



# Financial Results for the half year ended 31 December 2019

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**DATA PACK**  
**RELEASE DATE 11 FEBRUARY 2020**

SUNCORP GROUP LIMITED  
ABN 66 145 290 124



**Photo:** Suncorp customers, Susan and Steven Deon,  
back in their home after the Townsville floods.



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*Photo: Insurance Community Relationships Manager, Scott Cooper with Suncorp's Storm Season ambassador Johnathan Thurston in Townsville - December 2019*

Steve Johnston

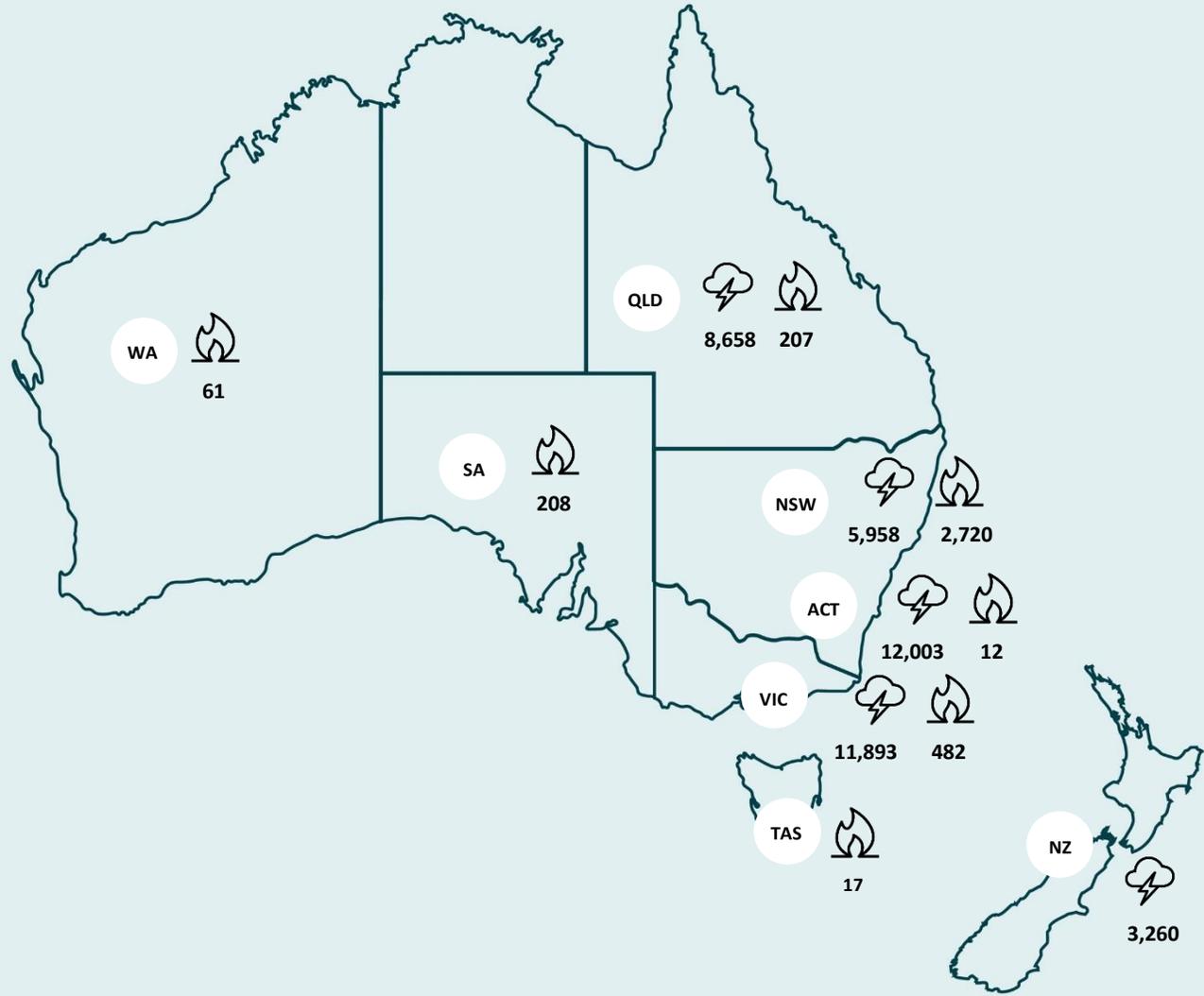
Group CEO



# Agenda

1. HY20 result highlights and progress on key priorities  
Steve Johnston
2. Detailed financial results  
Jeremy Robson
3. Summary and outlook  
Steve Johnston
4. Q&A  
Suncorp Leadership Team

# Suncorp's response to natural hazards



## Recent natural hazard events<sup>1</sup>

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

## Supporting customers and communities

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

## Advocacy focus areas

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

Personal claims		Commercial claims		Total claims
24,719	17,142	2,481	1,137	45,479

# Group result overview

- 1H20 NPAT **\$642m** (1H19: \$250m)
- Result includes:
  - Gain on sale of Capital SMART & ACM Parts \$293m
  - Natural hazards \$519m<sup>1</sup> (1H19: \$580m)
  - Lower net reserve releases of \$58m<sup>1</sup> (1H19: \$172m)
  - Investment markets positive impact up \$72m<sup>1</sup> on pcp
  - Regulatory project costs increased to \$72m<sup>1</sup>
- Ordinary dividend payout ratio of 89.5%, reflecting strong capital position

	1H20 (\$m)	1H19 (\$m)	Change (%)
Insurance (Australia) <sup>2</sup>	123	128	(3.9)
Banking & Wealth	171	183	(6.6)
New Zealand	102	111	(8.1)
<b>PAT from ongoing functions</b>	<b>396</b>	<b>422</b>	<b>(6.2)</b>
Profit after tax from discontinued business <sup>3</sup>	1	28	(96.4)
Other profit (loss) after tax <sup>4</sup>	(32)	(37)	(13.5)
<b>Cash earnings</b>	<b>365</b>	<b>413</b>	<b>(11.6)</b>
Net profit (loss) on sale of ceased operations (after tax) <sup>5</sup>	293	(145)	n/a
Acquisition amortisation (after tax)	(16)	(18)	(11.1)
<b>Reported NPAT</b>	<b>642</b>	<b>250</b>	<b>156.8</b>
Interim dividend (cps)	26	26	n/a

1. Pre-tax impact

2. Insurance (Australia) comparatives adjusted for the sale of Capital SMART and ACM Parts

3. Includes performance of Capital SMART and ACM Parts and the contribution from the Australian Life business (1H19 only)

4. 'Other' includes Australian Life Business stranded costs net of Transitional Services Arrangement revenue of \$11m (1H20). For a full definition refer page 5 of the Investor Pack

5. Includes a gain on sale of Capital S.M.A.R.T and ACM Parts of \$293m (1H20) and the write down of goodwill related to the loss on the sale of the Australian Life Business. For a full definition refer page 5 of the Investor Pack

# Result highlights

1. Returned to unit growth in Australian Consumer Insurance
2. Digital channels driving strong new business growth
3. New Zealand GWP growth continued; driven by direct and partner channels
4. Banking NIM stable, low impairments and continued growth in at-call deposits
5. Sale of Capital SMART and ACM Parts
6. Strong balance sheet providing capital flexibility

# Key priorities

Improving the performance of our core businesses, Insurance Australia, New Zealand and Banking & Wealth

Embracing regulatory change in order to build trust and improve customer outcomes

Leveraging our investment in digital and data

Driving operational excellence, removing duplication, and optimising the Group's cost base

# 1. Improving the performance of our core business - Insurance (Aus & NZ)

Actions	Progress
 <b>Reinvigorate multi brand strategy</b>	Improved consumer unit momentum in direct and digital channels Virtual brand teams clarifying brand propositions and improving execution Refreshed state-based marketing campaigns
 <b>Disciplined underwriting</b>	Commercial portfolio continues to be remediated Risk-based pricing in New Zealand
 <b>Innovation in products and distribution</b>	New investments; launched Bingle Go and Car Next Door Rollout of intelligent virtual assistants
 <b>Best-in-class claims</b>	Completion of SMART and ACM Parts sale and protection of long term strategic advantage Coordinated organisation-wide response to Bushfires Focus on water claims and long-tail personal injury claims
 <b>Resilient earnings</b>	Strengthened reinsurance program provides confidence in FY20 natural hazards costs Strong capital position provides flexibility

# 1. Improving the performance of our core business - Bank

Actions	Progress
 <b>Win Queensland</b>	Targeted local area marketing and engagement Expand and leverage community presence in Queensland Strong support for agriculture customers through difficult conditions
 <b>Improve Broker service</b>	More targeted relationship-based approach to broker servicing Greater automation of loan processing to improve turnaround times Increased use of digital to improve broker application process
 <b>Digital first</b>	Strong at-call deposits growth via digital channels Ongoing updates to the Suncorp App, delivering improved banking functionality
 <b>Open Banking</b>	Opportunity to develop new services and deliver greater personalisation Program in-flight and on-track for implementation

# Progress against priorities

## Embracing regulatory change<sup>1</sup>

- Extensive and complex regulatory program, implementation following regulatory certainty
- Focused on improving customer outcomes in response to the Financial Services Royal Commission, APRA self-assessment and Sedgwick Review

## Leveraging our investment in digital and data

- Advancements in AI and data analytics improving the Group's competitive advantage and driving improvement in the core business
- Investment in digital self-service capabilities to increase efficiency, scalability and speed for customers
- Insurance (Australia) digital sales up 13%; AAMI home insurance digital sales up 33%

## Driving operational excellence

- Sale of Australian Life Insurance business and SMART and ACM Parts
- Embedding key disciplines from BIP and previous programs, Group-wide approach to project investment and prioritisation

Jeremy Robson  
Chief Financial Officer



# Group result overview

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# Insurance

- PAT down 3.9% to \$123m
- GWP up 1.9% to \$4.1bn; Home and Motor GWP up 3.1% with units up 1.1% supported by new business growth and strong renewal rates
- Natural hazards \$489m, \$104m above 1H20 allowance (1H19: \$573m, \$233m above allowance)
- Reserve releases \$65m, 1.8% of Australia NEP (1H19: \$170m, 4.6% of NEP), impacted by one-offs and lower CTP releases
- Net overall investment markets positive \$70m on pcp, with pcp impacted by breakeven inflation losses and credit spread widening

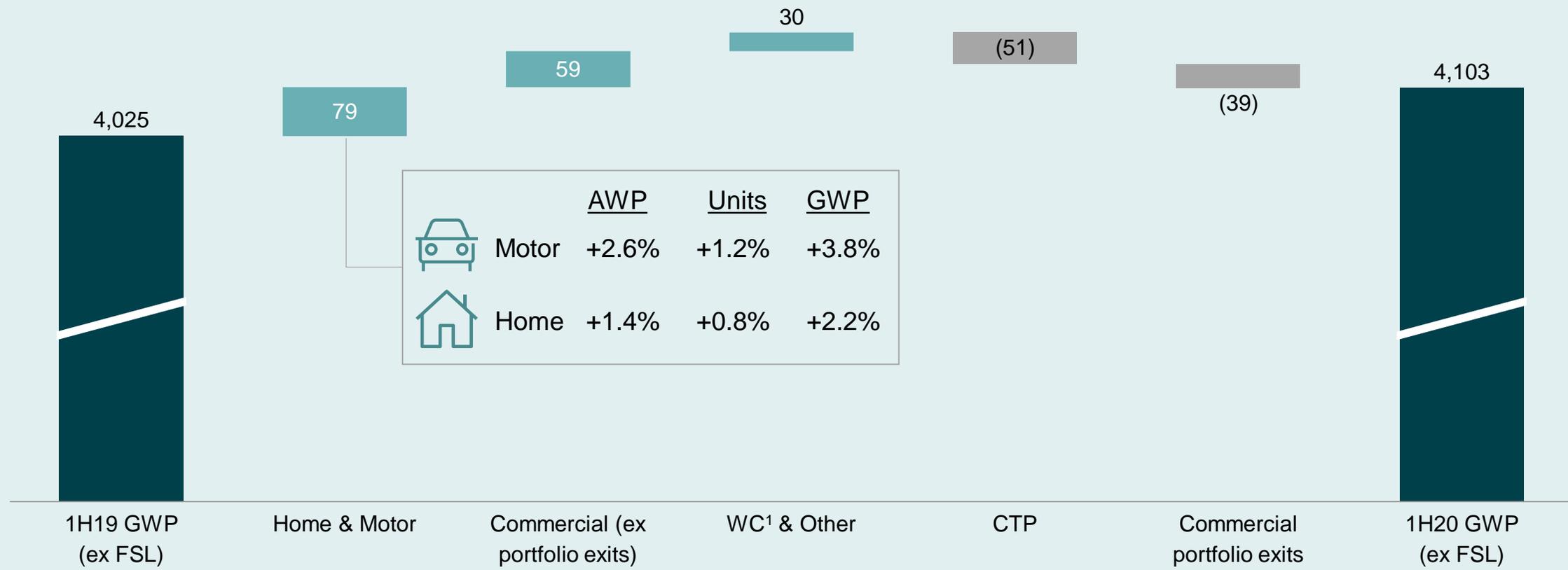
## Net FSL and discounting of outstanding claims<sup>1</sup>

	1H20 (\$m)	1H19 (\$m)	Change (%)
Gross written premium	4,103	4,025	1.9
Net earned premium	3,611	3,605	0.2
Net incurred claims <sup>1, 2</sup>	(2,826)	(2,715)	4.1
Operating expenses	(701)	(685)	2.3
Investment income - insurance funds <sup>1</sup>	64	(14)	n/a
<b>Insurance trading result</b>	<b>148</b>	<b>191</b>	<b>(22.5)</b>
Investment income – shareholder funds	37	(3)	n/a
<b>Insurance (Australia) PAT<sup>2</sup></b>	<b>123</b>	<b>128</b>	<b>(3.9)</b>

1. Excludes the impact of mark-to-markets and yield on outstanding claims; and the offsetting impact on investment assets

2. Comparatives adjusted to reflect the sale of Capital SMART and ACM Parts

# Gross Written Premium (\$m)

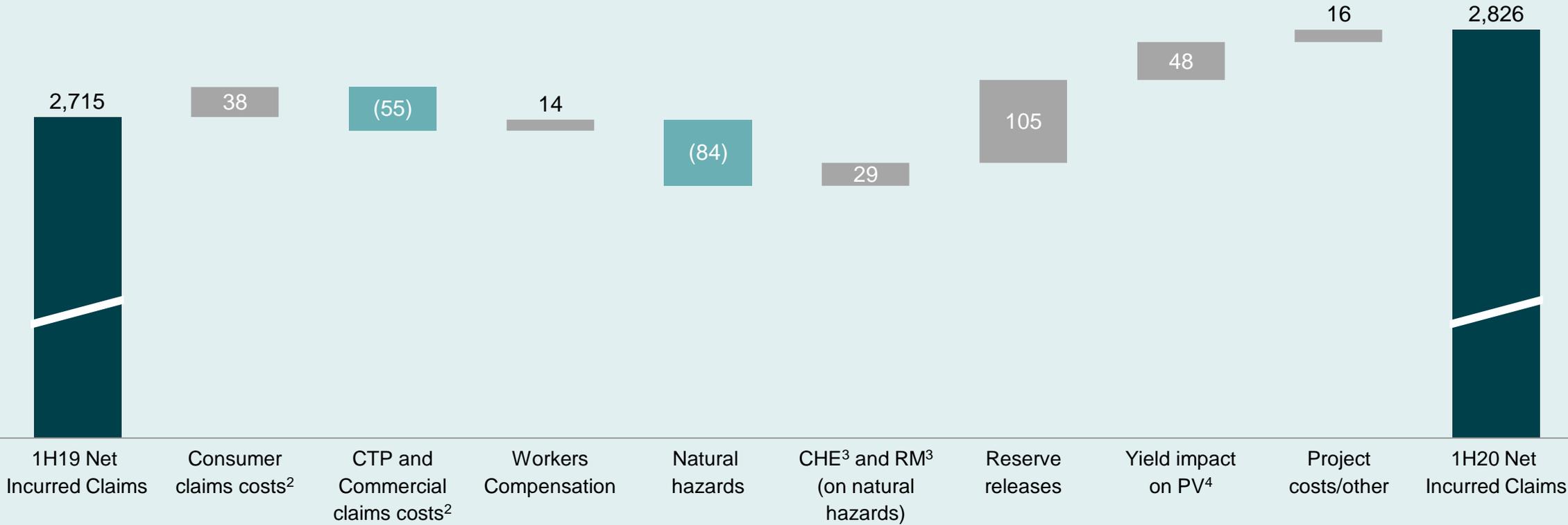


1. Workers' Compensation

# Claims



## Net Incurred Claims (net of discounting of outstanding claims)<sup>1</sup> (\$m)

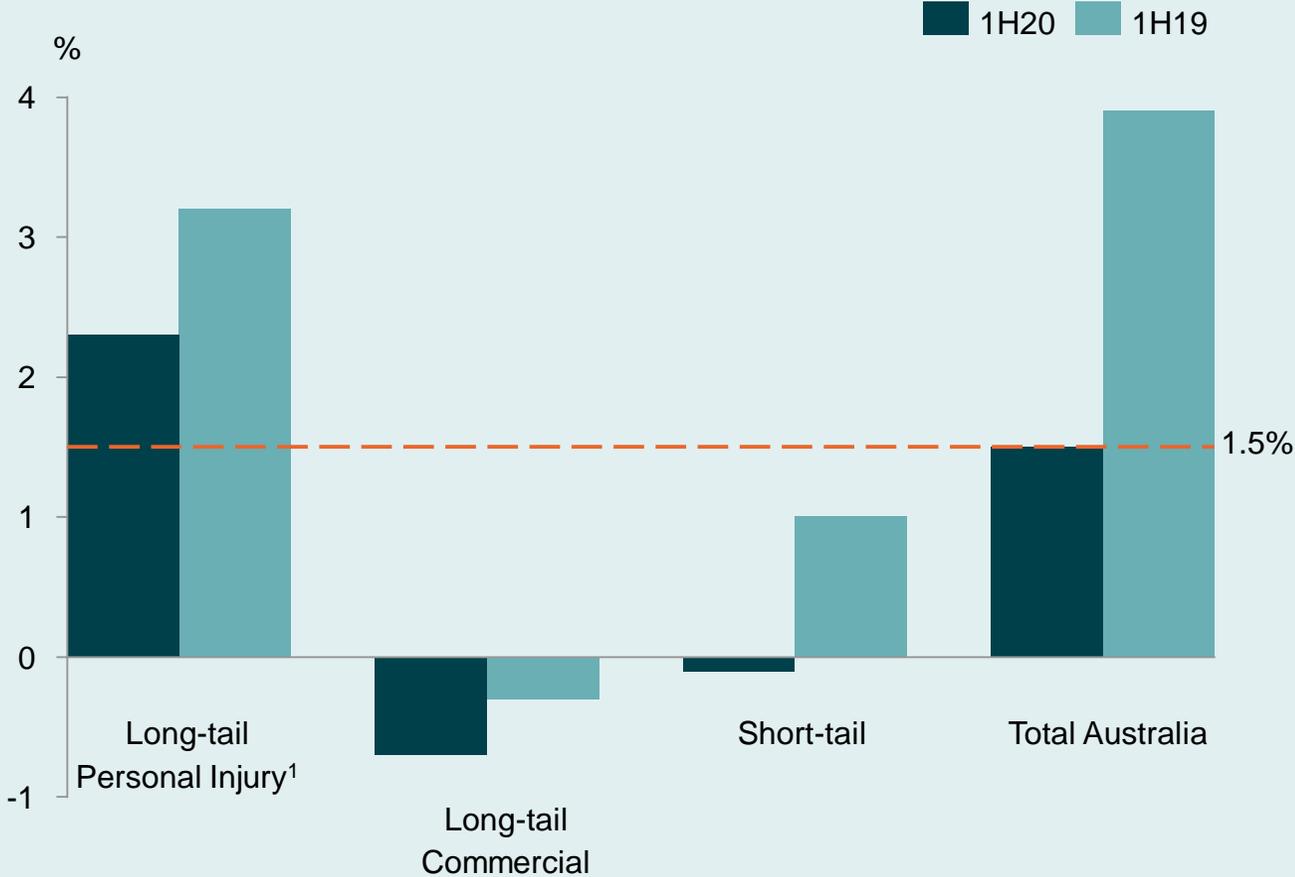


- 1. Excludes the impact of mark-to-markets and discount unwind on outstanding claims
- 2. Including BIP benefits
- 3. Claims handling expenses and Risk margin
- 4. Movement in present value adjustment (due to low yield environment)

# Reserve Releases

- Insurance (Australia) reserve releases ~1.5% of Group NEP
- 1H20 Personal Injury long-tail releases 2.3% of Group NEP. Lower releases in line with scheme reform
- 1H20 one-off strains in Commercial long-tail impacted by a review of the bodily injury portfolio (~\$20m) and a single large claim (~\$10m)
- Natural volatility in short-tail book with modest strengthening across a range of prior natural hazard events
- FY20 reserve releases expected to be above 1.5% of Group NEP

Prior year AU reserve releases (% of Group NEP)



1. Includes CTP and Workers Compensation

# Investment Market Impacts

## Investment Income

### 1H20 Insurance funds \$9.6bn

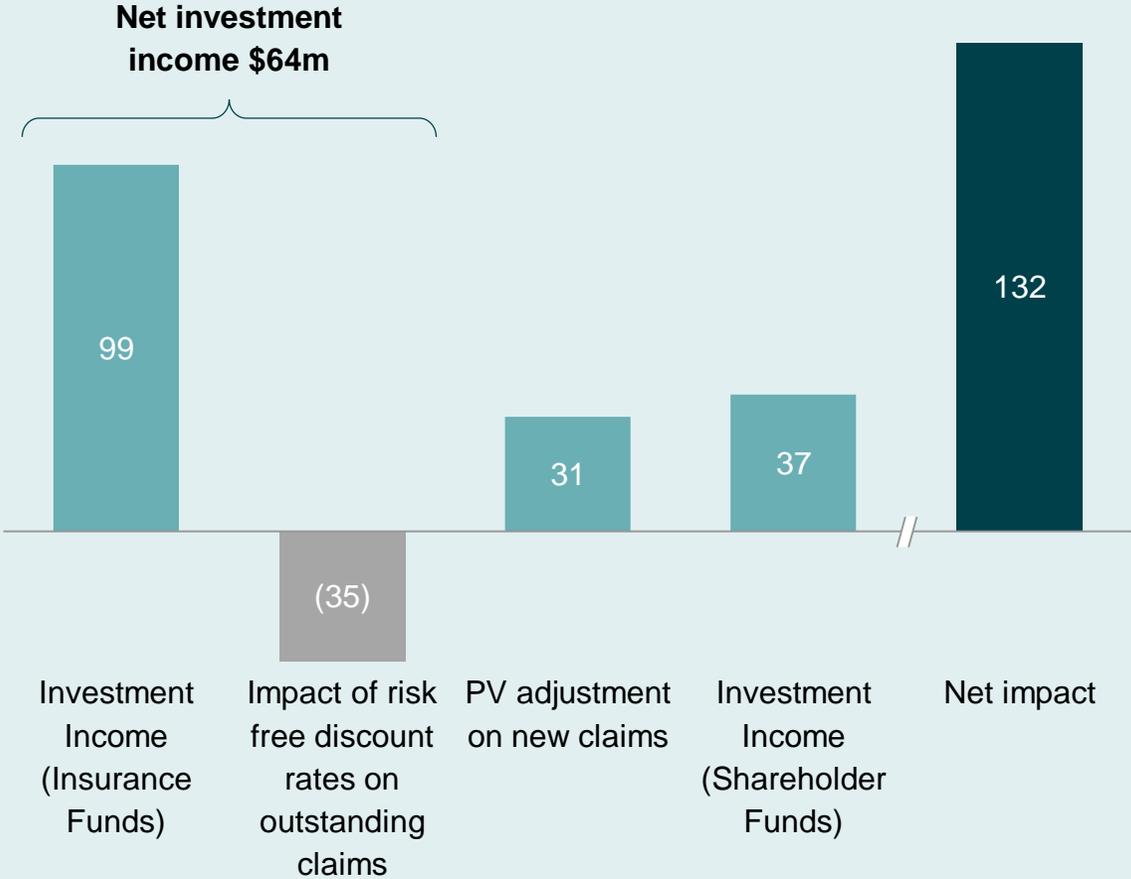
Investment income of \$99m (1H19: \$125m) including:

- \$4m MTM gain from a decrease in risk-free rates
- \$13m MTM gain from narrowing credit spreads
- \$12m MTM gain due to an increase in breakeven inflation
- 1.5% annualised underlying return

### 1H20 Shareholders' funds \$2.7bn

- Investment income of \$37m (1H19: -\$3m)
- Returns driven by MTM gains on the bond portfolio and favourable equity/infrastructure returns
- 2.6% annualised return

## Net overall impact from yields & investment markets in 1H20 <sup>1</sup> (\$m)



1. Please refer to Section 1.9.2 of the Investor Pack for further details

# New Zealand

- PAT decreased 10.0% to NZ\$108m
- GWP up 5.4% to \$876m; Growth driven by premium rate increases across all portfolios
- Net incurred claims up 16.8%, reflecting:
  - Natural hazards NZ\$32m, NZ\$5m above 1H20 allowance (1H19: NZ\$8m, NZ\$15m below allowance)
  - Unit growth across the home and motor portfolios in AAI
- Life in-force premium up 4.2%, supported by strong retention

	1H20 (NZ\$m)	1H19 (NZ\$m)	Change (%)
Gross written premium	876	831	5.4
Net earned premium	744	693	7.4
Net incurred claims	(397)	(340)	16.8
Operating expenses	(230)	(217)	6.0
Investment income - insurance funds	6	7	(14.3)
<b>Insurance trading result</b>	<b>123</b>	<b>143</b>	<b>(14.0)</b>
<b>General Insurance PAT</b>	<b>94</b>	<b>103</b>	<b>(8.7)</b>
<b>Life Insurance PAT</b>	<b>14</b>	<b>17</b>	<b>(17.6)</b>
<b>New Zealand PAT</b>	<b>108</b>	<b>120</b>	<b>(10.0)</b>

# Natural Hazards and Reinsurance

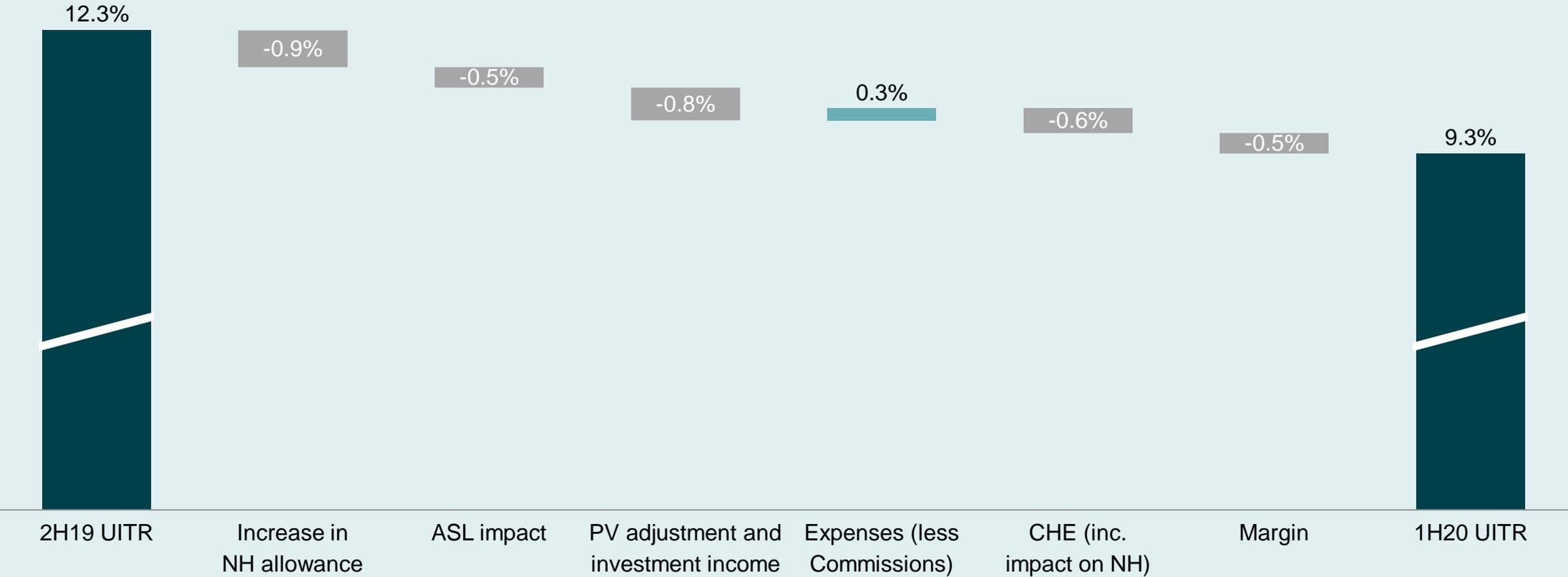
- Natural hazard costs \$109m above 1H20 allowance
- 3 events to date in 2H20 – continuation of VIC/NSW/TAS Bushfires, South East States Hail and SEQ/NSW Heavy Rain; Net natural hazard costs for these events following reinsurance recoveries is expected to be capped at \$300m
- Strong reinsurance protection available for FY20 through a combination of main CAT program, Drop Down and NZ buydown covers, NHAP and ASL
- \$150m to \$170m remaining capacity under NHAP as at 31 January 2020
- \$200m remaining capacity under ASL

## Natural hazard costs (\$m)

#	Date	Event	Net costs
1	Nov-19	NSW/QLD Bushfires	35
2	Nov-19	South East QLD Hail	88
3	Nov-19	Northern Sydney Storms	22
4	Nov-19	NZ Canterbury Storms	18
5	Dec-19	South East QLD/Northern NSW Hail	18
6	Dec-19	NSW/SA Bushfires (15 – 21 Dec)	34
7	Dec-10	VIC/NSW/TAS Bushfires (30 – 31 Dec)	145
<b>Total events over \$10m as at 31 Dec 2019</b>			<b>360</b>
Other natural hazard attritional claims			159
<b>Total natural hazards as at 31 Dec 2019</b>			<b>519</b>
Less: allowance for natural hazards			(410)
<b>Natural hazards above allowance</b>			<b>109</b>
<b>Expected net cost of events from 1 January 2020<sup>1</sup></b>			
7	Jan-20	VIC/NSW/TAS Bushfires (1 – 5 Jan)	
8	Jan-20	South East States Hail	155
9	Jan-20	SEQ/NSW Heavy Rain	

1. Reflects preliminary assessment of expected costs as losses still developing

# Group Underlying ITR – 1H20 vs 2H19

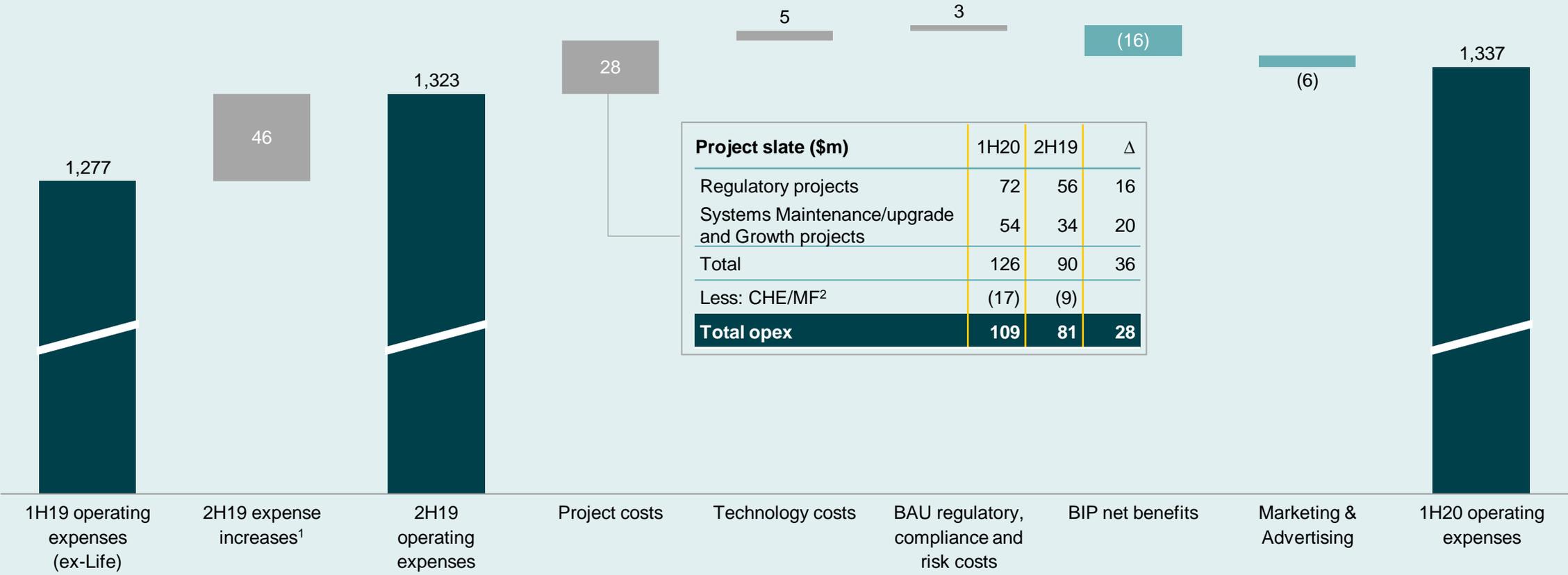


# Banking & Wealth

- Home lending contracted 1.4% to \$47.2bn
- At-call deposit growth of 11.8% to \$25.2bn
- NIM of 1.92% (2H19: 1.90%)
- Operating expenses up 5.9% reflecting increased regulatory/ compliance costs and investment in digital; CTI ~60% taking into account contraction in lending
- Impairment losses 0 bps of GLA
- Strong capital position with CET1 ratio of 9.69%, above targeted range (post “unquestionably strong” benchmarks)

	1H20 (\$m)	1H19 (\$m)	Change (%)
Net interest income	594	585	1.5
Net non-interest income	12	23	(47.8)
Operating expenses	(361)	(341)	5.9
Profit before impairment losses	245	267	(8.2)
Impairment losses	(1)	(7)	(85.7)
Income tax	(73)	(78)	(6.4)
<b>Banking PAT</b>	<b>171</b>	<b>182</b>	<b>(6.0)</b>
<b>Wealth PAT</b>	<b>-</b>	<b>1</b>	<b>n/a</b>
<b>Banking &amp; Wealth PAT</b>	<b>171</b>	<b>183</b>	<b>(6.6)</b>

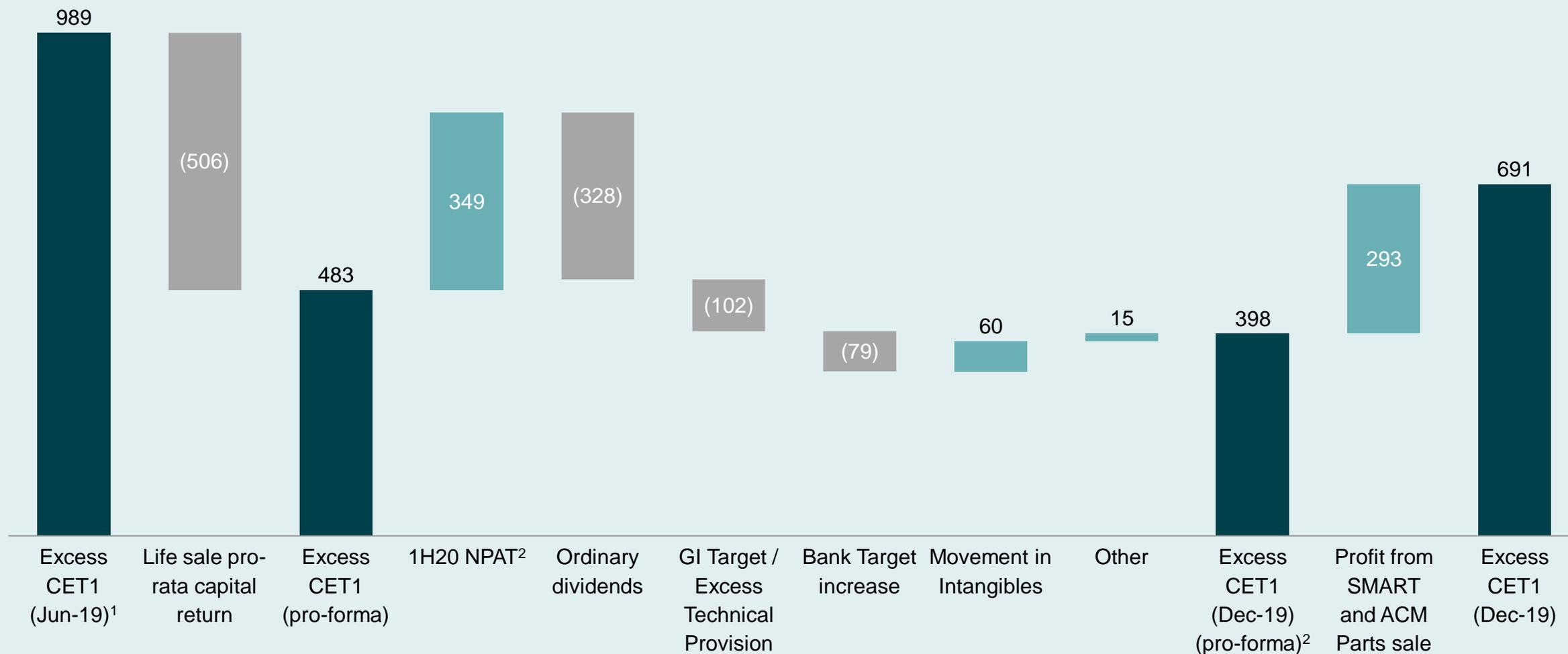
# Group expenses (ex-FSL) (\$m)



Project slate (\$m)	1H20	2H19	Δ
Regulatory projects	72	56	16
Systems Maintenance/upgrade and Growth projects	54	34	20
<b>Total</b>	<b>126</b>	<b>90</b>	<b>36</b>
Less: CHE/MF <sup>2</sup>	(17)	(9)	
<b>Total opex</b>	<b>109</b>	<b>81</b>	<b>28</b>

1. 2H19 increases comprise: BAU and project regulatory, compliance and risk costs (\$14m); Commissions, JVs and other costs (\$18m); Marketing & Advertising (\$13m)  
 2. Claims Handling Expenses and Managed Funds

## CET 1 capital base (\$m)



1. Restated to reflect immaterial changes in Bank credit risk-weighted assets

2. Excludes profit on sale of SMART and ACM Parts

# Steve Johnston

## Group CEO



# Outlook

Performance  
of our core  
businesses

Embracing  
regulatory  
change

Leveraging our  
investment in  
digital and  
data

Driving  
operational  
excellence

- Addressing natural hazard claims the immediate priority
- H2 earnings well protected by strengthened reinsurance program
- Targeting at least flat unit growth in Australian Consumer Insurance
- Achieve target profitability in Australian commercial portfolio
- Mid single-digit GWP growth in New Zealand
- FY20 reserve releases above 1.5% of Group NEP
- NIM expected to remain within the operating range of 1.85% – 1.95%
- Strategic review of Wealth commenced
- Impairment losses lower end of 5 – 15 bps of GLA range
- Strong capital position maintained to provide flexibility

# A resilient Suncorp

<b>Priorities</b>	<i>Delivering for our:</i>	
	<b>Customers</b>	<b>Shareholders</b>
<b>Improve performance of our core businesses</b>	Put customer at the core of what we do and deliver better outcomes	Drive improved financial performance through volume and margin growth
<b>Embracing regulatory change</b>	Embrace change, remediate where necessary, strengthen trust	Increase stability and lower financial, reputational and operational risk
<b>Leveraging our investment in digital &amp; data</b>	Digital first approach, making it easier for our customers to interact with us	Winning new business through the emerging channel of choice
<b>Driving operational excellence</b>	Leveraging existing operational excellence capability to simplify how we do business	Efficiency savings will drive improved financial returns for shareholders



# Group



Financial results for the half year  
ended 31 December 2019

# Group overview

## Suncorp Group

Suncorp Group is a leading financial services provider in Australia and New Zealand, enabling more than **9.5m customers**<sup>(1)</sup> to better protect and enhance their financial wellbeing. Since 1902, Suncorp has become a **top-50 ASX-listed** company with over **13,000 people**<sup>(1)</sup> and **\$95bn in Group assets**.

Suncorp offers banking and wealth services and insurance products and services through brands including Suncorp, AAMI, GIO, Apia, Shannons, AA Life and Vero, as well as those from Suncorp's partners.

Insurance (Australia)	Banking & Wealth	New Zealand
<ul style="list-style-type: none"> <li>– Suncorp provides consumer, commercial and personal injury insurance products to the Australian market</li> <li>– Suncorp is one of Australia's largest general insurers by Gross Written Premium (GWP)</li> <li>– Suncorp provides market-leading life insurance solutions through a 20-year strategic alliance with TAL Dai-ichi Life Australia Pty Ltd</li> </ul>	<ul style="list-style-type: none"> <li>– Suncorp Bank is focused on lending, deposit gathering and transaction account services to personal, small and medium enterprise, commercial and agribusiness customers</li> <li>– The Wealth portfolio manufactures, administers and distributes superannuation through the Everyday Super and Brighter Super products</li> </ul>	<ul style="list-style-type: none"> <li>– Suncorp New Zealand distributes consumer, commercial and life insurance products through intermediaries and corporate partners as well as directly to customers via a joint venture with the New Zealand Automobile Association</li> <li>– As New Zealand's second largest insurer, Suncorp New Zealand shares a singular purpose and strategy with the Australian insurance business with an aligned vision and priorities that have been localised for the New Zealand market</li> </ul>

<sup>1</sup> As at 30 June 2019 and reported in the Responsible Business Report 2018-19

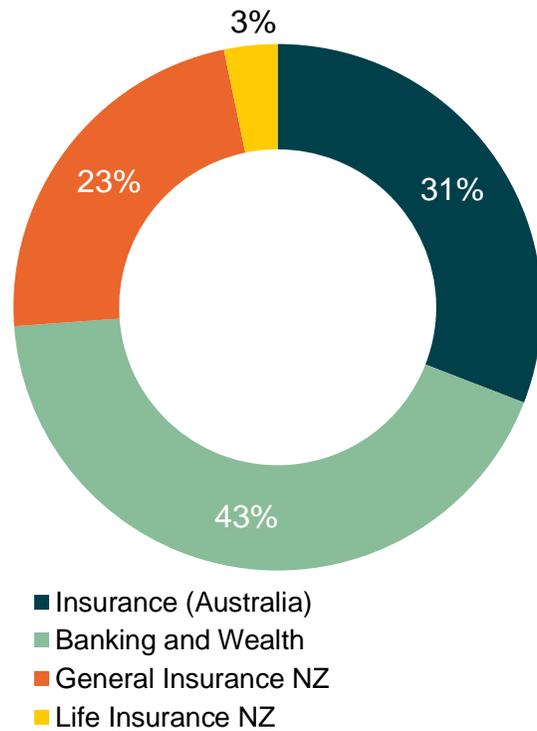


# HY20 key financial highlights

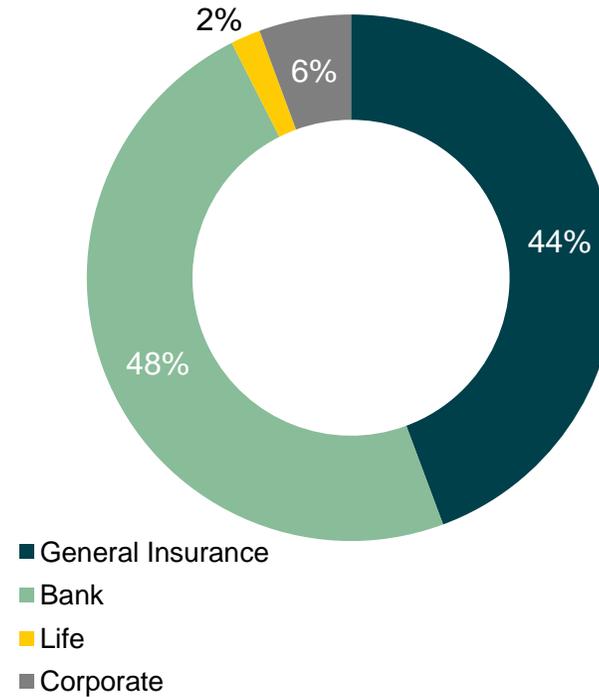
		HY20	HY19	Change (%)
Net profit after tax	\$m	642	250	156.8
Profit after tax from ongoing functions	\$m	396	450	(6.2)
Insurance trading ratio	%	6.0	7.5	
Underlying insurance trading ratio	%	9.3	12.2	
Bank net interest margin	%	1.92	1.89	
Cash return on average shareholders' equity	%	5.7	6.0	
Cash earnings per share – diluted	cents	28.04	31.54	(11.1)
Ordinary dividends per ordinary share	cents	26.0	26.0	-
Payout ratio – cash earnings	%	89.5	81.4	
General Insurance total capital PCA coverage	times	1.72	1.67	
Bank Common Equity Tier 1 ratio	%	9.69	9.16	

# Group result snapshot

## Contribution to cash profit by function

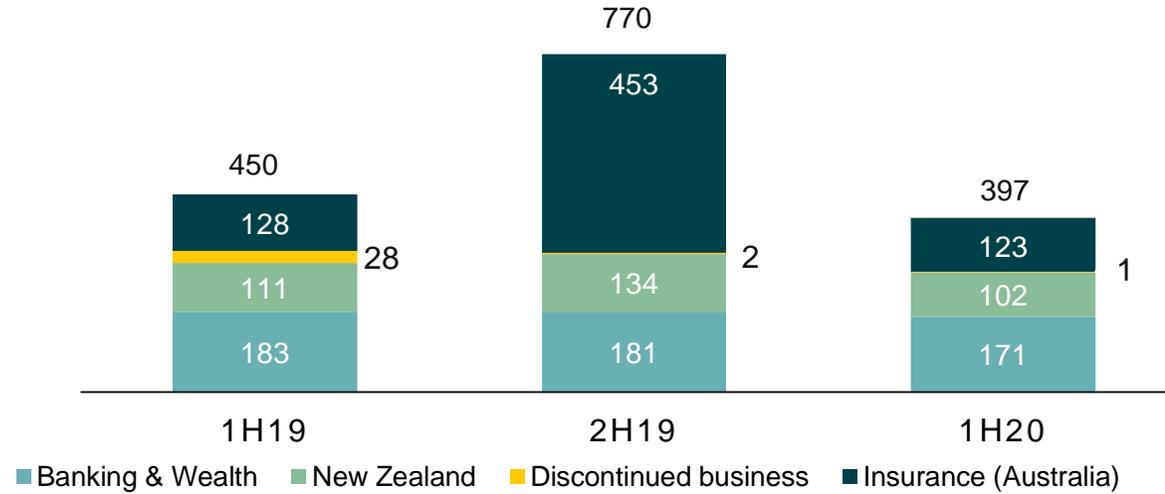


## Total capital invested

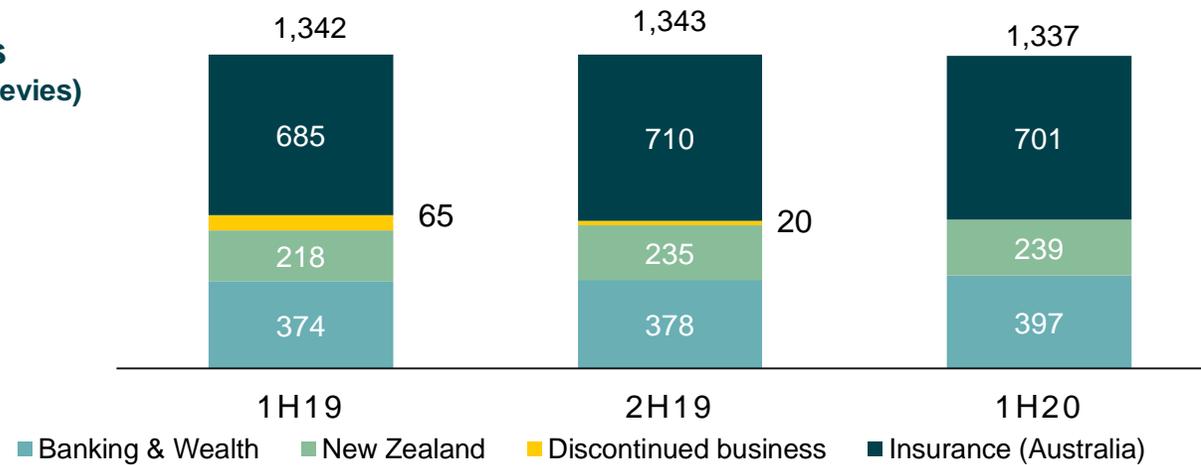


# Group profit and operating expenses

**Profit after tax from functions**  
(\$m)

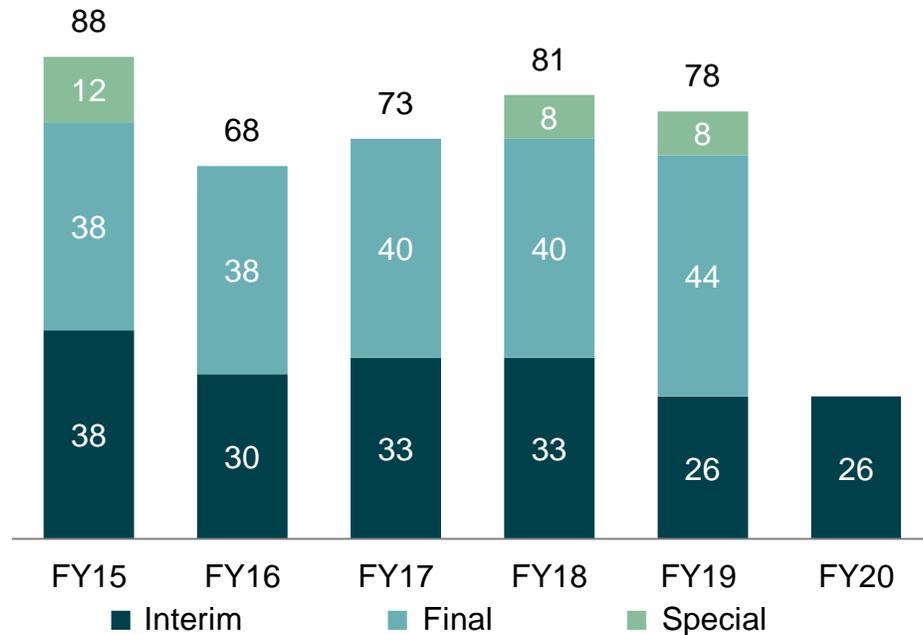


**Operating expenses (excluding Fire Service Levies)**  
(\$m)

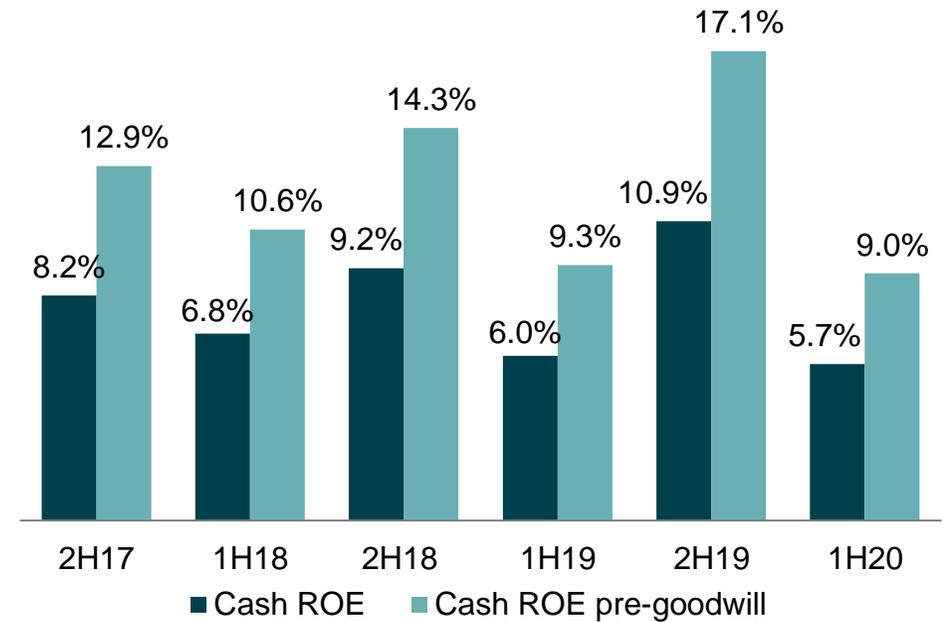


# Shareholder returns

## Dividends (cps)<sup>1</sup>



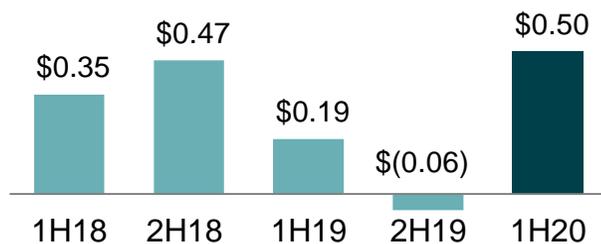
## Cash ROE (%)



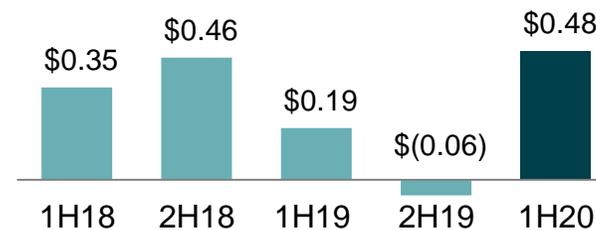
<sup>1</sup> The Group aims to pay annual dividends based on a target payout range of 60% to 80% of cash earnings

# Shareholder metrics

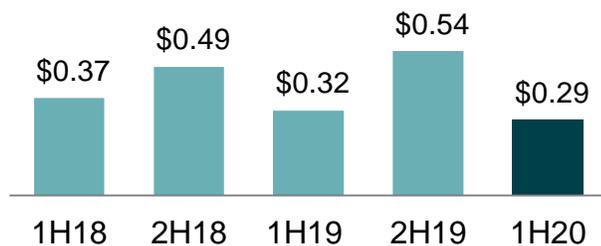
## Reported EPS (basic)



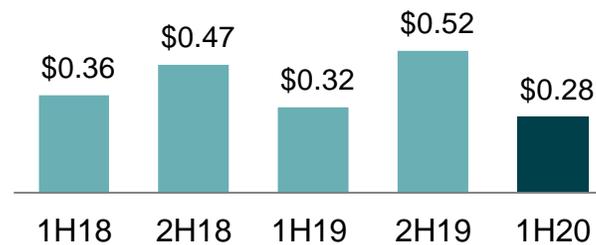
## Reported EPS (diluted)



## Cash EPS (basic)



## Cash EPS (diluted)

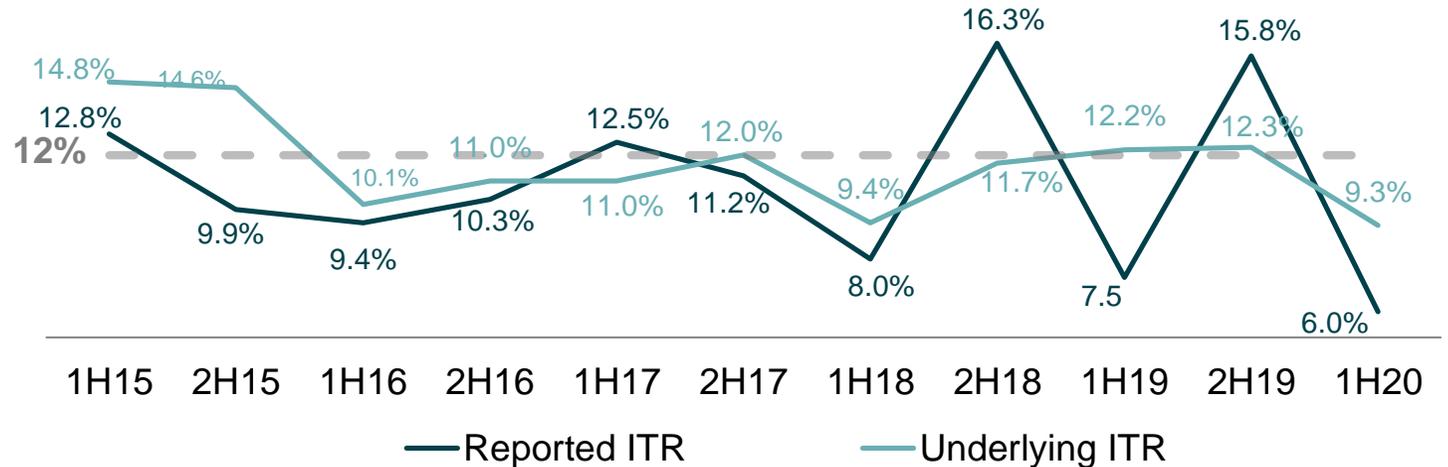
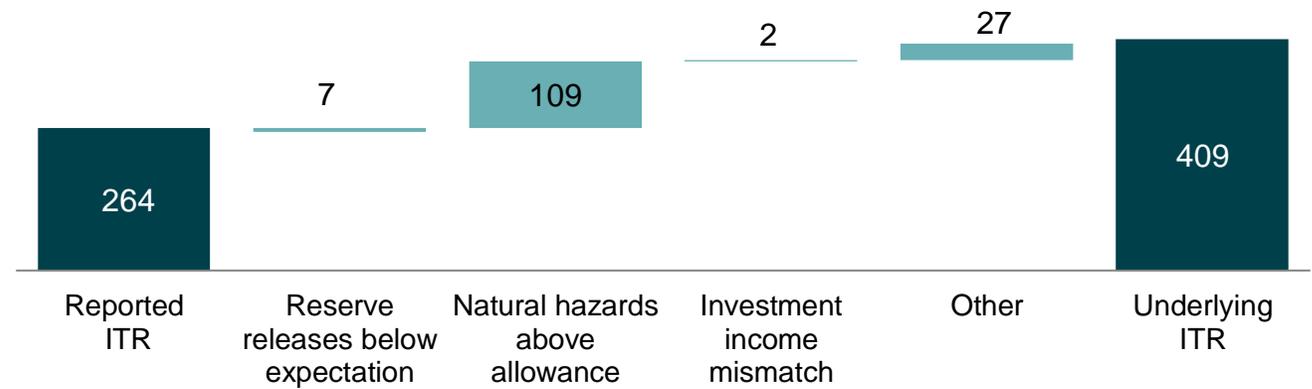


# General Insurance ITR

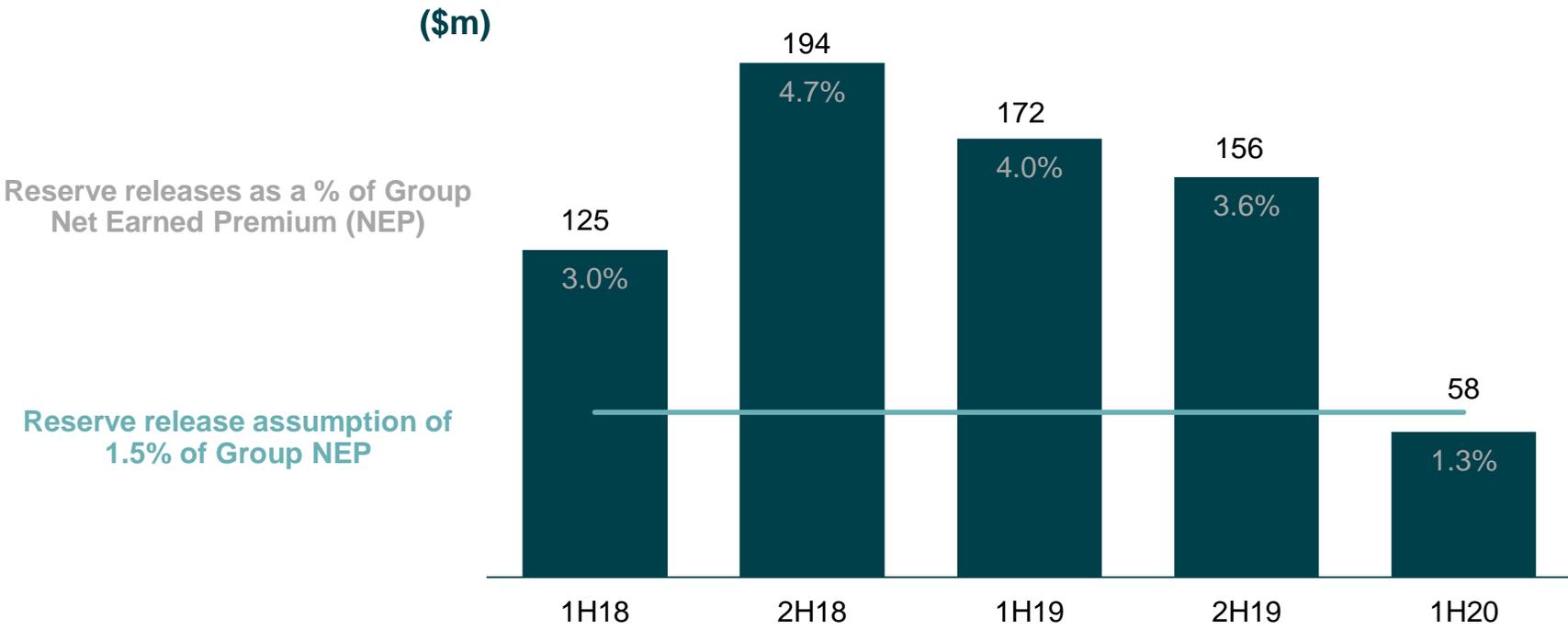
The Group underlying ITR has declined from 12.2% in HY19 to 9.3% in HY20 reflecting:

- The uplift in the Group's natural hazard allowance
- An increase in reinsurance costs reflecting the purchase of the new Aggregate Stop Loss
- The impact of lower yields which reduce underlying investment income and results in a lower present value adjustment on new claims (due to the discounting effect)
- An increase in claims handling expense provisions reflecting the 1H20 natural hazard events
- Lower underlying operating expenses, net of Business Improvement Program (BIP) benefits and commissions
- The Commercial portfolio maintained strong underlying margin in line with expectations, with a slight decrease from 2H19 reflecting the impact of large fire losses in SME and strata following benign claims experience in 2H19. CTP continues to be impacted by scheme reform and competitive market dynamics while the Australia Consumer portfolio and New Zealand remained broadly flat

(\$m)



# General Insurance Reserve releases

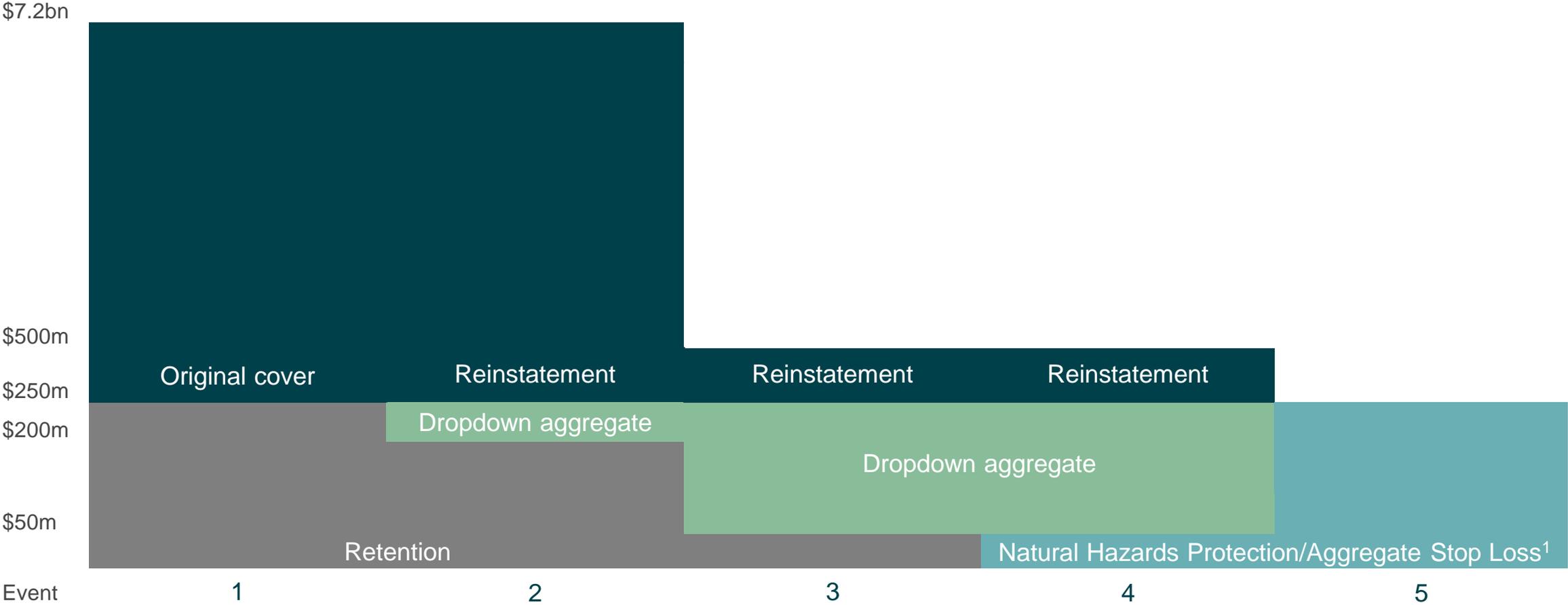


# General Insurance

## Net impact of yields and investment markets

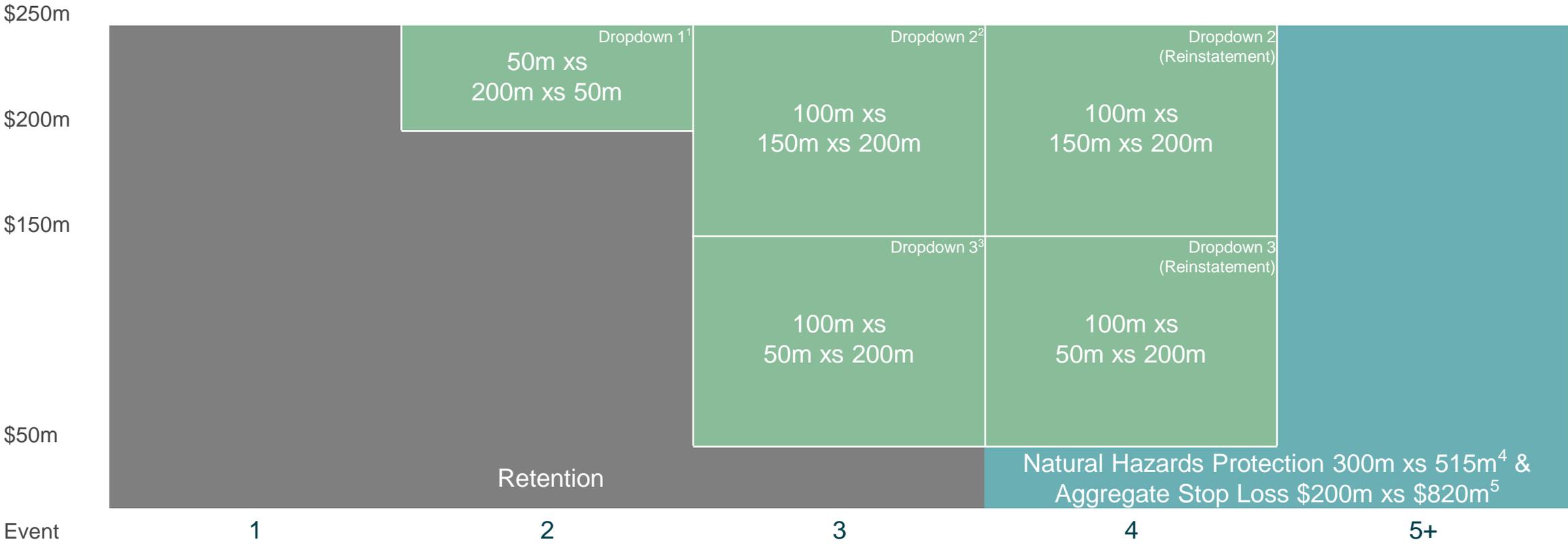
	Dec-19	Jun-19	Dec-18
<b>Insurance (Australia)</b>			
Investment income (insurance funds)	99	319	125
Impact of risk-free discount rates on outstanding claims	(35)	(285)	(139)
	<b>64</b>	<b>34</b>	<b>(14)</b>
Present value adjustment on newly recognised claims	31	55	79
Investment income (Shareholder funds)	37	118	(3)
	<b>132</b>	<b>207</b>	<b>62</b>
<b>New Zealand (AUD)</b>			
Investment Income (Insurance funds)	5	14	7
Investment Income (Shareholder funds)	6	14	2
	11	28	9
<b>Net impact of yields and Investment markets</b>	<b>143</b>	<b>235</b>	<b>71</b>

# FY20 reinsurance program – natural hazards



Note: The above diagram relates to Australian events  
<sup>1</sup>Includes both Australian and New Zealand events

# FY20 reinsurance program – dropdown aggregate covers



<sup>1</sup>Provides \$50m of cover, for events > \$200m once the cumulative impact of qualifying events reaches \$50m  
<sup>2</sup> Provides \$100m of cover, for events > \$150m once the cumulative impact of qualifying events reaches \$200m  
<sup>3</sup> Provides \$100m of cover, for events > \$50m once the cumulative effect of qualifying events reaches \$200m  
<sup>1, 2 & 3</sup> relate to Australian events only  
<sup>4</sup> Provides \$300m of cover for events > \$10m once the cumulative effect of qualifying events reaches \$515m  
<sup>5</sup> Provides \$200m of cover once retained natural hazards reaches \$820m

# Illustration of reinsurance response to all events > \$10m incurred in HY20

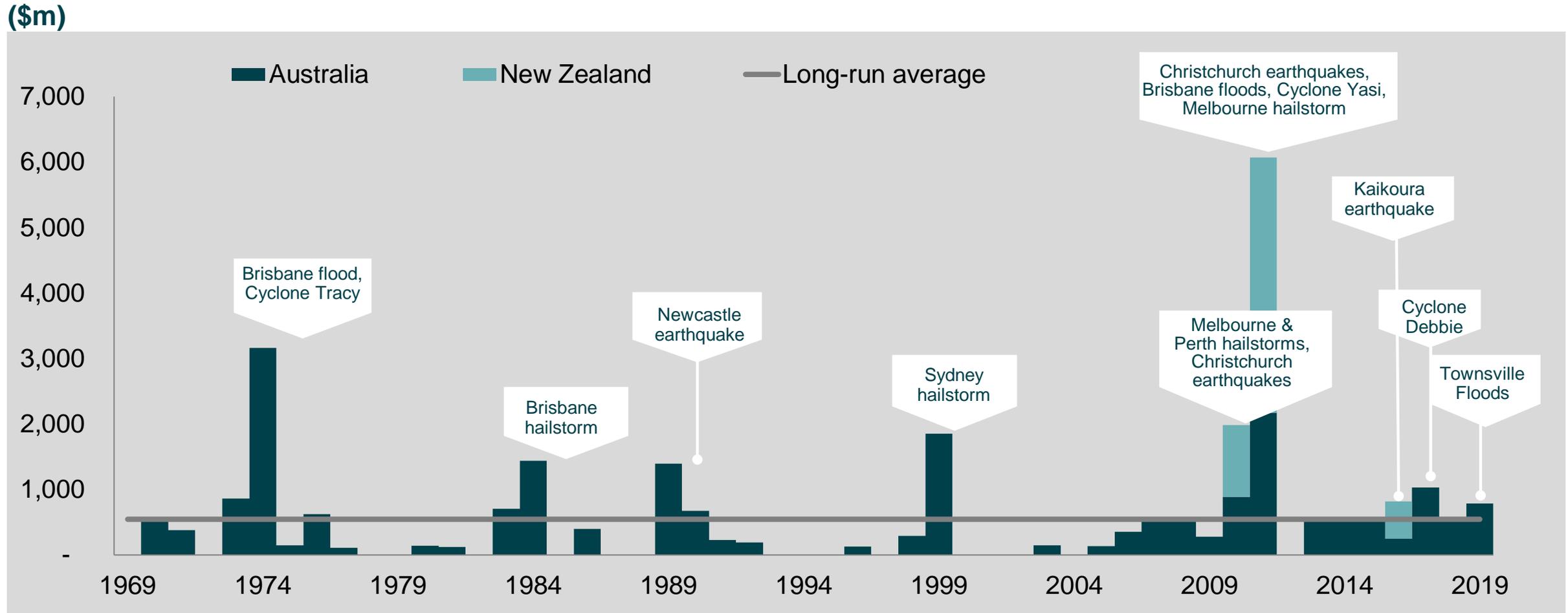
Events (\$m)		Aus Dropdown (otherwise recoverable erosion)			Aus Dropdown (recoveries)			Aus Dropdown Reinstatement (recoveries)		NHAP Agg Erosion	NHAP Recovery	Main CAT Recovery	Retained Loss
Name	UNL	DD1 \$50m x/s \$200m x/s \$50m	DD2 \$100m x/s \$150m x/s \$200m	DD3 \$100m x/s \$50m x/s \$200m	DD1 \$50m x/s \$200m x/s \$50m	DD2 \$100m x/s \$150m x/s \$200m	DD3 \$100m x/s \$50m x/s \$200m	DD2 \$100m x/s \$150m x/s \$300m	DD3 \$100m x/s \$50m x/s \$300m	\$300 x/s \$515m		x/s \$250m	(\$m)
NSW/QLD November Bushfire	35	0	0	0	0	0	0	0	0	35	0	0	35
SEQLD November Hail	88	0	0	38	0	0	0	0	0	88	0	0	88
Northern Sydney November Storms	22	0	0	0	0	0	0	0	0	22	0	0	22
NZ Canterbury Storms November	18	0	0	0	0	0	0	0	0	18	0	0	18
SEQLD Northern NSW December Hail	18	0	0	0	0	0	0	0	0	18	0	0	18
NSW/SA December Bushfires	34	0	0	0	0	0	0	0	0	34	0	0	34
VIC/NSW/TAS Bushfires <sup>(1)</sup>	145	0	0	95	0	0	0	0	0	145	0	0	145
<b>Total</b>	<b>360</b>	<b>0</b>	<b>0</b>	<b>133</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>360</b>	<b>0</b>	<b>0</b>	<b>360</b>

Notes:

- The erosion of the ASL aggregate deductible is currently \$519m with \$301m deductible remaining before recovery
- New Zealand underliers are currently unaffected
- All amounts in Australian Dollars as at December 2019

<sup>(1)</sup> While losses continue to develop, the UNL is expected to be \$220m-\$250m for this event

# 50 year history of major natural hazards



Adjusted for inflation, population growth and market share

# Group capital position

## Capital management strategy

- Optimise shareholder value by managing the level, mix and use of capital resources
- Ensure sufficient capital resources to maintain and grow the business, in accordance with risk appetite
- Compliance with external capital requirements set and monitored by APRA and the RBNZ

## Dividend policy

- Target payout ratio of 60-80% of cash earnings
- Remain committed to returning excess capital to shareholders

(\$m)	As at 31 December 2019					Total	Total as at 30 June 2019 <sup>3</sup>
	GI <sup>2</sup>	Bank <sup>2</sup>	Life	SGL, Corp Services & Consol			
CET1	3,198	3,219	174	328	6,919	7,341	
CET1 target	2,748	3,072	102	(22)	5,900	5,781	
Excess to CET1 target (pre div)	450	147	72	350	1,019	1,560	
Group dividend					(328)	(571)	
Group excess to CET1 target (ex div)					<b>691</b>	989	
<b>Common Equity Tier 1 ratio<sup>1</sup></b>	<b>1.28x</b>	<b>9.69%</b>					
Total capital	4,293	4,589	174	536	9,592	9,849	
Total target capital	3,747	4,235	102	(50)	8,034	7,903	
Excess to target (pre div)	546	354	72	586	1,558	1,946	
Group dividend					(328)	(571)	
Group excess to target (ex div)					<b>1,230</b>	1,375	
<b>Total capital ratio<sup>1</sup></b>	<b>1.72x</b>	<b>13.82%</b>					

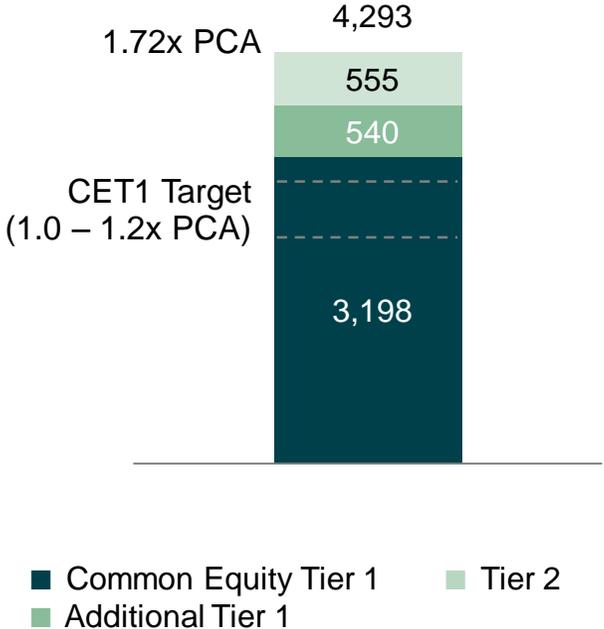
<sup>1</sup> Capital ratios are expressed as coverage of the PCA for General Insurance and as a percentage of Risk Weighted Assets for the Bank

<sup>2</sup> The Bank and General Insurance targets are shown as the midpoint of the target operating ranges

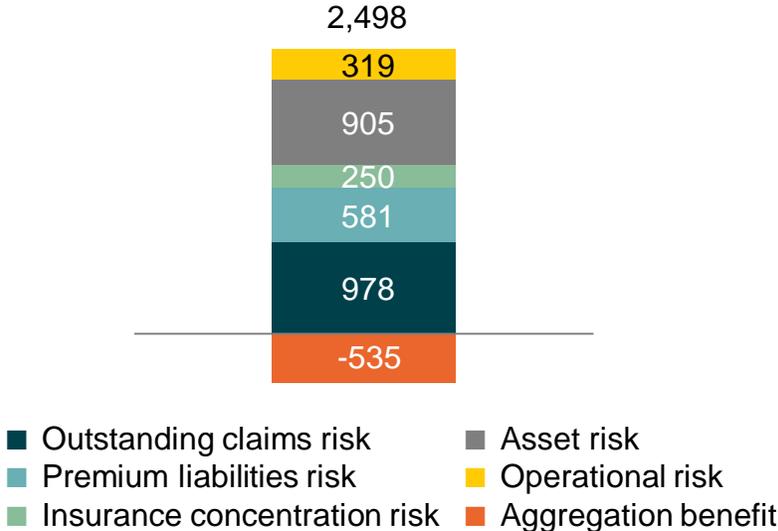
<sup>3</sup> Jun-19 comparatives have been restated to reflect immaterial changes in Bank credit risk-weighted assets as set out in the revised Jun-19 APS 330 disclosures published on the Suncorp group website on 31 January 2020

# General Insurance capital

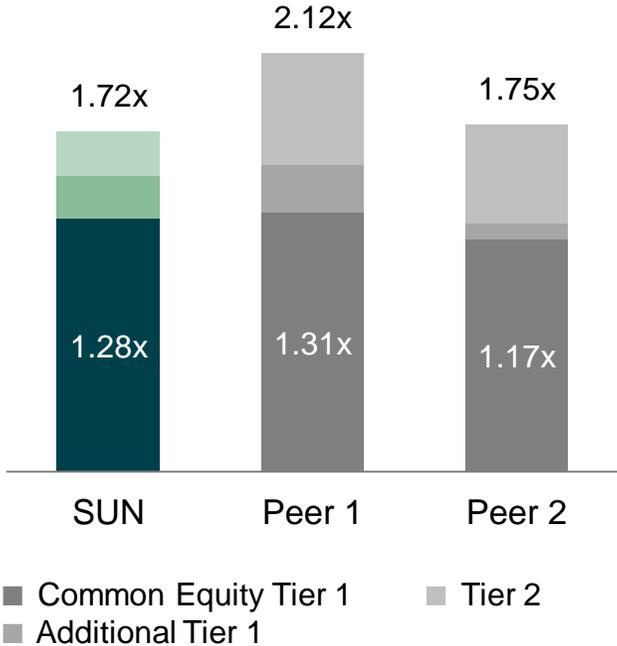
**Total capital (\$m)**



**Prescribed Capital Amount (PCA) (\$m)**



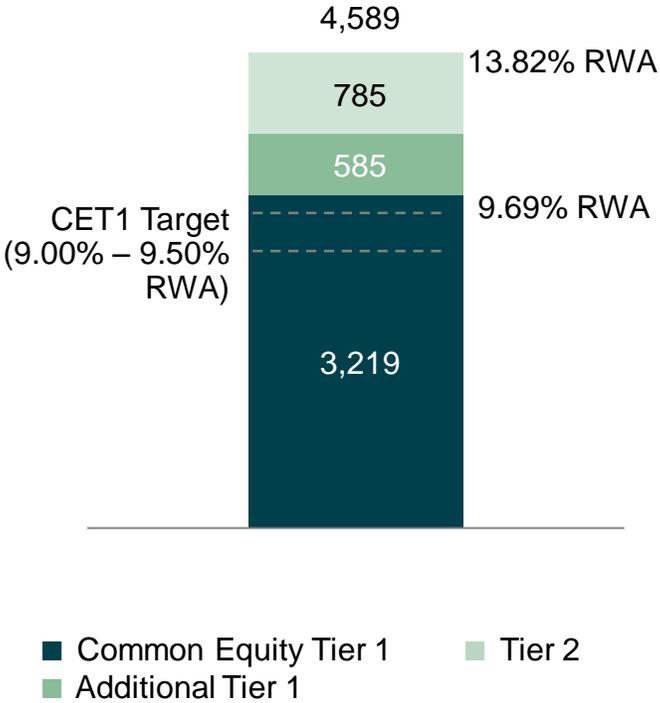
**Capital ratios vs Australian peers**



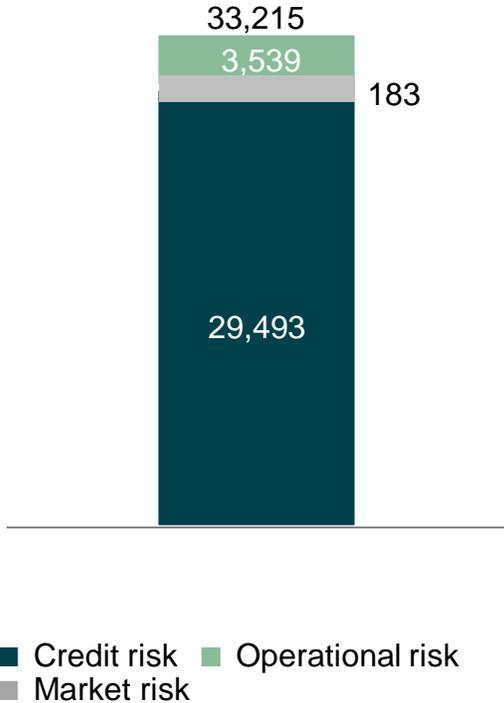
Source: Latest published company reports

# Bank capital

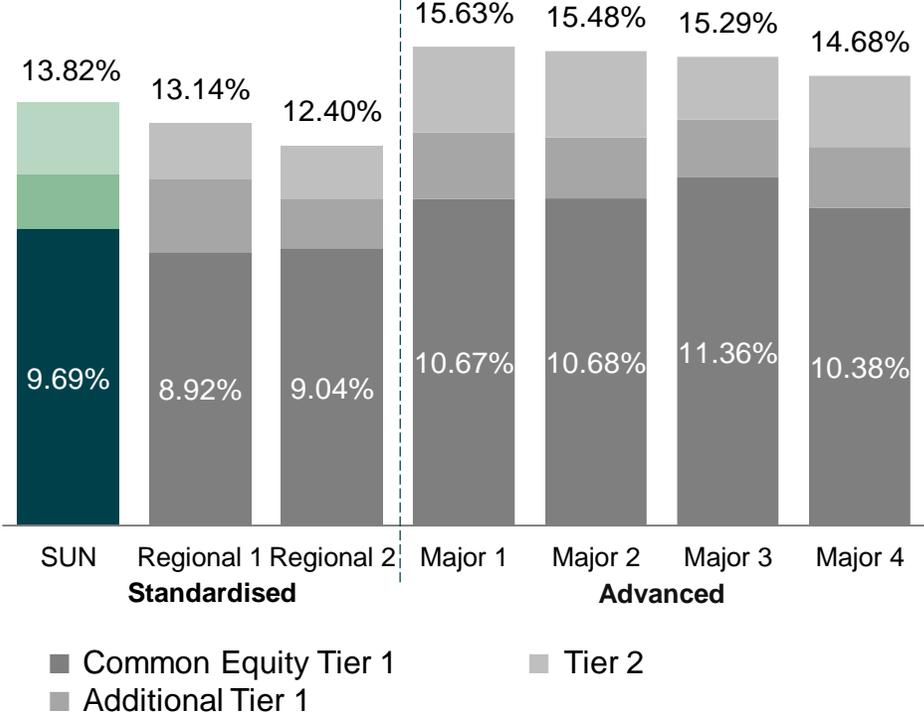
## Total capital (\$m)



## Risk-weighted assets (\$m)



## Capital ratios vs peers



Source: Latest published company reports

# Credit ratings

	S&P Global Ratings	Moody's Investors Service	Fitch Ratings
Suncorp Group	A+ Positive	A1 Stable	A+ Stable
Major banks <sup>1</sup>	AA- Stable	Aa3 Stable	AA- Negative
Regional banks <sup>2</sup>	BBB+ Stable	A3 Stable	A- Stable

<sup>1</sup> Major banks include Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation

<sup>2</sup> Regional banks include Bank of Queensland Limited and Bendigo and Adelaide Bank Limited

# Customer and Digital

## Key 1H20 Initiatives

- Driving customer advocacy continues to be an important focus for the Group
- Business NPS saw a significant increase, across both Banking and Insurance
- Vero was awarded Large General Insurer of the Year by the National Insurance Brokers Association
- Suncorp Bank was awarded Bank of the Year, reflecting focus on our customers and product needs
- Reinvigoration of the multi-brand strategy
- Continued rollout of the Workbench Core Platform and knowledge management solution across 4,000+ users
- Development of the regulatory program of work to strengthen trust and reputation to lead better customer outcomes

	HY20	HY19
<b>Customer advocacy</b>		
Consumer Net Promoter Score (NPS)	<b>+4.6</b>	+5.8
Business Net Promoter Score (NPS)	<b>+6.4</b>	+1.2
<b>Customer engagement via digital channels</b>		
Number of digital <sup>(1)</sup> users (m)	<b>3.61</b>	3.03
Proportion of digital claims <sup>(2)</sup> (%)	<b>18%</b>	16%
Proportion of digital claims that are 'zero touch' <sup>(3)</sup> (%)	<b>40%</b>	37%
Proportion of Insurance new business sales via digital <sup>(4)</sup> (%)	<b>28%</b>	26%
Proportion of Banking new business sales via digital <sup>(5)</sup> (%)	<b>59%</b>	41%

1. Digital users are Australian visitors that have logged into Suncorp's authenticated digital assets like internet banking, mobile banking app, insurance policy self-service web and mobile applications. Half year numbers have been calculated on an updated 12-month rolling basis. (Dec-18 previously disclosed as 3.20m, prior to changes at the FY19 Result that restated it to 3.07m to account for digital assets launched in FY19)

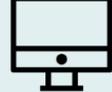
2. Relates to Australian Home and Motor claims only. Calculated using an updated methodology to account for 'Report Only' claims that were not previously included in total claims. 'Report Only' refers to claims that are initiated digitally and completed via another channel. Previously disclosed as: Jun-19: 20%, Dec-18:15%

3. Relates to Australian Home and Motor claims only

4. Relates to Australian General Insurance new business sales only. Calculated using updated methodology to exclude CTP in South Australia as it is not available via the digital channel. Previously disclosed as: Jun-19: 25%, Dec-18: 24%

5. Relates to at-call deposit account openings only

# Customer and Digital

Actions	Progress
 <b>Develop zero touch claims capability</b>	– Improvements to AI assessments, fast-tracking claims and encouraging online lodgment
 <b>Leverage AI and data analytics</b>	– Contact centre Next Best Action pilot – Enhanced fraud monitoring driven by AI – Intelligent Virtual Assistant for GIO
 <b>Suncorp app parity</b>	– App parity with Mobile Banking App and improved user experience – Multiple new features including new payment platform capabilities
 <b>Launch branded apps</b>	– Design and delivery planning for AAMI App
 <b>Single digital customer view</b>	– Customer Workbench completed single view of customer across all brands
 <b>Develop new identity management capability</b>	– Aligned with Consumer Data Right
 <b>Leverage APIs to unlock data</b>	– APIs leveraged to unlock customer data for multiple customer initiatives

# Regulatory projects

## Enhanced customer outcomes & value

- Change to systems, processes and procedures to adhere to new General Insurance Code of Practice
- Design & Distribution Obligations & Unfair Contract Terms Legislation
- Open Banking package of reforms to strengthen accountability and competition (discovery and planning activities)

## Enhanced risk management, governance & culture

- Risk Insights Program to respond to the Royal Commission recommendations and APRA Self-Assessment
- Culture and People Stream – covers requirements of the Royal Commission, BEAR, Sedgwick and APRA self-assessment
- Enterprise complaints – strategic complaints dashboard focused on systemic complaints analysis
- New Zealand Conduct Uplift – deliver changes requested by the various local regulatory bodies (FSL, FMA, RBNZ, MBIE, IRD)

## Data security & operational resilience

- Digital maintenance program to address critical and severe security and other risks in line with APRA CSP234
- Data lake to address fragmented and costly data architecture, enhance regulatory and Board reporting and customer insights

## Compliance activities

- Implementation of new Insurance and Finance processes and systems to comply with IFRS17
- Wealth program of work to meet on-going member disclosure requirements
- Ensure compliance with Payments Card Industry Data Security Standard (PCI DSS)
- Compliance with ACT CTP Reforms/legislation (likely to be similar to NSW Reforms)
- Security vulnerability enhancements
- NSW CTP SIRA policy data enhancements to facilitate scheme monitoring and reporting
- Conflicts of Interest in broker fee structure to drive better consumer outcomes (ASIC 516 – Phase 2)

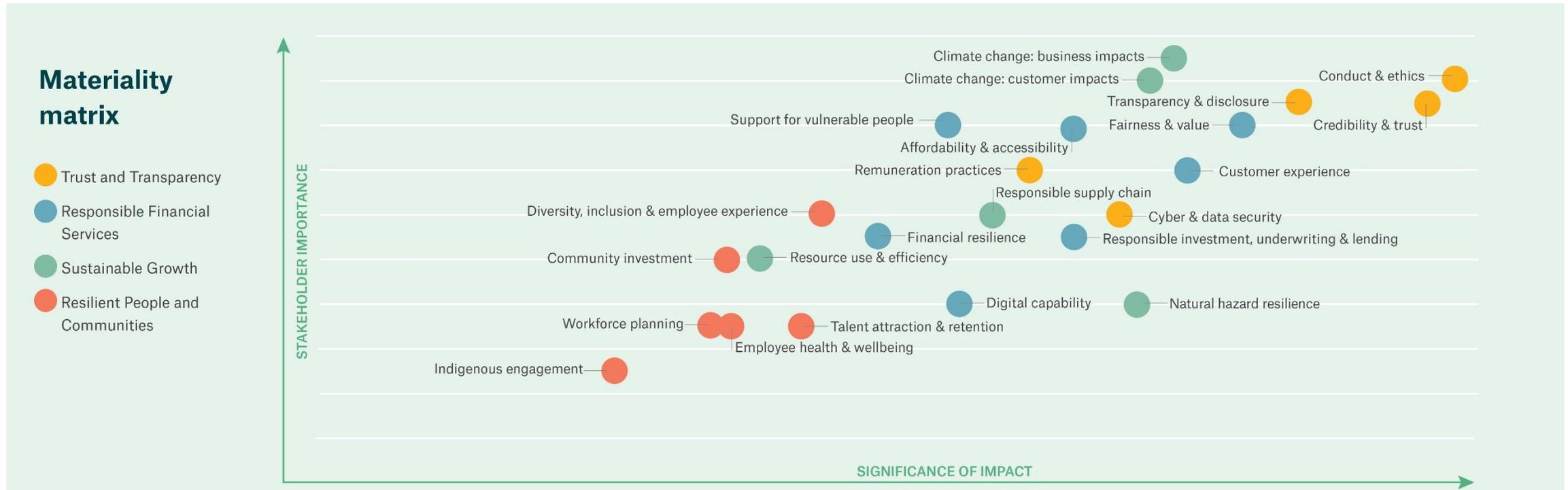
# Suncorp's Corporate Responsibility principles



## Sustainable Development Goals

- The Sustainable Development Goals are a set of 17 goals that define global sustainable development priorities and aspirations for 2030
- The Goals call for action to address significant economic, social and environmental challenges such as poverty, inequality, health and wellbeing and climate action
- Suncorp's responsible business activity contributes to many of the Goals and the ones highlighted have been recognised as those that Suncorp has the greatest impact on

# What matters most to stakeholders



## Top 10 Environmental, Social and Governance (ESG) topics:

1. Conduct and ethics
2. Credibility and trust
3. Transparency and disclosure
4. Fairness and value
5. Climate change: business impacts
6. Climate change: customer impacts
7. Customer experience
8. Affordability and accessibility
9. Cyber and data security
10. Responsible investment, underwriting and lending

## Materiality methodology

A comprehensive materiality assessment was conducted by an independent sustainability consultant, using the following research methods:

- A review of media and peer activities across Australia and New Zealand, including industry trends
- An impact assessment workshop with Suncorp representatives to identify and assess the impacts of ESG issues
- In-depth interviews with more than 83 industry stakeholders including investors, analysts, government and community representatives, consumer advocates, brokers, NGOs, partners, suppliers and peers
- In-depth interviews with 14 internal stakeholders, including members of Suncorp's Senior Leadership Team
- Analysis of survey responses from 1,006 employees on Suncorp's performance across a range of ESG topics
- An internal workshop with business representatives to validate the topics found to be of most significance

\* As at 30 June 2019 and reported in the Responsible Business Report 2018-19

# Corporate responsibility roadmap

	1H20 highlights	2H20 focus areas	Longer-term focus areas
<p><b>Trust and Transparency</b></p> 	<ul style="list-style-type: none"> <li>✓ Published half year performance to non-financial targets</li> <li>✓ Improved Dow Jones Sustainability Index and CDP assessment scores</li> <li>✓ Obtained limited assurance of Scope 1 and Scope 2 emissions data</li> </ul>	<ul style="list-style-type: none"> <li>– Disclose full year performance to non-financial targets</li> <li>– Review and evolve non-financial metrics and targets</li> <li>– Meet disclosure commitments under the United Nations (UN) Global Compact, Principles for Responsible Investment, Principles for Sustainable Insurance and Principles for Responsible Banking</li> <li>– Further align business activity to Sustainable Development Goals</li> <li>– Refresh Suncorp’s Code of Conduct</li> <li>– Continue to implement the updated General Insurance Code of Practice</li> </ul>	<ul style="list-style-type: none"> <li>– Develop medium-term disclosure strategy focused on climate-related financial disclosures, alignment with Sustainable Development Goals, and the approach to external assurance</li> <li>– Refine measurement of stakeholder trust</li> <li>– Integrate corporate responsibility, strategy and risk management approach</li> </ul>
<p><b>Responsible Financial Services</b></p> 	<ul style="list-style-type: none"> <li>✓ Published Responsible Banking &amp; Insurance Policy to strengthen business practices in line with community expectations</li> <li>✓ Became a founding signatory to the UN Principles for Responsible Banking</li> <li>✓ Progressed implementation of Suncorp’s Customers Experiencing Vulnerability Strategy and Roadmap, including training and support for key employees</li> </ul>	<ul style="list-style-type: none"> <li>– Implement the Responsible Banking &amp; Insurance Policy and conduct portfolio ESG risk assessments</li> <li>– Implement the UN Principles for Responsible Banking and Principles for Sustainable Insurance</li> <li>– Further develop standards to support customers experiencing vulnerability including domestic and family violence, financial vulnerability and hardship, and accessibility</li> <li>– Develop community sector partnerships to provide external referrals for customers experiencing vulnerability</li> </ul>	<ul style="list-style-type: none"> <li>– Progress financial capability building for customers and our focus communities (e.g. new migrants, refugees and Indigenous Australians)</li> <li>– Refresh Financial Inclusion Action Plan</li> </ul>

# Corporate responsibility roadmap

	1H20 highlights	2H20 focus areas	Longer term focus areas
<p><b>Sustainable Growth</b></p> 	<ul style="list-style-type: none"> <li>✓ Continued to implement Suncorp's Climate Change Action Plan</li> <li>✓ Committed to exiting thermal coal by 2025</li> <li>✓ Launched 2020-22 Environmental Performance Plan</li> <li>✓ Published targets to reduce greenhouse gas emissions</li> <li>✓ Progressed climate change scenario analysis</li> <li>✓ Expanded Storm Ready Streets campaign across Queensland</li> </ul>	<ul style="list-style-type: none"> <li>– Finalise climate change scenario analysis and publish findings in line with Task Force on Climate-related Financial Disclosures (TCFD)</li> <li>– Progress Natural Hazard Resilience Strategy</li> <li>– Develop Renewable Energy Strategy</li> <li>– Conduct supply chain ESG risk assessment</li> </ul>	<ul style="list-style-type: none"> <li>– Integrate climate scenario analysis outcomes into strategy and business practices</li> <li>– Progress resilience building product and partnership opportunities</li> <li>– Publish first Proxy Voting Summary</li> <li>– Refresh Climate Change Action Plan</li> </ul>
<p><b>Resilient People and Communities</b></p> 	<ul style="list-style-type: none"> <li>✓ Increased employee giving and engagement with community</li> <li>✓ Established new community investment guidelines</li> <li>✓ Donated to community groups to support disaster relief for drought and fire affected communities</li> </ul>	<ul style="list-style-type: none"> <li>– Conduct employee engagement survey</li> <li>– Refresh Suncorp Reconciliation Action Plan</li> <li>– Progress Suncorp Modern Slavery Statement</li> <li>– Develop community response framework for future natural disasters</li> <li>– Review local community partners as part of Brighter Futures employee giving program</li> </ul>	<ul style="list-style-type: none"> <li>– Further align community investment to support natural hazard resilience, social resilience and financial resilience</li> <li>– Embed social impact measurement framework for community partnerships</li> </ul>

# Climate Change Action Plan



<b>1. STRENGTHEN OUR GOVERNANCE PROCESSES</b> We will integrate climate change risks and opportunities into our risk management, strategy, and business planning.		
<b>2. REDUCE OUR ENVIRONMENTAL FOOTPRINT</b> We will support the transition to a net-zero carbon emissions economy by 2050 by setting targets, metrics, and policies which reduce the impacts of our business activities on the environment.	<b>3. INCREASE COMMUNITY RESILIENCE</b> We will help our communities reduce climate change risk, adapt and build resilience through our products, advocacy and collaboration with key industry, government and climate stakeholders.	<b>4. ACCELERATE EMERGING OPPORTUNITIES AND CLIMATE-RELATED INNOVATION</b> We will help our customers, communities, and business reduce carbon intensity and transition to a low-carbon future by exploring new products, services, and other emerging financial opportunities.
Engaged and Enabled People 	Brilliant Customer Experience 	Product Innovation 
<b>5. TRACK AND OPENLY DISCLOSE OUR CLIMATE-RELATED PERFORMANCE</b> We will track, disclose, and improve our performance against the TCFD, targets, and other metrics.		

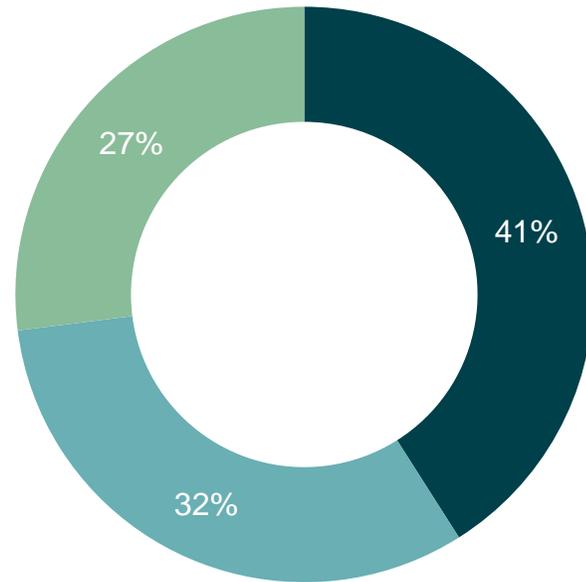
# Performance against non-financial targets

Metric	FY20 target <sup>1</sup>	1H20 update	Progress to target
 - Code of Conduct training completion rate	98%	99%	●
 - Level 2 complaints resolved within 30 days (Australia) <sup>2</sup>	Increase proportion YOY	1% increase YOY (HY20: 74% in 30 days)	●
 - Consumer Net Promoter Score (Australia)	Improve from 2018-19 (FY19: +5.0)	0.4 decrease (HY20: +4.6)	○
 - Scope 1 and Scope 2 greenhouse gas emissions	51% absolute reduction by 2030 <sup>3</sup>	On track	●
 - Invoices paid within 30 days <sup>4</sup>	95%	98%	●
 - Funds invested in social and low carbon impact investments	5% of total shareholders' funds	5.4%	●
 - Lost-time injury frequency rate	At or below Finance Industry Group Average <sup>5</sup>	Below the average	●
 - Women in leadership	50%	51%	●
 - Women in senior leadership	45%	45%	●
 - Women on the Board	40%	50%	●
 - Community investment	0.7% pre-tax profit by 2022	Updated annually	●

1. As per targets published in the 2018-19 Responsible Business Report
2. Updated to resolution within 30 days. Complaints managed by Internal Customer Relations Team
3. From 2017-18 baseline for Suncorp corporate operations in Australia and New Zealand
4. From receipt of a valid invoice. Excludes New Zealand and suppliers with terms beyond 30 days
5. Based on combined average of industry peers published for 2018-2019

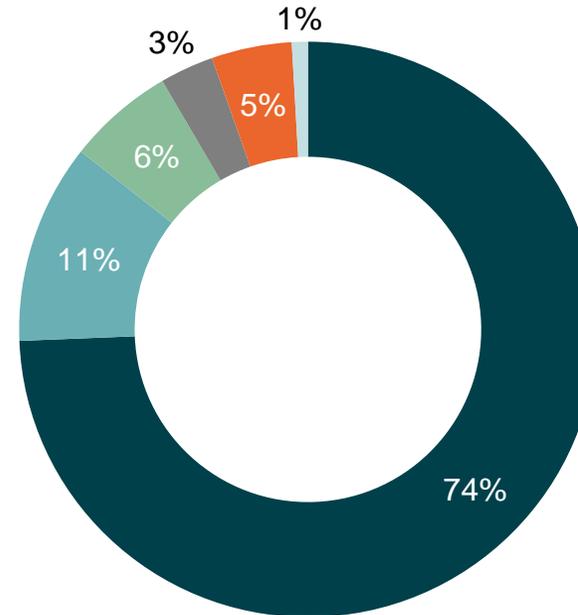
# Shareholder overview

## SUN shareholders by type



- Domestic Institutions
- Retail Investors
- International Institutions

## SUN shareholders by geography



- Australia (institutions & retail)
- United States
- United Kingdom
- Rest of Europe
- Rest of World
- Asia

Source: Nasdaq, 19 December 2019

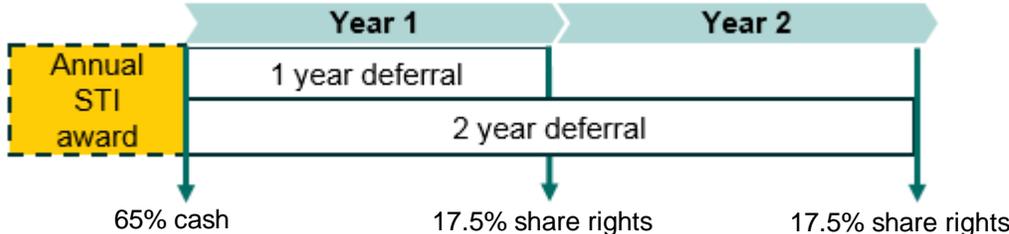
# FY20 Executive remuneration structure

## Remuneration structure

Remuneration component	Purpose	Quantum
Fixed remuneration	Reflects the role scope and individual’s skills and experience.	Set in the context of market remuneration levels.
Short-term incentive (STI)	Rewards the achievement of Group, function and individual outcomes over a 12-month period.	Target STI is 100% of fixed remuneration, with maximum STI being 150% of fixed remuneration. <sup>1</sup>
Long-term incentive (LTI)	Rewards the creation of long-term shareholder value.	100% of fixed remuneration. <sup>1</sup>

## Performance measures and delivery of variable pay

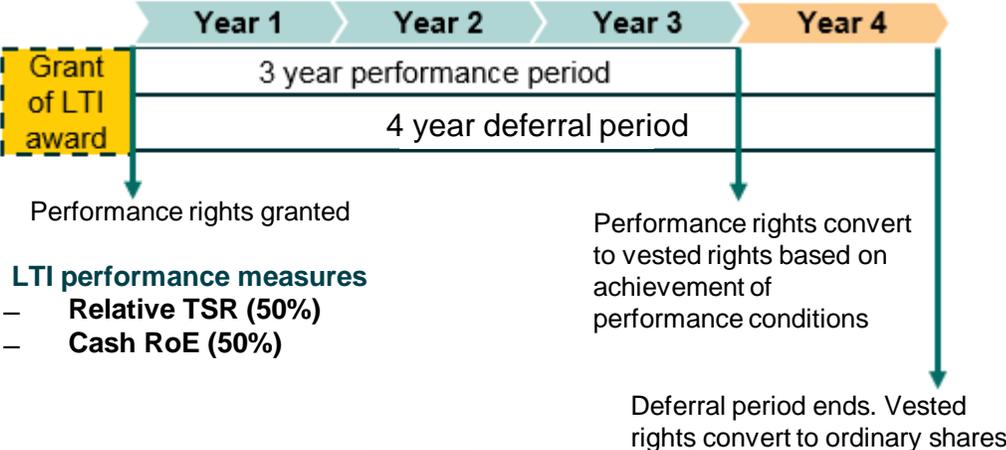
### Annual short-term incentive



#### STI performance measures

- **Financials** | Adjusted NPAT (30%), Cash RoE (10%) and System Growth Multiple (10%)
- **Customer** | NPS – Consumer and Business, Service Quality, and Choice – digital users (20%)
- **Risk** | Group Risk Maturity Measure and Risk Management and Compliance Measures (15%)
- **People** | Employee Engagement and High Performer Retention (15%)

### Long-term incentive (LTI)



#### LTI performance measures

- **Relative TSR (50%)**
- **Cash RoE (50%)**

1. To reduce any actual or perceived conflicts of interest arising from variable remuneration tied to company performance, the Chief Risk Officer’s remuneration package is less leveraged, with a greater emphasis on fixed remuneration.



# Insurance (Australia)



Financial Results for the half year  
ended 31 December 2019

# Insurance (Australia)

- PAT down 3.9% to \$123m
- GWP up 1.9% to \$4.1bn; Home and Motor GWP up 3.1% with units up 1.1% supported by new business growth and strong renewal rates
- Natural hazards \$489m, \$104m above 1H20 allowance (1H19: \$573m, \$233m above allowance)
- Reserve releases \$65m, 1.8% of Australia NEP (1H19: \$170m, 4.6% of NEP) impacted by one-offs and lower CTP releases
- Net overall investment markets positive \$70m on pcp, with pcp impacted by breakeven inflation losses and credit spread widening

## Net FSL and discounting of outstanding claims<sup>1</sup>

	HY20 (\$m)	HY19 (\$m)	Change (%)
Gross written premium	4,103	4,025	1.9
Net earned premium	3,611	3,605	0.2
Net incurred claims <sup>1,2</sup>	(2,826)	(2,715)	4.1
Operating expenses	(701)	(685)	2.3
Investment income - insurance funds <sup>1</sup>	64	(14)	n/a
<b>Insurance trading result</b>	<b>148</b>	<b>191</b>	<b>(22.5)</b>
Investment income – shareholder funds	37	(3)	n/a
<b>Insurance (Australia) PAT<sup>2</sup></b>	<b>123</b>	<b>128</b>	<b>(3.9)</b>

1. Excludes the impact of mark-to-markets and yield on outstanding claims; and the offsetting impact on investment assets

2. Comparatives adjusted to reflect the sale of Capital SMART and ACM Parts

# Insurance (Australia)

## Gross Written Premium (GWP)

- Home and Motor GWP increased by 3.1% driven by improved unit growth of 1.1% and included moderating averaging written premium increases, reflecting product and brand mix impacts
- CTP GWP decreased by 8.9% to \$523m due to ongoing impact of scheme reform and the resultant heightened competition
- Workers' compensation and other grew by 20.1%, driven primarily by premium rate increases, strong retention rates on existing accounts and increases in the wage pool of insured workforces

	HY20 (\$m)	HY19 (\$m)	Change (%)
Motor	1,457	1,403	3.8
Home	1,138	1,113	2.2
Commercial	806	786	2.5
Compulsory third party	523	574	(8.9)
Workers' compensation and other	179	149	20.1
<b>Total GWP</b>	<b>4,103</b>	<b>4,025</b>	<b>1.9</b>
Fire Service Levies (FSL) <sup>1</sup>	73	76	(3.9)
<b>Total GWP including FSL</b>	<b>4,176</b>	<b>4,101</b>	<b>1.8</b>

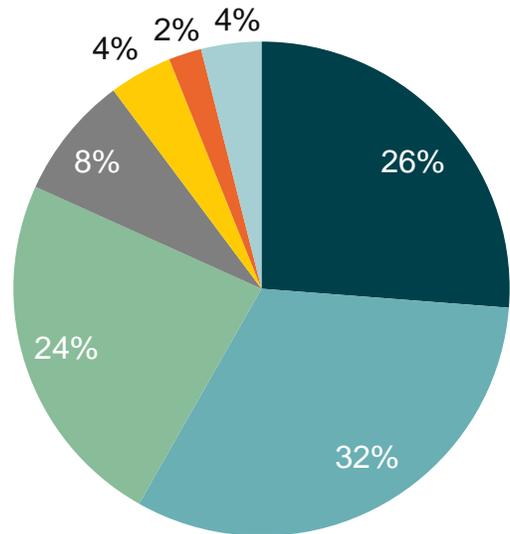
<sup>1</sup> HY19: Home \$41m, Commercial \$27m and Motor \$8m, HY20: Home \$44m, Commercial \$21m and Motor \$8m

# Insurance (Australia)

## GWP excluding FSL

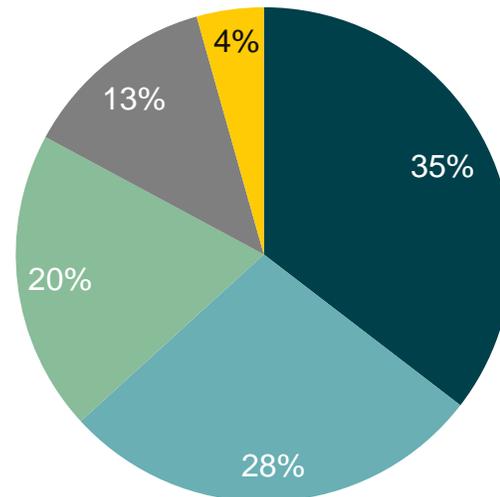
Total GWP (excluding FSL) increased 1.9% to \$4.1bn

Portfolio by geography\*



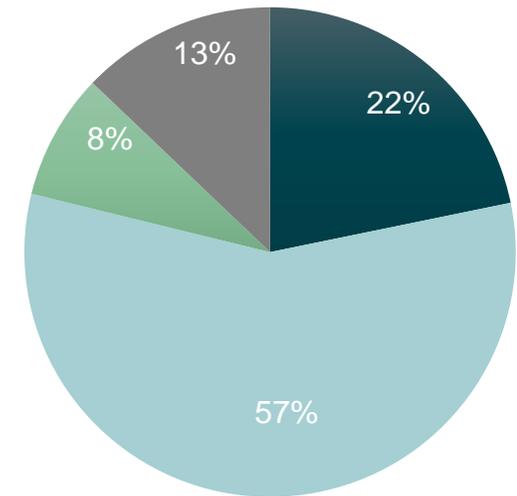
- Queensland
- New South Wales
- Victoria
- Western Australia
- South Australia
- Tasmania
- Other

Portfolio by product\*



- Motor
- Home
- Commercial
- CTP
- Workers' compensation & other

Portfolio by channel\*



- Intermediaries
- Contact Centre
- Digital
- Direct Underwriting & Others

\* Presented as a percentage of GWP

# Insurance (Australia)

## GWP - Compulsory Third Party (CTP)

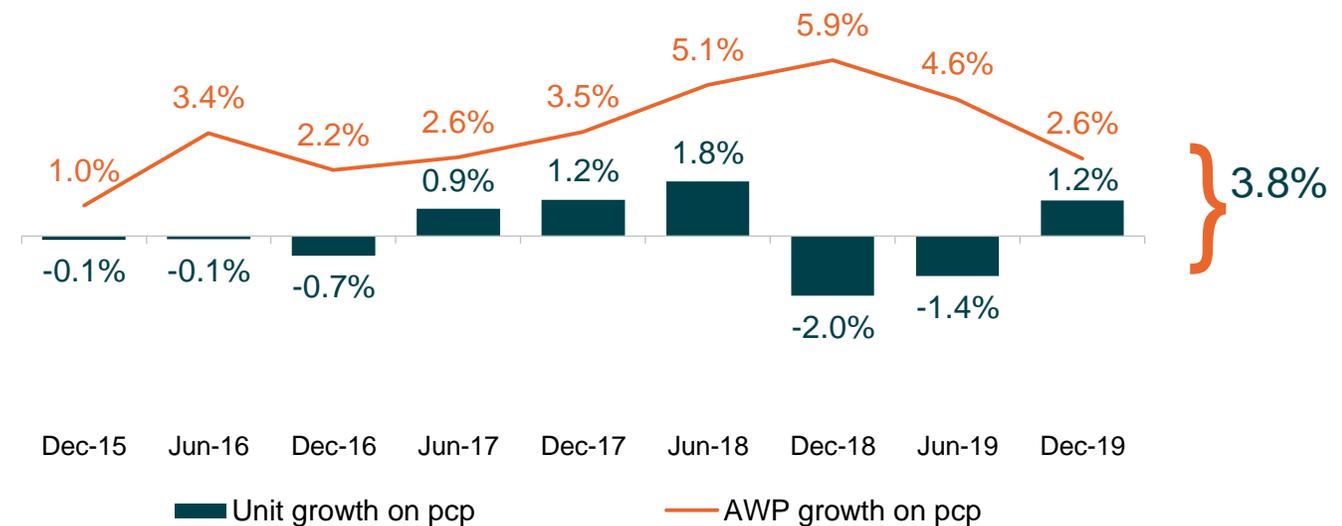
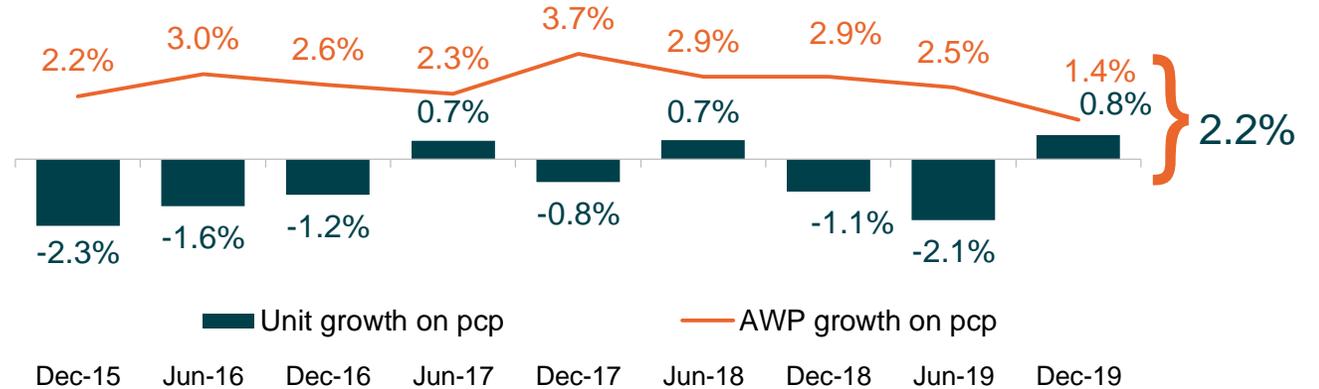
- **CTP GWP** decreased by 8.9% to \$523m due to the impact of scheme reform and the resultant heightened competition amongst insurers
- **SA CTP**, the transition to competitive underwriting and the market pricing to the floor of the scheme has resulted in GWP decline of 41.7%
- **ACT CTP**, there has been heightened competition as the scheme prepares for reform in February 2020 resulting in GWP decline of 30.6%

	HY20 (\$m)	HY19 (\$m)	Change (%)
Queensland	221	221	-
New South Wales	242	257	(5.8)
ACT	25	36	(30.6)
South Australia	35	60	(41.7)
<b>Total CTP GWP</b>	<b>523</b>	<b>574</b>	<b>(8.9)</b>

# Insurance (Australia)

## Home and Motor portfolio

- Unit growth in both portfolios reflects improved new business performance and strong renewal rates. New business performance benefited from refreshed marketing campaigns in support of the multi-brand strategy
- Home GWP grew by 2.2% to \$1,138m
  - Excluding Vero Broker, Home GWP growth was 3.3%, with unit growth of 1.7%
  - Rate increases in the individual brands were in the range of 4-6% resulting in an overall average written premium (AWP) increase across the book of 1.4%
- Motor GWP grew by 3.8% to \$1,457m
  - Unit growth of 1.2%
  - Rate increases across the brands were on average 2-4%, resulting in an overall average written premium increase of 2.6%

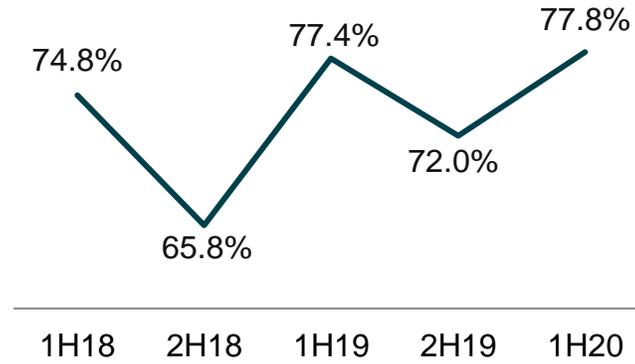


# Insurance (Australia)

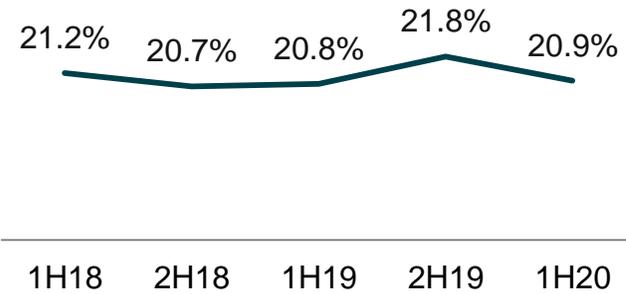
## Key ratios

(%)

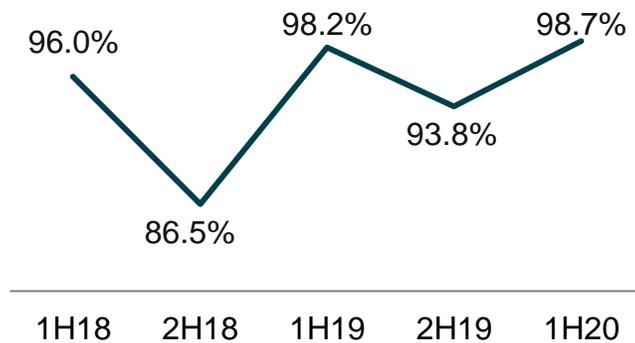
**Loss ratio**



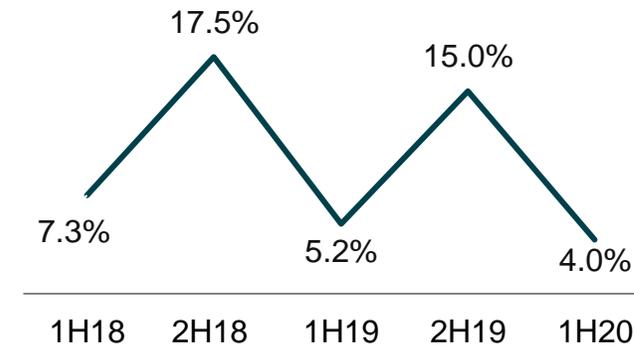
**Total operating expenses ratio**



**Combined operating ratio**



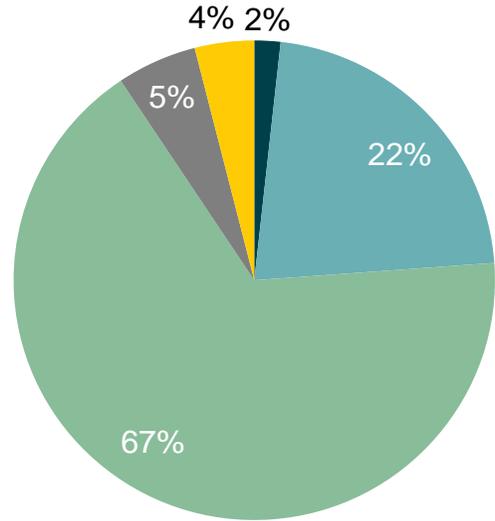
**Reported ITR**



# Insurance (Australia)

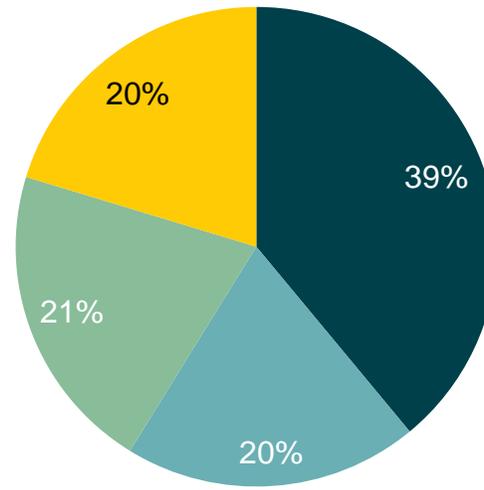
## Investment asset allocation

**Insurance funds**  
\$9.6bn



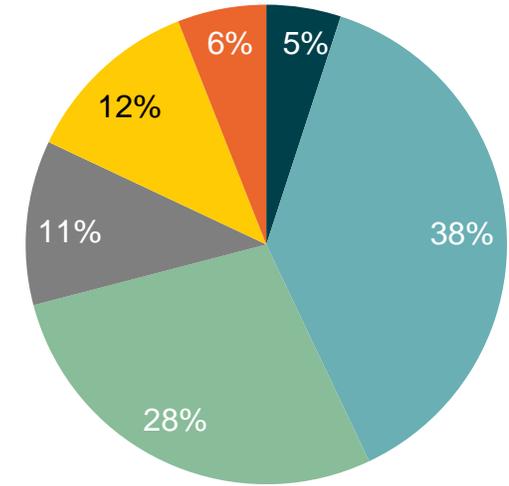
- Cash & short-term deposits
- Semi-Government bonds
- Inflation-linked bonds
- Commonwealth Government bonds
- Corporate bonds

**Fixed income credit quality**



- AAA
- A
- AA
- BBB

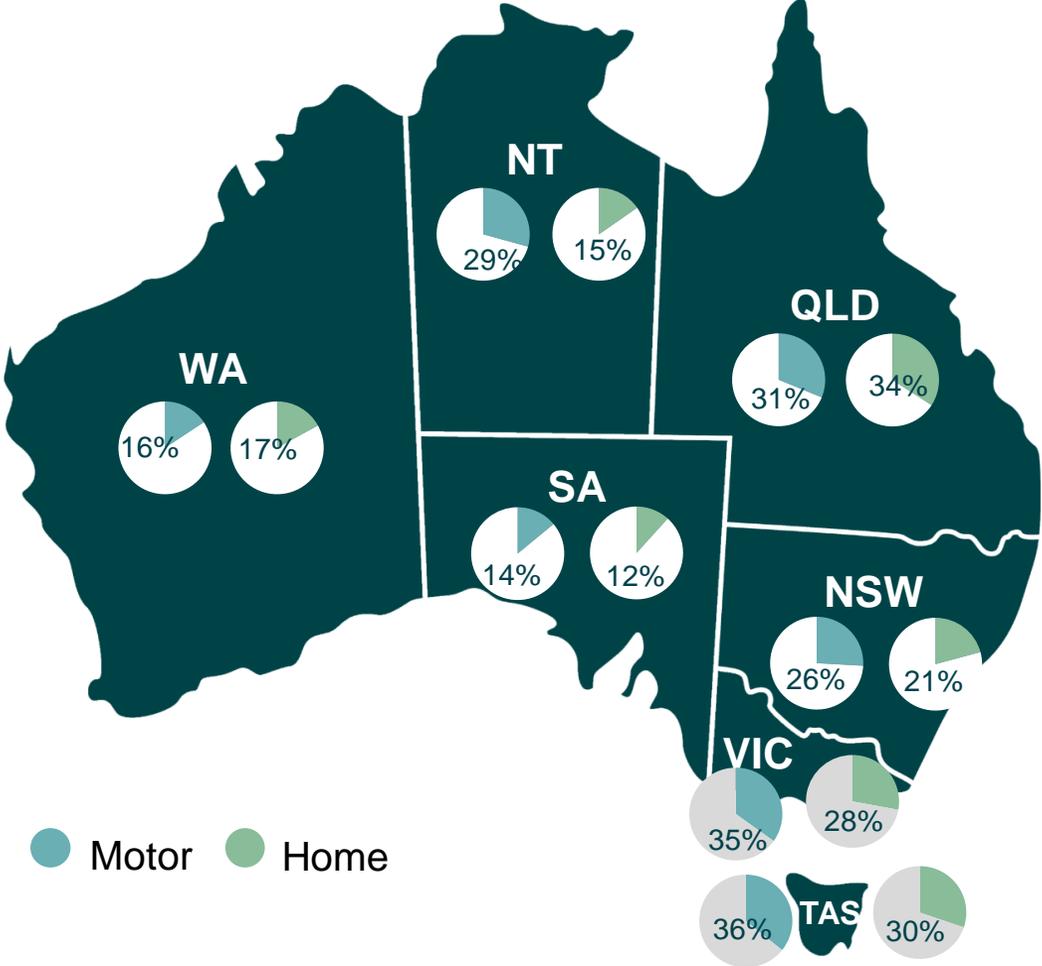
**Shareholders' funds**  
\$2.7bn



- Cash & short-term deposits
- Australian interest-bearing securities
- Global interest-bearing securities
- Equities
- Infrastructure and property
- Alternative investments

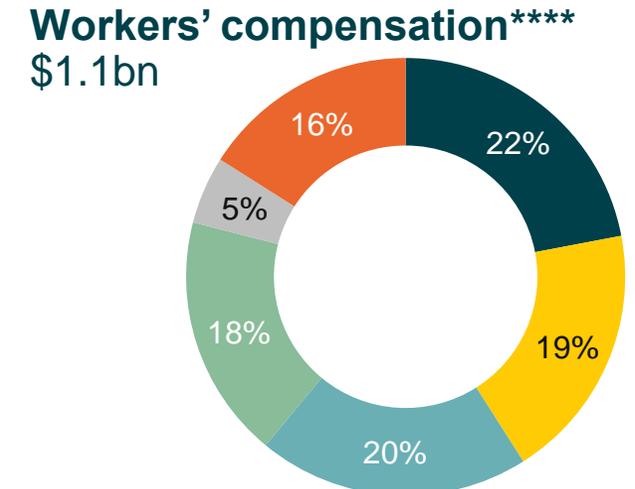
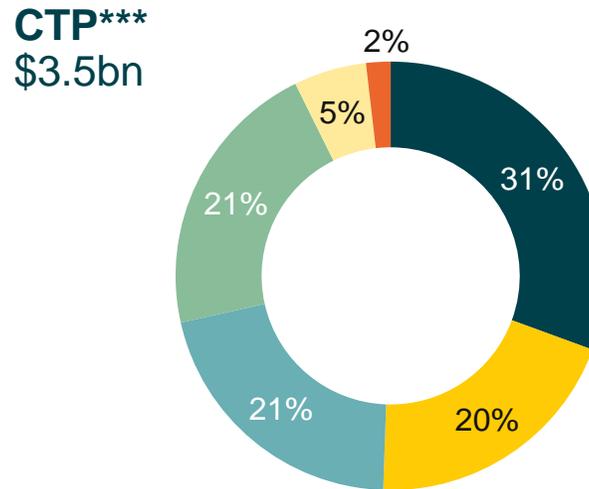
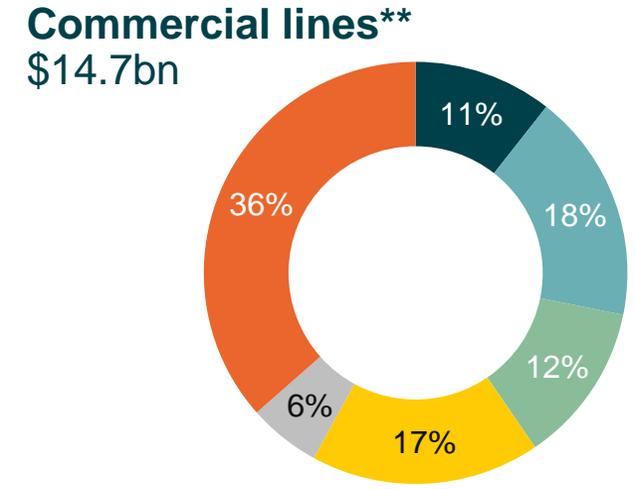
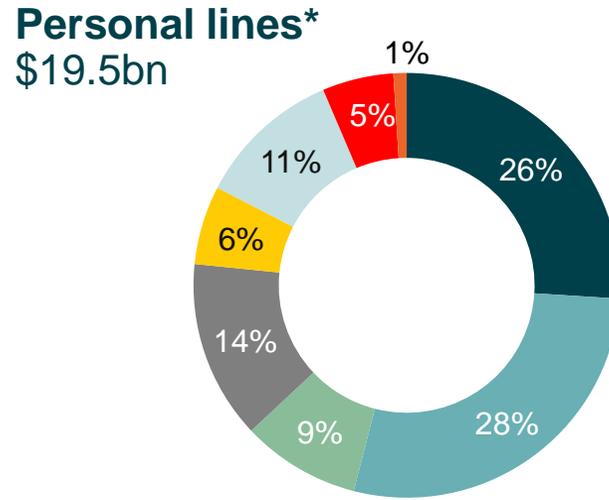
# Insurance (Australia)

## Personal lines market share



Source: APRA, Motor and Home gross earned premium market share by state September 2019

# Insurance (Australia) Market share



\* Source: APRA, Company Data, DBM Consumer Atlas Sep-19, latest Suncorp Estimates

\*\* Source: latest Suncorp estimates

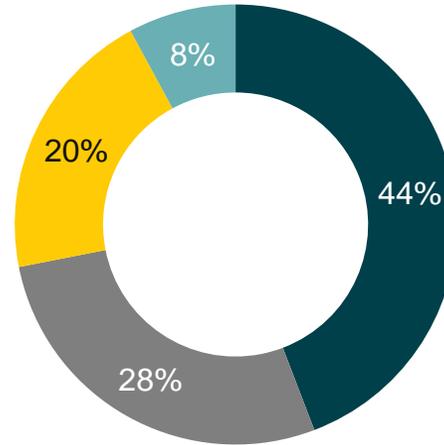
\*\*\* Source: State scheme regulators Includes QLD, NSW, ACT & SA schemes

\*\*\*\* Source: latest Suncorp estimates Includes WA only

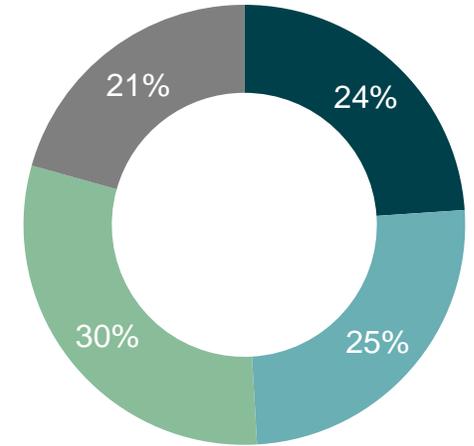


# Insurance (Australia) CTP market share

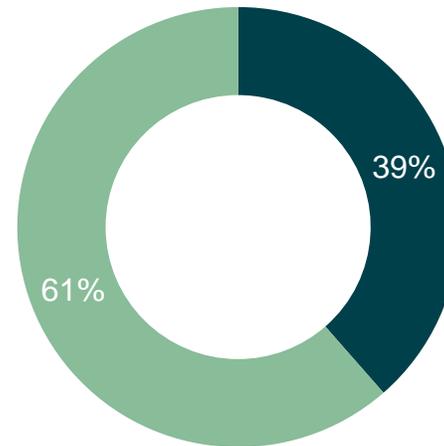
**QLD\*\***  
\$950m



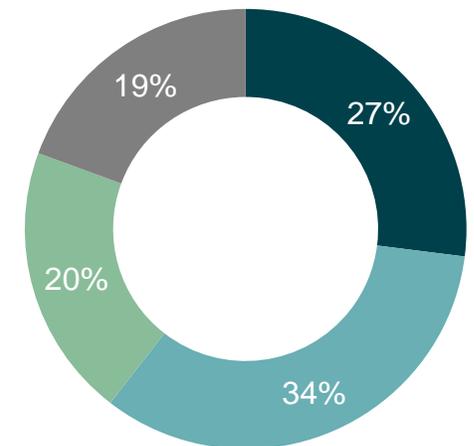
**NSW\*\***  
\$2.0bn



**ACT\***  
\$171m



**SA\*\***  
\$334m



Source: State scheme regulators  
\* as at November 2019  
\*\* as at December 2019

■ Suncorp ■ Peer 1 ■ Peer 2 ■ Peer 3 ■ Peer 4

# Insurance (Australia)

## Outlook and priorities

### 1. Improving the performance of the core business

- Product innovation including, Bingle Go to be launched early 2020, continued enhancement of existing product offerings and a strategic partnership with Car Next Door
- Reinvigorating the multi-brand strategy through the creation of virtual brand teams
- Continued investment in claims process improvement, with a focus on delivering better outcomes for both our customers and Suncorp
- The Commercial and Worker's compensation portfolio will focus on improving profitability through disciplined underwriting and risk selection

### 2. Embracing regulatory change

- Continued focus on regulatory compliance, leveraging our scale and compliance capability to deliver better outcomes for customers
- Support ongoing reforms and change in the CTP

### 3. Leveraging digital and data

- Leveraging Suncorp's App foundations
- Enabling contact centres to continue supporting more complex and valuable interactions through technology investment

### 4. Driving operational excellence

- Ongoing focus on end to end improvements in claims and operations processes

# Banking & Wealth



Financial Results for the half year  
ended 31 December 2019

# Banking & Wealth

- Home lending contracted 1.4% to \$47.2bn
- At-call deposit growth of 11.8% to \$25.2bn
- NIM of 1.92% (2H19: 1.90%)
- Operating expenses up 5.9% reflecting increased regulatory/ compliance costs and investment in digital; CTI ~60% taking into account contraction in lending
- Impairment losses 0 bps of GLA
- Strong capital position with CET1 ratio of 9.69%, above targeted range (post “unquestionably strong” benchmarks)

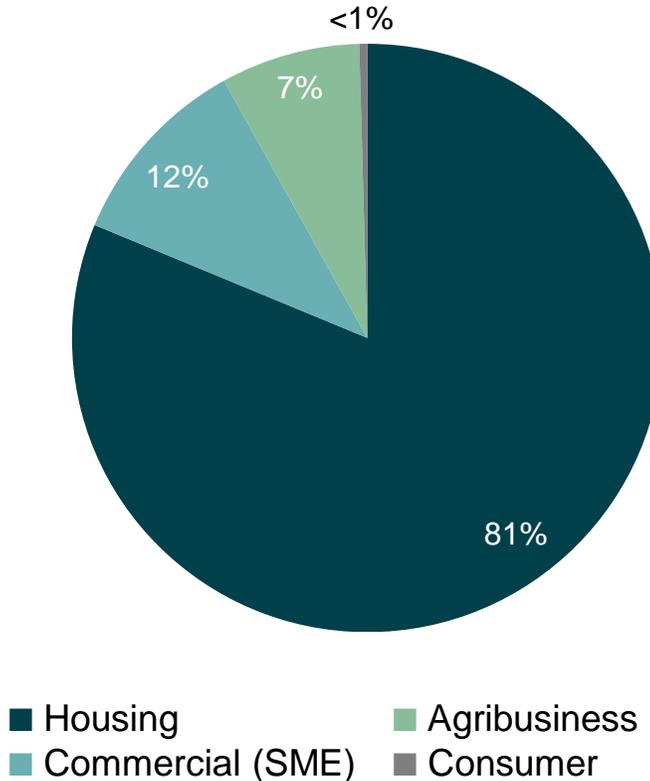
	HY20 (\$m)	HY19 (\$m)	Change (%)
Net interest income	594	585	1.5
Net non-interest income	12	23	(47.8)
Operating expenses	(361)	(341)	5.9
Profit before impairment losses	245	267	(8.2)
Impairment losses	(1)	(7)	(85.7)
Income tax	(73)	(78)	(6.4)
<b>Banking profit after tax</b>	<b>171</b>	<b>182</b>	<b>(6.0)</b>
<b>Wealth profit after tax</b>	<b>-</b>	<b>1</b>	<b>(100.0)</b>
<b>Banking &amp; Wealth PAT</b>	<b>171</b>	<b>183</b>	<b>(6.6)</b>

# Banking & Wealth

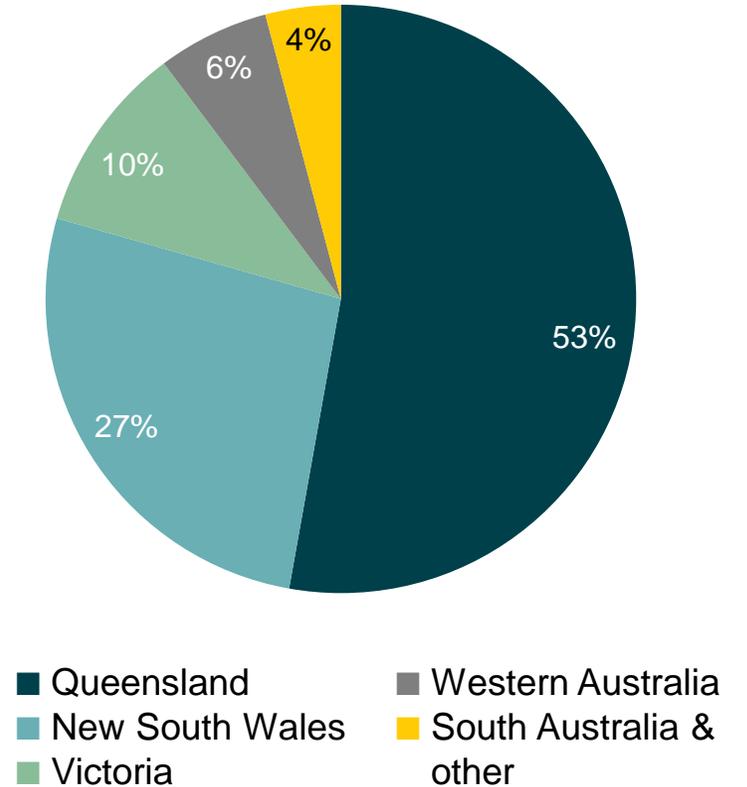
## Total lending portfolio

Total lending assets of \$58.5bn  
down 1.4% since 30 June 2019

### Lending assets by portfolio



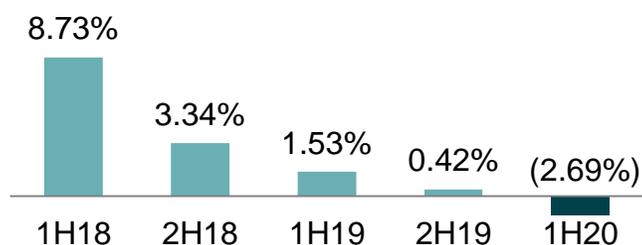
### Lending assets by geography



# Banking & Wealth

## Key ratios

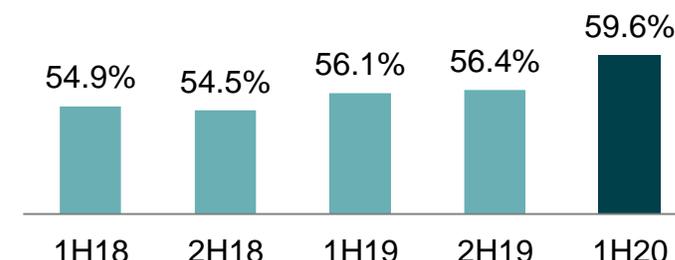
### Lending growth (annualised)



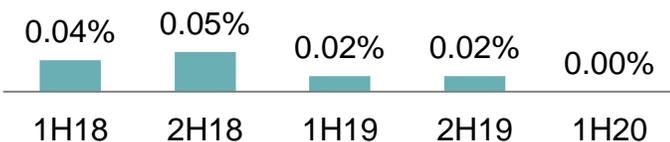
### Net interest margin (NIM) (interest-earning assets)\*



### Cost to income ratio



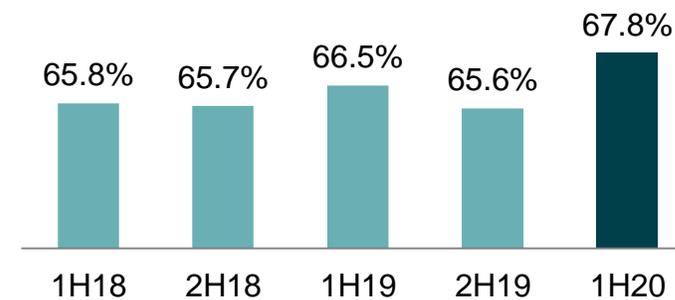
### Impairment losses to gross loans and advances (annualised)



### Common Equity Tier 1 ratio



### Deposit to loan ratio



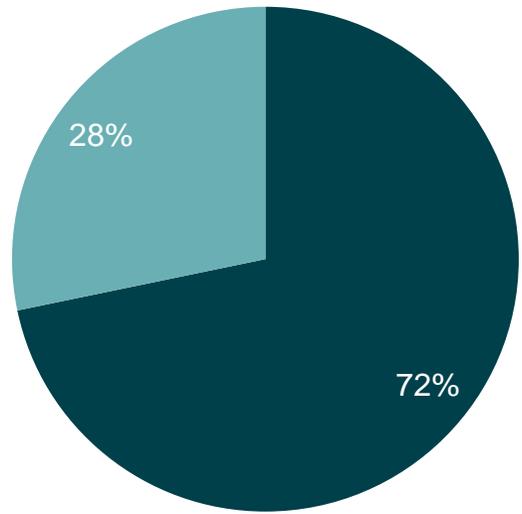
\*As announced in FY19, Banking now discloses the average balance sheet and NIM using a net offset balance methodology which is consistent with peer disclosures. As a result of the changes to the calculation and the operating outlook, the target NIM operating range was increased from 1.85% to 1.95%.

# Banking & Wealth

## Home lending portfolio

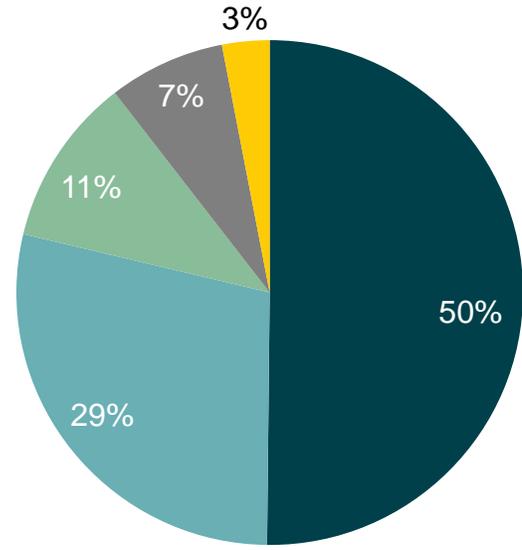
Total home lending assets of \$47.2bn down 1.4% since 30 June 2019

Portfolio by borrower type



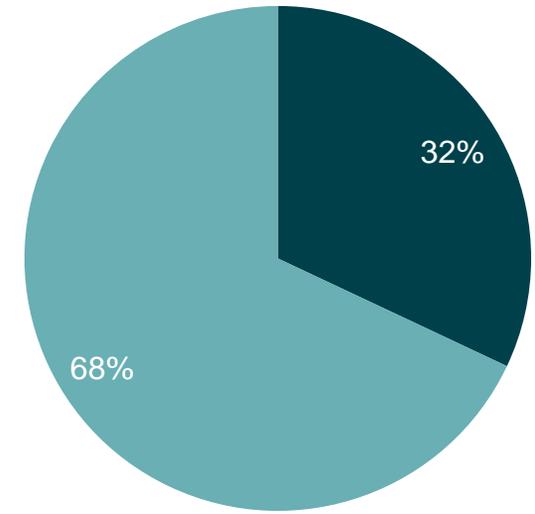
■ Owner occupied ■ Investor

Portfolio by geography



■ Queensland ■ Western Australia  
 ■ New South Wales ■ South Australia & other  
 ■ Victoria

Portfolio by channel



■ Direct ■ Intermediaries

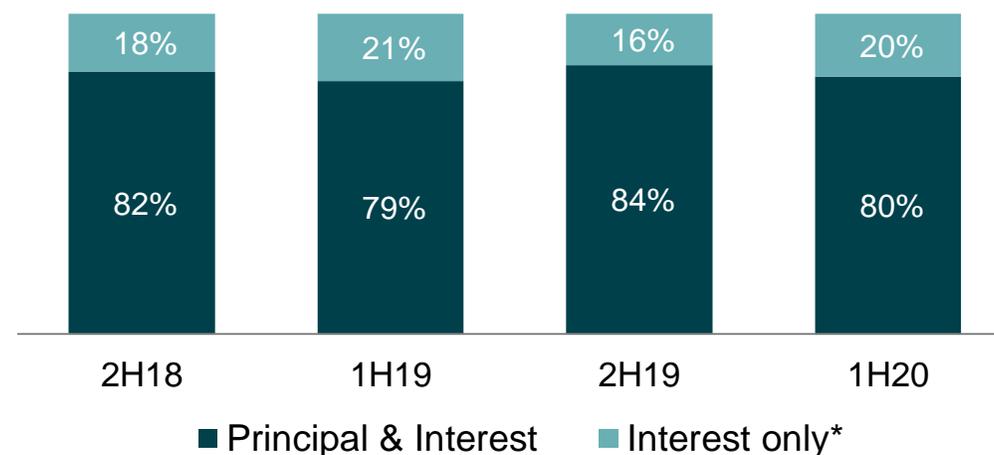
# Banking & Wealth

## Home lending origination by repayment type

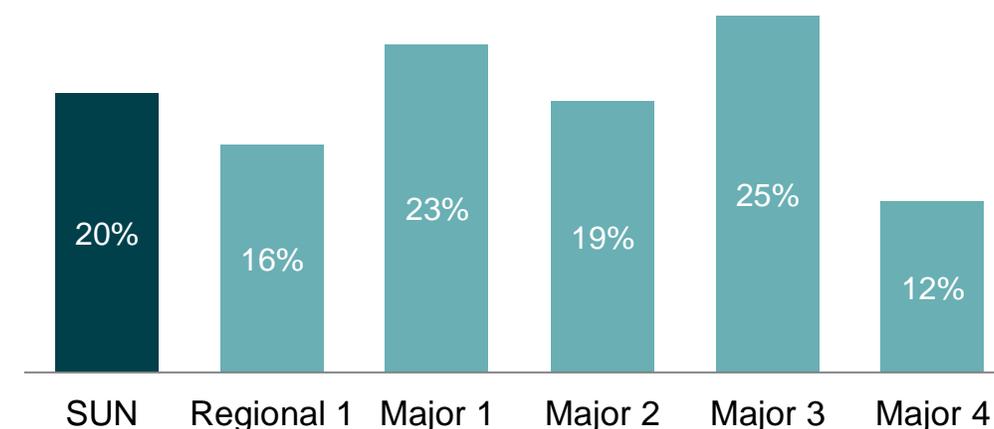
- Continued focus on high quality lending including serviceability, credit quality and loan-to-value ratios
- Interest-only loans comprised 20% of new business for the period

Source: Latest peer financial reports  
 \* excludes Lines of Credit (Asset Lines)

**New business origination by repayment type**



**Interest only\* proportion of new business home lending vs peers**

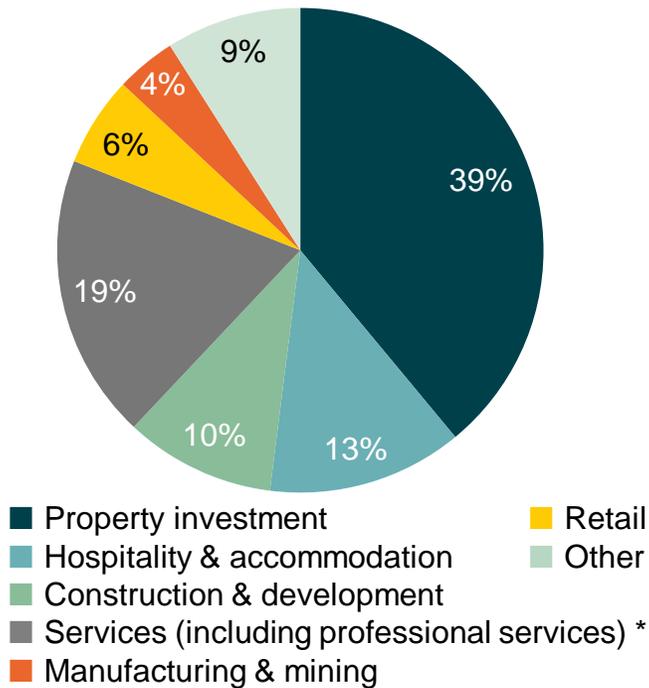


# Banking & Wealth

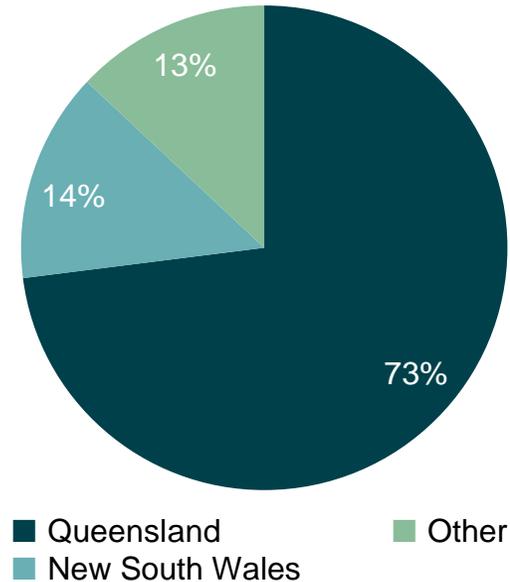
## Commercial (SME) portfolio

Total assets of \$6.8bn down 0.7% since 30 June 2019

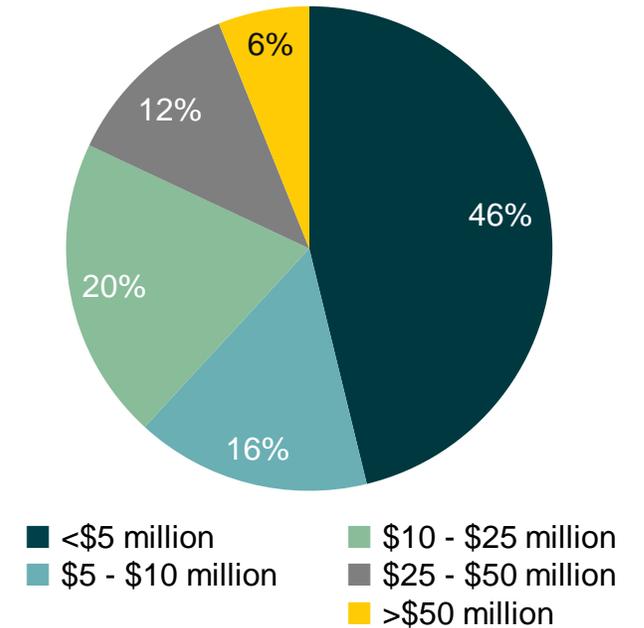
### Portfolio by industry



### Portfolio by geography



### Portfolio by exposure size



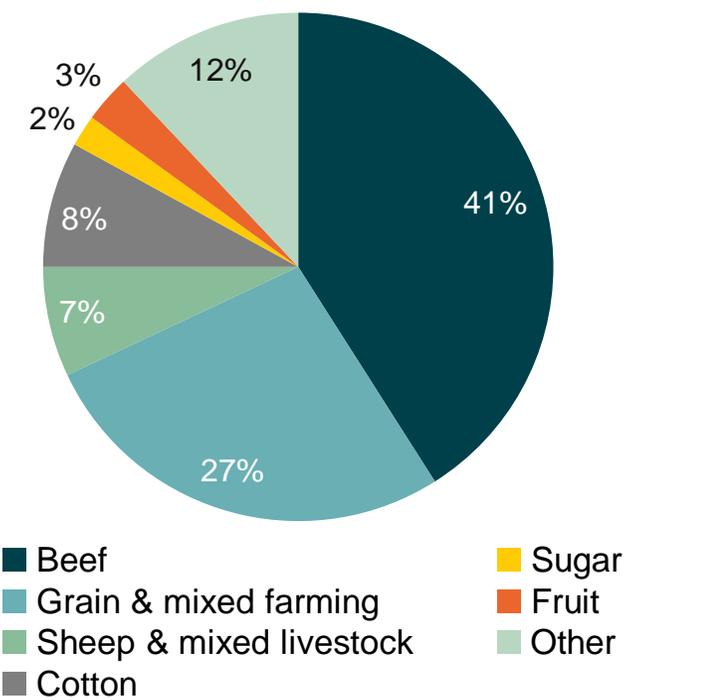
\* Includes a portion of small business loans, with limits below \$1 million, that are not classified

# Banking & Wealth

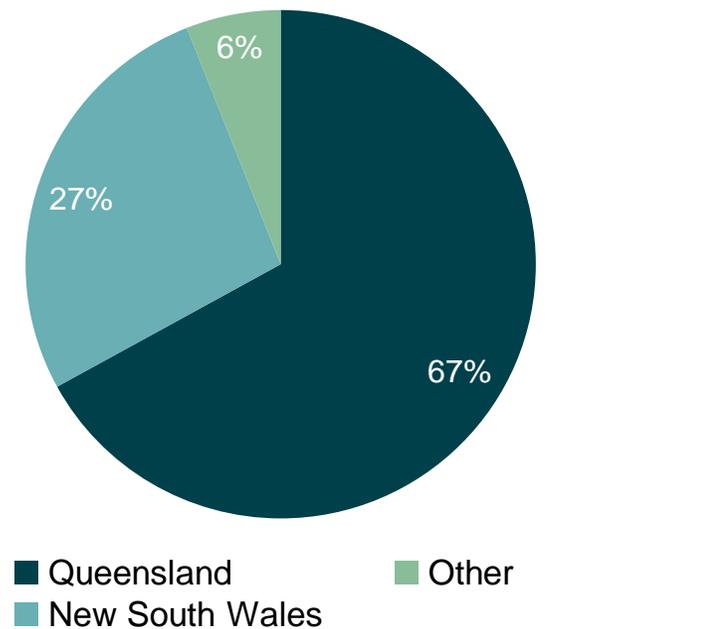
## Agribusiness portfolio

Total assets of \$4.4bn down 2.4% since 30 June 2019

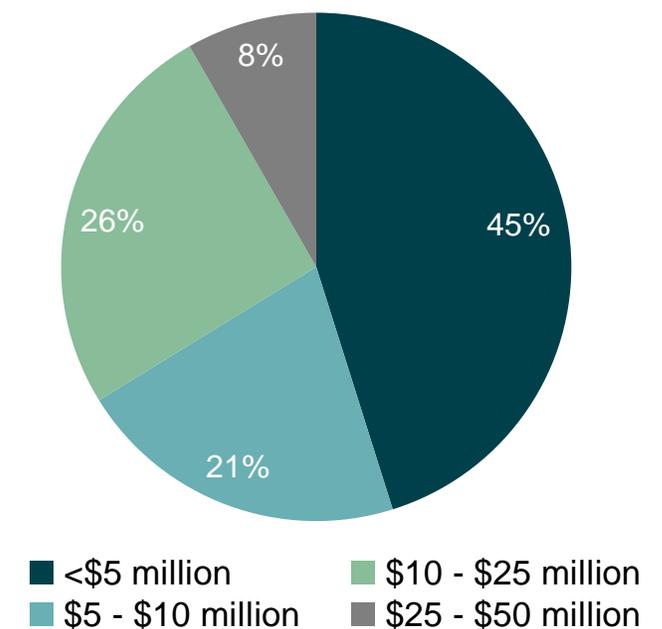
Portfolio by industry



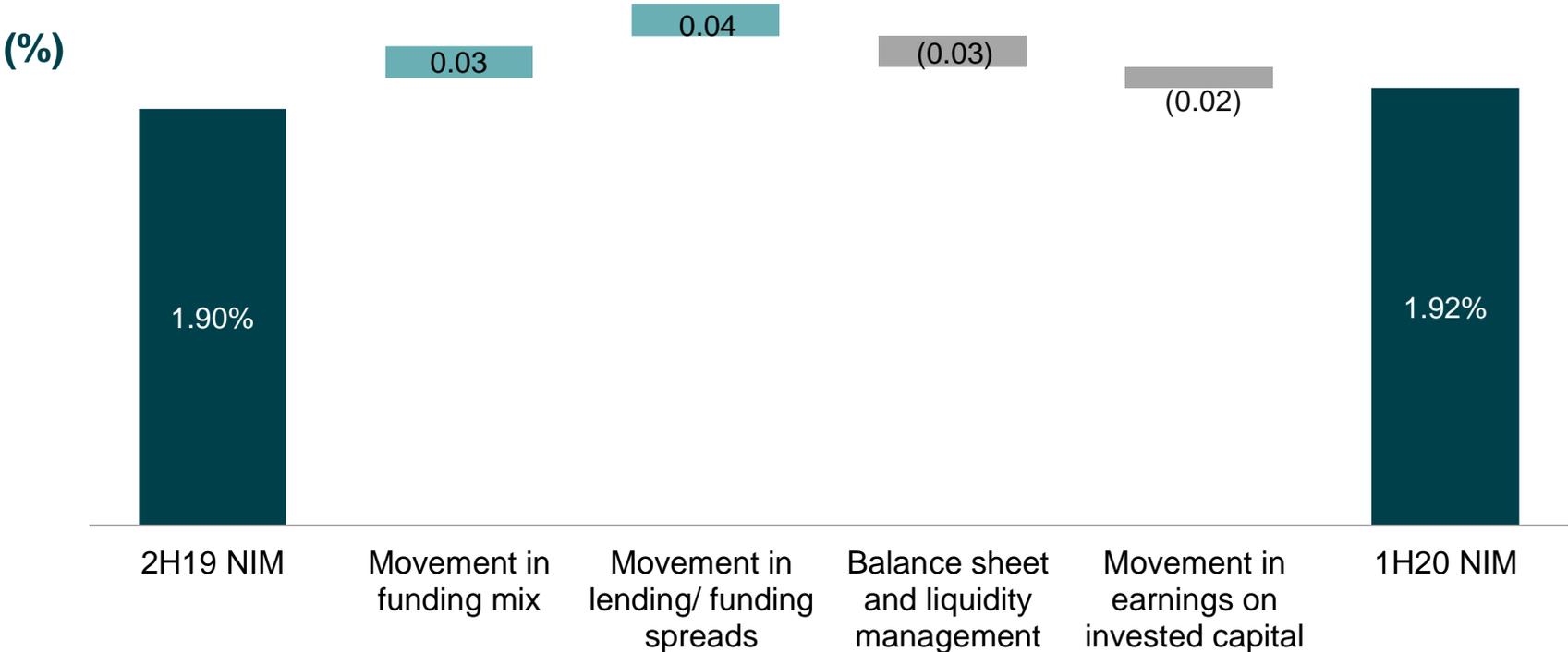
Portfolio by geography



Portfolio by exposure size



# Banking & Wealth NIM movements



\*As announced in FY19, Banking now discloses the average balance sheet and NIM using a net offset balance methodology which is consistent with peer disclosures. As a result of the changes to the calculation and the operating outlook, the target NIM operating range was increased from 1.85% to 1.95%.

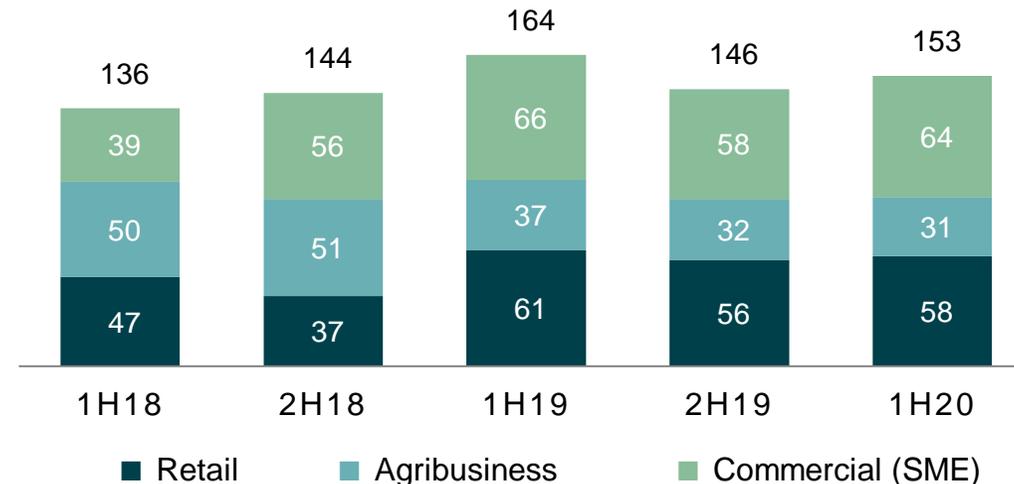
# Banking & Wealth

## Credit quality

### impaired loans

- Gross impaired assets increased marginally over the half to \$153m, representing 26 bps of gross loans and advances
- Retail impaired loans remained relatively flat at \$58m, assisted by buoyancy in the residential housing market and sound risk selection
- Agribusiness impaired loans decreased \$1m, however they are expected to increase if ongoing drought conditions continue
- Commercial impairments increased \$6m driven by movements in a small number of customers

**Gross impaired loans by segment (\$m)**



**Gross impaired loans by exposure (\$m)**



# Banking & Wealth

## Credit quality

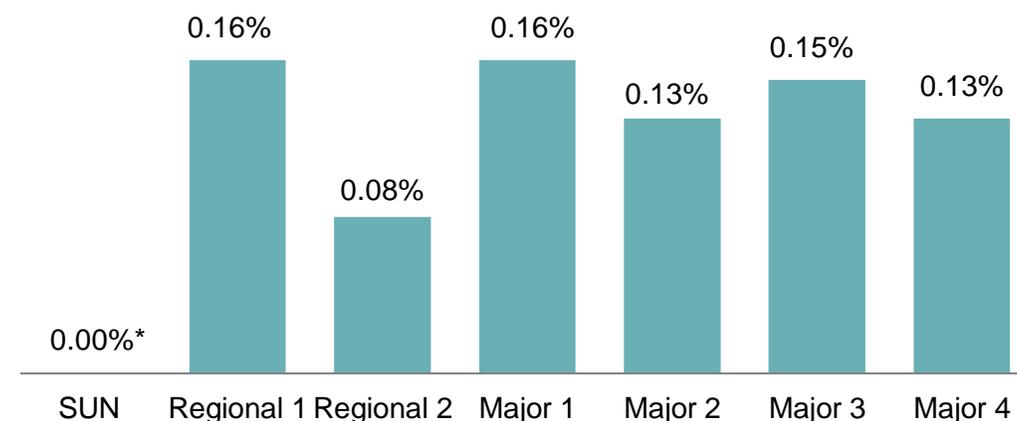
### Relativity to peers

- Impairment losses were net \$1m (rounding to 0 bps of gross loans and advances) for the period, remaining well below the historical operating range of 10-20 bps
- The through the cycle operating range for impairment losses has been adjusted to 5-15 bps of gross loans and advances, reflecting the long-term view of the lending portfolio and benign external environment

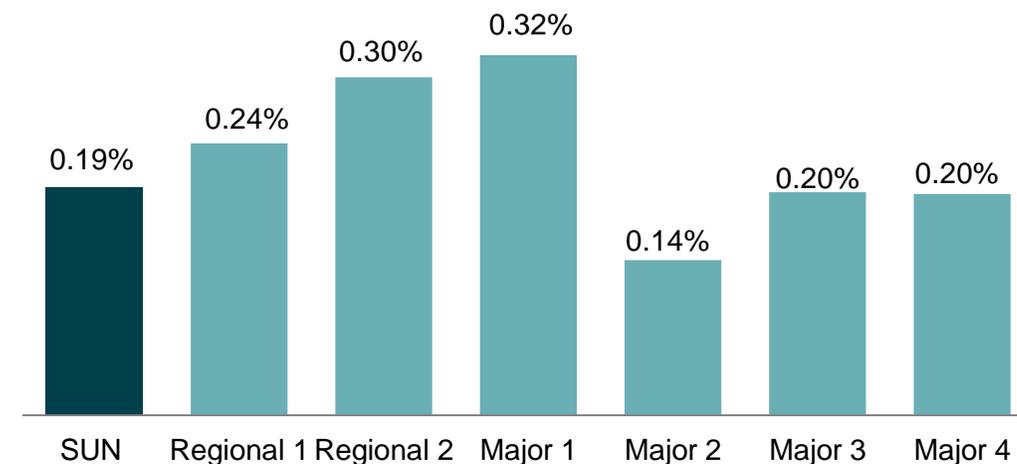
Source: Latest peer financial reports

\*Impairment losses were \$1m rounding to 0 bps of gross loans and advances for the half

### Impairment losses to gross loans



### Net impaired assets to gross loans



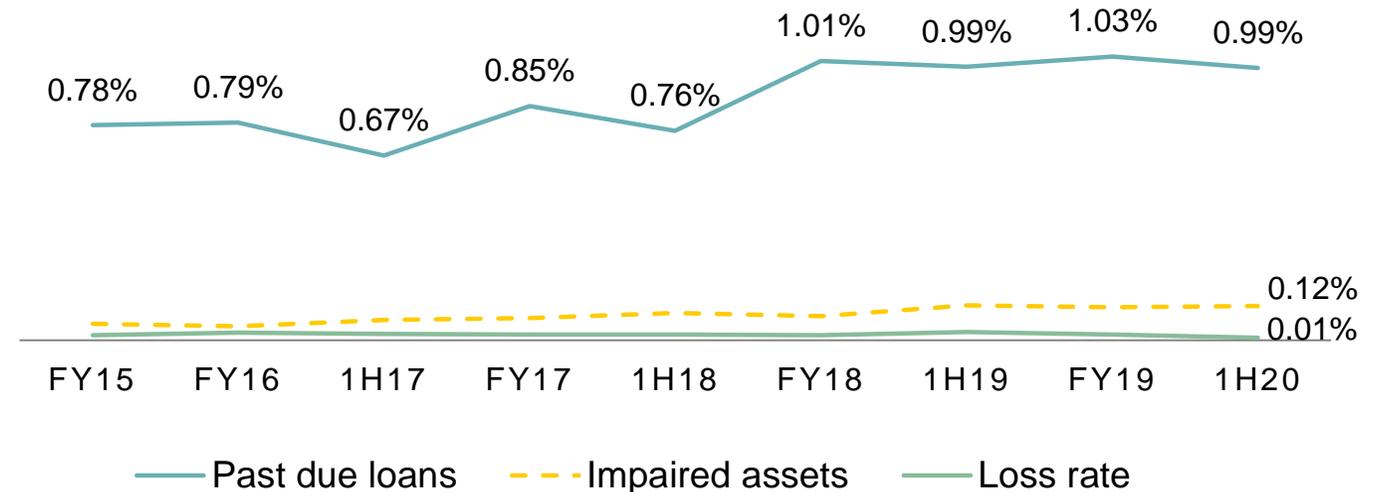
# Banking & Wealth

## Credit quality

### home lending

- In recent periods, changes to the hardship and recoveries process were implemented to better support customers genuinely experiencing hardship
- Over the half, retail past due loans decreased driven by increased customer communication and engagement early in the arrears cycle, normal seasonal patterns and the recovery from the Townsville floods

**Home lending impaired assets and non-performing loans**  
(% gross home loans)



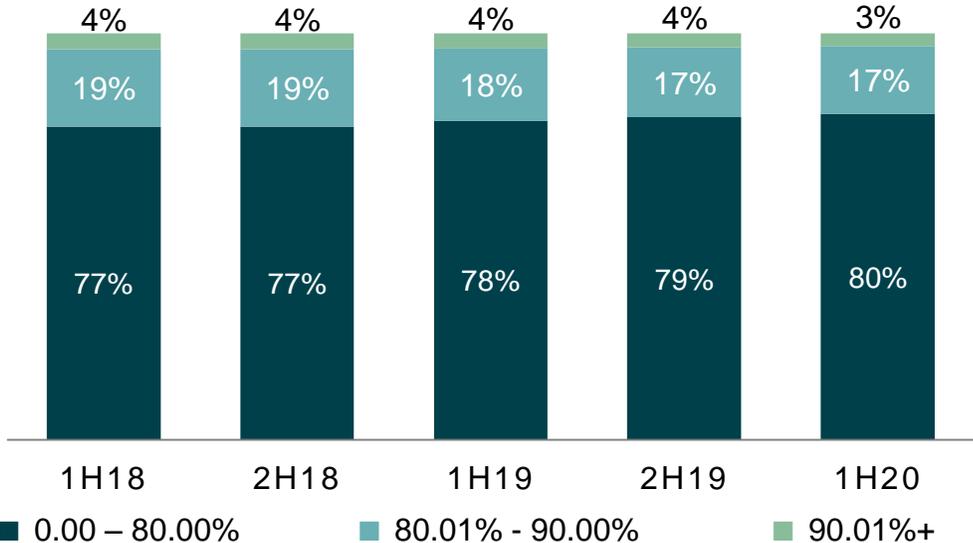
# Banking & Wealth

## Loan-to-value ratio (LVR)

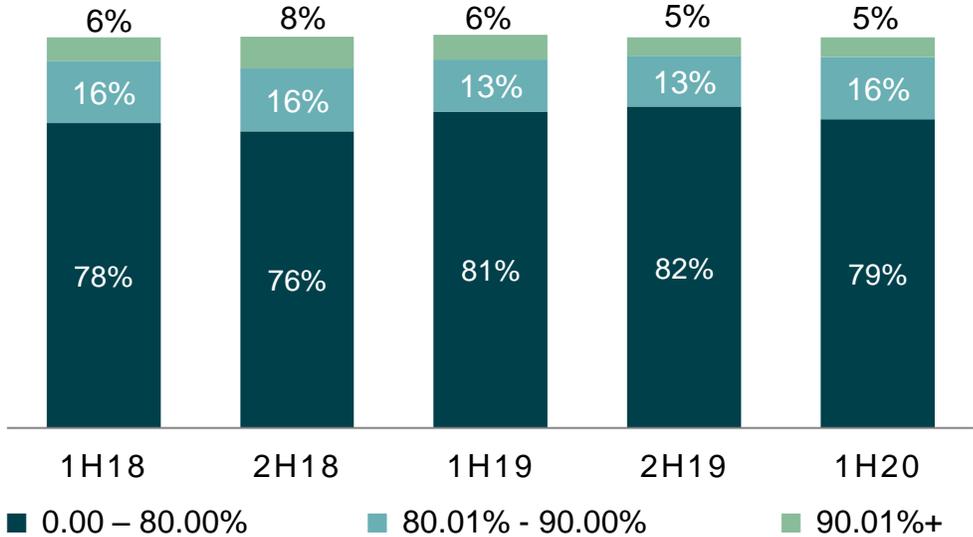
Total home lending assets of \$47.2bn

- Home lending assets sub 80% LVR continued to increase as a proportion of the home loan portfolio
- To grow momentum across the home lending portfolio, Banking has launched a targeted program of work to improve efficiencies

**Home lending assets by LVR**

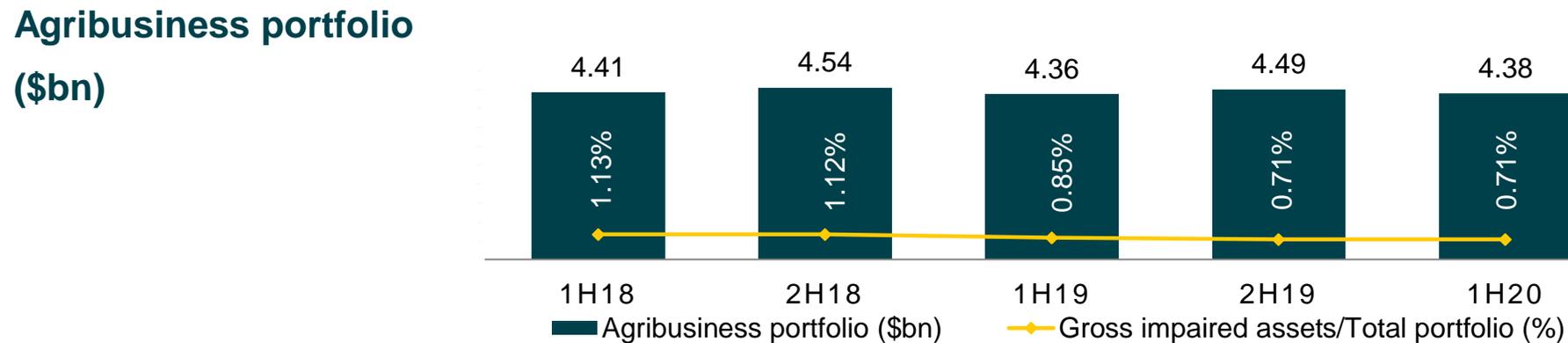
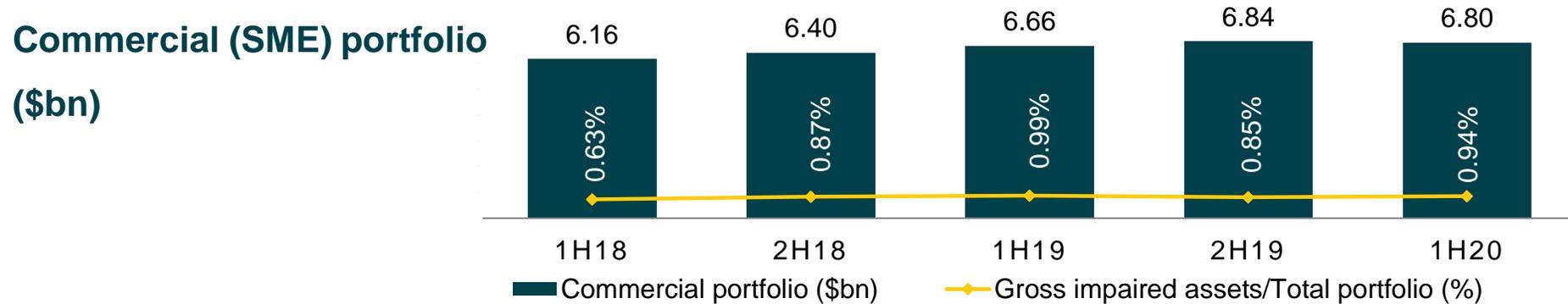


**Home lending new business by LVR**



# Banking & Wealth

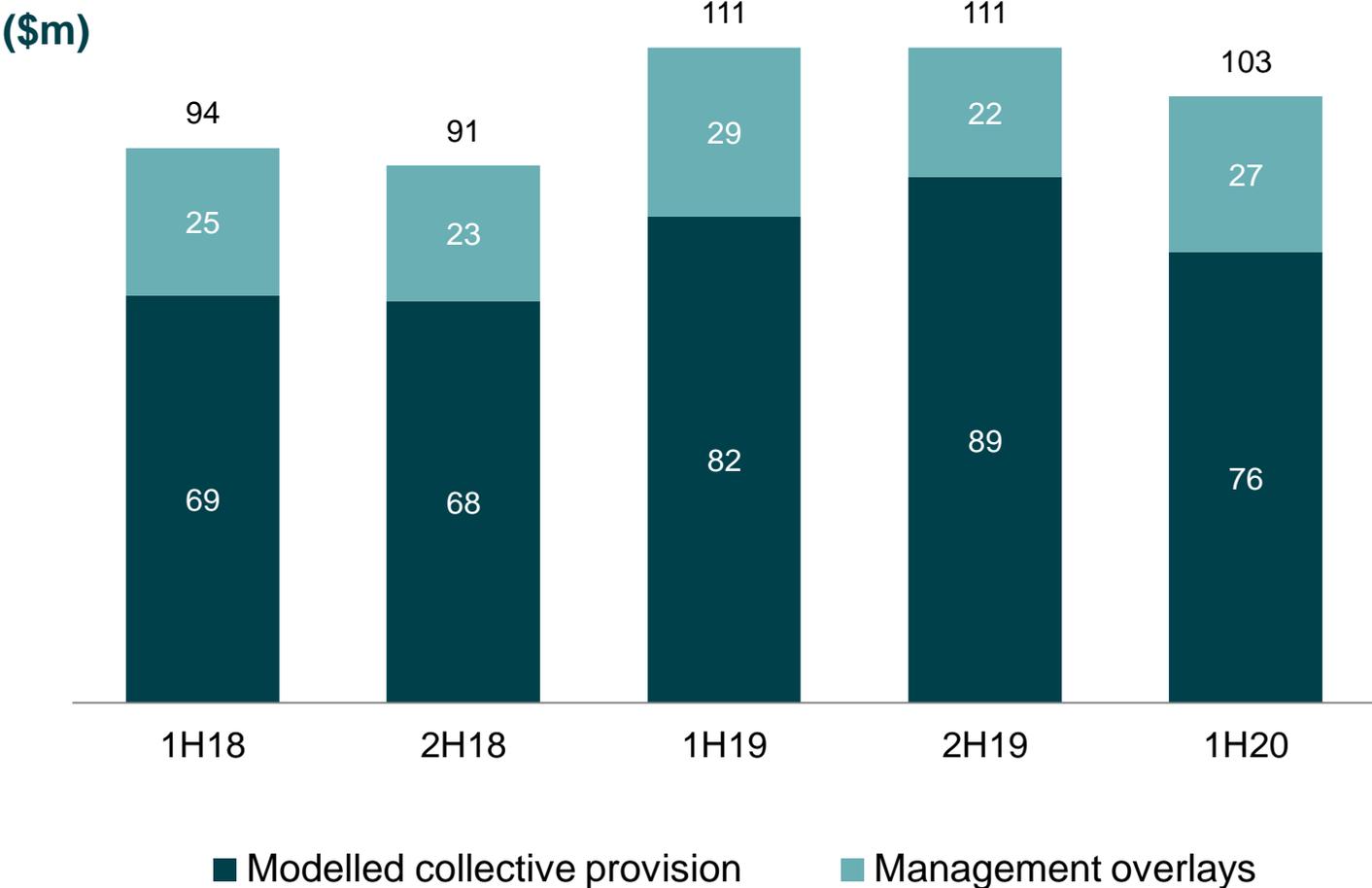
## Credit quality business lending



# Banking & Wealth

## Collective provision

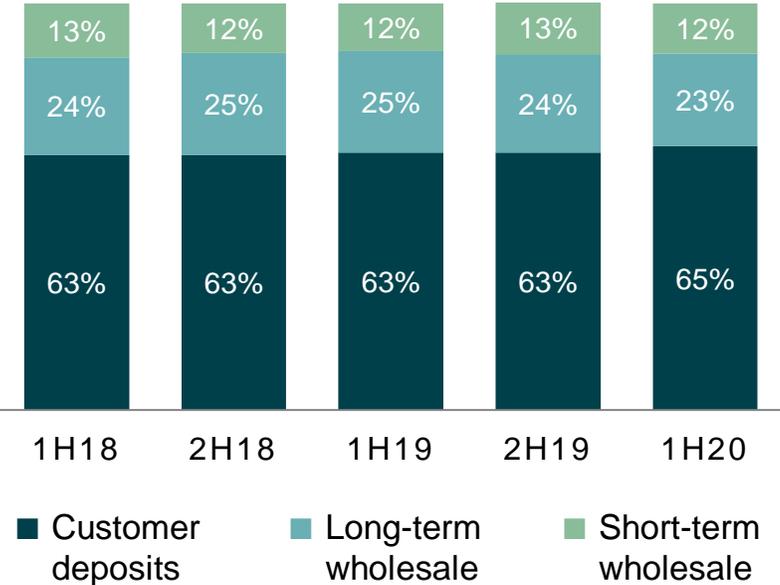
- The collective provision was favourably impacted over the half by a rerate in national residential house prices, an improvement in the arrears profile of residential mortgages and movements in the risk profile of a small number of customers
- Additional management overlays were raised during the half as a precaution given the continued drought conditions and customers impacted by the recent bushfires
- Suncorp regularly reviews both the adequacy of management overlays and the assumptions underpinning modelled provisions and remains comfortable that levels adopted are adequate



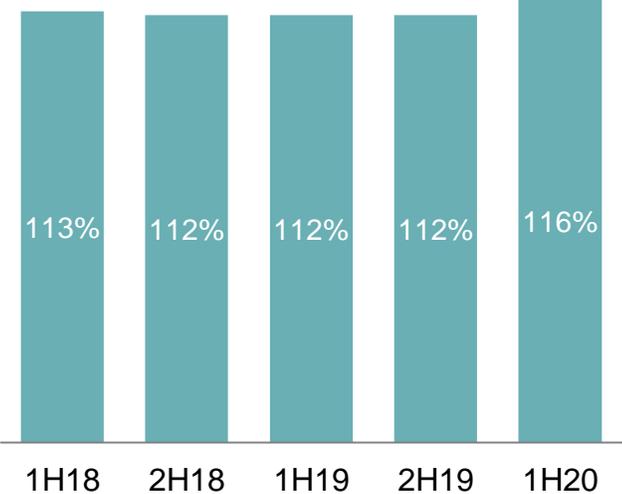
# Banking & Wealth

## Funding mix

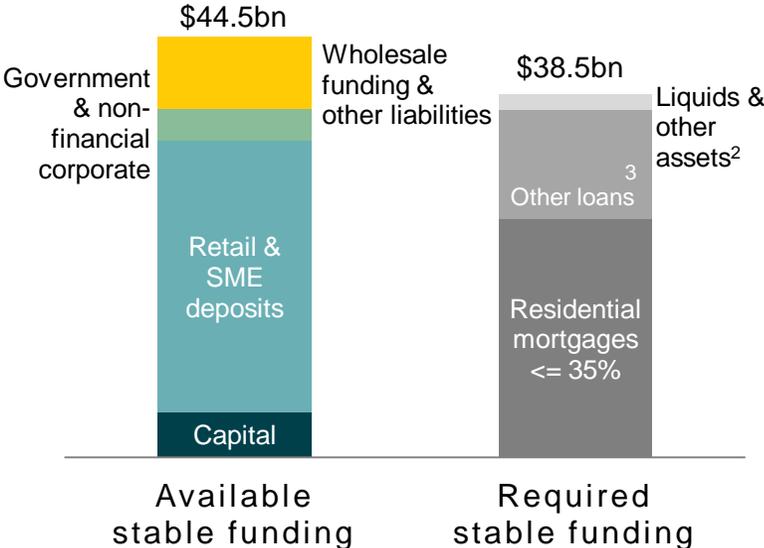
Overall funding mix



Net stable funding ratio<sup>1</sup>



Stable funding composition



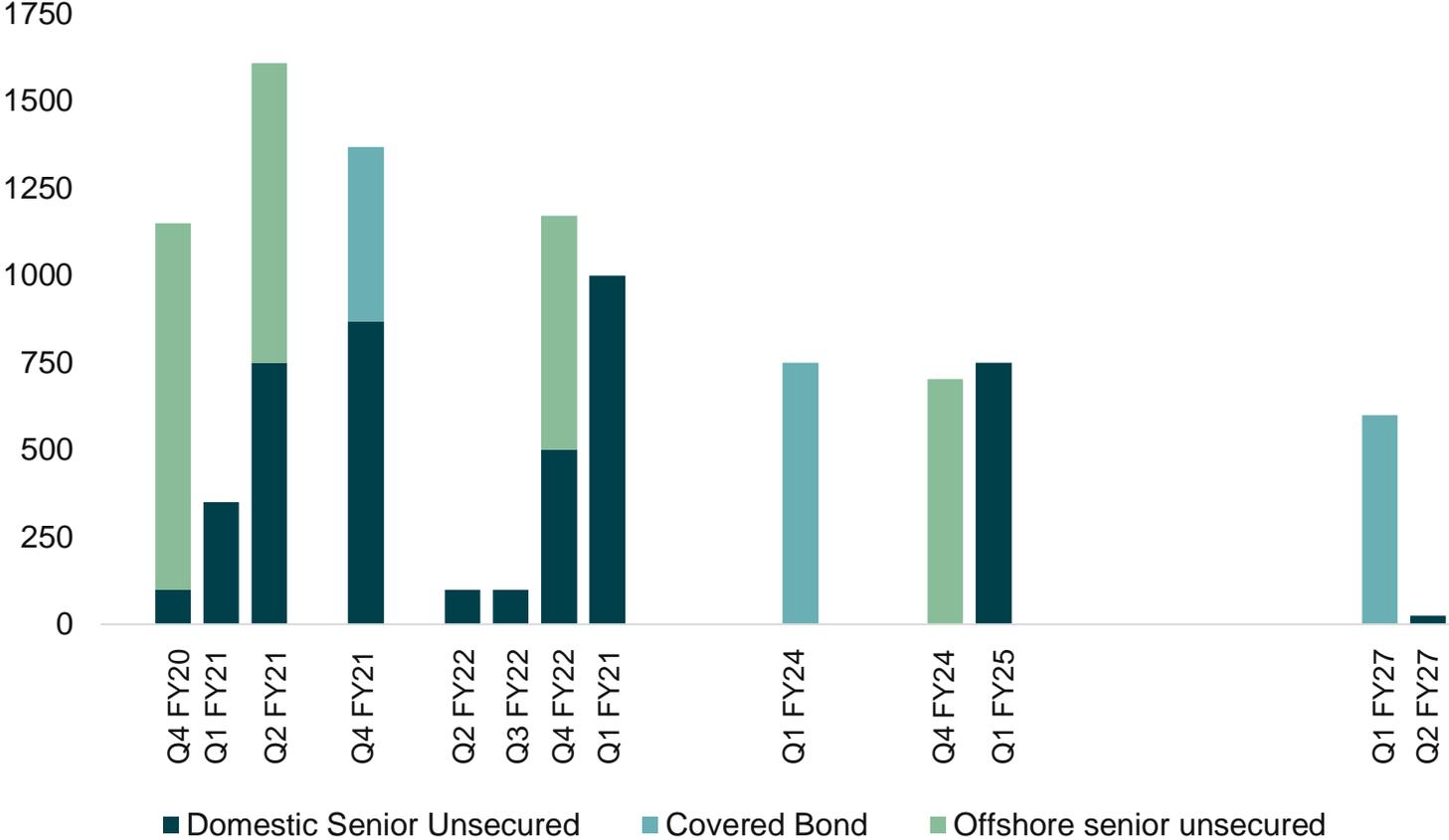
<sup>1</sup> Historical NSFR figures disclosed are based on regulatory instructions available at the relevant reporting dates  
<sup>2</sup> Other assets includes derivatives and other assets  
<sup>3</sup> Other loans includes off balance sheet exposures and residential mortgages >35% risk weight

# Banking & Wealth

## Long term funding profile

- Banking completed \$1.2bn in term wholesale issuance at a weighted average term of 3.6 years over the half
- The weighted average term remaining on Banking's long-term wholesale portfolio is 2.7 years

(\$m)

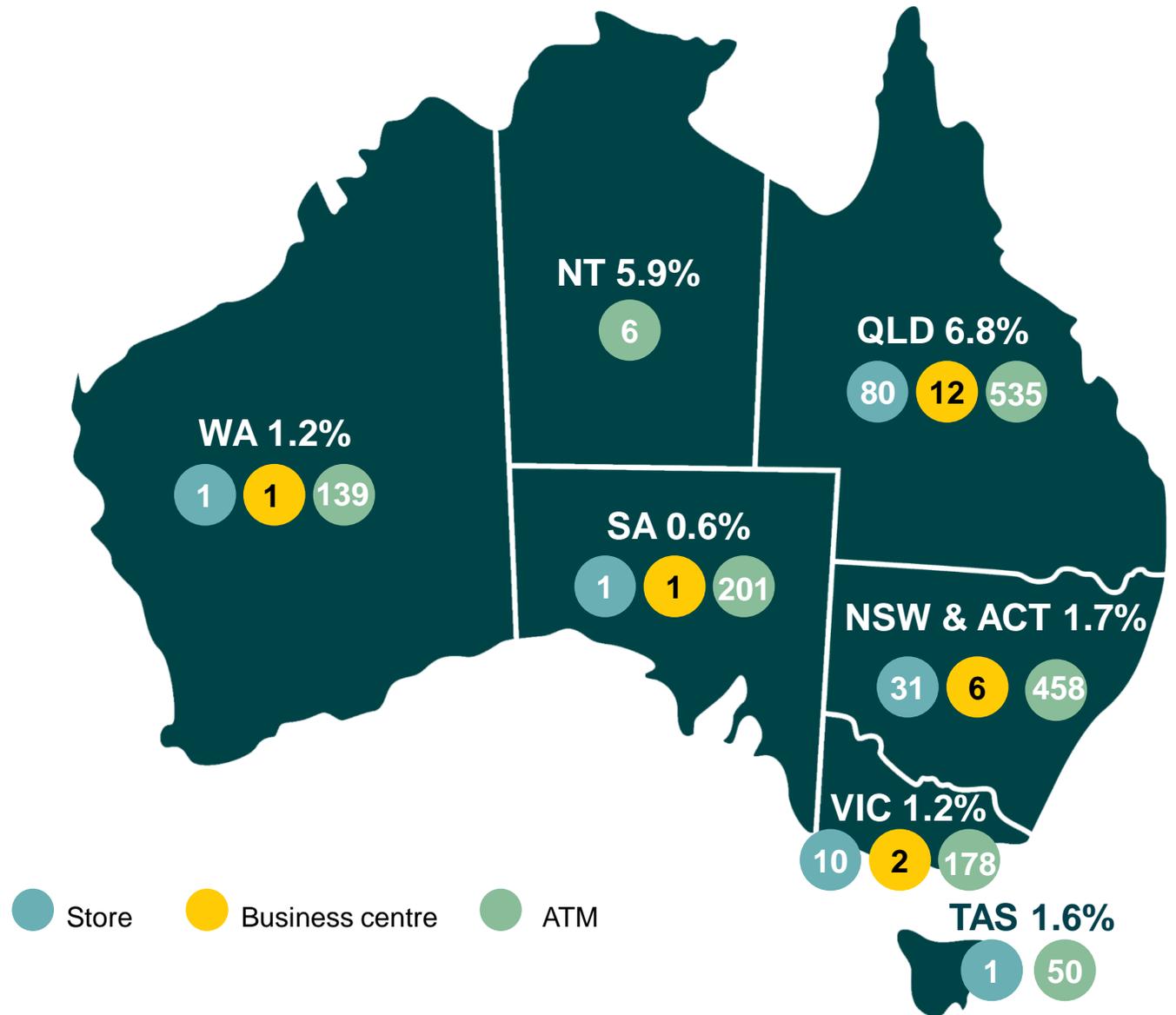


Note: maturity profile shown on a quarterly basis

# Banking & Wealth Market share

## Retail banking market share and Suncorp footprint

- Suncorp continues to maintain its physical presence across Australia, predominately in Queensland, New South Wales and Victoria



Market share source: Customer Atlas, December 2019  
Footprint as at December 2019

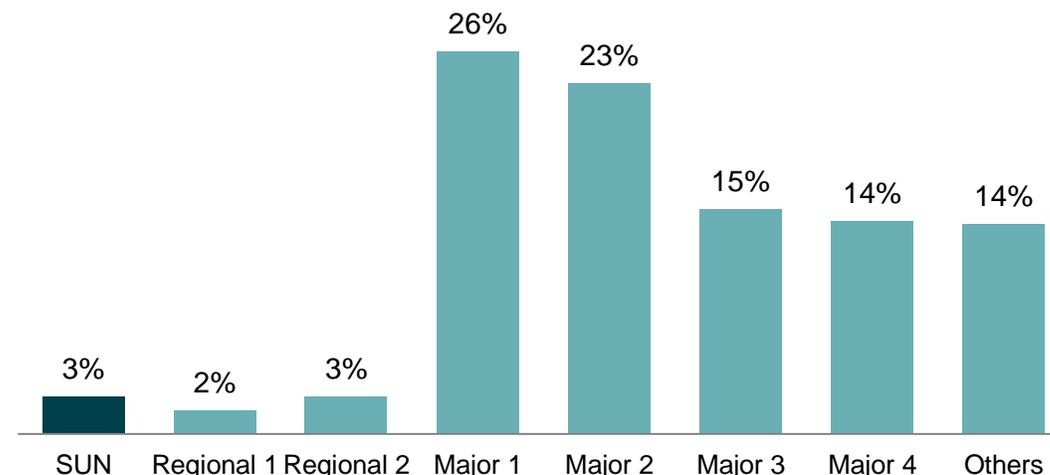
# Banking & Wealth

## Housing lending vs system

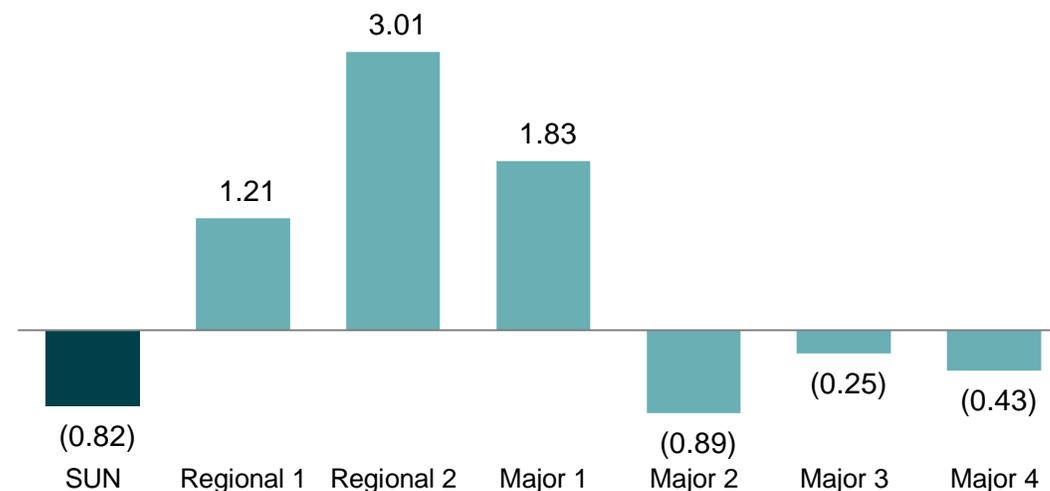
- Home lending contracted 1.4% over the half, reflecting slowing system growth and elevated processing times, particularly within the broker network
- To increase growth momentum, Banking has launched a targeted work program to improve efficiencies

Source: RBA and APRA, December 2019

### Housing lending market share



### Housing lending vs system growth (times)



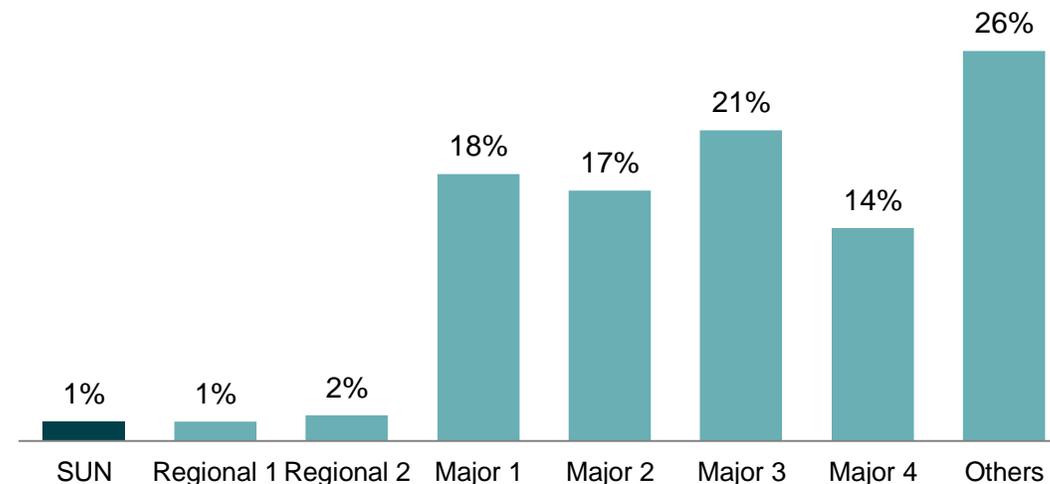
# Banking & Wealth

## Business lending vs system

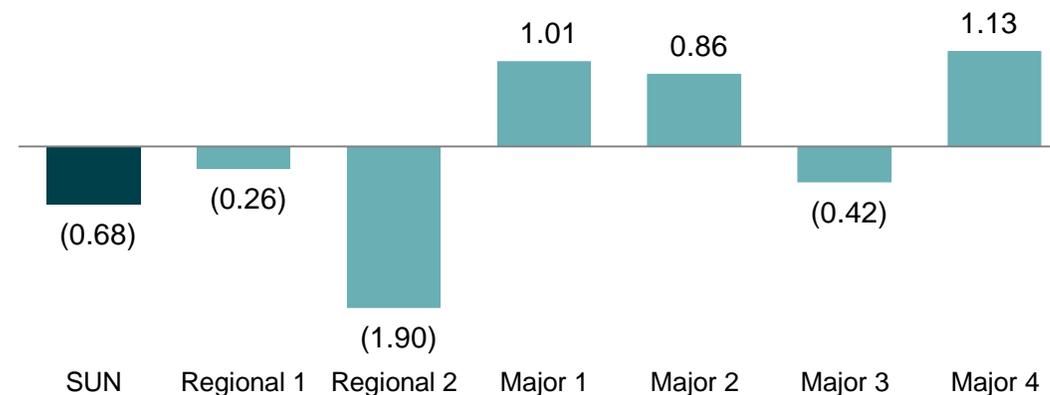
- Commercial lending contracted 0.7% to \$6.8bn over the half, driven predominantly by increased repayments from customers
- The Agribusiness portfolio contracted 2.4% over the half to \$4.4bn, primarily driven by ongoing drought conditions restricting new investment and expansion

Source: RBA and APRA, December 2019

### Business lending market share



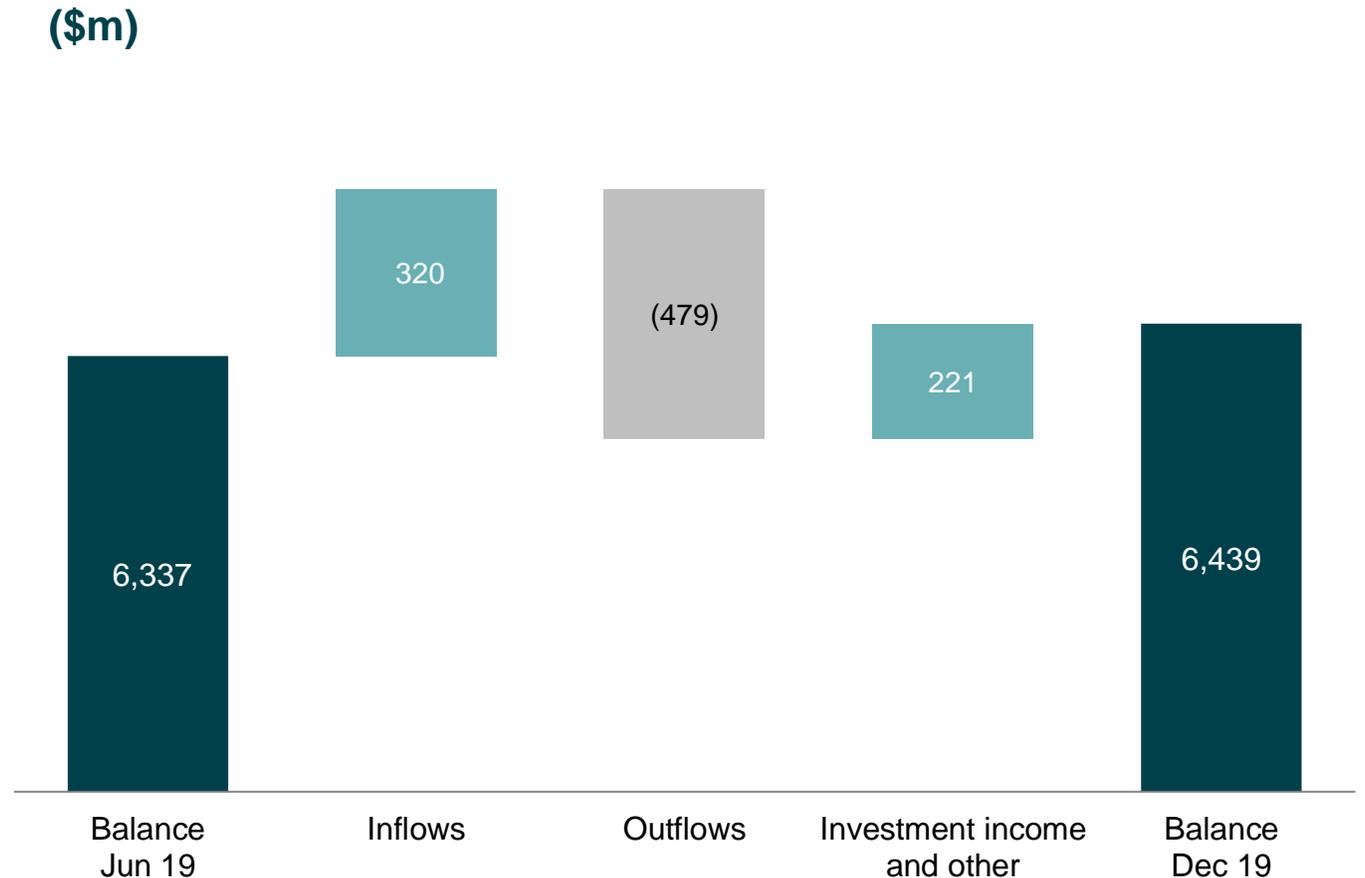
### Business lending vs system growth (times)



# Banking & Wealth

## Funds under administration

- Funds under administration grew 1.0% over the half to \$6.4bn
- Inflows increased 13.5% over the half, driven by increased contributions from existing members, including unclaimed super money from the ATO, and the onboarding of new members to the fund
- Outflows increased by 5.5% over the half, primarily due to the transfer of unclaimed super money to the ATO, with the underlying outflow volumes broadly consistent with previous periods



# Banking & Wealth

## Outlook and priorities

### 1. Improving the performance of the core business

- Building momentum in home lending through investment in a targeted program of work. This program includes implementation of process automation, segmentation of brokers to improve servicing, increasing flexibility at the point of loan assessment and a focus on improving capabilities and alignment within stores and contact centres
- Continuing to target a 50% cost to income ratio over the medium-term
- Continuing to monitor funding markets to maintain a strong balance sheet
- Maintaining a strong capital position and readiness for regulatory change. Banking's CET1 target increased by 25 basis points to a range of 9.0 to 9.5% from 31 December 2019
- Maintaining a Net Stable Funding Ratio (NSFR) comfortably above 105%
- Maintaining NIM around the mid-point of the target operating range of 1.85 to 1.95%
- Maintaining impairment losses within the revised operating range of 5 to 15 basis points of gross loans and advances over the medium-term
- In Wealth, focussing on driving funds under administration inflows, particularly through the digital channel through robo-advice and virtual assistance

### 2. Embracing regulatory change

- Regulatory costs are expected to moderate somewhat in the medium-term, but will remain elevated compared to prior periods. The regulatory investment will help deliver improved outcomes for customers over time, for example through investment in consumer data rights, supporting vulnerable customers, and the delivery of simplified product design and distribution
- Wealth will continue to implement a significant regulatory change program in the second half for the overall benefit of members

### 3. Leveraging digital and data

- Leveraging the Suncorp App, New Payments Platform and deposit origination functionality
- Improving customer experience through expanded self-service capabilities and faster response times

### 4. Driving operational excellence

- Banking & Wealth will continue to focus on improving end-to-end performance and efficiency of operations, encompassing the interface between Suncorp employees and customers, the distribution network and the impact of regulatory change on key processes
- The Wealth business is currently under a strategic review



# New Zealand



Financial Results for the half year  
ended 31 December 2019

# New Zealand

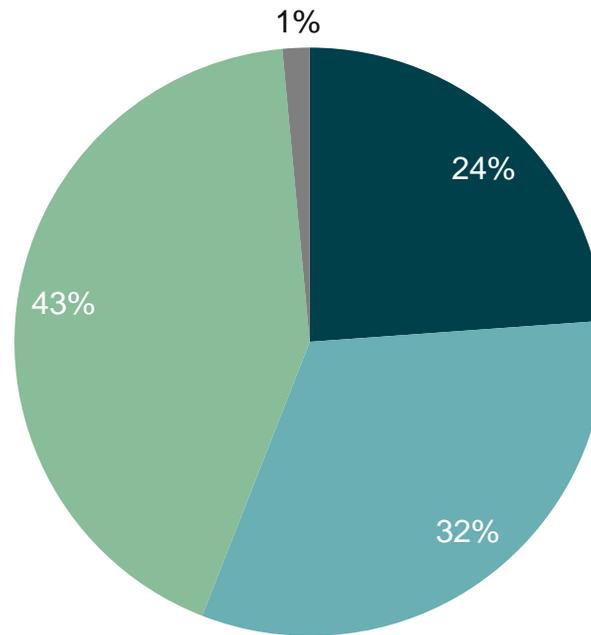
- PAT decreased 10.0% to NZ\$108m
- GWP up 5.4% to \$876m; Growth driven by premium rate increases across all portfolios
- Net incurred claims up 16.8%, reflecting:
  - Natural hazards NZ\$32m, NZ\$5m above 1H20 allowance (1H19: NZ\$8m, NZ\$15m below allowance)
  - Unit growth across the home and motor portfolios in AAI
- Life in-force premium up 4.2%, supported by strong retention

	HY20 (NZ\$m)	HY19 (NZ\$m)	Change (%)
Gross written premium	876	831	5.4
Net earned premium	744	693	7.4
Net incurred claims	(397)	(340)	16.8
Operating expenses	(230)	(217)	6.0
Investment income - insurance funds	6	7	(14.3)
Insurance trading result	123	143	(14.0)
<b>General Insurance profit after tax</b>	<b>94</b>	<b>103</b>	<b>(8.7)</b>
<b>Life Insurance profit after tax</b>	<b>14</b>	<b>17</b>	<b>(17.6)</b>
<b>New Zealand PAT</b>	<b>108</b>	<b>120</b>	<b>(10.0)</b>

# New Zealand General insurance GWP

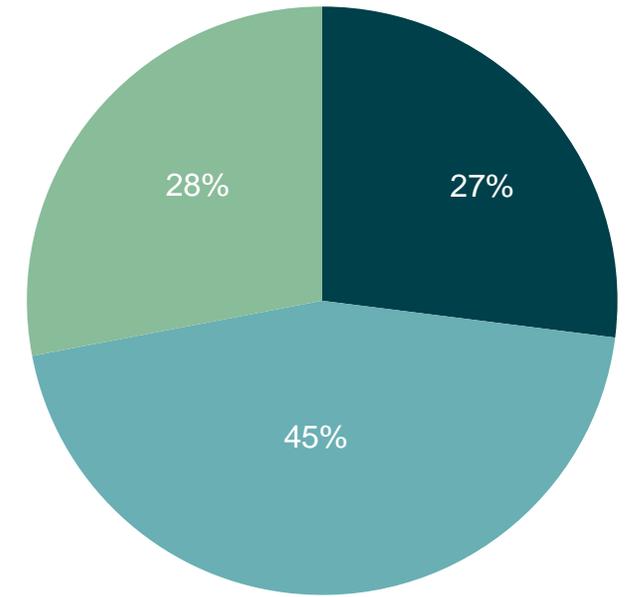
Total GWP of NZ\$876m, up  
5.4% on 1H19

### Portfolio by product



■ Motor      ■ Commercial  
■ Home      ■ Other

### Portfolio by channel



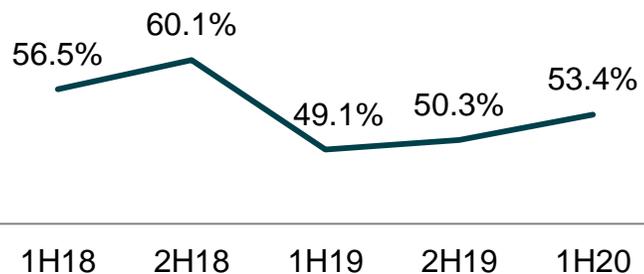
■ Direct      ■ Strategic partners & financial intermediaries  
■ Brokers

# New Zealand

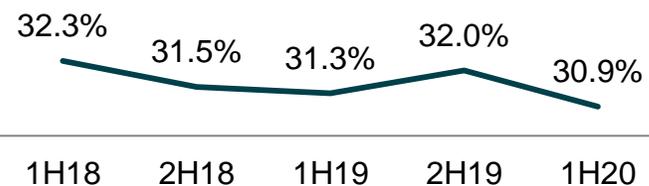
## General insurance key ratios

(%)

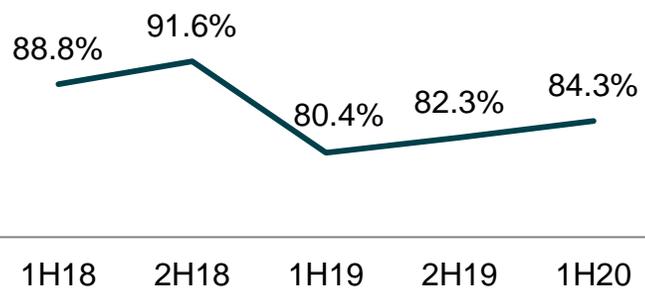
### Loss ratio



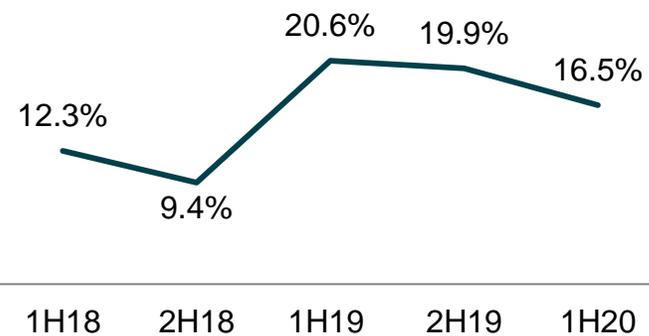
### Total operating expenses ratio



### Combined operating ratio



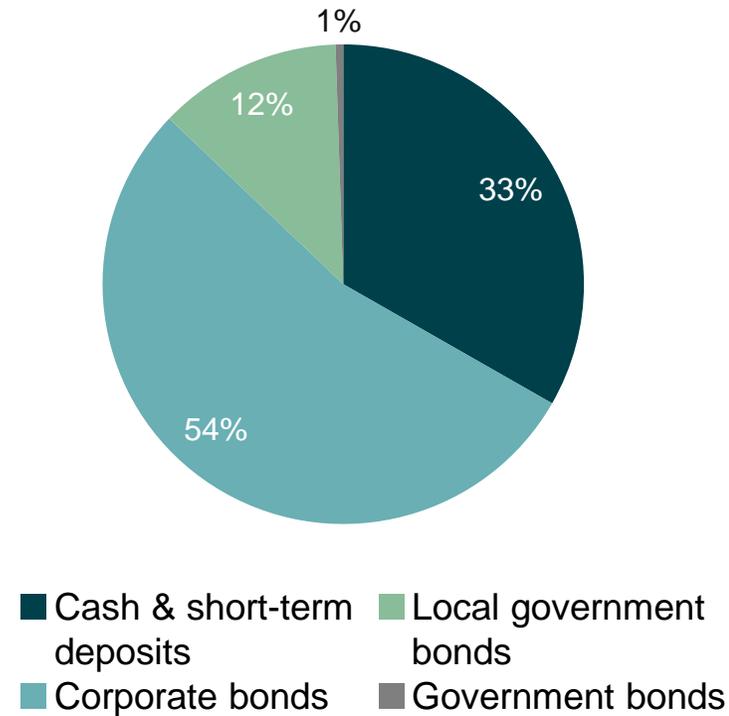
### Reported ITR



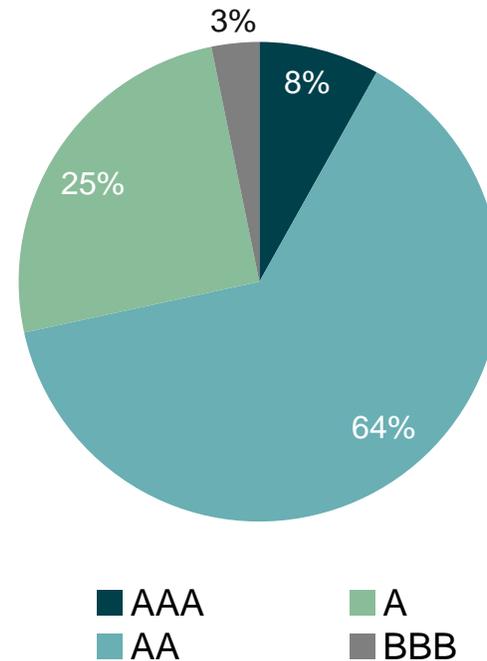
# New Zealand

## General insurance investment asset allocation

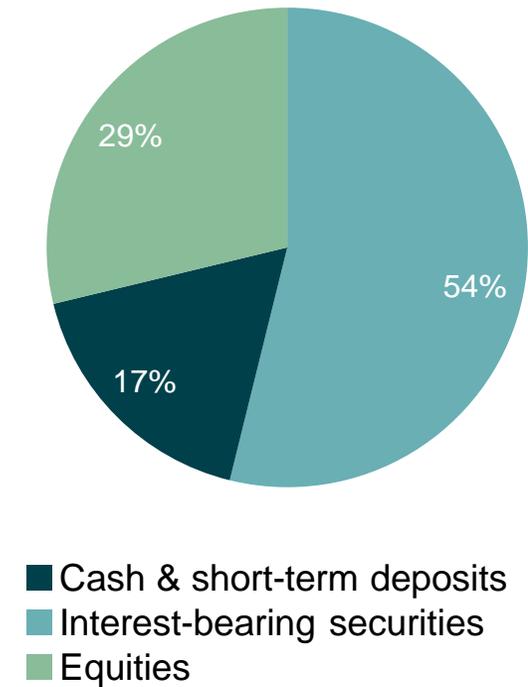
**Insurance funds**  
NZ\$583m



**Fixed income credit quality**



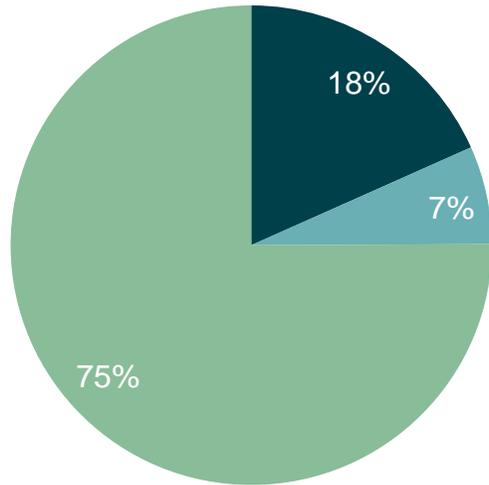
**Shareholders' funds**  
NZ\$403m



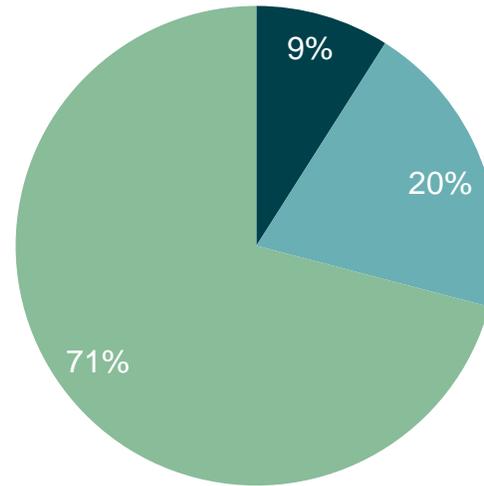
# New Zealand

## General insurance market share

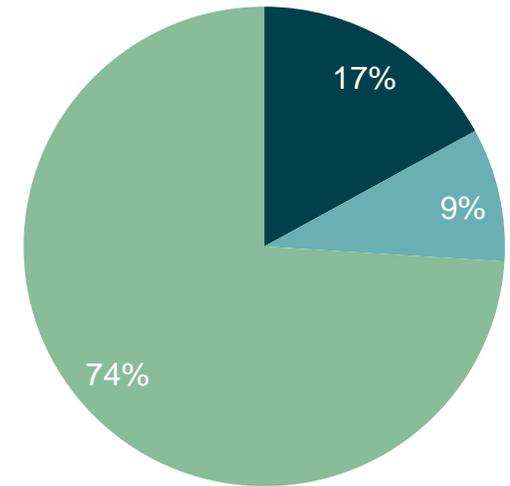
### Total market



### Motor



### Home



Source: Insurance Council New Zealand, September 2019

- Vero (Suncorp NZ)
- AAI (Suncorp NZ joint venture with NZ Automobile Association)
- Others

# New Zealand

## Life insurance PAT

- PAT was NZ\$14m, NZ\$3m lower than the pcp, driven by costs associated with IFRS17, increased technology costs relating to Life systems and adverse claims experience
- Planned margins were NZ\$17m, in line with the pcp supported by continued in-force growth which has offset the growth in technology related costs
- Claims experience reflected general volatility of claims

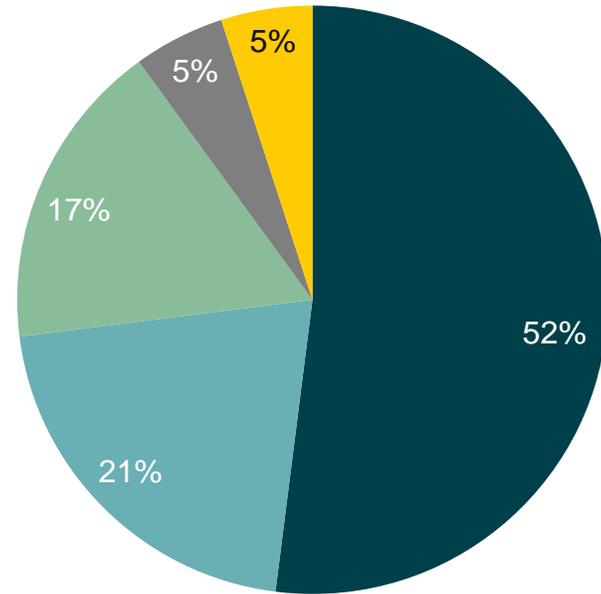
	HY20 (NZ\$m)	HY19 (NZ\$m)	Change (%)
Planned profit margin	17	17	-
Experience	(7)	(5)	40.0
Other	2	4	(50.0)
Underlying profit after tax	12	16	(25.0)
Market adjustments	2	1	100.0
<b>Life Insurance PAT</b>	<b>14</b>	<b>17</b>	<b>(17.6)</b>
In-force annual premium	273	262	4.2
Total new business	11	11	-

# New Zealand

## Life insurance in-force premium

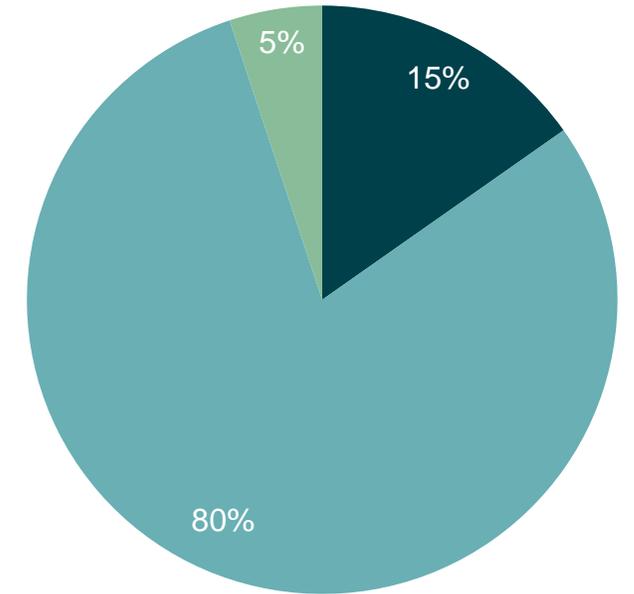
Total in-force premium of NZ\$273m

### Premium by product



- Term & TPD
- Trauma
- Income protection
- Other
- Group

### Premium by channel

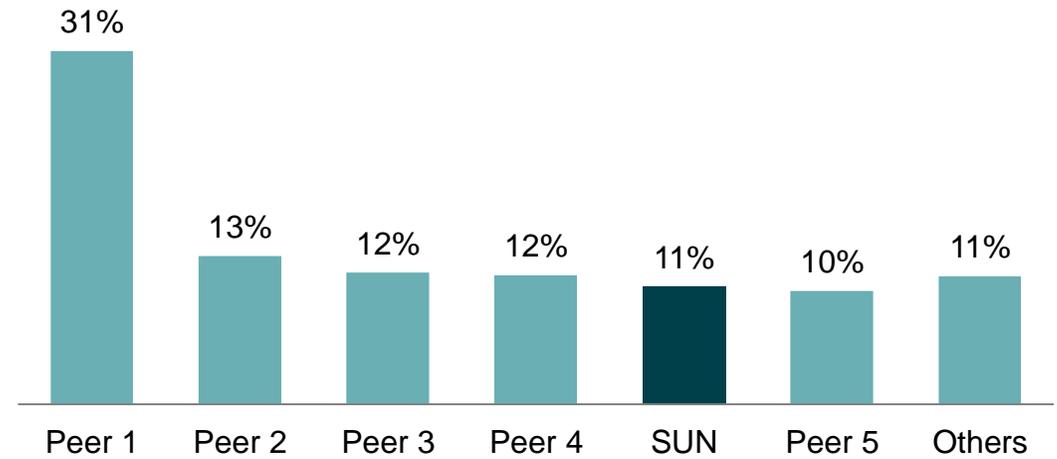


- Direct
- Advised
- Group & other

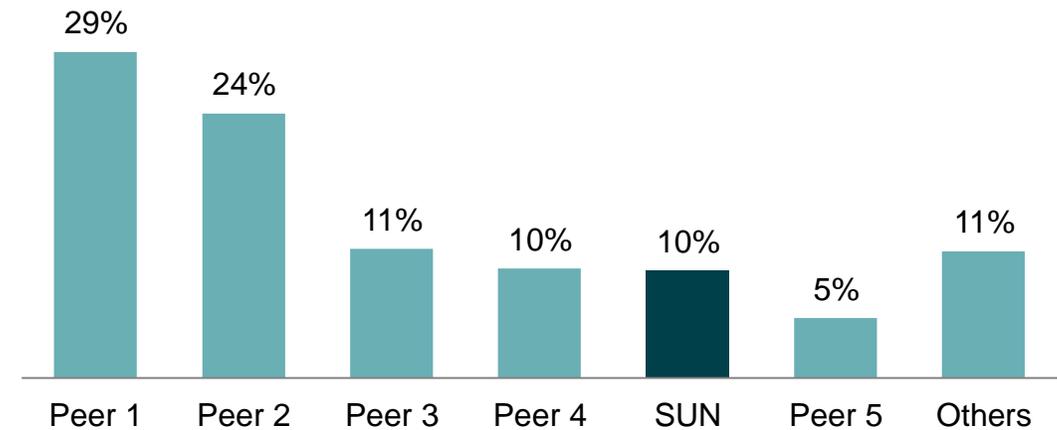
# New Zealand Life insurance market share

Individual risk

**In-force**  
NZ\$2.6bn



**New business**  
NZ\$194m\*



Source: Financial Services Council, September 2019

Note: excludes traditional policies

\* New Business is 12 months to September 2019

# New Zealand

## Outlook and priorities

### 1. Improving the performance of the core business

- 1H20 has seen New Zealand's top-line growth return to mid single-digit levels. As expected, claims have returned to more normalised levels. These trends are expected to continue in 2H20
- Life planned profit levels are expected to be maintained through 2H20 with no significant movement in underlying experience anticipated. Lapse rates and new business are favourable to current market trends
- Investment returns are expected to remain subdued due to lower running yields driven by a downward shift in the yield curve

### 2. Embracing regulatory change

- Delivery of the Conduct Uplift Program will be a focus in 2H20 to address the joint RBNZ and FMA review of Conduct and Culture. As the program develops, progress updates will be provided to the Board and regulators. The implementation of the program will see regulatory expenses increase in 2H20, which is expected to be incurred market wide
- The Government's proposed legislation relating to the conduct of insurers, banks and non-bank deposit takers was introduced to Parliament in December 2019. Changes will be captured in the Conduct Uplift Program, with the legislation expected to come into force 2022/2023

### 3. Leveraging digital and data

- New Zealand is leveraging the Group's digital foundations and investing in digitising the business to create better outcomes for customers and intermediaries. These investments include digitisation of interactions with Corporate Partners and Intermediaries
- In 2H20, the focus is to continue to build digital and data capabilities, digitise and automate processes and improve customer communication

### 4. Driving operational excellence

- New Zealand's efficiency program continues to be a focus and is embedded as part of normal business operations. Initiatives around operational excellence and efficiency improvements are well underway, with the diagnostic task of assessing a number of internal processes largely complete. The planning and implementation stages are expected to commence in 2H20



# Economy



Financial Results for the half year  
ended 31 December 2019

# Australia

## Economic fundamentals

- Economic growth has slowed, reflecting subdued consumption growth, the ongoing downturn in residential construction, the impact of the drought and bushfire crisis
- Monetary policy easing, tax changes, infrastructure spending, a rebound in house prices and lower AUD are expected to support a modest pickup in growth over coming years
- Suncorp’s operations are heavily weighted to the Queensland market, accounting for 26% of Insurance (Australia) total GWP and 53% of total lending in FY20
- Queensland continues to see higher interstate migration, which should help it outperform the rest of Australia in economic growth

	Australia	Queensland	Data
Population growth	1.5%	1.7%	Jun-19, annual
Economic growth (GDP & State Final Demand)	1.7%	1.3%	Sep-19, annual
Unemployment rate	5.1%	5.7%	Dec-19
Inflation	1.7%	1.9%	Sep-19
Budget position	\$5.0bn surplus (0.3% of GDP)	\$0.2bn surplus (0.0% of GSP)	2019-20 estimate
Credit rating (S&P / Moody’s)	(AAA stable / Aaa stable)	(AA+ stable / Aa1 stable)	Jan-20

“Australia has been battling the dual demons of drought and housing-related negatives, including cautious consumers and a downturn in housing construction. But now there’s a third threat: cratered confidence among consumers and business.....Yet there are important positives too, including cuts to taxes and to interest rates, as well as a lower Australian dollar and a rebound in housing prices.....That leaves Australia locked into slow growth, but it doesn’t spell the disaster that the punters are fearing. We’re on course to keep muddling through the impacts of drought, housing-related weakness, and scared consumers”.

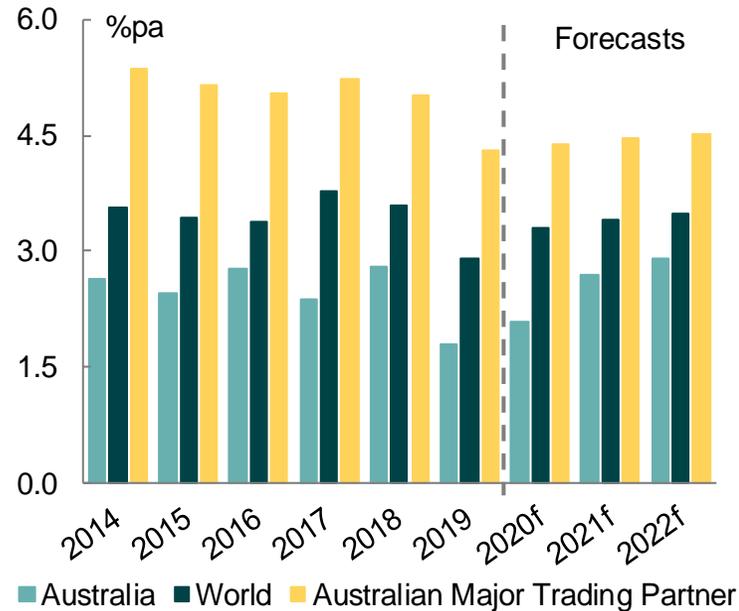
Source: Deloitte Source: Deloitte Access Economics, December 2019

# Australia

## Growth outlook

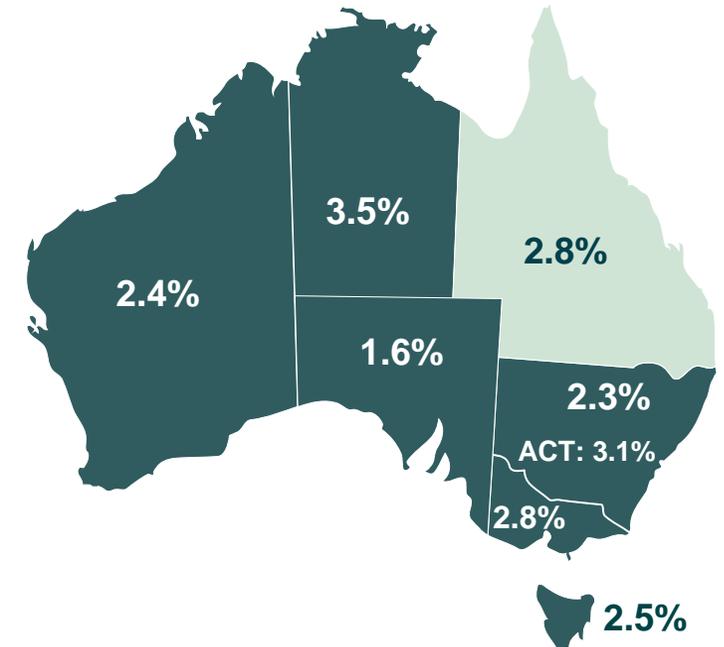
- Global growth decelerated in FY19. However, in response to the wave of global monetary policy easing, and an improvement in US-China trade relations a pickup is projected over the next few years
- An improvement in global growth should support the stimulus afforded by RBA rate cuts, tax changes, recovery in established housing, and infrastructure pipeline
- Qld is expected to emerge as one of the strongest States, assisted by resurgent interstate migration and lower AUD

### National & Global GDP outlook



Source: ABS, Deloitte Access Economics, IMF, Suncorp

### State prospects



Gross State Product annual growth forecast FY20-FY23  
Source: Deloitte Access Economics, December 2019

“Good news in export earnings has papered over some of the cracks in Queensland’s economy from falling housing and engineering construction activity. But the State’s ‘people power’ is an increasingly good news story, and key drivers are pointing to an eventual turnaround in both housing construction and business investment”.

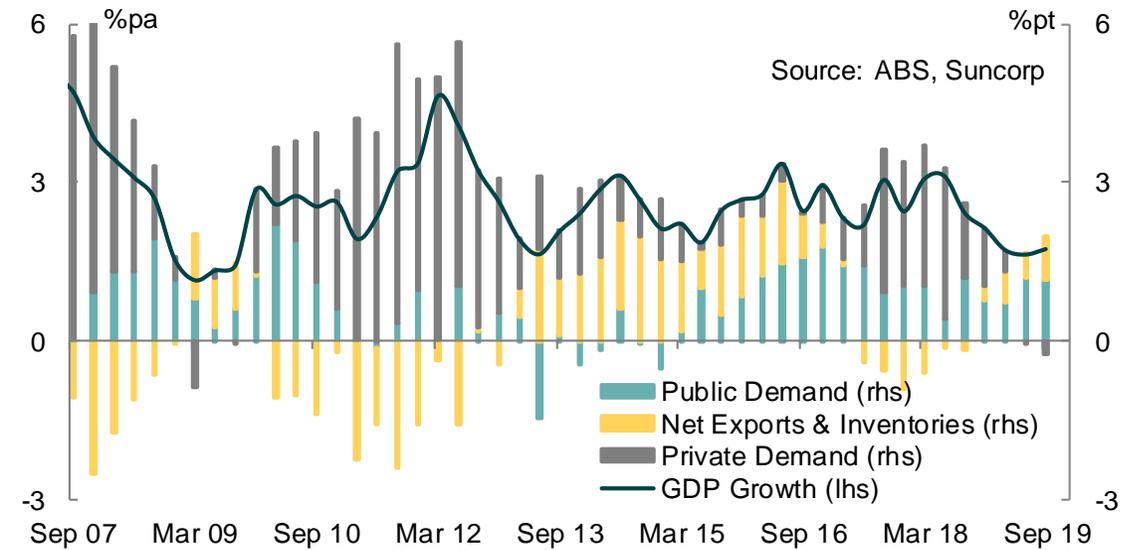
Source: Deloitte Access Economics, December 2019

# Australia

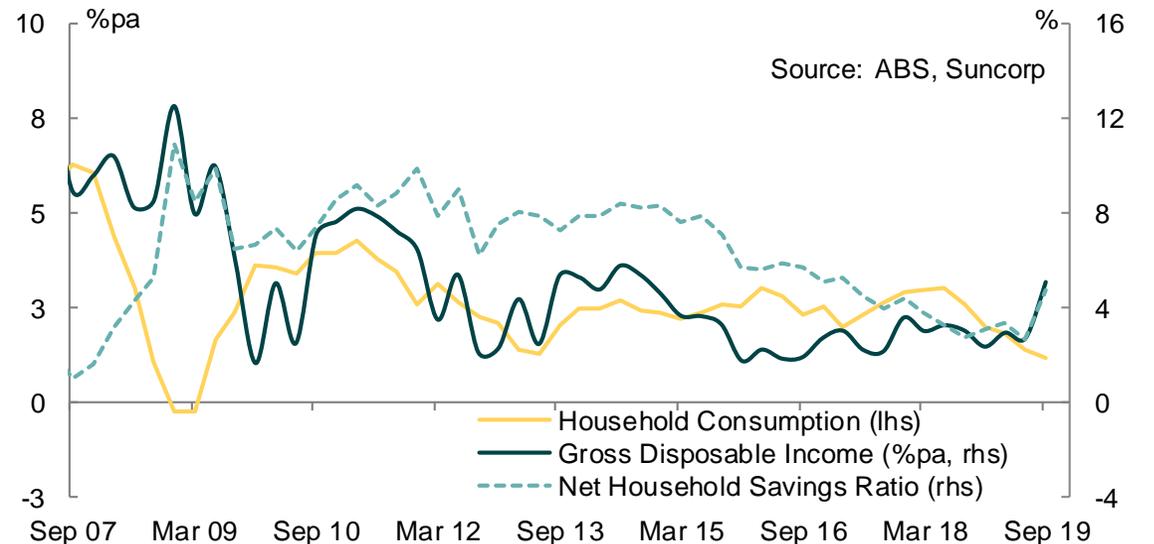
## Evolving landscape

- Private demand growth has slowed sharply, driven by soft consumption, downturn in construction and subdued business investment
- After a prolonged downturn there are signs mining investment will lift. This, coupled with infrastructure spending, can offset a further downturn in residential investment
- The mix of low income growth, high debt levels and heightened consumer caution have restrained consumption. Tax changes, reduction in interest rates, house price recovery and greater housing turnover should translate to a gradual improvement in consumption over time

**Weak private demand has weighed down growth**



**High debt and low income growth has restrained consumption**

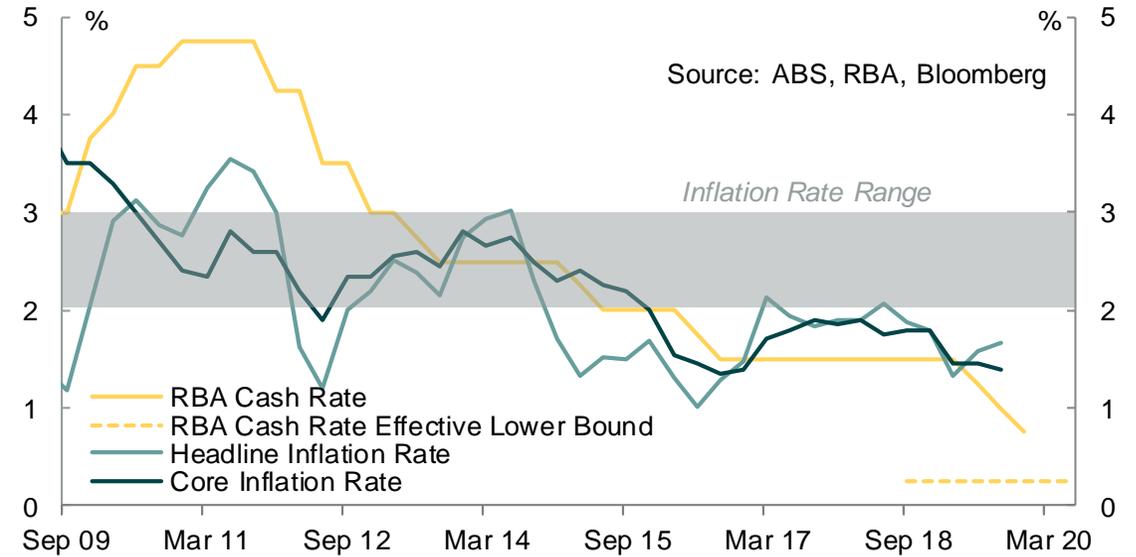


# Australia

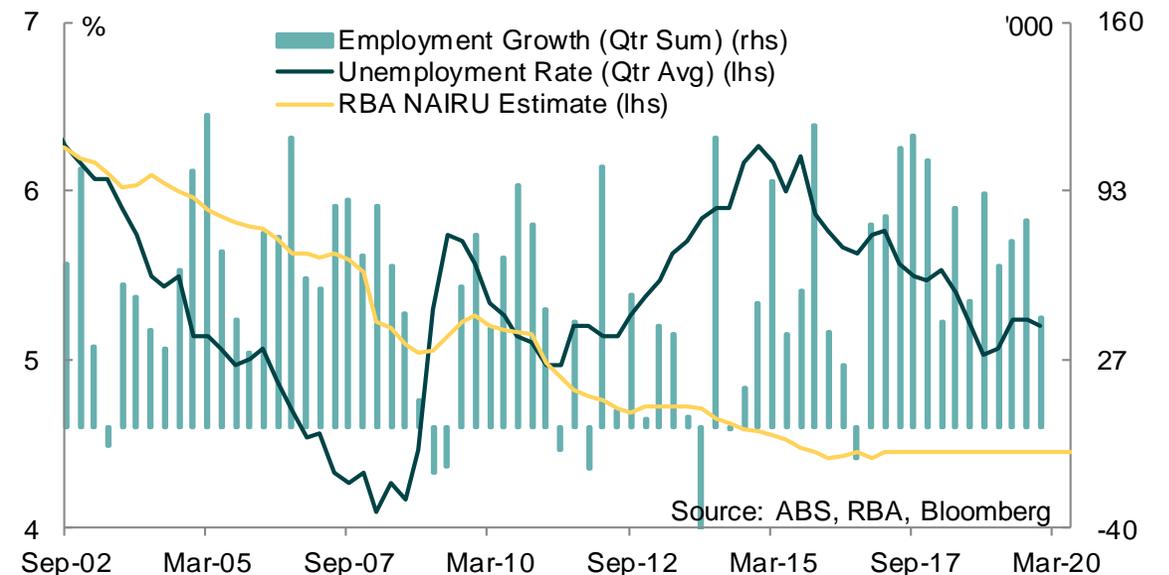
## Monetary policy and labour market

- The RBA has cut the cash rate to a record low 0.75% as at January 2020
- Subdued inflation, excess capacity in the labour market and ongoing risks around consumption means further easing is likely. With the cash rate approaching the Effective Lower Bound, the odds unconventional measures are deployed at some point are rising
- Solid employment growth has been offset by greater labour supply. This is keeping the unemployment rate above estimates of full-employment. Forward indicators point to slower job growth over coming months

### Low inflation and record low interest rates



### Excess capacity in the labour market remains



# Australia

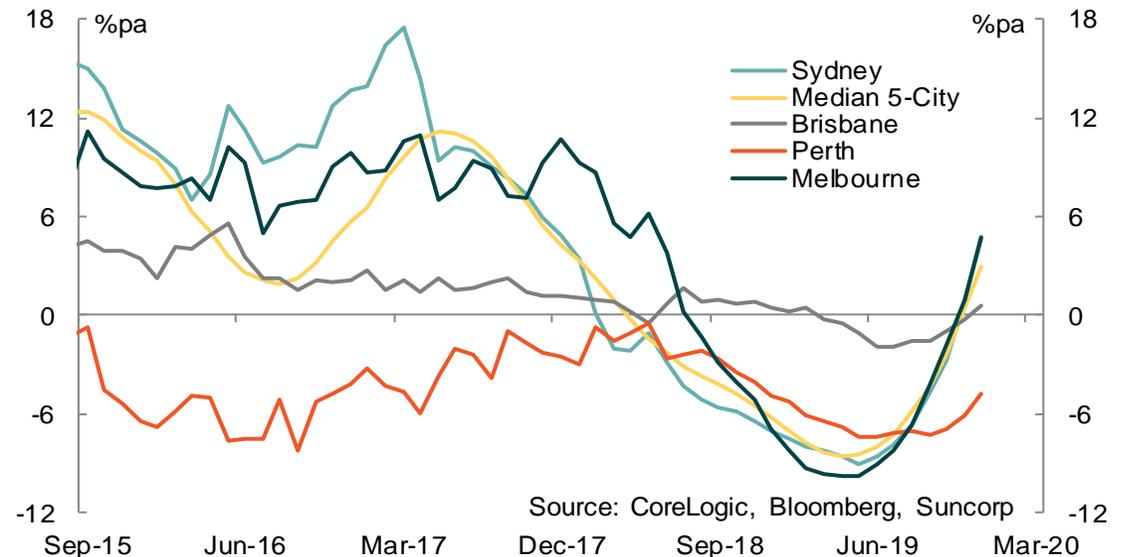
## Housing remains in focus

- Residential investment has declined. The lower level of building approvals points to this trend continuing over 2020 as the cycle unfolds
- A partial offset for the construction sector is the pipeline of infrastructure work across the states
- Stability has returned post the federal election, reflected in a rebound of sentiment in established housing. On the back of RBA rate cuts, macroprudential easing, solid population growth and low unemployment, house prices rose over 2H19. Over time, greater housing turnover should be a positive for discretionary spending

**The downturn in residential investment is ongoing**



**The house price rebound is broadening out**

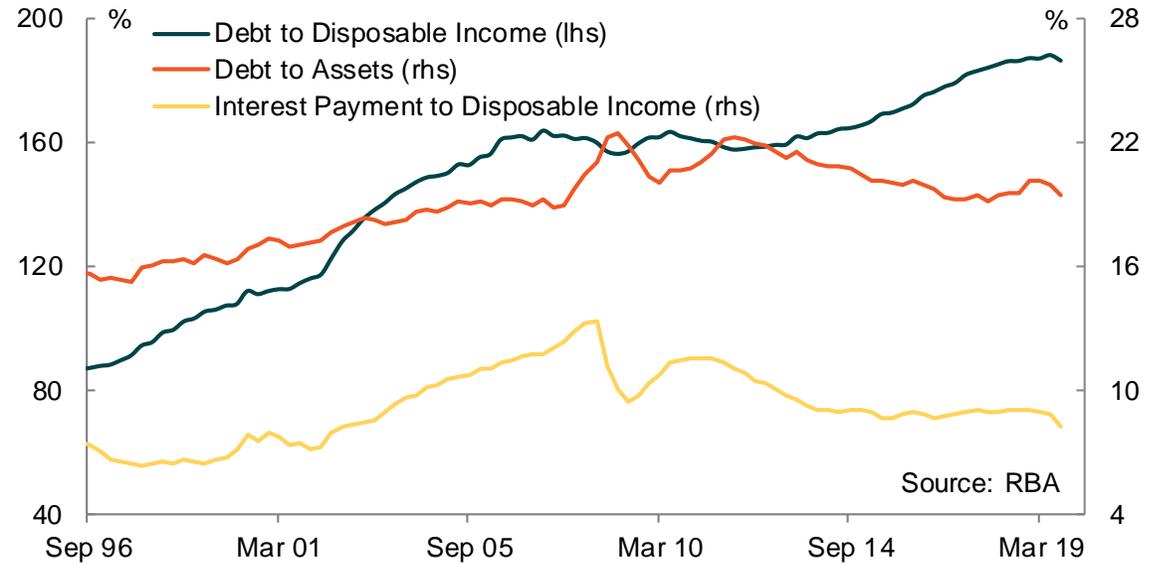


# Australia

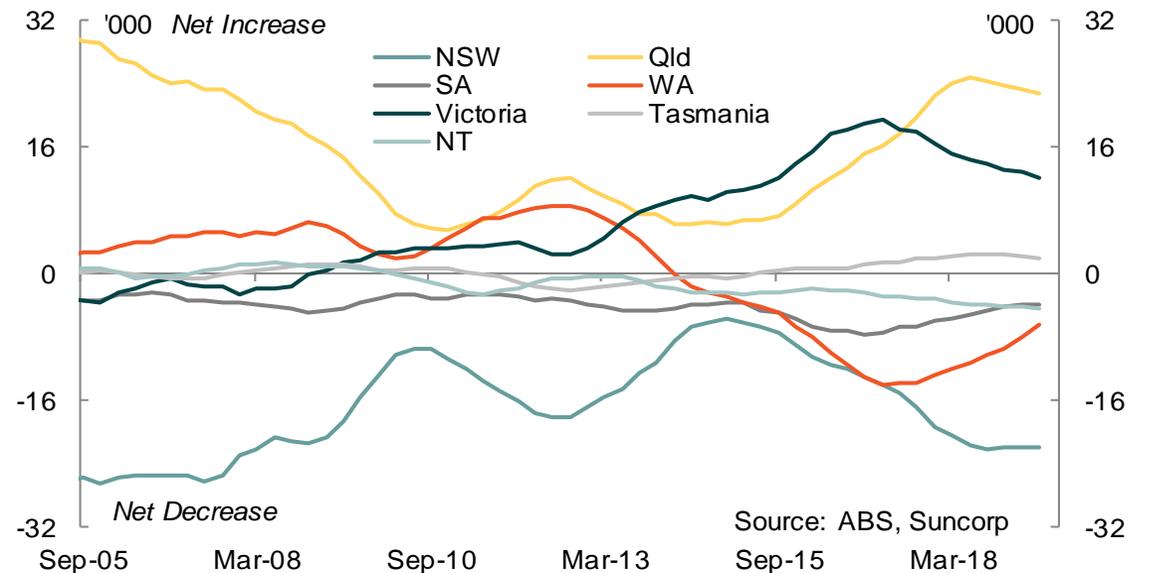
## Opportunities and risks

- Developments in household consumption remain in focus
- The combination of high household debt and low income growth are risk factors, particularly if faced with an exogenous shock
- Firmer commodity prices are supportive for national incomes and mining-related sectors
- A lower AUD, a traditional economic shock-absorber, is a tailwind for services sectors such as tourism and education
- Population growth remains solid, with relative interstate flows favouring Qld

### Household debt and debt servicing



### Net migration flows are Qld positive

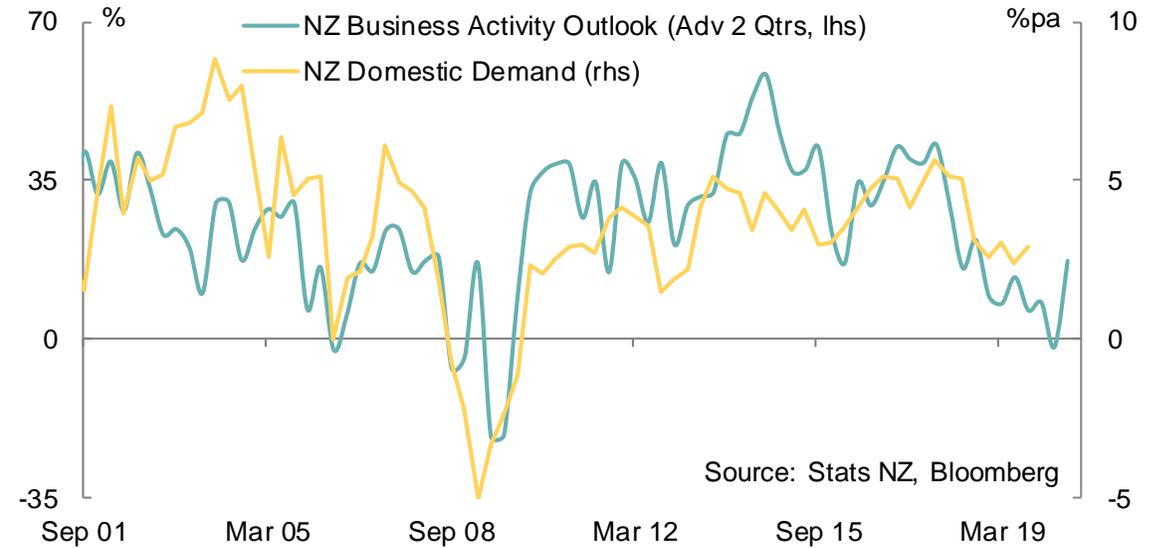


# New Zealand

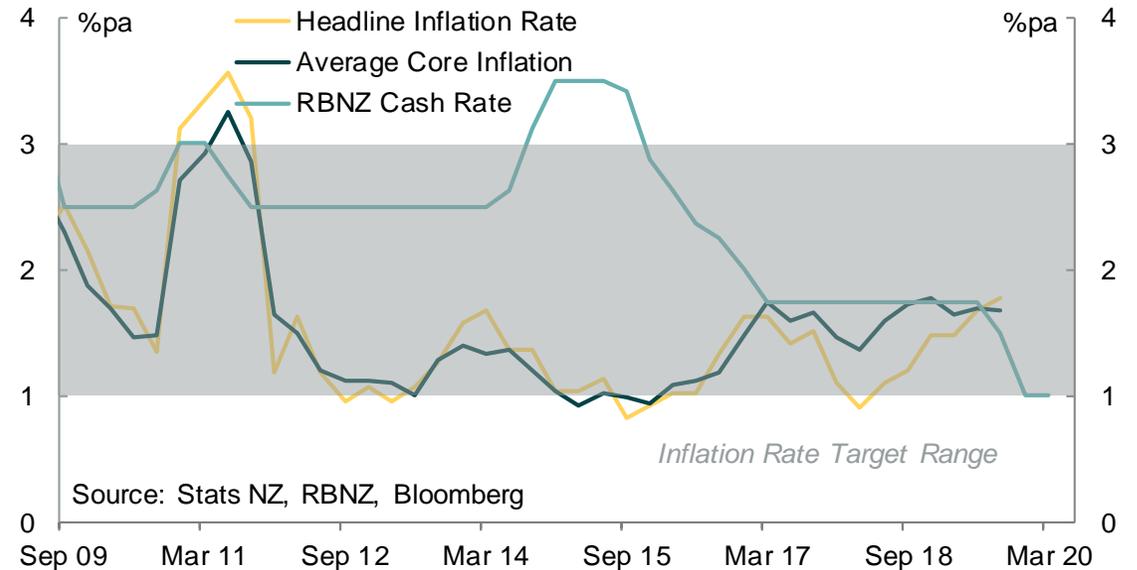
## Economic cross-currents

- Growth has been sub-trend. To mitigate the downside risks the RBNZ has lowered the cash rate to a record low 1% and the NZ Government has announced an increase in fiscal spending
- NZ business sentiment has started to recover. Firmer business confidence, fiscal and monetary easing, a more competitive NZD and reduced global uncertainty should support growth over the next couple of years.
- Given contained inflation pressures the RBNZ is expected to keep interest rates at low levels for an extended period. Further monetary easing is a risk, particularly if trading-partner growth remains subdued

**Business confidence is starting to recover**



**Interest rates at record lows. Inflation pressures contained**





# Glossary



Financial Results for the half year  
ended 31 December 2019

# Glossary

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium
Australian Life Business	Incorporates the performance of the Australian Life Insurance and Participating Wealth Business (Suncorp Life and Superannuation Limited) sold on 28 February 2019, as well as other distribution activities ceasing operation
Australian Life Insurance and Participating Wealth Business	Refers to the entity Suncorp Life and Superannuation Limited, which was sold to TAL Dai-ichi Life Australia Pty Ltd on 28 February 2019
Banking & Wealth function	Suncorp's Banking & Wealth business provides banking and wealth solutions to personal, small to medium enterprise and agribusiness customers
Basis points (bps)	A 'basis point' is 1/100th of a percentage point
Business Improvement Program (BIP)	A three-year, company-wide program focusing on five streams of work including digitising of customer experiences, sales and service channel optimisation, end-to-end process improvement, claims supply chain re-design and smarter procurement and streamlining the business
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets, recoverable amount adjustments on intangibles, the profit or loss on divestments and their tax effect
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period  Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Cash return on average shareholders' equity pre-goodwill	Cash earnings divided by average equity attributable to owners of the Company less goodwill. Averages are based on monthly balances over the period. The ratio is annualised for half years

# Glossary

Claims Handling Expenses (CHE)	Costs incurred in the investigation, assessment and settlement of a claim
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Commercial Insurance	Commercial products consist of commercial motor insurance, commercial property insurance, marine insurance, industrial special risk insurance, and public liability and professional indemnity insurance
Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 Ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank
Connected customers	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
Consumer Insurance	Consumer Insurance products consist of home and contents insurance, motor insurance, boat insurance, and travel insurance
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables
Diluted shares	Diluted shares is based on the weighted average number of ordinary shares outstanding during the period adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share
Effective tax rate	Income tax expense divided by profit before tax

# Glossary

Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Fire service levies (FSL) – Insurance (Australia)	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable State Government. Fire service levies were established to cover corresponding fire brigade charges
Fire service levies (FSL) – New Zealand	The expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by Fire and Emergency New Zealand. Fire service levies were established to cover corresponding fire brigade charges
Funds under management and administration	Funds where the Wealth business, in Australia and New Zealand, receives a fee for the administration and management of an asset portfolio
General insurance businesses	General insurance businesses include Insurance (Australia)'s general insurance business and New Zealand's general insurance business. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure rather than business functions structure
Gross earned premium	The total premium on insurance earned by an insurer during a specified period on premiums underwritten in the current and previous underwriting years
Gross non-performing loans	Gross impaired assets plus past due loans
Gross written premium	The total premium on insurance underwritten by an insurer during a specified period, before deduction of reinsurance premium
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years
Insurance (Australia) function	Suncorp's Insurance (Australia) business provides consumer, commercial and personal injury products to the Australian market. Consumer insurance products include home and contents insurance, motor insurance and travel insurance. Commercial insurance products include commercial motor insurance, commercial property insurance, industrial special risk insurance, public liability and professional indemnity insurance. Personal injury insurance products includes CTP insurance and workers' compensation insurance

# Glossary

Insurance funds	Insurance funds explicitly back insurance liabilities. They are designed to match the insurance liabilities and are managed separately from shareholders' funds
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium
Life insurance businesses	Following the sale of the Australian Life Insurance and Participating Wealth Business on 28 February 2019, Suncorp's life insurance businesses include the New Zealand life insurance business and the remaining Wealth business reported within the Banking & Wealth function. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure rather than business functions structure
Life planned profit margin release	It includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consists of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities

# Glossary

Maximum Event Retention	This is an estimate of the largest accumulated property loss (from a single event) to which Suncorp will be exposed (taking into account the likelihood of this event is up to one in 200 years), after netting off any potential reinsurance recoveries
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year
Net incurred claims	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries
Net interest margin (NIM)	Net interest income divided by average interest earning assets (net of offset accounts). NIM is the percentage difference between revenue earned on interest bearing assets (loans) minus the cost of interest bearing liabilities (funding)
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net profit after tax (NPAT)	Net profit after tax attributable to owners of Suncorp derived in accordance with Australian Accounting Standards
Net Stable Funding Ratio (NSFR)	The NSFR measures the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF is the amount of capital and liabilities that are expected to be a reliable source of funds over a 1-year time horizon. The amount of RSF is based on the liquidity characteristics and residual maturity of assets and off-balance sheet activities. The requirement to maintain an NSFR of at least 100% was introduced on 1 January 2018
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
New Zealand function	Suncorp's New Zealand business distributes consumer, commercial and life insurance products through intermediaries and corporate partners as well as directly to customers via joint ventures
Operating functions	Suncorp has three operating functions - Insurance (Australia), Banking & Wealth and New Zealand. The operating functions are responsible for product design, manufacturing, claims management and end-to-end responsibility for the statutory entities within Suncorp Group
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium

# Glossary

Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid
Past due loans	Loans outstanding for more than 90 days
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by cash earnings
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period multiplied by the ordinary dividend per share for the period divided by profit after tax
Prescribed capital amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance risk, insurance concentration risk, operational risk, combined stress scenario and aggregation benefit as required by APRA
Profit after tax from functions	The net profit after tax for the Insurance (Australia), Banking & Wealth and New Zealand functions
Reinsurance	A form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all, or a share of, certain claims incurred by the insurance company. For a detailed overview of Suncorp's reinsurance program, please refer to section 1.7.3 of the FY19 Investor Pack
Reserve releases	Reserve releases occur when provisions made to cover insurance claims made against underwritten policies are assessed as higher than long-run trends in actual experience
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years
Shareholders' funds	Shareholders' funds are part of the investment portfolio and are managed separately from insurance funds
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months

# Glossary

Total capital ratio	Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA
Total operating expense ratio – general insurance	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium
Total risk-weighted assets	Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA
Treasury shares	Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries
Ultimate net loss (UNL) – New Zealand	Financial obligation when an insured event occurs, net of the catastrophe treaty
Underlying Insurance Trading Ratio (underlying ITR)	The insurance trading ratio is adjusted for reported prior year reserve releases and natural hazards claims costs above/below long-run expectations, investment income mismatch and any abnormal expenses

# Important disclaimer

This report contains general information on the Group and its operations which is current as at 11 February 2020. It is information given in summary form and does not purport to be complete.

It 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 factors should be considered, with or without professional advice, when deciding if an investment is appropriate.

This report should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to the business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).