SUNCORP GROUP LIMITED

SUNCORP BANK

APS 330

FOR THE QUARTER ENDED 30 SEPTEMBER 2020

RELEASE DATE: 10 NOVEMBER 2020

Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

This document has been prepared by Suncorp Bank to meet the disclosure obligations under the Australian Prudential Regulation Authority (**APRA**) Australian Prudential Standard (**APS**) 330 *Public Disclosure*.

Suncorp Bank is represented by Suncorp-Metway Limited (**SML**) and its subsidiaries. SML is an authorised deposit-taking institution (**ADI**) and a wholly owned subsidiary of Suncorp Group Limited. Suncorp Group is represented by Suncorp Group Limited and its subsidiaries.

Other than statutory information required by a regulator (including APRA), all financial information is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars and have been rounded to the nearest million.

This document has not been audited nor reviewed in accordance with Australian Auditing Standards. It should be read in conjunction with Suncorp Group's consolidated annual and interim financial reports which have been either audited or reviewed in accordance with Australian Auditing Standards.

Figures relate to the quarter ended 30 September 2020 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (**ASX**).

DISCLAIMER

This report contains general information which is current as at 10 November 2020. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Suncorp Group and Suncorp Bank or any product or service offered by its entities. It is not intended to be relied upon as advice to investors or potential investors, and does not consider the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp Group's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp Group's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp Group and Suncorp Bank undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

Registered office

Level 28, 266 George Street
Brisbane Queensland 4000
suncorpgroup.com.au

Investor Relations

Andrew Dempster
Head of Investor Relations
0497799960
(02) 7911 2880
andrew.dempster@suncorp.com.au

Jatin Khosla
EM Investor Relations
0439 226 872
(07) 3167 5966
jatin.khosla@suncorp.com.au

TABLE OF CONTENTS

OVERVIEW

Suncorp Bank's total lending portfolio contracted $336 million over the September quarter, driven by a 1.0% decline in retail lending partially partly offset by a 1.0% increase in business lending.

Home lending contracted $455 million or 1.0% over the quarter. Home lending lodgement and settlement rates have increased as a result of improved processes for the broker channel, however this was more than offset by higher levels of customer repayments and refinancing as a result of increased competition across the industry. The home lending portfolio remains weighted towards owner occupiers, principal and interest repayments and loans with an LVR below 80%.

Business lending grew $116 million or 1.0%, driven by growth in commercial loans and agribusiness lending. Commercial lending growth was predominately driven by lending to established commercial property investment clients, whilst agribusiness growth was driven by restocking, increased cropping activity and asset purchases.

Suncorp Bank has remained focused on supporting customers and assisting them through the COVID-19 crisis. As at 30 September, the Bank has $3.0 billion of loans under temporary loan deferral arrangements, representing 5.2% of the total lending portfolio[1]. This includes $1.7 billion of housing loans, equivalent to 4.0% of the housing portfolio, and $823 million of small and medium enterprise (SME) loans or 7.6% of the SME portfolio.

The three-month check-in process concluded on 30 September, and the more comprehensive six-month assessment process is underway. As at 30 September, six month assessments had been completed for approximately 1,100 or 14% of home lending accounts in deferral. Of these accounts, 79% have resumed regular repayments, 10% were approved for an additional deferral period, 9% have restructured repayments and 2% have entered hardship. As at 30 September, approximately 370 accounts or 21% of business lending deferral accounts had completed the six month assessment process, of which 97% returned to regular repayments, 2% were approved for additional deferral periods and 1% were approved for loan restructures.

Victoria represents 10% of the Bank's total home lending portfolio and 11% of the total SME lending portfolio. The balance of loans within Victoria under deferral arrangements decreased during September albeit at a slower rate than other regions. The performance of Victorian loans through the six-month review process has also been in-line with the broader portfolio.

Total impairment losses for the September quarter were $3 million, equivalent to 2 basis points of gross loans and advances (annualised). This reflects the collective provision being unchanged, and a small specific provision expense. The collective provision continues to be based on a conservative base case economic scenario, advanced provisioning modelling, the composition of the lending portfolio and management overlays. Following a review of the key economic assumptions utilised at 30 September, the collective provision was unchanged. The key economic assumptions underpinning the Group's base case economic outlook are unemployment peaking at 10.0% (June 2020: 10.0%), a 6.4% contraction in GDP (June 20: 7.3%), a 7.7% reduction in house prices (June 20: 8.3%) and a 14.2% reduction in commercial property prices (June 20: 14.2%).

Gross impaired assets were flat over the quarter, with an increase of $8 million in commercial predominately due to a single borrower group in the tourism industry which was experiencing financial difficulty prior to the COVID-19 pandemic, offset by a $2 million decrease in agribusiness and a $6 million decrease in retail following debts being repaid through asset sales.

Total past due loans not impaired decreased by $52 million over the quarter, mostly driven by seasonal trends, consistent with prior years, and to a small extent reflecting COVID-19 support for commercial customers who had deferral assessments approved after 30 June 2020. The $52 million reduction was

[1] Loan deferral data is aligned to APRA reporting, based on predominant loan purpose. The $3.0 billion of temporary loan deferrals at 30 September includes $430 million in home and larger business loans not captured by APRA's housing and SME lending definitions and a small amount of consumer loans.

driven by a $29 million decrease in retail lending, a $12 million decrease in agribusiness and an $11 million decrease in the commercial portfolio.

Rates of arrears and impairments in the Victorian lending portfolio are consistent with the broader lending portfolio.

Above-system growth in at-call deposits continued over the quarter with an increase of 9.2% to $30.9 billion. At-call deposit growth continues to be driven by customer-focused initiatives including zero account-keeping fees, competitive rates and ongoing development of online banking functionality.

As at 30 September 2020, the Net Stable Funding Ratio (NSFR) was 130% and the Liquidity Coverage Ratio (LCR) was 147%, demonstrating Suncorp's strong funding and liquidity position. Suncorp, along with the industry, benefitted from the extension of regulatory initiatives to support funding and liquidity during the quarter, including the additional Term Funding Facility access announced by the Reserve Bank of Australia in September 2020.

Suncorp's capital levels remain sound, with a risk-weighted Common Equity Tier 1 ratio of 9.62% (June 20: 9.32%), above the Bank's target operating range of 9-9.50%.

LOANS AND ADVANCES

	Sep-20 $M	Jun-20 $M	Sep-19 [1] $M	Sep-20 vs Jun-20 %	Sep-20 vs Sep-19 [1] %
Housing loans	40,523	40,403	40,998	0.3	(1.2)
Securitised housing loans and covered bonds	5,496	6,071	6,502	(9.5)	(15.5)
Total housing loans	**46,019**	**46,474**	**47,500**	**(1.0)**	**(3.1)**
Consumer loans	158	155	152	1.9	3.9
Retail loans	**46,177**	**46,629**	**47,652**	**(1.0)**	**(3.1)**
Commercial (SME)	7,403	7,295	7,356	1.5	0.6
Agribusiness	4,089	4,081	3,942	0.2	3.7
Total Business loans	**11,492**	**11,376**	**11,298**	**1.0**	**1.7**
Total lending	**57,669**	**58,005**	**58,950**	**(0.6)**	**(2.2)**
Other lending	14	19	6	(26.3)	133.3
Gross loans and advances	**57,683**	**58,024**	**58,956**	**(0.6)**	**(2.2)**
Provision for impairment	(300)	(301)	(144)	(0.3)	108.3
Total loans and advances	**57,383**	**57,723**	**58,812**	**(0.6)**	**(2.4)**
Credit-risk weighted assets	**27,615**	**27,689**	**27,933**	**(0.3)**	**(1.1)**
Geographical breakdown - Total lending					
Queensland	29,867	30,002	30,231	(0.4)	(1.2)
New South Wales	15,862	16,040	16,385	(1.1)	(3.2)
Victoria	6,050	6,039	6,285	0.2	(3.7)
Western Australia	3,463	3,489	3,536	(0.7)	(2.1)
South Australia and other	2,427	2,435	2,513	(0.3)	(3.4)
Outside of Queensland loans	27,802	28,003	28,719	(0.7)	(3.2)
Total lending	**57,669**	**58,005**	**58,950**	**(0.6)**	**(2.2)**

[1] The 30 September 2019 comparatives have been restated to reflect changes to business loan reporting to reclassify asset location based on the industry code and the primary collateral state rather than the loan origination business centre.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	Quarter Ended			Sep-20	Sep-20
	Sep-20	Jun-20	Sep-19	vs Jun-20	vs Sep-19
	$M	$M	$M	%	%
Collective provision for impairment	-	22	(1)	(100.0)	(100.0)
Specific provision for impairment	2	14	4	(85.7)	(50.0)
Actual net write-offs	1	1	1	-	-
Impairment losses	**3**	**37**	**4**	**(91.9)**	**(25.0)**
Impairment losses to gross loans and advances (annualised)	**0.02%**	**0.26%**	**0.03%**		

IMPAIRED ASSETS

	Quarter Ended			Sep-20	Sep-20
	Sep-20	Jun-20	Sep-19	vs Jun-20	vs Sep-19
	$M	$M	$M	%	%
Retail lending	54	60	55	(10.0)	(1.8)
Agribusiness lending	36	38	36	(5.3)	-
Commercial/SME lending	80	72	57	11.1	40.4
Gross impaired assets	**170**	**170**	**148**	**-**	**14.9**
Impairment provision [1]	(59)	(60)	(44)	(1.7)	34.1
Net impaired assets	**111**	**110**	**104**	**0.9**	**6.7**
Gross impaired assets to gross loans and advances	**0.29%**	**0.29%**	**0.25%**		

[1] Comparative figures for impairment provision have been restated.

NON-PERFORMING LOANS

	Quarter Ended			Sep-20	Sep-20
	Sep-20	Jun-20	Sep-19	vs Jun-20	vs Sep-19
	$M	$M	$M	%	%
Size of gross individually impaired assets					
Less than one million	42	47	46	(10.6)	(8.7)
Greater than one million but less than ten million	104	99	88	5.1	18.2
Greater than ten million	24	24	14	-	71.4
Gross impaired assets	**170**	**170**	**148**	**-**	**14.9**
Past due loans not shown as impaired assets	**542**	**594**	**545**	**(8.8)**	**(0.6)**
Gross non-performing loans	**712**	**764**	**693**	**(6.8)**	**2.7**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	170	157	146	8.3	16.4
Recognition of new impaired assets	16	33	14	(51.5)	14.3
Increases in previously recognised impaired assets	1	1	-	-	n/a
Impaired assets written off/sold during the period	(2)	(2)	-	-	n/a
Impaired assets which have been reclassed as performing assets or repaid	(15)	(19)	(12)	(21.1)	25.0
Balance at the end of the period	**170**	**170**	**148**	**-**	**14.9**

PROVISION FOR IMPAIRMENT

	Sep-20 $M	Jun-20 $M	Sep-19 $M	Sep-20 vs Jun-20 %	Sep-20 vs Sep-19 %
Collective provision					
Balance at the beginning of the period	255	233	111	9.4	129.7
Charge against impairment losses	-	22	(1)	(100.0)	(100.0)
Balance at the end of the period	**255**	**255**	**110**	**-**	**131.8**
Specific provision					
Balance at the beginning of the period	46	34	31	35.3	48.4
Charge against impairment losses	2	14	4	(85.7)	(50.0)
Impairment provision w ritten off	(2)	(2)	-	-	n/a
Unw ind of discount	(1)	-	(1)	n/a	-
Balance at the end of the period	**45**	**46**	**34**	**(2.2)**	**32.4**
Total provision for impairment - Banking activities	**300**	**301**	**144**	**(0.3)**	**108.3**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	81	84	104	(3.6)	(22.1)
Transfer (to) from retained earnings	6	(3)	(1)	(300.0)	(700.0)
Balance at the end of the period	**87**	**81**	**103**	**7.4**	**(16)**
Pre-tax equivalent coverage	124	116	147	6.9	(15.6)
Total provision for impairment and equity reserve for credit loss - Banking activities	**424**	**417**	**291**	**1.7**	**45.7**

	Sep-20	Jun-20	Sep-19
Specific provision for impairment expressed as a percentage of gross impaired assets	**0.27**	**0.27**	**0.23**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.44	0.44	0.19
Specific provision	0.08	0.08	0.06
Total provision	0.52	0.52	0.24
ERCL coverage	0.22	0.20	0.25
Total provision and ERCL coverage	0.74	0.72	0.49

GROSS NON-PERFORMING LOANS COVERAGE BY PORTFOLIO

30-Sep-20	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage[1] %
Retail lending	464	54	7	71	39	23%
Agribusiness lending	37	36	8	51	11	96%
Commercial/SME lending	41	80	30	133	74	196%
Total	**542**	**170**	**45**	**255**	**124**	**60%**

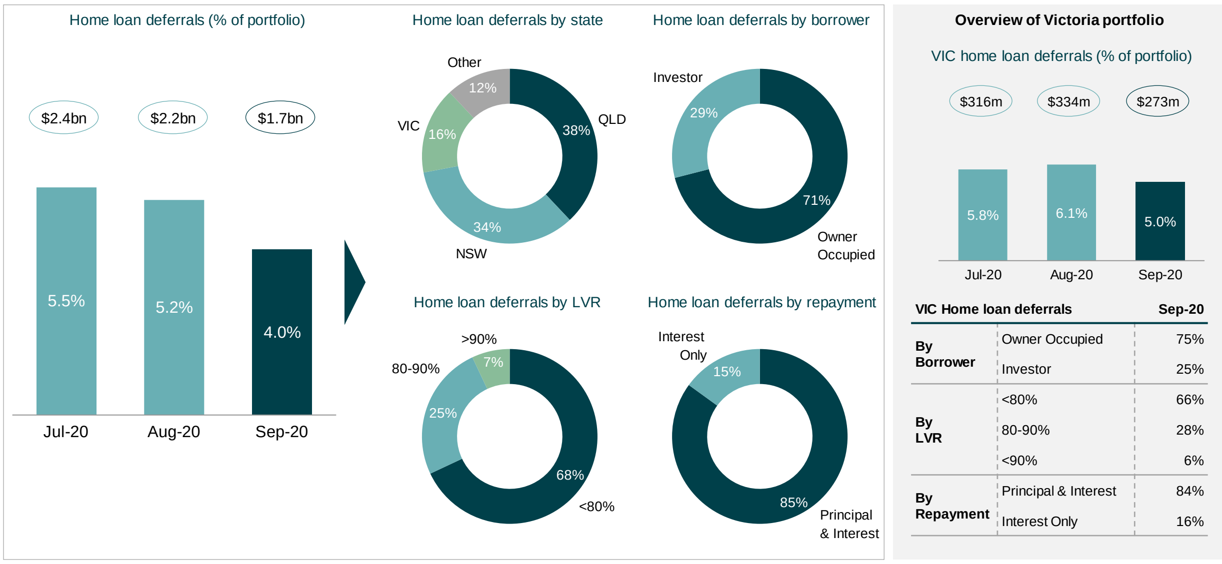
[1] Calculated as: (ERCL (pre-tax) + Collective provision + Specific provision) / (Past due loans + Impaired assets)

30-Jun-20	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage[1] %
Retail lending	493	60	9	75	39	22%
Agribusiness lending	49	38	8	52	10	80%
Commercial/SME lending	52	72	29	128	67	181%
Total	**594**	**170**	**46**	**255**	**116**	**55%**

[1] Calculated as: (ERCL (pre-tax) + Collective provision + Specific provision) / (Past due loans + Impaired assets)

APPENDIX 1 – HOME AND SME DEFERRAL CHARTS

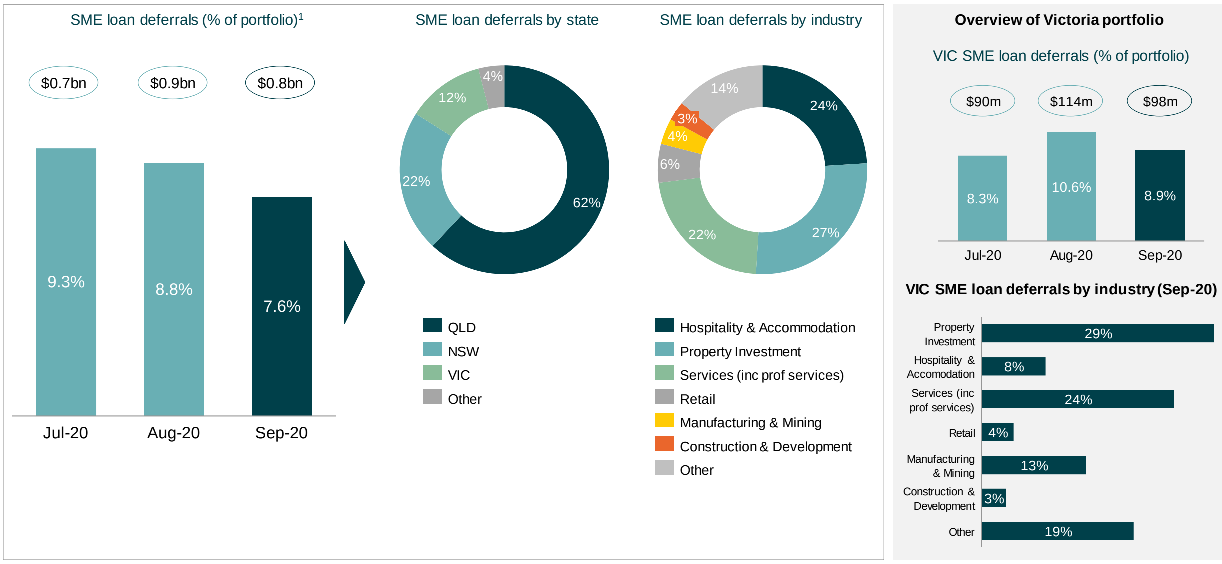
Bank Home loan deferrals



VIC Home loan deferrals		Sep-20
By Borrower	Owner Occupied	75%
	Investor	25%
By LVR	<80%	66%
	80-90%	28%
	<90%	6%
By Repayment	Principal & Interest	84%
	Interest Only	16%

SUNCORP Suncorp Bank I APS330

SME loan deferrals



1. Increase in August 2020 reflects a change in APRA's SME definition, which impacted both deferrals and the portfolio.

SUNCORP Suncorp Bank I APS330

APPENDIX 2 – APS 330 TABLES

- Table 1: Capital disclosure template – not applicable for this reporting period. This table was disclosed in the June 2020 reporting period.
- Table 2: Main features of capital instruments
- Table 3: Capital adequacy
- Table 4: Credit risk
- Table 5: Securitisation exposures
- Table 20: Liquidity Coverage Ratio Disclosure
- Table 22: Remuneration Disclosures

TABLE 2: MAIN FEATURES OF CAPITAL INSTRUMENTS

Attachment B of APS 330 details the continuous disclosure requirements for the main features of all capital instruments included in Suncorp Bank's regulatory capital.

The Suncorp Group's main features of capital instruments are updated on an ongoing basis and are available at http://www.suncorpgroup.com.au/investors/reports.

The full terms and conditions of all of Suncorp Group's regulatory capital instruments are available at http://www.suncorpgroup.com.au/investors/securities[1].

[1] The published full terms and conditions represent the comparable capital instruments issued by Suncorp Group Limited to external investors. The terms of these instruments may differ slightly to those instruments issued by the regulatory Level 2 group.

TABLE 3: CAPITAL ADEQUACY

	Carrying value Sep-20 $M	Carrying value Jun-20 $M	Avg risk weight Sep-20 %	Risk Weighted Assets Sep-20 $M	Risk Weighted Assets Jun-20 $M
On-balance sheet credit risk-weighted assets					
Cash items	850	507	3	25	18
Claims on Australian and foreign governments	3,202	3,043	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	731	928	39	283	360
Claims on securitisation exposures	947	1,049	20	188	209
Claims secured against eligible residential mortgages	43,847	44,068	37	16,048	16,123
Past due claims	621	719	87	542	638
Other retail assets	531	402	99	525	398
Corporate	9,712	9,666	100	9,706	9,663
Other assets and claims	298	281	100	298	280
Total banking assets	**60,739**	**60,663**		**27,615**	**27,689**

	Notional amount Sep-20 $M	Credit equivalent Sep-20 $M	Avg risk weight Sep-20 %	Risk Weighted Assets Sep-20 $M	Risk Weighted Assets Jun-20 $M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	329	329	98	323	324
Commitments to provide loans and advances	9,356	2,059	61	1,246	1,166
Foreign exchange contracts	4,341	65	49	32	45
Interest rate contracts	42,432	89	57	51	55
Securitisation exposures	2,806	137	20	27	29
CVA capital charge	-	-	-	116	134
Total off-balance sheet positions	**59,264**	**2,679**		**1,795**	**1,753**
Market risk capital charge				118	93
Operational risk capital charge				3,572	3,572
Total off-balance sheet positions				1,795	1,753
Total on-balance sheet credit risk-weighted assets				27,615	27,689
Total assessed risk				**33,100**	**33,107**

Risk-weighted capital ratios	Sep-20 %	Jun-20 %
Common Equity Tier 1	9.62	9.32
Tier 1	11.38	11.09
Tier 2	2.65	2.61
Total risk-weighted capital ratio	**14.03**	**13.70**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 September 2020

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired [7]	Specific Provisions [5]
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	4,089	261	4,350	36	37	4,277	8
Construction & development	-	-	-	-	788	206	994	3	3	988	1
Financial services	917	-	154	575	104	269	2,019	-	-	2,019	-
Hospitality	-	-	-	-	905	58	963	29	11	923	14
Manufacturing	-	-	-	-	282	26	308	3	1	304	1
Professional services	-	-	-	-	324	20	344	1	2	341	1
Property investment	-	-	-	-	3,100	115	3,215	16	6	3,193	5
Real estate - Mortgage	-	-	-	-	43,314	1,252	44,566	53	430	44,083	7
Personal	-	-	-	-	158	-	158	-	6	152	-
Government/public authorities	-	1,399	-	3,186	-	-	4,585	-	-	4,585	-
Other commercial & industrial [6]	-	-	-	-	1,914	181	2,095	28	18	2,049	8
Total gross credit risk	**917**	**1,399**	**154**	**3,761**	**54,978**	**2,388**	**63,597**	**169**	**514**	**62,914**	**45**
Securitisation exposures [1]	-	-	89	947	2,705	48	3,789	1	28	3,760	-
Total including securitisation exposures	**917**	**1,399**	**243**	**4,708**	**57,683**	**2,436**	**67,386**	**170**	**542**	**66,674**	**45**
Impairment provision							(300)	(59)	(33)	(208)	
Total							**67,086**	**111**	**509**	**66,466**	

(1) The securitisation exposures of $2,705 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent $45 million specific provisions for accounting purposes plus $103 million ineligible collective provision.

(6) Includes a portion of small business loans, with limits below $1 million, that are not classified.

(7) 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 be considered as Restructured under Prudential Standard APS 220 *Credit Quality*.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 June 2020

	Receivables due from other Banks [2] $M	Trading Securities $M	Derivatives [3] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [3] $M	Total Credit Risk [4] $M	Gross Impaired Assets $M	Past due not impaired > 90 days $M	Total not past due or impaired [7] $M	Specific Provisions [5] $M
Agribusiness	-	-	-	-	4,081	255	4,336	38	49	4,249	8
Construction & development	-	-	-	-	789	221	1,010	3	4	1,003	1
Financial services	567	-	199	671	90	239	1,766	-	-	1,766	-
Hospitality	-	-	-	-	913	56	969	29	14	926	15
Manufacturing	-	-	-	-	279	20	299	3	6	290	-
Professional services	-	-	-	-	328	18	346	1	4	341	1
Property investment	-	-	-	-	2,944	163	3,107	16	7	3,084	5
Real estate - Mortgage	-	-	-	-	43,587	993	44,580	58	458	44,064	8
Personal	-	-	-	-	155	-	155	-	4	151	-
Government/public authorities	-	1,460	-	3,094	-	-	4,554	-	-	4,554	-
Other commercial & industrial [6]	-	-	-	-	1,971	183	2,154	20	17	2,117	7
Total gross credit risk	**567**	**1,460**	**199**	**3,765**	**55,137**	**2,148**	**63,276**	**168**	**563**	**62,545**	**45**
Securitisation exposures [1]	-	-	95	1,049	2,887	52	4,083	2	31	4,050	1
Total including securitisation exposures	**567**	**1,460**	**294**	**4,814**	**58,024**	**2,200**	**67,359**	**170**	**594**	**66,595**	**46**
Impairment provision							(301)	(60)	(38)	(203)	
Total							**67,058**	**110**	**556**	**66,392**	

(1) The securitisation exposures of $2,887 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent $46 million specific provisions for accounting purposes plus $110 million ineligible collective provision.

(6) Includes a portion of small business loans, with limits below $1 million, that are not classified.

(7) 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 be considered as Restructured under Prudential Standard APS 220 *Credit Quality*.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 July to 30 September 2020

	Receivables due from other Banks [2] $M	Trading Securities $M	Derivatives [3] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [3] $M	Total Credit Risk [4] $M
Agribusiness	-	-	-	-	4,085	258	4,343
Construction & development	-	-	-	-	789	213	1,002
Financial services	742	-	177	623	97	254	1,893
Hospitality	-	-	-	-	909	57	966
Manufacturing	-	-	-	-	281	23	304
Professional services	-	-	-	-	326	19	345
Property investment	-	-	-	-	3,022	139	3,161
Real estate - Mortgage	-	-	-	-	43,451	1,123	44,574
Personal	-	-	-	-	157	-	157
Government/public authorities	-	1,430	-	3,140	-	-	4,570
Other commercial & industrial [5]	-	-	-	-	1,943	182	2,125
Total gross credit risk	**742**	**1,430**	**177**	**3,763**	**55,060**	**2,268**	**63,440**
Securitisation exposures [1]	-	-	92	998	2,796	50	3,936
Total including securitisation exposures	**742**	**1,430**	**269**	**4,761**	**57,856**	**2,318**	**67,376**
Impairment provision							(301)
Total							**67,075**

(1) The securitisation exposures of $2,796 million included under Loans and advances qualify for regulatory capital relief under APS 120 Securitisation and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 Securitisation.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 Capital Adequacy: Standardised Approach to Credit Risk.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) Includes a portion of small business loans, with limits below $1 million, that are not classified.

.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 April to 30 June 2020

	Receivables due from other Banks [2] $M	Trading Securities $M	Derivatives [3] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [3] $M	Total Credit Risk [4] $M
Agribusiness	-	-	-	-	4,027	239	4,266
Construction & development	-	-	-	-	787	215	1,002
Financial services	551	-	182	737	89	236	1,795
Hospitality	-	-	-	-	914	60	974
Manufacturing	-	-	-	-	282	22	304
Professional services	-	-	-	-	328	18	346
Property investment	-	-	-	-	2,893	145	3,038
Real estate - Mortgage	-	-	-	-	43,702	1,110	44,812
Personal	-	-	-	-	157	2	159
Government/public authorities	-	1,392	-	2,708	-	-	4,100
Other commercial & industrial [5]	-	-	-	-	1,979	172	2,151
Total gross credit risk	**551**	**1,392**	**182**	**3,445**	**55,158**	**2,219**	**62,947**
Securitisation exposures [1]	-	-	95	1,089	2,977	53	4,214
Total including securitisation exposures	**551**	**1,392**	**277**	**4,534**	**58,135**	**2,272**	**67,161**
Impairment provision							(284)
Total							**66,877**

(1) The securitisation exposures of $2,977 million included under Loans and advances qualify for regulatory capital relief under APS 120 Securitisation and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 Securitisation.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 Capital Adequacy: Standardised Approach to Credit Risk.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) Includes a portion of small business loans, with limits below $1 million, that are not classified.

.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4B: Credit risk by portfolio as at 30 September 2020

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past Due Not Impaired > 90 days	Specific Provisions [2]	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages [1]	48,355	48,510	54	458	7	1
Other retail	158	157	-	6	-	-
Financial services	2,019	1,893	-	-	-	-
Government and public authorities	4,585	4,570	-	-	-	-
Corporate and other claims	12,269	12,246	116	78	38	2
Total	**67,386**	**67,376**	**170**	**542**	**45**	**3**

(1) $3,760 million, $3,936 million, $1 million and $28 million has been included in gross credit risk exposure, average gross exposure, impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $45 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $103 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $148 million.

Table 4B: Credit risk by portfolio as at 30 June 2020

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past Due Not Impaired > 90 days	Specific Provisions [2]	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages [1]	48,663	49,026	60	489	9	1
Other retail	155	159	-	4	-	-
Financial services	1,766	1,795	-	-	-	-
Government and public authorities	4,554	4,100	-	-	-	-
Corporate and other claims	12,221	12,081	110	101	37	14
Total	**67,359**	**67,161**	**170**	**594**	**46**	**15**

(1) $4,050 million, $4,214 million, $2 million and $31 million has been included in gross credit risk exposure, average gross exposure, impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $46 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $110 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $156 million.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Sep-20 $M	Jun-20 $M
Collective provision for impairment	255	255
Ineligible collective provisions	(103)	(110)
Eligible collective provisions	152	145
Equity reserve for credit losses	87	81
General reserve for credit losses	**239**	**226**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 30 September 2020, there was no new securitisation activity undertaken (quarter ending 30 June 2020: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Sep-20	Jun-20	Sep-20	Jun-20
	$M	$M	$M	$M
Residential mortgages	-	-	-	-
Total exposures securitised during the period	**-**	**-**	**-**	**-**

Table 5B(i): Aggregate of on-balance sheet securitisation exposures by exposure type

	Sep-20	Jun-20
Exposure type	$M	$M
Debt securities	947	1,049
Total on-balance sheet securitisation exposures	**947**	**1,049**

Table 5B(ii): Aggregate of off-balance sheet securitisation exposures by exposure type

	Sep-20	Jun-20
Exposure type	$M	$M
Liquidity facilities	48	52
Derivative exposures	89	95
Total off-balance sheet securitisation exposures	**137**	**147**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Sep-20 $M	Total Weighted Value (Average) Sep-20 $M	Total Unweighted Value (Average) Jun-20 $M	Total Weighted Value (Average) Jun-20 $M	Total Unweighted Value (Average) Mar-20 $M	Total Weighted Value (Average) Mar-20 $M
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,588		4,753		4,826
Alternative liquid assets (**ALA**)		6,842		6,484		4,324
Cash outflows						
Retail deposits and deposits from small business customers, of which:	29,359	2,835	27,243	2,617	25,198	2,439
stable deposits	*18,261*	*913*	*17,117*	*856*	*15,966*	*798*
less stable deposits	*11,098*	*1,922*	*10,126*	*1,761*	*9,232*	*1,641*
Unsecured wholesale funding, of which:	4,411	3,075	4,762	3,298	4,542	3,194
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*2,924*	*1,588*	*3,239*	*1,775*	*2,987*	*1,639*
unsecured debt	*1,487*	*1,487*	*1,523*	*1,523*	*1,555*	*1,555*
Secured wholesale funding	-	66	-	59	-	77
Additional requirements, of which:	8,069	1,315	8,679	2,004	8,426	1,780
outflows related to derivatives exposures and other collateral requirements	*941*	*941*	*1,637*	*1,637*	*1,412*	*1,412*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*7,128*	*374*	*7,042*	*367*	*7,014*	*368*
Other contractual funding obligations	685	391	684	379	713	405
Other contingent funding obligations	4,974	441	5,899	478	6,052	597
Total cash outflows	-	**8,123**	-	**8,835**	-	**8,492**
Cash inflows						
Secured lending (e.g. reverse repos)	17	-	330	-	1,020	-
Inflows from fully performing exposures	609	315	624	320	697	389
Other cash inflows	566	566	1,318	1,318	1,053	1,053
Total cash inflows	**1,192**	**881**	**2,272**	**1,638**	**2,770**	**1,442**

	Total Adjusted Value Sep-20	Total Adjusted Value Jun-20	Total Adjusted Value Mar-20
Total liquid assets	**11,430**	**11,237**	**9,150**
Total net cash outflows	**7,242**	**7,197**	**7,050**
Liquidity Coverage Ratio (%)	**158**	**156**	**130**
Number of data points used	**66**	**63**	**63**

The Liquidity Coverage Ratio (**LCR**) promotes shorter-term resilience by requiring ADIs to maintain sufficient qualifying High Quality Liquid Assets (**HQLA**) to meet expected net cash outflows under an APRA prescribed 30 calendar day stress scenario. SML manages its LCR on a daily basis and maintains a buffer over the regulatory minimum of 100%.

The amount of liquid assets held considers the amount needed to meet prudential and internal requirements (including a variety of internal stress scenarios as part of the risk management framework) and a suitable buffer reflecting management's preference.

Liquid assets included in the LCR comprise HQLA (cash, Australian Semi-government and Commonwealth Government securities), alternative liquid assets covered by the Committed Liquidity Facility (**CLF**), and the available Term Funding Facility (**TFF**) with the Reserve Bank of Australia (**RBA**). Assets eligible for the CLF and TFF include senior unsecured bank paper, covered bonds and residential mortgage backed securities that are repo-eligible with the RBA. SML increased its self-securitisation in March 2020, which has provided additional repo-eligible collateral to support the increased CLF and the availability of the TFF. As at 30 September 2020, SML had drawn $1.7 billion of its TFF allowance. Total available allowance at 1 October was $2.4 billion, which incudes a supplementary allowance of $1.2 billion and an additional allowance of $1.2 billion.

SML received approval from APRA for a CLF of $4.6 billion for the 2020 calendar year (2019 calendar year: $4.9 billion); however, as part of support measures provided by APRA and the RBA in response to COVID-19, SML's CLF increased to $6.0 billion from 1 May 2020. More recently, SML has received approval for the CLF to return to $4.6 billion in December 2020. SML is currently preparing a response to APRA's 2021 calendar year CLF application process.

The daily average LCR was 158% over the September 2020 quarter, compared to an average of 156% over the June 2020 quarter. The increase in the LCR largely reflected an increase in the additional allowance available under the TFF. This was partially offset by an increase in net cash outflows associated with a preference by retail and small to medium business customers to place their funds at call rather than in term deposits.

TABLE 22: REMUNERATION DISCLOSURES AS AT 30 JUNE 2020

Introduction

This Remuneration Disclosure has been prepared in accordance with the Australian Prudential Regulation Authority (**APRA**) Prudential Standard (**APS**) 330: Public Disclosure.

This disclosure explains the Suncorp Group Limited (Suncorp) Remuneration Policy and structure, which have been endorsed by the Suncorp Board People and Remuneration Committee and approved by the Suncorp Board. Suncorp's remuneration framework and governance applies to all employees of Suncorp Bank. Suncorp Bank is a core unit of Suncorp and is represented by the legal entity Suncorp-Metway Limited (SML) and its subsidiaries. SML is an authorised deposit-taking institution and a wholly owned subsidiary of Suncorp. Accordingly, this Remuneration Disclosure is completed on a Level 2 basis[1].

For the purpose of this disclosure:

- Senior Managers, being Executive Key Management Personnel (**KMP**) and Other Senior Managers, are defined as Responsible Persons included in the Group's Fit and Proper Policy. This includes:
  - KMP for the Group that are also KMP for SML and its subsidiaries; and
  - Other Senior Managers. These include Executive General Managers **(EGMs)** and select employees below EGM level who are Responsible Persons for SML.
- Material Risk Takers **(MRT)** are select employees below EGM level that are not Responsible Persons who may be able to individually or collectively affect the financial soundness of the business where the incumbents have a performance-based incentive target of a significant portion of total remuneration (being more than 40% of fixed remuneration).

The aggregated remuneration data is for Senior Managers (KMP), Other Senior Managers, and MRTs relating to Suncorp Bank during the financial year ended 30 June 2020 (FY20).

Section 1

i. Remuneration governance framework

The Suncorp Board People and Remuneration Committee recommends Suncorp's people and remuneration framework and practices to the Board for approval. It assists the Board in fulfilling its responsibilities by ensuring that frameworks are in place that enable Suncorp to attract, retain and motivate talented employees to achieve our strategic objectives.

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

[1] Under Application Paragraph 3, 'where a locally incorporated ADI is a subsidiary of an authorised non-operating holding company (authorised NOHC), the authorised NOHC must ensure that the requirements under this Prudential Standard are met on a Level 2 basis' (APS 330, July 2018).

Board

PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee members as at 1 November 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 FY20.

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 Group Executive People & Culture 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 FY20.

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 KMP.

The FY20 fee for the Chairman of the People and Remuneration Committee was $66,000 and Member fees were $33,000 (including superannuation). There are no fee increases in FY21.

All new appointments and changes to remuneration arrangements for Senior Managers and MRT roles require approval by the Board. Within pre-defined parameters, delegated authority has been granted by the Board to the Group CEO to approve appointments or changes to remuneration and terms of employment for Other Senior Managers and MRT roles that are EGM level or below. The Board has oversight and reviews the remuneration arrangements of all Senior Managers and MRT roles on an annual basis.

The Suncorp Remuneration Policy provides a governance framework for the structure and operation of remuneration plans within the context of Suncorp's strategy, long-term financial soundness and risk management framework.

ii. FY20 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

PURPOSE

Fixed remuneration

- Reflects the role scope and individual's skills and experience and is set in the context of market remuneration levels.

Short-term incentives (STI)

- Rewards the achievement of Group, function and individual outcomes over a 12-month period.

Long-term incentives (LTI)

- Rewards the creation of long-term shareholder value.

FY20 STRUCTURE

Fixed remuneration

- Consists of base salary, superannuation and any salary-sacrificed benefits.

Short-term incentives (STI)

- Ordinarily delivered as a mix of cash (50% for Group CEO, 65% for other KMP) with the remainder delivered as share rights.[1] However, KMP STI outcomes for FY20 were delivered entirely as deferred equity.
- The portion that would have ordinarily been delivered as cash was delivered as share rights deferred over a one-year period.
- The portion that would have ordinarily been delivered as deferred equity was delivered in the normal course, with 50% of the share rights deferred over a one-year period and 50% of the share rights deferred over a two-year period.
- For EGMs, the STI was delivered as a mix of cash (70%) and share rights (30%). The share rights vest in three equal tranches over a three-year period.
- Share rights are subject to malus and clawback criteria.
- For other Seniors Managers and MRT below EGM level, the STI is delivered entirely as cash unless the deferral threshold is met.[2]

Long-term incentives (LTI)

- Only KMP are eligible to participate in the LTI Plan.[3]
- 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.

FY20 APPROACH FOR PERFORMANCE AND REWARD ASSESSMENT

Fixed remuneration

- Remuneration is reviewed annually against internal relativities, relevant matches from Suncorp's peer group (which varies by role and level) and / or with regard to other relevant factors.

Short-term incentives (STI)

- KMP are primary assessed against the Group Scorecard, including their individual and function contribution towards the outcome of this Scorecard.
- The FY20 Group Scorecard is below. This is a key input in determining the STI pool for all employees:

Category	Performance measure	Weighting
Financial	Adjusted Net Profit After Tax	30%
	Cash Return on Equity (**ROE**)	10%
	System Growth Multiple	10%
Customer	Net Promoter Score	20%
	Service Quality – Voice of Customer	
	Choice – Digital Users	
Risk	Group Risk Maturity Measure	15%
	Risk Management Practice Measures	
People and Culture	Employee Engagement	15%
	Sustained high performer retention	

- The Group Scorecard is cascaded into Function Scorecards and individual scorecards.
- Performance for roles below KMP is assessed against individual scorecards and behaviours.
- An STI gateway and modifier linked to the Code of Conduct applies which can reduce STI outcomes (down to nil).

Long-term incentives (LTI)

- There are two, equally weighted, performance measures for FY20:
  - 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 resource companies); and
  - Cash Return on Equity (**Cash ROE**).

For vesting to occur:

- Suncorp's TSR must be at least at the median of this peer group. Full vesting occurs at the 75th percentile and there is pro-rata vesting between these points.
- Cash ROE outcomes will be assessed based on a weighted average approach over the 3-year period (20% on FY20 Cash ROE, 30% on FY21 Cash ROE and 50% on FY22 Cash ROE).

[1] For individuals who acted as KMP, 40 per cent of their FY20 STI that related to performance as an Acting KMP was deferred for four years to ensure compliance with the Banking Executive Accountability Regime **(BEAR).** The balance of their STI was deferred according to standard KMP and EGM arrangements.

[2] The deferral threshold is the lower of 30% of fixed salary or $100,000, of which 40% will be deferred (with a minimum deferral amount of $10,000 before deferral is triggered).

[3] EGMs do not participate in an LTI plan. Certain Other Senior Managers and MRTs below EGM level participate in a Share Rights Plan. Rights vest, subject to a service condition, in one tranche at the end of three years.

Remuneration changes in FY20

During FY20, 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 Chief Risk Officer's **(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.

Remuneration changes for FY21

The Board considered various remuneration structures for KMP 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 FY21 with continuing use of discretion in determining STI outcomes.

The only material change relating to KMP was to the way that the Cash ROE performance targets are set and assessed in the LTI plan. For the FY20 offer, these were set based on a weighted average approach over FY20, FY21 and FY22. To simplify the methodology in the FY21 offer, these will be set based on a straight average approach over FY21, FY22 and FY23.

In addition, from 1 July 2020, the maximum STI opportunity for all employees was reduced from 250 per cent to 150 per cent of target. This aligns the maximum STI opportunity for employees with the maximum STI opportunity for executives, and also supported Suncorp's compliance with the Sedgwick Remuneration Review Recommendations.[1]

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] 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.

iii. Performance and remuneration outcomes

Performance outcomes

Short-term incentives (STI)

- A summary against the Financial, Customer, Risk and People measures in the Group Scorecard is below.

Category	Performance measure	Outcome
Financial	Adjusted NPAT	Below threshold
	Cash ROE	
	System Growth Multiple	
Customer	Key Customer measures	Between target and stretch
Risk	Group Risk Maturity Measure	Between threshold and target
	Risk Management Practice Measures	
People and Culture	Employee Engagement	Stretch
	Sustained high performer retention	

- The Group Scorecard outcome was 59% of target.

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 KMP received no value from this award.

Board discretion and STI outcomes

The Board exercised its discretion in determining the FY20 STI outcomes and adopted a tiered approach for the KMP, 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 FY20 STI outcomes for the KMP ranged 30 per cent and 50 per cent of target. The average STI outcome for KMPs was 40 per cent of target.

The STI pool for eligible 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 FY20 predominantly reflected the stronger line of sight and accountability of the KMP and EGMs over the FY20 financial results and shareholder experience.

In addition, given the pay and leave entitlement review is not yet complete, the Board decided to defer the vesting and release of deferred incentives for current and former executives. 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.

iv. 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.

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 FY20 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%)	– Financial measures are weighted at 30% in Banking. – Financial measures include lending growth, lending disbursements, deposit growth and connecting customers across product quadrants in Banking.
Customer (30%)	– Customer measures are weighted at 30% in Banking. – 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.
Risk (20%)	– Risk measures are weighted at 20% in Banking. – The primary measure is advancing Suncorp's risk culture in Banking. 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 (20%)	– Risk measures are weighted at 20% in Banking. – 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. Suncorp's position is in line with the broader Banking & Finance industry position and is compliant with the findings from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, as well as Treasury guidance and legislation as it relates to payment of Mortgage Broker remuneration.

v. Remuneration alignment with risk management

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

The Non-Financial Risk Committee, made up of the KMP 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 Suncorp and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy). All 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 Suncorp and has ultimate responsibility for the effectiveness of Suncorp'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 FY20 (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 are intended 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 KMP, the Board considers behaviours as part of its judgment 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 FY20 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 judgment 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.
	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 FY20 STI award will be delivered as deferred equity. KMP are required to have a minimum shareholding in the Group equivalent to at least 100% of one year's pre-tax (gross) fixed remuneration. They are required to achieve this requirement four years from the October following their appointment, with 50% to be achieved after two years. The value of the shares for the purposes of this requirement is the market value of the underlying shares. For FY20, given the impact of COVID-19 on the Suncorp share price, the Board exercised its discretion and did not require the KMP to purchase additional shares to meet the MSR. Based on their shareholding as at 30 June 2020, all KMP excluding one, have either met their shareholding requirement or are on track to meet this within the required timeframes.

The table below provides the key risks and the measures for SML which are updated periodically to ensure that they comply with the legislative standards. These risks have not changed over the past year.

Key risks	Key measures	Review of the measures
Financial risks (credit risk, market risk, liquidity risks)	Metrics embedded within scorecard measures include compliance with Board delegated limits for key credit, liquidity and market risk. Other measures used to evaluate Financial risk are: • Stress testing, including sensitivity and scenario analysis • Concentrations and large exposures • Funding, cashflow, liquidity.	• Compliance with Credit risk appetite monitored and reported monthly. Liquidity and market risk limits are monitored continuously and are part of monthly reporting.
Operational risks	A number of measures are used to evaluate Operational risk including: • Data governance and remediation embedded within process control • Key risk indicators across customers and operational systems, including data • Operational risk assessment and incident reporting • Internal and external audit findings.	• Monitoring of Monthly Key Risk Indicators • Operational Risk performance is assessed Monthly and Quarterly • Internal and External Audits are performed in accordance with the Annual Audit Program.
Compliance risks	A number of measures are used to evaluate Compliance Risk, including: • Internal and external audit findings • Incident management • Attestations • Scorecard KPI incorporation of acceptable behaviours • Completion of annual mandatory compliance training program • Compliance oversight and monitoring plan • Monitoring customer complaints • Compliance impact assessment • Monitoring regulatory change • Monitoring conflicts of interest • Compliance obligation management and control testing.	• Compliance measures are reviewed on a quarterly, half yearly and annual cycle, or earlier if required.

Risk and financial control personnel

Separate performance and remuneration review processes govern remuneration decisions concerning identified employees working in the areas of risk and financial control (R&FC).

In these roles, performance-based remuneration is assessed and approved by risk management and financial control function leaders, independent of their business units. For all R&FC roles, the function leader is not the direct leader of the role, with the Suncorp Group Board acting as the function leader of the Chief Risk Officer and Chief Financial Officer. In addition, employees working in risk roles across the Group typically have a comparatively higher percentage of risk-based measures in their scorecard.

Section 2: Quantitative disclosure requirements

	FY20		
	Senior Managers (KMP)	Other Senior Managers	MRT
Number of Individuals[1]	11	20	3
Number of Roles	9	17	3

1. The number of individuals is based on headcount. Where the individual held the disclosed role for a portion of the financial year their remuneration is pro-rated to reflect this.

The table below contains aggregated remuneration details for Senior Managers and MRTs as calculated in accordance with Australian Accounting Standards, as required under paragraph (j) of Table 22:

	FY20						FY19					
	Senior Managers (KMP)		Other Senior Managers		MRT		Senior Managers (KMP)		Other Senior Managers		MRT	
$000	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration												
Cash-based[1]	7,925	-	5,235	-	707	-	9,322	-	4,629	-	761	-
Other[2]	660	-	445	-	87	-	490	-	494	-	100	-
Variable remuneration												
Cash-based[3]	68	-	1,030	13	238	12	2,217	9	1,368	2	284	27
Share linked instruments[4]	-	4,960	2	232	1	20	-	8,292	1	839	2	35

1. Represents actual fixed remuneration received, including salary sacrificed benefits.
2. Represents employer superannuation, non-monetary benefits including airfares and premium rebates paid on behalf of the employee and the net annual leave and long service leave accrual for the financial year.
3. Represents cash incentives earned during the financial year. For Other Senior Managers and MRT below EGM level, the deferred cash portion awarded includes interest accrued on prior year deferred STIs and is subject to malus and clawback criteria during the deferral period. For Other Senior Managers at the EGM level, the deferred portion of the FY20 and FY19 STI is outlined in 'Share linked instruments' under the 'Deferred' column.
4. STI deferred into equity-settled rights is expensed to the profit & loss from the start of the performance period to the end of the deferral period and the fair value is amortised from the start of the performance period to the end of the deferral period. Grants made under the LTI plan, Restricted Share Plan and Share Rights Plan are expensed to the profit & loss based on the fair value at grant date over the period from grant date to vesting date.

During FY20, 8 Senior Managers (KMP), 16 Other Senior Managers and 3 MRTs received a variable remuneration award. In FY19, 11 Senior Managers (KMP) and 14 Other Senior Managers received a variable remuneration award. No guaranteed bonuses were made to any Senior Managers and MRTs during FY20 and FY19.

The table below summarises awards granted upon commencement of employment due to benefits forgone at prior employer **(Special Awards)** and Termination Payments made or granted to Senior Managers and MRTs in FY20 and FY19.

	FY20						FY19					
	Senior Managers (KMP)		Other Senior Managers		MRT		Senior Managers (KMP)		Other Senior Managers		MRT	
	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000
Special Awards [1]	-	-	-	-	-		-	-	-	-	-	-
Termination Payments[1,2]	2	1,693	1	420	-		1	1,668	-	-	-	-

1. One KMP ceased employment in FY20. Their Special Award was forfeited on cessation of employment and is not included in the above table. No Termination Payment was made.
2. Termination Payments are paid in accordance with contractual commitments.

The table below summarises the requirements under paragraphs (i), (j) and (k) of table 22 for Senior Managers and MRTs.

$000	FY20			FY19		
	Senior Managers (KMP)	Other Senior Managers	MRT	Senior Managers (KMP)	Other Senior Managers	MRT
Total outstanding deferred remuneration[1]	**11,853**	**1,602**	**137**	**20,879**	**1,708**	**293**
Cash-based[2]	-	63	68	-	23	189
Shares and share-linked instruments[3]	11,853	1,539	69	20,879	1,685	104
Total paid during the year[4]	**2,368**	**678**	**71**	**4,457**	**687**	**149**
Total reductions due to explicit adjustments[5]	**(3,825)**	**(204)**	**-**	**(6,862)**	**(308)**	**-**
Total reductions due to implicit adjustments[6]	**(3,479)**	**(760)**	**(5)**	**(819)**	**(148)**	**-**

1. Includes the total outstanding deferred cash and equity awards as at 30 June. Outstanding deferred remuneration is subject to malus and clawback criteria. All deferred remuneration outstanding for Senior Managers and MRTs at 30 June has been included, even where that award was earned in a different capacity within the Group. The deferred balance has been excluded where the Senior Manager and MRT is no longer employed in that capacity at 30 June.
2. Deferred cash-based remuneration for FY20 represents the deferred portion of short-term incentives awarded in FY18 and/or FY19, together with the interest accrued on the outstanding deferral, for all Senior Managers and MRTs employed within that capacity as at 30 June. Deferred cash may have been accrued whilst employed in a different capacity within the Group.
3. Deferred equity represents the market value as at 30 June, calculated by the number of performance rights, share rights or restricted shares granted multiplied by the closing share price as traded on the ASX on 30 June. The balance consists of all offers up to and including 30 June that are still to vest for Senior Managers and MRTs employed in that capacity as at 30 June.
4. Consists of all deferred cash incentives from prior years (and associated interest) paid and deferred equity vested during the financial year, received whilst employed in the capacity of a Senior Manager or MRT.
5. Represents the market value at grant date of performance rights, share rights or restricted shares forfeited during the financial year.
6. Represents any reduction in the market value at grant date compared to the market value at 30 June for performance rights, share rights or restricted shares yet to vest, or reduction in the market value at grant date compared to the market value at vesting date during the period. Note that increases may have occurred during the period, however only reductions have been disclosed in accordance with the requirements of APS330.

APPENDIX 3 - DEFINITIONS

AASB 9	AASB 9 *Financial Instruments* was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce a forward-looking expected credit loss impairment model, and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. This standard became mandatory for the annual reporting period from 1 July 2018.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Collective provision	A collective provision is established to determine expected credit losses (see also Expected Credit Losses definition below) for loan exposures which are not specifically provisioned and can be in the performing or non-performing portfolios. For business banking exposures, a ratings-based approach is applied using estimates of probability of default 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 probability of default and loss given default are used to calculate the collective provision.
Common Equity Tier 1 (**CET1**)	Common Equity Tier 1 capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total risk weighted assets, as defined by APRA.
Credit value adjustment (**CVA**)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk.
Expected Credit Losses (**ECL**)	Expected credit losses (ECL) are calculated as the probability of default (PD) x loss given default (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 unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in house prices.
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA.
General reserve credit loss (**GRCL**)	The general reserve for credit losses is a reserve that covers credit losses prudently estimated but not certain to arise over the full life of all the individual facilities based on guidance provided by APRA.
Impaired assets	Impaired assets 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. The Bank fully considers the counterparty's capacity to repay and security valuation position before an asset is considered impaired.
Liquidity coverage ratio (**LCR**)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent of a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario.
Loan-to-value ratio (**LVR**)	Ratio of a loan to the value of the asset purchased.
Past due loans	Loans outstanding for more than 90 days.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Specific provision	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 amount of the loan to determine the specific provision required.
Term Funding Facility (**TFF**)	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.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.