston	Ordinary shares	72,879	14,221	-	-	87,100
	Unvested securities	253,728	109,275	-	(87,872)	275,131
D Carter	Ordinary shares	39,239	11,420	2,101	721	53,481
	Unvested securities	131,331	69,431	-	(18,397)	182,365
G Dransfield[4]	Ordinary shares	75,568	14,935	-	2,951	93,454
	Unvested securities	256,405	90,869	-	(87,933)	259,341
S Harland	Ordinary shares	19,584	7,672	-	-	27,256
	Unvested securities	116,453	61,552	-	(7,672)	170,333
L Harrison	Ordinary shares	28,249	5,319	-	-	33,568
	Unvested securities	66,255	52,835	-	(11,535)	107,555
P Marlow	Ordinary shares	52,330	56,188	-	-	108,518
	Unvested securities	181,869	86,535	-	(56,188)	212,216
A Revis[5]	Ordinary shares	36,862	11,380	-	29	48,271
	SUNPF Capital Notes	1,962	-	-	-	1,962
	Unvested securities	201,450	70,345	-	(67,588)	204,207
J Robson	Ordinary shares	-	-	-	8,263	8,263
	Unvested securities	-	-	-	17,450	17,450
P Smeaton	Ordinary shares	31,122	11,967	-	-	43,089
	Unvested securities	201,379	72,546	-	(66,236)	207,689
F Thompson[6]	Ordinary shares	5,505	9,851	-	-	15,356
	Unvested securities	106,521	56,661	-	(15,277)	147,905
Former non-executive director						
Dr Z Switkowski AO	Ordinary shares	311,599	-	(201,599)	(110,000)[7]	-
Former executive director[3]						
M Cameron	Ordinary shares	255,000	42,662	-	(297,662)[8]	-
	Unvested securities	817,230	293,163	-	(1,110,393)[8]	-

1 For the Senior Executives and former executive director, remuneration includes performance rights granted under the LTI plan, restricted shares granted under the RSP and share rights granted as part of the STI award which only vest subject to the satisfaction of specified service conditions and performance measures (as applicable).
2 'Other changes' for the non-executive directors relate to equity held at commencement for those appointed as KMP after 30 June 2018, equity held on retirement for those that ceased as KMP during 2018-19, and dividend plan allotments during 2018-19. 'Other changes' for the Senior Executives and former executive director relate to equity awards that vested or were forfeited during 2018-19, equity held at commencement for those appointed as KMP after 30 June 2018, equity held on termination for those that ceased as KMP during 2018-19 and dividend plan allotments during 2018-19.
3 The number of unvested securities disclosed for the Senior Executives and former executive director refers to the performance rights granted under the LTI Plan, restricted shares granted under the RSP and share rights granted as part of the STI award (as applicable). Accordingly, beneficial entitlement of those unvested securities remains subject to satisfaction of specified service conditions and performance measures (as applicable).
4 'Other changes' in ordinary shares for Mr Dransfield relate to participation in the Dividend Reinvestment Plan.
5 'Other changes in ordinary shares for Ms Revis relate to participation in the Dividend Reinvestment Plan.
6 'Other changes' in ordinary shares for Ms Thompson relate to participation in the Equity Participation Plan.
7 'Other changes' in ordinary shares for Dr Switkowski AO represent securities held upon retirement from the Board.
8 'Other changes' in ordinary shares and unvested securities for Mr Cameron represent securities held on 26 May 2019, being the day he ceased to be a KMP. Of the unvested securities held, 480,147 performance rights remain subject to performance measures.

Directors and executives of the Company and their related parties received normal distributions on these securities. Details of the directors' interests in the Company at the date of signing this financial report are also disclosed in section 3 of the Directors' Report.

Other KMP transactions

Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) between the Suncorp Group and executives and their related parties during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions were on commercial terms and conditions no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature.

Transactions other than financial instrument transactions

No director or Senior Executive has entered into a material contract with the Company or Suncorp Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Other transactions with executives and their related parties are conducted on arm's length terms and conditions that are no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

This Remuneration Report is prepared in accordance with a resolution of the Board of Directors.

CHRISTINE MCLOUGHLIN

Chairman of the Board

7 August 2019

DR DOUGLAS MCTAGGART

Director

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Financial statements

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Lead auditor's independent declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Suncorp Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Suncorp Group Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Kells
Partner

Sydney
7 August 2019

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of comprehensive income

For the financial year ended 30 June 2019

	Note	2019 $M	2018 $M
Revenue			
Insurance premium income		9,979	9,681
Reinsurance and other recoveries income		1,716	819
Interest income on financial assets not at fair value through profit or loss	9	2,523	2,503
Interest income on financial assets at fair value through profit or loss	9	449	456
Net gains on financial assets and liabilities at fair value through profit or loss		246	153
Dividend and trust distribution income		97	34
Fees and other income		550	544
Total revenue		15,560	14,190
Expenses			
Claims expense and movement in policyowner liabilities		(7,917)	(6,651)
Outwards reinsurance premium expense		(1,176)	(1,138)
Underwriting and policy maintenance expenses		(2,172)	(2,097)
Interest expense on financial liabilities not at fair value through profit or loss	9	(1,392)	(1,344)
Interest expense on financial liabilities at fair value through profit or loss	9	(75)	(88)
Impairment loss on loans and advances	16.2	(13)	(27)
Impairment loss on goodwill and other intangible assets	17	(13)	-
Amortisation and depreciation expense		(169)	(175)
Fees, overheads and other expenses		(1,036)	(1,142)
Outside beneficial interests in managed funds		(72)	(119)
Total expenses		(14,035)	(12,781)
Profit before income tax		1,525	1,409
Income tax expense	12.1	(449)	(440)
Profit after tax from continuing operations		1,076	969
(Loss) profit after tax from discontinued operations	35.1	(881)	103
Profit for the financial year		195	1,072
Profit for the period attributable to:			
Owners of the Company		175	1,059
Non-controlling interests		20	13
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges	25	20	16
Net change in debt investments at fair value through other comprehensive income	25	3	-
Net change in fair value of available-for-sale financial assets	25	-	(12)
Net change in net investment hedge of foreign operations	25	(3)	1
Exchange differences on translation of foreign operations	25	35	(36)
Related income expense	25	(6)	(1)
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses) gains on defined benefit plans		(22)	2
Related income tax benefit (expense)		6	(1)
Total other comprehensive income (loss)		33	(31)
Total comprehensive income for the financial year		228	1,041
Total comprehensive income for the financial year attributable to:			
Owners of the Company		208	1,028
Non-controlling interests		20	13
Earnings per share		Cents	Cents
Basic earnings per share	3	13.54	82.17
Diluted earnings per share	3	13.54	80.54
Basic earnings per share from continuing operations		81.68	74.10
Diluted earnings per share from continuing operations		79.77	72.98

Prior year comparatives have been adjusted for discontinued operations. The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2019

	Note	2019 $M	2018 $M
Assets			
Cash and cash equivalents	27.2	1,086	1,165
Receivables due from other banks	27.2	499	474
Trading securities	13	1,227	1,639
Derivatives	14	666	256
Investment securities	13	19,243	22,706
Loans and advances	15	59,154	58,598
Premiums outstanding	31.2(a)	2,802	2,668
Reinsurance and other recoveries	31.2(b)	2,656	2,377
Deferred reinsurance assets		898	834
Deferred acquisition costs		723	706
Gross policy liabilities ceded under reinsurance	21	21	528
Property, plant and equipment		208	211
Deferred tax assets	12.3	242	203
Goodwill and other intangible assets	17	5,460	5,722
Other assets		1,350	1,246
Total assets		96,235	99,333
Liabilities			
Payables due to other banks	27.2	353	148
Deposits and short-term borrowings	18	46,190	45,550
Derivatives	14	456	207
Amounts due to reinsurers		776	747
Payables and other liabilities		1,980	2,062
Current tax liabilities	12.2	62	68
Unearned premium liabilities	19.1	5,123	5,036
Outstanding claims liabilities	20	10,611	10,176
Gross policy liabilities	21	-	2,721
Deferred tax liabilities	12.3	155	129
Managed funds units on issue		847	1,285
Securitisation liabilities	28.3	3,831	4,848
Debt issues	22	10,358	9,854
Loan capital	23	2,360	2,529
Total liabilities		83,102	85,360
Net assets		13,133	13,973
Equity			
Share capital	24	12,889	12,863
Reserves	25	207	135
Retained profits		17	965
Total equity attributable to owners of the Company		13,113	13,963
Non-controlling interests		20	10
Total equity		13,133	13,973

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

For the financial year ended 30 June 2019

	Note	Share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total equity $M
		Equity attributable to owners of the Company					
Balance as at 1 July 2017		12,766	161	855	13,782	8	13,790
Profit for the financial year		-	-	1,059	1,059	13	1,072
Total other comprehensive (loss) income for the financial year		-	(32)	1	(31)	-	(31)
Total comprehensive (loss) income for the financial year		-	(32)	1,060	1,028	13	1,041
Transactions with owners, recorded directly in equity							
Dividends paid	4	-	-	(942)	(942)	(11)	(953)
Shares issued	24	77	-	-	77	-	77
Share-based payments	24	10	-	-	10	-	10
Treasury share movements	24	10	-	-	10	-	10
Movement in non-controlling interests without a change in control		-	-	(2)	(2)	-	(2)
Transfers	25	-	6	(6)	-	-	-
Balance as at 30 June 2018		12,863	135	965	13,963	10	13,973
Impact on initial application of AASB 9 (net of tax)	2.2	-	16	(23)	(7)	-	(7)
Restated balance as at 1 July 2018		12,863	151	942	13,956	10	13,966
Profit for the financial year		-	-	175	175	20	195
Total other comprehensive income (loss) for the financial year		-	49	(16)	33	-	33
Total comprehensive income for the financial year		-	49	159	208	20	228
Transactions with owners, recorded directly in equity							
Dividends paid	4	-	-	(1,062)	(1,062)	(10)	(1,072)
Share-based payments	24	7	-	-	7	-	7
Treasury share movements	24	19	-	-	19	-	19
Movement in non-controlling interests without a change in control		-	-	(15)	(15)	-	(15)
Transfers	25	-	7	(7)	-	-	-
Balance as at 30 June 2019		12,889	207	17	13,113	20	13,133

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the financial year ended 30 June 2019

	Note	2019 $M	2018 $M
Cash flows from operating activities			
Premiums received		11,174	11,627
Claims paid		(8,175)	(8,825)
Interest received		3,034	3,040
Interest paid		(1,485)	(1,421)
Reinsurance and other recoveries received		1,556	2,134
Outwards reinsurance premiums paid		(1,448)	(1,568)
Fees and other operating income received		482	491
Dividends and trust distributions received		115	56
Fees and operating expenses paid		(3,367)	(3,785)
Income tax paid		(373)	(497)
Net increase in operating assets			
Trading securities		412	(119)
Loans and advances		(596)	(3,426)
Net increase in operating liabilities			
Deposits and short-term borrowings		513	414
Net cash from (used in) operating activities	27.1	1,842	(1,879)
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		32,191	31,587
Payments for acquisition of investment securities		(31,939)	(32,108)
(Payments for) proceeds from other investing activities		(435)	392
Payments for other investing activities		(61)	(111)
Disposal of discontinued operation		182	-
Net cash used in investing activities		(62)	(240)
Cash flows from financing activities			
Proceeds from debt issues and securitisation liabilities	27.3	3,117	5,297
Repayment of debt issues and securitisation liabilities	27.3	(3,903)	(2,959)
Proceeds from issue of loan capital	27.3	600	60
Payment on call of loan capital	27.3	(770)	(245)
Payments for other financing activities		(25)	(31)
Dividends paid		(1,062)	(865)
Net cash (used in) from financing activities		(2,043)	1,257
Net decrease in cash and cash equivalents		(263)	(862)
Cash and cash equivalents at the beginning of the financial year		1,491	2,357
Effect of exchange rate fluctuations on cash held		4	(4)
Cash and cash equivalents at the end of the financial year	27.2	1,232	1,491

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes and is inclusive of discontinued operations, refer to note 35.2.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements

For the financial year ended 30 June 2019

1 Reporting entity

Suncorp Group Limited (the **Company**) is a public company domiciled in Australia. Its registered office is at Level 28, 266 George Street, Brisbane, Qld, 4000.

The consolidated financial statements for the financial year ended 30 June 2019 comprise the Company and its subsidiaries (the **Suncorp Group, Suncorp** or the **Group**) and were authorised for issue by the Board on 7 August 2019.

The Group's principal activities during the financial year were the provision of insurance and banking and wealth products and services in Australia and New Zealand.

2 Basis of preparation

The Suncorp Group is a for-profit entity and its consolidated financial statements have been prepared on the historical cost basis, unless the application of fair value measurements is required by the relevant accounting standards.

These consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency and the functional currency of the majority of its subsidiaries.

As the Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016, all financial information presented has been rounded to the nearest one million dollars unless otherwise stated.

The consolidated statement of financial position is prepared in a liquidity format. In the notes, amounts expected to be recovered or settled no more than 12 months after the reporting period are classified as 'current', otherwise they are classified as 'non-current'.

Significant accounting policies applied in the preparation of these consolidated financial statements are set out in note 38.

Where necessary, comparatives have been re-presented to conform to changes in presentation in the current year. This includes changes due to the classification of the Australian Life Business[1] as discontinued operations under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (**AASB 5**). For details on the sale of the Australian Life Business refer to note 35.

AASB 9 *Financial Instruments* (**AASB 9**) has been applied from 1 July 2018 and the option not to restate prior period financial statements was elected. The change in classification, measurement and impairment resulting from the adoption of AASB 9 was recognised in the 1 July 2018 opening retained earnings and other appropriate equity reserves as disclosed in note 2.2.

2.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001* (Cth) (**Corporations Act**). The consolidated financial statements comply with International Financial Reporting Standards (**IFRS**) and Interpretations issued by the International Accounting Standards Board.

1 The Australian Life Business incorporates the performance of the Australian Life Insurance and Participating Wealth Business (Suncorp Life & Superannuation Limited).

2.2 Implementation of AASB 9

AASB 9 was issued in December 2014 and replaces AASB 139 *Financial Instruments: Recognition and Measurement* (**AASB 139**). It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce a forward-looking expected credit loss impairment model, and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. The Group has applied all sections of AASB 9 from 1 July 2018 except for hedge accounting.

The International Accounting Standards Board is currently working on a project on dynamic risk management, which will heavily impact hedge accounting for macro hedges. AASB 9 currently provides an option to continue to apply AASB 139 hedge accounting rules until this project is finalised. Suncorp Group has elected to continue to apply AASB 139 for hedge accounting until there is clarity around the additional changes.

For updates to significant accounting policies, please refer to note 38.6 and 38.12.

Transitional impact on implementation of AASB 9

The implementation of AASB 9 resulted in the following financial assets and financial liabilities being reclassified or remeasured:

- Cash and cash equivalents and receivables due from other banks were reclassified from loans and receivables to amortised cost.
- Trading securities: financial assets designated at fair value through profit or loss were reclassified to 'financial assets at fair value through profit or loss' (**FVTPL**).
- Investment securities that were measured as available-for-sale and held-to-maturity were reclassified to 'fair value through other comprehensive income' (**FVOCI**).
- The impairment provision for loans and advances was remeasured due to adoption of the expected credit losses (**ECL**) model.
- Offshore commercial papers disclosed within the consolidated statement of financial position caption 'deposits and short-term borrowings' continued to be measured at FVTPL under AASB 9; however fair value changes resulting from the issuer's own credit risk will be recognised in other comprehensive income, with all other changes in fair value continuing to be recognised in profit and loss.

No financial assets or liabilities classified as FVTPL under AASB 139 were reclassified to amortised cost or FVOCI under AASB 9. There were no other changes to the classification and measurement of other financial assets or liabilities not listed above and as disclosed in note 36.21 of the consolidated financial report for the financial year ended 30 June 2018.

The following table outlines the quantitative impact from the initial application of AASB 9 for trading and investment securities, gross loans and advances, and the provision for impairment on loans and advances. It includes the effect on reserves and retained profits as a result of remeasurement. Cash and cash equivalents, receivables due from other banks, and offshore commercial papers are excluded from the table as the effect on initial adoption of AASB 9 was insignificant. The transition to AASB 9 increased the Group's net deferred tax assets by $3 million.

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	Trading and investment securities $M	Gross loans and advances $M	Provision for impairment on loans and advances $M	Reserves $M	Retained profits $M
Closing balance as at 30 June 2018 under AASB 139	24,345	58,728	130	135	965
Closing balance is comprised of:					
FVTPL (mandatory)	1,639	-	-	-	-
FVTPL (designated)	18,648	-	-	-	-
Available-for-sale	3,544	-	-	6	-
Held-to-maturity	514	-	-	-	-
Amortised cost	-	58,728	-	-	-
Equity reserve for credit losses	-	-	-	88	-
Other reserves	-	-	-	41	-
Reclassification on 1 July 2018					
From FVTPL (designated) (AASB 139)[1]	(18,648)	-	-	-	-
From available-for-sale (AASB 139)[2]	(3,544)	-	-	(6)	-
From held-to-maturity (AASB 139)[3]	(514)	-	-	-	-
To FVOCI - debt instrument (AASB 9)[2&3]	4,058	-	-	6	-
To FVTPL (mandatory) (AASB 9)[1]	18,648	-	-	-	-
Remeasurement on 1 July 2018					
From held-to-maturity at amortised cost (AASB 139) to FVOCI (debt instrument)[3]	10	-	-	7	-
Increase in expected credit losses[4]	-	-	20	9	(23)
Opening balance as at 1 July 2018 under AASB 9	24,355	58,728	150	151	942
Opening balance is comprised of:					
FVTPL (mandatory)	20,287	-	-	-	-
FVOCI - debt instrument	4,068	-	-	13	-
Amortised cost	-	58,728	-	-	-
Equity reserve for credit losses	-	-	-	97	-
Other reserves	-	-	-	41	-

1 Investment securities held by the insurance business were designated at FVTPL under AASB 139 as they are linked to insurance liabilities at FVTPL to reduce an accounting mismatch. This designation has been revoked under AASB 9 and the assets are mandatorily classified as FVTPL as they are managed on a fair value basis.
2 The majority of investment securities that were classified as available-for-sale under AASB 139 are debt instruments consisting of bonds issued by Government and Semi-Government authorities, Residential Mortgage-Backed Securities (**RMBS**) as well as investment-graded banking bonds that meet the regulatory requirements of High Quality Liquid Assets (**HQLA**). The Group holds these assets to manage its ongoing liquidity needs and comply with Australian Prudential Regulation Authority (**APRA**) regulations. Therefore, they meet the business model of both collecting contractual cash flows and selling financial assets and are classified as FVOCI under AASB 9. The existing available-for-sale reserve has been reclassified to a FVOCI reserve.
3 Investment securities classified as held-to-maturity under AASB 139 contain mainly bonds and RMBS that meet the definition of HQLA and are held for regulatory purposes. While sale of these assets were restricted under AASB 139, the Group intends to manage these assets as part of its liquidity reserve and will be both collecting contractual cash flows and selling financial assets and therefore will classify these assets as FVOCI under AASB 9.
4 The Group implemented an ECL model which led to an increase in the collective provision for loans and advances. The impact on financial asset categories other than loans and advances is considered immaterial.

2.3 Implementation of AASB 15 *Revenue from Contracts with Customers* (AASB 15)

AASB 15 was issued in December 2014 and provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and additional disclosures about revenue. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts*, and related interpretations. The Group has applied AASB 15 from 1 July 2018, however the overall effect of the implementation of AASB 15 was not material to the Group.

For updates to significant accounting policies, please refer to note 38.3.

2.4 Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Significant estimates, judgments and assumptions are discussed in the following notes:

— impairment of goodwill and other intangible assets (refer to note 17.1)
— liability adequacy test relating to general insurance contracts (refer to note 19.2)
— general insurance outstanding claims liabilities and assets arising from reinsurance contracts (refer to note 20.3, 20.4 and 20.5)
— valuation of financial instruments (refer to note 28.1)
— specific and collective provisions for impairment (refer to note 31.1(e))
— contingent assets and liabilities (refer to note 37).

3 Earnings per share (EPS)

	2019 $M	2018 $M
Profit attributable to ordinary equity holders of the Company (basic)	175	1,059
Interest expense on convertible preference shares[1]	15	25
Interest expense on convertible capital notes[1]	30	25
Profit attributable to ordinary equity holders of the Company (diluted)	220	1,109
	No of shares	No of shares
Weighted average number of ordinary shares (basic)	1,292,897,633	1,288,766,728
Effect of conversion of convertible preference shares[1]	30,356,101	45,659,555
Effect of conversion of convertible capital notes[1]	56,917,690	42,613,794
Weighted average number of ordinary shares (diluted)	1,380,171,424	1,377,040,077

1 Capital notes and preference shares will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations as per AASB 133 *Earnings per share*.

4 Dividends

	2019		2018	
	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares				
2018 final dividend (2018: 2017 final dividend)	40	519	40	517
2018 special dividend	8	104	-	-
2019 interim dividend (2018: 2018 interim dividend)	26	338	33	428
2019 special dividend	8	104	-	-
Dividends paid on treasury shares		(3)		(3)
Total dividends on ordinary shares paid to owners of the Company	82	1,062	73	942
Dividends not recognised in the consolidated statement of financial position[1]				
Dividends determined since reporting date				
2019 final dividend (2018: 2018 final dividend)	44	571	40	519
2019 special dividend (2018: 2018 special dividend)	-	-	8	104
	44	571	48	623
Dividend franking account[2]				
Amount of franking credit available for use in subsequent financial years excluding the effects of dividends determined since reporting date		304		385

1 The 2019 final dividend determined but not recognised in the consolidated statement of financial position, is estimated based on the total number of ordinary shares on issue without taking into account treasury shares as at 30 June 2019. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2020 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.
2 The 2019 final dividend determined is expected to reduce the dividend franking accounting balance by $245 million (2018: $272 million).

5 Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the CEO and his immediate executive team, representing the Suncorp Group's Chief Operating Decision Maker (**CODM**), in assessing performance and determining the allocation of resources.

5.1 Operating segments

The Suncorp Group comprises the following operating segments.

Reportable segments	Segment information
Insurance	– Design, manufacture and delivery of general insurance products and services to customers in Australia. – Key products include home and contents, motor, marine, travel, commercial property, industrial special risk, public liability and professional indemnity, workers' compensation, compulsory third party, loan protection, equity and cash benefit.
Banking & Wealth	– Design, manufacture and delivery of banking, financial planning, and superannuation and fund administration services to customers in Australia. – Key products include commercial, agribusiness, small business, home and personal loans, savings and transaction accounts, foreign exchange, treasury products and services, superannuation, funds administration services and financial planning.
Suncorp New Zealand	– Design, manufacture and delivery of general and life insurance products to customers in New Zealand. – Key products include home and contents, motor, commercial property, public liability and professional indemnity, life, trauma, total and permanent disablement and income protection.
Corporate	– Investment of the Suncorp Group's capital, Suncorp Group business strategy activities (including business combinations and divestments) and Suncorp Group shared services.

Only profit or loss information is reviewed by the CODM at an operating segment level.

Segment results presented below are measured on a consistent basis to how they are reported to the CODM:

- Revenues and expenses occurring between segments are subject to contractual agreements between the legal entities comprising each segment.
- Inter-segment transactions, which are eliminated on consolidation, are reported on a gross basis. An exception exists for operating expenses incurred by one segment on behalf of another, which are recharged on a cost-recovery basis, and are presented on a net basis (post allocation basis).
- Intra-group dividends are presented net of eliminations.
- Consolidated gain or loss on sale of subsidiaries and joint ventures and any amortisation of material business combination acquired intangible assets are allocated to the Corporate segment.
- Amortisation and depreciation expenses relating to the Corporate segment's property, plant, equipment and non-business combination acquired intangible assets and marketplace acceleration expenses are allocated to other segments based on their utilisation.

The sale of the Australian Life Business impacted both the Insurance and Banking & Wealth segment. Goodwill held within the Corporate segment, however, is allocated to each operating segment on a consistent basis to goodwill impairment testing. The write-off of goodwill and transaction costs are incurred in the Corporate segment. For details on the sale of the Australian Life Business refer to note 35.

	Insurance $M	Banking & Wealth $M	Suncorp New Zealand $M	Corporate $M	Total $M
2019					
External revenue	11,444	2,899	1,932	70	16,345
Inter-segment revenue	12	32	1	-	45
Total segment revenue	11,456	2,931	1,933	70	16,390
Segment revenue continuing operations	10,684	2,833	1,933	70	15,520
Segment revenue discontinued operations	772	98	-	-	870
Segment profit (loss) before income tax	826	487	332	(1,143)	502
Segment income tax (expense) benefit	(237)	(97)	(87)	114	(307)
Segment profit (loss) after income tax	589	390	245	(1,029)	195
Segment profit (loss) after tax continuing operations	588	364	245	(121)	1,076
Segment profit (loss) after tax discontinued operations	1	26	-	(908)	(881)
Other segment disclosures					
Interest revenue[1]	373	2,582	41	27	3,023
Interest expense[1]	(28)	(1,384)	(3)	(54)	(1,469)
Amortisation and depreciation expense	(51)	(64)	(11)	(43)	(169)
Impairment loss on loans and advances	-	(13)	-	-	(13)
Impairment of goodwill [1]	-	-	-	(149)	(149)
Goodwill	4,190	254	287	-	4,731

	Insurance $M	Banking & Wealth $M	Suncorp New Zealand $M	Corporate $M	Total $M
2018					
External revenue	10,675	2,964	1,667	19	15,325
Inter-segment revenue	12	2	1	35	50
Total segment revenue	10,687	2,966	1,668	54	15,375
Segment revenue continuing operations	9,589	2,808	1,668	54	14,119
Segment revenue discontinued operations	1,098	158	-	-	1,256
Segment profit (loss) before income tax	1,057	573	190	(243)	1,577
Segment income tax (expense) benefit	(318)	(184)	(55)	52	(505)
Segment profit (loss) after income tax	739	389	135	(191)	1,072
Segment profit (loss) after tax continuing operations	655	374	135	(195)	969
Segment profit (loss) after tax discontinued operations	84	15	-	4	103
Other segment disclosures					
Interest revenue[1]	383	2,585	40	47	3,055
Interest expense[1]	(34)	(1,346)	-	(92)	(1,472)
Amortisation and depreciation expense	(52)	(61)	(14)	(48)	(175)
Impairment loss on loans and advances	-	(27)	-	-	(27)
Goodwill	4,309	285	281	-	4,875

1 Interest revenue, interest expense and impairment of goodwill in the above table includes balances in relation to the Australian Life Business.

5.2 Reconciliation of reportable segment revenues and profit before income tax

	2019	2018	2019	2018
	Revenue		Profit before income tax	
	$M	$M	$M	$M
Segment total	16,390	15,375	502	1,577
Consolidation adjustments relating to intra-group investment income	86	97	(4)	(3)
Other consolidation eliminations	(46)	(26)	4	3
Attributable to discontinued operations	(870)	(1,256)	1,023	(168)
Consolidated total	15,560	14,190	1,525	1,409

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5.3 Geographic segments

Suncorp Group operates predominantly in one geographical segment, which is Australia. Other business activities take place in New Zealand, which is represented by the Suncorp New Zealand operating segment.

5.4 Major customers

The Suncorp Group is not reliant on any external individual customer for 10 per cent or more of the Suncorp Group's revenue.

6 Underwriting result from general insurance contracts

	Note	2019 $M	2018 $M
Net earned premium			
Direct premium income		9,748	9,462
Outwards reinsurance premium expense		(1,139)	(1,103)
		8,609	8,359
Net incurred claims			
Claims expense		(7,782)	(6,528)
Reinsurance and other recoveries revenue		1,680	789
	7	(6,102)	(5,739)
Underwriting expenses			
Acquisition costs		(1,420)	(1,367)
Other underwriting expenses		(656)	(628)
		(2,076)	(1,995)
Reinsurance commission and other revenue		113	117
Underwriting result from general insurance contracts		544	742

7 Net incurred claims from general insurance contracts

	2019			2018		
	Current year $M	Prior year $M	Total $M	Current year $M	Prior year $M	Total $M
Gross claims incurred and related expenses						
Undiscounted	8,394	(988)	7,406	7,569	(1,099)	6,470
Discount movement	(74)	450	376	(153)	211	58
Gross claims incurred discounted	8,320	(538)	7,782	7,416	(888)	6,528
Reinsurance and other recoveries						
Undiscounted	(1,922)	301	(1,621)	(1,184)	436	(748)
Discount movement	19	(78)	(59)	30	(71)	(41)
Reinsurance and other recoveries	(1,903)	223	(1,680)	(1,154)	365	(789)
Net incurred claims	6,417	(315)	6,102	6,262	(523)	5,739

The $315 million decrease in prior year net provisions is primarily due to yield curve movements and valuation releases arising from favourable claim experience. The sensitivity of net profit to changes in claims assumptions, experience and risk margins is set out in note 20.5.

8 Sources of operating profit from life insurance and other contracts

	2019			2018		
	Life insurance contracts $M	Other contracts $M	Total statutory funds $M	Life insurance contracts $M	Other contracts $M	Total statutory funds $M
Shareholder's operating profit after tax in the statutory funds						
Represented by:						
Investment earnings on shareholder's retained profits and capital	25	-	25	31	-	31
Emergence of shareholder's planned profits	62	-	62	60	1	61
Experience (loss) profit	(19)	-	(19)	15	-	15
Losses reversed (capitalised)	(33)	-	(33)	28	-	28
Management services profit	-	3	3	-	1	1
	35	3	38	134	2	136
Policyowners' operating profit after tax in the statutory funds						
Represented by:						
Investment earnings on retained profits	6	-	6	14	-	14
Emergence of policyowners' planned profits	87	-	87	49	-	49
Experience (loss) profit	(3)	-	(3)	(4)	-	(4)
Losses reversed (capitalised)	(8)	-	(8)	-	-	-
	82	-	82	59	-	59

The above table contains the operating profit for discontinued operations for the Australian Life Business (Suncorp Life & Superannuation Limited (**SLSL**)) until 28 February 2019 and operating profit for continuing operations for Asteron Life Limited (**ALLNZ**) for the entire financial year.

A policyowner is one who holds a policy with the Life companies. The shareholder represents the Life companies' interest in the statutory funds. A statutory fund is a fund of a life company that relates solely to the life insurance business of that life company as defined by the *Life Insurance Act 1995* (**Life Act**) or the *Insurance (Prudential Supervision) Act 2010* (**NZ Life Act**).

9 Net interest income

	2019 $M	2018 $M
Interest income		
Cash and cash equivalents	5	6
Receivables due from other banks	1	3
Investment securities at fair value through other comprehensive income[1]	127	-
Investment securities not at fair value through profit or loss[1]	-	143
Loans and advances	2,388	2,349
Other financial assets at amortised cost	2	2
Interest income on financial assets and liabilities not at fair value through profit or loss	2,523	2,503
Trading securities	29	27
Investment securities at fair value through profit or loss	420	429
Interest income on financial assets and liabilities at fair value through profit or loss	449	456
Total interest income	2,972	2,959
Interest expense		
Deposits and short-term borrowings at amortised cost	(833)	(822)
Securitisation liabilities	(135)	(119)
Debt issues	(312)	(284)
Loan capital	(112)	(119)
Interest expense on financial assets and liabilities not at fair value through profit or loss	(1,392)	(1,344)
Deposits and short-term borrowings designated at fair value through profit or loss	(48)	(39)
Derivatives	(27)	(49)
Interest expense on financial assets and liabilities at fair value through profit or loss	(75)	(88)
Total interest expense	(1,467)	(1,432)
Net interest income	1,505	1,527

1 Investment securities were classified as available-for-sale and held-to-maturity for the financial year ended 30 June 2018 and the entire balance transitioned into fair value through other comprehensive income in the current period.

10 Employee benefits

The following employee expenses have been included in the consolidated statement of comprehensive income under the line items: 'Claims expense and movement in policyowner liabilities', 'Underwriting and policy maintenance expenses', and 'Fees, overheads and other expenses'. The below table shows continuing and discontinued operations.

	2019 $M	2018 $M
Wages, salaries, share-based payments and other staff costs[1]	1,775	1,838
Defined contribution superannuation expenses	109	112
Total employee expenses	1,884	1,950

1 Includes $21,441,000 (2018: $24,348,000) relating to equity-settled share-based payment transactions.

11 Share-based payments

Eligible employees of the Suncorp Group have the right to participate in the Group's share plans. Shares offered in these share plans are granted by the Company over its own shares to employees of the Company's subsidiaries.

The Suncorp Group operates a number of employee equity plans. Shares required for the equity plans are acquired by a special purpose trustee and/or custodial companies in ordinary trading on the Australian Securities Exchange (**ASX**). Shares can only be granted or issued under the plans if the number to be granted or issued will not exceed 5 per cent of the Company's total shares on issue when aggregated with the number of shares granted or issued during the previous five years for all share plans operated by the Company.

11.1 Long-term incentives (performance rights)

Long-term incentives (**LTI**) are performance rights granted to eligible executives. These are equity-settled and in limited circumstances cash-settled at the Board's discretion. The Board determines the value of shares granted (offered) based on the executive's remuneration and individual performance. Vested shares carry full entitlement to dividends from the grant date (less any taxes paid/payable by the Plan Trustee in respect of such dividends).

Vesting of LTI is subject to service conditions and a performance hurdle being met during the performance period. The performance hurdle is based on the Company's total shareholder returns (**TSR**) against the TSR of a peer comparator group, which is the top 50 listed companies by market capitalisation in the Standard & Poor's /ASX 100 (excluding mining companies and Real Estate Investment Trusts) as determined at the commencement of each grant. If a company in the peer comparator group is suspended or delisted from the ASX during the performance period, it may be removed from the peer comparator group. There may, therefore, be fewer than 50 companies in the peer comparator group for that period. No LTI will vest unless the Company achieves a relative TSR of 50th percentile (median) or above. Any performance rights not vested at the end of the performance period are forfeited. Further details on TSR and the vesting schedule and other terms and conditions can be found in section 3 of the Remuneration Report.

The fair value of services received in return for LTI granted is measured by reference to the fair value of the shares granted. The estimate of the fair value of the shares is measured based on a Monte Carlo simulation pricing model and reflects the fact that vesting of the shares is dependent on meeting performance criteria based on TSR. The vesting of the shares is also subject to non-market conditions but these are not taken into account in the grant date fair value measurement of the services received.

Inputs into the model include expected volatility which is based on the historic volatility of the Company's share price, dividend yield and a risk-free interest rate based on Australian Government bonds. The inputs for measurement of grant date fair value and the number of unvested performance rights at the financial year end are as follows.

	Inputs for measurement of fair value at grant date						2019	2018
Grant date	Fair value at grant date	Share price	Expected volatility	Vesting period	Risk-free interest rate		Number of shares unvested	Number of shares unvested
1 September 2015	$6.16	$12.52	18%	3 years	1.76%		-	697,291
24 September 2015	$5.61	$12.38	18%	3 years	1.86%		-	226,639
23 March 2016	$6.16	$11.87	18%	3 years	1.76%		-	25,971
1 September 2016	$6.72	$12.76	20%	3 years	1.43%		419,990	419,990
22 September 2016	$6.72	$12.76	20%	3 years	1.43%		235,017	235,017
29 March 2017	$6.72	$13.25	20%	2.4 years	1.43%		16,694	16,694
29 June 2017	$6.72	$15.06	20%	2.2 years	1.43%		77,692	77,692
1 September 2017	$5.74	$13.06	20%	3 Years	1.98%		603,378	603,378
21 September 2017	$5.74	$13.06	20%	3 Years	1.98%		270,251	270,251
1 September 2018	$8.88	$15.49	19%	3 Years	2.00%		506,698	-
20 September 2018	$7.39	$14.43	19%	3 Years	2.16%		226,886	-
							2,356,606	2,572,923

The number of performance rights granted during the financial year was 733,584 (2018: 1,053,282).

11.2 Other equity-settled share plans

The Suncorp Group operates other equity-settled share plans that are not subject to performance conditions. Key features are set out below.

Equity plans	Share rights plan	Suncorp employee share plan (tax exempt)	Suncorp equity participation plan	Short-term incentive (STI) deferred plan
Eligible plan participant	Employees in senior roles below executive level that satisfy the eligibility criteria and executives as endorsed by the Board	Employees not eligible for LTI awards	Employees can elect to participate	CEO, Senior Leadership Team (SLT) and Executive General Manager (EGM) level roles
Basis of share grant/issue	Value of the share rights granted is determined by the Board based on the employee's remuneration and individual performance	Market value of shares up to $1,000 per employee per year may be granted by the Board based on the Suncorp Group's overall performance	Employees fund the acquisition of shares to be held under this Plan from their pre-tax remuneration up to a maximum value of $5,000 per year	Total amount of the STI is in the form of rights to shares approved by the Board, based on Group and individual performance and determined prior to the ex-dividend date
Vesting	Subject to remaining in employment with the Suncorp Group until the vesting date and not having given notice of intention to resign	Fully vested, not subject to forfeiture	As the acquisition of shares is funded through the employee's remuneration, the shares are fully vested at the date of acquisition	CEO and SLT: 2-year vesting period with 1/2 of the deferred incentive vesting on the 1st and 2nd anniversary EGMs: 3-year vesting period with 1/3 of the deferred incentive vesting on the 1st, 2nd and 3rd anniversary
Dividend entitlements	Full entitlement to dividend equivalents paid on vesting, equal to the notional net dividends earned on vested shares over the deferral period	Full entitlement to dividend from when the shares are acquired and held in the Plan	Full entitlement to dividend from when the shares are acquired and held in the Plan	Full entitlement to dividend equivalents paid on vesting, equal to the notional net dividends earned on vested shares over the deferral period
Fair value	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date	Market value of the shares on the date they were acquired	Market value of the shares on the date they were acquired	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date

226,799 share rights (2018: 259,106 shares) at fair value $3,387,000 (2018: $3,372,000) were granted during the financial year. A dividend yield of 5.3 per cent (2018: 5.5 per cent) is used in the calculation of the fair value per share.

The total number of shares acquired through the Suncorp Equity Participation Plan was 175,043 (2018: 195,812), with a fair value of $2,395,000 (2018: $2,670,000).

The Board approved a grant to each eligible employee of ordinary shares of the Company to the value of $500 (2018: $750) under the Suncorp Employee Share Plan (tax exempt) for the financial year. These shares will be acquired on-market for allocation to employees by the share plan in December 2019 (2018: October 2018).

Under the STI deferred plan, share rights are offered to eligible employees in August following completion of the performance period. The total number of share rights offered during the year was 547,802 (2018: 657,583), at a total fair value of $8,543,000 (2018: $8,577,000). The fair value of the STI deferred plan is expensed from the start of the performance period to the end of the deferral period. Total expense of $8,295,000 (2018: $6,857,000) relating to the STI deferred plan is included in 'Fees, overheads and other expenses' in the consolidated statement of comprehensive income.

12 Income tax

12.1 Income tax expense

	2019 $M	2018 $M
Reconciliation of prima facie to actual income tax (benefit) expense		
Profit before tax from continuing operations	1,525	1,409
(Loss) profit before tax from discontinued operations	(1,023)	168
Profit before income tax	502	1,577
Prima facie domestic corporate tax rate of 30% (2018: 30%)	151	473
Effect of tax rates in foreign jurisdictions	(7)	(4)
Effect of income taxed at non-corporate tax rate – Life companies	1	2
Tax effect of amounts not deductible (assessable) in calculating taxable income:		
Non-deductible expenses	219	24
Non-deductible expenses – Life companies	21	28
Amortisation of intangible assets	6	6
Dividend adjustments	16	18
Tax exempt revenues	(11)	(13)
Current year rebates and credits	(21)	(25)
Prior year over provision	(72)	(7)
Other	4	3
Total income tax expense on pre-tax profit	307	505
Total income tax expense on pre-tax profit from continuing operations	449	440
Total income tax (benefit) expense on pre-tax (loss) profit from discontinued operations	(142)	65
Effective tax rate from continuing operations	29.4%	31.2%
Total effective tax rate	61.2%	32.0%
Income tax (benefit) expense recognised in (loss) profit consists of:		
Current tax (benefit) expense		
Current tax movement	412	487
Current year rebates and credits	(21)	(25)
Adjustments for prior financial years	(60)	6
Total current tax expense	331	468
Deferred tax (benefit) expense		
Origination and reversal of temporary differences	(9)	50
Adjustments for prior financial years	(15)	(13)
Total deferred tax (benefit) expense	(24)	37
Total income tax expense	307	505

The effective tax rate of 61.2 per cent (2018: 32.0 per cent) was primarily driven by the accounting loss on sale of Suncorp Life & Superannuation Limited. The accounting loss on sale is not deductible for tax purposes.

The prior year over provision has significantly reduced income tax expense due to rebalancing of portfolios within the Australian Life Business. This adjustment resulted in reduced income tax expense of $69 million which is partially offset by movement in policy liabilities of $54 million.

Australia

In Australia, the income tax expense is partly determined on a product basis and partly determined on a profit basis. The income tax expense has been determined after aggregating various classes of business, each with different tax rates. The statutory rates of taxation applicable to the taxable income of significant classes of business are as follows.

	2019 %	2018 %
Applicable tax rates for classes of business		
Annuity and pension business (Segregated Exempt Assets)	Exempt	Exempt
Complying superannuation business (includes Virtual Pooled Superannuation Trust)	15	15
Ordinary class of business	30	30
Shareholder funds	30	30

New Zealand

In New Zealand, a corporate tax rate of 28 per cent (2018: 28 per cent) applies for all classes of business.

12.2 Current tax liabilities and receivables

	2019 $M	2018 $M
Net current tax liability at the beginning of the financial year	68	97
Income tax paid net of refunds	(373)	(497)
Current year tax on operating profit	391	462
Adjustment for prior financial years	(60)	6
Net current tax liability at the end of the financial year	26	68
Balance at the end of the financial year relating to:		
Current tax receivables[1]	(36)	-
Current tax liabilities	62	68
	26	68

1 Current tax receivables are included in 'Other assets' in the consolidated statement of financial position.

12.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following.

	2019 Deferred tax assets $M	2018 Deferred tax assets $M	2019 Deferred tax liabilities $M	2018 Deferred tax liabilities $M	2019 Net $M	2018 Net $M
Trading securities and investment securities	-	-	127	76	(127)	(76)
Property, plant and equipment	26	11	-	-	26	11
Intangible assets	-	-	24	26	(24)	(26)
Provision for impairment on financial assets	50	51	-	-	50	51
Outstanding claim liabilities	91	87	-	-	91	87
Employee benefits	88	104	-	-	88	104
Other items	165	86	182	163	(17)	(77)
Deferred tax assets and liabilities	420	339	333	265	87	74
Set-off of tax	(178)	(136)	(178)	(136)	-	-
Net deferred tax assets	242	203	155	129	87	74

Movement in deferred tax balances during the financial year:

	2019 Deferred tax assets $M	2018 Deferred tax assets $M	2019 Deferred tax liabilities $M	2018 Deferred tax liabilities $M
Balance at the beginning of the financial year	339	349	265	244
Movement recognised in profit or loss	94	(13)	70	24
Movement recognised in other comprehensive income	9	(1)	9	1
Movement recognised in transactions with owners directly in equity	-	4	-	-
Acquisition/disposal of subsidiaries	(24)	-	(18)	-
Foreign currency exchange movement and other	2	-	7	(4)
Balance at the end of the financial year	420	339	333	265

Unrecognised deferred tax assets

Deferred tax assets arising from capital losses have not been recognised as a net deferred tax asset to the extent recovery of the capital losses is not probable at 30 June 2019:

	2019 Gross amount $M	2019 Tax effect $M	2018 Gross amount $M	2018 Tax effect $M
Tax losses carried forward	98	29	-	-

13 Trading and investment securities

	2019 $M	2018 $M
Trading securities		
Interest-bearing securities		
Bank bills, certificates of deposits and other negotiable securities – current	1,227	1,639
Investment securities		
Financial assets at fair value through profit or loss		
Interest-bearing securities	13,628	15,976
Equity securities	347	1,317
Unit trusts	1,314	1,355
	15,289	18,648
Financial assets at fair value through other comprehensive income		
Interest-bearing securities	3,954	-
Available-for-sale financial assets		
Interest-bearing securities	-	3,544
Held-to-maturity financial assets		
Interest-bearing securities	-	514
Total investment securities	19,243	22,706
Current	14,721	18,195
Non-current	4,522	4,511
Total investment securities	19,243	22,706

14 Derivative financial instruments

	2019		2018	
	Asset $M	Liability $M	Asset $M	Liability $M
Interest rate				
Non-hedge accounting	112	65	49	45
Hedge accounting	288	362	71	110
	400	427	120	155
Interest rate and foreign exchange				
Non-hedge accounting	2	2	-	-
Hedge accounting	227	-	54	21
	229	2	54	21
Foreign exchange				
Non-hedge accounting	35	14	80	30
Hedge accounting	-	2	-	-
	35	16	80	30
Credit Contracts				
Non-hedge accounting	2	11	2	1
	2	11	2	1
Total derivative exposures				
Non-hedge accounting	151	92	131	76
Hedge accounting	515	364	125	131
	666	456	256	207

Derivatives are used by the Group to manage interest rate and foreign exchange risk. Non-hedge accounting derivatives are those derivatives which are either not designated in a qualifying hedge accounting relationship, or acquired or incurred principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit or position taking. Hedge accounting derivatives are those derivatives that are designated in a qualifying hedge accounting relationship. Refer to note 38.8 for the Group's accounting policy for derivatives and hedge accounting.

Derivatives used primarily include over-the-counter (**OTC**) interest rate swaps, cross currency swaps, forward foreign exchange contracts, options, and exchange traded interest rate futures.

To prevent derivatives being used as a source of gearing, all derivatives have to be wholly or partly cash covered depending on the type of risk undertaken. Derivative restrictions are designed to either prevent gearing or to cover unrealised and potential losses on all derivatives to guard against potential liquidity shortfalls. Counterparty risk procedures are in place for OTC type derivatives.

As at 30 June 2019 there was no significant counterparty exposure to any one single entity, other than normal clearing house exposures associated with dealings through recognised exchanges (2018: none).

The Group uses forward foreign exchange contracts to economically hedge its exposure to foreign exchange risk arising from its US dollar commercial paper portfolio (within Deposits and short-term borrowings, refer to note 18). These forward contracts are not designated in a hedge accounting relationship.

14.1 Derivative financial instruments – hedge accounting

Type of hedge	Fair value hedge	Cash flow hedge	Net investment hedge
Objective	To hedge changes in fair value of financial assets and liabilities arising from interest rate risk	To hedge variability in cash flows from recognised financial assets and liabilities arising from interest rate and foreign currency risk	To hedge changes in foreign currency exposure arising from foreign operations of the Group
Hedged risk	Interest rate risk	Interest rate risk Foreign exchange risk	Foreign exchange risk (spot)
Hedging instruments	Pay fixed / receive variable interest rate swaps Receive fixed / pay variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Receive fixed / pay variable interest rate swaps for financial assets Pay fixed / receive variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Pay variable foreign currency / receive variable local currency on cross currency swaps
Hedged item	Fixed interest financial assets and liabilities	Variable interest financial assets and liabilities	Foreign operations
Economic relationship test	Matched terms	Regression analysis	Regression analysis
Hedge effectiveness testing	Cumulative dollar offset Hedge ratio 1:1	Cumulative dollar offset Hedge ratio 1:1	Regression analysis Hedge ratio 1:1
Potential sources of ineffectiveness	Mainly mismatches in terms of the hedged item and the hedging instrument	Mainly mismatches in terms of the hedged item and the hedging instrument as well as prepayment risk	Mainly mismatches in terms of the hedged item and the hedging instrument. For example, basis risks and cash flows in the cross-currency swap

Hedging of fluctuations in interest rates

The Suncorp Group seeks to minimise volatility in net interest income through the use of interest rate derivatives, primarily vanilla interest rate swaps. The aggregate earnings exposure to interest rates is managed within Board-approved risk limits. At reporting date, there are 25 (2018: 20) interest rate swaps designated in fair value hedges to hedge the Group's exposure to changes in the fair value of fixed rate investment securities caused by movements in interest rates. All other interest rate swaps designated as hedges are cash flow hedges. Interest rate swaps designated in cash flow hedges hedge the Group's exposure to variability of cash flows on variable rate financial assets and liabilities caused by movements in interest rates.

Hedging of fluctuations in foreign exchange rates

The Suncorp Group ensures that the net exposures are kept to an acceptable level through participation in the foreign exchange markets. Cross currency interest rate swaps (**CCIRS**) are designated in hedge relationships using the split approach. Under this approach the benchmark interest rate risk and foreign exchange risk on principal components of the swap are accounted for as a fair value hedge and the other components as a cash flow hedge.

Hedges of net investments in foreign operations

In the financial year ended 30 June 2018, the Group entered into a floating-for-floating plus margin CCIRS with an external counterparty. The CCIRS is designated as part of the Group's net investment in foreign operations.

The hedged risk is the exposure to currency translation due to changing of the NZD against the AUD exchange rate that will result in volatility of the carrying amount of some of Suncorp Group's net investment in the New Zealand subsidiary.

The following table shows the maturity profile for hedging instruments by notional amount, reported based on their contractual maturity.

	2019 Notional				2018 Notional			
	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Interest rate risk								
Fair value hedge	-	620	446	1,066	-	530	391	921
Cash flow hedge	13,396	25,149	625	39,170	11,376	29,028	771	41,175
Interest rate and foreign exchange risk								
Fair value and cash flow hedge	1,082	2,231	-	3,313	663	2,262	-	2,925
Foreign exchange risk								
Net investment hedge	-	55	-	55	-	-	55	55

The following table shows amounts related to designated hedging instruments, including the fair value changes for the period used as the basis for calculating hedge ineffectiveness.

	Carrying amount assets $M	Carrying amount liabilities $M	Gains/ (losses) on hedging instruments $M	Gains/ (losses) attributable to hedged risk $M	Hedge ineffectiveness in profit and (loss)[1] $M
2019					
Interest rate risk					
Fair value hedge - interest rate swaps	-	92	(52)	52	-
Cash flow hedge - interest rate swaps	288	270	29	(28)	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	227	-	190	(190)	-
Foreign exchange risk					
Net investment hedge	-	2	(3)	2	-
Total	515	364	164	(164)	-
2018					
Interest rate risk					
Fair value hedge - interest rate swaps	-	39	8	(8)	-
Cash flow hedge - interest rate swaps	71	71	15	(14)	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	54	21	116	(115)	-
Foreign exchange risk					
Net investment hedge	-	-	1	(1)	-
Total	125	131	140	(138)	-

1 Hedge ineffectiveness is recognised as part of 'Other income' in the consolidated statement of comprehensive income.

The following table shows amounts relating to designated hedged items:

	Carrying amount $M	Accumulated fair value hedge adjustments[1] $M	Accumulated balances in reserves[2] $M	Amounts reclassified from reserves to profit or (loss)[3] as: Hedged cash flows will no longer occur $M	Hedged item has affected profit or (loss) $M
2019					
Interest rate risk					
Fair value hedge					
Investment securities	1,069	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	25,475	n/a	558	-	-
Deposits and short-term borrowings	28,716	n/a	(565)	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Debt issues	3,538	12	(2)	-	-
Foreign exchange risk					
Net investment hedge					
Net investment in foreign operation	55	-	2	-	-
2018					
Interest rate risk					
Fair value hedge					
Investment securities	968	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	29,756	n/a	(4)	-	-
Deposits and short-term borrowings	31,240	n/a	(29)	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Debt issues	2,954	(74)	5	-	-
Foreign exchange risk					
Net investment hedge					
Net investment in foreign operation	55	-	(1)	-	-

Note: n/a – not applicable
1 The accumulated amount of fair value hedge adjustments remaining on the statements of financial position for hedged items that have ceased to be adjusted for hedging gains and losses is $nil (2018: $nil).
2 There is $nil (2018: $nil) remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.
3 Amounts reclassified from reserves to profit or loss are included as part of 'Fees and other income' in the consolidated statement of comprehensive income.

The table below shows the average executed price or rate of the hedging instrument for interest rate exposures:

	2019	2018
Interest rate swaps:		
AUD average fixed interest rate		
Hedging investment securities	3.61%	3.77%
Hedging loans and advances	2.20%	2.28%
Hedging deposits and short-term borrowings	2.07%	2.26%
Cross currency swaps:		
Average AUD/USD exchange rate	0.7480	0.7652
Average fixed interest rate USD	2.68%	2.39%

15 Loans and advances

	Note	2019 $M	2018 $M
Financial assets at amortised cost			
Housing loans		47,811	47,604
Consumer loans		149	175
Retail loans		47,960	47,779
Business loans		11,333	10,937
Other lending		3	12
Non-retail loans		11,336	10,949
Gross loans and advances		59,296	58,728
Provision for impairment	16	(142)	(130)
Net loans and advances		59,154	58,598
Current		11,127	10,831
Non-current		48,027	47,767
Net loans and advances		59,154	58,598

16 Provision for impairment on financial assets

16.1 Reconciliation of provision for impairment on financial assets

Reconciliation of provision for impairment

The table below shows the reconciliation of the new ECL for the financial year ended 30 June 2019. Please refer to note 38.12 for the definition of each stage.

	Collective provision				
Consolidated	Stage 1 - 12-month ECL $M	Stage 2 - Lifetime ECL $M	Stage 3 - Lifetime ECL $M	Stage 3 - Specific provision $M	Total $M
Total provision for impairment on loans and advances as at 1 July 2018[1]	37	37	29	39	142
Transfers:					
Transfer to stage 1	8	(6)	(2)	-	-
Transfer to stage 2	(2)	6	(4)	-	-
Transfer to stage 3	-	(4)	1	3	-
New and increased provisions	17	20	19	13	69
Write-back of provisions no longer required	(24)	(17)	(11)	(12)	(64)
Specific provisions written off	-	-	-	(8)	(8)
Unwind of discount	-	-	-	(4)	(4)
Total provision for impairment on loans and advances as at 30 June 2019	36	36	32	31	135
Total provision for impairment on commitments and guarantees as at 1 July 2018[1]	7	1	-	-	8
New and increased provisions	3	-	-	-	3
Write-back of provisions no longer required	(4)	-	-	-	(4)
Total provision for impairment on commitments and guarantees as at 30 June 2019	6	1	-	-	7
Total provision for impairment as at 30 June 2019	42	37	32	31	142

1 The opening balance at 1 July 2018 presented in the table above is inclusive of the $20 million transitional adjustment detailed in note 2.2.

As stated in note 2, the 30 June 2019 prior period comparatives have not been restated and are shown below. Note 2.2 provides a reconciliation of the impact on the transition to AASB 9.

	2018 $M
Collective provision	
Balance at the beginning of the financial year	96
Write-back against impairment losses	(5)
Balance at the end of the financial year	91
Specific provision	
Balance at the beginning of the financial year	44
New and increased individual provisioning	37
Write-back of provisions no longer required	(15)
Impaired provision written off	(23)
Unwind of discount	(4)
Balance at the end of the financial year	39
Total provision for impairment	130

Reconciliation of gross carrying amount of loans and advances

The following table shows the effect of movements in the gross carrying amount of loans and advances in different stages during the financial year ended 30 June 2019.

Consolidated	Stage 1 - 12-month ECL $M	Stage 2 - Lifetime ECL $M	Stage 3 - Lifetime collective ECL $M	Stage 3 - Specific provision $M	Total $M
Gross carrying amount as at 1 July 2018	56,130	1,907	568	123	58,728
Transfers:					
Transfer to stage 1	728	(644)	(84)	-	-
Transfer to stage 2	(1,110)	1,225	(115)	-	-
Transfer to stage 3	(221)	(218)	400	39	-
New loans and advances originated or purchased	8,471	-	-	-	8,471
Loans and advances derecognised during the period including write-offs	(7,367)	(365)	(131)	(40)	(7,903)
Gross carrying amount as at 30 June 2019	56,631	1,905	638	122	59,296
Provision for impairment	(42)	(37)	(32)	(31)	(142)
Net carrying amount as at 30 June 2019	56,589	1,868	606	91	59,154

16.2 Impairment loss on financial assets

	2019 $M	2018 $M
Increase (decrease) in collective provision for impairment	-	(5)
Increase in specific provision for impairment	5	22
Bad debts written off	9	13
Bad debts recovered	(1)	(3)
Total impairment loss on loans and advances	13	27

The principal amount outstanding on loans and advances that were written off and are still subject to enforcement activity during the reporting period is $2 million.

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17 Goodwill and other intangible assets

	Goodwill $M	Brands $M	Customer contracts & other relationships $M	Outstanding claims liabilities intangible $M	Software $M	Internally generated software in development $M	Total $M
2018							
Gross carrying amount	5,292	655	1,278	187	807	21	8,240
Accumulated amortisation and impairment losses	(417)	(285)	(1,199)	(165)	(452)	-	(2,518)
Balance at the end of the financial year	4,875	370	79	22	355	21	5,722
Movements in intangible assets							
Balance at the beginning of the financial year	4,881	391	109	25	331	84	5,821
Acquisitions	-	-	-	-	5	27	32
Amortisation	-	(21)	(30)	(3)	(71)	-	(125)
Transfers	-	-	-	-	90	(90)	-
Foreign currency exchange movement	(6)	-	-	-	-	-	(6)
Balance at the end of the financial year	4,875	370	79	22	355	21	5,722
Maximum remaining useful life	Indefinite	39 years	9 years	9 years	9 years	n/a	
2019							
Gross carrying amount[1]	5,292	632	949	187	805	5	7,870
Accumulated amortisation and impairment losses[1]	(561)	(282)	(894)	(168)	(505)	-	(2,410)
Balance at the end of the financial year	4,731	350	55	19	300	5	5,460
Movements in intangible assets							
Balance at the beginning of the financial year	4,875	370	79	22	355	21	5,722
Acquisitions	-	-	3	-	-	8	11
Amortisation	-	(20)	(27)	(3)	(70)	-	(120)
Impairment loss[2]	(149)	-	-	-	(9)	-	(158)
Transfers	-	-	-	-	24	(24)	-
Foreign currency exchange movement	5	-	-	-	-	-	5
Balance at the end of the financial year	4,731	350	55	19	300	5	5,460
Maximum remaining useful life	Indefinite	38 years	8 years	8 years	8 years	n/a	

1 The Group derecognised the cost and accumulated depreciation of fully depreciated intangible assets in relation to sale of the Australian Life Business.
2 The write-off of goodwill includes $145 million related to the sale of the Australian Life Business which has been recognised as a discontinued operation. Refer to note 35.

17.1 Impairment test for cash-generating units containing goodwill

For the purpose of the annual impairment test, goodwill is allocated to groups of cash-generating units (**CGUs**) which represent the Suncorp Group's operating segments (refer to note 5.1). The carrying amount of each CGU is then compared to its recoverable amount. The accounting policy relating to impairment testing for CGUs containing goodwill is included in note 38.12(b).

The value of goodwill allocated to each of the Banking & Wealth and Suncorp New Zealand operating segments is not significant in comparison to Suncorp Group's total carrying amount of goodwill. The value of goodwill allocated to each group of CGUs is disclosed in note 5.1.

The recoverable amount for the banking CGU, within the Banking & Wealth operating segment, is determined based on fair value less cost to sell, using an earnings multiple applicable to that type of business.

The recoverable amount for the general insurance CGUs, within the Insurance operating segment, is its value in use and is determined by the sum of the present value of future cash flows expected from the general insurance CGUs.

Value in use for the general insurance CGUs

The recoverable amount of each general insurance CGU is its value in use and is determined by discounting the future cash flows generated from the continuing use of the units and are based on the three-year business plans approved by the Board, projected for years four and five based on key assumptions to cover a five-year period. A terminal growth rate of 2.5 per cent (2018: 2.5 per cent) is used to extrapolate cash flows beyond the five-year projections which does not exceed the long-term average growth rate for the industry.

The key assumptions for general insurance CGUs include gross earned premium growth, projected insurance loss ratios, operating expense growth, and expected operational and regulatory capital levels. The cash flow projections and values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of data.

For the general insurance CGUs the weighted average cost of capital is used as the post-tax discount rate. The discount rates reflect an equity beta and a market risk premium sourced from observable market inputs.

Discount rates	2019		2018	
	Post-tax %	Pre-tax equivalent %	Post-tax %	Pre-tax equivalent %
Insurance	7.8	9.9	7.9	10.1

18 Deposits and short-term borrowings

	2019 $M	2018 $M
Financial liabilities at amortised cost		
Call deposits	22,141	19,796
Term deposits	16,401	18,272
Short-term securities issued	5,376	5,442
Total deposits and short-term borrowings at amortised cost	43,918	43,510
Financial liabilities designated at fair value through profit or loss		
Offshore commercial paper	2,272	2,040
Total deposits and short-term borrowings	46,190	45,550
Current	45,959	45,308
Non-current	231	242
Total deposits and short-term borrowings	46,190	45,550

Deposits and short-term borrowings outstanding at 30 June 2019 of $302 million (2018: $301 million) have been obtained under repurchase agreements with the Reserve Bank of Australia (**RBA**) and disclosed within the above category of 'Short-term securities issued'.

The Group has elected to recognise its US Commercial Paper portfolio at fair value through the profit or loss on the basis that it is economically hedged by forward foreign exchange contracts. Both the changes in the fair value of the forward foreign exchange contracts and the debt are recognised in profit or loss.

However, the portion of the change in the fair value of the debts attributable to changes in our own credit risk is recognised in other comprehensive income, with no recycling, unless such treatment would create or enlarge an accounting mismatch in profit or loss. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies as at 30 June 2019 is asset $27 million (2018: asset $72 million).

The contractual amount payable on financial liabilities designated at fair value through profit or loss at maturity is $2,286 million (2018: $2,065 million).

Interest expense of $48 million (2018: $39 million) on deposits and short-term borrowings designated at fair value through profit or loss was recognised in the financial year.

Consolidated net losses of $1 million (2018: $nil million) on financial liabilities designated at fair value through profit or loss are recognised in profit or loss.

19 Unearned premium liabilities

19.1 Reconciliation of movement

	2019 $M	2018 $M
Unearned premium liabilities relating to general insurance contracts		
Balance at the beginning of the financial year	5,029	4,959
Premiums written during the financial year	9,812	9,558
Premiums earned during the financial year	(9,748)	(9,462)
Disposal of business during the financial year	(1)	(2)
Foreign currency exchange movement	30	(24)
Balance at the end of the financial year	5,122	5,029
Unearned premium liabilities relating to life insurance contracts	1	7
Total unearned premium liabilities	5,123	5,036
Current	5,113	5,014
Non-current	10	22
Total unearned premium liabilities	5,123	5,036

19.2 Liability adequacy test relating to general insurance contracts

	2019 $M	2018 $M
Central estimate of present value of expected future cash flows arising from future claims	3,939	3,830
Risk margin	86	83
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	(205)	(209)
Expected present value of future cash flows arising from future claims including risk margin	3,820	3,704

	%	%
Risk margin	2.8	2.8
Probability of adequacy	57–64%	57–64%

The probability of adequacy adopted for the general insurance liability adequacy test (LAT) differs from the 90 per cent probability of adequacy adopted in determining the outstanding claims liabilities (refer to note 20.4). The reason for this difference is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liabilities.

The process used to determine the risk margin is discussed in note 20.4.

As at 30 June 2019 and 30 June 2018, the LAT resulted in surpluses for all general insurance portfolios.

20 Outstanding claims liabilities

	2019 $M	2018 $M
General insurance contracts		
Gross central estimate – undiscounted	9,382	9,141
Risk margin	1,136	1,163
Claims handling expenses	343	349
	10,861	10,653
Discount to present value	(401)	(770)
Gross outstanding claims liabilities relating to general insurance contracts – discounted	10,460	9,883
Gross outstanding claims liabilities relating to life insurance contracts – discounted	151	293
Total gross outstanding claims liabilities – discounted	10,611	10,176
	%	%
General insurance contracts		
Overall net risk margin applied	15.7	15.6
Probability of adequacy of the risk margin (approximately)	90	90

20.1 Reconciliation of movement in discounted outstanding claims liabilities on general insurance contracts

	2019 $M	2018 $M
Net outstanding claims liabilities relating to general insurance contracts at the beginning of the financial year	7,674	7,489
Prior periods		
Claims payments	(2,293)	(2,219)
Discount unwind	100	84
Margin release on prior periods	(279)	(270)
Incurred claims due to changes in assumptions and experience	(376)	(378)
Change in discount rate	240	41
Current period		
Incurred claims	6,417	6,262
Claims payments	(3,626)	(3,326)
Foreign currency exchange movement	12	(9)
Net outstanding claims liabilities relating to general insurance contracts at the end of the financial year	7,869	7,674
Reinsurance and other recoveries on outstanding claims liabilities		
Expected undiscounted outstanding reinsurance and other recoveries	2,654	2,330
Discount to present value	(63)	(121)
	2,591	2,209
Gross outstanding claims liabilities (discounted) on general insurance contracts at the end of the financial year	10,460	9,883

The following table summarises the maturity profile of net discounted outstanding claims liabilities on general insurance contracts based on the estimated timing of discounted cash outflows.

	Carrying amount $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2019	7,869	3,059	3,482	1,328	7,869
2018	7,674	3,047	3,347	1,280	7,674

20.2 General insurance outstanding claims liabilities and assets arising from reinsurance contracts

The Suncorp Group's estimation of its claims liabilities includes the expected future cost of claims notified to the Suncorp Group as at reporting date as well as claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER). Projected payments are discounted to present value and an estimate of direct expenses expected to be incurred in settling these claims is determined.

The Suncorp Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, with estimates and judgments continually being evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR and claims IBNER is generally subject to a greater degree of uncertainty with claims often not being adequately reported until many years after the events giving rise to the claims have happened. For this reason, long-tail classes of business will typically display greater variations between initial estimates and final outcomes.

Estimation of assets arising from reinsurance and other recoveries are also calculated using the above methods. The recoverability of these assets is assessed on a periodic basis, taking into consideration factors such as counterparty and credit risk.

20.3 General insurance contracts claims development table

The following table shows the development of the estimated undiscounted outstanding claims liabilities on general insurance contracts relative to the ultimate expected claims for the ten most recent accident years.

	Accident Year											
	Prior $M	2010 $M	2011 $M	2012 $M	2013 $M	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M	Total $M
Estimate of ultimate claims cost:												
At end of accident year		1,336	1,472	1,330	1,400	1,416	1,434	1,478	1,590	1,520	1,434	
One year later		1,234	1,395	1,320	1,370	1,411	1,378	1,436	1,505	1,467		
Two years later		1,150	1,365	1,250	1,255	1,309	1,281	1,377	1,414			
Three years later		1,124	1,391	1,166	1,156	1,242	1,198	1,355				
Four years later		1,117	1,326	1,114	1,120	1,207	1,183					
Five years later		1,038	1,252	1,087	1,086	1,173						
Six years later		1,009	1,224	1,070	1,057							
Seven years later		999	1,217	1,058								
Eight years later		1,000	1,217									
Nine years later		994										
Current estimate of cumulative claims cost		994	1,217	1,058	1,057	1,173	1,183	1,355	1,414	1,467	1,434	
Cumulative payments		(948)	(1,134)	(982)	(946)	(952)	(912)	(801)	(578)	(348)	(126)	
Outstanding claims liabilities – undiscounted	659	46	83	76	111	221	271	554	836	1,119	1,308	5,284
Discount to present value	(100)	(1)	(3)	(3)	(4)	(10)	(9)	(18)	(23)	(31)	(40)	(242)
Outstanding claims – long-tail	559	45	80	73	107	211	262	536	813	1,088	1,268	5,042
Outstanding claims – short-tail												1,430
Claims handling expense												330
Risk margin												1,067
Total net outstanding claims liabilities relating to general insurance contracts												7,869
Reinsurance and other recoveries on outstanding claims liabilities relating to general insurance contracts												2,591
Total gross outstanding claims liabilities relating to general insurance contracts												10,460

The claims development table discloses amounts net of reinsurance and third party recoveries to give the most meaningful insight into the impact on profit or loss. Short-tail claims are disclosed separately as they are generally subject to less uncertainty since they are normally reported soon after the incident and are generally settled within 12 months following the reported incident.

20.4 Actuarial assumptions and methods relating to general insurance contracts

The estimation of the outstanding claims liabilities is based on multiple actuarial techniques that analyse experience, trends and other relevant factors utilising the Suncorp Group's specific data, relevant industry data and general economic data. Methods undertaken to determine claims liabilities will vary according to the class of business.

The use of multiple actuarial methods assists in providing a greater understanding of the trends inherent in the historical data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the class of business and the extent of the development of each past accident period.

The following key assumptions have been made in determining the outstanding claims liabilities on general insurance contract liabilities.

	2019		2018	
	Aust	NZ	Aust	NZ
Weighted average term to settlement (years)	3.6	1.0	3.8	0.9
Weighted average economic inflation rate	3.7%	1.9%	3.9%	2.3%
Superimposed inflation rate	2.1%	1.6%	2.1%	1.5%
Discount rate	1.3%	1.3%	2.5%	2.0%
Claims handling expense ratio	4.9%	9.0%	4.9%	10.6%
Risk margin	16.3%	18.8%	16.3%	17.5%

Weighted average term to settlement – The weighted average term to settlement is calculated separately by class of business and is based on historic settlement patterns.

Economic and superimposed inflation – Economic inflation is based on economic indicators such as the consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect experience and future expectations.

Discount rate – Discount rates are derived from market yields on Commonwealth Government securities in Australia and the 10-year government stock rate in New Zealand at the reporting date.

Claims handling expense ratio – Claims handling expense ratio is calculated with reference to past experience of claims handling costs as a percentage of past payments.

Risk margin – The overall risk margin is determined after analysing the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes and geographical locations.

The assumptions regarding uncertainty for each class of business are applied to the net central estimates, and the results are aggregated, allowing for diversification, in order to arrive at an overall position which is intended to have an approximate probability of sufficiency of 90 per cent across the Suncorp Group (2018: 90 per cent).

20.5 Impact of changes in key variables relating to general insurance contracts

The Suncorp Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions.

A sensitivity analysis is conducted on each variable while holding all other variables constant.

The table below describes how a change in each assumption will affect the profit before tax. There is no impact to equity reserves.

	Movement in variable	2019 Profit (loss) $M	2018 Profit (loss) $M
Weighted average term to settlement (years)	+0.5 years	(162)	(122)
	-0.5 years	158	120
Inflation rate	+100 bps	(244)	(230)
	-100 bps	224	212
Discount rate	+100 bps	231	218
	-100 bps	(257)	(242)
Claims handling expense ratio	+100 bps	(64)	(62)
	-100 bps	64	62
Risk margin	+100 bps	(67)	(65)
	-100 bps	67	65

21 Life insurance and investment contract liabilities

The sale of the Australian Life Business led to a derecognition of all related assets and liabilities. After completion of the sale, Suncorp Group will no longer experience cash inflows or outflows from those life insurance contracts. The remaining life insurance assets and liabilities of the Group are in relation to the New Zealand life insurance business of ALLNZ. For the sale of the Australian Life Business refer to note 35.

The following table shows the movements in net life insurance and investment contract liabilities.

	Liability				Asset	Net
	Insurance contracts $M	Unvested policy-owner benefits $M	Invest-ment contracts $M	Gross policy liabilities $M	Gross policy liabilities ceded under reinsurance $M	Net policy liabilities $M
Balance as at 30 June 2017	2,175	248	494	2,917	585	2,332
Movement recognised in profit or loss	(37)	-	40	3	(57)	60
Contributions and premiums recognised in policy liabilities	70	-	8	78	-	78
Withdrawals and claims expense recognised in policy liabilities	(189)	-	(70)	(259)	-	(259)
Movement in unvested policyowner benefits	-	(11)	-	(11)	-	(11)
Foreign currency exchange movement	1	(1)	(7)	(7)	-	(7)
Balance as at 30 June 2018	2,020	236	465	2,721	528	2,193
Movement recognised in profit or loss	66	-	12	78	(16)	94
Contributions and premiums recognised in policy liabilities	101	-	7	108	-	108
Withdrawals and claims expense recognised in policy liabilities	(126)	-	(32)	(158)	-	(158)
Movement in unvested policyowner benefits	-	78	-	78	-	78
Foreign currency exchange movement	(10)	1	7	(2)	-	(2)
Assets and liabilities derecognised as part of the sale of the Australian Life Business	(2,253)	(297)	(283)	(2,833)	(491)	(2,342)
Balance as at 30 June 2019[1]	(202)	18	176	(8)	21	(29)

1 Gross policy liabilities have been classified as 'Other assets' in the consolidated statement of financial position.

21.1 Life insurance contract policy liabilities

	Note	2019 ALLNZ $M	2018 SLSL $M	2018 ALLNZ $M
Best estimate liability				
Value of future policy benefits[1]		1,429	4,703	1,218
Value of future expenses		776	1,985	643
Value of unrecouped acquisition expenses		-	(1,122)	-
Balance of future premiums		(2,801)	(4,573)	(2,406)
		(596)	993	(545)
Value of future profits				
Policyowner bonuses[2]		-	419	4
Shareholder profit margins		373	232	319
		373	651	323
Total value of declared bonuses[3]		-	70	-
Total net life insurance policy liabilities		(223)	1,714	(222)
Gross policy liabilities ceded under reinsurance	21	21	514	14
Gross life insurance contract liabilities	21	(202)	2,228	(208)
Policy liabilities subject to capital guarantee		11	1,553	9

1 Future policy benefits include bonuses credited to policyowners in prior periods but exclude current period bonuses and future bonuses. Where business is valued by other than projection techniques, future policy benefits include the account balance.
2 Future bonuses exclude current period bonuses.
3 Declared bonuses are valued in accordance with APRA Prudential Standard LPS 340 *Valuation of Policy Liabilities* issued under section 230A(1) of the Life Act.

22 Debt issues

	Note	2019 $M	2018 $M
Financial liabilities at amortised cost			
Offshore borrowings		3,538	2,954
Domestic borrowings		4,032	4,863
Total unsecured debt issues		7,570	7,817
Covered bonds	28.3	2,788	2,037
Total secured debt issues		2,788	2,037
		10,358	9,854
Current		2,920	2,835
Non-current		7,438	7,019
Total debt issues		10,358	9,854

23 Loan capital

The following table shows loan capital at amortised cost and categorised by capital type, class and instrument under APRA's Life and General Insurance Capital (**LAGIC**) and Bank Basel III reporting standards. These instruments have been issued by Suncorp Group Limited (**SGL**), AAI Limited (**AAIL**) and Suncorp-Metway Limited (**SML**).

	2019 $M	2018 $M
Additional Tier 1 loan capital		
$AUD 400 million SGL CPS3	399	397
$AUD 375 million SGL Capital Notes 1	371	369
$AUD 375 million SGL Capital Notes 2	370	369
Total Additional Tier 1 loan capital	1,140	1,135
Tier 2 loan capital		
LAGIC/Basel III fully compliant subordinated notes		
$AUD 770 million SGL Subordinated Notes	-	770
$AUD 600 million SGL Subordinated Notes	596	-
$AUD 330 million AAIL Subordinated Notes	328	328
$AUD 225 million AAIL Subordinated Notes	224	224
Total LAGIC/Basel III fully compliant subordinated notes	1,148	1,322
Basel III transitional subordinated notes		
$AUD 72 million SML Floating Rate Notes[1]	72	72
Total Basel III transitional subordinated notes	72	72
Total Tier 2 capital	1,220	1,394
Total loan capital[2]	2,360	2,529
Non-current	2,360	2,529
Total loan capital	2,360	2,529

1 Tier 2 instruments subject to the transitional arrangements outlined in APRA's prudential standard APS 111 Attachment L.
2 Total liability in relation to interest payment accrued for Suncorp Group to make payments under the subordinated notes as at the end of the financial year is $3 million (2018: $5 million). It is disclosed within the consolidated statement of financial position category of 'Payables and other liabilities'.

Additional Tier 1 Capital

	Margin above 90 day BBSW	Potential scheduled mandatory conversion date	Optional call/ exchange date	Issue date	2019 Number on issue	2018 Number on issue
SGL CPS3	340 bps	17 Jun 2022	17 Jun 2020	8 May 2014	4,000,000	4,000,000
SGL Capital Notes 1	410 bps	17 Jun 2024	17 Jun 2022	5 May 2017	3,750,000	3,750,000
SGL Capital Notes 2	365 bps	17 Jun 2026	17 Jun 2024	24 Nov 2017	3,750,000	3,750,000

The convertible preference shares and capital notes are eligible Additional Tier 1 instruments under Basel III and LAGIC rules. They are fully paid, perpetual, subordinated, unsecured securities.

Convertible preference shares pay a dividend, while capital notes pay a distribution. Payments are floating rate, discretionary, non-cumulative, and scheduled to be paid quarterly, at the Company's discretion and are expected to be fully franked. They are calculated based on the sum of the three-month bank bill rate and the margin, adjusted for the corporate tax rate. If the Company does not make a payment in full, on a payment date (or within three business days of that date), then the dividend restriction applies to the Company in respect of the Suncorp Group's dividends on ordinary shares and ordinary share buy-backs.

Suncorp has the option to convert, redeem or resell the instruments on the call date, or following a regulatory or tax event or potential acquisition event, subject to APRA's prior written approval and certain conditions being fulfilled.

If APRA determines that a non-viability event has occurred in relation to the Company, all (or in some circumstances, some) of the instruments will be immediately converted into the Company's ordinary shares or, if conversion cannot be effected for any reason within five business days, immediately and irrevocably terminated. Conversion will be based on a volume weighted average price (**VWAP**) of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1 per cent. This is subject to a maximum conversion number, equal to 20 per cent of the VWAP over a 20-day period prior to the issue date.

If still outstanding on the mandatory conversion date, the instruments will mandatorily convert into a variable number of the Company's ordinary shares (subject to certain conditions being satisfied). Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1 per cent. This is subject to a maximum conversion number, equal to 50 per cent of the VWAP over a 20-day period prior to the issue date.

In the event of the winding-up of the Company, the rights of the holders will rank equally, and in priority to the rights of the ordinary shareholders only.

LAGIC/Basel III fully compliant subordinated notes[1]

	Margin above 90 day BBSW	Maturity date	Holder conversion date	Optional redemption date	Issue date	2019 Number on issue	2018 Number on issue
SGL Subordinated Notes	215 bps	5 Dec 2028	n/a	5 Dec 2023	5 Sep 2018	60,000	-
SGL Subordinated Notes	285 bps	22 Nov 2023	n/a	22 Nov 2018	22 May 2013	-	7,700,000
$AUD 330 million AAIL Subordinated Notes	320 bps	6 Oct 2042	6 Oct 2024	6 Oct 2022	6 Oct 2016	33,000	33,000
$AUD 225 million AAIL Subordinated Notes	330 bps	18 Nov 2040	18 Nov 2022	18 Nov 2020	18 Nov 2015	22,500	22,500

1 No subordinated notes have been converted as at 30 June 2019 and 30 June 2018.

The SGL Subordinated Notes pay quarterly, cumulative non-deferrable interest payments at a floating rate equal to the sum of the three-month bank bill swap rate (**BBSW**) and the margin. The AAIL Subordinated Notes pay quarterly cumulative deferrable interest payments at a floating rate equal to the sum of BBSW and the margin.

The issuer has the option to redeem the instrument on the optional redemption date and for certain tax and regulatory events (in each case subject to APRA's prior written approval). Holders of AAIL Subordinated Notes have the option to convert, into the Company's ordinary shares, on each interest payment date following the holder conversion date, assuming certain conditions are satisfied. Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1 per cent. This is subject to a minimum conversion price, equal to 50 per cent of the VWAP over a 20-day period prior to the issue date.

If APRA determines that a non-viability event has occurred in relation to the issuing entity and, where relevant, its parent, all (or in some circumstances, some) of the subordinated notes will be immediately converted into the Company's ordinary shares (or, if conversion cannot be effected for any reason within five business days, written off). Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1 per cent. This is subject to a minimum conversion price, equal to 20 per cent of the VWAP over a 20-day period prior to the issue date.

The rights of the holder rank in preference to the rights of the Issuer's ordinary and, where relevant, preference shareholders, and capital notes holders and rank equally against all other subordinated note holders of the Issuer.

Basel III transitional subordinated notes

	Semi-annual coupon rate	Margin above 90 day BBSW	Optional redemption date	Issue date	2019 Number on issue	2018 Number on issue
SML Floating Rate Notes	n/a	75 bps	n/a	17 Dec 1998	715,383	715,383

On 17 December 1998, SML issued perpetual cumulative non-convertible notes with a floating rate coupon with callable features.

The rights of the holders rank in preference to the rights of the Issuer's capital note holders and ordinary shareholders and rank equally against all other subordinated note holders of the Issuer.

24 Share capital

	Number of ordinary shares	Issued capital $M	Share-based payments $M	Treasury shares $M	Total share capital $M
Balance as at 30 June 2017	1,292,699,888	12,797	74	(105)	12,766
Shares issued[1]	5,804,065	77	-	-	77
Share-based payments	-	-	10	-	10
Treasury share movements	-	-	-	10	10
Balance as at 30 June 2018	1,298,503,953	12,874	84	(95)	12,863
Share-based payments	-	-	7	-	7
Treasury share movements	-	-	-	19	19
Balance as at 30 June 2019	1,298,503,953	12,874	91	(76)	12,889

1 Includes 5 ordinary shares at the issue price of $13.95 per share to fund the redemption of CPS2 by Suncorp Group Limited. The remainder of the shares were issued under the Dividend Reinvestment Plan.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

Dividend Reinvestment Plan

All eligible shareholders can elect to participate in the Dividend Reinvestment Plan to reinvest all or part of their dividends, with no brokerage or transaction costs.

Under the Dividend Reinvestment Plan, 3,320,485 ordinary shares were issued and allotted on 20 September 2017 for the final 2017 dividend and 2,483,575 ordinary shares were issued and allotted on 5 April 2018 for the 2018 interim dividend. For all subsequent dividends, the Dividend Reinvestment Plan has been satisfied by acquiring existing shares on market rather than issuing new shares.

Share-based payments

Share-based payments represent the cumulative expense and other adjustments recognised in share capital relating to equity-settled share-based payment transactions.

25 Reserves

	Equity reserve for credit losses $M	Hedging reserve $M	FVOCI reserve[1] $M	Foreign currency translation reserve $M	Total reserves $M
Balance as at 30 June 2017	82	(31)	14	96	161
Transfer to retained profits	6	-	-	-	6
Amount recognised in equity	-	16	(14)	1	3
Amount transferred from equity to profit or loss	-	-	2	-	2
Income tax (expense) benefit	-	(5)	4	-	(1)
Exchange differences on translation of foreign operations	-	-	-	(36)	(36)
Balance as at 30 June 2018	88	(20)	6	61	135
Impact on initial application of AASB 9 (net of tax)	9	-	7	-	16
Transfer from retained profits	7	-	-	-	7
Amount recognised in equity	-	20	3	(3)	20
Income tax (expense) benefit	-	(6)	(1)	1	(6)
Exchange differences on translation of foreign operations	-	-	-	35	35
Balance as at 30 June 2019	104	(6)	15	94	207

1 On initial application of AASB 9 on 1 July 2018, the available-for-sale assets including the corresponding reserve has transitioned into a new category.

Equity reserve for credit losses

The equity reserve for credit losses represents the difference between the Group's collective provisions for impairment and the estimate of credit losses across the credit cycle, consistent with the requirements of APRA Prudential Standard APS 220 *Credit Quality*.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Fair value through other comprehensive income reserve

The FVOCI reserve represents the cumulative net change in the fair value of financial assets classified as available-for-sale (up to 30 June 2018) or FVOCI (from 1 July 2018) until the asset is derecognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve consists of all foreign exchange differences arising from the translation of the financial statements of foreign operations that have a functional currency other than Australian dollars, net of the effective portion of the cumulative net change in the fair value of hedging instruments used to hedge these operations.

26 Group capital management

The Suncorp Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure that there are sufficient capital resources to maintain and grow the business, in accordance with the Group's risk appetite. The Suncorp Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Suncorp Group and each regulated entity is capitalised to meet internal and external requirements. The Suncorp Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA and the Reserve Bank of New Zealand.

The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Suncorp Group. Capital targets are structured according to risk appetite, the regulatory framework and APRA's non-operating holding company (**NOHC**) conditions. Details relating to classification of capital for regulatory purposes and the capital positions of key regulated entities at the reporting date are provided in section 1.11.1 of the Operating and Financial Review.

The Suncorp Group has been operating under a NOHC structure since 2011, with associated NOHC conditions from APRA.

The NOHC conditions include the following:

- The Suncorp Group is required to meet, at all times, the Level 3 Prudential Capital Requirement for Eligible Capital (and the Eligible Capital must satisfy certain requirements around the proportion of high-quality capital such as share capital and retained earnings).
- Reductions in Suncorp Group's capital base require APRA's written approval (for example, planned payment of dividends that exceed the prior 12 months' earnings).
- The NOHC activities of the Company, the Bank NOHC, and Life NOHC are limited and defined in scope.
- Compliance with certain APRA Prudential Standards.
- The Company must ensure that where Suncorp Group raises capital or funds externally and these are transferred within the Suncorp Group, the nature and quality of the capital or funds is not upgraded to a higher category of capital than the external capital or funds.

The Suncorp Group has established comprehensive policies and procedures to ensure compliance with the NOHC conditions.

The following table summarises the capital position as at the reporting date.

	2019 $M	2018 $M
Common Equity Tier 1 Capital	7,341	6,881
Additional Tier 1 Capital	1,150	1,150
Tier 1 Capital	8,491	8,031
Tier 2 Capital	1,358	1,554
Total Capital	9,849	9,585
Excess to Common Equity Tier 1 Capital Target (ex dividend)	990	448
Excess Total Capital to target (ex dividend)	1,377	1,010

27 Notes to the consolidated statement of cash flows

27.1 Reconciliation of cash flows from operating activities

	2019 $M	2018 $M
Profit for the financial year	195	1,072
Non-cash items		
Loss from discontinued operations	881	-
Impairment loss on financial assets	13	27
Impairment loss on goodwill and other intangible assets	158	-
Amortisation and depreciation expense	169	175
Change in fair value relating to investing and financing activities	(544)	(197)
Other non-cash items	531	130
Change in operating assets and liabilities		
Net movement in insurance assets and liabilities	(27)	25
Net movement in tax assets and liabilities	(115)	3
Decrease (increase) in trading securities	412	(119)
Increase in loans and advances	(596)	(3,426)
Increase in other assets	(142)	(175)
Increase in deposits and short-term borrowings	513	414
Increase in payables and other liabilities	394	192
Net cash used in operating activities	1,842	(1,879)

27.2 Reconciliation of cash and cash equivalents to the consolidated statement of cash flows

	2019 $M	2018 $M
Cash and cash equivalents at the end of the financial year in the consolidated statement of cash flows is represented by the following line items in the consolidated statement of financial position:		
Cash and cash equivalents	1,086	1,165
Receivables due from other banks[1]	499	474
Payables due to other banks	(353)	(148)
	1,232	1,491

1 Includes $97 million (2018: $40 million) of collateral representing credit support to secure the Suncorp Group's derivative liability position, as part of the standard International Swaps and Derivatives Association (**ISDA**) agreement.

27.3 Changes in liabilities arising from financing activities

	Securitisation liabilities $M	Debt issues $M	Loan capital $M
Balance as at 1 July 2017	3,088	9,216	2,714
Cash flows			
Proceeds	2,750	2,547	60
Repayments	(987)	(1,972)	(245)
Transaction costs	(3)	-	(7)
Non-cash changes			
Fair value changes	-	(55)	-
Foreign exchange movement	-	118	-
Other movements	-	-	7
Balance as at 30 June 2018	4,848	9,854	2,529
Balance as at 1 July 2018	4,848	9,854	2,529
Cash flows			
Proceeds	-	3,117	600
Repayments	(1,020)	(2,883)	(770)
Transaction costs	-	(5)	(3)
Non-cash changes			
Fair value changes	-	86	-
Foreign exchange movement	-	181	-
Other movements	3	8	4
Balance as at 30 June 2019	3,831	10,358	2,360

On 5 September 2018, the Company issued $600 million of Wholesale Subordinated Notes for $10,000 per note. They are fully paid, cumulative, unsecured, subordinated notes, with a maturity date of 5 December 2028, with the option to redeem the notes on the early redemption date of 5 December 2023, subject to APRA approval. On 22 November 2018, the Company redeemed $770 million of Subordinated Notes (ASX code: SUNPD) for $100 per note.

Subordinated notes are disclosed within the consolidated statement of financial position category of 'Loan capital'.

27.4 Financing arrangements

	2019 Program limit $M	2019 Undrawn $M	2018 Program limit $M	2018 Undrawn $M
The Suncorp Group had the following debt programme available at the end of the financial year:				
$USD 5 billion Global Covered Bond Programme	7,130	4,340	6,765	4,715
$USD 15 billion Euro Medium Term Notes Program and Euro Commercial Paper	21,389	21,389	20,295	20,295
$USD 5 billion United States Commercial Paper Program	7,130	4,844	6,765	4,771
$USD 15 billion U.S. Medium Term Notes Program	21,389	17,860	20,295	17,517
AUD Transferable Certificate of Deposit Program	10,000	5,957	10,000	4,923
AUD Negotiable Certificates of Deposit	10,000	5,080	-	-
	77,038	59,470	64,120	52,221

28 Financial instruments

28.1 Fair value of financial instruments

Fair values are categorised by a three-level hierarchy which identifies the inputs to valuation techniques used to measure fair value:

— Level 1: derived from quoted prices (unadjusted) in active markets for identical financial instruments that the Suncorp Group can access at the measurement date.

— Level 2: derived from other than quoted prices included within Level 1 that are observable for the financial instruments, either directly or indirectly.

— Level 3: fair value measurement is not based on observable market data.

Financial assets and liabilities measured at fair value

The following table presents the financial assets and liabilities that are measured at fair value categorised by fair value hierarchy.

	2019 Level 1 $M	2019 Level 2 $M	2019 Level 3 $M	2019 Total $M	2018 Level 1 $M	2018 Level 2 $M	2018 Level 3 $M	2018 Total $M
Financial assets								
Trading securities	-	1,227	-	1,227	-	1,639	-	1,639
Fair value through profit or loss[1,2]	2,943	12,104	242	15,289	4,911	13,285	452	18,648
Fair value through other comprehensive income[1]	-	3,954	-	3,954	-	-	-	-
Available-for-sale financial assets[1]	-	-	-	-	-	3,544	-	3,544
Derivatives	7	659	-	666	14	242	-	256
	2,950	17,944	242	21,136	4,925	18,710	452	24,087
Financial liabilities								
Offshore commercial paper[3]	-	2,272	-	2,272	-	2,040	-	2,040
Derivatives	9	447	-	456	14	193	-	207
Managed funds units on issue	-	847	-	847	-	1,285	-	1,285
	9	3,566	-	3,575	14	3,518	-	3,532

1 Disclosed within the consolidated statement of financial position category of 'Investment securities'.
2 The Level 3 financial assets relate to investments in unlisted equity securities and infrastructure assets.
3 Designated as financial liabilities at fair value through profit or loss. Disclosed within the consolidated statement of financial position category of 'Deposits and short-term borrowings'.

There have been no significant transfers between Level 1 and Level 2 during the 2019 and 2018 financial years.

Level 3 financial assets consist of investment in unlisted equity securities of $11 million (2018: $11 million). There have been no purchases or sales of unlisted equity securities classified at Level 3 during the current and prior financial years.

Investments in infrastructure assets (held via unlisted trusts) of $231 million (2018: $441 million, including $205 million of assets transferred as part of the sale of the Australian Life Business). The fair value of investments in infrastructure assets (held via unlisted trusts) classified at Level 3 is determined by the Group's share of the reported net asset value of the unlisted trusts, as advised by the external investment manager. The infrastructure assets held in the unlisted trusts are independently valued in accordance with AASB 13 *Fair value measurement*. During the financial year, additional units were purchased for $12 million (2018: $66 million) and units were redeemed for $2 million (2018: $nil). $15 million fair value loss was recognised through profit or loss (2018: $41 million fair value gain).

Financial assets and liabilities not measured at fair value

The following table discloses a comparison of carrying value and fair value of financial assets and liabilities that are not measured at fair value after initial recognition, where their carrying value is not a reasonable approximation of fair value.

	Note	Carrying value $M	Fair value Level 1 $M	Fair value Level 2 $M	Fair value Level 3 $M	Fair value Total $M
2019						
Financial assets						
Loans and advances	15	59,154	-	-	59,325	59,325
		59,154	-	-	59,325	59,325
Financial liabilities						
Deposits and short-term borrowings at amortised cost	18	43,918	-	43,994	-	43,994
Securitised liabilities	28.3	3,831	-	3,840	-	3,840
Debt issues	22	10,358	-	10,499	-	10,499
Loan capital	23	2,360	1,194	1,243	-	2,437
		60,467	1,194	59,576	-	60,770
2018						
Financial assets						
Held-to-maturity investments[1]	13	514	-	524	-	524
Loans and advances	15	58,598	-	-	58,609	58,609
		59,112	-	524	58,609	59,133
Financial liabilities						
Deposits and short-term borrowings at amortised cost	18	43,510	-	43,512	-	43,512
Securitised liabilities	28.3	4,848	-	4,877	-	4,877
Debt issues	22	9,854	-	9,919	-	9,919
Loan capital	23	2,529	1,940	642	-	2,582
		60,741	1,940	58,950	-	60,890

1 Under AASB 9 and from 1 July 2018, held-to-maturity investments previously measured at amortised cost are measured at fair value through other comprehensive income.

Significant assumptions and estimates used to determine the fair values are described below.

Financial assets

The carrying value of loans and advances is net of provisions for expected credit losses. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans. The discount rates applied are based on the rates offered by the Suncorp Group on current products with similar maturity dates.

Financial liabilities

The carrying value for non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months of origination included in deposits and short-term borrowings is considered a reasonable estimate of their fair value. Discounted cash flow models are used to calculate the fair value of other term deposits included in deposits and short-term borrowings based upon deposit type and related maturities.

The fair value of securitisation liabilities, debt issues and loan capital are calculated based on either the quoted market prices at reporting date or, where quoted market prices are not available, a discounted cash flow model using a yield curve appropriate to the remaining maturity of the instrument.

28.2 Master netting or similar arrangements

The Suncorp Group has in place the following master netting or similar arrangements at reporting date.

Derivative assets and liabilities

— Offsetting has been applied to derivatives in the consolidated statement of financial position where the Suncorp Group has a legally enforceable right to set-off and there is an intention to settle on a net basis.

— Certain derivatives are subject to the ISDA Master Agreement and other similar master netting arrangements. These arrangements contractually bind the Suncorp Group and the counterparty to apply close out netting across all outstanding transactions only if either party defaults or other pre-agreed termination events occur. As such, they do not meet the criteria for offsetting in the consolidated statement of financial position.

— The cash collateral pledged or received is subject to the ISDA Credit Support Annex and other standard industry terms.

Amounts due from and to reinsurers

– Some reinsurance treaties of the Suncorp Group include netting arrangements whereby the receivables from and payables to reinsurers are settled on a net basis. As such, the Suncorp Group has applied offsetting in the consolidated statement of financial position.

– Collateral received is subject to terms and conditions of the respective reinsurance treaties and provides regulatory capital relief on the Suncorp Group's credit exposures to reinsurers.

Repurchase agreements and reverse repurchase agreements

– Offsetting has been applied to repurchase agreements in the consolidated statement of financial position where the Group has a legally enforceable right to set-off and netting of payments or receipts apply or in some agreements netting only apply if both the Group and the respective counterparties agree.

– Provision is made for netting of payments/receipts of all amounts in the same currency payable by each party to the other and close-out netting on termination.

– Repurchase transactions are governed by the Global Master Repurchase Agreement published by the International Capital Markets Association and the Securities Industry and Financial Markets Association.

Outstanding investment settlements

– Offsetting has been applied to investment receivables and investment payables where the Group has a legally enforceable right to set-off and netting of payments or receipts apply. In the consolidated statement of financial position, investment receivables are included in 'Other assets' and the investment payables are included in 'Payables and other liabilities'.

The following table sets out the effect of netting arrangements of financial assets and financial liabilities that are offset in the consolidated statement of financial position (SoFP), or are subject to enforceable master netting arrangements, irrespective of whether they are offset in the consolidated statement of financial position.

	Amounts subject to master netting or similar arrangements						
			Related amounts not offset on the SoFP				
	Gross amounts $M	Offsetting applied $M	Financial instruments $M	Financial collateral received/ pledged $M	Net exposure $M	Amounts not subject to master netting or similar arrangements $M	Total $M
2019							
Financial assets							
Derivatives	634	-	(346)	(278)	10	32	666
Amounts due from reinsurers[1]	115	(70)	-	(7)	38	171	216
Reverse repurchase agreements [2]	492	-	-	(492)	-	-	492
Investment receivables[1]	295	-	-	-	295	-	295
Total	1,536	(70)	(346)	(777)	343	203	1,669
Financial liabilities							
Derivatives	452	-	(346)	(95)	11	4	456
Amounts due to reinsurers	98	(70)	-	-	28	748	776
Repurchase agreements	302	-	(302)	-	-	-	302
Investment payables[3]	271	-	-	-	271	-	271
Total	1,123	(70)	(648)	(95)	310	752	1,805
2018							
Financial assets							
Derivatives	248	-	(127)	(73)	48	8	256
Amounts due from reinsurers[1]	140	(121)	-	(12)	7	112	131
Reverse repurchase agreements[2]	251	-	-	(251)	-	-	251
Investment receivables[1]	495	(302)	-	-	193	-	193
Total	1,134	(423)	(127)	(336)	248	120	831
Financial liabilities							
Derivatives	201	-	(127)	(52)	22	6	207
Amounts due to reinsurers	154	(121)	-	-	33	714	747
Repurchase agreements	301	-	(301)	-	-	-	301
Investment payables[3]	700	(302)	-	-	398	-	398
Total	1,356	(423)	(428)	(52)	453	720	1,653

1 Included as part of 'Other assets' in the consolidated statement of financial position.
2 Reverse repurchase agreements of duration less than 90 days and are included as part of 'Cash and cash equivalents' in the consolidated statement of financial position. If maturity is greater than 90 days, they are included in 'Loans and advances'. Details discussed in note 28.3.
3 Included as part of 'Payables and other liabilities' in the consolidated statement of financial position.

28.3 Transfers of financial assets and collateral accepted as security for assets

Transferred financial assets continue to be recognised in the consolidated statement of financial position if the Group is deemed to have retained substantially all the risks and rewards associated with the financial assets transferred. This arises when the Suncorp Group enters into repurchase agreements and conducts covered bond and securitisation programs.

Repurchase agreements

The Suncorp Group enters into repurchase agreements involving the sale of interest-bearing securities and equity securities and simultaneously agrees to buy them back at a pre-agreed price on a future date. In the consolidated statement of financial position, the interest-bearing securities or equities securities transferred are included in 'Trading securities' and 'Investment securities'. The obligation to repurchase is included in 'Deposits and short-term borrowings' or 'Payables and other liabilities'.

Reverse repurchase agreements

Collateral has been accepted in relation to reverse repurchase agreements. The fair value of collateral accepted as security for assets is $492 million (2018: $252 million) against a carrying amount of $492 million (2018: $251 million). These transactions are governed by standard industry agreements.

Covered bonds

SML conducts a covered bond program whereby it issues covered bonds guaranteed by the Covered Bond Guarantor that are secured over covered pool assets consisting of mortgages and advances and cash at call. Eligible mortgages and advances are sold by SML to a special purpose trust, the Suncorp Covered Bond Trust, which guarantees the covered bonds. The Covered Bond Guarantor can take possession of the cover pool under certain events. In the event of default by SML, the covered bond holders have claim against both the cover pool assets and SML. SML receives the residual income of the Suncorp Covered Bond Trust after all costs of the programme have been met. In the consolidated statement of financial position, the eligible mortgages transferred are included in 'Loans and advances' and the covered bonds issued are included in 'Debt issues'.

Securitisation programs

SML conducts a mortgage securitisation program whereby residential mortgages are packaged and sold to special purpose securitisation trusts known as the Apollo Series Trusts (the **Trusts**). The Trusts fund their purchase of the mortgages by issuing floating-rate pass-through debt securities. The Suncorp Group receives residual income from the Trusts after all payments to security holders and costs of the program have been met. The Suncorp Group does not guarantee the capital value or the performance of the securities or the assets of the Trusts, and it does not guarantee the payment of interest or the repayment of principal due on the securities. The mortgages subject to the securitisation program have been pledged as security for the securities issued by the Trusts, and as such, the Suncorp Group cannot use these assets to settle the liabilities of the Suncorp Group. The Suncorp Group is not obliged to support any losses that may be incurred by investors and does not intend to provide such support. In the consolidated statement of financial position, the mortgages transferred are included in 'Loans and advances' and the securitisation securities issued are included in 'Securitisation liabilities'.

The following table sets out the carrying amount of the transferred financial assets and the associated liability at the reporting date.

	2019			2018		
	Repurchase agreements $M	Covered bonds[1] $M	Securitisation liabilities $M	Repurchase agreements $M	Covered bonds[1] $M	Securitisation liabilities $M
Carrying amount of transferred financial assets	302	3,021	3,923	603	1,534	4,910
Carrying amount of associated financial liabilities	302	2,788	3,831	301	2,037	4,848
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred financial assets	n/a	n/a	3,928	n/a	n/a	4,911
Fair value of associated financial liabilities	n/a	n/a	3,840	n/a	n/a	4,877
Net position			88			34

1 At reporting date, the Suncorp Covered Bond Trust holds $1 million (2018: $644 million) in an at-call deposit account with SML, which has been eliminated on consolidation and forms part of the covered pool assets.

29 Risk management

The Board recognises that a strong risk culture, good governance and effective risk management are essential to achieving Suncorp's strategy and business plan and maintaining Suncorp's social licence to operate. Suncorp has systems, policies, processes and people in place to identify, measure, analyse, monitor, report and control or mitigate internal and external sources of material risk.

The material risks addressed by Suncorp's Enterprise Risk Management Framework (**ERMF**) are defined below.

Material risks	Definition
Strategic risk	Suncorp recognises and defines two types of strategic-level risk: Strategic risk – risks to the viability of Suncorp's business model resulting from adverse changes in the external business environment, with respect to the economy, political landscape, regulation, technology, customer and social expectations; and competitors. Strategic execution risk – the risk of failing to achieve strategic business objectives or execution of the business strategy.
Financial risk	Financial risks include Credit, Counterparty and Contagion risk, Market/Investment risk, Liquidity risk and Asset and Liability Management (**ALM**) risk. Credit risk is the risk of default of an obligor to fully meet their commitments in a timely manner. Counterparty risk is the risk that the other party in an agreement will default/will not meet its contractual obligations in accordance with agreed terms. Contagion risk is the risk that problems impacting one entity within Suncorp may compromise the financial position of other entities within Suncorp. Market/Investment risk is the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities. Liquidity risk is the risk that Suncorp will be unable to service its cash flow obligations today or in the future. ALM risk is the risk of adverse movements in the relative value of assets and liabilities due to changes in market factors (e.g. Interest Rates, Inflation, Foreign exchange (**FX**)), the variation in repricing profiles or from the different characteristics of the assets and liabilities.
Insurance risk	The risk that for any class of risk insured, the present value of actual claims payable, will exceed the present value of actual premium revenues generated (net of reinsurance).
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes compliance and legal risk.

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Suncorp is exposed to the following categories of market risk:

Categories of market risk	Definition
Foreign exchange risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest-bearing assets and liabilities from changes in interest rates.
Equity risk	The risk of loss of current and future earnings and unfavourable movement in the value of investment in equity instruments from adverse movements in equity prices.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss of current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Further discussions on the application of Suncorp's risk management practices are presented in the following sections:

- note 30 insurance risk management
- note 31 risk management for financial instruments: credit, liquidity and market risks
- note 14 derivative financial instruments.

30 Insurance risk management

30.1 Managing insurance risk

Insurance risk is inherent in the operations of the Insurance business and relates to insurance product design, pricing, underwriting, exposure concentration, reserving, claims management and reinsurance management.

Suncorp's ERMF defines insurance risk as 'the risk that for any class of risk insured, the present value of actual claims payable will exceed the present value of actual premium revenues generated (net of reinsurance)'.

Insurance risk is managed through risk appetite statements, operation of the ERMF and supporting risk standards where adopted, with oversight from relevant Asset-Liability Committees and insurance risk committees in Australia and New Zealand.

The Board receives an Australian General Insurance Financial Condition Report from the Appointed Actuary which reports on a number of areas including the management of insurance risk within the entities. The boards for the New Zealand General Insurer and Life company receive equivalent reports and advice in respect of obligations imposed by the Reserve Bank of New Zealand.

30.2 Terms and conditions of general insurance contracts

The majority of direct insurance contracts written are entered into on a standard form basis. Insurance contracts are generally entered into on an annual basis, with most terms and conditions negotiable at the time of entering into a contract or, in the case of renewals, renegotiable. Non-standard and long-term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the consolidated financial statements. There are no embedded derivatives that are separately recognised from a host insurance contract.

31 Risk management for financial instruments

31.1 Credit risk for Bank-related financial instruments

Suncorp Group conducts its banking business through SML and its subsidiaries, they are collectively referred to as the Bank. Due to the nature of the Bank's business, credit risk exposure arising from the Bank's financial assets is managed separately to other business areas of the Suncorp Group.

(a) Credit risk exposures

The Bank is exposed to credit risk from traditional lending to customers and receivables from inter-bank, treasury, international trade and capital market activities.

Credit risk is managed on a structured basis with approval decisions being taken within credit approval authorities delegated by the Board. The setting and maintenance of detailed credit policies and standards is undertaken by an independent function under the responsibility of the Chief Risk Officer, Banking & Wealth. The Chief Executive Officer, Banking & Wealth is accountable for exercising delegated credit authority for credit decisions and delivering delegated credit authorities for the completion of first line of defence credit activities, in accordance with Board delegated authorities and credit policies and standards. The management of troublesome and impaired assets is the responsibility of the Business Customers Support team within the Chief Risk Office, however, the Chief Executive Officer, Banking & Wealth retains accountability for these activities.

Credit risk involves a wide spectrum of customers ranging from individuals to large institutions and as such credit risk management is divided into two distinct categories: a statistically managed portfolio and a risk-graded portfolio.

The statistically managed portfolio covers consumer business (personal loans, housing loans and small business loans) and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Bank's end-to-end automated workflow system that also enforces credit policies and certain business rules. These exposures are generally not reviewed individually unless arrears occur when all collections and recovery actions are managed by a centralised team.

The risk-graded portfolio includes commercial, agribusiness, property investment and development finance exposures. Within these portfolios, exposures are individually assessed and an internal risk grade is assigned depending on the discrete analysis of each customer or group of related customers' risk profile. Exposures within this portfolio are subject to annual (or more frequent) review, including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the relationship manager including regular performance monitoring, reporting and if required, transfer to the Business Customer Support team.

A Portfolio Quality Review team is in place to review the acceptance and management of credit risk in accordance with the approved risk management framework.

The Bank manages its exposures to potential credit losses on OTC derivative contracts by entering into netting arrangements with its derivative counterparties. The ISDA Master Agreement and Credit Support Annex provides a contractual framework for derivatives dealing across a full range of OTC products. This agreement contractually binds both parties to apply close out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-agreed termination events occur. The carrying amount of the relevant asset classes in the consolidated statement of financial position represents the maximum amount of credit exposures as at reporting date, except for derivatives and off-balance sheet commitments.

The fair value of derivatives recognised in the consolidated statement of financial position represent the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 14.

The tables below detail the Bank's exposure to credit risk from its financial assets and credit commitments as at the reporting date. It is prepared on the following basis:

- No adjustments are made for any collateral held or credit enhancements.
- Impaired loans are those for which the Bank has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. The Bank fully considers the customer's capacity to repay and security valuation position before a loan is considered impaired.
- An asset is considered past due when any payment under the contractual terms is overdue by 90 days or more. The amount included as past due is the entire contractual balance, not just the overdue portion.

Bank	Receivables due from other banks $M	Trading securities $M	Investment securities $M	Loans and advances $M	Credit commitments[1] $M	Derivatives[1] $M	Total risk $M
2019							
Agribusiness	-	-	-	4,022	191	-	4,213
Construction	-	-	-	888	207	-	1,095
Financial services	499	-	1,987	87	342	209	3,124
Hospitality	-	-	-	972	66	-	1,038
Manufacturing	-	-	-	261	27	-	288
Professional services	-	-	-	310	18	-	328
Property investment	-	-	-	2,774	130	-	2,904
Real estate – Mortgages	-	-	-	47,793	1,254	-	49,047
Personal	-	-	-	154	4	-	158
Government and public authorities	-	1,227	1,967	-	-	-	3,194
Other commercial and industrial	-	-	-	2,035	187	-	2,222
Total gross credit risk	499	1,227	3,954	59,296	2,426	209	67,611
Impairment provisions				(142)			(142)
Total credit risk	499	1,227	3,954	59,154	2,426	209	67,469

1 Credit commitments and derivative instruments represent the credit equivalent amount of Bank's off-balance sheet exposures calculated in accordance with APRA Prudential Standard APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

Bank	Receivables due from other banks $M	Trading securities $M	Investment securities $M	Loans and advances $M	Credit commitments[1] $M	Derivatives[1] $M	Total risk $M
2018							
Agribusiness	-	-	-	4,014	197	-	4,211
Construction	-	-	-	732	251	-	983
Financial services	474	-	1,933	92	172	202	2,873
Hospitality	-	-	-	986	96	-	1,082
Manufacturing	-	-	-	234	24	-	258
Professional services	-	-	-	278	17	-	295
Property investment	-	-	-	2,448	121	-	2,569
Real estate – Mortgages	-	-	-	47,611	1,484	-	49,095
Personal	-	-	-	182	5	-	187
Government and public authorities	-	1,639	2,125	-	-	-	3,764
Other commercial and industrial	-	-	-	2,151	208	-	2,359
Total gross credit risk	474	1,639	4,058	58,728	2,575	202	67,676
Impairment provisions				(130)			(130)
Total credit risk	474	1,639	4,058	58,598	2,575	202	67,546

1 Credit commitments and derivative instruments represent the credit equivalent amount of Bank's off-balance sheet exposures calculated in accordance with APRA Prudential Standard APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

Bank	2019				2018			
	Individually provisioned impaired assets $M	Past due >90 days but not impaired $M	Remaining assets[1] and not impaired $M	Total risk $M	Individually provisioned impaired assets $M	Past due >90 days but not impaired $M	Remaining assets[1] and not impaired $M	Total risk $M
Agribusiness	32	36	4,145	4,213	48	25	4,138	4,211
Construction	6	2	1,087	1,095	1	1	981	983
Financial services	-	-	3,125	3,125	-	-	2,873	2,873
Hospitality	26	-	1,012	1,038	26	1	1,055	1,082
Manufacturing	4	1	283	288	2	2	254	258
Professional services	1	2	325	328	1	2	292	295
Property investment	2	2	2,900	2,904	8	3	2,558	2,569
Real estate – Mortgages	56	490	48,500	49,046	38	480	48,577	49,095
Personal	-	3	155	158	-	5	182	187
Government and public authorities	-	-	3,194	3,194	-	-	3,764	3,764
Other commercial and industrial	19	15	2,188	2,222	20	22	2,317	2,359
Total gross credit risk	146	551	66,914	67,611	144	541	66,991	67,676
Impairment provisions	(31)	(32)	(79)	(142)	(39)	(21)	(70)	(130)
Total credit risk	115	519	66,835	67,469	105	520	66,921	67,546

1 Not past due or past due ≤ 90 days.

(b) Credit quality

Credit quality of loans and advances are classified as follows:

- Performing loans are loans that are not impaired and not past due by more than 90 days.
- Non-performing loans – 'not impaired' are loans that are past due for greater than 90 days but the Bank considers that principal and interest plus any associated costs will be recovered in full.
- Non-performing loans – 'impaired' are loans for which an individually-assessed provision for impairment has been raised.

Restructured loans are facilities whereby the original contractual terms have been modified in a manner that would not be commercially available to other customers in good standing due to the financial difficulties or hardship of the customer. Examples of restructuring include:

- reduction in principal, interest or other payments due or
- an extended maturity date for repayment.

The following table provides information regarding the credit quality of loans and advances including restructured loans.

Bank	2019 $M	2018 $M
Performing loans		
Loans and advances	58,594	58,041
Loans and advances with restructured terms	5	2
Collective provision for impairment	(79)	(70)
	58,520	57,973
Non-performing loans – not impaired		
Non-performing loans – not impaired	551	541
Collective provision for impairment	(32)	(21)
	519	520
Non-performing loans – impaired		
Gross impaired loans	146	144
Specific provision for impairment	(31)	(39)
	115	105
Total loans and advances	59,154	58,598

Financial assets that are performing loans can be assessed by reference to the Bank's internal credit rating scale and have been segmented into Strong, Satisfactory and Weak categories. Credit quality is internally assessed using the Bank's credit rating system to determine each customer's probability of default (PD) and the associated internal risk rating grade. The rating grades can be aligned to the Standard & Poor's ratings categories to enable wider comparisons. Internal credit rating assessments reflect arrears status, are tailored to the Bank's significant customer segments and are undertaken in accordance with Credit Policy and Lending Guidelines.

The analysis below represents the current credit quality of performing loans and is based on the following:

– Strong: PD aligns to Standard & Poor's rating AAA to BB.

– Satisfactory: PD aligns to Standard & Poor's rating BB- to B.

– Weak: PD aligns to Standard & Poor's rating B- to C.

Consolidated	2019 Stage 1 – 12-month ECL $M	Stage 2 – Lifetime ECL $M	Stage 3 – Lifetime Collective ECL $M	Stage 3 – Specific Provision $M	Total $M
Statistically managed portfolio					
Credit grade – Strong	47,285	-	-	-	47,285
Credit grade – Satisfactory	938	664	-	-	1,602
Credit grade – Weak	-	632	513	-	1,145
Credit grade – Impaired	-	-	24	32	56
Risk-graded portfolio					
Credit grade – Strong	3,977	-	-	-	3,977
Credit grade – Satisfactory	4,431	312	-	-	4,743
Credit grade – Weak	-	297	101	-	398
Credit grade – Impaired	-	-	-	90	90
Gross carrying amount	56,631	1,905	638	122	59,296
Provision for impairment	(42)	(37)	(32)	(31)	(142)
Net carrying amount	56,589	1,868	606	91	59,154

Bank	Strong $M	Satisfactory $M	Weak $M	Total $M
2018				
Loans and advances				
Retail banking	45,491	1,251	526	47,268
Business banking	7,040	3,474	261	10,775
	52,531	4,725	787	58,043

Ageing of past due but not impaired financial assets is used by the Bank to measure and manage emerging credit risks. A summary of the ageing of past due but not impaired loans and advances is noted below. The balances of financial assets other than loans and advances are all neither past due nor impaired.

Bank	Past due but not impaired 1–29 days $M	30–59 days $M	60–89 days $M	90–179 days $M	>= 180 days $M	Total $M
2019						
Loans and advances						
Retail banking	774	215	163	234	259	1,645
Business banking	23	27	30	28	30	138
	797	242	193	262	289	1,783
2018						
Loans and advances						
Retail banking	857	210	154	275	210	1,706
Business banking	64	23	12	24	32	155
	921	233	166	299	242	1,861

(c) Collateral management

Collateral is used to mitigate credit risk as the secondary source of repayment in case the counterparty cannot meet their contractual repayment commitments.

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty.

More than 80.9 per cent (2018: 81.5 per cent) of the Bank's lending is consumer in nature and 99.7 per cent (2018: 99.6 per cent) of that lending is secured by residential property. Residential Lenders Mortgage Insurance is generally required for residential mortgages with a Loan-to-Value ratio at origination of more than 80 per cent to cover any shortfall in outstanding loan principal and accrued interest. The financial effect of these measures is that remaining credit risk on residential loans is significantly reduced.

For the business banking portfolio, the Bank will take collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

In the event of customer default, the Bank can take possession of security held as collateral against the outstanding claim. Any loan security for residential mortgages is held as mortgagee in possession while the Bank seeks to realise its value through the sale of the property. Therefore, the Bank does not hold any real estate or other assets acquired through the repossession of collateral. It is the Bank's practice to demonstrate high standards of conduct when taking recovery action, and to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. Collateral and other credit enhancements held by the Bank mitigates the maximum exposure to credit risk.

For impaired assets, considerable care is taken to assess the underlying collateral value taking into account the likely method of recovery such as whether the client sells or through a formal insolvency appointment, the time involved and likely costs associated with the strategy.

Collateral and other credit enhancements held by the Bank mitigates the maximum credit exposure to credit risk.

(d) Concentration of credit risk

Concentration of credit risk is managed by client or counterparty, industry sector and geography. Portfolios are actively monitored and frequently reviewed to identify, assess and protect against unacceptable risk concentrations. The following table details the credit risk by geographical concentration on gross loans and advances.

Geographic breakdown	2019 $M	2018 $M
Queensland	31,600	31,005
New South Wales	15,858	15,624
Victoria	5,920	6,079
Western Australia	3,524	3,587
South Australia and other	2,394	2,433
Gross loans and advances	59,296	58,728

Details of the aggregate number of the Bank's corporate exposures (including direct and contingent exposures) which individually were greater than five per cent of the Bank's capital resources (Tier 1 and Tier 2 capital) are as follows.

Bank	2019 Number	2018 Number
25% and greater	-	1
20% to less than 25%	1	1
15% to less than 20%	1	1
10% to less than 15%	2	1
5% to less than 10%	-	3

A concentration risk management framework is in place to monitor exposure levels set at levels which are considered acceptable in line with the Bank's lending appetite.

(e) Provision for impairment – specific and collective provisions

The credit provisions raised (specific and collective) represent management's best estimate of the expected credit losses in the loan portfolio at reporting date. The independent Business Customer Support and Collections teams provide the Chief Risk Officer, Banking & Wealth and the Bank Credit Risk Committee with analysis of the carrying value of impaired loans and factors impacting recoverability.

A specific provision for impairment is recognised where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amounts of the loan. All factors that have a bearing on the expected future cash flows are considered, including the business prospects for the customer, the realisable value of collateral, Suncorp Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgments can change as new information becomes available and work-out strategies evolve.

The Suncorp Group's policy requires the level of impairment allowances on individual facilities that are above internal thresholds to be reviewed at least quarterly, and more regularly as circumstances require.

A collective provision is established for loan portfolios which are not specifically provisioned. Collective provisions are held for expected credit losses and can be in the performing or non-performing portfolios. For business banking exposures, a ratings-based approach is applied using estimates of PD and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of PD and loss given default are used to calculate the collective provision.

Loans with similar credit risk characteristics are grouped as follows:

- Retail loans, small business and non-credit risk-rated business loans are grouped by product.
- Credit risk-rated business loans are grouped by the industry types, being agribusiness, commercial, development finance and property investment.

The Suncorp Group has developed models to estimate the adverse impact on future cash flows for each group of loans with similar credit risk characteristics. These models estimate impairment losses by applying PD and loss given default statistical factors derived from prior experience.

Each model determines an impairment loss based on the Suncorp Group's historical experience, and an evaluation of current and forecast economic conditions, with adjustments made for additional systemic factors. It is possible that the estimated impairment loss will differ from the actual losses to be incurred from the groups of identified impaired loans.

Suncorp implemented the Group Model Integrity Framework which outlines the mandatory governance requirements to manage its models. The Model Owner is accountable for ensuring that these models are effectively managed, including the model's specification, development and maintenance, ensuring that the model fulfils its objectives and manages the impacts from any model risk incident.

The Model Technical Committee and Model Risk Committee manage the performance of its models, provide model risk oversight and challenge the performance of its models throughout their lifecycle by ensuring that:

- The model is appropriately implemented and performs as intended;
- The underlying assumptions/methodology are appropriate and fit-for-purpose;
- The integrity of the data feeding into the models is credible and where necessary action is taken to remediate any issues in a timely manner; and
- There is confidence that the model development activity has been subject to robust and independent challenge.

31.2 Credit risk for non-bank-related financial instruments

Exposure to credit risk from other functions of non-bank-related financial instruments arises primarily from:

- premiums outstanding
- reinsurance recoveries and receivables
- investments in interest-bearing securities and derivatives.

The carrying amount of the relevant asset classes in the consolidated statement of financial position represents the maximum amount of credit exposures as at reporting date.

(a) Premiums outstanding

Credit risk is managed by maintaining debtor control procedures including the monitoring of aged amounts to minimise overdue debts. Credit limits are set and enforced to limit credit exposures from business written through general insurance intermediaries. Where permissible by law, payment default will result in the termination of the insurance contract with the policyowner, eliminating both the credit risk and insurance risk for the unpaid balance. Collateral is not sought on these balances.

The ageing analysis is as follows.

	2019 $M	2018 $M
Neither past due nor impaired	2,685	2,503
Past due 0-3 months	58	102
Past due >3 months	49	55
Impaired	10	8
	2,802	2,668

(b) Reinsurance and other recoveries

Credit risk with respect to reinsurance programs is minimised by placement of cover with a number of reinsurers with AA or higher credit ratings. Eligible recoveries under reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market.

Collateral arrangements exist for non-regulated reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. The Group holds $121 million (2018: $151 million) in collateral to support reinsurance recoveries on outstanding claims.

The following table provides information regarding credit risk exposure of reinsurance and other recoveries, classified according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as non-investment grade.

	2019 $M	2018 $M
AAA	481	421
AA	1,090	905
A	539	491
Not rated	546	560
Total	2,656	2,377

The ageing analysis is as follows.

	2019 $M	2018 $M
Neither past due nor impaired	2,648	2,350
Past due 0-3 months	8	20
Past due >3 months	-	7
	2,656	2,377

(c) Investments in interest-bearing securities and derivatives

Interest-bearing securities are held in accordance with the investment mandates. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. An investment framework is in place that sets and monitors investment strategies and arrangements.

Certain derivatives issuers have signed ISDA Credit Support Annex documentation to facilitate derivative transactions and manage credit risk (refer to note 28.2).

For investment-linked business, the liability to policyowners is linked to the performance and value of the assets that back those liabilities. The Suncorp Group has no direct exposure to any credit risk in those assets.

The following table provides information regarding credit risk exposure, classified according to Standard & Poor's counterparty credit ratings and those related to investment-linked business. These assets are neither past due nor impaired.

	2019	2018	2019	2018
	Interest-bearing investment securities		Derivative asset	
	$M	$M	$M	$M
AAA	3,961	5,883	-	-
AA	4,515	4,965	42	12
A	2,806	3,002	31	20
BBB	2,332	2,013	4	-
Non-investment grade	9	22	-	-
Not rated	5	78	-	-
Investment-linked business	-	13	-	-
Total	13,628	15,976	77	32

31.3 Liquidity risk

The key objective of the Group's liquidity and funding management is to ensure that it has sufficient available liquidity to meet the current and future obligations under both normal and stressed liquidity environments, and does not introduce an unacceptable level of funding risk.

The following key facilities and arrangements are in place to mitigate non-bank-related liquidity risks:

– Investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations.

– Investment funds set aside within the investment portfolios can be realised to meet significant claims payment obligations.

– In the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements.

– Mandated liquidity limits.

– Regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise.

For Bank activities, executive management of liquidity and funding risk is delegated to the Bank Asset and Liability Committee which reviews risk measures and limits, endorses and monitors funding and liquidity strategy and ensures stress tests, the contingency funding plan and holdings of high-quality assets are effective and appropriate. Operational management of liquidity risk is delegated to both the Balance Sheet and Cash Management teams within Bank Treasury. Liquidity risk is independently monitored against approved policies on a daily basis by the Treasury Control team. Market and Financial Risk Analytics provide Second Line of Defence oversight of liquidity and funding management activities.

In conjunction with Group policies, the Bank has separate documents and processes to mitigate liquidity and funding risk which are approved by the Board Risk Committee and the Chief Risk Officer, Banking & Wealth, which are also subject to APRA review. These include:

– a liquidity and funding risk appetite statement as well as relevant risk limits

– a framework that includes control practices, early warning indicators and appropriate management notification structures, including, but not limited to: deposit concentration, liquidity coverage ratio, net stable funding ratio and liquidity concentration metrics limits

– sourcing of retail deposits and long-term debt to provide funding for the majority of the funding portfolio. Funding capacity is monitored and diversity in the funding portfolio is managed with consideration given to product, tenor, geography and customer concentrations

– a contingency funding plan that outlines strategies to address liquidity shortfalls in emergency situations.

(a) Maturity analysis

The following tables summarise the maturity profile of the Bank's financial liabilities based on the remaining undiscounted contractual obligations. For liquidity risk management purposes, the Bank's daily liquidity reporting is largely aligned to contractual maturity except where prescribed differently by APRA or where other methods are considered more appropriate. In addition to contractual maturity, the Group uses other metrics including the liquidity coverage ratio and the net stable funding ratio to manage its liquidity risk.

The cash flows for subordinated notes have been included at their next call date. The total cash flows include both principal and associated future interest payments. Interest is calculated based on liabilities held at balance date, without taking account of future issuance. Floating rate interest is estimated using estimated forward rates at the balance date.

Derivatives (other than those designated in a hedging relationship) and trading portfolio liabilities are included in the 0 to 3 months column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short term at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

	Carrying amount $M	At call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2019							
Payables due to other banks	353	353	-	-	-	-	353
Deposits and short-term borrowings	46,190	22,128	12,034	12,195	251	-	46,608
2018							
Payables due to other banks	148	148	-	-	-	-	148
Deposits and short-term borrowings	45,550	19,796	13,985	12,072	255	-	46,108

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The maturity profile for the Group's remaining financial liabilities are set out in the table below.

	Carrying amount $M	At call $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2019						
Payables and other liabilities	1,657	-	1,574	83	-	1,657
Amounts due to reinsurers	776	-	776	-	-	776
Managed funds units on issue	847	847	-	-	-	847
Securitisation liabilities[1]	3,831	-	1,097	2,329	656	4,082
Debt issues[1]	10,358	-	3,167	7,222	676	11,065
Loan capital[1]	2,360	-	482	2,080	72	2,634
	19,829	847	7,096	11,714	1,404	21,061
Derivatives						
Contractual amounts receivable (gross settled)		-	(232)	(314)	(12)	(558)
Contractual amounts payable (gross and net settled)		-	382	575	34	991
	456	-	150	261	22	433
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	120	-	-	-	120
Commitments to provide loans and advances	-	8,576	-	-	-	8,576
	-	8,696	-	-	-	8,696
2018						
Payables and other liabilities	1,710	-	1,663	47	-	1,710
Amounts due to reinsurers	747	-	747	-	-	747
Managed funds units on issue	1,285	1,285	-	-	-	1,285
Securitisation liabilities[1]	4,848	-	1,342	3,005	1,008	5,355
Debt issues[1]	9,854	-	3,109	6,871	697	10,677
Loan capital[1]	2,529	-	862	1,545	461	2,868
	20,973	1,285	7,723	11,468	2,166	22,642
Derivatives						
Contractual amounts receivable (gross settled)		-	(377)	(1,385)	(60)	(1,822)
Contractual amounts payable (gross and net settled)		-	477	1,476	72	2,025
	207	-	100	91	12	203
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	115	-	-	-	115
Commitments to provide loans and advances	-	8,619	-	-	-	8,619
	-	8,734	-	-	-	8,734

1 The cash flows for securitisation liabilities, debt issues, and loan capital have been included at the earlier of optional call/exchange/redemption date and the mandatory conversion/maturity/next call date of each instrument. Cash flows include both principal and associated future interest estimated using estimated forward rates at the reporting date.
For loan capital, interest payments for a number of securities are discretionary and/or may be deferred (refer note 23). For the purposes of the maturity analysis, it is assumed discretionary interest payments are payable and no deferral to occur. In the case of perpetual SML Floating Rate Notes that are callable at the issuer's discretion, principal repayment in 'over 5 years' and interest payments of up to 5 years are assumed for the maturity analysis. Assumptions made may not reflect actual amount and timing of cash flows, which are subject to each security's terms and conditions.

(b) Concentration of deposits and borrowings for bank-related financial instruments

Details of the concentrations of financial liabilities used in the Bank's activities to raise funds are as follows.

Bank	2019 $M	2018 $M
Australian funding sources		
Retail deposits	38,822	38,482
Wholesale funding	5,376	5,442
Covered bond programme	2,788	2,037
Australian domestic program	4,704	5,605
Securitisation	3,831	4,848
	55,521	56,414
Overseas funding sources		
FX retail deposits	81	79
United States Commercial Paper and European Medium-Term Note market	2,281	2,216
United States 144a Medium-Term Note market	3,529	2,778
	5,891	5,073
Total funding	61,412	61,487
Comprised of the following items on the statement of financial position:		
Deposits and short-term borrowings	46,551	46,043
Securitisation liabilities	3,831	4,848
Debt issues	10,358	9,854
Subordinated notes[1]	672	742
Total funding	61,412	61,487

1 Disclosed within the consolidated statement of financial position category of 'Loan capital'.

31.4 Market risk for bank-related financial instruments

Due to the nature of the Bank's business, market risk exposure is managed separately to other business areas of the Suncorp Group.

The Bank is exposed to mainly two sources of market risk, being interest rate and foreign exchange risks. For the purposes of market risk management, these are further broken down into traded and non-traded market risks.

The Bank uses value at risk (**VaR**) as one of the key measures of traded market risk and non-traded interest rate risk in the banking book (**IRRBB**). The VaR model is a statistical technique used to measure and quantify the market risk over a specific holding period at a given confidence level. The Bank's standard VaR approach for traded and non-traded risk is based on a historical simulation which uses equally weighted market observation from the last two years and eight years respectively. Historical VaR simulation assumes that the distribution of past price returns will reflect future returns.

(a) Traded market risk

The Bank trades a range of on-balance sheet interest, foreign exchange and derivative products. Income is earned from spreads achieved through market making and effective trading within the established risk management framework.

In addition to VaR, traded interest rate and foreign exchange risks are managed using a framework that includes stress-testing, scenario analysis, sensitivity and stop losses. These measures are monitored and reported to the Chief Risk Officer, Banking & Wealth, and the Bank Asset and Liability Committee for management oversight.

VaR is modelled at a 99 per cent confidence level over a 1-day holding period for trading book positions.

The VaR for the Bank's total interest rate and foreign exchange trading activities at the end of the financial year are as follows.

Bank	2019			2018		
	Interest rate risk[1] $M	FX risk $M	Combined risk[2] $M	Interest rate risk[1] $M	FX risk $M	Combined risk[2] $M
VaR at the end of the financial year	0.11	0.14	0.17	0.11	0.10	0.16
Average VaR for the financial year	0.09	0.18	0.21	0.10	0.11	0.16

1 Does not include the Balance Sheet Management Tactical portfolio VaR of $0.05 million (2018: $0.01million).
2 VaR for combined risk is the total trading risk and foreign exchange risks, taking into account correlations between different positions in both the interest rate and foreign exchange trading portfolios.

(b) Non-traded interest rate risk

Non-traded IRRBB is defined as all on-balance sheet items and off-balance sheet items that create an interest rate risk exposure within the Bank. The main objective of IRRBB management is to maximise and stabilise net interest income in the long term.

Interest rate risk arises from changes in interest rates that expose the Bank to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB and they include:

- repricing risk: resulting from changes in the overall levels of interest rates and the effect this has on the banking book with respect to mismatches in repricing dates
- yield curve risk: resulting from changes in the relative levels of interest rates at different tenors of the yield curve (that is a change in the slope or shape of the yield curve)
- basis risk: resulting from differences between the actual and expected interest margins on banking book items
- optionality risk: resulting from the existence of stand-alone or embedded options to the extent that the potential for losses is not included in the measurement of repricing, yield curve or basis risks
- embedded value risk: resulting from differences in transactions book value compared to market-to-market fair value due to past interest rate movements
- spread risk: arises due to the imperfect movement of interest rates for different yield curves within an economy.

(i) IRRBB – Net interest income sensitivity (NIIS)

IRRBB exposures are generated by using underlying reconciled financial position data to generate cash flows using relevant interest rate curves, and a static balance sheet assumption. Contractual cash flows are generated except for products where expected behavioural cash flow modelling is more appropriate, and they are modelled with a profile and at a term that can be statistically supported.

As a measure of shorter-term sensitivity, NIIS measures the sensitivity of the banking book earnings over the next 12 months to instantaneous parallel and non-parallel shocks to the yield curve. NIIS is measured using a 2 per cent parallel and non-parallel shock to the yield curve to determine the potential adverse change in net interest income in the ensuing 12-month period.

The following table indicates the potential impact to NIIS from an adverse 2 per cent parallel movement in interest rates on the Bank's financial position. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2019 $M	2018 $M
Exposure at the end of the financial year	(23)	(31)
Average exposure during the financial year	(15)	(25)

(ii) Present value sensitivity

As a measure of longer-term sensitivity, present value sensitivity (PVS) measures the sensitivity of the present value of all known future cash flows in the banking book, to instantaneous parallel and non-parallel shocks to the yield curve. All exposures have their known future cash flows present valued from relevant interest rate curves.

The following table indicates the potential impact to economic value from an adverse two per cent downwards parallel movement in interest rates on the Bank's financial position.

The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2019 $M	2018 $M
Exposure at the end of the financial year	(63)	(4)
Average exposure during the financial year	(47)	(51)

(iii) Value at Risk (VaR)

VaR is modelled at a 99 per cent confidence level over a one-month holding period for IRRBB. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2019 $M	2018 $M
Exposure at the end of the financial year	(24)	(18)
Average exposure during the financial year	(22)	(19)

(c) Non-traded foreign exchange risk

Non-traded foreign exchange risk can arise from having non-Australian dollar items in the banking portfolio, thereby exposing current and future earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management is to minimise the impact on earnings of any such movements. The Bank policy is to fully hedge any such exposure and accordingly minimise exposure to the risk. All offshore borrowing facilities arranged as part of the overall funding diversification process have been economically hedged in respect of their potential foreign exchange risk through the use of financial derivatives (refer to note 14).

31.5 Market risk for non-bank-related financial instruments

(a) Foreign exchange risk

The Suncorp Group's non-bank business foreign exchange risk exposure mainly arises from investments in overseas assets, including foreign issued interest-bearing securities and global equities. The exposure is managed via the use of cross currency swaps, forward foreign exchange and futures contracts.

A sensitivity analysis showing the impact on profit or loss for changes in foreign exchange rates for exposure as at the reporting date with all other variables including interest rates remaining constant is shown in the table below. There is no impact on equity reserves.

The movements in foreign exchange rates used in the sensitivity analysis for 2019 have been revised to reflect an updated assessment of the reasonable possible changes in foreign exchange rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2019			2018		
	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax $M
USD	584	+12	50	791	+10	54
		-12	(49)		-10	(57)
Other	411	+12	34	440	+12	34
		-12	(35)		-12	(38)

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(b) Interest rate risk

Interest rate risk exposure arises mainly from investment in interest-bearing securities and from ongoing valuation of insurance liabilities.

The investment portfolios, which hold significant interest-bearing securities in support of corresponding outstanding insurance liabilities, are invested in a manner consistent with the expected duration of claims payments. Interest rate risk is also managed by maintaining a diversified portfolio of investment securities and the controlled use of interest rate derivative instruments.

The sensitivity of profit and loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the reporting date is shown in the table below. There is no impact on equity reserves. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves.

Investment-linked business is excluded from the analysis as there is no residual interest rate exposure to the shareholder. The movements in interest rates used in the sensitivity analysis for 2019 have been revised based on an updated assessment of the reasonable possible changes in interest rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2019			2018		
	Exposure at 30 June $M	Change in interest rate bps	Profit (loss) after tax $M	Exposure at 30 June $M	Change in interest rate bps	Profit (loss) after tax $M
Interest-bearing investment securities (including derivative financial instruments)	13,662	+ 75	(176)	16,246	+100	(300)
		- 50	122		- 50	156
Loan capital	2,305	+ 75	(12)	2,475	+100	(16)
		- 50	7		- 50	8

(c) Equity risk

The Suncorp Group has exposure to equity risk through its investments in international and domestic equity trusts. Equity risk is managed by incorporating a diverse holding of Australian and overseas equities (whether direct or through unitised trusts) and through the controlled use of derivative financial instruments.

The table below presents a sensitivity analysis showing the impact on profit or loss for price movements for exposures as at the reporting date with all other variables remaining constant. There is no impact on equity reserves.

The movements in equity prices used in the sensitivity analysis for 2019 have been revised to reflect an updated assessment of the reasonable possible changes in equity prices over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2019			2018		
	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M
Listed Australian equities and unit trusts	1,195	+15	125	783	+10	56
		-15	(125)		-20	(109)
Listed international equities and unit trusts	368	+15	38	179	+10	13
		-15	(38)		-20	(26)

(d) Credit spread risk

The Suncorp Group is exposed to credit spread risk through its investments in non-Australian Government-issued bonds (and other interest-bearing securities). This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings, and managing to a credit risk diversity score limit.

The table below presents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the reporting date. There is no impact on equity reserves.

The movements in credit spread used in the sensitivity analysis for 2019 have remained unchanged based on an updated assessment of the reasonable possible changes in credit spread over the next 12 months, given renewed observations and experience in the investment markets during the financial year.

	2019			2018		
	Exposure at 30 June $M	Change in credit spread bps	Profit (loss) after tax $M	Exposure at 30 June $M	Change in credit spread bps	Profit (loss) after tax $M
Credit exposure (excluding semi-government)	8,686	+80	(104)	9,863	+80	(126)
		-20	26		-20	32
Credit exposure (semi-government)	969	+40	(9)	957	+40	(12)
		-15	3		-15	4

32 Commitments

32.1 Credit commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers. Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the PD. They are not sold or traded and are not recorded in the consolidated statement of financial position. The Suncorp Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA.

	2019 $M	2018 $M
Notional amounts		
Guarantees entered into in the normal course of business	120	115
Commitments to provide loans and advances	8,576	8,619
	8,696	8,734
Credit equivalent amounts		
Guarantees entered into in the normal course of business	120	114
Commitments to provide loans and advances	2,150	2,305
	2,270	2,419

32.2 Operating lease expenditure commitments

The Group leases property under operating leases expiring from 1 to 11 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movement in the Consumer Price Index or other operating criteria.

	2019 $M	2018 $M
Aggregate non-cancellable operating lease rentals payable but not provided in the financial statements:		
Less than one year	133	139
Between one and five years	388	389
More than five years	436	208
	957	736

Total operating lease rental expense recognised in the consolidated statement of comprehensive income as part of 'Fees, overheads and other expenses' was $141 million (2018: $145 million).

32.3 Capital and expenditure commitments

Expenditure for the acquisition of property, plant and equipment and other expenditure contracted for but not provided in the consolidated financial statements was $5 million (2018: $8 million).

33 Parent entity and composition of the Suncorp Group

33.1 Ultimate parent entity

Company	2019 $M	2018 $M
Results of the Company for the financial year:		
Revenue		
Dividend and interest income from subsidiaries	997	974
Interest and trust distribution income on financial assets at fair value through profit or loss	35	17
Other income	4	4
Total revenue	1,036	995
Expenses		
Impairment loss on investment in subsidiaries	(153)	-
Interest expense on financial liabilities at amortised cost	(84)	(92)
Operating expenses	(54)	(4)
Total expenses	(291)	(96)
Profit before income tax	745	899
Income tax benefit (expense)	61	(9)
Profit for the financial year	806	890
Total comprehensive income for the financial year	806	890

Company	2019 $M	2018 $M
Financial position of the Company as at the end of the financial year:		
Current assets		
Cash and cash equivalents	27	6
Financial assets designated at fair value through profit or loss	1,075	552
Due from subsidiaries	31	107
Other assets	42	4
Total current assets	1,175	669
Non-current assets		
Investment in subsidiaries	13,898	14,096
Due from subsidiaries	592	770
Deferred tax assets	57	7
Other assets	61	81
Total non-current assets	14,608	14,954
Total assets	15,783	15,623
Current liabilities		
Payables and other liabilities	60	9
Current tax liabilities	-	54
Due to subsidiaries	603	19
Total current liabilities	663	82
Non-current liabilities		
Loan capital	1,736	1,905
Total non-current liabilities	1,736	1,905
Total liabilities	2,399	1,987
Net assets	13,384	13,636
Equity		
Share capital	12,964	12,957
Retained profits	420	679
Total equity	13,384	13,636

Capital and expenditure commitments

There are no capital and expenditure commitments contracted for but not provided in the statement of financial position of the Company.

Contingent liabilities

There are no parent entity contingent liabilities.

Parent entity guarantees

There are no parent entity guarantees in relation to the debts of its subsidiaries.

33.2 Material subsidiaries of Suncorp Group Limited

Material subsidiaries of Suncorp Group Limited	Class of shares	Country of incorporation	2019 Equity holding %	2018 Equity holding %
Suncorp Insurance Holdings Limited	Ordinary	Australia	100	100
AAI Limited[1]	Ordinary	Australia	100	100
Suncorp Insurance Services Limited	Ordinary	Australia	100	100
Suncorp Insurance (General Overseas) Pty Ltd	Ordinary	Australia	100	100
Vero Insurance New Zealand Limited	Ordinary	New Zealand	100	100
SBGH Limited	Ordinary	Australia	100	100
Suncorp-Metway Limited	Ordinary	Australia	100	100
APOLLO Series Trusts (various)[2]	Units	Australia	100	100
Suncorp Covered Bond Trust	Units	Australia	100	100
Suncorp Metway Advances Corporation Pty Ltd	Ordinary	Australia	100	100
SME Management Pty Limited	Ordinary	Australia	100	100
Suncorp Life Holdings Limited[3]	Ordinary	Australia	100	100
Suncorp Insurance (Life Overseas) Pty Ltd	Ordinary	Australia	100	100
Asteron Life Limited	Ordinary	New Zealand	100	100
Suncorp Life & Superannuation Limited[3]	Ordinary	Australia	-	100
Suncorp Portfolio Services Limited	Ordinary	Australia	100	100
Suncorp Staff Pty Ltd	Ordinary	Australia	100	100
Suncorp Corporate Services Pty Ltd	Ordinary	Australia	100	100
Suncorp Group Investment Trusts (various)[3]	Units	Australia	100	100
Suncorp Group Employee Share Plan Trust[4]	Units	Australia	100	100
Suncorp Group Employee Incentive Plan Trust[4]	Units	Australia	100	100

1 Also registered as an overseas company in New Zealand.
2 These trusts are structured entities created as part of the Suncorp Group's loan securitisation program. As at 30 June 2019, the Suncorp Group held interests in 10 trusts (2018: 10). Refer to note 38.1 for the basis of consolidation.
3 The Suncorp Group has three (2018: seven) unregistered managed investment schemes. They are consolidated by the Suncorp Group's subsidiary which has control of the managed investment scheme (when the controlling subsidiary is assessed as a separate entity). On consolidation, the non-controlling interest recognised by the controlling subsidiary is eliminated against other subsidiaries' holdings in the managed investment schemes. As part of the sale of SLSL (the Australian Life Business), Suncorp Group no longer has a controlling interest in four of those unregistered managed investment schemes.
4 These trusts are structured entities established to operate the Suncorp Group's employee share plans (refer to note 11). These trusts are controlled by the Company.

Other than the sale of the Australian Life Business (refer to note 35), the Suncorp Group did not acquire or dispose of any material subsidiaries, associates or joint venture entities during the current or prior financial year.

33.3 Unconsolidated structured entities

The Suncorp Group conducts fiduciary activities as trustee or custodian for various investment funds and trusts, approved deposit funds, superannuation funds, and wholesale and retail unit trusts.

The trusts are governed by the terms under which they were created, as set out in their trust deeds. Suncorp Group is deemed a sponsor of these entities through normal terms and conditions and by the association of its brand names. Compensation received by the Suncorp Group from sponsored entities for the financial year ended 30 June 2019 related to fees from trust fiduciary activities of $77 million (2018: $82 million).

The Suncorp Group does not have any other interests in these entities. Arrangements are in place to ensure activities relating to asset management and trusteeship and mortgage investments are managed separately from the operations of the Suncorp Group. The assets and liabilities of these trusts are not the property of the Suncorp Group and are not included in the consolidated financial statements as the Suncorp Group does not control these entities.

The funds under administration by trustee companies are listed in the table below.

Trustee/Fund Manager	2019 $M	2018 $M
Asteron Life Limited (New Zealand), Asteron Retirement Investment Limited & Asteron Trust Services Limited[1]	324	318
Suncorp Funds Pty Ltd[2]	1,126	1,160
Suncorp Portfolio Services Limited[3]	6,920	7,018

1 Trustee and manager for a number of wholesale, superannuation and investment funds. The assets and liabilities of these trusts and funds are not consolidated in the financial statements as the Suncorp Group does not control these entities.
2 Trustee for various investment unit trusts.
3 Trustee for various internal and external superannuation funds.

33.4 Consolidated structured entities

Suncorp Group has the following contractual arrangements which require it to provide support to its consolidated structured entities, the Trusts.

Liquidity facility

SML provides a liquidity facility to the Trustee of the Trusts. There are two instances when the liquidity facility can be drawn: a) if on a Determination Date, the investor revenues received by the Trusts are insufficient to meet its total expenses; and b) in the event that SML does not meet its designated credit rating. The maximum amount which can be drawn is $146 million (2018: $150 million).

The amount drawn as of 30 June 2019 is $nil million (2018: $nil million).

Redraw facility

SML provides a redraw facility to the Trustee of the Trusts. The redraw facility can be drawn if on a Determination Date, the Principal Collections to reimburse the seller for any redraws funded during the monthly period are insufficient. The maximum amount which can be drawn is $55 million (2018: $57 million).

The amount drawn as of 30 June 2019 is $nil million (2018: $nil million).

34 Key management personnel (KMP) and related party disclosures

34.1 KMP disclosures

Information regarding KMP remuneration, loans and equity instruments disclosures are included in the Remuneration Report section of the Directors' Report.

KMP compensation is included in Employee benefits expense (refer to note 10). Its categorisation is as follows.

	2019 $000	2018 $000
Short-term employee benefits	14,318	18,208
Long-term employee benefits	105	278
Post-employment benefits	456	389
Share-based payments	8,292	8,571
Termination benefits	1,668	2,363
	24,839	29,809

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of the Suncorp Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as specific provisions, as the balances are considered fully collectable.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Suncorp Group to KMP and their related parties are as follows.

	2019		2018	
	Key management personnel $000	Other related parties $000	Key management personnel $000	Other related parties $000
Closing balance	5,227	2,698	5,931	1,050
Interest charged	173	13	228	16

34.2 Related party transactions with associates, joint venture entities and other related parties

	2019 $000	2018 $000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
Other income received or due and receivable:		
Joint ventures	33,502	27,402
Other expenses paid or due and payable:		
Joint ventures	7,085	6,716
Aggregate amounts receivable from, and payable to, each class of related parties at reporting date:		
Receivables:		
Joint ventures	358	23

Transactions between the Suncorp Group and associates and joint venture entities consisted of fees received and paid for information technology services, investment management services, overseas management services, property development finance facilities and reinsurance arrangements. All these transactions were on a normal commercial basis.

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35 Sale of the Australian Life Business

Suncorp's sale of the Australian Life Business (SLSL) to TAL Dai-ichi Life Australia Pty Ltd (TAL) completed on 28 February 2019. Total consideration from the share sale was $746 million (includes a pre-completion dividend of $70 million). To continue to provide a range of life insurance solutions to Suncorp's customers, an exclusive 20-year strategic alliance with TAL was entered into on completion of the sale.

SLSL has been classified as discontinued operations and as shown in note 5.1, SLSL impacts revenue and expenses across multiple operating segments. Profit and loss from discontinued operations for the financial year ended 30 June 2019 and the comparative period are presented separately in the consolidated statement of comprehensive income. It comprises segment profit after tax from SLSL, loss on sale of SLSL, impairment of the goodwill and other items as shown in note 35.1.

35.1 Profit and loss from discontinued operations

	2019 $M	2018 $M
Revenue	870	1,256
Expenses	(900)	(1,092)
Net (loss) profit before income tax	(30)	164
Income tax benefit (expense)	57	(65)
Segment profit after tax from SLSL	27	99
Loss on sale of SLSL	(690)	-
Impairment of goodwill	(145)	-
Transaction and separation costs	(160)	-
Income tax benefit	85	-
Loss on sale of SLSL (net of transaction costs and tax)	(910)	-
Consolidation adjustments	2	4
(Loss) profit after tax from discontinued operations	(881)	103

35.2 Cash flows from discontinued operations

The table below presents the net cash from (used in) operating, investing and financing activities for discontinued operations for the year ended 30 June 2019 and the comparative period. It includes the cash flows of SLSL, plus the incurred transaction and separation costs, which are part of the net cash used in investing activities. The transaction involved the sale of designated assets and liabilities at book value of $4,655 million and $3,295 million respectively. The difference between the agreed values of the transferred assets and liabilities was settled through a cash receipt of $223 million (net of cash disposed).

	2019 $M	2018 $M
Net cash from (used in) operating activities	77	(67)
Net cash from investing activities	405	92
Net cash (used in) from financing activities	(170)	35
Net cash inflows from discontinued operations	312	60

36 Auditors' remuneration

	2019	2018	2019	2018
	KPMG Australia		Overseas KPMG firms	
	$000	$000	$000	$000
Audit and review services				
Audit and review of financial reports	4,665	4,732	1,507	1,465
Other regulatory audits	978	1,318	367	303
	5,643	6,050	1,874	1,768
Other services				
In relation to other assurance, actuarial, taxation and other non-audit services	2,217	3,634	475	51
Total auditors' remuneration	7,860	9,684	2,349	1,819

37 Contingent assets and liabilities

37.1 Contingent assets

There are claims and possible claims made by the Suncorp Group against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Suncorp Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. The directors are of the opinion that receivables are not required in respect of these matters, as it is not virtually certain that future economic benefits will eventuate or the amount is not capable of reliable measurement.

37.2 Contingent liabilities

There are outstanding court proceedings, potential fines, claims and possible claims against the Suncorp Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, legal advice has been obtained. The Suncorp Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

There are contingent liabilities in respect of matters below. Where appropriate, provisions have been made.

- The Suncorp Group has given guarantees and undertakings in the ordinary course of business in respect to credit facilities and rental obligations. Note 32 sets out the details of these guarantees.
- Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.
- In the ordinary course of business, the Suncorp Group enters into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.
- Suncorp Group is currently undertaking a number of reviews to identify and resolve prior issues that have the potential to impact customers. An assessment of the Suncorp Group's likely loss has been considered on a case-by-case basis for the purpose of the financial statements, but cannot always be reliably estimated. Contingent liabilities may exist in respect of actual or potential claims, compensation payments and/or refunds identified as part of these reviews. The outcomes and total costs associated with these reviews and possible exposures remain uncertain.
- As part of the sale of the Australian Life Business, Suncorp Group provided warranties and indemnities to SLSL and TAL. These included warranties, indemnities and remediation obligations in regards to the provision of services and products in accordance with terms and conditions of the contractual arrangements. The outcomes and costs of these potential warranties and indemnities remain uncertain.

- The report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) was released on 1 February 2019 and sets out 76 policy recommendations to strengthen protections for consumers, small business and rural and regional communities and generally brought greater focus on culture and compliance matters. Suncorp Group is working through these matters, including the specific findings referenced to Suncorp Group by the regulator. The outcomes and costs associated with many of these potential matters remain uncertain.
- On 28 June 2019 Suncorp Portfolio Services Limited (SPSL) being the trustee of the Suncorp Master Trust and two former SPSL executive directors were served with a class action filed by William Roberts lawyers supported by litigation funder Litigation Capital Management in the New South Wales Supreme Court. The class action alleges trustee failures by allowing conflicted remuneration to be paid to Australian Financial Services licenced companies (financial advisers) between 1 July 2013 to 21 June 2019. The class action has been filed on an open basis for all persons whose accounts were alleged to have been affected by the alleged payment of conflicted remuneration from 1 July 2013 to 21 June 2019. Suncorp Group is currently working through a number of pleading issues within the commercial list statement in order to defend the matter. The outcomes and total costs associated with these potential exposures remain uncertain.

38 Significant accounting policies

The Suncorp Group's significant accounting policies set out below have been consistently applied by all Suncorp Group entities to all periods presented in these consolidated financial statements.

38.1 Basis of consolidation

The Suncorp Group's consolidated financial statements are the financial statements of the Company and all its subsidiaries, presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

(a) Subsidiaries

Subsidiaries are entities controlled by the Suncorp Group which includes companies, managed funds and trusts. The Suncorp Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control commences until the date on which control ceases.

Non-controlling interests recognised as equity and managed funds units recognised as a liability arise when the Suncorp Group does not hold 100 per cent of the shares or units in a subsidiary. They represent the external equity or liability interests in non-wholly owned subsidiaries of the Suncorp Group.

Structured entities (SE) are entities created to accomplish a specific and well-defined objective such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. Critical judgments are applied in determining whether a SE is controlled and consolidated by the Suncorp Group. A SE is consolidated if the Suncorp Group is exposed to, or has rights to, variable returns from its involvement with the SE and has the ability to affect those returns through its power over the SE.

The main types of SE established by the Suncorp Group are securitisation trusts and covered bond trusts. The securitisation trusts and the covered bond trusts are controlled by the Suncorp Group and are consolidated in the consolidated financial statements.

(b) Business combination of entities under common control

In a business combination arising from transfers of interests in entities that are under the control of the ultimate parent entity, the assets and liabilities are acquired at the carrying amounts recognised previously in the Suncorp Group's consolidated financial statements.

38.2 Foreign currency

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency of the Group using the spot exchange rates at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated into the functional currency using the spot exchange rates current on that date.

The resulting differences on monetary items are recognised as exchange gains or losses in the financial year in which the exchange rate difference arises. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rates at the date of the transaction.

Foreign currency non-monetary assets and liabilities that are stated at fair value are translated using exchange rates at the dates the fair value was determined.

Where a foreign currency transaction is part of a hedge relationship, it is accounted for as above, subject to the hedge accounting rules set out in note 38.8.

(b) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated at rates approximating the foreign exchange rates applicable at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income (OCI) and presented in the foreign currency translation reserve.

38.3 Revenue and expense recognition

(a) Premium revenue

General insurance contracts

Premium revenue comprises amounts charged to policyowners and includes applicable levies and charges such as fire service levies, but excludes stamp duty and taxes collected on behalf of third parties such as goods and services tax. Premiums are recognised as revenue in accordance with the pattern of the underlying risk exposure from the date of attachment over the period of the insurance policy, which is usually one year.

Premiums on unclosed business are brought to account by reference to the prior years' experience and information that has become available between the reporting date and the date of completing the consolidated financial statements.

Life insurance and investment contracts

Premium recorded as revenue relates to risk-bearing life insurance contracts. The components of premium that relate to life investment contracts are in the nature of deposits and are recognised as a movement in policy liabilities.

Life insurance premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised on an accruals basis.

(b) Claims expenses and movements in policy liabilities

General insurance contracts

Claims expense represents payments for claims and the movement in outstanding claims liabilities. Claims represent the benefits paid or payable to the policyowner on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in profit or loss as losses are incurred, which is usually the point in time when the event giving rise to the claim occurs.

Life insurance and investment contracts

Insurance claims are recognised in profit or loss when the liability to the policyowner under the policy contract has been established or upon notification of the insured event, depending on the type of claim.

The component of a life insurance contract claim that relates to the bearing of risks is treated as a claim expense. Other life insurance claims and all life investment contract amounts paid to policyowners are in the nature of withdrawals and are recognised as a decrease in policy liabilities.

The change in policy liabilities is recognised in profit or loss and incorporated in claims expenses and movements in policy liabilities.

(c) Outward reinsurance premium expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Reinsurance premiums are deferred and recognised as an asset where there are future economic benefits to be received from reinsurance premiums.

(d) Interest income and expense

Interest income and expense on financial assets or liabilities at amortised cost are recognised in profit or loss using the effective interest method. This includes fees and commission income and expense (e.g. lending fees) that are integral to the effective interest rate on a financial asset or liability.

Interest income and expense on financial assets or liabilities at fair value are recognised in profit or loss when earned or incurred.

(e) Dividends and distribution income

Dividends and distribution income are recognised when the right to receive income is established.

(f) Other income

Non-yield related application and activation lending fee revenue is recognised when the loan is disbursed or the commitment to lend expires.

Service fees that represent the recoupment of the costs of providing service, for example maintaining and administering existing facilities, are recognised when the performance obligation is satisfied. Fees can be recognised over time (i.e. annual fees) or at a point in time, when a promised service is performed (i.e. late payment fees).

38.4 Income tax

Income tax expense comprises current and deferred tax and is recognised in the profit or loss except to the extent that it relates to items recognised in equity or in OCI.

Current tax consists of the expected tax payable on the taxable income for the year, after any adjustments in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences can be utilised. Provisions for taxation require the Suncorp Group to take into account the impact of uncertain tax positions. For such uncertainties, the Suncorp Group relies on estimates and assumptions about future events.

AASB 1038 *Life Insurance Contracts* (**AASB 1038**) requires shareholder and policyowner tax to be included in income tax expense in the profit or loss. The majority of life insurance tax is allocated to policy liabilities and does not affect profit attributable to owners of the Company.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries. Consequently, all members of the tax-consolidated group are taxed as a single entity.

The members recognise the current and deferred tax amounts applicable to the transactions undertaken by it, reasonably adjusted for certain intra-group transactions, as if it continued to be a separate tax payer. The Company also recognises the entire tax-consolidated group's current tax liability. Any differences between the current tax liability and any tax funding arrangement amounts (see below) are recognised by the Company as an equity contribution to, or distribution from, the subsidiary.

The members of the tax-consolidated group have entered into a tax sharing agreement and a tax funding agreement. Under the tax funding agreement, the wholly-owned entities fully compensate the Company for any current tax payable assumed. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, at call.

Taxation of financial arrangements

The Company has accepted the default method of accruals or realisation and has not made any elections regarding transitional financial arrangements or other elective timing methods.

38.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, balances with the RBA, highly liquid short-term investments, money at short call, and securities held under reverse repurchase agreements with an original maturity of three months or less. Receivables due from and payables due to other banks are classified as cash equivalents for cash flow purposes. Bank overdrafts are shown within financial liabilities unless there is a right of offset.

Receivables due from and payables due to other banks include collateral posted or received on derivative positions, nostro balances and settlement account balances. They are carried at the gross value of the outstanding balance.

38.6 Non-derivative financial assets

The Group determines whether each financial asset's contractual cash flows are solely principal payments and interest (**SPPI**) and how the financial asset is managed.

(a) Fair value through profit and loss

Financial assets where contractual cash flows are not SPPI will be classified at fair value through profit and loss (**FVTPL**). Assets that are SPPI, but managed on a fair value basis, will also be classified at FVTPL. Where financial assets other than FVTPL back liabilities at fair value through profit or loss, this would create an accounting mismatch and the financial assets can be designated at FVTPL to remove this mismatch.

Financial assets at FVTPL are initially recognised on trade date at fair value. Transaction costs are recognised in profit or loss as incurred. Subsequently, the assets are measured at fair value on each reporting date and any gains or losses are taken immediately to profit or loss. This category includes trading securities.

The Suncorp Group has classified financial assets held in portfolios that match the average duration of a corresponding insurance liability, as assets backing general insurance liabilities, life insurance and life investment policy liabilities.

(b) Amortised cost

For assets where cash flows are SPPI and the business model is held-to-collect these cash flows, the classification is at amortised cost. This category includes loans and advances.

They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less any impairment losses.

(c) Fair value through other comprehensive income

Debt instruments that are SPPI and are held-to-collect-and-sale (regular, but not frequent sales) will be recorded as FVOCI. These will be measured at fair value with subsequent changes going through OCI. On derecognition, the accumulated OCI will be recycled into profit and loss. This category includes investment securities.

(d) Derecognition of financial assets

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Suncorp Group has transferred substantially all risk and rewards of ownership.

(e) Repurchase agreements and reverse repurchase agreements

When the Suncorp Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset at a fixed price on a future date (repurchase agreement), the financial assets sold under such agreements continue to be recognised as a financial asset and the obligation to repurchase recognised as a liability.

Securities purchased under agreements to resell, where the Group does not acquire the risks and rewards of ownership, are recorded as receivables in cash and cash equivalents or loans and advances if the original maturity is greater than 90 days. The security is not included in the consolidated statement of financial position. Interest income is accrued on the underlying cash and cash equivalents or loan and advances.

38.7 Derivative financial instruments

The Suncorp Group holds derivative financial instruments to hedge the Suncorp Group's assets and liabilities or as part of the Suncorp Group's trading and investment activities.

All derivatives are initially recognised at fair value on trade date and transaction costs are recognised in profit or loss as incurred. Derivatives are classified and accounted for as held for trading financial assets at fair value through profit or loss (note 38.6) unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting (note 38.8).

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. Where a derivative is embedded in another financial instrument, the economic characteristics and risks of the derivative are not closely related to those of the host contract and the host contract is not carried at fair value, the embedded derivative is separated from the host contract and carried at fair value through profit and loss. Otherwise, the embedded derivative is accounted for on the same basis as the host contract.

When a hybrid contract contains a host that is a financial asset, the entire hybrid contract is assessed for classification. If the hybrid contract contains a host that is a financial liability or a contract that is not a financial asset, the hybrid contract is assessed to determine whether the embedded derivative is required to be separated. Separation of the embedded derivative from the host contract is not permitted when the hybrid contract is measured at fair value through profit or loss; the embedded derivative meets the definition of a standalone derivative; or the embedded derivative is closely related to the host contract.

38.8 Hedge accounting

The Suncorp Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

The International Accounting Standards Board is currently working on a project on dynamic risk management, which will heavily impact hedge accounting for macro hedges. AASB 9 currently provides an option to continue to apply AASB 139 hedge accounting rules until this project is finalised. Suncorp Group has elected to continue to apply AASB 139 for hedge accounting until there is clarity around the additional changes.

(a) Cash flow hedges

Changes in the fair value associated with the effective portion of a hedging instrument designated as a cash flow hedge are recognised in OCI and accumulated in the hedging reserve within equity as the lesser of the cumulative fair value gain or loss on the hedging instrument and the cumulative change in fair value on the hedged item from the inception of the hedge. Ineffective portions are immediately recognised in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or, the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts accumulated in equity are released to profit or loss immediately. In other cases, the cumulative gain or loss previously recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(b) Fair value hedges

Where an effective hedge relationship is established, fair value gains or losses on the hedging instrument are recognised in profit or loss. The hedged item attributable to the hedged risk is carried at fair value with the gain or loss recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or, the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The hedged item is accounted for under the effective interest method from that point and any accumulated adjustment to the carrying value of the hedged item from when it was effective is released to profit or loss over the period to when the hedged item will mature.

(c) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for similarly to cash flow hedges. Where an effective hedge relationship is established, the effective portion of the cumulative net change in the clean fair value of hedging instruments is recognised in the foreign currency translation reserve; while the ineffective portion is recognised in profit or loss.

Upon disposal or partial disposal of the foreign operation, the effective portion recognised in the foreign currency translation reserve shall be reclassified from equity to profit or loss as part of the gain or loss on disposal.

38.9 Reinsurance and other recoveries receivable

Reinsurance and other recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liabilities relating to general insurance contracts.

38.10 Deferred acquisition costs

Acquisition costs are deferred and recognised as an asset when they can be reliably measured and when it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods.

Deferred acquisition costs (DAC) are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

DAC are recognised as assets to the extent that the related unearned premiums exceed the sum of the DAC and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the DAC asset is written down and if insufficient, an unexpired risk liability is recognised.

The carrying value of unearned premium liabilities is assessed at each reporting date by carrying out a liability adequacy test (LAT). This test assesses whether the net unearned premium liabilities less any DAC is sufficient to cover future claims costs for in-force insurance contracts. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and include a risk margin to reflect the inherent uncertainty in the central estimate. The assessment is carried out on each portfolio of contracts subject to broadly similar risks and managed together as a single portfolio. If a LAT deficiency occurs, it is recognised in the profit or loss with a corresponding write-down of the related DAC asset. Any remaining balance is recognised as an unexpired risk liability on the consolidated statement of financial position.

38.11 Intangible assets

(a) Initial recognition and measurement

Intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at acquisition date.

Goodwill is recognised at cost from business combinations and is subsequently measured at cost less accumulated impairment loss.

Internally generated intangible assets

Internally generated intangible assets such as software are recognised at cost, which comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management.

All other expenditure, including expenditure on software maintenance, research costs and brands is recognised as an expense as incurred.

(b) Amortisation

Intangible assets with finite lives are amortised over the estimated useful lives from the date the asset is available for use. Amortisation is charged to profit or loss in a manner that reflects the pattern in which the asset's future economic benefits are expected to be consumed using straight-line or diminishing balance methods. All intangible assets except goodwill have finite useful lives. The maximum remaining useful lives as outlined in note 17 are reviewed annually.

Intangible assets deemed to have an indefinite useful life are not amortised but are tested for impairment at least annually.

38.12 Impairment

(a) Financial assets

Expected credit losses (ECL) will be recorded for all financial assets measured at amortised cost or FVOCI. ECL is calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting the influence of unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in house prices.

The economic forecasts underpinning the PD and LGD estimates are reviewed on at least a 6-monthly basis, taking into account expert judgment, and are approved by the Bank's Asset and Liability Committee. Management has included adjustments to the modelled provisions to capture emerging risks that have not yet been captured in the ECL model.

Financial assets that are subject to credit risk are assigned to one of three stages and could be reassigned based on changes in asset quality:

– Stage 1 are performing and/or newly originated assets. Provisions for loans in stage 1 are established to provide for ECL for a period of 12 months;

– Stage 2 assets have experienced a significant increase in credit risk (SICR) since origination. Provisions for loans in stage 2 are established to provide for ECL for the remaining term of the asset (lifetime ECL); and

– Stage 3 are 'past due but not impaired and impaired assets. Provisions for loans in stage 3 are established to provide for the lifetime ECL. Portfolio managed assets in stage 3 (mainly retail lending), will have a collective provision determined by the ECL model, although some loans are individually covered by a specific provision. The majority of relationship managed assets in stage 3 (mainly business lending) will require a specific provision unless it is determined that a collective provision provides a more appropriate estimate. A specific provision is calculated based on estimated future cash flows discounted to their present value.

A SICR event occurs if a loan deteriorates since origination on the master rating scale (MRS) by a defined number of notches. Loans with a higher MRS at origination (higher risk) require fewer notch movements to trigger a SICR event than loans with a lower MRS at origination (lower risk).

From the perspective of arrears, 30 days past due is always considered stage 2. Exposures for which the MRS subsequently improves to below the SICR threshold will move back to stage 1. Loans restructured on commercial terms with a significant modification of their terms and conditions are considered a re-origination and will be moved into stage 1.

A write off is made when all practical recovery efforts have concluded and all or part of a financial asset is deemed unrecoverable or forgiven. Write-offs reduce the principal amount of a claim and are charged against previously established ECLs.

(b) Non-financial assets

Non-financial assets are assessed for indicators of impairment at each reporting date. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU) which may be an individual asset or a group of assets. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any, recognised in respect of the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss recognised for goodwill is not reversed.

38.13 Non-derivative financial liabilities

(a) Financial liabilities at fair value through profit or loss

These liabilities are classified as either held for trading or those that are designated upon initial recognition. Liabilities are initially recognised on trade date at fair value with any directly attributable transaction costs recognised in profit or loss as incurred. Fair value is determined using the offer price where available. Movements in the fair value are recognised in the profit or loss. The impact of changes in 'own credit risk' for financial liabilities designated at FVTPL will be separated and recorded in OCI instead of profit or loss. The Suncorp Group designates certain short-term offshore borrowings at fair value through profit or loss when they are managed on a fair value basis.

(b) Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. The Suncorp Group's financial liabilities at amortised cost includes deposits and short-term borrowings, debt issues, subordinated notes and preference shares.

(c) Hybrid instruments

Hybrid instruments are those that have an embedded derivative that should be separated, and has both financial liability and equity characteristics.

The embedded derivative component is accounted for separately from the host contract and is recognised at fair value on initial recognition. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The amount allocated to the equity component is the residual.

Issue costs are apportioned between the liability and equity components of the instruments on their relative carrying amounts at the date of issue.

(d) Derecognition of financial liabilities

Non-derivative financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

38.14 Employee entitlements

(a) Short-term employee benefits

Liabilities for short-term employee benefits are those expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services. They are measured at the amounts expected to be paid when the liabilities are settled. Related on-costs such as superannuation, workers compensation and payroll tax are also included in the liability.

(b) Long service leave and annual leave

The liabilities for long service leave and annual leave are those not expected to be settled wholly before 12 months after the end of the reporting period. They are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Australian corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

(c) Share-based payments

The fair value of share-based payments is recognised as an expense on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value is calculated on grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest. The fair value of the share-based payments is based on the market price of the shares, dividend entitlements, and market vesting conditions (e.g. share price-related performance criteria) upon which the shares were granted. Non-market vesting conditions (e.g. service conditions) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

(d) Termination benefits

Termination benefits are recognised as an expense when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructure. Termination benefits for voluntary redundancies are recognised as an expense if the Group can no longer withdraw the offer as an employee has accepted the offer or when a restriction on the Group's ability to withdraw the offer takes effect.

38.15 Unearned premium liabilities

Premium revenue received and receivable but not earned is recognised as unearned premium liabilities.

38.16 Insurance liabilities

(a) General insurance contracts

The outstanding claims liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty of the central estimate. Standard actuarial methods are applied to determine the net central estimate of outstanding claims liabilities. The details of actuarial assumptions and the process for determining the risk margins are set out in note 20.4.

(b) Life insurance contracts

Life insurance contract liabilities are calculated using the Margin of Service (**MoS**) methodology. Under MoS, the excess of premium received over expected claims and expenses is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyowner. The profit release is controlled by a profit carrier.

The projection method is generally used to determine life insurance contract liabilities. The net present value of projected cash flows is calculated using best estimate assumptions about the future. When the benefits under the life insurance contract are linked to the assets backing it, the discount rate applied is based on the expected future earnings rate of those assets. Otherwise, a risk-free discount rate is used.

An accumulation method has been used for some risk business, where the liability is based on an unearned premium reserve, less an explicit allowance for DAC, and a reserve for incurred but not reported claims.

Participating policies are entitled to share in the profits that arise from participating business. This profit-sharing is governed by the Life Act and the Life companies' constitutions. The participating policyowner profit-sharing entitlement is treated as an expense in the profit or loss.

The operating profit arising from discretionary participating contracts is allocated between shareholders and participating policyowners by applying the MoS principles in accordance with the Life Act and the New Zealand Society of Actuaries Professional Standard Number 20 *Valuation of Life Insurance Liabilities*.

Profit allocated to participating policyowners is recognised as an increase in policy liabilities. Both the element of this profit that has not yet been allocated to specific policyowners (i.e. unvested) and that which has been allocated to specific policyowners by way of bonus distributions (i.e. vested) are included within life insurance contract liabilities.

(c) Life investment contracts

A life investment contract involves both the origination of a financial instrument and the provision of investment management services. Policy liabilities are measured at the fair value of the financial instrument component of the contract (designated as fair value through profit or loss), plus the liability in respect of the management services element. The management services element, including the associated acquisition costs, is recognised as revenue as services are performed.

For investment-linked products, the life investment contract liability is directly linked to the performance and value of the assets that back them and is determined as the fair value of those assets after tax. For fixed income products, the liability is determined as the net present value of expected cash flows, subject to a minimum of the current surrender value.

38.17 Other significant accounting policies specifically applicable to life insurance contracts

Under the Life Act, the business activities of the Australian Life Business were conducted within one or more separate statutory funds, which are distinguished from each other and from the shareholder funds. The previous financial report of the Australian Life Business, was lodged with the relevant Australian regulators and prepared in accordance with AASB 1038. In the report all major components of the financial statements are disaggregated between the various life insurance statutory funds and its shareholder funds, as well as between investment-linked business and non-investment-linked business.

Until the completion of the sale of the Australian Life Business on 28 February 2019, the assets of Life companies were allocated between the policyowners and shareholder funds with all assets, liabilities, revenues and expenses recognised in the financial statements of Suncorp Group, irrespective of whether they are policyowner or shareholder owned.

Shareholder's entitlement to monies held in the statutory funds is subject to the distribution and transfer restrictions and other requirements of the Life Act and the relevant Life company's constitution. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund, or as distributions.

Basis of expense apportionment

Life insurance expenditure until 28 February 2019 has been apportioned to the different classes of business in accordance with Division 2 of Part 6 of the Life Act. The expense apportionment basis is in line with the principles set out in APRA Prudential Standard LPS 340 *Valuation of Policy Liabilities* and the New Zealand Society of Actuaries Professional Standard Number 20 *Determination of Life Insurance Policy Liabilities*.

Expenses excluding investment management fees, which are directly identifiable, have been apportioned between policy acquisition and policy maintenance on the basis of the objective when incurring each expense, and the outcome achieved. Where allocation is not feasible between the disclosure categories, expenses have been allocated as maintenance expenses.

Expenses directly attributable to an individual policy or product are allocated directly to the statutory fund within the class of business of that policy or product. All indirect expenses charged to profit or loss are equitably apportioned to each class of business.

Statistics such as policy counts, annual premiums, funds under management and claims payments are used to apportion the expenses to individual life insurance and life investment products.

38.18 Treasury shares

Treasury shares are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised.

38.19 Leases

A distinction is made between finance leases (which effectively transfer substantially all the risks and benefits incidental to ownership of leased non-current assets from the lessor to the lessee) and operating leases (under which the lessor effectively retains substantially all such risks and benefits).

Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

38.20 Contingent liabilities and contingent assets

Contingent liabilities are not recognised, but are disclosed in the consolidated financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

Contingent assets are not recognised, but are disclosed in the consolidated financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

38.21 New accounting standards and interpretation not yet adopted

As at the date of this financial report, there are several new or revised accounting standards published by the AASB that will be mandatory in future financial years. The new or revised accounting standards that are expected to have a material impact on the Suncorp Group's financial statements are set out below. The Suncorp Group has not early adopted these accounting standards.

AASB 16 *Leases* (AASB 16)

AASB 16 was issued in February 2016 and will replace AASB 117 *Leases* (**AASB 117**) and related Interpretations. AASB 16 introduces a single on-balance sheet lease accounting model for lessees which will remove the operating or finance lease distinction for lessees under AASB 117. Lessor accounting remains similar to the current standard and lessors will continue to classify leases as finance and operating.

Under AASB 16, the Group will recognise a right-of-use (**ROU**) asset representing its right to use the underlying asset, and a lease liability representing the present value of future lease payments. Consequently, the Group will recognise depreciation of the ROU asset and interest expense on the lease liability in the consolidated statement of comprehensive income. In comparison to AASB 117, the expense profile will generally be larger in the earlier stages of the lease.

This is due to the interest expense being determined on the lease liability which amortises over the lease term and depreciation on the ROU asset is in accordance with the methods prescribed under AASB 116 *Property, Plant and Equipment*.

The ROU asset and lease liability is recognised for all leases with the exception of short-term leases (less than 12 months) and leases of low-value items which are exempted under AASB 16.

Transition

The Group has elected to transition to AASB 16 on 1 July 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained profits on 1 July 2019, with no restatement of comparative information.

In accordance with the modified retrospective approach the ROU asset can be determined on a lease by lease basis as either an amount equal to the lease liability or as if AASB 16 has always been applied.

The difference between the ROU asset and the lease liability will be recognised as an adjustment to the Group's retained earnings as at 1 July 2019.

Based on the elected transition method, the Group will recognise a lease liability of approximately $573 million, and a ROU asset of approximately $514 million. Amounts already recognised on the consolidated statement of financial position at 30 June 2019 (i.e. onerous lease provisions and straight-line lease liabilities) of $42 million are derecognised and offset against the ROU asset on transition, resulting in a reduction to retained earnings (net of tax) of approximately $12 million.

The Group's lease portfolio includes real estate leases and motor vehicle leases.

The Group's future minimum lease payments under non-cancellable operating leases are disclosed in note 32.2.

AASB 17 *Insurance Contracts* (AASB 17)

AASB 17 was issued in July 2017 and will replace AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts* and AASB 1038. AASB 17 applies to general and life insurance contracts.

Under AASB 17, on initial recognition, a group of insurance contracts are measured based on the fulfilment cash flows (present value of estimated future cash flows with a provision for risk) and the contract service margin (**CSM**, the unearned profit that will be recognised over the cover period). Subsequent to initial recognition, the liability for the group of insurance contracts comprises the liability for the remaining coverage (fulfilment cash flows and CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses already incurred but not yet paid). AASB 17 introduces significant changes to the presentation and disclosure of insurance contracts in the Suncorp Group's financial statements.

Exposure Draft 292 (**ED 292**) Amendments to IFRS 17 was issued in July 2019, proposing targeted amendments to AASB 17 in response to implementation challenges raised by stakeholders. ED 292 proposes that the effective date of AASB 17 is deferred by one year, and as such it is expected that this new standard will be mandatory for the Suncorp Group's 30 June 2023 financial statements, with the comparative period being the financial year ending 30 June 2022.

The Suncorp Group has established a project team to assess and implement the requirements of AASB 17. The Suncorp Group is currently performing a detailed impact assessment of the standard. Due to the complexity of the standard requirements, evolving interpretation of the requirements and the proposed changes to the standard, the impact of the standard on the Suncorp Group is still being determined.

39 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' declaration

1. The directors of Suncorp Group Limited (the **Company**) declare that in their opinion:
   a. the consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 55 to 162, are in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**), including:
      i. giving a true and fair view of the Suncorp Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by section 295A of the Corporations Act from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2019.
3. The directors draw attention to note 2.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

CHRISTINE MCLOUGHLIN	DR DOUGLAS MCTAGGART
Chairman of the Board	Director
7 August 2019	

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Independent Auditor's Report

To the shareholders of Suncorp Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the *Financial Report* of Suncorp Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the *Group*'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The *Financial Report* comprises the:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The *Group* consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

The Key Audit Matters we identified are:

- outstanding claims liabilities and reinsurance and other recoveries;
- expected credit loss provisions for loans and advances held at amortised cost;
- valuation of goodwill; and
- Information Technology (IT) systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Outstanding claims liabilities and reinsurance and other recoveries (AUD 7,869 million)

Refer to Note 20, Note 38.9 and Note 38.16(a) to the Financial Report

The key audit matter	How the matter was addressed in our audit
The estimation of outstanding claims liabilities and reinsurance and other recoveries, is a key audit matter as it involves significant judgement by us, given the high degree of uncertainty inherent in estimating the expected future payments for claims incurred. In particular, we focused on the Group's: • Estimation of future payments for claims incurred at the reporting date but which have not yet been reported to the Group as it may take many years to notify a claim, and the ultimate cost may be influenced by factors unknown at 30 June 2019 or outside of the control of the Group. • Application of historical experience of claims development to determine current estimates, including the variability between the original estimation and the ultimate settlement of claims where there is a long time delay between the claim being incurred and the ultimate settlement. This includes assessing key assumptions such as average claim size, future wage and superimposed inflation and risk margins applied. Examples include claims relating to Compulsory Third Party (CTP), Workers' Compensation, and to catastrophe events such as the Kaikoura and Canterbury earthquakes.	Working with our actuarial specialists, our procedures included: • assessing the appropriateness of the Group's selection of actuarial methods against the requirements of the accounting standards and the methods applied in the prior periods and industry. • testing key controls in relation to the claims payments and case estimates processes. This included IT general and application controls, such as system enforced segregation of duties. We involved our IT specialists in testing the IT controls. • testing key actuarial controls including the reconciliations of key data related to claims payments and case estimates and the Group's oversight of the outstanding claims liability valuations. • testing a sample of claims case estimates and claims payments to underlying third party evidence such as invoices, expert reports and bank statements. We did this to check the accuracy of the claims information used within the estimation of outstanding claims liabilities. • challenging the Group's actuarial methods and key assumptions for significant classes of business such as CTP and Workers' Compensation, as well as separate consideration of claims relating to catastrophe events such as the Kaikoura and Canterbury earthquakes. We have performed an assessment of the: – accuracy of previous estimates including comparison of the prior year valuation against current year experience; and – key assumptions used such as average claim size, future wage and superimposed inflation and risk margins applied, by comparing to APRA and other regulatory statistics and actuarial frameworks in place.

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Outstanding claims liabilities and reinsurance and other recoveries (AUD 7,869 million) (cont.)	
Valuation of reinsurance and other recoveries involves a high degree of judgement due to the implicit dependence on the estimate of gross outstanding claims and the complexity of significant contracts (such as coverage for natural hazards and catastrophes). As the auditor, challenging the Group's estimation process requires deep understanding of the industry and specialist actuarial knowledge.	• assessing the key assumptions against historical experience and industry trends to consider evidence of management bias. • performing our own re-estimation of outstanding claims liabilities, for a sample of classes of business to compare and challenge the Group's outstanding claims liability valuations against industry accepted actuarial methods. • assessing the Group's estimation of risk margins to identify management bias. We evaluated the Group's methodologies for calculating risk margins for consistency with those used in the industry, prior periods and the accounting standards. We also compared the risk margins methods to the framework recommended by the Risk Margin Task Force from the Institute of Actuaries of Australia in the paper titled "*A Framework for Assessing Risk Margins*" (November 2008) and compared the risk margins to APRA industry benchmarks. • comparing a sample of reinsurance recoveries recognised to the terms of the underlying reinsurance contracts and claims data, with a focus on natural hazards and catastrophe covers. In addition, we incorporated the reinsurance and other recoveries into our procedures performed in respect of gross outstanding claims described above. • assessed the recoverability of balances owed by reinsurer counterparties by considering their credit worthiness and capital strength, based on external sources of information and historical experience.

Expected credit loss provisions for loans and advances held at amortised cost (AUD 142 million)	
Refer to Note 15, 16, 31.1 and 38.12(a) to the Financial Report	
The key audit matter	**How the matter was addressed in our audits**
Expected credit loss (ECL) provisions for loans and advances held at amortised cost is a key audit matter due to the significance of loans and advances balances, the high degree of complexity and judgement applied by the Group in determining the provisions, and the judgement required by us in challenging these estimates. The Group adopted AASB 9 *Financial Instruments* (AASB 9) on 1 July 2018.	Our procedures included: Testing key controls relating to the: • reconciliation of relevant data used in the ECL model and specific provisioning assessments to source systems; • the Group's monitoring mechanisms to identify loans that have experienced a SICR or default event; • the Group's ECL model governance and validation processes; and

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Expected credit loss provisions for loans and advances held at amortised cost (AUD 142 million) (cont.)	
Using AASB 9, considerable judgement is required to measure the ECL on loans and advances, which incorporates forward looking assumptions representing the Group's view of the future economic state. To comply with the requirements of AASB 9 the Group have exercised judgement in defining indicators of what represents a significant increase in credit risk (SICR) and designed ECL models to calculate the loss estimate. This estimation is inherently challenging due to the use of complex models based on the Group's historical loss experience to predict probability of default and loss given default. The ECL staging requirements in the models incorporate estimates of default on both a 12 month and lifetime basis. Significant judgement is applied by the Group in determining the nature and level of post-model adjustments. It is their policy to use these where the underlying models may not represent emerging risks or trends in the respective loan portfolios. We applied significant judgement to assess the impact of the forward-looking macroeconomic assumptions and factors outside of the control of the Group on their ECL models. For credit-impaired loans, it is policy to identify specific ECLs based on the Group's judgement. This focuses on estimating when an impairment event has occurred and the present value of expected future cash flows, which have high estimation uncertainty. We focused on the high degree of estimation uncertainty related to the business and agribusiness loans as the forecast cash flows are dependent on future and uncertain events, for example, the timing and proceeds from the future sale of collateral.	• Group's assessment and approval of the ECL estimate, application of forward looking macroeconomic assumptions and post-model adjustments. In addition to controls testing, our further procedures included: ECL Provisioning • assessing the appropriateness of the Group's provisioning methodology against the requirements of the accounting standards and industry practice; • testing the completeness and accuracy of a sample of relevant data used within ECL models, such as checking year end balances to the general ledger, and repayment history and risk ratings to source systems; • working with our credit risk specialists, we assessed the ECL models' compliance with the Group's model governance policies and the requirements of *Australian Accounting Standards* and industry practice; • working with our credit risk specialists to re-perform the ECL calculation for a sample of ECL models using the Group's provisioning methodology and relevant data used within the ECL models. We compared our results to the amount recorded by the Group; • assessing the ECL estimates against known variables and forward looking publicly available macro-economic information, such as forecasts for Real-Gross Domestic Product, residential house price index and unemployment rates; • assessing the post-model adjustments applied by the Group to the ECL estimates. We compared the loan portfolios' underlying performance and characteristics to current market conditions, emerging risks and trends, using our knowledge of the industry and public views of commentators; Specific ECL provisioning • performing impairment assessments for a risk-based sample of individual credit impaired loan exposures across the Group's loan portfolios. We did this by: – assessing the latest loan strategy papers for evidence of occurrence of impairment events; – comparing the Group's timing and amount of forecast cash flows to the customer financial information and collateral valuations, and performed inquiries with credit risk officers; AASB 9 *Financial Instruments* – ECL provision disclosures • assessing the Group's disclosures against the requirements of the Accounting Standards.

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Valuation of Goodwill (AUD 4,731 million)

Refer to Note 17 and Note 38.11(b) to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the high level of judgement required by us in assessing the significant forward-looking assumptions the Group applied in their valuation models, including: • Forecast cash flows, growth rates, price-to-earnings (PE) multiples and terminal growth rates. The Group has experienced competitive market conditions in the current year and emerging regulatory change. These conditions increase the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider and the possibility of goodwill being impaired. The Group engaged an external expert to assist in determining the PE multiples. • Discount rates. These are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group engaged an external expert to assist in determining the discount rates. Given the complicated nature of the PE multiples and discount rates, we involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. In addition to the above, the Group recorded an impairment charge of AUD 145 million against goodwill, resulting from the divestment of the Group's significant business (Suncorp Life & Superannuation Limited) during the year. This further increased our audit effort in this key audit area.	Our procedures included: • We considered the appropriateness of the valuation methods applied by the Group to each CGU to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • Working with our valuation specialists we challenged the Group's forecast cash flow and growth rate assumptions in light of competitive market conditions and emerging regulatory change for the remaining businesses. We compared key events to the Board approved plan and strategy. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. • We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates, discount rates and PE multiples, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We checked the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, impact of the divestment of Suncorp Life & Superannuation Limited, and our experience regarding the feasibility of these in the industry and/or economic environment in which they operate. • Working with our valuation specialists we independently developed a discount rate range and a range of PE multiples considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGUs, Group and the industry it operates in.

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Valuation of Goodwill (AUD 4,731 million) (cont.)

	• We assessed the scope, competency and objectivity of the Group's external expert. • We recalculated the Suncorp Life & Superannuation Limited impairment charge against the recorded amount disclosed. • We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Information Technology (IT) systems and controls

Refer to the basis of preparation in Note 2 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group's businesses utilise a number of interdependent IT systems to process and record a high volume of transactions. Controls for access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Group's financial position and performance. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our audit approach could significantly differ depending on the effective operation of the Group's IT controls. KPMG IT specialists were used throughout the engagement as a core part of our audit team.	Working with our IT specialists, we tested the control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems. Our procedures included: • Evaluating and testing the design and operating effectiveness of certain governance controls for the operational integrity of core systems relevant to financial reporting; • Testing controls for the access rights given to employees by checking them to approved records, and inspecting the reports regarding the granting and removal of access rights. We also tested controls related to monitoring of access rights; • Testing the operating effectiveness of automated controls key to our audit testing in relation to system calculations, the generation of reports, and operation of system enforced access controls.

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Other Information

Other Information is financial and non-financial information in Suncorp Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Suncorp Group Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited Sections 2 to 8 of the Remuneration Report included in pages 62 to 79 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

David Kells
Partner

Tanya Gilerman
Partner

Sydney
7 August 2019

Shareholder information

Suncorp Group Limited is a publicly listed company limited by shares and incorporated in Australia. Suncorp Group Limited shares are listed on the Australian Securities Exchange (ASX). The securities of Suncorp Group Limited, and its subsidiary Suncorp-Metway Limited, listed on the ASX as at 30 June 2019 (and their respective codes) are as follows.

1 Listed securities

Suncorp Group Limited[1]		Suncorp-Metway Limited	
Security code	Number of securities	Security code	Number of securities
SUN	1,298,503,953 ordinary shares	SBKHB	715,383 floating rate capital notes
SUNPE	4,000,000 convertible preference shares		
SUNPF	3,750,000 capital notes		
SUNPG	3,750,000 capital notes		

1 Suncorp redeemed all Suncorp Group Limited Subordinated Notes (SUNPD) on the Optional Redemption Date of 22 November 2018.

2 Voting rights

Fully paid ordinary shareholders are entitled to vote at any meeting of members of the Company in person or by proxy and their voting rights are:

- on a show of hands – one vote per shareholder
- on a poll – one vote per fully paid ordinary share.

Convertible preference shareholders (SUNPE) have no voting rights at general meetings of holders of ordinary shares, except in certain limited circumstances.

Subordinated note and capital note holders (SUNPD, SUNPF, SUNPG and SBKHB) have no voting rights at general meetings of holders of ordinary shares.

3 Substantial shareholders

A person has a 'substantial holding' of a company's shares within the meaning of the Corporations Act if the total votes attached to their voting shares (in which they or their associates have relevant interests) is 5% or more of any class of voting shares. As at 30 June 2019 the following substantial shareholdings were recorded in the Company's register of substantial shareholdings:

Substantial shareholder	Number of ordinary shares	% issued capital
BlackRock Group[1]	78,157,113	6.04
The Vanguard Group, Inc.[2]	64,954,283	5.00
Perpetual Limited[3]	65,430,206	5.04
FIL Limited[4]	71,356,601	5.50

1 Substantial shareholder notice dated 25 July 2017
2 Substantial shareholder notice dated 11 July 2018
3 Substantial shareholder notice dated 16 October 2018
4 Substantial shareholder notice dated 10 April 2019

4 Shareholder analysis

The tables below, showing the top 20 shareholders in each class of security, include shareholders that may hold shares for the benefit of third parties. This information is current as at 30 June 2019.

TOP 20 HOLDERS OF ORDINARY SHARES (SUN)

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	371,478,578	28.61
J P Morgan Nominees Australia Pty Limited	250,909,053	19.32
Citicorp Nominees Pty Limited	100,106,239	7.71
National Nominees Limited	47,970,545	3.69
BNP Paribas Nominees Pty Ltd	27,309,528	2.10
BNP Paribas Noms Pty Ltd	17,151,250	1.32
Citicorp Nominees Pty Limited	14,229,413	1.10
HSBC Custody Nominees (Australia) Limited	14,044,061	1.08
Argo Investments Limited	5,027,906	0.39
Pacific Custodians Pty Limited	4,902,087	0.38
UBS Nominees Pty Ltd	4,856,519	0.37
Pacific Custodians Pty Limited	4,690,287	0.36
HSBC Custody Nominees (Australia) Limited	3,776,873	0.29
AMP Life Limited	3,716,198	0.29
Milton Corporation Limited	3,314,232	0.26
Australian Foundation Investment Company Limited	2,927,000	0.23
Netwealth Investments Limited	2,005,317	0.15
Australian Foundation Investment Company Limited	1,912,991	0.15
BNP Paribas Nominees Pty Ltd	1,858,286	0.14
HSBC Custody Nominees (Australia) Limited	1,716,778	0.13

DISTRIBUTION/ANALYSIS BY RANGE OF HOLDINGS OF ORDINARY SHARES (SUN)

Range	Number of investors	Number of securities	% issued capital
1 to 1,000	83,386	40,504,056	3.12
1,001 to 5,000	66,622	148,162,427	11.41
5,001 to 10,000	10,214	72,011,784	5.55
10,001 to 100,000	5,660	116,799,078	8.99
100,001 and over	151	921,026,608	70.93

The number of investors holding less than a marketable parcel of 38 securities (less than $500 based on a market price of $13.47 on 30 June 2019) is 4,039 and they hold a total of 63,309 securities.

TOP 20 HOLDERS OF CONVERTIBLE PREFERENCE SHARES (SUNPE)

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	379,612	9.49
Australian Executor Trustees Limited	80,053	2.00
National Nominees Limited	73,502	1.84
BNP Paribas Nominees Pty Ltd	60,470	1.51
Navigator Australia Ltd	49,478	1.24
Mutual Trust Pty Ltd	43,854	1.10
J P Morgan Nominees Australia Pty Limited	39,904	1.00
Eastcote Pty Ltd	39,000	0.98
Citicorp Nominees Pty Limited	35,314	0.88
Federation University Australia	30,051	0.75
BNP Paribas Noms Pty Ltd	26,392	0.66
FOPAR Nominees Pty Ltd	25,000	0.63
Netwealth Investments Limited	22,360	0.56
Nulis Nominees (Australia) Limited	20,331	0.51
HSBC Custody Nominees (Australia) Limited	19,911	0.50
Seymour Group Pty Ltd	19,594	0.49
GCF Investments Pty Ltd	19,500	0.49
N P D Finance Pty Ltd	19,500	0.49
Churches of Christ Life Care Inc	18,027	0.45
Peninsula Palms Aged Com Services Ltd	16,600	0.42

DISTRIBUTION/ANALYSIS BY RANGE OF HOLDINGS OF CONVERTIBLE PREFERENCE SHARES (SUNPE)

Range	Number of investors	Number of securities	% issued capital
1 to 1,000	5,199	1,625,745	40.64
1,001 to 5,000	470	966,482	24.16
5,001 to 10,000	36	267,253	6.68
10,001 to 100,000	27	760,908	19.02
100,001 and over	1	379,612	9.49

The number of investors holding less than a marketable parcel of five securities (less than $500 based on a market price of $102.01 on 30 June 2019) is three and they hold a total of 11 securities.

5 Dividend Reinvestment Plan

Suncorp's Dividend Reinvestment Plan (DRP) allows eligible shareholders to reinvest all or part of their dividends in the Company's shares, with no brokerage or transaction costs.

Shareholders wishing to join the DRP for future dividends should advise Link Market Services (see sections 8 and 9 for details) by no later than 5pm on the business day following the record date for each dividend payment.

Shareholders may vary their participation or withdraw from the DRP at any time. Further information is available on the Suncorp Group website or by contacting Link Market Services.

6 Important changes to shareholder payments

Suncorp is streamlining the payment of dividends. Effective from the 2019 final dividend payment, cash payments will only be made by direct credit to all shareholders with an Australian or New Zealand bank account.

Suncorp is adopting this policy because direct credit is a more cost effective, efficient and secure payment method. Direct credit removes the risk of a cheque being lost, delayed in the post or stolen, ensuring that funds are deposited into your account on the payment date.

If you have elected to participate in the DRP, your election will not be affected by this change. However, you will need to nominate your bank account details to receive any possible cash payments made outside of the DRP.

7 Electronic shareholder communications

The 2018–19 Annual Report forms part of the Suncorp Group's 2018–19 Annual Reporting Suite. Shareholders can elect to receive the following communications electronically:

- Annual Report and/or Responsible Business Report
- Notice of Annual General Meeting and online voting
- payment statements when paid by direct credit or via the DRP.

8 Changing shareholder details[1]

Shareholders can go to the Link Market Services Investor Centre website to:

- update their personal details
- view details of their securities holding(s)
- view notices of shareholder meetings, financial reports and other communications
- register an email address for payment advices
- obtain and complete forms to have payments made directly to their bank, building society or credit union account.

9 Share registry contact details

Link Market Services Limited
PO Box A50
Sydney South, NSW 1235
Australia

suncorp@linkmarketservices.com.au
linkmarketservices.com.au

1300 882 012 (inside Australia) or
+61 2 8767 1219 (outside Australia)

1 Shareholders will need their securityholder reference number (SRN) or holder identification number (HIN) to update their details. Issuer-sponsored holders can change their address via the Link Market Services website (some conditions apply) or by notifying Link Market Services. Shareholders who are sponsored by a broker (CHESS) should advise their broker of their change of address.

Financial calendar and key dividend dates

14 August 2019	Ex-dividend date for final ordinary dividend
15 August 2019	Record date for final ordinary dividend
25 September 2019	Payment date for final ordinary dividend
26 September 2019	Annual General Meeting, 10.30am, Sofitel Brisbane Central, 249 Turbot Street, Brisbane
11 February 2020	Half-year results announcement
19 February 2020	Ex-dividend date for interim ordinary dividend
20 February 2020	Record date for interim ordinary dividend
31 March 2020	Payment date for interim ordinary dividend

The financial calendar may be updated from time to time throughout the year. Please refer to **suncorpgroup.com.au** for up-to-date details. Dates for dividends may be subject to change.

5-year summary statistics

30 June		2019	2018	2017	2016	2015
Ordinary share price at end of year	($)	13.47	14.59	14.82	12.18	13.43
Number ordinary shares issued at end of period	(million)	1,299	1,299	1,293	1,287	1,287
Market capitalisation	($million)	17,491	18,945	19,158	15,671	17,279
Dividend per ordinary share, fully franked	(cents)	78	81	73	68	88
- Interim		26	33	33	30	38
- Final		44	40	40	38	38
- Special		8	8	-	-	12

Auditors

KPMG
Level 16, Riparian Plaza
71 Eagle Street
Brisbane, Qld Australia 4000

About this report

This 2018–19 Annual Report (Report) is lodged with the Australian Securities & Investments Commission and ASX Limited. Suncorp Group Limited is publicly listed in Australia (ASX code: SUN). Terms that are defined in this Report appear in bold the first time they are used. The Report contains information which is current as at 7 August 2019. References, unless otherwise stated, in this Report:

— are as at 30 June 2019

— to changes (including an increase or decrease) relate to the previous year

— to dollar amounts are in Australian dollars

— to the 'Company' are to Suncorp Group Limited

— to 'Suncorp', 'Suncorp Group' or the 'Group' are to Suncorp Group Limited and its controlled entities.

The Report contains information prepared on the basis of the Corporations Act 2001 (Cth), the Banking Act, Accounting Standards and interpretations issued by the Australian Accounting Standards Board and International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. It also contains management reporting information in the Operating and Financial Review section that is unaudited. The Company also produces a non-statutory Responsible Business Report which can be viewed online at **suncorpgroup.com.au.**

To the extent that any information in this Report may constitute a forward-looking statement, the information reflects Suncorp Group's views at the date of this Report and is subject to known and unknown risks and uncertainties, many of which are beyond the Group's control, which may cause actual results to differ materially from those expressed or implied. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Report.

The information presented is not a recommendation or advice in relation to the Group or any product or service offered by Suncorp or any of its subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

Products and services including banking, superannuation and insurance (including home and car insurance) are provided by separate companies in the Suncorp Group. The Bank (Suncorp-Metway Limited ABN 66 010 831 722) is only liable for the banking products or services it provides and not the products and services of other companies in the Suncorp Group.

On 28 February 2019 Suncorp announced the successful completion of the sale of the Australian Life Business to TAL Dai-ichi Life Australia Pty Ltd. An 8 cents per share special dividend to ordinary shareholders was paid to shareholders from sale proceeds on 3 May 2019. Suncorp proposes to distribute the remaining surplus capital from the sale to shareholders in the form of a 38 cents per share capital return with a related share consolidation which is subject to shareholder approval at Suncorp's 2019 AGM.

To see more, go online
suncorpgroup.com.au

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Registered office

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Shareholder enquiries

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Investors

investor.relations@suncorp.com.au

Corporate Responsibility

responsible@suncorp.com.au

General product enquiries

13 11 55

Connect

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