

Financial Results for the full year ended 30 June 2019

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Create a better today for our customers



DATA PACK
RELEASE DATE 7 AUGUST 2019

SUNCORP GROUP LIMITED
ABN 66 145 290 124

Steve Johnston

Acting CEO



Agenda

1.	FY19 overview & FY20 priorities	Steve Johnston
2.	Detailed financial results	Jeremy Robson
3.	Outlook	Steve Johnston
4.	Q&A	Suncorp Leadership Team

Result overview

- FY19 NPAT **\$175m** (FY18: \$1,059m)
- Result includes:
 - Loss on sale of Life \$910m
 - Investment markets negative impact on pcg \$51m¹
 - Natural hazards increase of \$161m¹ on pcg
 - Reserve release flat on pcg \$328m¹
 - Regulatory project costs¹ (including remediation provision) increased from \$54m to \$155m²
- Ordinary dividend payout ratio of 81%, reflecting strong capital position
- Life sale total capital to be returned \$610m
 - 8cps special dividend paid 3 May 2019
 - 39cps capital return to be paid 24 October 2019 subject to shareholder approval

1. Pre tax impact

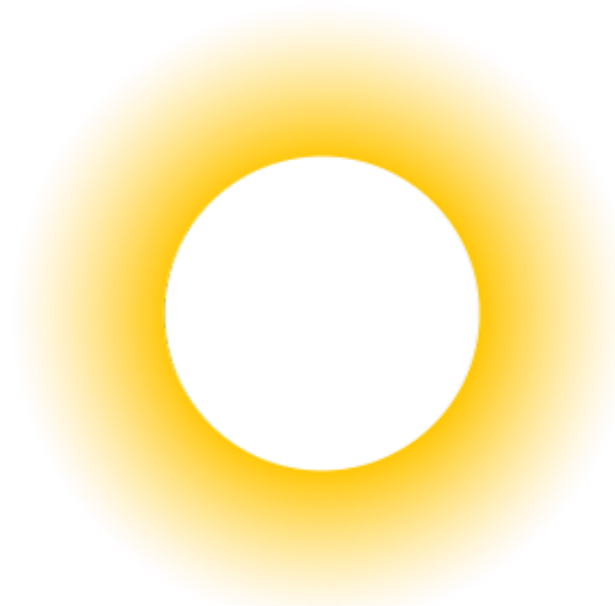
2. Includes a provision for remediation costs of \$60m

3. 'Other' includes: a provision for remediation costs of \$60m and Life stranded costs net of Transitional Service Arrangement revenue \$13m. For a full definition refer page 5 of the Investor Pack

	FY19 (\$m)	FY18 (\$m)	Change (%)
Insurance (Australia)	588	681	(13.7)
Banking & Wealth	364	369	(1.4)
New Zealand	245	135	81.5
NPAT from ongoing functions	1,197	1,185	1.0
Australian Life Business	23	78	(70.5)
Other ³	(110)	(63)	74.6
Accelerated Investment	-	(102)	
Cash earnings	1,115	1,098	1.5
Loss on sale of discontinuing operations after tax	(899)	-	n/a
Acquisition Amortisation	(41)	(39)	5.1
Reported NPAT	175	1,059	(83.5)
Final ord. dividend (cps)	44	40	10
Full year ord. dividend (cps)	70	73	(4.1)
Special dividend (cps)	8	8	-
Total dividend (cps)	78	81	(3.7)

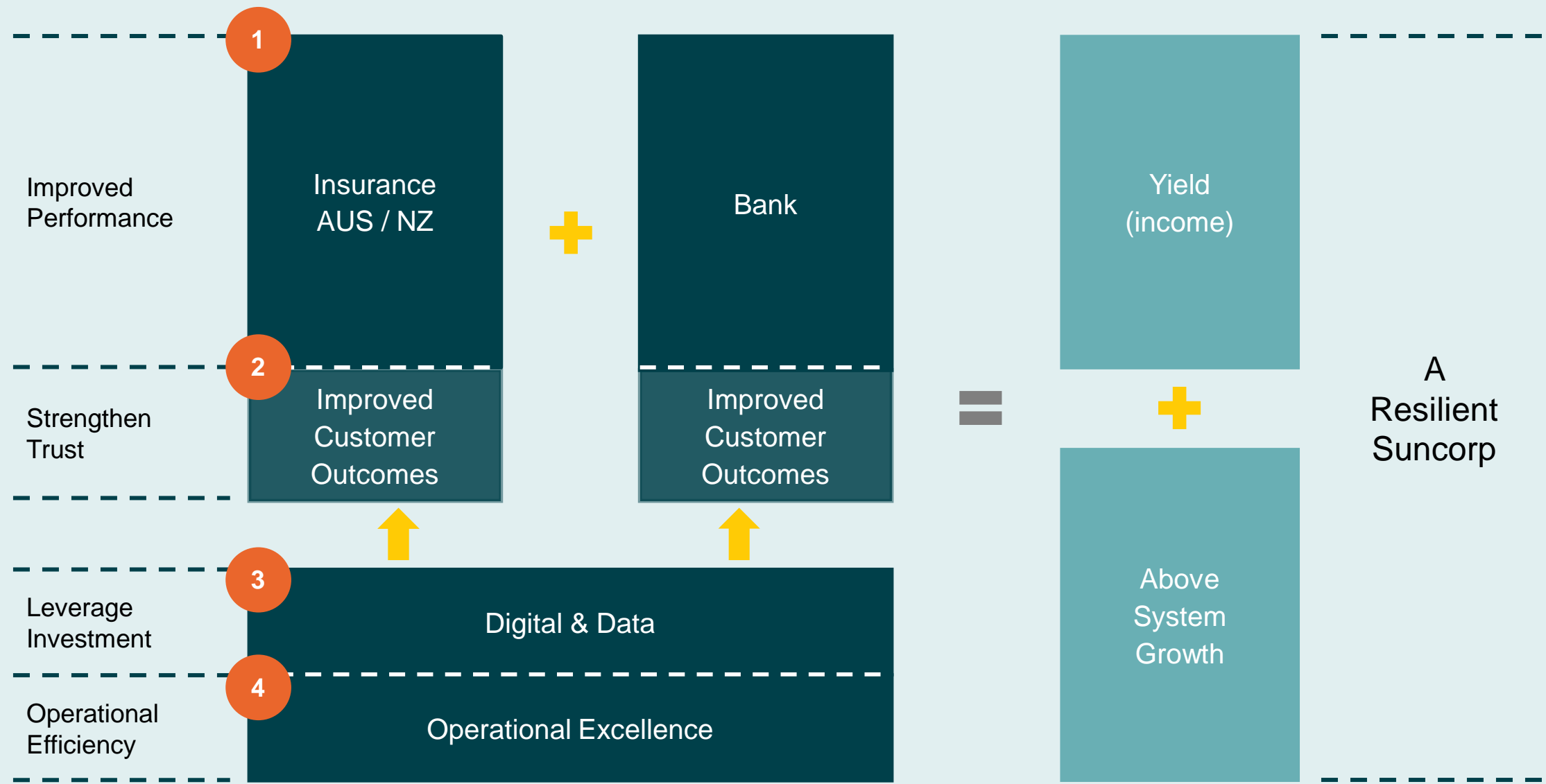
Result highlights

1. Solid base for growth
2. Improved margin outcome in Commercial Insurance
3. New Zealand result a standout
4. BIP continuing to deliver; progress on digital
5. Digital investment drives strong growth in at-call deposits
6. Life sale completed



Future Focus

Key Priorities



1

Improve the performance of our core businesses

Insurance (AUS & NZ)

- Reinvigorate multi brand strategy
- Disciplined underwriting
- Innovative products
- Best in class claims
- Resilient earnings



Bank

- Digital first products and functionality
- Open banking ready
- ‘Win’ Queensland in direct
- Improved broker servicing and fulfilment
- Low risk

Embrace regulatory change to deliver improved customer outcomes

Insurance (AUS & NZ)

- Royal Commission and Risk Governance Programs of Work
- General Insurance Code of Practice
- IFRS17
- Design & Distribution Obligations
- Unfair Contract Terms Legislation



Bank

- Royal Commission and Risk Governance Programs of Work
- Wealth Program of Work
- Payments Card Industry Data Security Standard
- Open banking reforms
- Comprehensive credit reporting

Priority is to strengthen trust and deliver better customer outcomes:

- Embrace changes
- Remediate where necessary
- Invest in projects

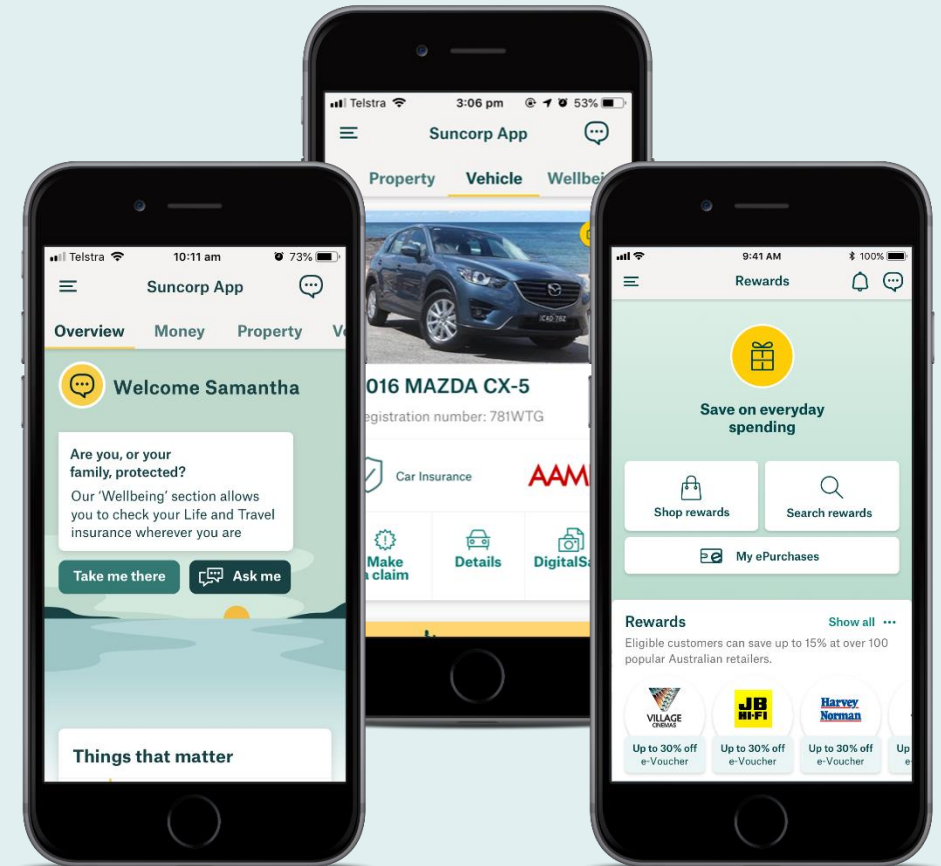
Indicative FY20 Regulatory project portfolio* (%)



3 Leverage digital investments and data capability

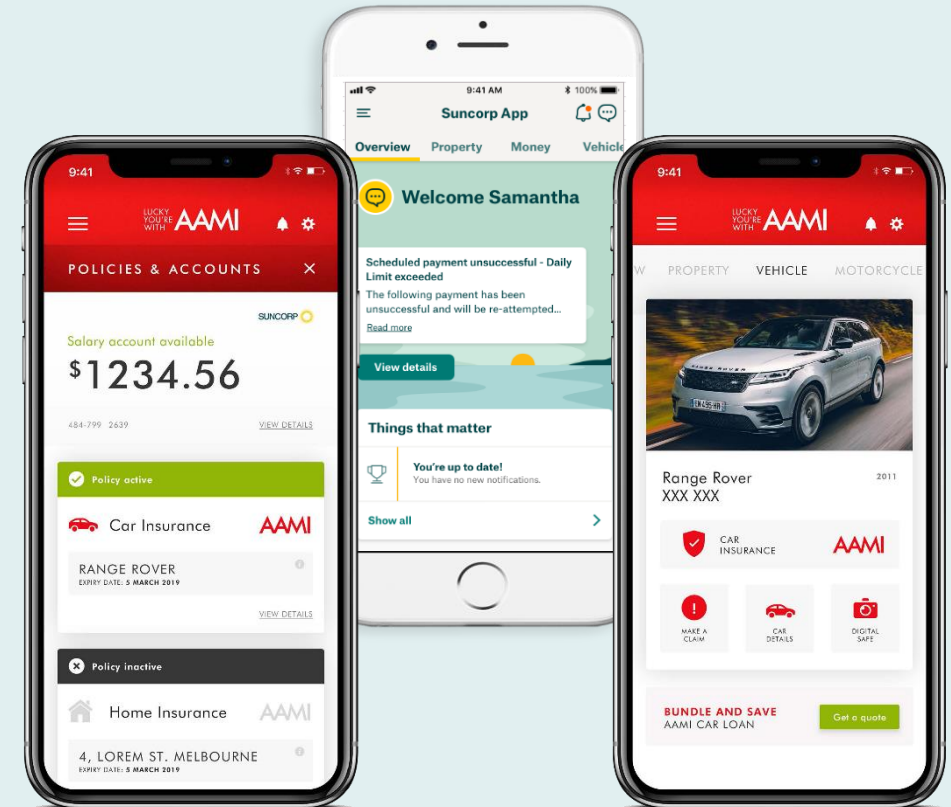
Foundations in place – focus on extracting value

- 440 APIs unlocking data from core systems
- Platform combining products & services on digital assets
- New identity management capability
- Single digital customer view
- Data science capability for zero touch claims
- Suncorp App
- AI & data analytics
- Reusable platform (flexibility & optionality) across brands
- Lower cost to serve
- Faster development times for new products
- Reward & Recognition platform



Leverage foundational spend over the last two years to facilitate:

- Digital Bank proposition under Suncorp Brand on the new platform with InApp account origination
- Banking App parity, real-time payments and implementation of PayID solution
- AAMI Insurance App launched on new platform with simplified Quote & Buy
- CTP digital improvement across brands (website and App)
- AAMI Commercial Insurance leveraging data science to simplify and uplift buying experience
- Use of AI to optimise claims supply chain e.g. expansion of ‘zero touch’ claims capability and predictive claims determination
- Digitise and automate internal and customer-facing processes
- Uplift in Self Service and knowledge management capability across all digital assets

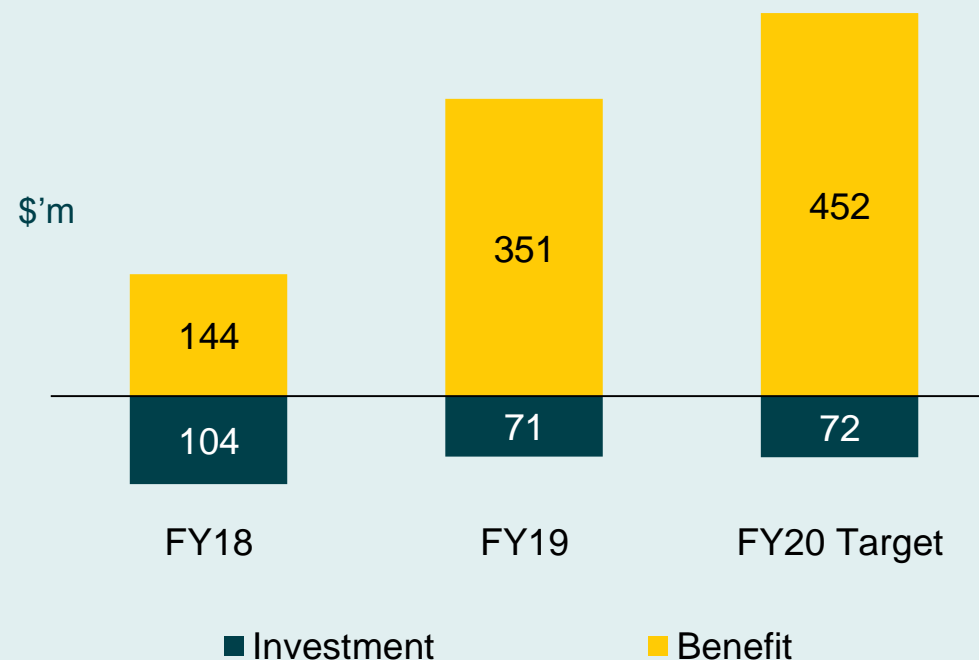


AAMI App Concept and Digital Banking Proposition

Further improve operational efficiency

- FY20 Net BIP benefits target upgraded from \$329 to \$380m
- Upgraded program includes Life stranded costs
- BIP to be embedded in BAU
- Focus on end to end process excellence

Profile of Business Improvement Program



5

Building a resilient business that delivers high yield and above system growth

- Natural hazard and reinsurance protection
- Superior credit quality
- Simplify
 - Life divestment
 - Capital SMART
- Return on capital discipline
- Focus on retention as a platform for growth
- Balance Sheet strength



Focused and Aligned Structure

- New Customer and Digital function created:
 - Includes Digital, Marketing, Group and Customer strategy and the Program Excellence office; and
 - Contact centre, stores and intermediary distribution teams, that currently sit in the customer marketplace function, will be moved to Insurance and Bank.
- The Functional CEO will be Lisa Harrison currently Suncorp's Chief Program Excellence Officer.



Jeremy Robson

Acting Chief Financial Officer



Completion of Australian Life business sale and capital return

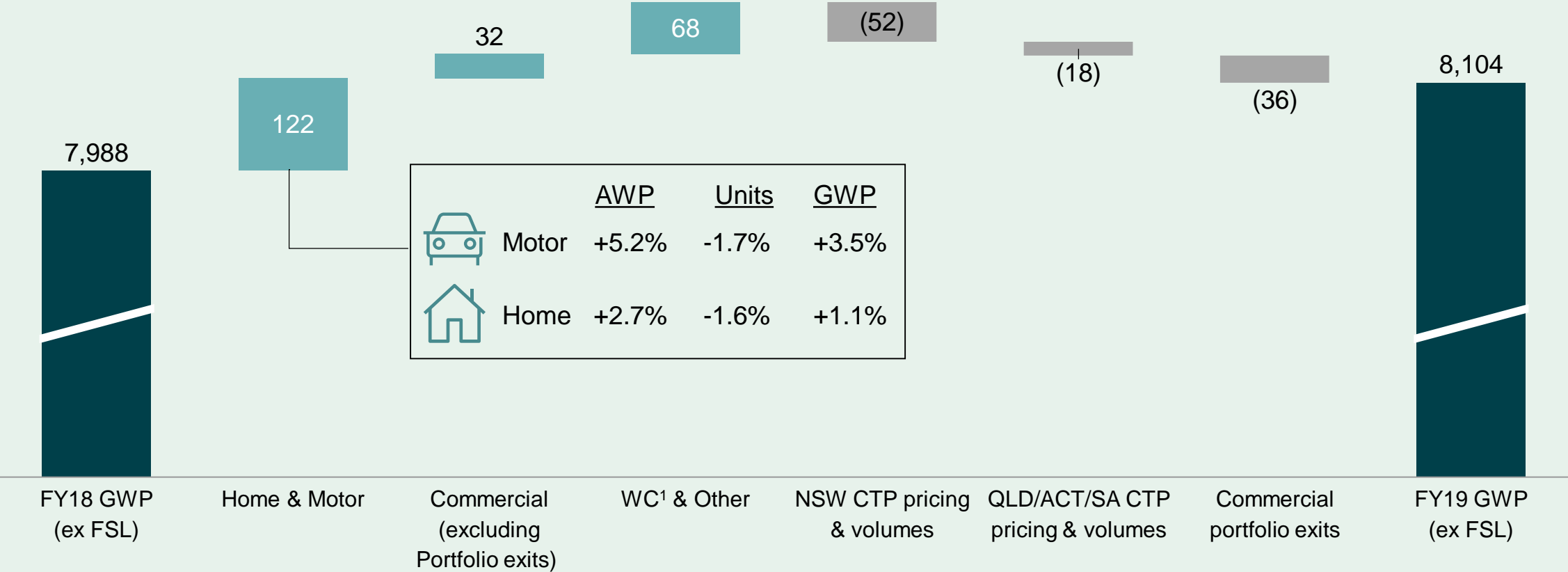
- Suncorp successfully completed the sale of its Australian Life Business to TAL Dai-ichi Life Australia Pty Ltd (TAL) on 28 February 2019
- Consideration \$746m, non cash write off of \$910m, goodwill component of \$145m recognised in 1H19 result
- \$610m of capital to be returned to shareholders
 - 8 cents per share fully franked special dividend paid on 3 May 2019, equating to approximately \$104m, as the first component of the return of excess capital
 - \$506m return of capital, equating to 39 cents per share, combined with a related share consolidation subject to shareholder approval at the AGM. If approved, the return of capital payment will be made on 24 October 2019.
- Strong capital position post capital return with pro-forma CET1 Excess of \$484m
- 20 year strategic alliance with TAL
- Annualised stranded costs of ~\$30m pre-tax being addressed by Business Improvement Program, and plans in place to remove by end of FY20 on a run-rate basis. Impact in FY20 expected to be ~\$18m.
- Costs covered by Transitional Service Arrangements (TSAs) of ~\$35m will be extracted in full by end FY21.

Insurance

- PAT down 13.7% to \$588m
- GWP up 1.3% to \$8.2bn. Home and Motor GWP up 2.4%
- Natural hazards \$835m, \$155m above allowance (FY18: \$625m, \$36m below allowance)
- Reserve releases of \$322m, 4.4% of NEP (FY18: \$319m, 4.4% of NEP)
- BIP benefits partially offsetting claims inflation
- Volatility in investment markets with net contribution from market movements \$135m (FY18: \$200m)

	FY19 (\$m)	FY18 (\$m)	Change (%)
Gross written premium	8,245	8,137	1.3
Net earned premium	7,292	7,191	1.4
Net incurred claims	(5,448)	(5,057)	7.7
Operating expenses	(1,556)	(1,506)	3.3
Investment income - insurance funds	444	258	72.1
Insurance trading result	732	886	(17.4)
Investment income – shareholder funds	115	110	4.5
Insurance (Australia) PAT	588	681	(13.7)

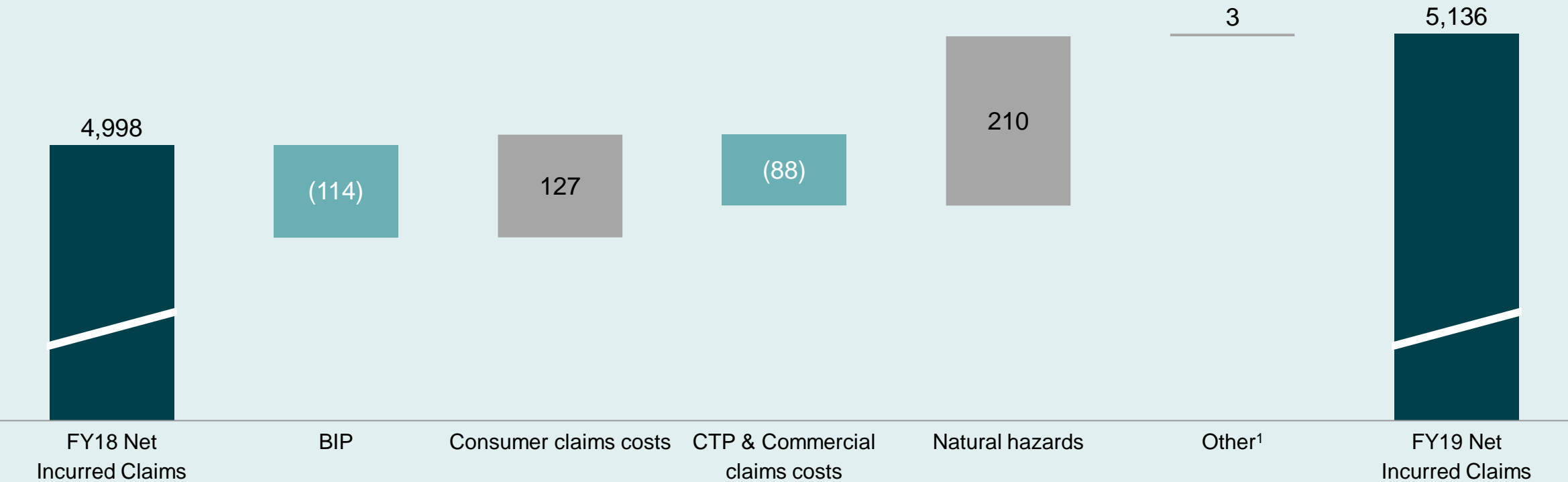
Gross written premiums (\$m)



1. Workers Compensation



Net Incurred Claims (ex-discounting rate movement) (\$m)



1. Includes Risk margin and movement in PV adjustment (due to low yield environment)

Investments

FY19 Insurance funds \$9.4bn

- **Investment income of \$444m (FY18: \$258m)**
- \$290m MTM gain from a decrease in risk-free rates
- \$16m MTM gain from narrowing credit spreads
- \$78m MTM loss from underperformance of inflation linked bonds (ILBs)
- 2.3% annualised underlying return

FY19 Shareholders' funds \$3.0bn

- **Investment income of \$115m (FY18: \$110m)**
- 3.9% annualised return
- Returns driven primarily by MTM gains on bond portfolio and rebound in equity markets



Key investment market indicators

	Jun-19	Jun-18	Δ
Australian equities (total return)	70,292	63,015	+11.5%
International equities (hedged total return)	1,763	1,660	+6.2%
3 year bond yields (%)	0.96	2.06	-110bp
10 year bond yields (%)	1.32	2.63	-131bp
10 year breakeven inflation rate (%)	1.38	1.96	-58bp
AA 3 year credit spreads (bp)	66	78	-12bp

FY20 Investment performance

Investment income on the Insurance funds is expected to be impacted by the downward shift in the yield curve, including:

- Lower running yields (due to lower risk free rates and credit spreads)
- Absence of MTM gains on the bond portfolio

New Zealand

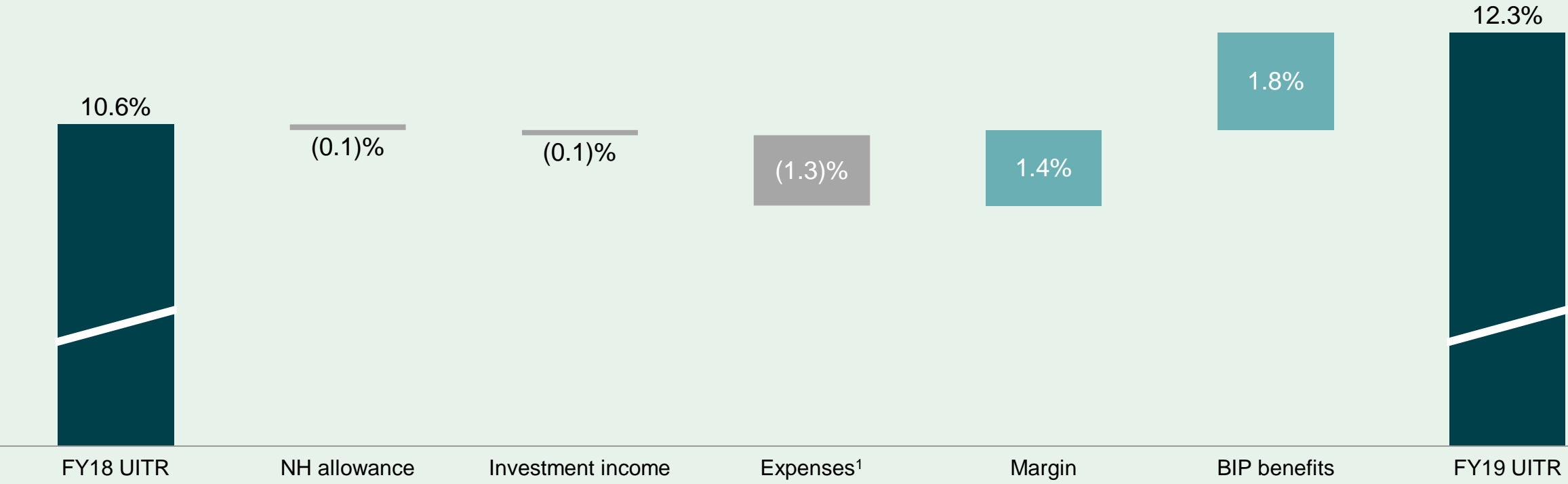
NEW ZEALAND

- PAT increased 76.4% driven by strong top-line growth
- GI GWP grew 8.4% driven by premium rate increases
- Favourable natural hazards and working claims experience, benefitting from a benign weather environment
- Life in-force premium up 3.9%, supported by strong policy retention

	FY19 (NZ\$m)	FY18 (NZ\$m)	Change (%)
Gross written premium	1,670	1,541	8.4
Net earned premium	1,403	1,267	10.7
Net incurred claims	(697)	(739)	(5.7)
Operating expenses	(444)	(404)	9.9
Investment income – insurance funds	22	13	69.2
Insurance trading result	284	137	107.3
General Insurance profit after tax	217	109	99.1
Life Insurance profit after tax	44	39	12.8
New Zealand PAT	261	148	76.4

Group underlying ITR – FY18 vs FY19

GROUP

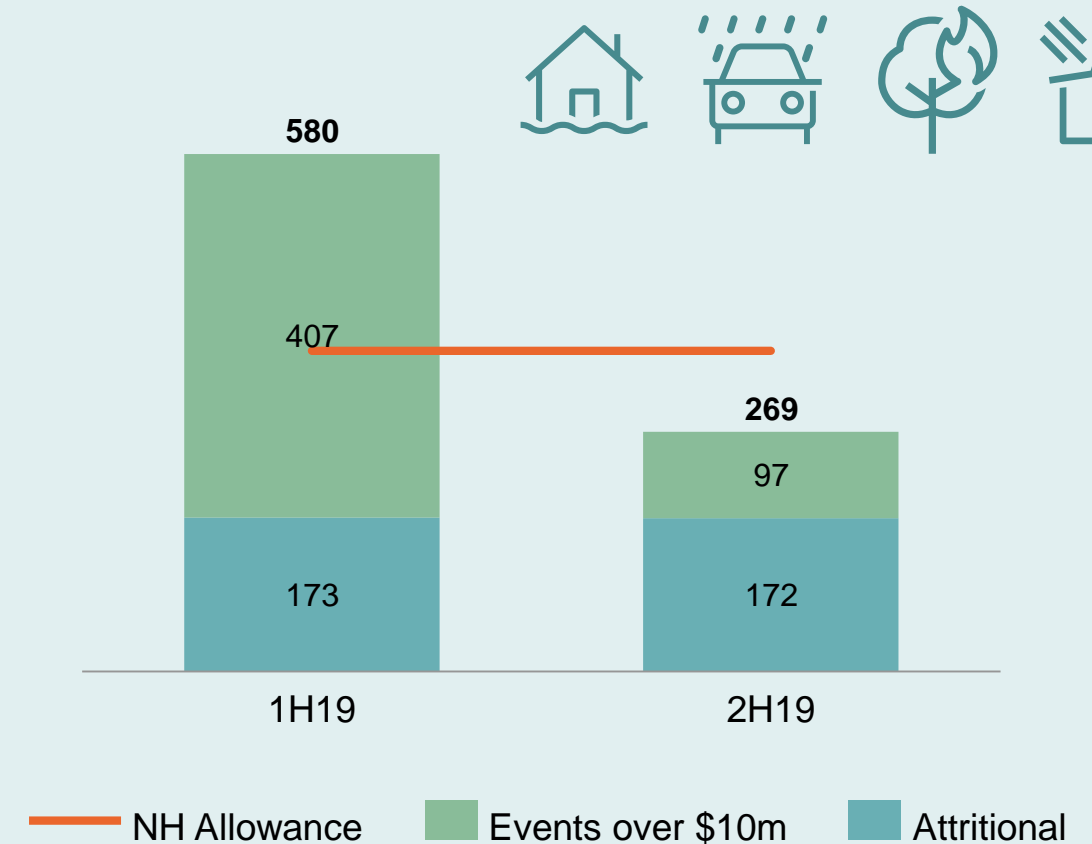


1. Excluding Commissions

Natural Hazards and Reinsurance

- Natural hazards costs \$129m above FY19 allowance
- NSW & SEQ hailstorm impact limited to \$250m pre-tax under maximum first event retention
- Townsville Floods impact limited to \$63m as remaining aggregate deductible under NHAP eroded
- February Sydney Storms and NSW/SEQLD March Hail & Storms fully recoverable
- \$25m¹ additional premium incurred as natural hazard aggregate protection (NHAP) recoveries exceed \$100m
- Approximately \$100m remaining cover under NHAP at end FY19
- FY20 reinsurance costs expected to be broadly in line with FY19²

FY19 Natural hazard impact (\$m)



1. Additional premium is proportionate to the amount of recoveries made under the NHAP and is capped at \$25m once recoveries reach \$100m
2. Excludes costs of aggregate stop loss protection in FY20 and any additional premium payable for recoveries made under the NHAP

Banking & Wealth

- Lending growth of 1.0%
- At-call deposit growth of 10.9%
- NIM of 1.79% (FY18: 1.84%)
- Impairment losses 2 bps of GLA
- Strong capital and balance sheet

	FY19 (\$m)	FY18 (\$m)	Change (%)
Net interest income	1,163	1,181	(1.5)
Net non-interest income	50	60	(16.7)
Operating expenses	(682)	(679)	0.4
Profit before impairment losses	531	562	(5.5)
Impairment losses	(13)	(27)	(51.9)
Income tax	(155)	(160)	(3.1)
Banking profit after tax	363	375	(3.2)
Wealth profit after tax	1	(6)	n/a
Banking & Wealth PAT	364	369	(1.4)

Business Improvement Program exceeding targets

- Net BIP benefits for FY19 of \$280m exceeded target of \$225m
- Locked in gross annualised benefits of \$359m
- Operating expenses for FY19 contained to \$2.7bn
- FY20 net BIP benefits target upgraded to \$380m (original target was \$329m)

<u>Pre-tax</u> (\$m)	Cost		Benefit		Net Benefit	
	Target	Actual	Target	Actual	Target	Actual
Actual FY18	97	104	107	144	10	40
Actual FY19¹	79	71	304	351	225	280
Target FY20²	72	-	452	-	380	-

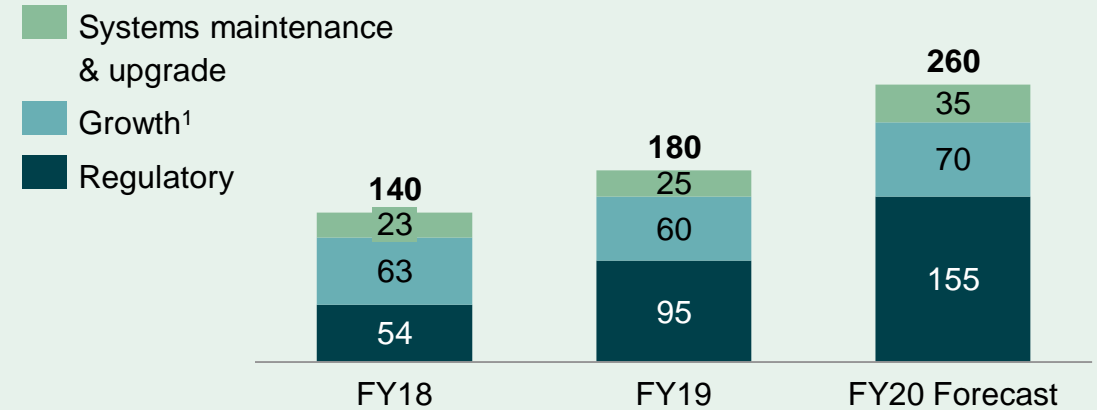
1. Net benefit target upgraded from \$195m to \$225m at 1H19

2. Benefits upgraded from \$391m to \$452m, costs increased from \$62m to \$72m and net benefits upgraded from \$329m to \$380m at FY19. This includes the net benefits from the removal of Life stranded costs. Life stranded costs of ~\$30m are expected to be removed on a run-rate basis by end of FY20.

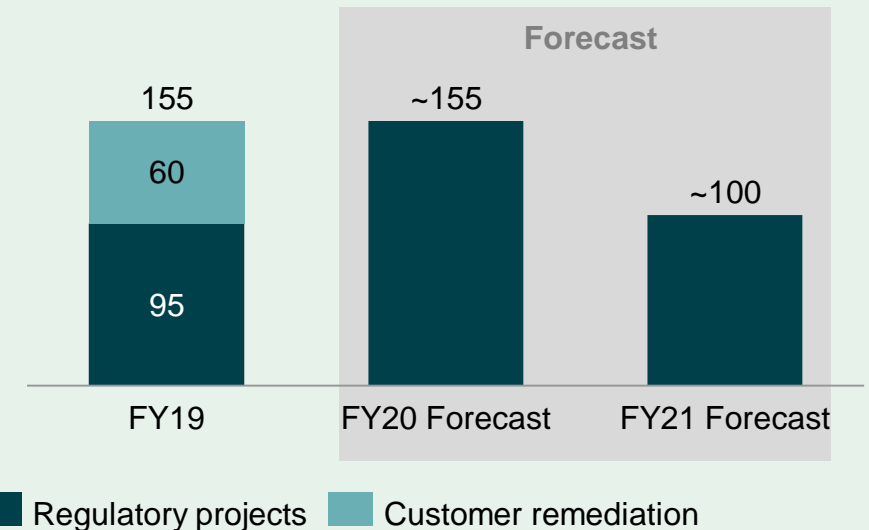
Project slate including regulatory costs

- Regulatory project costs (\$95m) and customer remediation (\$60m) totalled \$155m
- FY19 regulatory project costs \$95m, up 76% on FY18
- FY19 result also includes a \$60m provision for anticipated customer remediation in relation to:
 - Royal Commission
 - Various remediation costs associated with legacy Guardian Financial Planning business, Consumer Credit Insurance and Suncorp Wealth
- The costs were slightly above the \$140m combined regulatory project costs (\$110m) and remediation costs (\$30m) forecast at the 1H19 result
- FY20 Project slate \$260m, up ~45% on FY19 with material uplift in regulatory project spend
- Having peaked in FY20, regulatory project costs expected to reduce to ~\$100m by FY21

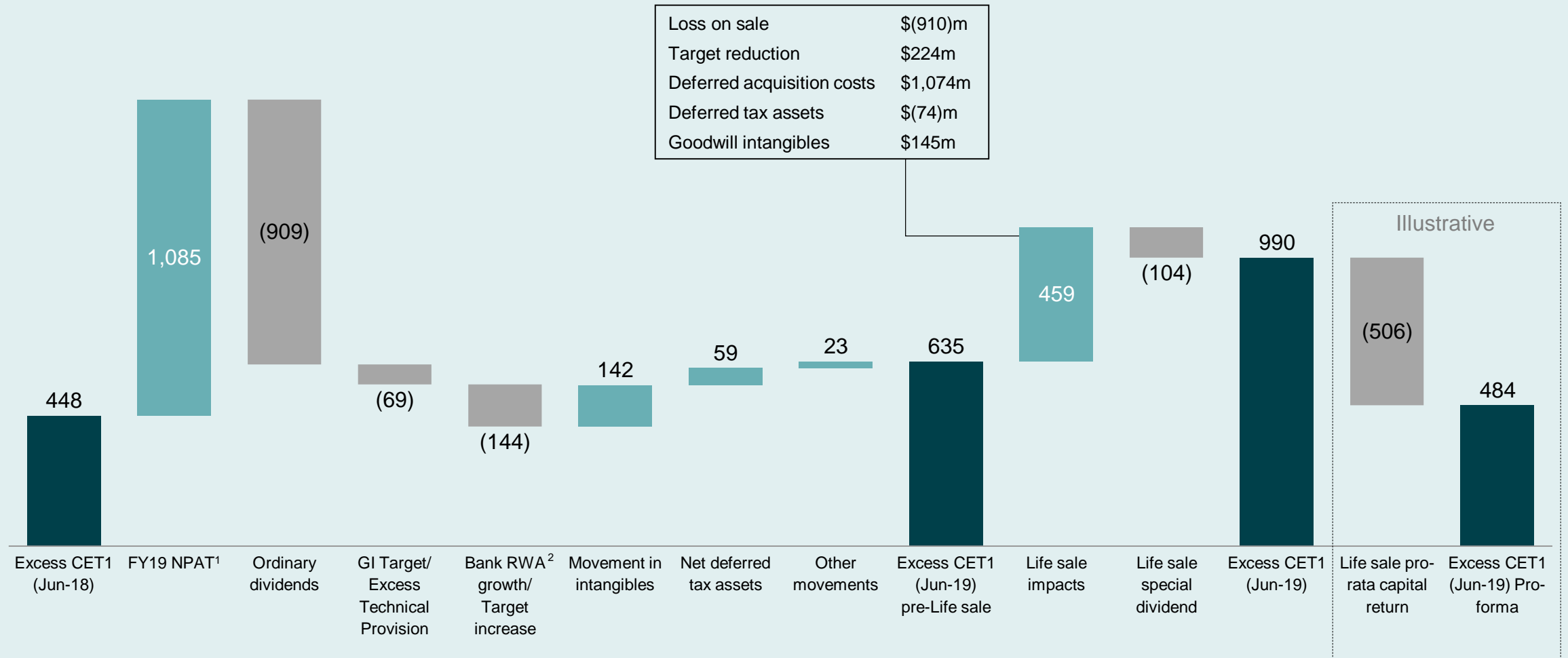
Total Project Slate (ex-customer remediation) (\$m)



Regulatory projects and customer remediation (\$m)



CET1 capital base (\$m)



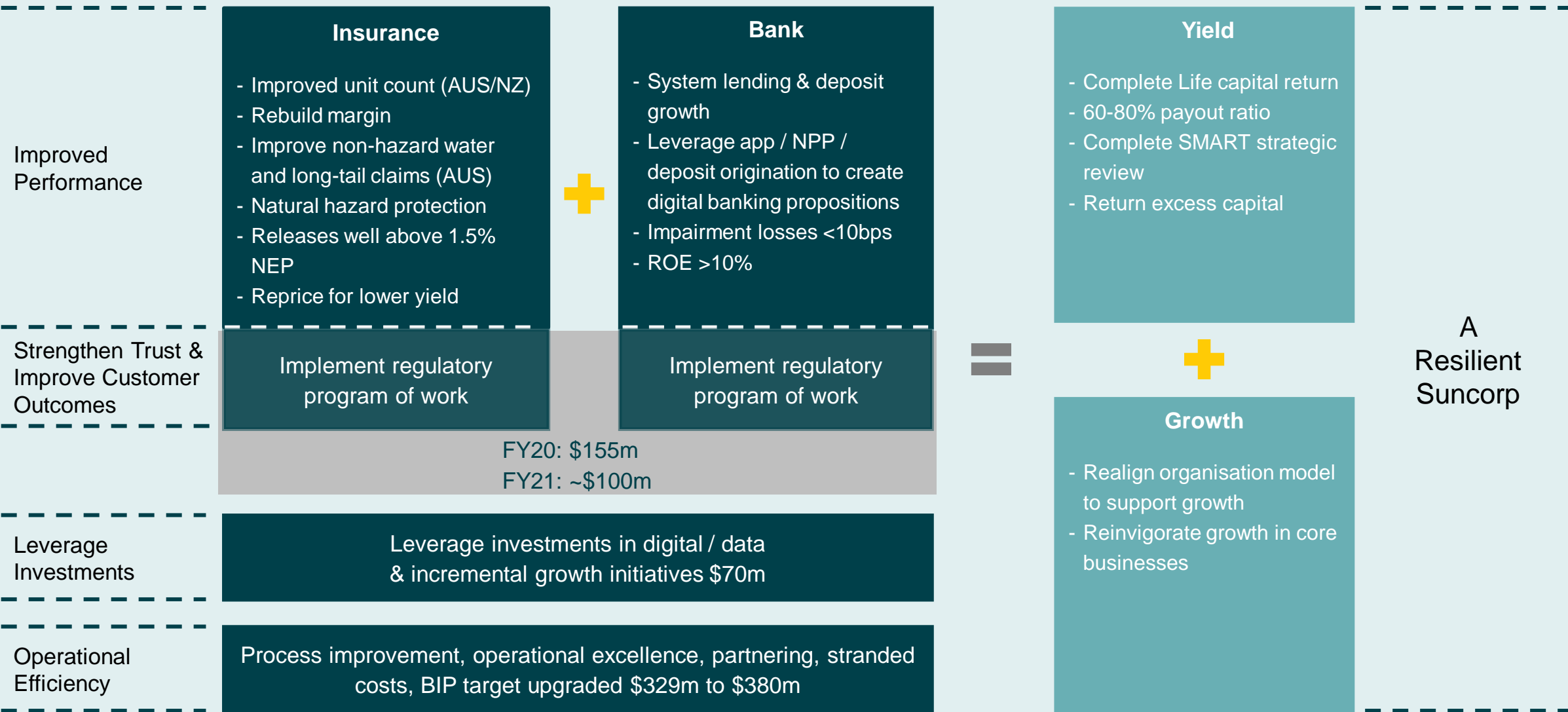
1. Excludes loss from Life sale
2. Risk-weighted assets

Steve Johnston

Acting CEO



Focusing Suncorp



Summary

- Suncorp is a leading Australian and New Zealand general insurer with a competitive banking offering
- Delivering on Business Improvement Program
- Investment in digital has delivered a re-useable platform that delivers flexibility and optionality across Suncorp's suite of brands
- Active portfolio management including sale of Life Insurance Australia and strategic review of Capital SMART
- Strong regional bank, high quality conservative book, competitive fully digital banking platform by year end
- Market leading general insurance businesses which is performing solidly and has a significant scope for improvement
- Focused strategy which will seek to drive end-to-end performance in Insurance and Banking



Group



Financial Results for the full year
ended 30 June 2019

Group overview

Suncorp Group

Suncorp Group Limited is a leading financial services provider in Australia and New Zealand, enabling more than **9.5m customers⁽¹⁾** to better protect and enhance their financial wellbeing. Since 1902, Suncorp has grown to become a **top-20 ASX-listed** company with over **13,000 people⁽¹⁾** and **\$96bn in Group assets**.

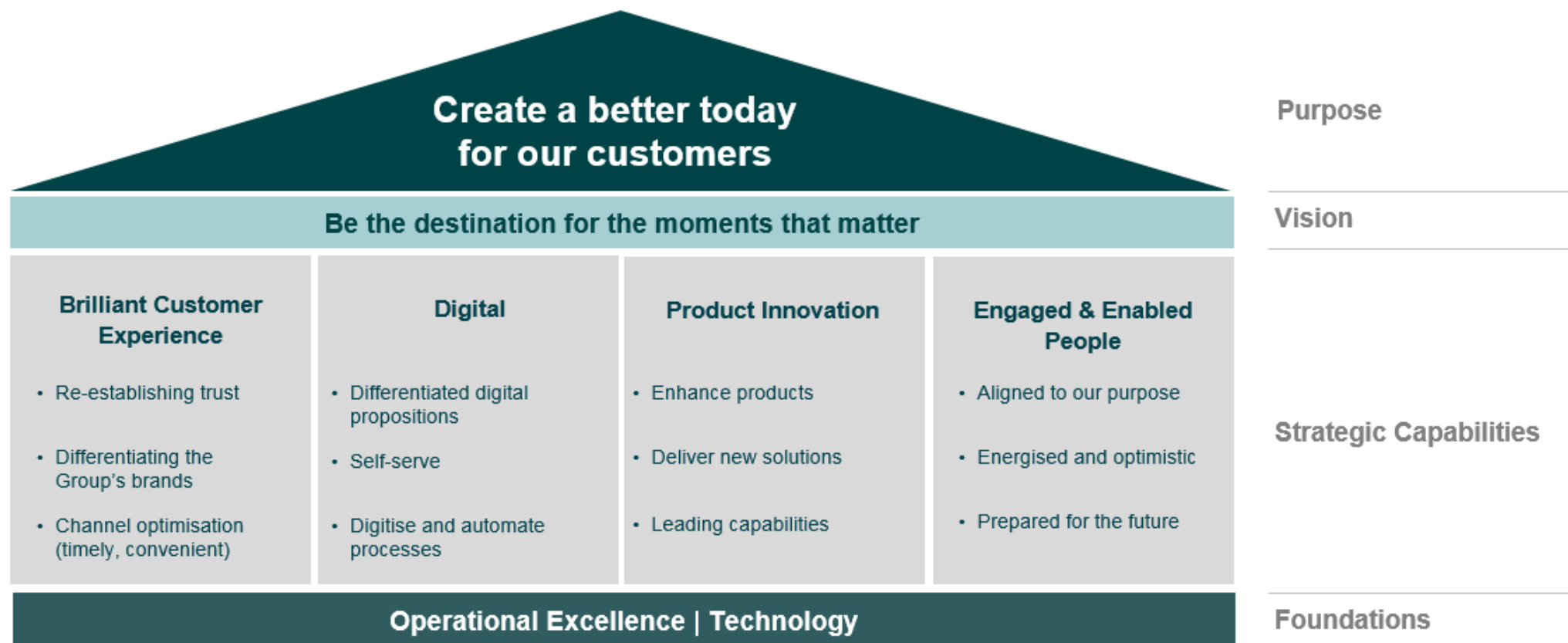
Suncorp offers banking, wealth management and insurance products and services through brands including Suncorp, AAMI, GIO, Apia, Shannons, AA Life and Vero, as well as those from Suncorp's partners.

Insurance (Australia)	Banking & Wealth	New Zealand
<ul style="list-style-type: none"> – Suncorp provides consumer, commercial and personal injury insurance products to the Australian market – Suncorp is one of Australia's largest general insurers by Gross Written Premium (GWP) and the largest Compulsory Third Party (CTP) insurer – Following the sale of the Australian Life Insurance and Participating Wealth Business to TAL Dai-ichi Life Australia Pty Ltd (TAL), Suncorp provides market-leading life insurance solutions through a 20-year strategic alliance with TAL 	<ul style="list-style-type: none"> – Suncorp's regional 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 through the Everyday Super and Brighter Super products and provides financial advice services through SunAdvice 	<ul style="list-style-type: none"> – 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 – 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

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



Strategy



Key financial highlights

		FY19	FY18	Change (%)
Net profit after tax	\$m	175	1,059	(83.5)
Cash earnings	\$m	1,115	1,098	1.5
Profit after tax from functions	\$m	1,220	1,263	(3.4)
Insurance trading ratio	%	11.6	12.1	
Underlying insurance trading ratio	%	12.3	10.6	
Bank net interest margin (interest-earning assets)	%	1.79	1.84	
Cash return on average shareholders' equity	%	8.4	8.0	
Cash earnings per share – diluted	cents	84.0	83.4	0.8
Ordinary dividends per ordinary share	cents	70.0	73.0	(4.1)
Payout ratio (excluding special dividends) – cash earnings	%	81.2	85.8	
Special dividends per ordinary share	cents	8.0	8.0	-
Payout ratio (including special dividends) – cash earnings	%	90.5	95.2	
General Insurance total capital PCA coverage	times	1.85	1.84	
Bank Common Equity Tier 1 ratio	%	9.28	9.07	

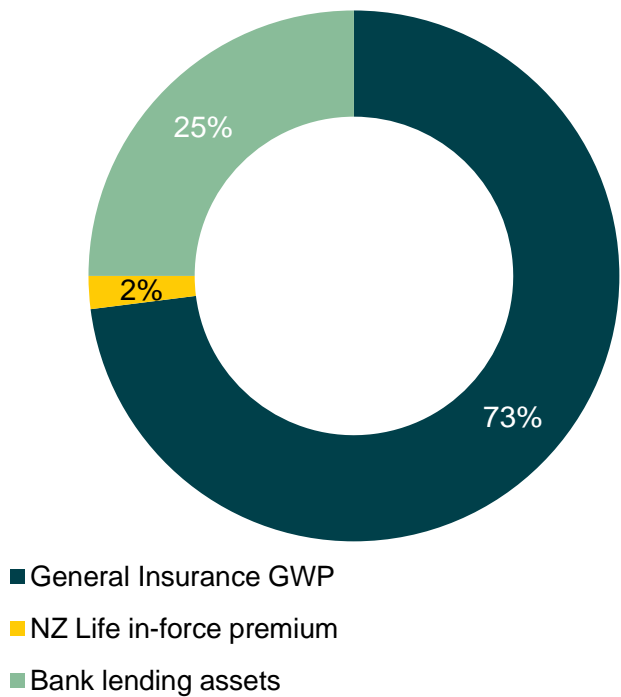
FY19 targets

Metric	FY19	FY18	FY19 Target
Group top line growth ¹ (%)	2.3	2.3	3-5
Expense base ² (\$bn)	2.7	2.7	2.7
UITR (%)	12.3	10.6	At least 12
CTI (%)	56.2	54.7	Around 50
NIM (%)	1.79	1.84	1.8-1.9
Cash ROE (%)	8.4	8.0	10
Adjusted Cash ROE ³ (%)	9.7		10+
Ordinary dividend payout ratio ⁴ (%)	81.2	85.8	60-80

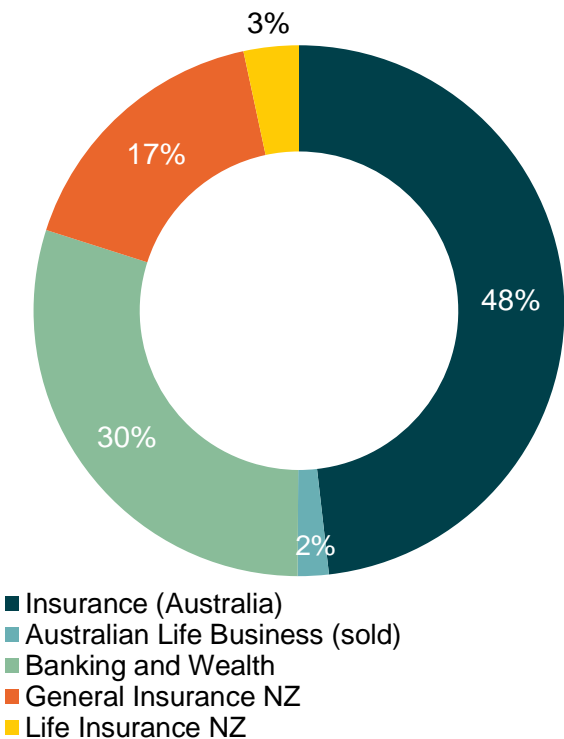
1. Following the sale of the Australian Life Insurance and Participating Wealth Business, the Group top-line growth calculation has been adjusted to reweight contributions from the remaining business functions.
2. Group operating expenses is ex FSL which is a pass through
3. Adjusted for natural hazards above allowance, and regulatory project costs and investment market movements above the original unadjusted FY19 forecast
4. Cash earnings excluding special dividend

Group result snapshot

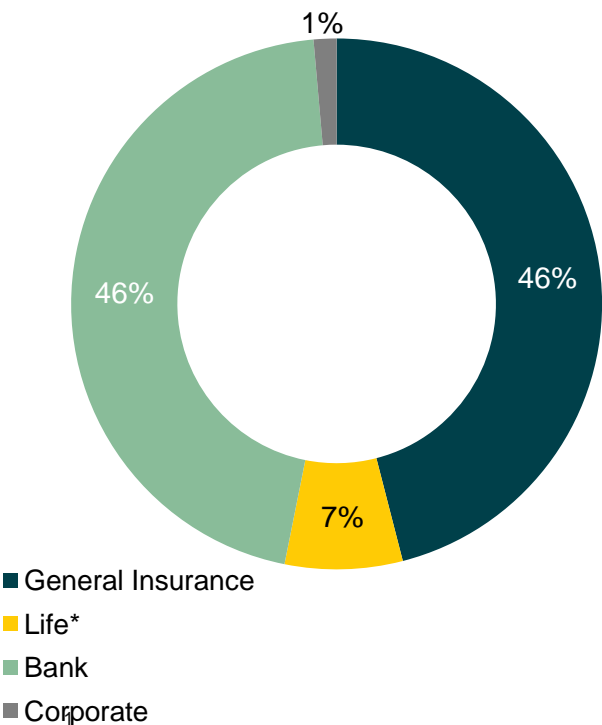
Contribution to top-line growth



Contribution to profit by function



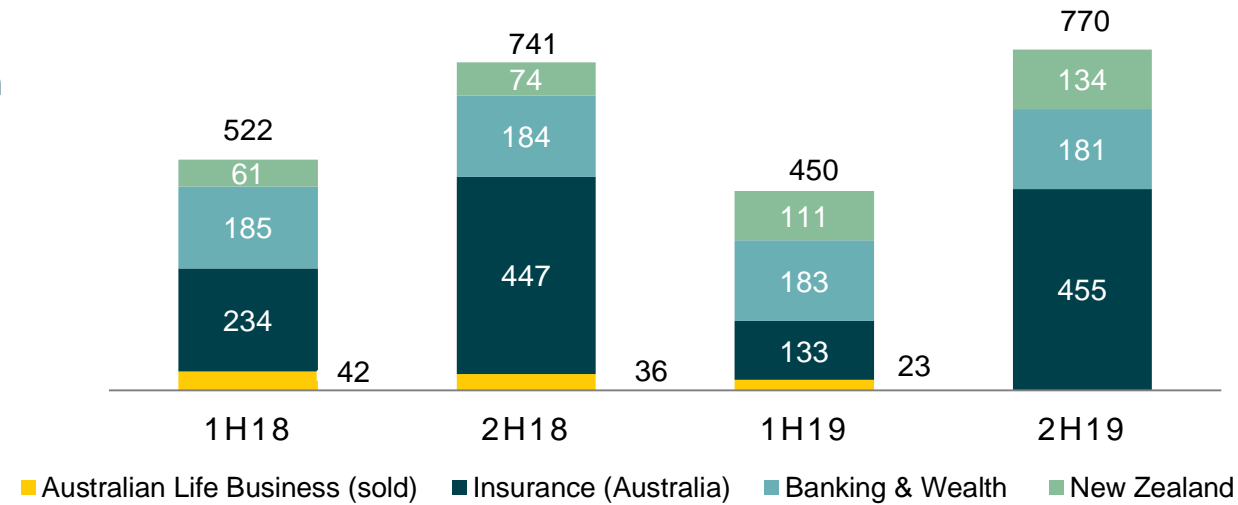
Total capital invested



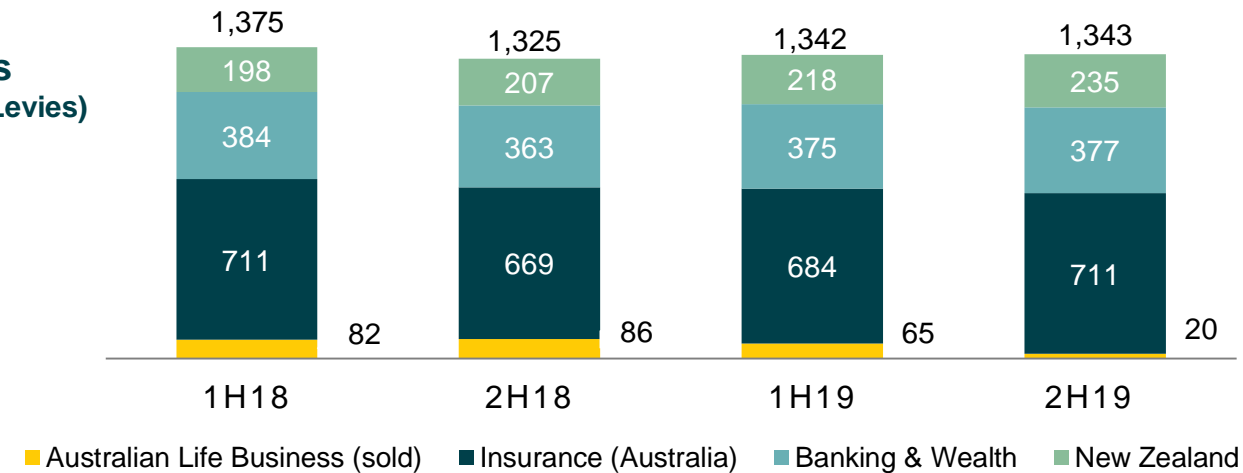
*Life includes \$506m of capital that will be returned to shareholders from the sale of the Australian Life Insurance business as well as capital relating to the New Zealand Life Insurance business and the Wealth business

Group profit and operating expenses

Profit after tax from functions
(\$m)

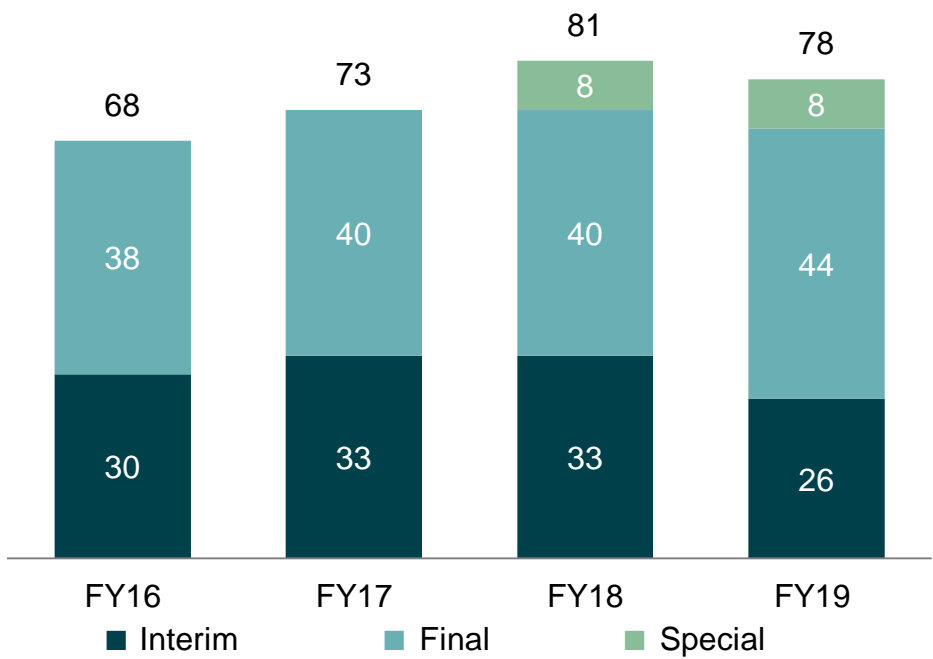


Operating expenses (excluding Fire Service Levies)
(\$m)

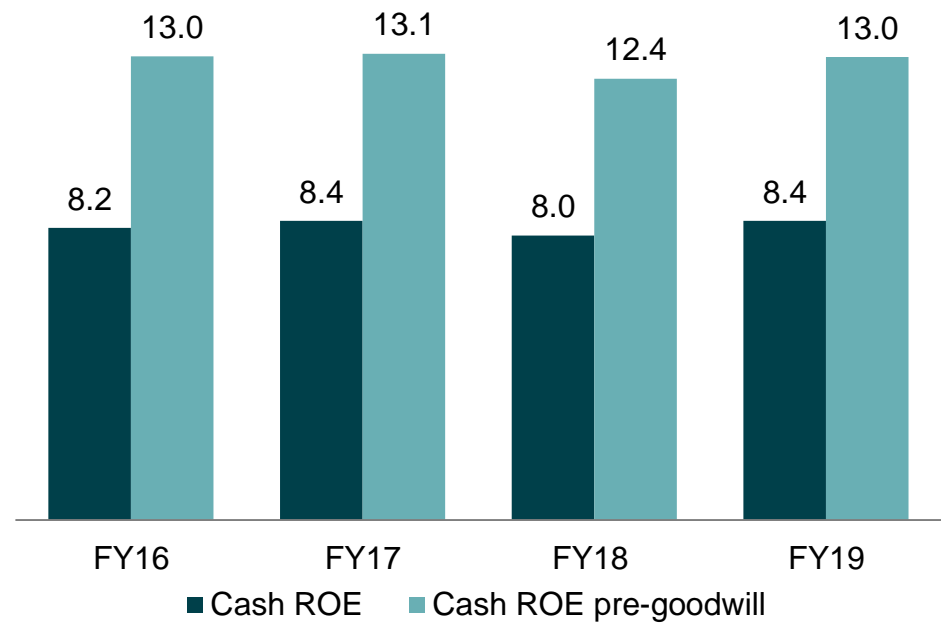


Shareholder returns

Dividends (cps)

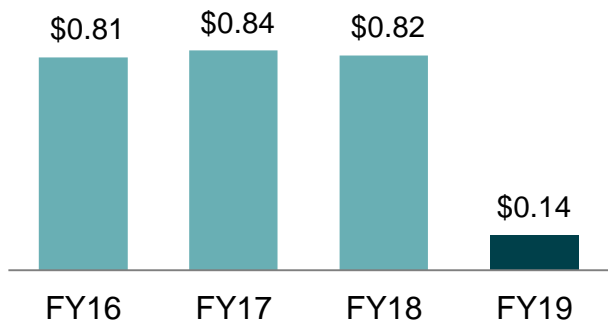


Cash ROE (%)

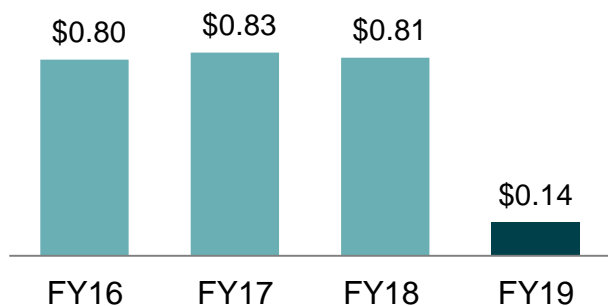


Shareholder metrics

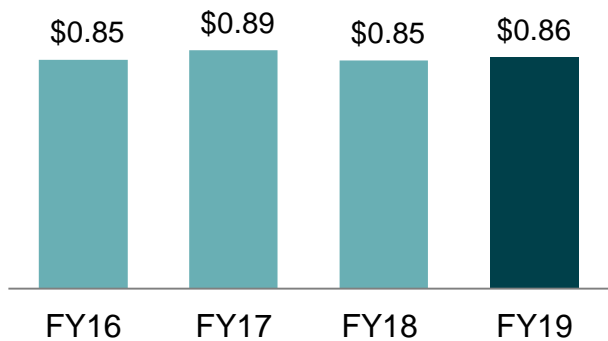
Reported EPS (basic)



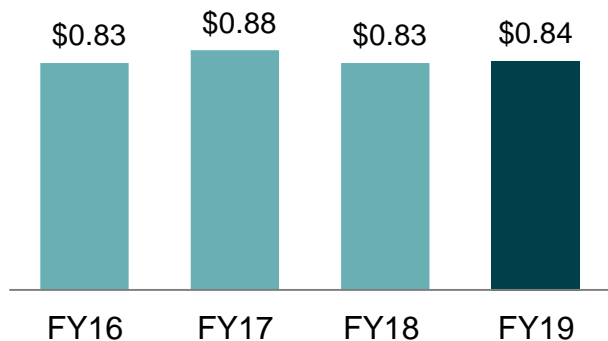
Reported EPS (diluted)



Cash EPS (basic)



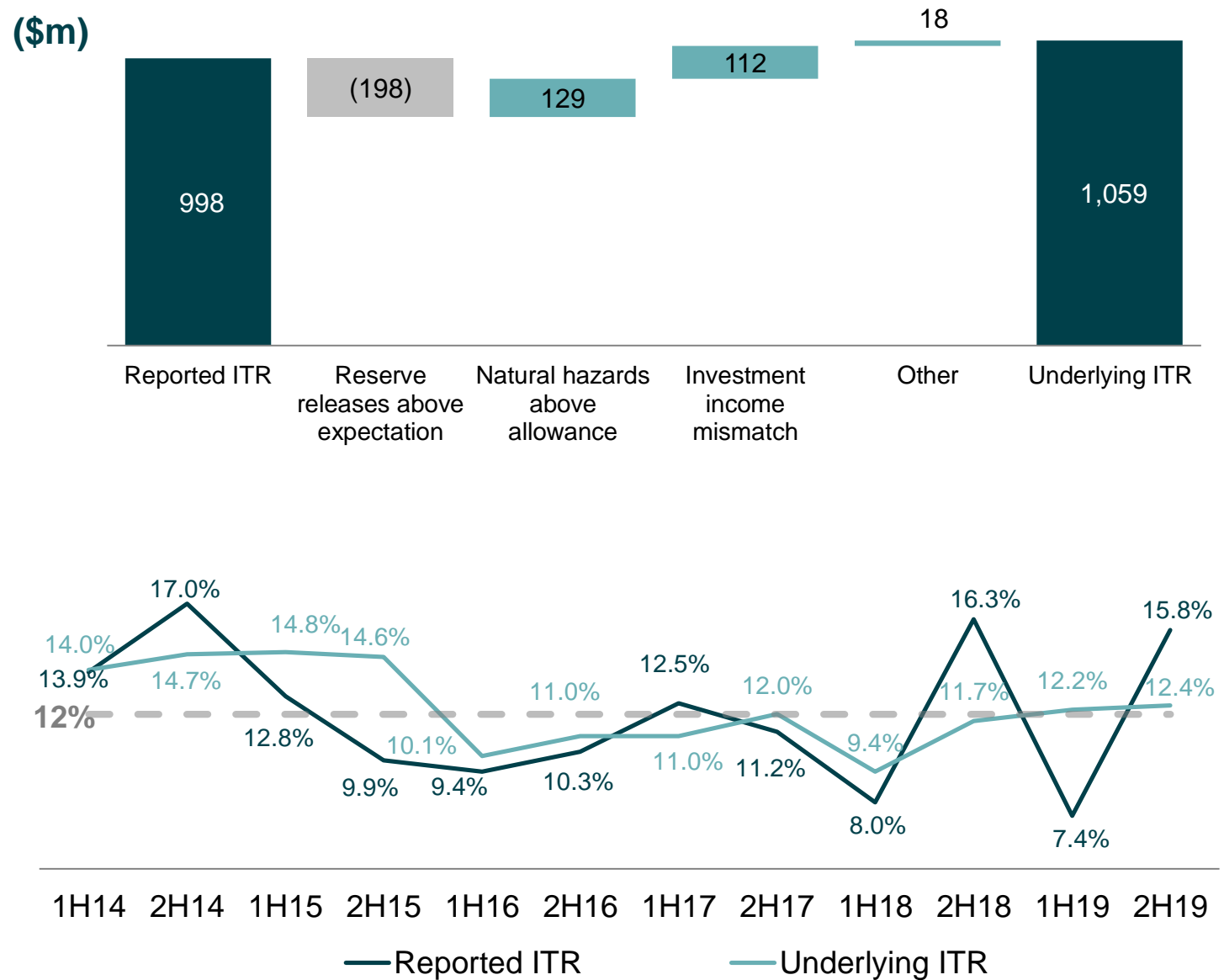
Cash EPS (diluted)



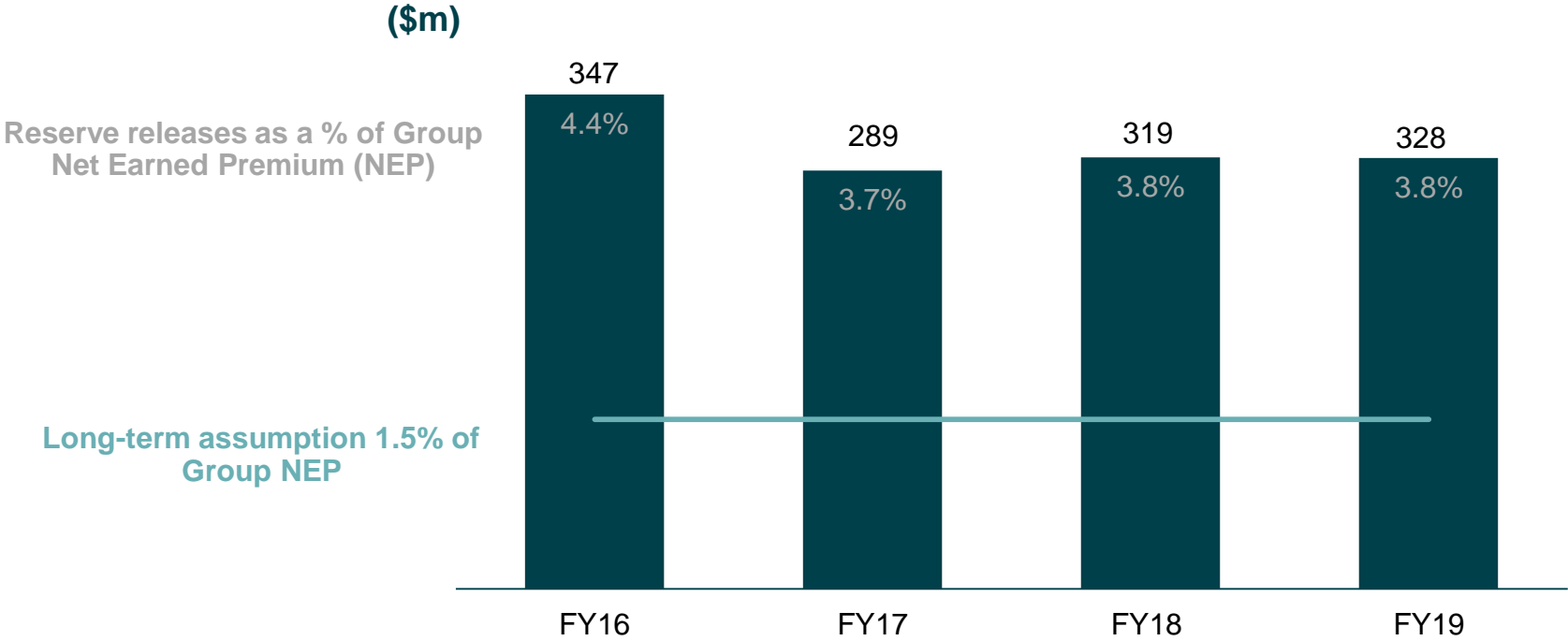
General Insurance ITR

The Group underlying ITR has improved from 10.6% in FY18 to 12.3% in FY19 reflecting:

- Margin expansion in New Zealand
- Ongoing claims cost benefits from BIP to Australian Home and Motor portfolio
- Operating expenses benefits from BIP across the Group
- Realignment of the Australian Commercial portfolio



General Insurance reserve releases



Natural hazard events

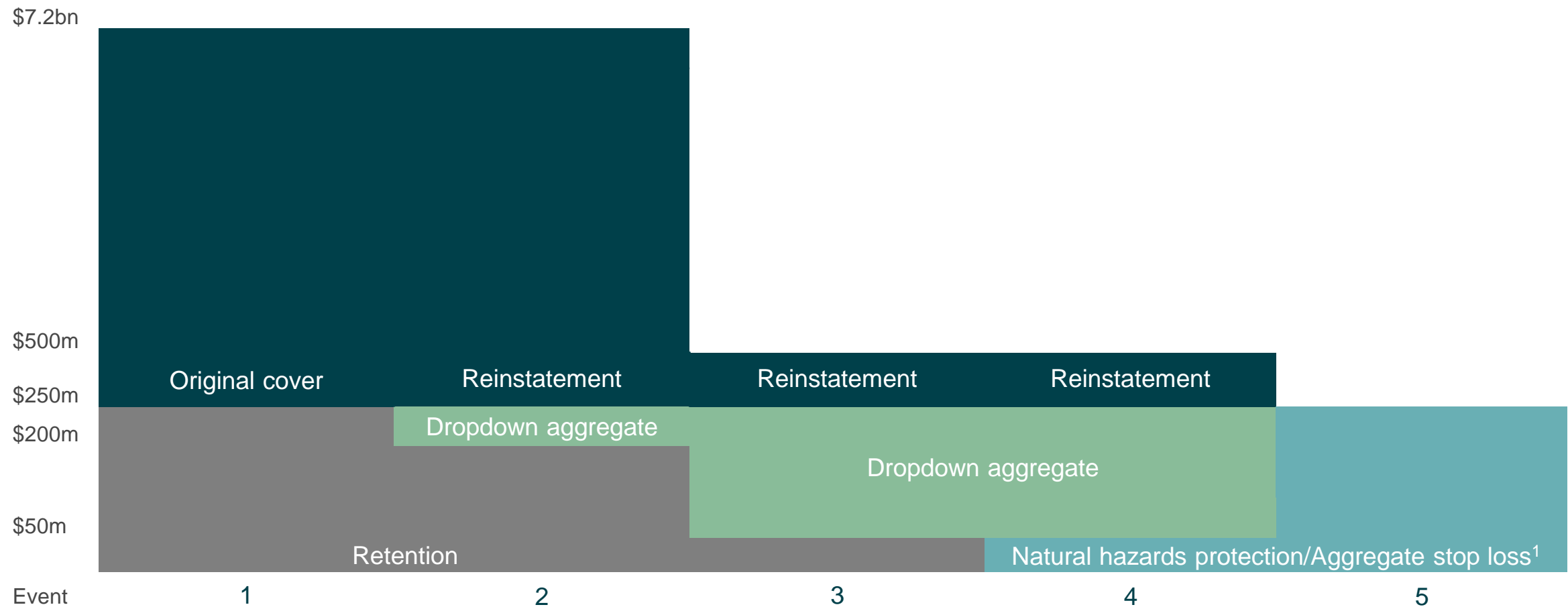
- Natural hazard costs \$129m above FY19 allowance
- NSW & SEQ Hailstorm impact limited to \$250m pre-tax under maximum first event retention
- Townsville Floods impact limited to \$63m as remaining aggregate deductible under Natural Hazard Aggregate Protection (NHAP) eroded
- February Sydney Storms and NSW/SEQLD March Hail & Storms fully recoverable
- \$25m¹ additional premium incurred as NHAP recoveries exceeded \$100m
- Approximately \$100m remaining cover under NHAP at end FY19
- FY20 reinsurance costs expected to be broadly in line with FY19²

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

1. Additional premium is proportionate to the amount of recoveries made under the NHAP and is capped at \$25m once recoveries reach \$100m

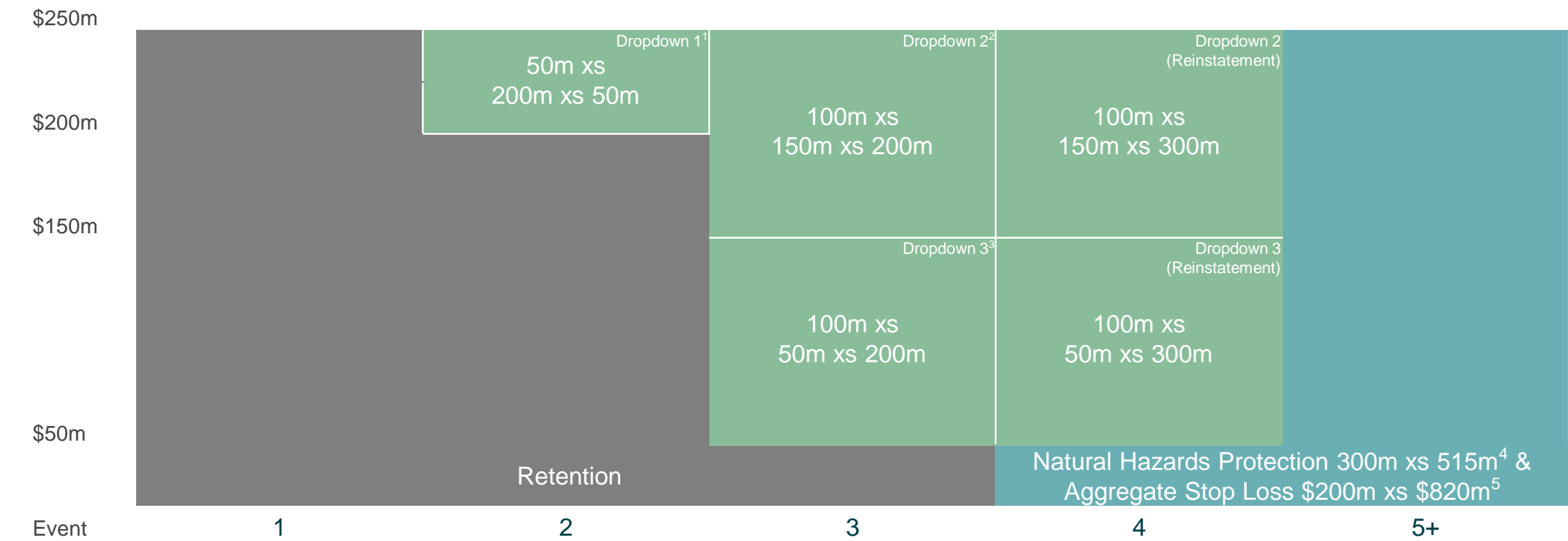
2. Excludes costs of aggregate stop loss protection in FY20 and any additional premium payable for recoveries made under the NHAP

FY20 reinsurance program – natural hazards



Note: The above diagram relates to Australian events
¹Includes both Australian and New Zealand events

FY20 reinsurance program – dropdown aggregate covers



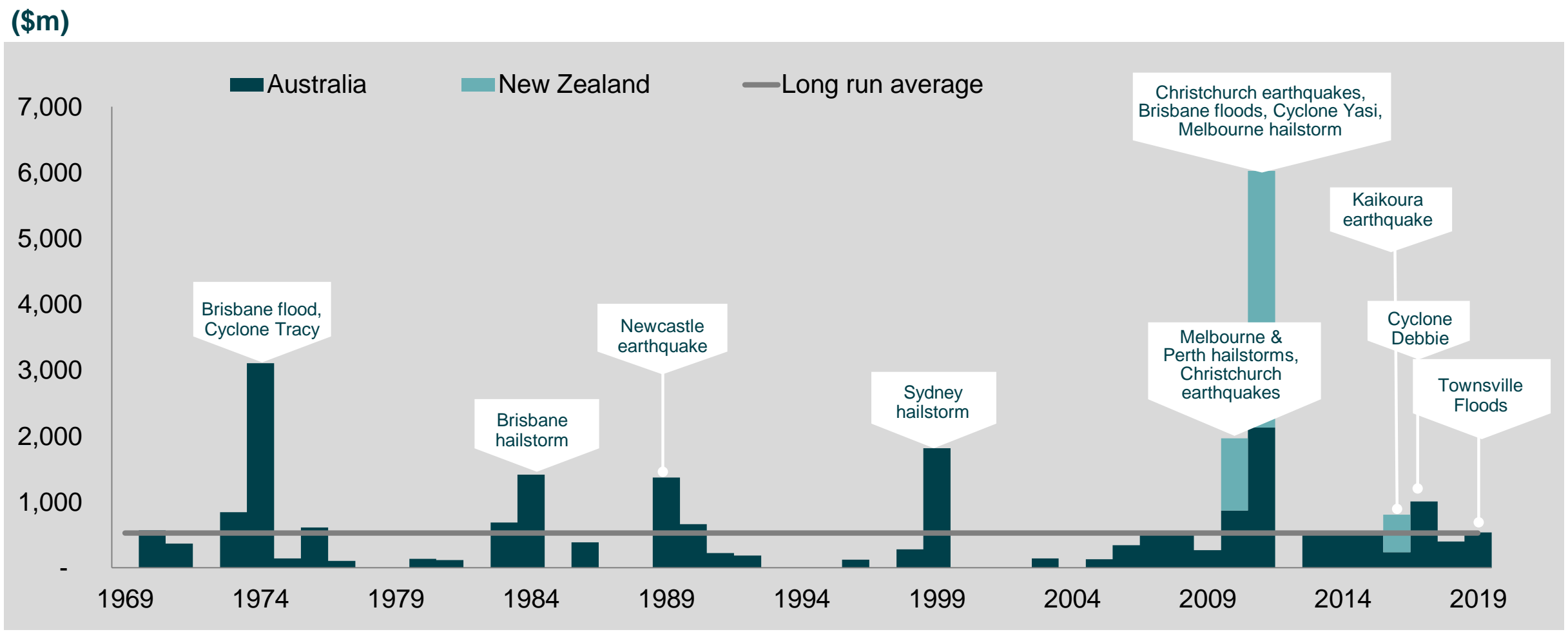
¹Provides \$50m of cover, for events > \$200m once the cumulative impact of qualifying events reaches \$50m
² Provides \$100m of cover, for events > \$150m once the cumulative impact of qualifying events reaches \$200m
³ Provides \$100m of cover, for events > \$50m once the cumulative effect of qualifying events reaches \$200m
^{1, 2 & 3} relate to Australian events only
⁴ Provides \$300m of cover for events > \$10m once the cumulative effect of qualifying events reaches \$515m
⁵ Provides \$200m of cover once retained natural hazards reaches \$820m
⁶ % calculations include amounts recoverable under Dropdown 2 and 3 reinstatements

	Dropdown 1 (50m xs 200m xs 50m)	Dropdown 2 (100m xs 150m xs 200m)	Dropdown 3 (100m xs 50m xs 200m)
Amount of Dropdown (Recoveries) utilised at end FY19 ⁶	100%	0%	60%

Illustration of reinsurance response to all events > \$10m incurred in FY19

AU Events (\$m)		Dropdown (Otherwise Recoverable Erosion)			Dropdown (Recoveries)			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 \$504m		x/s \$250m	(\$m)
Wide Bay Burnett	70	-	-	20	-	-	-	-	-	70	-	-	70
NSW Severe Low	24	-	-	-	-	-	-	-	-	24	-	-	24
East Coast Low	83	-	-	33	-	-	-	-	-	83	-	-	83
NSW & SEQ Hailstorm	385	50	100	100	-	-	-	-	-	250	-	135	250
January Sydney Storms	14	-	-	-	-	-	-	-	-	14	-	-	14
Townsville Floods 1	72	-	-	22	-	-	-	-	-	63	9	-	63
Townsville Floods 2	334	-	100	25	50	-	75	-	-	-	125	84	-
February Sydney Storms	17	-	-	-	-	-	-	-	-	-	17	-	-
NSW & SEQLD March Hail & Storms	94	-	-	-	-	-	25	-	19	-	50	-	-
Totals	1,093	50	200	200	50	-	100	-	19	504	201	219	504

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
- Committed to returning excess capital to shareholders

(\$m)	As at 30 June 2019					Total as at 30 June 2018
	GI ²	Bank ²	Life ³	SGL, Corp Services & Consol	Total	
CET1	3,413	3,085	706	137	7,341	6,881
CET1 target	2,697	2,993	100	(10)	5,780	5,810
Excess to CET1 target (pre div)	716	92	606	147	1,561	1,071
Group dividend					(571)	(623)
Group excess to CET1 target (ex div)					990	448
Common Equity Tier 1 ratio¹	1.39x	9.28%				
Total capital	4,533	4,473	706	137	9,849	9,585
Total target capital	3,677	4,157	100	(33)	7,901	7,952
Excess to target (pre div)	856	316	606	170	1,948	1,633
Group dividend					(571)	(623)
Group excess to target (ex div)					1,377	1,010
Total capital ratio¹	1.85x	13.45%				

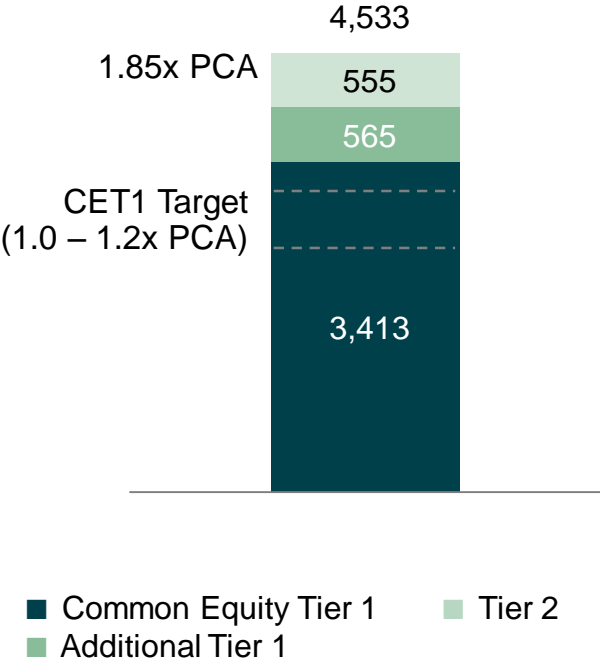
¹ Capital ratios are expressed as coverage of the PCA for General Insurance and Life, and as a percentage of Risk Weighted Assets for the Bank

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

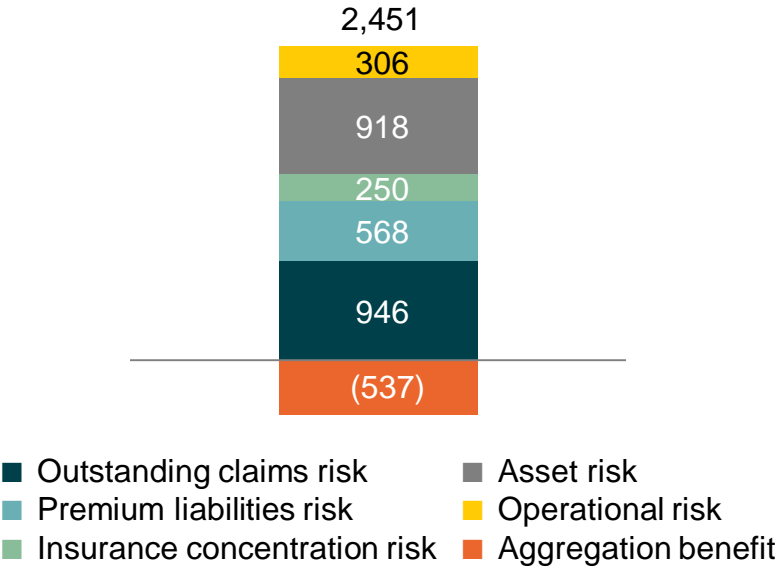
³ Life includes \$506m of capital that will be returned to shareholders from the sale of the Australian Life Insurance and Participating Wealth Business as well as capital relating to the New Zealand Life Insurance business and the remaining Wealth business

General Insurance capital

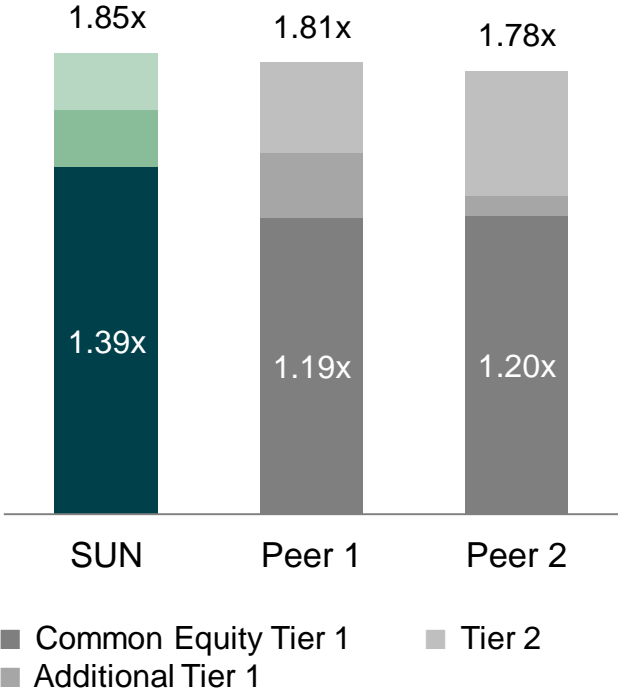
Total capital (\$m)



Prescribed Capital Amount (PCA) (\$m)

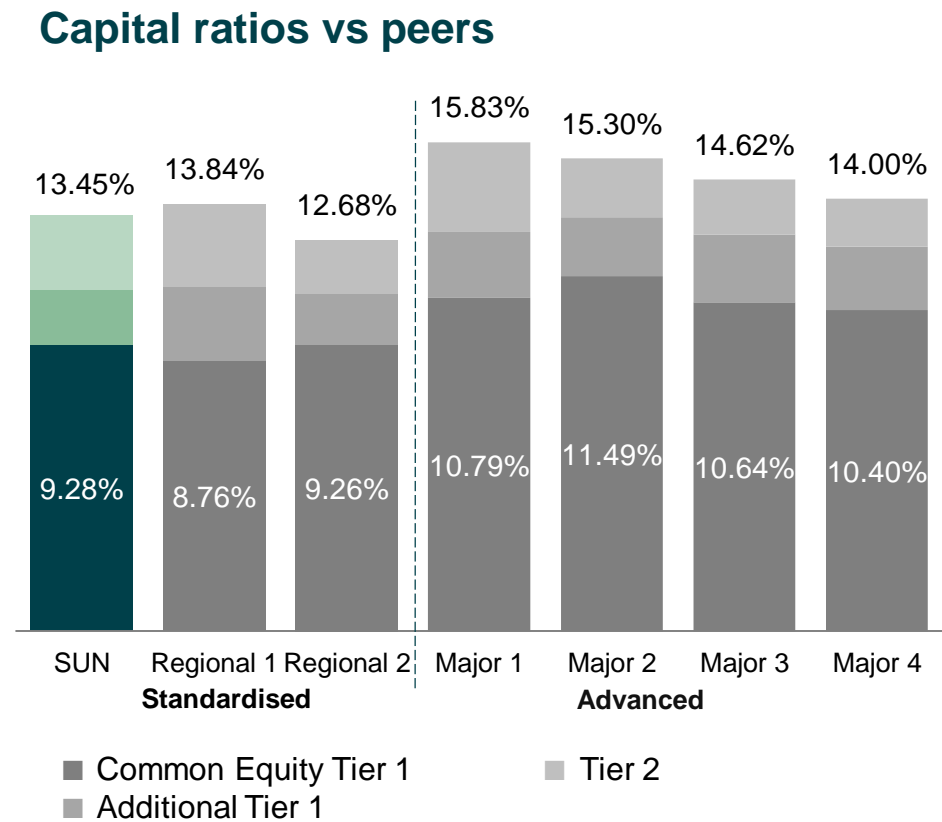
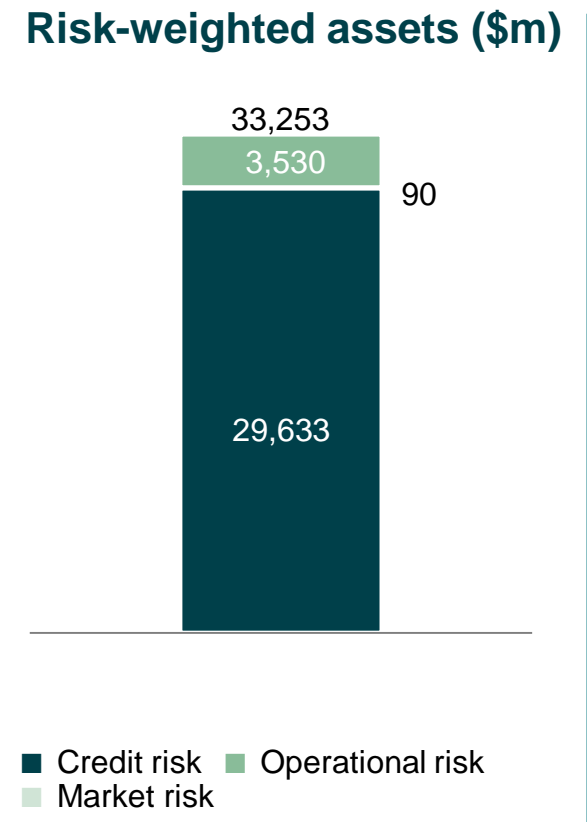
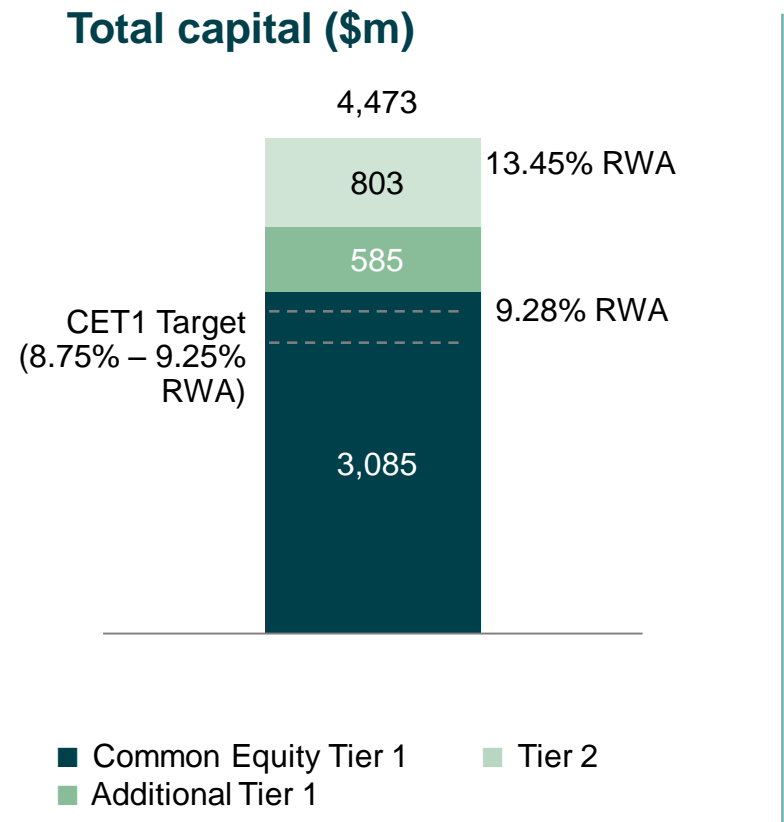


Capital ratios vs Australian peers



Source: Latest published company reports

Bank capital

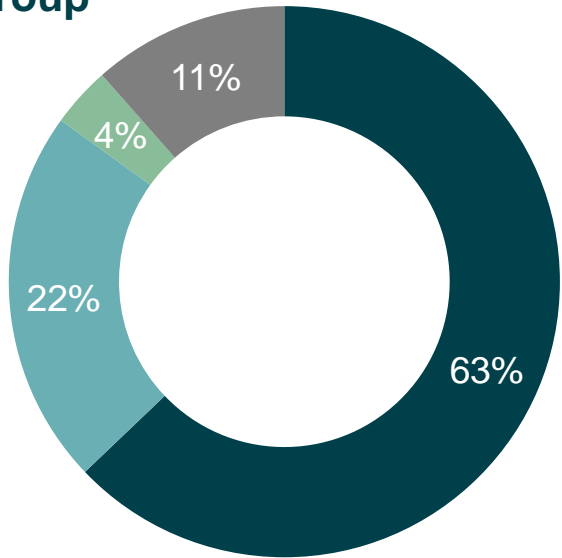


Source: Latest published company reports

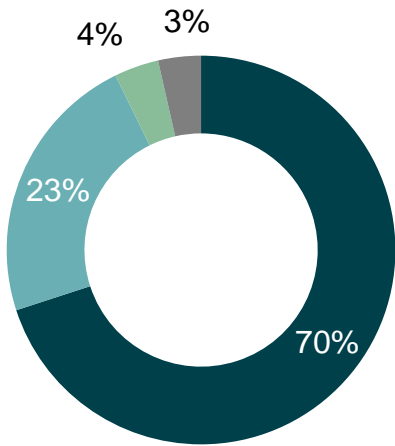
Group risk based capital

- Group risk based capital is a representation of the Group's risk profile
- Suncorp uses an internal risk based capital model to attribute both the Group's and the individual entities risk profiles to major risk drivers

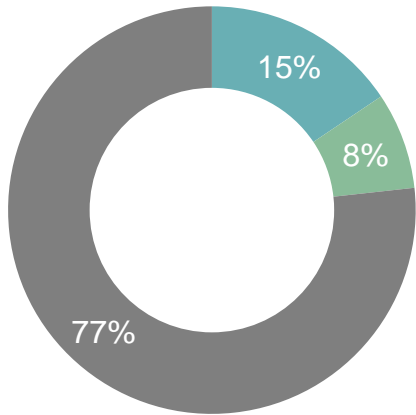
Group



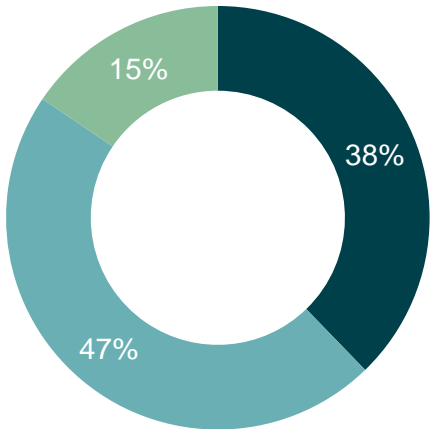
General Insurance



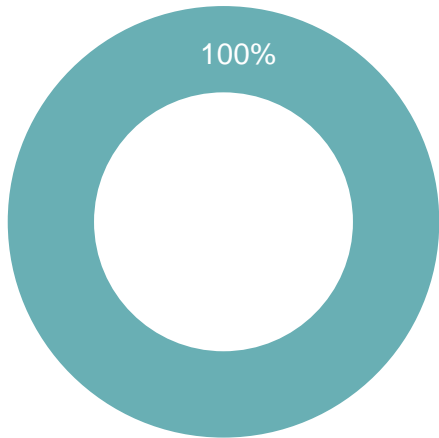
Bank



Life Insurance



Corporate



Insurance risk Market risk Operational risk Counterparty credit risk

Credit ratings

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

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

Business Improvement Program

Key initiatives delivered during FY19 include:

Digitisation of customer experience

- Digital enhancements reducing the cost of customer communications
- Reduction of 3.5m physical mail packs and over 760k calls into the contact centre

Sales and service channel optimisation

- Continued focus on improved digital capabilities and the use of instore technologies
- Increased self-service capabilities in niche brands saw APIA and CIL customers equipped with the ability to process payments through an automated interacted voice recognition

End-to-end process improvement

- New lodgement tools and simpler process steps for home loan origination
- New dynamic form and centralised servicing for customers with existing loans and simplified lending processes across Business Banking
- Insurance renewals and direct debit SMS notifications have replaced less effective outbound calls, resulting in a ~10% uplift in payments received within 3 days of contact

Claims supply chain re-design

- Motor and Property initiatives have improved claims pathing, digital functionality and customer benefits such as enhanced care hire options
- Investment in analytics delivering support to Personal Injury customers with proactive injury management strategies, enabling individuals to return to work/life sooner
- Improved data and analytics functionality to support reducing fraud and exaggerated claims
- The stream delivered a \$31m contribution to the Group reserve releases

Smarter procurement and streamlining the business

- Procurement review of key relationships and terms across all categories of spend
- Investment in processes to drive productivity and efficiency in the workforce

FY19 net benefits by stream

	FY19	FY18	Change (\$m)
Digitisation of customer experience	5	(7)	12
Sales and Service channel optimisation	16	7	9
End-to-end process improvement	20	(18)	38
Claims supply chain re-design	140	33	107
Smarter procurement and streamlining our business	99	25	74
Total	280	40	240

FY20 BIP Targets

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

Customer and Digital

Digital led initiatives in FY19 included:

- **Investment in digital capabilities to drive momentum in core business**
 - Digital users increased by 22%
 - Nearly 50% of at call deposit accounts were originated online
 - Enhancements in self-service functionality
- **Creating value to meet more customer needs and drive retention**
 - 525k downloads and 300k registrations for the Suncorp App
 - Delivery of the New Payments Platform, allows customers to make payments in near real time
 - 580k registrations for Suncorp Rewards, with customers spending \$63m and saving \$3.6m since launch
- **Enhancing systems to deliver positive customer outcomes and meet regulatory requirements**
 - Enabling front-line team members to have a single view of customers
 - Since the launch of the AAMI Intelligent Virtual assistant in March, the web experience has handled 38k customer questions
 - Scout Chatbot in the Suncorp App, answers more than 60k questions per month

	FY19	FY18
Connected customers		
Proportion of customers with multiple needs met (%)	35	35
Consumer Net Promoter Score (NPS)	+5.0	+7.3
Business Net Promoter Score (NPS)	+2.1	+2.7
Customer engagement via digital channels		
Number of digital users (m)	3.35	2.74
Proportion of digital claims (%)	20	12
Proportion of 'zero touch' digital claims (%)	38	33
Proportion of digital Insurance sales (%)	25	25
Proportion of digital Banking sales (%)	46	25

Refer to definitions and calculations in the FY19 Investor Pack Customer and Digital Section 1.9

Group Customer Advocate

Reporting to the Board Customer Committee, established in FY19, the Customer Advocate role was created **to drive better customer outcomes**, by providing **objective assessments** on the ethical and moral integrity of **Suncorp's processes, decisions and practices**.

The FY19 Customer advocate focus areas were:

Strengthening the voice of the customer	Focusing the organisation on social issues that impact customers	Inspiring Suncorp's people to be the voice of the customer
<ul style="list-style-type: none">– Offering impartial reviews on the outcome of individual complaints to consider whether a fair and reasonable decision was achieved– Launch of the group wide program 'Emerging Issues' focusing on proactive identification, management and elimination of systematic issues affecting customers	<ul style="list-style-type: none">– The 'Customers Experiencing Vulnerability Roadmap' based on the belief that customers should only be required to share their story once, is streamlining the customer experience– Establishment of the 'Scam Victimization Program' in partnership with The Queensland University of Technology is increasing protection for customers against the rise of scams in Australia	<ul style="list-style-type: none">– Development of a training model that focuses on awareness and understanding of vulnerability– The 'Frontline Forum' is connecting frontline team members with strategic decision making– The customer centric leadership program 'Customer Guardian Network' is internally recognising champions of change

Royal Commission

10 key themes update

Recommendation		August 2019 Update
1	Culture, remuneration, compliance, accountability	<p>Suncorp is taking active steps to ensure that the customer is at the centre of what the Group does. As part of this focus, Suncorp's purpose has been refocused to '<i>create a better today for our customers</i>' and a culture program of work has been established to better assess and influence the Group's culture.</p> <p>Suncorp is cognisant of the need to ensure that there is a sufficient focus on non-financial considerations. As part of this focus, enhancements have been made to the remuneration frameworks to strengthen the consideration of non-financial risks as well as the introduction of a new SLT Non-Financial Risk Committee to provide enhanced oversight across the Group.</p>
2	Mortgage broker remuneration and obligations	Consistent with the findings of the Sedgwick review Suncorp has already made a number of changes to the remuneration frameworks for mortgage brokers including relating to volume-based arrangements and incentives.
3	Compensation of last resort scheme/ AFCA extension	Suncorp continues to actively engage where a customer does not believe that appropriate expectations have been met. Whilst Suncorp awaits further guidance in relation to the Compensation Scheme of Last Resort, following the introduction of the Legacy Complaints Scheme, only a limited number of matters have been received. Suncorp continue to actively engage with AFCA to ensure that the balance is maintained between individual customer outcomes and industry sustainability.
4	Regulatory approach	Suncorp remains committed to maintaining the productive relationship it has with its regulators.
5	Unfair contract terms	Following the recent release of the draft legislation, Suncorp is considering the potential impacts. Suncorp is supportive of changes which improve customer outcomes and have taken steps in this regard, however, is mindful of the potential for unintended consequences which could impact the accessibility and affordability of insurance more generally. Suncorp will take an active role during the consultation process.

Royal Commission

10 key themes update

Recommendation		August 2019 Update
6	Claims handling exemption	Suncorp is taking steps to further enhance its claim handling practices to improve customer outcomes and awaits further guidance around the proposed changes. In implementing this recommendation, Suncorp is cognisant of the importance of having meaningful and supportive conversations with customers, particularly during natural hazards events.
7	Sales practices- Hawking	Suncorp continues to actively review its sales practices and has made a number of recent changes to further support team members to have valuable conversations with customers. Suncorp continues to monitor the proposed changes to hawking and are ready to respond once more detail is understood.
8	BEAR for insurance and superannuation	Suncorp has recently lodged the required documentation with APRA in support of the implementation of the Banking Executive Accountability Regime (BEAR) in the Bank. Consideration is underway around the extension of BEAR to the Insurance and Wealth businesses.
9	Codes of practice	<p><i>Bank</i> - Suncorp has recently completed a program of work to support the introduction of the revised Banking Code of Practice and is an active signatory. As part of this program, enhancements were made to several practices with a focus on enhancing customer experiences and outcomes.</p> <p><i>General Insurance</i> - Suncorp has been actively involved in the recent review of the General Insurance Code of Practice and, whilst it is yet to be approved, Suncorp is working towards its implementation. As part of this activity Suncorp have already implemented greater transparency around providing year on year premiums on renewal notices and are enhancing our practices to improve the identification and response where a customer may be experiencing a period of vulnerability or hardship.</p>
10	Agribusiness lending reforms	Suncorp is supportive of proposed amendments to the Banking Code of Practice with respect to Agribusiness lending, including the introduction of a uniform national farm debt mediation scheme.

APRA risk governance self-assessment summary of findings

Board & Senior Leadership Governance

- Suncorp's Board and Senior Leadership was generally found to operate well with an underlying culture of constructive challenge and collaboration.
- Board and Management reporting could be improved, including the provision of relevant customer, risk and performance metrics of the business.
- Non-Financial Risk management could benefit from greater visibility and focus.

Risk Management & Compliance

- Suncorp's risk and compliance practices have matured over recent years.
- Opportunities exist to further uplift risk and compliance capability, including a greater focus on Conduct Risk.
- Inconsistencies were identified in the application of the Three Lines of Defence Model.

Issue Management

- While more complex and severe customer complaints are given heightened attention, the lower level complaints would benefit from more focus including identifying themes and the management of emerging issues.
- Whilst Suncorp's people feel comfortable to raise issues, the systems in place have made it challenging to raise them simply, impacting the ability to quickly respond.
- Suncorp has a mature and professional relationship with its key regulators.

Financial Objectives & Accountability

- When making investment decisions, Suncorp has structured criteria in place with no evidence of bias against risk and compliance related projects. However, there is an opportunity to increase the voice of the customer in these decisions.
- Suncorp's operating model has created some complexities in defining accountabilities, particularly where activity crosses multiple functions.

Remuneration

- Suncorp's remuneration frameworks are regularly reviewed and challenged, with the Board playing an active role in their development.
- While Suncorp has the policies in place to impact individual performance results for poor risk outcomes, there are inconsistencies in their application

Culture & Leadership

- Suncorp's culture benefits from a clear and consistent 'tone from the top' with a focus on openness, honesty and customer outcomes.
- However, there are examples of inconsistency in the application of this desired culture and there could be more done to embed the Suncorp culture model and risk culture principles across the organisation.

Suncorp is responding to the recommendations identified in the self-assessment with progress reported to the Board regularly

APRA risk governance self-assessment lessons

2018/2019 has reinforced the importance of trust and doing the right thing by customers, the community and shareholders.

Suncorp has reflected on the lessons learned and is committed to building a more responsible and resilient company.

Orientating around a natural disaster

Suncorp people respond well in times of crisis (e.g. the Brisbane floods and Cyclone Yasi), often being the first on the ground helping our customers recover.

This focus on orienting around a challenge can divert attention away from the delivery of operational excellence in the day to day running of the business.

Prioritising non-financial risk

Following the Global Financial Crisis, Suncorp has focused on managing financial risk including ensuring the financial stability of the organisation.

This may create the potential for Suncorp's people to perceive that non-financial risk does not have the same priority.

Complex operating environment

Suncorp's operating environment has become complex with examples of policies, procedures and systems having evolved and being added to over many years.

This complexity manifests in Suncorp's people needing to exercise judgement to do the right thing, which may lead to inconsistencies.





















Clarity of accountability

Within the Group's operating model there are examples where Suncorp's people don't fully understand their accountability.

This lack of clarity may impact the quality and speed of decision making by Suncorp's people.

Top 20 regulatory projects in FY20

Top 20 Regulatory Projects and indicative spend ¹

 Royal Commission and Risk Governance Self-Assessment Program of Work where scope falls outside of existing initiatives	\$20 – 25m	 Data lake to address fragmented and costly data architecture, enhance regulatory and Board reporting and customer insights	\$5 – 10m
 Change to systems, processes and procedures to adhere to new General Insurance Code of Practice	\$20 – 25m	 Risk Insights Program to respond to the Royal Commission recommendations and APRA Self-Assessment	\$5 – 10m
 Implementation of new Insurance and Finance processes and systems to comply with IFRS17	\$15 – 20m	 NSW CTP SIRA policy data enhancements to facilitate scheme monitoring and reporting	\$5 – 10m
 Wealth program of work to meet on-going member disclosure requirements	\$15 – 20m	 Data retention pilot implementation to ensure regulatory compliance	\$5 – 10m
 Ensure compliance with Payments Card Industry Data Security Standard (PCI DSS)	\$15 – 20m	 Culture and People Stream – covers requirements of the Royal Commission, BEAR, Sedgwick and APRA self-assessment	\$5 – 10m
 Design & Distribution Obligations & Unfair Contract Terms Legislation	\$5 – 10m	 Enabling Customer of the Group – ensure compliance with advice, hawking, privacy consent and licensing requirements	\$1 – 5m
 Digital maintenance program to address critical and severe security and other risks in line with APRA CSP234	\$5 – 10m	 Open Banking package of reforms to strengthen accountability and competition (discovery and planning activities)	\$1 – 5m
 Compliance with ACT CTP Reforms/legislation (likely to be similar to NSW Reforms)	\$5 – 10m	 Enterprise complaints – strategic complaints dashboard focused on systemic complaints analysis	\$1 – 5m
 Security vulnerability enhancements	\$5 – 10m	 Conflicts of Interest in broker fee structure to drive better consumer outcomes (ASIC 516 – Phase 2)	\$1 – 5m
 Completion of Customer Data Mart to ensure a reliable and stable single view of customer	\$5 – 10m	 Data maturity uplift program of work to improve customer data quality at point of capture through to reporting	\$1 – 5m

1. Reflects planning estimate of delivery costs. In many instances, projects have not completed detailed planning, project costings will be validated as these projects move through formal project planning. Total regulatory project spend in FY20 is anticipated to be approximately \$155m.



Compliance Activities



Data Security & Operational Resilience



Enhanced Customer Outcomes & Value

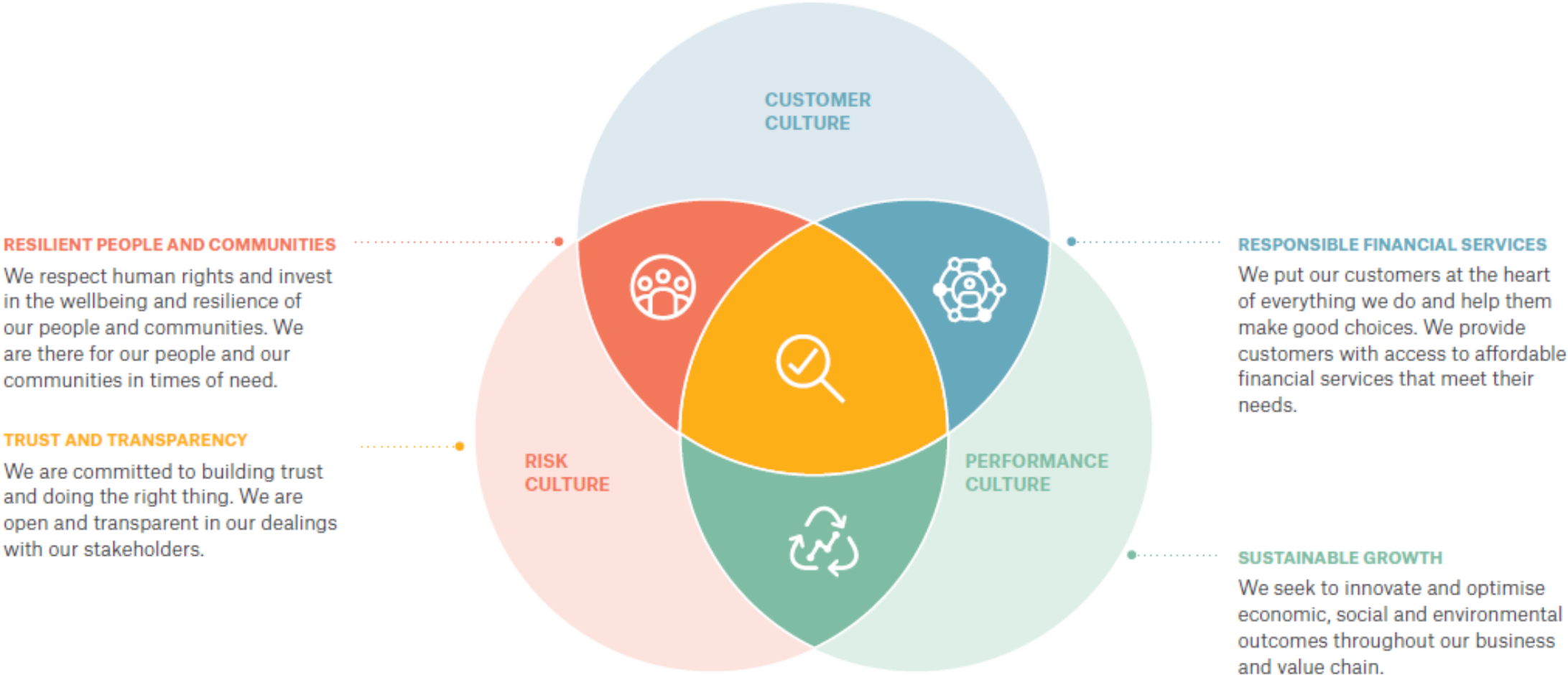


Enhanced Risk Management, Governance & Culture





Group regulatory snapshot – current areas of focus

Insurance	Banking & Wealth
– ACCC Northern Australia Insurance Inquiry	– New and revised Prudential Requirements for Superannuation Trustees
– IFRS17 Reporting for Insurance Products	– APRA/ASIC RSE Investigations – Tax Surplus (Outsourcing), ADA Transfer, and Disclosure
– Claims Handling as a Financial Service	– ADI Advanced Accreditation
– Extension of Unfair Contract Terms to Insurance Contracts	– Residential Mortgage Lending Standards, prudential measures & Practices
– General Insurance Code of Practice	– Capital framework changes including ‘Unquestionably Strong’ Benchmarks
– CTP Reforms	– Implementation of Economic & Financial Statistics (EFS) reporting requirements
– Disclosure in GI – Improving Consumer Understanding	– Banking Code of Practice
	– Comprehensive Credit Reporting Regime (CCR)
	– Banking Executive Accountability Regime (BEAR)
	– Open Banking Regime & Customer Data Right
Group / Customer / Other	New Zealand
– GuardianFP Advice Remediation Program	– Fire and Emergency New Zealand Levy review
– GuardianFP Fee For No Service Remediation Program	– Earthquake Commission Inquiry
– APRA Risk Governance Self-Assessment	– IFRS 17 implementation
– Prudential Standard – CPS 234: Information Security	– Insurance (Prudential Supervision) Act 2010 (including solvency requirements)
– Hawking of Financial Products	– Conduct regulation for financial institutions
– Enforceable Code Provisions	– Insurance Contracts Law Review
– Design and Distribution Obligations and Product Intervention Powers	– Financial Advisers Act 2008 reform
– Increased ASIC Powers, Penalties & Enforcement Approach for Misconduct	– Privacy Act 1993 reform
– Consumer Credit Insurance Remediation Program	– Canterbury Earthquakes Insurance Tribunal established
– Climate Change Risk Management including publishing findings inline with the Task Force on Climate-related Financial Disclosures (TFCD)	– Earthquake Commission cover and levy changes
– Management of Non-financial Risks	

Corporate responsibility framework



Corporate responsibility roadmap

	Performance highlights	Focus for FY20
Trust & Transparency 	<ul style="list-style-type: none"> ✓ Conducted a full materiality assessment of environmental, social and governance topics ✓ Published targets for key non-financial performance metrics ✓ Began implementation of the Banking and General Insurance Codes of Practice 	<ul style="list-style-type: none"> ▪ Track and respond to insights from the social licence & trust research on an ongoing basis ▪ Fully implement the Banking and General Insurance Codes of Practice ▪ Further align business activity to the United Nations Global Compact and Sustainable Development Goals
Sustainable Growth 	<ul style="list-style-type: none"> ✓ Progressed implementation of Suncorp's Climate Change Action Plan and Environmental Performance Plan ✓ Published targets to reduce greenhouse gas emissions ✓ Completed climate-related risk and opportunity assessment ✓ Develop approach to climate change scenario analysis 	<ul style="list-style-type: none"> ▪ Conduct supply chain Environment, Social and Governance (ESG) risk assessment and publish first Modern Slavery Act Statement ▪ Publish first Proxy Voting Summary ▪ Conduct climate change scenario analysis and publish findings in line with Task Force on Climate-related Financial Disclosures (TCFD)
Responsible Financial Services 	<ul style="list-style-type: none"> ✓ Developed a Responsible Insurance & Banking Policy to strengthen business practices in line with community expectations ✓ Continued to implement recommendations of the Vulnerable Customer Review, including training for key employees 	<ul style="list-style-type: none"> ▪ Implement the Responsible Insurance & Banking Policy and conduct portfolio ESG risk assessments ▪ Implement standards to support customers experiencing vulnerability including domestic violence, financial hardship, and accessibility ▪ Develop community sector partnerships to provide external referral pathways for customers experiencing vulnerability
Resilient People & Communities 	<ul style="list-style-type: none"> ✓ Launched Clontarf Foundation partnership to support Suncorp's Reconciliation Action Plan ✓ Further embedded social impact measurement into new community partnerships 	<ul style="list-style-type: none"> ▪ Focus leadership effort on employee engagement and purpose ▪ Expand the Future Ready program ▪ Develop Indigenous Employment Strategy and cultural awareness training for Suncorp's people

Risk management and culture

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

Effective risk management is supported by:

- A clearly articulated 'risk appetite' that is aligned to the strategy
- An Enterprise Risk Management Policy and Framework which requires the business to take accountability for risk management and risk decisions;
- An independent risk function (Chief Risk Office) that oversees and challenges the business in its risk-taking; and
- The monitoring of Suncorp's risk maturity and targeted actions to continually increase risk management capability

In FY19 Suncorp delivered:

- ✓ Clearer accountabilities through the Banking Executive Accountability Regime
- ✓ An enhanced group risk system, supporting processes and reporting through the Risk Optimisation Program
- ✓ Built Suncorp's risk and compliance capability within the Risk Job Family through training
- ✓ Advanced the Customer Advocate Strategy

In FY20 Suncorp is investing in:

- Better data and analytics through the Risk Insights Program
- Enhancing Suncorp's approach to Conduct Risk

Risk culture at Suncorp is based on the following principles:

1. Managing risk is everyone's responsibility, with leaders focusing on mitigating those risks that matter the most
2. Supporting Suncorp's people to do the right thing in any situation, balancing customer, performance and risk considerations
3. Making it easy and safe for Suncorp's people to raise concerns and encourage transparency and open dialogue
4. Embracing risk management in a dynamic, agile way and leveraging data to assist in decisions making
5. Embracing thinking big and challenging the status quo to implement improvements. Suncorp acknowledges we will not always get it right and have tolerance for failures or mis-steps that fall within our risk appetite, provided we apply the learnings to improve our business
6. Welcoming a diverse range of views, leading to better decision making

Enterprise risk management framework

- Suncorp uses a Board approved Enterprise Risk Management Framework (ERMF) to set out our approach to risk management
- The ERMF provides a summary of the Governance frameworks, policies, processes and key accountabilities that govern risk management at Suncorp
- The ERMF represents Suncorp's Risk Management Strategy



Risk categorisation

Material risks are those that have the potential to adversely impact Suncorp's ability to meet its key financial and non-financial business objectives, operate within its stated risk appetite or otherwise cause the Board or senior management to fail to meet its risk management obligations. Suncorp's material risks include:

Category	Description	Key policies and controls	
Strategic risk	<p>Suncorp recognises and defines two types of strategic-level risk:</p> <ul style="list-style-type: none"> – Strategic risk – risks to the viability of Suncorp's business model resulting from adverse changes in the external business environment, with respect to the economy, political landscape, regulation, technology, customer and social expectations and competitors – Strategic Execution Risk – the risk of failing to achieve strategic business objectives or execution of the business strategy 	<ul style="list-style-type: none"> – Strategic and Business Planning – Internal Capital Adequacy Assessment Processes (ICAAPs) 	<ul style="list-style-type: none"> – Risk Appetite Statement – Enterprise Risk Management – Mergers and Acquisitions
Operational risk, including Compliance risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes compliance and legal risk, but excludes strategic and reputational risks which are dealt with under Strategic risk	<ul style="list-style-type: none"> – Business Continuity Management – Delegations of Authority – Anti-Fraud – Group Security – IT Acceptable Use – Accounting Standards – Code of Conduct – Compliance Management and Regulator Engagement – Conflicts of Interest – Disclosure 	<ul style="list-style-type: none"> – Procurement – Product & Platform Management – Human Resources – Model Integrity – Code of Conduct – Fit and Proper – Privacy Management – AML/CTF and Sanctions – Securities Trading – Whistleblower

Risk categorisation

Material risks are those that have the potential to adversely impact Suncorp's ability to meet its key financial and non-financial business objectives, operate within its stated risk appetite or otherwise cause the Board or senior management to fail to meet its risk management obligations. Suncorp's material risks include:

Category	Description	Key policies and controls	
Financial risk	<p>Credit, Counterparty and Contagion risk: Credit Risk is defined as the risk of default of an obligor to fully meet their commitments in a timely manner.</p> <ul style="list-style-type: none"> – Counterparty - The risk that the other party in an agreement will default / will not meet its contractual obligations in accordance with agreed terms. – Contagion Risk – the risk that problems impacting one entity within Suncorp may compromise the financial position of other entities within Suncorp <p>Market/Investment risk: The risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, inflation, commodity prices, and market volatilities</p> <p>Liquidity risk: The risk that Suncorp will be unable to service its cash flow obligations today or in the future</p> <p>Asset and Liability Management risk: The risk of adverse movements in the relative value of assets and liabilities due to changes in market factors (e.g. Interest Rates, Inflation, FX), the variation in repricing profiles or from the different characteristics of the assets and liabilities</p>	<ul style="list-style-type: none"> – Bank Credit Risk Management – Counterparty Risk Management – Intra-group Transactions and Exposures – Investment Governance – Foreign Exchange Risk Management – Bank Traded Market Risk – Interest Rate Risk in the Banking Book 	<ul style="list-style-type: none"> – Bank Securitisation and Covered Bonds – Liquidity Management – Life Product Pricing and Reinsurance Advice – Bank Funds Transfer Pricing – Derivatives Management – Unit Pricing – Aggregate Risk Exposures
Insurance risk	<p>Insurance risk is the risk that for any class of risk insured, the present value of actual claims payable will exceed the present value of actual premium revenues generated (net of reinsurance) It includes the following risks: product design risk, pricing risk, reinsurance risk, underwriting risk, claims risk and reserving risk</p>	<ul style="list-style-type: none"> – Reinsurance Programs – Underwriting Rules, Guidelines and Policy 	<ul style="list-style-type: none"> – Claims Management Guidelines – Insurance Risk Committee oversight of insurance products

Suncorp Insurance Ventures (SIV)

- SIV is an investment vehicle used to scope, execute and manage Suncorp's strategic insurance investments. The portfolio is regularly reviewed and valued
- The SIV model is based on partnerships with innovative industry participants to create operationally independent businesses which generate claims cost benefits and enhanced customer service, in addition to stand-alone equity value
- SIV has three 100% owned operating subsidiaries:



- Established in 2010
- Industry leader in best practices, innovative and adaptive repair model
- Network Includes SMART (lower severity) and SMARTPlus (higher severity)
- Provides repair service capacity of 200k+ repairs annually
- 50 sites across Australia and New Zealand
- 55% of Suncorp's total drivable repairs in Australia



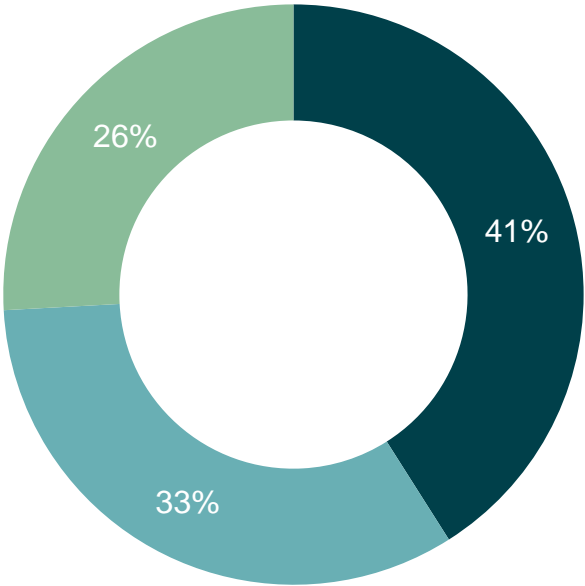
- Established in 2013
- One of the largest alternative parts suppliers in Australia and is the largest recycler
- Customers include Capital SMART, Gemini/AMA Group
- Suncorp supplies written off vehicles for resale of parts to wider market
- Operating sites across VIC, NSW and QLD



- Established in 2002 and partnered with Suncorp in 2015
- Proven success in low complexity repairs, focused on repairs of <\$10k
- Innovative repair methods with a key focus on reducing overall repair times and costs
- HomeRepair have become the primary 'Make-safe' provider for Suncorp nationally
- The flexible operating model continues to enable HomeRepair to respond to spikes in weather related demand

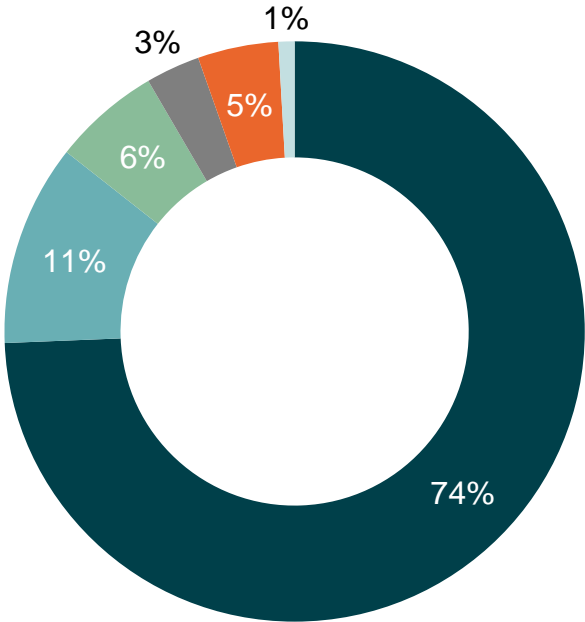
Shareholder overview

SUN shareholders by type



- Domestic Institutions
- Retail Investors
- International Institutions

SUN shareholders by geography



- Australia (Institutions & Retail)
- United States
- United Kingdom
- Rest of Europe
- Asia
- Rest of World

Source: Nasdaq, 28 June 2019

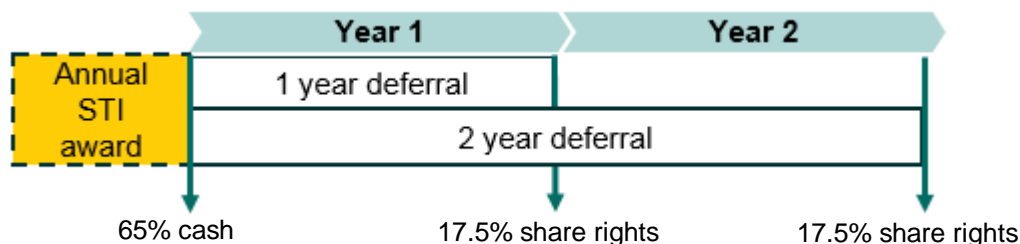
FY20 Executive remuneration structure

Remuneration structure¹

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. ^{2,3,4}
Long-term incentive (LTI)	Rewards the creation of long-term shareholder value.	100% of fixed remuneration. ^{2,3,4}

Performance measures and delivery of variable pay

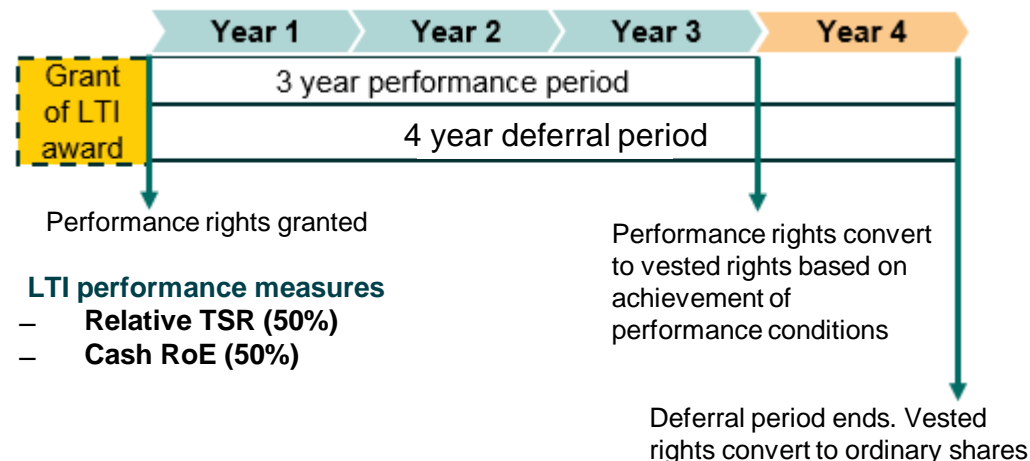
Annual short-term incentive⁵



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. The remuneration structure for all members of the Senior Leadership Team is compliant with the Banking Executive Accountability Regime (BEAR).
2. 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.
3. The Acting CEO participates in the STI and LTI plan on the same basis as all other executives. His STI opportunity will be apportioned for the time he performed the Acting CEO role with a higher level of fixed remuneration. His LTI opportunity is 100% of his CFO fixed remuneration.
4. The Acting CFO's STI opportunity is 100% of his Acting CFO fixed remuneration while he performs this role. He does not participate in the LTI plan.
5. The Acting CFO has a different STI arrangement to the rest of the Senior Leadership Team. 40% of his actual STI related to the time he serves as the Acting CFO will be deferred for four years.

Insurance (Australia)



Financial Results for the full year
ended 30 June 2019

Insurance (Australia)

- PAT down 13.7% to \$588m
- GWP up 1.3% to \$8.2bn. Home and Motor GWP up 2.4%
- Natural hazards \$835m, \$155m above allowance (FY18: \$625m, \$36m below allowance)
- Reserve releases of \$322m, 4.4% of NEP (FY18: \$319m, 4.4% of NEP)
- BIP benefits partially offsetting claims inflation
- Volatility in investment markets with net contribution from market movements \$135m (FY18: \$200m)

	FY19 (\$m)	FY18 (\$m)	Change (%)
Gross written premium	8,245	8,137	1.3
Net earned premium	7,292	7,191	1.4
Net incurred claims	(5,448)	(5,057)	7.7
Operating expenses	(1,556)	(1,506)	3.3
Investment income - insurance funds	444	258	72.1
Insurance trading result	732	886	(17.4)
Investment income – shareholder funds	115	110	4.5
Insurance (Australia) PAT	588	681	(13.7)

Insurance (Australia)

Gross Written Premium (GWP)

- Motor GWP grew 3.5%, following targeted pricing changes with units declining by 1.7%
- Home premium rate increases of 2.7%, partially offset by unit reduction of 1.6%
- Commercial GWP decreased by 0.3%, impacted by the selective non-renewal of poorer risks and lower new business growth particularly in the long-tail product lines
- CTP GWP decreased by 6.0% due to impact of scheme reforms
- Strong retention in workers' compensation supported by both wage and rate increases

	FY19 (\$m)	FY18 (\$m)	Change (%)
Motor	2,877	2,779	3.5
Home	2,230	2,206	1.1
Commercial	1,506	1,510	(0.3)
Compulsory third party	1,094	1,164	(6.0)
Workers' compensation and other	397	329	20.7
Total GWP	8,104	7,988	1.5
Fire Service Levies (FSL) ¹	141	149	(5.4)
Total GWP including FSL	8,245	8,137	1.3

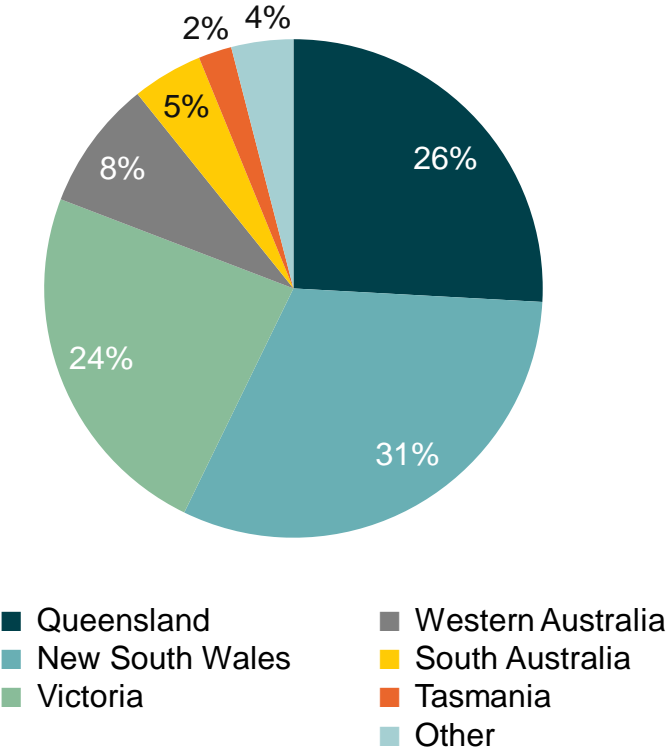
¹ FY19: Home \$81m, Commercial \$47m and Motor \$13m, FY18: Home \$96m, Commercial \$42m and Motor \$11m

Insurance (Australia)

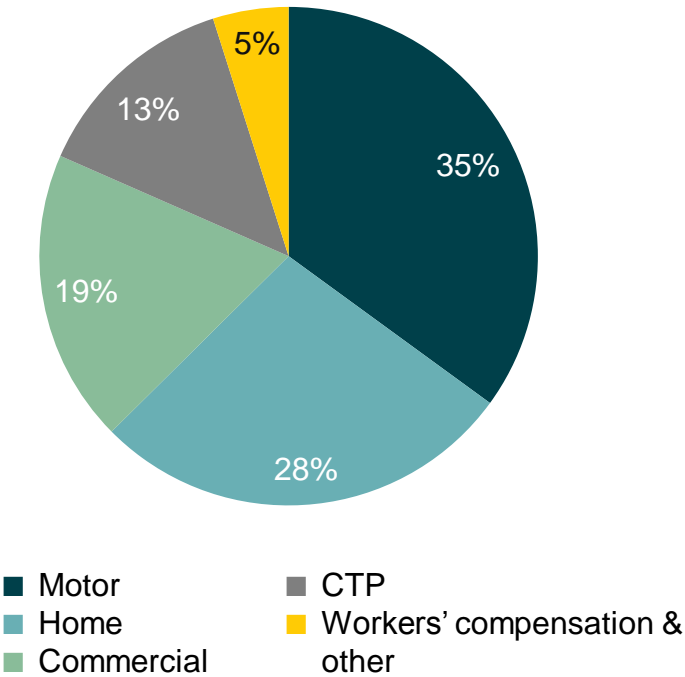
GWP excluding FSL

Total GWP (excluding FSL) increased 1.5% to \$8.1bn

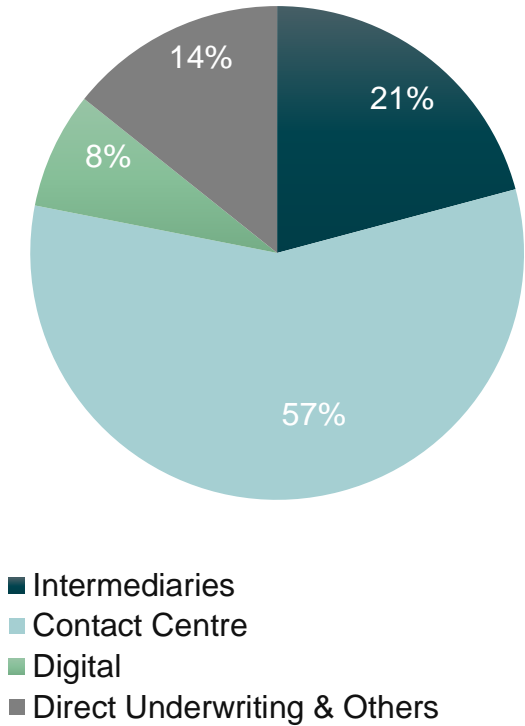
Portfolio by geography



Portfolio by product



Portfolio by channel



Insurance (Australia)

GWP - Compulsory Third Party (CTP)

- **CTP** GWP decreased by 6.0% to \$1.1bn due to the impact of scheme reform on premiums
- **NSW** CTP GWP contracted 9.5% driven by scheme reform which became effective on 1 Dec 2017
- **Qld** CTP GWP decreased by 4.4% driven by total ceiling price reductions of \$19 in FY19
- **ACT** CTP market share of 44%, following sustained growth since entering the market in 2013
- In **SA**, Suncorp was allocated 30% market share until 30 June 2019, after which the scheme successfully transitioned to competitive underwriting

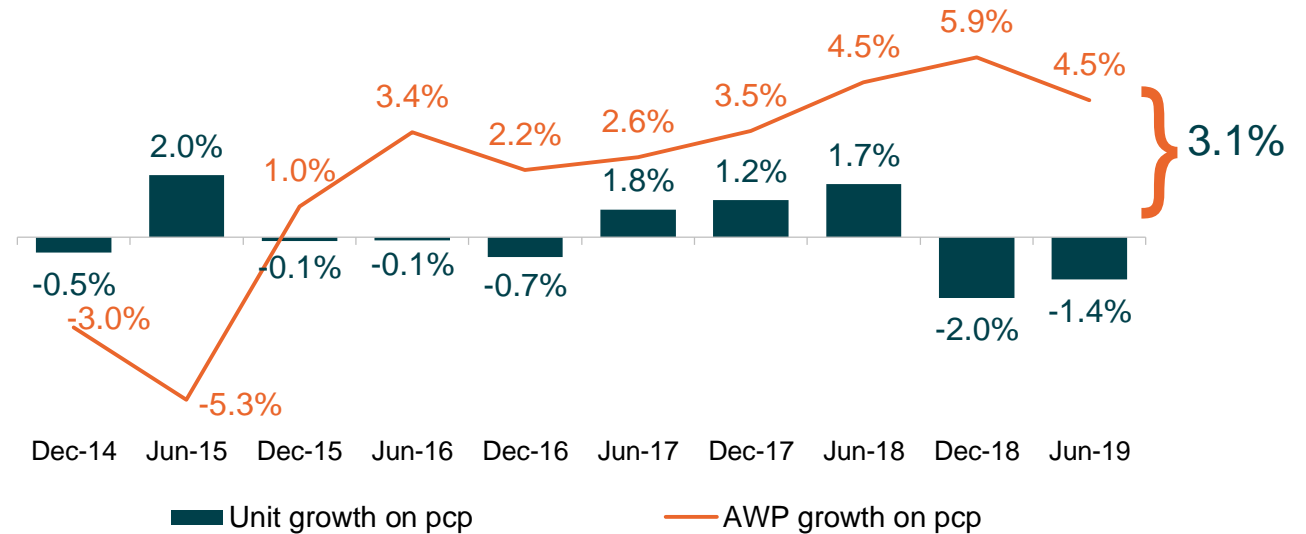
	FY19 (\$m)	FY18 (\$m)	Change (%)
Queensland	416	435	(4.4)
New South Wales	497	549	(9.5)
ACT	66	66	-
South Australia	115	114	0.9
Total CTP GWP	1,094	1,164	(6.0)

Insurance (Australia)

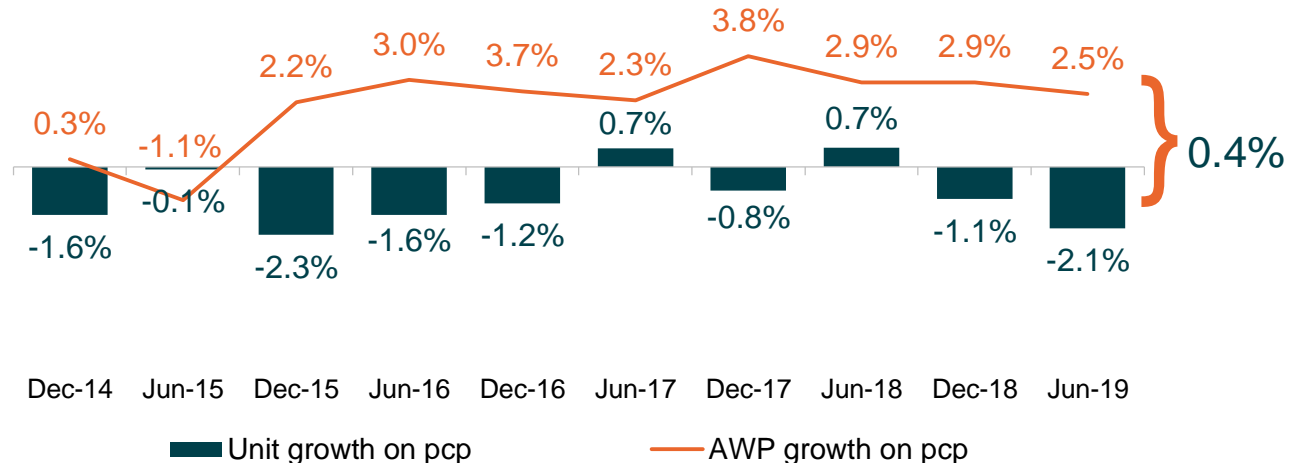
home and motor portfolio

- Home and motor positive premium rates partially offset by unit losses
- Lower new business volumes impacted by reduced turnover in dwellings and lower new car sales
- Retention levels remain strong
- Stable retention and improved unit growth expected into FY20

Motor portfolio GWP



Home portfolio GWP

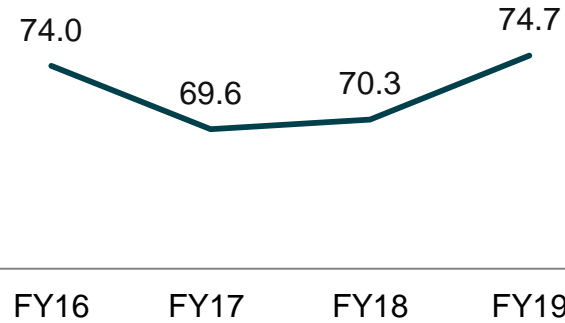


Insurance (Australia)

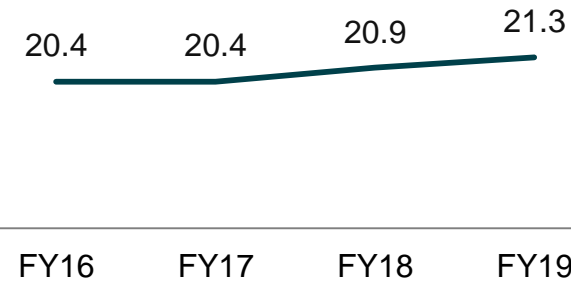
key ratios

(%)

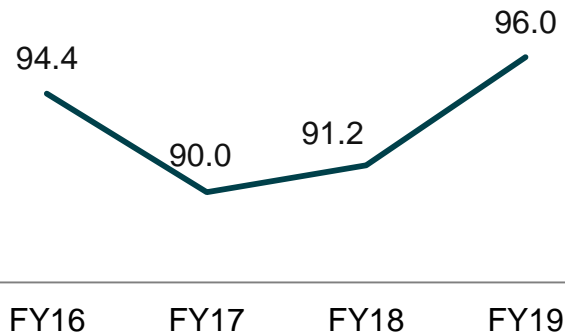
Loss ratio



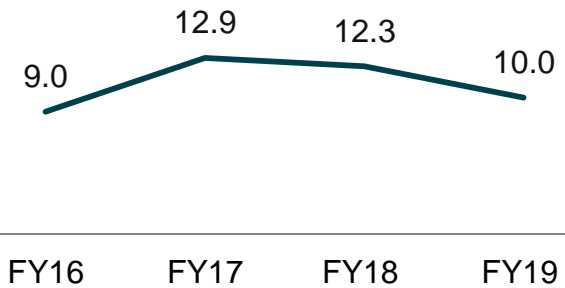
Total operating expenses ratio



Combined operating ratio



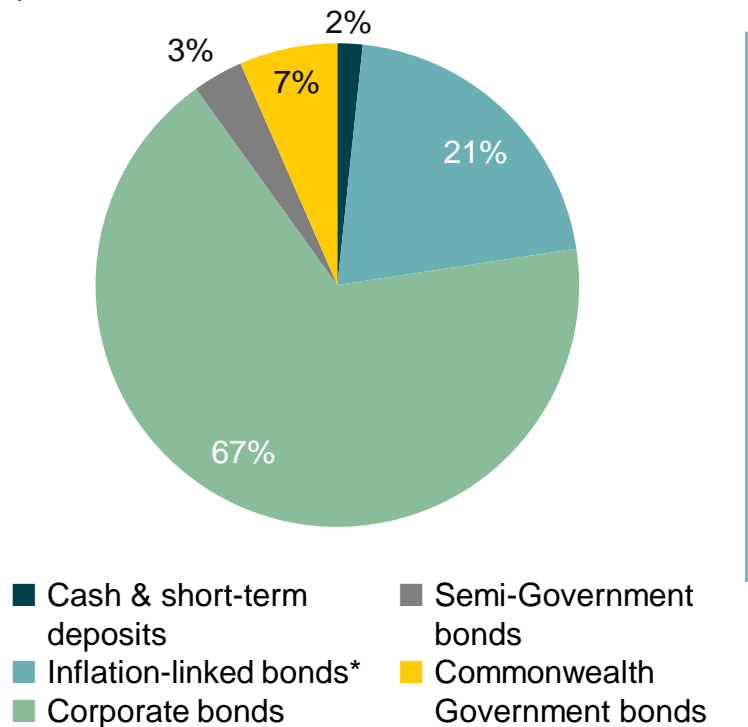
Reported ITR



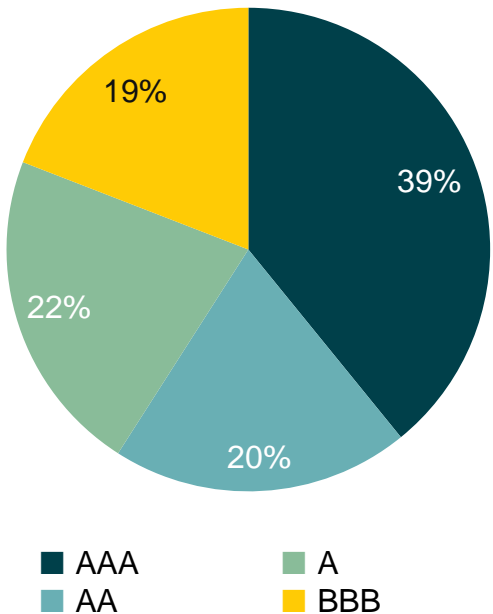
Insurance (Australia)

investment asset allocation

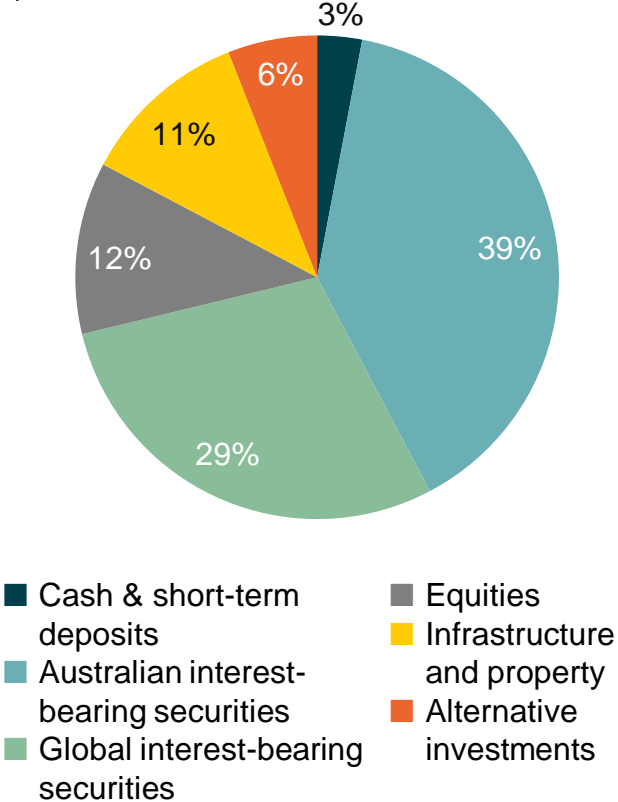
Insurance funds
\$9.4bn



Fixed income credit quality



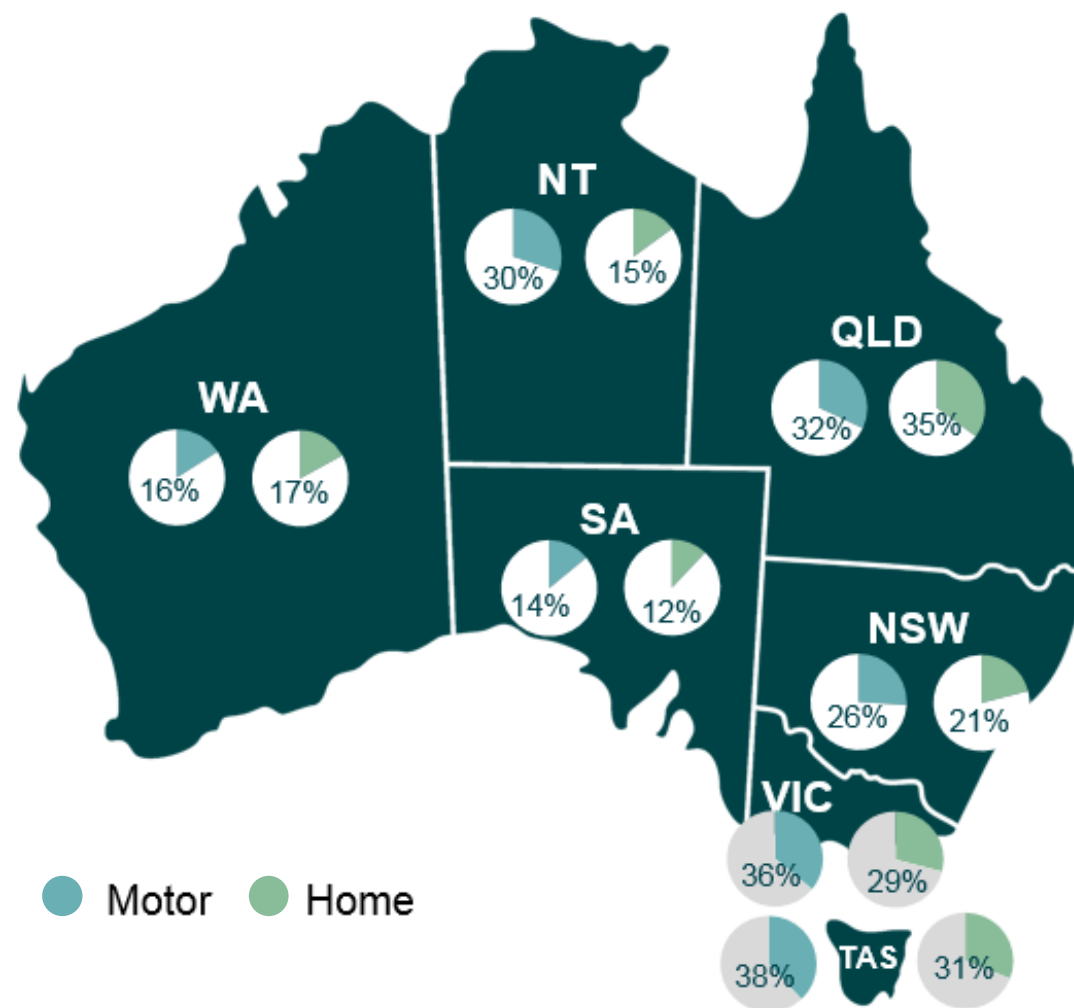
Shareholders' funds
\$3.0bn



* The notional exposure to inflation-linked securities is \$2.0bn at June 19

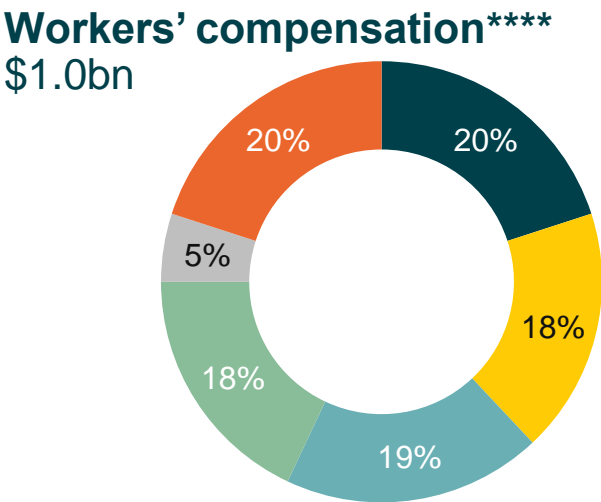
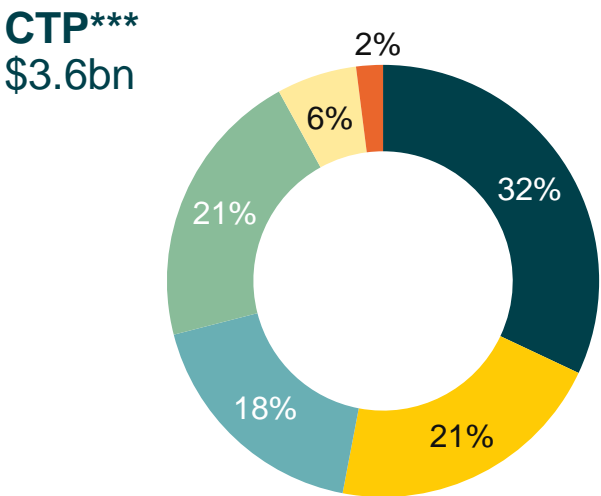
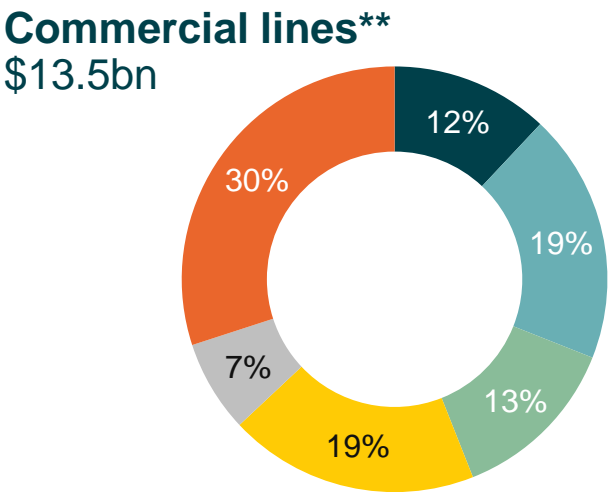
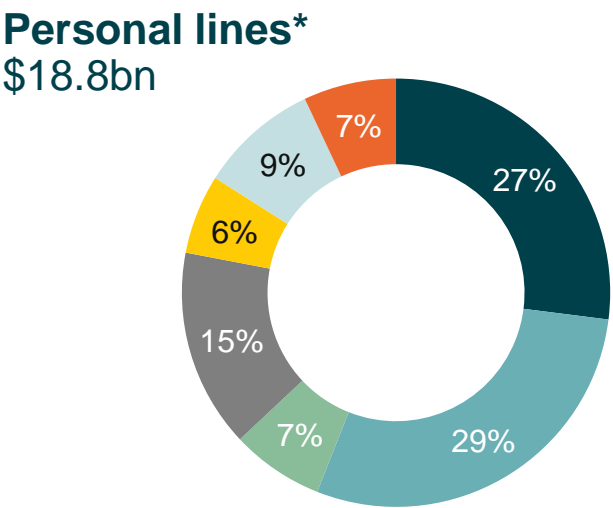
Insurance (Australia)

personal lines market share



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

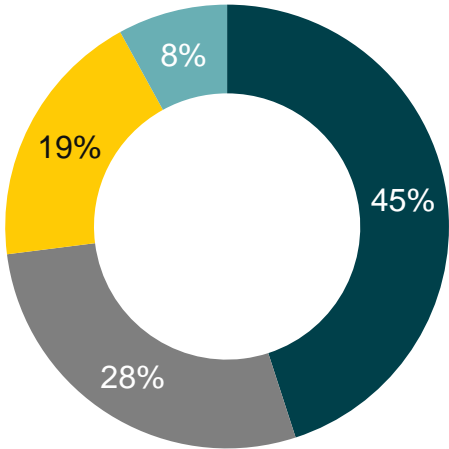
Insurance (Australia) market share



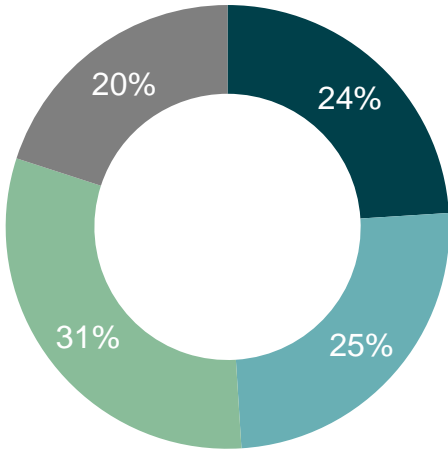
■ Suncorp
■ Peer 1
■ Peer 2
■ Peer 3
■ Peer 4
■ Peer 5
■ Peer 6
■ Peer 7
■ Others

Insurance (Australia) CTP market share

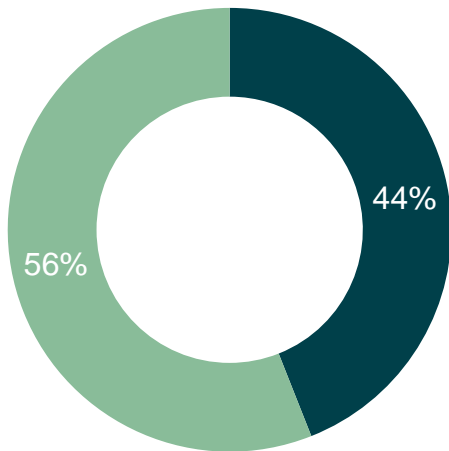
QLD*
\$937m



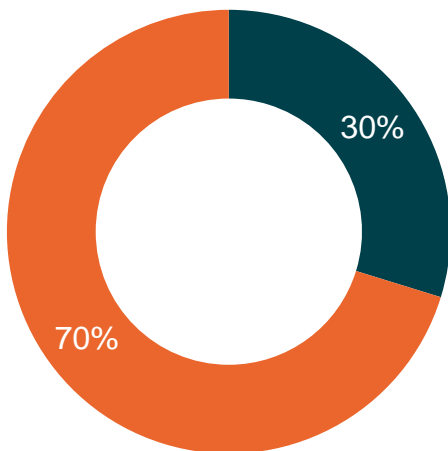
NSW**
\$2.1bn



ACT*
\$174m



SA***
\$389m



Source: State scheme regulators
 * as at May 2019
 ** as at March 2019
 *** as at June 2019

■ Suncorp ■ Peer 1 ■ Peer 2 ■ Peer 3 ■ Peer 4 ■ Rest of market

Insurance (Australia)

outlook and priorities - focus on core strengths

- Reinvigorate multi-brand strategy with state based campaigns and enhanced brand propositions for mass brands including AAMI, GIO and Suncorp, building on digital foundations established over the last two years. The FY20 Insurance (Australia) result will primarily be driven by the following factors:
 - Targeting stable retention and improved unit growth in the Home and Motor portfolios
 - Commercial will focus on growing volume in profitable market segments; FY20 will be impacted by portfolio exits and other realignment actions
 - Continue to leverage benefits of a national CTP portfolio with a focus on optimising growth and profit through targeted opportunities in each scheme
 - Worker's Compensation portfolio will continue to exercise discipline in pricing
 - Continue to invest in best in class claims processes to drive improved customer experiences
 - Further investment in product innovation and growth, enhancing existing product offerings and innovating new solutions
 - Focus on optimising all channels to market by building seamless digital, end to end sales and service functionality across mass brands
 - The App foundations are brand agnostic and can be utilised across brands to increase resonance with customers
 - Launch AAMI App on a new platform with simplified quote and buy functionality
 - Contact centres will continue to support more complex and valuable interactions
 - Investment in customer workbench and a Group wide telephony platform to drive stability and service
- The magnitude of the increase in the natural hazard allowance and the cost of the stop loss cover will impact the Group's ability to achieve its target of at least 12% underlying ITR in FY20
- Reserve releases are expected to remain above the long-run expectation of 1.5% of Group NEP, provided inflation remains below current average long-run assumptions
- Expectation of unprecedented low yield environment to continue over short to medium term, putting pressure on investment income and margins across the industry, particularly in long-tail classes
- Regulatory project costs associated with policy and claims handling are expected to be higher in FY20. This is seen as an opportunity for Suncorp to improve customer experiences and build brand loyalty over time



Banking & Wealth



Financial Results for the full year
ended 30 June 2019

Banking & Wealth

- Lending growth of 1.0%
- At-call deposit growth of 10.9%
- NIM of 1.79% (FY18: 1.84%)
- Impairment losses 2 bps of GLA
- Strong capital and balance sheet

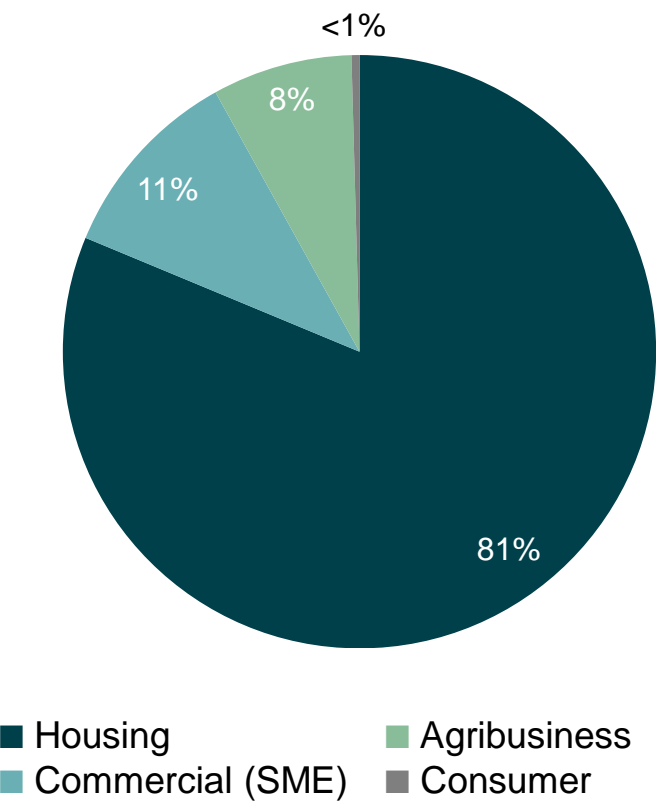
	FY19 (\$m)	FY18 (\$m)	Change (%)
Net interest income	1,163	1,181	(1.5)
Net non-interest income	50	60	(16.7)
Operating expenses	(682)	(679)	0.4
Profit before impairment losses	531	562	(5.5)
Impairment losses	(13)	(27)	(51.9)
Income tax	(155)	(160)	(3.1)
Banking profit after tax	363	375	(3.2)
Wealth profit after tax	1	(6)	n/a
Banking & Wealth PAT	364	369	(1.4)

Banking & Wealth

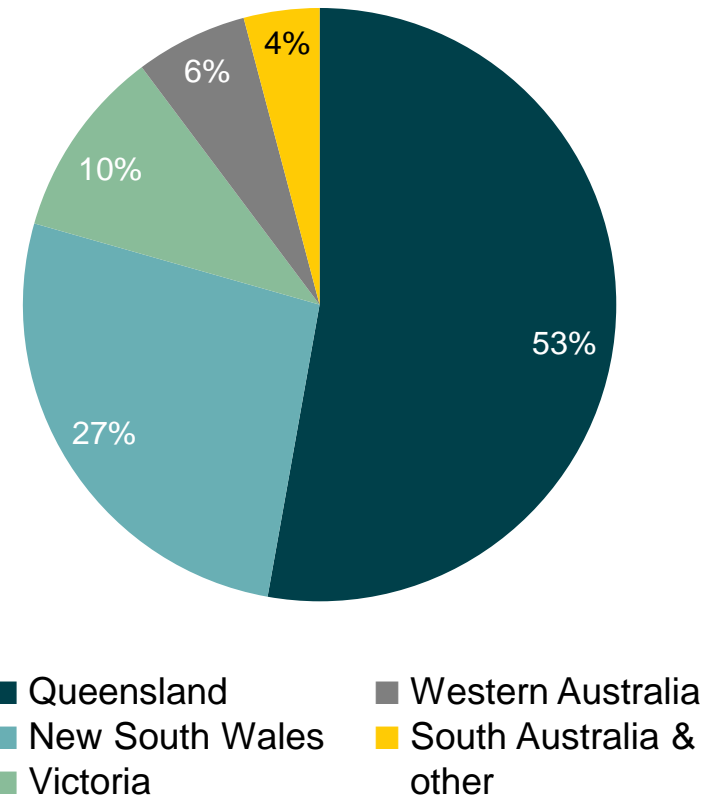
total lending portfolio

Total lending assets of \$59.3bn
up 1.0% since 30 June 2018

Lending assets by portfolio



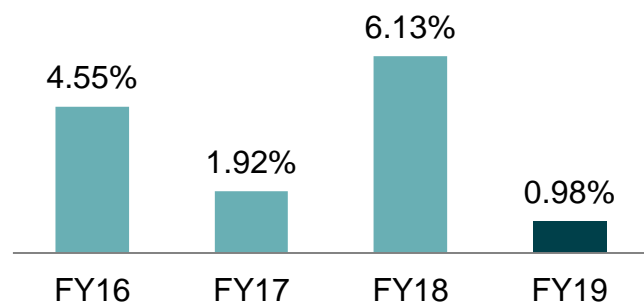
Lending assets by geography



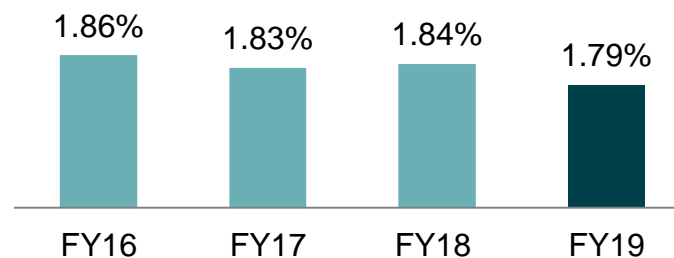
Banking & Wealth

key ratios

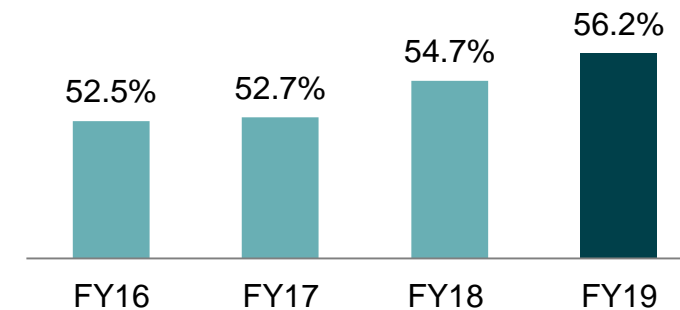
Lending growth (annualised)



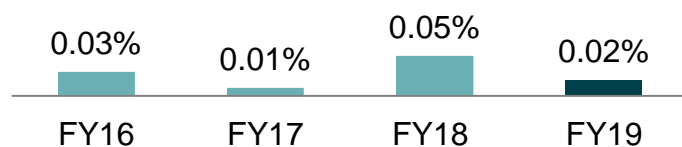
**Net interest margin (NIM)
(interest-earning assets)***



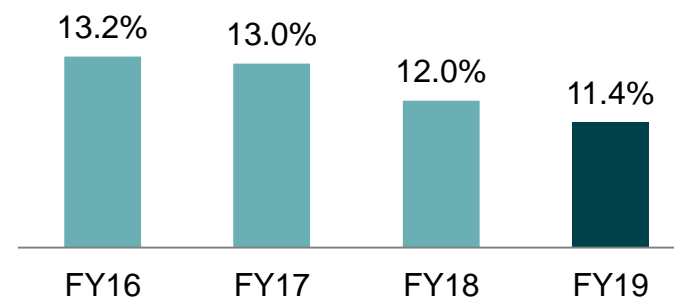
Cost to income ratio



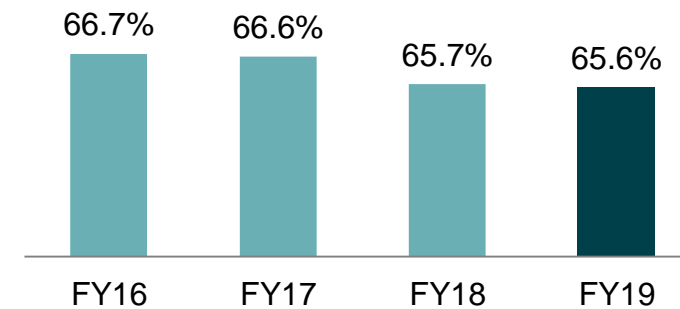
**Impairment losses to gross loans
and advances (annualised)**



Return on Common Equity Tier 1



Deposit to loan ratio



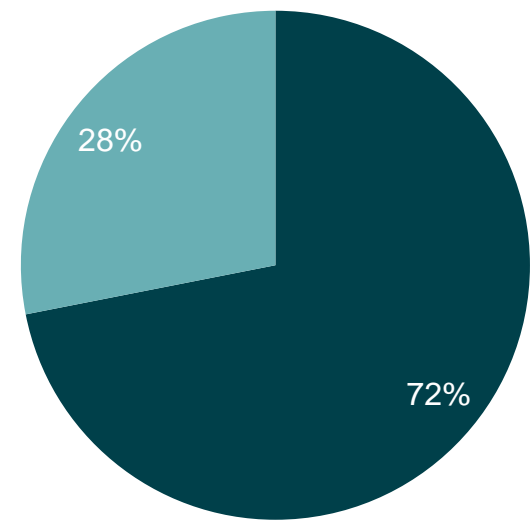
*Consistent with prior periods, the interest-earning assets used in calculating Suncorp's NIM are gross of offset accounts. Going forward, the Bank will present the average balance sheet and NIM using a net offset balance methodology, consistent with peer disclosures. Under this method FY19 NIM increases by 0.11% to 1.90%

Banking & Wealth

home lending portfolio

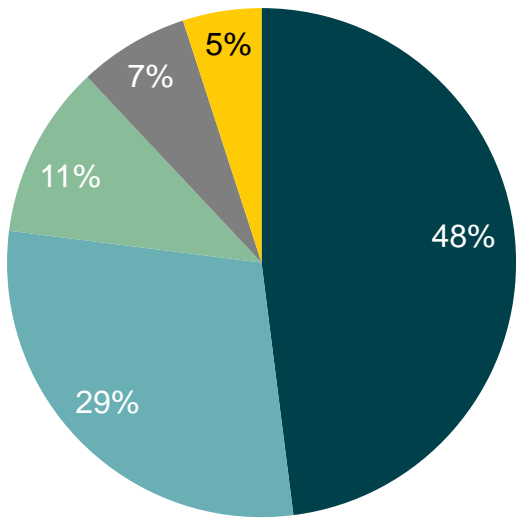
Total home lending assets of \$47.8bn up 0.4% since 30 June 2018

Portfolio by borrower type



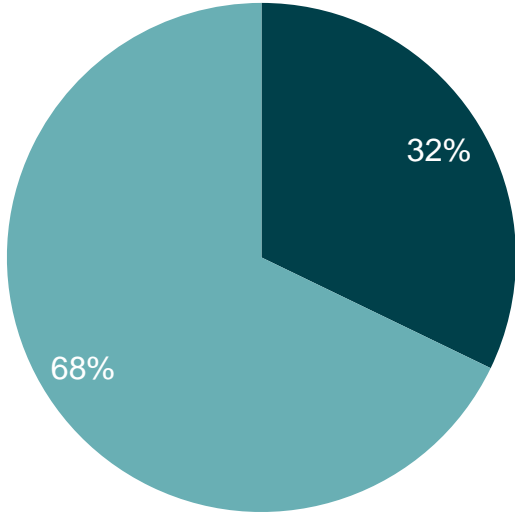
■ Owner occupied ■ Investor

Portfolio by geography



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

Portfolio by channel



■ Direct ■ Intermediaries

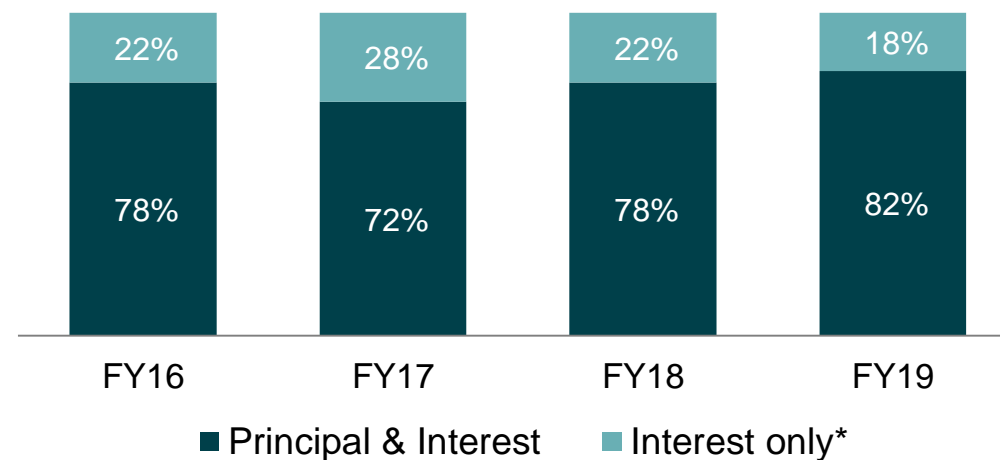
Banking & Wealth

home lending origination by repayment type

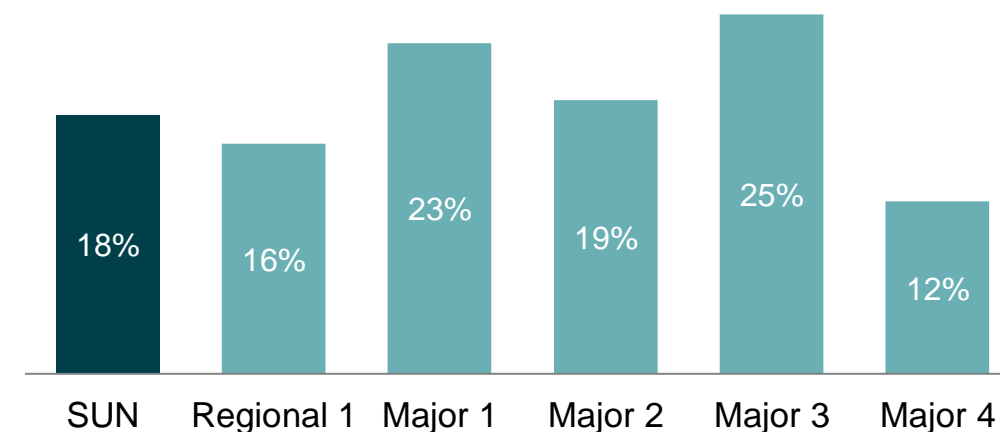
- Continued focus on high quality lending including serviceability, credit quality and loan-to-value ratios
- Interest-only loans comprised 18% of new business for the period

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

New business origination by repayment type



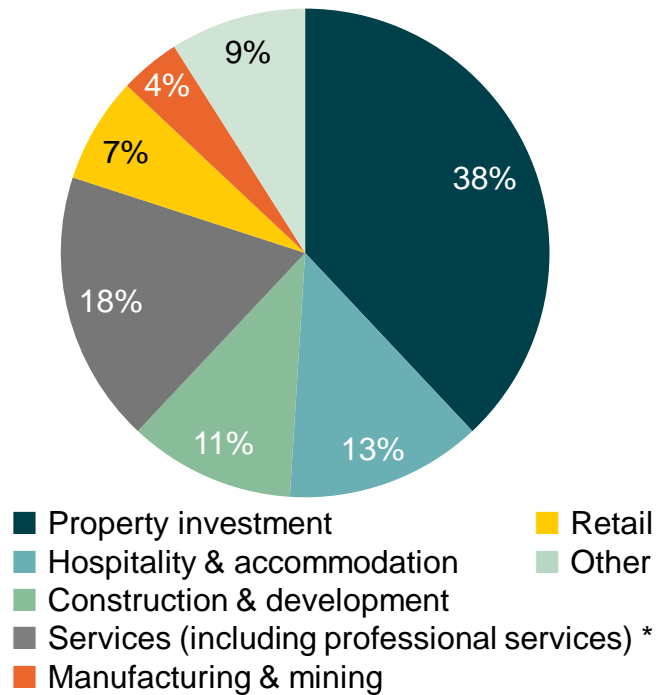
Interest only* proportion of new business home lending vs peers



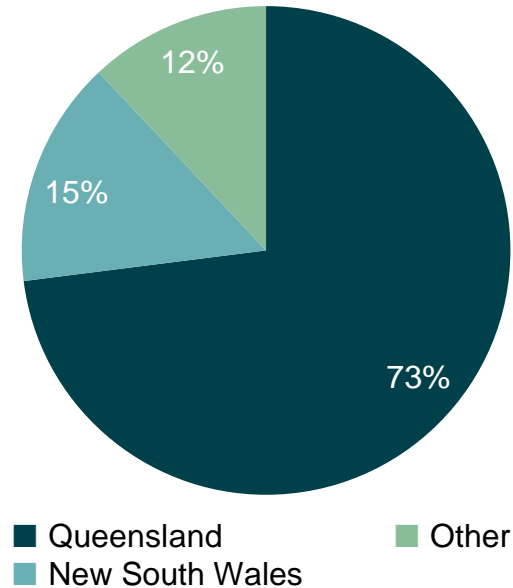
Banking & Wealth commercial (SME) portfolio

Total assets of \$6.8bn up 6.9% since 30 June 2018

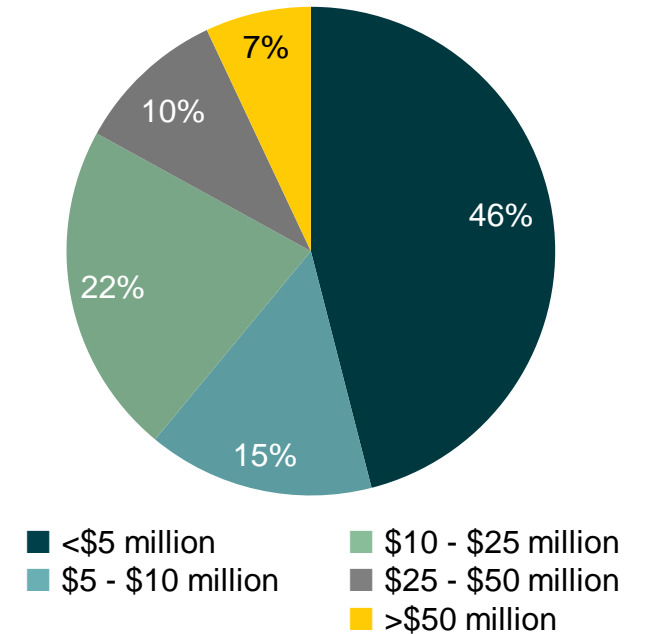
Portfolio by industry



Portfolio by geography



Portfolio by exposure size



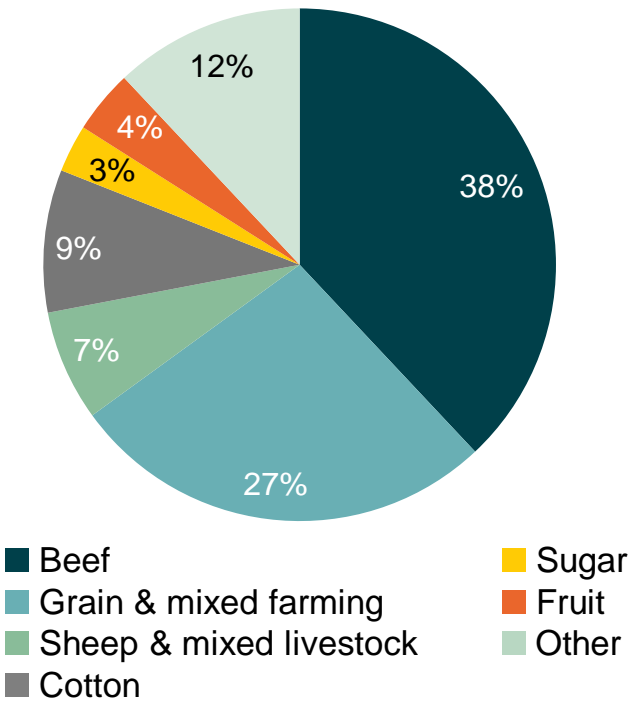
* Includes a portion of small business loans, with limits below \$1 million, that are not classified

Banking & Wealth

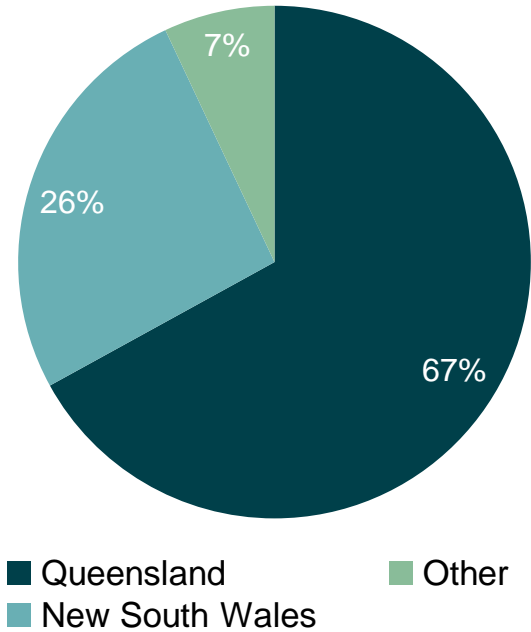
agribusiness portfolio

Total assets of \$4.5bn down 1.0% since 30 June 2018

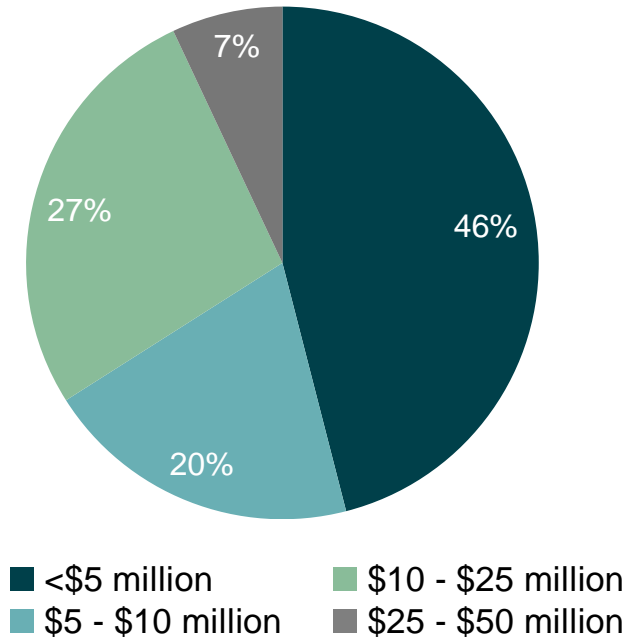
Portfolio by industry



Portfolio by geography

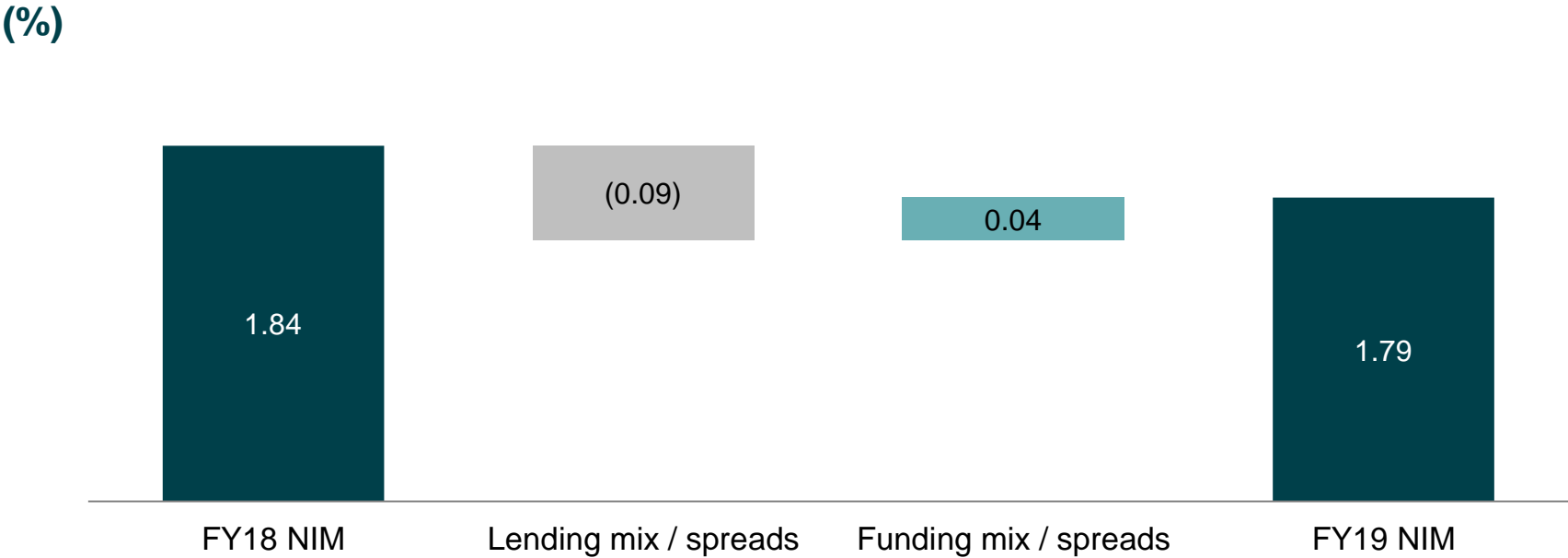


Portfolio by exposure size



Banking & Wealth

NIM movements



*Consistent with prior periods, the interest-earning assets used in calculating Suncorp’s NIM are gross of offset accounts. Going forward, the Bank will present the average balance sheet and NIM using a net offset balance methodology, consistent with peer disclosures. Under this method FY19 NIM would increase by 0.11% to 1.90%

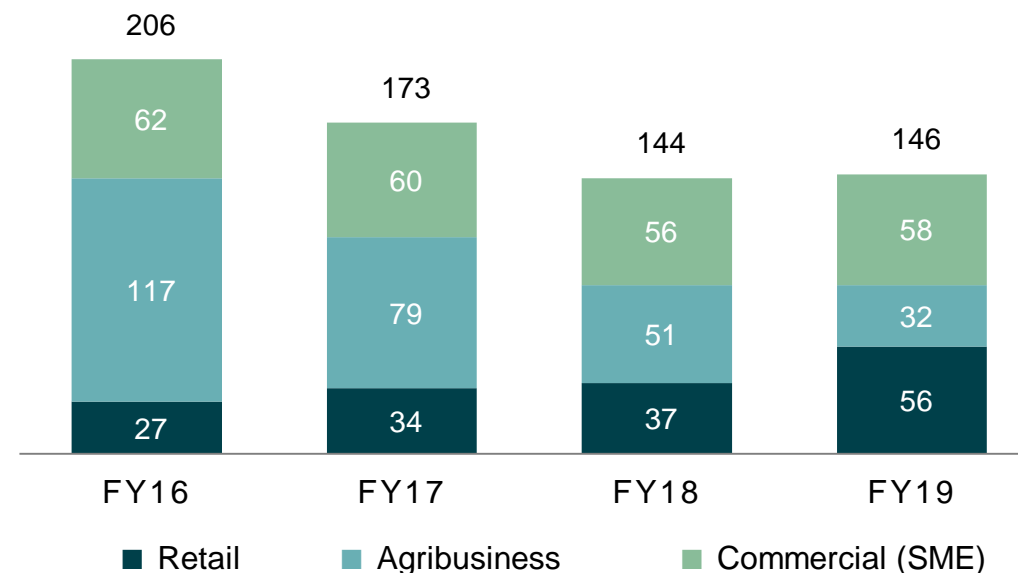
Banking & Wealth

credit quality

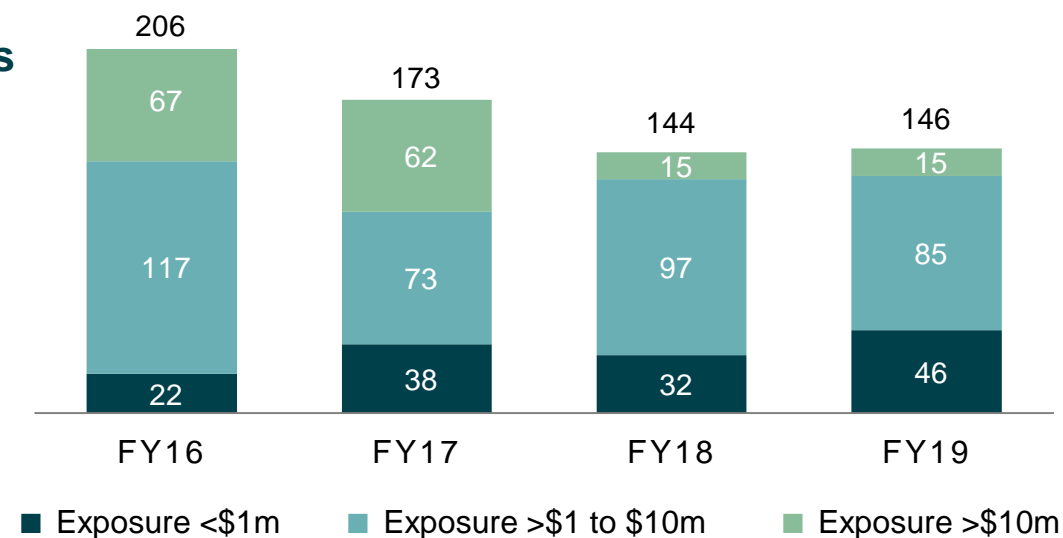
impaired loans

- Gross impaired assets increased 1.4% to \$146m, representing 25bps of gross loan and advances
- Retail impaired loans increased by \$19m to \$56m, driven by a review of longer dated arrears and the application of lower property valuations
- Agribusiness impaired loans improved by \$19m to \$32m following a large customer recovery
- Commercial impaired loans increased marginally by \$2m to \$58m

Gross impaired loans by segment (\$m)



Gross impaired loans by exposure (\$m)



Banking & Wealth

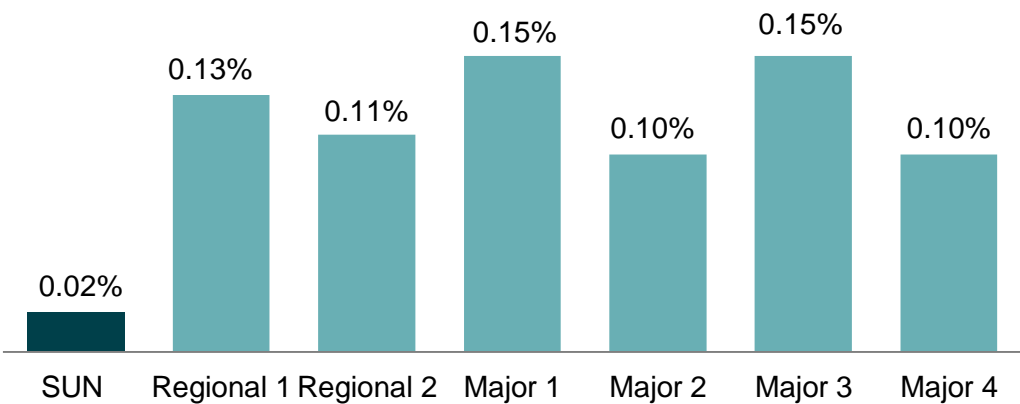
credit quality

Relativity to peers

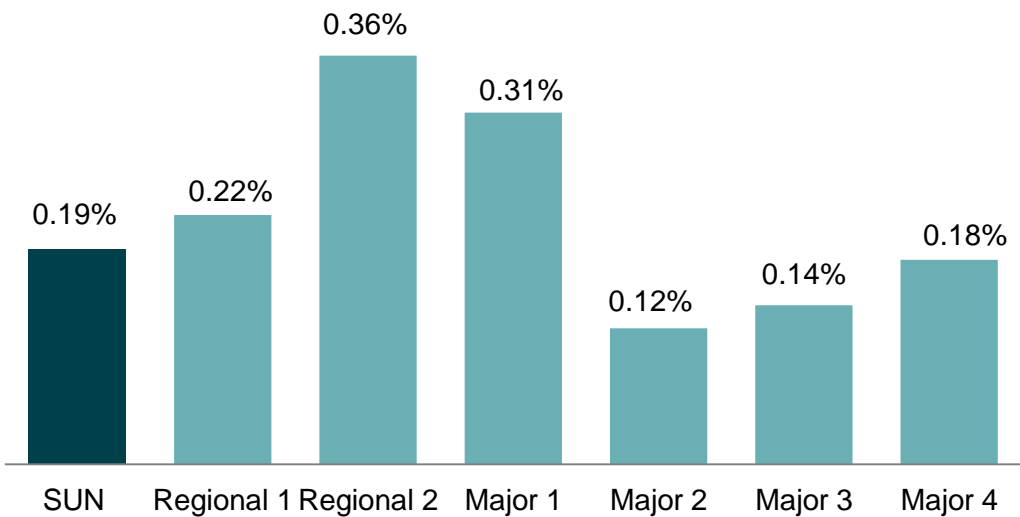
- Continued focus on credit quality and prudent risk management combined with effective customer support processes
- Impairment losses 2bps of gross loans and advances remains low and below the industry average

Source: Latest peer financial reports

Impairment losses to gross loans



Net impaired assets to gross loans



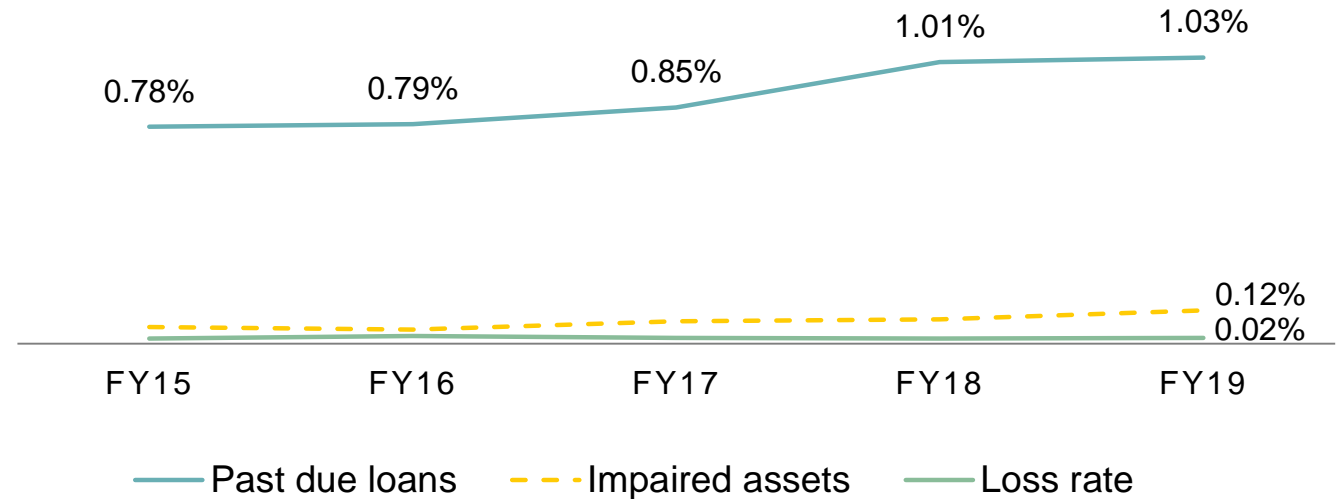
Banking & Wealth

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 period, the rate of growth in arrears has stabilised, supported by increased customer contact and further investment in resources
- Retail past due loans are primarily comprised of loans originated pre 2014

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



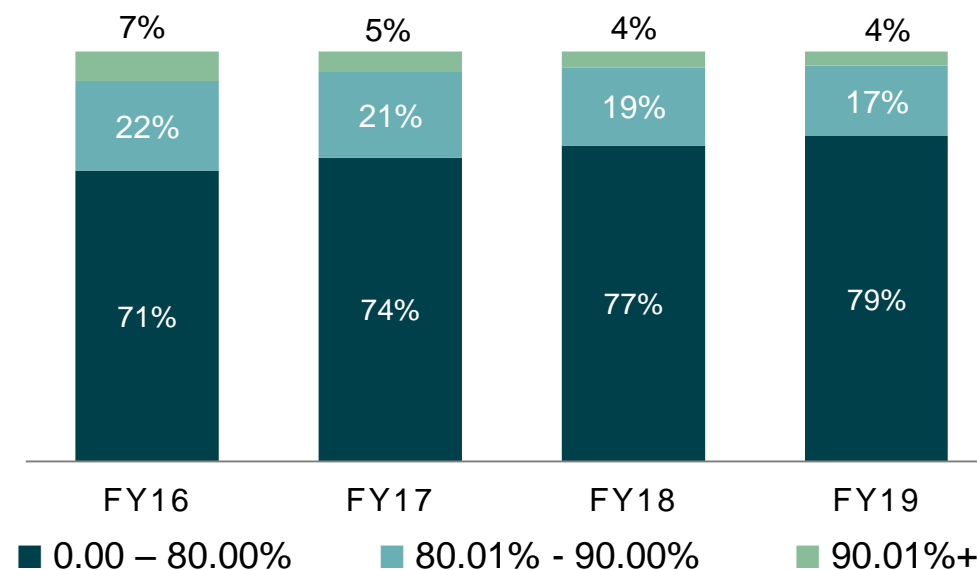
Banking & Wealth

loan-to-value ratio (LVR)

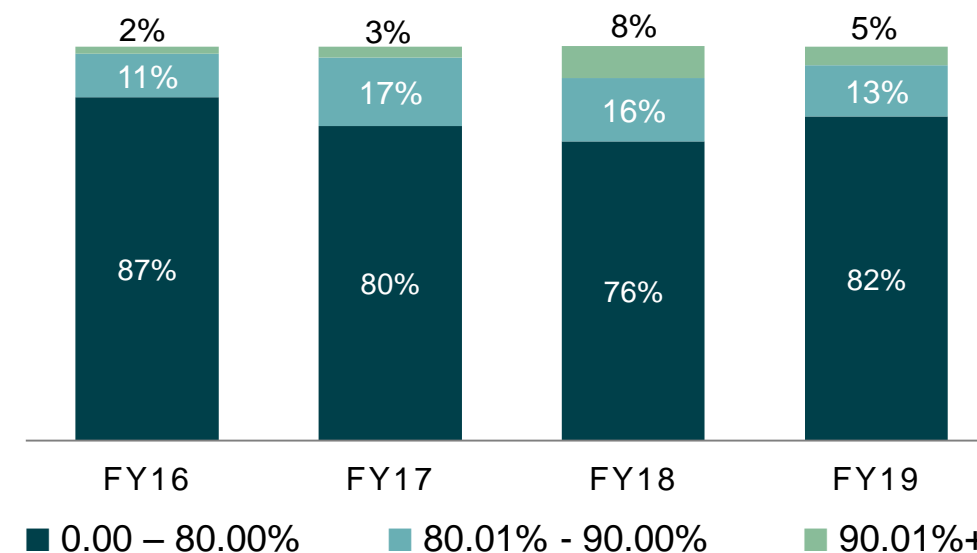
Total home lending assets of \$47.8bn

- Home lending assets with 80%-90% LVR continue to reduce as a proportion of the home loan portfolio
- Decrease in home lending new business with >90% LVR

Home lending assets by LVR



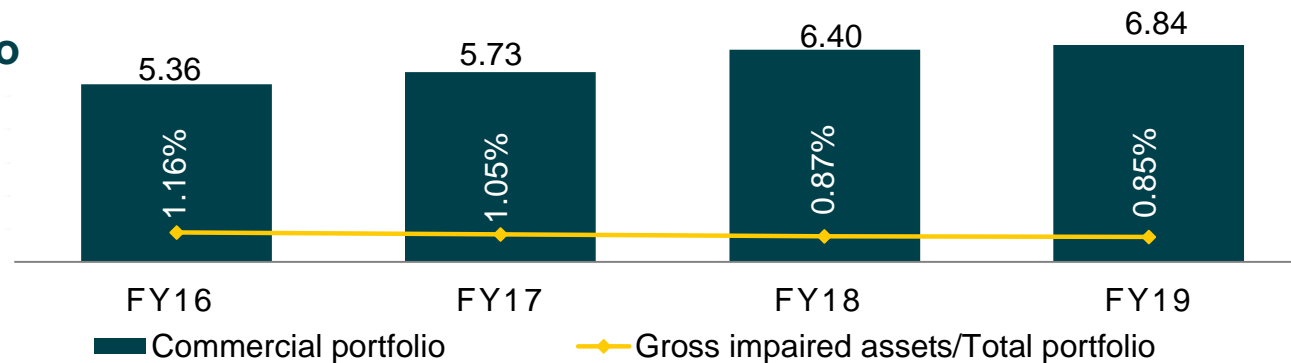
Home lending new business by LVR



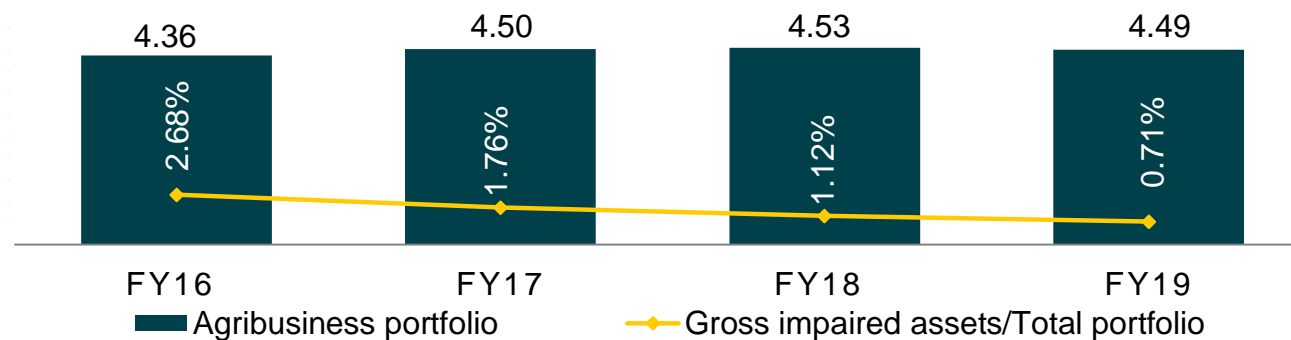
Banking & Wealth

credit quality business lending

Commercial (SME) portfolio (\$bn)

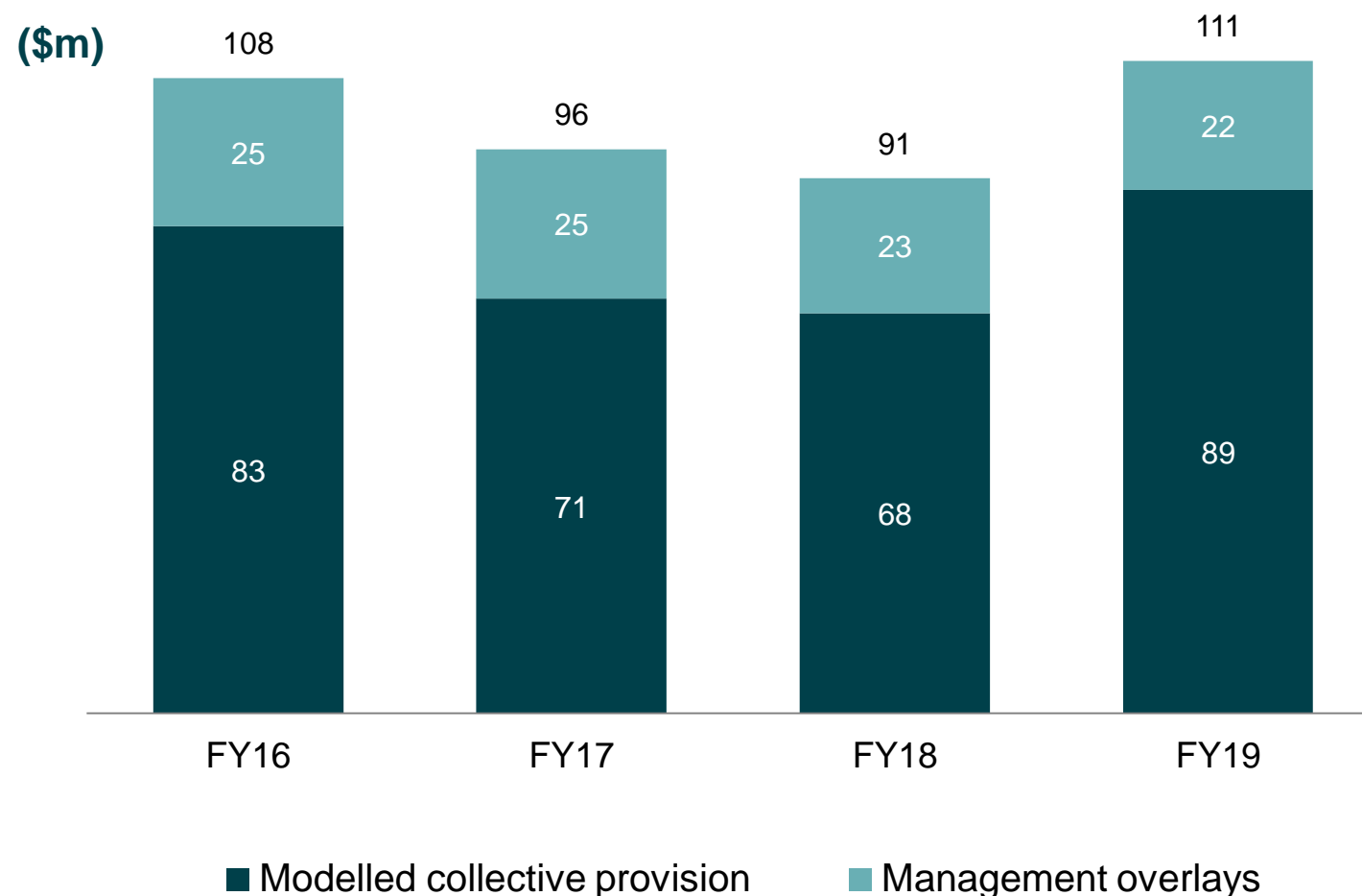


Agribusiness portfolio (\$bn)



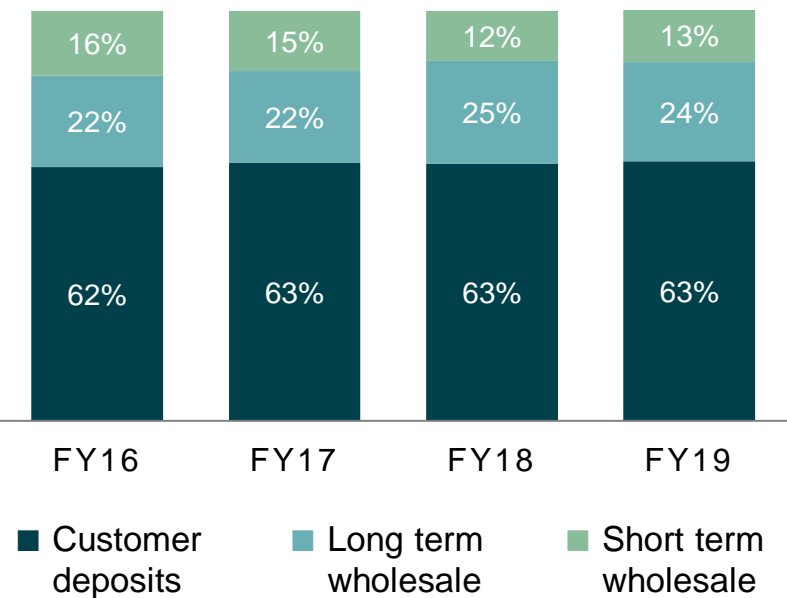
Banking & Wealth collective provision

- On 1 July 2018, the transition to AASB 9 increased the collective provision by \$20m to \$111m
- Excluding transitional impacts of AASB9 the aggregate provision ended flat on the pcg
- Suncorp regularly reviews both the adequacy of management overlays and the assumptions underpinning modelled provisions and remains comfortable that levels adopted are adequate

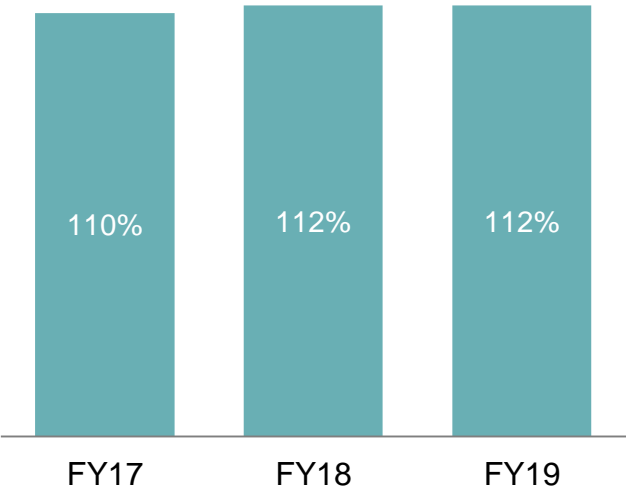


Banking & Wealth funding mix

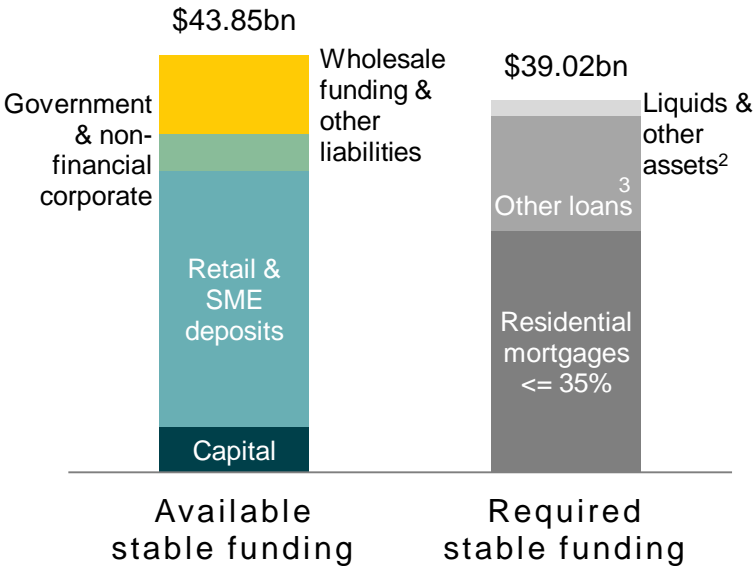
Overall funding mix



Net stable funding ratio¹



Stable funding composition

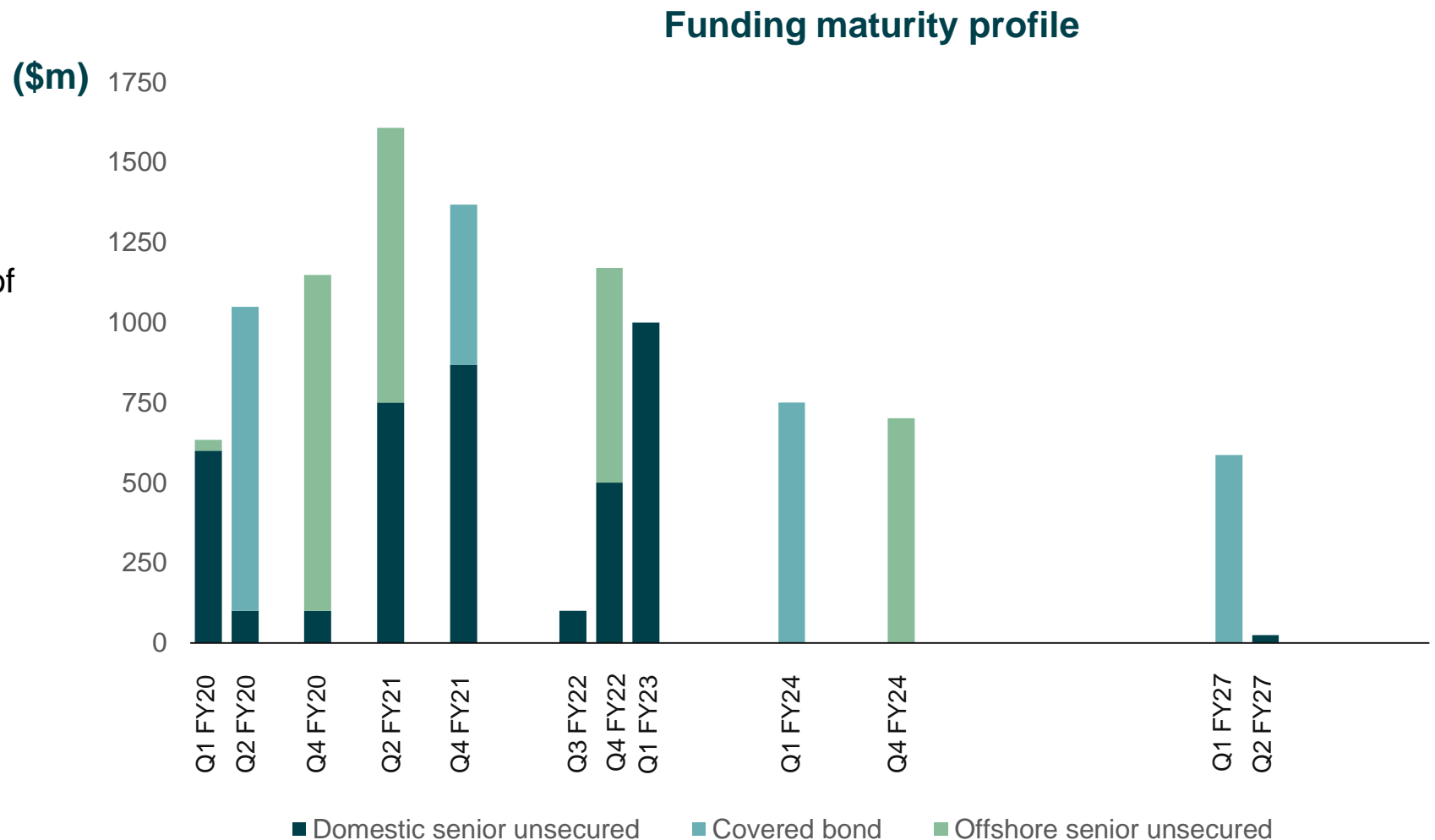


¹ Historical NSFR figures disclosed are based on regulatory instructions available at the relevant reporting dates
² Other assets includes derivatives and other assets
³ Other loans includes off balance sheet exposures and residential mortgages >35% risk weight

Banking & Wealth

long term funding profile

- Suncorp demonstrated its funding flexibility and responsiveness to market conditions through a range of long-term issuances over the year
- Banking completed \$3.1bn in term wholesale issuance at a weighted average term of 3.8 years in FY19



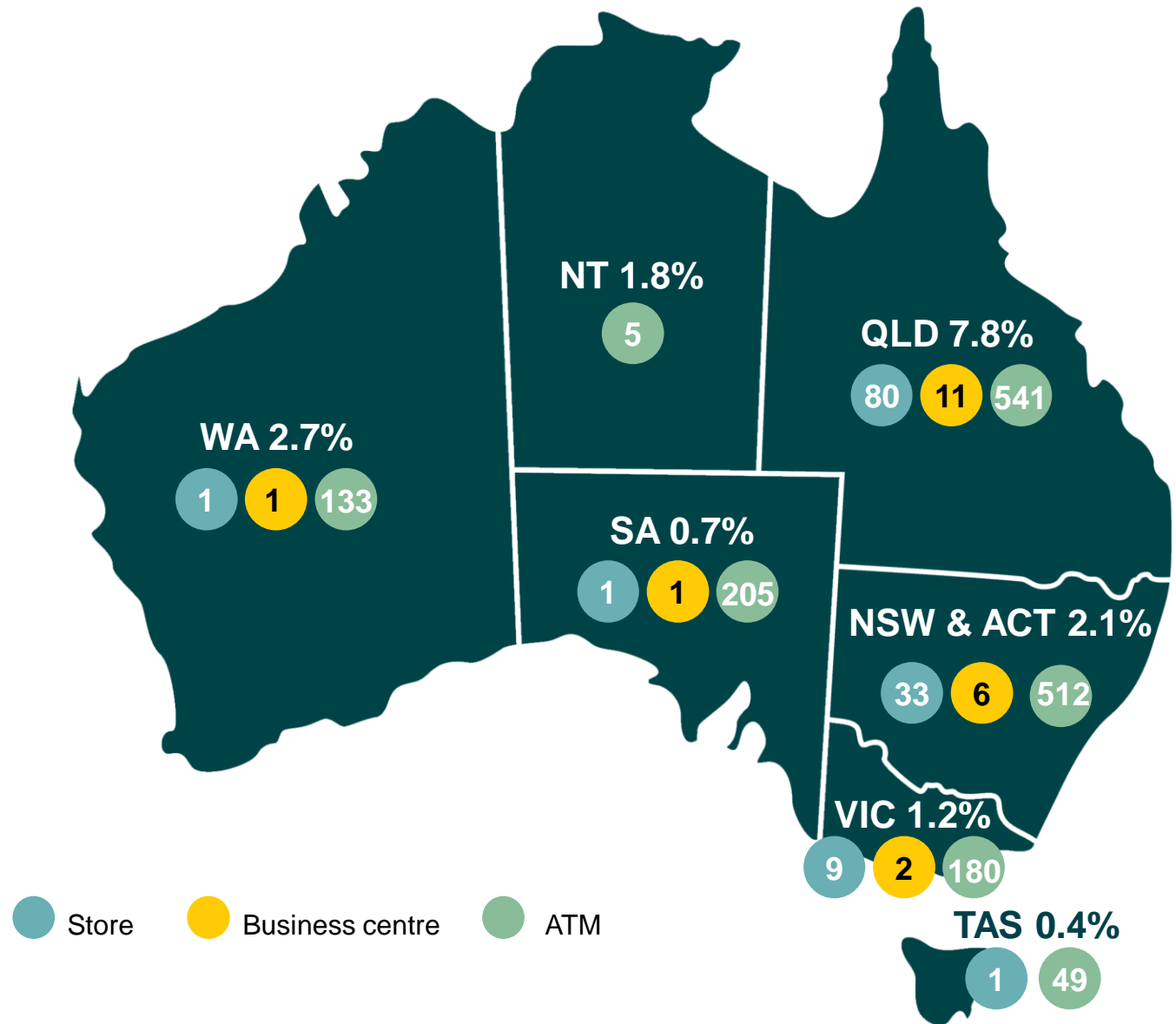
Note: maturity profile shown on a quarterly basis

Banking & Wealth market share

Retail banking market share and Suncorp footprint

- The rediATM network is an Australian ATM network with more than 30 partner financial institutions including Suncorp
- NAB exited the rediATM scheme on 1 January 2019 which reduced the overall ATM points of presence
- Suncorp has partnered with Australia Post to help continue delivery of over-the-counter banking services for more than 3,500 communities across Australia

Market share source: Customer Atlas, June 2019
(Please note change of source from FY18 Data Pack)
Footprint as at June 2019



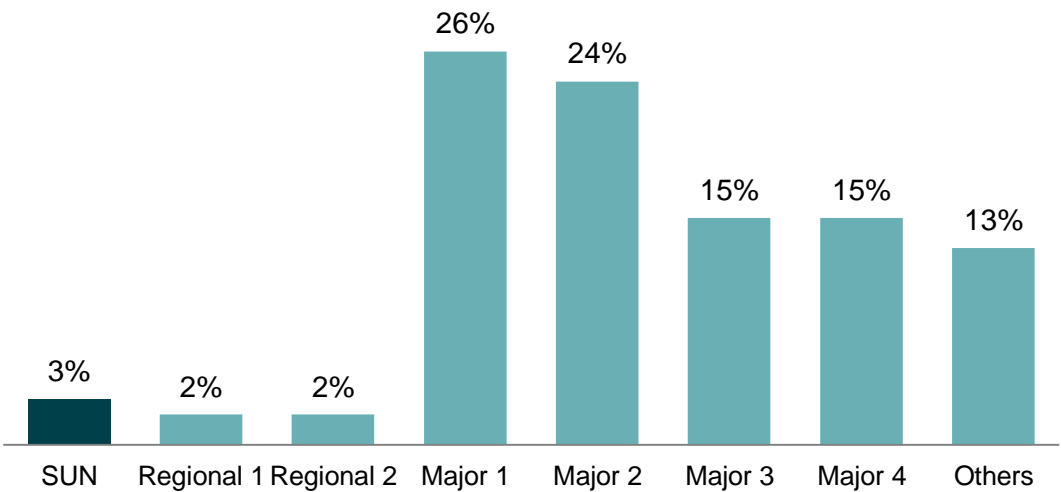
Banking & Wealth

housing lending growth vs system

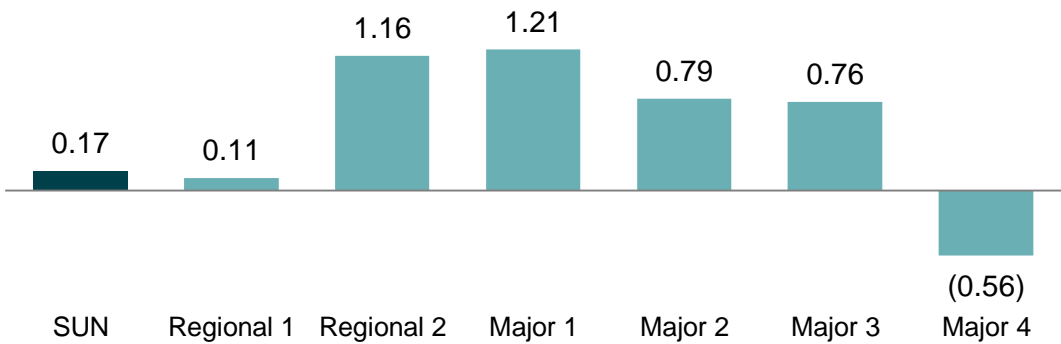
- Home lending grew 0.4% since 30 June 2018 to \$47.8bn as growth was balanced with appropriate returns within a competitively priced and moderating credit market
- Focus remains on appropriate risk selection to maintain a high-quality lending portfolio

Source: APRA, June 2019

Housing lending market share



Housing lending vs system growth (times)



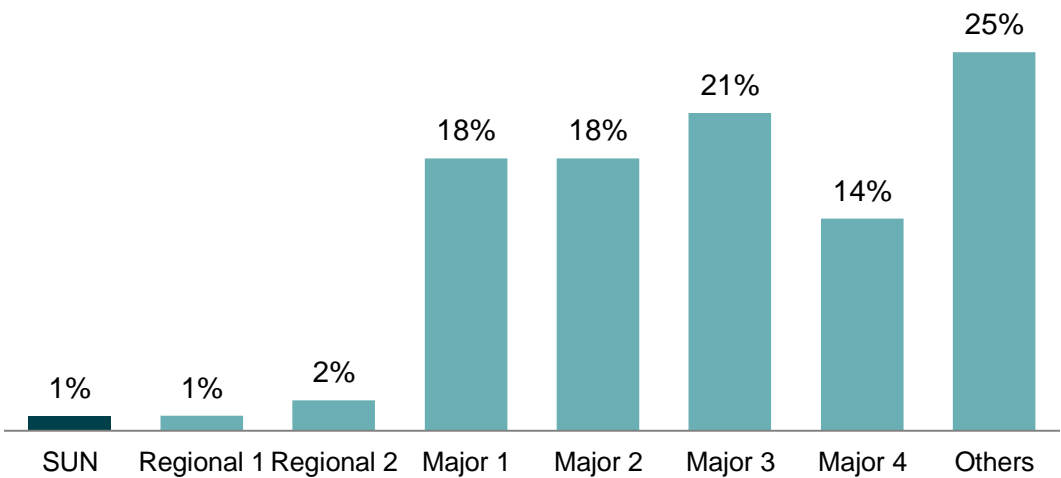
Banking & Wealth

business lending growth vs system

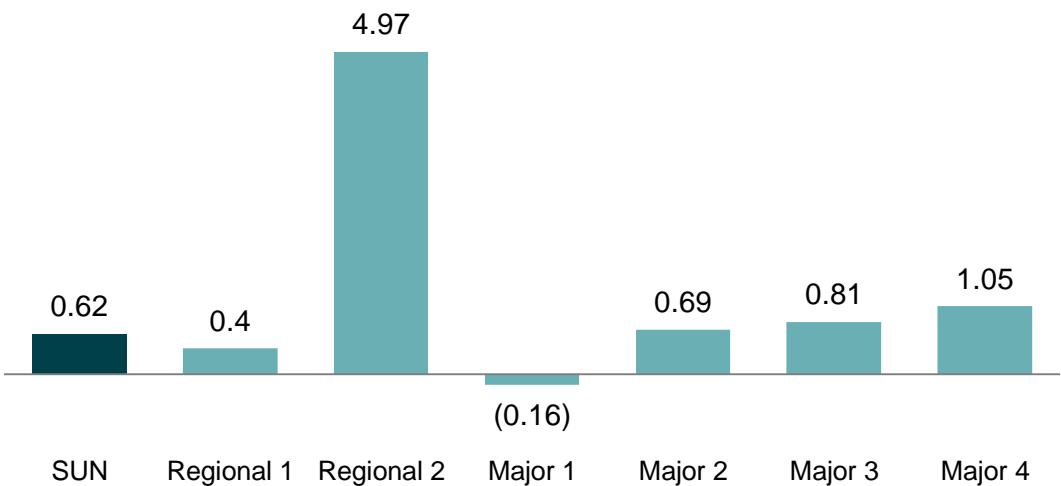
- Solid growth in commercial lending of 6.9% to \$6.8bn was achieved
- The portfolio continues to be of high quality with acceptable risk profiles, low arrears and low impairment charges
- The agribusiness portfolio contracted 1% to \$4.5bn primarily due to prevailing drought conditions, seasonal trends and the paydown of debt by customers

Source: APRA, June 2019

Business lending market share



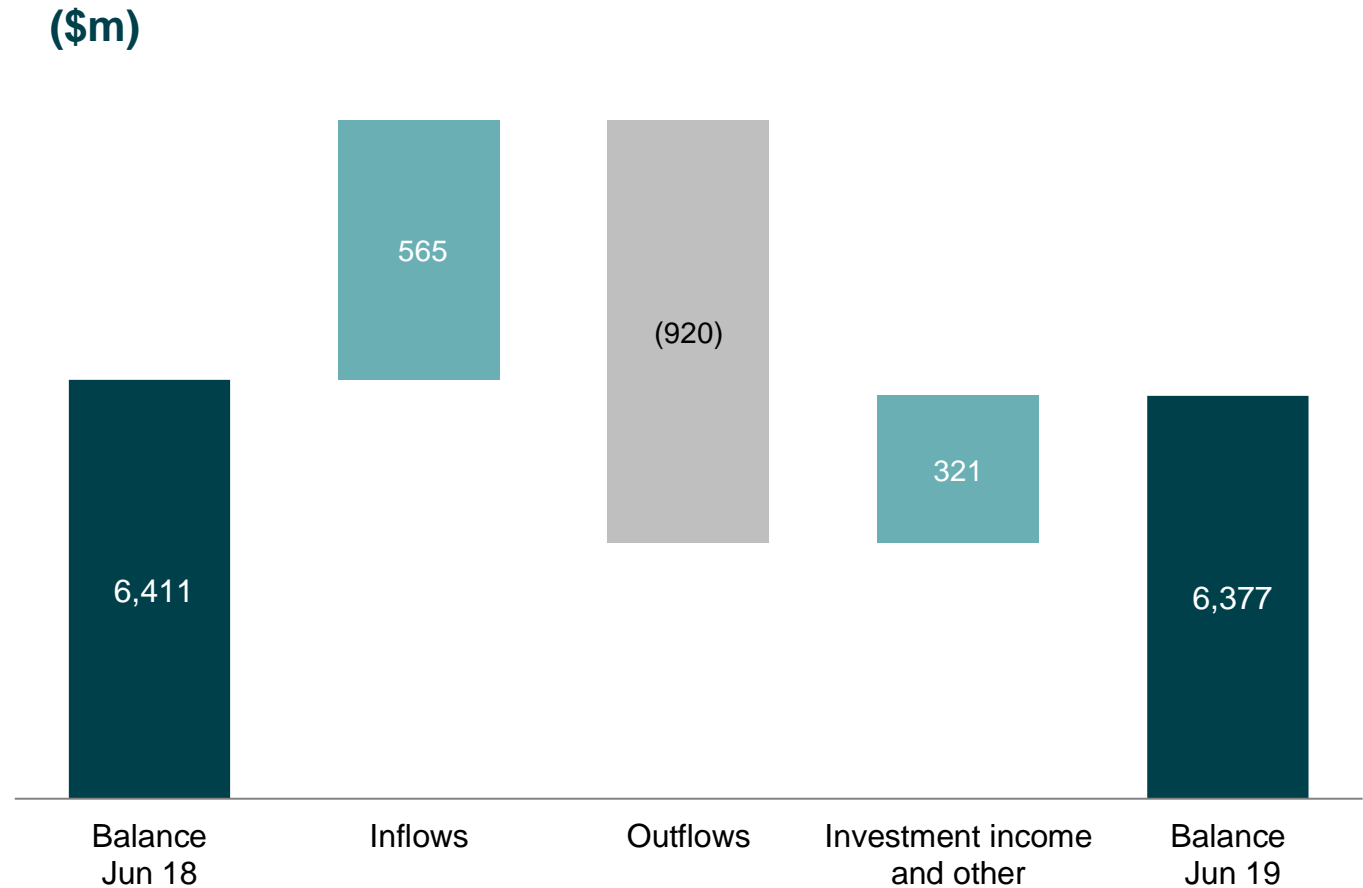
Business lending vs system growth (times)



Banking & Wealth

funds under administration

- Following the sale of the Australian Life Insurance and Participating Wealth Business, the Wealth portfolio continues to manufacture, administer and distribute superannuation through the Everyday Super and Brighter Super products and provide financial advice services through SunAdvice
- Funds under administration were impacted by elevated outflows, partially offset by volatile global investment markets
- The higher outflows were slightly higher than overall industry level but lower than retail superfund peers



Banking & Wealth

outlook and priorities – simplify and digitise

Focus remains on above system growth in all portfolios, will maintaining a prudent risk appetite. Suncorp is committed to growing the SME and agribusiness portfolios, supporting these markets through increased access to credit. The FY20 result will be driven by:

- Changes in APRA's serviceability assessment guidelines and the reduction in RBA cash rate are expected to improve momentum in the mortgage market in FY20
- Above at-call deposits driven by continued delivery of enhanced digital banking capabilities
- Leverage the digital foundations built to date and the success in deposits and transactions to drive transformation
 - Leveraging the App, New Payments Platform and deposit origination functionality to drive digital banking propositions
 - Improve customer experience through provision of self service and faster response times
 - Lowering marginal unit costs to drive efficiency in the face of commoditisation of retail products
- Continue to target a NSFR comfortably above 105%
- CTI will be impacted by the ongoing elevated regulatory costs and lower forecast RBA cash rate in FY20
- NIM expected to remain under pressure in the medium despite wholesale funding costs starting to ease
 - NIM range adjusted to 1.85% - 1.95%, following adoption of new calculation that is more comparable with peers
- Impairment losses to GLA are expected to remain below the bottom end of the 10 - 20bps operating range, expected to normalise in the medium term in line with the economic cycle
- Regulatory projects will continue to focus on Royal Commission and APRA self assessment recommendations



New Zealand



Financial Results for the full year
ended 30 June 2019

New Zealand

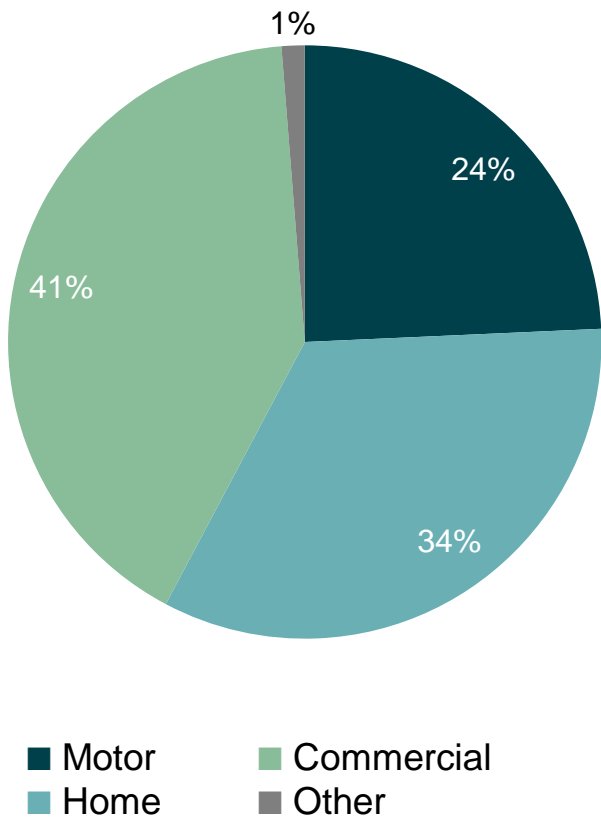
- PAT increased 76.4% driven by strong top-line growth
- GI GWP grew 8.4%, driven by premium rate increases
- Favourable natural hazards and working claims experience, benefitting from a benign weather environment
- Life in-force premium up 3.9%, supported by strong policy retention

	FY19 (NZ\$m)	FY18 (NZ\$m)	Change (%)
Gross written premium	1,670	1,541	8.4
Net earned premium	1,403	1,267	10.7
Net incurred claims	(697)	(739)	(5.7)
Operating expenses	(444)	(404)	9.9
Investment income - insurance funds	22	13	69.2
Insurance trading result	284	137	107.3
General Insurance profit after tax	217	109	99.1
Life Insurance profit after tax	44	39	12.8
New Zealand PAT	261	148	76.4

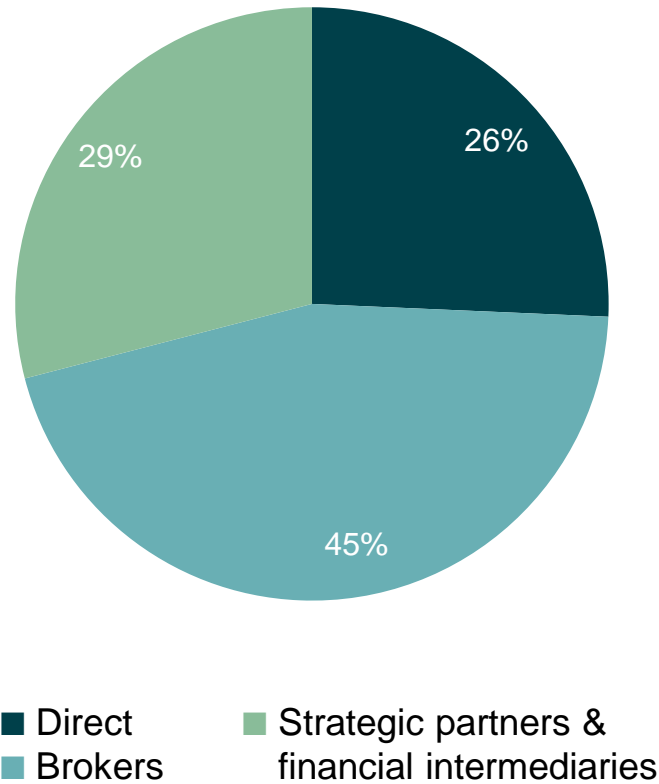
New Zealand general insurance GWP

Total GWP of NZ\$1.7bn

Portfolio by product



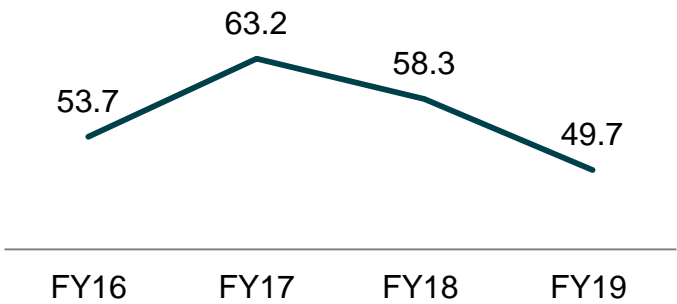
Portfolio by channel



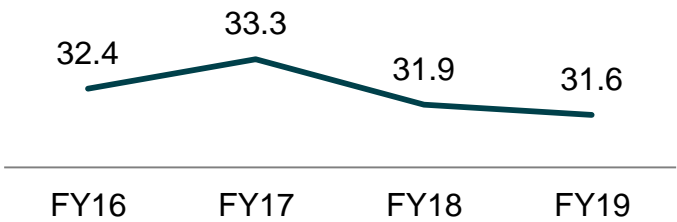
New Zealand general insurance key ratios

(%)

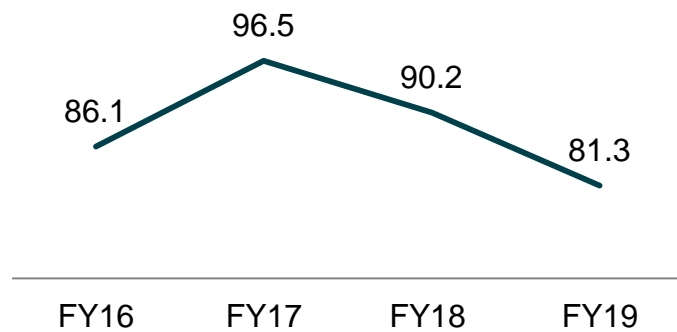
Loss ratio



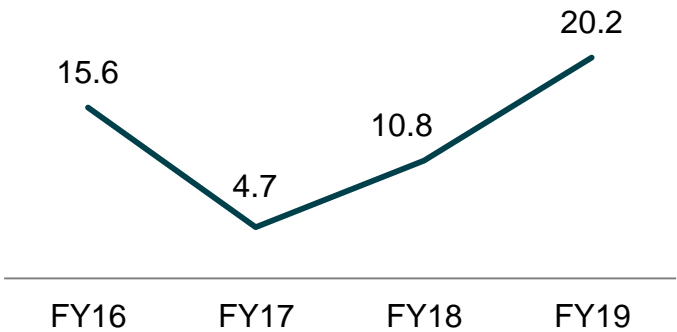
Total operating expenses ratio



Combined operating ratio

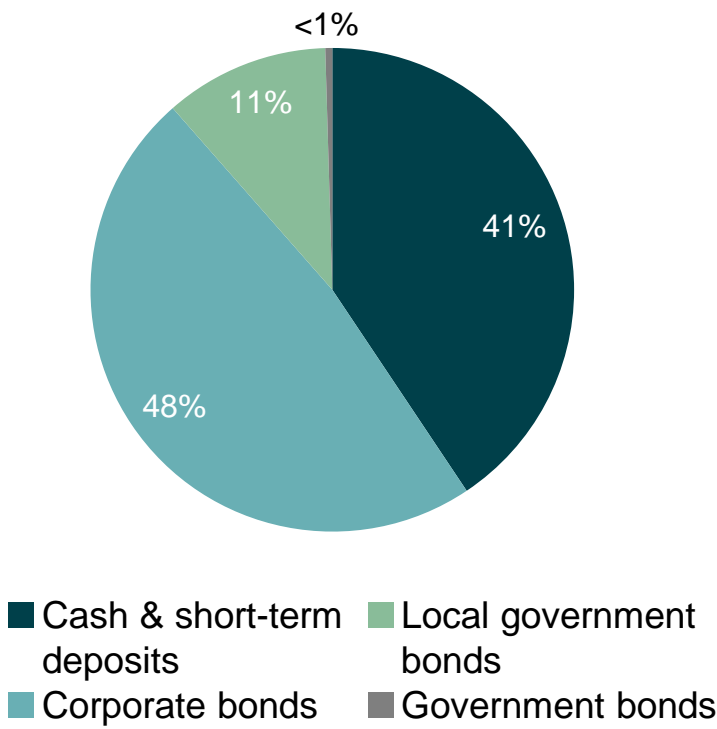


Reported ITR

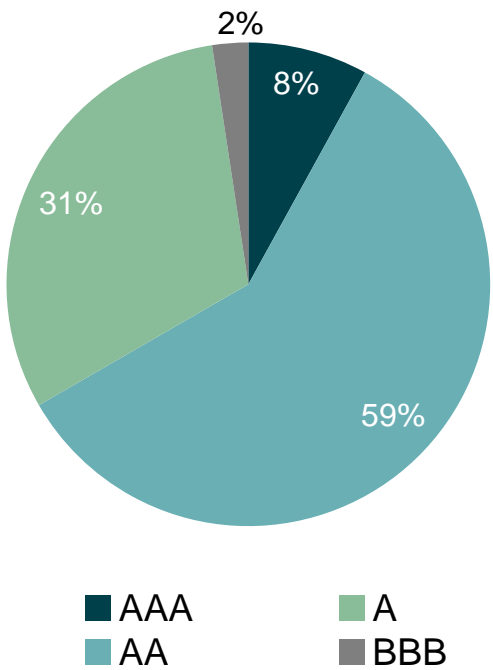


New Zealand general insurance investment asset allocation

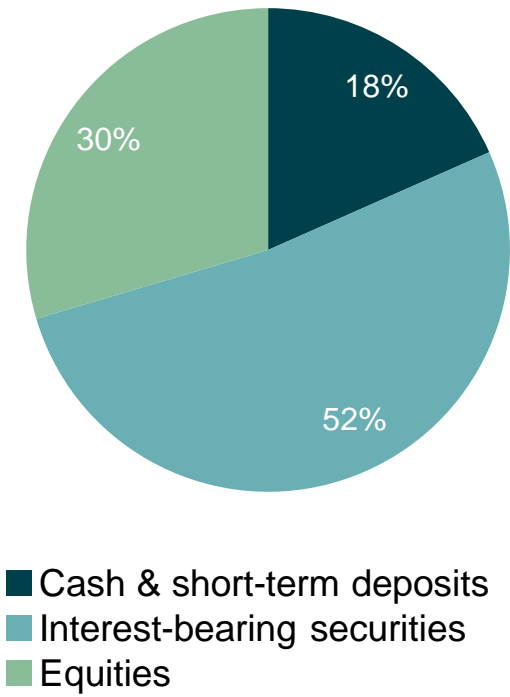
Insurance funds
NZ\$645m



Fixed income credit quality

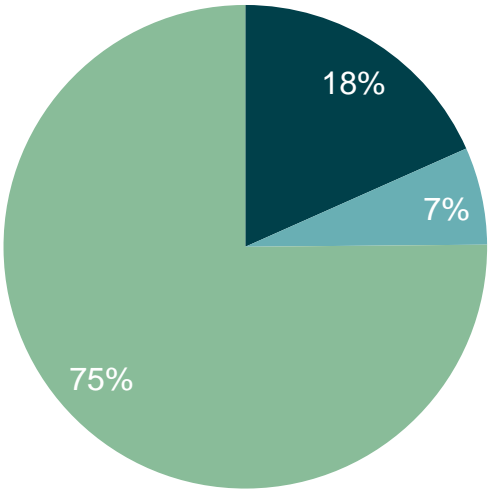


Shareholders' funds
NZ\$419m

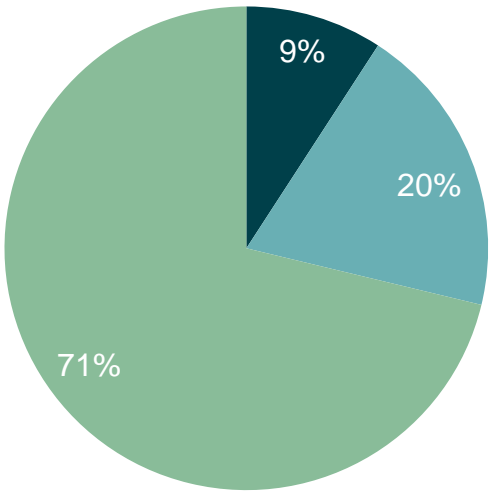


New Zealand general insurance market share

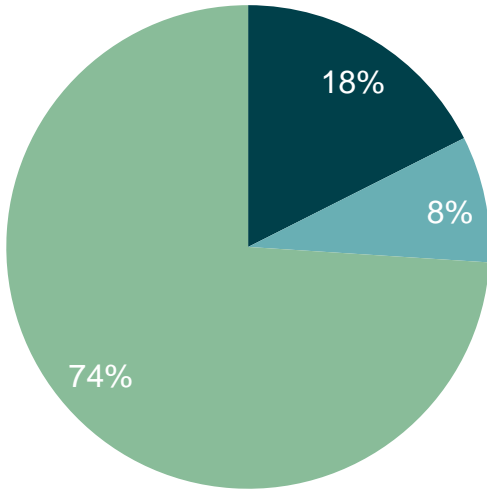
Total market



Motor



Home



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

Source: Insurance Council New Zealand, March 2019

New Zealand life insurance NPAT

- Planned margins driven by in-force premium growth
- Claims experience reflect general volatility of claims
- Product enhancements and the use of digital platforms for advisers contributed to new business growth

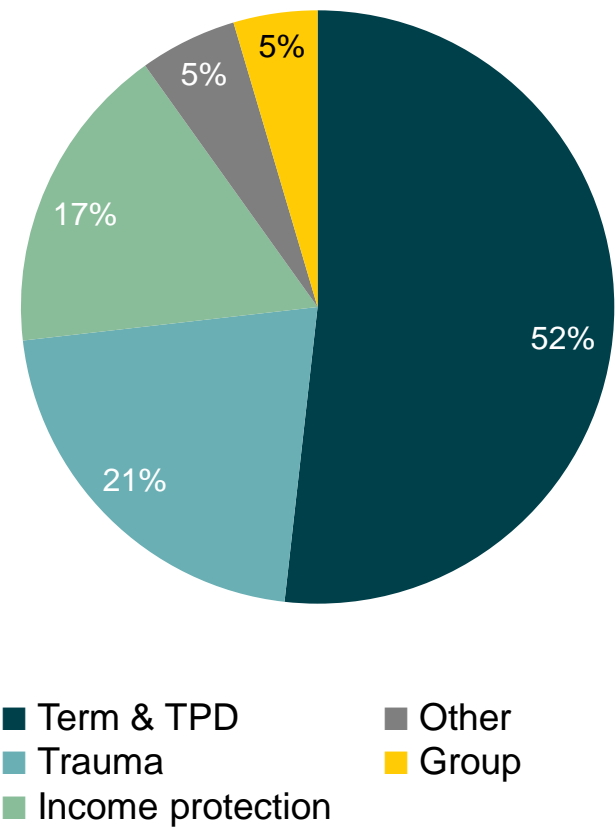
	FY19 (NZ\$m)	FY18 (NZ\$m)	Change (%)
Planned profit margin	34	33	3.0
Experience	(2)	(5)	(60.0)
Other	7	7	-
Underlying profit after tax	39	35	11.4
Market adjustments	5	4	25.0
Life Insurance NPAT	44	39	12.8
In-force annual premium	267	257	3.9
Total new business	22	24	(8.3)

New Zealand

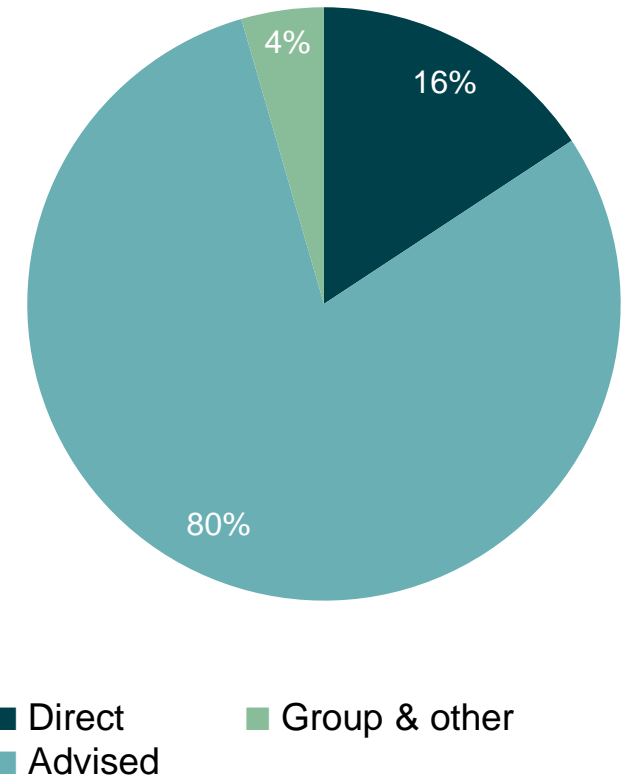
life insurance in-force premium

Total in-force premium of NZ\$267m

Premium by product



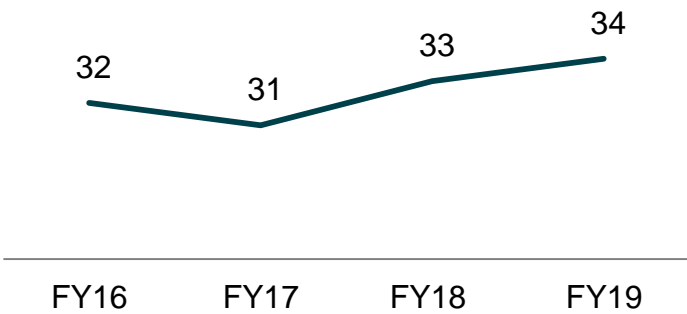
Premium by channel



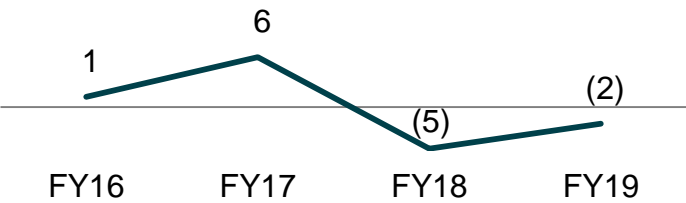
New Zealand life insurance key metrics

(NZ\$m)

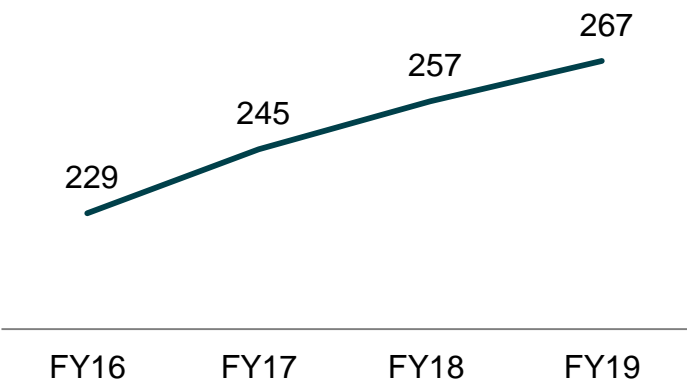
Planned margins



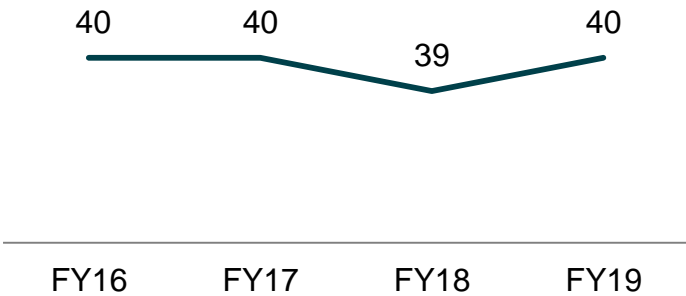
Experience



In-force premium



Operating expenses*

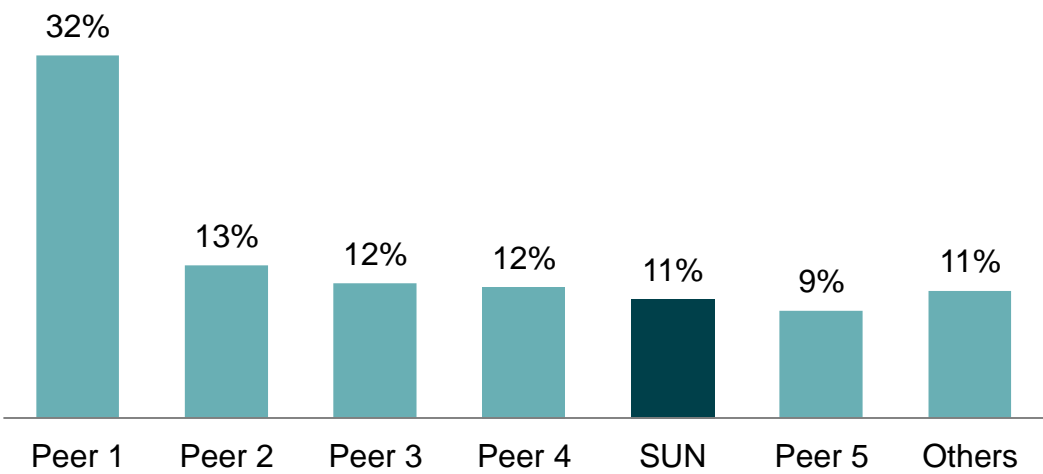


* Includes investment expenses

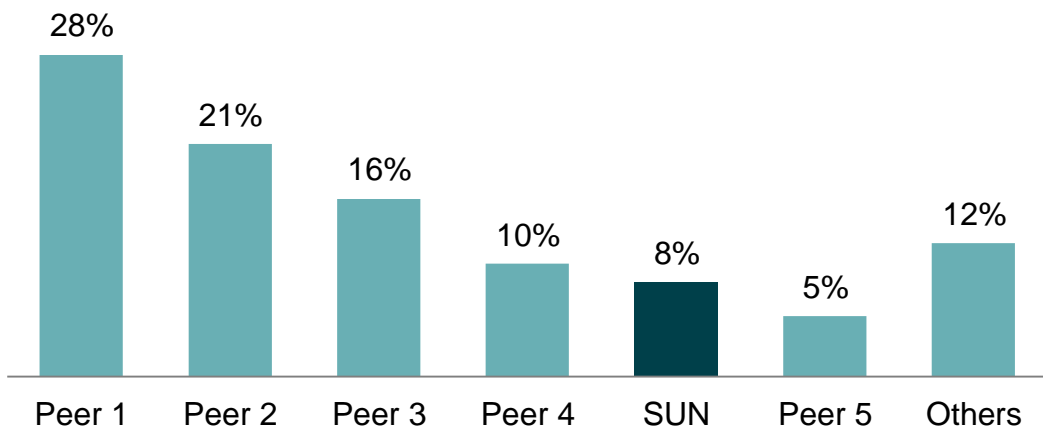
New Zealand life insurance market share

Individual risk

In-force
NZ\$2.5bn



New business
NZ\$216m*



Source: Financial Services Council, March 2019
Note: excludes Traditional policies
* New Business is 12 months to March 2019

New Zealand

outlook and priorities - strengthen and broaden relationships

- Continue to target above system growth which is expected to slow to lower single digit growth following a period of industry repricing reflecting the impact of a number of significant natural hazard events
 - Above system growth is targeted via the corporate partner and direct channels
 - Moderate growth in the broker channel is also expected to be maintained.
- The New Zealand natural hazard allowance will increase NZ\$8m to NZ\$53m in FY20
- New Zealand efficiency program largely embedded in BAU with initiatives focused on driving operational efficiencies and improving customer outcomes
- Working claims will return to more normalised levels following very favourable weather conditions in FY19
- Regulatory project activity will be primarily focused on responding to the Conduct and Culture Review of Life Insurers completed earlier this year
- New Zealand will seek to leverage Group digital foundations and continue to invest in digitising the business to create better outcomes for customers and intermediaries:
 - Completing the digitisation and automation of renewals
 - Initial focus on data quality to enable personalised customer communication via preferred channel
 - Improve claims outcomes for customers through delivery of low touch, self-service claims experience
- New Zealand Life will have an ongoing focus on sustainable commissions, strong intermediary relationships and retention which is expected to support in-force premium growth
- Regulatory project activity will be primarily focused on responding to the RBNZ and Financial Markets Authority's Conduct and Culture Review of New Zealand Life insurers
- Earthquake Commission levy changes that came into force 1 July 2019 will have no material impact



Economy



Financial Results for the full year
ended 30 June 2019

Australia

economic fundamentals

- Economic growth has slowed with near-term risks remaining, generated by the adjustment in housing and subdued consumption growth
- The easing in monetary policy, tax measures, infrastructure spending, increase in mining investment, and the lower AUD are expected to support a relative pickup in growth over the next few years
- Suncorp's operations are heavily weighted to the Qld market, with Qld accounting for 31% of Insurance (Australia) total GWP and 53% of total lending in FY19
- Queensland is seeing higher interstate migration, which should help it outperform

	Australia	Queensland	Data
Population growth	1.6%	1.8%	Dec-18, annual
Economic growth (GDP & State Final Demand)	1.8%	1.4%	Mar-19, annual
Unemployment rate	5.2%	6.5%	Jun-19
Inflation	1.6%	1.7%	Jun-19
Budget position	\$5.2bn deficit (-0.3% of GDP)	\$0.8bn surplus (0.2% of GSP)	2018-19 estimate
Credit rating (S&P / Moody's)	(AAA stable / Aaa stable)	(AA+ stable / Aa1 stable)	July-19

"Australia has slowed: falling housing prices mean consumers are cautious and apartment building is falling away, and that's dragged down economic growth. And so too has a nasty drought.....Despite the global slowdown, the world has given Australia a big pay rise. China's stimulus means a surge in the demand for and prices of Australian coal and iron ore. And don't forget there's heaps of stimulus, and it's arriving fast.....That combination means that the current slowdown looks to be well contained"

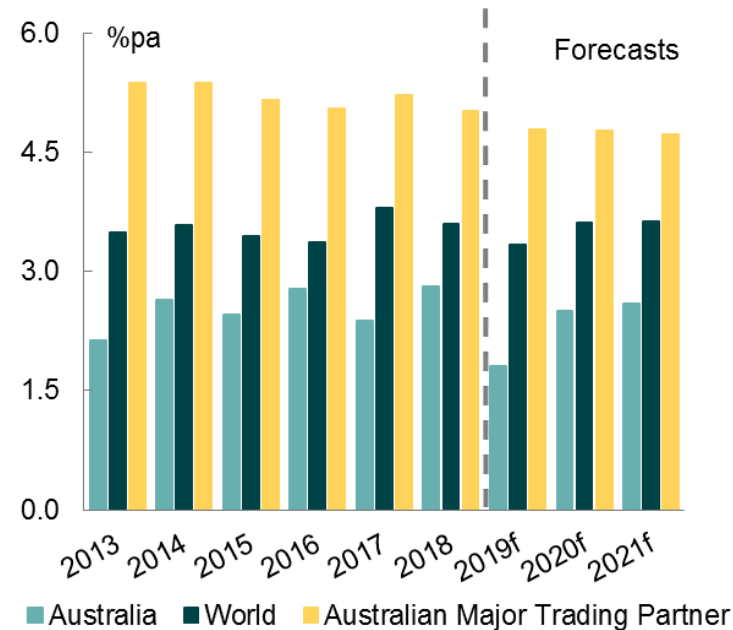
Source: Deloitte Access Economics, June 2019

Australia

growth outlook

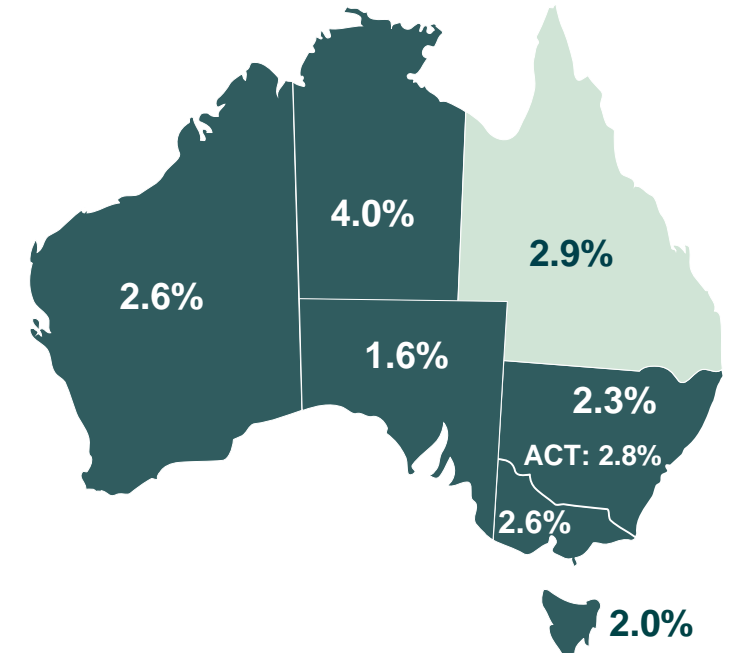
- Global growth has decelerated, with downside risks stemming from international trade tensions still in place, offset slightly by accommodative monetary policy
- RBA rate cuts, tax changes, and a loosening of macroprudential measures should supplement infrastructure spending, helping to counter housing-related headwinds
- Qld is expected to emerge as the strongest State, assisted by resurgent interstate migration

National & Global GDP outlook



Source: ABS, Deloitte Access Economics, IMF, Suncorp

State prospects



Gross State Product annual growth forecast FY20-FY22
Source: Deloitte Access Economics, June 2019

“We think that Queensland’s economy should rebound over this financial year and into next.....The combination of tax cuts and interest rates cuts will add to disposable income..... the weakening in the \$A should also further aid Queensland’s large export sector, and help to drive growth”

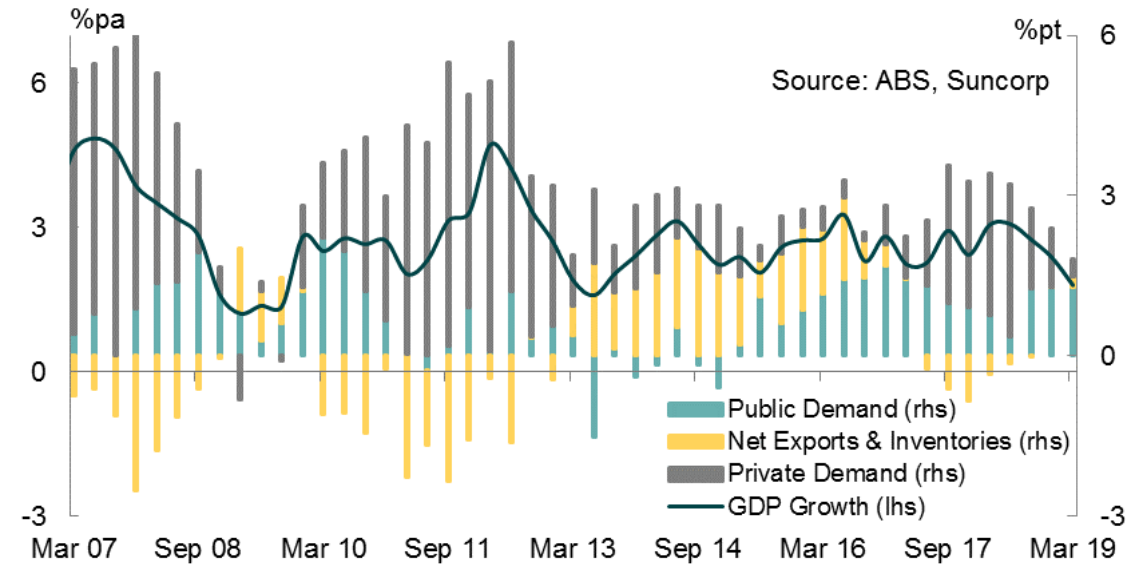
Source: Deloitte Access Economics, June 2019

Australia

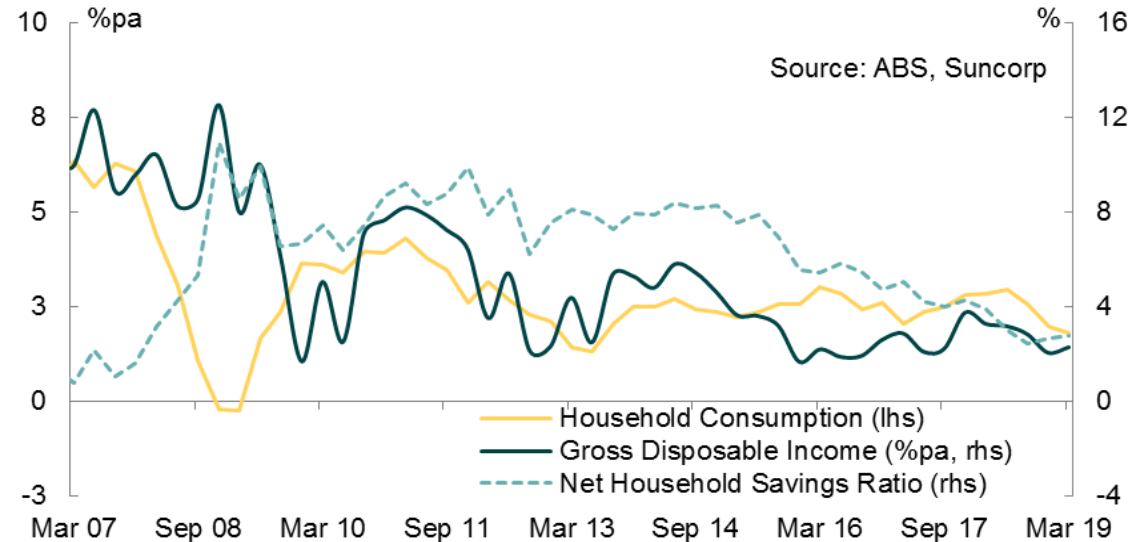
evolving landscape

- Growth in private demand has slowed, driven by the interconnected forces of soft consumption and turn in the housing cycle
- There are signs of improving business investment, including in mining (after a prolonged downturn). This, combined with infrastructure spending, can offset the residential investment downturn
- Low income growth, coupled with high debt levels and negative wealth effects have restrained consumption. Tax relief, monetary stimulus and a tick up in wage growth should translate to a gradual improvement in consumption over time

Growth weighed down by private demand



Low income growth has restrained consumption

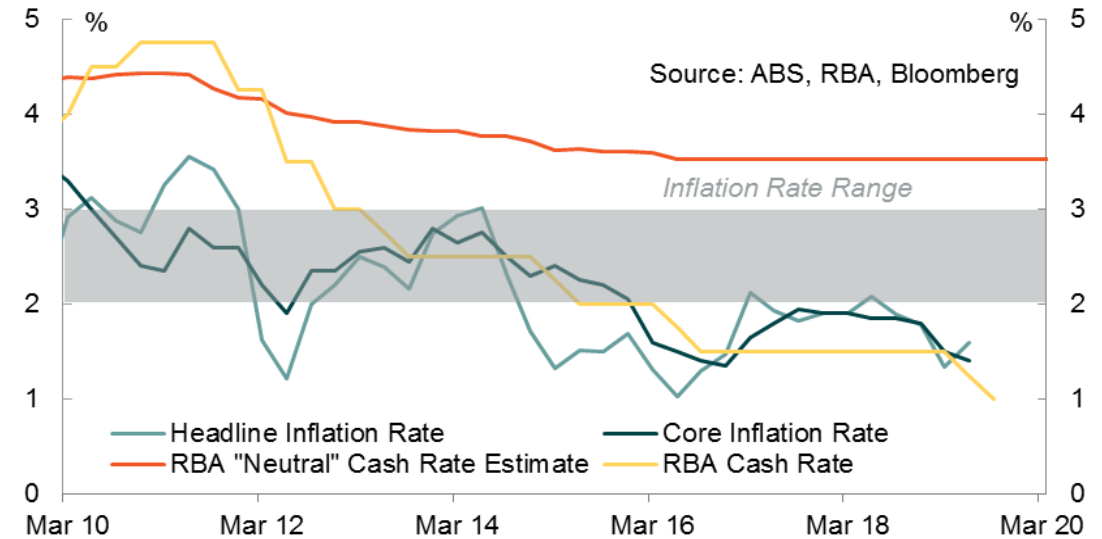


Australia

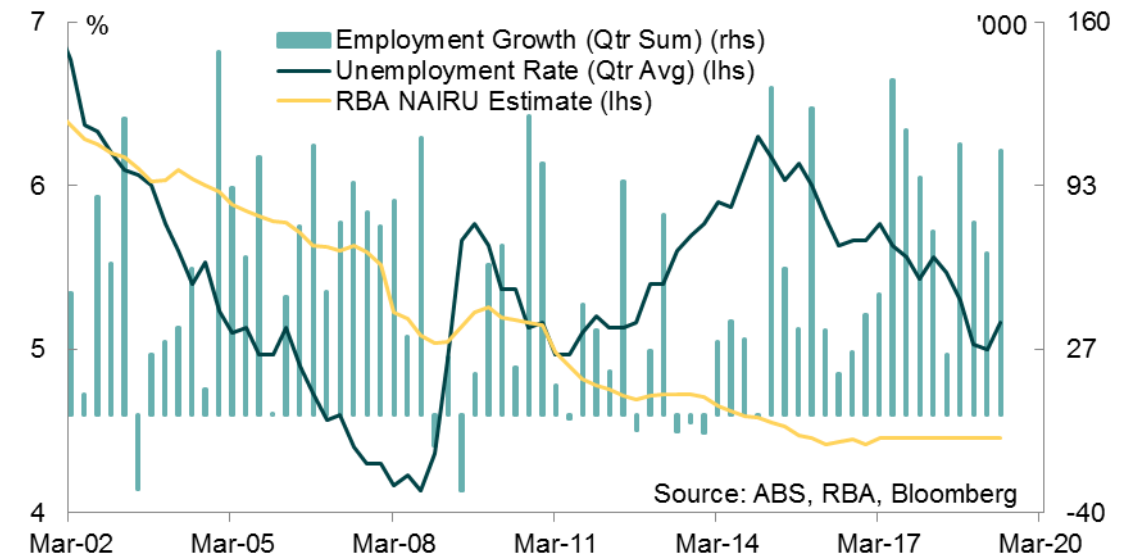
monetary policy and labour market

- The RBA has cut the cash rate to a record low 1% as at July 2019
- Muted inflation, downside risks to growth, and excess capacity in the labour market means the risk of more easing remains. How fiscal policy and global risks develop will guide future RBA moves
- Robust employment growth has been counterbalanced by rising labour supply
- Forward indicators point to continued, albeit slower job growth

Low inflation & lower interest rates



Labour market slack remains

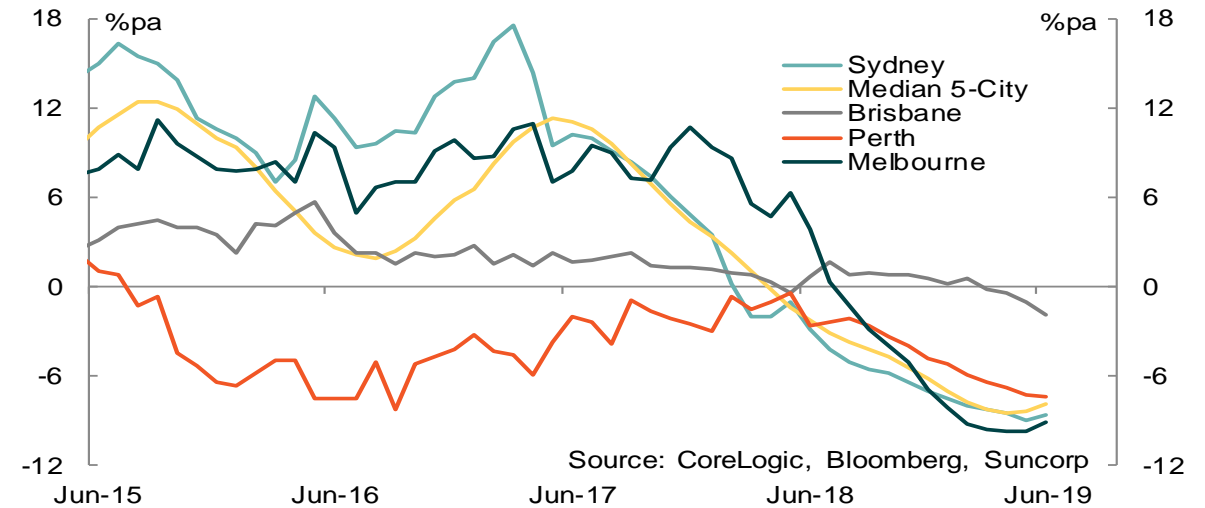


Australia

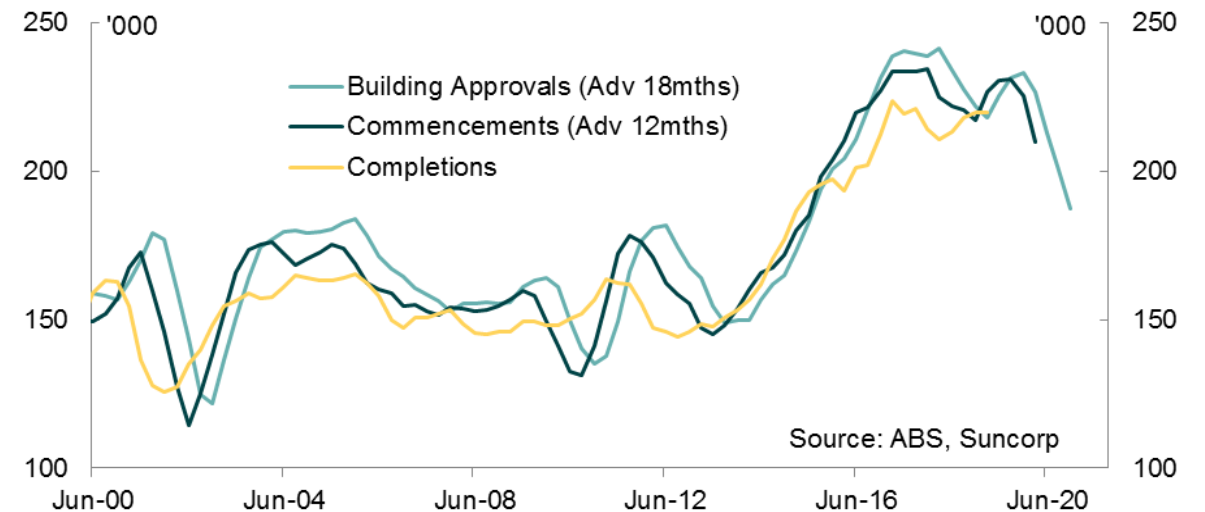
housing remains in focus

- House prices, led by Sydney and Melbourne, have declined on the back of demand and supply factors
- Tentative signs of a stabilisation in prices are coming through, supported by RBA rate cuts, low unemployment, and improved affordability
- Residential investment has started to decline with leading indicators, such as building approvals, consistent with this trend continuing over 2019/20. However, the pipeline of work in apartments and infrastructure should cushion the impact across the sector

**Tentative signs
of stabilisation
in house prices**



**Residential
investment
downturn is
ongoing**

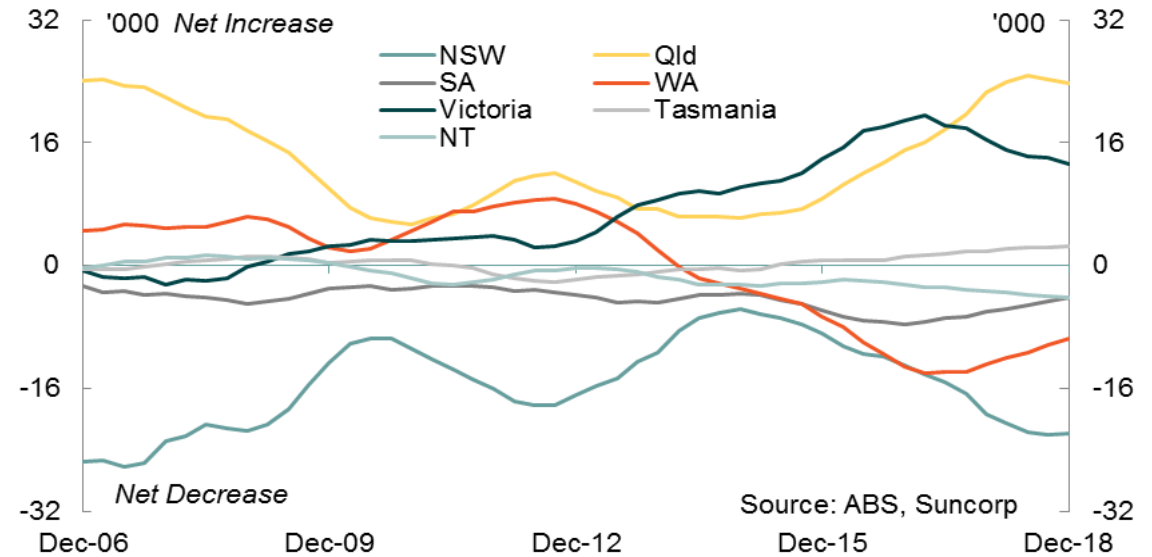


Australia

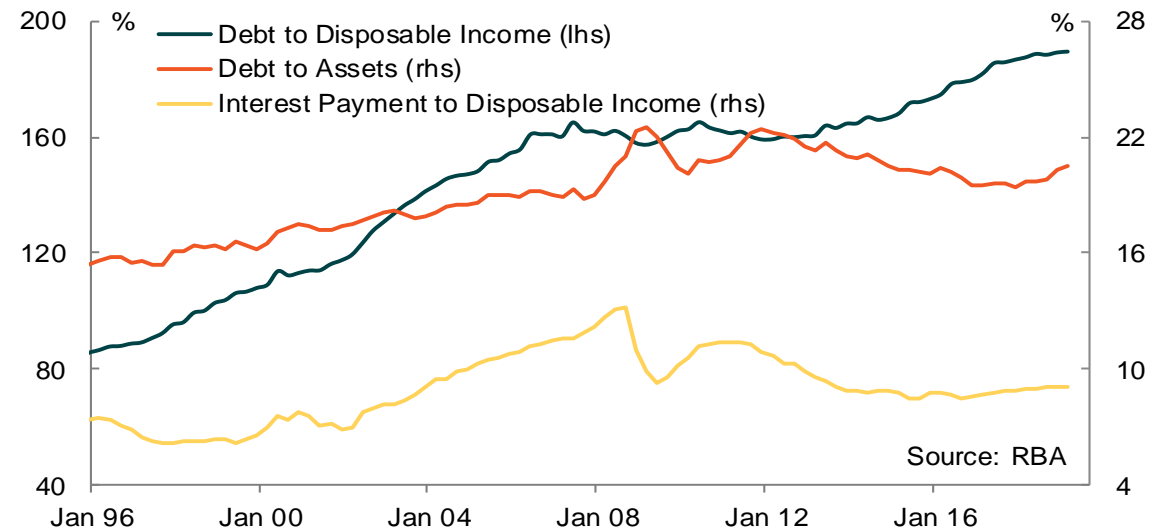
opportunities and risks

- Firmer commodity prices are supportive for national incomes and mining-related sectors
- A competitive AUD is a tailwind for services sectors such as education and tourism
- Population growth remains solid, with relative flows favouring Qld
- The mix of high household debt and subdued income growth are risk factors for the economy, particularly if faced with an external shock
- Trends in household consumption (the largest part of the economy) remain in focus

Net migration flows are Qld positive



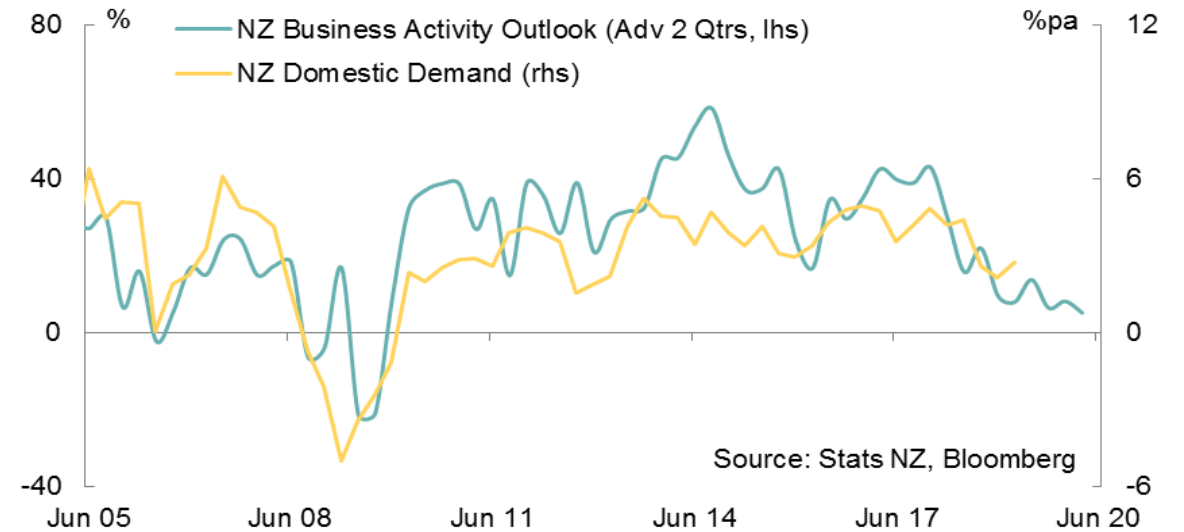
Household debt & debt servicing



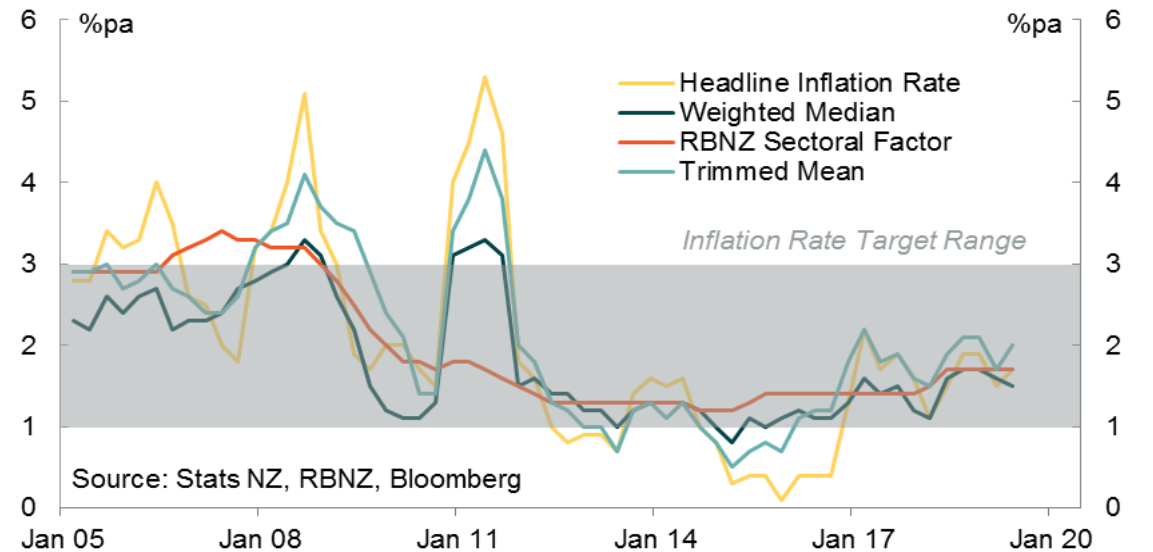
New Zealand economic cross-currents

- Growth momentum has moderated
- Weaker trading partner growth and low domestic business confidence are generating medium-term risks
- Inflation pressures remain contained with the cautious Reserve Bank of New Zealand (RBNZ) expected to provide more monetary support over the coming year
- The mix of monetary and fiscal stimulus, and more competitive NZ\$ is forecast to support growth over the next couple of years

**Downside
growth risks
have increased**



**Inflation
pressures
remain
contained**



Glossary



Financial Results for the full year
ended 30 June 2019

Glossary

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium
Acquisition expense ratio – life insurance	Acquisition expenses, including upfront commissions, as a percentage of new business
Annuities market adjustments	The value of annuity obligations are determined by discounting future obligations into today's dollars using risk-free rates. The value of such obligations fluctuates as market referenced discount rates change. The value of assets backing annuity obligations also fluctuates with investment markets. The net impact of both of these market-driven valuation changes are removed from the Life Insurance underlying profit and recorded as annuity market adjustments
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, 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

Glossary

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
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
Credit risk-weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA

Glossary

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
Embedded Value	Embedded Value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits
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

Glossary

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
Group top-line growth	Group top-line growth is derived from a weighted-average calculation of underlying year-on-year growth in Suncorp's key business functions. Top-line growth percentage is calculated as growth in general insurance gross written premium (73% weighting), growth in retail and business lending assets (weighting 25%) and growth in New Zealand life insurance in-force premium (2% weighting)
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
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 insurance policyholders' interests	Amounts due to an entity or person who owns a life insurance policy. This need not be the insured. This is distinct from shareholders' interests

Glossary

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
Maintenance (or renewal) expense ratio	Expenses related to servicing in-force life insurance policies, including renewal or trail commissions, policy management and claim costs, expressed as a percentage of in-force premiums

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 – Insurance (Australia)	The amount of claims incurred during an accounting period after deducting reinsurance recoveries
Net incurred claims - New Zealand	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries
Net interest margin (NIM)	<p>Net interest income divided by average interest earning assets (gross of offset accounts). NIM is the percentage difference between revenue earned on interest bearing assets (loans) minus the cost of interest bearing liabilities (funding)</p> <p>Going forward, the Bank will present the average balance sheet and net interest margin using a net of offset balance methodology, consistent with peer disclosures</p>
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

Glossary

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
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

Glossary

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 07 August 2019. 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).

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