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Sale of Suncorp Bank

18 July 2022

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Key highlights

- Sale of Suncorp Bank to ANZ for $4.9 billion, representing 1.3x P/NTA
- Significant value realised for Suncorp shareholders
- Simplified group with a market leading general insurance business
- Positive outcome for customers and staff
- Opportunity to enhance and accelerate the plan for Suncorp Bank under ANZ ownership
- Reaffirming FY23 targets

Reshaping and simplifying

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Sale of the Australian Life business
February 2019

May 2019
Sale of Resilium distribution business

Renewed focus on our core business
August 2019

October 2019
Sale of Capital S.M.A.R.T and ACM Parts

New operating model and organisational structure
July 2020

February 2021
Exited underperforming portfolios

Sale of RACTI joint venture
December 2021

March 2022
Sale of Australian Wealth Business

Sale of Suncorp Bank Announced
July 2022

Aligning everyone at Suncorp to core Insurance business

Aligned to deliver best products and services for customers

Bank was set up with end to end processes with a new team in place and strategy well under way

Strategic rationale

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Building futures and protecting what matters

- **Maximise** value for Suncorp shareholders with the offer representing an attractive premium
  - **Position** Suncorp Bank's customers, people and purpose for greater success over the medium to long term
    - **Alignment** of ambition with ANZ on the Bank's future potential
  - **Focus** on strategic initiatives within Suncorp's insurance businesses
- **Simplify** Suncorp as an organisation with a commitment to being at the forefront of sustainability

A strengthening of Suncorp and ANZ commitment to Queensland

Maintaining Suncorp Bank’s strong Queensland presence

- For a period of 3 years post completion:
  - No net job losses in Queensland as a result of the acquisition
  - No further reductions in branch numbers in Queensland

Broader ANZ commitment to the region

- Supporting ANZ’s existing renewable lending commitments to support Queensland renewable projects and green Olympic Games infrastructure
- Supporting energy projects particularly those targeting bioenergy and hydrogen over the next decade

Benefits for Suncorp Bank’s Queensland customers and staff

- Access to product and technology initiatives currently being developed by ANZ
- Additional development, career progression and training opportunities for Suncorp Bank employees

Broader Suncorp commitment to the region

- Queensland will continue to be head office and key functions will continue to operate from there
- Claims centre of excellence

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Transaction overview

Transaction structure	– Sale of 100% of shares in SBGH Ltd, the holding company for Suncorp Bank (the **Bank**), to Australia and New Zealand Banking Group Limited (**ANZ**)
Consideration	– 100% cash consideration for the ordinary shares of the Bank – $4.9 billion cash consideration, and a minimum brand licence fee of $50 million to be received over time (representing $10 million per year) – Price represents 1.3x P/NTA[1]
Conditions Precedent	– As agreed in the Share Sale and Purchase Agreement (**SPA**), completion is subject to certain conditions including ACCC approval, Financial Sector (Shareholdings) Act approval from the Treasurer and certain amendments to the State Financial Institutions and Metway Merger Act 1996
Brand Licencing Agreement	– Suncorp and ANZ have entered into a 5 year Brand Licencing Agreement for Suncorp Bank – The term of the licencing agreement may be extended by an additional two years
Timeline to completion	– Expected approximately 12 months to completion – Targeting completion by second half of calendar year 2023
TSA	– A transitional services agreement (TSA) will be entered into for a period of two to three years from completion
Stranded costs	– Stranded costs, net of TSA, will be approximately $40 million per year after tax from completion – We are committed to removing stranded costs with a targeted timeframe of three years post completion

Note: (1) Based on last reported Net Tangible Assets of the Bank of $3.6 billion as at 31 December 2021. This NTA is subject to change once the completion balance sheet is finalised.

Indicative proceeds from transaction

- Upfront consideration of $4.9 billion
- A $50 million fee received over time ($10 million per year for the brand licence)
- Implied accounting gain on sale (post-tax) of $0.3 billion
- Estimated net proceeds (capital generated) of $4.1 billion
- Consistent with the approach taken in previous divestments, the current intention is to return the majority of proceeds to shareholders
- Excess capital expected to be returned through combination of pro-rata capital return, fully franked special dividend and buybacks

Indicative net transaction proceeds[1]

Net Tangible Assets	$3.6bn
Premium paid to NTA	$1.3bn
Upfront consideration	**$4.9bn**
Less: indicative separation costs, transaction costs, other divestment related costs and provisions, and capital impacts	$0.5bn
Less: indicative capital gains tax	$0.3bn
Estimated net proceeds (capital generated)	**$4.1bn**

Note: (1) Based on last reported Net Tangible Assets of the Bank of $3.6 billion as at 31 December 2021. This NTA is subject to change once the completion balance sheet is finalised.

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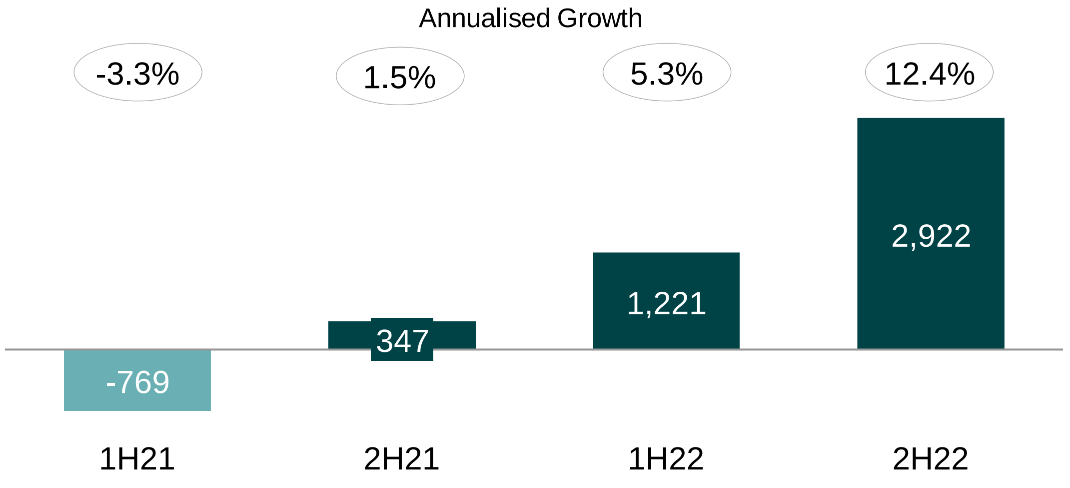
Bank Trading Update

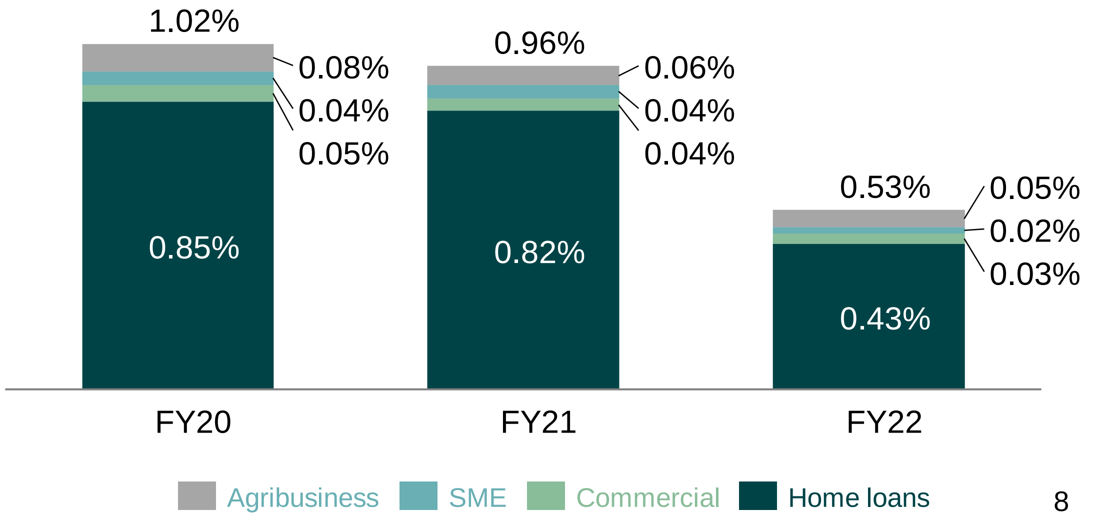
	FY22[1] ($m)	FY21 ($m)	Change (%)
Net interest income	1,245	1,242	0.2
Other operating income	3	39	(92.3)
Operating expenses	(736)	(731)	0.7
Profit before impairments	**512**	**550**	**(6.9)**
Impairment release/(expense)	14	49	(71.4)
Income tax	(158)	(180)	(12.2)
Banking profit after tax	**368**	**419**	**(12.2)**
CTI	**59.0%**	**57.1%**	
NIM	**1.93%**	**2.07%**	

- Lending growth supported by strong turnaround times and credit quality:
  - Time to unconditional approval 9.1 days in 2H22 vs 17.4 days in PCP[2]
  - Origination LVR 66% in 2H22 vs 73% PCP; LVR >80% at 10% vs 19% PCP
  - Arrears at multi-year lows
- NIMs down 7bps in 2H22 (competitive pressures, higher liquids, mix)
- Decline in other operating income impacted by mark-to-market movements in economic hedges
- Collective provision balance stable at $180m half-on-half
- Reaffirm CTI target of ~50% by end FY23
- Suncorp remains committed to the Bank until completion

Net home lending growth ($m, %)



90-day+ past due (% of total GLA)



[1] FY22 figures are unaudited and will be confirmed at the FY22 results announcement [2] Based on AFG data

The Suncorp Insurance portfolio

Insurance (Australia)

AAMI *National Brand*	Suncorp and GIO *Regional Champions*	Niche Brands *Specialty*	Vero *Commercial*
AAMI	SUNCORP GIO	Apia Shannons CIL Caravan and RV Insurance terri scheer bingle	vero

New Zealand

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vero
Asteron Life
AA Insurance

Australia and New Zealand have large and established general insurance markets, with ~A$46bn and ~A$7bn market sizes respectively[1]

With a strong competitive position and brand awareness in these markets, Suncorp Insurance is well positioned for continued success

Note: (1) APRA Quarterly General Insurance Performance Statistics, Dec 2021; Swiss Re

Suncorp Insurance is an attractive investment opportunity for the future

Attractive General Insurance markets

- Markets are well-regulated with established players
- Large and profitable markets in Australia and New Zealand, with $46b and $7b GWP respectively
- Growth rates are attractive across all General Insurance portfolios

Strong competitive position

- Leading customer and brand positioning (AAMI, Suncorp, Vero, Shannons, AA Insurance)
- Leading market share position, which provides scale advantages
- Leading core insurance capabilities, especially on digital, claims and pricing
- Strong corporate culture and a highly engaged workforce (top quartile vs our peers)

Compelling strategy focused on value delivery

- Create a leaner, more efficient and effective business
- Shift to higher-growth lines of business (esp. Commercial) to drive growth and diversify portfolio
- Develop a more sustainable, resilient portfolio (prevention, resilient houses, government advocacy)
- Increase participation in partnerships across Mobility, Home and Commercial portfolios

Excellent outcomes with strong underlying performance

- Higher return on tangible equity
- Strong organic capital generation

Reaffirming FY23 targets

Returns	Cash return on equity above the through-the-cycle cost of equity

Key divisional metrics

General insurance	Underlying ITR of 10 – 12% by FY23
Banking	Cost-to-income ratio of ~50% by FY23

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Building futures and protecting what matters

Appendix:

Transitioning Suncorp Bank to ANZ

Pre-completion

~12 months

- Continued delivery of the Bank's strategic priorities and objectives, ensuring customers, people and purpose remain first priority
- Separation program, including handover of control of Suncorp Bank dedicated systems
- Satisfaction of Conditions Precedents to the transaction
- Engagement with key stakeholders and regulators

Transitional period

~2 years

- Two year Transitional Services Agreement (TSA) with ANZ has been entered into
- Objective is to ensure no disruption to Suncorp Bank's operations and continue to offer customers high quality service
- A range of customary transitional services will be provided to Suncorp Bank
- These support services include technology, operations, and finance capabilities for a period that allows ANZ to complete its integration plans
- The Suncorp App will be transferred to Suncorp Bank, with a focus on ensuring a seamless experience for existing Suncorp Banking customers

Brand licencing period

~5 years with potential for additional 2 years

- A 5 year Brand Licencing Agreement (BLA) with ANZ has been entered into for the Suncorp Bank brand
- A Brand Licencing Committee will be established to govern the implementation of the BLA post completion
- Brand health will be monitored closely via a set of agreed key performance indicators, including reputation scores and NPS measures
- The BLA may be extended by up to two years
- By the end of the term of the licencing agreement, there will be a re-brand

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