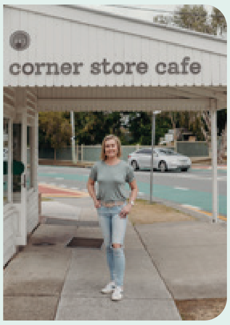
Annual Report 2019–20

Building futures and protecting what matters

SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

Contents



Front cover image

Kim, owner of the Corner Store Cafe in Brisbane, Queensland and small business customer for four years.

About our reporting suite

This annual report forms part of our annual reporting suite, which brings together our financial, non-financial, risk, and sustainability reports for the year.

The reports listed below are available on our website at **suncorpgroup.com.au**

Financials	**Suncorp Group Limited Annual Report** **Investor Pack** **Suncorp-Metway Limited Annual Report**
Governance	**Corporate Governance Statement** **Tax Transparency Report** **Proxy Voting Summary**
Sustainability	**Responsible Business Report** **Climate-related Financial Disclosures**

About Suncorp

Suncorp Group offers insurance, banking and wealth products and services through some of Australia's and New Zealand's most recognisable brands.

GROUP SNAPSHOT

Suncorp Group's heritage dates back to **1902**

More than **13,500 employees**

$96 billion group assets

3.8 million active digital users

Paid **$8.7 billion in claims**

Vero won 2019 NIBA Large Insurer of the Year (Insurance Australia)

Money magazine's Bank of the Year and Business Bank of the Year for the third year in a row

2019 ANZIIF Excellence in Workplace Diversity & Inclusion (Suncorp New Zealand)

INSURANCE (AUSTRALIA)

Delivers home and contents, motor, caravan, compulsory third party, workers' compensation, commercial, health and travel insurance under our portfolio of insurance brands.

BANKING & WEALTH

Provides home, car and business loans; everyday deposit and savings accounts; credit cards; merchant facilities; and superannuation.

SUNCORP NEW ZEALAND

Delivers consumer, commercial and life insurance products in New Zealand through its general (Vero) and life insurance (Asteron Life) brands and partnerships.

Highlights

Our financial performance

Total dividends to ordinary shareholders

36 cents per share

Net profit after tax

$913m

Excess Common Equity Tier 1 capital

$823m

Our customers, people and community

High performer retention

93%

Total claims paid to customers

$8.7bn

Investment in local communities

$10.3m

Our environment

Reduction in greenhouse gas emissions[2]

72% ↓

Invoices paid within 30 days[1]

98%

Acceptance of Supplier Code of Practice[3]

100%

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[1] From receipt of a valid invoice. Excludes New Zealand and suppliers with payment terms beyond 30 days. [2] Based on Scope 1 and Scope 2 emissions [3] Material/strategic suppliers with spend >$500K in the reporting period. Excludes New Zealand. Excludes Suncorp Insurance Ventures.

Message from our **Chairman**

The events of 2019–20 will be remembered by all of us and will be some of the most defining in Suncorp's history.

As a prolonged drought continued to devastate regional communities and economies, our nation faced one of the worst seasons of natural disasters in Australia including 12 major insurance events spanning floods, hail and bushfires. While were still grappling with the impacts to people and communities, the COVID-19 pandemic created a global health and economic crisis. The impacts of this terrible crisis continue to be felt through a significant loss of life, and the likely longer-term health and economic consequences are still emerging.

Suncorp entered the uncertain period of COVID-19 in a sound financial position and moved quickly to prioritise the health and safety of our people and ensure hardship measures were in place for customers in need. The resilience of our business has been demonstrated with a capital position that remains strong, and stable growth in our core business portfolios.

We know that our shareholders expect a predictable and sustainable return and the Board is pleased to have determined a fully franked final ordinary dividend of 10 cents per share. In paying a final dividend, we have also been mindful of maintaining our strong capital position and recent regulatory guidance. For the 2020 financial year, our full year ordinary dividends to shareholders totalled 36 cents per share.

Embracing new opportunities

Throughout the year, your Board and management team have been meeting more frequently to monitor the short-term operational implications of the rapidly changing environment. We know we are not immune to the unpredictable outlook and continue to adopt a flexible approach, to enable us to respond quickly as circumstances change.

As you would expect, we have also undertaken longer-term scenario analysis to ensure our business is well-positioned for the future. The experiences of this year have significantly changed our perspective on what is possible and as a result, we are accelerating our transformation plans.

Our workforce planning will incorporate more flexibility for our people and ensure we have the skills and capabilities necessary to meet the changing needs and preferences of customers.

While customers will continue to engage with us in a variety of ways, COVID-19 has driven much higher adoption of digital channels. This presents opportunities for improvements in customer experience, claims excellence and operational efficiencies through greater use of data and automation.

The growing use of technology is rightfully increasing community expectations about transparency and this year we developed a set of Data Ethics Principles to ensure our stakeholders have visibility of the way we use and manage data. The incidence of cyber and financial crime is also increasing, and we continue to invest in detection and prevention systems to detect scams and protect our customers.

Responsible business

Suncorp's Customer Committee has continued to provide the Board with an avenue to see our business through the eyes of our customers. The Committee, established in 2018, has played a pivotal role in helping to define the Group's customer strategy and ensuring the organisation is aligned around delivering the right outcomes for our customers.

The insights provided to the Committee proved incredibly valuable following this year's natural disasters, which again highlighted the consequences of a changing climate and its impact on global reinsurance prices.

We have taken significant steps in 2019–20 to better understand the strategic and financial risks and opportunities presented by climate change. We continue to advocate for greater investment by government in natural hazard resilience, as well as a more coordinated approach towards mitigation between industry and all levels of government, just as we have seen during the COVID-19 response.

This is needed now, more than ever, to reduce the impact of natural disasters on our customers and communities and boost the resilience of our economy to future weather events. As changing weather patterns drive up global reinsurance costs, we need to ensure insurance remains affordable and accessible to everyone. Greater investment in disaster mitigation and natural hazard resilience would also provide much needed stimulus, particularly in our regional communities, as Australia's economy continues to feel the impacts of COVID-19.

Leadership

In September 2019, the Board was pleased to permanently appoint Steve Johnston as Chief Executive Officer & Managing Director (**Group CEO**). Group General Counsel Belinda Speirs was appointed to the Leadership Team in October 2019 and Jeremy Robson assumed the permanent role of Group Chief Financial Officer in December 2019.

Changes to the Group's operating model announced on 1 July 2020 resulted in the promotion of longstanding Suncorp executives Lisa Harrison and Paul Smeaton to the roles of Chief Executive Officer Insurance Product & Portfolio, and Chief Operating Officer Insurance, respectively.

The Group also welcomed new executives; Adam Bennett as Chief Information Officer and Clive van Horen as Chief Executive Officer Banking & Wealth. Adam and Clive bring a wealth of transformative financial services experience.

In January 2020, the Board appointed Elmer Funke Kupper as a non-executive Director. Elmer is an accomplished business leader, having held senior executive positions with ASX-listed businesses. He brings considerable experience in navigating demanding regulatory environments, and in transforming business models through the adoption of technology and digital services.

On 30 September 2020 we will farewell Audette Exel, who has made an extraordinary contribution to Suncorp in her eight years of service. Audette brought extensive commercial experience, gained both domestically and internationally, to the Board. Her deep experience in banking and reinsurance and her passion for the purpose of Suncorp's business has proven invaluable and we wish her every success in the future.

In closing

On behalf of the Board I would like to acknowledge that it has been a particularly difficult and challenging year for shareholders, and we thank you for your continued support of our business. I would also like to thank Suncorp's executive team and employees for their adaptability and flexibility around our new ways of working and their continued commitment to meeting the needs of our customers.

Considering the extraordinary circumstances in which we currently find ourselves, the Board has decided to hold this year's Annual General Meeting (**AGM**) in October online, rather than at a physical location.

While it is unclear how long it will take for our economy and society to fully recover, rest assured that Suncorp is embracing the opportunities that will enable us to evolve and transform our business and deliver better outcomes for our people, customers, communities and shareholders.

Christine McLoughlin

CHRISTINE MCLOUGHLIN

CHAIRMAN

21 AUGUST 2020

Board of Directors

CHRISTINE MCLOUGHLIN

BA, LLB (Hons), FAICD

Independent non-executive director since February 2015. Chairman since September 2018. Chairman, Nomination Committee.

STEVE JOHNSTON

BBus (Management), BBus (Public Administration)

Chief Executive Officer and Managing Director of the Group since September 2019.

AUDETTE EXEL AO

BA, LLB (Hons)

Independent non-executive director since June 2012. Member Customer, and Risk Committees.

SYLVIA FALZON

MIR (Hons), BBus, FAICD, SFFin

Independent non-executive director since September 2018. Member People and Remuneration, and Risk Committees.

ELMER FUNKE KUPPER

BBA, MBA

Independent non-executive director since January 2020. Member of the Audit Committee.

IAN HAMMOND

BA (Hons), FCA, FCPA, FAICD

Independent non-executive director since October 2018. Chairman Audit Committee. Member Risk Committee.

SALLY HERMAN

BA, GAICD

Independent non-executive director since October 2015. Chairman Risk Committee. Member Customer Committee.

SIMON MACHELL

BA (Hons), FCA

Independent non-executive director since April 2017. Chairman People and Remuneration Committee. Member Audit Committee.

DR DOUGLAS MCTAGGART

BEcon (Hons), MA, PhD, DUniv, FAICD, SFFin

Independent non-executive director since April 2012. Member Audit, and People and Remuneration Committees.

LINDSAY TANNER

BA (Hons), LLB (Hons), MA (Melb)

Independent non-executive director since January 2018. Chairman Customer Committee. Member Risk Committee.

Full biographies are available in the Directors' Report.

All non-executive directors are members of the Nomination committee. The Chairman is also an ex-officio member of all other Board Committees. Dr McTaggart is also a director on the Boards of Suncorp's New Zealand entities. Mr Tanner is also the Chairman of Group subsidiary Suncorp Insurance Ventures Pty Ltd.

Message from the **Group CEO and MD**

Over the past decade our business has confronted its fair share of disasters – the global financial crisis, Brisbane and Townsville floods, prolonged drought across Australia, and earthquakes in New Zealand, to name just a few.

On every occasion our team has risen to the challenge of supporting our customers and communities when they needed us most, while also taking the opportunity to emerge stronger and with a greater sense of purpose.

While 2019–20 has been another year of extraordinary change and opportunity for Suncorp, it stands apart from our recent history in terms of the enormity of the circumstances which have confronted us. When I addressed you at our Annual General Meeting last September, none of us could have anticipated the unprecedented set of circumstances spanning bushfires, floods and storms, followed by the global COVID–19 health and economic crisis.

As a purpose-led organisation we understand that when purchasing our products, customers are seeking to *build their futures and protect what matters*. This purpose has been the driving force behind our response to these extraordinary events.

COVID–19 forced us to fundamentally change the way we operate. Keeping our people safe, and customers looked after with a range of relief measures for those in need, was our top priority, while simultaneously ensuring our business remained financially and operationally strong.

COVID-19 also showed us that it was possible to quickly adapt to a new working environment and meet the dramatic shift in customer needs, including new online solutions and agile ways of working to meet the increasing demand for digital products and solutions.

Strength in our foundations

At the start of this financial year, I set out the Group's four key priorities: improving the performance of our core businesses, improving operational efficiency, leveraging our investments in data and digital, and embracing regulatory change to build trust and improve customer outcomes.

While much has changed over the past year, the progress made against these priorities means our business has been well positioned during a period of significant change, and to accelerate opportunities for further efficiency and innovation.

Our results, particularly during the second half, highlight that we haven't escaped the challenges of this environment. We delivered a net profit after tax of $913 million, which included the $285 million profit after tax from the sale of Capital S.M.A.R.T and ACM Parts. The Group's cash earnings of $749 million were impacted by one-off expenses, as well as higher provisioning for COVID-19 impacts.

Despite the challenges there were a number of highlights including favourable underlying performance in our core businesses with positive growth in our Australian insurance consumer portfolios; investments in digital that supported an industry-leading response to one of the most severe seasons of natural disasters; improvements in customer satisfaction and retention across the organisation; and a significant 11-point increase in employee engagement in a company-wide biennial survey completed in March 2020.

The Group also maintains a strong capital position with excess Common Equity Tier 1 capital of $823 million (after adjusting for the final dividend), and our conservative risk margins will continue to give us the flexibility to respond to future volatility. A fully franked final ordinary dividend of 10 cents per share will be paid to shareholders.

Pay and leave entitlements review

This year Suncorp initiated an internal review of pay and leave entitlements which identified inconsistencies in the Group's rostering and pay systems.

I am disappointed deficiencies in our systems and processes may have let our people down and had a detrimental impact on our 2019–20 results. The review is ongoing, and the management team and Board Risk Committee are working closely to ensure a timely and accurate remediation process, and to oversee the implementation of new robust processes to prevent this happening again.

Looking to the future

The events of 2019–20 have fundamentally changed our perspective on what is possible. While we acknowledge the health and economic impacts of COVID–19 will be long lasting, the challenges have also created opportunities to accelerate our transformation plans.

The Group's new operating model, announced on 1 July 2020, recognises this opportunity and the need for change to improve the performance of our core insurance and banking businesses, and to speed up the execution of our priorities, particularly our digital transformation.

We have reduced areas of duplication by combining layers within our Insurance Australia and Group functions, as well as aligning key support functions to the Bank and New Zealand businesses. We are creating a more streamlined, efficient way of working, clearly focused on the priorities that will set up our business for success.

At the same time, we haven't lost sight of the critical role we play in reducing the impact of natural disasters on our customers and communities. The bushfires, floods and severe storms of this past summer have again reinforced the impacts of a changing climate and the need for greater attention and investment in natural hazard resilience. We will continue to take a leadership role in this very important debate.

Suncorp is an organisation I care about deeply, and I would like to thank my colleagues and acknowledge the hard work and determination of our people. I am extremely proud of the way our teams at all levels of the organisation adapted to new working conditions and continued to support our customers, each other and our business.

I am confident we have the right team in place to navigate the current uncertain environment, deliver on our refocused strategy and progress our long-term goal to deliver sustainable returns to shareholders. I thank all our shareholders for the confidence and trust you have in our company.

STEVE JOHNSTON
GROUP CEO AND MD

21 AUGUST 2020

Executive Leadership Team

STEVE JOHNSTON
BBus (Management), BBus (Public Administration)
Group CEO & MD

ADAM BENNETT
BTech
Chief Information Officer

LISA HARRISON
BCom, MBA, GAICD
CEO Insurance Product & Portfolio

JIMMY HIGGINS
BBus, BA, CA
CEO Suncorp New Zealand (acting)

PAUL SMEATON
BBus (Management)
Chief Operating Officer Insurance

AMANDA REVIS
BSc (Hons), GAICD
Group Executive People & Culture

JEREMY ROBSON
BCom, FCA
Group Chief Financial Officer

BELINDA SPEIRS
B.Soc.Sci, B.Proc, MAICD
Group General Counsel

FIONA THOMPSON
BEc, LLB
Chief Risk Officer

CLIVE VAN HOREN
BCom CA, PhD
CEO Banking & Wealth

Full biographies are available on the Suncorp Group website at **suncorpgroup.com.au**

Our operating environment

Key trends, issues and risks in the external operating environment are important considerations in the formulation of our strategy and plans. The key considerations and our responses are outlined below.

Consideration	Our response
Environment	
Climate change is the most significant risk to the natural environment and its impact on communities and economies is vast. The 2019–20 summer period was Australia's worst natural disaster season on record. In addition, the transmission of viruses resulting in a global pandemic, such as COVID-19, is expected to become an enduring environmental issue.	Suncorp is committed to building a resilient and sustainable organisation. We advocate for increased government, institutional and homeowner investment in strengthening homes and infrastructure against natural hazards, as well as the reduction of carbon emissions. We have robust business continuity and incident response plans, which have been further refined through the experience of COVID-19.
Economic	
Economic conditions in Australia and New Zealand have been significantly impacted by the COVID-19 pandemic, with governments moving quickly in March 2020 to shut down non-essential services and restrict the movement of people. The imposition of restrictions has resulted in a severe reduction in economic activity and increased levels of unemployment, with the outlook remaining uncertain.	Suncorp managed the business responsibly, protecting the Group's balance sheet and maintaining conservative buffers, to deliver operational and financial performance. We remain focused on providing high-value and suitable products and services for our customers impacted by the changing economic landscape caused by COVID-19.
Regulatory	
The financial services industry continues to undergo a period of heightened regulatory change, with a focus on non-financial risk, including conduct and culture.	Suncorp is committed to building trust and operating in an open and transparent way. We embrace regulatory reform and advocate for improved outcomes for our customers. The emphasis is on meeting higher standards so that we are more accountable, transparent and responsive to customers' needs.
Customer preferences	
Consumers are shifting to digital interactions from traditional channels, with COVID-19 accelerating this trend.	Suncorp is prioritising digitisation initiatives to deliver improved experiences for our customers, as well as simpler and more efficient processes for our business.
Workforce change	
There is a growing focus on purpose-led organisations, with employees prioritising workplaces that reflect their values. In addition, the implementation of digitisation and new technology continues to drive workforce change.	Suncorp is aligning its people strategy, processes and frameworks to the refocused purpose of 'building futures and protecting what matters'. We are leveraging learnings from COVID-19, which has accelerated a move towards more flexible ways of working.

Malua Bay Bowls Club

On New Year's Eve 2019, bushfires swept through Malua Bay, on the south coast of New South Wales, destroying businesses and homes in the usually idyllic coastal region.

Following the destruction of the clubhouse at the local lawn bowls club, the Vero claims team worked with the club to build a temporary facility and provide members with a place to gather, and support each other, in the aftermath of the bushfires. Players were able to get back on the greens only a week after the fires.

Please visit Suncorp's Year in Review website for more people, customer, and community stories:
suncorpgroup.com.au/2020-annual-review

Two Brothers Fishing

For Belinda and Michael Sawtell, COVID-19 resulted in restrictions to international trade, which saw their independent fishing business – Two Brothers Fishing based in Mackay, Queensland – severely impacted. The Sawtells decided to start selling their catch down at the local marina, allowing Two Brothers Fishing to retain their staff and continue operating while the international markets were inaccessible.

Suncorp was able to fast track a mobile merchant solution for Two Brothers Fishing, which also enabled transactions to be received the same day to support cashflow.

Our purpose, strategy and culture

Suncorp's purpose is 'building futures and protecting what matters'. We do this by creating value for our customers and shareholders, supporting our communities, and encouraging our people to be their best and be responsible.

BUILDING FUTURES AND PROTECTING WHAT MATTERS

During 2019–20, we refreshed our purpose statement to ensure it simply and clearly articulates why we exist and what we're committed to: building futures and protecting what matters. Whether it's being there to provide on-the-ground support after a devastating weather event or guiding a customer through the online banking process, Suncorp's people are passionate about being there for our customers when they need us most.

THE IMPORTANCE OF OUR CULTURE

Suncorp's people are our greatest asset and are focused on doing their best. Our culture reflects the commitment of our people and is centred on three key principles:

Doing the right thing: We are a high-performing team that prioritises honest and fair conduct. We manage risks while delivering results.

Caring for others: We are collaborative, inclusive and we care about our customers, our people and the communities in which we operate. We are supportive of each other to safely achieve our goals.

Being courageous: We are purpose-led and embrace accountability. We are customer-driven and adapt to evolving stakeholder needs, speaking up when it's needed.

OUR STRATEGIC DIRECTION

Suncorp's four strategic foundations – people, customer, digital & data, and advocacy – will enable the achievement of our long-term objectives.

People

Suncorp continues to focus on caring for our people, driving productivity and workforce efficiency while retaining key talent to ensure we are well positioned for the future. We remain committed to investing in and maintaining a high-performing, engaged workforce.

We are implementing improved ways of working that will leverage insights gained through COVID-19.

Customer

Delivering value and meeting the needs of our customers consistently through quality, personalised services is core to our strategy. Key areas of focus include leveraging data to better understand and meet our customers' needs, strengthening our brand positioning, and investing in product design and innovation to meet evolving expectations.

Digital & data

Consistent with evolving customer behaviours, Suncorp's digital and data strategy is focused on delivering customer experiences that are smart, simple and trusted, while enabling business growth and operational efficiency.

Advocacy

Suncorp is committed to building a resilient and sustainable organisation that values fair outcomes for all stakeholders. We advocate for effective responses in areas that matter to our business and stakeholders to drive positive change. These include: natural hazard resilience; choice for customers through greater competition; and better outcomes for customers through fairness and transparency.

Our operating model

> **"COVID-19 has driven changes such as the faster adoption of digital channels by customers and new, more innovative and agile internal ways of working. It has changed our perspective on what is possible. We now need to seize this opportunity to speed up the execution of our priorities."**

STEVE JOHNSTON,
Group CEO & MD, 1 July 2020.

On 1 July 2020, Suncorp announced a new operating model and leadership structure to drive further improvement in our core insurance and banking businesses and to accelerate our digital and data-driven transformation.

The changes are designed to reduce duplication, improve decision-making through clearer accountability, and embed more efficient and agile ways of working across the organisation.

THREE EMPOWERED BUSINESSES, DELIVERING FOR OUR CUSTOMERS

Insurance Australia

Banking & Wealth

Suncorp New Zealand

Streamlined Group support: Technology, Finance, Risk, People, Legal

- A number of Group and Insurance Australia head office functions have been consolidated to provide a more streamlined and efficient layer of support.
- The Insurance Australia business is a large part of the Group and presents a significant opportunity for transformation of revenues and costs. Accountability for this transformation rests with two areas: one focused on customer and distribution; and the other responsible for all aspects of claims management and operations.
- The Group strategy and technology teams have been brought together to drive a digital-first approach across Suncorp and to fast-track digital and automation opportunities.
- The Banking & Wealth business will have greater end-to-end accountability for performance, with the changes aimed at improving competitiveness through faster decision-making, greater digital capability, and the ability to improve the cost base.
- In Suncorp New Zealand, improvements have been made to improve collaboration, and centralise customer operations, and the core insurance functions of the Life business.

Our business

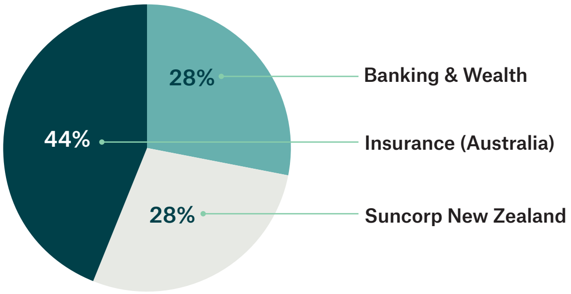
Suncorp Group

The Suncorp Group comprises three core businesses — Insurance (Australia), Banking & Wealth, and Suncorp New Zealand. The operating functions are responsible for product design, manufacturing, claims management, and distribution. The core businesses have end-to-end responsibility for the statutory entities within the Suncorp Group.

RESULT OVERVIEW

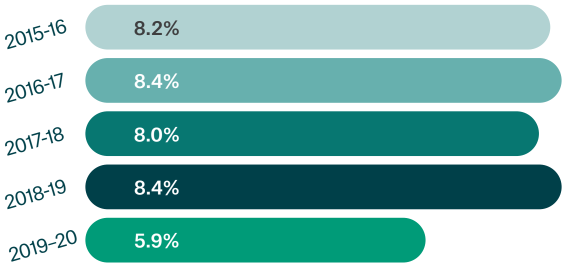
- Group net profit after tax of $913 million includes $285 million after tax profit on the sale of the Capital S.M.A.R.T and ACM Parts businesses.
- Cash earnings declined 32.8 per cent over the year. The result was impacted by lower reserve releases; higher reinsurance costs and the impact of the low yield environment in the General Insurance business; significantly higher credit provisioning in the Bank; and a Group provision for the ongoing pay and leave entitlements review.
- The Group has focused on maintaining a strong balance sheet and liquidity and has Excess Common Equity Tier 1 capital of $823 million after adjusting for the final dividend.
- The Group has focused on maintaining a strong balance sheet and liquidity and has Excess Common Tier 1 capital of $823 million after adjusting for the final dividend. The Group's robust balance sheet has led the Board to deteremine a fully franked ordinary dividend of 10 cents per share, equating to a payout ratio of 60.7 per cent for the full year.
- Suncorp supported customers through several large natural hazard events during the year, including the catastrophic bushfires that caused significant destruction across Australia. Suncorp's robust reinsurance program limited total natural hazard costs for the year to $820 million, which was in line with the Group's allowance.

Profit after tax from functions[1]



1 Based on profit after tax from functions of $872 million

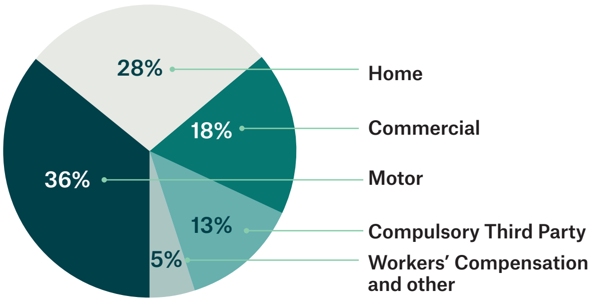
Cash return on equity (ROE)



Insurance (Australia)

Suncorp's Insurance (Australia) business provides consumer, commercial and personal injury products to the Australian market. The Suncorp Group is one of Australia's largest general insurers by gross written premium and Australia's largest compulsory third party insurer.

Gross written premium by product*



*Excluding fire service levies

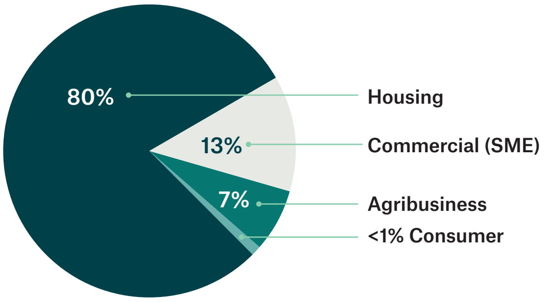
RESULT OVERVIEW

- Profit after tax of $384 million was negatively impacted by lower reserve releases, higher reinsurance costs and the lower yield environment.
- Gross written premium increased 1.0 per cent, reflecting growth in Home and Motor, which was partially offset by declines in the Commercial and Compulsory Third Party portfolios.
- The COVID-19 pandemic had a significant impact on the business and is expected to continue to impact the result into 2020–21. While motor claims frequency was positively impacted by COVID-19 restrictions, this benefit was largely offset by a series of negative impacts, including: lower net earned premium due to embargo and customer relief programs; increased provision for landlord loss of rent claims; additional risk margins reflecting heightened uncertainty; and increased expenses associated with implementing business continuity plans.

Banking and Wealth

Suncorp's banking business is focused on lending, deposit gathering and transaction account services to personal, small and medium enterprise (SME), commercial and agribusiness customers. The wealth portfolio develops, administers and distributes superannuation products.

Lending assets by product



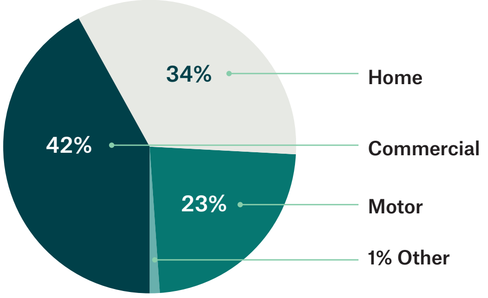
RESULT OVERVIEW

- Profit after tax of $242 million benefited from strong deposit growth and improved net interest margin but was more than offset by a significant increase in the collective provision which takes a forward-looking view of expected losses arising from COVID-19.
- The home lending portfolio contracted 2.8 per cent, reflecting intense competition and a slowdown in the market.
- The business lending portfolio grew 0.4 per cent over the year, with growth in agribusiness offset by a small contraction in the commercial portfolio.
- Supporting both retail and business customers through COVID-19 has been a priority. As at 30 June 2020, we supported 14,400 home, consumer and business loan customers under temporary deferral arrangements. In early June, the Bank commenced three-month check-ins with impacted home loan customers and by 31 July 2020, approximately 51 per cent of accounts receiving temporary deferral arrangements were returning to normal repayments.
- Suncorp is also supporting members impacted by COVID-19 through the Federal Government's Superannuation Early Release Scheme. As at 30 June 2020, approximately $99 million of early superannuation payments had been made to around 13,000 members.

Suncorp New Zealand

Suncorp's New Zealand business distributes consumer, commercial and life insurance products through intermediaries and corporate partners, as well as insurance and personal loans directly to customers via partnerships with the New Zealand Automobile Association.

General Insurance gross written premium by product



RESULT OVERVIEW

- Profit after tax of $245 million benefitted from premium growth but was impacted by the normalisation of natural hazard experience and higher operating expenses.
- Gross written premium increased 3.6 per cent, reflecting premium increases in the commercial portfolio and growth in the direct business, offset by the impact of COVID-19 support packages and provisions for customer remediation.
- Net incurred claims increased 6.4 per cent, largely as a result of increased levels of natural hazard claims. Working claims benefited from reduced claims frequency, particularly in motor, following COVID-19 restrictions.
- The New Zealand Life Insurance business profit after tax of $38 million was impacted by adverse claims experience, customer remediation and lower investment returns which was partly offset by favourable lapse experience.

Responding to COVID-19

The COVID-19 pandemic has resulted in broad-ranging health and economic challenges for communities across the globe. At Suncorp, we responded quickly to protect the health of our people and to support our customers. We have also given priority to maintaining the strength of our business by protecting our strong balance sheet, maintaining conservative buffers and avoiding unnecessary risks. The proceeds from the sale of Capital S.M.A.R.T and ACM Parts in October 2019 strengthened our capital position, as did the early refinancing of $400 million of convertible preference shares and the conversion of the residual amount to equity.

Suncorp responded proactively to the impact of the changing economic environment on our customers with a range of hardship packages to support those facing financial challenges as a result of the pandemic. Offers included:

- three-month premium waivers or discounts for motor and home insurance customers
- deferral of home and business loan repayments and access to a range of support options including removing fees and the provision of temporary overdraft limit for bank customers
- in New Zealand premium holidays for Asteron Life customers, premium rebates and premium freezes for AA Insurance customers and premium waivers for Vero Insurance customers, and
- free roadside assistance packages for nurses, doctors, paramedics, firefighters and police officers, whether AAMI customers or not.

We implemented a range of measures to protect the health and wellbeing of our banking store teams and customers, including new visitor protocols and hygiene practices. Resources were redeployed to manage the increase in call volumes as our customers took advantage of opportunities to engage with us online or via the phone.

SUPPORTING OUR COMMUNITIES

We have been proud to provide support to vulnerable members of the community via our partnerships. In April we donated $1 million to The Smith Family in Australia and NZ$100,000 to SHINE in New Zealand to help hundreds of disadvantaged children to participate in online learning and continue their education through the COVID-19 challenges.

TRANSITIONING OUR WAY OF WORKING

The events of 2019–20 have accelerated our efforts to evolve our workforce planning and embed new ways of working across our organisation. During our COVID-19 response, we transitioned 90 per cent of our workforce to work from home and moved hundreds of our people to customer-facing and business-critical roles.

The digital capabilities we have in place afforded us this flexibility and have put us in a good position to permanently embrace more agile ways of working, with a greater reliance on technology and remote working. We're continuing to invest in the right tools and support measures to support our people during this virtual way of working, while also ensuring we have the right skills and capabilities for the future.

Accelerating digital: A new way of working

By taking a new approach to delivering digital innovation for our customers, we are able to adapt more quickly, and support the sustainability and resilience of our business.

In April, we established cross-functional teams to align skills, thinking, and design, to deliver in an agile way. The focus, based on customer feedback, was to ensure we enabled our customers to interact digitally with us through smart, simple and trusted self-service experiences.

Within the space of three months, the teams have delivered:

- WebChat, to support online claim lodgement or ask about existing claims. From launch until the end of June 2020, 9,900 claim WebChats have taken place.
- self-service features such as Customer ID recovery to ensure our Bank customers can access their online banking faster. More than 8,200 customer IDs were recovered online during May and June.
- an automated hardship application review process, so we can continue to be there for our customers when they need it the most. More than 2,000 digital interactions occurred in 2019–20 through this process.
- collectively, over 43,000 additional digital interactions with customers have been enabled during 2019–20.

By aligning our business processes and ways of working with clear digital priorities, we have been able to collaborate around customer problems to deliver solutions at pace.

Responding to Natural Hazards

Suncorp believes investing in resilience infrastructure will reduce the impact of natural disasters, resulting in safer communities, stronger economies, and a more sustainable insurance industry.

Government investment in natural and public resilience infrastructure can have a real impact on insurance affordability. For example, following construction of the flood levee in Roma, Queensland, Suncorp customers received premium reductions of up to 90 per cent.

Suncorp advocates for other measures that improve the resilience of communities, including:

- greater investment to strengthen natural disaster resilience of existing buildings and homes
- changes to planning laws to reduce construction in high-risk areas and requiring improved resilience measures for new construction
- making insurance more affordable by removing taxes and duties from property insurance policies.

SUPPORTING OUR CUSTOMERS

Suncorp delivered an industry-leading claims response to the 2019–20 summer of natural disasters. Our Customer Support Teams, comprising banking and insurance specialists, were deployed to bushfire-affected communities as soon as it was safe. The teams provided face-to-face support for customers, helping them to lodge their claims, as well as access to emergency funds and temporary accommodation. An important part of Suncorp's event response is also to identify our most vulnerable customers and ensure they have the right level of support from the start.

We are proud of our role in quickly resolving claims, engaging local trades and suppliers to rebuild homes and businesses, and injecting crucial funds into impacted communities.

After damaging hailstorms in Australia (Melbourne and Canberra) and New Zealand (Timaru), Suncorp established dedicated assessment centres, with both assessors and specialist repairers on site to make the repair process as efficient as possible for our customers. At the peak of the response, the Melbourne centre was assessing more than 500 hail-damaged vehicles a day.

SUPPORTING OUR COMMUNITIES

Following an unprecedented bushfire season, Suncorp donated $560,000 to support communities affected by the catastrophic events:

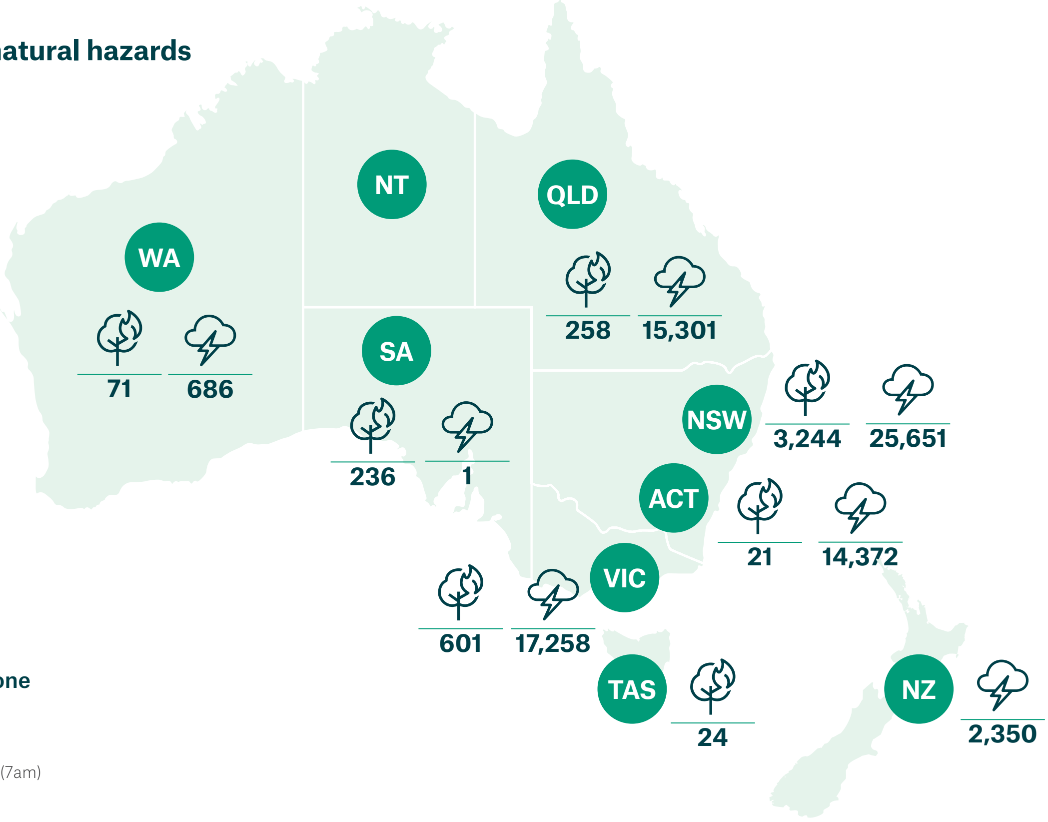
- $200,000 to the Foundation for Rural and Regional Renewal
- $100,000 to the Australian Red Cross
- $100,000 to volunteer firefighting organisations in Queensland, Victoria, New South Wales, South Australia and Western Australia
- and a further $160,000 to double match the donations of our employees.

Suncorp also implemented a policy of unlimited paid emergency response leave for employees, who are members of volunteer organisations, when they are called upon to assist during an emergency or natural disaster.

In addition, Suncorp employees donated more than $80,000 to support impacted communities, emergency services and wildlife causes. Our people also volunteered to pack food hampers for firefighters on the frontline.

Suncorp's response to natural hazards

Personal	
🚗 31,139	🏠 42,201
Commercial	
🚗 3,444	🏠 3,290
Total claims 80,074	



Bushfire event claims

Storm, hail, flood & cyclone event claims

Data correct as at Wednesday, 1 July 2020 (7am)

Responding to evolving customer and community expectations

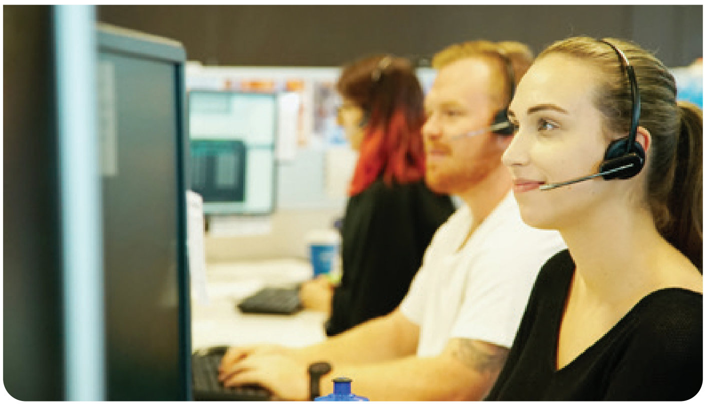
Changes in technology, regulations, and consumer expectations are driving change across the financial services industry. Addressing these factors, and delivering improved outcomes for customers, remains a key focus for Suncorp.

REGULATORY AND INDUSTRY REFORM

The financial services sector is operating in a period of significant regulatory and industry reform following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Royal Commission**); governance, culture and accountability self-assessments requested by the Australian Prudential Regulation Authority; and the independent Retail Banking Remuneration Review (**the Sedgwick report**); and the New Zealand Financial Markets Australia (**FMA**)/Reserve Bank of New Zealand (**RBNZ**) review into life insurer conduct and culture.

Suncorp embraces initiatives that deliver improved outcomes for our customers and the community, and is focused on identifying opportunities to respond to regulatory change and introduce higher standards and new ways of working.

In Australia, Suncorp has actively participated in the formulation of the 2020 General Insurance Code of Practice, which sets industry standards above those mandated by law. In support of this code, we have implemented a range of system upgrades, employee training, and procedural improvements, as well as extra support for insurance customers experiencing vulnerability.



In 2019–20, Suncorp continued to implement the new Banking Code of Practice, involving increased responsible lending obligations, as well as the Royal Commission recommendation to charge no default interest on agricultural loans in drought or natural disaster-declared areas. In New Zealand, we progressed a range of conduct and culture improvements identified in conduct self-assessments in response to the FMA/RBNZ review.

OUR CONDUCT AND CULTURE

Central to achieving Suncorp's customer-focused purpose is ensuring we strengthen trust with our customers and the communities we operate in. This requires continued focus on governance, risk, processes, systems and people practices.

In 2019–20 we refreshed our Code of Conduct, which outlines the behaviours required to support good customer and community outcomes, and provides guidance on what is expected of everyone at Suncorp. This critical policy has been simplified and reflects regulatory and community expectations, the current environment and our cultural principles. It has been enhanced to include information about supporting customers who may be experiencing financial difficulty, and it aligns to requirements in the General Insurance and Banking Codes of Practice.

Suncorp continues to further strengthen our capabilities to identify and manage conduct risk (the risk of inappropriate, unethical or unlawful behaviour). We have invested in programs, and education for our people, to improve our support for customers and review the Company's risk and compliance systems, practices and processes to ensure due care, transparency and accountability.

ELEVATING THE CUSTOMER PERSPECTIVE

In 2018, Suncorp was one of the first financial services companies in Australia to establish a Board Customer Committee, enabling Directors to gain more detailed insights from our customers and advocacy groups about their experiences with Suncorp. The Committee is charged with ensuring customer accountabilities are met, particularly with respect to ethical conduct, information handling, complaints management, and the delivery of our products and services. This is particularly important during periods of significant change, where the Committee closely monitors the customer impact of events such as bushfires and the COVID-19 pandemic.

The Committee continues to play an integral role in elevating the Group's customer strategy, ensuring the organisation is aligned behind delivering the right outcomes for customers, while balancing the needs of shareholders, employees, regulators and the community. The Committee also has oversight of the Group's approach to supporting customers experiencing vulnerability due to financial hardship, mental health issues, domestic or family violence, or those who become victims of scams, to ensure appropriate support is provided.

PROTECTING CUSTOMERS FROM CYBER AND FINANCIAL CRIME

Suncorp continues to leverage its investment in digital capabilities with digital users increasing by 14 per cent in 2019–20.

In response to growing customer expectations and a changing regulatory environment, we are sharpening our focus and strengthening our approach to data governance and protecting data. This work is critical to maintaining the trust and confidence of our customers, and the resilience of our business.

Our customers increasingly interact with us through digital channels, including mobile and internet banking. Suncorp has an ongoing program to invest in new technologies to protect our customers from potential threats in this digital environment and we continue to evolve our capabilities to help protect our customers from cyber crime.

We have introduced interactive alerting that enables us to contact customers in real time if we identify a suspicious transaction. We also leverage advanced data analytics techniques and fraud detection technology to ensure we can intervene early and disrupt criminal activity before it impacts our customers.

Cyber crimes can have wide-ranging impacts and we support law enforcement and intelligence agencies to help address these crimes. We also have programs in place to educate our customers on cyber security risks and work with community groups to support customers impacted by financial crimes and scams.

Protecting customers from the risk of scams

During the year, Suncorp partnered with Queensland University of Technology (**QUT**) on a research innovation program to understand how we can reduce scam victimisation. This work culminated in an industry discussion paper and highlighted the need to work together across our industry to encourage change.

In early 2020, Suncorp and QUT co-hosted a Scam Prevention Workshop, bringing together experts from across the justice, finance and government sectors, to explore the impact scams have and how parties can work together to better protect customers. This cross-industry collaboration is an important step in meeting community needs and building financial resilience for our customers.

> **"The work we're doing with Suncorp is integral – financial loss is consistent across all fraud victimisations and in many cases, a conversation between a person on the front line and their customer can be the turning point the customer needed to recognise that something wasn't right."**
>
> **DR CASSANDRA CROSS, QUT**

Directors’ Report

The directors present their report together with the financial report of the Suncorp Group (the **Suncorp Group, Suncorp** or the **Group**), being Suncorp Group Limited (**SGL** or **Company**) and its subsidiaries for the financial year ended 30 June 2020 (**2019–20**) and the auditor’s report thereon. Terms that are defined appear in bold the first time they are used.

1. Directors’ profiles

The names of the people who served as directors of the Company at any time during or since the end of the 2019–20 financial year are set out below. All non-executive directors are members of the Nomination Committee.

CHRISTINE MCLOUGHLIN

BA, LLB (Hons), FAICD

Non-executive Chairman

Ms McLoughlin has been a director of the Group since February 2015 and Chairman since September 2018. She is Chairman of the Nomination Committee and an ex-officio member of the Audit, Customer, People and Remuneration, and Risk Committees. Ms McLoughlin is a highly respected company director, with an executive career spanning over 25 years with domestic and international experience in financial services and telecommunications. She brings a wealth of experience to Suncorp, having served on the boards of ASX 50 companies in the financial services, resources, health insurance and infrastructure sectors for the past 12 years. Her other directorships and commitments include director of nib holdings limited (since March 2011), director of the McGrath Foundation and Chancellor-elect of the University of Wollongong. Ms McLoughlin is also the Australian private sector representative to the G20 EMPOWER Council and co-founder and director of the Minerva Network, a not-for-profit organisation focused on supporting the professional careers of elite female athletes and connecting communities through sports participation. Her previous directorships of listed companies include Whitehaven Coal (May 2012–February 2018) and Spark Infrastructure RE Limited (October 2014–October 2017).

STEVE JOHNSTON

BBus (Mgt), BBus (PA)

Group Chief Executive Officer and Managing Director

Mr Johnston was appointed Group Chief Executive Officer (**Group CEO**) of Suncorp and a director of the Group on 9 September 2019. Mr Johnston joined Suncorp in 2006 and has held various executive positions, most recently as Acting Group CEO. Prior to this, he was the Group Chief Financial Officer (**CFO**) with responsibility for financial reporting and management, legal and company secretariat, taxation, investor relations, corporate affairs and sustainability. Mr Johnston’s previous roles include Deputy CFO and Executive General Manager Investor Relations and Corporate Affairs, where he played a key role in the strategic and financial management of the Group including Suncorp’s response to the global financial crisis. Prior to joining Suncorp, Mr Johnston held senior positions at Telstra and the Queensland Government.

AUDETTE EXEL AO

BA, LLB (Hons)

Non-executive director

Ms Exel has been a director of the Group since June 2012 and is a member of the Customer and Risk Committees. She brings to Suncorp deep business experience in banking, insurance and reinsurance, investment management and corporate advice, and a strong legal background.

Ms Exel gained a deep understanding of business, governance and compliance from her former roles as Managing Director of BSX-listed Bermuda Commercial Bank (1993–1996), Chairman of the Bermuda Stock Exchange (1995–1996) and as a regulator on the board of the Bermuda Monetary Authority (1999–2005). She began her career as a lawyer specialising in international finance.

Ms Exel is the founder and Chair of the Adara Group, a pioneering organisation which exists to support people living in poverty, and is the Chief Executive Officer of its corporate advice businesses. She is the recipient of numerous awards, including an honorary Order of Australia for service to humanity.

SYLVIA FALZON

MIR (Hons), BBus, FAICD, SFFin

Non-executive director

Ms Falzon has been a director of the Group since September 2018 and is a member of the People and Remuneration and Risk Committees. She brings to Suncorp valuable experience in the areas of business development, marketing and brand management, customer service, risk and compliance, together with remuneration and people strategies.

Ms Falzon has held senior positions within the financial services sector having worked for major life insurance and asset management organisations over a 30-year career. Through her executive career and now as a non-executive director, she has gained valuable insights working in large consumer-facing and highly regulated businesses within the financial services, healthcare, retail and aged care sectors. Ms Falzon is a non-executive director of listed companies Regis Healthcare (since September 2014) and Premier Investments (since March 2018). Ms Falzon is also Chairman of the Governing Board of Cabrini Health Limited, a diversified not-for-profit, health and technology service provider. She was previously a non-executive director of Perpetual Limited (November 2012–October 2019). Ms Falzon held senior executive roles with Aviva Investors Australia (a wholly owned subsidiary of global insurer Aviva plc), Alpha Investment Management, and major life insurer National Mutual/AXA.

1. Directors' profiles

ELMER FUNKE KUPPER

BBA, MBA

Non-executive director

Mr Funke Kupper has been a director of the Group since January 2020. He is a member of the Audit Committee. Mr Funke Kupper is a respected business leader and company director. He has significant financial services experience and has served as Chief Executive Officer of two public companies. Mr Funke Kupper brings experience in navigating demanding regulatory environments, and in transforming business models through the adoption of technology and digital services. He has worked closely with state and federal governments, regulators, customers and shareholders. Mr Funke Kupper was previously Managing Director and CEO of the Australian Securities Exchange (ASX Limited), and a director of the Business Council of Australia. Prior to that he was Managing Director and CEO of Tabcorp. He held senior executive positions at ANZ Bank over more than 10 years, and was a member of its Management Board. He started his career as a management consultant with McKinsey & Company. Mr Funke Kupper is currently a non-executive director of MYOB Group Co Pty Ltd, the Australian holding company of the MYOB Group.

IAN HAMMOND

BA (Hons), FCA, FCPA, FAICD

Non-executive director

Mr Hammond has been a director of the Group since October 2018. He is Chairman of the Audit Committee, and a member of the Risk Committee. He brings to Suncorp extensive knowledge of the financial services industry, and expertise in financial reporting and risk management. He has deep experience across the insurance, banking, wealth management and property sectors, and a keen interest in digital and technology trends. Mr Hammond is Chairman of Venues NSW, and a non-executive director of listed company Perpetual Limited (since March 2015) where his board roles include Chairman of the Audit, Risk and Compliance Committee. He also serves on the boards of several not-for-profits including Mission Australia and Chris O'Brien Lifehouse. Previously Mr Hammond was a non-executive director of Citigroup Pty Limited. Mr Hammond spent more than 35 years at PwC, including 26 years as a partner. He was lead partner for several of Australia's major financial institutions and was previously a member of the Australian Accounting Standards Board and the International Accounting Standards Board.

SALLY HERMAN

BA, GAICD

Non-executive director

Ms Herman has been a director of the Group since October 2015. She is Chairman of the Risk Committee, and a member of the Customer Committee. She brings to Suncorp strong expertise in running retail banking and insurance products, setting strategy for financial services businesses, and working with customers, shareholders, regulators and government. Ms Herman has deep executive experience running customer-facing financial services businesses in Australia and the United States of America. She has held board positions (including on subsidiary boards) of financial services organisations for over 20 years, with a focus on governance, regulation and compliance. Her current listed company directorships include Breville Group Limited (since March 2013), Premier Investments Limited (since December 2011), and Evans Dixon Limited (since May 2018). She is also a director of Investec Property Limited, responsible entity of listed trust Investec Australia Property Fund (since July 2013). At Westpac, Ms Herman oversaw stakeholder engagement including customers, shareholders, government and regulators. She also ran the product function of retail and business banking, including general insurance as well as internet banking, in various roles at Westpac.

SIMON MACHELL

BA (Hons), FCA

Non-executive director

Mr Machell has been a director of the Group since April 2017. He is Chairman of the People and Remuneration Committee and a member of the Audit Committee. He is a non-executive director of Prudential Assurance Company Singapore, the senior independent director of Pacific Life Re Limited and chairs Pacific Life Re's Australian entity board. As a non-executive director of Tesco Bank and Chairman of Tesco Underwriting in the UK, he has considerable insight into changing customer expectations and engaging customers through digital channels. Mr Machell brings to Suncorp an international perspective on current industry trends in insurance, and insights into the risks and opportunities associated with emerging technologies and new business models. He has deep operational and strategic knowledge of the insurance industry and has planned and delivered significant change programs. In his executive career, Mr Machell spent over 20 years with Norwich Union/Aviva running the finance, service centre and claims functions before becoming CEO of its UK general insurance business in 2005. Subsequently, he ran its portfolio of international businesses across Asia and Eastern Europe before embarking on a plural career in 2013.

DR DOUGLAS MCTAGGART

BEcon (Hons), MA, PhD, DUniv, FAICD, SFFin

Non-executive director

Dr McTaggart has been a director of the Group since April 2012. He is a member of the Audit, and People and Remuneration Committees. He also chairs AA Insurance Limited (a Suncorp joint venture with the New Zealand Automobile Association) and is a director of Suncorp's New Zealand licensed entities. He brings to Suncorp great insight around regulator and government engagement, the economic landscape, organisational efficiency and financial management. Dr McTaggart has an extensive background in financial markets and has deep academic and commercial experience. He is well-versed in operating in a rapidly changing regulatory environment and engaging effectively with regulators and government stakeholders.

Dr McTaggart is a former CEO of QIC Ltd, Under Treasurer of the Queensland Department of Treasury, and a director of UGL Limited. He is currently Chairman of listed company Spark Infrastructure RE Limited (and a director since December 2015), SunCentral Maroochydore Pty Ltd and Indigenous Business Australia Asset Management Pty Ltd. He also serves on the Australian National University Council.

LINDSAY TANNER

BA (Hons), LLB (Hons), MA (Melb)

Non-executive director

Mr Tanner has been a director of the Group since January 2018. He is Chairman of the Customer Committee, a member of the Risk Committee, and Chairman of Group subsidiary Suncorp Insurance Ventures Pty Ltd. He is Chairman of Essendon Football Club and Chairman of Pacific Infrastructure Partners Pty Ltd. He brings to Suncorp an acute appreciation of the technological, regulatory and political changes shaping the financial services industry. Mr Tanner has worked at the highest levels of government and business for over 35 years, including as Minister for Finance and Deregulation from 2007 to 2010, where he played a significant role in regulatory reform in the financial services sector. He also served as Minister for the Future Fund during the Global Financial Crisis.

Mr Tanner is a recognised authority on corporate governance and has been a Special Adviser for financial advisory firm Lazard (Australia) for the past ten years, where he has had extensive involvement in the financial sector and with mergers and acquisitions. He was also a non-executive director of listed company Covata Limited (January 2017–January 2019) and Lifebroker, the life insurance broking company.

Mr Tanner began his professional career as a lawyer representing consumers in disputed personal injury and motor insurance claims.

2. Directors' meetings

The table below sets out the number of directors' meetings[1] held during 2019–20 (including meetings of the five Board Committees) and the number of meetings attended by each director of the Company.

	Suncorp Board of Directors		Audit Committee		Risk Committee		People and Remuneration Committee		Customer Committee		Nomination Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
C McLoughlin (Chairman)	23	23	6	6	7	7	6	6	3	3	2	2
S Johnston[2]	23	23	6	6	7	7	6	6	3	3	2	2
A Exel AO	23	23	-	-	7	7	-	-	3	3	2	2
S Falzon	23	23	-	-	4	4	6	6	1	1	2	2
E Funke Kupper	15	15	3	3	-	-	-	-	-	-	-	-
I Hammond	23	22	6	6	4	4	-	-	1	1	2	2
S Herman	23	23	3	3	7	7	3	3	3	3	2	2
S Machell	23	22	6	6	-	-	6	6	1	1	2	2
Dr D McTaggart	23	21	6	5	-	-	6	4	1	1	2	1
L Tanner	23	23	-	-	7	7	-	-	3	3	2	2

A Number of meetings held during the year while the director was a member of the Board or Committee.

B Number of meetings attended by the director during the year while the director was a member of the Board or Committee.

[1] The Board also held a number of additional workshops and insight sessions.

[2] Between 1 July 2019 and 8 September 2019 inclusive Mr Johnston attended Board and Committee meetings in his capacity as Acting Group CEO (not as a Director of the Company).

3. Directors' interests as at 30 June 2020

The relevant interest of each current director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange (**ASX**) in accordance with section 205G(1) of the *Corporations Act* 2001 (Cth) (**Corporations Act**), as at 30 June 2020, is as follows:

DIRECTOR	**NUMBER OF FULLY PAID ORDINARY SHARES**
C McLoughlin	48,550
S Johnston	131,273
A Exel AO	18,712
S Falzon	16,768
E Funke Kupper	35,000
I Hammond	39,740
S Herman	29,131
S Machell	50,000
Dr D McTaggart	40,641
L Tanner	18,668

In addition, Ms Christine McLoughlin holds 700 capital notes in SUNPH.

Based on their shareholdings as at 30 June 2020, as outlined in the Remuneration Report, all non-executive directors, excluding one, have either met, or are on track to meet, the minimum shareholding requirement.

For 2019–20, given the impact of COVID-19 on the Suncorp share price, the Board exercised its discretion and did not require non-executive directors to purchase shares to meet the minimum shareholding requirement.

4. Company Secretary

The Company Secretary is directly accountable to the Board, through the Board Chairman, for all corporate governance matters that relate to the Board's proper functioning.

Mr Darren Solomon was appointed Company Secretary in March 2010, having joined Suncorp in 1989 as a senior lawyer in the legal department before moving to Company Secretariat in 2006.

5. Remuneration Report

The Remuneration Report is set out on pages 31 to 57 and forms part of the 2019–20 Directors' Report.

6. Principal activities

The principal activities of the Suncorp Group during 2019–20 were the provision of insurance, banking and wealth products and services to retail, corporate and commercial customers in Australia and New Zealand.

There were no significant changes in the nature of the Suncorp Group's activities during 2019–20, other than as set out in section 9 below. More detail on the Group's activities is included in the Our Business section on pages 10 to 11 of this Annual Report.

7. Dividends

A fully franked 2019 final dividend of $571 million (44 cents per share) was paid on 25 September 2019.

A fully franked 2020 interim ordinary dividend of $328 million (26 cents per share) was paid on 31 March 2020.

The Group's robust balance sheet has led to the directors determining a fully franked 2020 final ordinary dividend of $128 million (10 cents per share).

Further details of dividends on ordinary shares provided for or paid are set out in note 4 to the consolidated financial statements.

8. Operating and Financial Review

8.1 PERFORMANCE AND OPERATIONAL REVIEW

The Group delivered a profit after tax attributable to the owners of the Company of $913 million, up $738 million on the prior year (2018–19: $175 million). The current year result includes $285 million profit after tax on the sale of Capital S.M.A.R.T Repairs Australia Pty Ltd and its subsidiaries (**Capital S.M.A.R.T**) and ACM Parts Pty Ltd (**ACM Parts**) to AMA Group Limited (**AMA**). The prior year result was impacted by a $910 million loss after tax on sale of the Australian Life business.

Profit after tax from continuing operations declined by 39.9 per cent to $646 million, and was impacted by lower reserve releases, higher reinsurance costs and the impact of the low yield environment in general insurance, significantly higher credit provisioning for COVID-19 impacts in Banking & Wealth and higher Group operating expenses, which includes a $60 million provision for the pay and leave entitlements review.

There were several large natural hazard events in 2019–20, including the catastrophic bushfires which caused significant destruction across Australia, and the severe hailstorms, rain and flooding that occurred in the eastern states during January and February. The Group's robust reinsurance program, including the aggregate covers, limited total natural hazard costs for 2019–20 to $820 million, in line with the Group's allowance.

Group net reserve releases for Insurance (Australia) and Suncorp New Zealand of $103 million, representing 1.2 per cent of net earned premium (**NEP**), were below the prior year, primarily as a result of recent scheme reform, and a one-off strengthening of prior period claims in the Commercial long-tail book in Australia. Personal injury long-tail reserve releases represented 2.3 per cent of Group NEP, well above the Group's long-term target of 1.5 per cent. One-off strains in the Commercial long-tail portfolio related to case estimate reviews on bodily injury claims and an increase in a molestation claims reserves. The short-tail book also saw modest strengthening relating to prior natural hazard events and customer remediation.

Group operating expenses (excluding Fire Services Levy) of $2,747 million increased by 2.3 per cent (2018–2019: $2,685 million). Excluding costs associated with the Australian Life business, on a like-for-like basis, operating costs increased by 5.7 per cent. This increase reflects higher project costs, one-off COVID-19 costs including the roll back of offshore processes, increased commissions and marketing expenses, and a $60 million provision relating to the ongoing pay and leave entitlements review. Excluding the one-off provision for the pay and leave entitlements review and COVID-19 costs, operating expenses were $2,672 million, representing an increase of 2.5 per cent on the prior year (excluding the Australian Life business).

Insurance (Australia)

Insurance (Australia) profit after tax declined by 33.9 per cent to $384 million (2018–19: $581 million), primarily due to the impact of lower reserve releases, higher reinsurance costs and the impact of the low-yield environment. Insurance gross written premium (**GWP**) increased 1.0 per cent to $8,329 million (2018–19: $8,245 million), reflecting growth in the Home and Motor portfolios, partially offset by declines in the Commercial and Compulsory Third Party (**CTP**) portfolios. Home and Motor GWP grew 2.5 per cent. Unit count was impacted by remediation of the Vero broker channel and the embargo on landlord insurance policies from March 2020 as a result of COVID-19. Motor GWP growth of 2.9 per cent was driven by premium rate increases and modest unit growth. Underlying Commercial growth was 3.2 per cent after normalising for the impact of portfolio exits. CTP GWP declined 4.8 per cent as a result of ongoing impacts from scheme reform and heightened industry competition while Workers' Compensation and Other GWP grew by 6.8 per cent driven by premium rate increases and strong renewals.

Banking & Wealth

Banking & Wealth profit after tax declined 33.5 percent to $242 million (2018–19: $364 million), primarily due to higher impairment charges driven by the impacts of the COVID-19 pandemic. Banking delivered profit before impairment losses of $526 million, down 0.9 per cent on the prior year.

The result was driven by increased impairment losses on financial assets of $172 million or 29 basis points (**bps**) of gross loans and advances, which was predominately due to an increase in collective provision as a result of the impacts from the COVID-19 pandemic.

Supporting customers through the pandemic has been a priority for Banking & Wealth. As at 30 June 2020, approximately 14,400 Bank customer lending accounts were under temporary loans repayment deferral arrangements across both the retail and business lending portfolios. In early June, the Bank commenced three-month check-ins with impacted home loan customers and by 31 July 2020, approximately 51 per cent of accounts receiving temporary deferral arrangements were returning to normal repayments.

The home lending portfolio contracted 2.8 per cent, reflecting intense competition for new and existing business, reduced system growth and an extended period of elevated loan processing turnaround times in the 2019 calendar year. The Bank continued to deliver a targeted program of work in retail lending, resulting in turn-around times improving in the fourth quarter of the 2019-20 financial year. The business lending portfolio grew 0.4 per cent over the year, with growth in agribusiness offset by a small contraction in the commercial portfolio. The at-call deposits portfolio achieved above-system growth of 27.5 per cent enabling the Bank to reduce more expensive term deposits and wholesale funding.

The Bank's net interest margin (**NIM**) increased 4 bps over the year to 1.94 per cent, driven by favourable shifts in the funding mix from strong, above-system growth in at-call deposits and a subsequent reduction in term deposits and significantly lower market benchmark rates.

Wealth reported an after-tax loss of $6 million (2018–19: profit $1 million), reflecting reduced administration fee revenue due to COVID-19 and ongoing elevated regulatory costs. Wealth is also supporting its members impacted by the COVID-19 pandemic through the Federal Government's Superannuation Early Release Scheme. As at 30 June 2020, the Wealth business had facilitated approximately $99 million of early superannuation payments to around 13,000 members.

Suncorp New Zealand

Profit after tax of $245 million was in line with the prior year (2018–19: $245 million). Adjusted for changes in the foreign exchange rate, profit after tax decreased by 0.8 per cent. The result was driven by premium growth, offset by a return to more normalised natural hazard experience following benign weather conditions in the prior year as well as higher operating costs. The result includes $23 million of provisions recognised for customer remediation (incremental $15 million in the second half of the year) and a further $22 million provision to reflect the pass through to customers of reduced risk of motor claims during COVID-19 mobility restrictions. Suncorp will continue to monitor any potential impact of further New Zealand mobility restrictions in 2020–21. GWP increased by 3.6 per cent to $1,623 million (2018–19: $1,566 million). Excluding the impacts of COVID-19 support packages, GWP grew by 6.1 per cent driven by moderate premium increases in the Commercial portfolio, unit growth in the direct business and increased participation in a co-insurance arrangement.

For further information on the performance of the Suncorp Group, please refer to the 2019–20 Investor Pack, which includes detailed summaries of divisional performance and is available at **suncorpgroup.com.au/investors**.

8.2 FINANCIAL POSITION SUMMARY

Total assets decreased by $491 million or 0.5 per cent to $95,744 million compared with 30 June 2019.

- **Cash and cash equivalents decreased by $40 million** driven by increased cash outflows from financing activities, mainly due to the repayment of securitisation liabilities. This was partially offset by strong cash inflows from operating activity, mainly driven by loan repayments being higher than new loan originations.
- **Trading securities have increased by $233 million** largely driven by higher purchases of new securities than maturities and sales.
- **Derivative assets have increased by $165 million** driven by favourable movements in the valuation of interest rate swaps and foreign exchange derivatives.
- **Investment securities have increased by $520 million** with an increase of government securities held for liquidity purposes, offset by a reduction in cash unit trusts held for capital and dividend distributions.
- **Loans and advances decreased by $1,431 million** due to a 2.8 per cent contraction in the retail lending portfolio, partially offset by a 0.4 per cent growth in business lending.
- **Reinsurance and other recoveries decreased by $188 million** mainly due to settlements of outstanding New Zealand earthquake claims.
- **Property, plant and equipment increased by $368 million** largely due to the recognition of right-of-use assets due to the implementation of AASB 16 Leases and refurbishments and real estate additions.
- **Goodwill and other intangible assets have decreased by $185 million** mainly due to the $110 million write-off on the Oracle Banking Platform and ongoing amortisation.
- **Other assets decreased by $135 million** driven by a reduction of trade receivables, clearing accounts and current tax receivables.

Total liabilities decreased by $142 million or 0.2 per cent to $82,960 million compared with 30 June 2019.

- **Derivative liabilities have increased by $118 million** mainly due to the mark-to-market of interest rate swaps and foreign exchange rate contracts.
- **Payables and other liabilities increased by $393 million** largely driven by the recognition of the lease liability due to AASB 16 Leases and outstanding investment payables, offset by a reduction in settlement clearing accounts.
- **Current tax liabilities increased by $102 million** largely due to net capital gains on the sale of discontinued operations.
- **Provisions and employee benefits increased by $65 million** due to the recognition of pay and leave entitlements and the increase of leave balances as a result of a decrease in leave taken due to COVID-19.
- **Managed funds units on issue have reduced by $133 million** as a result of lower net asset values of the underlying consolidated unit trusts.
- **Securitisation liabilities decreased by $886 million** driven by repayments on the underlying securitised mortgages and the termination of two underlying Apollo Series trusts.
- **Long-term borrowings have increased by $249 million** due to the new Reserve Bank of Australia term funding facility in response to COVID-19 and higher domestic senior unsecured debt issues, offset by a reduction in overseas senior debt issues and reduced covered bonds.

Total equity has decreased by $349 million or 2.7 per cent to $12,784 million compared with 30 June 2019.

- **Share capital has decreased by $380 million** due to the capital return of $506 million and share-based payments, offset by $171 million new shares issued as part of the conversion of SGL Convertible Preference Shares 3 (**CPS 3**) and a reduction in treasury shares.

8.3 CAPITAL POSITION SUMMARY

Capital management strategy

Suncorp Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite.

The Group is subject to, and complies with, external capital requirements set and monitored by the APRA and the Reserve Bank of New Zealand.

The Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure the Group as a whole, and each regulated entity, is capitalised to meet both internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the Group's capital requirements.

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies, and Tier 1 and Tier 2 instruments. Capital targets are structured according to risk appetite, business lines regulatory frameworks and the Australian Prudential Regulation Authority's (**APRA**)'s Non-Operating Holding Company conditions.

For regulatory purposes, capital is classified as follows:

- Common Equity Tier 1 (**CET1**) comprising accounting equity with adjustments for intangible assets and regulatory reserves.
- Tier 1 Capital comprising CET1 plus Additional Tier 1 Capital such as hybrid securities with 'equitylike' qualities.
- Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, together with specific Bank reserves eligible as regulatory capital.
- Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

CET1 has the greatest capacity to absorb potential losses, followed by Additional Tier 1 Capital and then Tier 2 Capital.

Capital position at 30 June 2020

Over the year, the Group's excess CET1 (after payment of the final 2019–20 dividend net of the Dividend Reinvestment Program) decreased from $989 million to $823 million.

The main impacts on the Group's excess capital position were:

- the return of the final $506 million of capital from the sale of the Australian Life Insurance Business to shareholders via a pro-rata capital return and share consolidation in October 2019

- net profit after tax after the payment of dividends (net of the Dividend Reinvestment Program)
- an increase in the General Insurance CET1 Target reflecting changes in the 2020–21 reinsurance program and more conservative levels of assumed profitability in light of the current low yield environment
- a reduction in the General Insurance Excess Technical Provision, due primarily to the impact of changes to the 2020–21 reinsurance program and COVID-19 impacts on expected landlord insurance claims
- an increase in the Bank CET1 Target, largely due to a 25 basis point increase to finalise the transition to APRA's 'unquestionably strong' capital benchmarks
- a reduction in past acquisition intangibles and capitalised project costs including the impairment of the deposit, transactions and payment modules of the Oracle Banking Platform, partially offset by an increase in Net Deferred Tax Assets, due to unrealised investment losses and increased Bank credit provisions.

In terms of the CET1 positions across the Group (pre-dividend):

- the General Insurance businesses' CET1 position was 1.25 times the PCA, at the top of its target operating range of 1.05 to 1.25 times PCA
- the Bank's CET1 Ratio was 9.34 per cent, above the mid-point of its target operating range of 9.00 per cent to 9.50 per cent
- $605 million CET1 was held at Group (SGL and Corporate Services).

The Group maintains a strong capital position with all businesses holding CET1 in excess of targets. The Group's excess to CET1 target is $823 million after adjusting for the final 2019–20 dividend (net of the Dividend Reinvestment Program).

9. Significant changes in Suncorp Group's state of affairs

In October 2019, Suncorp completed the sale of the Capital S.M.A.R.T and ACM Parts businesses to AMA Group Limited. Suncorp customers continue to have access to market-leading vehicle repairs, under a 15-year Motor Repair Services Agreement with two options by Suncorp to extend for a further five years (10 years in total).

There have been no other significant changes in the state of affairs of the Group during 2019–20, other than as disclosed in this Annual Report.

10. Events subsequent to reporting period

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Company in future financial years.

11. Likely developments

The operating environment remains highly uncertain as a result of the COVID-19 pandemic and the associated economic impacts.

The Group's base case economic assumptions allow for a sharp deterioration in forecast macroeconomic conditions with unemployment peaking at 10 per cent, a reduction in residential house prices of 8.3 per cent, a reduction in commercial property prices of 14.2 per cent and a sustained period of low yields on invested assets. The economy is assumed to begin recovery from 2021.

Economic assumptions will be reviewed on an ongoing basis to take into account any major changes to the outlook including, for example, the impact of Victoria's recently imposed mobility restrictions. The Group will retain a conservative bias in its assumption setting and stress testing in order to ensure key funding, liquidity and balance sheet metrics remain adequate for a range of scenarios.

The Group's three businesses will remain well capitalised, with significant excess capital continuing to be held at the Group level. While the Board remains committed to its long-standing dividend policy, future distributions will be informed by the outlook for the economy, the results of stress testing and the operational needs of the business.

In addition to the impacts of COVID-19, the Group assumes continued volatility in the frequency and intensity of natural hazard events. To address this, the Group has purchased an Aggregate Excess of Loss reinsurance cover which provides $400 million of cover for natural hazards in excess of $5 million, once the retained cost of these events reaches $650 million. This is in addition to the main catastrophe program, which has been structured with covers similar to previous years. The Group's natural hazard allowance in 2020-21 has been increased by $130 million to $950 million.

Suncorp will continue to adjust pricing to take account of increased natural hazard costs and will advocate for governments to support mitigation programs designed to increase community resilience to natural disasters and remove a range of taxes applied to insurance products.

The Group will also continue to advocate for further reform of statutory schemes, particularly in Queensland, to deliver improved outcomes for customers and to ensure schemes remain sustainable for the long term.

In an environment of economic uncertainty, the Group will remain focused on its strategic priorities and speed up the pace of transformation. The four key priorities remain:

- Improve the performance of the core insurance and banking businesses
- Leverage and build upon data and digital assets
- Embraced regulatory change
- Embed operational excellence programs across the Group

To accelerate the delivery of these priorities the Group has implemented a new operating model, confirmed changes to its organisational structure and has finalised key management appointments. These changes will remove duplication and complexity, clarify accountabilities and deliver improved outcomes for customers and stakeholders.

Key programs of work in the Insurance (Australia) business include – reinvigorate and realign brands; simplify products and review policy terms , optimise distribution channels and design best in class claims processes.

The Bank will continue to deliver a targeted program of work to support home lending, including improved processes to reduce turnaround times, and embedding the recently implemented broker segmentation model. The Bank will continue to simplify its portfolio of products, optimise its distribution channels and accelerate digital and everyday banking by leveraging the 'Open Banking' framework. The Wealth business remains subject to an ongoing strategic review.

The New Zealand business will continue to focus on disciplined underwriting and will invest in digitisation of claims processes and interactions with corporate partners and intermediaries.

For further information on the outlook of the Suncorp Group, please refer to the 2019–20 Investor Pack available at **suncorpgroup.com.au/investors**

12. Key strategic risks

The effective identification and management of strategic risk is integral to Suncorp's strategy and the decision-making process for all business initiatives. Strategic risks threaten the viability of Suncorp's business model as a result of changes in the external business environment, the economy, political landscape, regulation, technology and community expectations.

The following strategic risks have been identified and are being managed through Suncorp's risk management processes:

Physical impacts of climate change, significant weather events and natural hazards that exceed expectations

Climate change remains a priority for Suncorp and our approach to climate change risks and opportunities is managed through the Group's Climate Change Action Plan. More detail is available at section 14 of this Directors' Report.

Systemic shifts in the macro-economic environment

Suncorp monitors the risk of systemic shifts in the global environment, such as a prolonged subdued macro-economy or global financial crisis-type event that restricts access to capital and/or reinsurance. COVID-19 has significantly affected investment markets and the economic environment globally, including in Australia and New Zealand. The Group aims to maintain appropriate balance sheet strength given the uncertain outlook ahead.

Risks relating to extreme cyber or critical infrastructure events

Suncorp monitors risks related to incidents affecting Suncorp, its customers, partners or industry which may result in damage or cause panic, with major economic implications. Suncorp actively monitors internal systems and cyber security threats, and is continually investing in systems, processes and controls to maintain a secure and resilient environment. Contingency planning and testing is performed in case of disruption to critical systems and business processes.

Risks relating to the failure to meet government or regulatory expectations

In order to mitigate this risk, Suncorp prioritises appropriate investment to address regulatory requirements. This enables us to develop a strong business that exists to build futures and protect what matters.

Shifts in customer expectations, technology, mobility, data and competitors

Suncorp monitors risks related to: customers' changed behaviour and new expectations; competitors introducing new business models that better meet customer needs; participants in the new 'data economy' using data more effectively than Suncorp; and changes in car ownership and manufacture impacting Suncorp's revenue from traditional product lines. Suncorp's strategy previously anticipated significant customer preference to digital channels, however recognised that this was one of many channels our customers wished to engage in.

The COVID-19 pandemic has accelerated customer movement to digital, as well as brought about new ways of working that can be used to drive technology transformation in the medium and longer term, along with delivering quick-win opportunities. Suncorp has refreshed its digital strategy to accelerate sales and service capability across the Group with a focus on delivering customer digital experiences that are smart, simple and trusted while delivering business growth and operational efficiency.

Risks relating to the engagement of our workforce (including partners) behind our purpose

Suncorp monitors risks related to workforce management, ensuring that Suncorp is able to source and retain the talent required to execute the strategy. Suncorp's strategy will introduce new models of work and look for ways to further engage our people, making Suncorp a preferred place to work. Suncorp is applying learnings from COVID-19, which has accelerated a move towards more flexible ways of working.

In addition to monitoring the identified strategic risks as described above, Suncorp continues to monitor emerging risks and their potential to impact the Group.

More information on risk management and the overall Suncorp Group governance framework is in Suncorp's detailed Corporate Governance Statement available at **suncorpgroup.com.au/about/corporate-governance**.

13. Impacts of legislation and other external requirements

Suncorp operates across a number of highly regulated industry sectors. There have been, and continue to be, significant domestic and global legislative and regulatory reforms and proposals, as well as numerous government and regulator consultations, reviews and inquiries which may result in changes that may impact Suncorp Group and its operations in Australia and New Zealand.

There are also various proposals and changes from global regulatory advisory and standard-setting bodies such as the International Association of Insurance Supervisors, the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions which if adopted, or followed by domestic regulators, may increase operational and capital costs or requirements.

Suncorp is committed to embracing these regulatory changes and is well placed to respond through the additional regulatory investment in 2020–21. Suncorp is taking active steps to implement the changes with a number of improvements already in place. Suncorp is engaging with regulators, the Government and industry bodies to provide feedback and guide the policy direction. Matters which may impact Suncorp Group, its insurance businesses in Australia and New Zealand and its Banking & Wealth business are set out opposite.

MATTERS WHICH MAY IMPACT **SUNCORP GROUP**

- **The ongoing implementation of the recommendations from the Royal Commission's Final Report into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission)**, which includes various bodies undertaking implementation activities, such as the Federal Government asking the House of Representatives Standing Committee on Economics to inquire into progress made by relevant financial institutions in implementing the recommendations of the Royal Commission
- **The passing of the *Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers (2019 Measures)) Act 2019***, which amends the law relating to unfair contract terms and insurance contracts, mortgage brokers and mortgage intermediaries in order to implement a number of the recommendations made in the final report of the Royal Commission
- **The Federal Government releasing a draft of the *Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers (2020 Measures)) Bill 2020***, which will prohibit the hawking of superannuation and insurance products to retail clients, in line with Recommendations 3.4 and 4.1 of the Hayne Royal Commission
- **The Australian Securities and Investment Commission (ASIC) and the Australian Competition and Consumer Commission (ACCC) approving the Australian Banking Association's (ABA) new Banking Code of Practice** in response to the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Final Report, which outlined the need for changes in protection for small businesses and farmers and a greater focus on customers in remote areas and those with limited English
- **The Federal Government** consulting on extending the Banking Executive Accountability Regime (**BEAR**) to all APRA regulated entities
- **ASIC releasing Regulatory Guide 272 on its product intervention power.** The product intervention power allows ASIC to temporarily intervene, banning financial products when there is a risk of significant consumer detriment
- **ASIC releasing draft guidance on financial product Design and Distribution Obligations (DDO)**, which require financial product firms to develop products that meet the needs of the consumers in their intended target market, effective April 2021
- **The passing of the *Treasury Laws Amendment (Consumer Data Right) Act 2019***, granting individuals and businesses the right to efficiently and conveniently access and transfer their personal data in relation to them between businesses of their election, improving competition and consumer options.
- **APRA issued a letter in April 2020 to all authorised deposit-taking institutions (ADIs) and insurers to provide guidance on capital management during COVID-19.** The letter stated that APRA expects ADIs and insurers to limit discretionary capital distributions in the months ahead, to ensure they instead use buffers and maintain capacity to continue to lend and underwrite insurance. This includes prudent reductions in dividends, taking into account the uncertain outlook for the operating environment and the need to preserve capacity to prioritise these critical activities. On 29 July 2020, APRA issued updated guidance to ADIs and insurers. APRA expects ADIs to continue to take a measured approach to capital distributions and retain at least half of their earnings, and actively use dividend reinvestment plans (**DRPs**) and/or other capital management initiatives to at least partially offset the diminution in capital from distributions. APRA also expects insurers to continue to take a measured approach to dividends and moderate dividend payout ratios, including using DRPs and/or other capital management initiatives to at least partially offset the diminution in capital from distributions
- **APRA announcing that it intends to develop a Prudential Practice Guide** focusing on climate-related financial risks
- **ASIC issuing updated guidance on climate change-related disclosure and risk generally.** The updates are contained in RG 228 (Prospectus disclosure) and RG 247 (General disclosure) and detail:
  - the types of climate change risk developed by the Task Force on Climate-related Financial Disclosures that may need to be disclosed in a prospectus; and
  - that highlighting climate change as a systemic risk that could impact an entity's financial prospects for future years may need to be disclosed in an operating and financial review
- **APRA publishing an information paper on its plans to increase its efforts to lift governance, culture, remuneration and accountability standards** across all APRA-regulated industries

MATTERS WHICH MAY IMPACT **INSURANCE OPERATIONS**

AUSTRALIA

- **The Federal government consulting on legislation to bring insurance claims under the financial services provisions of the *Corporations Act***
- **The International Association of Insurance Advisors ongoing reports regarding the recommendations of the Task Force on Climate-related Financial Disclosures**
- **The Insurance Council of Australia approving the new 2020 General Insurance Code of Practice.** The Code reiterates core commitments and high standards of conduct on insurers, their employees, distributors and service suppliers. The implementation timing of the new Code has been modified due to COVID-19
- **The Federal Government consulting on extending the unfair contract terms legislation to insurance contracts**
- **The Australian Financial Complaints Authority has together with the Insurance Council of Australia** commenced a test case to consider the application of infectious disease cover in business interruption policies

NEW ZEALAND

- ***The Financial Markets (Conduct of Institutions) Amendment Bill* has been introduced to Parliament.** The Bill proposes insurers, banks and non-bank deposit takers be licensed and have a fair conduct programme to ensure consumers are treated fairly. If passed, it is expected to come into force 2022–2023
- **The Government is proposing to reform New Zealand's insurance contract law including changes to disclosure requirements and unfair contract terms.** Exposure draft of legislation is expected late 2020
- **The *Financial Services Legislation Amendment Act 2019*** will come into force on 15 March 2021 and requires all financial advisers to meet licensing, Code of Conduct, competency and disclosure requirements
- **The Reserve Bank of New Zealand is reviewing the *Insurance (Prudential Supervision) Act 2010*** and is expected to consult on the scope of the review in early 2021. The review is likely to be a two-year process

MATTERS WHICH MAY IMPACT **BANKING & WEALTH OPERATIONS**

- **ASIC and APRA issuing a letter to all registrable superannuation entities** following the Federal Government's release of proposed legislative reforms increasing the role of ASIC in superannuation. The letter explains that the proposed reforms will enable ASIC to more effectively regulate trustee conduct in the superannuation industry, while retaining APRA's critical role as prudential and member outcomes regulator for the sector
- **The Federal Government responding to the ACCC's interim report on the Home Loan Price Inquiry regarding Australia's big four banks.** The Federal Government has stated, among other things, the following:
    - In relation to standard variable interest rates (**SVR**) offered by the major banks, the ACCC found an overall lack of price transparency, particularly for new loans, making it difficult for customers to compare home loans
    - The ACCC found the SVR is not an accurate indicator of the actual prices paid by major bank customers, with the overwhelming majority (around 90 per cent) receiving an average 128 basis points (1.28 per cent) discount off the SVR
- **APRA's update to its guidance** (*Prudential Practice Guide APG 223 Residential Mortgage Lending*) **on the serviceability assessments** that ADIs perform **on residential mortgage loan applications** including: removing the quantitative guidance on the level of the serviceability floor rate; increasing the expected level of the serviceability buffer from at least 2 per cent (most ADIs currently use 2.25 per cent) to 2.5 per cent; and removing the expectation that a prudent ADI would use a buffer 'comfortably above' the proposed 2.5 per cent
- **ASIC updating its responsible lending conduct guidance to improve the lending practice** in the Australian financial services sector, which includes considering the role of expense benchmarks in the process of verifying a consumer's financial situation
- **ASIC consulting on draft guidance on mortgage brokers 'best interests' duty.** As of 1 July 2020, mortgage brokers are required by legislation to act in the best interests of consumers and to prioritise consumers' interests when providing credit assistance
- **Various bodies have implemented measures** to help Australians deal with the economic impact of COVID-19, including:
    - **The Federal Government suspending responsible lending obligations** for small business lending for six months
    - **APRA adjusting its expectations** regarding ADI bank capital ratios, to ensure banks are well positioned to continue to provide credit to the economy
    - **The Reserve Bank of Australia** establishing a term lending facility to offer three-year funding to ADIs
    - **The ACCC granting interim authorisations** to allow the ABA and banks to work together to implement relief packages for individuals and businesses impacted by COVID-19
    - **Federal Treasury releasing the SME Guaranteed Lending Scheme**, which will provide eligible lenders with a government guarantee for loans on approved terms
    - **The Federal Government passing the *National Consumer Credit Protection Amendment (Coronavirus Economic Response Package) Regulations 2020***, which will provide, in specified circumstances, a temporary exemption to Australian credit licensees from responsible lending obligations
    - **The Australian Tax Office has approved eligible citizens and residents of Australia and New Zealand to apply to access up to $10,000 of their superannuation, if they apply before 31 December 2020**

14. Environmental and Corporate Responsibility reporting

Suncorp seeks to conduct business in a way that protects and sustains the environment. We continue to reduce our environmental impact and be transparent about our environmental performance.

Climate change presents strategic and financial risks and opportunities for Suncorp and its communities. Suncorp is committed to reducing its carbon emissions and preparing for the physical impacts of climate change and the transition to a net-zero emissions economy by 2050.

Suncorp is responding to climate-related risks and opportunities through the implementation of our Climate Change Action Plan, which incorporates our Environmental Performance Plan. The Environmental Performance Plan was refreshed in 2019 and is a three-year plan that sets out our transformation priorities in continuing our journey to becoming a low-emissions and resource-efficient organisation. This year, under this plan we have developed a Renewable Energy Strategy, which includes our commitment to use 100 per cent renewable electricity by 2025. Suncorp continues to modernise ways of working and integrate sustainability principles to deliver workspaces that are healthy, flexible and minimise the impact on the environment.

Implementation of Suncorp's Environmental Performance Plan has resulted in a 7.2 per cent reduction in Scope 1 and Scope 2 greenhouse gas emissions over the past year and we remain on track to reach our target of a 51 per cent absolute reduction in Scope 1 and Scope 2 greenhouse gas emissions by 2030[1].

Further detail on Suncorp's activities and initiatives is available in the Sustainable Growth section of the 2019–20 Responsible Business Report.

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[1] From 2017–18 baseline for Suncorp corporate operations in Australia and New Zealand; prepared using science-based target methodologies.

15. Corporate Governance Statement

The Board believes high standards of corporate governance are essential for achieving Suncorp's business objectives, which are aimed at creating value and sustainable outcomes for Suncorp shareholders, customers and the communities in which Suncorp operates. The Board is committed to maintaining a corporate governance framework and culture that are underpinned by integrity and ethical behaviour. The Board is responsible for the corporate governance framework which operates under Board-approved charters, policies and related procedures. The Board Committees assist the Board in fulfilling its governance role.

During 2019–20 Suncorp's governance practices were consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition). The 2019–20 Corporate Governance Statement (and Appendix 4G) lodged with the ASX, and a range of documents referred to in it, are available at **suncorpgroup.com.au/about/corporate-governance**

16. Non-audit services

During the year, KPMG, the Company's auditor, performed certain services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the financial year by the auditor and, having received the appropriate confirmations from the Audit Committee, is satisfied the auditor's provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The amounts paid or due and payable to KPMG and its related practices for non-audit services provided during the 2019–20 financial year (and the 2018–19 financial year) are set out on page 29.

SERVICES OTHER THAN STATUTORY AUDIT

	2020 $000	2019 $000
Audit-related fees (regulatory)		
APRA reporting	946	817
Australian financial services licences	80	85
Other regulatory compliance services	618	443
	1,644	1,345
Audit-related fees (non-regulatory)		
Other assurance services	1,072	1,089
	1,072	1,089
Other services		
Other non-audit related services[1]	616	1,603
	616	1,603
	3,332	4,037

[1] Relates to accounting advisory services and provision of technology resources to assist in access and security management of application systems.

17. Indemnification and insurance of officers and directors

Under rule 39 of the Company's Constitution, the Company indemnifies each person who is or has been a director, secretary or officer of the Company (each an officer for the purposes of this section). The indemnity relates to liabilities to the fullest extent permitted by law to another party (other than the Company or a related body corporate) that may arise in connection with the performance of their duties to the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith.

The Constitution stipulates the Company will meet the full amount of such liabilities, including costs and expenses incurred in defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act.*

The Company has also executed deeds of access, indemnity and insurance with each officer of the Company's subsidiaries, and deeds of indemnity and insurance with the officers of related bodies' corporate and joint venture companies. Those deeds, which are subject to certain conditions and limitations, provide an indemnity to the full extent permitted by law for liabilities incurred by that person as an Officer, including reasonable legal costs incurred in respect of certain legal proceedings and an entitlement to directors' and officers' liability insurance. The deeds containing access rights provide access to company records following the cessation of the officer's position with the relevant company.

During 2019–20 the Company paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been an officer of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered by or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

18. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 30 and forms part of the 2019–20 Directors' Report.

19. Rounding of amounts

The Company is of a kind referred to in the ASIC Corporations *(Rounding in Financial/Directors' Reports)* Instrument 2016/191 dated 24 March 2016 and, in accordance with that legislative instrument, amounts in the Directors' Report and the consolidated financial statements have been rounded to the nearest one million dollars unless otherwise stated.

Lead auditor's independent declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Suncorp Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Suncorp Group Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG	David Kells *Partner*
	Sydney 21 August 2020

Remuneration report

Message from the Chairman of the Board and the Chairman of the People and Remuneration Committee

Dear Shareholder

It has been a challenging year for Suncorp and for our industry. As many of Australia's regional communities were continuing to face extreme drought conditions, a series of natural disasters including 12 major insurance events spanning bushfires, floods and storms, devastated our nation. The impacts of COVID-19 were felt shortly after, with resulting implications continuing to play out for our people, the economy, the communities in which we operate, and of course our shareholders.

Decisions taken during the year ensured we entered this uncertain period in a sound financial position. This included the sale of the Capital S.M.A.R.T and ACM Parts business, as well as a strengthening of our reinsurance program and natural hazard allowance for 2019–20.

We also responded quickly to address the unprecedented impacts of the COVID-19 pandemic, prioritising the health, safety and wellbeing of our people, customers and communities. This included successfully moving 90 per cent of our workforce to working from home when new social restrictions came into effect.

While the Group has proven its ability to adapt quickly, our overall financial result, particularly in the second half, was impacted by the volatile external environment. The Group's result was also impacted by the one-off cost associated with the write-down of the Core Banking Platform and the provision for the Group's pay and leave entitlement review, which includes remediation costs for those eligible for additional payments, as well as the cost of implementing new processes to prevent this from happening again.

Shareholders will receive a final ordinary dividend payment of 10 cents per share. For the 2020 financial year, our full year ordinary dividends to shareholders totalled 36 cents per share.

Remuneration outcomes

The Board recognises your expectation that these issues will be reflected in the remuneration outcomes of our employees, particularly our executives. Performance against annual Financial, Customer, Risk, and People and Culture measures in the Group Scorecard, which heavily influences short-term incentive outcomes, was mixed.

While financial performance was adversely impacted by the factors outlined above, this needed to be balanced against strong non-financial performance. This included the proactive approach taken by the Group CEO and Senior Executives to manage our business in extremely challenging conditions, as well as steps taken to protect the long-term sustainability of the organisation including a new operating model which will accelerate the Group's transformation. Employees also worked in often trying circumstances to support each other, our customers and the operational needs of the business.

Fixed remuneration

There will be no increases in fixed remuneration in 2020–21 for senior management including the Group CEO and Senior Executives, except where there has been a significant change in accountabilities. There will also be no increase in non-executive director fees.

To recognise the contribution of our people, targeted fixed remuneration budgets for some non-managerial roles of between 1.5-2 per cent have been approved.

Short-term incentives (STI)

The Group Scorecard, which ordinarily heavily influences the size of the STI pool was 59 per cent. However, taking the above factors into account, as well as the shareholder experience over the year, the Board exercised its discretion in determining 2019–20 STI outcomes and adopted a tiered approach as follows:

- The Group CEO's 2019–20 STI was 45 per cent of target and the 2019–20 STI for the Senior Executives ranged between 30 per cent and 50 per cent of target.
- To deepen the alignment with the shareholder experience during these challenging times, the Board determined to deliver the STI outcomes for the Group CEO and Senior Executives entirely in deferred equity. The portion that would have ordinarily been delivered as cash (50 per cent for the Group CEO and 65 per cent for the Senior Executives) will be delivered in equity, deferred over a one-year period, and the portion that would have ordinarily been delivered in equity (50 per cent for the Group CEO and 35 per cent for the Senior Executives) will continue to be delivered in the normal course, with 50 per cent deferred over a one-year period and 50 per cent deferred over a two-year period.

- To recognise the performance of our people over the course of the last financial year, the Board also approved an STI pool for Executive General Managers of 45 per cent of target, and an STI pool of 59 per cent of target for all other employees, aligned to the Group Scorecard outcome.

Long-term incentives (LTI)

The 2016 LTI grant was tested against the relative total shareholder return performance condition on 31 August 2019. As Suncorp's TSR was below the median of the peer group of companies, this grant lapsed. Accordingly, the executives received no value from these awards.

Vesting and release of deferred incentives

Given the pay and leave entitlement review is still underway, the Board determined that it was not appropriate to approve the vesting and release of the deferred incentives for the Group CEO, former CEO & Managing Director, and current and former Senior Executives and Executive General Managers at this time. This includes unvested deferred STI awards and LTI awards. Instead, the decision to vest and release the deferred incentives will be deferred until such time that the Board has all relevant information to make an informed decision.

Strengthening our culture

Having the right culture is critical to Suncorp's success. In 2019–20, over 11,000 of our employees participated in an independent Group-wide culture assessment to better understand our current culture and identify opportunities to shift the culture to more effectively deliver on our strategy. Suncorp's target culture is characterised by the attributes of caring, courage and doing the right thing.

The assessment results highlighted Suncorp's strengths in compliance, with a willingness by our people to genuinely do the right thing. The findings also affirmed our strengths in the areas of diversity, flexibility and care for our customers and each other.

The survey also identified areas for improvement that will help accelerate the delivery of our strategy and drive performance including the provision of greater clarity and connection with our purpose, and driving a deeper understanding of how our risk practices support our growth, digital and product innovation goals.

Suncorp is compliant with the Sedgwick Remuneration Review Recommendations[1] from 1 July 2020, excluding Recommendation 18 relating to mortgage broker remuneration given the Government's policy reform in this area.

Outlook

The Board is confident that the remuneration arrangements are strategically aligned and reinforce executive accountability, responsible business practices and effective risk management as well as drive a constructive company culture. Feedback from our stakeholders, including the wider community, regulators and shareholders, is actively encouraged and used in the development of our remuneration practices.

The Board will continue to review the remuneration framework in light of the major economic restructuring that is still playing out, and once the Financial Accountability Regime and APRA's Remuneration Prudential Standard CPS 511 are finalised. The intent is to ensure that the remuneration framework remains aligned with regulatory requirements and supports Suncorp's strategic and cultural objectives, including the attraction, motivation and retention of key talent.

We trust that you will find the information provided in this report informative and that it demonstrates the strong alignment that Suncorp's executive remuneration practices have with performance outcomes, shareholder returns, the experience of our employees and customers, and community expectations.

Thank you for your continued feedback and support as we continue to transform our business to deliver for our people and customers and create better outcomes for our shareholders.

Christine McLoughlin	
CHRISTINE MCLOUGHLIN	SIMON MACHELL
Chairman of the Board	Chairman of the People and Remuneration Committee
21 August 2020	

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[1] This refers to Stephen Sedgwick's Retail Banking Remuneration Review dated 19 April 2017. Mr Sedgwick was appointed by the Australian Banking Association to undertake an independent review of product sales commissions and product-based payments in retail banking in Australia. The Review was intended to identify options for strengthening the alignment of retail bank incentives, practices and good customer outcomes. Suncorp was required to be compliant with the recommendations from 1 July 2020.

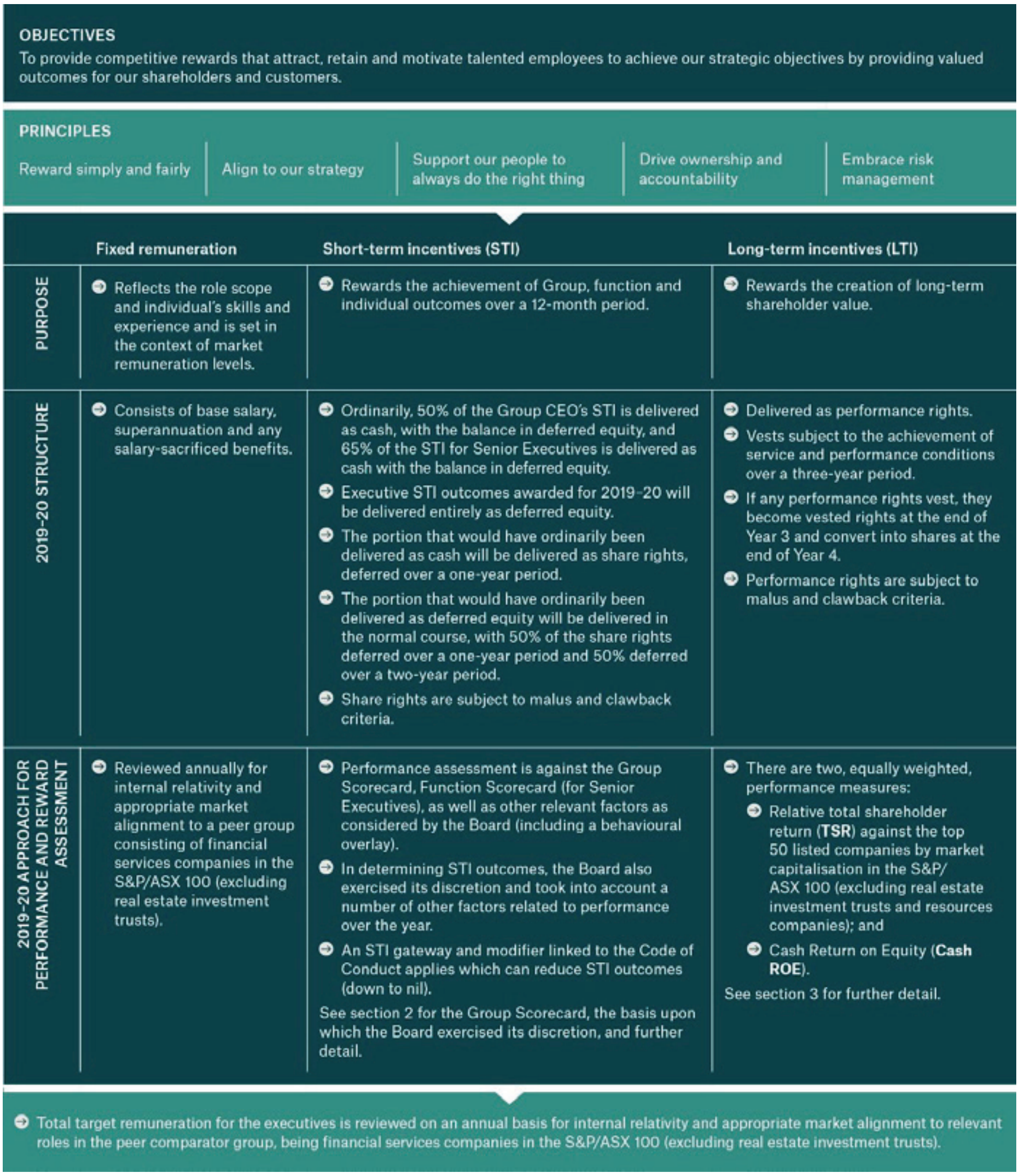
Remuneration Report for 2019–20

This report explains Suncorp Group's remuneration structure for key management personnel (**KMP**) and demonstrates the strong alignment that Suncorp's executive remuneration practices have with performance outcomes, shareholder returns, the experience of our employees and customers, and community expectations. KMP are the people who have authority and responsibility for planning, directing and controlling the activities of the Suncorp Group and includes the non-executive directors. The names of the KMP are outlined in the remuneration tables in this report.

For the purposes of this report, 'executive' means the Group CEO and Senior Executives who are KMP. Suncorp's external auditor, KPMG, has audited sections 2–8 of this report against the disclosure requirements of the *Corporations Act 2001* (Cth).

1. Executive remuneration and performance snapshot

1.1 2019–20 executive remuneration strategy and structure



OBJECTIVES

To provide competitive rewards that attract, retain and motivate talented employees to achieve our strategic objectives by providing valued outcomes for our shareholders and customers.

PRINCIPLES

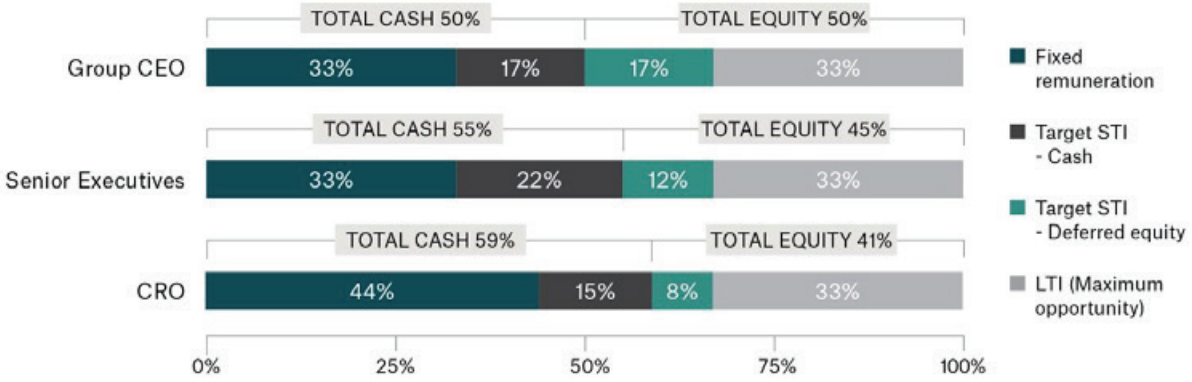
Reward simply and fairly	Align to our strategy	Support our people to always do the right thing	Drive ownership and accountability	Embrace risk management

	Fixed remuneration	Short-term incentives (STI)	Long-term incentives (LTI)
PURPOSE	Reflects the role scope and individual's skills and experience and is set in the context of market remuneration levels.	Rewards the achievement of Group, function and individual outcomes over a 12-month period.	Rewards the creation of long-term shareholder value.
2019-20 STRUCTURE	Consists of base salary, superannuation and any salary-sacrificed benefits.	Ordinarily, 50% of the Group CEO's STI is delivered as cash, with the balance in deferred equity, and 65% of the STI for Senior Executives is delivered as cash with the balance in deferred equity. Executive STI outcomes awarded for 2019-20 will be delivered entirely as deferred equity. The portion that would have ordinarily been delivered as cash will be delivered as share rights, deferred over a one-year period. The portion that would have ordinarily been delivered as deferred equity will be delivered in the normal course, with 50% of the share rights deferred over a one-year period and 50% deferred over a two-year period. Share rights are subject to malus and clawback criteria.	Delivered as performance rights. Vests subject to the achievement of service and performance conditions over a three-year period. If any performance rights vest, they become vested rights at the end of Year 3 and convert into shares at the end of Year 4. Performance rights are subject to malus and clawback criteria.
2019-20 APPROACH FOR PERFORMANCE AND REWARD ASSESSMENT	Reviewed annually for internal relativity and appropriate market alignment to a peer group consisting of financial services companies in the S&P/ASX 100 (excluding real estate investment trusts).	Performance assessment is against the Group Scorecard, Function Scorecard (for Senior Executives), as well as other relevant factors as considered by the Board (including a behavioural overlay). In determining STI outcomes, the Board also exercised its discretion and took into account a number of other factors related to performance over the year. An STI gateway and modifier linked to the Code of Conduct applies which can reduce STI outcomes (down to nil). See section 2 for the Group Scorecard, the basis upon which the Board exercised its discretion, and further detail.	There are two, equally weighted, performance measures: Relative total shareholder return (**TSR**) against the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding real estate investment trusts and resources companies); and Cash Return on Equity (**Cash ROE**). See section 3 for further detail.

Total target remuneration for the executives is reviewed on an annual basis for internal relativity and appropriate market alignment to relevant roles in the peer comparator group, being financial services companies in the S&P/ASX 100 (excluding real estate investment trusts).

1.2 2019–20 executive remuneration mix

The standard executive remuneration mix is outlined below. The Chief Risk Officer's (**CRO**) remuneration was restructured effective 30 September 2019 to place greater emphasis on fixed remuneration to reduce any actual or perceived conflicts of interest arising from variable remuneration tied to company performance.



Board discretion and STI outcomes

To deepen the alignment with the shareholder experience during these challenging times, the Board determined to deliver the 2019–20 STI to executives entirely in deferred equity. The portion that would have ordinarily been delivered in cash (being 50 per cent for the Group CEO and 65 per cent for the Senior Executives) will be delivered in equity, deferred over a one-year period. The portion that would have ordinarily been delivered in equity (being 50 per cent for the Group CEO and 35 per cent for the Senior Executives) will continue to be delivered in the normal course, with 50 per cent deferred over a one-year period and 50 per cent deferred over a two-year period.

Accordingly, the remuneration mix changed for 2019–20 such that 33 per cent of the remuneration package for the Group CEO and Senior Executives (excluding the CRO) continued to be delivered in cash, with 67 per cent deferred over a 1–4 year period (including the deferred STI and the LTI). For the CRO, 44 per cent of the remuneration package continued to be delivered in cash, with 56 per cent deferred over a 1–4 year period. See section 2 for further detail on the 2019–20 delivery of STI outcomes.

The remuneration mix and structure for all executives is compliant with the Banking Executive Accountability Regime (**BEAR**) as the lesser of 20 per cent of total remuneration, or 40 per cent of variable remuneration, is deferred for four years.

1.3 2019–20 executive performance and remuneration outcomes

Fixed remuneration

- There was no change in Group CEO remuneration since appointment.
- Fixed remuneration increases only occurred in the context of appointment to a new role, or change in remuneration structure.
- See section 1.4 for appointment arrangements during 2019-20.
- The CRO's fixed remuneration increased to $870,000 and was accompanied by a reduction in the target STI from 100% to 50% of target, and a reduction in the LTI from 100% to 75% of target.

Short-term incentives (STI)

- For 2019-20, STI outcomes were based on the Group Scorecard as well as other factors considered by the Board as outlined in section 2.
- A summary against the Financial, Customer, Risk, and People and Culture measures in the Group Scorecard is below.

Category	Performance measure	Outcome
Financial	Adjusted NPAT	Below threshold
	Cash ROE	
	System Growth Multiple	
Customer	Net Promoter Score	Between target and stretch
	Voice of the Customer	
	Digital Users	
Risk	Group Risk Maturity Measure	Between threshold and target
	Risk Management Practice Measures	
People and Culture	Employee Engagement	Stretch
	Sustained high performer retention	

- **Group CEO:** Actual STI outcome was 45% of target.
- **Senior Executives:** Actual STI outcomes ranged between 30% and 50% of target.
- See section 2 for further detail.

Long-term incentives (LTI)

- The 2016 LTI grant was tested against the relative TSR performance condition on 31 August 2019.
- Suncorp's TSR was at the 41st percentile of the peer group of companies.
- As Suncorp's TSR was below the median (50th percentile) of the peer group, the 2016 LTI awards lapsed and the executives received no value from this award.

1.4 Appointment arrangements during 2019-20

The Board structures the remuneration packages upon appointment having regard to the nature of the role, the experience and skills of the executive, internal relativities, market data, and stakeholder expectations.

Executive[1]	Arrangements
Steve Johnston, commenced as Group CEO on 9 September 2019	– $1.8 million fixed remuneration – Target STI of 100% of fixed remuneration. For 2019–20, this was pro-rated to reflect time served as Group CEO and formerly as Acting CEO. – Target LTI opportunity of 100% fixed remuneration related to Group CEO role. – A one-off equity grant of 21,978 share rights equating to $300,000 at the time of award, vested on 26 May 2020. This was granted to Mr Johnston in recognition of his acceptance of the role of Acting CEO and for retention purposes. – Mr Johnston was a KMP over the entire 2019–20 financial year, having previously held the role of Acting CEO.
Jeremy Robson, commenced as Group Chief Financial Officer (Group CFO) on 13 December 2019	– $760,000 fixed remuneration – Target STI of 100% of fixed remuneration. For 2019–20, the target STI was pro-rated to reflect time served as Group CFO and formerly as Acting CFO. – Target LTI opportunity of 100% fixed remuneration. The 2019–20 award was pro-rated from the commencement date in role. – Mr Robson was a KMP over the entire 2019–20 financial year, having previously held the role of Acting CFO.
Lisa Harrison, commenced as Chief Customer and Digital Officer on 7 August 2019	– $675,000 fixed remuneration – Target STI of 100% of fixed remuneration. For 2019–20, this was pro-rated to reflect time served as Chief Customer and Digital Officer and formerly as Chief Program Excellence Officer. – Target LTI opportunity of 100% fixed remuneration. The 2019–20 award was based on fixed remuneration as at 30 June 2019. – Ms Harrison was a KMP over the entire 2019–20 financial year, having previously held the role of Chief Program Excellence Officer.

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[1] Lee Hatton was appointed during 2019–20 as CEO Banking & Wealth. She commenced employment on 17 February 2020 and exited on 31 May 2020. Ms Hatton's remuneration arrangements are outlined in sections 1.7 and 8.2 of this report.

1.5 Changes for 2019-20

During 2019-20, Suncorp:

- increased the weighting of non-financial measures in the Group Scorecard to better reflect the interests of all its stakeholders. There is now an equal split between financial and non-financial measures, with Financial measures weighted at 50 per cent, Customer measures weighted at 20 per cent, and Risk, and People and Culture measures weighted at 15 per cent each.
- refreshed our remuneration objective and principles with a key focus on motivating employees to provide valued outcomes for our shareholders and customers and supporting our people to always do the right thing.
- introduced Cash ROE as an LTI performance measure. This measure operates alongside relative TSR and each measure has a 50 per cent weighting.
- strengthened individual consequence management by introducing an STI behavioural gateway and modifier that is linked to Suncorp's Code of Conduct. This applies to all executives and employees and can lead to an employee's STI being reduced (down to nil) if they do not adhere to the Code of Conduct.
- restructured the CRO's remuneration package to place greater emphasis on fixed remuneration to reduce any actual or perceived conflicts of interest arising from variable remuneration tied to company performance.
- implemented and operationalised the BEAR remuneration requirements for Suncorp-Metway Limited, noting that the executives have had a BEAR-compliant remuneration package since 1 July 2018.

1.6 Changes for 2020–21

The Board considered various remuneration structures for 2020–21 having regard to Suncorp's strategy, the shareholder and executive experience, and the impacts of the COVID–19 pandemic. The Board ultimately decided to maintain the same remuneration structure for 2020–21 with continuing use of discretion in determining STI outcomes.

The only material change was to the way that the Cash ROE performance targets are set and assessed in the LTI plan. For the 2019–2020 offer, these were set based on a weighted average approach over 2020, 2021 and 2022. To simplify the methodology in the 2020–21 offer, these will be set based on a straight average approach over 2021, 2022 and 2023.

The Board will continue to review the remuneration framework in light of the major economic restructuring that is still playing out and once the Financial Accountability Regime and APRA's Remuneration Prudential Standard CPS 511 are finalised to ensure that the framework remains aligned with regulatory requirements and supports Suncorp's strategic and cultural objectives, including the attraction, motivation and retention of key talent.

1.7 Remuneration paid, or vested, for the executives over 2019–20

	Remuneration earned in respect of 2019–20			Past 'at-risk' remuneration vested in 2019–20		Actual remuneration earned or vested in 2019–20[6]	Future 'at-risk' remuneration relating to 2019–20	
	Fixed[1]	Other[2]	2019–20 incentives[3]	Deferred STI (equity)[4]	LTI / RSP/ SRP (equity)[5]		2019–20 STI Deferred Equity[7]	LTI in 2019–20[8]
	$000	$000	$000	$000	$000	$000	$000	$000
Executive director								
Steve Johnston[9] *Group CEO & Managing Director*	1,694	-	-	402	221	**2,317**	786	1,800
Senior Executives								
Gary Dransfield[10] *CEO Insurance*	1,050	-	-	416	-	**1,466**	396	1,050
Lisa Harrison[11] *Chief Customer and Digital Officer*	666	-	-	157	39	**862**	258	600
Amanda Revis *Chief People Experience Officer*	850	-	-	326	-	**1,176**	320	850
Jeremy Robson[12] *Group Chief Financial Officer*	698	-	68	97	42	**906**	218	646
Paul Smeaton[13] *CEO New Zealand*	905	-	-	335	-	**1,240**	437	847
Fiona Thompson *Chief Risk Officer*	811	-	-	240	33	**1,084**	194	653
Former Senior Executives								
David Carter[14] *CEO Banking & Wealth*	520	-	-	279	44	**843**	-	-
Sarah Harland[15] *Chief Information Officer*	579	716	-	248	-	**1,543**	170	185
Lee Hatton[16] *CEO Banking & Wealth*	240	-	-	-	-	**240**	-	-
Pip Marlow[17] *CEO Customer Marketplace*	118	976	-	229	893	**2,216**	-	-

1 This reflects fixed remuneration, including base salary, superannuation and any salary sacrificed benefits.

2 This includes the payment on cessation of employment in accordance with contractual commitments for former Senior Executives. For Ms Harland, it represents payment in lieu of notice, and for Ms Marlow it represents payment in lieu of notice and redundancy entitlements.

3 This includes the cash component of STI. Given the Board's decision to deliver the entire amount of the 2019–20 STI in deferred equity, the only cash STI award related to Mr Robson's performance as Acting CFO.

4 This reflects the deferred STI awarded for 2016–17 (tranche 2) and 2017–18 (tranche 1) that vested during 2019–20. The vesting of the 2016–17 deferred STI for Mr Carter, Ms Harrison, Mr Robson, and Ms Thompson relates (in full or in part) to previous Executive General Manager (EGM) roles. The vesting of the 2017–18 deferred STI for Mr Robson relates in full to his previous EGM role.

5 This represents vesting of past awards made under the LTI, Restricted Share Plan (RSP) or Share Rights Plan (SRP) (including awards made on commencement of employment at Suncorp in recognition of incentives forgone with the executive's previous employer) that were granted in prior years and that vested in 2019–20. The 2016 LTI grant did not vest on 31 August 2019 as the relative TSR performance measure was not met. Mr Johnston's share rights awarded upon commencement as Acting CEO in recognition of his acceptance of the role and for retention purposes vested on 26 May 2020. Ms Marlow received tranche 3 of her restricted shares on 1 January 2020 that were awarded on commencement at Suncorp in recognition of benefits forgone from her prior employer. Mr Carter, Ms Harrison, Mr Robson and Ms Thompson's restricted shares that vested during the year relate to awards granted prior to becoming a Senior Executive. Dividend equivalent payments were made on all vested RSP and SRP awards.

6 This refers to the total of remuneration earned in respect of 2019–20 and past 'at-risk' remuneration that vested in 2019–20.

7 This includes both the component of the 2019–20 STI which would have ordinarily been delivered as cash and that will be delivered as share rights (deferred over a one-year period) and the component of the 2019–20 STI that is ordinarily delivered as share rights (deferred over a 1–2 year period). For Mr Robson, it also includes the 40 per cent of his STI relating to his performance as Acting CFO that was deferred for four years to ensure BEAR compliance. Malus and clawback criteria apply to all 2019–20 deferred STI awards.

8 This includes the 2019–20 LTI grant which is subject to the achievement of performance conditions. Malus and clawback criteria apply. The value of Ms Harland's LTI award at grant was $750,000 at face value. This was pro-rated to $185,000 upon cessation of employment.

9 Mr Johnston was appointed Group CEO during the reporting period and his remuneration was varied effective 9 September 2019. He held the role of Acting CEO from 26 May 2019 to 8 September 2019 and served as a KMP for the entire financial year.

10 Mr Dransfield ceased to be a KMP and ceased employment on 17 July 2020 due to his role becoming redundant. Arrangements on cessation of employment will be disclosed in the 2020–21 Remuneration Report.

11 Ms Harrison was appointed Chief Customer and Digital Officer during the reporting period and her remuneration was varied effective 7 August 2019. She served as a KMP for the entire financial year having previously held the role of Chief Program Excellence Officer.

12 Mr Robson was appointed Group CFO during the reporting period and his remuneration was varied effective 13 December 2019. He served as a KMP for the entire financial year having previously held the role of Acting CFO.

13 Mr Smeaton's remuneration has been converted to Australian dollars based on the average 2019–20 daily exchange rate. Mr Smeaton's fixed remuneration also includes an annual leave loading (based on the average last 52 weeks of earnings including bonus) in accordance with New Zealand Holiday Pay legislation.

14 Mr Carter ceased to be a KMP on 26 January 2020 and ceased employment on 29 January 2020 due to resignation. Mr Carter's unvested equity was forfeited on cessation of employment and is therefore not included in the above table. Mr Carter was not eligible to participate in the 2019–20 STI and no termination payment was made.

15 Ms Harland ceased to be a KMP and ceased employment on 27 March 2020 due to mutual separation. She was eligible to participate in the 2019–20 STI on a pro-rata basis, subject to performance. All unvested deferred STI awards remained on-foot and will vest in the normal course, subject to malus and clawback criteria. LTI awards were pro-rated based on time served in the performance period and vest subject to the achievement of performance conditions in the normal course. Malus and clawback criteria apply.

16 Ms Hatton was appointed CEO Banking & Wealth on 17 February 2020. She ceased to be a KMP and ceased employment on 31 May 2020 due to resignation. Ms Hatton's unvested equity was forfeited on cessation of employment and is therefore not included in the above table. Ms Hatton was not eligible to participate in the 2019–20 STI and no termination payment was made.

17 Ms Marlow ceased to be a KMP on 7 August 2019 and ceased employment on 30 August 2019 due to her role becoming redundant. Remuneration disclosures above reflect the time that she served as a KMP only. Ms Marlow was not eligible to participate in the 2019–20 STI. All unvested deferred STI awards remained on-foot and will vest in the normal course, subject to malus and clawback criteria. LTI awards were pro-rated based on time served in the performance period and vest subject to the achievement of performance conditions in the normal course. Malus and clawback criteria apply.

1.8 Remuneration and performance arrangements for customer-facing employees

Since 2017, Suncorp has made significant changes to the performance and remuneration framework of customer-facing employees to ensure these are not creating any conflicts of interest. Around 1,000 customer-facing employees have transitioned from bespoke incentive plans which were more sales-oriented and formulaic, to the Group-wide Corporate Incentive Plan which is based on a breadth of measures (as explained in section 2).

From 1 July 2020, the maximum STI opportunity for all employees was reduced from 250 per cent to 150 per cent of target. Furthermore, all remaining leader boards or reporting practices that could be construed as such have ceased operation during 2019–20 and leader education sessions were conducted to reinforce the balanced approach to performance and reward.

Performance outcomes are weighted 80 per cent towards scorecard measures (the "what") and 20 per cent on behaviours (the "how"). Scorecard measures include Financial, Customer, Risk, and People and Culture goals. A summary of the scorecard for customer-facing employees is below:

Scorecard category and weighting	Performance measures for customer-facing employees
Financials (30%–40%)	– Financial measures have a maximum weighting of 30% in Banking and Direct Distribution. – Financial measures include lending growth, lending disbursements, deposit growth and connecting customers across product quadrants in Banking; and customer value targets and connected customers in Direct Distribution. – Financial measures in Claims are weighted at 40% with measures varying depending on area (motor, property, specialty, or personal injury) and may include cost of claims, estimate accuracy, assessments per day and number of referrals.
Customer (20%–50%)	– Customer measures are weighted between 30% and 50% in Banking and Direct Distribution. – The primary measure across these areas is leader-assessed with an overall assessment impacted by customer satisfaction, customer complaints resolution, various call metrics, and presenting quality options that are in the customer's best interests. – Customer measures in Claims are weighted between 20% and 30%, with measures varying depending on area. Generally, these include customer satisfaction or net promoter score (NPS) and complaints and resolution.
Risk (10%–20%)	– Risk measures are weighted at 20% in Banking, 10%–15% in Direct Distribution and 15%–20% in Claims. – The primary measure is advancing Suncorp's risk culture in Banking, Effective Risk Management in Direct Distribution, with varying measures for Claims depending on the area. The common risk measures across all customer-facing roles relate to adhering to compliance requirements, process and delegated authority, licensing, legislative and regulatory obligations, quality assurance and completion of compliance training.
People and Culture (10%–20%)	– Primary measures include development, engagement, and safety and wellbeing.

Suncorp is compliant with the Sedgwick Remuneration Review Recommendations from 1 July 2020, excluding Recommendation 18 relating to mortgage broker remuneration given the Government's policy reform in this area.

2. Short-term incentive

The table below outlines the key terms and conditions of the STI plan for 2019–20.

<table>
<tr><th>Plan</th><th>Corporate Incentive Plan</th></tr>
<tr><td>Plan rationale</td><td>To incentivise the achievement of key performance measures over a 12-month period that create sustainable value for all stakeholders.</td></tr>
<tr><td>STI opportunity</td><td><table>
<tr><th>Executives</th><th>Target STI</th><th>Maximum STI</th></tr>
<tr><td>Group CEO and Senior Executives (excluding the CRO)</td><td>100% of fixed remuneration</td><td>150% of target STI can be achieved in exceptional circumstances.</td></tr>
<tr><td>CRO</td><td>50% of fixed remuneration</td><td></td></tr>
</table></td></tr>
<tr><td>Group Scorecard</td><td><table>
<tr><th>Performance category</th><th>2019–20 weighting</th></tr>
<tr><td>Financial</td><td>50%</td></tr>
<tr><td>Customer</td><td>20%</td></tr>
<tr><td>Risk</td><td>15%</td></tr>
<tr><td>People and Culture</td><td>15%</td></tr>
</table>
Performance against the Group Scorecard, as endorsed by the People and Remuneration Committee and approved by the Board, heavily influences the size of the STI pool.
Further detail on the Group Scorecard measures, and performance against these measures, is outlined later in this section.</td></tr>
<tr><td>Gateway and modifier</td><td>A STI gateway and modifier linked to the Code of Conduct applies. Where there has not been adherence to the Code of Conduct, the STI may be reduced (down to nil).</td></tr>
<tr><td>Performance assessment</td><td>The Group CEO and Senior Executives are assessed against the Group Scorecard, Function Scorecard (for Senior Executives) and other relevant factors as considered by the Board. See "Board discretion and STI outcomes” later in this section for further detail.</td></tr>
<tr><td>Performance period</td><td>The 12 months ended 30 June 2020.</td></tr>
<tr><td>Delivery mechanism</td><td>To deepen the alignment with the shareholder experience during these challenging times, the Board determined that the entire STI award for 2019–20 for executives will be delivered in deferred equity. There will be no cash component.
<table>
<tr><th></th><th></th><th colspan="2">Share Rights</th></tr>
<tr><th>Executive</th><th>Cash</th><th>Deferred over one year</th><th>Deferred over two years</th></tr>
<tr><td>Group CEO</td><td>-</td><td>75%</td><td>25%</td></tr>
<tr><td>Senior Executives[1]</td><td>-</td><td>82.5%</td><td>17.5%</td></tr>
</table>
Ordinarily, 50% of the Group CEO’s STI award, and 65% of the Senior Executives’ STI awards, would be delivered in cash. For 2019–20, this portion will be delivered as share rights, deferred over a one-year period. The allocation of these rights is determined based on the volume weighted-average price (VWAP) over June 2020, being the final month of the performance period.
Ordinarily, 50% of the Group CEO’s STI award, and 35% of the Senior Executives’ STI awards, would be delivered as share rights, deferred equally over a 1–2 year period. This portion of the STI will continue to be delivered in the normal course. To focus executives on total shareholder returns from the start of the performance period, the allocation of these share rights is based on the VWAP one month prior to the start of the performance period (June 2019). The allocation of share rights also reflects the value of dividends paid over the performance period.</td></tr>
<tr><td>Malus and clawback</td><td>All share rights are subject to malus and clawback criteria. See section 5.2 for further information.</td></tr>
<tr><td>Termination of employment</td><td>See section 6 for the treatment of STI on termination.</td></tr>
</table>

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[1] For 2019–20, to ensure compliance with the BEAR, 40 per cent of the actual STI for Mr Robson relating to his performance as Acting CFO will be deferred for four years to ensure BEAR compliance. The balance of the STI relating to his acting role will be paid in cash.

2019–20 Group Scorecard measures, rationale and weighting

The table below outlines the Group Scorecard measures and weightings for 2019–20, along with the rationale as to why each scorecard measure was chosen.

Scorecard category	Scorecard measure	Weighting	Rationale
Financial	Adjusted Net Profit After Tax (**NPAT**)	30%	The Board considers Adjusted NPAT to be an appropriate reflection of the Suncorp Group's performance relative to its targets. The measure provides relevant information used internally to evaluate the performance of Suncorp functions, and to analyse trends in revenue and cash-based expenses, based upon controllable items. It is the basis for operational objectives and is used to allocate resources. As a measure of management performance, it is an effective measure for STI. Adjusted NPAT provides stakeholders with a clear understanding of the Group's results. It excludes the effects of a limited range of actions and special items that do not reflect the ordinary earnings of the business. Over time, Adjusted NPAT allows the evaluation of Suncorp's period-over-period operating performance. The Board considers this measure to be useful to shareholders in evaluating the underlying operating performance of the business. Adjusted NPAT has been determined on a consistent basis since 2011–12.
	Cash ROE	10%	Cash ROE is a measure of Suncorp's overall return to shareholders. It focuses executives on delivering returns and top-line growth by leveraging the Group's strategic assets. Cash ROE considers all controllable and uncontrollable items.
	System Growth Multiple	10%	System Growth Multiple measures Suncorp's growth versus system for Insurance, Banking and New Zealand and provides a performance outcome relative to the market. Insurance is measured by Suncorp's Consumer insurance unit growth compared to market growth. Banking is measured by Suncorp's Home Lending growth and at-call deposit growth compared to market, and New Zealand is measured by Suncorp's Consumer Insurance Gross Written Premium (**GWP**) growth compared to market. The outcomes are weighted to reflect historical profit contribution to the Group.
Customer	Net Promoter Score (**NPS**)	20%	NPS – Consumer and Business. This measure gauges customers' willingness to recommend Suncorp to others. NPS is reliably measured for consumer and business customer groups through external surveys and allows a comparison of competitor performance.
	Service quality – Voice of Customer (**VoC**)		Consistently meeting customer expectations of service in all interactions at key touch points is the key driver of service quality. Suncorp's VoC program measures "expectations met" across our key channels and key interactions.
	Choice – Digital Users (**Digital Users**)		Measuring the number of Digital Users tracks progress in expanding the capability and reach of Suncorp's digital channels. The measure represents unique visitors that have logged into authenticated digital assets.
Risk	Group Risk Maturity Measure	15%	The Group Risk Maturity Model provides an objective measurement that consistently and transparently assesses and tracks the quality of risk management and risk-based performance at a Group level through an aggregated measure of risk maturity which is independently audited.
	Risk Management and Compliance Measures		This is an assessment made by the Board based on a dashboard of risk metrics including material regulatory matters, material breaches of the Suncorp Group Risk Appetite Statement tolerances and thresholds, indicators of a risk-aware culture across the Group, and management of conduct risk. It also incorporates external advisor and Board Risk Committee feedback. The metrics provide insights to the Board on the Group's risk culture, compliance practices, incident management and the control environment.
People and Culture	Engagement	15%	This measure provides clarity on the quality of the employee experience and supports optimised workforce performance. High levels of employee engagement mean that Suncorp is better positioned to deliver valued outcomes to customers and deliver Suncorp's strategy. It captures the percentage of favourable responses to the 'Engagement' Dimension in the Engagement at Suncorp survey, independently administered by Aon.
	Sustained High Performer Retention		Sustained High Performer Retention ensures a continued focus on talent development, appropriate management of turnover and delivery of Suncorp's strategy. The measure focuses on reducing employee-initiated turnover of employees who have received a high-performing rating for two consecutive years.

2019–20 Group Scorecard performance outcomes

STRATEGIC DRIVER	MEASURES	ACTUAL PERFORMANCE OUTCOME Below Threshold	Threshold to Target	Target	Target to Stretch	Stretch	2019-20 ACHIEVEMENT
FINANCIAL							
Deliver targeted Profit after Tax	Adjusted NPAT	✓					The Group delivered an Adjusted NPAT result of $830 million which was below threshold. Key drivers are the Core Banking Platform write off, the provision in relation to the pay and leave entitlements review and COVID-19 impacts. Net adjustments over 2019–20 were $83 million (post-tax) due to plan variances on investment income, natural hazards, prior year reserve releases and an adjustment for the gain on the sale of Capital S.M.A.R.T and ACM Parts.
Improve shareholder returns	Cash ROE	✓					Cash ROE for the year was 5.9 per cent which was below threshold. In addition to the above drivers, Cash ROE was impacted by lower reserve releases and investment income.
	System Growth Multiple	✓					System Growth Multiple was 0.36 which was below threshold.
CUSTOMER							
Create value for customers	NPS – Consumer[1]			✓			Consumer NPS is approximately at target, having improved through the year, particularly in mass and niche insurance brands.
	NPS – Business					✓	Business NPS is above the stretch level of performance reflecting a focus on service to brokers and the strengthening of AAMI Direct Insurance.
	VoC				✓		Overall service quality exceeded target, with Insurance performing consistently and Bank continuing to strengthen despite the challenges of the COVID-19 environment.
	Digital Users[1]			✓			Digital users are at target with growth driven by online claims, increases in bank customer registrations and usage of the Suncorp App. The Suncorp Portal also experienced strong user growth in June 2020.
RISK							
Manage risk within agreed parameters	Group Risk Maturity Measure		✓				Performance against the Group Risk Maturity Model was slightly above target reflecting the strength of Suncorp's risk management practices.
	Risk Management and Compliance Practices						The Group continues to manage "Severe" level risks well as evidenced by the prompt and effective response to COVID-19 and the general effectiveness of our control environment. The result was slightly below target, reflecting opportunities to further enhance our core risk and compliance practices and our control environment, as well as reducing the number of manual processes.
PEOPLE AND CULTURE							
Drive a positive culture and engaged workforce	Engagement					✓	The engagement score from the April 2020 Employee Engagement survey was 67 per cent which is above the stretch level of performance of 64 per cent, representing a 7-point uplift from April 2019. The 2020 result is 2 points below the Australian New Zealand Top Quartile (69 per cent).
	Sustained High Performer Retention					✓	Sustained High Performer Retention was 95 per cent which is equivalent to the stretch level of performance.
OVERALL PERFORMANCE OUTCOME			✓				The Group Scorecard outcome was 59 per cent of target. Ordinarily the STI pool is aligned to the Group Scorecard outcome, unless there are any other material factors for the Board to consider. In 2019-20, the Board exercised its discretion and adopted a tiered approach for STI outcomes for the Group CEO, Senior Executives, EGMs and other employees. See over the page for detail.

[1] NPS – Consumer and Digital Users were within +/-4% of Target.

Board discretion and STI outcomes

The Board exercised its discretion in determining the 2019–20 STI outcomes and adopted a tiered approach for the Group CEO, Senior Executives, EGMs and other employees. Outside of the Group Scorecard, other positive factors considered by the Board included the management of the unprecedented intensity of natural hazards and the COVID–19 pandemic, the proactive response to the impact of the changing economic environment on our customers, and the successful sale of Capital S.M.A.R.T and ACM Parts, and Suncorp's strong capital position post this sale.

Counter-balancing the positive factors, the Board was also mindful of the shareholder experience, the write-down of the core banking platform, and the unexpected need for provisions relating to the pay and leave entitlements review.

Taking into account the Group Scorecard outcome and overlaying Board discretion, the 2019–20 STI outcome for the Group CEO was 45 per cent of target and the 2019–20 STI outcomes for the Senior Executives ranged between 30 per cent and 50 per cent of target. The average STI outcome for the executives was 40 per cent of target. Individual STI outcomes are outlined on the following page.

The STI pool for EGMs was set at 45 per cent of target, and the STI pool for all other employees was set at 59 per cent of target, aligned to the Group Scorecard outcome. The tiered approach to the STI pools for 2019–20 predominantly reflected the stronger line of sight and accountability of the Group CEO, Senior Executives and EGMs over the 2019–20 financial results and shareholder experience.

Individual STI performance outcomes

Actual STI outcomes for 2019–20 for the executives are outlined below.

	STI award						STI delivery		
	Actual STI Awarded[1]	Target STI[2]	STI award as % of Target STI	Maximum STI[3]	STI award as % of Maximum STI	% of maximum STI award forfeited	% of STI delivered as Cash[4]	% of STI delivered as Deferred Equity[5]	Total Amount Deferred[6]
	$000	$000		$000					$000
Executive director									
S Johnston[7]	767	1,704	45%	2,557	30%	70%	-	100%	767
Senior Executives									
G Dransfield	389	1,050	37%	1,575	25%	75%	-	100%	389
L Harrison	254	667	38%	1,001	25%	75%	-	100%	254
A Revis	315	850	37%	1,275	25%	75%	-	100%	315
J Robson[8]	281	701	40%	1,052	27%	73%	24%	76%	212
P Smeaton	430	859	50%	1,289	33%	67%	-	100%	430
F Thompson	190	488	39%	733	26%	74%	-	100%	190
Former Senior Executives[9]									
S Harland[10]	167	555	30%	833	20%	80%	-	100%	167

[1] This is the total actual STI awarded. Where applicable, the actual STI has been pro-rated to reflect the time served as a KMP in 2019–20.

[2] Target STI is 100 per cent of fixed remuneration for the Group CEO and Senior Executives, excluding the CRO. The CRO's target STI is 50 per cent of fixed remuneration effective 30 September 2020 and has been pro-rated to reflect her new and prior arrangements. Where applicable, the target STI has been pro-rated to reflect the time served as a KMP in 2019–20.

[3] Maximum STI is 150 per cent of the target STI opportunity.

[4] This includes the cash component of STI. Given the Board's decision to deliver the entire amount of the 2019–20 STI in deferred equity, the only cash STI award related to Mr Robson's performance as Acting CFO.

[5] This includes the portion of the 2019–20 STI that would have ordinarily been delivered as cash that will be delivered as share rights (deferred over a one-year period) as well as the portion of the 2019–20 STI that would have ordinarily been delivered as share rights (deferred over a 1–2 year period) that will continue to be delivered in the normal course. For Mr Robson, it also includes the 40 per cent of his 2019–20 STI that related to his performance as Acting CFO that was deferred for four years to ensure compliance with the BEAR. BEAR compliance for the other executives is achieved through the LTI plan.

[6] For 2019–20, Total Amount Deferred is the same as the Actual STI Awarded for all executives excluding Mr Robson. See footnote 4.

[7] Mr Johnston was appointed Group CEO during the reporting period and his remuneration was varied effective 9 September 2019. He held the role of Acting CEO from 26 May 2019 to 8 September 2019 and was a KMP over the full financial year.

[8] Mr Robson was appointed Group CFO during the reporting period and his remuneration was varied effective 13 December 2019. He held the role of Acting CFO for the balance of 2019–20 and was a KMP over the full financial year.

[9] Mr Carter, Ms Hatton and Ms Marlow did not participate in the 2019–20 STI plan due to cessation of employment.

[10] Ms Harland ceased employment on 27 March 2020 and was eligible to participate in the 2019–20 STI plan on a pro-rated basis, subject to performance.

3. Long-term incentive

The table below outlines the key terms and conditions of the LTI plan for 2019–20.

<table>
<tr><td>Plan</td><td>Suncorp Group Equity Incentive Plan. For the purposes of this report, this is referred to as the LTI plan.</td></tr>
<tr><td>Plan rationale</td><td>The LTI plan focuses executives on creating long-term shareholder value.</td></tr>
<tr><td>LTI opportunity</td><td><table>
<tr><th>Executives</th><th>LTI opportunity</th></tr>
<tr><td>Group CEO and Senior Executives (excluding the CRO)</td><td>100% of fixed remuneration</td></tr>
<tr><td>CRO</td><td>75% of fixed remuneration</td></tr>
</table></td></tr>
<tr><td>LTI instrument</td><td>Performance rights. These vest after three years provided service conditions and performance conditions are achieved. For awards made from 2018–19 onwards, if performance rights vest, they will convert into vested rights and these rights are required to be held by the executive for a further one-year period. At the end of year four, the vested rights convert to shares.
To more closely align the experience of the executive to shareholders, a dividend equivalent payment is made at the end of the four-year deferral period on any vested rights that convert to shares. Dividend equivalent payments are made at the end of the three-year period in relation to LTI awards granted prior to 2018–19 that are still on-foot based on any performance rights that convert to shares.</td></tr>
<tr><td>Allocation</td><td>The LTI opportunity is divided by the VWAP of the ordinary shares over the five days preceding the date of grant. No discount is applied for the probability of achieving the performance measures.</td></tr>
<tr><td>Performance measure</td><td>There are two performance measures, being relative TSR and Cash ROE. Each performance measure is weighted at 50%.
Relative TSR is assessed against a peer group of the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding real estate investment trusts and resources companies), as determined at the commencement of each grant (Peer Group). This measure was chosen because it offers a relevant indicator of changes in shareholder value by comparing the Company's return to shareholders against the returns of companies of a similar size and investment profile. It also aligns shareholder returns with reward outcomes for executives over the long term and minimises the impact of market cycles.
Cash ROE was used as a performance measure as it is a measure of Suncorp's overall return to shareholders and it focuses executives on delivering returns and top-line growth by leveraging the Group's strategic assets. Cash ROE outcomes will be assessed based on a weighted average approach over the 3-year period (20% on 2020 Cash ROE, 30% on 2021 Cash ROE and 50% on 2022 Cash ROE). To simplify the methodology and in response to investor and proxy advisor feedback, Cash ROE for the 2020–21 LTI grant will be assessed based on a straight average approach over the 3-year period from 2021–2023.
For awards made prior to 2018–19 that are still on-foot, performance is assessed against relative TSR only.</td></tr>
<tr><td>Vesting schedule</td><td>Relative TSR vesting schedule<table>
<tr><th>Relative TSR performance outcomes</th><th>Percentage of LTI award that will vest</th></tr>
<tr><td>Below the 50th percentile</td><td>0%</td></tr>
<tr><td>At the 50th percentile (median)</td><td>50%</td></tr>
<tr><td>Between the 50th and 75th percentiles</td><td>Pro-rata vesting between the 50th and 75th percentiles</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
</table>Cash ROE vesting schedule
Given commercial sensitivities, the Cash ROE targets and vesting schedule relating to the 2019–20 LTI offer will be retrospectively disclosed in the 2021–22 remuneration report.</td></tr>
<tr><td>Performance and deferral period</td><td><table>
<tr><td>Performance period</td><td>3 years</td></tr>
<tr><td>Deferral period</td><td>4 years</td></tr>
</table>For all LTI awards that were granted prior to 2018–19 and are still on-foot, the performance and deferral period is three years.</td></tr>
<tr><td>Malus and clawback</td><td>All performance rights are subject to malus and clawback criteria. See section 5.2 for further information.</td></tr>
<tr><td>Termination provisions</td><td>See section 6 for information on the treatment of LTI awards on termination.</td></tr>
</table>

Performance summary: 2016–2020

Company performance summary over the five financial years to 30 June 2020

Year ended 30 June	Group NPAT $M[1]	Closing share price $	Dividend per share cents
2020	913[2]	9.23[3]	36
2019	175[4]	13.47[5]	78
2018	1,059	14.59	81
2017	1,075	14.82	73
2016	1,038	12.18	68

[1] This figure refers to Group NPAT. Adjusted NPAT is the profitability figure used in the STI plan. See section 2 for information on Adjusted NPAT.

[2] Group NPAT from 2020 was impacted by the $285 million profit arising from the sale of Capital S.M.A.R.T and ACM Parts businesses.

[3] The 2020 closing share price was impacted by the general market downturn as a result of the COVID–19 pandemic.

[4] Group NPAT for 2019 was impacted by the $910 million loss arising from the sale of the Australian Life Business. Cash earnings were $1,115 million.

[5] This is the closing share price at 28 June 2019.

Suncorp's TSR over the five financial years to 30 June 2020 was -9.0 per cent. This compares to S&P / ASX 200 financial services companies (excluding real estate investment trusts) of -5.2 per cent.

4. Minimum shareholding requirement (MSR)

To further align executive interests with those of shareholders, executives are required to have a shareholding in the Company equivalent to at least 100 per cent of one year's pre-tax (gross) fixed remuneration. From 2019–20, given the change in remuneration structure for the CRO role, the MSR for this role reduced to 75 per cent of one year's pre-tax (gross) fixed remuneration.

Executives are required to meet the MSR four years from the October following their appointment, with 50 per cent to be achieved after two years. The value of the shares for the purposes of this requirement is the five-day VWAP up to 30 June in the relevant year. The Board has discretion to alter the VWAP in any particular year in light of any business decisions or external factors materially impacting the share price.

For 2019–20, given the impact of COVID–19 on the Suncorp share price, the Board exercised its discretion and did not require executives to purchase additional shares to meet the MSR.

Based on their shareholding as at 30 June 2020, all executives, excluding one, have either met their MSR or are on track to meet this within the required timeframes.

Detailed share ownership information for executives and directors is shown in section 8.4.

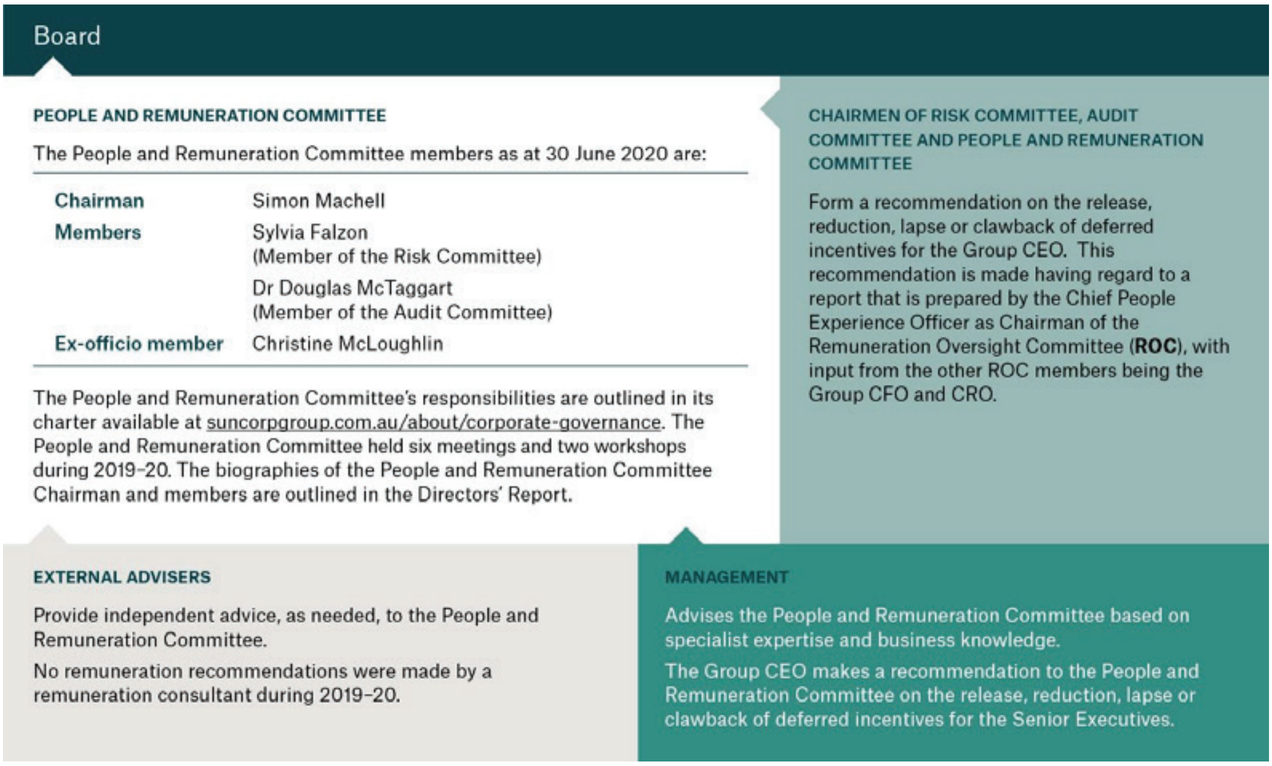
5. Remuneration governance, risk, conduct, and consequences

5.1 Remuneration governance framework

The People and Remuneration Committee endorses the Group's people and remuneration frameworks and practices to the Board for approval. It assists the Board in fulfilling its responsibilities by ensuring that frameworks are in place that enable the Group to attract, motivate and retain talent and support the achievement of Suncorp's strategic and cultural objectives.

In 2019–20, remuneration outcomes for the Group CEO were recommended by the Chairman of the Board, endorsed by the People and Remuneration Committee, and approved by the Board. For Senior Executives, these were recommended by the Group CEO, endorsed by the People and Remuneration Committee, and approved by the Board.

The People and Remuneration Committee receives input from the Risk Committee, Audit Committee, external advisors and management as illustrated below.



Board

PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee members as at 30 June 2020 are:

Chairman	Simon Machell
Members	Sylvia Falzon (Member of the Risk Committee) Dr Douglas McTaggart (Member of the Audit Committee)
Ex-officio member	Christine McLoughlin

The People and Remuneration Committee's responsibilities are outlined in its charter available at suncorpgroup.com.au/about/corporate-governance. The People and Remuneration Committee held six meetings and two workshops during 2019-20. The biographies of the People and Remuneration Committee Chairman and members are outlined in the Directors' Report.

CHAIRMEN OF RISK COMMITTEE, AUDIT COMMITTEE AND PEOPLE AND REMUNERATION COMMITTEE

Form a recommendation on the release, reduction, lapse or clawback of deferred incentives for the Group CEO. This recommendation is made having regard to a report that is prepared by the Chief People Experience Officer as Chairman of the Remuneration Oversight Committee (**ROC**), with input from the other ROC members being the Group CFO and CRO.

EXTERNAL ADVISERS

Provide independent advice, as needed, to the People and Remuneration Committee.

No remuneration recommendations were made by a remuneration consultant during 2019-20.

MANAGEMENT

Advises the People and Remuneration Committee based on specialist expertise and business knowledge.

The Group CEO makes a recommendation to the People and Remuneration Committee on the release, reduction, lapse or clawback of deferred incentives for the Senior Executives.

Remuneration Oversight Committee

The ROC is a management committee that is responsible for the identification and review of significant issues that may require the application of malus, clawback or current-year STI reduction for executives and employees.

The Chief Risk Office identifies issues for consideration and discussion by the ROC on a quarterly basis. Material matters including risk incidents, breaches and significant improvement audit outcomes are reported to the Chairmen of the People and Remuneration Committee, Risk Committee and Audit Committee, and subsequently to the People and Remuneration Committee and Board, for consideration of consequences.

5.2 Remuneration alignment with risk and conduct management

Suncorp is committed to effective risk management throughout the Group, with risk management considering both financial and non-financial risks.

The Non-Financial Risk Committee, made up of the Group CEO, Senior Executives and the Group General Counsel, supports the identification, assessment, monitoring, and mitigation of non-financial risks. This governance structure ensures that relevant non-financial risks, including conduct risks, are considered.

The Enterprise Risk Management Framework (**ERMF**) lays the foundation for all Suncorp's risk management processes. The ERMF seeks to ensure the integration of effective risk management across the Group and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy). Employees are educated on the importance of managing risk and the link between risk management and the outcomes for our customers, employees and shareholders.

The Board sets the risk appetite for the Group and has ultimate responsibility for the effectiveness of the Group's risk management practices. In addition, there are common members between the Board, People and Remuneration, Risk, and Audit Committees.

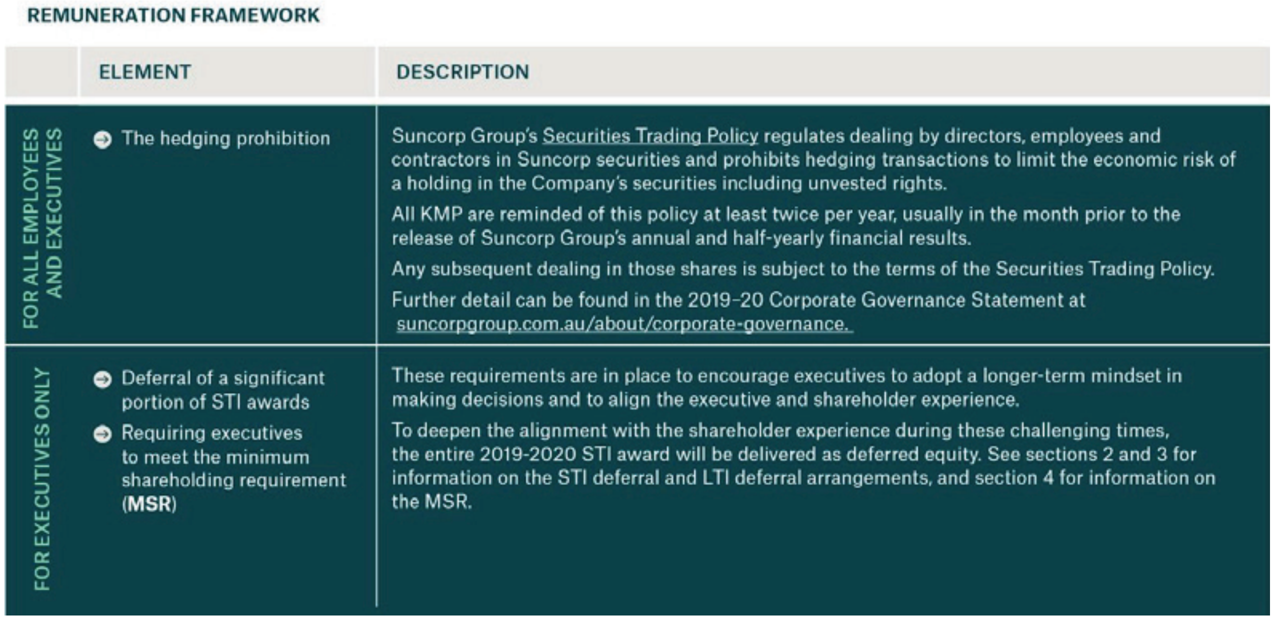
Suncorp develops its strategy and business plan both in consideration of the Group's risk appetite and with regard to the broader external environment.

In addition to ensuring the remuneration framework is aligned to prudent risk management, the Board also places significant importance on ensuring the framework incentivises desired conduct and behaviours. This is seen through the new behavioural STI gateway and modifier introduced in 2019–20 (see further details below).

Risk and conduct are incorporated into the remuneration framework as outlined below:

REMUNERATION FRAMEWORK

	ELEMENT	DESCRIPTION
FOR ALL EMPLOYEES AND EXECUTIVES	Meaningful weighting of non-financial measures in the Group Scorecard, including a separately weighted risk measure in the Group Scorecard	The structure of the Group Scorecard consists of a number of measures across the categories of Financial, Customer, Risk, and People and Culture, with financial measures and non-financial measures equally weighted at 50% each. The risk measures in the Group Scorecard are outlined in section 2. The intent of the risk measures is to encourage positive risk behaviours and adherence to the Suncorp Group Risk Appetite Statement.
	STI outcomes are based on both the "what" and the "how"	For executives, the Board considers behaviours as part of its judgement overlay in determining STI outcomes. For other employees, individual scorecards are weighted 80% towards performance measures and 20% towards desired behaviours, with the intent of ensuring that performance outcomes are achieved in the appropriate way.
	The behavioural STI gateway and modifier linked to the Code of Conduct	The behavioural STI gateway and modifier introduced from 2019-20 is based on an individual's compliance with the Code of Conduct. This can lead to an employee or executive's STI being reduced (down to nil) if they do not adhere to the Code of Conduct.
	The Board's application of a judgement overlay on the Group Scorecard outcome, with risk management considered as a key component of the overall performance outcome	In determining performance and remuneration outcomes, the People and Remuneration Committee considers all relevant factors to demonstrate alignment with the Group's risk appetite and adherence to effective risk management practices to ensure that long-term financial soundness of outcomes is determined, before the Board makes its final determination of the overall STI pool and individual STI awards for the executives.
	Incorporation of malus and clawback criteria into deferred incentive awards	Deferred incentives (including STI deferred awards and vested and unvested LTI awards) are subject to malus and clawback criteria based on the Board's judgment. Malus and clawback criteria enable the Board, in its absolute discretion and subject to compliance with the law, to determine that a participant's deferred incentives will be fully or partially lapsed (malus) during the deferral period or any shares or cash payment made will be fully or partially forfeited, lapsed and / or repaid (clawback). In exercising its discretion, the Board will consider whether this is desirable to protect the Group's financial soundness or to respond to unforeseen circumstances.



REMUNERATION FRAMEWORK

	ELEMENT	DESCRIPTION
FOR ALL EMPLOYEES AND EXECUTIVES	➔ The hedging prohibition	Suncorp Group's Securities Trading Policy regulates dealing by directors, employees and contractors in Suncorp securities and prohibits hedging transactions to limit the economic risk of a holding in the Company's securities including unvested rights. All KMP are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results. Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy. Further detail can be found in the 2019-20 Corporate Governance Statement at suncorpgroup.com.au/about/corporate-governance.
FOR EXECUTIVES ONLY	➔ Deferral of a significant portion of STI awards ➔ Requiring executives to meet the minimum shareholding requirement (**MSR**)	These requirements are in place to encourage executives to adopt a longer-term mindset in making decisions and to align the executive and shareholder experience. To deepen the alignment with the shareholder experience during these challenging times, the entire 2019-2020 STI award will be delivered as deferred equity. See sections 2 and 3 for information on the STI deferral and LTI deferral arrangements, and section 4 for information on the MSR.

5.3 Decision to defer the vesting and release of deferred incentives

Prior to the vesting and release of deferred incentives, the People and Remuneration Committee and the Board consider whether the vesting and release of these incentives is appropriate in light of any material matters including risk incidents, breaches, and significant improvement audit outcomes identified by the Remuneration Oversight Committee.

Given the pay and leave entitlement review is not yet complete, the People and Remuneration Committee and Board determined that it was not appropriate to approve the vesting and release of the deferred incentives for the Group CEO, former CEO & Managing Director, and current and former Senior Executives and EGMs at this time. Instead, the decision to vest and release the deferred incentives will be deferred until such time that the Board has all relevant information to make an informed decision.

5.4 Consequences for misconduct

In 2019–2020, Suncorp's Consequence Management Framework was introduced to strengthen the link between conduct and individual performance and reward outcomes. Suncorp employees were educated on the revised framework as part of the 2020 Goal Setting process and leader education sessions were conducted to highlight how our behaviours can build trust and confidence and allow us to deliver valued experiences for our people and our customers.

In 2019–20, there were 239 Code of Conduct breaches identified that resulted in formal consequences. This included:

- 69 employees leaving Suncorp
- 28 employees receiving nil variable rewards; and
- the remaining 142 employees receiving a minimum 20 per cent reduction in variable rewards.

6. Employment Agreements and Incentive Plan Rules

The Group CEO and Senior Executives are employed by Suncorp Staff Pty Limited, a wholly owned subsidiary of the Company, under standard employment agreements with no fixed term.

A summary of the employment agreements for the Group CEO and Senior Executives, including key terms outlined in relevant Incentive Plan Rules, is outlined below.

	Group CEO	Senior Executives
Notice period	**Termination with notice:** 9 months **Resignation:** 6 months	**Termination with notice:** 9–12 months **Resignation:** 3 months
	Suncorp can also immediately terminate the executive's employment in the case of serious misconduct. In this case, the executive would be entitled to fixed remuneration up to their termination date and their statutory entitlements.	
Treatment of STI cash on termination	**Resignation or immediate dismissal:** No cash STI will be awarded. **Redundancy:** A cash STI award may be received, subject to performance, at Board discretion. **All other cases**: Board discretion	
Treatment of STI deferral on termination	**Resignation**: Any unvested deferred incentive is forfeited, excluding the share rights that were allocated to the executives in lieu of the cash portion of the 2019–20 STI. Immediate dismissal: All unvested deferred incentives are forfeited. **Redundancy**: Any deferred incentive will generally remain on-foot and vest at the end of the deferral period and will remain subject to malus and clawback criteria. All other cases: Board discretion	
Treatment of LTI on termination	**Unvested equity:** The Board has discretion to determine that any unvested LTI performance rights will continue until the relevant vesting dates and remain subject to the performance measures and malus and clawback criteria. All unvested equity will be forfeited on immediate dismissal. **Vested rights:** Any vested rights will continue beyond cessation of employment and convert into shares in the normal course, subject to malus and clawback criteria.	
Treatment of restricted shares and share rights on termination[1]	The Board has discretion to determine that any unvested restricted shares or share rights will be pro-rated for the time served in the vesting period and those reduced number of restricted shares or share rights will vest at the termination date subject to malus and clawback criteria, unless otherwise determined by the Board. All unvested equity will be forfeited on immediate dismissal.	
Change of control	Impact of a change of control on remuneration is at Board discretion.	

[1] These equity awards were granted to some of the executives prior to becoming a KMP.

7. Non-executive director remuneration arrangements

7.1 Remuneration structure

Remuneration component	Description
Fee philosophy	To ensure the Suncorp Group attracts and retains suitably qualified and experienced non-executive directors. Fees are based on a number of factors, including the requirements of the role, the size and complexity of the Suncorp Group, and market practice.
Fee structure	Non-executive directors receive fixed remuneration only, paid as director fees, and do not participate in any performance-based incentive plans. The Chairman receives a fee for chairing the Board and is not paid any additional fees for chairing the Nomination Committee meetings or attending the Audit, Risk, People and Remuneration, and Customer Committee meetings as an ex-officio member. Other non-executive directors receive a base fee and additional fees for each additional Committee chairmanship and membership, excluding the Nomination Committee where no additional fee is paid.
Superannuation	The Company pays compulsory superannuation guarantee contributions (**SGC**) of 9.5% of the director's fee on behalf of all eligible non-executive directors, unless a non-executive director is receiving SGC from more than one employer and has elected to opt out of receiving the contributions. The Company's general practice is to cap SGC at 9.5% of the Maximum Contribution Base (**MCB**). Superannuation in excess of the MCB is delivered in the form of voluntary additional superannuation contributions or the non-executive director may elect to take this amount as fees. If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.
Aggregate annual fee pool	Non-executive director aggregate fees are within the shareholder-approved maximum aggregate total remuneration limit of $3,500,000 including SGC.
Minimum shareholding requirement (**MSR**)	Non-executive directors have four years from the October following their appointment to achieve the MSR, equivalent to 100% of one year's pre-tax (gross) base fees. A 50% shareholding is required to be achieved after two years. Base fees refer to the Board Chairman fee or Board Member fee only excluding SGC. For 2019–20, given the impact of COVID–19 on the Suncorp share price, the Board exercised its discretion and did not require non-executive directors to purchase additional shares to meet the MSR. Based on their shareholding as at 30 June 2020, all non-executive directors, excluding one, have either met, or are on track to meet, the MSR within the required timeframes. Detailed share ownership information for the non-executive directors is shown in section 8.4.

7.2 Non-executive director fees

Outlined below are the non-executive director fees for 2019–20. During 2019–20 the chairman and member fees were increased for the People and Remuneration Committee to align with the Audit and Risk Committees, and fees were introduced for the Customer Committee. There will be no fee increases in 2020–21.

		Board	Committee[1]			
			Audit	Risk	People and Remuneration	Customer
		$000	$000	$000	$000	$000
Chairman fees	Fee	600	60	60	60	30
	Associated SGC	57	6	6	6	3
	Total Fee	**657**	**66**	**66**	**66**	**33**
Member fees	Fee	220	30	30	30	15
	Associated SGC	21	3	3	3	1
	Total Fee	**241**	**33**	**33**	**33**	**16**

[1] No fee is payable for chairmanship or membership of the Nomination Committee.

8. KMP statutory remuneration disclosures

8.1 Non-executive director remuneration during 2019–20 and 2018–19

	Year	Short-term benefits		Post-employment benefits		Total
		Salary and fees $000	Non-monetary benefits[1] $000	Superannuation - Statutory $000	Superannuation – Other[2] $000	
Christine McLoughlin	2020	600	-	21	36	657
Chairman	2019	526	-	21	29	576
Audette Exel AO	2020	257	-	21	3	281
Director	2019	250	-	21	3	274
Sylvia Falzon	2020	264	-	21	4	289
Director	2019	198	-	16	3	217
Elmer Funke Kupper[3] *Director*	2020	118	-	11	-	129
Ian Hammond[4]	2020	280	-	21	6	307
Director	2019	183	-	15	2	200
Sally Herman	2020	319	-	21	9	349
Director	2019	335	-	21	11	367
Simon Machell	2020	310	-	21	8	339
Director	2019	293	6	21	7	327
Dr Douglas McTaggart[5]	2020	404	-	21	17	442
Director	2019	387	-	21	16	424
Lindsay Tanner[6]	2020	284	-	21	6	311
Director	2019	265	-	21	5	291

[1] Non-monetary benefits refer to costs met by the Suncorp Group for spouse airfares.

[2] Superannuation in excess of the quarterly MCB is delivered in the form of voluntary additional superannuation contributions or the director may elect to take this amount as fees.

[3] Mr Funke Kupper was appointed to the Board on 1 January 2020.

[4] Mr Hammond was appointed Chairman of the Audit Committee on 13 December 2019.

[5] Dr McTaggart is also a member of Suncorp's New Zealand subsidiary boards. Dr McTaggart retired as Chairman of the Audit Committee on 13 December 2019. He remains a member of the Audit Committee.

[6] Mr Tanner is also Chairman of Suncorp Insurance Ventures Pty Ltd and was appointed Chairman of the Customer Committee on 1 January 2020.

8.2 Executive remuneration during 2019–20 and 2018–19

	Year	Short-term benefits				Post-employment benefits	Long-term benefits		Termination benefits[5]	Share-based payments		Total remuneration	Performance related
		Salary	Cash incentives	Non-monetary benefits[1]	Other[2]	Super-annuation benefits	Deferred incentives[3]	Other[4]		Deferred STI[6]	LTI[7]		
		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
Executive director													
S Johnston[8]	2020	1,673	-	1	155	21	-	141	-	414	914	**3,319**	40%
Group CEO & Managing Director	2019	1,003	254	-	67	21	1	83	-	262	525	**2,216**	47%
Senior Executives													
G Dransfield[9]	2020	1,029	-	18	(7)	21	-	16	-	276	576	**1,929**	44%
CEO Insurance	2019	1,029	228	15	52	21	1	16	-	261	511	**2,134**	47%
L Harrison[10]	2020	645	-	6	(4)	21	-	28	-	189	315	**1,200**	42%
Chief Customer & Digital Officer	2019	579	169	5	6	21	-	9	-	148	199	**1,136**	45%
A Revis	2020	829	-	18	20	21	-	13	-	230	450	**1,581**	43%
Chief People Experience Officer	2019	816	218	17	(34)	21	1	20	-	216	401	**1,676**	50%
J Robson[11]	2020	677	68	14	(1)	21	-	26	-	158	101	**1,064**	31%
Group Chief Financial Officer	2019	70	19	-	1	-	-	-	-	75	1	**166**	57%
P Smeaton	2020	879	-	9	18	26	-	(66)	-	288	456	**1,610**	46%
CEO New Zealand	2019	879	277	10	1	25	1	-	-	232	408	**1,833**	50%
F Thompson	2020	790	-	9	34	21	-	97	-	164	347	**1,462**	35%
Chief Risk Officer	2019	629	198	8	(21)	21	-	10	-	171	283	**1,299**	50%
Former Senior Executives													
D Carter[12]	2020	504	-	4	(17)	16	-	7	-	(370)	(313)	**(169)**	0%
CEO Banking & Wealth	2019	816	182	6	27	21	1	24	-	193	350	**1,620**	45%
S Harland[13]	2020	558	-	-	2	21	-	(35)	716	278	288	**1,828**	31%
Chief Information Officer	2019	716	221	1	4	21	-	13	-	185	322	**1,483**	49%
L Hatton[14] *CEO Banking & Wealth*	2020	229	-	1	15	11	-	3	-	-	-	**259**	0%
P Marlow[15]	2020	113	-	1	(36)	5	-	(38)	976	145	53	**1,219**	16%
CEO Customer Marketplace	2019	979	215	4	20	21	-	16	-	200	523	**1,978**	47%

1 Non-monetary benefits include costs met by the Suncorp Group for spouse airfares, car parking, and rebates on insurance premiums.

2 Other short-term benefits refer to annual leave accruals.

3 The amount of deferred incentives awarded relate to the legacy STI cash-based deferral plan. The 2018–19 amount for the Group CEO and Senior Executives relates only to the interest accrued from the 2015–16 cash-based deferral. The deferred equity portion of the 2019–20 STI is outlined in 'Share-based payments – Deferred STI'.

4 Other long-term benefits refer to long service leave accruals.

5 This includes the payment on cessation of employment that was paid to Ms Harland and Ms Marlow. For Ms Harland, it represents payment in lieu of notice and for Ms Marlow it represents payment in lieu of notice and redundancy entitlements.

6 The entire portion of the 2019–20 STI was delivered as share rights, deferred over a 1–2 year period. Accordingly, Share-based payments – Deferred STI also includes the portion of the 2019–20 STI that would have ordinarily been delivered as cash. Deferred STI is expensed to the profit & loss statement from the start of the performance period to the end of the deferral period.

7 LTI refers to grants under the LTI, RSP and/or SRP. Awards are expensed to the profit & loss statement based on the fair value at grant date over the period from grant date to vesting date. The assumptions underpinning these valuations are set out in note 10 to the financial statements.

8 Mr Johnston was appointed Group CEO during the reporting period and his remuneration was varied effective 9 September 2019. He held the role of Acting CEO for the balance of 2019–20 and served as a KMP for the entire financial year.

9 Mr Dransfield ceased to be a KMP and ceased employment on 17 July 2020 due to his role becoming redundant. Arrangements on cessation of employment will be disclosed in the 2020–21 Remuneration Report.

10 Ms Harrison was appointed Chief Customer and Digital Officer during the reporting period and her remuneration was varied effective 7 August 2019. She served as a KMP for the entire financial year having previously held the role of Chief Program Excellence Officer.

11 Mr Robson was appointed Group CFO during the reporting period and his remuneration was varied effective 13 December 2019. He served as a KMP for the entire 2019–20 financial year having previously held the role of Acting CFO. In 2018–19, Mr Robson was appointed Acting CFO effective 26 May 2019. From 1 July 2018 to 25 May 2019, he held the non-KMP role of Deputy CFO.

12 Mr Carter ceased to be a KMP on 26 January 2020 and ceased employment on 29 January 2020 due to resignation. Mr Carter's unvested equity was forfeited on cessation of employment. He was not eligible to participate in the 2019–20 STI and no termination payment was made.

13 Ms Harland ceased to be a KMP and ceased employment on 27 March 2020 due to mutual separation. She was eligible to participate in the 2019–20 STI on a pro-rata basis, subject to performance. All unvested deferred STI awards remained on-foot and will vest in the normal course, subject to malus and clawback criteria. LTI awards were pro-rated based on time served in the performance period and vest subject to the achievement of performance conditions in the normal course. Malus and clawback criteria apply.

14 Ms Hatton was appointed CEO Banking & Wealth on 17 February 2020. She ceased to be a KMP and ceased employment on 31 May 2020 due to resignation. Ms Hatton's unvested equity was forfeited on cessation of employment. She was not eligible to participate in the 2019–20 STI and no termination payment was made.

15 Ms Marlow ceased to be a KMP on 7 August 2019 and ceased employment on 30 August 2019 due to her role becoming redundant. Remuneration disclosures above have been pro-rated and reflect the time that she served as a KMP only. Ms Marlow was not eligible to participate in the 2019–20 STI. All unvested deferred STI awards remain on-foot and will vest in the normal course, subject to malus and clawback criteria. LTI awards were pro-rated based on time served in the performance period and vest subject to the achievement of performance conditions in the normal course. Malus and clawback criteria apply.

8.3 Movement in awards under employee equity plans

The movement of awards under employee equity plans during 2019–20 is outlined below.

	Employee equity awards granted[1]			Fair value yet to vest					
	Number	Grant date	Financial year in which grant may vest	Min[2] $	Max[3] $	Market value at date of grant[4] $	Vested in year %	Forfeited in year %	Vested in year Number
Executive director									
S Johnston	74,422	1 September 2016	30 June 2020	-	-	-	-	100%	-
	14,220	15 August 2017	30 June 2020	-	-	-	100%	-	14,220
	11,237	10 August 2018	30 June 2020	-	-	-	100%	-	11,237
	21,978[5]	30 June 2019	30 June 2020	-	-	-	100%	-	21,978
	77,214	1 September 2017	30 June 2021	-	443,208	1,008,415	-	-	-
	11,236	10 August 2018	30 June 2021	-	175,169	175,619	-	-	-
	5,073	9 August 2019	30 June 2021	-	67,319	72,098	-	-	-
	64,824	1 September 2018	30 June 2022	-	575,637	1,004,124	-	-	-
	5,073	9 August 2019	30 June 2022	-	67,319	72,098	-	-	-
	133,441[6]	26 September 2019	30 June 2023	-	994,135	1,860,755	-	-	-
Senior Executives									
G Dransfield	72,463	1 September 2016	30 June 2020	-	-	-	-	100%	-
	14,934	15 August 2017	30 June 2020	-	-	-	100%	-	14,934
	11,402	10 August 2018	30 June 2020	-	-	-	100%	-	11,402
	81,075	1 September 2017	30 June 2021	-	465,371	1,058,840	-	-	-
	11,401	10 August 2018	30 June 2021	-	177,742	178,198	-	-	-
	4,553	9 August 2019	30 June 2021	-	60,418	64,708	-	-	-
	68,066	1 September 2018	30 June 2022	-	604,426	1,054,342	-	-	-
	4,553	9 August 2019	30 June 2022	-	60,418	64,708	-	-	-
	77,840	1 July 2019	30 June 2023	-	576,016	1,078,216	-	-	-
L Harrison	2,246[7]	1 September 2016	30 June 2020	-	-	-	100%	-	2,246
	3,073	15 August 2017	30 June 2020	-	-	-	100%	-	3,073
	6,971	10 August 2018	30 June 2020	-	-	-	100%	-	6,971
	3,073	15 August 2017	30 June 2021	-	41,670	41,670	-	-	-
	46,328	1 September 2017	30 June 2021	-	265,923	605,044	-	-	-
	6,970	10 August 2018	30 June 2021	-	108,662	108,941	-	-	-
	3,382	9 August 2019	30 June 2021	-	44,879	48,066	-	-	-
	38,894	1 September 2018	30 June 2022	-	345,379	602,468	-	-	-
	3,382	9 August 2019	30 June 2022	-	44,879	48,066	-	-	-
	44,480	1 July 2019	30 June 2023	-	329,152	616,124	-	-	-
A Revis	60,712	1 September 2016	30 June 2020	-	-	-	-	100%	-
	11,379	15 August 2017	30 June 2020	-	-	-	100%	-	11,379
	9,243	10 August 2018	30 June 2020	-	-	-	100%	-	9,243
	61,771	1 September 2017	30 June 2021	-	354,566	806,729	-	-	-
	9,243	10 August 2018	30 June 2021	-	144,098	144,468	-	-	-
	4,358	9 August 2019	30 June 2021	-	57,831	61,937	-	-	-
	51,859	1 September 2018	30 June 2022	-	460,508	803,296	-	-	-
	4,357	9 August 2019	30 June 2022	-	57,817	61,923	-	-	-
	63,013	1 July 2019	30 June 2023	-	466,296	872,837	-	-	-
J Robson	2,413[8]	1 September 2016	30 June 2020	-	-	-	100%	-	2,413
	3,438	15 August 2017	30 June 2020	-	-	-	100%	-	3,438
	2,722	10 August 2018	30 June 2020	-	-	-	100%	-	2,722
	3,437	15 August 2017	30 June 2021	-	46,606	46,606	-	-	-
	2,720	10 August 2018	30 June 2021	-	42,405	42,514	-	-	-
	2,082	9 August 2019	30 June 2021	-	27,628	29,590	-	-	-
	2,720	10 August 2018	30 June 2022	-	42,296	42,514	-	-	-
	2,081	9 August 2019	30 June 2022	-	27,615	29,576	-	-	-
	2,081	9 August 2019	30 June 2023	-	27,615	29,576	-	-	-
	49,362	12 December 2019	30 June 2023	-	296,962	646,642	-	-	-
P Smeaton	61,406	1 September 2016	30 June 2020	-	-	-	-	100%	-
	11,966	15 August 2017	30 June 2020	-	-	-	100%	-	11,966
	9,259	10 August 2018	30 June 2020	-	-	-	100%	-	9,259
	61,771	1 September 2017	30 June 2021	-	354,566	806,729	-	-	-
	9,259	10 August 2018	30 June 2021	-	144,348	144,718	-	-	-
	5,536	9 August 2019	30 June 2021	-	73,463	78,679	-	-	-
	54,028	1 September 2018	30 June 2022	-	479,769	836,894	-	-	-
	5,536	9 August 2019	30 June 2022	-	73,463	78,679	-	-	-
	62,813	1 July 2019	30 June 2023	-	464,816	870,067	-	-	-
F Thompson	1,906[9]	1 September 2016	30 June 2020	-	-	-	100%	-	1,906
	34,862	29 June 2017	30 June 2020	-	-	-	-	100%	-
	7,740	15 August 2017	30 June 2020	-	-	-	100%	-	7,740
	204	15 August 2017	30 June 2020	-	-	-	100%	-	204
	7,263	10 August 2018	30 June 2020	-	-	-	100%	-	7,263
	204	15 August 2017	30 June 2021	-	2,766	2,766	-	-	-
	46,328	1 September 2017	30 June 2021	-	265,923	605,044	-	-	-
	7,262	10 August 2018	30 June 2021	-	113,215	113,505	-	-	-
	3,968	9 August 2019	30 June 2021	-	52,655	56,394	-	-	-
	42,136	1 September 2018	30 June 2022	-	374,168	652,687	-	-	-
	3,967	9 August 2019	30 June 2022	-	52,642	56,380	-	-	-
	48,409	1 July 2019	30 June 2023	-	358,227	670,547	-	-	-

	Employee equity awards granted[1]			Fair value yet to vest					
	Number	Grant date	Financial year in which grant may vest	Min[2] $	Max[3] $	Market value at date of grant[4] $	Vested in year %	Forfeited in year %	Vested in year Number
Former Senior Executives									
D Carter[10]	2,520	1 September 2016	30 June 2020	-	-	-	100%	-	2,520
	42,830	29 June 2017	30 June 2020	-	-	-	-	100%	-
	8,124	15 August 2017	30 June 2020	-	-	-	100%	-	8,124
	775	15 August 2017	30 June 2020	-	-	-	100%	-	775
	8,786	10 August 2018	30 June 2020	-	-	-	100%	-	8,786
	774	15 August 2017	30 June 2021	-	-	-	-	100%	-
	57,911	1 September 2017	30 June 2021	-	-	-	-	100%	-
	8,786	10 August 2018	30 June 2021	-	-	-	-	100%	-
	3,642	9 August 2019	30 June 2021	-	-	-	-	100%	-
	51,859	1 September 2018	30 June 2022	-	-	-	-	100%	-
	3,642	9 August 2019	30 June 2022	-	-	-	-	100%	-
	63,013	1 July 2019	30 June 2023	-	-	-	-	100%	-
S Harland[11]	50,920	1 September 2016	30 June 2020	-	-	-	-	100%	-
	7,672	15 August 2017	30 June 2020	-	-	-	100%	-	7,672
	8,088	10 August 2018	30 June 2020	-	-	-	100%	-	8,088
	50,189	1 September 2017	30 June 2021	-	246,814	561,567	-	14%	-
	8,087	10 August 2018	30 June 2021	-	126,076	126,400	-	-	-
	4,423	9 August 2019	30 June 2021	-	58,693	62,861	-	-	-
	45,377	1 September 2018	30 June 2022	-	211,024	368,104	-	48%	-
	4,423	9 August 2019	30 June 2022	-	58,693	62,861	-	-	-
	55,600	1 July 2019	30 June 2023	-	101,728	190,419	-	75%	-
L Hatton[12]	21,580	17 February 2020	30 June 2021	-	-	-	-	100%	-
	10,790	17 February 2020	30 June 2022	-	-	-	-	100%	-
	55,566	17 February 2020	30 June 2023	-	-	-	-	100%	-
P Marlow[13]	52,329	31 March 2017	30 June 2020	-	-	-	100%	-	52,329
	3,859	15 August 2017	30 June 2020	-	-	-	100%	-	3,859
	10,856	10 August 2018	30 June 2020	-	-	-	100%	-	10,856
	69,493	1 September 2017	30 June 2021	-	265,561	604,221	-	33%	-
	10,855	10 August 2018	30 June 2021	-	169,229	169,664	-	-	-
	4,293	9 August 2019	30 June 2021	-	56,968	61,013	-	-	-
	64,824	1 September 2018	30 June 2022	-	191,346	333,779	-	67%	-
	4,292	9 August 2019	30 June 2022	-	56,955	60,999	-	-	-

1 Employee equity awards include performance rights, share rights and restricted shares. The expiry date for performance rights and the fair value per right can be found in note 10.1 to the financial statements.

2 The minimum value yet to vest is nil, since the service condition or performance measure (as applicable) may not be met and consequently the shares may not vest.

3 The maximum value yet to vest is determined as the fair value at grant date, assuming all performance measures are met.

4 Market value at date of grant is calculated based on the number of securities granted multiplied by the closing share price as traded on ASX on the date of grant. Where the date of grant falls on an ASX non-trading day, the closing share price of the preceding trading day is used.

5 Mr Johnston was awarded 21,978 share rights in June 2019 in recognition of his acceptance of the Acting CEO role and for retention purposes. This award vested on 26 May 2020 as the vesting conditions were met.

6 Mr Johnston was awarded 133,441 performance rights under the LTI plan in September 2019 following shareholder approval at the 2019 Annual General Meeting.

7 Ms Harrison was awarded 24,755 restricted shares prior to commencing as a Senior Executive relating to her previous EGM role. The balance of 2,246 shares vested on 31 August 2019 as the vesting conditions were met.

8 Mr Robson was awarded 7,238 restricted shares relating to his previous EGM role. The balance of 2,413 shares vested on 31 August 2019 as the vesting conditions were met.

9 Ms Thompson was awarded 5,718 restricted shares prior to commencing as a Senior Executive relating to her previous EGM role. The balance of 1,906 shares vested on 31 August 2019 as the vesting conditions were met.

10 Mr Carter was awarded 7,559 restricted shares prior to commencing as a Senior Executive relating to his previous EGM role. The balance of 2,520 shares vested on 31 August 2019 as the vesting conditions were met. All unvested awards were forfeited upon cessation of employment.

11 Ms Harland's LTI awards were pro-rated for time served in the performance period upon cessation of employment on 27 March 2020. They remain on-foot and may vest in the normal course subject to the original vesting conditions, the Suncorp Group Equity Incentive Plan Rules and malus and clawback criteria.

12 Ms Hatton's unvested equity awards were forfeited on cessation of employment.

13 Ms Marlow was awarded a grant of restricted shares upon commencement of employment in recognition of incentives forgone with her previous employer. The final balance of 52,329 shares vested on 30 August 2019 as the vesting conditions were met. Ms Marlow's LTI awards were pro-rated for time served in the performance period upon cessation of employment. They remain on-foot and may vest in the normal course, subject to the original vesting conditions, the Suncorp Group Equity Incentive Plan Rules and malus and clawback criteria.

8.4 Related party transactions

Loans to KMP and their related parties

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of the banking business. All loans have normal commercial terms, which may include employee discounts on the same terms available to all employees of the Suncorp Group. No amounts have been written down or recorded as provisions as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to KMP and their related parties, where the individual's aggregate loan balance exceeded $100,000 at any time during the reporting period, are outlined below.

2019–20	Balance 1 July 2019 $000	Balance 30 June 2020 $000	Interest charged during the year[1] $000	Highest balance $000
Executive director				
S Johnston	1,200	1,200	-	1,200
Senior Executives				
A Revis	4,340	800	75	4,352
P Smeaton	1,903	436	21	1,922
Former Senior Executives				
D Carter	482	-	9	482

[1] The loans may have offset facilities, in which case the interest charged is after the offset. No interest was charged on Mr Johnston's loan as it was fully offset.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Suncorp Group to KMP and their related parties, and the number of individuals in each group, are outlined below.

2019–20	KMP $000	Other related parties $000	Total $000
Opening balance	5,227	2,698	7,925
Closing balance	1,214	1,222	2,436
Interest charged	79	26	105
	Number	Number	Number
Number of individuals at 30 June 2020	3	2	5

Movement in securities held by KMP

The movement during the reporting period in the number of securities in the Company held directly, indirectly or beneficially by each of the KMP, including their related parties, is outlined below.

1 July 2019 – 30 June 2020		Balance 1 July 2019 Number	Received as remuneration[1] Number	Purchases (sales) Number	Other changes[2] Number	Balance 30 June 2020 Number
Non-executive directors						
C McLoughlin	Ordinary shares	50,000	-	-	(1,450)	48,550
	SUNPH Capital Notes	-	-	700		700
A Exel AO	Ordinary shares	18,242	-	-	470	18,712
S Falzon	Ordinary shares	7,600		8,972	196	16,768
Elmer Funke Kupper	Ordinary shares	-	-	35,000	-	35,000
I Hammond	Ordinary shares	19,118	-	20,525	97	39,740
S Herman	Ordinary shares	26,000	-	3,571	(440)	29,131
S Machell	Ordinary shares	35,000	-	15,000	-	50,000
Dr D McTaggart	Ordinary shares	27,922	-	12,719	-	40,641
L Tanner	Ordinary shares	6,100	-	12,568	-	18,668
Executive director[3]						
S Johnston	Ordinary shares	87,100	47,435	-	(3,262)	131,273
	Unvested securities	275,131	143,587	-	(121,857)	296,861
Senior Executives[3]						
G Dransfield	Ordinary shares	93,454	26,336	-	(370)	119,420
	Unvested securities	259,341	86,946	-	(98,799)	247,488
L Harrison	Ordinary shares	33,568	12,290	-	(1,319)	44,539
	Unvested securities	107,555	51,244	-	(12,290)	146,509
A Revis	Ordinary shares	48,271	20,622	(1,054)	(914)	66,925
	SUNPE Capital Notes	1,962	-	(56)	-	1,906
	Unvested securities	204,207	71,728	-	(81,334)	194,601
J Robson	Ordinary shares	8,263	8,573	-	(488)	16,348
	Unvested securities	17,450	55,606	-	(8,573)	64,483
P Smeaton	Ordinary shares	43,089	21,225	-	(1,864)	62,450
	Unvested securities	207,689	73,885	-	(82,631)	198,943
F Thompson	Ordinary shares	15,356	17,113	-	(931)	31,538
	Unvested securities	147,905	56,344	-	(51,975)	152,274
Former Senior Executives[3]						
D Carter[4]	Ordinary shares	53,481	20,205	(40,000)	(33,686)	-
	Unvested securities	182,365	70,297	-	(252,662)	-
S Harland[5]	Ordinary shares	27,256	15,760	-	(43,016)	-
	Unvested securities	170,333	64,446	-	(234,779)	-
L Hatton[4]	Ordinary shares	-	-	-	-	-
	Unvested securities	-	87,936	-	(87,936)	-
P Marlow[6]	Ordinary shares	108,518	67,044	-	(175,562)	-
	Unvested securities	212,216	8,585	-	(220,801)	-

[1] For the Senior Executives, and former Senior Executives, remuneration may include performance rights granted under the LTI plan, restricted shares granted under the RSP, and share rights granted as part of the Deferred STI award or SRP which vest subject to the satisfaction of specified service conditions and performance measures (as applicable).

[2] 'Other changes' in ordinary shares relate to dividend plan allotments as part of the Dividend Reinvestment Plan (DRP) and share consolidation and capital return from the sale of the Australian Life business during 2019–20. 'Other changes' in unvested securities relate to equity awards that vested or were forfeited during 2019–20 and equity held on cessation of employment for those that ceased as KMP during 2019–20.

[3] The number of unvested securities disclosed for the Executive Director and current and former Senior Executives refers to the performance rights granted under the LTI Plan, restricted shares granted under the RSP, and share rights granted as part of the STI award or SRP (as applicable). Accordingly, beneficial entitlement of those unvested securities remains subject to satisfaction of specified service conditions and performance measures (as applicable).

[4] 'Other Changes' in unvested securities for Mr Carter and Ms Hatton represent securities forfeited upon cessation of employment.

[5] 'Other Changes' in unvested securities for Ms Harland include 97,443 unvested securities held upon cessation of employment of which 80,510 are subject to performance measures.

[6] 'Other Changes' in unvested securities for Ms Marlow include 87,253 unvested securities held upon cessation of employment of which 67,813 are subject to performance measures.

Directors and executives of the Company and their related parties received normal distributions on these securities. Details of the directors' interests in the Company at the date of signing this financial report are also disclosed in section 3 of the Directors' Report.

Other KMP transactions

Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) between the Suncorp Group and executives and their related parties during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions were on arm's length terms and conditions no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature.

Transactions other than financial instrument transactions

No director or Senior Executive has entered into a material contract with the Company or Suncorp Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Other transactions with executives and their related parties are conducted on arm's length terms and conditions that are no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

Signed in accordance with a resolution of the Board of Directors.

Christine McLoughlin

CHRISTINE MCLOUGHLIN

Chairman of the Board
21 August 2020

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

Financial Statements

SUNCORP GROUP LIMITED AND SUBSIDIARIES

ABN 66 145 290 124

CONSOLIDATED FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

CONSOLIDATED FINANCIAL REPORT INDEX

Consolidated statement of comprehensive income

For the financial year ended 30 June 2020

	Note	2020 $M	2019 $M
Revenue			
Insurance premium income		10,080	9,979
Reinsurance and other recoveries income		1,592	1,716
Interest income on financial assets not at fair value through profit or loss	8	2,104	2,523
Interest income on financial assets at fair value through profit or loss	8	370	449
Net gains on financial assets and liabilities at fair value through profit or loss		24	246
Dividend and trust distribution income		76	97
Fees and other income		524	550
Total revenue		14,770	15,560
Expenses			
Claims expense and movement in policyowner liabilities		(7,836)	(7,916)
Outwards reinsurance premium expense		(1,217)	(1,176)
Underwriting and policy maintenance expenses		(2,202)	(2,172)
Interest expense on financial liabilities not at fair value through profit or loss	8	(973)	(1,392)
Interest expense on financial liabilities at fair value through profit or loss	8	(27)	(75)
Impairment loss on loans and advances	15.2	(172)	(13)
Impairment loss on goodwill and other intangible assets	16	(110)	(9)
Amortisation and depreciation expense		(258)	(169)
Fees, overheads and other expenses		(981)	(1,036)
Outside beneficial interests in managed funds		(43)	(72)
Total expenses		(13,819)	(14,030)
Profit before income tax		951	1,530
Income tax expense	11.1	(305)	(456)
Profit after tax from continuing operations		646	1,074
Profit (loss) after tax from discontinued operations	34.1	286	(879)
Profit for the financial year		932	195
Profit for the period attributable to:			
Owners of the Company		913	175
Non-controlling interests		19	20
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges	23	43	20
Net change in debt investments at fair value through other comprehensive income	23	(9)	3
Net change in net investment hedge of foreign operations	23	1	(3)
Exchange differences on translation of foreign operations	23	(25)	35
Related income tax expense		(10)	(6)
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit plans		(20)	(22)
Net change in equity investments at fair value through other comprehensive income	23	(17)	-
Related income tax benefit		10	6
Total other comprehensive income (loss)		(27)	33
Total comprehensive income for the financial year		905	228
Total comprehensive income for the financial year attributable to:			
Owners of the Company		886	208
Non-controlling interests		19	20
Earnings per share		Cents	Cents
Basic earnings per share	3	71.93	13.54
Diluted earnings per share	3	67.99	13.54
Basic earnings per share from continuing operations		49.43	81.52
Diluted earnings per share from continuing operations		47.59	79.57

Prior year comparatives have been adjusted for discontinued operations. The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2020

	Note	2020 $M	2019 $M
Assets			
Cash and cash equivalents	25.2	1,046	1,086
Receivables due from other banks	25.2	567	499
Trading securities	12	1,460	1,227
Derivatives	13	831	666
Investment securities	12	19,763	19,243
Loans and advances	14	57,723	59,154
Premiums outstanding	29.2(a)	2,857	2,802
Reinsurance and other recoveries	29.2(b)	2,468	2,656
Deferred reinsurance assets		926	898
Deferred acquisition costs		734	723
Property, plant and equipment		576	208
Deferred tax assets	11.3	282	242
Goodwill and other intangible assets	16	5,275	5,460
Other assets		1,236	1,371
Total assets		95,744	96,235
Liabilities			
Payables due to other banks	25.2	293	353
Deposits and short-term borrowings	17	46,160	46,190
Derivatives	13	574	456
Amounts due to reinsurers		784	776
Payables and other liabilities		1,828	1,435
Current tax liabilities	11.2	164	62
Unearned premium liabilities	18.1	5,219	5,123
Provisions and employee benefit liabilities	36.1	610	545
Outstanding claims liabilities	19	10,598	10,611
Deferred tax liabilities	11.3	115	155
Managed funds units on issue		714	847
Securitisation liabilities	26.3	2,945	3,831
Long-term borrowings	20	10,607	10,358
Loan capital	21	2,349	2,360
Total liabilities		82,960	83,102
Net assets		12,784	13,133
Equity			
Share capital	22	12,509	12,889
Reserves	23	172	207
Retained profits		82	17
Total equity attributable to owners of the Company		12,763	13,113
Non-controlling interests		21	20
Total equity		12,784	13,133

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the financial year ended 30 June 2020

		Equity attributable to owners of the Company					
	Note	Share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total equity $M
Balance as at 1 July 2018		12,863	151	942	13,956	10	13,966
Profit for the financial year		-	-	175	175	20	195
Total other comprehensive income (loss) for the financial year		-	49	(16)	33	-	33
Total comprehensive income for the financial year		-	49	159	208	20	228
Transactions with owners, recorded directly in equity							
Dividends paid	4	-	-	(1,062)	(1,062)	(10)	(1,072)
Share-based payments	22	7	-	-	7	-	7
Treasury share movements	22	19	-	-	19	-	19
Movement in non-controlling interests without a change in control		-	-	(15)	(15)	-	(15)
Transfers	23	-	7	(7)	-	-	-
Balance as at 30 June 2019		12,889	207	17	13,113	20	13,133
Impact of initial application of AASB 16 *Leases* (net of tax)	2.3	-	-	(12)	(12)	-	(12)
Restated balance as at 1 July 2019		12,889	207	5	13,101	20	13,121
Profit for the financial year		-	-	913	913	19	932
Total other comprehensive loss for the financial year		-	(12)	(15)	(27)	-	(27)
Total comprehensive income for the financial year		-	(12)	898	886	19	905
Transactions with owners, recorded directly in equity							
Dividends paid	4	-	-	(897)	(897)	(18)	(915)
Shares issued	22	171	-	-	171	-	171
Capital return, including transaction costs	22	(506)	-	-	(506)	-	(506)
Share-based payments	22	(70)	-	64	(6)	-	(6)
Treasury share movements	22	25	-	(7)	18	-	18
Transfers	23	-	(23)	23	-	-	-
Other movements		-	-	(4)	(4)	-	(4)
Balance as at 30 June 2020		12,509	172	82	12,763	21	12,784

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the financial year ended 30 June 2020

	Note	2020 $M	2019 $M
Cash flows from operating activities			
Premiums received		11,240	11,174
Claims paid		(8,657)	(8,175)
Interest received		2,546	3,034
Interest paid		(1,055)	(1,485)
Reinsurance and other recoveries received		1,884	1,556
Outwards reinsurance premiums paid		(1,336)	(1,448)
Fees and other operating income received		612	482
Dividends and trust distributions received		76	115
Fees and operating expenses paid		(3,627)	(3,367)
Income tax paid		(321)	(373)
Net increase (decrease) in operating assets			
Trading securities		(232)	412
Loans and advances		1,229	(596)
Net increase in operating liabilities			
Deposits and short-term borrowings		(56)	513
Net cash from operating activities	25.1	2,303	1,842
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		22,019	32,191
Payments for acquisition of investment securities		(22,106)	(31,939)
Proceeds from other investing activities		1	3
Payments for other investing activities		(254)	(499)
Disposal of discontinued operations		383	182
Net cash from (used in) investing activities		43	(62)
Cash flows from financing activities			
Payment for capital return, including transaction costs	22	(506)	-
Proceeds from long-term borrowings and securitisation liabilities	25.3	3,050	3,117
Repayment of long-term borrowings and securitisation liabilities	25.3	(3,906)	(3,903)
Proceeds from issue of loan capital	25.3	183	600
Payment on call of loan capital	25.3	(23)	(770)
Payments for other financing activities		(158)	(25)
Dividends paid		(897)	(1,062)
Net cash used in financing activities		(2,257)	(2,043)
Net increase (decrease) in cash and cash equivalents		89	(263)
Cash and cash equivalents at the beginning of the financial year		1,232	1,491
Effect of exchange rate fluctuations on cash held		(1)	4
Cash and cash equivalents at the end of the financial year	25.2	1,320	1,232

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes and is inclusive of discontinued operations, refer to note 34.2.

Notes to the consolidated financial statements

For the financial year ended 30 June 2020

1. Reporting entity

Suncorp Group Limited (the **Company**) is a public company domiciled in Australia. Its registered office is at Level 28, 266 George Street, Brisbane, Qld, 4000.

The consolidated financial statements for the financial year ended 30 June 2020 comprise the Company and its subsidiaries (the **Suncorp Group, Suncorp** or the **Group**) and were authorised for issue by the Board of Directors on 21 August 2020.

The Group's principal activities during the financial year were the provision of insurance and banking and wealth products and services in Australia and New Zealand.

2. Basis of preparation

The Suncorp Group is a for-profit entity and its consolidated financial statements have been prepared on a historical cost basis, unless the application of fair value measurements is required by the relevant accounting standards.

These consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency and the functional currency of the majority of its subsidiaries.

As the Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016, all financial information presented has been rounded to the nearest one million dollars unless otherwise stated.

The consolidated statement of financial position is prepared in a liquidity format. In the notes, amounts expected to be recovered or settled no more than 12 months after the reporting period are classified as 'current', otherwise they are classified as 'non-current'.

Significant accounting policies applied in the preparation of these consolidated financial statements are set out in note 37.

Where necessary, comparatives have been restated to conform to changes in presentation in the current year. This includes changes due to the sale of Capital S.M.A.R.T. Repairs Australia Pty Ltd and its subsidiaries (**Capital S.M.A.R.T**) and ACM Parts Pty Ltd (**ACM Parts**), which are presented as discontinued operations under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (**AASB 5**). For details on discontinued operations refer to note 34.

AASB 16 *Leases* (**AASB 16**) has been applied from 1 July 2019 and the option not to restate prior period financial statements was elected. The change in classification and measurement from the adoption of AASB 16 was recognised in opening retained profits on 1 July 2019 as disclosed in note 2.3.

2.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001* (**Corporations Act**). The consolidated financial statements comply with International Financial Reporting Standards (**IFRS**) and Interpretations issued by the International Accounting Standards Board.

2.2 Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Significant estimates, judgments and assumptions are discussed in the following notes:

- Impairment of goodwill and other intangible assets (refer to note 16.1)
- Liability adequacy test (LAT) relating to general insurance contracts (refer to note 18.2)
- General insurance outstanding claims liabilities and assets arising from reinsurance contracts (refer to notes 19.2, 19.3, 19.4 and 19.5)
- Valuation of financial instruments and hedge accounting (refer to note 26.1 and note 13.1)
- Provision for impairment on financial assets (refer to note 15.3 and note 29.1(e))
- Provisions, employee benefit liabilities and contingent assets and liabilities (refer to note 36).

COVID-19 impact on the use of estimates and assumptions

On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. While COVID-19 is a health crisis, it has caused socioeconomic disruption on a global scale. The Group has considered the impact of COVID-19 when preparing the consolidated financial statements and related note disclosures. While the effects of COVID-19 do not change the significant estimates, judgments and assumptions in the preparation of consolidated financial statements, it has resulted in increased estimation uncertainty and application of further judgment within those identified areas.

COVID-19 financial reporting considerations in the preparation of the consolidated financial statements

Given the increased economic uncertainties from COVID-19, the Group has enhanced its financial reporting procedures and governance practices surrounding the preparation of the consolidated financial statements. In addition to standard financial year end reporting practices, the Group has:

- Developed a detailed program of work to understand and analyse how COVID-19 may impact key disclosures in the consolidated financial statements;
- Implemented a risk register and held regular status meetings with Suncorp employees to monitor, track and report business and financial reporting matters relating to COVID-19;
- Critically assessed estimates, judgments and assumptions used in the preparation of the consolidated financial statements, including updating the Group's outlook on economic conditions arising from COVID-19;
- Reviewed external publications and market communications to identify other potential COVID-19 impacts in the preparation of the consolidated financial statements;
- Considered emerging market practice and trends along with regulatory pronouncements to assess the completeness of assessed COVID-19 impacts in the preparation of the consolidated financial statements;
- Determined the impact COVID-19 has had on the reported amounts and disclosures in the consolidated financial statements and updated these disclosures accordingly;
- Increased scrutiny and review by management, Board and board committees; and
- Assessed the carrying value of the Group's assets and liabilities at reporting date. Where there is a significant use of estimates and judgments in determining the carrying value of the Group's assets and liabilities, the procedures in determining the carrying value of these assets and liabilities are summarised below.

Impairment of goodwill and other intangible assets

The Group has tested its goodwill and indefinite useful life intangible assets and has reviewed the carrying value and estimated useful life of its finite life intangible assets at reporting date.

COVID-19 has had a significant impact on the market valuation of equities and other investment securities. During the period from 12 March 2020 to 30 June 2020, the net assets of the Group were, at times, greater than its market capitalisation, which is an indicator of impairment. As at 30 June 2020, the net assets of the Group were greater than its market capitalisation. The Group considers the relationship between its market capitalisation and its net assets, among many other factors, when reviewing indicators of impairment. While the ongoing economic uncertainty from the COVID-19 global pandemic has impacted the cash flow forecasts and estimate and assumptions inherent in the goodwill impairment test, the results of the annual impairment test determined the goodwill allocated to the cash generating units (**CGUs**) is recoverable and no impairment loss was required (refer to note 16.1).

The carrying value of the Deposit and Transaction modules of the Core Banking Platform (software assets) of $110 million was impaired, as the risk associated with deploying the modules in the current economic environment resulted in a low likelihood of completing the implementation in the near term. The Retail Lending, Personal Loans, and Customer Collection modules of the Core Banking Platform have been successfully implemented and are not impaired as at 30 June 2020. Other than those disclosed above, there were no other significant impairment concerns on any of the Group's other intangible assets (refer to note 16).

Liability adequacy test relating to general insurance contracts

The COVID-19 pandemic did not result in any significant changes to the assumptions used in the LAT relating to general insurance contracts. At reporting date, the carrying value of net unearned premium liabilities (less capitalised deferred acquisition costs) is sufficient to cover future claims costs for the Group's in-force general insurance contracts (refer to note 18.2).

General insurance outstanding claims liabilities and assets arising from reinsurance contracts

The Group has considered the impact from COVID-19 in its assumptions for measuring outstanding claims liabilities and assets arising from reinsurance contracts. In determining the adequacy of outstanding claims liabilities at the reporting date, the Group has reviewed the discount rates and assumptions in calculating the outstanding claims liabilities including policyholder behaviours relating to business interruption, motor vehicle, and landlord rental claims during COVID-19 and how experience to date from the COVID-19 outbreak varies from existing assumptions about pandemic and how those risks are managed. Landlord rental insurance has increased uncertainty around loss of rent claims, as there may be delays in reporting of claims as a result of the prohibiting of evictions in Australia until September 2020. A number of business interruption claims were also made with Suncorp and industry peers. Suncorp's position, along with our industry peers, is that pandemics are an uninsurable risk for business interruption insurance. It is clear that there was no intention in policy wordings issued to cover pandemics for business interruption losses. Notwithstanding this, given the uncertainty being faced, additional claims provisions and risk margins have been recognised of $85 million, including for uncertainties relating to landlord insurance and business interruption. There were no other significant adjustments to the outstanding claims liability approach or assumptions due to COVID-19 as at the reporting date (refer to notes 19.2, 19.3, 19.4 and 19.5).

Valuation of financial instruments and hedge accounting

A significant portion of the Group's trading and investment securities are invested in high-quality liquid assets which are valued using inputs from observable market data as shown in the Group fair value hierarchy disclosure (note 26.1). The Group has taken steps to ensure that the valuation of its trading and investment securities reflects market participants' assumptions based on information available at measurement date and has reviewed its level classification for investment securities.

Given the recent market volatility from COVID-19, the Group has reviewed the valuation inputs and techniques used in determining the carrying value of its derivative assets and liabilities at reporting date. This included reviewing counterparty credit risk to determine any appropriate fair value adjustments. At reporting date, the Group's derivative assets and liabilities have been measured at fair value and are based on observable market inputs as set out in the fair value hierarchy disclosure in note 26.1.

An impact assessment has been completed to evaluate whether forecast transactions designated as hedged items in cash flow hedges continue to be highly probable and whether any changes in the contractual terms and credit risk of a hedged financial instrument resulting from COVID-19 affected the financial instrument's eligibility for hedge accounting. At reporting date, as a result of this assessment and the Group's ongoing hedge capacity testing it was determined that designated forecast cash flows remain highly probable and eligible for hedge accounting (refer to note 13).

Provision for impairment on financial assets

The COVID-19 pandemic, together with measures implemented to contain the virus, has had a profound impact on the Australian and global economy, driving heightened levels of market uncertainty and a significant deterioration, or expected deterioration, in macroeconomic conditions, notably unemployment, gross domestic product and property prices. This, in turn, has resulted in a significant impact on the provision for impairment on financial assets, as forecast macroeconomic conditions are a key factor in determining the expected credit loss (**ECL**) for loans and advances. Further details on the ECL model methodology, estimates and assumptions are outlined in note 15.3.

Provisions, employee benefit liabilities and contingent assets and liabilities

The Group has assessed the carrying value of its employee benefits liabilities at reporting date for changes in assumptions including corporate bond rates and potential changes to employee behaviours and trends in taking annual and long service leave as a result of COVID-19. The results concluded there were no significant changes to the Group's employee benefits liabilities from COVID-19.

Per review of the Group's exposures at reporting date, contingent liabilities may exist in relation to waivers, discounts and payment deferral options to its insurance customers. To the extent that the potential impact can be reliably estimated, the amount has been provisioned. Details of the Group's provisions, employee benefit liabilities and contingent assets and liabilities at reporting date are set out in note 36.

Financial risk management

The Group has adopted prudent practices to manage liquidity risk and to ensure an adequate level of liquidity is maintained to meet obligations as they fall due across a wide range of operating circumstances. The Group was well placed heading into the market dislocation following the COVID-19 pandemic and has continued to maintain funding and liquidity metrics comfortably above regulatory minimums. Given the uncertain outlook, the Group has taken proactive steps to further strengthen the balance sheet. These actions included raising funding from the Group's customer deposit and wholesale funding sources and benefiting from the support programs implemented by the Federal Government, the Reserve Bank of Australia (**RBA**) and the Australian Prudential Regulation Authority (**APRA**) to help stabilise the financial system.

On 19 March 2020, the RBA announced the Term Funding Facility (**TFF**) to support lending to Australian businesses as part of a package of measures to support the Australian economy. Under the TFF, Authorised Deposit-taking Institutions (**ADIs**) can access three-year funding through repurchase agreements at a fixed interest rate of 25 basis points. Based on the terms of the facility, the Group has an initial allowance of $1,741 million, which can be drawn down until 30 September 2020. An additional allowance is based on the growth in lending provided by the ADI to both large businesses and small and medium-sized enterprises (**SMEs**) and can be drawn down until 31 March 2021.

The actions taken by the Group during the financial year include:

- Increased the self-securitised residential mortgage-backed securities to increase the amount of RBA repurchase eligible collateral;
- Accessed a portion of the RBA TFF (refer to note 20 and note 26.3);
- Participated in the increase to committed liquidity facility allocations for the 2020 calendar year;
- Issued a $750 million 5-year covered bond; and
- Continued strong momentum in customer deposits.

The Group continues to monitor markets closely and take appropriate action when and if required.

For further details, please refer to note 26.3 and note 29.3.

Events subsequent to the reporting period

Subsequent to the reporting period, there have been further COVID-19 developments across both Australia and New Zealand, with the implementation of further lockdowns in Victoria and Auckland, broader interstate border controls and updates to Government support packages. In accordance with AASB 110 *Events after the Reporting Period*, the Group has considered the impact of these developments on its estimates and judgments.

The Group has not identified any subsequent events that would require the financial statements or other disclosures to be adjusted, nor has the Group identified any material non-adjusting subsequent events requiring additional disclosure to the financial statements (refer to note 38). The Group will continue to review underlying current assumptions and forward looking economic assumptions, as required.

2.3 Implementation of new Australian Accounting Standards

AASB 16 *Leases*

AASB 16 replaced AASB 117 *Leases* (**AASB 117**) and related interpretations.

AASB 16 introduces a single on-balance sheet lease accounting model for lessees which removes the operating or finance lease distinction which was previously required under AASB 117. Lessor accounting remains similar to AASB 117 and lessors will continue to classify leases as finance and operating.

The right-of-use (**ROU**) asset and lease liability is recognised for all leases with the exception of short-term leases (less than 12 months) and leases of low-value items which are exempted under AASB 16.

For updates to significant accounting policies, refer to note 37.18.

Transition

The Suncorp Group adopted AASB 16 using the modified retrospective approach. In accordance with the transitional provisions under AASB 16 the comparative information has not been restated and continues to be reported under the previous standard AASB 117.

The Suncorp Group determined the ROU asset as an amount equal to the lease liability for all significant real estate leases and motor vehicle leases. For all other real estate leases, the ROU asset was determined as if AASB 16 had always been applied, the resulting transitional adjustment was recognised in retained profits on transition date.

On transition the Suncorp Group recognised a lease liability of $573 million presented in the 'Payables and other liabilities' line item and a ROU asset of $514 million presented in the 'Property, plant and equipment' line item. Amounts already recognised on the consolidated statement of financial position at 30 June 2019 (i.e. onerous lease provisions and straight-line lease liabilities) of $42 million were derecognised and offset against the ROU asset on transition which resulted in a reduction to retained profits after tax of $12 million.

The table below presents a reconciliation of the operating lease commitments as disclosed in the Suncorp Group's 30 June 2019 financial statements, to the lease liability recognised on transition date:

	$M
Operating lease commitment – 30 June 2019	957
Less:	
Leases not commenced on 1 July 2019	(338)
Impact of discounting future lease payments at the weighted average incremental borrowing rate	(44)
Other (incl. short-term leases not recognised as a lease liability)	(2)
Lease liability – 1 July 2019	**573**

The Suncorp Group's weighted average incremental borrowing rate (**IBR**) at transition date was 2.17 per cent. The IBR is determined by the reference rate and the corresponding financing spread. The reference rate takes into account the risk-free rate for the country where the lessee is domiciled, whereas the financing spread considers factors such as credit rating and lease term.

In determining the ROU asset and lease liability on transition, the Suncorp Group elected to use practical expedients in accordance with the transitional requirements of AASB 16 including; applying a single discount rate to portfolios of leases with similar characteristics, excluding initial direct costs from the measurement of the ROU asset at the date of initial application and utilising the onerous contract assessment under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (**AASB 137**) as an alternative to performing an impairment review of the ROU asset.

3. Earnings per share (EPS)

	2020 $M	2019 $M
Profit attributable to ordinary equity holders of the Company (basic)	913	175
Interest expense on convertible preference shares[1,2]	9	15
Interest expense on convertible capital notes[1]	30	30
Profit attributable to ordinary equity holders of the Company (diluted)	952	220

	No of shares	No of shares
Weighted average number of ordinary shares (basic)	1,269,314,322	1,292,897,633
Effect of conversion of convertible preference shares[1,2]	29,632,222	30,356,101
Effect of conversion of convertible capital notes[1]	101,308,005	56,917,690
Weighted average number of ordinary shares (diluted)	1,400,254,549	1,380,171,424

1 Capital notes and preference shares will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations as per AASB 133 *Earnings per share*.

2 The effect of preference shares on interest expense and conversion into potential ordinary shares have been considered in diluted EPS calculation until 17 June 2020, when the remaining Convertible Preference Shares 3 (**CPS3**) were converted into ordinary shares and form part of the basic EPS calculation.

4. Dividends

	2020		2019	
	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares				
2019 final dividend (2019: 2018 final dividend)	44	571	40	519
2019 special dividend (2019: 2018 special dividend)	-	-	8	104
2020 interim dividend (2019: 2019 interim dividend)	26	328	26	338
2020 special dividend (2019: 2019 special dividend)	-	-	8	104
Dividends paid on treasury shares		(2)		(3)
Total dividends on ordinary shares paid to owners of the Company	70	897	82	1,062
Dividends not recognised in the consolidated statement of financial position[1]				
Dividends determined since reporting date				
2020 final dividend (2019: 2019 final dividend)	10	128	44	571
	10	128	44	571
Dividend franking account[2]				
Amount of franking credit available for use in subsequent financial years excluding the effects of dividends determined since reporting date		275		304

1 The total 2020 final dividends determined but not recognised in the consolidated statement of financial position, are estimated based on the total number of ordinary shares on issue without taking into account treasury shares as at 30 June 2020. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2021 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.

2 The 2020 final dividend determined is expected to reduce the dividend franking accounting balance by $55 million (2019: $245 million).

5. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Group Chief Executive Officer and Managing Director (**Group CEO**) and his immediate executive team, representing the Suncorp Group's Chief Operating Decision Maker (**CODM**), in assessing performance and determining the allocation of resources.

5.1 Operating segments

The Suncorp Group comprises the following operating segments.

Reportable segments	Segment information
Insurance (Australia)	– Design, manufacture and delivery of general insurance products and services and distribution of life insurance products to customers in Australia. – Key products include home and contents, motor, marine, travel, commercial property, industrial special risk, public liability and professional indemnity, workers' compensation, compulsory third party, loan protection, equity and cash benefit.
Banking & Wealth	– Design, manufacture and delivery of banking, superannuation and fund administration services to customers in Australia. – Key products include commercial, agribusiness, small business, home and personal loans, savings and transaction accounts, foreign exchange, treasury products and services, superannuation and funds administration services.
Suncorp New Zealand	– Design, manufacture and delivery of general and life insurance products to customers in New Zealand. – Key products include home and contents, motor, commercial property, public liability and professional indemnity, life, trauma, total and permanent disablement and income protection.
Corporate	– Investment of the Suncorp Group's capital, Suncorp Group business strategy activities (including business combinations and divestments) and Suncorp Group shared services.

Only profit or loss information is reviewed by the CODM at an operating segment level.

Segment results presented below are measured on a consistent basis to how they are reported to the CODM:

- Revenues and expenses occurring between segments are subject to contractual agreements between the legal entities comprising each segment.
- Inter-segment transactions, which are eliminated on consolidation, are reported on a gross basis. An exception exists for operating expenses incurred by one segment on behalf of another, which are recharged on a cost-recovery basis, and are presented on a net basis (post allocation basis).
- Intra-group dividends are presented net of eliminations.
- Consolidated gain or loss on sale of subsidiaries and joint ventures and any amortisation of material business combination acquired intangible assets are allocated to the Corporate segment.
- Amortisation and depreciation expenses relating to the Corporate segment's property, plant, equipment and non-business combination acquired intangible assets are allocated to other segments based on their utilisation.

The sale of Capital S.M.A.R.T and ACM Parts impacted the Insurance (Australia) segment. For details on the sale of Capital S.M.A.R.T and ACM Parts refer to note 34.

	Insurance (Australia) $M	Banking & Wealth $M	Suncorp New Zealand $M	Corporate $M	Total $M
2020					
External revenue[1]	10,486	2,377	2,021	407	15,291
Inter-segment revenue	13	1	7	-	21
Total segment revenue	10,499	2,378	2,028	407	15,312
Segment revenue continuing operations	10,360	2,378	2,028	12	14,778
Segment revenue discontinued operations	139	-	-	395	534
Segment profit before income tax	547	346	333	77	1,303
Segment income tax expense	(162)	(104)	(88)	(17)	(371)
Segment profit after income tax	385	242	245	60	932
Segment profit (loss) after tax continuing operations	384	242	245	(225)	646
Segment profit after tax discontinued operations	1	-	-	285	286
Other segment disclosures					
Interest revenue	312	2,114	40	8	2,474
Interest expense	(23)	(923)	(2)	(52)	(1,000)
Amortisation and depreciation expense	(41)	(67)	(20)	(130)	(258)
Impairment loss on financial assets	-	(172)	-	-	(172)
Impairment of goodwill and other intangible assets	-	-	-	(110)	(110)
Goodwill	4,187	254	283	-	4,724

	Insurance (Australia) $M	Banking & Wealth $M	Suncorp New Zealand $M	Corporate $M	Total $M
2019					
External revenue[1]	11,843	2,899	1,932	70	16,744
Inter-segment revenue	12	32	1	-	45
Total segment revenue	11,855	2,931	1,933	70	16,789
Segment revenue continuing operations	10,684	2,833	1,933	70	15,520
Segment revenue discontinued operations	1,171	98	-	-	1,269
Segment profit before income tax	826	487	332	(1,143)	502
Segment income tax expense	(242)	(97)	(87)	119	(307)
Segment profit after income tax	584	390	245	(1,024)	195
Segment profit (loss) after tax continuing operations	581	364	245	(116)	1,074
Segment profit (loss) after tax discontinued operations	3	26	-	(908)	(879)
Other segment disclosures					
Interest revenue[2]	373	2,582	41	27	3,023
Interest expense[2]	(28)	(1,384)	(3)	(54)	(1,469)
Amortisation and depreciation expense	(51)	(64)	(11)	(43)	(169)
Impairment loss on financial assets	-	(13)	-	-	(13)
Impairment of goodwill and other intangible assets[2]	-	-	-	(149)	(149)
Goodwill	4,190	254	287	-	4,731

1 External revenue in the above table is grossed up for Capital S.M.A.R.T and ACM Parts since the profit before income tax is reflected in 'Claims expense and movement in policyowner liabilities' in the consolidated statement of comprehensive income.

2 Interest revenue, interest expense and impairment of goodwill in the above table includes balances in relation to the Australian Life Business (**SLSL**) and Capital S.M.A.R.T and ACM Parts.

5.2 Reconciliation of reportable segment revenue and profit before income tax

	2020	2019	2020	2019
	Revenue		Profit before income tax	
	$M	$M	$M	$M
Segment total	15,312	16,789	1,303	502
Consolidation adjustments relating to intra-group investment income	44	86	-	(4)
Other consolidation eliminations	(52)	(46)	-	4
Attributable to discontinued operations	(534)	(1,269)	(352)	1,028
Consolidated total	14,770	15,560	951	1,530

5.3 Geographic segments

Suncorp Group operates predominantly in one geographical segment, which is Australia. Other business activities take place in New Zealand, which is represented by the Suncorp New Zealand operating segment.

5.4 Major customers

The Suncorp Group is not reliant on any external individual customer for 10 per cent or more of the Suncorp Group's revenue.

6. Underwriting result from general insurance contracts

	Note	2020 $M	2019 $M
Net earned premium			
Direct premium income		9,840	9,748
Outwards reinsurance premium expense		(1,178)	(1,139)
		8,662	8,609
Net incurred claims			
Claims expense[1]		(7,698)	(7,782)
Reinsurance and other recoveries revenue		1,558	1,680
	7	(6,140)	(6,102)
Underwriting expenses			
Acquisition costs		(1,439)	(1,420)
Other underwriting expenses		(669)	(656)
		(2,108)	(2,076)
Reinsurance commission and other revenue		112	113
Underwriting result from general insurance contracts		526	544

[1] Underwriting result from general insurance contracts is inclusive of the sale of Capital S.M.A.R.T and ACM Parts, refer to note 34.1.

7. Net incurred claims from general insurance contracts

	2020			2019		
	Current year $M	Prior year $M	Total $M	Current year $M	Prior year $M	Total $M
Gross claims incurred and related expenses						
Undiscounted	8,416	(909)	7,507	8,394	(988)	7,406
Discount and discount movement	(27)	218	191	(74)	450	376
Gross claims incurred discounted	8,389	(691)	7,698	8,320	(538)	7,782
Reinsurance and other recoveries						
Undiscounted	(1,983)	472	(1,511)	(1,922)	301	(1,621)
Discount and discount movement	5	(52)	(47)	19	(78)	(59)
Reinsurance and other recoveries	(1,978)	420	(1,558)	(1,903)	223	(1,680)
Net incurred claims	6,411	(271)	6,140	6,417	(315)	6,102

The $271 million decrease in prior year net provisions is primarily due to yield curve movements and valuation releases arising from favourable claim experience. The sensitivity of net profit to changes in claims assumptions, experience and risk margins is set out in note 19.5.

8. Net interest income

	2020 $M	2019 $M
Interest income		
Cash and cash equivalents	4	5
Receivables due from other banks	1	1
Investment securities at fair value through other comprehensive income	99	127
Loans and advances	2,000	2,388
Other financial assets at amortised cost	-	2
Interest income on financial assets and liabilities not at fair value through profit or loss	2,104	2,523
Trading securities	11	29
Investment securities at fair value through profit or loss	359	420
Interest income on financial assets and liabilities at fair value through profit or loss	370	449
Total interest income	2,474	2,972
Interest expense		
Deposits and short-term borrowings at amortised cost	(548)	(833)
Securitisation liabilities	(72)	(135)
Long-term borrowings	(257)	(312)
Loan capital	(85)	(112)
Leases[1]	(11)	-
Interest expense on financial assets and liabilities not at fair value through profit or loss	(973)	(1,392)
Deposits and short-term borrowings designated at fair value through profit or loss	(29)	(48)
Derivatives[2]	2	(27)
Interest expense on financial assets and liabilities at fair value through profit or loss	(27)	(75)
Total interest expense	(1,000)	(1,467)
Net interest income	1,474	1,505

[1] Suncorp has used the modified retrospective approach on transition to AASB 16 and comparative information has not been restated.

[2] Represents the net interest income/expense from derivative instruments which are utilised to hedge interest rate risk in accordance with the Group's risk management practices.

9. Employee benefits

The following employee expenses have been included in the consolidated statement of comprehensive income under the line items: 'Claims expense and movement in policyowner liabilities', 'Underwriting and policy maintenance expenses', and 'Fees, overheads and other expenses'. The below table shows continuing and discontinued operations.

	2020 $M	2019 $M
Wages, salaries, share-based payments and other staff costs[1]	1,691	1,775
Defined contribution superannuation expenses	106	109
Total employee expenses	1,797	1,884

[1] Includes $14,807,000 (2019: $21,441,000) relating to equity-settled share-based payment transactions.

10. Share-based payments

Eligible employees of the Suncorp Group have the right to participate in the Group's share plans. Shares offered in these share plans are granted by the Company over its own shares to employees of the Company's subsidiaries.

The Suncorp Group operates a number of employee equity plans. Shares required for the equity plans are acquired by a special purpose trustee and/or custodial companies in ordinary trading on the Australian Securities Exchange (**ASX**). Shares can only be granted or issued under the plans if the number to be granted or issued will not exceed 5 per cent of the Company's total shares on issue when aggregated with the number of shares granted or issued during the previous five years for all share plans operated by the Company.

10.1 Long-term incentives (performance rights)

Long-term incentives (**LTI**) are performance rights granted to eligible executives. These are equity-settled and in limited circumstances cash-settled at the Board's discretion. The Board determines the value of shares granted (offered) based on the executive's remuneration and individual performance. Vested shares carry full entitlement to dividends from the grant date (less any taxes paid/payable by the Plan Trustee in respect of such dividends).

Vesting of LTI is subject to non-market conditions (service and internal cash return on equity) and a market performance hurdle being met during the performance period. The performance hurdle is based on the Company's total shareholder returns (**TSR**) against the TSR of a peer comparator group, which is the top 50 listed companies by market capitalisation in the Standard & Poor's (**S&P**)/ASX 100 (excluding materials, energy and real estate) as determined at the commencement of each grant. If a company in the peer comparator group is suspended or delisted from the ASX during the performance period, it may be removed from the peer comparator group. There may, therefore, be fewer than 50 companies in the peer comparator group for that period. No LTI will vest unless the Company achieves a relative TSR of 50th percentile (median) or above. Any performance rights not vested at the end of the performance period are forfeited. Further details on TSR and the vesting schedule and other terms and conditions can be found in section 3 of the Remuneration Report.

The fair value of services received in return for LTI granted is measured by reference to the fair value of the shares granted. The estimate of the fair value of the shares is measured based on a Monte Carlo simulation pricing model and reflects the fact that vesting of the shares is dependent on meeting performance criteria based on TSR. The vesting of the shares is also subject to non-market conditions, but these are not taken into account in the grant date fair value measurement of the services received.

Inputs into the model include expected volatility which is based on the historic volatility of the Company's share price, dividend yield and a risk-free interest rate based on Australian Government bonds. The inputs for measurement of grant date fair value and the number of unvested performance rights at the financial year end are as follows.

						2020	2019
		Inputs for measurement of fair value at grant date					
Grant date	Fair value at grant date	Share price	Expected volatility	Vesting period	Risk-free interest rate	Number of shares unvested	Number of shares unvested
1 September 2016	$6.72	$12.76	20%	3 years	1.43%		419,990
22 September 2016	$6.72	$12.76	20%	3 years	1.43%		235,017
29 March 2017	$6.72	$13.25	20%	2.4 years	1.43%		16,694
29 June 2017	$6.72	$15.06	20%	2.2 years	1.43%		77,692
1 September 2017	$5.74	$13.06	20%	3 years	1.98%	515,049	603,378
21 September 2017	$5.74	$13.06	20%	3 years	1.98%	174,332	270,251
1 September 2018	$8.88	$15.49	19%	3 years	2.00%	389,950	506,698
20 September 2018	$7.39	$14.43	19%	3 years	2.16%	70,798	226,886
1 July 2019	$7.40	$13.47	19%	3 years	0.94%	339,113	
26 September 2019	$7.45	$13.68	18%	3 years	0.67%	133,441	
13 December 2019	$6.02	$13.19	17%	3 years	0.78%	49,362	
						1,672,045	2,356,606

The number of performance rights granted during the financial year was 682,348 (2019: 733,584).

10.2 Other equity-settled share plans

The Suncorp Group operates other equity-settled share plans that are not subject to performance conditions. Key features are set out below.

Equity plans	Share rights plan	Suncorp employee share plan (tax exempt)	Suncorp equity participation plan	Short-term incentive (STI) deferred plan
Eligible plan participant	Employees in senior roles below executive level that satisfy the eligibility criteria and executives as endorsed by the Board	Employees not eligible for LTI awards	Employees can elect to participate	Group CEO, Executive Leadership Team (**ELT**) and Executive General Manager (**EGM**) level roles
Basis of share grant/issue	Value of the share rights granted is determined by the Board based on the employee's remuneration and individual performance	Market value of shares up to $1,000 per employee per year may be granted by the Board based on the Suncorp Group's overall performance	Employees fund the acquisition of shares to be held under this Plan from their pre-tax remuneration up to a maximum value of $5,000 per year	Total amount of the STI is in the form of rights to shares approved by the Board, based on Group, function and individual performance and determined prior to the ex-dividend date
Vesting	Subject to remaining in employment with the Suncorp Group until the vesting date and not having given notice of intention to resign	Fully vested, not subject to forfeiture	As the acquisition of shares is funded through the employee's remuneration, the shares are fully vested at the date of acquisition	Group CEO and ELT: Ordinarily, 50 per cent of the Group CEO's STI, and 35 per cent of the ELT STI is delivered in share rights, with 50 per cent vesting after one year and 50 per cent vesting after two years. For financial year 2020, the cash portion of the STI (50 per cent for the Group CEO and 65 per cent for the ELT) will also be delivered in share rights, deferred for one year. EGMs: 30 per cent of the STI is delivered in share rights, with 1/3 vesting on the 1st, 2nd and 3rd anniversary
Dividend entitlements	Full entitlement to dividend equivalents paid on vesting, equal to the notional net dividends earned on vested shares over the deferral period	Full entitlement to dividend from when the shares are acquired and held in the Plan	Full entitlement to dividend from when the shares are acquired and held in the Plan	Full entitlement to dividend equivalents paid on vesting, equal to the notional net dividends earned on vested shares over the deferral period
Fair value	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date	Market value of the shares on the date they were acquired	Market value of the shares on the date they were acquired	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date

207,262 share rights (2019: 226,799 shares) at fair value $2,761,196 (2019: $3,387,000) were granted during the financial year.

The total number of shares acquired through the Suncorp Equity Participation Plan was 195,536 (2019: 175,043), with a fair value of $2,264,000 (2019: $2,395,000).

The Board has not approved a grant to each eligible employee of ordinary shares of the Company under the Suncorp Employee Share Plan (tax exempt) for the financial year (2019: $500).

Under the STI deferred plan, share rights are offered to eligible employees in August following completion of the performance period. The total number of share rights offered during the year was 293,871 (2019: 547,802), at a total fair value of $3,900,000 (2019: $8,543,000). The fair value of the STI deferred plan is expensed from the start of the performance period to the end of the deferral period. Total expense of $6,858,000 (2019: $8,295,000) relating to the STI deferred plan is included in 'Fees, overheads and other expenses' in the consolidated statement of comprehensive income.

11. Income tax

11.1 Income tax expense

	2020 $M	2019 $M
Reconciliation of prima facie to actual income tax expense		
Profit before tax from continuing operations	951	1,530
Profit (loss) before tax from discontinued operations	352	(1,028)
Profit before income tax	1,303	502
Prima facie domestic corporate tax rate of 30% (2019: 30%)	391	151
Effect of tax rates in foreign jurisdictions	(6)	(7)
Effect of income taxed at non-corporate tax rate	1	1
Tax effect of:		
Non-deductible expenses	13	219
Non-deductible expenses – Life companies	1	21
Amortisation of intangible assets	6	6
Dividend adjustments	16	16
Tax exempt revenues	(6)	(11)
Current year rebates and credits	(18)	(21)
Utilisation of previously unrecognised capital losses	(29)	-
Prior year under (over) provision	1	(72)
Other	1	4
Total income tax expense on pre-tax profit	371	307
Total income tax expense on pre-tax profit from continuing operations	305	456
Total income tax expense (benefit) on pre-tax profit (loss) from discontinued operations	66	(149)
Effective tax rate from continuing operations	32.1%	29.8%
Total effective tax rate	28.5%	61.2%
Income tax expense (benefit) recognised in profit (loss) consists of:		
Current tax expense (benefit)		
Current tax movement	463	412
Current year rebates and credits	(18)	(21)
Adjustments for prior financial years	13	(60)
Total current tax expense	458	331
Deferred tax benefit		
Origination and reversal of temporary differences	(75)	(9)
Adjustments for prior financial years	(12)	(15)
Total deferred tax benefit	(87)	(24)
Total income tax expense	371	307

The effective tax rate of 28.5 per cent (2019: 61.2 per cent) is primarily due to differences between the tax and accounting gains and losses on sale from discontinued operations, including the utilisation of previously unrecognised capital losses on the disposal of Capital S.M.A.R.T and ACM Parts. The tax rate of 32.1 per cent from continuing operations is driven by several non-deductible expenses, with interest expenses from convertible instruments being the largest contributor.

New Zealand

In New Zealand, a corporate tax rate of 28 per cent (2019: 28 per cent) applies for all classes of business.

11.2 Current tax liabilities and receivables

	2020 $M	2019 $M
Net current tax liability at the beginning of the financial year	26	68
Income tax paid net of refunds	(321)	(373)
Current year tax on operating profit	445	391
Adjustment for prior financial years	13	(60)
Net current tax liability at the end of the financial year	163	26
Balance at the end of the financial year relating to:		
Current tax receivables[1]	(1)	(36)
Current tax liabilities	164	62
	163	26

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[1] Current tax receivables are included in 'Other assets' in the consolidated statement of financial position.

11.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following.

	2020	2019	2020	2019	2020	2019
	Deferred tax assets		Deferred tax liabilities		Net	
	$M	$M	$M	$M	$M	$M
Trading securities and investment securities	-	-	123	127	(123)	(127)
Property, plant and equipment	59	63	-	-	59	63
Intangible assets	-	-	35	61	(35)	(61)
Provision for impairment on financial assets	94	50	-	-	94	50
Outstanding claims liabilities	98	91	-	-	98	91
Employee benefits	93	88	-	-	93	88
Other items	144	165	163	182	(19)	(17)
Deferred tax assets and liabilities	488	457	321	370	167	87
Set-off of tax	(206)	(215)	(206)	(215)	-	-
Net deferred tax assets	282	242	115	155	167	87

Movement in deferred tax balances during the financial year:

	2020	2019	2020	2019
	Deferred tax assets		Deferred tax liabilities	
	$M	$M	$M	$M
Balance at the beginning of the financial year	457	373	370	299
Movement recognised in profit or loss	48	97	(39)	73
Movement recognised in other comprehensive income	9	9	4	9
Acquisition/disposal of subsidiaries	(21)	(24)	(7)	(18)
Foreign currency exchange movement and other	(5)	2	(7)	7
Balance at the end of the financial year	488	457	321	370

12. Trading and investment securities

	2020 $M	2019 $M
Trading securities		
Financial assets at fair value through profit or loss		
Interest-bearing securities:		
Bank bills, certificates of deposit and other negotiable securities – current	1,460	1,227
Investment securities		
Financial assets at fair value through profit or loss		
Interest-bearing securities	13,349	13,628
Equity securities	892	347
Unit trusts	690	1,314
	14,931	15,289
Financial assets at fair value through other comprehensive income		
Interest-bearing securities	4,832	3,954
Total investment securities	19,763	19,243
Current	14,940	14,721
Non-current	4,823	4,522
Total investment securities	19,763	19,243

13. Derivative financial instruments

	2020		2019	
	Asset $M	Liability $M	Asset $M	Liability $M
Interest rate				
Non-hedge accounting	138	78	112	65
Hedge accounting	375	444	288	362
	513	522	400	427
Interest rate and foreign exchange				
Non-hedge accounting	1	1	2	2
Hedge accounting	262	-	227	-
	263	1	229	2
Foreign exchange				
Non-hedge accounting	54	50	35	14
Hedge accounting	-	1	-	2
	54	51	35	16
Credit Contracts				
Non-hedge accounting	1	-	2	11
	1	-	2	11
Total derivative exposures				
Non-hedge accounting	194	129	151	92
Hedge accounting	637	445	515	364
	831	574	666	456

Derivatives are used by the Group to manage interest rate and foreign exchange risk. Non-hedge accounting derivatives are those derivatives which are either not designated in a qualifying hedge accounting relationship, or acquired or incurred principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit or position taking. Hedge accounting derivatives are those derivatives that are designated in a qualifying hedge accounting relationship. Refer to note 37.8 for the Group's accounting policy for derivatives and hedge accounting.

Derivatives used primarily include over-the-counter (**OTC**) interest rate swaps, cross currency swaps, forward foreign exchange contracts, options, and exchange traded interest rate futures.

To prevent derivatives being used as a source of gearing, all derivatives have to be wholly or partly cash covered depending on the type of risk undertaken. Derivative restrictions are designed to either prevent gearing or to cover unrealised and potential losses on all derivatives to guard against potential liquidity shortfalls. Counterparty risk procedures are in place for OTC type derivatives.

As at 30 June 2020 there was no significant counterparty exposure to any one single entity, other than normal clearing house exposures associated with dealings through recognised exchanges (2019: none).

The Group uses forward foreign exchange contracts to economically hedge its exposure to foreign exchange risk arising from its US dollar commercial paper portfolio (within 'Deposits and short-term borrowings', refer to note 17). These forward contracts are not designated in a hedge accounting relationship.

13.1 Derivative financial instruments – hedge accounting

Type of hedge	Fair value hedge	Cash flow hedge	Net investment hedge
Objective	To hedge changes in fair value of financial assets and liabilities arising from interest rate risk	To hedge variability in cash flows from recognised financial assets and liabilities arising from interest rate and foreign currency risk	To hedge changes in foreign currency exposure arising from foreign operations of the Group
Hedged risk	Interest rate risk	Interest rate risk Foreign exchange risk	Foreign exchange risk (spot)
Hedging instruments	Pay fixed / receive variable interest rate swaps Receive fixed / pay variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Receive fixed / pay variable interest rate swaps Pay fixed / receive variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Pay variable foreign currency / receive variable local currency on cross currency swaps
Hedged item	Fixed interest financial assets and liabilities	Variable interest financial assets and liabilities	Foreign operations
Economic relationship test	Matched terms	Regression analysis	Regression analysis
Hedge effectiveness testing	Cumulative dollar offset Hedge ratio 1:1	Cumulative dollar offset Hedge ratio 1:1	Regression analysis Hedge ratio 1:1
Potential sources of ineffectiveness	Mainly mismatches in terms of the hedged item and the hedging instrument	Mainly mismatches in terms of the hedged item and the hedging instrument as well as prepayment risk	Mainly mismatches in terms of the hedged item and the hedging instrument. For example, basis risks and cash flows in the cross currency swap

Hedging of fluctuations in interest rates

The Suncorp Group seeks to minimise volatility in net interest income through the use of interest rate derivatives, primarily vanilla interest rate swaps. The aggregate earnings exposure to interest rates is managed within Board-approved risk limits. At reporting date, there are 26 (2019: 25) interest rate swaps designated in fair value hedges to hedge the Group's exposure to changes in the fair value of fixed rate investment securities caused by movements in interest rates. All other interest rate swaps designated as hedges are cash flow hedges. Interest rate swaps designated in cash flow hedges hedge the Group's exposure to variability of cash flows on variable rate financial assets and liabilities caused by movements in interest rates.

Hedging of fluctuations in foreign exchange rates

The Suncorp Group ensures that the net exposures are kept to an acceptable level through participation in the foreign exchange markets. Cross currency interest rate swaps (**CCIRS**) are designated in hedge relationships using the split approach. Under this approach the benchmark interest rate risk and foreign exchange risk on principal components of the swap are accounted for as a fair value hedge and the other components as a cash flow hedge.

Hedges of net investments in foreign operations

The Group has a floating-for-floating plus margin CCIRS with an external counterparty. The CCIRS is designated as part of the Group's net investment in foreign operations.

The hedged risk is the exposure to currency translation due to changing of the NZD against the AUD exchange rate that will result in volatility of the carrying amount of some of Suncorp Group's net investment in the New Zealand subsidiary.

The following table shows the maturity profile for hedging instruments by notional amount, reported based on their contractual maturity.

	2020				2019			
	Notional				Notional			
	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Interest rate risk								
Fair value hedge	400	160	551	1,111	-	620	446	1,066
Cash flow hedge	9,536	26,002	625	36,163	13,396	25,149	625	39,170
Interest rate and foreign exchange risk								
Fair value and cash flow hedge	948	1,458	-	2,406	1,082	2,231	-	3,313
Foreign exchange risk								
Net investment hedge	-	55	-	55	-	55	-	55

The following table shows amounts relating to designated hedged items:

	Carrying amount $M	Accumulated fair value hedge adjustments[1] $M	Accumulated balances in reserves[2] $M	Amounts reclassified from reserves to profit or (loss)[3] as: Hedged cash flows will no longer occur $M	Amounts reclassified from reserves to profit or (loss)[3] as: Hedged item has affected profit or (loss) $M
2020					
Interest rate risk					
Fair value hedge					
Investment securities	1,216	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	23,849	n/a	652	-	-
Deposits and short-term borrowings	24,844	n/a	(616)	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Long-term borrowings	2,486	82	(2)	-	-
Foreign exchange risk					
Net investment hedge					
Net investment in foreign operation	55	-	(1)	-	-
2019					
Interest rate risk					
Fair value hedge					
Investment securities	1,069	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	25,475	n/a	558	-	-
Deposits and short-term borrowings	28,716	n/a	(565)	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Long-term borrowings	3,538	12	(2)	-	-
Foreign exchange risk					
Net investment hedge					
Net investment in foreign operation	55	-	(2)	-	-

Note: n/a – not applicable

1 The accumulated amount of fair value hedge adjustments remaining on the consolidated statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses is $nil (2019: $nil).

2 There is $nil (2019: $nil) remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

3 Amounts reclassified from reserves to profit or loss are included as part of 'Fees and other income' in the consolidated statement of comprehensive income.

The table below shows the average executed price or rate of the hedging instrument for interest rate exposures:

	2020	2019
Interest rate swaps:		
AUD average fixed interest rate		
Hedging investment securities	3.31%	3.61%
Hedging loans and advances	1.64%	2.20%
Hedging deposits and short-term borrowings	1.63%	2.07%
Cross currency swaps:		
Average AUD/USD exchange rate	0.7405	0.7480
Average fixed interest rate USD	2.78%	2.68%

The following table shows amounts related to designated hedging instruments, including the fair value changes for the period used as the basis for calculating hedge ineffectiveness.

	Carrying amount assets $M	Carrying amount liabilities $M	Gains (losses) on hedging instruments $M	Gains (losses) attributable to hedged risk $M	Hedge ineffectiveness in profit or (loss)[1] $M
2020					
Interest rate risk					
Fair value hedge – interest rate swaps	-	96	(4)	5	1
Cash flow hedge – interest rate swaps	375	348	42	(44)	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge – cross currency swaps	262	-	29	(29)	-
Foreign exchange risk					
Net investment hedge	-	1	1	(1)	-
Total	637	445	68	(69)	1
2019					
Interest rate risk					
Fair value hedge – interest rate swaps	-	92	(52)	52	-
Cash flow hedge – interest rate swaps	288	270	29	(28)	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge – cross currency swaps	227	-	190	(190)	-
Foreign exchange risk					
Net investment hedge	-	2	(3)	2	-
Total	515	364	164	(164)	-

[1] Hedge ineffectiveness is recognised as part of 'Fees and other income' in the consolidated statement of comprehensive income.

14. Loans and advances

	Note	2020 $M	2019 $M
Retail loans			
Housing loans		40,403	40,922
Securitised housing loans and covered bonds		6,071	6,889
Consumer loans		155	149
		46,629	47,960
Business loans			
Commercial (SME)		7,295	7,315
Agribusiness		4,081	4,018
		11,376	11,333
Other lending		19	3
Gross loans and advances		58,024	59,296
Provision for impairment	15.1	(301)	(142)
Net loans and advances		57,723	59,154
Current		10,036	11,127
Non-current		47,687	48,027
Net loans and advances		57,723	59,154

15. Provision for impairment on financial assets

15.1 Reconciliation of provision for impairment on financial assets

The table below shows the reconciliation of ECL, specific provision (**SP**) and gross carrying amount for loans and advances (**GLA**) for the financial year ended 30 June 2020. Please refer to note 37.12 for the definition of each stage.

	Collective provision									
	Stage 1		Stage 2		Stage 3		Stage 3 SP		Total	
	GLA $M	ECL $M	GLA $M	ECL $M	GLA $M	ECL $M	GLA $M	SP $M	GLA $M	Provision $M
As at 1 July 2018	56,130	44	1,907	38	568	29	123	39	58,728	150
Transfers:										
Transfer to stage 1	728	8	(644)	(6)	(84)	(2)	-	-	-	-
Transfer to stage 2	(1,110)	(2)	1,225	6	(115)	(4)	-	-	-	-
Transfer to stage 3	(221)	-	(218)	(4)	400	1	39	3	-	-
New loans and advances originated	8,471	10	-	-	-	-	-	-	8,471	10
Increase in ECL/SP	-	10	-	20	-	19	-	13	-	62
Loans and advances derecognised	(7,367)	(28)	(365)	(17)	(131)	(11)	(40)	(12)	(7,903)	(68)
SP written-off	-	-	-	-	-	-	-	(8)	-	(8)
Unwind of discount	-	-	-	-	-	-	-	(4)	-	(4)
As at 1 July 2019	56,631	42	1,905	37	638	32	122	31	59,296	142
Transfers:										
Transfer to stage 1	982	16	(854)	(12)	(128)	(4)	-	-	-	-
Transfer to stage 2	(1,484)	(4)	1,558	6	(74)	(2)	-	-	-	-
Transfer to stage 3	(273)	-	(264)	(7)	491	5	46	2	-	-
New loans and advances originated	8,743	27	-	-	-	-	-	-	8,743	27
Increase in ECL/SP	-	71	-	61	-	36	-	28	-	196
Loans and advances derecognised	(9,523)	(28)	(322)	(11)	(134)	(10)	(36)	(5)	(10,015)	(54)
SP written-off	-	-	-	-	-	-	-	(7)	-	(7)
Unwind of discount	-	-	-	-	-	-	-	(3)	-	(3)
As at 30 June 2020	55,076	124	2,023	74	793	57	132	46	58,024	301
Provision for impairment on:										
Loans and advances	(107)		(72)		(57)		(46)		(282)	
Commitments & guarantees	(17)		(2)		-		-		(19)	
Net carrying amount as at 30 June 2020	54,952		1,949		736		86		57,723	

15.2 Impairment loss on financial assets

	2020 $M	2019 $M
Increase in collective provision for impairment[1]	145	-
Increase in specific provision for impairment	25	5
Bad debts written off[2]	3	9
Bad debts recovered	(1)	(1)
Total impairment loss on loans and advances	172	13

[1] Impairment losses above includes $1 million of expected credit losses on investment securities which are measured at fair value through other comprehensive income (**FVOCI**) (2019: $nil million).

[2] The principal amount outstanding on loans and advances that were written-off and are still subject to enforcement activity at the end of the reporting period is $1 million (2019: $2 million).

15.3 Expected credit loss model methodology, estimates and assumptions

(a) Impact of COVID-19 on the provision for impairment on loans and advances

In response to COVID-19 and the Group's expectations of economic impacts, the key conditions and assumptions utilised in the Group's calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined at note 15.3(b). At reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate economic overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19. Notwithstanding that credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

The Group is focused on supporting customers who are experiencing financial difficulties as a result of the COVID-19 global pandemic and has offered a range of industry-wide financial assistance measures including temporary loan repayment deferrals (principal and interest). In accordance with regulatory and industry guidance, temporary loan deferrals have been offered to business lending on a 6-month basis, and on a 3-month basis to retail lending, with an option to extend for a further 3 months post a customer check-in to reassess the customer's circumstances.

As per industry guidance, a payment deferral request does not automatically result in a significant increase in credit risk (**SICR**) which transitions an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). For June 2020 the SICR assessment for individually rated business lending reflects the loan's master rating scale (**MRS**) at the time of the deferral. For all exposures (individually or portfolio rated) an assessment is made of the proportion of each portfolio expected to be SICR given the state of the economy and, to the extent this proportion exceeds the observed proportion, which is SICR, an extra provision is established to ensure this proportion receives a lifetime ECL. This approach ensures the volume of exposures in stage 2 reflects a forward-looking view of the economy and not just what is observable in customer data (such as arrears) at the reporting date.

As per regulatory guidance, exposures which are granted COVID-19 temporary financial assistance are not to be treated as being in arrears during the deferral period and not to be considered as Restructured under Prudential Standard APS220 *Credit Quality* (refer to note 29.1 (b) for further details). Accordingly, the Group's adopted accounting treatment is to pause counting days past due, until such time as the deferral period ends. Therefore, a SICR will not be triggered due to COVID-19 related deferrals, noting that in the ordinary course arrears are the primary driver of SICR for retail lending. Refer to note 37.12 (a) for further information in relation to the Group's accounting policy for determining a SICR event.

At reporting date, the gross carrying value of loans and advances that are subject to a COVID-19 financial assistance package total $4,828 million, comprised of retail lending ($3,763 million) and business lending ($1,065 million). Refer to note 37.6 (d) for the Group's accounting policy with respect to determining a loan modification.

(b) Sensitivity analysis

The impacts of COVID-19 have resulted in significant estimation uncertainty in relation to the measurement of the Group's ECL for loans and advances. The impacts of COVID-19 on consumers and businesses as well as the government stimulus packages deployed are unprecedented, accordingly significant adjustments to the ECL could occur in future periods as the full effects of COVID-19 are better understood.

Reported ECL

The ECL at reporting date of $255 million incorporates a base case (i.e. best estimate scenario) which reflects a sharp deterioration in forecast macroeconomic conditions driven by the significant restrictions and lockdowns that have been imposed since March 2020, followed by a fairly protracted recovery, beginning in 2021 ('reverse J' shaped recovery). Key macroeconomic indicators incorporated in the best estimate are outlined in the table below.

The Group calculates the ECL by considering a distribution of economic outcomes around the best estimate underlying scenario, with the best estimate reflecting the Group's view of the most likely economic scenario. As the negative impact of an economic downturn on credit losses tends to be greater than the positive impact of an economic upturn, if the Group determines collective provision only on the ECL under the best estimate forecast, or based on a limited number of discrete scenarios, it might maintain a level of collective provision that does not appropriately reflect the range of potential outcomes, including more severe downside events. To address this AASB 9 *Financial Instruments* (**AASB 9**) requires the ECL to be the probability weighted ECL outcome calculated for a range of possible outcomes.

In determining the Reported ECL a distribution of outcomes around the best estimate economic scenario is adopted for both probability of default (**PD**) and loss given default (**LGD**), taking into consideration observed variability in economic outcomes and collateral values. For example, the Group's Reported ECL calculation reflects the following outcomes modelled around the best estimate scenario:

- For PD, a 10 per cent probability that mortgage defaults over the next year are consistent with an increase in unemployment to 13.5 per cent, compared with the best estimate of an increase to 10.0 per cent; and
- For LGD, a 10 per cent probability that Queensland metro house prices fall in excess of 25 per cent over the next year, in comparison to the best estimate which reflects an 8.3 per cent fall. Similarly, the ECL calculation reflects a 10 per cent probability that commercial property prices fall in excess of 33 per cent over the next year, in comparison to the best estimate which reflects a 14.2 per cent fall.

Downside sensitivity ECL

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, signifying no single analysis can fully demonstrate the sensitivity of the ECL to fluctuations in macroeconomic variables. To provide an indication of the sensitivity of the ECL to key macroeconomic variables, the Group has also determined what the ECL would be if the best estimate was replaced with more adverse economic indicators, akin to an 'L shaped' economic recovery (i.e. a slow rate of recovery with historically high levels of unemployment for a prolonged period and sustained negative GDP change), compared to the current 'reverse J' shaped recovery inherent in the Reported ECL.

The Downside sensitivity ECL was modelled with the key macroeconomic indicators outlined in the table below. These macroeconomic indicators replace the best estimate values in the Reported ECL and the Downside sensitivity ECL maintains a full distribution of outcomes around the downside scenario. To highlight the impact of the modelled outcome to changes in key economic indicators, no changes were made to overlays, including those related to outlook uncertainty. Under these revised downside assumptions, the ECL is $309 million, an increase of $54 million compared to the Reported ECL. Although not explicitly quantified, the economic conditions for this L shaped economic scenario will be implicitly captured within the distribution of outcomes for the Reported ECL. Accordingly, the Downside sensitivity ECL is not separately weighted and incorporated into the Reported ECL.

Key macroeconomic information that has been utilised in the base case, and the downside sensitivity is summarised below:

	Reported ECL %		Downside sensitivity ECL %	
	June 20	**June 21**	**June 20**	**June 21**
GDP growth – annual change	(7.3)	6.8	(7.9)	(0.5)
	June 21	**June 22**	**June 21**	**June 22**
Property prices – residential – annual change	(8.3)	4.6	(11.0)	1.0
Property prices – commercial – annual change	(14.2)	3.5	(17.0)	0.0
	Dec 20	**June 21**	**Dec 20**	**June 21**
Unemployment rate	10.0	9.0	11.0	11.5

The periods presented above reflect the peak/trough for the respective key macroeconomic information.

16. Goodwill and other intangible assets

	Goodwill	Brands	Customer contracts & other relationships	Outstanding claims liabilities intangible	Software	Internally generated software in development	Total
	$M	$M	$M	$M	$M	$M	$M
2019							
Gross carrying amount[1]	5,292	632	949	187	805	5	7,870
Accumulated amortisation and impairment losses[1]	(561)	(282)	(894)	(168)	(505)	-	(2,410)
Balance at the end of the financial year	4,731	350	55	19	300	5	5,460
Movements in intangible assets							
Balance at the beginning of the financial year	4,875	370	79	22	355	21	5,722
Acquisitions	-	-	3	-	-	8	11
Amortisation	-	(20)	(27)	(3)	(70)	-	(120)
Impairment loss[2]	(149)	-	-	-	(9)	-	(158)
Transfers	-	-	-	-	24	(24)	-
Foreign currency exchange movement	5	-	-	-	-	-	5
Balance at the end of the financial year	4,731	350	55	19	300	5	5,460
Maximum remaining useful life	Indefinite	38 years	8 years	8 years	8 years	n/a	
2020							
Gross carrying amount	5,285	632	949	187	649	32	7,734
Accumulated amortisation and impairment losses	(561)	(302)	(912)	(170)	(514)	-	(2,459)
Balance at the end of the financial year	4,724	330	37	17	135	32	5,275
Movements in intangible assets							
Balance at the beginning of the financial year	4,731	350	55	19	300	5	5,460
Acquisitions	-	-	-	-	1	32	33
Disposal	(3)	-	-	-	(1)	-	(4)
Amortisation	-	(20)	(18)	(2)	(61)	-	(101)
Impairment loss[3]	-	-	-	-	(110)	-	(110)
Transfers	-	-	-	-	5	(5)	-
Foreign currency exchange movement	(4)	-	-	-	1	-	(3)
Balance at the end of the financial year	4,724	330	37	17	135	32	5,275
Maximum remaining useful life	Indefinite	37 years	7 years	7 years	7 years	n/a	

[1] The Group derecognised the cost and accumulated depreciation of fully depreciated intangible assets in relation to the sale of the Australian Life Business (SLSL).

[2] The write-off of goodwill includes $145 million related to the sale of SLSL and $4 million relates to the sale of Capital S.M.A.R.T and ACM Parts.

[3] During the financial year, an impairment loss of $110 million was recognised in relation to the carrying value of the Deposit and Transactions modules of the Core Banking Platform. The impairment loss is included in 'Impairment loss on goodwill and other intangible assets' in the consolidated statement of comprehensive income. The Retail Lending, Personal Loans, and Customer Collection modules of the Core Banking Platform have been successfully implemented and are not impaired as at 30 June 2020.

16.1 Impairment test for cash-generating units containing goodwill

For the purpose of the annual impairment test, goodwill is allocated to groups of CGUs which represent the Suncorp Group's operating segments (refer to note 5.1). The carrying amount of each CGU is then compared to its recoverable amount. The accounting policy relating to impairment testing for CGUs containing goodwill is included in note 37.12(b).

The value of goodwill allocated to each of the Banking & Wealth and Suncorp New Zealand operating segments is not significant in comparison to Suncorp Group's total carrying amount of goodwill. The value of goodwill allocated to each group of CGUs is disclosed in note 5.1.

The recoverable amount for the banking CGU, within the Banking & Wealth operating segment, is determined based on fair value less cost to sell, using an earnings multiple applicable to that type of business.

The recoverable amount for the general insurance CGUs, within the Insurance operating segment, is its value in use and is determined by the sum of the present value of future cash flows expected from the general insurance CGUs.

Value in use for the general insurance CGUs

The recoverable amount of each general insurance CGU is its value in use and is determined by discounting the future cash flows generated from the continuing use of the units and are based on the three-year business plans projected for years four and five based on key assumptions to cover a five-year period. A terminal growth rate of 2.5 per cent (2019: 2.5 per cent) is used to extrapolate cash flows beyond the five-year projections which does not exceed the long-term average growth rate for the industry.

The key assumptions for general insurance CGUs include gross earned premium growth, projected insurance loss ratios, operating expense growth, and expected operational and regulatory capital levels. The cash flow projections and values assigned to the key assumptions represent management's assessment of future trends in the industry, reflect the ongoing economic uncertainty from the COVID-19 global pandemic and are based on both external and internal sources of data.

For the general insurance CGUs, the weighted average cost of capital is used as the post-tax discount rate. The discount rates reflect an equity beta and a market risk premium sourced from observable market inputs.

Discount rates	2020		2019	
	Post-tax %	Pre-tax equivalent %	Post-tax %	Pre-tax equivalent %
Insurance	7.2	9.0	7.8	9.9

17. Deposits and short-term borrowings

	2020 $M	2019 $M
Financial liabilities at amortised cost		
Call deposits	28,320	22,141
Term deposits	11,263	16,401
Short-term securities issued	5,079	5,376
Total deposits and short-term borrowings at amortised cost	44,662	43,918
Financial liabilities designated at fair value through profit or loss		
Offshore commercial paper	1,498	2,272
Total deposits and short-term borrowings	46,160	46,190
Current	46,019	45,959
Non-current	141	231
Total deposits and short-term borrowings[1]	46,160	46,190

[1] Original maturity of short-term borrowings are less than 12 months.

Deposits and short-term borrowings outstanding at 30 June 2020 of $817 million (2019: $302 million) have been obtained under repurchase agreements with the RBA and disclosed within the above category of 'Short-term securities issued'.

The Group has elected to recognise its US Commercial Paper portfolio at fair value through profit or loss (**FVTPL**) on the basis that it is economically hedged by forward foreign exchange contracts. Both the changes in the fair value of the forward foreign exchange contracts and the debt are recognised in profit or loss. However, the portion of the change in the fair value of the debt attributable to changes in the Group's own credit risk is recognised in other comprehensive income, with no recycling to profit or loss, unless such treatment would create or enlarge an accounting mismatch in profit or loss. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies as at 30 June 2020 is $41 million liability (2019: $27 million asset).

The contractual amount payable on financial liabilities designated at FVTPL at maturity is $1,499 million (2019: $2,286 million).

Interest expense of $29 million (2019: $48 million) on deposits and short-term borrowings designated at FVTPL was recognised during the financial year.

Consolidated net gains of $1 million (2019: $1 million net loss) on financial liabilities designated at FVTPL are recognised in profit or loss.

18. Unearned premium liabilities

18.1 Reconciliation of movement

	2020 $M	2019 $M
Unearned premium liabilities relating to general insurance contracts		
Balance at the beginning of the financial year	5,122	5,029
Premiums written during the financial year	9,953	9,812
Premiums earned during the financial year	(9,840)	(9,748)
Disposal of business during the financial year	-	(1)
Foreign currency exchange movement	(17)	30
Balance at the end of the financial year	5,218	5,122
Unearned premium liabilities relating to life insurance contracts	1	1
Total unearned premium liabilities	5,219	5,123
Current	5,215	5,113
Non-current	4	10
Total unearned premium liabilities	5,219	5,123

18.2 Liability adequacy test relating to general insurance contracts

	2020 $M	2019 $M
Central estimate of present value of expected future cash flows arising from future claims	4,207	3,939
Risk margin	95	86
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	(259)	(205)
Expected present value of future cash flows arising from future claims including risk margin	4,043	3,820
	%	%
Risk margin	2.6	2.8
Probability of adequacy	57-64	57-64

The probability of adequacy adopted for the general insurance LAT differs from the 90 per cent probability of adequacy adopted in determining the outstanding claims liabilities (refer to note 19.4). The reason for this difference is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liabilities.

The process used to determine the risk margin is discussed in note 19.4.

As at 30 June 2020 and 30 June 2019, the LAT resulted in surpluses for the Australian and New Zealand general insurance portfolios.

19. Outstanding claims liabilities

	2020 $M	2019 $M
General insurance contracts		
Gross central estimate – undiscounted	9,130	9,382
Risk margin	1,162	1,136
Claims handling expenses	356	343
	10,648	10,861
Discount to present value	(212)	(401)
Gross outstanding claims liabilities relating to general insurance contracts – discounted	10,436	10,460
Gross outstanding claims liabilities relating to life insurance contracts – discounted	162	151
Total gross outstanding claims liabilities – discounted	10,598	10,611
	%	%
General insurance contracts		
Overall net risk margin applied	16.2	15.7
Probability of adequacy of the risk margin (approximately)	90	90

19.1 Reconciliation of movement in discounted outstanding claims liabilities on general insurance contracts

	2020 $M	2019 $M
Net outstanding claims liabilities relating to general insurance contracts at the beginning of the financial year	7,869	7,674
Prior periods		
Claims payments	(2,337)	(2,293)
Discount unwind	52	100
Margin release on prior periods	(289)	(279)
Incurred claims due to changes in assumptions and experience	(137)	(376)
Change in discount rate	103	240
Current period		
Incurred claims	6,411	6,417
Claims payments	(3,628)	(3,626)
Foreign currency exchange movement	(8)	12
Net outstanding claims liabilities relating to general insurance contracts at the end of the financial year	8,036	7,869
Reinsurance and other recoveries on outstanding claims liabilities		
Expected undiscounted outstanding reinsurance and other recoveries	2,424	2,654
Discount to present value	(24)	(63)
	2,400	2,591
Gross outstanding claims liabilities (discounted) on general insurance contracts at the end of the financial year	10,436	10,460

The following table summarises the maturity profile of net discounted outstanding claims liabilities on general insurance contracts based on the estimated timing of discounted cash outflows.

	Carrying amount $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2020	8,036	3,137	3,649	1,250	8,036
2019	7,869	3,059	3,482	1,328	7,869

19.2 General insurance outstanding claims liabilities and assets arising from reinsurance contracts

The Suncorp Group's estimation of its claims liabilities includes the expected future cost of claims notified to the Suncorp Group as at reporting date as well as claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER). Projected payments are discounted to present value and an estimate of direct expenses expected to be incurred in settling these claims is determined.

The Suncorp Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, with estimates and judgments continually being evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR and claims IBNER is generally subject to a greater degree of uncertainty with claims often not being adequately reported until many years after the events giving rise to the claims have happened. For this reason, long-tail classes of business will typically display greater variations between initial estimates and final outcomes.

Estimation of assets arising from reinsurance and other recoveries are also calculated using the above methods. The recoverability of these assets is assessed on a periodic basis, taking into consideration factors such as counterparty and credit risk.

19.3 General insurance contracts claims development table

The following table shows the development of the estimated undiscounted outstanding claims liabilities on general insurance contracts relative to the ultimate expected claims for the ten most recent accident years.

	Accident Year											
	Prior $M	2011 $M	2012 $M	2013 $M	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M	2020 $M	Total $M
Estimate of ultimate claims cost:												
At end of accident year		1,469	1,329	1,399	1,415	1,433	1,477	1,589	1,519	1,434	1,387	
One year later		1,391	1,319	1,369	1,410	1,377	1,435	1,504	1,467	1,354		
Two years later		1,360	1,249	1,254	1,308	1,280	1,376	1,413	1,449			
Three years later		1,385	1,165	1,155	1,241	1,197	1,354	1,402				
Four years later		1,320	1,113	1,119	1,206	1,182	1,342					
Five years later		1,246	1,086	1,085	1,172	1,161						
Six years later		1,218	1,069	1,056	1,167							
Seven years later		1,211	1,057	1,056								
Eight years later		1,211	1,051									
Nine years later		1,212										
Current estimate of cumulative claims cost		1,212	1,051	1,056	1,167	1,161	1,342	1,402	1,449	1,354	1,387	
Cumulative payments		(1,142)	(1,007)	(964)	(1,008)	(982)	(963)	(826)	(589)	(335)	(123)	
Outstanding claims liabilities – undiscounted	650	70	44	92	159	179	379	576	860	1,019	1,264	5,292
Discount to present value	(70)	(2)	(1)	(2)	(4)	(3)	(8)	(9)	(9)	(11)	(16)	(135)
Outstanding claims – long-tail	580	68	43	90	155	176	371	567	851	1,008	1,248	5,157
Outstanding claims – short-tail												1,413
Claims handling expense												348
Risk margin												1,118
Total net outstanding claims liabilities relating to general insurance contracts												8,036
Reinsurance and other recoveries on outstanding claims liabilities relating to general insurance contracts												2,400
Total gross outstanding claims liabilities relating to general insurance contracts												10,436

The claims development table discloses amounts net of reinsurance and third-party recoveries to give the most meaningful insight into the impact on profit or loss. Short-tail claims are disclosed separately as they are generally subject to less uncertainty since they are normally reported soon after the incident and are generally settled within 12 months following the reported incident.

19.4 Actuarial assumptions and methods relating to general insurance contracts

The estimation of the outstanding claims liabilities is based on multiple actuarial techniques that analyse experience, trends and other relevant factors utilising the Suncorp Group's specific data, relevant industry data and general economic data. Methods undertaken to determine claims liabilities will vary according to the class of business.

The use of multiple actuarial methods assists in providing a greater understanding of the trends inherent in the historical data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the class of business and the extent of the development of each past accident period.

The following key assumptions have been made in determining the outstanding claims liabilities on general insurance contract liabilities.

	2020		2019	
	Aust	NZ	Aust	NZ
Weighted average term to settlement (years)	3.3	1.0	3.6	1.0
Weighted average economic inflation rate	3.4%	2.1%	3.7%	1.9%
Superimposed inflation rate	2.1%	1.8%	2.1%	1.6%
Discount rate	0.8%	0.4%	1.3%	1.3%
Claims handling expense ratio	5.2%	9.1%	4.9%	9.0%
Risk margin	16.9%	17.8%	16.3%	18.8%

Weighted average term to settlement – The weighted average term to settlement is calculated separately by class of business and is based on historic settlement patterns.

Economic and superimposed inflation – Economic inflation is based on economic indicators such as the consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect experience and future expectations.

Discount rate – Discount rates are derived from market yields on Commonwealth Government securities in Australia and the 10-year government stock rate in New Zealand at the reporting date.

Claims handling expense ratio – Claims handling expense ratio is calculated with reference to past experience of claims handling costs as a percentage of past payments.

Risk margin – The overall risk margin is determined after analysing the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes and geographical locations.

The assumptions regarding uncertainty for each class of business are applied to the net central estimates, and the results are aggregated, allowing for diversification, in order to arrive at an overall position which is intended to have an approximate probability of sufficiency of 90 per cent across the Suncorp Group (2019: 90 per cent).

19.5 Impact of changes in key variables relating to general insurance contracts

The Suncorp Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions.

A sensitivity analysis is conducted on each variable while holding all other variables constant.

The table below describes how a change in each assumption will affect the profit before tax. There is no impact to equity reserves.

	Movement in variable	2020 Profit (loss) $M	2019 Profit (loss) $M
Weighted average term to settlement (years)	+0.5 years	(178)	(162)
	-0.5 years	174	158
Inflation rate	+100 bps	(239)	(244)
	-100 bps	220	224
Discount rate	+100 bps	229	231
	-100 bps	(254)	(257)
Claims handling expense ratio	+100 bps	(65)	(64)
	-100 bps	65	64
Risk margin	+100 bps	(68)	(67)
	-100 bps	68	67

20. Long-term borrowings

	Note	2020 $M	2019 $M
Financial liabilities at amortised cost			
Offshore borrowings		2,486	3,538
Domestic borrowings		4,432	4,032
Total unsecured long-term borrowings		6,918	7,570
Covered bonds	26.3	2,589	2,788
Term Funding Facility	26.3	1,100	-
Total secured long-term borrowings		3,689	2,788
Total long-term borrowings		10,607	10,358
Current		3,418	2,920
Non-current		7,189	7,438
Total long-term borrowings[1]		10,607	10,358

[1] Original maturity of long-term borrowings are 12 months or greater.

21. Loan capital

The following table shows loan capital at amortised cost and categorised by capital type, class and instrument under APRA's Life and General Insurance Capital (**LAGIC**) and Bank Basel III reporting standards. These instruments have been issued by Suncorp Group Limited (**SGL**), AAI Limited (**AAIL**) and Suncorp-Metway Limited (**SML**).

	2020 $M	2019 $M
Additional Tier 1 loan capital		
$AUD 400 million SGL Convertible Preference Shares 3 (**CPS3**)	-	399
$AUD 375 million SGL Capital Notes 1 (**CN**)	372	371
$AUD 375 million SGL Capital Notes 2 (**CN2**)	371	370
$AUD 389 million SGL Capital Notes 3 (**CN3**)	383	-
Total Additional Tier 1 loan capital	1,126	1,140
Tier 2 loan capital		
LAGIC/Basel III fully compliant subordinated notes		
$AUD 600 million SGL Subordinated Notes	597	596
$AUD 330 million AAIL Subordinated Notes	329	328
$AUD 225 million AAIL Subordinated Notes	225	224
Total LAGIC/Basel III fully compliant subordinated notes	1,151	1,148
Basel III transitional subordinated notes		
$AUD 72 million SML Floating Rate Notes[1]	72	72
Total Basel III transitional subordinated notes	72	72
Total Tier 2 capital	1,223	1,220
Total loan capital[2]	2,349	2,360
Non-current	2,349	2,360
Total loan capital	2,349	2,360

[1] Tier 2 instruments subject to the transitional arrangements outlined in APRA prudential standard APS 111 Attachment L.

[2] Total liability in relation to interest payment accrued for Suncorp Group to make payments under the subordinated notes as at the end of the financial year is $2 million (2019: $3 million). It is disclosed within the consolidated statement of financial position category of 'Payables and other liabilities'.

Additional Tier 1 Capital

	Margin above 90 day BBSW	Potential scheduled mandatory conversion date	Optional call/ exchange date	Issue date	2020 Number on issue	2019 Number on issue
SGL CPS3	340 bps	17 Jun 2022	17 Jun 2020	8 May 2014	-	4,000,000
SGL CN	410 bps	17 Jun 2024	17 Jun 2022	5 May 2017	3,750,000	3,750,000
SGL CN2	365 bps	17 Jun 2026	17 Jun 2024	24 Nov 2017	3,750,000	3,750,000
SGL CN3	300 bps	17 Jun 2028	17 Jun 2026	17 Dec 2019	3,890,000	-

The convertible preference shares were and capital notes are eligible Additional Tier 1 instruments under Basel III and LAGIC rules. They are fully paid, perpetual, subordinated, unsecured securities.

Convertible preference shares paid a dividend, while capital notes pay a distribution. Payments are floating rate, discretionary, non-cumulative, and scheduled to be paid quarterly, at the Company's discretion and are expected to be fully franked. They are calculated based on the sum of the three-month bank bill rate and the margin, adjusted for the corporate tax rate. If the Company does not make a payment in full, on a payment date (or within three business days of that date), then the dividend restriction applies to the Company in respect of the Suncorp Group's dividends on ordinary shares and ordinary share buy-backs.

Suncorp has the option to convert, redeem or resell the instruments on the call date, or following a regulatory or tax event or potential acquisition event, subject to APRA's prior written approval and certain conditions being fulfilled. If APRA determines that a non-viability event has occurred in relation to the Company, all (or in some circumstances, some) of the instruments will be immediately converted into the Company's ordinary shares or, if conversion cannot be effected for any reason within five business days, immediately and irrevocably terminated. Conversion will be based on a volume weighted average price (**VWAP**) of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1 per cent. This is subject to a maximum conversion number, equal to 20 per cent of the VWAP over a 20-day period prior to the issue date.

If still outstanding on the mandatory conversion date, the instruments will mandatorily convert into a variable number of the Company's ordinary shares (subject to certain conditions being satisfied). Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1 per cent. This is subject to a maximum conversion number, equal to 50 per cent of the VWAP over a 20-day period prior to the issue date.

In the event of the winding-up of the Company, the rights of the holders will rank equally, and in priority to the rights of the ordinary shareholders only.

LAGIC/Basel III fully compliant subordinated notes[1]

	Margin above 90 day BBSW	Maturity date	Holder conversion date	Optional redemption date	Issue date	2020 Number on issue	2019 Number on issue
$AUD 600 million SGL Subordinated Notes	215 bps	5 Dec 2028	n/a	5 Dec 2023	5 Sep 2018	60,000	60,000
$AUD 330 million AAIL Subordinated Notes	320 bps	6 Oct 2042	6 Oct 2024	6 Oct 2022	6 Oct 2016	33,000	33,000
$AUD 225 million AAIL Subordinated Notes	330 bps	18 Nov 2040	18 Nov 2022	18 Nov 2020	18 Nov 2015	22,500	22,500

[1] No subordinated notes have been converted as at 30 June 2020 and 30 June 2019.

The SGL Subordinated Notes pay quarterly, cumulative non-deferrable interest payments at a floating rate equal to the sum of the three-month bank bill swap rate (**BBSW**) and the margin. The AAIL Subordinated Notes pay quarterly cumulative deferrable interest payments at a floating rate equal to the sum of BBSW and the margin.

The issuer has the option to redeem the instruments on the optional redemption date and for certain tax and regulatory events (in each case subject to APRA's prior written approval). Holders of AAIL subordinated notes have the option to convert, into the Company's ordinary shares, on each interest payment date following the holder conversion date, assuming certain conditions are satisfied. Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1 per cent. This is subject to a minimum conversion price, equal to 50 per cent of the VWAP over a 20-day period prior to the issue date.

If APRA determines that a non-viability event has occurred in relation to the issuing entity and, where relevant, its parent, all (or in some circumstances, some) of the subordinated notes will be immediately converted into the Company's ordinary shares (or, if conversion cannot be effected for any reason within five business days, written off). Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1 per cent. This is subject to a minimum conversion price, equal to 20 per cent of the VWAP over a 20-day period prior to the issue date. The rights of the holder rank in preference to the rights of the issuer's ordinary and, where relevant, preference shareholders, and capital notes holders and rank equally against all other subordinated note holders of the issuer.

Basel III transitional subordinated notes

	Semi-annual coupon rate	Margin above 90 day BBSW	Optional redemption date	Issue date	2020 Number on issue	2019 Number on issue
SML Floating Rate Notes	n/a	75 bps	n/a	17 Dec 1998	715,383	715,383

On 17 December 1998, SML issued perpetual cumulative non-convertible notes with a floating rate coupon with callable features.

The rights of the holders rank in preference to the rights of the issuer's capital note holders and ordinary shareholders and rank equally against all other subordinated note holders of the issuer.

22. Share capital

	Number of ordinary shares	Issued capital $M	Share- based payments $M	Treasury shares $M	Total share capital $M
Balance as at 30 June 2018	1,298,503,953	12,874	84	(95)	12,863
Share-based payments	-	-	7	-	7
Treasury share movements	-	-	-	19	19
Balance as at 30 June 2019	1,298,503,953	12,874	91	(76)	12,889
Shares issued[1]	18,699,563	171	-	-	171
Capital return and share consolidation[2]	(37,553,178)	(506)	-	-	(506)
Share-based payments	-	-	(70)	-	(70)
Treasury share movements	-	-	-	25	25
Balance as at 30 June 2020	1,279,650,338	12,539	21	(51)	12,509

[1] Includes 18,699,558 ordinary shares issued on 17 June 2020 at a price of $9.16 as part of the conversion of 1,712,864 CPS3 securities into ordinary shares, 2 ordinary shares issued on 17 December 2019 at a price of $13.00 to fund the redemption of 2,063,719 CPS3 securities as part of the reinvestment offer for CN3 and 3 ordinary shares issued on 11 May 2020 at a price of $8.91 to fund the redemption of the residual 223,417 CPS3 securities.

[2] A capital return of 39 cents per ordinary share was paid on 24 October 2019, in conjunction with a share consolidation.

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

Dividend Reinvestment Plan

All eligible shareholders can elect to participate in the Dividend Reinvestment Plan to reinvest all or part of their dividends, with no brokerage or transaction costs.

During the current and comparative periods, the Dividend Reinvestment Plan has been satisfied by acquiring existing shares on market rather than issuing new shares. New shares will be issued under the Dividend Reinvestment Plan for the 2020 final dividend to be paid on 21 October 2020.

Share-based payments

Share-based payments represent the cumulative expense and other adjustments recognised in share capital relating to equity-settled share-based payment transactions.

23. Reserves

	Equity reserve for credit losses $M	Hedging reserve $M	FVOCI reserve $M	Foreign currency translation reserve $M	Total reserves $M
Balance as at 1 July 2018	97	(20)	13	61	151
Transfer from retained profits	7	-	-	-	7
Amount recognised in equity	-	20	3	(3)	20
Income tax (expense) benefit	-	(6)	(1)	1	(6)
Exchange differences on translation of foreign operations	-	-	-	35	35
Balance as at 30 June 2019	104	(6)	15	94	207
Transfer to retained profits	(23)	-	-	-	(23)
Amount recognised in equity	-	43	(26)	1	18
Income tax (expense) benefit	-	(13)	8	-	(5)
Exchange differences on translation of foreign operations	-	-	-	(25)	(25)
Balance as at 30 June 2020	81	24	(3)	70	172

Equity reserve for credit losses

The equity reserve for credit losses represents the difference between the Group's collective provisions for impairment and the estimate of credit losses across the credit cycle, consistent with the requirements of APRA Prudential Standard APS 220 *Credit Quality*.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Fair value through other comprehensive income reserve

The FVOCI reserve represents the cumulative net changes in the fair value of debt investments and equity investments classified as FVOCI.

Foreign currency translation reserve

The foreign currency translation reserve consists of all foreign exchange differences arising from the translation of the financial statements of foreign operations that have a functional currency other than Australian dollars, net of the effective portion of the cumulative net change in the fair value of hedging instruments used to hedge these operations.

24. Group capital management

The Suncorp Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure that there are sufficient capital resources to maintain and grow the business, in accordance with the Group's risk appetite. The Suncorp Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Suncorp Group and each regulated entity is capitalised to meet internal and external requirements. The Suncorp Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA and the Reserve Bank of New Zealand.

The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Suncorp Group. Capital targets are structured according to risk appetite, the regulatory framework and APRA's non-operating holding company (**NOHC**) conditions. Details relating to classification of capital for regulatory purposes and the capital positions of key regulated entities at the reporting date are provided in section 8.3 of the Directors' Report.

The Suncorp Group has been operating under a NOHC structure since 2011, with associated NOHC conditions from APRA.

The NOHC conditions include the following:

- The Suncorp Group is required to meet, at all times, the Level 3 Prudential Capital Requirement for Eligible Capital (and the Eligible Capital must satisfy certain requirements around the proportion of high-quality capital such as share capital and retained earnings).
- Reductions in Suncorp Group's capital base require APRA's written approval (for example, planned payment of dividends that exceed the prior 12 months' earnings).
- The NOHC activities of the Company, the Bank NOHC, and the Life NOHC are limited and defined in scope.
- Compliance with certain APRA Prudential Standards.
- The Company must ensure that where the Suncorp Group raises capital or funds externally and these are transferred within the Suncorp Group, the nature and quality of the capital or funds is not upgraded to a higher category of capital than the external capital or funds.

The Suncorp Group has established comprehensive policies and procedures to ensure compliance with the NOHC conditions.

The following table summarises the capital position as at the reporting date.

	2020 $M	2019 $M
Common Equity Tier 1 Capital	7,011	7,341
Additional Tier 1 Capital	1,139	1,150
Tier 1 Capital	8,150	8,491
Tier 2 Capital	1,419	1,358
Total Capital	9,569	9,849
Excess to Common Equity Tier 1 Capital to target (ex dividend net of DRP)	823	989
Excess Total Capital to target (ex dividend net of DRP)	1,236	1,375

25. Notes to the consolidated statement of cash flows

25.1 Reconciliation of cash flows from operating activities

	2020 $M	2019 $M
Profit for the financial year	932	195
Non-cash items		
(Profit) loss from discontinued operations	(286)	879
Impairment loss on financial assets	172	13
Impairment loss on goodwill and other intangible assets	110	158
Amortisation and depreciation expense	258	169
Change in fair value relating to investing and financing activities	(198)	(544)
Other non-cash items	247	533
Change in operating assets and liabilities		
Net movement in insurance assets and liabilities	140	(27)
Net movement in tax assets and liabilities	42	(115)
(Increase) decrease in trading securities	(232)	412
Decrease (increase) in loans and advances	1,229	(596)
Decrease (increase) in other assets	4	(142)
(Decrease) increase in deposits and short-term borrowings	(56)	513
(Decrease) increase in payables and other liabilities	(59)	394
Net cash (used in) from operating activities	2,303	1,842

25.2 Reconciliation of cash and cash equivalents to the consolidated statement of cash flows

	2020 $M	2019 $M
Cash and cash equivalents at the end of the financial year in the consolidated statement of cash flows is represented by the following line items in the consolidated statement of financial position:		
Cash and cash equivalents	1,046	1,086
Receivables due from other banks[1]	567	499
Payables due to other banks	(293)	(353)
	1,320	1,232

[1] Includes $147 million (2019: $97 million of collateral representing credit support to secure the Suncorp Group's derivative liability and asset position respectively, as part of the standard International Swaps and Derivatives Association (**ISDA**) agreement.

25.3 Changes in liabilities arising from financing activities

	Securitisation liabilities $M	Long-term borrowings $M	Loan capital $M
Balance as at 1 July 2018	4,848	9,854	2,529
Cash flows			
Proceeds	-	3,117	600
Repayments	(1,020)	(2,883)	(770)
Transaction costs	-	(5)	(3)
Non-cash changes			
Fair value changes	-	86	-
Foreign exchange movement	-	181	-
Other movements	3	8	4
Balance as at 30 June 2019	3,831	10,358	2,360
Cash flows			
Proceeds	-	3,050	183
Repayments	(889)	(3,017)	(23)
Transaction costs	-	(4)	(7)
Non-cash changes			
Fair value changes	-	70	-
Foreign exchange movement	-	145	-
Other movements	3	5	(164)
Balance as at 30 June 2020	2,945	10,607	2,349

On 17 December 2019, the Company issued $389 million of Capital Notes for $100 per note via the ASX listed CN3 (ASX code: SUNPH). They are fully paid, perpetual, subordinated and unsecured securities. The Company has an option to exchange all or some of the notes on 17 June 2026, subject to approval by APRA, or the notes will otherwise mandatorily convert into ordinary shares on 17 June 2028. If APRA determines a non-viability event has occurred in relation to the Company, some or all of the Capital Notes will be immediately converted into a variable number of the Company's ordinary shares or, if conversion is not possible, written-off.

On the same date, $206 million of CPS3 were exchanged and reinvested in CN3 as part of a reinvestment offer, resulting in net cash proceeds of $183 million from issue of CN3. On 17 June 2020, Suncorp exercised an optional exchange with respect to the remaining $194 million CPS3, with $171 million converted into ordinary shares, and the balance redeemed for cash. CPS3 and CN3 are disclosed within the consolidated statement of financial position category of 'Loan capital'.

25.4 Financing arrangements

	2020		2019	
	Program limit $M	Undrawn $M	Program limit $M	Undrawn $M
The Suncorp Group had the following debt programs available at the end of the financial year:				
USD 5 billion Global Covered Bond Programme	7,292	4,692	7,130	4,340
USD 15 billion Euro Medium Term Notes Program and Euro Commercial Paper	21,875	21,875	21,389	21,389
USD 5 billion United States Commercial Paper Program	7,292	5,793	7,130	4,844
USD 15 billion U.S. Medium Term Notes Program	21,875	19,469	21,389	17,860
AUD Transferable Certificate of Deposit Program	10,000	5,558	10,000	5,957
AUD Negotiable Certificates of Deposit Program	10,000	5,804	10,000	5,080
	78,334	63,191	77,038	59,470

26. Financial instruments

26.1 Fair value of financial instruments

Fair values are categorised by a three-level hierarchy which identifies the inputs to valuation techniques used to measure fair value:

- Level 1: derived from quoted prices (unadjusted) in active markets for identical financial instruments that the Suncorp Group can access at the measurement date.
- Level 2: derived from other than quoted prices included within level 1 that are observable for the financial instruments, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.
- Level 3: fair value is determined using valuation techniques which include significant inputs that are unobservable. The valuation techniques include the use of discounted cash flow models for loans and advances. The fair value of investments in infrastructure assets (held via unlisted trusts) are determined based on the Group's share of the net asset value of the unlisted trusts, as advised by the external investment manager. The fair value of other unlisted equity securities is determined as the cost of the investment adjusted for known increments or decrements as this is considered to be the most reliable measure of fair value.

Financial assets and liabilities measured at fair value

The following table presents the financial assets and liabilities that are measured at fair value categorised by fair value hierarchy.

	2020				2019			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets								
Trading securities	435	1,025	-	1,460	-	1,227	-	1,227
Fair value through profit or loss[1,2]	5,018	9,609	304	14,931	2,943	12,104	242	15,289
Fair value through other comprehensive income[1]	-	4,814	18	4,832	-	3,954	-	3,954
Derivatives	2	829	-	831	7	659	-	666
	5,455	16,277	322	22,054	2,950	17,944	242	21,136
Financial liabilities								
Offshore commercial paper[3]	-	1,498	-	1,498	-	2,272	-	2,272
Derivatives	6	568	-	574	9	447	-	456
Managed funds units on issue	-	714	-	714	-	847	-	847
	6	2,780	-	2,786	9	3,566	-	3,575

1 Disclosed within the consolidated statement of financial position category of 'Investment securities'.

2 The level 3 financial assets relate to investments in unlisted equity securities and infrastructure assets.

3 Designated as financial liabilities at FVTPL. Disclosed within the consolidated statement of financial position category of 'Deposits and short-term borrowings'.

During the financial year ending 30 June 2020, the Group has reclassified $2,654 million Australian Government bonds from level 2 into level 1 as the fair value of these securities is based on quoted prices in an active market.

Level 3 financial assets consist of investment in unlisted equity securities of $29 million (2019: $11 million) and investments in infrastructure assets and property related assets of $293 million (2019: $231 million).

Unlisted equity securities classified at level 3 of $35 million were purchased during the financial year (2019: $nil), and no sales occurred during the current financial year (2019: $nil). A fair value loss of $17 million (2019: $nil) was recognised through 'Net change in equity investments at FVOCI'.

During the financial year, no additional units of infrastructure assets were purchased (2019: $12 million) while units were redeemed for $41 million (2019: $2 million). Fair value gain of $5 million (2019: $15 million loss) was recognised through 'Net gains on financial assets and liabilities at FVTPL'.

At 30 June 2020, property related assets of $98 million have been reclassified from level 2 to level 3. Included in the fair value of property related assets transferred to level 3 is a fair value decrease of $8 million recognised through 'Net gains on financial assets and liabilities at FVTPL'.

Financial assets and liabilities not measured at fair value

The following table discloses a comparison of carrying value and fair value of financial assets and liabilities that are not measured at fair value after initial recognition, where their carrying value is not a reasonable approximation of fair value.

	Note	Carrying value $M	Fair value Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2020						
Financial assets						
Loans and advances	14	57,723	-	-	57,909	57,909
		57,723	-	-	57,909	57,909
Financial liabilities						
Deposits and short-term borrowings at amortised cost	17	44,662	-	44,731	-	44,731
Securitised liabilities	26.3	2,945	-	2,924	-	2,924
Long-term borrowings	20	10,607	-	10,757	-	10,757
Loan capital	21	2,349	1,128	1,214	-	2,342
		60,563	1,128	59,626	-	60,754
2019						
Financial assets						
Loans and advances	14	59,154	-	-	59,325	59,325
		59,154	-	-	59,325	59,325
Financial liabilities						
Deposits and short-term borrowings at amortised cost	17	43,918	-	43,994	-	43,994
Securitised liabilities	26.3	3,831	-	3,840	-	3,840
Long-term borrowings	20	10,358	-	10,499	-	10,499
Loan capital	21	2,360	1,194	1,243	-	2,437
		60,467	1,194	59,576	-	60,770

Significant assumptions and estimates used to determine the fair values are described below.

Financial assets

The carrying value of loans and advances is net of provisions for ECL. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans. The discount rates applied are based on the rates offered by the Suncorp Group on current products with similar maturity dates.

Financial liabilities

The carrying value for non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months of origination included in deposits and short-term borrowings is considered a reasonable estimate of their fair value. Discounted cash flow models are used to calculate the fair value of other term deposits included in deposits and short-term borrowings based upon deposit type and related maturities.

The fair value of securitisation liabilities, long-term borrowings and loan capital are calculated based on either the quoted market prices at reporting date or, where quoted market prices are not available, a discounted cash flow model using a yield curve and credit spreads appropriate to the remaining maturity of the instrument.

26.2 Master netting or similar arrangements

The Suncorp Group has in place the following master netting or similar arrangements at reporting date.

Derivative assets and liabilities

- Offsetting has been applied to derivatives in the consolidated statement of financial position where the Suncorp Group has a legally enforceable right to set-off and there is an intention to settle on a net basis.
- Certain derivatives are subject to the ISDA Master Agreement and other similar master netting arrangements. These arrangements contractually bind the Suncorp Group and the counterparty to apply close out netting across all outstanding transactions only if either party defaults or other pre-agreed termination events occur. As such, they do not meet the criteria for offsetting in the consolidated statement of financial position.
- The cash collateral pledged or received is subject to the ISDA Credit Support Annex and other standard industry terms.

Amounts due from and to reinsurers

- Some reinsurance treaties of the Suncorp Group include netting arrangements whereby the receivables from and payables to reinsurers are settled on a net basis. As such, the Suncorp Group has applied offsetting in the consolidated statement of financial position.
- Collateral received is subject to terms and conditions of the respective reinsurance treaties and provides regulatory capital relief on the Suncorp Group's credit exposures to reinsurers.

Repurchase agreements and reverse repurchase agreements

- Offsetting has been applied to repurchase agreements in the consolidated statement of financial position where the Group has a legally enforceable right to set-off and netting of payments or receipts apply or in some agreements netting only apply if both the Group and the respective counterparties agree.
- Provision is made for netting of payments/receipts of all amounts in the same currency payable by each party to the other and close-out netting on termination.
- Repurchase transactions are governed by the Global Master Repurchase Agreement published by the International Capital Markets Association and the Securities Industry and Financial Markets Association.

Outstanding investment settlements

- Offsetting has been applied to investment receivables and investment payables where the Group has a legally enforceable right to set-off and netting of payments or receipts apply. In the consolidated statement of financial position, investment receivables are included in 'Other assets' and the investment payables are included in 'Payables and other liabilities'.

The following table sets out the effect of netting arrangements of financial assets and financial liabilities that are offset in the consolidated statement of financial position (**SoFP**), or are subject to enforceable master netting arrangements, irrespective of whether they are offset in the consolidated statement of financial position.

	Amounts subject to master netting or similar arrangements						
			Related amounts not offset on the SoFP				
	Gross amounts $M	Offsetting applied $M	Financial instruments $M	Financial collateral received/ pledged $M	Net exposure $M	Amounts not subject to master netting or similar arrangements $M	Total $M
2020							
Financial assets							
Derivatives	798	-	(420)	(319)	59	33	831
Amounts due from reinsurers[1]	91	(77)	-	(11)	3	250	264
Reverse repurchase agreements[2]	50	-	-	(50)	-	-	50
Investment receivables[1]	209	-	-	-	209	-	209
Total	1,148	(77)	(420)	(380)	271	283	1,354
Financial liabilities							
Derivatives	570	-	(420)	(142)	8	4	574
Amounts due to reinsurers	92	(77)	-	-	15	769	784
Repurchase agreements[3]	1,917	-	(1,917)	-	-	-	1,917
Investment payables[4]	422	-	-	-	422	-	422
Total	3,001	(77)	(2,337)	(142)	445	773	3,697
2019							
Financial assets							
Derivatives	634	-	(346)	(278)	10	32	666
Amounts due from reinsurers[1]	115	(70)	-	(7)	38	171	216
Reverse repurchase agreements[2]	492	-	-	(492)	-	-	492
Investment receivables[1]	295	-	-	-	295	-	295
Total	1,536	(70)	(346)	(777)	343	203	1,669
Financial liabilities							
Derivatives	452	-	(346)	(95)	11	4	456
Amounts due to reinsurers	98	(70)	-	-	28	748	776
Repurchase agreements[3]	302	-	(302)	-	-	-	302
Investment payables[4]	271	-	-	-	271	-	271
Total	1,123	(70)	(648)	(95)	310	752	1,805

[1] Included as part of 'Other assets' in the consolidated statement of financial position.

[2] Reverse repurchase agreements of duration less than 90 days and are included as part of 'Cash and cash equivalents' in the consolidated statement of financial position. If maturity is greater than 90 days, they are included in 'Loans and advances'. Details discussed in note 26.3.

[3] Repurchase agreements entered into under the Term Funding Facility are presented as part of 'Long-term borrowings' in the consolidated statement of financial position. All other repurchase agreements are presented as part of 'Deposits and short-term borrowings' in the consolidated statement of financial position.

[4] Included as part of 'Payables and other liabilities' in the consolidated statement of financial position.

26.3 Transfers of financial assets and collateral accepted as security for assets

Transferred financial assets continue to be recognised in the consolidated statement of financial position if the Group is deemed to have retained substantially all the risks and rewards associated with the financial assets transferred. This arises when the Suncorp Group enters into repurchase agreements and conducts covered bond and securitisation programs.

Repurchase agreements

The Suncorp Group enters into repurchase agreements involving the sale of interest-bearing securities and equity securities and simultaneously agrees to buy them back at a pre-agreed price on a future date. In the consolidated statement of financial position, the interest-bearing securities or equities securities transferred are included in ‘Trading securities’ and ‘Investment securities'. The obligation to repurchase is included in ‘Deposits and short-term borrowings' or 'Payables and other liabilities'.

Reverse repurchase agreements

Collateral has been accepted in relation to reverse repurchase agreements. The fair value of collateral accepted as security for assets is $50 million (2019: $492 million) against a carrying amount of $50 million (2019: $492 million). These transactions are governed by standard industry agreements.

Covered bonds

SML conducts a covered bond programme whereby it issues covered bonds guaranteed by the Covered Bond Guarantor that are secured over covered pool assets consisting of mortgages and cash at call. Eligible mortgages are sold by SML to a special purpose trust, the Suncorp Covered Bond Trust, which guarantees the covered bonds. The Covered Bond Guarantor can take possession of the cover pool under certain events. In the event of default by SML, the covered bond holders have claim against both the cover pool assets and SML. SML receives the residual income of the Suncorp Covered Bond Trust after all costs of the program have been met. In the consolidated statement of financial position, the eligible mortgages transferred are included in ‘Loans and advances’ and the covered bonds issued are included in ‘Long-term borrowings’.

Term Funding Facility

The Group obtains funding through the facility by entering into repurchase agreements with the RBA. At 30 June 2020 the Group has drawn down $1,100 million of the facility, with $641 million remaining undrawn. Interest is charged at a fixed rate of 25 basis points on the drawn down portion of the facility. The difference between a market rate for an instrument with similar terms and conditions at inception and the 25 basis points is recognised as a government grant. The government grant is presented as part of the TFF liability (refer to note 20) and has a value of $18 million at 30 June 2020. The net interest charge is presented within interest expense (refer to note 8). The repurchase agreements entered into under the TFF, require the Group to pledge eligible collateral. This includes self-securitised residential mortgage-backed securities (**RMBS**). As at 30 June 2020 $1,435 million of RMBS were pledged as collateral.

Securitisation programs

SML conducts a mortgage securitisation program whereby residential mortgages are packaged and sold to special purpose securitisation trusts known as the Apollo Series Trusts (**the Trusts**). The Trusts fund their purchase of the mortgages by issuing floating-rate pass-through debt securities. The Suncorp Group receives residual income from the Trusts after all payments to security holders and costs of the program have been met. The Suncorp Group does not guarantee the capital value or the performance of the securities or the assets of the Trusts, and it does not guarantee the payment of interest or the repayment of principal due on the securities. The mortgages subject to the securitisation program have been pledged as security for the securities issued by the Trusts, and as such, the Suncorp Group cannot use these assets to settle the liabilities of the Suncorp Group. The Suncorp Group is not obliged to support any losses that may be incurred by investors and does not intend to provide such support. In the consolidated statement of financial position, the mortgages transferred are included in ‘Loans and advances’ and the securitisation securities issued are included in ‘Securitisation liabilities’.

The following table sets out the carrying amount of the transferred financial assets and the associated liability at the reporting date.

	2020			2019		
	Repurchase agreements $M	Covered bonds $M	Securitisation liabilities $M	Repurchase agreements $M	Covered bonds $M	Securitisation liabilities $M
Carrying amount of transferred financial assets	2,252	3,184	2,887	302	3,021	3,923
Carrying amount of associated financial liabilities	1,917	2,589	2,945	302	2,788	3,831
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred financial assets	n/a	n/a	2,893	n/a	n/a	3,928
Fair value of associated financial liabilities	n/a	n/a	2,924	n/a	n/a	3,840
Net position			(31)			88

27. Risk management

The Board recognises that a strong risk culture, good governance and effective risk management are essential to achieving Suncorp's strategy and business plan 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.

The material risks addressed by Suncorp's Enterprise Risk Management Framework (**ERMF**) are defined below.

Material risks	Definition
Strategic risk	Suncorp recognises and defines two types of strategic-level risk: 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, climate change, customer and social expectations and competitors. Climate change is addressed through Suncorp's risk management framework. Assessment and management of climate change related risks is addressed through a program of five streams of work which are outlined in Suncorp's Climate Change Action Plan and meet guidance issued by the Task Force on Climate-related Financial Disclosures (**TCFD**). Strategic execution risk – the risk of failing to achieve strategic business objectives or execution of the business strategy.
Financial risk	Financial risks include Credit, Counterparty and Contagion risk, Market/Investment risk, Liquidity risk and Asset and Liability Management (**ALM**) risk. Credit risk is the risk of default of an obligor to fully meet their commitments in a timely manner. Counterparty risk is the risk that the other party in an agreement will default/will not meet its contractual obligations in accordance with agreed terms. Contagion risk is the risk that problems impacting one entity within Suncorp may compromise the financial position of other entities within Suncorp. Market/Investment risk is the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities. Liquidity risk is the risk that Suncorp will be unable to service its cash flow obligations today or in the future. ALM risk is the risk of adverse movements in the relative value of assets and liabilities due to changes in market factors (e.g. Interest Rates, Inflation, Foreign exchange (**FX**)), the variation in repricing profiles or from the different characteristics of the assets and liabilities.
Insurance risk	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).
Operational 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.

Suncorp is exposed to the following categories of market risk:

Categories of market risk	Definition
Foreign exchange risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest-bearing assets and liabilities from changes in interest rates.
Equity risk	The risk of loss of current and future earnings and unfavourable movement in the value of investment in equity instruments from adverse movements in equity prices.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss of current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Further discussions on the application of Suncorp's risk management practices are presented in the following sections:

- Note 28 insurance risk management;
- Note 29 risk management for financial instruments: credit, liquidity and market risks;
- Note 13 derivative financial instruments.

28. Insurance risk management

28.1 Managing insurance risk

Insurance risk is inherent in the operations of the Insurance business and relates to insurance product design, pricing, underwriting, exposure concentration, reserving, claims management and reinsurance management.

Suncorp's ERMF defines insurance risk as '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).'

Insurance risk is managed through risk appetite statements, operation of the ERMF and supporting risk standards where adopted, with oversight from relevant Asset-Liability Committees and insurance risk committees in Australia and New Zealand.

The Board receives an Australian General Insurance Financial Condition Report from the Appointed Actuary which reports on a number of areas including the management of insurance risk within the entities. The boards for the New Zealand General Insurer and Life company receive equivalent reports and advice in respect of obligations imposed by the Reserve Bank of New Zealand.

28.2 Terms and conditions of general insurance contracts

The majority of direct insurance contracts written are entered into on a standard form basis. Insurance contracts are generally entered into on an annual basis, with most terms and conditions negotiable at the time of entering into a contract or, in the case of renewals, renegotiable. Non-standard and long-term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the consolidated financial statements. There are no embedded derivatives that are separately recognised from a host insurance contract.

29. Risk management for financial instruments

29.1 Credit risk for Bank-related financial instruments

Suncorp Group conducts its banking business through SML and its subsidiaries, they are collectively referred to as the Bank. Due to the nature of the Bank's business, credit risk exposure arising from the Bank's financial assets is managed separately to other business areas of the Suncorp Group.

(a) Credit risk exposures

The Bank is exposed to credit risk from traditional lending to customers and receivables from inter-bank, treasury, international trade and capital market activities.

Credit risk is managed on a structured basis with approval decisions being taken within credit approval authorities delegated by the Board. The setting and maintenance of detailed credit policies and standards is undertaken by an independent function under the responsibility of the Chief Risk Officer, Banking & Wealth. The Chief Executive Officer, Banking & Wealth is accountable for exercising delegated credit authority for credit decisions and delivering delegated credit authorities for the completion of first line of defence credit activities, in accordance with Board delegated authorities and credit policies and standards. The management of troublesome and impaired assets is the responsibility of the Business Customers Support team within the Banking & Wealth Chief Risk Office. The Chief Executive Officer, Banking & Wealth has accountability for these activities.

Credit risk involves a wide spectrum of customers ranging from individuals to large institutions and as such credit risk management is divided into two distinct categories: a statistically managed portfolio and a risk-graded portfolio.

The statistically managed portfolio covers consumer business (personal loans, housing loans and small business loans) and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Bank's end-to-end automated workflow system that also enforces credit policies and certain business rules. These exposures are generally not reviewed individually unless arrears occur when all collections and recovery actions are managed by a centralised team.

The risk-graded portfolio includes commercial, agribusiness, property investment and development finance exposures. Within these portfolios, exposures are individually assessed and an internal risk grade is assigned depending on the discrete analysis of each customer or group of related customers' risk profile.

Exposures within this portfolio are subject to annual review, or more frequent if deemed necessary including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the relationship manager including regular performance monitoring, reporting and if required, transfer to the Business Customer Support team.

A Portfolio Quality Review team within the Banking & Wealth Chief Risk Office reviews the acceptance and management of credit risk in accordance with the approved risk management framework.

The Bank manages its exposures to potential credit losses on OTC derivative contracts by entering into netting arrangements with its derivative counterparties. The ISDA Master Agreement and Credit Support Annex provides a contractual framework for derivatives dealing across a full range of OTC products. This agreement contractually binds both parties to apply close out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-agreed termination events occur. The carrying amount of the relevant asset classes in the consolidated statement of financial position represents the maximum amount of credit exposures as at reporting date, except for derivatives and off-balance sheet commitments.

The fair value of derivatives recognised in the consolidated statement of financial position represent the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 13.

The tables below detail the Bank's exposure to credit risk from its financial assets and credit commitments as at the reporting date. It is prepared on the following basis:

- No adjustments are made for any collateral held or credit enhancements.
- Impaired loans are those for which the Bank has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. The Bank fully considers the customer's capacity to repay and security valuation position before a loan is considered impaired.
- An asset is considered past due when any payment under the contractual terms is overdue by 90 days or more. The amount included as past due is the entire contractual balance, not just the overdue portion.

	Receivables due from other banks	Trading securities	Investment securities	Loans and advances	Credit commitments[1]	Derivatives[1]	Total risk
Bank	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
2020							
Agribusiness	-	-	-	4,081	255	-	4,336
Construction	-	-	-	789	221	-	1,010
Financial services	567	-	1,720	90	239	199	2,815
Hospitality	-	-	-	913	56	-	969
Manufacturing	-	-	-	279	20	-	299
Professional services	-	-	-	328	18	-	346
Property investment	-	-	-	2,944	163	-	3,107
Real estate – Mortgages	-	-	-	46,474	993	-	47,467
Personal	-	-	-	155	-	-	155
Government and public authorities	-	1,460	3,094	-	-	-	4,554
Other commercial and industrial	-	-	-	1,971	183	-	2,154
Total gross credit risk	567	1,460	4,814	58,024	2,148	199	67,212
Impairment provisions				(301)			(301)
Total credit risk	567	1,460	4,814	57,723	2,148	199	66,911

1 Credit commitments and derivative instruments represent the credit equivalent amount of Bank's off-balance sheet exposures calculated in accordance with APRA Prudential Standard APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

Bank	Receivables due from other banks $M	Trading securities $M	Investment securities $M	Loans and advances $M	Credit commitments[1] $M	Derivatives[1] $M	Total risk $M
2019							
Agribusiness	-	-	-	4,022	191	-	4,213
Construction	-	-	-	888	207	-	1,095
Financial services	499	-	1,987	87	342	209	3,124
Hospitality	-	-	-	972	66	-	1,038
Manufacturing	-	-	-	261	27	-	288
Professional services	-	-	-	310	18	-	328
Property investment	-	-	-	2,774	130	-	2,904
Real estate – Mortgages	-	-	-	47,793	1,254	-	49,047
Personal	-	-	-	154	4	-	158
Government and public authorities	-	1,227	1,967	-	-	-	3,194
Other commercial and industrial	-	-	-	2,035	187	-	2,222
Total gross credit risk	499	1,227	3,954	59,296	2,426	209	67,611
Impairment provisions				(142)			(142)
Total credit risk	499	1,227	3,954	59,154	2,426	209	67,469

[1] Credit commitments and derivative instruments represent the credit equivalent amount of Bank's off-balance sheet exposures calculated in accordance with APRA Prudential Standard APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

Bank	2020				2019			
	Impaired assets $M	Past due >90 days but not impaired $M	Remaining assets[1] and not impaired $M	Total risk $M	Impaired assets $M	Past due > 90 days but not impaired $M	Remaining assets[1] and not impaired $M	Total risk $M
Agribusiness	38	49	4,249	4,336	32	36	4,145	4,213
Construction	3	4	1,003	1,010	6	2	1,087	1,095
Financial services	-	-	2,815	2,815	-	-	3,125	3,125
Hospitality	29	14	926	969	26	-	1,012	1,038
Manufacturing	3	6	290	299	4	1	283	288
Professional services	1	4	341	346	1	4	325	330
Property investment	16	7	3,084	3,107	2	2	2,900	2,904
Real estate – Mortgages	60	489	46,918	47,467	56	490	48,500	49,046
Personal	-	4	151	155	-	3	155	158
Government and public authorities	-	-	4,554	4,554	-	-	3,194	3,194
Other commercial and industrial	20	17	2,117	2,154	19	13	2,188	2,220
Gross credit risk	170	594	66,448	67,212	146	551	66,914	67,611
Impairment provisions	(60)	(38)	(203)	(301)	(40)	(21)	(81)	(142)
Total credit risk	110	556	66,245	66,911	106	530	66,833	67,469

[1] Not past due or past due ≤ 90 days.

(b) Credit quality

Credit quality of loans and advances are classified as follows:

- Performing loans are loans that are not impaired and not past due by more than 90 days.
- Non-performing loans – 'not impaired' are loans that are past due for greater than 90 days but the Bank considers that principal and interest plus any associated costs will be recovered in full.
- Non-performing loans – 'impaired' are loans for which an individually-assessed provision for impairment has been raised.

Restructured loans are facilities whereby the original contractual terms have been modified in a manner that would not be commercially available to other customers in good standing due to the financial difficulties or hardship of the customer. Examples of restructuring include:

- Reduction in principal, interest or other payments due or
- An extended maturity date for repayment.

Refer to note 15.3(a) for further information relating to the Group's treatment of loans and advances that are subject to a COVID-19 financial assistance package.

The following table provides information regarding the credit quality of loans and advances including restructured loans.

Bank	2020 $M	2019 $M
Performing loans		
Loans and advances	57,234	58,594
Provision for impairment	(203)	(81)
	57,031	58,513
Non-performing loans – not impaired		
Non-performing loans – not impaired	594	551
Loans and advances with restructured terms	26	5
Provision for impairment	(38)	(21)
	582	535
Non-performing loans – impaired		
Gross impaired loans	170	146
Provision for impairment	(60)	(40)
	110	106
Total loans and advances	57,723	59,154

Financial assets that are performing loans can be assessed by reference to the Bank's internal credit rating scale and have been segmented into Strong, Satisfactory and Weak categories. Credit quality is internally assessed using the Bank's credit rating system to determine each customer's PD and the associated internal risk rating grade. The rating grades can be aligned to the S&P's ratings categories to enable wider comparisons. Internal credit rating assessments reflect arrears status, are tailored to the Bank's significant customer segments and are undertaken in accordance with Credit Policy and Lending Guidelines.

The analysis below represents the current credit quality of loans and advances and is based on the following:

- Strong: PD aligns to S&P's rating AAA to BB.
- Satisfactory: PD aligns to S&P's rating BB- to B.
- Weak: PD aligns to S&P's rating B- to C.

Bank	Stage 1 - 12-month ECL $M	Stage 2 - Lifetime ECL $M	Stage 3 - Lifetime Collective ECL $M	Stage 3 - Specific Provision $M	Total $M
2020					
Statistically managed portfolio					
Credit grade - Strong	44,996	-	-	-	44,996
Credit grade - Satisfactory	2,360	448	-	-	2,808
Credit grade - Weak	-	450	548	-	998
Credit grade - Impaired	-	-	36	32	68
Risk-graded portfolio					
Credit grade - Strong	3,715	-	-	-	3,715
Credit grade - Satisfactory	4,005	694	-	-	4,699
Credit grade - Weak	-	431	207	-	638
Credit grade - Impaired	-	-	2	100	102
Gross carrying amount	55,076	2,023	793	132	58,024
Provision for impairment	(124)	(74)	(57)	(46)	(301)
Net carrying amount	54,952	1,949	736	86	57,723
2019					
Statistically managed portfolio					
Credit grade – Strong	47,285	-	-	-	47,285
Credit grade – Satisfactory	938	664	-	-	1,602
Credit grade – Weak	-	632	513	-	1,145
Credit grade – Impaired	-	-	24	32	56
Risk-graded portfolio					
Credit grade – Strong	3,977	-	-	-	3,977
Credit grade – Satisfactory	4,431	312	-	-	4,743
Credit grade – Weak	-	297	101	-	398
Credit grade – Impaired	-	-	-	90	90
Gross carrying amount	56,631	1,905	638	122	59,296
Provision for impairment	(42)	(37)	(32)	(31)	(142)
Net carrying amount	56,589	1,868	606	91	59,154

Ageing of past due but not impaired financial assets is used by the Bank to measure and manage emerging credit risks. A summary of the ageing of past due but not impaired loans and advances is noted below. The balances of financial assets other than loans and advances are all neither past due nor impaired.

Bank	Past due but not impaired					
	1-29 days $M	30-59 days $M	60-89 days $M	90-179 days $M	≥ 180 days $M	Total $M
2020						
Loans and advances						
Retail banking	416	125	101	183	310	1,135
Business banking	42	115	45	51	50	303
	458	240	146	234	360	1,438
2019						
Loans and advances						
Retail banking	774	215	163	234	259	1,645
Business banking	23	27	30	28	30	138
	797	242	193	262	289	1,783

(c) Collateral management

Collateral is used to mitigate credit risk as the secondary source of repayment in the event the counterparty cannot meet their contractual repayment commitments.

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The extent of collateral value secured, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty.

More than 80.4 per cent (2019: 80.9 per cent) of the Bank's lending is classified as consumer and 99.7 per cent (2019: 99.7 per cent) of that lending is secured by residential property. Residential Lenders Mortgage Insurance is generally required for residential mortgages with a Loan-to-Value ratio at origination of more than 80 per cent to cover any shortfall in outstanding loan principal and accrued interest. The financial effect of these measures is that remaining credit risk on residential loans is significantly reduced.

For the business banking portfolio, the Bank will hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

In the event of ongoing customer default and/or post appropriate customer hardship support and negotiations, the Bank may enact possession of security held as collateral against the outstanding claim. Any loan security for residential mortgages is held as mortgagee in possession while the Bank seeks to realise its value through the sale of the property. Therefore, the Bank does not hold any real estate or other assets acquired through the repossession of collateral. It is the Bank's practice to demonstrate high standards of conduct when taking recovery action, and to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. Collateral and other credit enhancements held by the Bank mitigates the maximum exposure to credit risk.

The following table shows an estimate of the fair value of collateral held against impaired assets. Collateral is initially valued at the loan establishment date and is reassessed when a loan is deemed to be impaired. Collateral is thereafter revalued annually for impaired assets. The collateral value presented in the table below is the lower of the outstanding loan balance and the collateral held net of estimated recovery costs.

	2020 $M	2019 $M
Non-performing loans – impaired		
Gross impaired loans	170	146
Provision for impairment	(60)	(40)
Net impaired loans	110	106
Collateral held against impaired loans	139	121

For impaired assets, considerable care is taken to assess the underlying collateral value taking into account the likely method of recovery such as whether the client sells or through a formal insolvency appointment, the time involved and likely costs associated with the strategy. The impact of COVID-19 social distancing requirements on valuations, selling periods and recovery or work out strategies has been considered in collective provisioning estimates.

As a result of the COVID-19 pandemic, it is forecasted that residential property valuations will be adversely impacted, furthermore the ability to perform physical on-site valuations is impacted due to restrictions implemented to contain the virus. Following regulatory guidance, the Group may therefore elect to not revalue a property provided there are no changes to loan facilities and no material deterioration in the credit risk of the customer.

Collateral and other credit enhancements held by the Bank mitigates the maximum credit exposure to credit risk.

(d) Concentration of credit risk

Concentration of credit risk is managed by client or counterparty, industry sector and geography. Portfolios are actively monitored and frequently reviewed to identify, assess and protect against unacceptable risk concentrations. The following table details the credit risk by geographical concentration on gross loans and advances.

Geographic breakdown	2020 $M	2019 $M
Queensland	30,021	31,600
New South Wales	16,040	15,858
Victoria	6,039	5,920
Western Australia	3,489	3,524
South Australia and other	2,435	2,394
Gross loans and advances	58,024	59,296

Details of the aggregate number of the Bank's corporate exposures (including direct and contingent exposures) which individually were greater than five per cent of the Bank's capital resources (Tier 1 and Tier 2 capital) are as follows.

Bank	2020 Number	2019 Number
25% and greater	1	-
20% to less than 25%	-	1
15% to less than 20%	2	1
10% to less than 15%	-	2
5% to less than 10%	4	-

A concentration risk management framework is in place to monitor exposure levels set at levels which are considered acceptable in line with the Bank's lending appetite.

(e) Provision for impairment – specific and collective provisions

The credit provisions raised (specific and collective) represent management's best estimate of the ECL in the loan portfolio at reporting date. The independent Business Customer Support and Collections teams provide the Chief Risk Officer, Banking & Wealth and the Bank Credit Risk Committee with analysis of the carrying value of impaired loans and factors impacting recoverability.

A specific provision for impairment is recognised where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amounts of the loan. All factors that have a bearing on the expected future cash flows are considered, including the business prospects for the customer, the realisable value of collateral, Suncorp Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgments can change as new information becomes available and work-out strategies evolve.

The Suncorp Group's policy requires the level of impairment allowances on individual facilities that are above internal thresholds to be reviewed at least quarterly, and more regularly as circumstances require.

A collective provision is established for loan portfolios which are not specifically provisioned. Collective provisions are held for ECL and can be in the performing or non-performing portfolios. For business banking exposures, a ratings-based approach is applied using estimates of PD and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of PD and loss given default are used to calculate the collective provision.

Collective provisioning levels are constantly evaluated and assessed, and as such have been updated to take into account COVID-19 health directives and the subsequent negative economic impact. The timing and pace of the recovery is uncertain, and the underlying assumptions of the collective provisions will be updated accordingly, as additional information becomes available.

Loans with similar credit risk characteristics are grouped as follows:

- Retail loans, small business and non-credit risk-rated business loans are grouped by product.
- Credit risk-rated business loans are grouped by the industry types, being agribusiness, commercial, development finance and property investment.

The Suncorp Group has developed models to estimate the adverse impact on future cash flows for each group of loans with similar credit risk characteristics. These models estimate impairment losses by applying PD and loss given default statistical factors derived from prior experience.

Each model determines an impairment loss based on the Group's historical experience, and an evaluation of current and forecast economic conditions, with adjustments made for additional systemic factors. It is possible that the estimated impairment loss will differ from the actual losses to be incurred from the groups of identified impaired loans.

Suncorp Group has implemented a Model Integrity Framework which outlines the mandatory governance requirements to manage its models. The Model Owner is accountable for ensuring that models are effectively managed, including the model's specification, development and maintenance, ensuring that the model fulfils its objectives and managing the impacts from any model risk incident.

The Model Technical Committees and Model Risk Committee manage the performance of models, provide model risk oversight and challenge the performance of models throughout their lifecycle by ensuring that:

- The model is appropriately implemented and performs as intended;
- The underlying assumptions/methodology are appropriate and fit-for-purpose;
- The integrity of the data feeding into the models is credible and where necessary action is taken to remediate any issues in a timely manner; and
- There is confidence that the model development activity has been subject to robust and independent challenge.

29.2 Credit risk for non-bank-related financial instruments

Exposure to credit risk from other functions of non-bank-related financial instruments arises primarily from:

- Premiums outstanding
- Reinsurance and other recoveries
- Investments in interest-bearing securities and derivatives.

The carrying amount of the relevant asset classes in the consolidated statement of financial position represents the maximum amount of credit exposures as at reporting date.

(a) Premiums outstanding

Credit risk is managed by maintaining debtor control procedures including the monitoring of aged amounts to minimise overdue debts. Credit limits are set and enforced to limit credit exposures from business written through general insurance intermediaries. Where permissible by law, payment default will result in the termination of the insurance contract with the policyowner, eliminating both the credit risk and insurance risk for the unpaid balance. Collateral is not sought on these balances.

The ageing analysis is as follows.

	2020 $M	2019 $M
Neither past due nor impaired	2,741	2,685
Past due 0–3 months	53	58
Past due >3 months	55	49
Impaired	8	10
	2,857	2,802

(b) Reinsurance and other recoveries

Credit risk with respect to reinsurance programs is minimised by placement of cover with a number of reinsurers with AA or higher credit ratings. Eligible recoveries under reinsurance arrangements are monitored and managed internally and by specialised reinsurance brokers operating in the international reinsurance market.

Collateral arrangements exist for non-regulated reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. The Group holds $138 million (2019: $121 million) in collateral to support reinsurance recoveries on outstanding claims.

The following table provides information regarding credit risk exposure of reinsurance and other recoveries. The analysis classifies the assets according to S&P's counterparty credit ratings. Credit ratings are sourced from other globally recognised credit agencies, where S&P's ratings are not available. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as non-investment grade.

	2020 $M	2019 $M
AAA	489	481
AA	1,055	1,090
A	435	539
Not rated	489	546
Total	2,468	2,656

The ageing analysis is as follows.

	2020 $M	2019 $M
Neither past due nor impaired	2,462	2,648
Past due 0-3 months	6	8
	2,468	2,656

(c) Investments in interest-bearing securities and derivatives

Interest-bearing securities are held in accordance with the investment mandates. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. An investment framework is in place that sets and monitors investment strategies and arrangements.

Certain derivatives issuers have signed ISDA Credit Support Annex documentation to facilitate derivative transactions and manage credit risk (refer to note 26.2).

For investment-linked business, the liability to policyowners is linked to the performance and value of the assets that back those liabilities. The Suncorp Group has no direct exposure to any credit risk in those assets.

The following table provides information regarding credit risk exposure of investments in interest-bearing securities and derivatives. The analysis classifies the assets according to S&P counterparty credit ratings. Credit ratings are sourced from other globally recognised credit agencies, where S&P ratings are not available.

	2020	2019	2020	2019
	Interest-bearing investment securities		Derivative asset	
	$M	$M	$M	$M
AAA	4,996	3,961	-	-
AA	2,974	4,515	77	42
A	2,667	2,806	59	31
BBB	2,696	2,332	4	4
Non-investment grade	15	9	-	-
Not rated	1	5	-	-
Total	13,349	13,628	140	77

29.3 Liquidity risk

The key objective of the Group's liquidity and funding management is to ensure that it has sufficient available liquidity to meet the current and future obligations under both normal and stressed liquidity environments, and does not introduce an unacceptable level of funding risk.

The following key facilities and arrangements are in place to mitigate non-bank-related liquidity risks:

- Investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations.

- Investment funds set aside within the investment portfolios can be realised to meet significant claims payment obligations.
- In the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements.
- Mandated liquidity limits.
- Regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise.

For Bank activities, executive management of liquidity and funding risk is delegated to the Bank Asset and Liability Committee which reviews risk measures and limits, endorses and monitors funding and liquidity strategy and ensures stress tests, the contingency funding plan and holdings of high-quality assets are effective and appropriate. Operational management of liquidity risk is delegated to the Balance Sheet Management team within Bank Treasury. Liquidity risk is independently monitored against approved policies on a daily basis by the Treasury Risk and Control team. Market and Financial Risk Analytics provide Second Line of Defence oversight of liquidity and funding management activities.

In conjunction with Group policies, the Bank has separate documents and processes to mitigate liquidity and funding risk which are approved by the Board Risk Committee and the Chief Risk Officer, Banking & Wealth, which are also subject to APRA review. These include:

- A liquidity and funding risk appetite statement as well as relevant risk limits;
- A framework that includes control practices, early warning indicators and appropriate management notification structures, including, but not limited to: deposit concentration, liquidity coverage ratio, net stable funding ratio and liquidity concentration metrics limits;
- Sourcing of retail deposits and long-term debt to provide funding for the majority of the funding portfolio. Funding capacity is monitored and diversity in the funding portfolio is managed with consideration given to product, tenor, geography and customer concentrations;
- A contingency funding plan that outlines strategies to address liquidity shortfalls in stressed situations.

(a) Maturity analysis

The following tables summarise the maturity profile of the Bank's financial liabilities based on the remaining undiscounted contractual obligations. For liquidity risk management purposes, the Bank's daily liquidity reporting is largely aligned to contractual maturity except where prescribed differently by APRA or where other methods are considered more appropriate. The Bank supplements contractual maturity with other metrics including the liquidity coverage ratio and the net stable funding ratio to manage its liquidity risk.

The cash flows for subordinated notes have been included at their next call date. The total cash flows include both principal and associated future interest payments. Interest is calculated based on liabilities held at reporting date, without taking account of future issuance. Floating rate interest is estimated using estimated forward rates at the reporting date.

Derivatives (other than those designated in a hedging relationship) and trading portfolio liabilities are included in the 0 to 3 months column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short term at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

	Carrying amount $M	At call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2020							
Payables due to other banks	293	293	-	-	-	-	293
Deposits and short-term borrowings	46,160	28,222	10,487	7,489	150	-	46,348
2019							
Payables due to other banks	353	353	-	-	-	-	353
Deposits and short-term borrowings	46,190	22,128	12,034	12,195	251	-	46,608

The maturity profile for the Group's remaining financial liabilities are set out in the table below.

	Carrying amount $M	At call $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2020						
Payables and other liabilities	1,772	-	1,319	326	127	1,772
Amounts due to reinsurers	784	-	784	-	-	784
Managed funds units on issue	714	714	-	-	-	714
Securitisation liabilities[1]	2,945	-	871	1,697	497	3,065
Long-term borrowings[1]	10,607	-	3,573	6,835	656	11,064
Loan capital[1]	2,349	-	284	1,809	477	2,570
	19,171	714	6,831	10,667	1,757	19,969
Derivatives						
Contractual amounts receivable (gross settled)		-	(39)	(143)	(20)	(202)
Contractual amounts payable (gross and net settled)		-	259	386	44	689
	484	-	220	243	24	487
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	112	-	-	-	112
Commitments to provide loans and advances	-	8,777	-	-	-	8,777
	-	8,889	-	-	-	8,889
2019						
Payables and other liabilities	1,398	-	1,319	79	-	1,398
Amounts due to reinsurers	776	-	776	-	-	776
Managed funds units on issue	847	847	-	-	-	847
Securitisation liabilities[1]	3,831	-	1,097	2,329	656	4,082
Long-term borrowings[1]	10,358	-	3,167	7,222	676	11,065
Loan capital[1]	2,360	-	482	2,080	72	2,634
	19,570	847	6,841	11,710	1,404	20,802
Derivatives						
Contractual amounts receivable (gross settled)		-	(232)	(314)	(12)	(558)
Contractual amounts payable (gross and net settled)		-	382	575	34	991
	456	-	150	261	22	433
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	120	-	-	-	120
Commitments to provide loans and advances	-	8,576	-	-	-	8,576
	-	8,696	-	-	-	8,696

[1] The cash flows for securitisation liabilities, long-term borrowings, and loan capital have been included at the earlier of optional call/exchange/redemption date and the mandatory conversion/maturity/next call date of each instrument. Cash flows include both principal and associated future interest estimated using estimated forward rates at the reporting date.

For loan capital, interest payments for a number of securities are discretionary and/or may be deferred (refer note 21). For the purposes of the maturity analysis, it is assumed discretionary interest payments are payable and no deferral to occur. In the case of perpetual SML Floating Rate Notes that are callable at the issuer's discretion, principal repayment in 'over 5 years' and interest payments of up to 5 years are assumed for the maturity analysis. Assumptions made may not reflect actual amount and timing of cash flows, which are subject to each security's terms and conditions.

(b) Concentration of deposits and borrowings for bank-related financial instruments

Details of the concentrations of financial liabilities (before intra-group eliminations) used in the Bank's activities to raise funds are as follows.

Bank	2020 $M	2019 $M
Australian funding sources		
Retail deposits	39,874	38,822
FX retail deposits	73	81
Wholesale funding	5,079	5,376
Covered bond programme	2,589	2,788
Australian domestic program	6,204	4,704
Securitisation	2,945	3,831
	56,764	55,602
Overseas funding sources		
United States Commercial Paper and European Medium-Term Note market	1,578	2,281
United States 144a Medium-Term Note market	2,406	3,529
	3,984	5,810
Total funding	60,748	61,412
Comprised of the following items on the consolidated statement of financial position:		
Deposits and short-term borrowings	46,524	46,551
Securitisation liabilities	2,945	3,831
Long-term borrowings	10,607	10,358
Subordinated notes[1]	672	672
Total funding	60,748	61,412

[1] Disclosed within the consolidated statement of financial position category of 'Loan capital'.

29.4 Market risk for bank-related financial instruments

Due to the nature of the Bank's business, market risk exposure is managed separately to other business areas of the Suncorp Group.

The Bank is exposed to mainly two sources of market risk, being interest rate and foreign exchange risks. For the purposes of market risk management, these are further broken down into traded and non-traded market risks.

The Bank uses value at risk (**VaR**) as one of the key measures of traded market risk and non-traded interest rate risk in the banking book (**IRRBB**). The VaR model is a statistical technique used to measure and quantify the market risk over a specific holding period at a given confidence level. The Bank's standard VaR approach for traded and non-traded risk is based on a historical simulation which uses equally weighted market observation from the last two years and eight years respectively. Historical VaR simulation assumes that the distribution of past price returns will reflect future returns.

(a) Traded market risk

The Bank trades a range of on-balance sheet interest, foreign exchange and derivative products. Income is earned from spreads achieved through market making and effective trading within the established risk management framework.

In addition to VaR, traded interest rate and foreign exchange risks are managed using a framework that includes stress-testing, scenario analysis, sensitivity and stop losses. These measures are monitored and reported to the Chief Risk Officer, Banking & Wealth, and the Bank Asset and Liability Committee for management oversight.

VaR is modelled at a 99 per cent confidence level over a 1-day holding period for trading book positions.

The VaR for the Bank's total interest rate and foreign exchange trading activities at the end of the financial year are as follows.

	2020			2019		
Bank	Interest rate risk $M	FX risk $M	Combined risk[1] $M	Interest rate risk $M	FX risk $M	Combined risk[1] $M
VaR at the end of the financial year	0.15	0.01	0.16	0.11	0.14	0.17
Average VaR for the financial year	0.15	0.14	0.23	0.09	0.18	0.21

[1] VaR for combined risk is the total trading risk and foreign exchange risks, taking into account correlations between different positions in both the interest rate and foreign exchange trading portfolios.

(b) Non-traded interest rate risk

Non-traded IRRBB is defined as all on-balance sheet items and off-balance sheet items in the banking portfolio that create an interest rate risk exposure within the Bank. The main objective of IRRBB management is to maximise and stabilise net interest income in the long term.

Interest rate risk arises from changes in interest rates that expose the Bank to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB and they include:

- Repricing risk: resulting from changes in the overall levels of interest rates and the effect this has on the banking book with respect to mismatches in repricing dates
- Yield curve risk: resulting from changes in the relative levels of interest rates at different tenors of the yield curve (that is a change in the slope or shape of the yield curve)
- Basis risk: resulting from differences between the actual and expected interest margins on banking book items
- Optionality risk: resulting from the existence of stand-alone or embedded options to the extent that the potential for losses is not included in the measurement of repricing, yield curve or basis risks
- Embedded value risk: resulting from differences in transactions book value compared to market-to-market fair value due to past interest rate movements
- Spread risk: arises due to the imperfect movement of interest rates for different yield curves within an economy.

(i) IRRBB – Net interest income sensitivity (NIIS)

IRRBB exposures are generated by using underlying reconciled financial position data to generate cash flows using relevant interest rate curves, and a static balance sheet assumption. Contractual cash flows are generated except for products where expected behavioural cash flow modelling is more appropriate, and they are modelled with a profile and at a term that can be statistically supported.

As a measure of shorter-term sensitivity, NIIS measures the sensitivity of the banking book earnings over the next 12 months to instantaneous parallel and non-parallel shocks to the yield curve. NIIS is measured using a 2 per cent downwards parallel and non-parallel shock to the yield curve to determine the potential adverse change in net interest income in the ensuing 12-month period.

The following table indicates the potential impact to NIIS from an adverse 2 per cent parallel movement in interest rates on the Bank's financial position. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2020 $M	2019 $M
Exposure at the end of the financial year	(20)	(23)
Average exposure during the financial year	(23)	(15)

(ii) Present value sensitivity

As a measure of longer-term sensitivity, present value sensitivity (PVS) measures the sensitivity of the present value of all known future cash flows in the banking book, to instantaneous parallel and non-parallel shocks to the yield curve. All exposures have their known future cash flows present valued from relevant interest rate curves.

The following table indicates the potential impact to economic value from an adverse 2 per cent downwards parallel movement in interest rates on the Bank's financial position.

The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2020 $M	2019 $M
Exposure at the end of the financial year	(48)	(63)
Average exposure during the financial year	(41)	(47)

(iii) Value at Risk

VaR is modelled at a 99 per cent confidence level over a one-month holding period for IRRBB. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2020 $M	2019 $M
Exposure at the end of the financial year	(20)	(24)
Average exposure during the financial year	(19)	(22)

(c) Non-traded foreign exchange risk

Non-traded foreign exchange risk can arise from having non-Australian dollar items in the banking portfolio, thereby exposing current and future earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management is to minimise the impact on earnings of any such movements. The Bank policy is to fully hedge any such exposure and accordingly minimise exposure to the risk. All offshore borrowing facilities arranged as part of the overall funding diversification process have been economically hedged in respect of their potential foreign exchange risk through the use of financial derivatives (refer to note 13).

29.5 Market risk for non-bank-related financial instruments

(a) Foreign exchange risk

The Suncorp Group's non-bank business foreign exchange risk exposure mainly arises from investments in overseas assets, including foreign issued interest-bearing securities and global equities. The exposure is managed via the use of cross currency swaps, forward foreign exchange and futures contracts.

A sensitivity analysis showing the impact on profit or loss for changes in foreign exchange rates for exposure as at the reporting date with all other variables including interest rates remaining constant is shown in the table below. There is no impact on equity reserves.

The movements in foreign exchange rates used in the sensitivity analysis for 2020 have been revised to reflect an updated assessment of the reasonable possible changes in foreign exchange rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2020			2019		
	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax $M
USD	468	+15	49	584	+12	50
		-10	(33)		-12	(49)
Other	446	+5	16	411	+12	34
		-5	(16)		-12	(35)

(b) Interest rate risk

Interest rate risk exposure arises mainly from investment in interest-bearing securities and from ongoing valuation of insurance liabilities.

The investment portfolios, which hold significant interest-bearing securities in support of corresponding outstanding insurance liabilities, are invested in a manner consistent with the expected duration of claims payments. Interest rate risk is also managed by maintaining a diversified portfolio of investment securities and the controlled use of interest rate derivative instruments. The below table considers the impact of interest rate risk on the interest-bearing investment securities including derivative financial instruments. The impact of interest rate changes on outstanding claims liabilities will partially offset this effect.

The sensitivity of profit and loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the reporting date is shown in the table below. There is no impact on equity reserves. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves.

Investment-linked business is excluded from the analysis as there is no residual interest rate exposure to the shareholder. The movements in interest rates used in the sensitivity analysis for 2020 have been revised based on an updated assessment of the reasonable possible changes in interest rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2020			2019		
	Exposure at 30 June $M	Change in interest rate bps	Profit (loss) after tax $M	Exposure at 30 June $M	Change in interest rate bps	Profit (loss) after tax $M
Interest-bearing investment securities (including derivative financial instruments)	13,515	+15	(37)	13,662	+75	(176)
		-15	37		-50	122
Loan capital	2,294	+15	(6)	2,305	+75	(12)
		-15	4		-50	7

(c) Equity risk

The Suncorp Group has exposure to equity risk through its investments in international and domestic equity trusts. Equity risk is managed by incorporating a diverse holding of Australian and overseas equities (whether direct or through unitised trusts) and through the controlled use of derivative financial instruments.

The table below presents a sensitivity analysis showing the impact on profit or loss for price movements for exposures as at the reporting date with all other variables remaining constant. There is no impact on equity reserves.

The movements in equity prices used in the sensitivity analysis for 2020 have been revised to reflect an updated assessment of the reasonable possible changes in equity prices over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2020			2019		
	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M
Listed Australian equities and unit trusts	1,037	+15	178	1,551	+15	163
		-10	(119)		-15	(163)
Listed international equities and unit trusts	535	+15	56	12	+15	1
		-10	(37)		-15	(1)

(d) Credit spread risk

The Suncorp Group is exposed to credit spread risk through its investments in non-Australian Government-issued bonds (and other interest-bearing securities). This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings, and managing to a credit risk diversity score limit.

The table below presents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the reporting date. There is no impact on equity reserves.

The movements in credit spread used in the sensitivity analysis for 2020 have been revised based on an updated assessment of the reasonable possible changes in credit spread over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2020			2019		
	Exposure at 30 June $M	Change in credit spread bps	Profit (loss) after tax $M	Exposure at 30 June $M	Change in credit spread bps	Profit (loss) after tax $M
Credit exposure	8,988	+40	(56)	8,686	+80	(104)
(excluding semi-government)		-10	14		-20	26
Credit exposure	880	+20	(6)	969	+40	(9)
(semi-government)		-20	6		-15	3

30. Commitments

30.1 Credit commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers. Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the PD. They are not sold or traded and are not recorded in the consolidated statement of financial position. The Suncorp Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments.

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA.

	2020 $M	2019 $M
Notional amounts		
Guarantees entered into in the normal course of business	112	120
Commitments to provide loans and advances	8,777	8,576
	8,889	8,696
Credit equivalent amounts		
Guarantees entered into in the normal course of business	111	120
Commitments to provide loans and advances	1,818	2,150
	1,929	2,270

30.2 Capital and expenditure commitments

Expenditure for the acquisition of property, plant and equipment and other expenditure contracted for but not provided in the consolidated financial statements was $13 million (2019: $10 million).

31. Parent entity and composition of the Suncorp Group

31.1 Ultimate parent entity

Company	2020 $M	2019 $M
Results of the Company for the financial year:		
Revenue		
Dividend and interest income from subsidiaries	1,289	997
Interest and trust distribution income on financial assets at fair value through profit or loss	36	35
Other income	4	4
Total revenue	1,329	1,036
Expenses		
Impairment loss on investment in subsidiaries	(159)	(153)
Interest expense on financial liabilities at amortised cost	(63)	(84)
Operating expenses	(70)	(54)
Total expenses	(292)	(291)
Profit before income tax	1,037	745
Income tax benefit	45	61
Profit for the financial year	1,082	806
Total comprehensive income for the financial year	1,082	806

Company	2020 $M	2019 $M
Financial position of the Company as at the end of the financial year:		
Current assets		
Cash and cash equivalents	34	27
Financial assets designated at fair value through profit or loss	911	1,075
Due from subsidiaries	220	31
Other assets	5	42
Total current assets	1,170	1,175
Non-current assets		
Investment in subsidiaries	13,398	13,898
Due from subsidiaries	593	592
Deferred tax assets	18	57
Other assets	51	61
Total non-current assets	14,060	14,608
Total assets	15,230	15,783
Current liabilities		
Payables and other liabilities	55	60
Current tax liabilities	114	-
Due to subsidiaries	113	603
Total current liabilities	282	663
Non-current liabilities		
Loan capital	1,723	1,736
Total non-current liabilities	1,723	1,736
Total liabilities	2,005	2,399
Net assets	13,225	13,384
Equity		
Share capital	12,559	12,964
Retained profits	666	420
Total equity	13,225	13,384

Capital and expenditure commitments

There are no capital and expenditure commitments contracted for but not provided in the statement of financial position of the Company.

Contingent liabilities

The parent entity issued letters of comfort for certain subsidiaries. In this capacity, SGL ensures that subsidiaries continue to meet their obligations and commitments.

Parent entity guarantees

There are no parent entity guarantees in relation to the debts of its subsidiaries.

31.2 Material subsidiaries of Suncorp Group Limited

			2020	2019
			Equity holding	
Material subsidiaries of Suncorp Group Limited	Class of shares	Country of incorporation	%	%
Suncorp Insurance Holdings Limited	Ordinary	Australia	100	100
AAI Limited[1]	Ordinary	Australia	100	100
Suncorp Insurance (General Overseas) Pty Ltd	Ordinary	Australia	100	100
Suncorp Group Holdings (NZ) Limited	Ordinary	New Zealand	100	100
Vero Insurance New Zealand Limited	Ordinary	New Zealand	100	100
Vero Liability Insurance Limited	Ordinary	New Zealand	100	100
AA Insurance Limited[2]	Ordinary	New Zealand	68	68
SBGH Limited	Ordinary	Australia	100	100
Suncorp-Metway Limited	Ordinary	Australia	100	100
APOLLO Series Trusts (various)[3]	Units	Australia	100	100
Suncorp Covered Bond Trust	Units	Australia	100	100
Suncorp Life Holdings Limited	Ordinary	Australia	100	100
Asteron Life Limited	Ordinary	New Zealand	100	100
Asteron Retirement Investment Limited	Ordinary	New Zealand	100	100
Suncorp Portfolio Services Limited	Ordinary	Australia	100	100
Suncorp Staff Pty Ltd	Ordinary	Australia	100	100
Suncorp Corporate Services Pty Ltd	Ordinary	Australia	100	100
Suncorp Group Investment Trusts (various)[4]	Units	Australia	n/a	n/a

[1] Also registered as an overseas company in New Zealand.

[2] The New Zealand Automobile Association Limited holds the remaining shares in AA Insurance Limited.

[3] These trusts are structured entities created as part of the Suncorp Group's loan securitisation program. As at 30 June 2020, the Suncorp Group held interests in eight trusts (2019: ten). Refer to note 37.1 for the basis of consolidation.

[4] The Suncorp Group consolidates four (2019: three) unit trusts which are not required to be registered under the Corporations Act 2001. Suncorp Funds Pty Ltd (a subsidiary of Suncorp Group Limited) is a trustee of twelve (2019: thirteen) of such trusts. The trusts are consolidated in the Suncorp Group if the trust meets the consolidation criteria per AASB 10 *Consolidated Financial Statements*. The non-controlling interest on the consolidated trusts are disclosed within the consolidated statement of financial position category of 'Managed funds units on issue'.

Suncorp Group did not acquire or dispose of any material subsidiaries, associates or joint venture entities during the current year.

31.3 Unconsolidated structured entities

The Suncorp Group conducts fiduciary activities as trustee or custodian for various investment funds and trusts, approved deposit funds, superannuation funds, and wholesale and retail unit trusts.

The trusts are governed by the terms under which they were created, as set out in their trust deeds. Suncorp Group is deemed a sponsor of these entities through normal terms and conditions and by the association of its brand names. Compensation received by the Suncorp Group from sponsored entities for the financial year ended 30 June 2020 related to fees from trust fiduciary activities of $68 million (2019: $77 million).

The Suncorp Group does not have any other interests in these entities. Arrangements are in place to ensure activities relating to asset management and trusteeship and mortgage investments are managed separately from the operations of the Suncorp Group. The assets and liabilities of these trusts are not the property of the Suncorp

Group and are not included in the consolidated financial statements as the Suncorp Group does not control these entities.

The funds under administration by trustee companies are listed in the table below.

Trustee/Fund Manager	2020 $M	2019 $M
Asteron Life Limited (New Zealand), Asteron Retirement Investment Limited & Asteron Trust Services Limited[1]	311	324
Suncorp Funds Pty Ltd[2]	-	2,455
Suncorp Portfolio Services Limited[3]	5,035	5,491

[1] Trustee and manager for a number of wholesale, superannuation and investment funds. The assets and liabilities of these trusts and funds are not consolidated in the financial statements as the Suncorp Group does not control these entities.

[2] Trustee for various investment unit trusts.

[3] Administrator for Superannuation Funds.

31.4 Consolidated structured entities

Suncorp Group has the following contractual arrangements which require it to provide support to its consolidated structured entities, the Trusts.

Liquidity facility

SML provides a liquidity facility to the Trustee of the Trusts. There are two instances when the liquidity facility can be drawn: a) if on a Determination Date, the investor revenues received by the Trusts are insufficient to meet its total expenses; and b) in the event that SML does not meet its designated credit rating. The maximum amount which can be drawn is $217 million (2019: $146 million).

The amount drawn as of 30 June 2020 is $nil (2019: $nil).

Redraw facility

SML provides a redraw facility to the Trustee of the Trusts. The redraw facility can be drawn if on a Determination Date, the Principal Collections to reimburse the seller for any redraws funded during the monthly period are insufficient. The maximum amount which can be drawn is $77 million (2019: $55 million).

The amount drawn as of 30 June 2020 is $nil (2019: $nil).

32. Key management personnel (KMP) and related party disclosures

32.1 KMP disclosures

Information regarding KMP remuneration, loans and equity instruments disclosures are included in the Remuneration Report section of the Directors' Report.

KMP compensation is included in Employee benefits expense (refer to note 9). Its categorisation is as follows.

	2020 $'000	2019 $'000
Short-term employee benefits	11,091	14,318
Long-term employee benefits	193	105
Post-employment benefits	475	456
Share-based payments	4,960	8,292
Termination benefits	1,693	1,668
	18,412	24,839

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of the Suncorp Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as specific provisions, as the balances are considered fully collectable.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Suncorp Group to KMP and their related parties are as follows.

	2020		2019	
	Key management personnel $'000	Other related parties $'000	Key management personnel $'000	Other related parties $'000
Closing balance	1,214	1,222	5,227	2,698
Interest charged	79	26	173	13

32.2 Related party transactions with joint venture entities and other related parties

	2020 $'000	2019 $'000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
Other income received or due and receivable:		
Joint ventures	40,889	33,502
Other expenses paid or due and payable:		
Joint ventures	6,202	7,085
Aggregate amounts receivable from, and payable to, each class of related parties at reporting date:		
Receivables:		
Joint ventures	2,819	358
Payables:		
Joint ventures	115	-

Transactions between the Suncorp Group and joint venture entities consisted of fees received and paid for information technology services, investment management services, overseas management services, property development finance facilities and reinsurance arrangements. All these transactions were on a normal commercial basis.

33. Leases

The Suncorp Group leases property and motor vehicles. The leases have terms ranging between 1 and 11 years and generally provide the Group with a right of renewal at which time all terms are renegotiated.

Lease payments comprise a base amount and are subject to periodic increases due to movements in the Consumer Price Index or other criteria.

ROU assets and lease liabilities which are presented in the consolidated statement of financial position as 'Property, plant and equipment' and 'Payables and other liabilities' line items respectively, are presented in further detail below:

	Real Estate $M	Motor Vehicles $M	Total $M
ROU asset at 1 July 2019	469	4	473
Depreciation charge for the year	(101)	(2)	(103)
Additions to ROU assets	37	6	43
Derecognition of ROU assets[1]	(12)	-	(12)
ROU asset at 30 June 2020	393	8	401
Lease liability	444	8	452
Current	99	3	102
Non-current	345	5	350
Lease liability at 30 June 2020	444	8	452

[1] Derecognition of ROU assets during the year is a result of the sale of Capital S.M.A.R.T and ACM Parts.

Interest expense on the lease liabilities of $11 million was recognised in the consolidated statement of comprehensive income as part of 'Interest expense on financial liabilities not at FVTPL'.

Total cash outflow for lease liabilities presented in the consolidated statement of cash flow was $117 million.

The Suncorp Group's lease commitments which have not been recognised as a lease liability, as the respective lease commencement dates are after the end of the financial year, total $320 million.

34. Discontinued operations

Sale of SLSL

Suncorp's sale of SLSL to TAL Dai-ichi Life Australia Pty Ltd (**TAL**) completed on 28 February 2019. Total consideration from the share sale was $746 million (includes a pre-completion dividend of $70 million). The loss on sale after tax was $910 million, which included $160 million of transaction and separation costs, and goodwill impairment of $145 million. To continue to provide a range of life insurance solutions to Suncorp's customers, an exclusive 20-year strategic alliance with TAL was entered into on completion of the sale.

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

On 31 October 2019, Suncorp completed the sale of Capital S.M.A.R.T and ACM Parts to AMA Group Limited (**AMA**). Total consideration from the sale was $448 million, which included the fair value of 10 per cent interest retained by Suncorp in Capital S.M.A.R.T via a newly formed holding company with AMA. The gain on sale after tax was $285 million, which included $44 million of transaction and separation costs, and derecognition of net assets of $53 million.

Under the 15-year strategic partnership agreement (with two five-year options by Suncorp to extend) negotiated during the financial year ended 30 June 2019, Suncorp customers will continue to receive smash repair services through the Capital S.M.A.R.T network.

34.1 Profit and loss from discontinued operations

The table below shows the profit and loss from discontinued operations for the year ended 30 June 2020 and the comparative period. It contains the revenue, expenses and profit after tax for Capital S.M.A.R.T and ACM Parts until the date of sale for the year ended 30 June 2020 and for Capital S.M.A.R.T, ACM Parts and SLSL for the comparative period. The profit and loss from discontinued operations also includes impairment of goodwill, transaction and separation costs and tax benefits (expenses) from the respective sales.

	2020 $M	2019 $M
Revenue	139	1,269
Operating expenses	(138)	(1,304)
Net profit (loss) before income tax	1	(35)
Income tax benefit	-	64
Profit after tax	1	29
Loss on sale of SLSL	-	(690)
Gain on sale of Capital S.M.A.R.T and ACM Parts	395	-
Impairment of goodwill of SLSL	-	(145)
Transaction and separation costs	(44)	(160)
Income tax (expense) benefit	(66)	85
Profit (loss) on sale (net of transaction costs and tax)	285	(910)
Consolidation adjustments	-	2
Profit (loss) after tax from discontinued operations	286	(879)

34.2 Cash flows from discontinued operations

The table below presents the net cash (used in) from operating, investing and financing activities for discontinued operations for the year ended 30 June 2020 and the comparative period. It contains the cash flows for discontinued operations, plus the incurred transaction and separation costs, which are part of the net cash from investing activities.

	2020 $M	2019 $M
Net cash from operating activities	14	90
Net cash from investing activities	345	394
Net cash (used in) financing activities	(4)	(179)
Net cash inflows from discontinued operations	355	305

35. Auditors' remuneration

	2020	2019	2020	2019
	KPMG Australia		Overseas KPMG firms	
	$'000	$'000	$'000	$'000
Audit and review services				
Audit and review of financial reports	3,953	4,665	1,375	1,507
	3,953	4,665	1,375	1,507
Assurance services				
Regulatory assurance services	1,269	978	375	367
Other assurance services	1,029	1,042	43	47
	2,298	2,020	418	414
Other services				
In relation to taxation and other services	565	1,603	51	-
Total auditors' remuneration	6,816	8,288	1,844	1,921

36. Provisions, employee benefit liabilities and contingent assets and liabilities

36.1 Provisions and employee benefit liabilities

Provisions are recognised for present obligations arising from past events where a payment (or other economic transfer) is probable to be necessary to settle the obligation and can be reliably estimated.

	June 2019 $M	Additions $M	Amounts used $M	Unused amounts reversed $M	Other[1] $M	June 2020 $M
Annual leave and other employee benefits	188	206	(186)	-	(6)	202
Long service leave	102	19	(14)	-	(3)	104
Pay and leave entitlements review	-	60	(2)	-	-	58
Leaseholds	27	12	(2)	-	(18)	19
Divestments and restructuring	131	43	(64)	(9)	-	101
Compliance and remediation programs	92	84	(56)	(2)	-	118
Other	5	8	-	(5)	-	8
Total	**545**	**432**	**(324)**	**(16)**	**(27)**	**610**
Current	399					498
Non-current	146					112
Total	**545**					**610**

[1] Other relates to liabilities that are derecognised as a result of accounting change (AASB 16) and deconsolidation of subsidiaries (sale of Capital S.M.A.R.T and ACM Parts).

Annual leave, long service leave and other employee benefits

The provision is determined based on expected payments.

Where the payments are expected to be more than one year in the future, these provisions include estimates such as employee service periods, employee turnover rates, future salary increases and mix of leave taken versus paid out. These future obligations are discounted using a market observable rate.

Divestments and restructuring

The remaining provision as at 30 June 2020 comprises mainly costs to exit the Australian life insurance business and Capital S.M.A.R.T and ACM Parts businesses. The nature of these costs includes operational and technical separation, other contractual arrangements and warranties.

Compliance and remediation

The requirement for anticipated customer remediation has been assessed across the Group, Banking & Wealth, Insurance Australia and Insurance New Zealand businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Key remediation programs have been identified and associated provisions estimated. As at 30 June 2020, the remaining provision includes cost estimates for the following:

- Anticipated investigation, legal and management costs relating to Wealth matters arising from the Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry (**Royal Commission**). This includes two matters referred by the Royal Commission to APRA and a class action arising from alleged breaches relating to payment of commissions to financial advisers as announced by the Group on 1 July 2019;
- Guardian Financial Planning business; and
- Estimated remediation for insurance customers relating to discount entitlements on premiums and claims adjustments.

Provision for customer remediation and leave and pay entitlements review represent management's best estimate of the amount required to discharge the Group's obligations. It is possible that the final outcomes could be below or above the provisions, if the actual outcome differs to the assumptions used in estimating the provisions.

36.2 Contingent assets

There are claims and possible claims made by the Group against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, privileged legal advice has been obtained. The Suncorp Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. The Suncorp Group is of the opinion that receivables are not required in respect of these matters, as it is not virtually certain that future economic benefits will eventuate or the amount is not capable of reliable measurement.

36.3 Contingent liabilities

There are contingent liabilities facing the Suncorp Group in respect of the matters below. To the extent these costs can be reliably estimated, they have been reflected as part of the Suncorp Group's provisions. Other than as provided for, the Suncorp Group is of the opinion that the outcome and total costs arising from these matters remain uncertain at this time.

Regulatory and internal reviews

Reviews and enquiries from regulators may result in investigation costs, administrative costs, legal costs and compensation and / or remediation payments (including interest) or fines and penalties. In addition, Suncorp Group conducts internal reviews of its regulatory compliance which have resulted in disclosures to the regulators in Australia and New Zealand and may result in similar costs.

During the year, a number of regulators including Australian Securities and Investments Commission (**ASIC**), APRA, Australian Competition and Consumer Commission (**ACCC**), Australian Transaction Reports and Analysis Centre (**AUSTRAC**) and the Australian Taxation Office (**ATO**) conducted reviews and made enquiries with the Suncorp Group. There were a number of non-compliance instances identified and disclosed by Suncorp Group to ASIC, APRA and AUSTRAC. This included breaches reported to ASIC in relation to financial advice given, pricing of products, the failure to provide disclosure documentation, fees for no service and other matters.

Correspondence with APRA included resubmissions of prudential returns, notification of a breach related to SML's prior treatment of non-commercial loan variations and notification of a breach of regulatory outsourcing standards in relation to some services outsourced by Suncorp Portfolio Services Limited (**SPSL**). Correspondence was also entered into with APRA in relation to its investigation into the timing of the transfer of the Accrued Default Amounts by SPSL, being a case study referred from the Royal Commission and discussed further below.

In July 2020, SML notified AUSTRAC that it had not reported a limited type of incoming cross-border transactions received through a card scheme platform which it considers should have been reported as International Funds Transfer Instructions. SML is undertaking a number of remediation activities to address this. These transactions were included in SML's transaction monitoring program.

It remains uncertain what other regulatory or internal reviews or notifications of non-compliance may arise or may be required.

An assessment of the likely cost to the Group of these reviews and actions has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

Customer complaints

The Australian Financial Complaints Authority (**AFCA**) has the power to award compensation up to certain thresholds on complaints raised by customers. The Group is working through the individual cases that have been raised to AFCA.

An assessment of the likely cost to the Suncorp Group of these reviews and actions has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

Royal Commission

The 2019 report of the Royal Commission set out 76 policy recommendations to strengthen protections for consumers, small business and rural and regional communities. A comprehensive program of work is currently underway to implement the reforms that have resulted from the recommendations and to enhance our focus on culture and compliance matters. The Government's program in response to the recommendations of the Royal Commission continues to evolve. The Suncorp Group continues to monitor and respond to any additional legislation and regulatory activity that may arise as a result of this program. The Suncorp Group is accordingly of the opinion that at this time the outcome and total costs which may arise from regulatory reform remain uncertain.

In addition to policy matters, the report sets out details of various case studies, made observations in respect of each and in some instances referred matters to regulators for further enquiry. The Commissioner referred two specific matters relating to SPSL to regulators being the utilisation of a tax surplus to fund administration costs and the timing of the transfer of Accrued Default Amounts (**ADA**). Provisions have been recognised for these matters. With regard to the ADA matter, the APRA investigation has concluded and a remediation program has been confirmed, which will be subject to independent expert oversight. The total costs of the remediation program remain uncertain although are anticipated to be within the existing provision. APRA has indicated that the tax surplus enquiry will be conducted as part of a broader industry review which is anticipated to commence later in the calendar year. The Suncorp Group is of the opinion that at this time the total costs which may arise from these referrals remain uncertain. It remains uncertain whether any other enquiries or claims may arise following the case studies and observations in the report.

Litigation

As disclosed to the ASX on 1 July 2019, a class action has been filed against SPSL, being the trustee of the Suncorp Master Trust and two former SPSL executive directors. The class action alleges trustee failures by allowing commissions to be paid to Australian Financial Services Licensed companies (financial advisers) between 1 July 2013 to 21 June 2019. The class action has been filed on an open basis for all persons whose accounts were alleged to have been affected by the payment of conflicted remuneration from 1 July 2013 to 21 June 2019. The Suncorp Group is defending this matter. The Suncorp Group has made provisions for legal, investigation and other defence costs. The Suncorp Group is of the opinion that at this time the outcome and any potential exposures remain uncertain.

There are outstanding court proceedings, potential fines, claims and possible claims against the Suncorp Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, privileged legal advice has been obtained. The Suncorp Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, likely to have a material effect on its operations or financial position.

An assessment of the likely cost to the Suncorp Group of these matters has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

Customer remediation

In response to both regulatory and internal reviews, the Suncorp Group is currently undertaking a number of programs of work to resolve prior issues that have the potential to impact customers. An assessment of the Suncorp Group's likely loss has been considered on a case by case basis. To the extent that the potential impact can be reliably estimated the amount has been provisioned.

Contingent liabilities may exist in respect of actual or potential claims, compensation payments and / or remediation payments (including interest) identified as part of existing programs of work or as part of future programs responding to regulatory or internal reviews. The outcomes and total costs associated with these reviews and possible exposures remain uncertain.

Sale of businesses

As part of the sale of SLSL, the Suncorp Group provided warranties and indemnities to SLSL and TAL. These included warranties, indemnities and remediation obligations in regard to the provision of services and products in accordance with terms and conditions of the contractual arrangements. TAL has notified Suncorp of a potential claim under the indemnity and that a project team has been set up. Whilst provisions have been made where the amounts can be reliably estimated, the outcomes and costs of these potential warranties and indemnities remain uncertain.

As part of the sale of Capital S.M.A.R.T and ACM Parts, the Suncorp Group provided warranties in the respective Share Sale and Purchase Agreements entered into with AMA. Whilst provisions in relation to the sale have been made where the amounts can be reliably estimated, any outflows relating to the warranties remain uncertain.

As part of the sale of Resilium, the Suncorp Group provided certain tax warranties in the Sale and Purchase Agreement entered into with the Resilium management team. Any outflows relating to the warranties remain uncertain.

Tax

The Suncorp Group is subject to regular reviews by the ATO and other revenue authorities of its taxation treatment which may result in additional tax liability or tax refund. The Suncorp Group engages with these authorities and provides responses as requested. To the extent reasonably possible, the Group has recognised its tax payable as a current tax liability. There are no current disputes with the ATO.

Other

Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.

In the ordinary course of business, the Suncorp Group enters into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures. Some companies in the Group, apart from the Company, also provide financial guarantees to other subsidiaries and external parties and may be exposed to contingent liabilities.

Under the terms of its contracts with NZ advisers, the Group would potentially acquire the entitlement of individual advisers to future income streams from renewal commission should the advisers themselves be unable to find an approved buyer within six months of the date that the agreement ends. The liability for future renewal commission is contained in the Group's policy liabilities, and therefore these potential transactions do not result in any change to the Group's net assets or profit or loss. In practice these transactions are not frequent, and management do not consider the consequent acceleration of the timing of underlying cash flows to be material.

37. Significant accounting policies

The Suncorp Group's significant accounting policies set out below have been consistently applied by all Suncorp Group entities to all periods presented in these consolidated financial statements.

37.1 Basis of consolidation

The Suncorp Group's consolidated financial statements are the financial statements of the Company and all its subsidiaries, presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

(a) Subsidiaries

Subsidiaries are entities controlled by the Suncorp Group which includes companies, managed funds and trusts. The Suncorp Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control commences until the date on which control ceases.

Non-controlling interests recognised as equity and managed funds units recognised as a liability arise when the Suncorp Group does not hold 100 per cent of the shares or units in a subsidiary. They represent the external equity or liability interests in non-wholly owned subsidiaries of the Suncorp Group.

Structured entities (**SE**) are entities created to accomplish a specific and well-defined objective such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. Critical judgments are applied in determining whether a SE is controlled and consolidated by the Suncorp Group. A SE is consolidated if the Suncorp Group is exposed to, or has rights to, variable returns from its involvement with the SE and has the ability to affect those returns through its power over the SE.

The main types of SE established by the Suncorp Group are securitisation trusts and covered bond trusts. The securitisation trusts and the covered bond trusts are controlled by the Suncorp Group and are consolidated in the consolidated financial statements.

(b) Business combination of entities under common control

In a business combination arising from transfers of interests in entities that are under the control of the ultimate parent entity, the assets and liabilities are acquired at the carrying amounts recognised previously in the Suncorp Group's consolidated financial statements.

37.2 Foreign currency

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency of the Group using the spot exchange rates at the date of the transaction. Foreign currency monetary assets and liabilities at reporting date are translated into the functional currency using the spot exchange rates current on that date. The resulting differences on monetary items are recognised as exchange gains or losses in the financial year in which the exchange rate difference arises. Foreign currency non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rates at the date of the transaction.

Foreign currency non-monetary assets and liabilities that are stated at fair value are translated using exchange rates at the dates the fair value was determined.

Where a foreign currency transaction is part of a hedge relationship, it is accounted for as above, subject to the hedge accounting rules set out in note 37.8.

(b) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated at rates approximating the foreign exchange rates applicable at the dates of the transactions. Foreign exchange differences arising on translation are recognised in other comprehensive income (**OCI**) and presented in the foreign currency translation reserve.

37.3 Revenue and expense recognition

(a) Premium revenue

Premium revenue comprises amounts charged to policyowners and includes applicable levies and charges such as fire service levies, but excludes stamp duty and taxes collected on behalf of third parties such as goods and services tax. Premiums are recognised as revenue in accordance with the pattern of the underlying risk exposure from the date of attachment over the period of the insurance policy, which is usually one year.

Premiums on unclosed business are brought to account by reference to the prior years' experience and information that has become available between the reporting date and the date of completing the consolidated financial statements.

(b) Claims expenses and movements in policy liabilities

Claims expense represents payments for claims and the movement in outstanding claims liabilities. Claims represent the benefits paid or payable to the policyowners on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in profit or loss as losses are incurred, which is usually the point in time when the event giving rise to the claim occurs.

(c) Outward reinsurance premium expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk.

Reinsurance premiums are deferred and recognised as an asset where there are future economic benefits to be received from reinsurance premiums.

(d) Interest income and expense

Interest income and expense on financial assets or liabilities at amortised cost are recognised in profit or loss using the effective interest method. This includes fees and commission income and expense (e.g. lending fees) that are integral to the effective interest rate on a financial asset or liability.

Interest income and expense on financial assets or liabilities at fair value are recognised in profit or loss when earned or incurred.

(e) Dividends and distribution income

Dividends and distribution income are recognised when the right to receive income is established.

(f) Other income

Non-yield related application and activation lending fee revenue is recognised when the loan is disbursed or the commitment to lend expires.

Service fees that represent the recoupment of the costs of providing service, for example maintaining and administering existing facilities, are recognised when the performance obligation is satisfied. Fees can be recognised over time (i.e. annual fees) or at a point in time, when a promised service is performed (i.e. late payment fees).

37.4 Income tax

Income tax expense comprises current and deferred tax and is recognised in the profit or loss except to the extent that it relates to items recognised in equity or in OCI.

Current tax consists of the expected tax payable on the taxable income for the year, after any adjustments in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences can be utilised. Provisions for taxation require the Suncorp Group to take into account the impact of uncertain tax positions. For such uncertainties, the Suncorp Group relies on estimates and assumptions about future events.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly owned subsidiaries. Consequently, all members of the tax-consolidated group are taxed as a single entity.

The members recognise the current and deferred tax amounts applicable to the transactions undertaken by it, reasonably adjusted for certain intra-group transactions, as if it continued to be a separate taxpayer. The Company also recognises the entire tax-consolidated group’s current tax liability. Any differences between the current tax liability and any tax funding arrangement amounts (see below) are recognised by the Company as an equity contribution to, or distribution from, the subsidiary.

The members of the tax-consolidated group have entered into a tax sharing agreement and a tax funding agreement. Under the tax funding agreement, the wholly owned entities fully compensate the Company for any current tax payable assumed. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, at call.

Taxation of financial arrangements

The Company has accepted the default method of accruals or realisation and has not made any elections regarding transitional financial arrangements or other elective timing methods.

37.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, balances with the RBA, highly liquid short-term investments, money at short call, and securities held under reverse repurchase agreements with an original maturity of three months or less. Receivables due from and payables due to other banks are classified as cash equivalents for cash flow purposes. Bank overdrafts are shown within financial liabilities unless there is a right of offset.

Receivables due from and payables due to other banks include collateral posted or received on derivative positions, nostro balances and settlement account balances. They are carried at the gross value of the outstanding balance.

37.6 Non-derivative financial assets

The Group determines whether each financial asset's contractual cash flows are solely principal payments and interest (**SPPI**) and how the financial asset is managed.

(a) Fair value through profit or loss

Financial assets where contractual cash flows are not SPPI will be classified at FVTPL. Assets that are SPPI, but managed on a fair value basis, will also be classified at FVTPL. Where financial assets other than FVTPL back liabilities at FVTPL, this would create an accounting mismatch and the financial assets can be designated at FVTPL to remove this mismatch.

Financial assets at FVTPL are initially recognised on trade date at fair value. Transaction costs are recognised in profit or loss as incurred. Subsequently, the assets are measured at fair value on each reporting date and any gains or losses are taken immediately to profit or loss. This category includes trading securities.

The Suncorp Group has classified financial assets held in portfolios that match the average duration of a corresponding insurance liability, as assets backing general insurance liabilities.

(b) Amortised cost

For assets where cash flows are SPPI and the business model is held-to-collect these cash flows, the classification is at amortised cost. This category includes loans and advances.

They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less any impairment losses.

(c) Fair value through other comprehensive income

Debt instruments that are SPPI and are held-to-collect-and-to-sell (regular, but not frequent sales) will be recorded as FVOCI. These will be measured at fair value with subsequent changes going through OCI. On derecognition, the accumulated OCI will be recycled into profit or loss. This category includes investment securities.

(d) Modification of contractual cashflows

In cases where borrowers face financial difficulties, SML may grant a change to the terms and conditions of their loan repayments for a specific period to avoid the customers defaulting on their loan. These changes can include payment deferrals, change in amortisation periods, and temporary change in interest rates. Loans restructured on commercial terms with a significant modification of contractual cashflows are considered a re-origination. In this case, the asset will be derecognised and a new asset will be recognised.

For modifications that do not result in a derecognition, a modification gain or loss will be calculated based on the difference between the present value of the renegotiated or modified contractual cashflows and the gross carrying amount prior to modification. The present value is determined using the loan's original effective interest rate.

SICR will continue to be assessed relative to the risk of default on the date of original recognition of the loan.

(e) Derecognition of financial assets

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Suncorp Group has transferred substantially all risk and rewards of ownership.

(f) Repurchase agreements and reverse repurchase agreements

When the Suncorp Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset at a fixed price on a future date (repurchase agreement), the financial assets sold under such agreements continue to be recognised as a financial asset and the obligation to repurchase recognised as a liability.

Securities purchased under agreements to resell, where the Group does not acquire the risks and rewards of ownership, are recorded as receivables in cash and cash equivalents or loans and advances if the original maturity is greater than 90 days. The security is not included in the consolidated statement of financial position. Interest income is accrued on the underlying cash and cash equivalents or loans and advances.

37.7 Derivative financial instruments

The Suncorp Group holds derivative financial instruments to hedge the Suncorp Group's assets and liabilities or as part of the Suncorp Group's trading and investment activities.

All derivatives are initially recognised at fair value on trade date and transaction costs are recognised in profit or loss as incurred. Derivatives are classified and measured at FVTPL (note 37.6) unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting (note 37.8).

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. Where a derivative is embedded in another financial instrument, the economic characteristics and risks of the derivative are not closely related to those of the host contract and the host contract is not carried at fair value, the embedded derivative is separated from the host contract and carried at FVTPL. Otherwise, the embedded derivative is accounted for on the same basis as the host contract.

When a hybrid contract contains a host that is a financial asset, the entire hybrid contract is assessed for classification. If the hybrid contract contains a host that is a financial liability or a contract that is not a financial asset, the hybrid contract is assessed to determine whether the embedded derivative is required to be separated. Separation of the embedded derivative from the host contract is not permitted when the hybrid contract is measured at FVTPL; the embedded derivative meets the definition of a standalone derivative; or the embedded derivative is closely related to the host contract.

37.8 Hedge accounting

The Suncorp Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

The International Accounting Standards Board is currently working on a project on dynamic risk management, which will heavily impact hedge accounting for macro hedges. AASB 9 currently provides an option to continue to apply AASB 139 *Financial Instruments: Recognition and Measurement* (**AASB 139**) hedge accounting rules until this project is finalised. The Suncorp Group continues to apply hedge accounting under AASB 139.

(a) Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability of cash flows that:

- Is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction; and
- Could affect profit or loss.

Changes in the fair value associated with the effective portion of a hedging instrument designated as a cash flow hedge are recognised in OCI and accumulated in the hedging reserve within equity as the lesser of the cumulative fair value gain or loss on the hedging instrument and the cumulative change in fair value on the hedged item from the inception of the hedge. Ineffective portions are immediately recognised in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or, the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts accumulated in equity are released to profit or loss immediately. In other cases, the cumulative gain or loss previously recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(b) Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of:

- A recognised asset or liability;
- An unrecognised firm commitment; or
- An identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Where an effective hedge relationship is established, fair value gains or losses on the hedging instrument are recognised in profit or loss. The hedged item attributable to the hedged risk is carried at fair value with the gain or loss recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or, the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The hedged item is accounted for under the effective interest method from that point and any accumulated adjustment to the carrying value of the hedged item from when it was effective is released to profit or loss over the period to when the hedged item will mature.

(c) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for similarly to cash flow hedges. Where an effective hedge relationship is established, the effective portion of the cumulative net change in the clean fair value of hedging instruments is recognised in the foreign currency translation reserve; while the ineffective portion is recognised in profit or loss.

Upon disposal or partial disposal of the foreign operation, the effective portion recognised in the foreign currency translation reserve shall be reclassified from equity to profit or loss as part of the gain or loss on disposal.

37.9 Reinsurance and other recoveries receivable

Reinsurance and other recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liabilities relating to general insurance contracts.

37.10 Deferred acquisition costs

Acquisition costs are deferred and recognised as an asset where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods.

Deferred acquisition costs (**DAC**) are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate.

DAC are recognised as assets to the extent that the related unearned premiums exceed the sum of the DAC and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the DAC asset is written down and if insufficient, an unexpired risk liability is recognised.

The carrying value of unearned premium liabilities is assessed at each reporting date by carrying out a LAT. This test assesses whether the net unearned premium liabilities less any DAC is sufficient to cover future claims costs for in-force insurance contracts. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and include a risk margin to reflect the inherent uncertainty in the central estimate.

The assessment is carried out on each portfolio of contracts subject to broadly similar risks and managed together as a single portfolio. If a LAT deficiency occurs, it is recognised in the profit or loss with a corresponding write-down of the related DAC asset. Any remaining balance is recognised as an unexpired risk liability on the consolidated statement of financial position.

37.11 Intangible assets

(a) Initial recognition and measurement

Intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at acquisition date.

Goodwill is recognised at cost from business combinations and is subsequently measured at cost less accumulated impairment loss.

Internally generated intangible assets

Internally generated intangible assets such as software are recognised at cost, which comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management.

All other expenditure, including expenditure on software maintenance, research costs and brands is recognised as an expense as incurred.

(b) Amortisation

Intangible assets with finite lives are amortised over the estimated useful lives from the date the asset is available for use. Amortisation is charged to profit or loss in a manner that reflects the pattern in which the asset's future economic benefits are expected to be consumed using straight-line or diminishing balance methods. All intangible assets except goodwill have finite useful lives. The maximum remaining useful lives as outlined in note 16 are reviewed annually.

Intangible assets deemed to have an indefinite useful life are not amortised but are tested for impairment at least annually.

37.12 Impairment

(a) Financial assets

ECL will be recorded for all financial assets measured at amortised cost or FVOCI. ECL is calculated as the PD x LGD x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting the influence of unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in house prices.

The economic forecasts underpinning the PD and LGD estimates are reviewed on at least a 6-monthly basis, taking into account expert judgment, and are approved by the Bank's Asset and Liability Committee. Management has included adjustments to the modelled provisions to capture emerging risks that have not been captured in the ECL model.

Financial assets that are subject to credit risk are assigned to one of three stages and could be reassigned based on changes in asset quality:

- Stage 1 are performing and/or newly originated assets. Provisions for loans in stage 1 are established to provide for ECL for a period of 12 months;
- Stage 2 assets have experienced a SICR since origination. Provisions for loans in stage 2 are established to provide for ECL for the remaining term of the asset (lifetime ECL); and
- Stage 3 are past due but not impaired and impaired assets. Provisions for loans in stage 3 are established to provide for the lifetime ECL. Portfolio managed assets in stage 3 (mainly retail lending), will have a collective provision determined by the ECL model, although some loans are individually covered by a specific provision. The majority of relationship managed assets in stage 3 (mainly business lending) will require a specific provision unless it is determined that a collective provision provides a more appropriate estimate. A specific provision is calculated based on estimated future cash flows discounted to their present value.

A SICR event occurs if a loan deteriorates since origination on the MRS by a defined number of notches. Loans with a higher MRS at origination (higher risk) require fewer notch movements to trigger a SICR event than loans with a lower MRS at origination (lower risk). From the perspective of arrears, 30 days past due is always considered stage 2.

Exposures for which the MRS subsequently improves to below the SICR threshold will move back to stage 1. Loans restructured on commercial terms with a significant modification of their terms and conditions are considered a re-origination and will be moved into stage 1. The incorporation of forward-looking information within the ECL includes a mechanism to allocate a proportion of portfolio exposure to stage 2, based on the macroeconomic outlook and is designed to capture SICR events that are not yet reflected in observed data at the exposure level.

A write-off is made when all practical recovery efforts have concluded and all or part of a financial asset is deemed unrecoverable or forgiven. Write-offs reduce the principal amount of a claim and are charged against previously established ECLs.

(b) Non-financial assets

Non-financial assets are assessed for indicators of impairment at each reporting date. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (as part of CGU) which may be an individual asset or a group of assets. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any, recognised in respect of the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss recognised for goodwill is not reversed.

37.13 Non-derivative financial liabilities

(a) Financial liabilities at fair value through profit or loss

These liabilities are classified as either held for trading or those that are designated upon initial recognition. Liabilities are initially recognised on trade date at fair value with any directly attributable transaction costs recognised in profit or loss as incurred. Fair value is determined using the offer price where available. Movements in the fair value are recognised in the profit or loss. The impact of changes in ‘own credit risk’ for financial liabilities designated at FVTPL will be separated and recorded in OCI instead of profit or loss. The Suncorp Group designates certain short-term offshore borrowings at FVTPL when they are managed on a fair value basis.

(b) Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. The Suncorp Group's financial liabilities at amortised cost includes deposits and short-term borrowings, long-term borrowings, subordinated notes and preference shares.

(c) Hybrid instruments

Hybrid instruments are those that have an embedded derivative that should be separated, and have both financial liability and equity characteristics.

The embedded derivative component is accounted for separately from the host contract and is recognised at fair value on initial recognition. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The amount allocated to the equity component is the residual.

Issue costs are apportioned between the liability and equity components of the instruments on their relative carrying amounts at the date of issue.

(d) Derecognition of financial liabilities

Non-derivative financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

37.14 Employee entitlements

(a) Short-term employee benefits

Liabilities for short-term employee benefits are those expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services. They are measured at the amounts expected to be paid when the liabilities are settled. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

(b) Long service leave and annual leave

The liabilities for long service leave and annual leave are those not expected to be settled wholly before 12 months after the end of the reporting period. They are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Australian corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

(c) Share-based payments

The fair value of share-based payments is recognised as an expense on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value is calculated on grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest. The fair value of the share-based payments is based on the market price of the shares, dividend entitlements, and market vesting conditions (e.g. share price-related performance criteria) upon which the shares were granted. Non-market vesting conditions (e.g. service conditions) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

(d) Termination benefits

Termination benefits are recognised as an expense when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructure. Termination benefits for voluntary redundancies are recognised as an expense if the Group can no longer withdraw the offer as an employee has accepted the offer or when a restriction on the Group's ability to withdraw the offer takes effect.

37.15 Unearned premium liabilities

Premium revenue received and receivable but not earned is recognised as unearned premium liabilities.

37.16 Insurance liabilities

The outstanding claims liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty of the central estimate. Standard actuarial methods are applied to determine the net central estimate of outstanding claims liabilities. The details of actuarial assumptions and the process for determining the risk margins are set out in note 19.4.

37.17 Treasury shares

Treasury shares are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised.

37.18 Leases

(a) Lease liabilities

Lease liabilities are measured at amortised cost using the effective interest method. Interest expense is recognised in the consolidated statement of comprehensive income in the 'Interest expense on financial liabilities not at FVTPL' line item. The lease liabilities are presented in the consolidated statement of financial position in the 'Payables and other liabilities' line item.

The lease liabilities are remeasured when there is a change in the contractual cash flow (i.e. due to a change in an index, rate or term). Any remeasurements result in a corresponding adjustment to the ROU asset or where the ROU asset has a value of nil, then it has to be recognised in the consolidated statement of comprehensive income.

(b) Right-of-use asset

The ROU asset is initially measured at cost and represents the amount equal to the lease liability on recognition, along with any lease payments made at or before the commencement date less any lease incentives received. The ROU asset is presented in the consolidated statement of financial position in the 'Property, plant and equipment' line item.

The ROU asset is depreciated in accordance with the methods prescribed under AASB 116 *Property Plant and Equipment*. The depreciation is presented in the consolidated statement of comprehensive income in the 'Amortisation and depreciation expense' line item.

37.19 Provisions

A provision is a liability of uncertain timing or amount which is recognised in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

37.20 Contingent liabilities and contingent assets

Contingent liabilities are not recognised, but are disclosed in the consolidated financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

Contingent assets are not recognised, but are disclosed in the consolidated financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

37.21 New accounting standards and interpretation not yet adopted

As at the date of this financial report, there are several new or revised accounting standards published by the AASB that will be mandatory in future financial years. The new or revised accounting standards that are expected to have a material impact on the Suncorp Group's financial statements are set out below. The Suncorp Group has not early adopted these accounting standards.

AASB 17 *Insurance Contracts* (AASB 17)

AASB 17 is a new accounting standard for all types of insurance contracts and replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 was issued in July 2017 and it incorporates International Financial Reporting Standard 17 (**IFRS 17**) *Insurance Contracts* including relevant amendments made up to and including May 2019 by the International Accounting Standards Board (**IASB**). *Amendments to IFRS 17* was approved by the IASB in June 2020 to address implementation issues identified and the effective date of IFRS 17 was revised to be applicable for reporting periods beginning on or after 1 January 2023.

These amendments have been adopted in AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts*, and the new standard is mandatory for the Group's financial statements for periods starting from 1 July 2023.

AASB 17 introduces new measurement models and significant changes to the presentation and disclosure of insurance contracts. Under the general model, a group of insurance contracts are measured based on the fulfilment cashflows (present value of estimated future cash flows with a provision for risk) and the contractual service margin (the unearned profit that will be recognised over the coverage period). AASB 17 also permits the use of a simplified model in certain circumstances, which is similar to the current measurement model for general insurance contracts.

The Suncorp Group has established a project team to assess and implement the requirements of AASB 17 and is currently performing a detailed impact assessment of the standard. Due to the complexity of the standard requirements, the recent changes to the standard and evolving global interpretation of the requirements, the impact of standard on the Suncorp Group is still being determined.

38. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Company in future financial years. For the impact of COVID-19 on the Group's estimates and judgments, please refer to note 2.2.

Directors' Declaration

1. The directors of Suncorp Group Limited (the Company) declare that in their opinion:
   a. The consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 31 to 144, are in accordance with the *Corporations Act 2001* (Corporations Act), including:
      i. giving a true and fair view of the Suncorp Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
   b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by section 295A of the Corporations Act from the Group Chief Executive Officer and Managing Director and the Group Chief Financial Officer for the financial year ended 30 June 2020.
3. The directors draw attention to note 2.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Christine Mcloughlin

CHRISTINE MCLOUGHLIN

Chairman of the Board
21 August 2020

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

Independent auditor's report to the shareholders of Suncorp Group Limited

Independent Auditor's Report

To the shareholders of Suncorp Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Suncorp Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- outstanding claims liabilities and reinsurance and other recoveries;
- expected credit loss provisions for loans and advances held at amortised cost;
- valuation of goodwill; and
- Information Technology (IT) systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Outstanding claims liabilities and reinsurance and other recoveries (AUD 10,436 million)

Refer to Note 19, Note 37.9 and Note 37.16 to the Financial Report

The key audit matter	How the matter was addressed in our audit

The estimation of outstanding claims liabilities and reinsurance and other recoveries, is a key audit matter as it involves significant judgement by us, given the high degree of uncertainty inherent in estimating the expected future payments for claims incurred.
In particular, we focused on the Group's:
• Estimation of future payments for claims incurred at the reporting date but which have not yet been reported to the Group as it may take many years to notify a claim, and the ultimate cost may be influenced by factors unknown at 30 June 2020 or outside of the control of the Group.
• Application of historical experience of claims development to determine current estimates, including the variability between the original estimation and the ultimate settlement of claims where there is a long time delay between the claim being incurred and the ultimate settlement. This includes assessing key assumptions such as average claim size, future wage and superimposed inflation and risk margins applied. Examples include claims relating to Compulsory Third Party (CTP), Workers' Compensation, and to catastrophe events such as the Kaikoura and Canterbury earthquakes.
• Estimation of the impact of COVID-19 on future payments for claims where current year claims experience has varied or is expected to vary from historical experience. Examples include motor claims, Landlord insurance and Business interruption claims.
	Working with our actuarial specialists, our procedures included:
	• assessing the appropriateness of the Group's selection of actuarial methods against the requirements of the accounting standards and the methods applied in the prior periods and industry.
	• testing key controls in relation to the claims payments and case estimates processes. This included IT general and application controls, such as system enforced segregation of duties. We involved our IT specialists in testing the IT controls.
	• testing key actuarial controls including the reconciliations of key data related to claims payments and case estimates and the Group's oversight of the outstanding claims liability valuations.
	• testing a sample of claims case estimates and claims payments to underlying third party evidence such as invoices, expert reports, legal advice and bank statements. We did this to check the accuracy of the claims information used within the estimation of outstanding claims liabilities.
	• challenging the Group's actuarial methods and key assumptions for significant classes of business such as CTP and Workers' Compensation, as well as separate consideration of claims relating to catastrophe events such as the Kaikoura and Canterbury earthquakes, or impacted by the COVID-19 pandemic. We have performed an assessment of the:
	  – accuracy of previous estimates including comparison of the prior year valuation against current year experience; and
	  – key assumptions used such as average claim size, future wage and superimposed inflation and risk margins applied, by comparing to APRA and other regulatory statistics and actuarial frameworks in place.
	• performing our own re-estimation of outstanding claims liabilities, for a sample of classes of business to compare and challenge the Group's outstanding claims liability valuations against industry accepted actuarial methods.

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Outstanding claims liabilities and reinsurance and other recoveries (cont.)	
Valuation of reinsurance and other recoveries involves a high degree of judgement due to the implicit dependence on the estimate of gross outstanding claims and the complexity of significant contracts (such as coverage for natural hazards and catastrophes). As the auditor, challenging the Group’s estimation process requires deep understanding of the industry and specialist actuarial knowledge.	• assessing the Group’s estimation of risk margins to identify management bias. We evaluated the Group’s methodologies for calculating risk margins for consistency with those used in the industry, prior periods and the accounting standards. We also compared the risk margins methods to the framework recommended by the Risk Margin Task Force from the Institute of Actuaries of Australia in the paper titled “A Framework for Assessing Risk Margins” (November 2008) and compared the risk margins to external sources of data including published statistics (e.g. APRA published data). • comparing a sample of reinsurance recoveries recognised to the terms of the underlying reinsurance contracts and claims data, with a focus on natural hazards and catastrophe cover. In addition, we incorporated the reinsurance and other recoveries into our procedures performed in respect of gross outstanding claims described above. • assessing the recoverability of balances owed by reinsurer counterparties by considering their credit worthiness and capital strength, based on external sources of information and historical experience.

Expected credit loss provisions for loans and advances held at amortised cost (AUD 301 million)	
Refer to Note 14, 15, 29.1 and 37.12(a) to the Financial Report	
The key audit matter	How the matter was addressed in our audits
Expected credit loss (ECL) provisions for loans and advances held at amortised cost are a key audit matter due to the significance of loans and advances balances to the financial statements and the inherent complexity of the Group’s ECL models. AASB 9 Financial Instruments (AASB 9) requires significant judgement and estimates to incorporate forward-looking information to reflect future economic scenarios, including the potential economic impact of the COVID-19 pandemic and other assumptions such as defining a significant increase in credit risk (SICR).	Our procedures for the ECL provisions for loans and advances held at amortised cost and disclosures included: Testing key controls relating to: • reconciliation of relevant data used in the ECL model and specific provisioning assessments to source systems; • the onboarding of new lending facilities, including quality assurance over key loan information (such as borrower type and security details) used in the measurement of ECL allowances; • for retail loans, testing controls over the systems which record lending arrears;

Expected credit loss provisions for loans and advances held at amortised cost (cont.)

These features resulted in significant audit effort to address the risks around loan recoverability and the determination of related ECLs.

AASB 9 requires the Group to measure ECLs on a forward-looking basis reflecting a range of future economic conditions, including key forward-looking assumptions such as forecast Real-Gross Domestic Product (GDP), residential house price index and unemployment levels. The Group calculates the ECL utilising a distribution model which estimates economic outcomes around a base case underlying scenario. Given the COVID-19 pandemic and associated economic uncertainty, significant judgement was exercised by the Group in developing the macro-economic variables used in the base case economic scenario due to the wide range of potential economic outcomes and impacts from COVID-19 which may impact future credit losses. Post-model adjustments to the ECL results are also made by the Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgemental overlays the Group applied to the ECL results.

The Group has exercised judgement in defining indicators of what represents a SICR as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded. This estimation is inherently challenging due to the use of complex models based on the Group's historical loss experience to predict probability of default and loss given default.

For credit-impaired loans, it is policy to identify specific ECLs based on the Group's judgement. This focuses on estimating when an impairment event has occurred and the present value of expected future cash flows, which have high estimation uncertainty. We focused on the high degree of estimation uncertainty related to the business and agribusiness loans as the forecast cash flows are dependent on future and uncertain events, for example, the timing and proceeds from the future sale of collateral.

- the Group's monitoring mechanisms to identify loans experiencing signs of stress, including a SICR or default event;
- the Group's ECL model governance and validation processes; and
- the Group's assessment and approval of the ECL estimate, application of forward looking macroeconomic assumptions and post-model adjustments.

In addition to controls testing, our procedures included:

- assessing the appropriateness of the Group's provisioning methodology against the requirements of the accounting standards and industry practice;
- testing the completeness and accuracy of a sample of critical data elements used within ECL models, such as checking year end balances, and repayment history and risk ratings to source systems;
- working with our credit risk specialists, we assessed the critical data elements used to calculate the ECL estimate in key models;
- working with our credit risk specialists, we assessed the ECL models' compliance with the Group's model governance policies and the requirements of Australian Accounting Standards and industry practice;
- working with our credit risk specialists to re-perform the ECL calculation for a sample of ECL models using the Group's provisioning methodology and relevant data used within the ECL models, which incorporated consideration of the impacts of COVID-19. We compared our results to the amount recorded by the Group;
- working with our KPMG Economic specialists, we challenged the Group's forward-looking macroeconomic assumptions and base case scenario incorporated into the ECLs. We compared the Group's forecast GDP, residential house price index and unemployment rates to relevant publicly available macro-economic information. Particular focus was placed on checking these key assumptions reflected the impacts of COVID-19;
- assessing the post-model adjustments applied by the Group to the ECL estimates. We considered the basis for the adjustments and compared the loan portfolios' underlying performance and characteristics to current market conditions, emerging risks and trends, using our knowledge of the industry and public views of commentators;

Expected credit loss provisions for loans and advances held at amortised cost (cont.)	
	- performing credit assessments of a sample of loans controlled by the Group's specialist workout and recovery team assessed as of higher risk or impaired. We challenged the Group's risk grading of the loan, assessment of loan recoverability, valuation of security, including assessing whether these estimates had incorporated the impact of COVID-19. Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group in recoverability assessments to the Group's externally sourced evidence for valuations of collateral held. - Assessing the appropriateness of the Group's disclosures against the requirements of the Accounting Standards.

Valuation of Goodwill (AUD 4,724 million)

Refer to Note 16 and Note 37.12(b) to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the high level of judgement required by us in assessing the significant forward-looking assumptions the Group applied in their valuation models, including: - Forecast cash flows, growth rates, price-to-earnings (PE) multiples and terminal growth rates. The ongoing economic uncertainty from the COVID-19 global pandemic has impacted the cash flow forecasts and other estimates and assumptions in the valuation models. These conditions increase the inherent uncertainty of the forecasts, the probability of a wider range of possible outcomes and the possibility of goodwill being impaired. The Group engaged an external expert to assist in determining the PE multiples. - Discount rates. These are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group engaged an external expert to assist in determining the discount rates. Given the complicated nature of the PE multiples and discount rates, we involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: - We considered the appropriateness of the valuation methods applied by the Group to each CGU to perform the annual test of goodwill for impairment against the requirements of the accounting standards. - We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. - Working with our valuation specialists we challenged the Group's forecast cash flow and growth rate assumptions in light of the known and anticipated COVID-19 impacts. We compared key events to the Board approved plan and strategy. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. - We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates, discount rates and PE multiples, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. This included the impact of various COVID-19 scenarios.

Valuation of Goodwill (cont.)	
• In addition to the above, the carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year end, increasing the assessed likelihood of goodwill being impaired. This further increased our audit effort in this key audit area.	• We checked the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry and/or economic environment in which they operate. • Working with our valuation specialists we independently developed a discount rate range and a range of PE multiples considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGUs, Group and the industry it operates in. • We assessed the scope, competency and objectivity of the Group's external expert. • We assessed the Group's reconciliation of differences between the year-end market capitalisation and the carrying amount of the net assets. This included consideration of the market capitalisation range implied by recent 12 month share price trading averages and comparison to similar entities. • We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Information Technology (IT) systems and controls	
Refer to the basis of preparation in Note 2 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
The Group's businesses utilise a number of interdependent IT systems to process and record a high volume of transactions. Controls for access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Group's financial position and performance. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our audit approach could significantly differ depending on the effective operation of the Group's IT controls. KPMG IT specialists were used throughout the engagement as a core part of our audit team.	Working with our IT specialists, we tested the control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems. Our procedures included: • Evaluating and testing the design and operating effectiveness of certain governance controls for the operational integrity of core systems relevant to financial reporting; • Testing controls for the access rights given to employees by checking them to approved records, and inspecting the reports regarding the granting and removal of access rights. We also tested controls related to monitoring of access rights;

Information Technology (IT) systems and controls (cont.)

- Testing the operating effectiveness of automated controls key to our audit testing in relation to system calculations, the generation of reports, and operation of system enforced access controls.
- Where we noted design or operating effectiveness matters relating to IT system or application controls relevant to our audit, we performed alternative audit procedures. We also identified and tested mitigating controls in order to respond to the impact on our overall audit approach.

Other Information

Other Information is financial and non-financial information in Suncorp Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Suncorp Group Limited for the year ended 30 June 2020, complies with Section 300A of the Corporations Act 2001.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

Our responsibilities

We have audited Sections 2 to 8 of the Remuneration Report included in pages 39 to 57 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

KPMG

KPMG

T. Gilerman

David Kells
Partner

Tanya Gilerman
Partner

Sydney
21 August 2020

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Shareholder information

Suncorp Group Limited is a publicly-listed company limited by shares and incorporated in Australia.

Suncorp Group Limited shares are listed on the Australian Securities Exchange (ASX).

The securities of Suncorp Group Limited, and its subsidiary Suncorp-Metway Limited, are listed on the ASX. The number of securities as at 13 July 2020 and the respective codes for all securities are set out below.

1. Stock exchange information

Suncorp Group Limited[1]		Suncorp-Metway Limited	
ASX Security code	Number of securities	ASX Security code	Number of securities
SUN	1,279,650,338 ordinary shares	SBKHB	715,383 floating rate capital notes
SUNPF	3,750,000 capital notes		
SUNPG	3,750,000 capital notes		
SUNPH	3,890,000 capital notes		

[1] Suncorp completed the resale of all convertible preference shares (SUNPE) on 17 June 2020 to a nominated purchaser. Following the resale, Suncorp converted 1,712,864 SUNPE into 18,699,558 ordinary shares in the hands of the nominated purchaser at a price of $9.159917 per share.

2. American depository receipts (ADR) program

ADRs are securities issued in the United States which replicate locally issued ordinary shares that are denominated and pay dividends in US dollars.

Suncorp Group Limited ADRs are negotiable certificates issued by Deutsche Bank AG, with one ADR representing one Suncorp Group Limited ordinary share. They are traded under the symbol SNMCY and are classified as sponsored Level 1.

3. Five-year summary statistics

		2020	2019	2018	2017	2016
Ordinary share price at end of year	($)	9.23	13.47	14.59	14.82	12.18
Number ordinary shares on issue at end of period	(million)	1,280	1,299	1,299	1,293	1,287
Market capitalisation	($million)	11,776	17,491	18,945	19,158	15,671
Dividend per ordinary share, fully franked	(cents)	36	78	81	73	68
– Interim		26	26	33	33	30
– Final		10	44	40	40	38
– Special		-	8	8	-	-

Note: the information above is as at 30 June.

For more five-year statistics, please refer to the Responsible Business Report available at suncorpgroup.com.au.

4. Holdings analysis by security

SUNCORP GROUP LIMITED ORDINARY SHARES (ASX: SUN)

The table below shows the top 20 Suncorp ordinary shareholders, including shareholders that may hold shares for the benefit of third parties. This information is current as at 13 July 2020.

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	377,743,371	29.52
J P Morgan Nominees Australia Pty Ltd	254,587,839	19.90
Citicorp Nominees Pty Limited	105,138,529	8.22
National Nominees Limited	49,897,031	3.90
BNP Paribas Nominees Pty Ltd (Agency Lending DRP a/c)	31,842,856	2.49
BNP Paribas NOMs Pty Ltd (DRP)	18,376,780	1.44
HSBC Custody Nominees (Australia) Limited (NT Commonwealth Super Corp a/c)	12,925,737	1.01
Argo Investments Limited	5,882,097	0.46
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	5,584,501	0.44
Pacific Custodians Pty Limited (EPS Ctrl a/c)	5,395,404	0.42
Pacific Custodians Pty Limited (EIP TST a/c)	3,799,026	0.30
Milton Corporation Limited	3,218,120	0.25
UBS Nominees Pty Ltd	2,443,277	0.19
Netwealth Investments Limited (Wrap Services a/c)	2,000,275	0.16
AMP Life Limited	1,936,777	0.15
HSBC Custody Nominees (Australia) Limited (GSCO ECA)	1,506,612	0.12
Navigator Australia Ltd (SMA Antares Ind DV Build a/c)	1,473,105	0.12
BNP Paribas Noms (NZ) Ltd (DRP)	1,383,501	0.11
BNP Paribas Nominees Pty Ltd (HUB24 Custodial Serv Ltd DRP)	1,347,272	0.11
Australian Executor Trustees Limited (IPS Super a/c)	1,188,595	0.09

Distribution/analysis by range of holdings of Suncorp ordinary shares (SUN)

Range	Number of investors	Number of securities	% issued capital
1 to 1000	85,318	39,909,135	3.12
1001 to 5000	64,469	142,805,715	11.16
5001 to 10000	9,899	69,400,421	5.42
10001 to 100000	5,449	111,369,318	8.70
100001 and over	131	916,165,749	71.60

The number of investors holding less than a marketable parcel of 57 securities (less than $500 based on a market price of $8.85 on 13 July 2020) is 6,466 and they hold a total of 175,113 securities.

Voting rights

Fully paid ordinary shareholders are entitled to vote at any meeting of members of the Company in person or by proxy and their voting rights are:

- on a show of hands – one vote per shareholder
- on a poll – one vote per fully paid ordinary share.

Substantial shareholders

A person has a 'substantial holding' of a company's shares within the meaning of the Corporations Act if the total votes attached to their voting shares (in which they or their associates have relevant interests) is 5% or more of any class of voting shares. As at 13 July 2020 the following substantial shareholdings were recorded in the Company's register of substantial shareholdings:

Substantial shareholder	Number of ordinary shares	% issued capital
BlackRock Group[1]	78,157,113	6.04
The Vanguard Group, Inc.[2]	75,825,997	6.01
FIL Limited[3]	64,466,134	5.11

[1] Substantial shareholder notice dated 25 July 2017

[2] Substantial shareholder notice dated 2 April 2020

[3] Substantial shareholder notice dated 4 May 2020

Dividend Reinvestment Plan

Suncorp's Dividend Reinvestment Plan (**DRP**) allows eligible shareholders to reinvest all or part of their ordinary dividends in the Company's shares, with no brokerage or transaction costs.

Shareholders wishing to join the DRP for future dividends should advise our share registry, Link Market Services, by updating their preferences online or contacting the registry via phone by no later than 5pm on the business day following the record date for each dividend payment.

Shareholders may vary their participation or withdraw from the DRP at any time. Further information is available on the Suncorp Group website or by contacting Link Market Services.

SUNCORP GROUP LIMITED CAPITAL NOTES (SUNPF)

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	426,567	11.38
J P Morgan Nominees Australia Pty Limited	152,757	4.07
BNP Paribas Nominees Pty Ltd (HUB24 Custodial Serv Ltd DRP)	87,588	2.34
Tandom Pty Ltd	83,500	2.23
Dimbulu Pty Ltd	50,000	1.33
Navigator Australia Ltd (JB Were List Fix Int SMA a/c)	41,854	1.12
Netwealth Investments Limited (Wrap Service a/c)	38,926	1.04
National Nominees Limited	34,036	0.91
Federation University Australia	33,370	0.89
Mutual Trust Pty Ltd	30,534	0.81
Navigator Australia Ltd (MLC Investment Sett a/c)	29,846	0.80
Citicorp Nominees Pty Limited	26,318	0.70
Pacific Development Corporation Pty Ltd	22,290	0.59
JDB Services Pty Ltd (RAC & JD Brice Invest a/c)	21,975	0.59
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	19,803	0.53
G C F Investments Pty Ltd	18,000	0.48
Sky Blue Property Pty Ltd (The Ross Family a/c)	17,100	0.46
Gordon Merchant No 2 Pty Ltd (Merchant Family a/c)	15,022	0.40
Invia Custodian Pty Limited (Baptistcare Short Term a/c)	15,000	0.40
Strandell Pty Ltd (Strandell Super Ben Fund a/c)	13,328	0.36

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1000	5,356	1,497,629	39.94
1001 to 5000	393	833,362	22.22
5001 to 10000	22	146,625	3.91
10001 to 100000	26	693,060	18.48
100001 and over	2	579,324	15.45

The number of investors holding less than a marketable parcel of five securities (less than $500 based on a market price of $101.13 on 13 July 2020) is 30 and they hold a total of 114 securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

SUNCORP GROUP LIMITED CAPITAL NOTES 2 (SUNPG)

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	360,429	9.61
Navigator Australia Ltd (JB Were List Fix Int SMA a/c)	86,441	2.31
Eastcote Pty Ltd (Van Lieshout Family a/c)	80,000	2.13
National Nominees Limited	78,718	2.10
Citicorp Nominees Pty Limited	76,229	2.03
Dimbulu Pty Ltd	60,000	1.60
BNP Paribas Nominees Pty Ltd (HUB24 Custodial Serv Ltd DRP)	55,754	1.49
Australian Executor Trustees Limited (IPS Super a/c)	46,520	1.24
J P Morgan Nominees Australia Pty Limited	40,712	1.09
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	27,960	0.75
Navigator Australia Ltd (MLC Investment Sett a/c)	26,569	0.71
Netwealth Investments Limited (Wrap Services a/c)	24,616	0.66
HSBC Custody Nominees (Australia) Limited (a/c 2)	22,849	0.61
Invia Custodian Pty Limited (John Wade No 2 a/c)	21,900	0.58
Mutual Trust Pty Ltd	20,920	0.56
Invia Custodian Pty Limited (Income Pool a/c)	20,000	0.53
Invia Custodian Pty Limited (Baptistcare Short Term a/c)	20,000	0.53
Australian Executor Trustees Limited (No 1 account)	15,903	0.42
Avanteos Investments Limited (FINHQ I IDPS a/c)	15,697	0.42
T G B Holdings Pty Ltd	15,000	0.40

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1,000	4,744	1,514,494	40.39
1,001 to 5,000	399	860,463	22.95
5,001 to 10,000	27	207,775	5.54
10,001 to 100,000	23	806,839	21.52
100,001 and over	1	360,429	9.61

The number of investors holding less than a marketable parcel of six securities (less than $500 based on a market price of $99.52 on 13 July 2020) is one and they hold a total of three securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

SUNCORP GROUP LIMITED CAPITAL NOTES 3 (SUNPH)

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	275,350	7.08
J P Morgan Nominees Australia Pty Limited	103,922	2.67
BNP Paribas Nominees Pty Ltd (HUB24 Custodial Serv Ltd DRP)	90,288	2.32
Diocese Development Fund - Catholic Diocese of Paramatta	71,410	1.84
National Nominees Limited	51,355	1.32
Mutual Trust Pty Ltd	50,933	1.31
Eastcote Pty Ltd (Van Lieshout Family a/c)	39,000	1.00
Netwealth Investments Limited (Wrap Services a/c)	37,245	0.96
John E Gill Trading Pty Ltd	33,689	0.87
Federation University Australia	30,051	0.77
Berne No 132 Nominees Pty Ltd (2853115 a/c)	30,000	0.77
Berne No 132 Nominees Pty Ltd (684168 a/c)	30,000	0.77
Fopar Nominees Pty Ltd	25,000	0.64
Munro Medical Pty Ltd	22,000	0.57
Invia Custodian Pty Limited (A/M Unit a/c)	21,150	0.54
Invia Custodian Pty Limited (Baptistcare Short Term a/c)	20,000	0.51
GCF Investments Pty Ltd	19,500	0.50
GCF Investments Pty Ltd	16,509	0.42
Navigator Australia Ltd (MLC Investment Sett a/c)	15,207	0.39
Cavillwood Investments Pty Ltd	14,670	0.38

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1000	5,233	1,524,586	39.19
1001 to 5000	431	918,799	23.62
5001 to 10000	46	345,880	8.89
10001 to 100000	27	721,463	18.55
100001 and over	2	379,272	9.75

The number of investors holding less than a marketable parcel of six securities (less than $500 based on a market price of $97.04 on 13 July 2020) is seven and they hold a total of 19 securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

How to contact us

Registered office

Level 28
Brisbane Square
266 George Street
Brisbane, Qld 4000

Company Secretary

Mr Darren Solomon

Auditors

KPMG
Level 16, Riparian Plaza
71 Eagle Street
Brisbane, Qld 400

Share registry contact details

Link Market Services Limited
PO Box A50
Sydney South, NSW 1235
Australia

suncorp@linkmarketservices.com.au
linkmarketservices.com.au

1300 882 012 (inside Australia) or
+61 2 8767 1219 (outside Australia)

Managing your shareholding

Shareholders can go to the Link Market Services Investor Centre website to:

- update personal details
- view details of holding(s) such as your holding balance
- view notices of shareholder meetings, financial reports and other registry communications such as dividend statements
- register an email address for payment advices and registry communications
- obtain and complete forms to have payments made directly to their Australian or New Zealand bank, building society or credit union account.
- elect to participate in, vary or withdraw from the DRP.

For assistance with the above or any other administrative questions regarding your holding please contact Link Market Services using the contact details provided above.

In all communications with the Share Registry, please ensure you quote your Securityholder Reference Number (SRN), or in case of broker sponsored shareholders, your Holder Identification Number (HIN).

Suncorp Investor Centre

The Suncorp Group website has a dedicated section for investors: suncorpgroup.com.au/investors.

Investors can access current and historic Company announcements, results announcement materials, the full suite of Suncorp reports, including the documents that make up this Annual Reporting Suite and our latest financial calendar and key payment dates for all securities.

Investors can also subscribe to receive regular email updates on the latest Suncorp news and announcements via our Suncorp Group website.

Investor enquires

For any other investor queries please contact the Suncorp Investor Relations team by email to investor.relations@suncorp.com.au.

Corporate Responsibility

Through our Corporate Responsibility Framework, Suncorp actively manages the environmental, social and governance risks and opportunities we face as we conduct business.

To contact us about Suncorp's approach to corporate responsibility, please email us at responsible@suncorp.com.au.

General customer enquiries

For information about banking, general insurance, superannuation or life insurance please phone 13 11 55 or email us at direct@suncorp.com.au.

Customer Relations

If you have a complaint, compliment or suggestion, please contact our Customer Relations Team via one of the options set out below:

Online: via our customer feedback form
Phone: 1800 689 762 (Mon-Fri 9am-5pm AEST)
Mail:
Suncorp
Customer Relations - RE058
Reply Paid 1453
BRISBANE QLD 4001
In person: Visit your nearest store

Awards and recognition

Money magazine's
Bank of the Year
for the third year in a row

Money magazine's
Business Bank of the Year
for the third year in a row

2019
NIBA Large Insurer of the Year

Employer of Choice for Gender Equality
by the Workplace Gender Equality
Agency

2020
The Gold Mansfield award

Multicultural Australia received
the Minister's Choice Award for
Outstanding Engagement at the
Multicultural Queensland Awards

Intermediated Insurance
Company of the Year – Vero

Excellence in Workplace Diversity and
Inclusion - Suncorp New Zealand

Innovation of the Year - AA Insurance

Financial calendar and key payment dates

The financial calendar below may be updated throughout the year. Please refer to **suncorpgroup.com.au** for up-to-date details. Dividend and distribution dates set out below may be subject to change.

Suncorp considers the payment of ordinary dividends as part of the process of preparing half and full year financial reports, taking into consideration the Company's capital position, the outlook for the operating environment and guidance from regulators. Suncorp generally pays a dividend on its ordinary shares twice a year following the interim and final results announcements and the proposed dates for the next 12 months are set out below.

Suncorp Group Limited (SUN)

Full year results and final dividend announcement	**21 August 2020**
Final ordinary dividend ex-dividend date	26 August 2020
Final ordinary dividend record date	27 August 2020
Final ordinary dividend payment date	21 October 2020
Annual General Meeting	**22 October 2020**
Half year results and interim dividend announcement	**9 February 2021**
Interim ordinary dividend ex-dividend date	15 February 2021
Interim ordinary dividend record date	16 February 2021
Interim ordinary dividend payment date	1 April 2021

SUNCORP-METWAY FLOATING RATE NOTES (SBKHB)

Ex-interest date	14 August 2020
Interest payment date	1 September 2020
Ex-interest date	13 November 2020
Interest payment date	1 December 2020
Ex-interest date	12 February 2021
Interest payment date	2 March 2021
Ex-interest date	14 May 2021
Interest payment date	1 June 2021

SUNCORP GROUP LIMITED CAPITAL NOTES (SUNPF)

Ex-distribution date	2 September 2020
Distribution payment date	17 September 2020
Ex-distribution date	2 December 2020
Distribution payment date	17 December 2020
Ex-distribution date	2 March 2021
Distribution payment date	17 March 2021
Ex-distribution date	1 June 2021
Distribution payment date	17 June 2021

SUNCORP GROUP LIMITED CAPITAL NOTES 2 (SUNPG)

Ex-distribution date	2 September 2020
Distribution payment date	17 September 2020
Ex-distribution date	2 December 2020
Distribution payment date	17 December 2020
Ex-distribution date	2 March 2021
Distribution payment date	17 March 2021
Ex-distribution date	1 June 2021
Distribution payment date	17 June 2021

SUNCORP GROUP LIMITED CAPITAL NOTES 3 (SUNPH)

Ex-distribution date	2 September 2020
Distribution payment date	17 September 2020
Ex-distribution date	2 December 2020
Distribution payment date	17 December 2020
Ex-distribution date	2 March 2021
Distribution payment date	17 March 2021
Ex-distribution date	1 June 2021
Distribution payment date	17 June 2021

To see more, go online
suncorpgroup.com.au

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13 11 55

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in @SuncorpGroup

SUNCORP