To view the presentation please click here.

Steve Johnston, Group CEO: Well, good morning everyone and welcome, I'm Steve Johnston. I'd like to begin, as always, by acknowledging the traditional owners of the lands on which we meet, and of course to pay our respects to all Elders, past, present and emerging.

So today we join you from Brisbane for the second of our two Investor Updates on our strategy and the initiatives we are executing under our FY23 Business Plan. Last Tuesday, as you know, we provided an update on our General Insurance business. Today we are focusing on the Bank, and more specifically on the work we are doing to drive growth to enhance digital capability and to simplify the business.

Now I'm joined for the presentation in Brisbane by Jeremy Robson, who is our Group CFO, Fiona Thompson, who is currently the Group CRO, who you will have seen earlier today has been appointed to a new role, People Culture and Advocacy. Of course we have got Clive van Horen, who is the CEO of the Banking and Wealth business. Clive joined Suncorp in August last year, having spent the past 10 years at CBA, and we are delighted to have him on board.

At the time we announced our new operating model last year we made several changes which are aimed at improving the competitiveness of the Bank through faster decision-making and greater end-to-end accountability. This change in operating model has led to several teams - including our Customer Strategy, our Marketing and our Digital Distribution teams - moving from centralised functions to report directly into the Bank.

Now Clive will run most of today's session, although I have asked Jeremy and Fiona to make some brief comments towards the end of the presentation. Q&A will follow that soon after in a similar structure that we had last week, with questions from the webcast first and then we move to the phones.

So turning to the next slide, and today we have also released our quarterly APS 330 disclosure. So I'll briefly update you on the positive trends that we are seeing, which continue the solid performance that we reported in the interim results.

In February the Bank reported an 11% increase in profit after tax, which was largely driven a by very strong net interest margin of 2.04%, which was up 8 basis points over the half. Now this is significantly above our through the cycle range of 185 basis points to 195 basis points, and was supported by strong deposit growth, particularly in transaction accounts. Credit quality was also strong, with impairment charges of just 3 basis points of GLAs.

We reported a modest contraction in home lending over the half year. However we pointed out then that we had seen a significant improvement in lodgements and settlements, particularly towards the end of the half year period.

Now as you see from today's APS 330, this is translated into balance sheet growth in Q3, with $102 million in home lending growth. Clive will talk to that soon. Deposit growth has also continued, and along with lower funding costs, NIM margin remains very strong.

We are also reporting impairment losses for the quarter of just 1 basis point, reflecting both an improving macro environment and continuing good credit quality. We no longer have any customers under COVID-19 deferral arrangements, with the vast majority of these customers returning to regular payment schedules. A small proportion have moved into hardship. This along with the usual post-Christmas seasonality in arrears has contributed to an uptick in past-due loans.

We have decided to retain our collective provision at current levels as at 31 March. Now while some of our competitors have chosen to release some provisions in the most recent round of reporting, our preference is to complete a full review of the CP and the assumptions that underpin it as we finalise our 30 June accounts. Now should the current economic outlook remain, my expectation is that we too will be in a position to release some of the collective provision that we put aside during COVID-19.

Now over the past couple of months our A-plus and A1 credit ratings have been reaffirmed. This again highlights the credit rating strength that the Bank derives from being part of the Suncorp Group.

Finally, at the end of April we announced the sale of Suncorp Wealth to LGIASuper. This represents a significant important and strategic initiative milestone for the Group. It will allow Clive and the Bank Leadership Team to focus exclusively on the priorities that we are going to take you through today.

So as you can see, we have good momentum. This builds on the similar trends that we talked to last week in our Insurance businesses, both here in Australia and in New Zealand. We are very confident we can deliver improved returns in our Bank. We have the right leadership, the right team, and the right set of initiatives to achieve this goal.

But we recognise that we have more to do and we have to deliver. So I am going to hand you over now to Clive to tell you how we're going to do it. Thank you.

Clive van Horen, CEO Banking & Wealth: Thank you Steve, and it's good to be with you all today. As Steve said, I joined Suncorp in August last year from CBA, where over the years I had led their lending, deposits and payments businesses in both retail and business banks. During that time I also led CBA's home loans business.

So why did I join Suncorp? Well, in short, I could see the potential and was motivated to help transform the Bank. A bit more than nine months later, I stand here and I'm as excited, if not more, and more convinced that we have the potential and will achieve that goal.

So at a headline level, what I'm going to cover in the next few minutes is a few key messages. The first is, we have good foundations in Suncorp Bank. We have a clear plan of how we are going to improve performance, we are investing in that plan, and we have a strong team executing that plan. It's early days, but we have some runs on the scoreboard, and I will touch on that through the presentation.

So soon after joining we settled on this strategy. It is very clear and simple, with five key priorities - win in home lending, accelerate digital in everyday banking, optimise blended distribution, targeted growth in business banking, and simplification. Under each of those five initiatives you can see a number of areas that we are focusing on and investing in. We will go through each of these five areas shortly.

What does success look like for us? It includes above system growth home lending, improving our NPS, and gaining traction and growth in MFI relationships across the Bank. So you'll hear throughout the session that our

investment is balanced between revenue growth and cost reduction. All of this driving towards that cost to income target of around 50% by FY23.

So I said we have a strong team, and I would like to show this team to you and a few observation if I may. The first is, we have very good mix I believe of new talent and experienced Suncorp leaders.

Secondly, it's very important that the roles and accountabilities clearly align to our business priorities. So whether it's home lending, everyday banking, business banking, distribution, all of these are end-to-end. In the classic sense, structure follows strategy.

Thirdly, you will also see there is good diversity in this team, both in our profiles and also across digital, product, technology, whether it's Australia or from abroad. Finally, it's important also to see that several functions have shifted from the Group to Banking and Wealth. What that means is simpler, faster, more cost-effective management of the business under our direct control.

So let's turn to each of the top five priorities, and starting with home lending. This is our number one priority. It's also the number one area that we are investing, as you'll see a little later. Here what does success look like? It's consistently winning profitable market share. The milestones to achieve that are also very simple. Firstly, restore growth to the balance sheet. As Steve mentioned, that's something that we have achieved, it's a tick.

The second one is grow faster than market. That's clearly still a work in progress, but one that we have a plan to achieve. Now historically you would probably be aware that Suncorp's delivered inconsistent growth over the years in home lending. So how do we turn that? Home lending is a battle fought on many fronts. There's no single silver bullet, and so we are tackling it systematically.

On this slide we show a few of our top priorities, and I'd like to mention a few of them. The first and most important is time to yes. Gone are the days where price or policy or valuations were the key differentiator. Now it's around speed, simplicity and consistency. So what we have done and are doing is adding capacity to our processing area.

We have also made a number of simplification changes to documentation and verification. Some early markers of success are that we have seen our productivity per assessor going up by more than 30% in the last few months. A lot more to come.

Broker experience, clearly super important for us. We have got a new Broker Portal coming. We have already improved the transparency and reporting of our turnaround times. We are simplifying our documentation. We are also adding more frontline support, especially in the areas like Victoria where we have underperformed historically.

On pricing, we don't believe that we need to be the cheapest. However we will be consistently top quartile. This is especially important with the broker Best Interests Duties which are coming into play.

On systems and processes, our Oracle core platform is stable and we are now upgrading it to version 2.12. Now the first Australian bank to be doing so. What that will give us is a much simpler and more standardised platform going forward. Of course on policies, a lot of opportunities to simplify and use smarter risk based processes for things like verification.

So why do we believe we can win? Well, we have a 2.3% market share, which means we are coming off a very low base in a very large contestable market. We have seen other mid-size banks like us succeed, and so can we. We have a clear plan, we are investing in growth, and we have persistently funded teams improving that end-to-end home loans process.

Lastly, we are getting some good momentum, which I would like to share some of those results with you now. So Steve mentioned that our lodgement volumes in half 1 were strong, and we call that out in our results. I am pleased to say that that lodgement, or new application, momentum is carried on into the full quarter 3 and April. Where for quarter 3 we were up 52% on the prior period. Quarter 3 is up 16% on quarter 2.

Our history is one where that volume growth has typically meant operations areas have not coped with that volume. So pleasingly and very importantly, we have maintained or improved our turnaround times in the last while, despite this very large increase in volumes. Today, as I stand here, we compare favourably against three of the Big 4, and are a whisker behind the leader of the Big 4 in our turnaround times.

Of course lodgements is one thing, it needs to flow through to settlements in the balance sheet. There you can see on the chart on the right-hand side, that our settlements are also up 31% on the prior period and that is leading to balance sheet growth.

As Steve said, we saw our first positive month in February, that is the first time in 19 months we have got positive balance sheet growth in home loans. In continued in March and April which is the first time in two and a half years that we have seen three consecutive months of growth on the balance sheet.

That you can see plays out in the all-important orange line on this chart which shows a swing of $600 million or more in net book movement from quarter 1 to quarter 3. Not on this slide but I can say as well that our new business pipeline remains strong as we stand here.

It's important to call out before I leave this picture that there is a flipside which is more of a macro factor and that is runoff. You can see that our runoff is up 14% versus the prior period. The biggest drivers of this are customers repaying their debt faster, properties being sold because of the activity in the property market and also external refi. External refi is one where we track consistently better than system, so not the biggest concern for us, however we are continuing to invest in runoff and expect further improvements here over time.

Moving onto our second big priority which is accelerate digital and winning more customers who choose Suncorp as their main bank. I believe we have got a good foundation here and I can speak from personal experience having migrated my own banking from our previous bank to Suncorp when I joined the Group and it compares favourably. Of course there's more to do but we have got a good digital app in the Sun App.

Investments and focus are in three primary areas going forward and I will touch on these briefly. The first is digital engagement. The Sun App is our hero banking experience and will be. We continue to invest in more features and migration from the old banking app onto the new app. Digital engagement is strong and growing, so in April this year we saw for the first time over a million app logins per week, which is up from about 200,000 last year same time.

The second area is around digital sales. Again, we have got reasonably good capability here but will accelerate. Currently we originate two thirds of our deposit accounts online. Interestingly in home loans, digitally sourced

home loans are up 150% versus a year ago, now accounting for one in seven of all home loans across all channels. This will continue.

Then the third area is innovation in our core banking proposition, especially leveraging data and open banking which we see as a strategic opportunity for us as a smaller bank. Our fee elimination program is complete and we now have a very competitive proposition which is resonating well with our target younger customers. What this has meant is, as Steve touched on, strong growth in our core transaction book which is now up from 35% to 41% of total deposits.

That has happened whilst we have also managed down our term deposit book to support both funding and margin outcomes. You can also see on this slide what is a healthy NPS trend, however a lot more that we will do there. From an investment point of view, this digital investment that we are making will support continued growth in our transaction account balances and therefore also support our NIM going forward.

Moving onto our third priority which is around distribution. Our strategy here is very simple. We will be where our customers need to be. Obviously, this is something that is changing very, very fast in the current environment. On this slide you can see four main channels that we use to service our customers and interestingly we have created a level of agility for customers to be served in their channel of choice.

Firstly, broker as I have touched on. Suncorp has been and remains a very strong supporter of broker channel with 70% of our flows originating through brokers and as I said, we are investing our capacity and capability to support ongoing growth. Digital, I have also just covered that, but clearly the big shift to digital is an advantage and we will keep investing in that space.

Moving on then to branches. We see an important ongoing role for branches, especially for more complex needs like home loans. Transactional needs on the other hand are dropping. We saw more than a 25% drop in over the counter transactions in the last year and 60% over the last five years. As a result, unsurprisingly we have closed about 30 branches over the last 15 months. What that means is in our branches we will be doing less of the simple transaction servicing and more higher value home loan activity.

The savings from these branch closures has gone into two places. Firstly, we have improved our costs base and secondly, we are investing in digital. Likewise, as we exited personal loans a few months back, we have redeployed all that staff into home lending which is clearly higher value. Whilst the number of branches might be reducing, we are increasing the number of our lenders, mostly mobile. We have also trained around 20% of our branch staff on meeting home loan customer needs and we see this branch asset as quite unique to Suncorp versus some of our digital only competitors.

The final key channel then is around contact centres. Here we have a mix of dedicated contact staff and branch staff. When COVID hit us last year we moved very quickly to enable our branch staff to support customers on the phone. That is now a permanent part of our business and we see it as a very effective blended model. This strategic priority requires relatively modest investment but it will be a key driver as you will see shortly of a lower cost to income ratio.

Onto our fourth priority which is around business banking. We recently completed a comprehensive review of our strategy here which concluded that business banking will remain a core part of Suncorp today and going forward. Just to recap, our franchise is in three main areas. The first is around agri where we have got a long

proud heritage, well over 100 years. The second is commercial and property. We have a sound portfolio with strong relationship manager capabilities in our target markets. The third area is SME. We will continue with all of these three customer segments but with SME as a key growth opportunity, which of course is proximate to our customer banking franchise.

What is important and interesting in this space is that the recent emergent in the last few years of new technology and data led businesses who are keen to partner with banks like Suncorp will be an important part of our future. What that will mean is much faster, cheaper and more responsive ways of going to market. There is modest investment in this space in the near term, but it will also benefit not just SME, but all three of our business customer segments here.

Onto our fifth and final priority which is simplification. Simplification at both a portfolio level and a product or a process level. At a portfolio level, as I mentioned, we excited personal loans which frankly was subscale. We have refocused that capacity on home loans. Of course, we were also simplifying our on-sale products quite significantly across the board.

As Steve touched on, we did sell our superannuation business to LGI Super which was announced last month, again enabling us to focus on our core. The investment that we are making here around automation and simplification is significant and it will, we believe, drive out material costs, remove a lot of manual processes and make us a more efficient bank.

Finally, before I hand over to Jeremy, all of this comes together towards our 50% cost-to-income target by FY23, noting that there are headwinds that we need to face into to achieve that goal. Our improvement in cost-to-income comes from both revenue growth and cost reduction.

On the revenue side the main drivers are lending volume growth, which as I said growing above system will drive a significant revenue outcome. That however is offset by net margin reduction, back to our target range of 185 to 195 basis points. That margin reduction is driven obviously by cost of funds increasing off current historic lows, some degree of back book repricing, but offset in part by growth in our MFI transaction book which will support NIM.

On the costs side, the main drivers are the investment that I have touched on in digitisation, automation of currently manual processes, more digital, self-service leading to call reductions and that continued optimisation of our distribution footprint. Finally, we will also be supported by a reduction in overall Group expenses. You might say this target for a 50% CTI has been in place for a while, why will it be different now?

In summary, we have got a clear plan on the revenue side. We are confident we can achieve that growth. Customers and brokers want to do business with Suncorp, we just need to fulfil on that promise. On the costs side, in addition to all the investments outlined earlier, the Group structure means that the Bank has much more direct control over our costs base.

I want to end where I started and hopefully, I have given you some flavour of this. Suncorp Bank has a good foundation. We have a clear plan. We are investing in it. We have a strong team executing it and we are kicking some goals. That collectively gives us confidence in that plan. I will now hand over to Jeremy to wrap up the overall Group expense profile as per last week during insurance.

Jeremy Robson, Group CFO: All right, thanks Clive and good morning everyone. I would like to now bring together the investment component of the plan that Clive has just outlined this morning. In the chart I have shown on the left-hand side of this slide was included in last week's presentation and it provides a breakdown of the Group's project OpEx over the next three years, split between strategic investments and regulatory and systems maintenance.

On the right-hand side of the slide, we have broken out the total spend on strategic initiatives between GI and Bank, as well as more granular breakdown of spending within the Bank. Now, as with Insurance, the Bank's investment portfolio has been built bottom up, backed by good business cases with clear line accountability and is well spread across a range of initiatives under each pillar and with all of them being very proximate to our core banking business.

As you can see, nearly two thirds of the investment is on winning in home lending and everyday banking. Now of course home lending is our highest returning portfolio and so our focus is on delivering increased volumes and improving turnaround times across both the broker and direct channels. As Clive said, the uplift in growth from these initiatives will drive the balance sheet and NIM, in turn reducing the cost to income ratio.

The remaining strategic spend for the Bank is across optimising distribution and simplifying the business, which both target operating expense efficiencies. The Bank also receives an allocation of our investment in Group areas to improve their operational performance, as well as our digital capabilities. I also remind you that we expect to report a modest amount of additional restructuring costs in our other profit after tax line over the period. Consistent with the plan for the Insurance business, our strategic investment in the Bank is expected to peak in FY22 and to reduce in FY23.

With that, I will now hand back to Steve. Thank you.

Steve Johnston, Group CEO: Thank you Jeremy. Now, before we move to Q&A, let me briefly talk to some of the structural changes that we have announced this morning. As I pointed out last week and I've pointed out again today, advocacy remains a key pillar of the overall Suncorp strategy. To further underscore its importance, we decided to bring together our advocacy agenda which is currently managed across the business and make it a key accountability at the Executive Leadership Team table.

The People, Culture and Advocacy role brings together our traditional Human Resources, Culture, Corporate Affairs, Government Relations, Regulatory Affairs and our Customer Advocate functions. It brings them all together and I am delighted that Fiona Thompson, who is currently our Group CRO, will lead this portfolio from 1 June. Stuart Cameron, some of you will be familiar with Stuart, he is currently our CRO for Insurance and Financial Risk. He is a very experienced financial services executive, been at Suncorp for a period of time, will act in this role while we finalise the permanent appointment.

Now also, in line with best practice, the internal audit function which is led by Helen Davis will report directly to me for operational purposes while continuing of course to report into the Board or to Committee Chairman in relation to its ongoing audit activity. With that, let me hand over briefly to Fiona to make some comments and then we will move swiftly into Q&A.

Fiona Thompson, Chief Risk Officer: Thanks Steve and good morning everyone. As Steve mentioned, from 1 June I will be moving into the newly established role of Group Executive for People, Culture and Advocacy.

I joined Suncorp in 2001 and have over 25 years' experience in risk, regulatory, legal and customer functions, most recently as the chief risk officer, where I was responsible for Suncorp's risk transformation program. I'm really excited by the opportunity to bring together these important areas into a single aligned team. We will play a critical role in building trust, driving change and delivering better outcomes for all our stakeholders.

This slide outlines some of the early priorities for the new function. Over the past five years in the CRO role, I have continued to be impressed by Suncorp's culture. Our people are passionate about doing the right thing and caring for our customers and each other. These strengths provide Suncorp with a great baseline from which we can springboard. While keeping and fostering these elements, we will also be driving for higher performance and improved productivity.

As a large insurer and a challenger bank, Suncorp has a unique understanding of the issues which impact our customers and our community. To deliver on our purpose of building futures and protecting what matters, we will look to use these insights to advocate for change which benefits all our stakeholders and an example of this is the work we've already been doing on natural hazard resilience.

Core to achieving Suncorp's strategy is ensuring that we have the right capability at the right time. We will ensure our workforce planning, talent and training programs are aligned to deliver the workforce of the future and in doing so, supporting the development of our people.

Finally, we recognise that we need to continue to ensure that Suncorp can attract and retain great talent. Our vision is to be known as an organisation that is purpose led, with an engaged, productive and diverse workforce that makes a positive difference in the lives of our customers, shareholders and communities.

I believe that there is enormous opportunity in leading the people, culture and advocacy team and I look forward to working with Steve and the team to realise this. I'll now hand back to Steve.

Steve Johnston, Group CEO: Thank you Fiona. That brings us to the end of the presentation, the formal presentation. Just to mention, I've asked Adam Bennett, who is our Group CIO, who you met last week in the insurance presentation, has joined us for the Q&A session this morning. So we're going to start with the questions coming through the web online. The first one is from Nigel Pittaway. Let me read it through.

Given increased digitisation is not unique, why does it drive sustainable improvement in returns, why are Queensland volumes going backwards given you are predominantly a price take in home loans, can you control growth rates in the context to the extent you suggest? Clive?

Clive van Horen, CEO Banking & Wealth: Yes, I'll take those, thanks Steve. Thanks Nigel. Yes, of course digitisation is not unique to Suncorp and how does it drive sustainable improvement? We've already seen it driving sustainable benefit and you can think of digitisation in two ways. One is origination and another one is self-service maintenance or ongoing operational activity.

The big shift to digital origination clearly means that we don't need people to be doing those lower value-add services, for example originating a transaction account, a savings account, a term deposit and so on. With the mix already at 65%, there's still upside, but that has driven a shift in what those people can do in the branches, which is to focus more on the higher value-add activity. Also in the operations areas, we have a lot of manual process which can and will be digitised and will definitely drive significant return benefits.

Your second question about Queensland volumes, you're quite right, that our Queensland market share has been declining, but it is also too low. So if you look at other banks who have a home state, if you will, they have volumes or market share that is more similar to the big four banks or the smaller of the big four banks. So we will be investing more in our capability here, both in our direct channels and in our broker channels. Getting to a more natural market share alone will shift our overall volume mix to one where we're gaining share nationally.

Then your third question about we are predominantly a price taker, can we control growth rates to the extent we suggest, absolutely we're largely a price taker and as I said, our goal is not to be the cheapest and we don't want to be the cheapest, but we will be competitive consistently top quartile.

Since I joined Suncorp, I've walked, I've been around and I've done the grounds with the CEOs of all the listed and non-listed aggregator groups, probably the top 10 broker groups. Without exception, they all say to me they really want Suncorp to succeed. This is mirrored in the customer research which customers also say they want Suncorp to succeed. Many, many people want to have a credible, reliable alternative to a big four bank, strong enough but also agile enough.

I've got very high confidence that it's not about price, it's about delivering that consistent service and in particular turnaround time in a steady, predictable way to the broker channel that will drive growth without having to pull the price lever.

Steve Johnston, Group CEO: Okay, thank you Clive. Nigel, we'll open up to phones in a minute, so if you need another question, feel free to do so. Next question comes from Mark Tomlins from MS Tomlins Proprietary Limited, good to talk, Mark. Can you elaborate on the timing or when functions shifted from the Group to the Bank and did the shifts of these functions impact the cost to income ratio? Between Clive and Jeremy.

Clive van Horen, CEO Banking & Wealth: I'll start, Jeremy, you jump in. These functions moved from Group to the Bank mid late last year, so certainly when I joined and this was some of the conversation that Steve and I had, which was moving more of those functions to the Bank where it meant we could more directly manage those for the size of bank that we are.

That happened last year and this financial year the numbers that we're reporting are with that new structure in place. Without getting into the historical details, it means that close to two thirds of our costs today, total costs, are direct, are costs that we directly manage, which is digital, marketing, et cetera. So that is a key part of us being able to manage down that cost to income ratio over time. There have also been reductions at a Group level. Maybe Jeremy you want to jump in there as well.

Jeremy Robson, Group CFO: Yes and I'd just add, Clive, to the question about did they impact the cost to income ratio. Not particularly. All we've done effectively is take costs that were previously allocated and now include them in Clive's direct P&L. No substantive impact on the cost to income ratio. There have been some changes over time, things like the insurance business using less of the branch network, so some of that has and will continue no doubt to change allocations over time.

As we go forwards, as Clive said, now roughly about a third of Clive's costs are allocated in from the rest of the Group compared to previously two thirds, 70%. We will also see some reductions in those through the work I spoke about in terms of automation, process excellence in Group functions as well, so the Bank will, going forwards, benefit from those in its cost to income ratio.

Steve Johnston, Group CEO: Okay, so no more questions online. We might now go to the phones.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your first question comes from Andrew Buncombe from Macquarie.

Andrew Buncombe, Macquarie: Hi everyone, thanks for taking my question. Just two on the NIM please. The first one is a bit shorter dated, you said in today's APS 330 that NIMs remain strong in the most recent quarter. Can you give us a bit of colour around NIM expectations for second half of 2021 please? Thank you.

Clive van Horen, CEO Banking & Wealth: Well you're quite right and thanks for that. The NIM has remained strong. I probably wouldn't give you specific guidance on the second half, but clearly the trend from the current record low cost of funds rates, current record high NIMs is that over time certainly in the next couple of years, we would see that NIM coming more back to the target range.

Jeremy Robson, Group CFO: But in the second half, Andrew, we'd expect – we don't see any reason as we sit here today, to think that that sort of high level of NIM we saw in the first half would not be continued into the second half.

Andrew Buncombe, Macquarie: Okay, that makes sense. Then the only other question I had was a bit longer dated, you've commented on the NIM slowing reducing by FY23, I know the shape of the FY23 targets was important coming out of last week's investor day, can you give us a bit of an understanding of how you expect the shape of that trajectory for NIMs through FY23 please? Thanks.

Clive van Horen, CEO Banking & Wealth: Yes, so I would say steady, a steady trend as opposed to any dramatic [unclear sticks] or cliffs, Andrew.

Andrew Buncombe, Macquarie: Okay, thank you.

Steve Johnston, Group CEO: Okay, let's move to the next question.

Operator: Your next question comes from Kieren Chidgey with Jarden.

Steve Johnston, Group CEO: Hi Kieren.

Kieren Chidgey, Jarden: Morning guys. First question is a little bit related to that last question on the profile of the cost to income ratios. Should we expect that to be a steady improvement, similar to that commentary around the NIM or it again, like the [GIs] back in weighted into the 2023 year?

Clive van Horen, CEO Banking & Wealth: I hope you can hear me now because I've switched mics. But the big drivers, as I said of the cost to income improvement over the next three years are both revenue and cost, roughly one third revenue, two thirds cost. Cost benefits typically will flow through in a more smooth way, given the branch closures that we've already done. That'll be supported in the later part of the planned period by more automation.

On the revenue side, which is roughly the one third of the CTI improvement, that is driven mainly by balance sheet growth. As you'd know, write a loan today, it takes a while for that revenue to accrue on the P&L. So the revenue growth impact will be more of a build over the next three years. Jeremy?

Jeremy Robson, Group CFO: Yes, I think similar to what we said on insurance, Clive spoke to the revenue component, which takes time. Expense is we need to get the initiatives in and then for the benefits to come

through. We would expect to see some benefit year on year on the cost to income ratio, but to some extent, with the growth in revenue and the initiatives coming through the expense line, we will see more of that in FY23, but we will see some improvement in 2022.

Kieren Chidgey, Jarden: Thanks for that. The second related question, Clive you mentioned I think 30 branches have closed over the last 15 or so months. You've got 83 today. What is that optimal footprint service to support the strategy?

Clive van Horen, CEO Banking & Wealth: Yes, I mean we spent a lot of time thinking about this and tracking this one and we do not have a target, so I can't give you the number is X, but the key driver of all of this is customer behaviour. The big shift we've seen in customers, as I say, doing less stuff over the counter in a branch, more stuff digitally, more stuff online, more stuff through brokers, that is the key driver of the rate of change in the future.

We have a plan, but we will adjust that plan based on what customer behaviour does. If that digital transformation continues at the pace which of course we're supporting, we would expect that footprint to continue to adjust but with, as I said, an offsetting investment in higher value add activities like home lenders, mobile lenders.

Steve Johnston, Group CEO: Yes, Clive, I wonder whether you could just outline the enhanced role of the bank branch today relative to days gone by.

Clive van Horen, CEO Banking & Wealth: Yes, sure. So less lower value work transactional activity which can largely be done self-service. So for example, using ATMs, which are located on-site with all of our branches for customers to be able to do more of that self-service activity. Twenty-four-seven deposits, for example.

I think COVID has also taught us that customers are happy to do business when it comes to home lending, for example, not just in a branch. They like to know there is a branch but they're very happy to deal with a mobile lender.

So that's where we've increased the number of mobile lenders in our footprint and we'll continue to do so because customers are increasingly comfortable dealing with somebody, whether it's video, phone, or in person face-to-face.

Kieren Chidgey, Jarden: All right, thanks.

Steve Johnston, Group CEO: Thanks, Kieren.

Operator: Your next question comes from Andre Stadnik with Morgan Stanley.

Andre Stadnik, Morgan Stanley: Good morning, I wanted to ask two questions if I can. The first one, around the cost in - for the bank in dollar numbers. Many of your banking peers are talking about cost out and rough - just rough check suggests that you're up by [23 unclear] per centage wise which also implied costs falling. So if - can you just maybe confirm, are you expecting costs in the bank to be a low enough dollar terms for FY23 versus FY21?

Clive van Horen, CEO Banking & Wealth: Yes, we are.

Andre Stadnik, Morgan Stanley: Thank you and in terms of the branch strategy, if I could ask a question from the point of view of some of your peers? So ING, Macquarie, have taken share rapidly with technically no branches but being incredibly focussed just on serving clients and serving mortgage brokers. Is there any value in having a - Suncorp Bank having any branches? Is it just effectively cross subsidised the rest of the Group by having a physical presence?

Clive van Horen, CEO Banking & Wealth: Yes, it's a great question that and as I touched on in my presentation, I believe having a branch network is a strategic advantage. Without knocking any of our competitors, some of whom have done a great job through the broker channel, I believe we can do both and, and that gives us an advantage having a branch network. A more targeted branch network focussed on higher value activity because many, many customers still want to see somebody face-to-face and do value the brand.

Suncorp has a very, very strong brand, especially in Queensland where, as I say, we have big upside. So I think the benefit of having a branch footprint is, as I said, closing 30 branches means we can reinvest a lot of that saving in our proposition in digital as well as some benefits of the cost to income ratio.

So if I was a digital-only bank sitting here, I would have fewer levers to pull than we at Suncorp Bank have to pull.

Andre Stadnik, Morgan Stanley: Thank you.

Operator: Once again, if you wish to ask a question, please press star one your telephone and wait for your name to be announced. Your next question comes from Ashley Dalziell with Goldman Sachs.

Ashley Dalziell, Goldman Sachs: Good morning, everyone. Just initial question on your deposit growth, which sounds as though it has continued to improve with [unclear] into the third quarter. Could you perhaps just spend a bit of time helping to disaggregate the growth in the at call that you've been seeing?

I mean, how much is genuine high-quality transaction account main banking relationship-type growth versus, I suppose, some of the lower-margin at call products? I guess just in terms of we look forward a couple of years and start to think about returning to a more normal interest rate environment, how much of that deposit or funding mixed shift that you've achieved in recent years do you think you'll be able to maintain and term deposit rates beginning to look more attractive?

Clive van Horen, CEO Banking & Wealth: Yes, thanks, Ashley, you touch on a few really important points there. So first point I'd make is that at a macro or system level, deposit growth has slowed. That's industry-wide and we saw this massive surge in deposits across the system last year with all the fiscal support and everything else that went on.

So we do expect system growth to continue slowing. Our strategy to date has been very much to focus on quality deposits and so we look - the key measure we look at is what is our household deposit to market share? As you touched on, yes we have grown. We've grown that eight of the last 12 months, we've grown market share and net for the year, we've continued to grow that market share.

Our primary focus is on firstly transaction accounts so it comes back to the MFI strategy I spoke about earlier. The best quality deposits, the cheapest deposits. Having that customer as your main bank customer means you're more likely to do more business with them in other areas.

So number one, transaction accounts. Number two, savings accounts. Number three, TDs. We have very actively managed that mix and as I said, from 35% to 41% of the total book is now tran-accounts.

We will continue to drive very hard to increase that tran portfolio. Obviously as rates go up, that gives us a bit of a margin benefit which will offset some of the other margin headwinds on the lending side of the balance sheet.

How much more road is there in optimising that deposit mix? We've pushed it pretty hard. We will continue to optimise. We've probably extracted the most benefit that we can thus far but there will still be some benefit to come.

Ashley Dalziell, Goldman Sachs: Okay, then maybe just a quick follow on and then I have one further question. I mean, it - is the absolute level now of those genuine low-cost accounts large enough to start thinking about a more active hedging strategy and replicating portfolio, for instance? Which I don't think the Bank's really been in a position to run in the past.

Look, just a follow up question from one earlier around the profile of the NIM. The main headwind that you've outlined there just seemed to be the front-to-back book pricing dynamic rolling through. Can you just sort of quantify what that looks like in basis points per annum, please? Just to try and get that profile right?

Clive van Horen, CEO Banking & Wealth: Yes, sure. So just touching on those two points. We do have a replicating portfolio in our balance sheet structure so that is something that we've done for some time and will continue to do. In terms of the second question, I won't give you a very specific basis points forecast but I don't know, Jeremy, if you want to add anything there?

Jeremy Robson, Group CFO: No, that's - no.

Clive van Horen, CEO Banking & Wealth: Yes, probably better that we don't give you a very specific basis point forecast.

Steve Johnston, Group CEO: Okay, Ash, anything else?

Ashley Dalziell, Goldman Sachs: No, that's a hattrick, thank you.

Operator: Your next question comes from Brett Le Mesurier with Velocity Trade.

Brett Le Mesurier, Velocity Trade: Thanks very much. So, from what areas are you ahead of the major banks?

Clive van Horen, CEO Banking & Wealth: I think we're probably benchmarking pretty well against major banks in - and I wouldn't say all of the major banks but certainly several of the major banks in our digital capability. In our transaction account proposition.

Our home lending product itself. I'm not talking about the process but our home lending product is certainly a market leading product and it ranks that way. We get that feedback consistently from brokers and from customers.

I think in our blended distribution model. I mean, I can only speak from my own experience but I feel that we are ahead of certainly some of the banks in the way that we have been able to quickly pivot and blend branch and contact centre staff in a very rapid way. A very cost-effective way. So those'd be some things that come - that are top of mind.

Jeremy Robson, Group CFO: Clive, more contemporaneously, we're now better than all but one on turnaround times for our broker mortgage turnaround so that's pretty pleasing as well.

Clive van Horen, CEO Banking & Wealth: Yes and of course there'll be ups and downs so you know, these things don't just follow smooth trend line day in and day out or week in and week out but we've worked consistently hard in the last while to improve our mortgage turnaround times and as we stand, as Jeremy said, we're benchmarking pretty well.

Brett Le Mesurier, Velocity Trade: Does the cost to income ratio target assume a reduction in head office cost allocation?

Jeremy Robson, Group CFO: Yes, it does. So part of that reduction Clive spoke about in terms of the overall cost base for the bank, about a third of it's coming in from the Group and yes, we do expect to see some reduction on the - on those allocations. It's relatively modest relative to the others but yes, we do expect to see some reduction.

Brett Le Mesurier, Velocity Trade: Lastly, looking at that slide where you had the balance sheet growth from third quarter '20 to third quarter '21, there's about an $800 million increase in total drawdowns. Can you give us an indication of what proportion of that came - of the increase was due to brokers?

Clive van Horen, CEO Banking & Wealth: Yes, so we track - so just to recap, so runoff three big components that are called out. The first is customers paying back their loans faster. The second is customers paying back loans when the sell their property and the third is external refi.

We track each of those three measures for both broker and the direct channel. The rates are slightly higher for broker, especially on the external refi. So you do - we do see a slightly higher return rate for broker-originated loans than direct originated loans. Not materially different though across the two channels.

Brett Le Mesurier, Velocity Trade: Sorry, the question I was really asking was on the upside. So your drawdowns increased from three quarter '20, from $2.4 billion up to $3.2 billion in the third quarter…

Clive van Horen, CEO Banking & Wealth: Oh, sorry. Yes, sorry, I misunderstood your question. Drawdowns or settlements as we'd call them. Yes, we've seen improved performance across both broker and direct channels but the biggest uplift has been in the broker channel.

Brett Le Mesurier, Velocity Trade: So do you have a sense as to - for the increase in $2.4 billion to $3.2 billion of $800 million, do you have a sense as to what proportion of that was brokers?

Clive van Horen, CEO Banking & Wealth: Oh, I wouldn't want to give you an exact percentage without checking the precise number but it will be the significant majority will be driven by broker.

Brett Le Mesurier, Velocity Trade: Okay, great. They're all the questions I have. Thank you.

Steve Johnston, Group CEO: Okay, thank you Brett.

Operator: Your next question comes from Matt Dunger with Bank of America.

Matt Dunger, Bank of America: Thank you for taking my questions. If I could just ask on the cost to income target, why have you chosen a relative target rather than an absolute cost target? How controllable is the Bank revenue and what sort of underlying growth? I think you're talking to a $45 million drop in the project and

investment slate from ’21 to ’23. What sort of underlying inflation are you looking at to give us a sense of the absolute cost base?

Jeremy Robson, Group CFO: So on the costs, obviously within that aspiration around the 50% cost to income ratio, there is an absolute cost element to that for us that reflects the expected growth in the portfolio. We - you know, we feel that the revenue assumptions are pretty reasonable and the cost to income ratio is reflective of that.

So yes, we do have an absolute cost target in there, that’s reflective of the benefits of the initiatives I spoke about.

Matt Dunger, Bank of America: Thanks, Jeremy and just on the Group dividend payout ratio, can you continue to sit at the top end of that target range while delivering volume growth of one to 1.5 times?

Jeremy Robson, Group CFO: Yes, so look, I - obviously we’ve got a 60% to 80% target payout range and the plan that we’ve got has been constructed to enable us to - as we’ve done recently, to - or putting COVID to one side, sit more at the top end of that range. So yes, the plan has been constructed to enable us to continue to do that.

Matt Dunger, Bank of America: Thank you, very much.

Operator: Your next question comes from Andrei Stadnik with Morgan Stanley.

Andrei Stadnik, Morgan Stanley: Good morning, I just had another question for Clive. Can you talk about - when you’re thinking about the mortgage origination process and comparing what Suncorp is today versus best practice you might have seen elsewhere, how far along is Suncorp in the journey and how long could it take to get Suncorp up to best in class?

Clive van Horen, CEO Banking & Wealth: Yes, I think there are areas in which we currently benchmark quite well and have made some changes recently which put us up there with the best. Those improvements that we’ve seen in our volumes and turnaround times, I think are far from the maximum opportunity.

Our goal is to get that turnaround time to be consistently better than the pack. Consistently better than the pack and the gap between the current market leader and the pack, if you will, is quite wide.

So we think there’s a lot of room between the current market leader and the pack and that’s the space that we want to move in very quickly. All the plans that I’ve spoken about will get us into that space.

Andrei Stadnik, Morgan Stanley: Thank you.

Operator: Your next question comes from Kieren Chidgey with Jarden.

Kieren Chidgey, Jarden: The reallocation of Group cost to the Bank. Are they costs that are being removed from the Group entirely or will this lead to [unclear] higher cost line? Of say, either a corporate or within the GI?

Jeremy Robson, Group CFO: So Kieren, the - what we’ve done is, we’ve effectively rather than allocated costs from Group functions to the bank, we’ve just moved the functions into the bank. So as I said, there’s not an impact on the Bank’s overall cost base, it just changes what’s direct and indirect costs.

What it does, though, is enable - it gives Clive more direct line of sight over his - more of his total cost base. So rather than one-third, two-thirds, it's sort of the other way around, give or take. So it gives him more a line of sight around that and therefore more ability to control and influence that cost base.

But what it hasn't done is meant that we've got more costs that are residual in the rest of the Group. We've just reallocated them and then the work for Clive to do to understand and look to get more efficient around that larger cost base.

Kieren Chidgey, Jarden: All right, thank you. Jeremy, the Wealth costs, are they - will you be re-stating to the Group overall cost targets for [funnel] of that business when it converts?

Jeremy Robson, Group CFO: Yes, Kieren, I think - I mean, that would be our expectation. We've got to get through the process up to completion and settlement which is early part of next year but once we're through that, then yes, I would expect everything else being equal, we would look to do some re-statement of those cost numbers.

Kieren Chidgey, Jarden: Okay and can you give us a feel for what the annual cost base of that business is? Is it around $60 million?

Jeremy Robson, Group CFO: Yes, it was $60 million last year. It's probably a little bit less than that this year because part of the cost base for Wealth last year included the advice business that we exited so it's probably closer to $40 million or $50 million but you'll see what that will be in the FY21 numbers.

Kieren Chidgey, Jarden: All right, thank you.

Operator: There are no further questions on the phones at this time, I'll now hand back to Mr Johnston.

Steve Johnston, Group CEO: Okay, thank you very much everyone for the questioning and just in conclusion, I do thank you for taking the time to listen in on the presentation.

I think one of the key things that we've been focussed on at Suncorp is to make sure that everyone in our organisation understands the role they play in delivering improved products, improve service for our customers in insurance and banking and that flows through to improved outcomes for our shareholders.

Today, you've seen that under Clive, we've got a new Bank leadership team. We've given them end-to-end control and accountability of their P&L and they're responsible for and well on the path to improving the returns out of the bank.

The business, as I mentioned, had positive momentum through our half year result. That positive momentum has continued and that's a reflection of the increased focus that we've provided on the core of that business.

We believe we've got a compelling strategy for the Bank, one that associated with some target investments, will drive sustainable growth and reduce over time the cost to income ratio in line with our target.

As in Insurance, I'm very confident on the outlook for the Bank and while we're making good progress, we recognise emphatically that there's more we need to do but we believe we can do it.

So with that, let's conclude. Thank you again for joining us and we look forward to catching up with many of you over the next couple of weeks as we go around to talk further about the momentum in our business as we lead into the full year result. Thank you very much and have a great day.