To view the presentation please click here.

Steve Johnston, Group CEO: Good morning and welcome. I am Steve Johnston and let me begin as always by acknowledging the traditional owners of the lands on which we meet and to pay our respects to all Elders past, present and emerging.

Now, at our interim results presentation in February I introduced our three-year business plan. That plan is focused on delivering returns above the Group's cost of capital by FY23. We indicated then that we would provide you with greater visibility of the key initiatives over the plan period and fundamentally how they will translate to improvements in the key financial metrics and our return on capital aspirations.

In today's session we will focus on our general insurance businesses and present the program of work that will help deliver the required improvement in the underlying ITR. Now, the agenda for today is outlined on this slide. We are going to spend about 45 minutes talking through our presentation and the plan and follow that with Q&A. Next Monday in Brisbane we will provide a similar presentation and detail the progress we are making towards the Bank's key initiatives and we will also release the APS 330 quarterly returns.

To the next slide and as you know last year, we reset our business model and made structure and personnel changes right across the Group. In the Bank this meant providing more end-to-end accountability under the CEO Clive van Horen. In Insurance it meant speeding up the process of transformation by allocating the key operational responsibilities across a number of executives. I am joined today by five members of the Executive Leadership Group and I have included a brief file of each on this slide. All five play important roles in driving improved performance across General Insurance.

First, it's inevitable in a presentation like this that we will spend the bulk of our time considering the financial implications of our initiatives and our plans. Now, without diminishing the importance of the numbers we will discuss today, I want to briefly describe a framework for how we see those outcomes being achieved at Suncorp.

The Financial Services Royal Commission was a wakeup call for the industry amplifying the need for a stronger alignment between what we do and how we do it. COVID has reinforced this alignment. At Suncorp we have put purpose at the core of our business. In six simple words we have defined what we stand for and the role we play in society. Our purpose comes to life through our people, capable, engaged and diverse, with an innovative mindset we deliver valued outcomes for customers and the communities we live and work in. The end result of all that are the financial outcomes we will talk to today and a sustainable, investible and importantly a growing business.

In addition to defining our purpose and resetting our business model structure and team, we have continued to work on simplifying Suncorp. For our 13,000 plus people a simpler Suncorp means everyone knows their role in improving the way we deliver products and services to our insurance and banking customers.

For you shareholders it means an easier to understand Suncorp, with our effort focused exclusively on those businesses, portfolios and products where we can leverage our scale and expertise to deliver improved returns.

Most recently this has included the sale of our Wealth business to LGIA Super, a transaction that will allow Clive and the team to focus exclusively on the initiatives that we will talk to in next week's presentation.

To give you confidence that what we are doing is working I want to briefly recap our interim result and update you on the continued underlying momentum we are seeing through Q3. In February, we reported improved earnings in all divisions and cash earnings up by over 40%. Our Australian Insurance Business delivered written premium growth of 4.4% on an underlying basis.

In Consumer we grew GWP by over 5% with positive unit count. In the Blue-Ribbon Motor portfolio, we saw both unit and AWP growth and that's a key barometer of the health of our multi-brand portfolio. New Zealand delivered GWP growth of 5.4%, driven by strong performance in the direct channel. We saw releases well above 1.5%, improved investment returns and claims benefits that were starting to be realised.

The Bank result showed a continuation of low-cost deposit growth, record net interest margin and continuing strong credit quality. In the result we appropriately provided for business interruption claims and through the cycle bad debts while reporting almost a $1billion of excess capital. Unlike many of our competitors, we avoided deeply discounted dilutionary capital raising through the COVID period.

I am pleased to say that while the weather has continued to be challenging, this underlying momentum has continued into the second half. The rate and unit trends across GI both in Australia and New Zealand have continued. Our Q3 valuations across Insurance point to continuing favourable experience at the long-sale portfolio and the overall adequacy of our BI reserving.

We have also made good progress on our 2022 reinsurance renewal. In the Bank I am pleased to say we now have had positive balance sheet growth through February, March and April, while deposit growth has continued, and margin remains well above our target range. Importantly for the strategy, digital interactions continue to increase across both Insurance and Bank as our program of work starts to kick in.

As we move into this presentation let me recap. Everything you hear today is grounded in our purpose. Everyone at Suncorp understands their role in improving the way we deliver for our insurance and banking customers and we have continued to simplify the business. Our program is underway, it's in flight and it is working, but we know we have got a lot more to do.

I am going to hand over to Adam first and then to Lisa, Paul, Jimmy and finally Jeremy to tell you how we are going to do it. Over to you Adam.

Adam Bennett, Chief Information Officer: Thanks Steve and good morning everyone. My name is Adam Bennett and I am Suncorp's Chief Information Officer. I joined Steve's team in July 2020 with over 25 years' experience leading teams at Commonwealth Bank of Australia, EY and Carney. At CBA I was CIO for the Retail and Business Banking divisions, then Group Executive Business and Private Banking. I was directly involved in CBA's technology modernisation and led multiple transformational programs, including delivery of new innovative customer propositions and digitisation of end-to-end processes.

My remit at Suncorp covers our technology, data, automation, partnering, Group strategy and transformation teams. These areas go hand in hand as our key strategic initiatives are all underpinned to a large degree by

technology. Since I have joined Suncorp, I have been impressed with the strong technology foundations that Suncorp has in place.

The marketplace investment included the development of new digital assets and an adaptable API integration layer. This allows us to deliver ongoing customer experience and efficiency benefits through incremental investment in our existing technology assets, while at the same time we are progressing targeted modernisation of our core banking and insurance technology platforms.

You saw this slide showing our strategy on a page at our interim results in February. To Steve's earlier point, our purpose sits at the top and is the key driver of sustainability of the organisation. The plan is customer led, enabled by technology and of course will be brought to life by our people. This plan was developed in the second half of calendar year 2020 where the experiences of COVID-19 showed us that we could adapt quickly and accelerate the next phase of changes all aimed at delivering sustainable growth.

I have a high degree of confidence in the plan based on a number of key ingredients. Firstly, we have developed this plan in full consultation with key business line leaders who have a deep understanding of what needs to be done to enhance our market competitiveness.

Second, we are confident in the returns we can deliver from our investments because they are enhancing our existing core insurance and banking businesses which already delivers strong incremental return on capital. Thirdly, we have taken an end-to-end view of delivery to accelerate the pace and the efficiency of our change execution, be it funding for persistent cross functional teams, uplifting our agile delivery capabilities, or creating clear and effective governance.

Our ability to enable the strategy from a technology perspective is also critical to our success. We have a clear program of work underway and as I mentioned earlier, we are building on strong foundations.

In the past 12 months, we have successfully upgraded and replaced our contact centre technology with a new state-of-the-art telephony platform. We've rolled out a modern desktop and collaboration platform for all of our staff, scaled out an ordination centre of excellence and continued to migrate technology services to the cloud, with over 60% of systems already hosted externally by market-leading cloud providers. Work is also well progressed in modernising our core customer, analytics and AI and data platforms.

Steve has highlighted how some of the early tactical changes we have made are driving momentum in the core businesses. To continue this momentum and deliver on our aspirations, the investments we make must translate to improvement in our key financial metrics: growth, loss ratios and expense ratios. Ultimately we want to create a virtuous cycle where we reduce our costs, enabling us to reinvest for growth. To achieve this, all the initiatives you'll hear about today are line led and form a key component on the respective executives' accountabilities and remuneration scorecard.

I'm now going to hand over to Lisa to take you through some of these initiatives in more detail.

Lisa Harrison, CEO Insurance Products and Portfolios: Thank you Adam and good morning. I was appointed CEO insurance product and portfolio when Steve implemented the new Group operating model in July last year. I've been with Suncorp for over 16 years in a range of insurance roles, including product and pricing, strategy,

operations and brand and marketing. I was the Group's chief customer and digital officer before taking up this role and have previously worked at both CBA and Royal & Sun Alliance Insurance.

My current remit includes portfolio management, pricing, underwriting, distribution and marketing for our Australian insurance portfolios, consumer, commercial, CTP and workers' compensation. And Paul and I shared joint accountability for the Insurance Australia P&L and worked closely to drive the performance of the Australian insurance business.

My team and I are working on three key streams of work to improve customer experience, drive growth and improve our loss and expense ratios. As you can see on the slide, these are revitalising growth, optimising pricing and risk selection and delivering digital-first customer experiences. Let me take you through each of these areas now in further detail.

Firstly, to revitalising growth, this includes strengthening our brands and marketing and investing in the SME intermediary channel and CTP. In terms of our consumer portfolio, we have a suite of well-recognised brands that reach two out of there Australia adults. We have, however, been losing share, so our immediate focus is arresting this decline. For a multi-brand manager model to succeed, each brand needs a clear value proposition, ensuring minimal overlap, as well as the right investment in marketing and product design.

Over the past 18 months, we have created virtual brand teams, completed detailed customer segmentation, reassessed our creative campaigns and developed a strategy to optimise our marketing spend. We have also addressed gaps in market for product features. As a result of this work, we now have clear brand propositions and a strategic approach to marketing and innovation.

For our consumer brands, AAMI remains our leading national brand. It is already the number one insurance brand for consideration nationally and reached a new peak in January this year. AAMI's refined creative campaign differentiates its strong product features compared to other mass-market competitors. We have also added a range of new home insurance product features which are already seeing strong take up.

Suncorp is our Queensland regional champion. Recently we launched two campaigns focused on resilience, One House and Build it Back Better. These reinforce Suncorp's relevance to its home state.

GIO is our regional champion in New South Wales. GIO is a premium brand which offers comprehensive coverage and competes head-to-head with the motoring clubs. GIO continues to deliver strong retention from its highly loyal customer base.

Our niche brands, Shannons, APIA, Terri Scheer, Bingle and CIL are positioned for growth in defined target markets. These brands delivered growth above system in the March quarter, with Shannons delivering record new business sales in February.

Now we know here is a high correlation between effective advertising and growth, which is why our three-year plan has us spending more on advertising. We are confident our refined strategy will contribute to our target to deliver consumer unit growth in line with system.

Turning to commercial, Vero remains a strong brand and we see a range of opportunities in SME through both the broker and direct channels. We are also making considerable investment in improved connectivity with

broker platforms and will continue to refine our direct SME proposition with a focus on a new digital experience and product offering.

Lastly, in CTP, we're investing in modernising and digitising sales and service capability, primarily in New South Wales, which will also continue to drive growth and enable us to leverage a national scale in the portfolio.

As Steve said, our top line momentum has continued into the third quarter and these are encouraging early signs, but we have a lot more work to do.

Next, I would like to talk to pricing and risk selection and having worked in the industry for a long time, I know how fundamentally important this is to our success. Firstly on pricing, we've increased rates across our portfolios to recover significant increases in our natural hazard allowance and reinsurance costs. Headline rate increases of around 10% have been put through the home portfolio and unit losses remain within acceptable levels.

At the first half result, we had repriced about 50% of our home portfolio, with around 10% to 15% of the increases having earned through the P&L. We have maintained pricing and units over the quarter 3 and remain confident that price increases will continue to earn through the book. All else being equal, these will contribute to an increase in the underlying ITR over the planned period of around 100 basis points.

Moving on to risk selection and we are investing in a contemporary pricing engine, CaPE, which will significantly improve our risk selection. Our current pricing engine, GIPE, has served us well since 2003. However, technology has evolved and our current systems have limited flexibility. For example, we know open-plan living is a key driver of average claim size. To add this as a rating factor in our current system has been a time-consuming and costly exercise. With CaPE, this removes the current limitations and will enable us to use real-time data, utilise a full customer view and in time, enable us to personalise products.

The new pricing engine represents our largest investment in pricing and underwriting and is one of the material drivers of the planned increase to underlying ITR as it drives improvement in both our loss and expense ratios. We expect benefits to be realised for home pricing from the second half of FY22, with rollouts to other portfolios continuing through FY22 and FY23.

In our commercial portfolio, we are also investing, in particular an underwriting tool to enhance our capability in the property portfolio around risk analysis, natural hazard exposure and pricing. Further investments in our underwriting tools and processes will continue across other commercial portfolios.

Turning to portfolio management, we will continually review the mix to ensure we have the right capabilities to successfully compete, ensure our products provide value to customers, as well as appropriate returns. The portfolio exits we announced recently at the interim results are expected to deliver a slight improvement to margin, albeit reduced GWP of approximately $150 million.

Finally, our program to invest in digital distribution is a significant opportunity to both improve the customer experience and at the same time transform our cost base. There are a range of investments we're making with this initiative. The most significant are automating and digitising our contact centre processes, implementing productivity measurement and management systems and, for our people, further leveraging our new telephony platform.

Today 70% of our transactions for mass brands are through contact centres and 30% digital. Our ambition is to reverse these percentages and we believe this is possible while delivering a better customer experience, which will be positive for our brands' NPS. COVID has accelerated the transition to digital. Last year we saw self-service transactions increase by 25% and claims lodged online increased by 19%. But despite this, we still see around 73% of simple transactions, such as change of address, done via our contact centres.

Simplifying and digitising our processes will free up our frontline teams to provide a better customer experience, as well as maximise productivity. With over 7.6 million inbound calls annually and a contact centre workforce of around 2000, significant opportunities remain. We also recognise that at times and especially for high-value transactions, our contact centre needs to be there for our customers and to do that well, they need the right technology.

A new telephony platform was recently deployed to our contact centre agents in sales, service and claims roles. The new platform delivers capability across customer experience and efficiency, such as intelligent routing, which passes the customer to the best qualified agent, as well as sophisticated call analytics. These investments in digital are a key lever for reducing expenses and will deliver around half of the improvement in the expense ratios.

In summary, my team and I have clear accountabilities to revitalise growth, improve our pricing and risk selection and to drive digital first. We are already seeing results which gives us confidence that we can continue to deliver significant further improvements in the way in which we serve our customers, which will also drive improved shareholder returns.

I will now hand over to Paul to take us through best-in-class claims.

Paul Smeaton, COO Insurance: Well, thank you Lisa and good morning everyone. It's a pleasure to be here today. I am the CEO of the insurance business. I've been with Suncorp for 26 years and have worked across most aspects of the insurance business. I was the CEO for Suncorp New Zealand before this role. My accountabilities include all claims, operations and project delivery for the Australian insurance business. I am also accountable for Group procurement and real estate.

On this slide, I've outlined the key focus areas for our best in class claims program. Today Suncorp offers a full end-to-end claims journey for our home, motor, commercial specialty and personal injury customers. We manage standard working claims right through to large-scale natural hazard events.

We have set ourselves an extremely high benchmark. Our ambition is to be best in claims management, not just in Australia, but globally. Our research tells us certain insurers are best practice for certain components of the claims value chain, but no one is best in class end to end. Accordingly, we have four streams of work underway that we are confident will deliver global best practice.

Firstly, optimising the outcomes and performance of the claims supply chain. Secondly, end-to-end digital lodgement and tracking. Thirdly, market leadership in natural hazard events management. Finally, strengthening our operational performance. I'll now run through each stream to give you a bit more colour around what we are doing.

So, firstly, optimising the outcomes and performance of the claim supply chain. Last financial year we spent around $7 billion on our supply chain. So, we have a huge opportunity. Starting with motor and the work we did through the business improvement project, means we are already reasonably mature on how we manage motor suppliers.

Capital S.M.A.R.T manages 45% of motor claims under a fixed-price arrangement. We also have a preferred repairer network to further drive down cost benefits. We've also recently implemented InPart, which is a platform that provides live pricing and availability for new and alternative parts, giving us much greater visibility and control over our costs.

In personal injury, medical service providers are critical to successful claims handling and return-to-life outcomes. As a result, we are piloting innovative early-intervention initiatives across all our schemes. This will provide improved care outcomes for claimants, as well as reducing claims cost. Specifically, in Queensland and New South Wales CTP, our target is to get claims cost below industry average. Pleasingly we are already seeing improvements.

Next to property, where we have a significant opportunity, annual spend in the property supply chain is around $1.8 billion. Compared to global best practice, our capability today lacks granularity of spend, in terms of labour, materials and repair costs. We lack digital connection with these suppliers. We need to be more disciplined in how we manage the performance of our builders and we don't fully leverage our scale.

As a consequence, we are now investing in technology to improve the visibility and control over our spend. For example, we have implemented In4mo, which supports the end-to-end property claims workflow for assessment and repairs.

In addition, we have also built an implemented a tool which has standardised invoice data capture across the building supply chain. This will help us better understand labour and material payments and benchmark against industry rates. We will also use this data to inform bulk-buying strategies. Finally, we will be consolidating our building network, with new contracts to commence in December of this year.

Now, our second stream is end-to-end digital lodgement and tracking. Today, 80% of claims are lodged via traditional contact centres. Our long-term ambition is to flip this on its head and have 80% of claims lodged online. Now, while COVID has accelerated our customers' willingness to do things digitally, this is still a major shift for our business.

If customers today completed a home digital lodgement process, we would have a consistent 50% adoption rate. This gives us confidence that our 80% ambition is realistic. For customers to do this digital, the experience must be end-to-end and better than the physical experience. So, we are investing in our motor, property and personal injury lodgement and tracking capability.

This includes implementing express claims management to allow customers to lodge and self-fulfil simple claims. Artificial intelligence will quantify the loss and enable the customers to cash-settle, or select the best alternative supply option. For more complex claims, we are making enhancements to facilitate automatic allocation to claims managers, assessors and appointments with supply chain trades.

We are also investing and enhancing our webchat and collaborative browsing functionality to support customers through the claims process and also provide proactive SMS messaging and self-service options to keep our customers up to date in terms of the claims progress.

Our third stream is to consolidate our market leadership in natural hazards event management. Natural hazards are not only a substantial cost to Suncorp, but the increasing frequency and severity of events impacts our customers and the communities in which we operate. Obviously, the investments I've already outlined or discussed in digital lodgement and tracking and optimising the supply chain will assist in managing natural hazard event claims.

Specifically for natural hazard events we have created a flexible working model where we have over 200 experienced permanent claims advisors, who'd work normally two days a week, but then can scale up to five days when an event occurs. The benefit of this model was clear during the rain and floods in New South Wales during March, where we scaled up overnight and saw wait times drop from over seven minutes on day one, down to seven seconds on day two. This is great outcome for our customers.

We've also implemented a series of initiatives such as geospatial technology, virtual assessment and zero-touch motor hail digital lodgement capability, to accelerate event response, improve the customer experience and ultimately reduce natural hazard and claims cost. Through this stream of work, we aim to limit the impacts of inflation on our natural hazard allowance.

Now, the fourth and final area to focus on is to strengthen our operational performance. Today in claims and operation we have a workforce of over 4000 people. Many of our people perform manual work, which will be automated over time, enabling them to focus on more value-adding work.

In parallel we need to measure and manage more effectively the productivity of our claims and operations workforce. Accordingly, we have commencing the roll-out of a productivity tool across claims and operations. We anticipate a 10% efficiency improvement for those areas that utilise the tool. Across our claims business, we will also seek to leverage our global partners, which in turn will supplement our capability, reduce costs and maintain high service levels.

Finally, our real estate footprint. Going forward in a post-COVID environment, Suncorp is transitioning to a hybrid working model, which sees the work-from-home dynamic continuing and the use of the office being repositioned. Our previous use of office space showed our people attending four days a week. Post-COVID we are forecasting this to be two to three times a week.

This reduced office usage forecast enables us to target a space reduction of circa 20% by the end of financial year 2024. So, that's the four streams of work under best-in-class claims. I'll now hand over to Jimmy.

Jimmy Higgins, CEO Suncorp New Zealand: Thanks, Paul. Good morning. It's fantastic to be physically here in Sydney. My name is Jimmy Higgins and I joined Suncorp in 2008. I was appointed the CEO of Suncorp New Zealand in October of last year. I was previously the New Zeeland CFO and before that the EGM for claims. During this time, I managed our Christchurch and Kaikoura earthquake recovery programs.

The Suncorp New Zealand is made up of three distinct business, Vero Insurance, Asteron Life and AA Insurance. These businesses are well-recognised and trusted brands across the general and life insurance

markets in New Zealand. We sell Vero and Asteron products, we are a corporate partner and intermediated channels. We also sell products directly under the AA Insurance brand. AA is an exceptional business and is the second most trusted brand in New Zealand, behind the All Blacks.

Now, our claims define our brands and set us apart from our New Zealand competitors. This is what brings our purpose to life and is what all our employees stand behind. Our ambition is to be the number one choice for New Zealanders because of our digital capability and our connected intermediated model.

Our portfolio's have delivered very strong performance over the past three years, with reported ITRs in the mid to high teens, and underlying ITRs that are above long-term averages. Our three-year plan focuses firstly on driving growth by strengthening our brands and partnerships and secondly, delivering best-in-class claims.

Both of these initiatives are underpinned by significant uplift in digital-first customer experiences. I will now take you through initiatives in more detail, by starting with growth where we are investing in our strategic brands and partnerships.

Firstly, for Vero, we currently have programs of work targeting GWP and customer growth across our broker and corporate partner channels. In the broker channel, we've been investing in improved digital capability for connected broker platforms. This enables brokers to place business directly into our policy systems, which leads to both a better customer experience and a better all-round efficiency for Suncorp.

Next in the corporate partner channel, our partnership with ANZ is extremely important, as they have a relationship with nearly one in every two New Zealanders. Consistent with ANZ digital strategy, their customers will soon be able to purchase our products through the ANZ internet banking and goMoney app, motorists going live later this year and home and contents will follow in FY22.

We're also targeting growth through our relevant market share of top brokers. We are already seeing benefits through increased participation schemes, as well as unit growth and intermediate consumer lines.

Next, in Asteron Life, we are driving new business growth by specifically targeting advisors with a compelling market proposition. Our renewed operating structure and relationship model is already demonstrating positive new business growth.

Lastly, the AA business, which is our fastest-growing channel. AA's ambition is to provide customers with seamless and integrated access to more products and services from the AA brand and AA-branded partners, all under our well-established and trusted brand, something that no other financial service provider is able to achieve in New Zealand.

The customer GWP growth seen in AA insurance is expected to continue into the near future. The development of the AA ecosystem will further enhance retention of these new customers and protect the margins being achieved by AA Insurance. This growth is highly profitable, however given AA's mix of business is weighted towards consumer motor, it will put some pressure on the overall loss ratio for our New Zealand business.

Next, to best-in-class claims. We are developing a modern, digital claims management system. By moving to a single claims platform, we will improve customer service through simplifying and automating processing and more effectively managing workflow. The updated platform will enable further improvements to our claims management and assessment process, as well as adding webchat and self-service capability.

This program will also aim to delivery seamless connectivity with suppliers and partners, enabling more efficient processing of claims, which will deliver faster, more consistent outcomes for our customers.

Similar to Australia, a material component of our workface engages in standardised manual work that will be automated over time. The cost efficiencies gained through further standardising and automating this work will directly benefit our expense ratio over the plan.

So, summing up, we are very confident in our plan and the improvements it will deliver. We are seeing significant growth in AA Motor and naturally this will put some pressure on our loss ratios. However, we started this digital journey 12 months ago and the capability we've built for our brokers and corporate partner channels are now being implemented and will drive further growth and efficiencies over the planned period. With that, I will now hand to Jeremy to run through the financials.

Jeremy Robson, Group CFO: All right. Thanks, Jimmy. Good morning, everyone. I'd like to now bring together what you've heard from the team and what it means from a financial perspective. I'd like to start with Suncorp's FY23 aspiration, which we first showed at our half-year result in February.

The goal of our plan is to deliver strong shareholder returns, with a core focus on growth, return on equity, great execution and strong balance sheet management and all this to drive TSR. As Steve said, we aim to deliver both growth and sustainable returns above our through-the-cycle cost of equity, which we estimate to be around 9%.

Now, to deliver these sorts of returns, the general insurance business needs to have an underlying ITR in the 10% to 12% range. The bank cost-to-income ratio needs to be around 50%. Our dividend polity to pay 60% to 80% of cash earnings to shareholders remains unchanged. We also remain committed to returning capital, surplus to business needs, to our shareholders.

So I'd now like to take you through the all-important underlying ITR outlook. First up, as a reminder, underlying ITR is a metric that we use to give a sense of the trends in our underlying performance over time. As opposed to an absolute measure of profitability.

As you have heard from the team, we are confident that we have a compelling set of initiatives which will enable us to deliver a 10% to 12% underlying ITR in FY23. This implies an improvement of approximately 400 basis points from current levels, assuming the COVID-19 frequency benefits are now non-recurring.

Lisa, Paul and Jimmy have discussed the key drivers this morning. To summarise, we see the improvement being driven by three key levers. Firstly, repricing will drive an uplift of around 100 basis points. As Lisa discussed earlier, we have been putting through premium increases primarily in the home portfolio, reflecting our reset reinsurance and natural hazard allowance. These price increases will earn through progressively over the next 12 months to 18 months.

Secondly, the initiatives discussed today will contribute to an improvement in our loss ratio of around 150 basis points to 200 basis points. Lisa will drive optimised risk selection, and Paul will drive end-to-end digital lodgement and tracking supply chain optimisation and improved operational performance. When looking at our scale and claims performance relative to others in market, as well as the expectation of some normalisation in New Zealand, we believe this improvement in our claims ratio is quite reasonable.

Lastly to expenses. Accelerating digital adoption and self-service, contact centre automation, and improved productivity will help drive down our cost to serve. Project costs are also planned to reduce in FY23. These factors, when combined with higher net earned premium, are expected to drive the operating expense ratio down by around 100 basis points to 150 basis points.

At a portfolio level we anticipate the improvement in underlying ITR to be driven predominantly by the Australia home and motor portfolios. We are pleased with the underlying performance of commercial and workers comp, and we look to consolidate these margins.

As Jimmy talked about in his presentation, we expect New Zealand margins to normalise modestly. We expect to see our growth initiatives and the portfolio repricing delivering over the near-term, continuing the trends seen in our recent results. Given the average payback period on the initiatives is around two-and-a-half years, underlying ITR will remain broadly flat over FY21 and FY22. But with a stronger uplift to come through in FY23.

I would also like to reaffirm the sustainable nature of our FY23 aspirations and to cover off a few of our key assumptions. Firstly, notwithstanding having materially reset our natural hazard and reinsurance costs over the past two years, we are still allowing for some modest increase.

We are not expecting any major changes to the existing reinsurance program, and assuming no major events to 30 June, we are well on track to renew the FY22 program. I remind you that our reinsurance philosophy and the structure of our program is aimed to optimise ROE, but with an eye on capital, and retains P&L volatility. Of course we will continue to seek out opportunities to further optimise the program.

Secondly, we continue to allow for prior period reserve releases at 1.5% of NEP. This is driven by the work that Paul is doing is doing on CTP claims performance, and the assumption that inflation remains benign. I note our ILB portfolio also provides some hedge against inflation.

Lastly on investment markets. We are allowing for a continuation of a low yield environment, with the three-year bond rate assumed to be around 50 basis points in June '23.

So now I'd like to move onto the Group operating expense base. The chart I've shown here is similar to what we presented at the half year result in February, but with some additional detail. The most significant driver of the expect temporal elevation in costs over FY21 and FY22 is the additional spend on the strategic initiatives to deliver the outcomes we have outlined today.

As you can see, our FY23 underlying expense base is expected to be broadly in line with FY20. Now this means we will offset inflation and growth over the planned period with ongoing efficiency gains, as we have now done successfully for several periods.

In terms of the drivers of the underlying cost base ex-projects, we are investing in marketing to drive growth, and technology as we digitise the business. Whilst this will ultimately translate to reduced costs, there a timing difference which sees [inaudible] slightly higher expense base in FY22.

The strategic initiatives that Lisa, Paul and Jimmy discussed earlier are the key levers helping keep our underlying expense base flat. Initiatives in the Bank will also help, which Clive will discuss in more detail next week.

Now I've also included, on the right-hand slide, some more colour on our investment slate. Typically we plan to spend around $200 million a year on projects, being a mix of strategic investments as well as regulatory and systems maintenance. Our plan sees total project spending increase above this level in FY21 and FY22 as we invest in strategic initiatives, before normalising in FY23.

Now I have also provided a breakdown of OpEx for insurance strategic initiatives. As you can see, there is a good balance of spending across a wide range of initiatives with strong governance and clear accountability in place, as Adam said.

While the majority of project spending will be expensed, we are capitalising some costs relating to a small number of projects. Including the investment in our new pricing engine, CaPE. We also expect a temporary uptick in claims handling costs as we invest in class claims.

Spending on regulatory and systems maintenance remains elevated. We expect some reduction in these costs in FY23 however they are likely to remain above pre-Royal Commission levels and to be a feature of the project slate in the near-term. In aggregate we plan for project spending to normalise in FY23, which in addition to expense benefits will see improved leverage and the Group total OpEx base return to $2.7 billion. With that I will now hand back to Steve to wrap up.

Steve Johnston, Group CEO: Thank you Jeremy and the team. Now before we move to Q&A I want to briefly talk to a matter that's close to Suncorp's heart. You'll know that we have long argued for that we must build more resilient communities in a face of a changing climate, and as our growing population increasingly settles in those regions that are most exposed to risk.

Now it's obvious why this should be a matter this close to our heart, and of interest to you our shareholders. But for us it's about far more than just dollars, allowances, expenses and claims. It's fundamentally about people. Behind every uninsured large loss is a human being. Most commonly a family, and far too regularly it's a story of dislocation, depression and despair.

Research we released earlier this year underscores just our vulnerable many of our communities are, and the important role that insurance plays in rebuilding local economies and lives. Now for our part we have always been prepared to play a constructive role in this debate. The One House initiative that Lisa mentioned earlier is just one good example.

We have also outlined a four-point plan for creating a more resilient Australia. Now I won't repeat it, but we have included it on this slide. At Suncorp we stand ready to support the government's efforts to improve insurance affordability in Northern Australia through the establishment of a reinsurance pool. We are also very supportive of the disaster resilience funding that will be included in tonight's budget. We commend the government for this good first step.

In terms of the pool, it's very early days. But our discussions with the government to date have been both constructive and well-intentioned. As the region's largest insurer we understand the issues better than anyone, and we would be looking to take an active role in helping design the scheme.

So that brings us to the end of the formal presentation. We might now move to Q&A. For the purposes of Q&A we might start - we'll take questions by both online and via the phone. But given we've got some online

questions that have come through already we might just start there, and then we'll progressively move through those online questions and then move to the phone.

I might start, given the hour in London, he stayed up very late in the night to ask this question. So Rob Wydnbach, who is in London, has got two questions. The first one is, how do we get market share back in home, and is it important? What are the key things you'd need to do, assuming it's not price?

The second part of the question is, what further steps are required in the commercial insurance business ex-CTP to return the business to an acceptable return on capital?

So maybe if we start with you Lisa, and anyone else on the team that wants to jump in please feel free to do so.

Lisa Harrison, CEO Insurance Products and Portfolio: Thanks Rob, and equally thank you for staying up late to listen in and ask your questions. Let me share that I am confident in our ability to improve the unit trajectory in the home portfolio. It is an important portfolio. Why am I confident? (1) This is a simple plan. It is proximate to the core. It invests across the value chain on the insurance business, with an equal weighting to invest for growth through things like revitalising the brands.

Already we have delivered some product innovation in the home portfolio, and we're starting to see some solid take-up rates off the back of that. As well as investing for margin. So for the home portfolio, as I said, we are investing in our brands, in our propositions, in the customer experience.

Then Paul and his team have a pretty significant program of work around claims. Already we're starting to see some pleasing results in terms of the strategy starting to deliver.

Steve Johnston, Group CEO: Paul, do you want to add anything on the property program?

Paul Smeaton, COO Insurance: Just that I mean I think if it's not pricing then very quickly you go to the claims experience. Obviously with an ambition about the investing class claims that will help private. If you look at the program, I've talked about digital lodgement and tracking, that is key. If we can get that a really good experience it will encourage claimants to lodge claims that way.

Then you get to the supply chain where if we manage that effectively, if we get our cost base down which allows Lisa to price with margin, and obviously grow our business.

Steve Johnston, Group CEO: Okay, well, the second part of Rob's question was, what further steps are required in the commercial business ex-CTP to return to acceptable returns on capital? Lisa, do you want to kick off there?

Lisa Harrison, CEO Insurance Products and Portfolio: So our commercial insurance business is already delivering strong returns on capital. I'd take you back a couple of years ago where we started early repricing and some portfolio remediation. That has put us in a very strong position. As I highlighted in the plan, we are making investments around our underwriting, reselection and pricing activities to further strengthen that portfolio. Working alongside with Paul as well, he's got a range of initiatives in the claims space for commercial.

So I'd say well-positioned, and already to date delivering acceptable returns.

Paul Smeaton, COO Insurance: I might just add to that Steve, that what we have seen in the commercial portfolio over the last two years to three years now is good remediation on both price and the risk profile in that

book. So what we're seeing today are the benefits of that work that we have been going off the last couple of years. To some extent we have led the market there.

So as Lisa said, we are comfortable with where the returns are on commercial now. Still a little bit of work to do, but roughly comfortable. The key job is to maintain.

Steve Johnston, Group CEO: Okay, this next question online is from Matt Dunger. What are the opportunities to deliver supply chain efficiencies? What impact has the S.M.A.R.T stuff had on motor repairs claims inflation? How will you ensure claims optimisation benefits are not competed away. Paul?

Paul Smeaton, COO Insurance: Probably one for me. Okay, so in terms of the opportunities to deliver the supply chain. Hopefully you saw in the presentation, we see that it has to be one of the large opportunity - it's a stream of work. Then if you look at sort of that stream and you peel the onion, we probably, we think, we believe motor is pretty mature. But we will get some efficiencies there through how we manage parts and the supply of those.

It's Property where we see the main gain there and the reason I say that is you just compare ourselves to our peers. We're not where we need to be and we just believe there's a lot of opportunities by having that granular of spend of where we're spending our money, managing the performance, the [bill] is a lot closer and then using that understanding of the supply chain better to actually have better bulk buying strategies. We do see the opportunity quite large, followed then by personal interest I suppose is how I would look at it, but yes.

Steve Johnston, Group CEO: Paul, the fixed price contracts in S.M.A.R.T.

Paul Smeaton, COO Insurance: Yes, well to the next question, yes, smart. Obviously, we sold S.M.A.R.T a year ago. In that arrangement we put in place a three-year fixed contract on pricing, so we have set pricing and 45% of our claims go through S.M.A.R.T. In terms of S.M.A.R.T today, I mean we also still have a 10% shareholding, so we are a part of that Board so we actually therefore can influence strategy and also governance. So, we are comfortable with where the S.M.A.R.T arrangement is at the moment and obviously it's helping us mitigate against any inflation that's coming through the book.

Steve Johnston, Group CEO: Okay, Doron Kur, the next question online. It says with such a strong rate environment why is SUN not more ambitious with its growth targets in Personal Injury? Lisa?

Lisa Harrison: Yes, thanks Doron. I would say this is an ambitious but achievable plan that we have in place in terms of our Personal Injury business. Certainly, for us it is about ensuring the sustainability of the business. It is investing in our brands to better meet our customer needs. It is investing in our products, again, to reach a large number of Australians and at the same time it is taking into account our history in the past of losing a little bit of share.

Our first stop is to address the unit decline and already we are seeing some good progress that we outlined at the half and we have spoken through today and continuing to move forward to grow in line with system and at the same time deliver an improved margin. So definitely clear momentum in place and I think a good track record of delivery around that.

Steve Johnston, Group CEO: Okay, down to Melbourne, Andrew Pak at Franklin Templeton. Again, in your domain Paul and you might have addressed some of these in your previous answers, but can you provide some

context around the progress towards global best practice in claims that is assumed in the 150-200 basis points improvement in the loss ratio and how would this metric look if SUN achieves global best practice?

Paul Smeaton, COO Insurance: Okay, in terms of progress, so today I just talked about the key initiatives, but to be honest we have a program of work which has 50 plus. If you look at that program of work, we have the full governance in place, project managers, teams deployed, everyone working on it and in actual fact when I talked to the presentation, we have actually implemented a lot of those things so it's now embedding it and operationalising it. So, progress is very good, momentum is clearly there.

In terms of how would metric look like if Sun achieves that, it will go straight to loss ratios. Our loss ratios when we compare ourselves to our Australian peers should be better than theirs and it's as simple as that. That's what we are driving for.

Steve Johnston, Group CEO: Okay. From Kieren Chidgey, GI underlying ITR margin profile is the area he wants to talk to. With costs broadly flat into 2022 and investment yields having bottomed, why will underlying ITRs be broadly flat in FY22 before improving into 2023? Jeremy, that's one for you.

Jeremy Robson, Group CFO: Thanks Steve. Thanks, Kieren for the question. What we see is we can see costs increasing a little bit 2021 to 2022, bearing in mind that we see the restructuring costs, we put those below the line, they don't go through the underlying ITR number, so there is a slight increase in costs in 2022. We do see the benefits of the ongoing margin expansion, particularly in Home, coming through and then we see a little bit of expected normalisation in New Zealand as I called out.

Then we also are seeing, expecting to see, some modest increases across that natural hazard reinsurance category as well. All of that adds up to there's a little bit of margin expansion expected for 2022, but in the scheme of the walk from the 7% to the 10% to 12% range, whilst we see a little bit of improvement in 2022, most of the improvement comes through in 2023. That's as you would expect. It's an insurance business. It takes time to see things like premiums earned through.

Steve Johnston, Group CEO: Importantly, we have got good visibility of the program of work now and we are seeing the program start to pick up, pick up steam and those benefits starting to be realised which gives us confidence that that trajectory of margin will step up between 2022 and 2023 quite materially.

Okay, we are going to go to the phones now and we will see who has got questions on the phones.

Operator: Thank you. If you wish to ask a question via phone, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. Your first question comes from Ashley Dalziell from Goldman Sachs. Please go ahead.

Ashley Dalziell, Goldman Sachs: Thanks. Morning everyone. Probably a few for Jeremy here. Maybe just picking up on the last one around the margin trajectory 2022 on 2021. Are you talking to a flat-ish profile on the headline 2021 margin inclusive of the COVID benefits in the first half or more of an ex-COVID margin?

Jeremy Robson, Group CFO: Yes, it would be ex-COVID. If you look at the margin trajectory, we had 7.1% in the first half of this year excluding COVID benefits. What we have said is that we would like to hold that margin for the second half, acknowledging that the second half for this year has got a reasonable step up in those strategic investment costs. Even holding margin flat in this half actually sees some of that underlying margin

improvement come through putting the increase, the temporal increase in strategic investment to one side. That still leaves us around 7%, 7.1%, and it is that sort of number that we are then benching off in terms of going through to the 10% to 12% range.

What we are saying is that it will be relatively flat on that baseline. A little bit of margin expansion but we will see the major increase in FY23, but importantly as Steve said, to some extent that's the nature of our business. We are investing in it. The payback on them, some of the stuff that Paul is doing, is a little quicker at one and a half years. Some of the payback on the growth in OPEX is three years. It sort of averages out around two and a half years and therefore you get to see more of an uptick in FY23.

What I would hope through FY22 and what we will do is provide the markets to our shareholders in terms of how we are progressing against those initiatives and be able to demonstrate that you can see the underlying performance, notwithstanding a slightly flat underlying ITR.

Steve Johnson, Group CEO: Ashley, another question?

Ashley Dalziell, Goldman Sachs: Yes, please. Maybe just coming back to some of the new disclosure on your cost targets. Picking up on the regulatory systems piece, that clearly drives a big part of the savings that you are targeting. I guess the first part, how should we think about Wealth dropping out of the business? I think that probably made up a decent part of your re-costs in recent years. Then secondly, just the confidence in cresting the hump on those reg and system costs. It's obviously been pretty one way traffic since the Royal Commission. Have you seen enough to suggest that those projects are going to fall away?

Steve Johnston, Group CEO: I might just quickly make some overarching comments and hand to Jeremy and Lisa and others that might want to comment on this particular program of work. I mean I think inevitably we will see an uplift in our annual spend on regulatory and systems maintenance post the Royal Commission versus pre the Royal Commission. I think that certainly we are reaching the crest of the hill as you say in terms of the post Royal Commission work and inevitably the quantification and the enormity of some of the changes that have gone through that program post the Royal Commission by definition won't happen again hopefully for another five to 10 years at least.

Unfair contract terms, renewals, DDO, various big programs of work that came through the Royal Commission, they won't be ongoing, but the impact of regulatory costs will be higher in our assessment than it was pre the Royal Commission. Jeremy?

Jeremy Robson, Group CFO: Yes, just maybe coming back to the Wealth question first. Obviously, there are some costs in the business relative to Wealth and we would look to, yes, we haven't adjusted for those yet, but we would look to adjust for those with some stranded costs, a reasonably marginal amount. We would expect to get those out over time.

With the investment slate, we have certainly seen substitution over the last few years as you would expect in the environment. So, we have seen some of that discretionary spend being replaced by the necessary spend on both regulatory, which by the way is a really broad church of change going from CTP reform all the way through to things like new accounting standards, all of the unfair contract terms, codes of practice changes, et cetera, in the middle, so it's a pretty broad range of change.

We have seen substitution over the past few years where we have had to invest more in that and less in the strategic growth part of the agenda. We would expect to see that turn around over the next few years and to some extent the amount of money that we have spent on Wealth will be part of that substitution. We think, as I called out, that we would normally plan to spend around $200 million in that category and so when you look at the chart I put up around the spend profile of the next few years on projects, it's just important to note that the strategic investment element of it is not all incremental. We will always spend some investment envelope in the business anyway.

Lisa, I don't know if you want to add anything more on the regulatory program?

Lisa Harrison, CEO Insurance Products and Portfolio: No, nothing really to add, but I do think important to highlight that FY22 should see us implement most of the regulatory reforms from the Hayne Royal Commission.

Adam Bennett, Chief Information Officer: I might just add quickly on the system maintenance slate. Over the last couple of years, we have had some quite significant uplifts of some of our core platforms and infrastructure. We talked about the telephony platform that is now complete. In a few weeks' time we do a major upgrade of our core claims management platform and well underway, as I described, upgrading a number of our core analytics and customer and data platform.

We do see that over FY21 and FY22 we kind of feel like we have got over the hump of some of those very significant technology and maintenance investments. Of course, we would always expect to need to maintain the environment, but as we move more of our services to Cloud as I described and a number of our systems that are now moving to more of a, kind of as a service model, we would expect to see less of those big lumpy maintenance spend projects that we might have had to invest in over the last couple of years.

Steve Johnston, Group CEO: Okay, we might keep going through the phone questions and Ash, if you have got another question, please come back at the end of the proceedings. Next question on the phone.

Operator: Thank you. Your next question comes from Nigel Pittaway from Citigroup. Please go ahead.

Nigel Pittaway, Citigroup: Good morning everyone. I mean if you look in the past when you have managed to achieve such improvements in the margin, they have been pretty temporary, and those margin improvements fast dissipate. You are obviously talking about a big spike up in the margin in FY23. Obviously looking back to the 2014/2015 period is when you got better margins in the past. I mean what confidence can you give us that this improvement that happens in FY23 will be more sustainable than the improvements that we have seen the Company deliver in the past only to be dissipated pretty fast thereafter?

Steve Johnston, Group CEO: Yes, well I might just quickly talk to a couple of the key factors that have materially moved the margin over that period of time and Jeremy can fill in some of the gaps. The two I think that are most obvious is the step change in both our natural hazard allowance and the re-insurance cost regime. Going back some time there was always, as everyone on the call would understand, a debate and discussion around the adequacy of that allowance and over the past two and a half years we have made material changes to the allowance and stepped it from the $600 million mark to sitting now around $950 million and incrementally moving up from there.

We have also seen a material reset of re-insurance markets and their fundamental view on Australian insurance risk and that manifested itself for all primary insurers in Australia, most particularly in our book 12 months ago. We don't anticipate resets and repricing arrangements of that magnitude in the medium term, but we have contemplated increases in the plan.

The other big one is the one we've just talked about, which is the imposition of material regulatory costs post the Royal Commission, which have consumed larger amounts of our project slate. They're the two, I think, the reasons we talked about.

The peak of the regulatory costs starting to come off now as the program of work post Royal Commission is implemented and our comfort around the sustainability of our natural hazard allowance and the reinsurance program going forward gives us confidence, alongside this program of work which we've planned out to 2023, but will be ongoing beyond that point, that these the sorts of margins that we should be able to target within the business to deliver the appropriate returns, then ladder up to the Group's return on capital obligations and ambitions. Jeremy?

Jeremy Robson, Group CFO: I'll just add, Steve, that obviously yield environment is a little different too and when we've looked at our aspiration the 10% to 12% for FY23, we have assumed a continuation to low-yield environments, so I think that's a reasonable assumption. We're not expecting a tailwind to come through from that, maybe up a little bit, not a tailwind from that.

The other point I'd make is that in terms of what's different is a lot of this change back to the 10% to 12% range is actually driven out of our approach to the full end-to-end value chain and thinking about the full value chain of ITR and particularly the work Paul is doing on claims. In terms of the sustainability of it, when we look at where our claims loss ratios are relative to peers, there's a reasonable gap and obviously some of it is structural, but not all of it. We know there's opportunity in our claims loss ratios that Paul can capture.

We are 5% different to our major competitor and around 10% relative to some of the challenger brands. We're talking about a couple of per cent improvement in our claims ratio; we think that's both quite reasonable and quite sustainable.

Steve Johnston, Group CEO: Nigel, do you have another question?

Nigel Pittaway, Citigroup: Yes, I do, thanks for that answer. The other question was just on obviously you've again reiterated that you will return any surplus capital to shareholders. Can you maybe outline any factors that are causing any uncertainty as to whether or not that might be sooner rather than later?

Steve Johnston, Group CEO: I think the macro factors are the ones we've talked about previously and the most prevailing one would be no surprise in pointing out, is just the macroeconomic environment, which is materially different than we contemplated 12 months as we entered COVID on almost every measure. So it's a significantly more positive outlook today than it was obviously 12 months ago, so that gives us a lot of confidence around that trajectory.

But, I guess like everyone, we are waiting to see how the economy responds to JobKeeper, JobSeeker runoff over time and so far so good. That's an encouraging parameter, so you'll always look at that macroeconomic outlook in considering your capital balance.

I guess the other ones are more tactical, we talked about them, they're more on the periphery, things like maintaining a buffer of excess capital so that as we come into a reinsurance renewal, we can be trading off the pricing that we see in the reinsurance market versus retaining some more volatility on our own P&L. Now that comes at a cost of capital.

I think we've given some very clear signals today that we are very comfortable and confident in our ability to reinstate the reinsurance program in broadly the same construct as this year. Now I haven't got any wood with me, but I would always touch wood on that and there's a bit of weather around in Australia at the moment. So I don't want to call that too early, but we're very confident with the progress we've made in renewing the program.

Then there's obviously some other capital consumptive activities that you always look at when you do a strategic asset allocation. Your insurance business will always look to move some of those portfolios around and that obvious brings some capital consumption into play.

The bank is growing again, which is going to consume a little bit of capital, but look, in absolute, the quantum of capital we have, we're in a very, very comfortable position and we will reassess it quite materially through the full-year result. I think that's the right time to do it and to the extent that we have excess capital that's beyond the needs of the business, our commitment has always been to return it to shareholders. Jeremy?

Jeremy Robson, Group CFO: I've got nothing to add, really, Steve. I think that says it all I think.

Nigel Pittaway, Citigroup: Thanks very much.

Steve Johnston, Group CEO: Thanks Nigel. Andrei, I think you're next on the line.

Operator: Thank you, your next question comes from Andrei Stadnik from Morgan Stanley. Please go ahead.

Andrei Stadnik, Morgan Stanley: Good morning, thank you, Steve. I have two questions. If I can ask first question around the portfolio balance, it seems that some of the recent increase in volatility from catastrophe impact has been driven by relating towards shorter-tail lines. Is there an opportunity or an option to try to weight the portfolio back towards longer-tail lines of business, given that the short-tail lines are now seeing more catastrophe impact?

Steve Johnston, Group CEO: Jeremy?

Jeremy Robson, Group CFO: When we look at – I'll maybe let Lisa talk to the portfolio mix piece, but when we look at our natural hazards volatility over the last few years, really most of that volatility is less portfolio, maybe there's a little bit of it, but more to do with just natural volatility and hazards. We have seen a step-change over the last 10-15 years, we are thinking about the way we are looking at our natural hazard allowance and making sure that it's reflecting the more up-to-date experience.

We've seen a little bit more volatility this year because of the weather patterns this year, but so look I think the natural hazard volatility is more a function of the weather than the portfolio shape. But Lisa, any thoughts on the portfolio?

Lisa Harrison, CEO Insurance Products and Portfolio: Yes, in terms of the portfolio, I would say it is well balanced. In the personal injury portfolio, we are the largest market share at a national level and we've continued

to be able to maintain that share historically. At the same time, we have seen some appropriate growth in the workers' compensation portfolio and as well we've been very disciplined around our commercial portfolio.

So we do look at the portfolio as a whole. We do have a very good balance and as you've seen today, what we are outlining is an investment across each of the portfolios, to also make sure that we continue to deliver sustainable returns.

Steve Johnston, Group CEO: Andrei, it does go without comment, but it is very obvious that if there are new opportunities for us to participate in some of the long-tailed schemes, as they may be privatised or otherwise or programs of work that may be taken out of the public sector into the private sector, we're always very confident in our ability to deliver a range of services to customers that are as good, if not better, than any of our competitors. So if those schemes do emerge over time, we'd obviously have a very close look at them, given the leverage and scale that we've got in personal injury.

Andrei Stadnik, Morgan Stanley: Thank you. My second question, I wanted to ask around the supply chain and operational improvements that you're targeting. How do you think about achieving those in light of some supply chain issues in the car industry globally and also anecdotal evidence of supply chain issues in Australian building and construction industry? How do you navigate those whilst trying to deliver the efficiencies you mentioned?

Paul Smeaton, COO Insurance: I'll take that one, Steve. Okay, so on the motor supply chain, what we are seeing is some inflationary impacts, particularly around the parts but also around technology in windscreens. In terms of how we're mitigating that, as I said before, we do have fixed-price arrangements with S.M.A.R.T., where 45% of our volume goes through there and we also have fixed-price arrangements with other suppliers. So that helps mitigate at the overall level.

You then go specifically into parts itself and we've rolled out this system called InPart and what that allows us to do is understand where parts are nationally and it also allows us to understand whether there's alternative parts or OEM parts and we actually share that with our repairers, so it allows them to source parts at the optimum price. That's how we mitigate that.

On the home side, similar sort of position there. We've rolled out this system called In4mo, so today we have 37 repairers, so by rolling out In4mo, we can actually manage scope and allocation of work to those repairers. Then by putting in place this tool called ICBM, we can now very clearly see at the detail level how much we're spending on timber, labour, whatever the material might be and we can actually compare that to industry benchmarks, so therefore very carefully manage the supply chain.

In addition to that, because we now understand at the granular level what we're spending our money on, we're now starting to think about bulk-buying arrangements, so how can we go to the market nationally and use our scale to buy parts. Then probably the only thing I'd finally add is we are looking to renegotiate our repair panel over the next weeks and have a new panel in place by December of this year. So all of those things will go to help mitigate the impacts of inflation in the home and the motor book.

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

Operator: Thank you. Your next question comes from Kieren Chidgey from Jarden. Please go ahead.

Kieren Chidgey, Jarden: Morning guys. I just had a question for Lisa on the rollout of the new pricing engine. I'm interested in your thoughts on whether there are any positive or potential negative volume consequences from that new rollout.

Lisa Harrison, CEO Insurance Products and Portfolio: Thanks Kieren for that. As I outlined, we are rolling through a new pricing engine. We will have it in place for some of our brands for home later this year. What I would say is I see this very much as a huge positive for the general insurance business, the rollout of this pricing engine. One, it will allow us to utilise real-time data, it will allow us to utilise customer data and regularly update our risk selection factors. So that's hugely important for us to get the appropriate balance in place in terms of both pricing for risk and being disciplined in that pricing for risk and ensuring and optimal unit and customer outcome.

So I'm very confident. The team have actually been using in an offline environment, bit of a technical term, the pricing engine already and already we're starting to see some pleasing results.

Jeremy Robson, Group CFO: I think this is a large undertaking, as Lisa said, probably the single biggest investment in the front end of the business. I think we've chunked down the work, so we've got a very confident delivery plan that allows us to incrementally deliver value across the different portfolios. We've put a lot of focus on the automation across the end-to-end testing, as an example and a very integrated cross-functional team between Lisa's pricing team and portfolio teams and the technology team. So definitely a big undertaking, but we're well underway.

Steve Johnston, Group CEO: Other question, Kieren?

Kieren Chidgey, Jarden: I just had a quick second question around, I guess, the digital lodgement and self-service both from the consumer and claims side of the businesses. I'm just wondering if you could talk to some of the leading industry benchmarks out there at the moment, how do you think you compare today and what gives you confidence for a more mass-market brand like yourselves, you can inverse those sort of relationships over a two-year period?

Steve Johnston, Group CEO: It's a great question and core to what we're doing is our ability to leverage the digital investments that we'd made incrementally enhance them to turn both digital lodgement of claims but also sales and service from the sorts of ratios that we see today to the ones we aspire to in a number of years' time. But Lisa, do you want to start with sales and service and then we'll go to Paul?

Lisa Harrison, CEO Insurance Products and Portfolio: Yes. So Kieren, why I'm confident is certainly against the backdrop of COVID we saw far more demand for our customers to interact with us digitally and at the same time, over the past couple of years, we've continued to see digital interactions grow. To give you a sense, for our mass market brands in terms of sales, already we see over 50% of sales coming through the digital channel.

In many of the instances, what we are trying to do are really simple lower value transactions. So obviously we're coming into June, tax time, lots of people are asking for tax invoices and certificates of currency. We get bombarded with requests for that and so what we're doing is just making that functionality easier for a customer to do that within 10 seconds through their device.

We know our customers want that. Increasingly, they're asking us for it - for that and we've just got the teams rolling out that functionality so a lot of the things we are trying to do is just take very simple transactions and enhance the digital experience which gives me a lot of confidence in our ability to execute and the fact that it will also lift the customer experience.

Steve Johnston, Group CEO: Paul?

Paul Smeaton, COO Insurance: Yes, I mean, I do think our ambition of 80-20, 80% digital, is achievable and the proof points I use is, if I just take for example, in an event scenario. Say for a hail event. We've seen already that we get adoption rates of over 50% in the motor space and the same in home. It's up there, as well in the 50%.

So for us, it's just around making the experience as good as the physical experience and we've done a lot of analysis around when people go in and start a digital lodgement, where do they fall out. Just by improving where they fall out, we can immediately get up to 50%.

Therefore, we'll just enhance that further using AI and slowly get up to the 80% over the planned period. But we are confidant. People are - the customers are asking to do things digitally. It's obviously it's a result of COVID and the like but it - we do think that ambition is realistic.

Steve Johnston, Group CEO: Okay, let's keep going on the phone.

Operator: Thank you. Your next question comes from Andy Chuk from Macquarie Group. Please, go ahead.

Andrew Buncombe, Macquarie: Hi everyone. It's actually Andrew here. Just one question from me, please and apologies if you addressed it at the start of the call but you mentioned a couple of times over the course of the call you're expecting a modest increase to natural hazards allowances in FY22. It'd be really helpful if you could put some dollar or percentage numbers around that, please. Thank you.

Steve Johnston, Group CEO: I'll hand to Jeremy in a minute. Is that your alias, Andrew? Anyway, look, I think going into this, I mean again, we ought not get too far ahead of ourselves because we do have, what is it? Six weeks or so before we end the financial year and I think as we sit here today, we are probably running around $50 million ahead of the allowance, give or take a few million dollars, at the end of April.

So I guess the way I would look at that in the construction of the allowance is that going into a La Nina weather pattern and to have landed about where we are today is not a bad outcome, I think, in the context of historical La Nina years. But, I caveat it by saying we've got six weeks to go and there's a bit of weather around at the moment so we continue to monitor that very closely. Jeremey, do you want to go?

Jeremy Robson, Group CFO: Yes, look, I mean the point to the comment really was just to demonstrate that we've tried to think credibly around the assumptions we've got in our aspirations - that sit behind the aspiration and we felt that just having a flat outcome on natural hazards and reinsurance as a bucket - because as we go through, we'll trade one off against the other to some extent but having a flat cost across those two probably felt a little bit aggressive.

So we have put into that aspiration allowance for, as I said, a modest increase. Probably, if you think about that in the context of underlying inflation in the portfolio, somewhere in a similar amount as that. So it's low singles.

But what I would say is that - on reinsurance, is that as we've gone through this renewal, certainly the front end of it, there's a lot of rhetoric in the market around the need for reinsurers to improve the sustainability of their returns but what we've seen through the renewal program is yes, that's true but there's still a lot of capacity in reinsurance markets globally and there's still very strong interest in the Australia New Zealand region in particular.

So we - as Steve said, feel confident around FY22 and we've made, I think, what is a sensible allowance in the aspiration - what sits behind the aspiration.

Steve Johnston, Group CEO: I think, Andrew, just to add to that, to pick up Paul's program of work, I mean the work that Paul is doing in terms of natural hazard event response will also play very favourably through the natural hazard allowance over time as well.

Andrew Buncombe, Macquarie: Excellent, thank you.

Steve Johnston, Group CEO: Okay, we'll go the next question.

Operator: Thank you. Your next question comes from Siddharth Parameswaran from JP Morgan. Please, go ahead.

Siddharth Parameswaran, JP Morgan: Good morning, everybody. Just three questions, if I can. Firstly, just on the loss-ratio improvement you're assuming of going from 150 to 200 basis points. I was intrigued with your comments just around - your observations around your claims ratios.

I think you said that they're - they seem to be around 5% worse than your peers, 10% worse than your challenger brands and broadly, you're saying that you're happy with the performance on motor. Maybe if you could just maybe share your observations as to why you are so much worse?

I mean, it seems to suggest that you must be materially worse on home. What are your observations? I think previously you've made comments around excessive coverage. Maybe if you could just comment on that part first, please?

Steve Johnston, Group CEO: Jeremy, do you want to kick off?

Jeremy Robson, Group CFO: Yes, so the first thing said is, it's often a difficult comparison to make because of mix in the portfolio so it is a bit hard to pull out but that's our best estimate around it. We would say that part of that difference is structural so we don't have the motoring club brands in our portfolio so there is some structural differences, which is why we're not proposing to - suggesting that we close all of that gap down because some of it is structural.

But we do think there are some elements of that gap that relate to our value chain on claims that yes, go all the way through from risk selection, coverage, all the elements that Paul's spoken about in terms of supply chain, lodgement processes et cetera. So we think there's an element of it that is structural and just will be there because of the different shapes of the portfolios on the books but equally, we believe there's absolutely an element that we can deal to and Paul, you want to add some more?

Paul Smeaton, COO Insurance: I'll add that as per the presentation that there is a lot of opportunity in the home space and I think I've talked to what we're going to do there. I think on the personal injury side and if I just think

as an example, if I think of New South Wales CTP where I've done a lot of work in recent - I mean when you compare our average claims cost to industry, we're at 105%.

So our ambition is to get back to under 100%, 99%. That's in New South Wales and Queensland, CTP will be a similar story. So there is a lot of opportunity in personal injury. I had a lot of experience in my previous work there so I believe that's achievable as well so that will drive a lot of that improvement.

Siddharth Parameswaran, JP Morgan: But just the question on coverage. You'd previously - I think Steve, in your presentation, maybe at the half year results, I think you said you were looking at coverage and whether that was excessively generous as well. Is that an observation of the conclusions you've made?

Steve Johnston, Group CEO: I think it's a contributor to it and an area of focus for us. I mean, I think we have had - certainly in terms of our interpretation, some of the regulatory standards and some of the covers that we had provided, I mean, we're very conscious that in many of our brands, that is an essential ingredient of the differential that - or differentiator that those brands have relative to their competitors but we have to make sure that it's going to be recognised in pricing.

So we are progressively going through the portfolio, top to bottom, to look at the coverage we provide and the extent to which it's being valued by customers, brand by brand by brand. It's the work that Lisa's doing. We'll make adjustments where necessary, bearing in mind the nature of the brand that we're talking about.

I think one of the things, Sid, on loss ratios is, as an organisation, over the past decade, we've done a lot of work in claims. We've gone into motor and this is the first time we've actually laid out loss ratios end to end. There's pricing, there's capability in pricing, there's infrastructure in pricing. There's risk selection more broadly. There's managing the portfolio geography - by geography and then there's all the work that Paul's doing in claims.

So this is an end-to-end focus on loss ratios which I think is probably the first time in a decade that we've done this piece of work at this level of detail.

Siddharth Parameswaran, JP Morgan: Yes and just one final question on the loss ratio issue. Just your pricing engine, are you actually going to be collecting new data on your customers? Or is - are you just going to be slicing and dicing your existing data better? Because that seems like a harder way of raising margins but if you're - are you actually going to try and collect more data which perhaps might give you an edge where some of your competitors have been - have perhaps had an edge over the last few years?

Steve Johnston, Group CEO: Lisa? Do you want to…

Lisa Harrison, CEO Insurance Products and Portfolio: Yes, Sid, it's going to be a combination of both. So already, as you know, we are data rich, but the current pricing engine has had limitations in terms of the ability to ingest and use that data. Obviously, the new pricing engine we will put in gives us greater flexibility and agility around that but also, in terms of we continue to update our models understanding around natural hazards as well and put that through the books.

Steve Johnston, Group CEO: Okay, let's go to the next question on the phones.

Operator: Thank you. Your next question comes from Brett Le Mesurier from Velocity Trade. Please, go ahead.

Brett Le Mesurier, Velocity: Thanks very much. Steve, just going back to something you said before. You said you were $50 million ahead on perils. Did that mean that your perils were $50 million greater than the allowance at this stage?

Steve Johnston, Group CEO: Year-to-date. That's correct and I think we've got around $60 million -$70 million in allowance remaining for the rest of the year so if we have experience in line with the allowance through May and June, the essential outcome would be, we'd be $50 million ahead for the year. But, Brett, it's - if you were sitting in front of me today, I'd be just saying there's a caveat which is there's six weeks to go and we don't get ahead of ourselves.

Brett Le Mesurier, Velocity Trade: Sure. I was just checking, that was all. Have you stemmed the market share losses in home? I wasn't clear, I thought, from what you said earlier. Were you still losing market share?

Steve Johnston, Group CEO: Lisa?

Lisa Harrison, CEO Insurance Products and Portfolio: Yes, in terms of our home portfolio, our priorities at the moment are very much ensure we've got a disciplined approach to price for inflation and delivering an improving trajectory on the home portfolio.

I do want to note that there have been a few exists that we are undertaking as we announced at the half. So obviously Vero consumer portfolio, that is largely home based and also earlier in FY21, we had an embargo in certain types of product categories such as landlord, which has obviously affected the home unit position.

So what we're starting to see is an improving trajectory but still in terms of a small - smallish unit loss in home.

Steve Johnston, Group CEO: Within an acceptable…

Brett Le Mesurier, Velocity Trade: How much…

Steve Johnston, Group CEO: I'd make the point that in terms of the re-set of the allowances, it's not a reinsurance cost, we took very early activity to increase pricing. So in that environment as other insurance competitors go through their reinsurance, renewals and otherwise, we expected to see some market share losses or some unit count losses in the first half. We saw a bit of that.

But when we look at it like-for-like, the momentum clearly has picked up on the unit count side. Now, where we actually landed the full year, we'll have to wait and see over the next six weeks but the momentum is certainly improved.

The reflection of that is that the rest of the market is seeing the same things around natural hazard allowances and reinsurance costs lifting up as well and they've had to take actions in their book, which has improved our competitiveness and allowed us to recalibrate some of those market share or unit count numbers through the second half.

Brett Le Mesurier, Velocity Trade: How much claims inflation are you allowing for in your home insurance?

Steve Johnston, Group CEO: Paul, do you want to?

Paul Smeaton, COO Insurance: In terms of how much we're allowing of the claims? What we're seeing? So in terms of what we're seeing in the home book, it's anywhere between 4% and 5% is what we're seeing and that's

primarily coming through a combination of labour but also we're seeing issues around roofing and roof costs is probably the main driver of it. That's what we're seeing.

Steve Johnston, Group CEO: Motor?

Paul Smeaton, COO Insurance: Motor, motor is sort of 3% to 4% and primarily driven by parts and also windscreen inflation given the technology that's going into it.

Steve Johnston, Group CEO: Lisa on price?

Lisa Harrison, CEO Insurance Products and Portfolio: Yes, as I mentioned earlier, in terms of from the home portfolio, we're seeing headline price increases that we've been putting through around the 10% mark and in terms of from a motor perspective, probably more around the 3% to 5% mark.

Brett Le Mesurier, Velocity Trade: The home claims inflation? What are you allowing for?

Steve Johnston, Group CEO: 4% to 5%...

Brett Le Mesurier, Velocity Trade: Is…

Steve Johnston, Group CEO: …underlying, yes.

Brett Le Mesurier, Velocity Trade: Okay.

Steve Johnston, Group CEO: The reason the price increases are greater than that is because we're seeking to reprice for the material increase in natural hazard allowance and reinsurance cost from the last two years. So those aggregate pricing increases are far greater than underlying inflation, simply because they include also our reset of the allowances and the reinsurance costs that we're pricing for now.

Brett Le Mesurier, Velocity Trade: In your home underwriting - in your home underwriting, you're still not taking account of where the large trees are relative to houses, are you?

Steve Johnston, Group CEO: Well we do a fair bit of geospatial mapping to identify - have you got a big tree next to your house, Brett, is that what you're saying?

Brett Le Mesurier, Velocity Trade: No I don't, but I know I've never been asked.

Steve Johnston, Group CEO: Okay.

Brett Le Mesurier, Velocity Trade: So you are looking at the satellite images?

Lisa Harrison, CEO Insurance Products and Portfolio: Yes, so Brett in terms of - obviously we've spoken today a lot about our pricing engine but there are a range of risk selection initiatives. We do have some work under way around geospatial. We've started - albeit it is early days to start to use some of those insights in our pricing process and the great thing about geospatial is often you don't have to ask the customers those specific questions. We have an ability to use that, noting from the satellite imagery.

Brett Le Mesurier, Velocity Trade: Lastly on claims management, what do you do with builders who underquote?

Paul Smeaton, COO Insurance: Who underquote?

Brett Le Mesurier, Velocity Trade: Is that the issue?

Paul Smeaton, COO Insurance: Give me a bit more clarity in your question?

Brett Le Mesurier, Velocity Trade: So someone has a home claim, the builders quote on the job, you choose a builder. The builder underquotes and then when he comes to start the work he goes oh my god, I didn't realise it would cost this much. So I'm not starting it unless I get paid more.

Paul Smeaton, COO Insurance: No, so what we do is we just to confirm those situations don't happen, a key change in our process is agreeing on scope with the builder, and then seeing the costs that they send through and using that tool I talked about, ICBM, where they can compare what they're quoting against what we think is a fair market value and if they've underquoted, we would challenge them on that and then finally agree a scope and a cost that we think is sustainable.

So it's all about scope, granularity of costs, working with the builders, to make sure it's a fair and reasonable program of work.

Brett Le Mesurier, Velocity Trade: So you think you've got that under control, do you?

Paul Smeaton, COO Insurance: Well that's what we're enhancing our capability - so we've put ICBM which helps manage the costs on it and an In4mo which helps manage the agreeing the scope and the workflow and managing the builders through the claims process. So that's the capability we put in place, we're now operationalising and then we'll…

Steve Johnston, Group CEO: And continually reassessing our builder panel too which…

Paul Smeaton, COO Insurance: Yes, yes.

Steve Johnston, Group CEO: …we're doing in the near future. So any systemic issues in that domain where we're seeing underquoting and then subsequent scope change are very thoroughly going to go through the panel process that we do…

Brett Le Mesurier, Velocity Trade: I can tell you've got more work to do, but that's it from me. Thank you.

Steve Johnston, Group CEO: Thank you. All right. So we might go online now and here's an interesting one from a struggling value manager, Dougal Maple-Brown, who has asked - he received his AAMI car policy last week and the premium was up by 15%. Not bad for a depreciating asset garaged behind my left shoulder. I wasn't aware that Balmain was a high [cat] area so is this rate increase going through the motor book? Thanks. Lisa?

Lisa Harrison, CEO Insurance Products and Portfolio: Well nice to see a fellow neighbour. In terms of as I said, the headline rate increases going through the motor portfolio probably around more so the 3% to 5% mark, but happy to have a chat if you want to in regards to a renewal and also thank you for renewing with AAMI.

Steve Johnston, Group CEO: Okay. Let's go now to Doron Kur again. In personal loans, do you have a view of what system growth is and are your system growth targets based on a volume as opposed to GWP basis?

Lisa Harrison, CEO Insurance Products and Portfolio: So in terms of our targets, obviously for the outlook ahead we are making sure that we have appropriate AWP as well as unit growth and so a good way certainly to look at it is both on a volume and GWP basis. In terms of the system growth, we still think there is strong momentum in the motor market and a little bit of growth coming through in home, albeit it is somewhat harder to

predict in regards to some of the impacts to some of the portfolios that we've seen throughout the year due to COVID impacts.

Steve Johnston, Group CEO: Okay. Might go back to the phones to see if there's any last calls on the phone. There isn't. Okay, I have a question here from Simon Mahwinney at Allan Gray, which is similar to Nigel's question - is any of your $1 billion in surplus capital excess to the needs of the business and if so, how and when will this be returned to shareholders? So I won't reiterate what I said earlier but Jeremy, you might want to…

Jeremy Robson, Group CFO: Yes look, I think just to reiterate what Steve said, there's two more - there's two attributes to it. One is that BAU volatility that we would always tend to carry a little bit of capital to make sure we've got covered from a prudence perspective. There's the macroeconomic overlays then that we've sort of in front of us particularly now as we go through COVID and see what comes ahead. We will reassess that when we get to the 30 June year end.

In terms of if there was to be surplus capital, excess capital to be returned, then our preference is obviously always to provide a franked dividend, but second to that then would really be a frank special. Second to that really is on market buybacks, are the most efficient, effective way for us to return capital and so we will consider those things as we get through the 30 June year end.

Steve Johnston, Group CEO: Okay. I don't think we've got any more questions either on the phone or coming in online, so in conclusion, I just wanted to make a couple of quick points. We have reshaped and simplified our business. I think you've seen that today very clearly. You will also have seen today that our plan is customer led. It's enabled by technology and it's fundamentally underpinned by digital and data. We are very confident that we're on the right path to improve returns for shareholders.

I think you've also seen today we've got the right team in place. We've been working together for almost 12 months. We're settled as a team and we are accountable, but above all, this program is well under way. What we have discussed today, we are doing and we are confident that it's working.

So thank you for joining us this morning. I look forward to talking again from Brisbane next week when we will discuss the Suncorp Bank. Thank you and have a great day.

End of Transcript