SUNCORP

ASX Announcement

18 November 2019

Suncorp Bank APS330 Update

Suncorp Group (ASX: SUN | ADR: SNMCY) provided its quarterly update as at 30 September 2019, as required under the Australian Prudential Standard 330.

Total lending contracted 0.6% over the September quarter. Growth in commercial lending over the quarter was offset by a contraction in the retail and agribusiness portfolios.

Suncorp Bank Chief Financial Officer, Erin Strang said growth in the Bank's home lending portfolio was down 0.6%, reflecting the intense competition in a subdued growth environment.

"We have focused on driving growth through our direct and broker partner channels, as well as improving our digital settlement capabilities and retention initiatives. As a result of these initiatives we have seen a steady increase in lodgement volumes and improved turnaround times over the quarter, and this will continue to be a focus throughout the year" Ms Strang said.

"The portfolio remains within the Bank's risk appetite, heavily weighted towards owner-occupiers with a loan to value ratio of less than 80%. We expect there will be ongoing competitive pressure for home loan refinancing options during the second half of FY20."

Suncorp's business lending growth contracted slightly over the quarter (0.4%), with growth in commercial lending offset by a reduction in the Bank's agribusiness portfolio.

"Ongoing drought conditions across Queensland and New South Wales contributed to a decrease in funding demand from our farming customers, who have focused on paying down their debts," Ms Strang said.

"The overall risk profile of our agribusiness portfolio remains favourable, following positive conditions in 2016 and 2017. The outlook for the segment remains dependant on summer and autumn rainfall to support winter cropping."

Suncorp's credit quality remained strong with housing arrears improving marginally during this period, in line with seasonal conditions.

Ms Strang said strong at-call deposit growth continued across the quarter, further strengthening the Bank's balance sheet.

"We remain focused on enhancing our everyday banking functionality and investing in new digital capabilities, targeting above system growth in at-call deposits for FY20."

Suncorp's Net Stable Funding Ratio was 115.1% as at 30 September 2019 and the Bank's capital position remains strong with a Common Equity Tier 1 (CET1) ratio of 9.31% above the target operating range of 8.75% - 9.25%. The Group expects to increase the Bank's capital targets by 25 bps in HY20 to meet APRA's "unquestionably strong" benchmarks. Suncorp has gradually built up sufficient capital to be within the target range.

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SUNCORP GROUP LIMITED

SUNCORP BANK

APS 330

FOR THE QUARTER ENDED
30 SEPTEMBER 2019

RELEASE DATE: 18 NOVEMBER 2019

Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

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

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

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

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

Figures relate to the quarter ended 30 September 2019 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (**ASX**).

DISCLAIMER

This report contains general information which is current as at 18 November 2019. It is information given in summary form and does not purport to be complete.

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

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

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

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OVERVIEW

Total lending declined 0.6% over the September quarter. Growth in commercial lending was offset by a contraction in the retail and agribusiness portfolios. Suncorp continues to maintain responsible lending practices and sound credit quality, with no weakening of risk appetite.

Home lending contracted $303 million, down 0.6% over the quarter, with growth impacted by intense competition in the current subdued market. During the period Suncorp focused on opportunities to increase intermediary and direct lodgements, improve digital settlements and increase retention. Lodgement volumes have steadily increased since July and service levels are within targeted turnaround times. The home lending portfolio continues to exhibit sound credit quality parameters. The portfolio remains weighted towards owner occupiers, principal and interest repayments, and loans with a loan-to-value ratio of less than 80%.

Business lending contracted $41 million, or 0.4%, with growth in commercial lending offset by a reduction in the agribusiness portfolio, primarily reflecting repayments and lower demand for financing in the current drought conditions. Agribusiness customers continue to be impacted by extreme drought conditions in Queensland and New South Wales, particularly cropping and mixed farming operations. The overall risk profile of the agribusiness portfolio remains sound, following favourable conditions in 2016 and 2017, however, there has been a slight deterioration in risk ratings due to drought conditions impacting arrears.

As at 30 September 2019, impairment losses reflected 3 basis points of gross loans and advances (annualised). Past due loans, not impaired, reduced to $545 million, or 0.9% of the total lending portfolio over the quarter due to management's focus on working with customers. This was driven by retail lending past due loans reducing $17 million, partially offset by a moderate increase in agribusiness and commercial lending past due loans.

Pressure on wholesale funding costs has reduced since July 2019. Suncorp issued a two-year $100 million domestic senior transaction on 1 October 2019 at a favourable margin, taking term issuance financial year to date to $1.2 billion at a competitive weighted average margin, and weighted average term of 3.6 years, further strengthening the balance sheet. The Net Stable Funding Ratio was 115.1% as at 30 September 2019. In addition, strong growth in at-call deposits continued over the quarter.

The Bank's capital position remains strong with a Common Equity Tier 1 (CET1) ratio of 9.31%. The Group increased the bank's capital targets by 25 basis points at 30 June 2019, to 8.75% to 9.25% for CET1 and expects to increase the Bank's capital targets by a further 25 basis points in HY20 to meet APRA's "unquestionably strong" benchmarks. The Bank's CET1 ratio is already comfortably within the expected target range. The Bank's capital position and stable funding profile positions it well for future regulatory change.

OUTLOOK

While property markets are showing signs of recovery due to lower interest rates, strong competition for good quality owner occupier and investor business is expected to continue, with lower rates continuing to put further pressure on home loan refinancing volumes. Suncorp has introduced a comprehensive business retention program and data-driven marketing activity.

Future performance of segments of the agribusiness portfolio will depend on whether drought impacted areas receive summer rainfall in Queensland and New South Wales and the traditional autumn rains occur to support winter cropping.

The Bank is targeting above system growth in at-call customer deposits for FY20 with further online functionality being released throughout the year and the majority of deposit accounts now being opened online. Suncorp continues to monitor funding markets, with the funding position remaining strong.

Suncorp will continue to maintain a prudent risk appetite. Impairment losses are expected to remain below the bottom end of the through-the-cycle operating range of 10 to 20 basis points of gross loans and advances in FY20.

LOANS AND ADVANCES

	Sep-19 $M	Jun-19 $M	Sep-18 $M	Sep-19 vs Jun-19 %	Sep-19 vs Sep-18 %
Housing loans	41,006	40,922	40,469	0.2	1.3
Securitised housing loans and covered bonds	6,502	6,889	7,496	(5.6)	(13.3)
Total housing loans	**47,508**	**47,811**	**47,965**	(0.6)	(1.0)
Consumer loans	150	149	169	0.7	(11.2)
Retail loans	**47,658**	**47,960**	**48,134**	(0.6)	(1.0)
Commercial (SME)	6,884	6,843	6,494	0.6	6.0
Agribusiness	4,408	4,490	4,353	(1.8)	1.3
Total Business loans	**11,292**	**11,333**	**10,847**	(0.4)	4.1
Total lending	**58,950**	**59,293**	**58,981**	**(0.6)**	**(0.1)**
Other lending	6	3	14	100.0	(57.1)
Gross loans and advances	**58,956**	**59,296**	**58,995**	(0.6)	(0.1)
Provision for impairment	(144)	(142)	(143)	1.4	0.7
Total loans and advances	**58,812**	**59,154**	**58,852**	**(0.6)**	**(0.1)**
Credit-risk weighted assets	**27,933**	**27,968**	**27,348**	**(0.1)**	**2.1**
Geographical breakdown - Total lending					
Queensland	31,431	31,600	31,533	(0.5)	(0.3)
New South Wales	15,729	15,858	15,419	(0.8)	2.0
Victoria	5,897	5,920	6,042	(0.4)	(2.4)
Western Australia	3,497	3,524	3,559	(0.8)	(1.7)
South Australia and other	2,396	2,391	2,428	0.2	(1.3)
Outside of Queensland loans	27,519	27,693	27,448	(0.6)	0.3
Total lending	**58,950**	**59,293**	**58,981**	**(0.6)**	**(0.1)**

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	Quarter Ended			Sep-19	Sep-19
	Sep-19	Jun-19	Sep-18	vs Jun-19	vs Sep-18
	$M	$M	$M	%	%
Collective provision for impairment	(1)	7	(6)	(114.3)	(83.3)
Specific provision for impairment	4	(1)	1	(500.0)	300.0
Actual net write-offs	1	2	2	(50.0)	(50.0)
Impairment losses	**4**	**8**	**(3)**	**(50.0)**	**233.3**
Impairment losses to gross loans and advances (annualised)	**0.03%**	**0.05%**	**(0.02%)**		

IMPAIRED ASSETS

	Quarter Ended			Sep-19	Sep-19
	Sep-19	Jun-19	Sep-18	vs Jun-19	vs Sep-18
	$M	$M	$M	%	%
Retail lending	55	56	40	(1.8)	37.5
Agribusiness lending	36	32	37	12.5	(2.7)
Commercial/SME lending	57	58	63	(1.7)	(9.5)
Gross impaired assets	**148**	**146**	**140**	**1.4**	**5.7**
Specific provision for impairment	(34)	(31)	(38)	9.7	(10.5)
Net impaired assets	**114**	**115**	**102**	**(0.9)**	**11.8**
Gross impaired assets to gross loans and advances	**0.25%**	**0.25%**	**0.24%**		

NON-PERFORMING LOANS

	Quarter Ended			Sep-19	Sep-19
	Sep-19	Jun-19	Sep-18	vs Jun-19	vs Sep-18
	$M	$M	$M	%	%
Gross balances of individually impaired impaired loans					
Gross impaired assets	**148**	**146**	**140**	**1.4**	**5.7**
Specific provision for impairment	(34)	(31)	(38)	9.7	(10.5)
Net impaired assets	**114**	**115**	**102**	**(0.9)**	**11.8**
Size of gross individually impaired assets					
Less than one million	46	46	34	-	35.3
Greater than one million but less than ten million	88	85	91	3.5	(3.3)
Greater than ten million	14	15	15	(6.7)	(6.7)
Gross impaired assets	**148**	**146**	**140**	**1.4**	**5.7**
Past due loans not shown as impaired assets	**545**	**551**	**554**	**(1.1)**	**(1.6)**
Gross non-performing loans	**693**	**697**	**694**	**(0.6)**	**(0.1)**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	146	160	144	(8.8)	1.4
Recognition of new impaired assets	14	14	16	-	(12.5)
Increases in previously recognised impaired assets	-	2	1	(100.0)	(100.0)
Impaired assets written off/sold during the period	-	(1)	(1)	(100.0)	(100.0)
Impaired assets which have been reclassed as performing assets or repaid	(12)	(29)	(20)	(58.6)	(40.0)
Balance at the end of the period	**148**	**146**	**140**	**1.4**	**5.7**

PROVISION FOR IMPAIRMENT

	Sep-19 $M	Jun-19 $M	Sep-18 $M	Sep-19 vs Jun-19 %	Sep-19 vs Sep-18 %
Collective provision					
Balance at the beginning of the period	111	104	91	6.7	22.0
AASB 9 transition adjustments	-	-	20	n/a	(100.0)
Charge against impairment losses	(1)	7	(6)	(114.3)	(83.3)
Balance at the end of the period	**110**	**111**	**105**	**(0.9)**	**4.8**
Specific provision					
Balance at the beginning of the period	31	34	39	(8.8)	(20.5)
Charge against impairment losses	4	(1)	1	(500.0)	300.0
Impairment provision written off	-	(1)	(1)	(100.0)	(100.0)
Unwind of discount	(1)	(1)	(1)	-	-
Balance at the end of the period	**34**	**31**	**38**	**9.7**	**(10.5)**
Total provision for impairment - Banking activities	**144**	**142**	**143**	**1.4**	**0.7**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	104	100	88	4.0	18.2
AASB 9 transition adjustments	-	-	9	n/a	(100.0)
Transfer (to) from retained earnings	(1)	4	6	(125.0)	(116.7)
Balance at the end of the period	**103**	**104**	**103**	**(1.0)**	**-**
Pre-tax equivalent coverage	147	149	147	(1.0)	0.1
Total provision for impairment and equity reserve for credit loss - Banking activities	**291**	**291**	**290**	**0.2**	**0.4**

Specific provision for impairment expressed as a percentage of gross impaired assets	**%**	**%**	**%**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.19	0.19	0.18
Specific provision	0.06	0.05	0.06
Total provision	0.24	0.24	0.24
ERCL coverage	0.25	0.25	0.25
Total provision and ERCL coverage	0.49	0.49	0.49

GROSS NON-PERFORMING LOANS COVERAGE BY PORTFOLIO

30-Sep-19 (AASB 9)

	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage[1] %
Retail lending	476	55	8	38	50	18%
Agribusiness lending	41	36	8	25	14	61%
Commercial/SME lending	28	57	18	47	83	174%
Total	**545**	**148**	**34**	**110**	**147**	**42%**

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

30-Jun-19 (AASB 9)

	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage[1] %
Retail lending	493	56	8	40	52	18%
Agribusiness lending	36	32	7	24	17	71%
Commercial/SME lending	22	58	16	47	80	179%
Total	**551**	**146**	**31**	**111**	**149**	**42%**

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

APPENDIX 1 – APS 330 TABLES

- Table 1: Capital disclosure template – not applicable for this reporting period. This table was disclosed in the June 2019 reporting period.
- Table 2: Main features of capital instruments
- Table 3: Capital adequacy
- Table 4: Credit risk
- Table 5: Securitisation exposures
- Table 20: Liquidity Coverage Ratio Disclosure
- Table 22: Remuneration Disclosures

TABLE 2: MAIN FEATURES OF CAPITAL INSTRUMENTS

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

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

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

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

TABLE 3: CAPITAL ADEQUACY

	Carrying value		Avg risk weight	Risk Weighted Assets	
	Sep-19	Jun-19	Sep-19	Sep-19	Jun-19
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	458	405	-	14	2
Claims on Australian and foreign governments	3,113	2,357	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	967	966	31	296	297
Claims on securitisation exposures	1,259	1,213	20	251	242
Claims secured against eligible residential mortgages	44,444	44,512	37	16,298	16,356
Past due claims	637	639	85	540	528
Other retail assets	247	229	97	240	222
Corporate	9,885	9,945	100	9,880	9,935
Other assets and claims	414	386	100	414	386
Total banking assets	**61,424**	**60,652**		**27,933**	**27,968**

	Notional amount	Credit equivalent	Avg risk weight	Risk Weighted Assets	
	Sep-19	Sep-19	Sep-19	Sep-19	Jun-19
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	334	334	98	327	191
Commitments to provide loans and advances	8,597	1,868	62	1,167	1,259
Foreign exchange contracts	6,574	157	45	70	24
Interest rate contracts	52,122	96	57	55	47
Securitisation exposures	3,674	154	20	31	30
CVA capital charge	-	-	-	138	114
Total off-balance sheet positions	**71,301**	**2,609**		**1,788**	**1,665**
Market risk capital charge				130	90
Operational risk capital charge				3,530	3,530
Total off-balance sheet positions				1,788	1,665
Total on-balance sheet credit risk-weighted assets				27,933	27,968
Total assessed risk				**33,381**	**33,253**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	9.31	9.25
Tier 1	11.06	11.01
Tier 2	2.41	2.42
Total risk-weighted capital ratio	**13.46**	**13.43**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 September 2019

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions [5]
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,946	221	4,167	36	41	4,090	8
Construction & development	-	-	-	-	896	235	1,131	5	2	1,124	2
Financial services	510	-	253	796	89	239	1,887	-	-	1,887	-
Hospitality	-	-	-	-	911	68	979	27	1	951	9
Manufacturing	-	-	-	-	264	23	287	4	-	283	-
Professional services	-	-	-	-	325	16	341	1	1	339	1
Property investment	-	-	-	-	2,864	146	3,010	3	10	2,997	2
Real estate - Mortgage	-	-	-	-	43,961	1,066	45,027	53	439	44,535	8
Personal	-	-	-	-	153	4	157	-	3	154	-
Government/public authorities	-	1,137	-	1,916	-	-	3,053	-	-	3,053	-
Other commercial & industrial [6]	-	-	-	-	2,010	184	2,194	17	14	2,163	4
Total gross credit risk	**510**	**1,137**	**253**	**2,712**	**55,419**	**2,202**	**62,233**	**146**	**511**	**61,576**	**34**
Securitisation exposures [1]	-	-	90	1,259	3,537	64	4,950	2	34	4,914	-
Total including securitisation exposures	**510**	**1,137**	**343**	**3,971**	**58,956**	**2,266**	**67,183**	**148**	**545**	**66,490**	**34**
Impairment provision							(144)	(34)	(36)	(74)	
Total							**67,039**	**114**	**509**	**66,416**	

(1) The securitisation exposures of $3,537 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

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

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

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent $34 million specific provisions for accounting purposes plus $69 million ineligible collective provision. The ineligible collective provision is split between Past due not impaired > 90 days ($36 million) and Total not past due or impaired ($33 million), in accordance with Expected Credit Loss (ECL) stages under AASB 9 *Financial Instruments*.

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

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 June 2019

	Receivables due from other Banks [2] $M	Trading Securities $M	Derivatives [3] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [3] $M	Total Credit Risk [4] $M	Gross Impaired Assets $M	Past due not impaired > 90 days $M	Total not past due or impaired $M	Specific Provisions [5] $M
Agribusiness	-	-	-	-	4,022	191	4,213	32	36	4,145	7
Construction & development	-	-	-	-	888	207	1,095	6	2	1,087	2
Financial services	499	-	209	774	87	342	1,911	-	-	1,911	-
Hospitality	-	-	-	-	972	66	1,038	26	-	1,012	7
Manufacturing	-	-	-	-	261	27	288	4	1	283	-
Professional services	-	-	-	-	310	18	328	1	2	325	1
Property investment	-	-	-	-	2,774	130	2,904	2	2	2,900	2
Real estate - Mortgage	-	-	-	-	44,024	1,254	45,278	54	453	44,771	8
Personal	-	-	-	-	154	4	158	-	3	155	-
Government/public authorities	-	1,227	-	1,967	-	-	3,194	-	-	3,194	-
Other commercial & industrial [6]	-	-	-	-	2,035	187	2,222	19	15	2,188	4
Total gross credit risk	**499**	**1,227**	**209**	**2,741**	**55,527**	**2,426**	**62,629**	**144**	**514**	**61,971**	**31**
Securitisation exposures [1]	-	-	85	1,213	3,769	67	5,134	2	37	5,095	-
Total including securitisation exposures	**499**	**1,227**	**294**	**3,954**	**59,296**	**2,493**	**67,763**	**146**	**551**	**67,066**	**31**
Impairment provision							(142)	(31)	(32)	(79)	
Total							**67,621**	**115**	**519**	**66,987**	

(1) The securitisation exposures of $3,769 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

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

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

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent $31 million specific provisions for accounting purposes plus $69 million ineligible collective provision. The ineligible collective provision is split between Past due not impaired > 90 days ($32 million) and Total not past due or impaired ($37 million), in accordance with Expected Credit Loss (ECL) stages under AASB 9 *Financial Instruments*.

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

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TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 July to 30 September 2019

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,984	206	4,190
Construction & development	-	-	-	-	892	221	1,113
Financial services	505	-	231	785	88	290	1,899
Hospitality	-	-	-	-	942	67	1,009
Manufacturing	-	-	-	-	263	25	288
Professional services	-	-	-	-	318	17	335
Property investment	-	-	-	-	2,819	138	2,957
Real estate - Mortgage	-	-	-	-	43,993	1,160	45,153
Personal	-	-	-	-	154	4	158
Government/public authorities	-	1,182	-	1,942	-	-	3,124
Other commercial & industrial [5]	-	-	-	-	2,023	186	2,209
Total gross credit risk	**505**	**1,182**	**231**	**2,727**	**55,476**	**2,314**	**62,435**
Securitisation exposures [1]	-	-	88	1,236	3,653	66	5,043
Total including securitisation exposures	**505**	**1,182**	**319**	**3,963**	**59,129**	**2,380**	**67,478**
Impairment provision							(143)
Total							**67,335**

(1) The securitisation exposures of $3,653 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

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

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

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

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 April to 30 June 2019

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,962	206	4,168
Construction & development	-	-	-	-	840	234	1,074
Financial services	497	-	212	839	90	351	1,989
Hospitality	-	-	-	-	975	64	1,039
Manufacturing	-	-	-	-	249	29	278
Professional services	-	-	-	-	307	18	325
Property investment	-	-	-	-	2,735	137	2,872
Real estate - Mortgage	-	-	-	-	43,850	1,145	44,995
Personal	-	-	-	-	158	4	162
Government/public authorities	-	1,203	-	1,966	1	-	3,170
Other commercial & industrial [5]	-	-	-	-	2,053	183	2,236
Total gross credit risk	**497**	**1,203**	**212**	**2,805**	**55,220**	**2,371**	**62,308**
Securitisation exposures [1]	-	-	99	1,117	3,871	69	5,156
Total including securitisation exposures	**497**	**1,203**	**311**	**3,922**	**59,091**	**2,440**	**67,464**
Impairment provision							(140)
Total							**67,324**

(1) The securitisation exposures of $3,871 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

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

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

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

TABLE 4: CREDIT RISK (CONTINUED)

Table 4B: Credit risk by portfolio as at 30 September 2019

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions [2] $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [1]	49,977	50,196	55	473	8	1
Other retail	157	158	-	3	-	-
Financial services	1,887	1,899	-	-	-	-
Government and public authorities	3,053	3,124	-	-	-	-
Corporate and other claims	12,109	12,101	93	69	26	4
Total	**67,183**	**67,478**	**148**	**545**	**34**	**5**

(1) $4,950 million, $5,043 million, $2 million and $34 million has been included in gross credit risk exposure, average gross exposure, impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $34 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $69 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $103 million.

Table 4B: Credit risk by portfolio as at 30 June 2019

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions [2] $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [1]	50,412	50,151	56	490	8	2
Other retail	158	162	-	3	-	1
Financial services	1,911	1,989	-	-	-	-
Government and public authorities	3,194	3,170	-	-	-	-
Corporate and other claims	12,088	11,992	90	58	23	(2)
Total	**67,763**	**67,464**	**146**	**551**	**31**	**1**

(1) $5,134 million, $5,156 million, $2 million and $37 million has been included in gross credit risk exposure, average gross exposure, impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $31 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $69 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $100 million.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Sep-19	Jun-19
	$M	$M
Collective provision for impairment	110	111
Ineligible collective provisions	(69)	(69)
Eligible collective provisions	41	42
Equity reserve for credit losses	103	104
General reserve for credit losses	**144**	**146**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 30 September 2019, there was no new securitisation activity undertaken (quarter ending 30 June 2019: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Sep-19	Jun-19	Sep-19	Jun-19
	$M	$M	$M	$M
Residential mortgages	-	-	-	-
Total exposures securitised during the period	**-**	**-**	**-**	**-**

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

	Sep-19	Jun-19
Exposure type	$M	$M
Debt securities	1,259	1,213
Total on-balance sheet securitisation exposures	**1,259**	**1,213**

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

	Sep-19	Jun-19
Exposure type	$M	$M
Liquidity facilities	64	67
Derivative exposures	90	85
Total off-balance sheet securitisation exposures	**154**	**152**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Sep-19 $M	Total Weighted Value (Average) Sep-19 $M	Total Unweighted Value (Average) Jun-19 $M	Total Weighted Value (Average) Jun-19 $M	Total Unweighted Value (Average) Mar-19 $M	Total Weighted Value (Average) Mar-19 $M
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,288		4,303		4,114
Alternative liquid assets (**ALA**)		4,596		4,597		4,597
Cash outflows						
Retail deposits and deposits from small business customers, of which:	22,664	2,028	22,390	1,981	21,660	1,899
stable deposits	*15,231*	*762*	*15,062*	*753*	*14,707*	*735*
less stable deposits	*7,433*	*1,266*	*7,328*	*1,228*	*6,953*	*1,164*
Unsecured wholesale funding, of which:	4,729	3,438	5,083	3,675	4,983	3,663
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*3,072*	*1,781*	*3,369*	*1,961*	*3,380*	*2,060*
unsecured debt	*1,657*	*1,657*	*1,714*	*1,714*	*1,603*	*1,603*
Secured wholesale funding		46		4		9
Additional requirements, of which:	7,873	1,413	7,934	1,553	7,895	1,446
outflows related to derivatives exposures and other collateral requirements	*1,057*	*1,057*	*1,199*	*1,199*	*1,084*	*1,084*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*6,816*	*356*	*6,735*	*354*	*6,811*	*362*
Other contractual funding obligations	716	444	751	441	557	269
Other contingent funding obligations	6,378	648	7,195	598	6,658	555
Total cash outflows		**8,017**		**8,252**		**7,841**
Cash inflows						
Secured lending (e.g. reverse repos)	560	-	566	-	317	-
Inflows from fully performing exposures	576	304	693	383	697	410
Other cash inflows	794	794	803	803	566	566
Total cash inflows	**1,930**	**1,098**	**2,062**	**1,186**	**1,580**	**976**
				Total Adjusted Value		Total Adjusted Value
Total liquid assets		**8,884**		**8,900**		**8,711**
Total net cash outflows		**6,919**		**7,066**		**6,865**
Liquidity Coverage Ratio (%)		**128**		**126**		**127**

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

Liquid assets included in the LCR comprise HQLA (cash, Australian Semi-government and Commonwealth Government securities) and alternative liquid assets covered by the Committed Liquidity Facility (**CLF**) with the Reserve Bank of Australia (**RBA**). SML received approval from APRA for a CLF of $4.6 billion for the 2020 calendar year (2019 calendar year: $4.9 billion). Assets eligible for the CLF include senior unsecured bank paper, covered bonds and residential mortgage backed securities that are repo-eligible with the RBA.

The main contributors to net cash outflows were modelled outflows associated with deposits and unsecured wholesale funding, offset by inflows from maturing loans and issuance of term wholesale liabilities. The net cash outflow is sought to be minimised by targeting funding with lower LCR runoff rates and managing the maturity profile of wholesale liabilities.

The daily average LCR was 128% over the September 2019 quarter (126% for the June 2019 quarter). There was a decrease in average net cash outflows, primarily driven by the maturity profile of term deposits and wholesale liabilities. The average high-quality liquid assets held over the quarter was similar to the prior quarter.

TABLE 22: REMUNERATION DISCLOSURES AS AT 30 JUNE 2019

Introduction

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

This disclosure explains the Suncorp Group Limited (**Suncorp**) Remuneration Policy and structure, which have been endorsed by the Suncorp Board People and Remuneration Committee. Suncorp's remuneration framework and governance applies to all employees of Suncorp Bank. Suncorp Bank is a core unit of Suncorp and is represented by the legal entity Suncorp-Metway Limited (**SML)** and its subsidiaries. SML is an authorised deposit-taking institution and a wholly owned subsidiary of Suncorp. Accordingly, this Remuneration Disclosure is completed on a Level 2 basis1.

For the purpose of this disclosure:

- Senior Managers, being Key Management Personnel (**KMP**) and Other Senior Managers, are defined as all Responsible Persons included in the Group's Fit and Proper Policy for FY19. This includes:
    - KMP for the Group (excluding non-executive directors) that are also KMP for SML and its subsidiaries; and
    - Other Senior Managers. These include Executive General Managers (**EGMs**) and select employees below EGM level who are Responsible Persons for SML.
- Material Risk Takers (**MRT**) are select employees below EGM level that are not Responsible Persons who may be able to individually or collectively affect the financial soundness of the business where the incumbents have a performance-based incentive target of a significant portion of total remuneration (being more than 40% of fixed remuneration).

The aggregated remuneration data is for Senior Managers (**KMP**), Other Senior Managers, and MRTs relating to Suncorp Bank during the financial year ended 30 June 2019 (FY19).

Section 1

i. Remuneration governance framework

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

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

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

Board

PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee members as at 4 November 2019 are:

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

The People and Remuneration Committee's responsibilities are outlined in its charter available at **suncorpgroup.com.au/about/corporate-governance.** The People and Remuneration Committee met five times during FY19. The biographies of the People and Remuneration Committee Chairman and members are outlined in the Directors' Report.

RISK COMMITTEE

Advises the People and Remuneration Committee on risk matters that may impact remuneration outcomes. This includes providing input into the Group Scorecard goal-setting and performance assessment process.

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

Form a recommendation on the release, reduction, lapse or clawback of deferred incentives for the former CEO & Managing Director, Acting CEO and other Senior Executives. This recommendation is made having regard to a report that is prepared by the Chief Risk Officer, with input from the Remuneration Oversight Committee that also consists of the Chief Financial Officer and the Chief People Experience Officer. The Chairman of the People and Remuneration Committee makes a recommendation which is considered for endorsement by the People and Remuneration Committee and approval by the Board.

EXTERNAL ADVISERS

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

No remuneration recommendations were made by a remuneration consultant during FY19.

MANAGEMENT

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

The FY19 fee for the People and Remuneration Committee Chairman was $55,000 and Member fees were $27,000 (including superannuation). The fees will increase to $66,000 and $33,000 respectively (including superannuation) for FY20. This aligns the People and Remuneration Committee fees to the Audit and Risk Committee fees, recognising the similar workload and complexity associated with each of these committees.

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

ii. FY19 Remuneration Policy and Framework

The remuneration strategy, which is aligned to the business strategy and risk tolerance, ensures that the principles that determine remuneration are focused on delivering performance while demonstrating appropriate behaviours. The below table summarises the objective, principles and key components of remuneration.

OBJECTIVE

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

PRINCIPLES

- Reward simply and fairly
- Align to our strategy
- Encourage our employees to always do the right thing
- Drive ownership and accountability
- Embrace risk management

	Fixed remuneration	Short-term incentives (STI)	Long-term incentives (LTI)
PURPOSE	Reflects the role scope and individual's skills and experience and is set in the context of market remuneration levels.	Rewards the achievement of Group, function and individual outcomes over a 12-month period.	Rewards the creation of long-term shareholder value.
STRUCTURE	Consists of base salary, superannuation, and any salary-sacrificed benefits.	Delivered as a mix of cash (50% for former CEO & Managing Director, 65% for other KMP and 70% for EGMs) and share rights (50% for former CEO & Managing Director, and 35% for other KMP, and 30% for EGMs).[1] For the former CEO & Managing Director and other KMP, the share rights vest in equal tranches over two years. For the EGMs, the share rights vest in equal tranches over three years. For other Senior Managers and MRTs below EGM level, the STI is delivered as cash unless the deferral threshold is met.[2] Share rights are subject to malus and clawback criteria.	Only the KMP are eligible to participate in the LTI plan.[3] Delivered as performance rights. Vests subject to the achievement of a three-year performance measure and service condition. If performance rights vest, they become vested rights at Year 3, and convert into shares at the end of Year 4. Subject to malus and clawback criteria.
2018-19 APPROACH	Remuneration is reviewed annually against relevant matches from Suncorp's peer group and / or with regard to other relevant factors.	Former CEO & Managing Director was assessed against the Group Scorecard as well as other relevant factors as considered by the Board. Other KMP are primarily assessed against their individual contribution, and their function's contribution, to the Group Scorecard. The Board also applies a judgement and behavioural overlay, including a risk assessment. The FY19 Group Scorecard is: (see table below) Other Senior Managers and MRTs are assessed based on a scorecard aligned to their individual remit which is determined in the context of their function scorecard and the Group Scorecard.	The performance measure for FY19 is relative total shareholder return (**TSR**) against the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding real estate investment trusts and mining companies). For any vesting to occur, Suncorp's TSR must be at least at the median of this peer group. Full vesting occurs at the 75th percentile and there is pro-rata vesting between these points.

Performance measure	Weighting
Adjusted Net Profit After Tax (**Adjusted NPAT**)	40%
Cash Return on Equity (**ROE**)	20%
Key Customer Measures	20%
Group Risk Maturity Measure Risk Management and Compliance Measures	10%
Engagement Lost Time Injury Frequency Rate (**LTIFR**) Talent and People Development Organisational Culture	10%

[1] The Acting CFO remained on the EGM STI deferral arrangements for FY19.

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

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

The remuneration framework has been reviewed over the year to ensure it remains contemporary, appropriately supports our refreshed purpose to create a better today for our customers and keeps pace with the evolving regulatory environment. As a result, the Board has made a number of changes to the remuneration framework for FY20:

- Our remuneration objective and principles have been refreshed with a key focus on motivating employees to provide exceptional outcomes for our customers and shareholders and encouraging our employees to always do the right thing;
- Cash ROE has been introduced into the LTI plan. This measure operates alongside relative TSR and each measure has a 50% weighting;
- Suncorp's Group Scorecard which heavily influences the size of the STI pool and individual KMP STI awards, has been rebalanced to better reflect the interests of all stakeholders. There is now an equal split between financial and non-financial measures, with financial measures weighted at 50%, customer measures weighted at 20%, and risk and people measures weighted at 15% each. The STI measures have also been simplified;
- To strengthen individual consequence management, an STI behavioural gateway and modifier has been introduced that is linked to Suncorp's Code of Conduct; and
- The Chief Risk Officer's reward package has been restructured to place greater emphasis on fixed remuneration to reduce any actual or perceived conflicts of interest arising from variable remuneration tied to company performance. Given this, the minimum shareholding requirement for this role has been reduced to 75% of fixed remuneration.

Suncorp's Remuneration Policy was updated and endorsed by the Board People and Remuneration Committee and approved by the Board in June 2019, with an effective date of 1 July 2019. This Policy provides a governance framework for the structure and operation of remuneration plans within the context of Suncorp's strategy, long-term financial soundness and risk management framework.

SML has been compliant with the Banking Executive Accountability Regime (**BEAR**) from 1 July 2019 when the obligations commenced. Clear accountability maps and supporting statements have been created to ensure effective execution of core responsibilities by all Accountable Persons. All Accountable Persons also have a BEAR compliant remuneration structure, with the KMP having had such a structure since 1 July 2018.

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

iii. Remuneration alignment with risk management

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

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

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

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

In determining 'at-risk' remuneration, the Board ensures risk management is considered through:

	APPLICATION: All employees	APPLICATION: KMP only
Separately-weighted risk measures in the Group Scorecard.	✓	
Individual adherence to risk management policies. The application of appropriate risk management practices is assessed to ensure that KMP, Other Senior Managers, MRTs and other employees adhere to the ERMF and the Suncorp Group Risk Appetite Statement and have demonstrated prudent management of the risks that the Group faces. This includes a consideration of both financial and non-financial risks.	✓	
An assessment based on behavioural and cultural measures to ensure performance is aligned to expected ethical standards and employees doing the right thing.	✓	
The Board's application of a judgment overlay on the Group Scorecard outcome, with risk management considered as a key component of the overall performance outcome.	✓	
The hedging prohibition (described below).	✓	
Incorporation of malus and clawback criteria into deferred incentive awards (including LTI awards).	✓	
Deferral of a significant portion of KMP's short-term incentive awards.		✓
Requiring KMP to meet the minimum shareholding requirement.		✓

In determining performance and remuneration outcomes, the Board People and Remuneration Committee considers all relevant factors to demonstrate alignment with Suncorp's risk appetite and adherence to effective risk management practices to ensure that long-term financial soundness of outcomes is determined, before the Board makes its final determination of the overall STI pool and individual STI awards for executives.

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

Key risks	Key measures	Review of the measures
Financial risks (credit risk, market risk, liquidity risks)	Metrics embedded within scorecard measures include compliance with Board delegated limits for key credit, liquidity and market risks. Other measures used to evaluate Financial risk are: – Stress testing, including sensitivity and scenario analysis – Concentrations and large exposures – Funding, cashflow, liquidity.	– Compliance with Credit risk appetite is monitored and reported monthly. Liquidity and market risk limits are monitored continuously and are part of monthly reporting.

Key risks	Key measures	Review of the measures
Operational risks	A number of measures are used to evaluate Operational risk including: – Data governance and remediation embedded within process control – Key risk indicators across customers and operational systems, including data – Operational risk assessment and incident reporting – Internal and external audit findings.	– Monitoring of Monthly Key Risk Indicators – Operational Risk performance is assessed Monthly and Quarterly – Internal and External Audits are performed in accordance with the Annual Audit Program.
Compliance risks	A number of measures are used to evaluate Compliance Risk, including: – Internal and external audit findings – Incident management – Attestations – Scorecard KPI incorporation of acceptable behaviours – Completion of annual mandatory compliance training program – Compliance oversight and monitoring plan – Monitoring customer complaints – Compliance impact assessment – Monitoring regulatory change – Monitoring conflicts of interest – Compliance obligation management and control testing.	– Compliance measures are reviewed on a quarterly, half yearly and annual cycle, or earlier if required.

Minimum shareholding requirement

To further align the interests of KMP with those of shareholders, KMP are required to have a minimum shareholding in the Group equivalent to at least 100% of one year's pre-tax (gross) fixed remuneration. Given the Chief Risk Officer's remuneration package became less leveraged in FY20, with a greater focus on fixed remuneration, the minimum shareholding requirement for this role was reduced to 75% of one year's pre-tax (gross) fixed remuneration.

KMP are required to meet the minimum shareholding requirement four years from the October following their appointment, with 50% to be achieved after two years. The value of the shares for the purposes of this requirement is the market value of the underlying shares.

Based on their shareholding as at 30 June 2019, all KMP are on track to meet the shareholding requirement.

Hedging prohibition

The Suncorp Group Securities Trading Policy regulates dealing by directors, employees and contractors in Suncorp securities and prohibits hedging transactions to limit the economic risk of a holding in the Company's securities including unvested rights.

All KMP are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results.

Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy. Further detail can be found in the 2018-19 Corporate Governance Statement at suncorpgroup.com.au/about /corporate-governance.

Malus and clawback

Consequences for misconduct are particularly seen through the malus and clawback criteria. Deferred incentives (including STI deferred awards, LTI unvested awards, and LTI vested awards subject to further deferral) are subject to malus and clawback criteria. During FY19, the Board expanded the malus criteria and introduced clawback criteria.

In summary, malus and clawback criteria enable the Board, in its absolute discretion and subject to compliance with the law, to determine that a participant's deferred incentives will be fully or partially lapsed (malus) during the deferral period or any shares or cash payment allocated on the vesting of vested rights (including any vested dividend amounts) will be fully or partially forfeited, lapsed or retrieved (clawback). In exercising its discretion, the Board will consider whether this is a desirable to protect the Group's financial soundness or to respond to unforeseen circumstances.

Risk and financial control personnel

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

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

Section 2: Quantitative disclosure requirements

	FY19		
	Senior Managers (KMP)	Other Senior Managers	MRT
Number of Individuals[1]	11	14	3
Number of Roles	10	13	3

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

	FY18				FY19					
	Senior Managers (KMP)		Other Senior Managers		Senior Managers (KMP)		Other Senior Managers		MRT	
	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration										
Cash-based[2]	10,075	-	7,649	-	9,322	-	4,629	-	761	-
Other[3]	545	-	574	-	490	-	494	-	100	-
Variable remuneration										
Cash-based[4]	5,569	78	2,760	24	2,217	9	1,368	2	284	27
Share linked instruments[5,6]	-	8,571	3	1,540	-	8,292	1	839	2	35

1. The number of individuals is based on headcount. Where the individual held the disclosed role for a portion of the financial year their remuneration is pro-rated to reflect this.
2. Represents actual fixed remuneration received, including salary sacrificed benefits.
3. Represents employer superannuation, non-monetary benefits including airfares and premium rebate paid on behalf of the employee and the net annual leave and long service leave accrual for the financial year.
4. Represents cash incentives earned during the financial year. The deferred cash portion awarded includes interest accrued on prior year deferred STI's and is subject to malus and clawback criteria during the deferral period. The deferred portion of the FY19 and FY18 STI is outlined in 'Share linked instruments' under the 'Deferred' column.
5. STI deferred into equity-settled rights is expensed to the profit & loss from the start of the performance period to the end of the deferral period and the fair value is amortised from the start of the performance period to the end of the deferral period. Grants made under the LTI plan, Restricted Share Plan and Share Rights Plan are expensed to the profit & loss based on the fair value at grant date over the period from grant date to vesting date.
6. See the FY19 and FY18 Suncorp Group Limited Annual Financial Report for further information regarding employee share plans and associated remuneration strategies to drive long-term performance.

During FY19, 11 Senior Managers (KMP), 14 Other Senior Managers and 3 MRTs received a variable remuneration award and in FY18, 13 Senior Managers (KMP) and 25 Other Senior Managers received a variable remuneration award. No guaranteed bonuses were made to any Senior Manager during FY19 and FY18.

The table below summarises the sign-on and termination payments made or granted to Senior Managers and MRTs in FY19 and FY18.

	FY18				FY19					
	Senior Managers (KMP)		Other Senior Managers		Senior Managers (KMP)		Other Senior Managers		MRT	
	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000
Sign-on payments	-	-	-	-		-	-	-	-	-
Termination payments[1]	3	2,363	-	-	1	1,668	-	-	-	-

1. Termination payments are paid in accordance with contractual commitments.

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

$000	FY18		FY19		
	Senior Managers (KMP)	Other Senior Managers	Senior Managers (KMP)	Other Senior Managers	MRT
Total outstanding deferred remuneration[1]	**22,536**	**3,514**	**20,879**	**1,708**	**293**
Cash-based[2]	2,271	671	-	23	189
Shares and share-linked instruments[3]	20,265	2,843	20,879	1,685	104
Total paid during the year[4]	**2,594**	**1,173**	**2,579**	**445**	**33**
Total reductions due to explicit adjustments[5]	**(3,842)**	**(681)**	**(6,862)**	**(308)**	**-**
Total reductions due to implicit adjustments[6]	**-**	**-**	**(819)**	**(148)**	**-**

1. Includes the total outstanding deferred cash and equity awards as at 30 June. Outstanding deferred remuneration is subject to malus and clawback criteria. All deferred remuneration outstanding for Senior Managers and MRTs at 30 June has been included, even where that award was earned in a different capacity within the Group. The deferred balance has been excluded where the Senior Manager and MRT is no longer employed in that capacity at 30 June.
2. Deferred cash-based remuneration for FY19 represents the deferred portion of short-term incentives awarded in FY17 and/or FY18, together with the interest accrued on the outstanding deferral, for all Senior Managers and MRTs employed within that capacity as at 30 June. Deferred cash may have been accrued whilst employed in a different capacity within the Group.
3. Deferred equity represents the market value as at 30 June, calculated by the number of performance rights, share rights or restricted shares granted multiplied by the closing share price as traded on the ASX on 30 June. The balance consists of all offers up to and including 30 June that are still to vest for Senior Managers and MRTs employed in that capacity as at 30 June.
4. Consists of all deferred cash incentives from prior years (and associated interest) paid and deferred equity vested during the financial year, received whilst employed in the capacity of a Senior Manager or MRT.
5. Represents the market value at grant date of performance rights, share rights or restricted shares forfeited during the financial year.
6. Represents any reduction in the market value at grant date compared to the market value at 30 June for performance rights, share rights or restricted shares yet to vest, or reduction in the market value at grant date compared to the market value at vesting date during the period. Note that increases may have occurred during the period, however only reductions have been disclosed in accordance with the requirements of APS330.

APPENDIX 2 - DEFINITIONS

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