David Carter
CEO Banking & Wealth

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Create a better today

MACQUARIE CONFERENCE
1 MAY 2018

SUNCORP

Highlights

1. Banking industry is evolving
2. Suncorp continues to focus on customers and simplification
3. Disciplined lending practices and sound credit quality remain
4. Deposits are growing at above system
5. Funding mix is well managed
6. Commitments are unchanged

Good Afternoon. Thank you to the Macquarie team for hosting this conference.

My name is David Carter and I am the CEO of Banking & Wealth, having joined Suncorp via Promina just over 12 years ago. Though I recall my early banking years through the recession Australia had to have was also very challenging, I'm looking forward to discussing with you some of the themes emerging in the industry today. I have worked in banking and financial services for over 25 years in Australia, New Zealand, and had assignments in international markets and it is certainly a time of change for everyone and there are clear opportunities emerging for positive reform.

There is a great deal happening in the finance industry and in banking particularly, strongly influenced by both the political and regulatory environment. The majority of the activity is premised on improving customer experiences and outcomes, and this is a positive and unique opportunity for us to deliver enhanced value to our customers and shareholders. For several years, Suncorp has been actively advocating for positive changes in the banking sector to support competition and stability, and encouragingly the work of the Productivity Commission is acknowledging these concerns.

At Suncorp, we have been transforming our business, and how we operate, to centre around meeting our customers needs. I will spend some time covering our recent performance, as released in todays' APS330, given the economic and regulatory environment and what this means for us and for our Stakeholders.

And, I'll save some time at the end of the presentation for your questions.

1. Banking industry is evolving

Regulatory	Political	Economic
Focus on resilience and customers: — Basel III and Unquestionably Strong — APRA's Targeted Review — Macroprudential limits — IFRS 9 — ASIC sandbox — ACCC Inquiry into mortgage pricing	Focus on accountability, transparency and competition: — Royal Commission — Banking Executive Accountability Regime — Productivity Commission — Review into Open Banking Regime in Australia	Benign credit conditions and rising funding costs: — Housing market remains stable — Inner city developments past the peak — Unchanged cash rate versus recent increases in BBSW — Expect credit growth to reduce

Beginning with the industry, there is a lot of activity that is changing how all banks, big and small, operate.

The level of regulatory and political scrutiny the Banking industry is experiencing is almost unprecedented in this country. Whilst this will positively support the industry and customers, it requires banks to evolve. The impacts on banks include increased capital requirements, improved lending practices, more transparency, and greater competition. Suncorp is well placed to meet the changing requirements and has long been advocating for increased competition within the sector.

This activity will likely impact the structure of the banking sector in the future and how banks operate~~s~~. It is also expected that this activity will result in an increased cost of regulatory change and compliance. Suncorp remains committed to maintaining confidence and stability in the Australian Banking system and supports measures that deliver improved outcomes for customers.

From a financial perspective, the recent increase in funding costs has resulted in some banks including Suncorp re-pricing their mortgage portfolio and we would expect that, should rates remain elevated, this may become more prevalent. Combined with a general tightening in lending standards we should expect a slowdown in credit growth in the residential and consumer sectors. Many businesses are already experiencing higher borrowing costs with their loans generally priced off bank bill swap rates.

Generally favourable credit conditions, combined with Suncorp's focus on disciplined credit selection, means our portfolio credit quality is expected to remain sound, with impairment losses estimated at or below our through the cycle operating range.

Suncorp continues to focus on making it easier, simpler, and faster for customers to have their financial needs met.

2. Suncorp continues to focus on our customers and simplification

– We are continuing to focus on our customers and how we operate
– We are working hard to simplify things, listen to our customers and deliver the products and services that meet their needs
– Suncorp aspires to work in an environment where there are zero customer complaints

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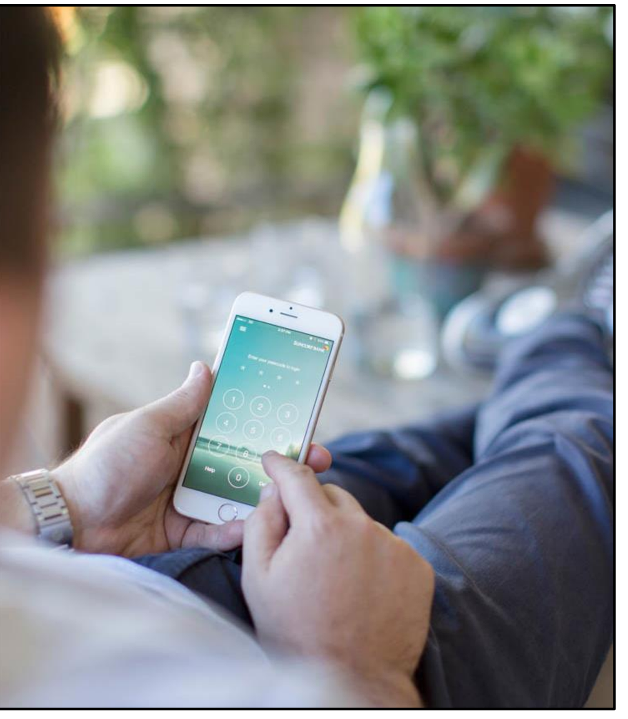

At Suncorp, we are continuing to focus on our customers and how we can improve our products and services to make it easier for them. We have introduced several changes to our offerings this financial year, including a reduction in ATM and not sufficient funds fees, the launch of our Growth Saver product, self service capabilities, the ability to open transaction accounts online, and recently the launch of digital wallets. Earlier in the year we released Google Pay which has had strong customer uptake to date.

In addition to these offerings, we have focussed on simplifying processes and making it easier for customers to interact with us. These changes form part of the Business Improvement Program which was announced at our AGM in September 2017. This program focuses on improving the customer experience, driving efficiencies and embedding a culture of continuous improvement.

We have delivered several improvements to our transaction and lending origination and servicing processes and have continued to build stronger relationships with our intermediary network. We know that our brokers and customers value fast turnaround times on loan approvals, simplicity and overall a positive experience, and we have been working hard to enhance these.

Together, these changes are driving an increase in our customer satisfaction levels which we are encouraged by. The success of these initiatives is also reflected in both our lending and deposits portfolios achieving growth ahead of system so far this financial year.

In addition to digital engagement with customers, we see several opportunities in today's environment to drive a more level playing field for all banks, for example more transparency around mortgage broker ownership, addressing the imbalance in access to funding markets, the out of proportion impacts on smaller banks from regulatory change and revisiting current restrictions applied to certain lending types. Suncorp has been actively advocating for positive changes in the banking sector for several years and we believe addressing these will in turn drive better outcomes for customers.

These positive reforms, coupled with the marketplace initiatives being launched and Banking & Wealth's frequent interaction with customers, places us in a position to help our customers and communities achieve their financial goals and live the lives they want to live. We will continue to focus on simplifying things for our customers and listening to what they are telling us. We want to work in an environment where there are zero complaints.

3. Disciplined lending practices and sound credit quality remain

- Home lending growth moderated as price competition intensified and demand reduced
- Impairment losses of 1 basis point of gross loans and advances, remain well below the expected through-the-cycle operating range
- CET1 ratio of 8.8%[1] is towards the upper bound of the operating range of 8.5% to 9.0%
- Well placed to accommodate Unquestionably Strong capital and Basel III changes
- Preparing for the introduction of Australian Accounting Standards Board (AASB) 9

[1] As at 31 March 2018

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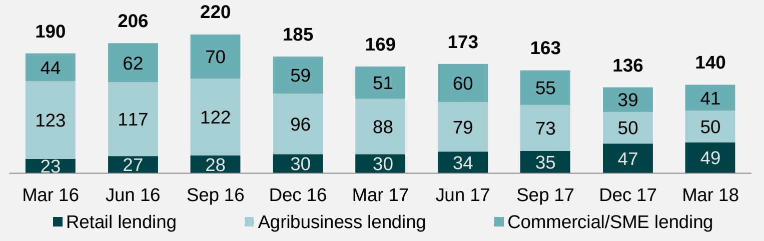
Moving on to the key highlights from our recent operational performance, as per the APS 330 released earlier today:

- Home lending growth moderated as price competition intensified in the market, and demand for new lending appeared to reduce. However we still expect to deliver an above system growth result for the full year. We remain well placed within macro-prudential settings, with year-on-year investor lending growth of 6.6% and a reduction in new interest only lending to 17% of originations over the quarter. Suncorp continues to have lower than average levels of both investor and interest only lending.
- Suncorp's disciplined lending practices and sound credit quality continued over the quarter, reflected in impairment losses of $2 million or 1 basis point of gross loans and advances. Whilst this quarter was unusually low, we expect to remain comfortably below the bottom end of the expected through-the-cycle operating range of 10 to 20 basis points for the full year.
- Banking's CET1 ratio of 8.8% reflects a sound capital position towards the upper bound of the operating range of 8.5% to 9.0% The recent RMBS transaction will support our capital position at the full year, however will marginally impact our net interest income.
- Suncorp is well placed to accommodate industry-wide prudential changes related to APRA's implementation of Unquestionably Strong capital and Basel III revisions.
- We continue to prepare for the introduction of Australian Accounting Standards Board (AASB) 9 and note the potential for increased volatility in impairments and collective provisions in the first year or so post implementation as we move to an expected credit loss provision model. This comes into effect from 1 July 2018. At this time we do not expect the impact to be material on either the 2018 or 2019 result.

Credit quality

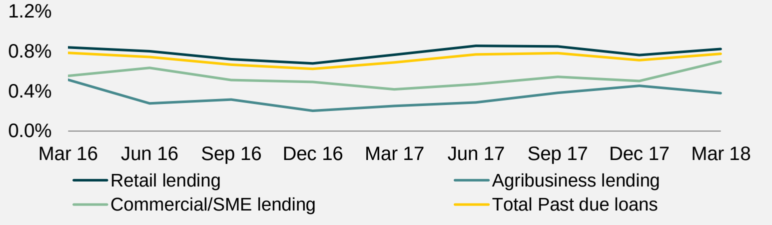
- Gross impaired assets for agribusiness and commercial/SME lending were stable over the quarter
- Past due loans increased during the quarter from the expected seasonal increase and two mid to large commercial customers

Gross impaired loans by segment ($m)



As at 31 December 2017

Past due loans by segment (% of segment GLA)



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Suncorp's credit quality has been consistently improving from our historic performance, reflected in the reduction of total gross impaired loans over time, particularly in our agribusiness and commercial lending portfolios.

Over the quarter, gross impaired assets for agribusiness and commercial lending were stable, following material reductions in aged impaired exposures over the last 12-18 months. Following the Mortgagee in Possession methodology change as mentioned in our Half Year results, the retail impaired loans have stabilised with small movement over the quarter resulting from delayed settlement of LMI claims. Full recovery of these claims is expected. Notwithstanding the gradual increase in retail impaired loans over time, past due retail loans as a percentage of GLA have remained consistent, with the slight increase in retail impaired assets over the quarter driven by the expected seasonal post-Christmas increase.

Our investor loans represent 29% of our mortgage portfolio, and interest only loans represent 21% of our mortgage portfolio, most of which is for investment, not owner occupied, purposes. Again, we continue to grow well within the macroprudential settings.

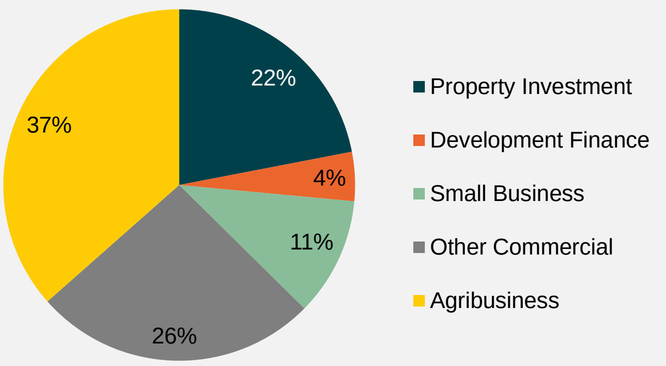
Commercial lending past due loans also increased, driven by two mid to large commercial banking customers moving to past due. Both of these commercial loans were acquired prior to 2014. Pleasingly, agribusiness past due loans reduced following improved agricultural and weather conditions. Recent widespread rainfall in many parts of Queensland and New South Wales is generally positive for forthcoming winter crops and beef cattle.

Historically our lending portfolio has been characterised by exposure predominately in Queensland, and this is gradually shifting as we grow in other jurisdictions. This coupled with relatively stable commodity prices, a continuing low interest rate environment and the ongoing use of our advanced models is expected to result in our bad and doubtful debt expenses remaining benign over the coming months.

Business Lending

- Suncorp has invested in its capabilities, processes, systems and risk management, giving confidence to grow this portfolio
- We maintain diversification across industry segments
- Only lend to experienced property developers

Portfolio Composition[1]



[1] Derived from Table 4a in March 2018 APS 330; total portfolio $10.8bn

We continue to practice measured and disciplined lending in our commercial portfolio, in particular with development finance.

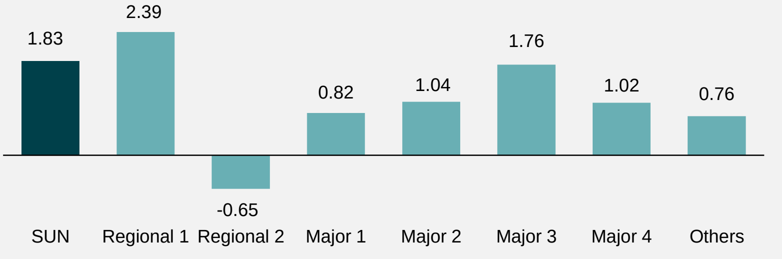
We have improved our capabilities and confidence in our credit risk management practices over the last four years, and we made the decision to actively seek diversification and moderate growth in our business lending portfolio. That said, our maximum single customer exposure limit is $100m, with few transactions greater than $50m, and we are seeking controlled expansion of our development finance geographic footprint to include greater Sydney and Melbourne metropolitan areas, limited to known clients with a strong track record and financial position.

Our development finance and large commercial property investment segments are operated as an area of specialisation, with experienced and well qualified specialist Bankers managing our customer relationships and projects, supported by experienced credit specialists. Our average development project cycle time remains as 12 – 18 months, and none of our projects have experienced settlement difficulties on completion. As at 31 March 2018 our drawn balances on inner-city Brisbane apartments totalled $51m or 13% of our development finance portfolio.

4. Deposits are growing at above system

- First half at-call deposit growth strong
- Continued focus on growing savings and transaction deposits

Total deposit growth versus system



As at 31 December 2017

Suncorp has a measured approach to funding and we continue to focus on growing transaction deposits and leveraging our A+ credit rating to optimise our funding mix. Over the first half of this financial year, we grew our deposits at a rate of 1.8 times system, with at-call deposit growth well in excess of system.

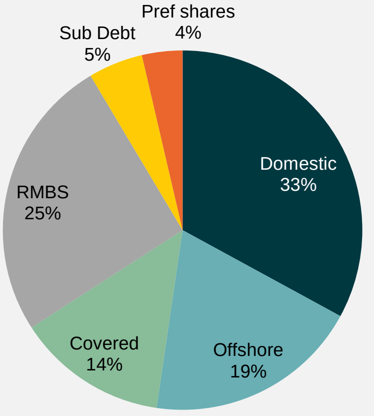
We will continue to focus on growing our deposit base by driving increased customer engagement though the launch of new products that customers desire. The Growth Saver product we launched this year is designed to help customers save, and this together with Google Pay functionality, the reduction in ATM and other customer fees and the ability to open accounts online is expected to drive ongoing deposit growth through higher customer activation, engagement and retention.

Suncorp's Marketplace investment will increase the opportunities to expand our deposit portfolio interstate, and through both digital and voice channels. The Business Improvement Program has enabled improvements in customer service and experience with further improvements over coming months.

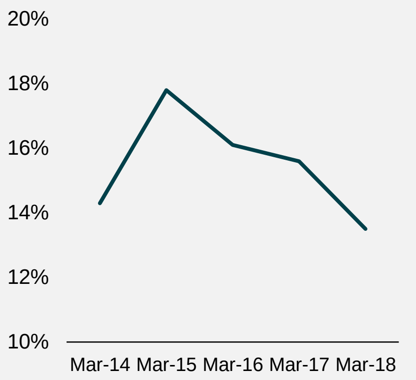
5. Funding mix is well managed

- Overall funding mix is actively managed
- Recent RMBS issuance demonstrates continued positive investor demand
- Increase in BBSW is impacting wholesale funding costs

Long Term Wholesale Funding Composition[1]



Short Term Wholesale Funding as a % of Total Funding



[1] Total long term wholesale funding $15.1bn

Our focus over the past 4 years has been to lengthen the duration of our wholesale funding portfolio through both reducing our reliance on short term wholesale, and lengthening the duration of issuances in the term wholesale market. Offshore short term funding comprised less than 5% of total liabilities as at 31 March 2018.

Notably, wholesale funding markets continue to show strong demand for Suncorp's credit, as demonstrated by our recent execution of a 4.5 year RMBS transaction of A$1.25bn. Notwithstanding recent market volatility, the weighted average margin was similar to our last Apollo transaction in September 2017. The latest transaction also demonstrates continued global investor confidence in both Suncorp and the Australian residential property sector, with investors split 55% offshore and 45% onshore. The RMBS transaction is expected to support capital levels.

Aside from growing our deposit base at above system, Suncorp has continued to actively manage its exposure to changes in interest rates, via hedging instruments and customer pricing of loans and deposits.

Wholesale funding costs widened significantly over the quarter, with material increases in the base BBSW rates since September in response to both domestic and global factors - and remain elevated. This is likely to keep our full year Net Interest Margin around the mid point of the target range of 1.80%-1.90%.

5. Commitments are unchanged

Key Bank FY19 targets are:

- Cost to income (CTI) around 50%, subject to regulatory reform costs
- Net interest margin 1.80% to 1.90%

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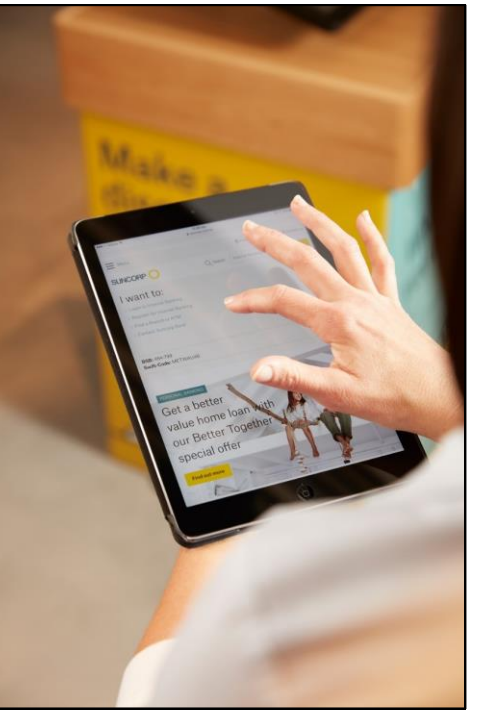

Notwithstanding the increased pressure facing our industry, our operating targets are unchanged. We are still targeting a cost to income ratio of around 50%, subject to regulatory reform costs, a Net Interest Margin of 1.80 to 1.90% and in FY19 expect impairment losses to remain at or below the lower end of our operating range of 10 – 20 bps of Gross Loans and Advances.

The complexity of regulatory change, heightened political focus on the sector and increase in funding costs are placing pressure on us and our targets, and requiring large investment from our business. As such, maximising our operating efficiency is critical to meeting our commitments, and we are highly focussed on this as a business through the Business Improvement Program.

From a capital perspective, we await further clarification of 'unquestionably strong' and Basel III reforms. Our capital position will remain a key focus area to support a strong balance sheet and ongoing regulatory change.

During a time of unprecedented regulatory and political activity, increased transparency and clear product offerings will reinforce customer confidence and community trust. This is why at Suncorp we have been so focussed on doing things differently, listening to our customers and partners, and taking action to deliver positive outcomes. For example, whilst there is an impact on non interest income, we have reduced customer fees this year through offering fee free ATM use and lowering customer dishonour fees to $10. We have made material changes to how we support customers experiencing financial hardship which has significantly reduced complaints to FOS. We are also strong advocates for professionalism in broking so that customers continue to have choice. We believe today's environment is our opportunity for positive change, and we want to be known for our integrity and willingness to adapt to meet customer expectations.

Suncorp Group FY19 financial targets are detailed in the appendix. Steve can answer any questions on these in a moment

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In conclusion, Suncorp is taking advantage of the current opportunities to pursue positive reforms in the banking sector and support competition and stability, which we believe will deliver the best possible outcomes for customers.

Our operating targets and commitments are unchanged. Suncorp has a terrific culture that is premised on helping our communities in times of need and we are committed to supporting any measure that delivers positive outcomes for our customers, the economy and society. We look forward to the future and hope to see positive change emerge.

Disclaimer

This presentation contains general information which is current as at 1 May 2018. It is information given in summary form and does not purport to be complete.

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This presentation should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

The information in this presentation is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to 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 presentation. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation (subject to ASX disclosure requirements).

Questions

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Appendices

Suncorp FY19 Targets[1]

— Group top line growth of 3% to 5%

— Expense base of $2.7bn

— General Insurance underlying ITR of at least 12%

— Bank Cost to Income of around 50%

— Net Interest Margin of 1.80% to 1.90%

— Cash ROE of 10%

— Reserve releases above 1.5% of net earned premium

— Maintaining a dividend payout ratio of 60% to 80% of cash earnings and returning surplus capital to shareholders

[1] Subject to natural hazards at or below budget, movements in investment markets and unforeseen regulatory reform.

AASB 9

- AASB 9 introduces "expected credit losses" (ECL) for provisions, replacing the "incurred losses" model (AASB 139)
- Comes into effect 1 July 2018 for the Bank
- P&L: no 'day 1' impact
- Capital: not expecting material impact on CET1 due to existing equity reserves.

Stage 1 Performing & newly originated	**Stage 2** Underperforming (significant increase in credit risk)	**Stage 3** Non-performing (impaired)
Provision based on 12-month expected credit losses	Provision based on lifetime expected credit losses	
Effective interest on gross carrying amount		Effective interest on net carrying amount (net of provision)
Potential increase in provision to reflect 12-month ECL	Significant increase on provision to reflect lifetime losses	Provisioning generally consistent with current "incurred losses" model
Provision model will incorporate an economic outlook. Existing provision overlays will be reviewed.		