



Financial Results
for the full year
ended 30 June 2020
RESULTS PRESENTATION

Release date 21 August 2020
SUNCORP GROUP LIMITED
ABN 66 145 290 124





Good morning everyone.

FY20 result – A challenging year

	FY20 (\$m)	FY19 (\$m)	Change (%)
Insurance (Australia)	384	581	(33.9)
Banking & Wealth	242	364	(33.5)
New Zealand	245	245	–
PAT from ongoing functions	871	1,190	(26.8)
Profit after tax from discontinued business	1	30	(96.7)
Other profit (loss) after tax	(123)	(105)	17.1
Cash earnings	749	1,115	(32.8)
Net profit (loss) on sale of ceased operations (after tax)	285	(899)	n/a
Acquisition amortisation (after tax)	(121)	(41)	195.1
Group NPAT	913	175	421.7
Ordinary dividend (cps)	36	70	(48.6)
Payout ratio - cash earnings (%)	60.7	81.2	
Excess CET1 capital (pre dividend)	941		
Excess CET1 capital (post dividend)	823		

This slide shows the high level FY20 financial metrics for the Group.

In what could only be described as a very challenging year, we have reported net profit after tax of \$913 million; cash earnings of \$749 million and pre-dividend excess common equity tier 1 capital of \$941 million.

Pleasingly, based on the strength of the balance sheet and excess capital position, the Board has declared a modest final dividend of 10 cents per share, resulting in a full year payout of just below 50% of statutory net profit after tax or 61% of cash earnings - which is appropriately at the bottom end of our usual payout range.

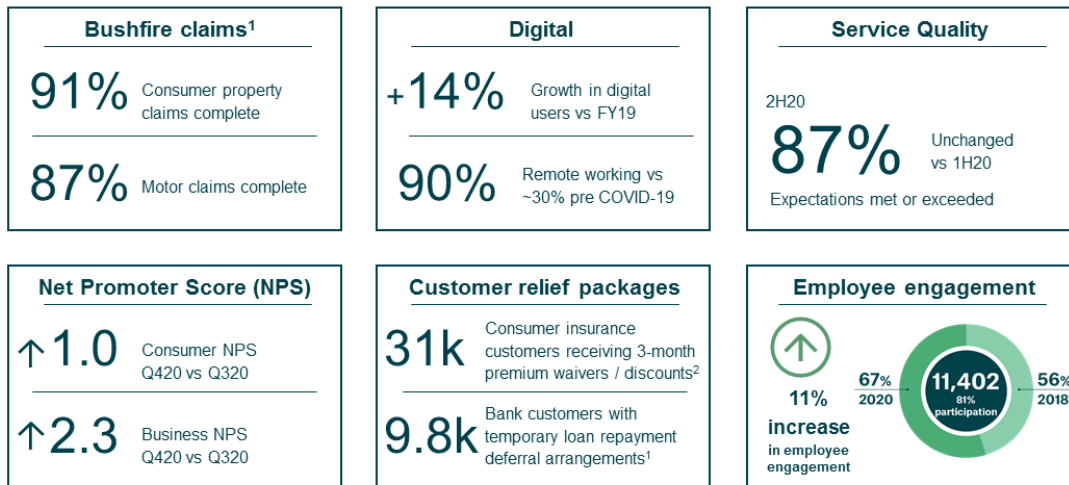
We will retain a healthy \$823 million of excess common equity tier 1 capital after the payment of the dividend.

Needless to say, comparisons between the FY20 and FY19 reporting periods are difficult given the divestments of the Australian Life business and Capital S.M.A.R.T, a number of other one-offs and the impacts of COVID-19.

Our focus for today will be to:

- Give you a sense of our operational and underlying financial performance for the year;
- Outline the work we have done through COVID-19 to further strengthen our business; and
- Foreshadow the program of work for the year ahead.

Operational performance maintained



1. As at 31 July 2020
2. As at end of June 2020



In a year like no other, financial metrics don't necessarily tell the full story. In normal times, things like the capability of your people, the robustness of your core operations and processes, your underlying technology and core systems, and your ability to adapt, are all differentiators of performance. In FY20 they became the ingredients of survival.

In this slide I have summarised some of the key operational metrics that have guided our business over the past 12 months and the recognition afforded to our team over the course of the year. It's true that our business is well versed in dealing with the uncertainties associated with fires, floods, storms and drought.

We have established processes and usually respond well. Of course, there is no handbook or textbook to pull off the shelf when confronted with a global pandemic. So, we quickly established a five-point framework to guide our prioritisation and decision making through the pandemic. I've talked of this before but in essence it is:

1. Ensuring the health and safety of our team – this is our number one priority;
2. Making sure we continue to meet the needs of our customers;
3. Keeping our business strong, maintaining appropriate capital, funding and liquidity;
4. Evolve our ways of working to emerge strong and more efficient, and
5. Being open and honest in our communications and advocacy.

We also significantly stepped up our dialogue and reporting to the Board to ensure we were focussed on the right things, at the right time and with the right intensity. This framework is continuing to serve us well.

Result highlights

- | | |
|--|---|
| <ul style="list-style-type: none"> ✓ Strong balance sheet providing capital flexibility | <ul style="list-style-type: none"> ✓ Premium rate momentum in commercial insurance |
| <ul style="list-style-type: none"> ✓ FY20 natural hazard costs in line with allowance | <ul style="list-style-type: none"> ✓ Strong performance in New Zealand despite impact of natural hazards |
| <ul style="list-style-type: none"> ✓ Positive unit growth in Australian consumer insurance | <ul style="list-style-type: none"> ✓ Banking NIM up 4 basis points, supported by strong growth in at-call deposits |
| <ul style="list-style-type: none"> ✓ Strong growth in Q4 digital sales with good momentum into FY21 | <ul style="list-style-type: none"> ✓ Disciplined cost management |

To the result highlights - and starting with the balance sheet.

We entered COVID-19 in a strong position, with a buffer of excess capital and the retained proceeds from the sale of Capital S.M.A.R.T. We have built on that over the course of the year, providing flexibility and allowing us to deliver on our commitment to shareholders by paying a modest final dividend.

In an extraordinary year, we landed natural hazards in line with our allowances - with our reinsurance purchases protecting shareholders from almost \$1 billion in claims costs.

We finished the year with positive unit count in our Australian consumer insurance portfolio - something that didn't look possible in April. Our sales run into financial year end was particularly strong, most notably in digital - giving us good momentum into the new year. We continue to see good momentum in Commercial Insurance premiums, making it the third consecutive year of underlying margin recovery in that portfolio.

The New Zealand business continues to stand out with premium growth above expectations and stable loss ratios.

The Bank has delivered a net interest margin of 1.94%, up 4 basis points and at the top of our expected range, driven by growth in digitally originated at-call deposits. We've also seen the early signs of improvement in lending lodgement volumes as our remediation work begins to take effect.

And finally, we've remained disciplined around costs, albeit recognising that there is more we need to do.

So, with that overview I will hand to Jeremy to go through the details.



Group result overview

Key impacts on FY20 Group cash earnings

COVID-19 impact	<ul style="list-style-type: none"> – Excluding impact of investment markets, net FY20 P&L impact on General Insurance was broadly neutral¹ – Significant increase in the Bank's collective provision based on conservative assumptions
One-off items	<ul style="list-style-type: none"> – Pay and leave entitlements review relating to incorrect payments due to inconsistencies in the Group's rostering and pay systems (\$60m) – New Zealand customer remediation provisions mainly due to incorrect application of customer discounts (NZ\$24m) – One-off payment of NZ\$15m relating to the restructure of the AA Life joint venture arrangement
Investment markets	<ul style="list-style-type: none"> – Net overall result from yields and investment markets (including the impact on outstanding claims) was \$211m, \$95m below pcp – Benefit from risk management hedging actions and above benchmark returns
Reserve releases	<ul style="list-style-type: none"> – Prior year reserve releases of \$103m, representing 1.2% of Group NEP, \$225m below pcp (3.8% of Group NEP) – Reduction was driven by the impact of scheme reform in CTP and one-off strains in Commercial long-tail and Consumer portfolios

1. The broadly neutral outcome is indicative of key items related to COVID-19 and does not capture all impacts

Thanks Steve and good morning everyone.

Given the current environment, I wanted to start with briefly calling out some of the key items that have impacted the Group's cash earnings, before the usual run through of the numbers.

In addition to the adverse COVID-19 impact, which I will cover on the next slide, the result was impacted by a number of one-off items including a \$60 million provision for the pay and leave entitlements review we flagged in May, NZ\$24 million of customer remediation provisions and a NZ\$15 million one-off payment relating to the restructure of the AA Life joint venture.

The other two key impacts I wanted to call out upfront are the lower contributions from investment markets and reserve releases. I'll cover both of these in more detail later.

Key estimated COVID-19 impacts

FY20 COVID-19 impacts (pre-tax)

Insurance (Australia) ¹	~\$20m	<ul style="list-style-type: none"> ~\$140m benefit from lower motor claims frequency due to mobility restrictions ~\$55m lower GWP due to reduced new business volumes and impact of customer relief packages. Approximately half of this has been earned in FY20 \$85m provision, including risk margin, to cover COVID-19 uncertainty (including landlord insurance and business interruption) Includes impact of higher expenses including roll back of some offshore processes and annual leave cancellations, property, IT costs etc
New Zealand ¹	~\$0m	<ul style="list-style-type: none"> Lower motor claims frequency due to mobility restrictions Pass-through to customers of reduced risk of motor claims during COVID-19 mobility restrictions via provisions for premium relief and hardship funds
Banking & Wealth	~(\$160m)	<ul style="list-style-type: none"> Significant increase in Bank impairment losses due to higher COVID-19 driven collective provision
Total Group P&L impact	~(\$140m)	<ul style="list-style-type: none"> Excludes investment income impact from market volatility due to COVID-19

1. The broadly neutral outcome is indicative of key items related to COVID-19 and does not capture all impacts

So, first up some colour on the impact of COVID-19. Excluding the impact of investment markets, the net profit and loss impact was broadly neutral for Insurance (Australia) and New Zealand, in line with our previous guidance.

Insurance (Australia) was impacted by:

- A benefit of around \$140 million from lower motor claims frequency, as well as some small frequency benefits across the other portfolios;
- \$85 million of provisions, including risk margin, to cover COVID-19 uncertainties, landlord loss of rent and potential business interruption claims;
- Additional operating expenses such as the roll back of certain offshore processes; and
- Lower gross written premium, due to lower new business volumes as well as the impact of customer relief packages.

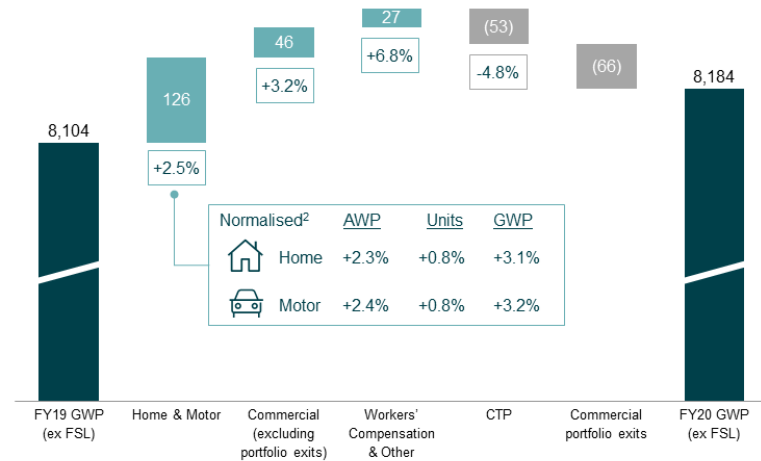
The impact for New Zealand was broadly neutral with the benefit of lower motor frequency passed through to customers.

The negative impact on the Bank of around \$160 million largely reflects the COVID-19 collective provision.

Overall, we assess COVID-19 has had a negative impact on the FY20 results, excluding the impact of investment markets, of approximately \$140 million pre-tax.

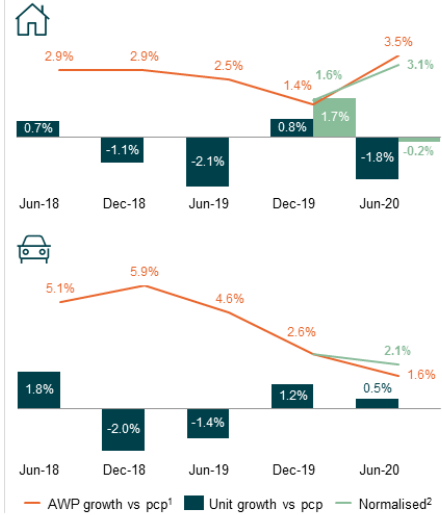
Insurance (Australia) – Gross written premium

Gross written premium (excluding Fire Services Levies) by portfolio (\$m)



1. Average written premium (AWP) is a function of premium rate increases, product and brand mix
 2. FY20 Home normalised for the remediation of the broker-introduced book and the impact of COVID-19; 2H20 Motor AWP normalised for the impact of COVID-19

Home and motor portfolio



Now to the run through of results, starting with Insurance (Australia) and the usual gross written premium waterfall.

In Home, normalising for the ongoing remediation of the broker book and the new business embargo on landlord insurance, Home units were up 0.8% with gross written premium up 3.1%.

Motor gross written premium was impacted by COVID-19 customer relief offers and normalising for this results in gross written premium growth of 3.2%, with unit growth of 0.8%.

Commercial gross written premium grew 3.2% excluding portfolio exits, primarily driven by strong premium rate increases partially offset by the economic impact of COVID-19.

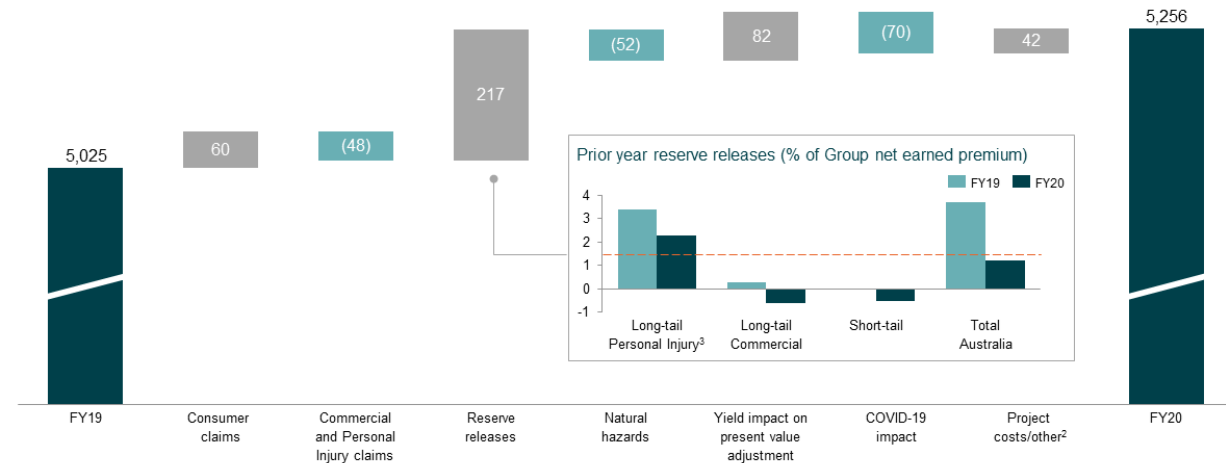
In Workers' Compensation we saw rate increases, strong retention and salary pool increases.

Compulsory Third Party decreased primarily due to the impact of market pricing dynamics in ACT, South Australia and New South Wales following scheme reforms, but with some price and unit growth in Queensland.

Overall, the aggregate estimated reduction in gross written premium from COVID-19 was around \$55 million, reflecting a combination of lower new business opportunities, including the embargo on Landlord and Travel insurance, and the impact of customer relief measures. Around half of this has been earned in FY20.

Insurance (Australia) – Net incurred claims

Net incurred claims (net of discounting of outstanding claims)¹ (\$m)



1. Excludes the impact of mark-to-markets and discount unwind on outstanding claims
 2. Includes claims handling expenses (CHE) and risk margin
 3. Includes CTP and Workers' Compensation

Turning now to claims, where I have separated out the impacts of COVID-19 in the waterfall.

The increase in Consumer was primarily driven by Motor claims costs, reflecting underlying inflation in the book and the trend towards higher cost repairs as cars become more technologically advanced. In Home, we saw a stabilisation in water and fire claims costs.

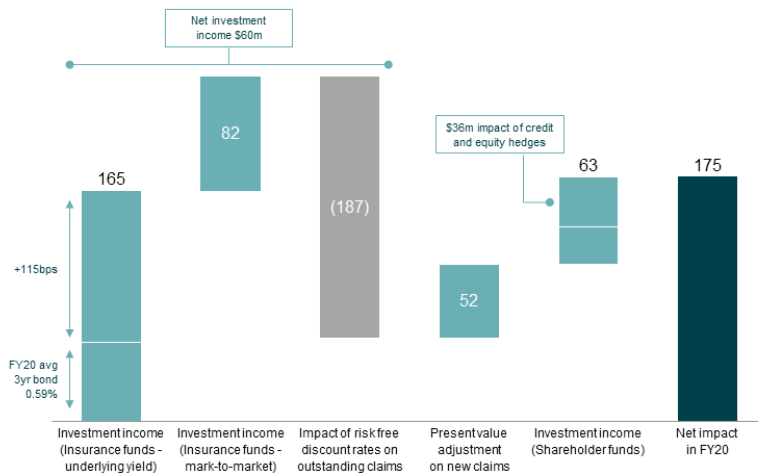
The improvement in Commercial reflects the impact of portfolio exits and relatively benign large loss experience. The reduction in Personal Injury claims was driven by Compulsory Third Party scheme reform. And growth in the Workers' Compensation portfolio was offset by good claims performance in Western Australia.

Prior year reserve releases were subdued. In aggregate, releases from the statutory classes were 2.3% of net earned premium. We saw lower Compulsory Third Party releases in New South Wales in line with scheme reform and lower releases in Queensland driven by historic pricing reductions. However, Workers' Compensation delivered higher releases following good experience and improvements in claims handling.

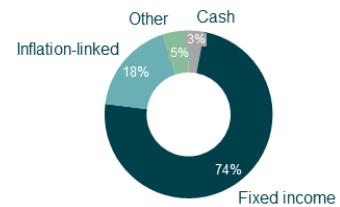
The Commercial long-tail strengthening was the result of a \$25 million one-off strain in the second half for provisions for molestation claims, and this in addition to the \$20 million valuation adjustment in the first half in the bodily injury portfolio. The short-tail strengthening principally reflects an amount for customer remediation costs and a modest strengthening across a range of prior natural hazard events, and some larger home liability claims.

Insurance (Australia) – Investment market impacts

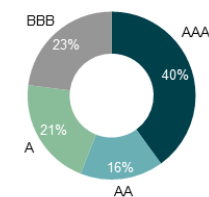
Net overall P&L impact from yield and investment markets (\$m)



Investment portfolio as at 30 June 2020



Fixed income credit quality



Moving on to the investment portfolio.

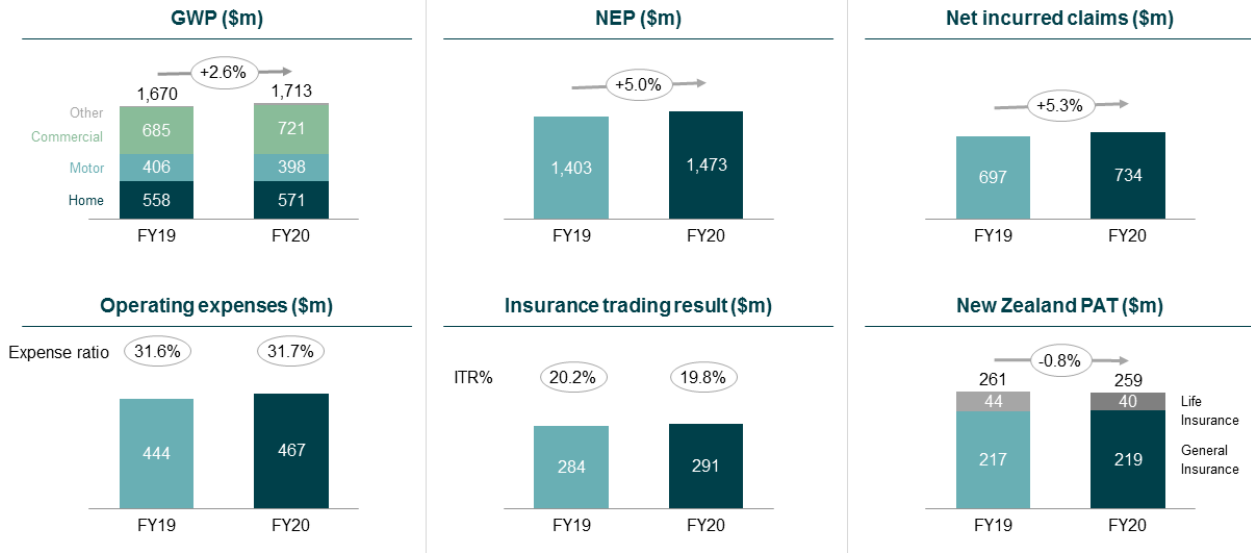
The underlying yield on insurance funds was 1.7%, down on last year, but well ahead of our expected 60 to 80 basis points range above risk-free, driven by strong active performance management.

The shareholders' funds returned a positive \$63 million, which included a \$36 million benefit from the credit and equity hedges that were placed at the onset of COVID-19. This represents an annual return of 2.1%, impacted by lower returns from equities and other growth assets.

Going forward, I would expect the underlying yield to fall towards the bottom of our range, from narrowing credit spreads and as the level of investment outperformance normalises.

Finally, I note our asset allocation remains relatively conservative. We modestly reduced our exposure to growth assets during the year with around 95% of the overall portfolio now invested in cash and fixed income securities, around 80% of which are rated A or higher.

New Zealand



Note: All metrics shown in New Zealand dollars

New Zealand delivered another good result despite a more normalised natural hazard year and the impact of customer remediation.

FY20 gross written premium includes customer remediation provisions of NZ\$18 million largely relating to the incorrect application of customer discounts. Adjusting for this and the impact of COVID-19 customer refunds and relief offers, gross written premium growth was 5%, and net earned premium up 8.3%, with premium increases in the Commercial portfolio and growth in the direct business.

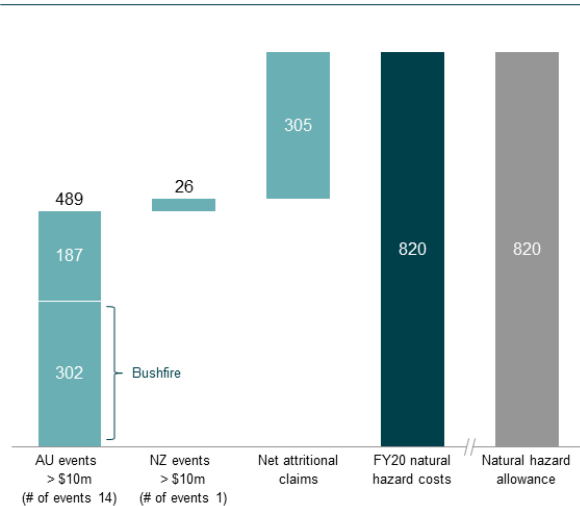
Following a relatively benign weather environment last year, net incurred claims were up 5.3%, mainly driven by increased natural hazards costs and business growth, but also reflecting the COVID-19 motor frequency benefit.

Operating expenses increased with higher commissions as a function of premium growth and an increase in technology and project costs.

The New Zealand Life result was modestly lower primarily due to adverse claims experience and lower investment returns.

Natural hazards and reinsurance

Natural hazard experience vs allowance in FY20 (\$m)



1. \$5m event deductible
 2. Includes main catastrophe, dropdowns (AU & NZ), aggregate covers and \$35m additional NHAP premium in FY20

FY21 reinsurance program and natural hazard allowance

- FY21 main catastrophe program and drop down covers are similar to previous years
- Vertical limit reduction from \$7.2bn to \$6.5bn; Modelled outcome reflects:
 - 1-in-200 year event loss for Australia
 - 1-in-1000 year Wellington event loss for New Zealand
 - Reduced exposure: Commercial portfolio exits, increases in EQC building coverage in New Zealand
- New Aggregate Excess of Loss (AXL) replaces the former Natural Hazards Aggregate Protection (NHAP) and Aggregate Stop Loss (ASL) treaties and provides:
 - \$400m of cover for natural hazard events in excess of \$5m¹, once the total retained cost of these events reaches \$650m
- Maintained 30% multi-year quota share arrangement covering the Queensland home insurance portfolio
- FY21 catastrophe reinsurance premium costs² flat vs FY20
- FY21 natural hazard allowance to increase by \$130m to \$950m

Turning to natural hazards and as we confirmed at our July update – in what has been a materially worse than expected year of natural hazard events, we landed the natural hazard cost for FY20 in line with our allowance of \$820 million.

Moving on to our FY21 reinsurance program, which is also in line with our July update. The main catastrophe and dropdown covers are similar to previous years, adjusting for exposure changes.

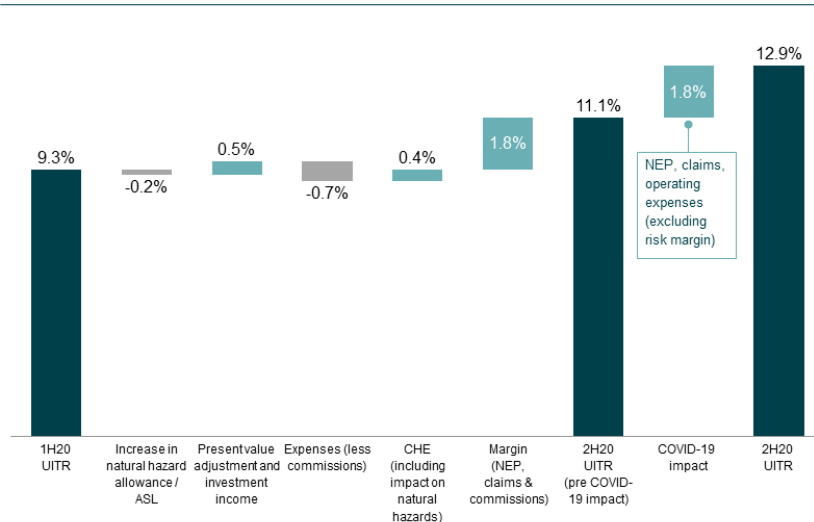
On the profit and loss volatility covers, we have replaced the Natural Hazards Aggregate Protection and Aggregate Stop Loss with a new Aggregate Excess of Loss cover, providing \$400 million of protection, for natural hazard events in excess of \$5 million, once the total retained cost of these events reaches \$650 million.

As this reflects a lower level of volatility cover than FY20, we have increased the FY21 natural hazard allowance by \$130 million to \$950 million.

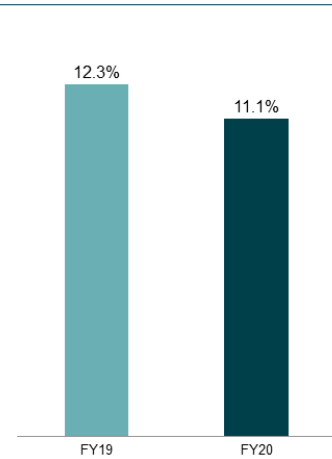
Given the hardening reinsurance market, we believe the program strikes an appropriate balance of natural hazard volatility protection and increasing reinsurance costs.

Group underlying ITR

Group underlying ITR movement – 2H20 vs 1H20 (%)



Group underlying ITR – FY20 vs FY19 (%)



Now to the Group underlying insurance trading ratio, which improved significantly over the half, even after allowing for the net benefit of COVID-19, noting that risk margin is excluded from the calculation.

Improved investment income over the half of 0.5%, reflects the investment outperformance I mentioned earlier, although lower yields have also resulted in a lower present value adjustment.

Operating expenses reflect higher regulatory and technology costs whilst claims handling expenses decreased due to the seasonality of natural hazard events.

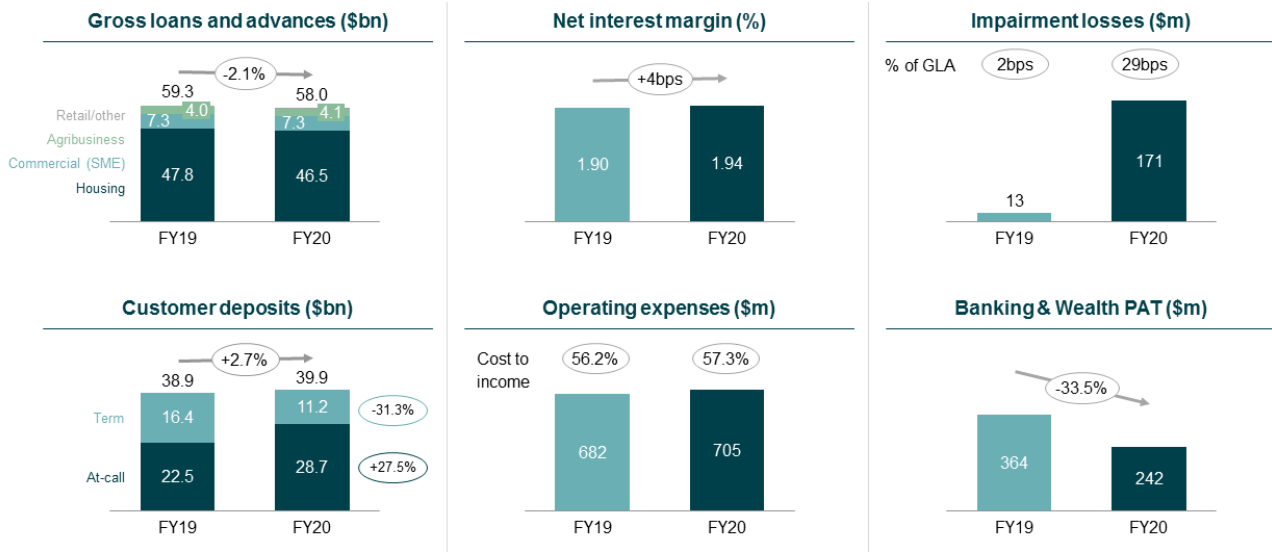
The 1.8% margin expansion seen in the bar on the waterfall was driven by claims improvements, rate increases and improved risk selection, with increases across all portfolios.

The COVID-19 benefit of 1.8% comprises the premium, claims and expense items I have previously called out.

Looking forward and notwithstanding any further COVID-19 related impacts, the Group underlying insurance trading ratio in FY21 is expected to be impacted by the higher natural hazard allowance, lower running yields on investments, and more normalised working claims in New Zealand.

We aim to reduce these impacts through ongoing price increases across the portfolio as well as actions to improve both the loss and expense ratios.

Banking & Wealth



Now to Banking & Wealth, which delivered a profit after tax of \$242 million, down significantly on the prior period, from the higher collective provisions in response to the expected economic impacts of COVID-19.

Home lending contracted 2.8% over the year, reflecting slow system growth, strong competition for new and existing business and elevated, albeit recently improving, loan processing turn-around times.

The strong momentum in at-call deposit growth, underpinned by improved digital origination capabilities, has had a positive effect on net interest margin, which is up 4 basis points.

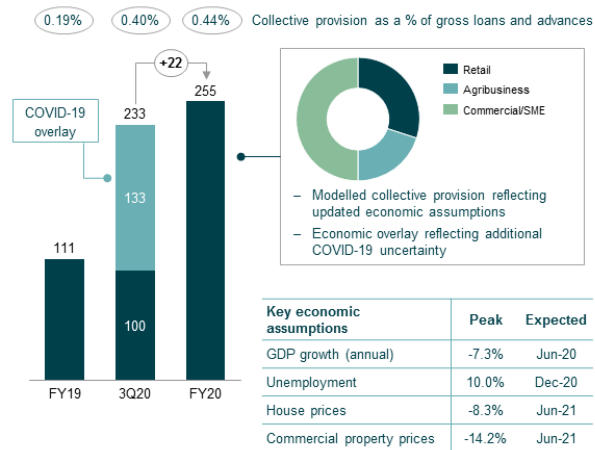
Non-interest fee income has trended lower and reflects a reduction in a range of banking fees in line with the Bank's strategy to offer competitive everyday transactional banking products.

Operating costs increased 3.4% primarily due to an increase in regulatory and technology expenses.

And finally, I note that the Wealth business, which remains under strategic review, reported a loss of \$6 million, reflecting reduced admin fee revenue due to COVID-19 and elevated regulatory costs.

Credit provisioning and repayment deferrals

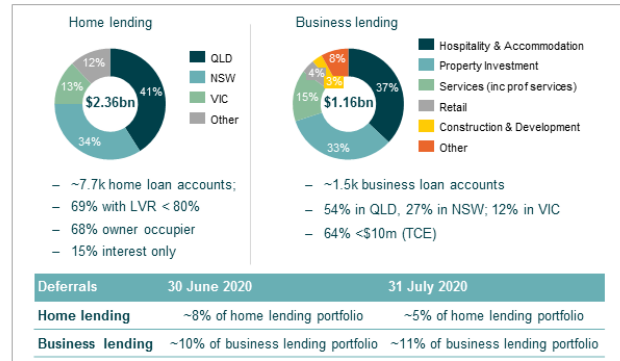
Collective provision (\$m)



1. Includes a small portion of other retail lending

Overview of temporary loan repayment deferrals

- As at 31 July: ~9.8k¹ customer accounts under deferred loan payment arrangements, representing \$3.54bn¹ in total lending (~6% of total lending)



- ~70% of home lending customer accounts have completed check-ins as at 31 July with ~51% of accounts returning to normal payments

Moving now to the collective provision, and we have maintained an appropriate degree of conservatism across both our economic assumptions and our modelling methodology.

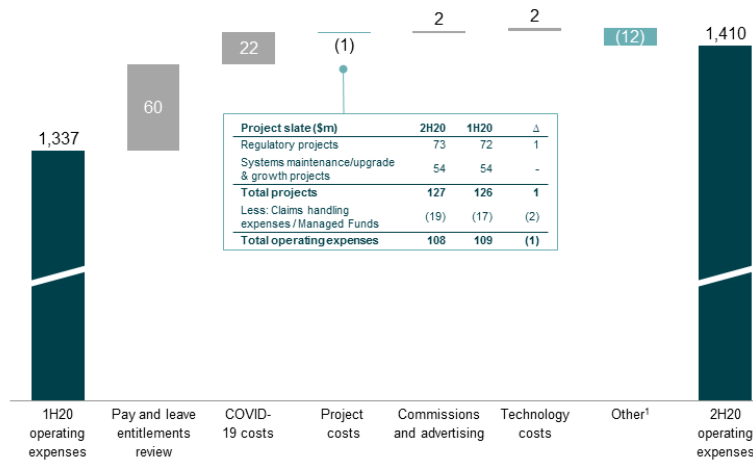
While our base case economic outlook has improved slightly since March, we continue to maintain a prudent stance, particularly in light of the recent restrictions in Victoria, and have included further management overlays in Q4.

The estimated impact of COVID-19 within the collective provision is now at \$155 million, representing 27 basis points of gross loans and advances.

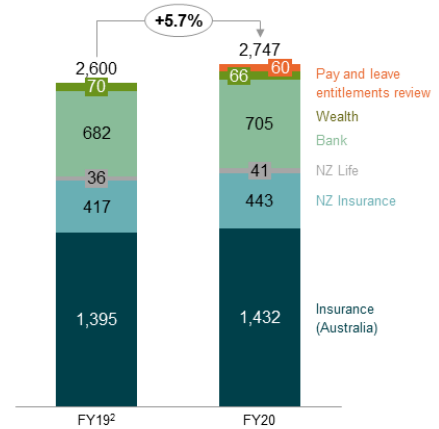
On customer deferrals, I have included some key data points on the slide. We have now completed three-month check-ins with the majority of our home lending customers with around ~50% of home loan accounts returning to full repayments. We now have 5% of our home lending portfolio in deferral, down from 8% at 30 June. While it is still early days, this is a pleasing trend.

Group operating expenses

Group operating expenses (excluding FSL) 2H20 vs 1H20 (\$m)



Operating expenses by function (\$m)



1. Includes Business Improvement Program, Joint Venture costs, building expenses and other
 2. Excluding operating expenses relating to the Australian Life business sold in FY19

Now to Group expenses. The FY20 cost base includes \$60 million of provisions associated with the pay and leave entitlements review flagged at the May update.

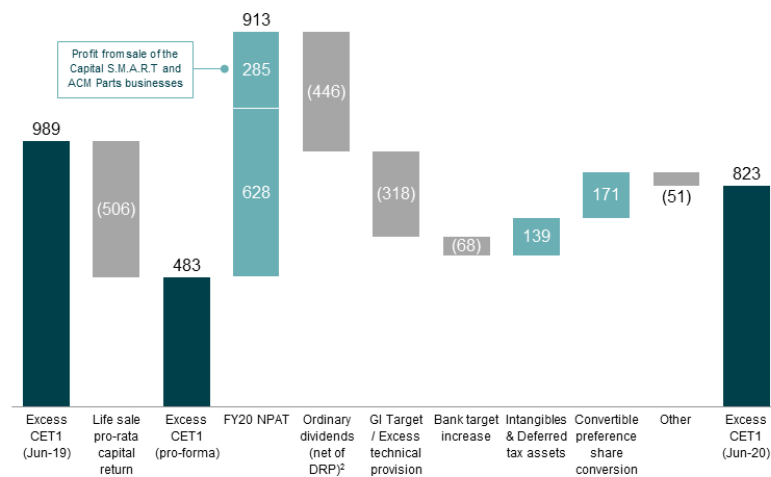
The COVID-19 costs of \$22 million reflect the net effect of both positive and negative items, the most notable of which include the roll back of some offshore processes and increased computer expenses. But we also saw some benefit from reduced travel and other discretionary spending.

Overall FY20 operating expenses including the unexpected costs for the pay and leave entitlements review and COVID-19, were slightly above our original expectation of \$2.7 billion.

Cost discipline remains a key focus and we will continue to look for opportunities to reduce duplication, streamline processes and deliver efficiencies, as we embed the new operating model.

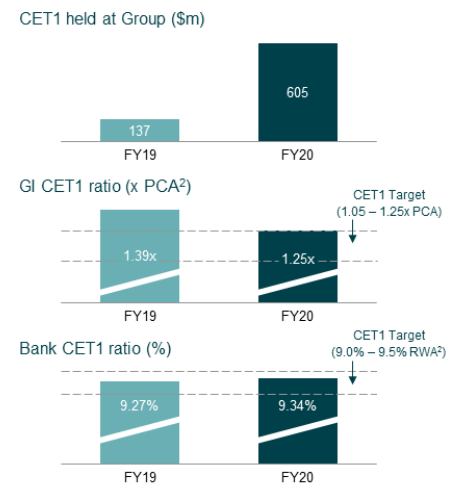
Group and divisional CET1 capital

Group excess Common Equity Tier 1 (CET1) capital (\$m)



1. Prior to year-end internal and external dividends
 2. Dividend Reinvestment Plan (DRP), Prescribed Capital Amount (PCA), Risk-weighted Assets (RWA)

Divisional capital ratios / Group CET1' (\$m)



Finally, moving on to capital. We have maintained a strong capital position with Group excess common equity tier 1 capital of \$823 million, after adjusting for the final dividend.

The Board has declared a fully franked final dividend of 10 cents per share. This gives a FY20 cash earnings payout ratio of 60.7%, which is at the bottom end of our 60% to 80% target range and consistent with APRA's guidance to moderate dividend payout ratios.

Of note is the increase in the General Insurance capital allocation, which was driven by the new reinsurance structure and increased natural hazard allowance, the impact of ongoing low yields and an allowance for COVID-19 uncertainties. These items have impacted across target capital, prescribed capital amount and excess technical provisions.

The Group has adopted a conservative approach to capital management during the year which has positioned us well for the uncertainty of COVID-19. These actions included:

- Retaining the \$285 million profit from the sale of Capital S.M.A.R.T; and
- Converting \$171 million of convertible preference shares (CPS 3) into equity.

We have also maintained capital flexibility by holding over \$600 million of capital at Group, whilst ensuring all regulated divisional common equity tier 1 capital ratios remain comfortably within our targeted operating ranges. This conservative approach to capital management has allowed us to not only maintain but strengthen our capital position. I'll now hand back to Steve.



Building stronger communities to withstand disasters



Thanks Jeremy. Before I turn to the outlook and our priorities, I want to briefly touch on a matter that is dear to Suncorp's heart.

It's hard to believe that just six months ago we were locked in debate about what should be done to protect our nation and its people from the ravages of bushfire. While attention since March has understandably been focussed elsewhere, we should not kid ourselves that the underlying problems, so painfully brought to the surface last summer, have gone away. Nor that they won't re-emerge this summer.

Arguably, our nation is no better placed heading into this summer than we were this time last year. Yet again, we will be relying on the heroes at the front line, the fire and emergency services and first responders to keep us safe. In our view there is no better time than now to match economic stimulus with community resilience.

Over the coming months we will outline a series of opportunities for the government to implement that will ensure a more physically and financially resilient and sustainable community.

We believe the time is right for a nation building program encompassing infrastructure, incentives, improved building standards and the removal of inefficient taxes and charges, all designed to create jobs and stimulate the economy. This is about government at all levels coming together with business, big and small, to make a long overdue investment in our future.

Well positioned for FY21

- ✓ Conservative set of economic assumptions

- ✓ Strong levels of funding and liquidity

- ✓ Well capitalised with an appropriate level of excess capital

- ✓ Comprehensive reinsurance program and an increased natural hazard allowance

- ✓ Low risk and high quality investment portfolio

So, let me now turn to the outlook and our priorities for the coming year.

I don't pretend to have a crystal ball. Around the world we've seen the folly of getting ahead of ourselves and thinking the worst is behind us. I'm also no medical expert so I can't predict how likely it is that science will make it all right again.

In a world of increasing uncertainty, the only certainty is that we need to prepare for all possible scenarios, and control what we can control. Our approach to setting up our business to manage through these difficult times remains unchanged. We have:

- A conservative set of economic assumptions that are regularly reviewed;
- Funding and liquidity levels designed to accommodate elevated economic stress;
- A balance sheet with a healthy buffer of excess capital;
- Credit provisioning levels ahead of peers and a low risk book of business;
- A comprehensive reinsurance program and increased natural hazard allowance; and
- A low risk/high quality investment portfolio.

Strategic priorities



So, like most other CEOs I'm not going to describe a range of targets and commitments for FY21.

What I will describe is the opportunity we see, through the lens of COVID-19, to materially speed up the transformation of Suncorp to continue delivering for customers and shareholders.

To do this, we need to fundamentally change the way we work, embed clear accountabilities and deliver results at pace.

In recent updates I have outlined the strategic priorities for the organisation.

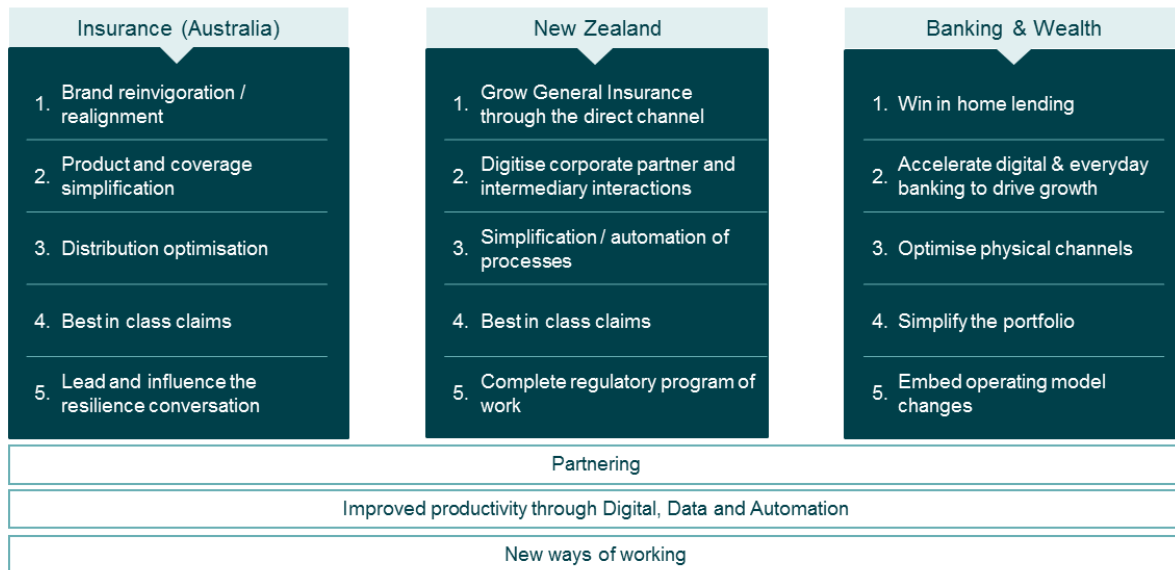
Our key strategic priorities remain the same and are shown on this slide.

In order to properly execute these priorities, we first needed the right operating model, structure and a new team in place.

The recent changes we announced were a critical first step. We are simplifying our structure to speed up decision making and improve productivity. This will unlock the potential to access previously identified opportunities that are aligned with our strategic priorities.

Our focus now is to systematically approach all components of the value chains within our core businesses and improve our performance.

Key business priorities



This will start at the top of the Insurance business with the reinvigoration of our brand portfolio, ensuring that our brands have clear value propositions and are positioned to grow.

Next, we are reviewing our marketing strategy and effectiveness.

Our product set also needs to be simplified. We have an extensive set of products which all require investment to maintain. Simplification here remains a huge priority. We also need to consider product coverage particularly in light of the changing climate, affordability and more demanding community expectations. Our distribution capability needs to adapt. We will drive to an optimal balance between our distribution channels to drive down cost to serve and increase productivity. Lastly for insurance, we need to be best in class in our delivery of claims. This is the Group's largest expenditure and therefore our greatest area of opportunity.

Our priorities for the Bank are similar and are consistent with those I outlined 12 months ago:

- We need to win in home lending, particularly in Queensland;
- Accelerate digital and everyday banking, and invest in open banking;
- Optimise our physical channels; and
- Simplify the portfolio.

All within the existing low-risk settings that have served us well.

In New Zealand, our transformation program is well underway. We are well advanced with a business-wide program of automation, digitisation and end-to-end process improvement.

Overall, our goal of delivering improved performance for the Group will be achieved if we can ensure all our people and programs of work are aligned to improve the way we deliver insurance and banking products to our customers.

This will allow us to be held to account for improving the key ratios in our business – the loss ratio, the expense ratio, the cost to income ratio, the insurance trading ratio and ultimately return on equity and net profit after tax.

So, in conclusion, we are well set to navigate successfully through the short, medium and longer term.

Our focus now is to continue capitalising on the opportunities that are emerging. Opportunities from new ways of working, and from new ways of interacting with customers.

We have a new operating model and a new team in place to execute the priorities we have outlined today. I look forward to updating you on our progress in FY21.

Let's now move to questions.



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