Financial Results for the full year ended 30 June 2020

INVESTOR DISCUSSION PACK

Release date 21 August 2020

SUNCORP GROUP LIMITED
ABN 66 145 290 124

SUNCORP

Group

Financial results for the full year ended 30 June 2020

Suncorp Group

Suncorp is an ASX-listed company and financial services provider in Australia and New Zealand, and ultimate parent company of the Suncorp Group, which delivers insurance, banking and wealth products and services to customers in Australia and New Zealand and employs more than 13,500 people.

Suncorp has three core businesses – Insurance (Australia), Banking & Wealth and Suncorp New Zealand.
The operating functions are responsible for product design, manufacturing, claims management and distribution.

Insurance (Australia)

- Insurance (Australia) provides consumer, commercial and personal injury insurance to the Australian market.
- Suncorp is one of Australia's largest general insurers by Gross Written Premium (GWP).
- Products include home and contents, motor, caravan, Compulsory Third Party (CTP), worker's compensation, commercial, health and travel insurance under the portfolio of insurance brands.

Banking & Wealth

- Suncorp Bank is focused on lending, deposit gathering and transaction account services to personal, small and medium enterprise, commercial and agribusiness customers.
- The Wealth portfolio manufactures, administers and distributes superannuation products.

New Zealand

- New Zealand delivers financial services through go-to market general and life insurance brands and partnerships.
- Distributes consumer, commercial and life insurance products through intermediaries and corporate partners as well as insurance and personal loans directly to customers via partnerships with the New Zealand Automobile Association.

AA Insurance | AAMI | Apia | Asteron Life | bingle | CIL Caravan and RV Insurance | GIO | terri scheer | vero | SUNCORP

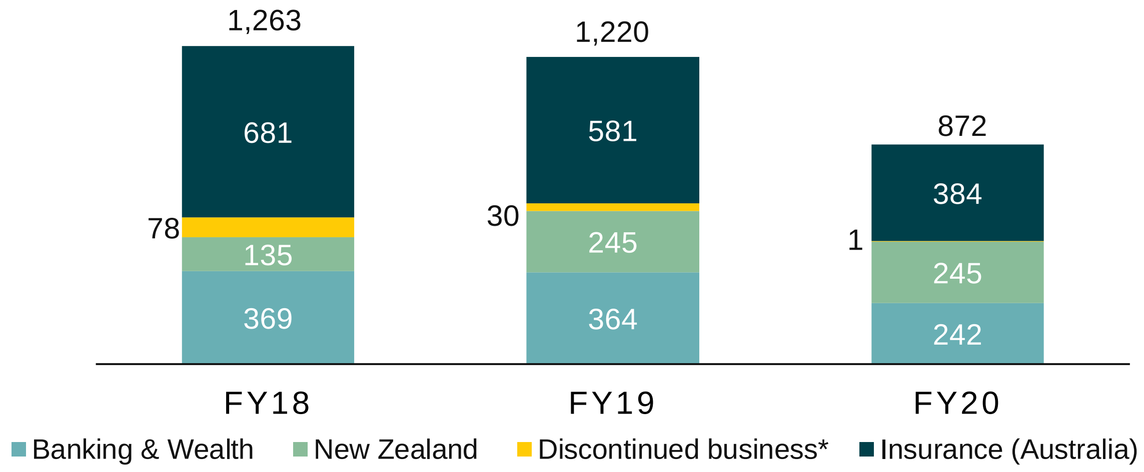
FY20 key financial highlights

		FY20	FY19	Change (%)
Insurance (Australia) profit after tax	$m	384	581	(33.9)
Banking & Wealth profit after tax	$m	242	364	(33.5)
New Zealand profit after tax	$m	245	245	-
Profit after tax from ongoing functions	**$m**	**871**	**1,190**	**(26.8)**
Other profit (loss) after tax	$m	(123)	(105)	17.1
Cash earnings	**$m**	**749**	**1,115**	**(32.8)**
Net profit (loss) on sale of ceased operations (after tax)	$m	285	(899)	n/a
Acquisition amortisation (after tax)	$m	(121)	(41)	195.1
Net profit after tax	**$m**	**913**	**175**	**421.7**
Insurance trading ratio	%	8.9	11.6	
Underlying insurance trading ratio	%	11.1	12.3	
Bank net interest margin	%	1.94	1.90	
Cash return on average shareholders' equity	%	5.9	8.4	
Cash earnings per share – diluted	cents	56.28	84.05	(33.0)
Ordinary dividends per ordinary share	cents	36.0	70.0	(48.6)
Payout ratio – cash earnings	%	60.7	81.2	
General Insurance total capital PCA coverage	times	1.68	1.85	
Bank Common Equity Tier 1 ratio	%	9.34	9.27	

Group profit and operating expenses

Profit after tax from functions

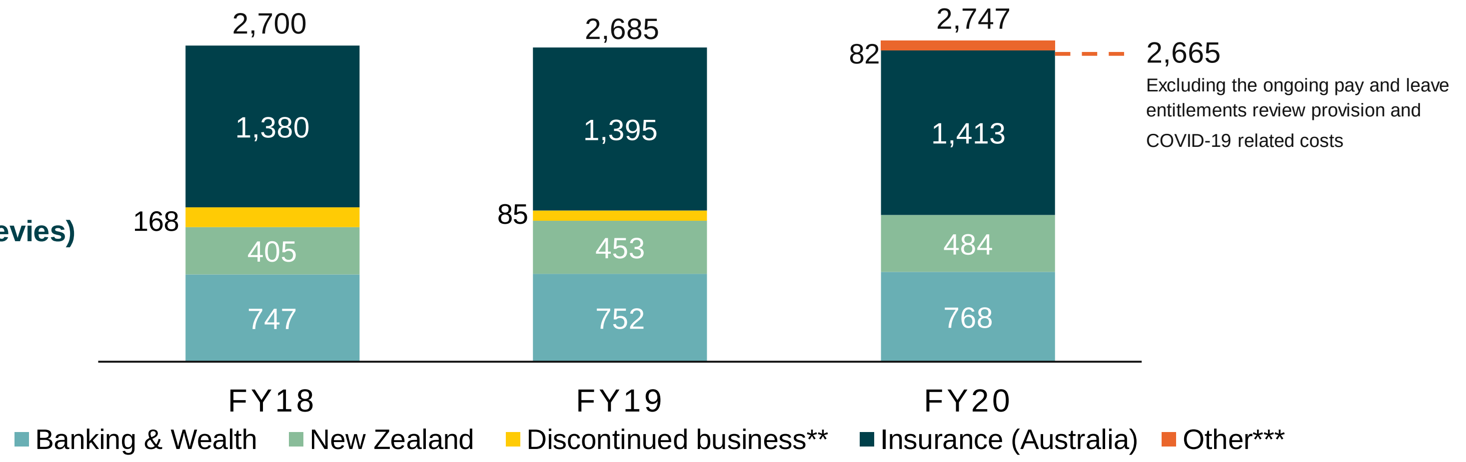
($m)



Operating expenses

(excluding Fire Service Levies)

($m)



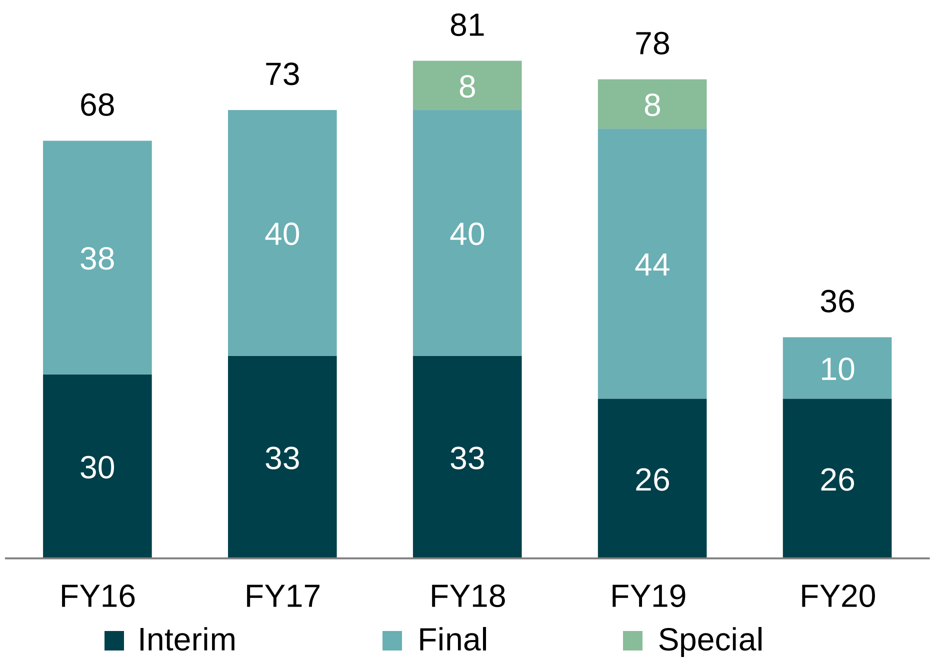
* FY18 includes performance from the sold Australian Life Business; FY19 includes performance from the sold Australian Life Business and the Capital S.M.A.R.T ("SMART") and ACM Parts businesses; FY20 includes performance from the sold SMART and ACM Parts businesses

** FY18 and FY19 includes expenses from the sold Australian Life Business

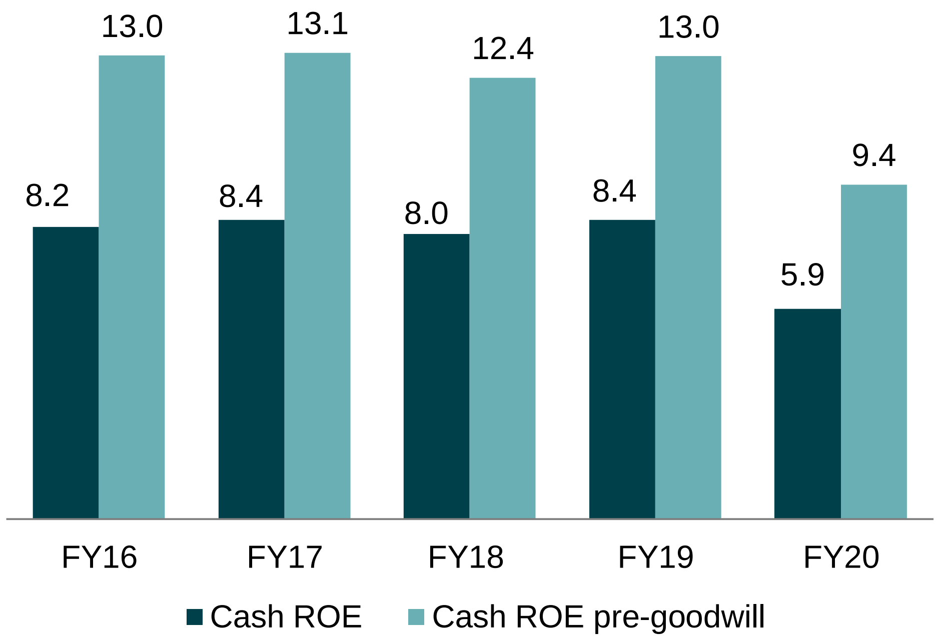
*** Includes a $60 million provision for the ongoing pay and leave entitlements review and $22 million of COVID-19 related costs which have been deducted from the reported divisional operating expenses

Shareholder returns

Dividends (cps)[1]

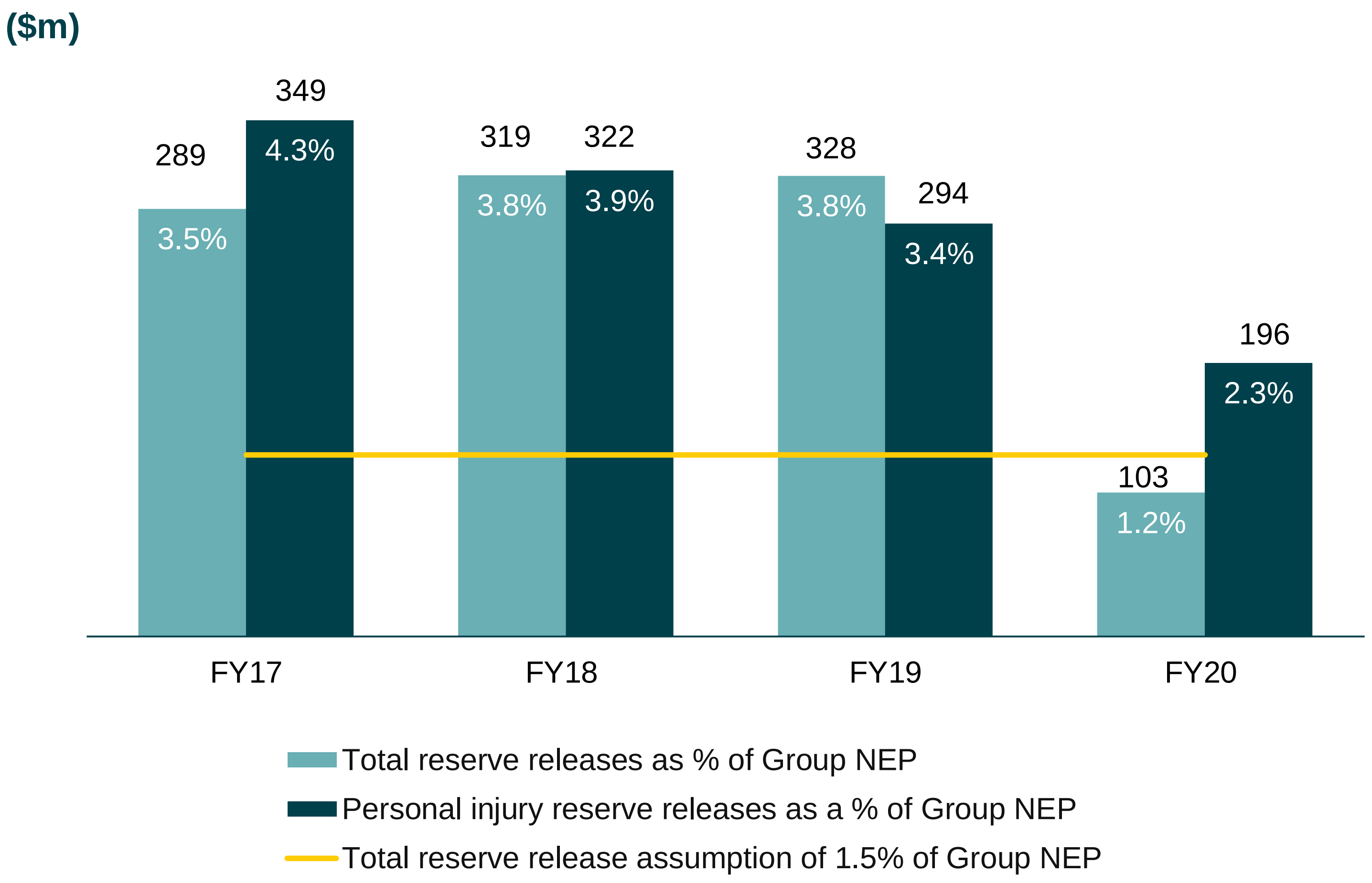


Cash ROE (%)

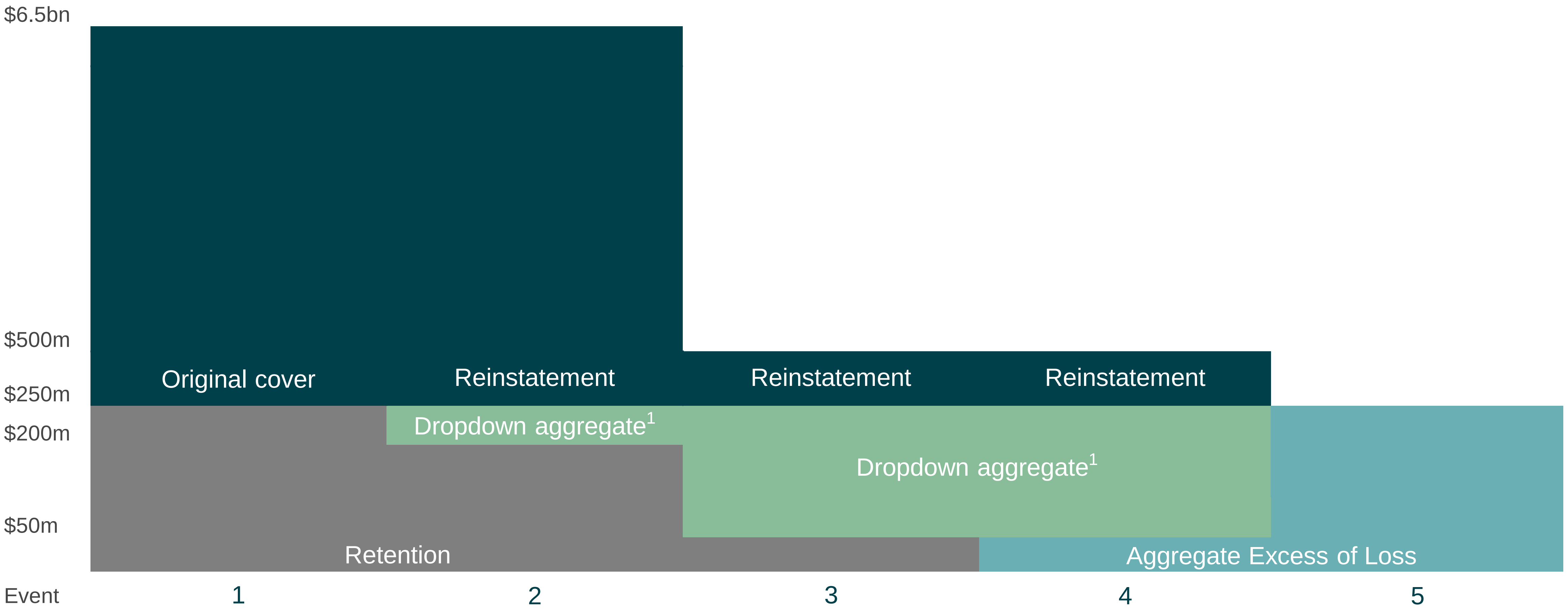


[1] The Group aims to pay annual dividends based on a target payout range of 60% to 80% of cash earnings

General Insurance
Reserve releases

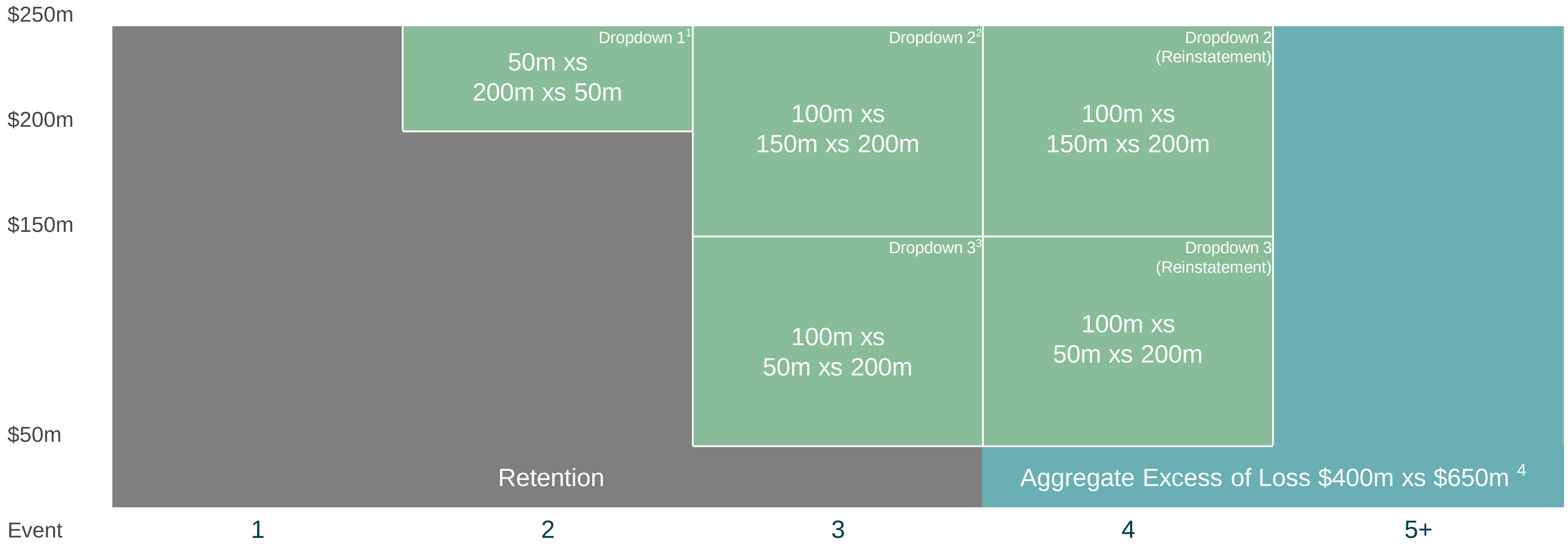


FY21 reinsurance program – natural hazards



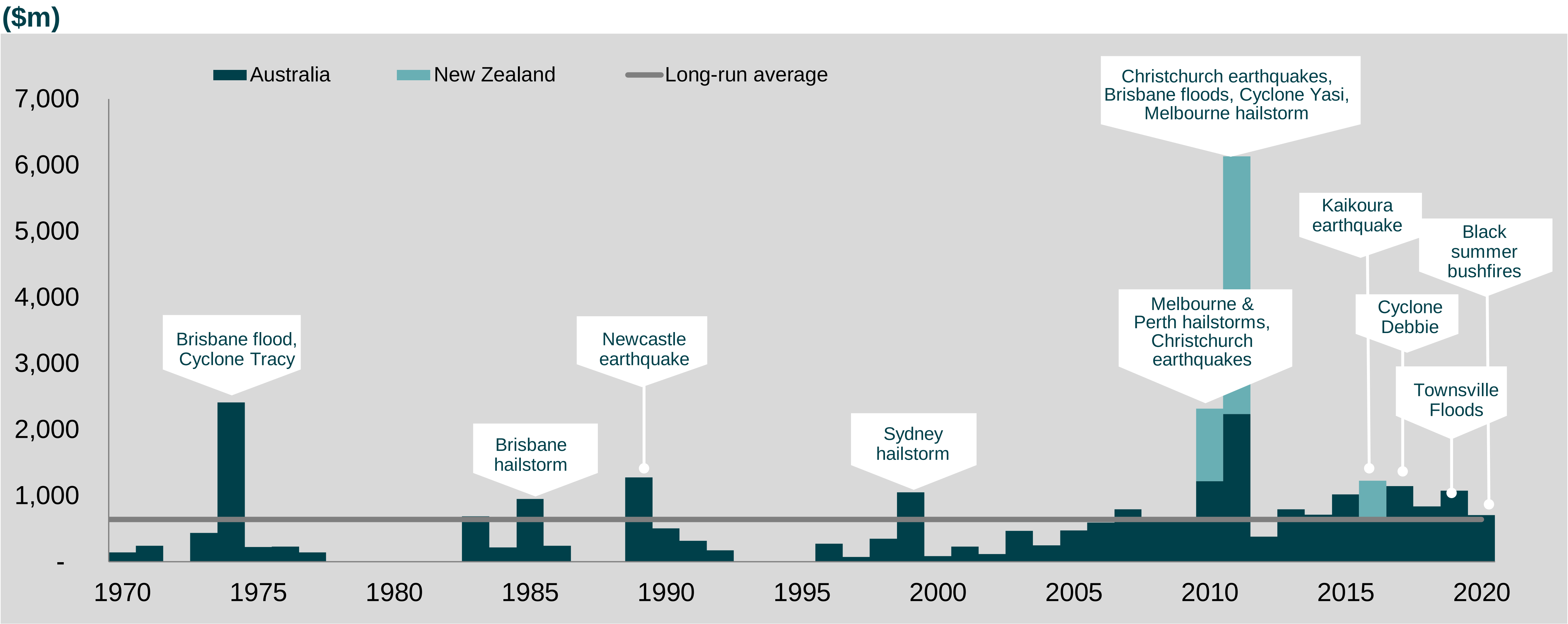
[1] Dropdown aggregate cover in the above diagram relates to Australian events; a separate cover exists for New Zealand events

FY21 reinsurance program – dropdown aggregate covers



[1] Provides $50m of cover, for events > $200m once the cumulative impact of qualifying events reaches $50m
[2] Provides $100m of cover, for events > $150m once the cumulative impact of qualifying events reaches $200m
[3] Provides $100m of cover, for events > $50m once the cumulative effect of qualifying events reaches $200m
[1, 2 & 3] relate to Australian events only
[4] Provides $400m of cover for portion of events > $5m once accumulated total reaches $650m

50 year history of major natural hazards



Note: 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

- Conservative mindset when making decisions on dividends in the current environment
- Medium term target payout ratio of 60-80% of cash earnings
- Remain committed to returning excess capital to shareholders once current uncertainty is resolved

FY20 Capital Position

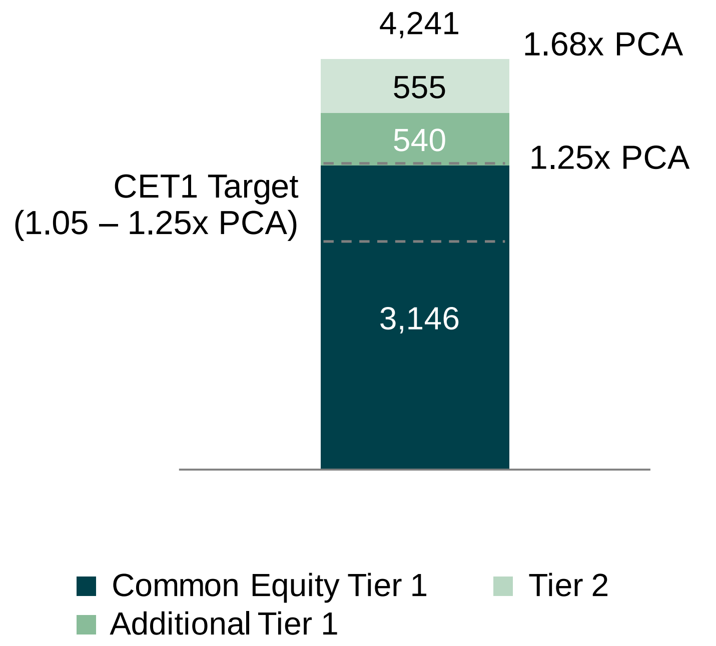
- Group's excess to CET1 target is $823m (ex dividend)
- $605m of CET1 held at Group (SGL and Corporate Services)
- GI business is at the top, and the Bank within the top half, of their respective target operating ranges

($m)	As at 30 June 2020					
	GI[2]	**Bank[2]**	**Life**	**SGL, Corp Services & Consol**	**Total**	**Total as at 30 June 2019[3]**
CET1	3,146	3,091	169	605	7,011	7,341
CET1 target	2,898	3,062	115	(5)	6,070	5,781
Excess to CET1 target (pre div)	248	29	54	610	941	1,560
Group dividend					(118)	(571)
Group excess to CET1 target (ex div)					**823**	989
Common Equity Tier 1 ratio[1]	**1.25x**	**9.34%**				
Total capital	4,241	4,540	169	619	9,569	9,849
Total target capital	3,906	4,221	115	(27)	8,215	7,903
Excess to target (pre div)	335	319	54	646	1,354	1,946
Group dividend					(118)	(571)
Group excess to target (ex div)					**1,236**	1,375
Total capital ratio[1]	**1.68x**	**13.71%**				

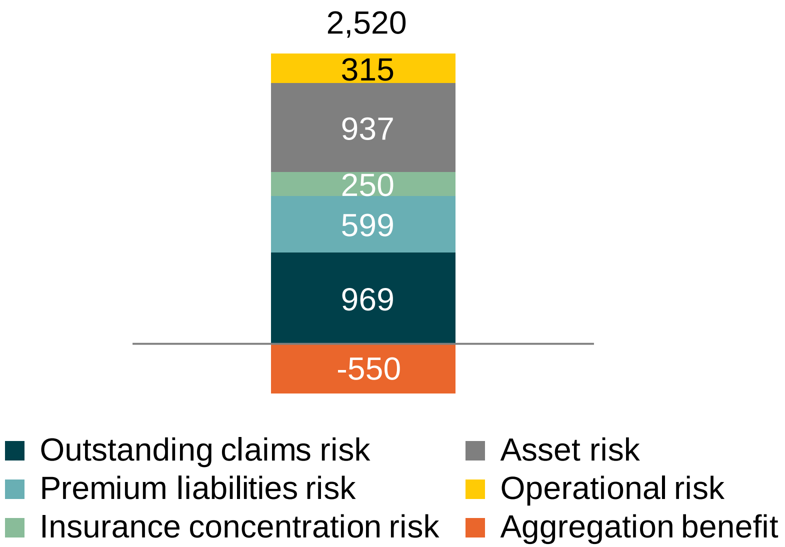
[1] Capital ratios are expressed as coverage of the PCA for General Insurance and as a percentage of Risk Weighted Assets for the Bank
[2] The Bank and General Insurance targets are shown as the midpoint of the target operating ranges
[3] Jun-19 comparatives have been restate to reflect immaterial changes 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

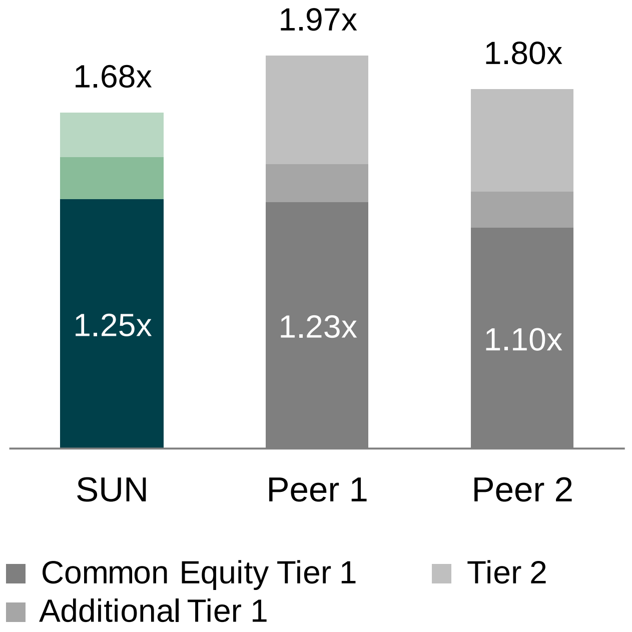
Total capital ($m)



Prescribed Capital Amount (PCA) ($m)



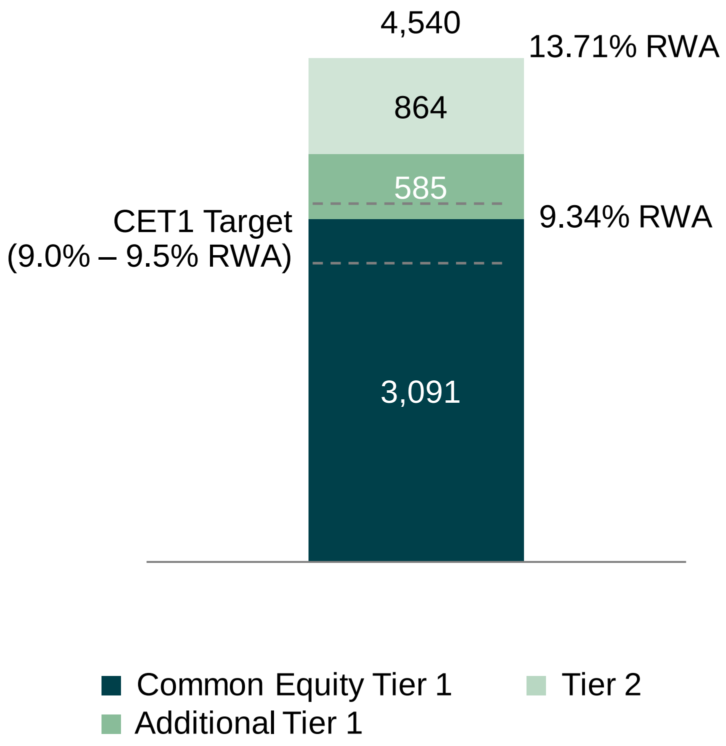
Capital ratios vs Australian peers



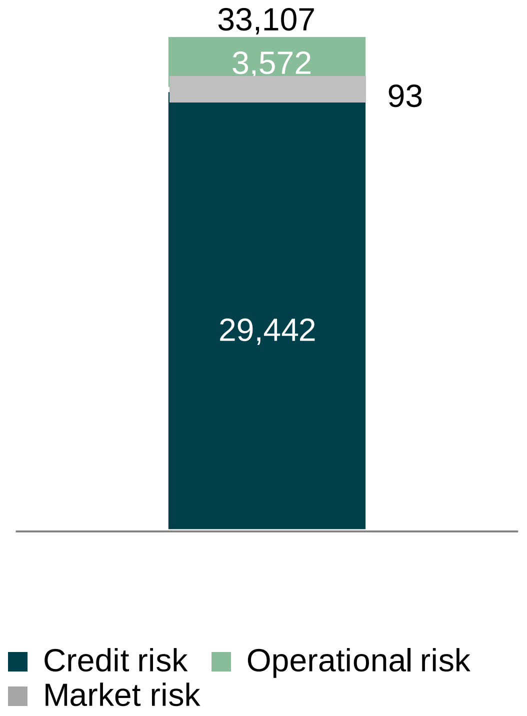
Source: Latest published company reports

Bank capital

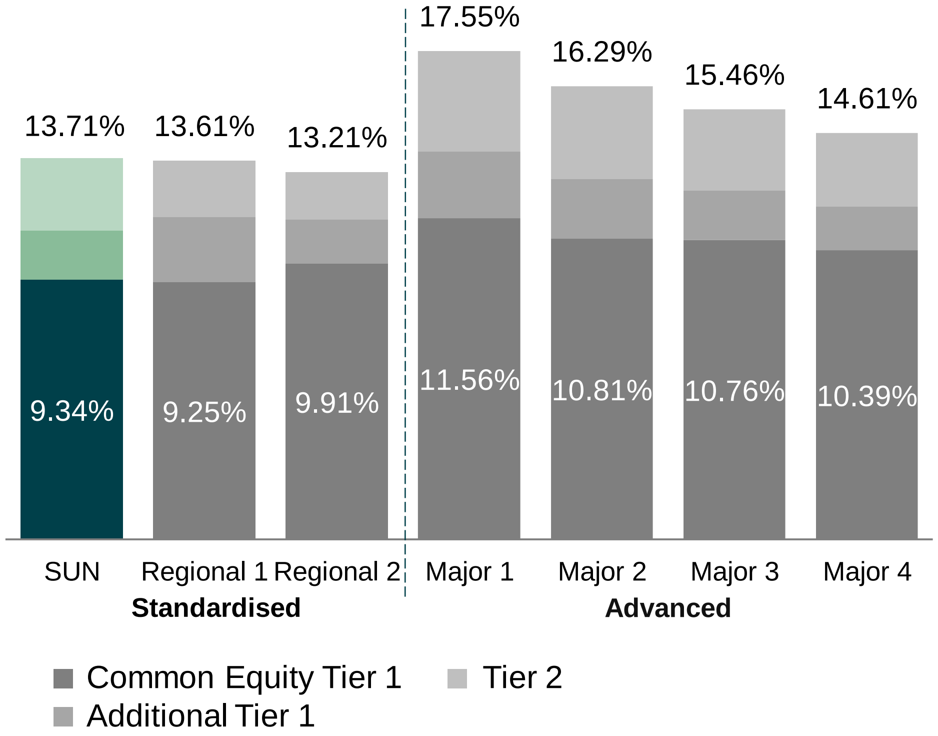
Total capital ($m)



Risk-weighted assets (RWA) ($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+ Negative
Major banks[1]	AA- Negative	Aa3 Stable	A+ Negative
Regional banks[2]	BBB+ Stable	A3 Stable	A- Negative

[1] Major banks include Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation
[2] Regional banks include Bank of Queensland Limited and Bendigo and Adelaide Bank Limited

Customer and digital

		FY20	FY19
Customer advocacy			
Consumer Net Promoter Score	(NPS)	**+5.2**	+5.0
Business Net Promoter Score	(NPS)	**+9.1**	+2.1
Customer engagement via digital channels			
Number of digital users (1)	(m)	**3.83**	3.35
Proportion of digital claims (2)	(%)	**23%**	18%
Proportion of digital claims that are 'zero touch'	(%)	**36%**	38%
Proportion of Insurance new business sales via digital (3)	(%)	**29%**	27%
Proportion of Banking new business sales via digital (4)	(%)	**63%**	47%

[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

[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%

[3] 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.

[4] Relates to at-call deposit account openings only. Calculated using an updated methodology including improvements to online attribution. Jun-19 result previously disclosed as 46%

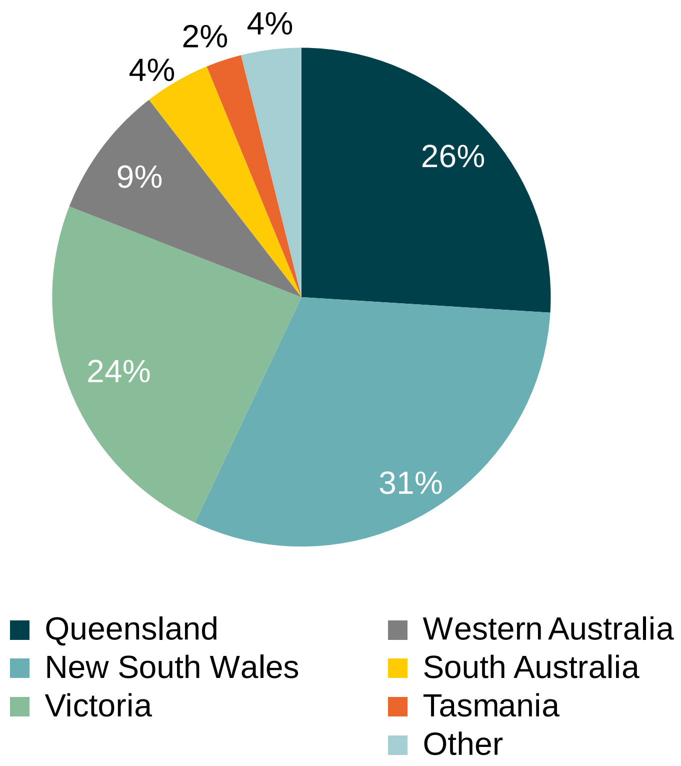
Insurance (Australia)

Financial Results for the full year ended 30 June 2020

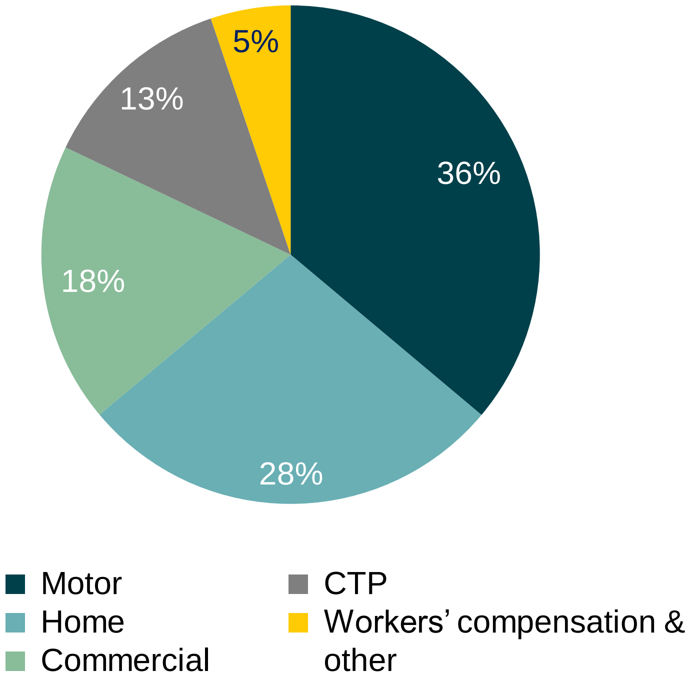
Insurance (Australia)
GWP excluding Fire Service levies (FSL)

Total GWP (excluding FSL) increased 1.0% to $8.2bn

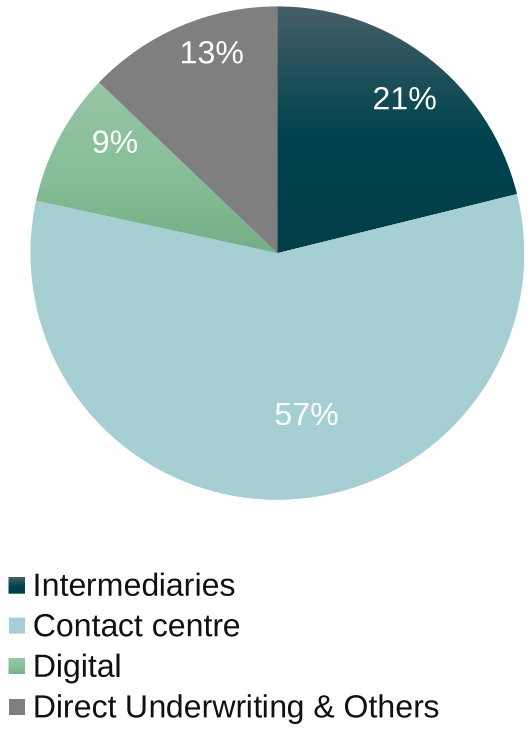
Portfolio by geography*



Portfolio by product*

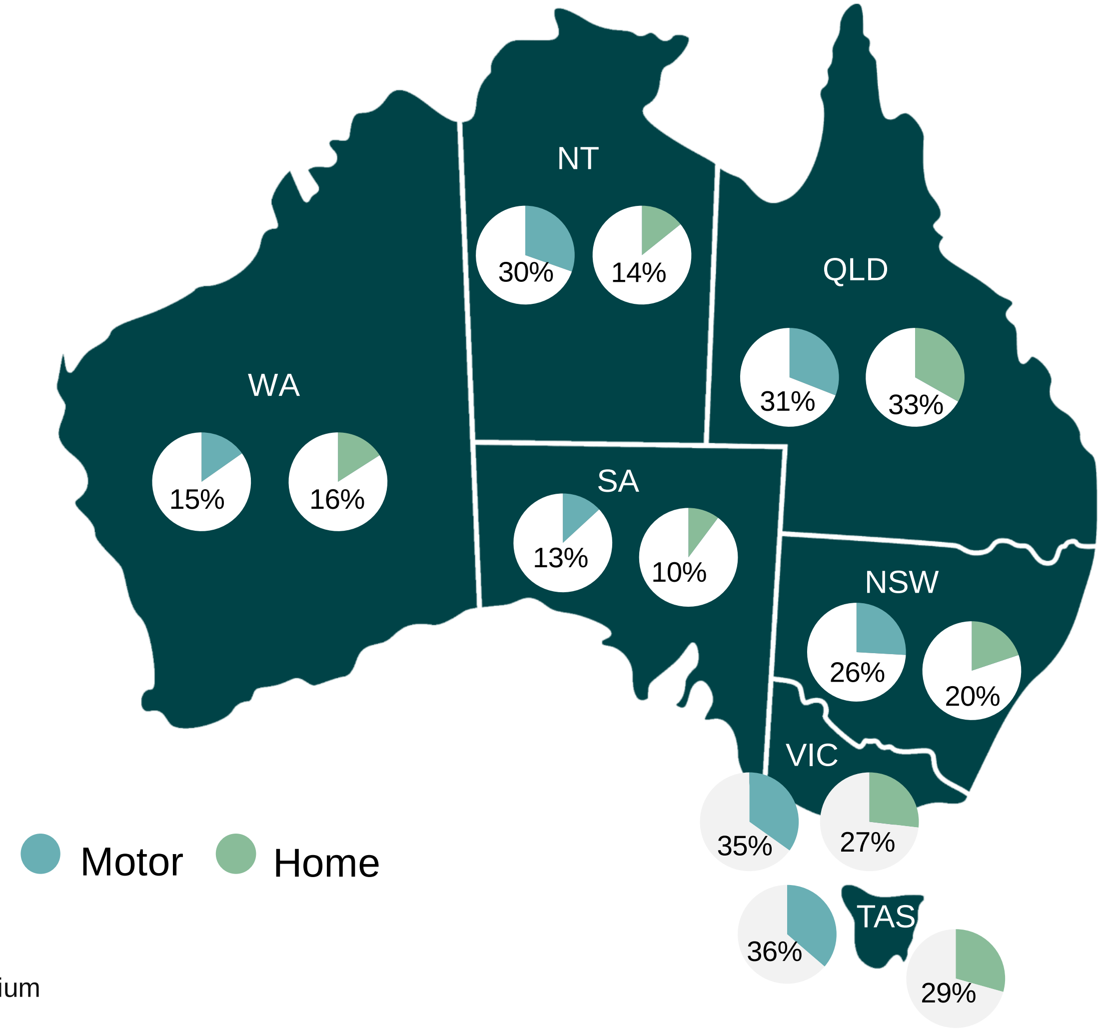


Portfolio by channel*



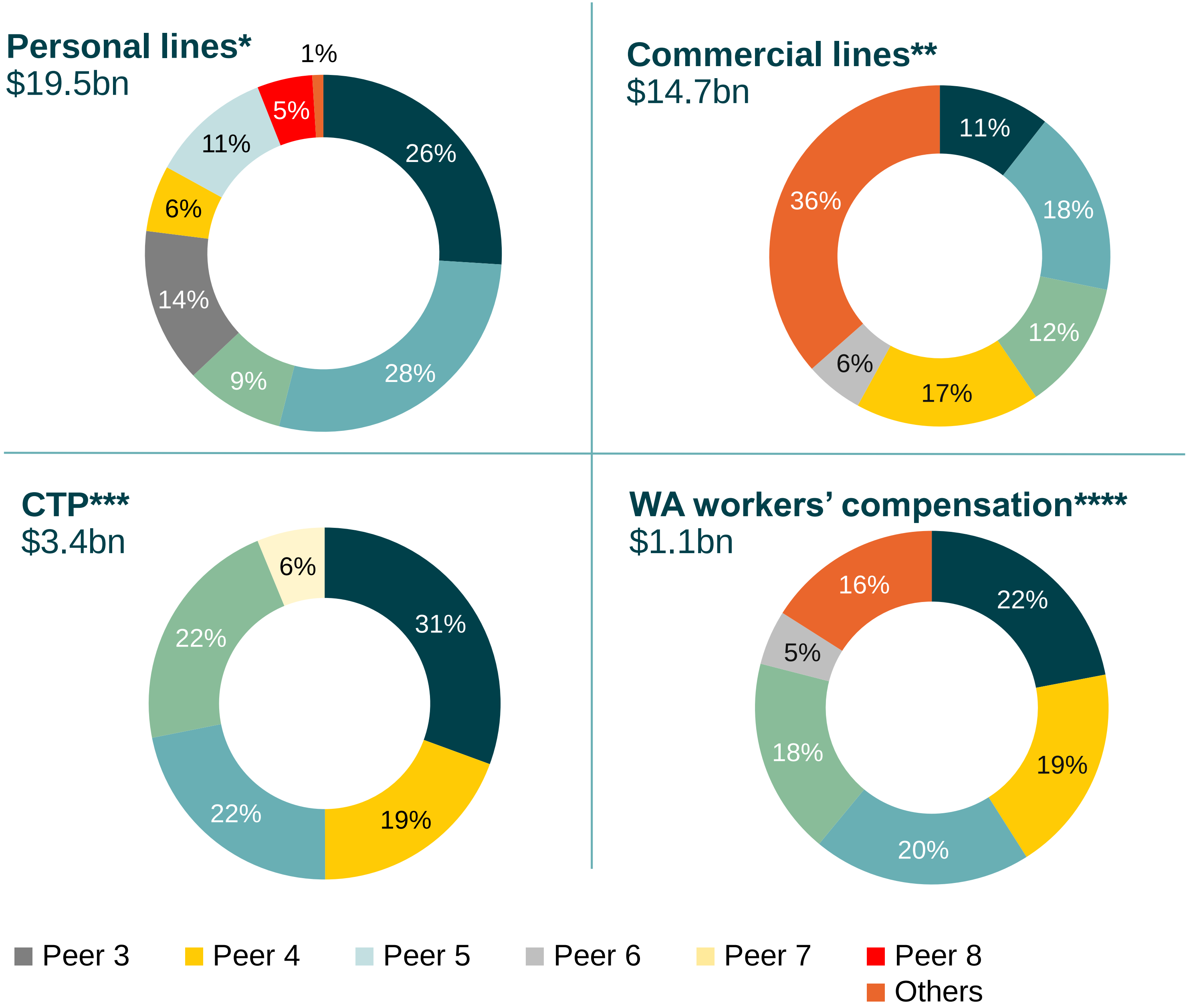
* Presented as a percentage of GWP

Insurance (Australia)
Personal lines market share



Source: APRA, Motor and Home gross earned premium market share by state March 2020

Insurance (Australia)
Market share



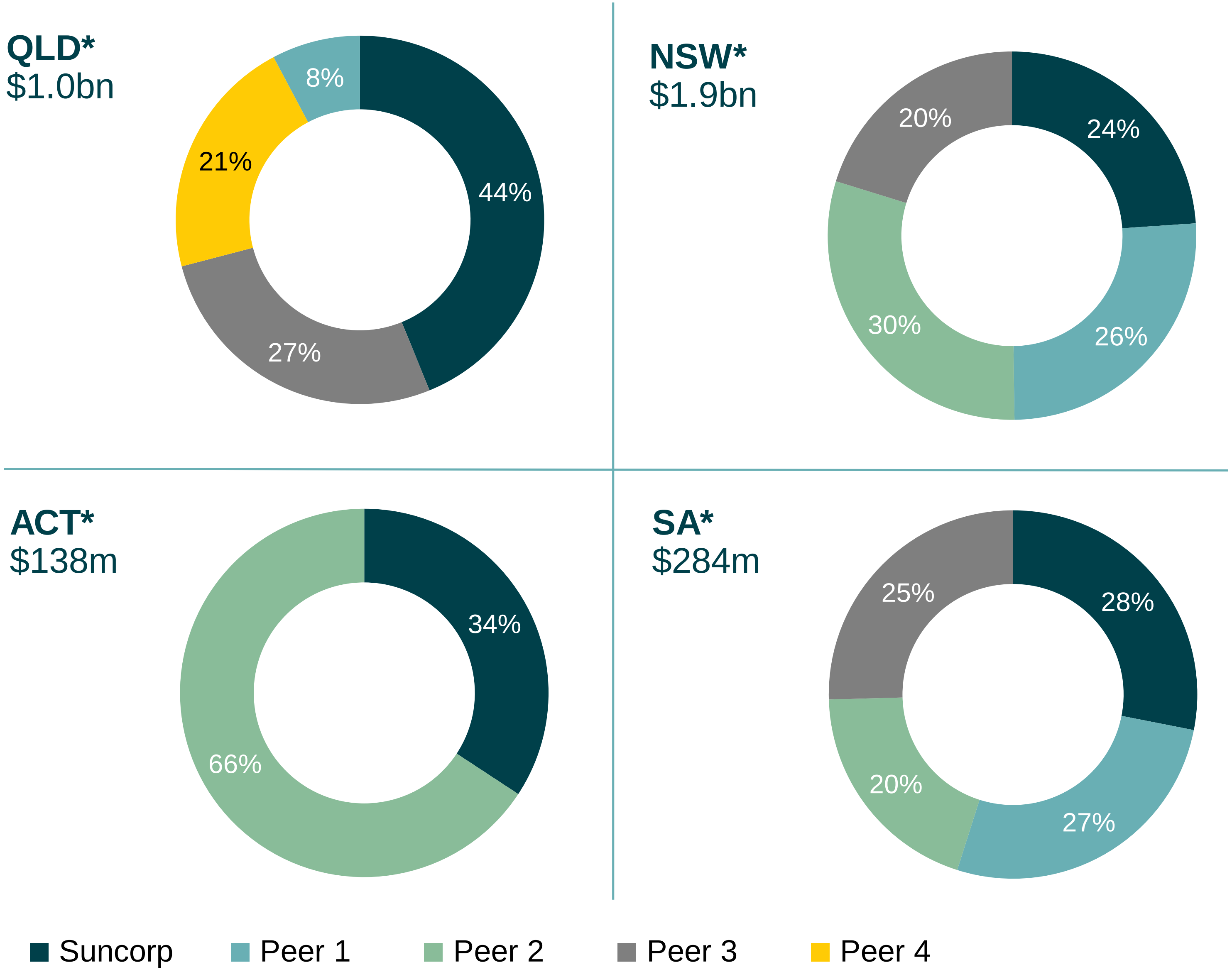
* Source: APRA, Company Data, DBM Consumer Atlas Mar-20, latest Suncorp Estimates

** 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



Source: State scheme regulators
*12 months to June 2020

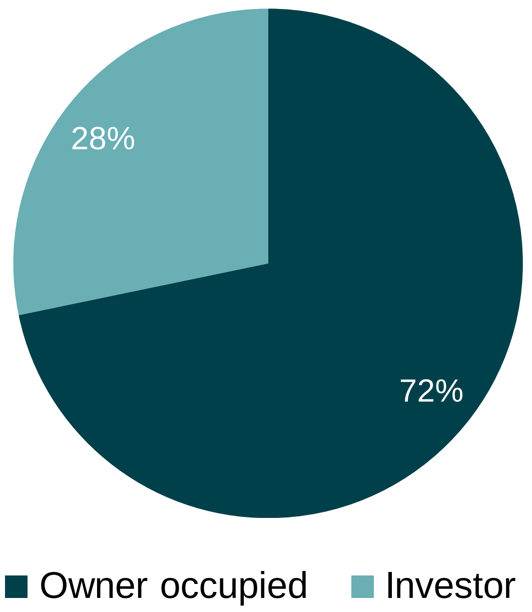
Banking & Wealth

Financial Results for the full year ended 30 June 2020

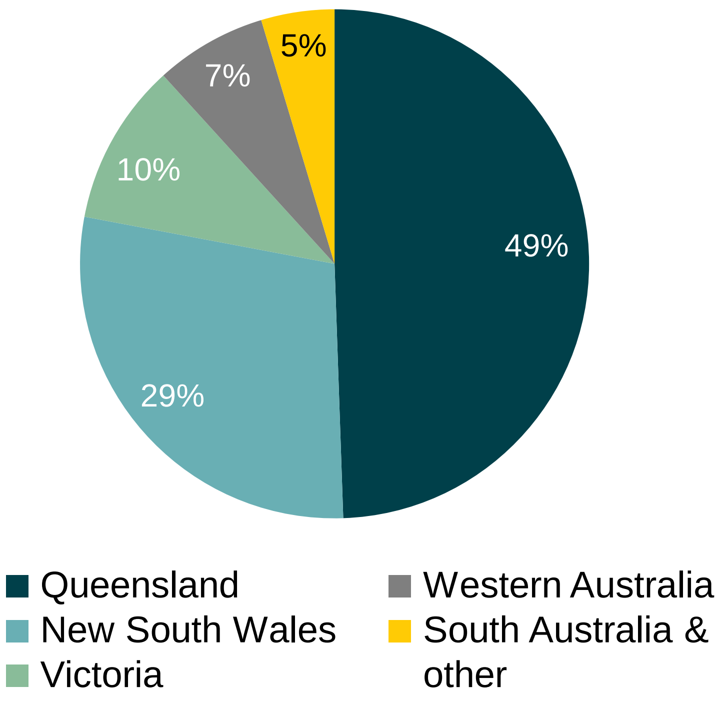
Banking & Wealth
Home lending portfolio

Total home lending assets of $46.5bn down 2.8% since 30 June 2019

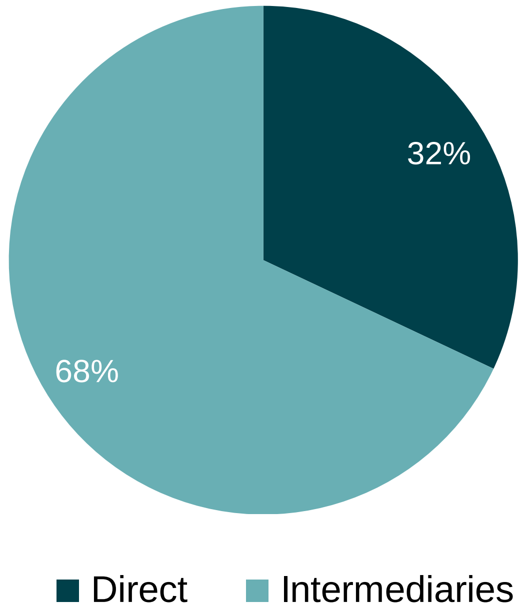
Portfolio by borrower type



Portfolio by geography



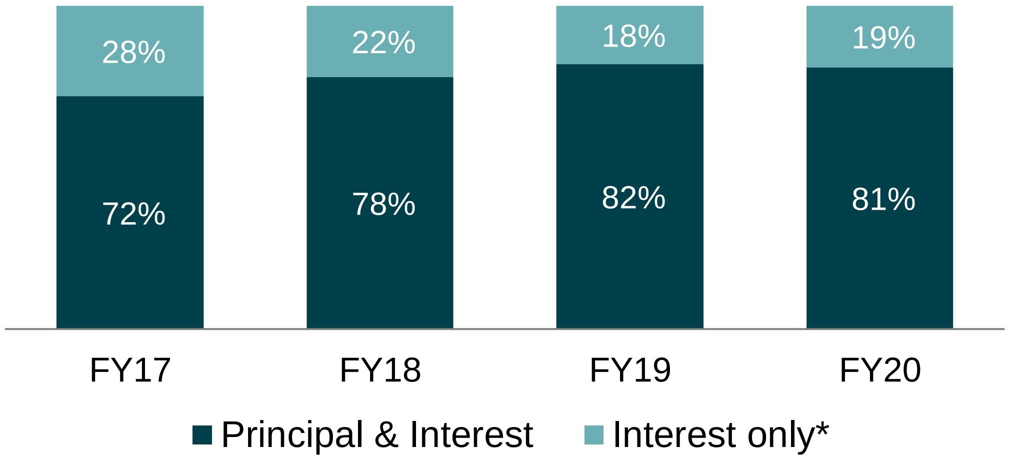
Portfolio by channel



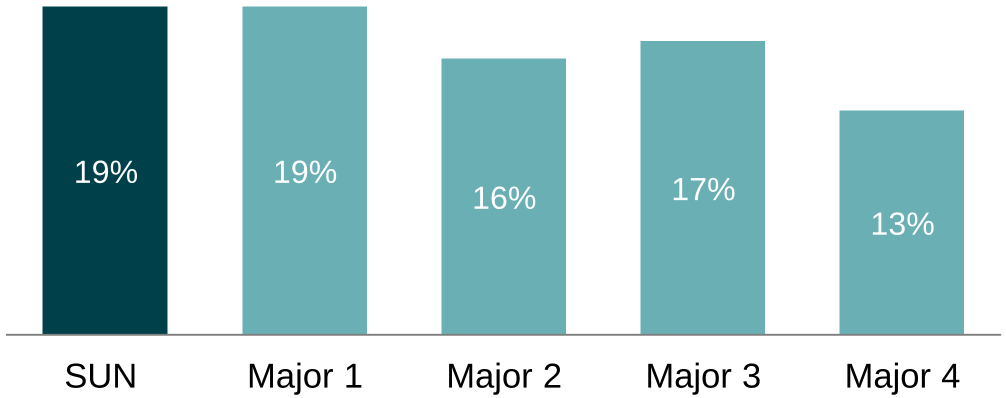
Banking & Wealth
Home lending origination by repayment type

- Continued focus on high quality lending including serviceability, credit quality and loan-to-value ratios
- Interest-only loans comprised 19% of new business for the period
- The Bank has implemented new COVID-19 specific lending guidelines in all new lending applications

New business origination by repayment type



Interest only* proportion of new business home lending vs peers

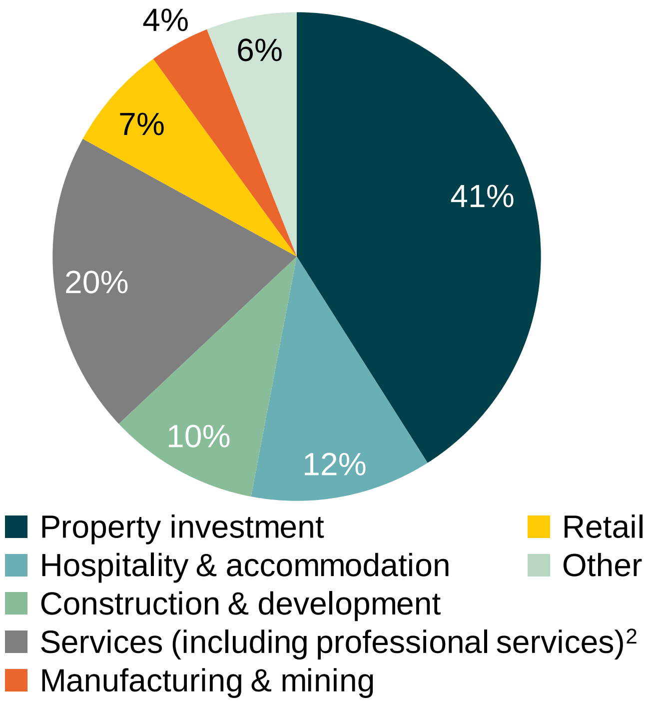


Source: Latest peer financial reports
* excludes Lines of Credit (Asset Lines)

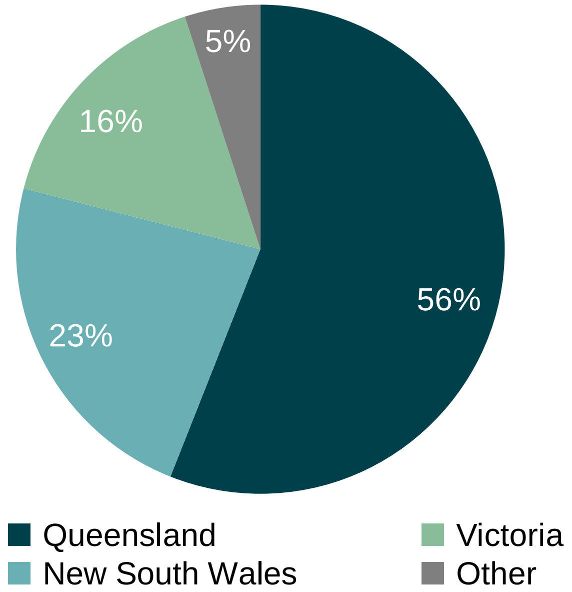
Banking & Wealth
Commercial (SME) portfolio

Total assets of $7.3bn down 0.3% since 30 June 2019

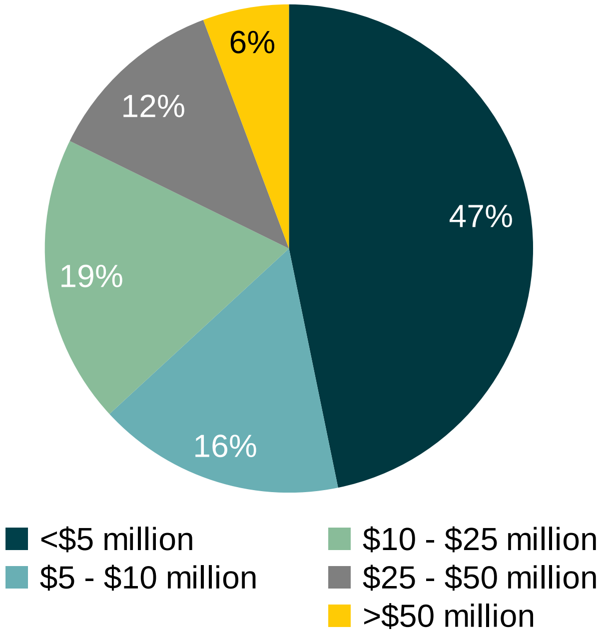
Portfolio by industry



Portfolio by geography[1]



Portfolio by exposure size



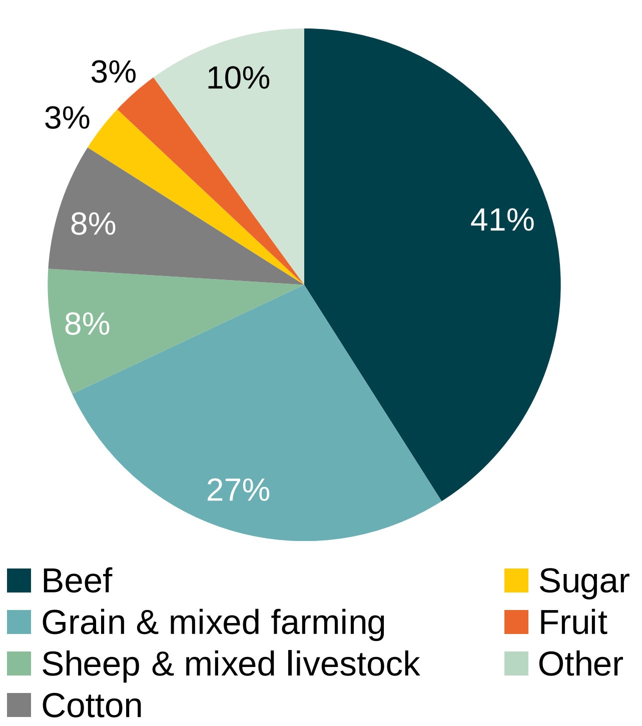
[1] Reflects changes to business loan reporting to reclassify asset location based on industry code and primary collateral state rather than the origination business centre. These changes resulted in $427 million of exposures moving from Agribusiness to Commercial (SME) and a 3% decrease in Queensland exposures

[2] Includes a portion of small business loans, with limits below $1 million, that are not classified

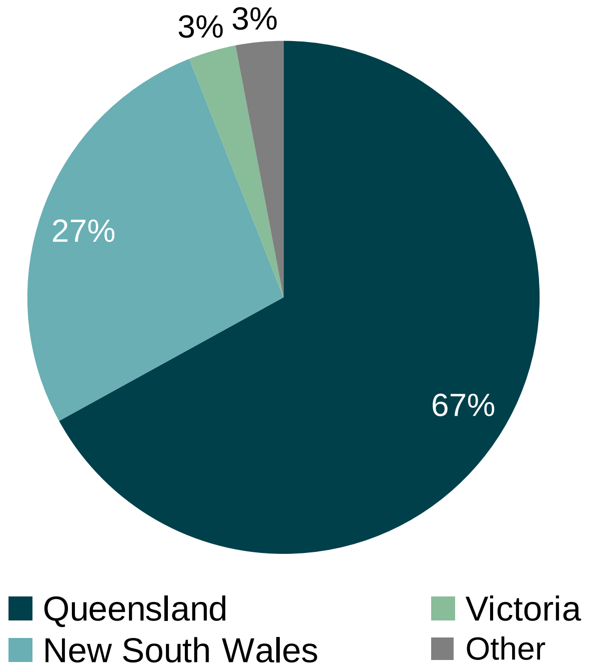
Banking & Wealth
Agribusiness portfolio

Total assets of $4.1bn up 1.6% since 30 June 2019

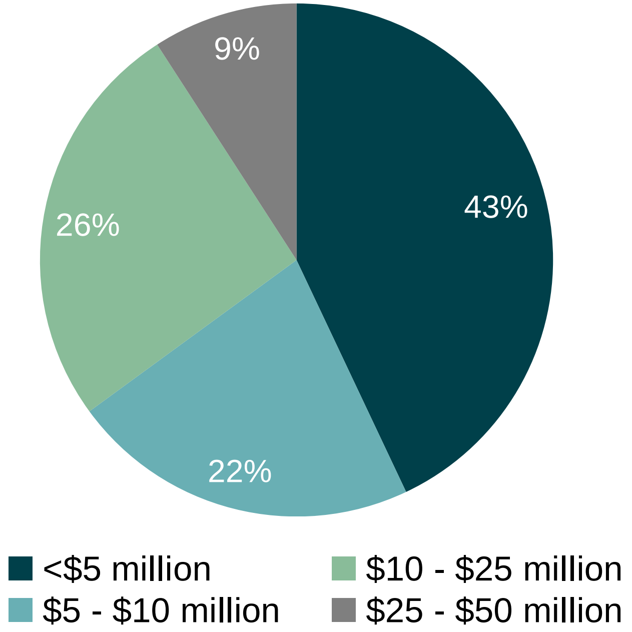
Portfolio by industry



Portfolio by geography[1]



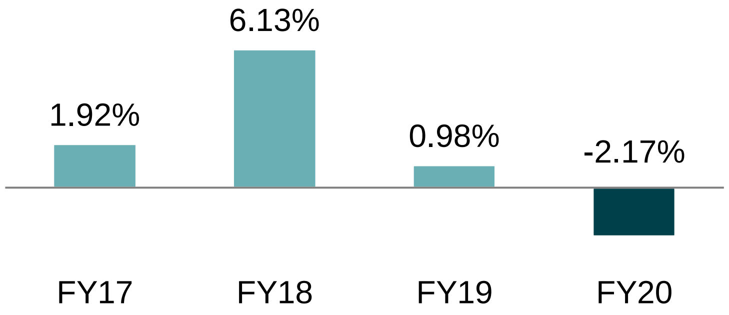
Portfolio by exposure size



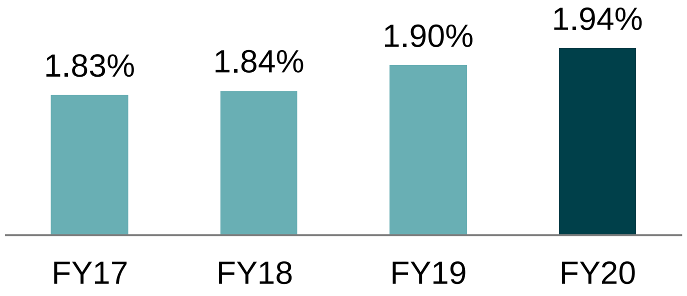
[1] Reflects changes to business loan reporting to reclassify asset location based on industry code and primary collateral state rather than the origination business centre. These changes resulted in $427 million of exposures moving from Agribusiness to Commercial (SME) and a 3% decrease in Queensland exposures

Banking & Wealth
Key ratios

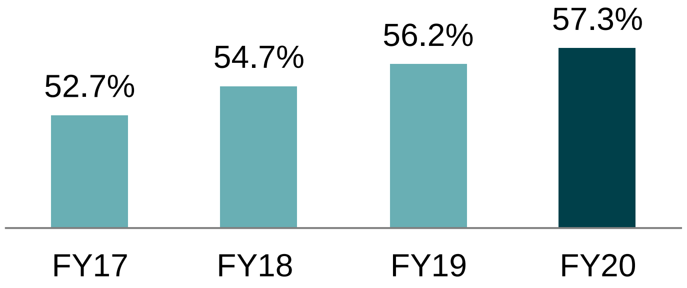
Lending growth



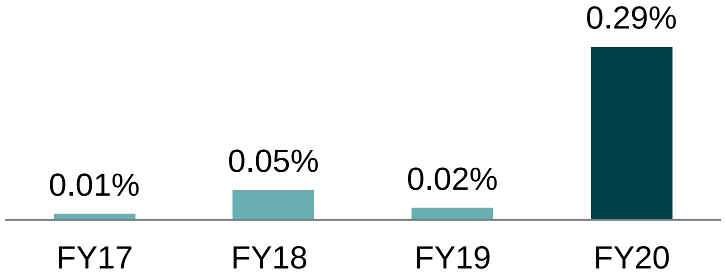
Net interest margin (NIM) (interest-earning assets)*



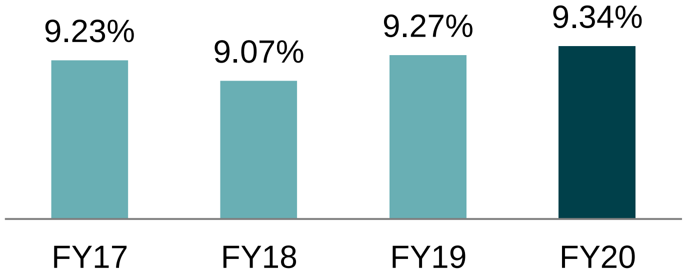
Cost to income ratio



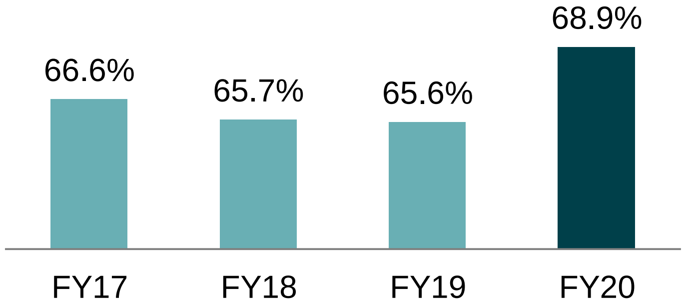
Impairment losses to gross loans and advances



Common Equity Tier 1 ratio**



Deposit to loan ratio



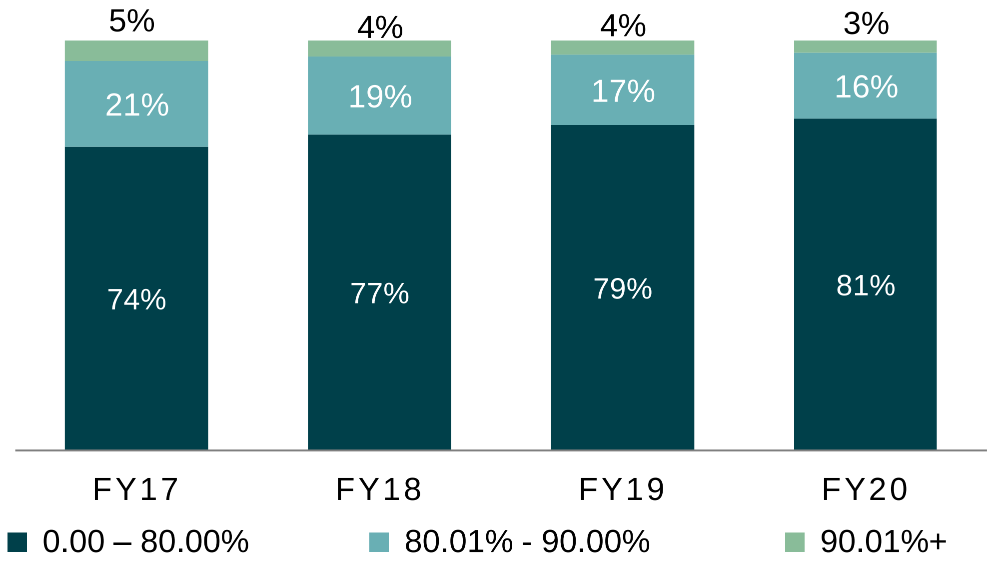
*Prior to FY19, the interest-earning assets used in calculating Suncorp's NIM were gross of offset accounts. FY19 and FY20 NIM reflect a net of offset accounts methodology, consistent with peer disclosures
**FY19 comparatives have been restated to reflect immaterial changes in Bank credit risk-weighted assets as set out in the revised Jun-19 APS 330 disclosures published on the Suncorp Group website on 31 January 2020

Banking & Wealth
Loan-to-value ratio (LVR)

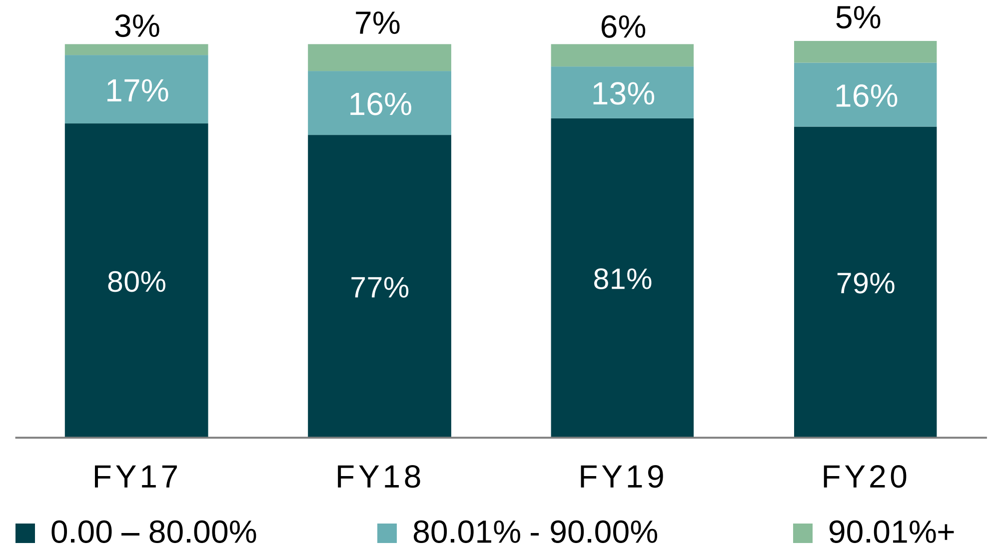
Total home lending assets of $46.5bn

- Home lending assets sub 80% LVR continued to increase as a proportion of the home lending portfolio, whilst assets above 90% LVR continued to fall
- Portfolio dynamic LVR of 63% at Jun-2020 (Jun-2019: 66%)
- The Bank has continued to deliver a targeted program of work to enhance turn-around times for loan applications

Home lending assets by LVR



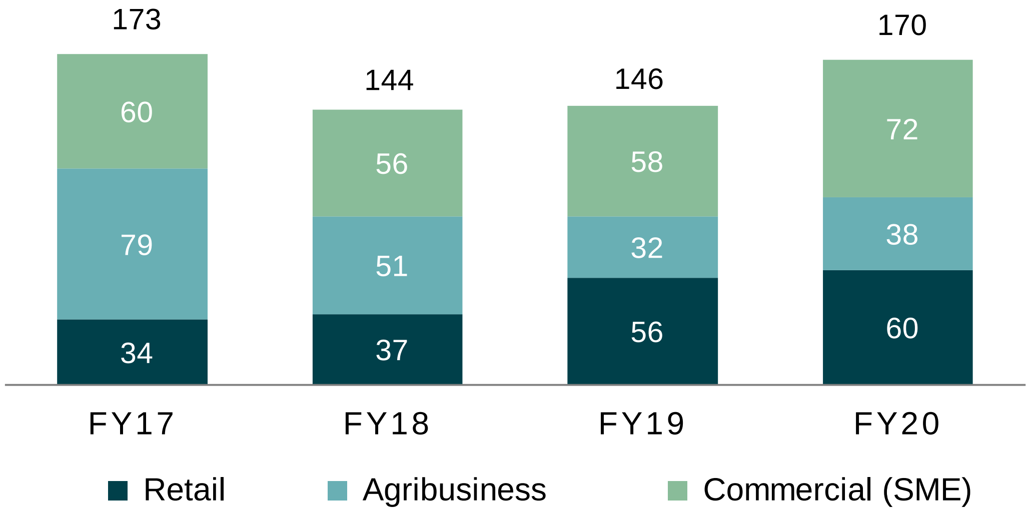
Home lending new business by LVR



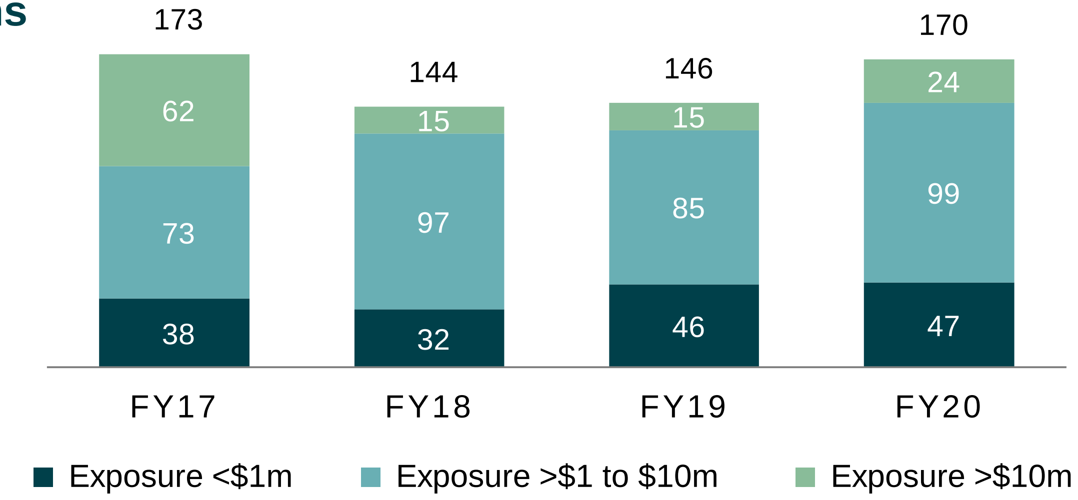
Banking & Wealth
Credit quality impaired loans

- Gross impaired assets increased $24m to $170m, representing 29 bps of gross loans and advances
- Retail impaired loans increased slightly to $60m (excludes COVID-19 loan deferrals)
- Agribusiness impaired loans increased $6m to $38m, partially driven by the impact of drought
- Commercial impairments increased $14m to $72m, largely driven by exposures in the accommodation and property investment sectors, which were experiencing financial difficulty prior to the onset of the COVID-19 pandemic

Gross impaired loans by segment ($m)



Gross impaired loans by exposure ($m)



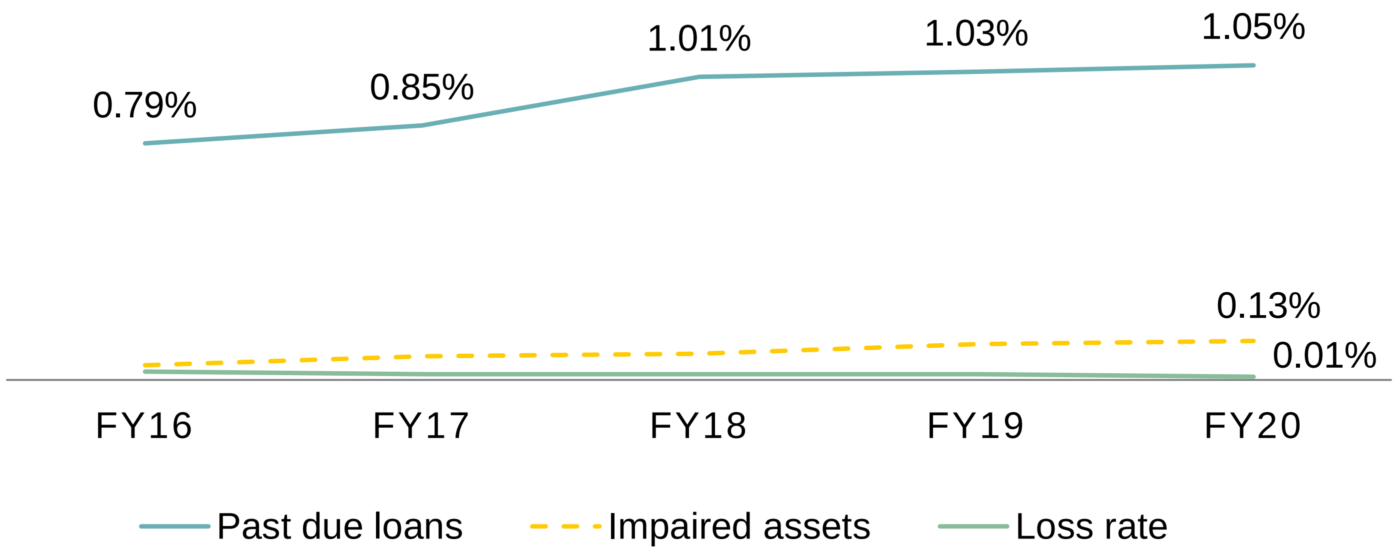
Note: impaired loans are where doubt exists that the full amount of principal and interest will be collected in a timely manner in compliance with agreed terms

Banking & Wealth
Credit quality home lending

- Home lending past due loans were relatively flat (excludes COVID-19 deferrals)
- Continued focus on collection process enhancements and improving customer support through the arrears process

Home lending impaired assets and non-performing loans

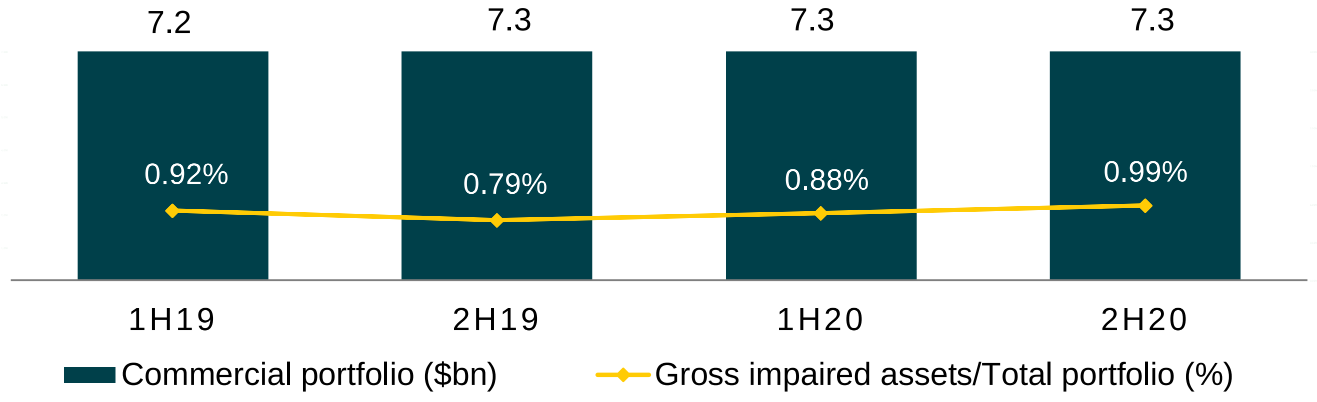
(% gross home loans)



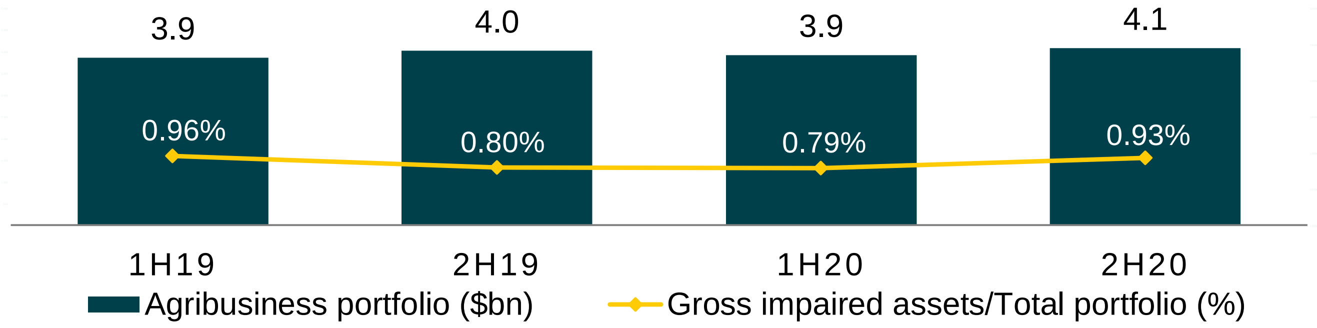
Note: past due loans are loans which are more than 90 days in arrears

Banking & Wealth
Credit quality business lending

Commercial (SME) portfolio[1] ($bn)



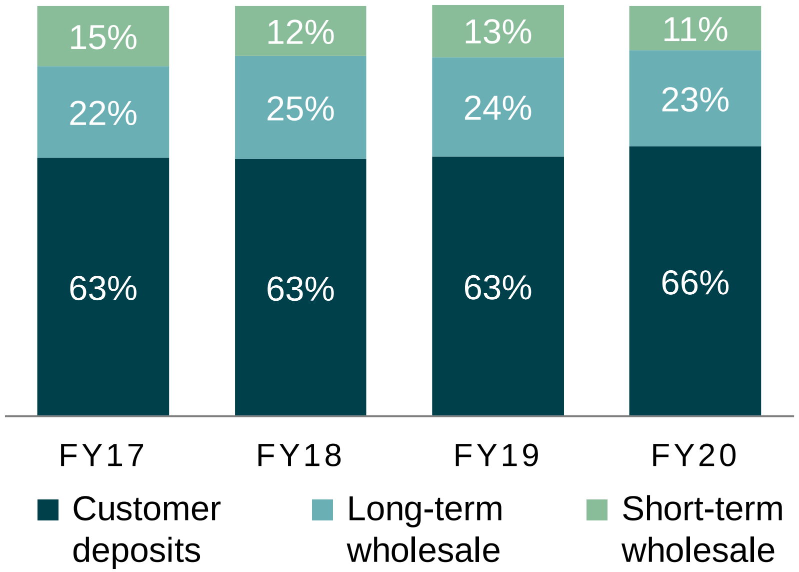
Agribusiness portfolio[1] ($bn)



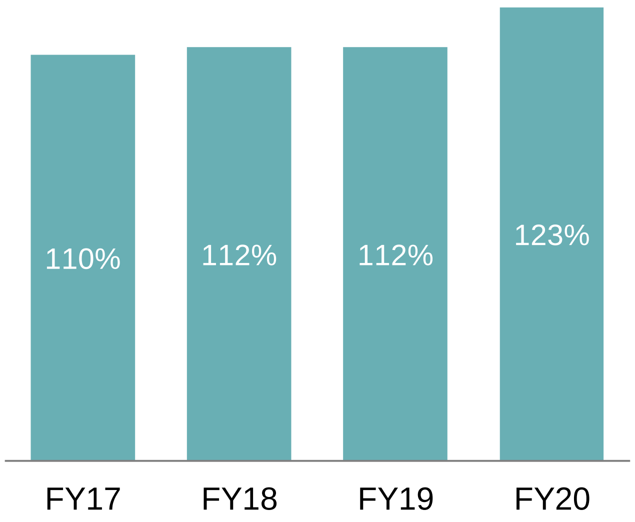
[1] Reflects changes to business loan reporting to reclassify asset location based on industry code and primary collateral state rather than the origination business centre. These changes resulted in $427 million of exposures moving from Agribusiness to Commercial (SME) and a 3% decrease in Queensland exposures. Prior periods have been restated

Banking & Wealth
Funding mix

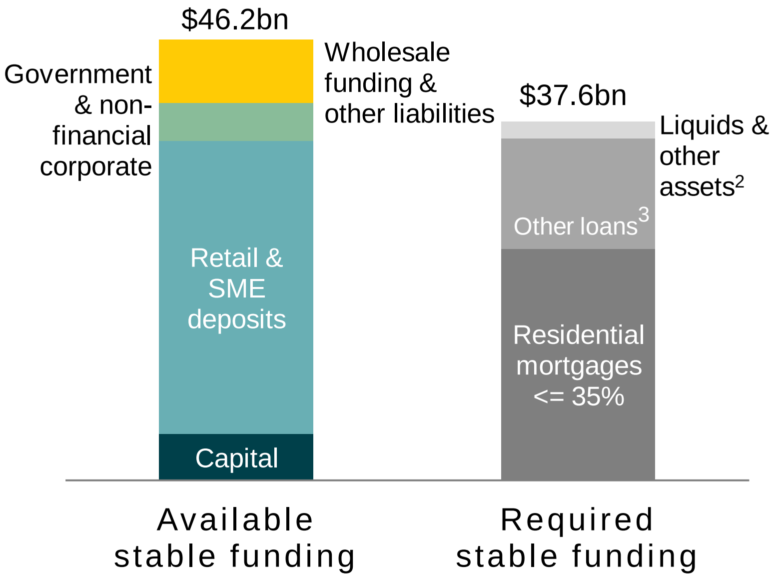
Overall funding mix



Net stable funding ratio (NSFR)[1]



Stable funding composition

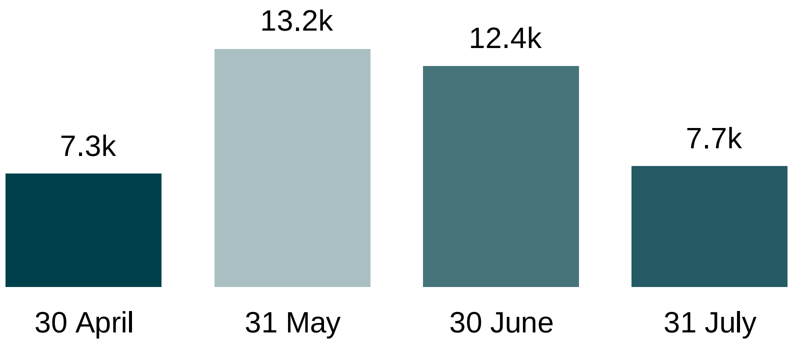


[1] Historical NSFR figures disclosed are based on regulatory instructions available at the relevant reporting dates
[2] Other assets includes derivatives and other assets
[3] Other loans includes off balance sheet exposures and residential mortgages >35% risk weight

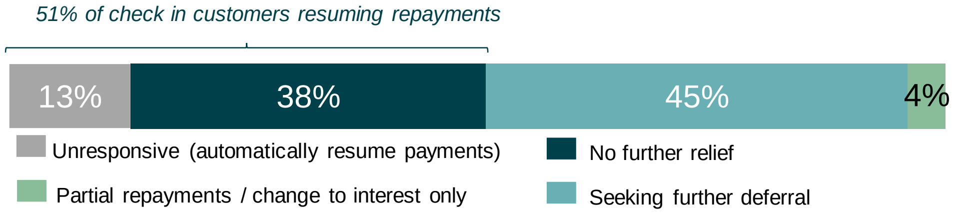
Banking & Wealth
Home loan deferrals

- The Bank has been focused on supporting customers through the COVID-19 pandemic and has provided a range of support options including removing fees and temporarily deferring loan repayments based on the individual needs of customers
- Home lending customers were offered a three-month temporary repayment deferral with an option for a further three-months post check-in
- As at 31 July 2020, around 7.7k home loan accounts were under deferral arrangements, representing $2.4bn of home loans
- As at 31 July 2020, 5% of the home lending portfolio was under temporary loan deferral arrangements, down from 8% at 30 June

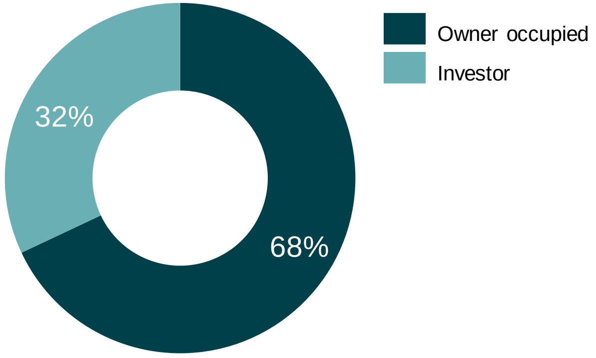
Historical home loan deferral accounts



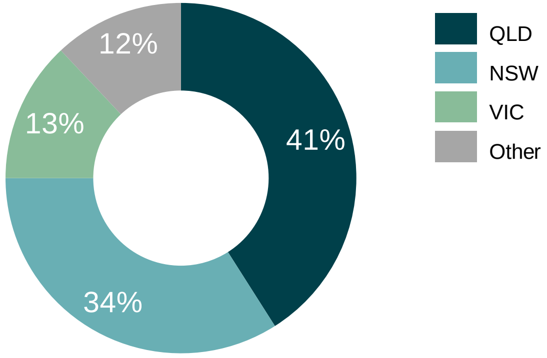
Home loan – three-month check-in responses as at 31 July



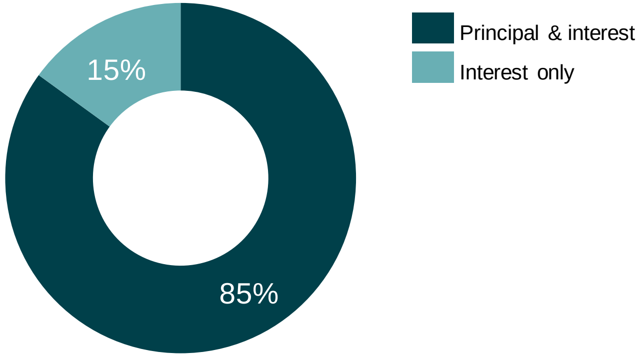
Home loan deferrals by borrower



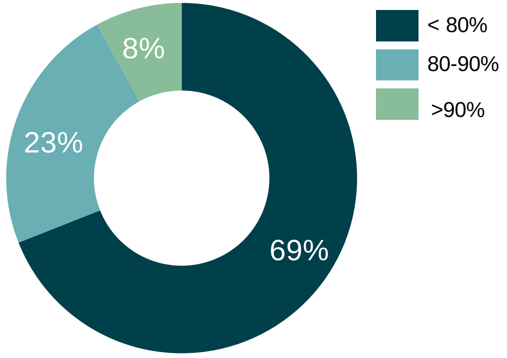
Home loan deferrals by state



Home loan deferrals by repayment



Home loan deferrals by LVR



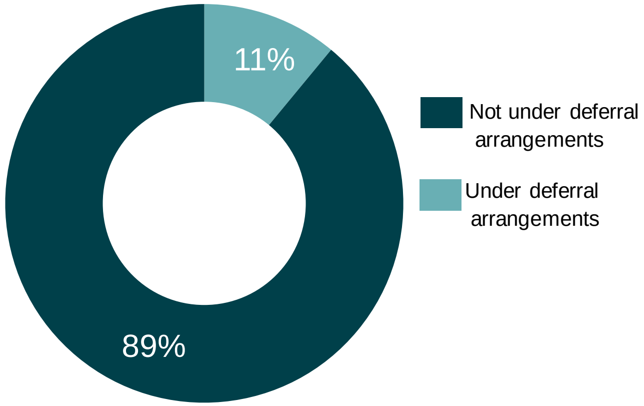
Note: Deferral data as at 31 July 2020 and based on APRA Economic and Financial Statistics definitions

Banking & Wealth
Business loan deferrals

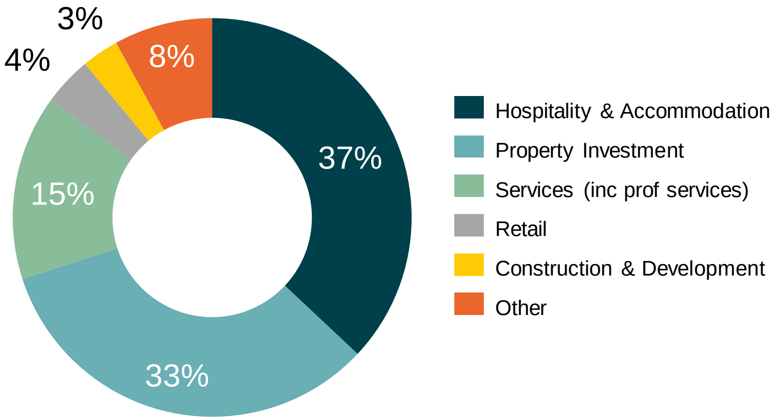
- Business lending customers have been offered temporary loan repayment deferrals for up to six months
- As at 31 July, approximately 1.5k business loans were receiving repayment deferrals, representing $1.2bn of business loans
- The numbers of business loan accounts and the proportion of the business lending customers under deferral arrangements compared to the total business lending portfolio has remained broadly stable from June to July.

Note: Deferral data as at 31 July 2020 and based on APRA Economic and Financial Statistics definitions

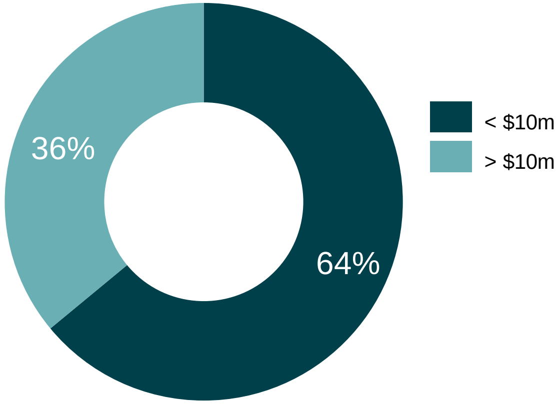
Business loan portfolio on deferral



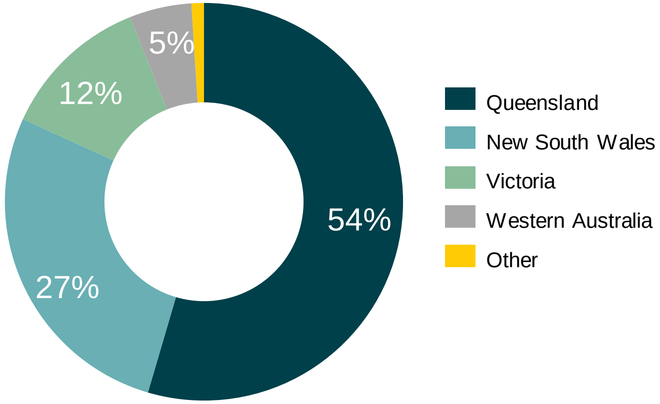
Business loan deferrals by industry



Business loan deferrals by total credit exposure



Business loan deferrals by state



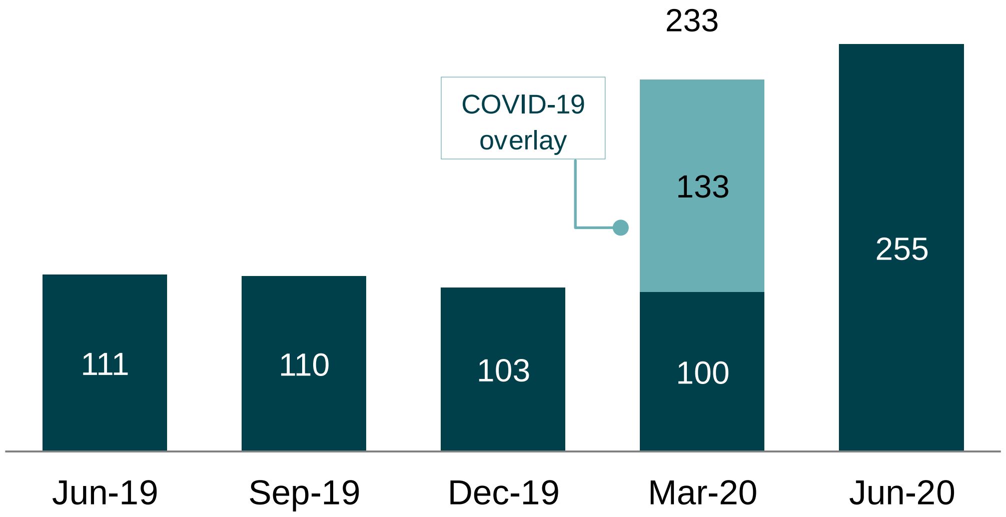
Banking & Wealth
Collective provision

As at 30 June 2020, the collective provision of $255m incorporates the following:

- The modelled collective provision
- A forward-looking significant increase in credit risk component, to ensure that the ECL includes the full impact implied by the economic outlook
- A separate economic overlay reflecting the considerable uncertainty remaining given the unprecedented impacts of COVID-19
- Several smaller portfolio specific overlays

The difference in the collective provision between March and June is a result of updates to the Bank's economic assumptions and the inclusion of a separate overlay reflecting the more uncertain outlook

Collective provision ($m)



Economic scenarios

Key economic assumptions	Mar-20		Jun-20	
	Peak	Expected	Peak	Expected
GDP growth (annual)	-11.2%	Dec-20	-7.3%	Jun-20
Unemployment	11.5%	Jun-21	10.0%	Dec-20
House prices	-10.6%	Mar-21	-8.3%	Jun-21
Commercial Property	-13.8%	Mar-21	-14.2%	Jun-21

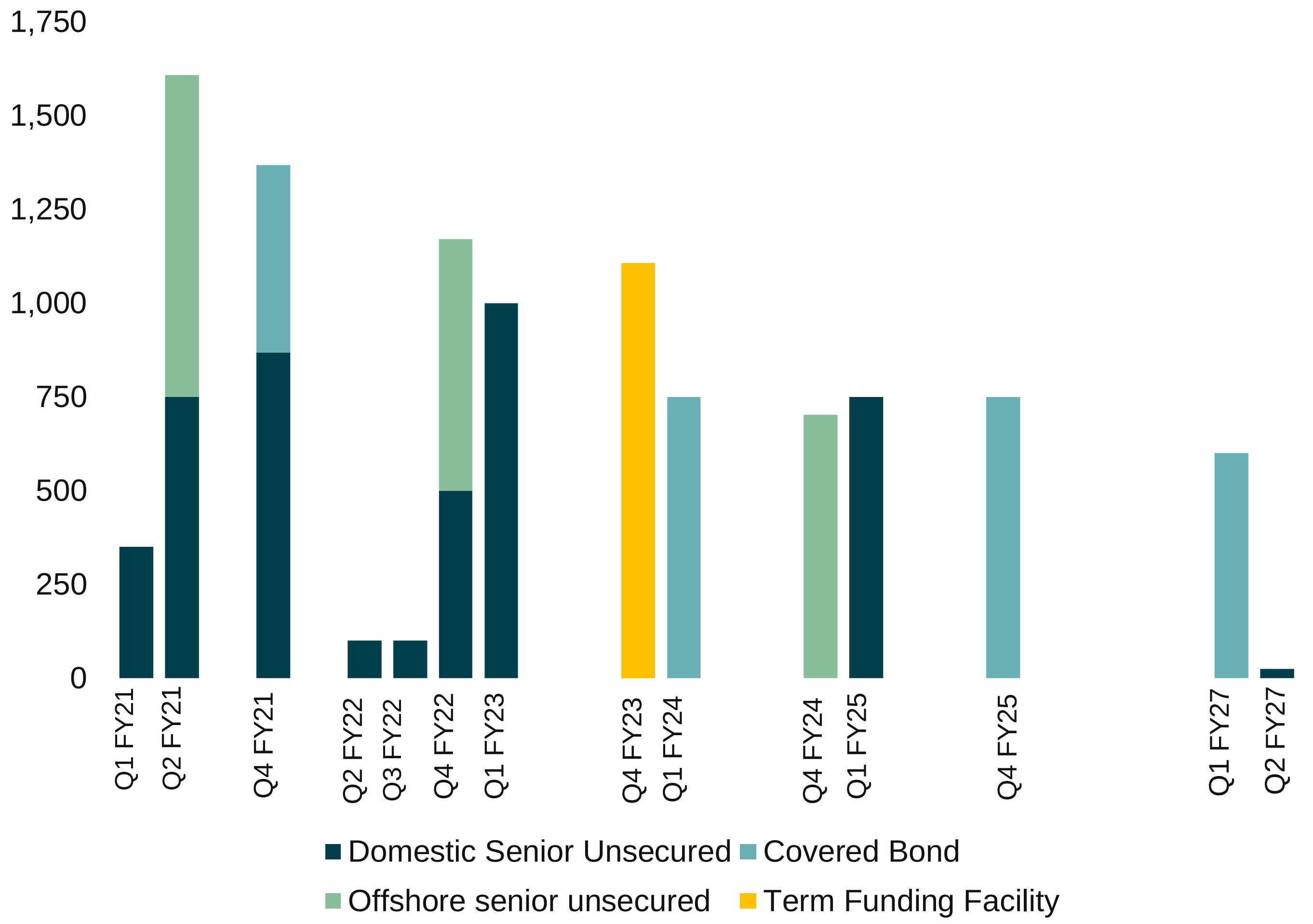
Collective provision by portfolio

Portfolio	Collective provision ($m)	Gross Loans and Advances ($m)	Collective Provision to Gross Loans and Advances
Retail	75	46,629	0.16%
Agribusiness	52	4,081	1.27%
Commercial (SME)	128	7,295	1.75%

Banking & Wealth
Long term funding profile

- During FY20, the Bank demonstrated responsiveness to market conditions by issuing $2.0bn of domestic senior unsecured and covered bonds with a weighted average term of 4.1 years
- Issuances included an oversubscribed $750m 5-year covered bond in April 2020, demonstrating the strength of the wholesale funding program during a period of notable market volatility

Funding maturity profile ($m)

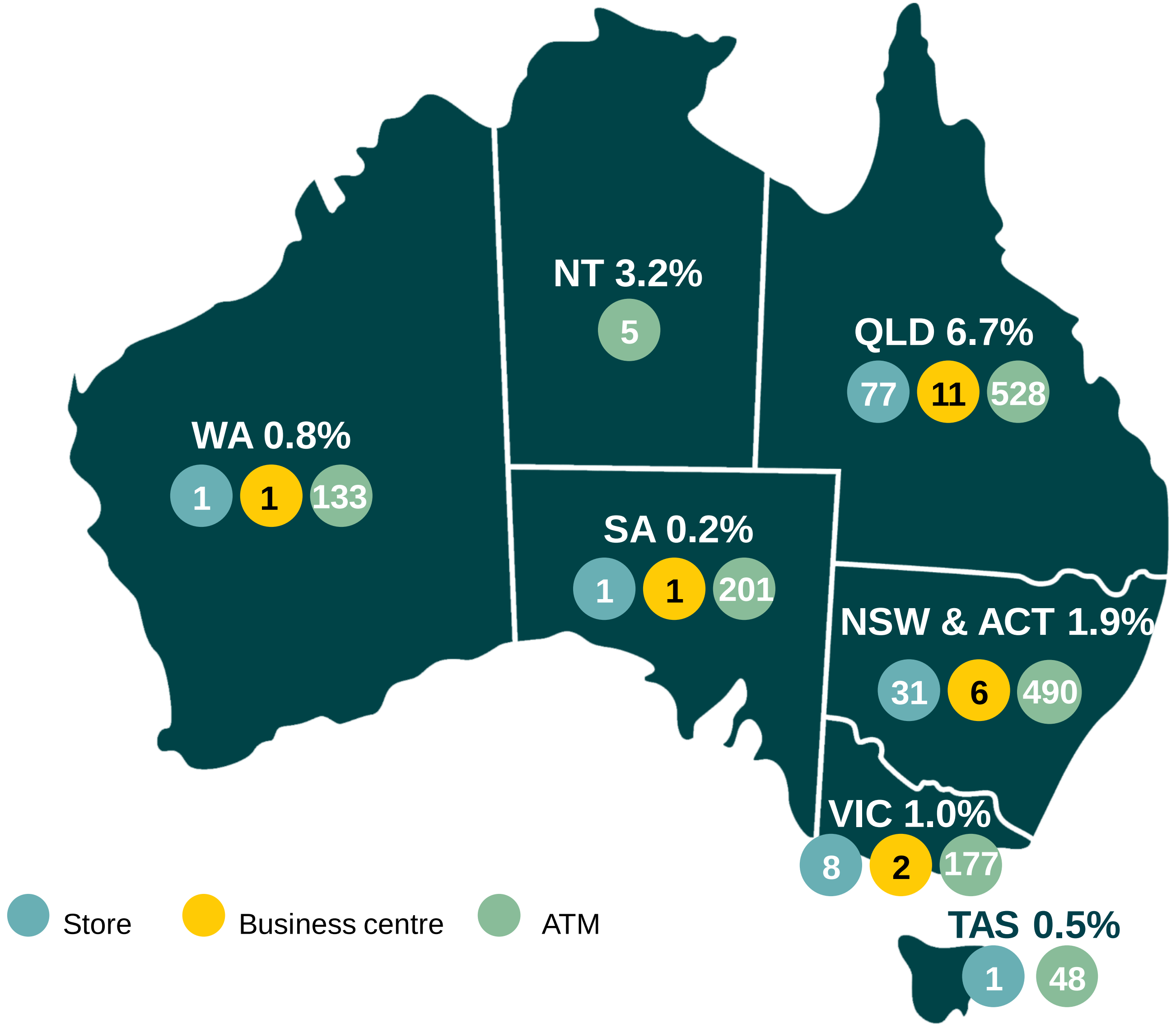


Note: Maturity profile shown on a quarterly basis

Banking & Wealth
Market share

Retail banking market share and Suncorp footprint

- The Bank continues to assist customers through the Store network during COVID-19, while balancing the safety of Suncorp's people and the wider community
- During COVID-19 16 stores have closed temporarily and 45 stores have reduced operating hours



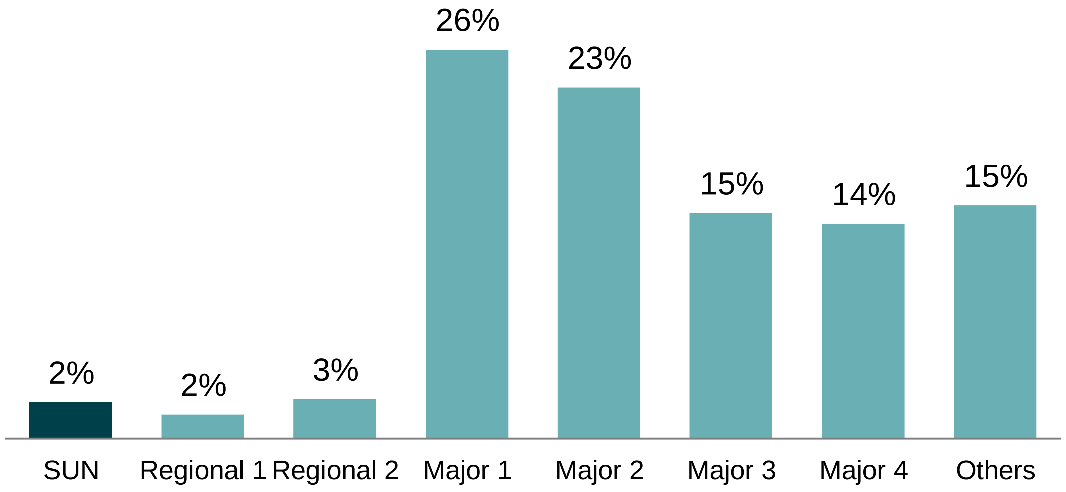
Note: Footprint as at June 2020
Market share source: Customer Atlas, June 2020

Banking & Wealth Housing lending vs system

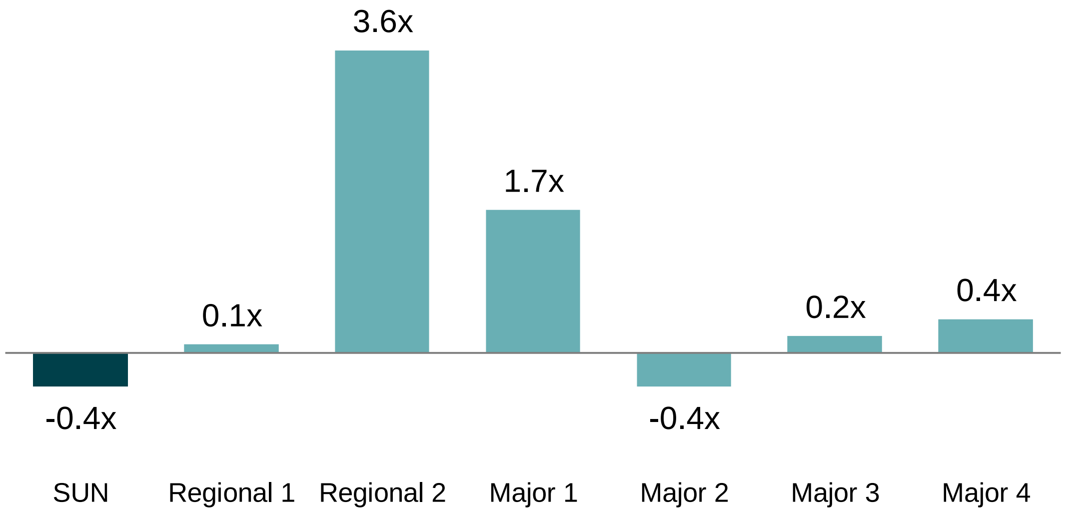
- Home lending contracted 2.8% over the year, reflecting strong competition for new and existing business, reduced system growth and an extended period of elevated loan processing turn-around times in 2019 calendar year
- The Bank has continued to deliver a targeted program of work to enhance turn-around times for loan applications

Source: APRA, June 2020

Housing lending market share



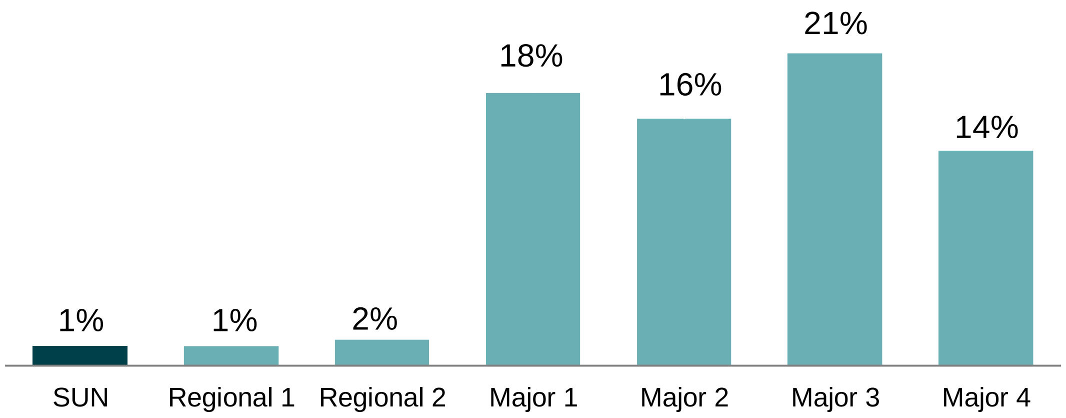
Housing lending vs system growth (times)



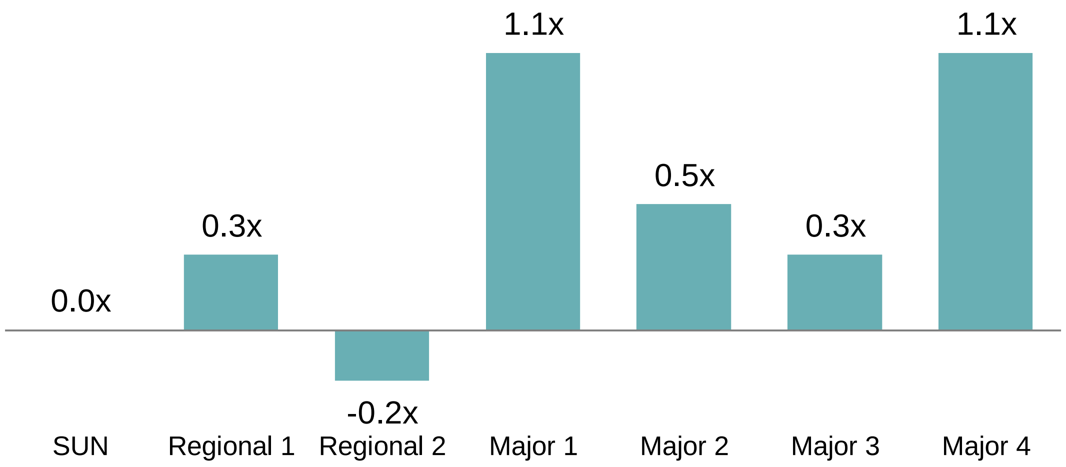
Banking & Wealth Business lending vs system

- Commercial lending contracted 0.3% to $7.3bn, driven by the cyclical nature of the construction/development sector, and reductions in hospitality and accommodation exposures, partially offset by growth in property investment
- Agribusiness lending grew 1.6% to $4.1bn, driven by improved rainfall particularly in New South Wales and Victoria

Business lending market share



Business lending vs system growth (times)

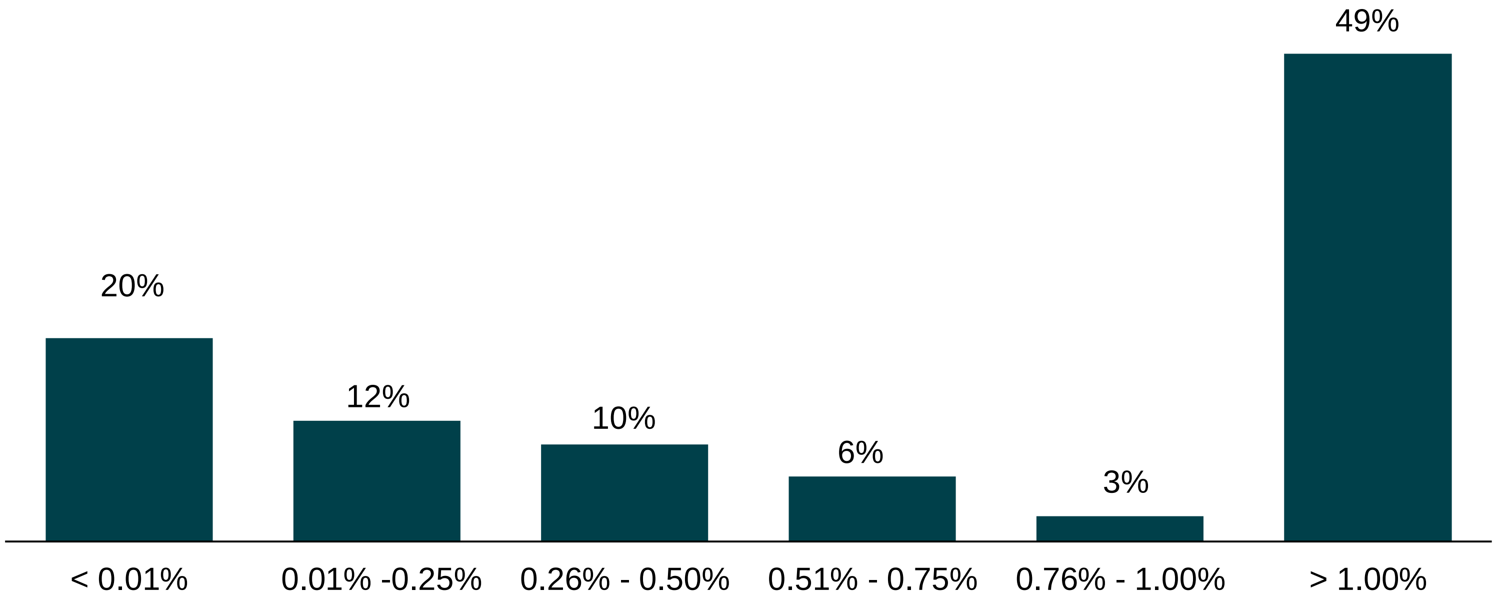


Source: APRA, June 2020

Banking & Wealth
Customer deposits by interest rate

- At-call deposits growth of 27.5% to $28.7 billion, above system, driven by continued momentum from improved digital capabilities
- Continued to optimise the customer deposit portfolio and reduce reliance on relatively more expensive term deposit funding, with the term deposit portfolio decreasing 31.3%

Customer deposits by interest rate as at 30 June 2020 (%)



New Zealand

Financial Results for the full year ended 30 June 2020

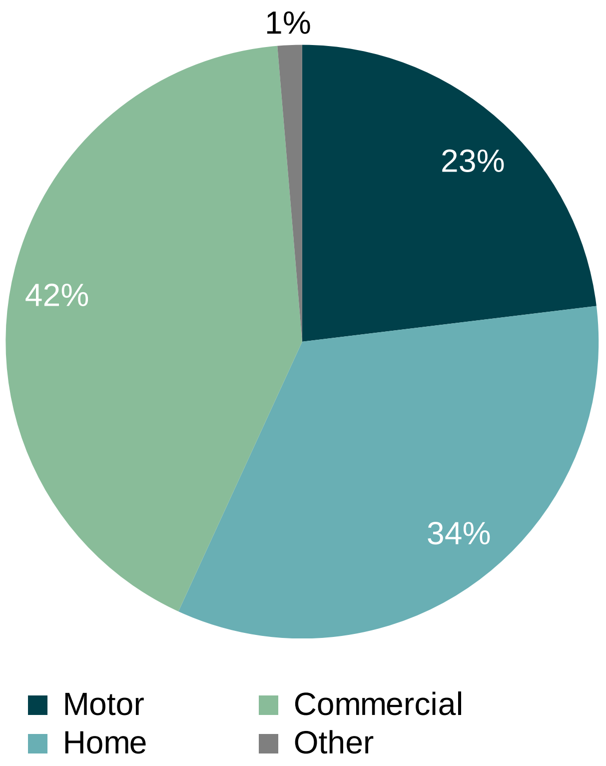
Note: All figures and commentary in the New Zealand section are displayed in New Zealand dollars unless otherwise specified

New Zealand
General Insurance GWP

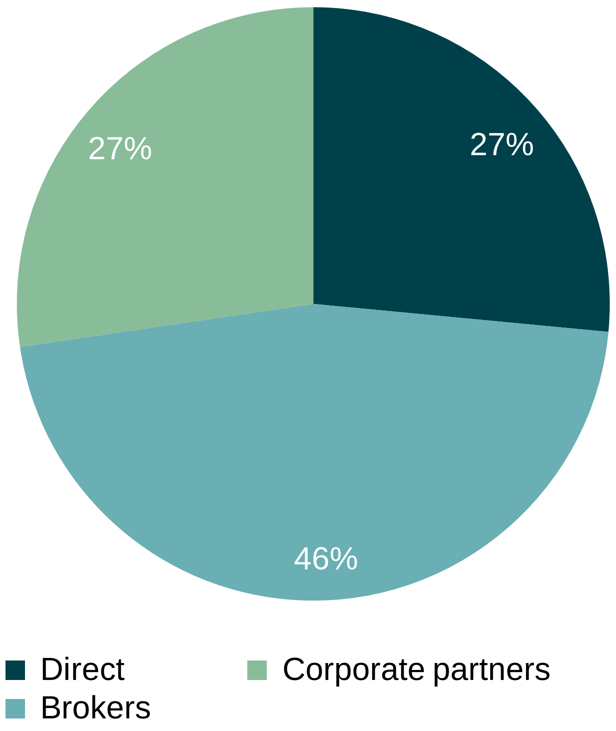
Total GWP of NZ$1.7bn, up 2.6% on the pcp

- Excluding COVID-19 and customer remediation impacts, GWP grew by 5.0%

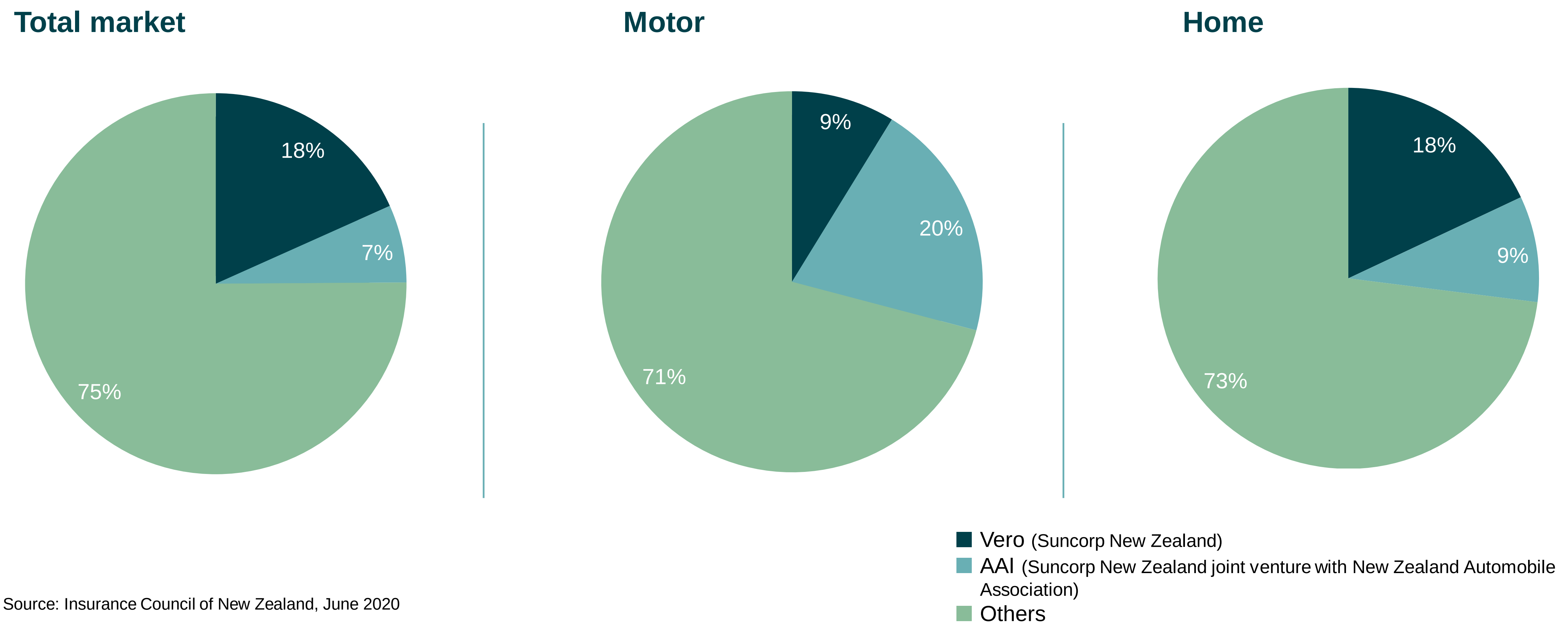
Portfolio by product



Portfolio by channel



New Zealand
General Insurance market share

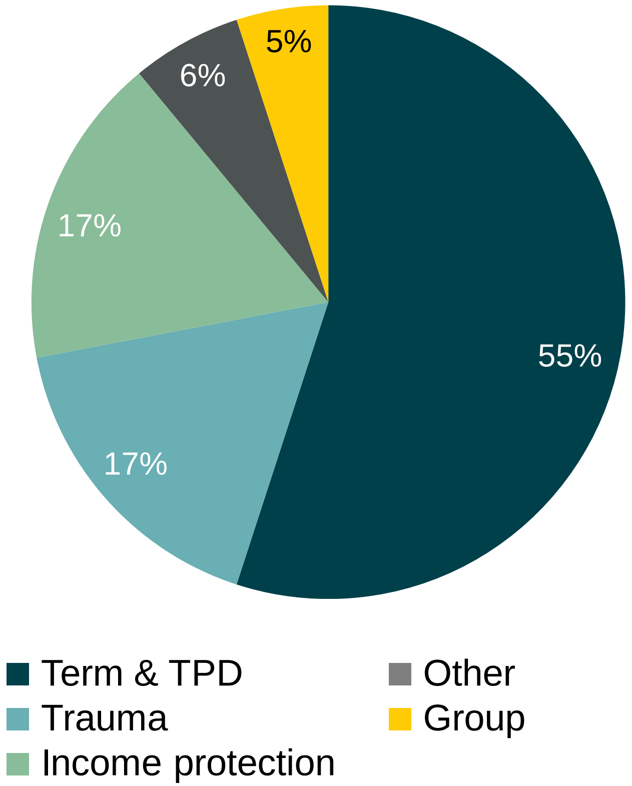


Source: Insurance Council of New Zealand, June 2020

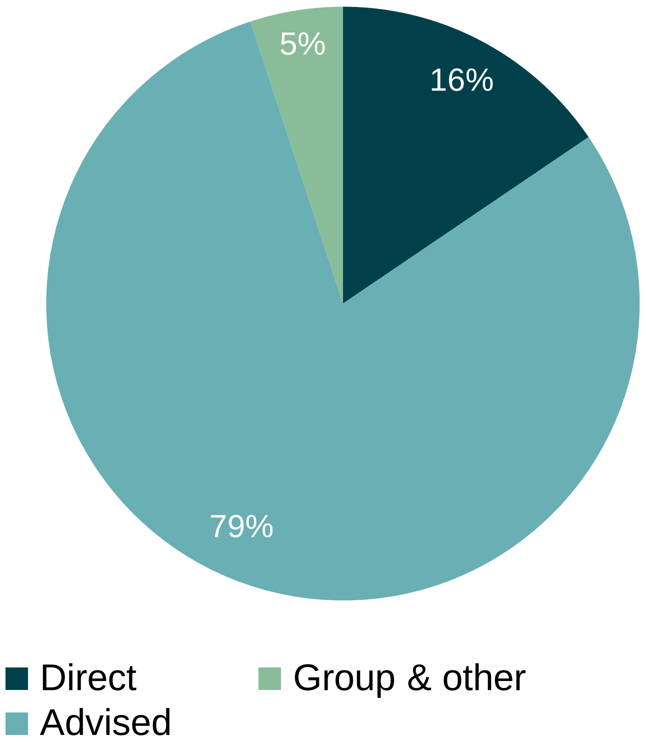
New Zealand
Life Insurance in-force premium

Total in-force premium of NZ$277m

Premium by product



Premium by channel

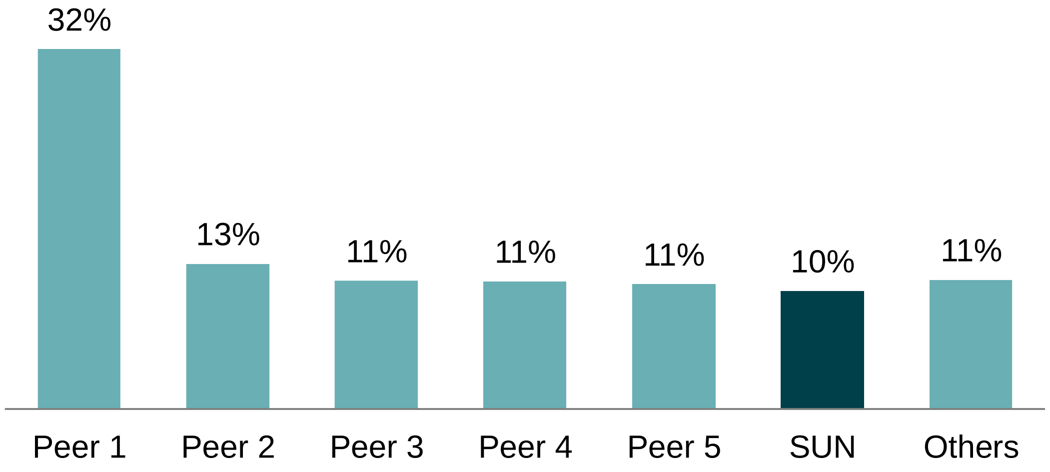


New Zealand
Life Insurance market share

Individual risk

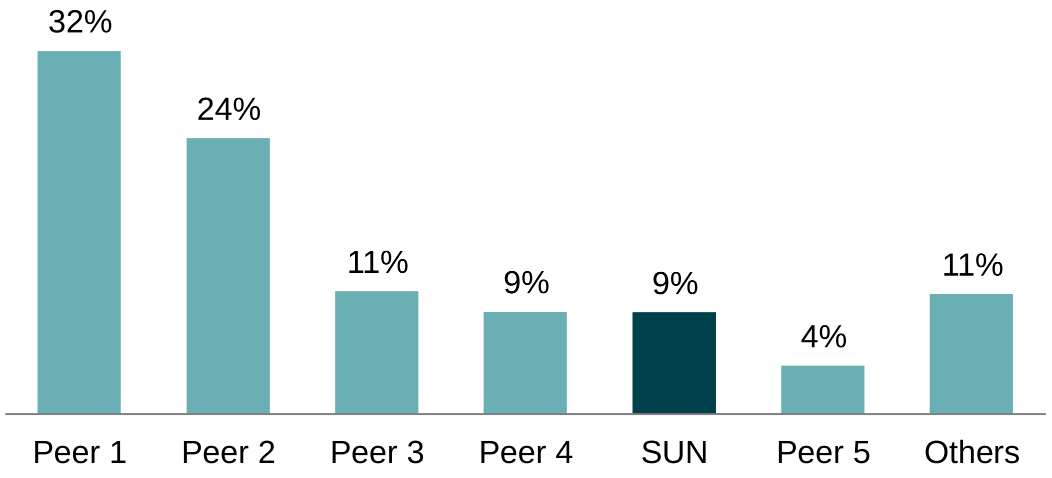
In-force

NZ$2.6bn



New business

NZ$171m*



Source: Financial Services Council, June 2020
Note: excludes traditional policies
* New business is 12 months to June 2020

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