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Financial results for the year ended 30 June 2022

8 August 2022

SUNCORP GROUP LIMITED
ABN 66 145 290 124

FY22 Overview

Steve Johnston
Chief Executive Officer

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Purpose driven, delivering sustainable outcomes

Summary Profit & Loss Statement

	FY22 ($m)	FY21 ($m)	Change ($m)
Insurance (Australia)	174	547	(373)
Banking	368	419	(51)
New Zealand	155	200	(45)
Cash earnings	**673**	**1,064**	**(391)**
Group NPAT	**681**	**1,033**	**(352)**
Ordinary dividend (cps)	40	66	
Net impact of yields and investment markets:			
- General Insurance - Australia and New Zealand	(190)	453	(643)
- Banking (MTM losses on derivatives)	(16)	-	(16)
- Group	(13)	9	(22)
Natural hazards expense above allowance	(101)	(60)	(41)

- FY22 results demonstrate strong growth and progress in underlying margins
- Elevated natural hazards event season with assistance provided to around 130,000 customers
- Significant volatility in investment markets with increasing yields and widening credit spreads
- Combined impact of investment markets and natural hazards over $700m pre-tax versus FY21
- FY23 strategic targets reaffirmed

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FY22 key highlights

Insurance (Australia) GWP growth of 9.2%*
(10.7% in H2 v pcp)

Group UITR 9%
FY23 target of 10-12% reaffirmed

NZ GWP growth of 14.1%
(14.2% in H2 v pcp)

Claims management improvements effectively controlling inflationary pressures

Banking home lending growth of $4.1b
($2.9bn in H2)

Value realisation from strategic initiatives gaining momentum

*Excludes portfolio exits

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Sale of Suncorp Bank - Strategic rationale

Simplify

Suncorp as an organisation with a commitment to being at the forefront of sustainability

Focus

on strategic initiatives within Suncorp's insurance businesses

Maximise

value for Suncorp shareholders with the offer representing an attractive premium

Position

Suncorp Bank's customers, people and purpose for greater success over the medium to long term

Alignment

of ambition with ANZ on the Bank's future potential

FY22 Financial Results

Jeremy Robson
Chief Financial Officer

Financial overview

Strong growth momentum and improving underlying performance

- Record 2H GWP growth in Australia and New Zealand and turnaround in Home Lending
- Underlying ITR expansion to 9% for FY22 and 9.9% in 2H (excluding COVID benefits)
- FY23 targets reaffirmed with natural hazards and reinsurance costs offset by investment income and pricing

Investment income

- Net Insurance loss from yields and investment markets $190m in FY22
- Mark to market on Bank derivatives (c$16m)
- Rate environment positively impact investment income

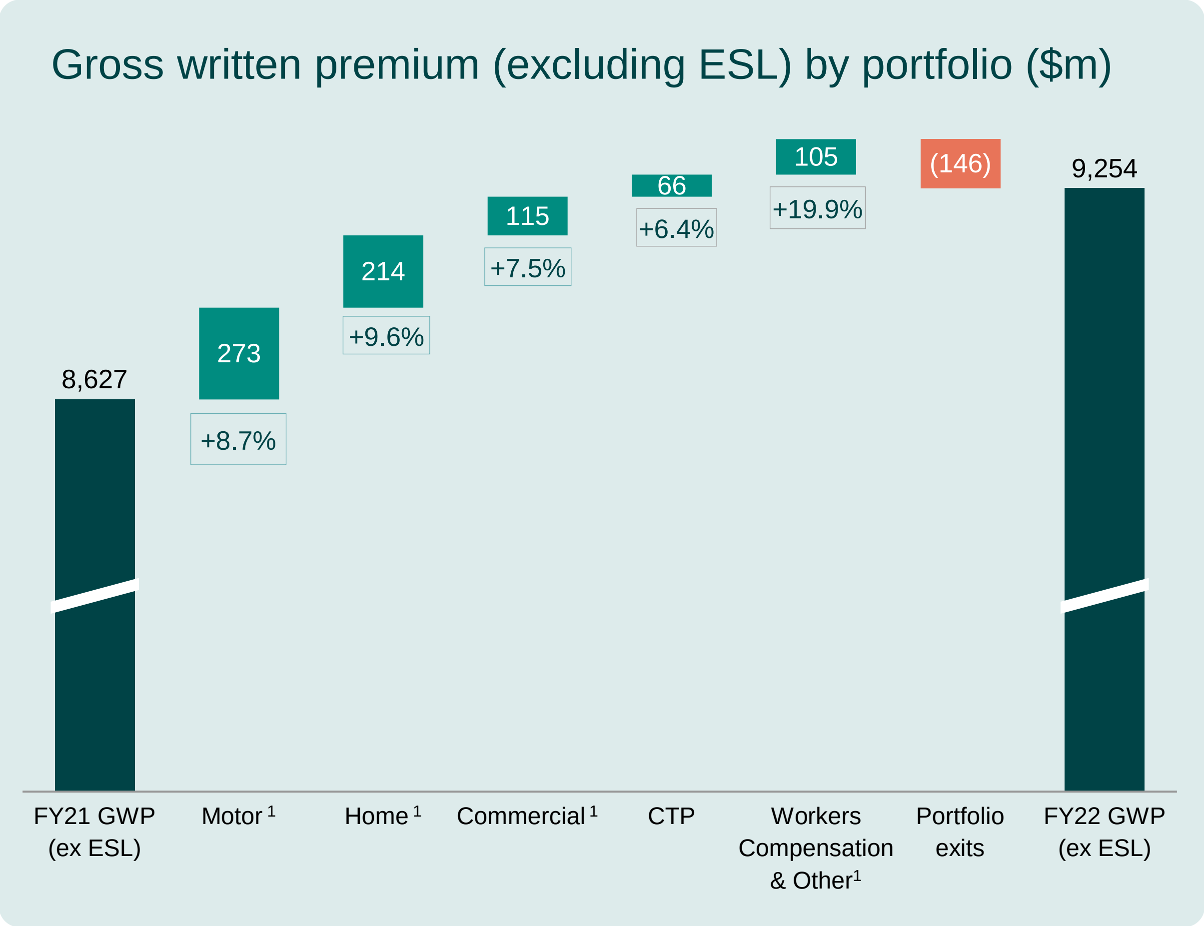
Natural hazards

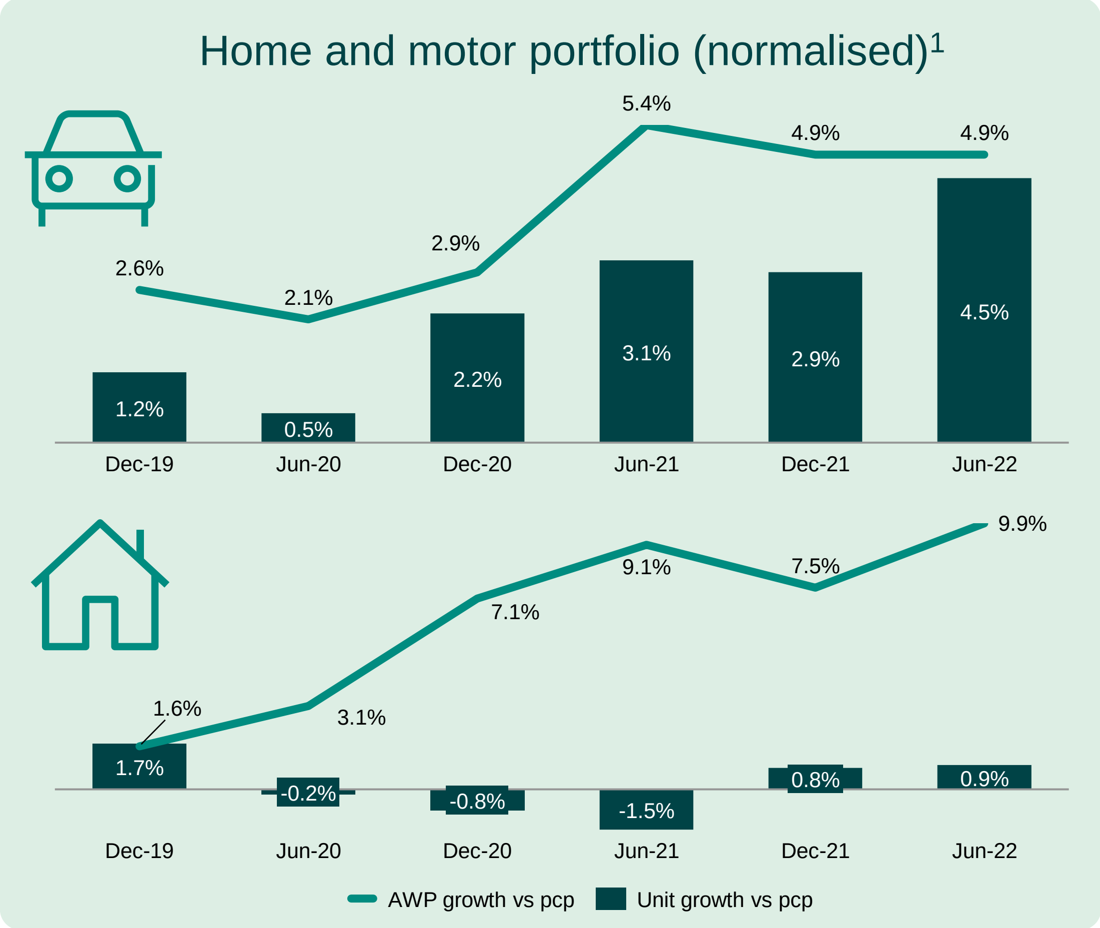
- Second successive La Niña contributed to an elevated event season
- Natural hazards costs for the year were $101m above allowance
- FY23 allowance increased to $1,160m

Other items

- Recognition of a tax credit relating to the FY19 sale of the Australian life insurance business
- Reinsurance premiums on additional main cat and AXL cover
- Other provisions recognised, predominantly restructuring costs

Insurance (Australia) – Gross written premium

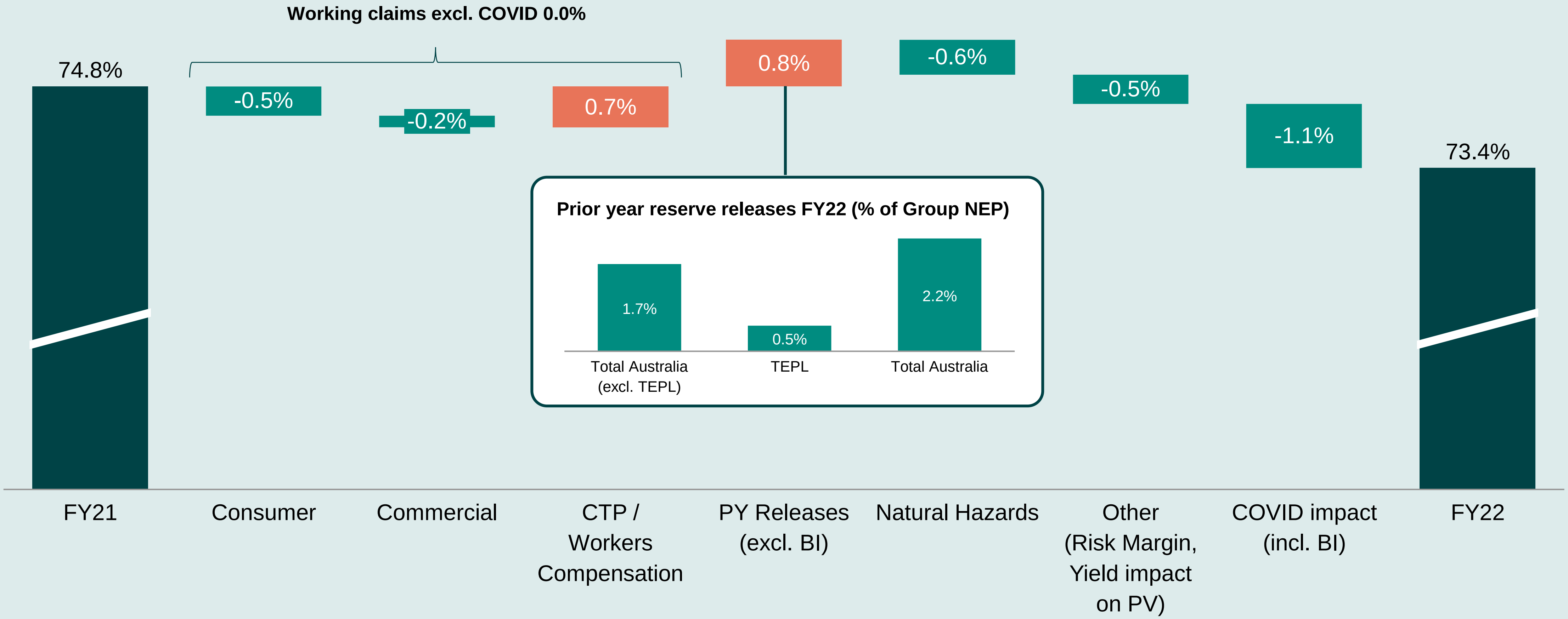




[1]Excludes impact of portfolio exits

Insurance (Australia) – Net loss ratio

Net loss ratio (%)[1]



[1] excluding FSL, discount rate movement and unwind

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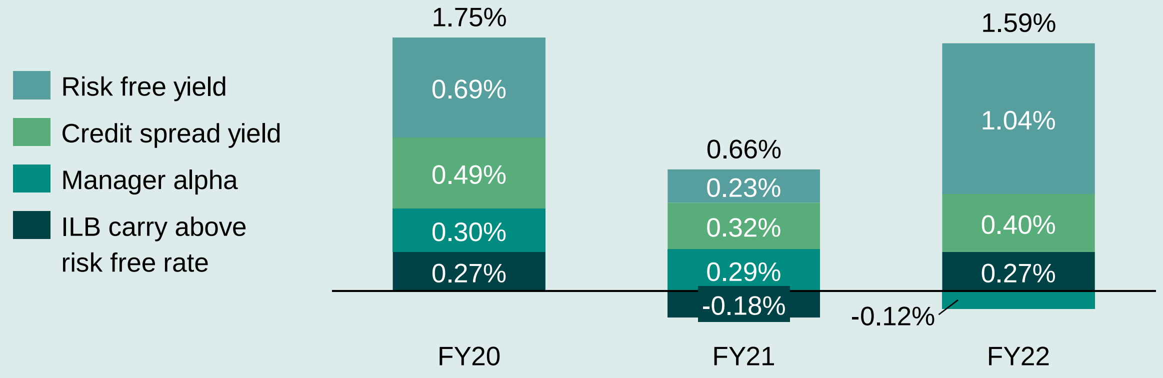
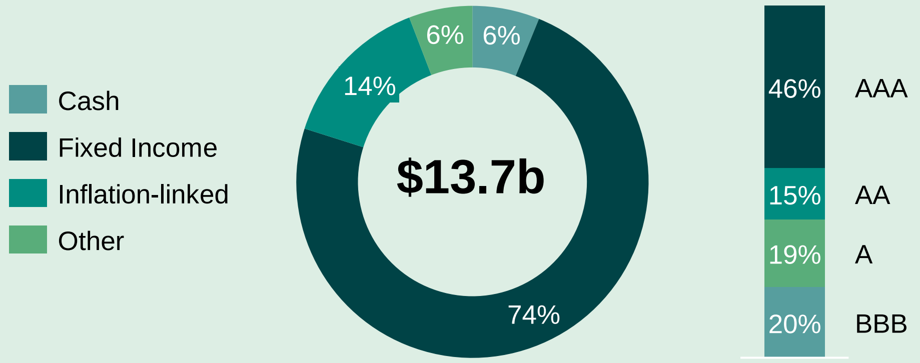
Insurance (Australia) – Investment market impacts

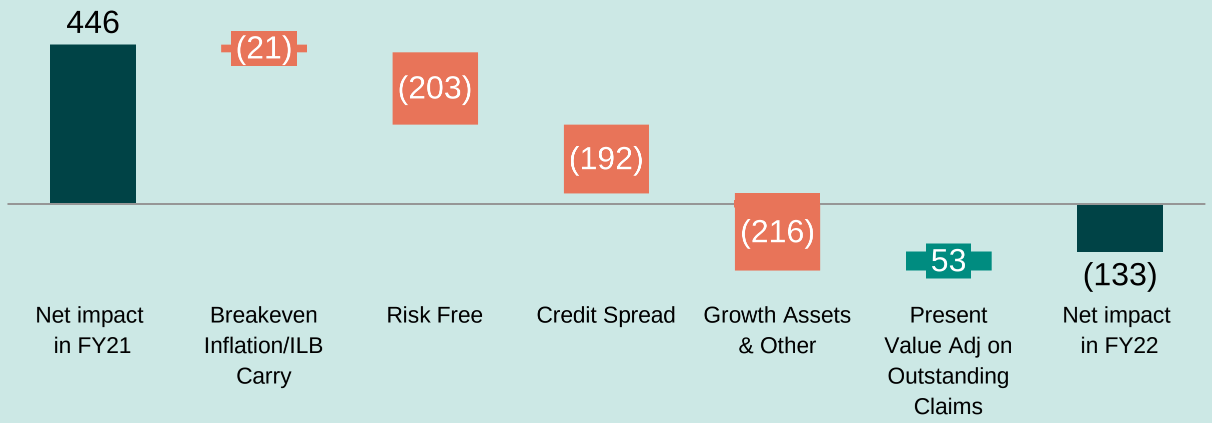
Underlying yield on insurance funds (%; annualised)



Investment Portfolio

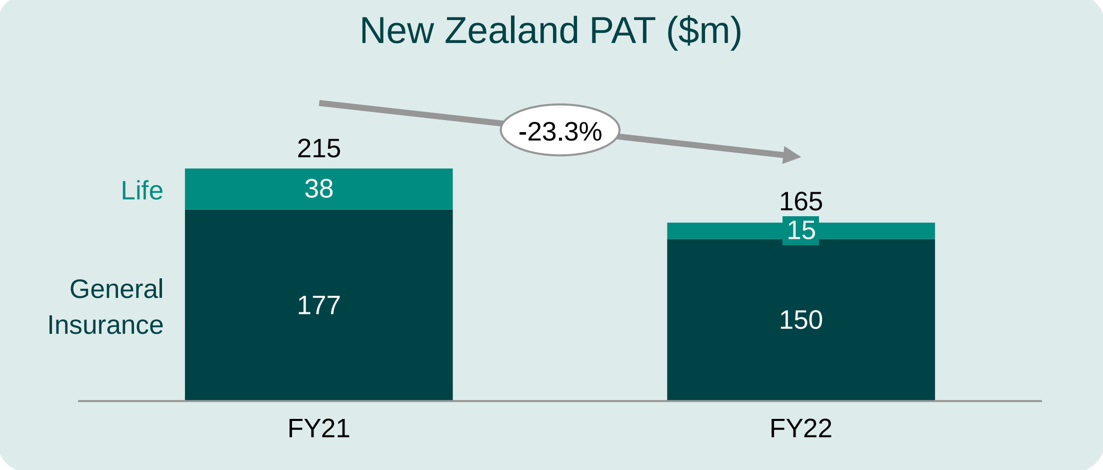


Net P&L impact from yield and investment markets ($m)

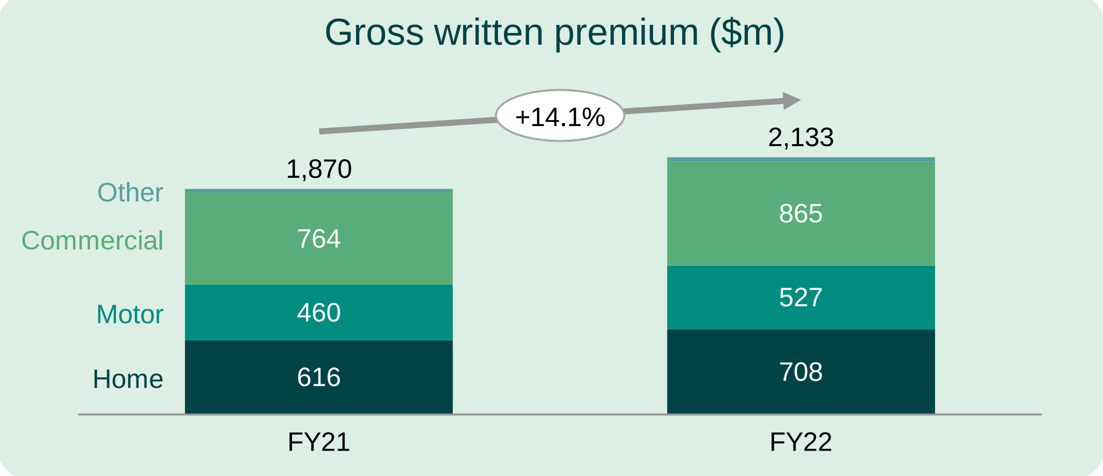


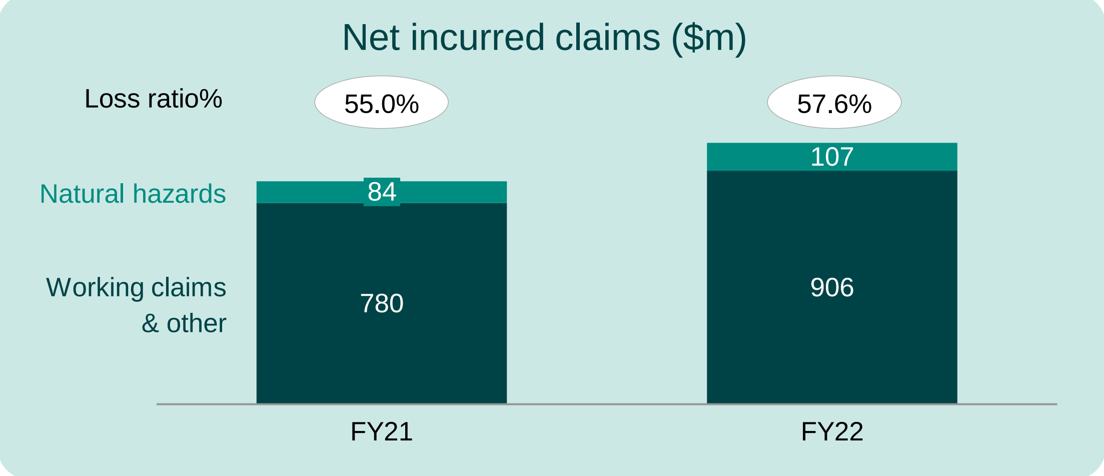
- Conservatively positioned portfolio: cash holdings above long-term targets, c. 90% of portfolio invested in investment grade fixed income assets
- Short-term mark-to-market impact from higher interest rates and credit spreads driving negative FY22 result
- Ongoing results to benefit from increased underlying yield
- Risk-free and credit spread yields on insurance funds ~3.5% at exit on 30 June 2022

New Zealand (NZ$)



- Strong top line performance continued with seventh consecutive quarter of above system growth
- Lower investment returns impacted profit but will result in higher yields in future periods
- Elevated natural hazard season increased net incurred claims
- Higher working claims was driven by unit growth and inflationary pressures

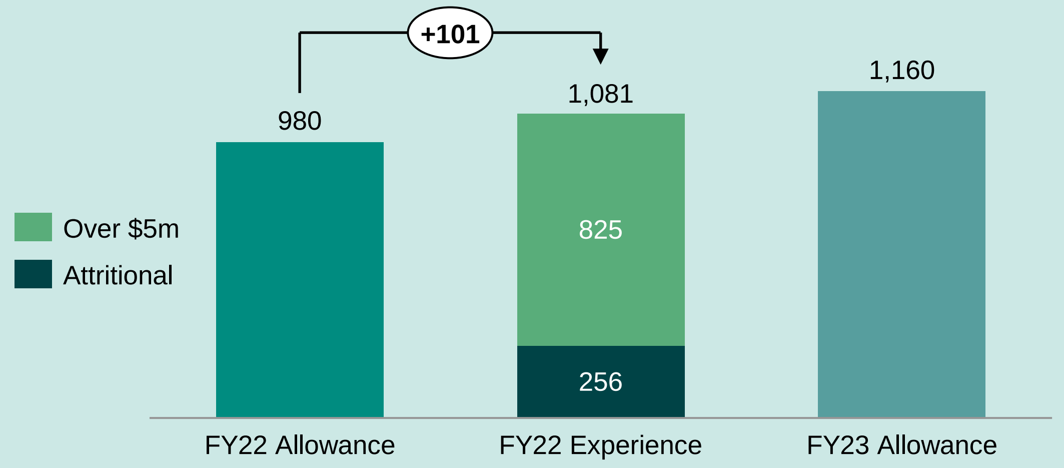




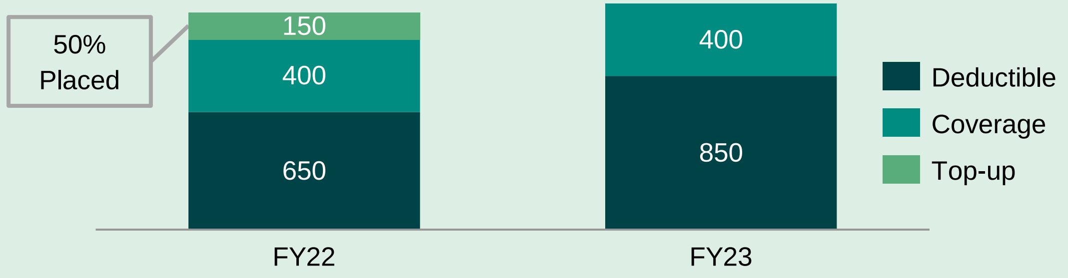
Note: All metrics shown in New Zealand dollars

Natural hazards and reinsurance

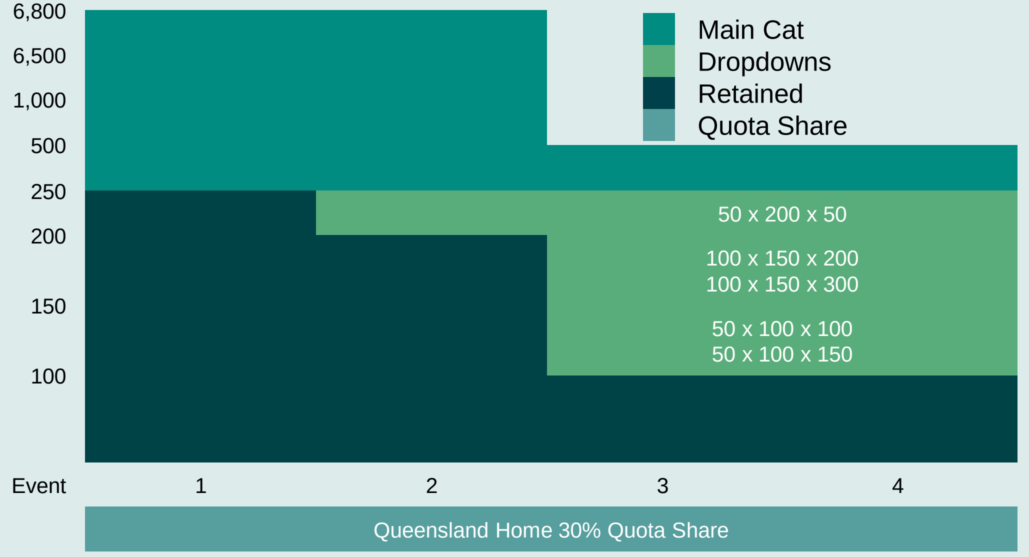
Natural hazard experience vs allowance ($m)



AXL cover FY22 v FY23 ($m)

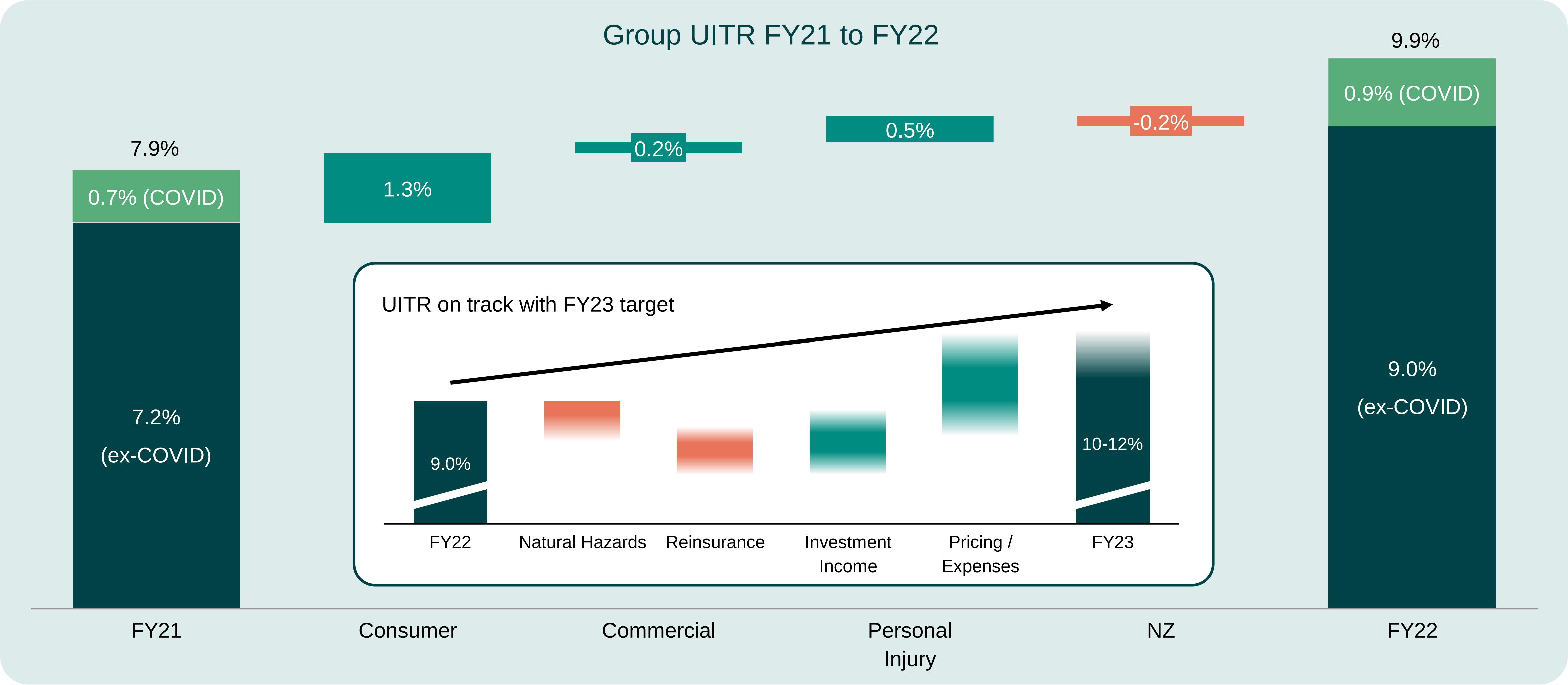


FY23 Main Cat and Dropdown Cover ($m)



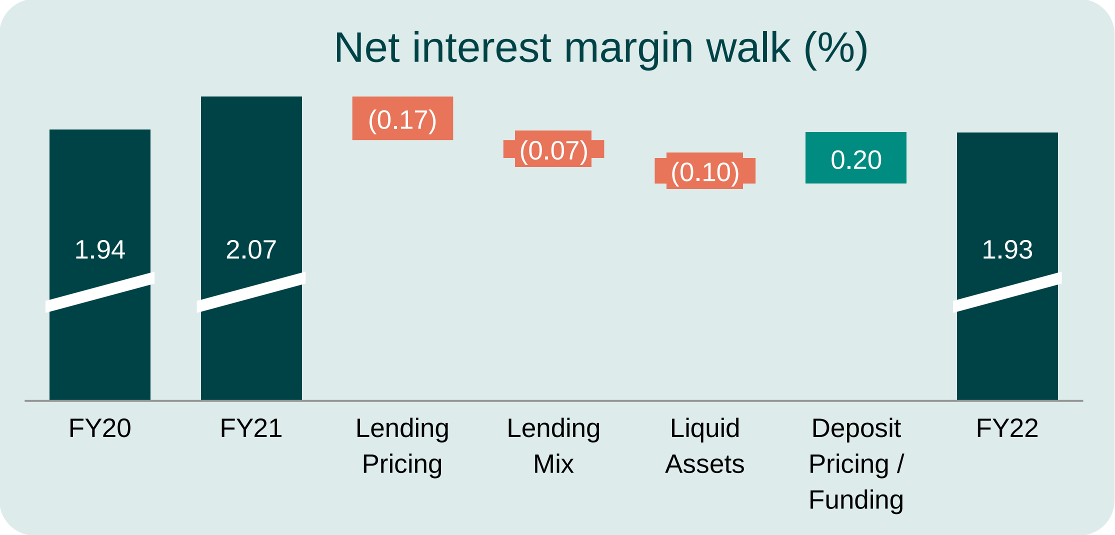
- FY22 natural hazards experience was $101m above allowance, in line with modelling for a La Niña year
- Changes to the structure and cost of the FY23 reinsurance program driven by hardening global reinsurance market
- FY23 natural hazard allowance has been increased by $180m to $1.16b driven by:
  - changes to the structure of the reinsurance program
  - recent adverse natural hazard experience

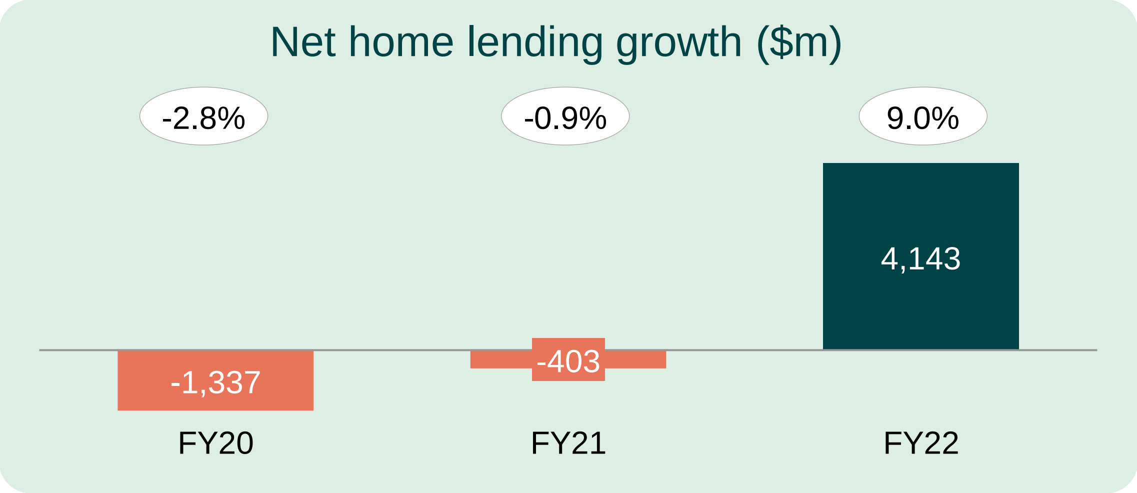
Group underlying ITR

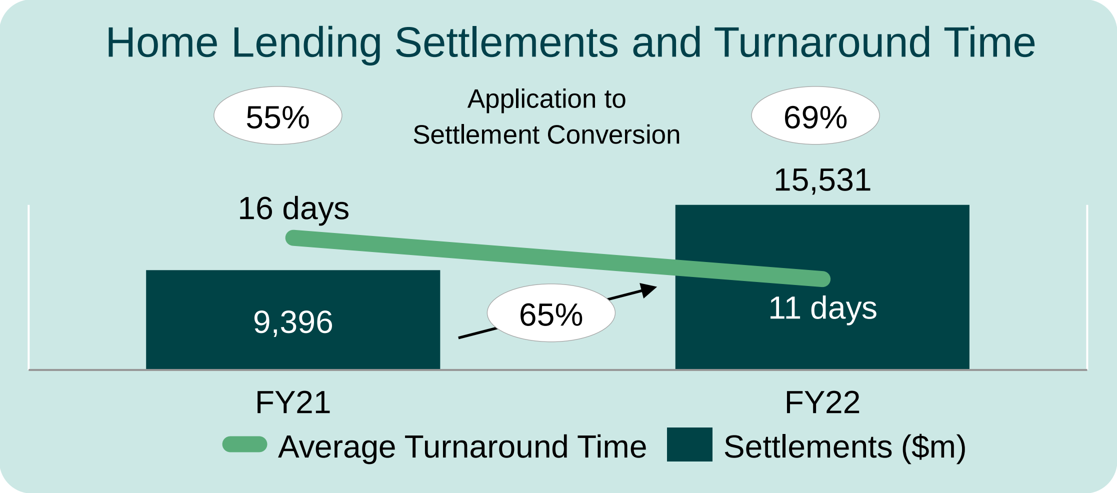


Banking

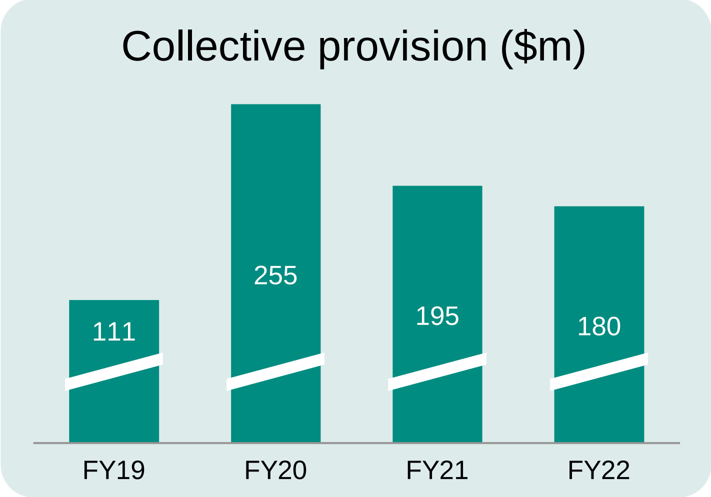
	FY22 ($m)	FY21 ($m)	Change (%)
Net interest income	1,245	1,242	0.2
Other operating income	3	39	(92.3)
Operating expenses	(736)	(731)	0.7
Profit before impairments	**512**	**550**	**(6.9)**
Impairment release/(expense)	14	49	(71.4)
Income tax	(158)	(180)	(12.2)
Banking profit after tax	**368**	**419**	**(12.2)**
CTI	**59.0%**	**57.1%**	

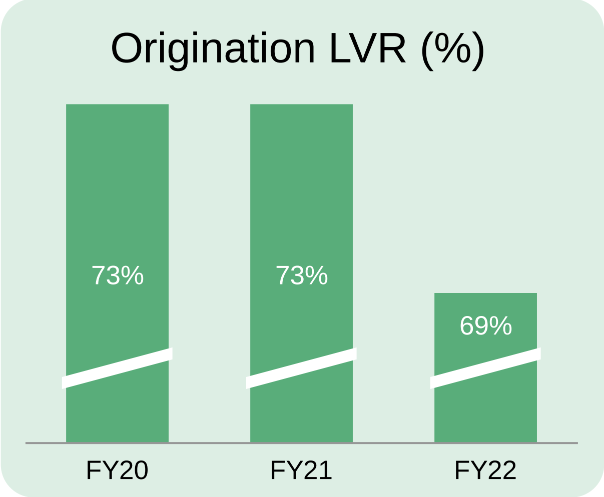


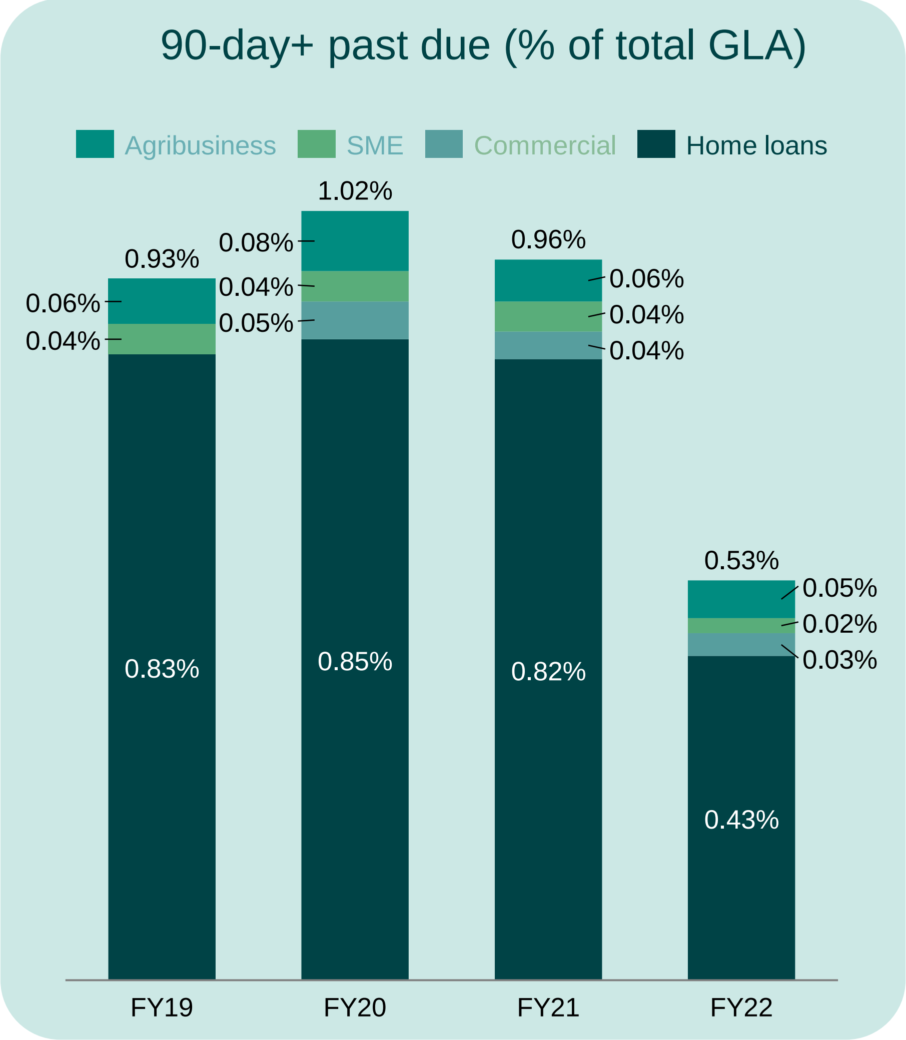




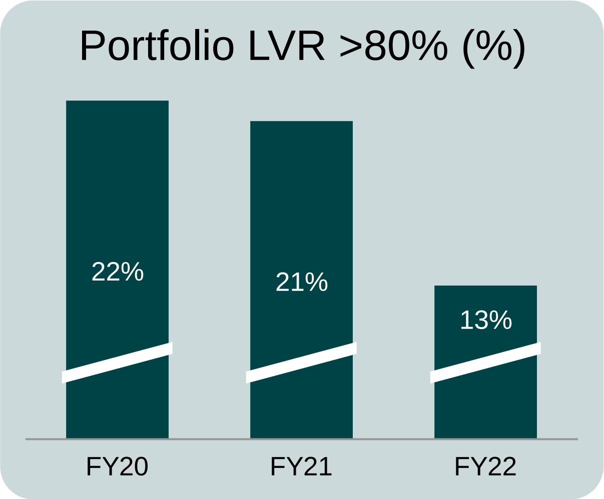
Banking – Credit Quality





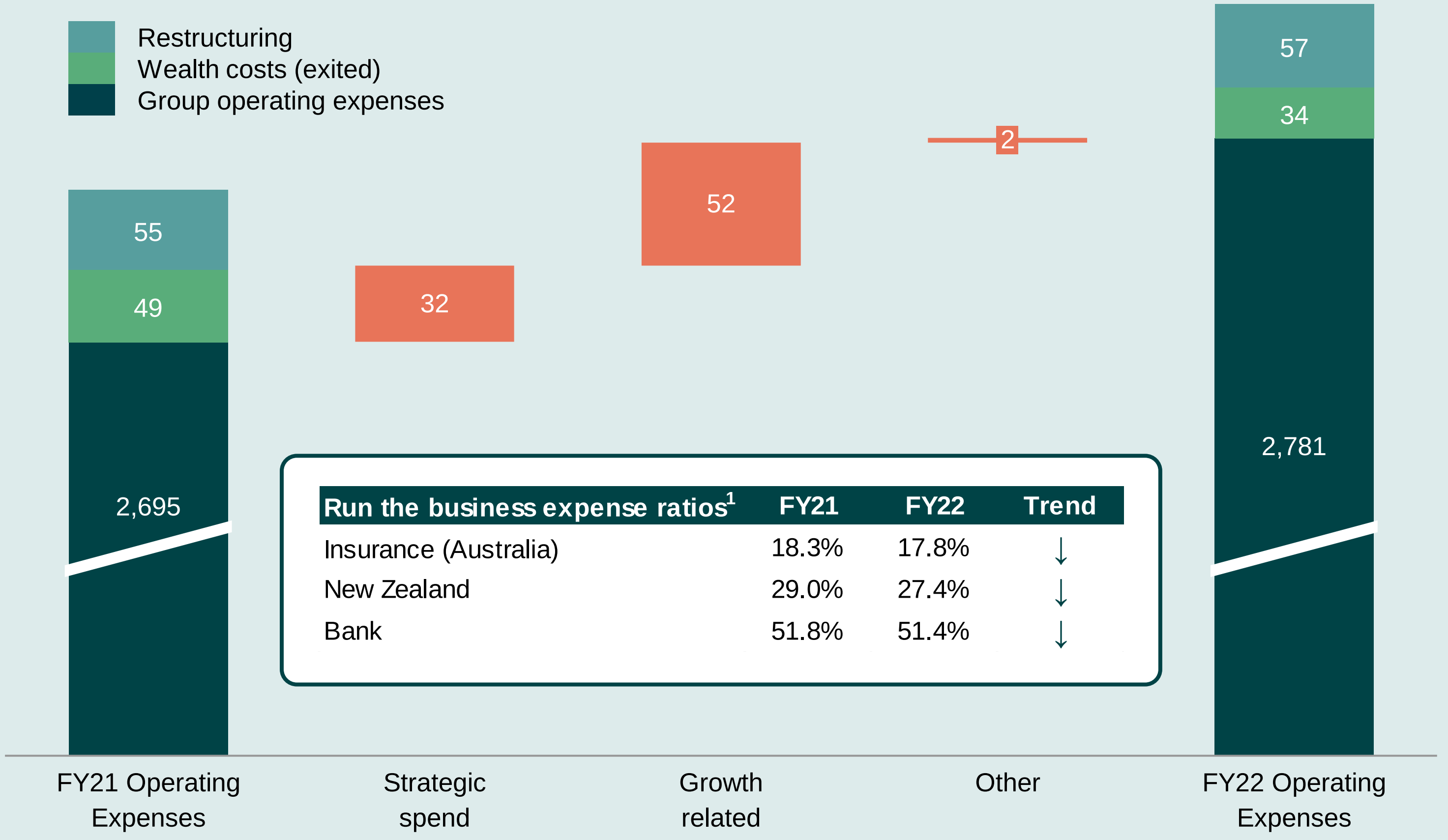


- Credit quality in the lending book strong and improving across a variety of metrics
- Past due loans at record lows
- The proportion of customers with DTI > 6x lower than market average
- Origination and portfolio LVR measures sound and improving



Group operating expenses

Group operating expenses (excluding ESL) FY21 to FY22 ($m)



Run the business expense ratios[1]	FY21	FY22	Trend
Insurance (Australia)	18.3%	17.8%	↓
New Zealand	29.0%	27.4%	↓
Bank	51.8%	51.4%	↓

- Increase in strategic spend in line with previous guidance and expected to reduce in FY23
- Growth related costs driven by higher commissions, marketing spend and joint venture expenses in NZ
- Efficiency benefits from the delivery of strategic initiatives have offset inflationary impacts evident in flat other expenses and falling run the business expense ratios
- FY23 target of around $2.7b to be driven by the realisation of benefits from the strategic program and a reduction in strategic spend

1 Excludes projects costs and mark-to-market on Bank derivatives

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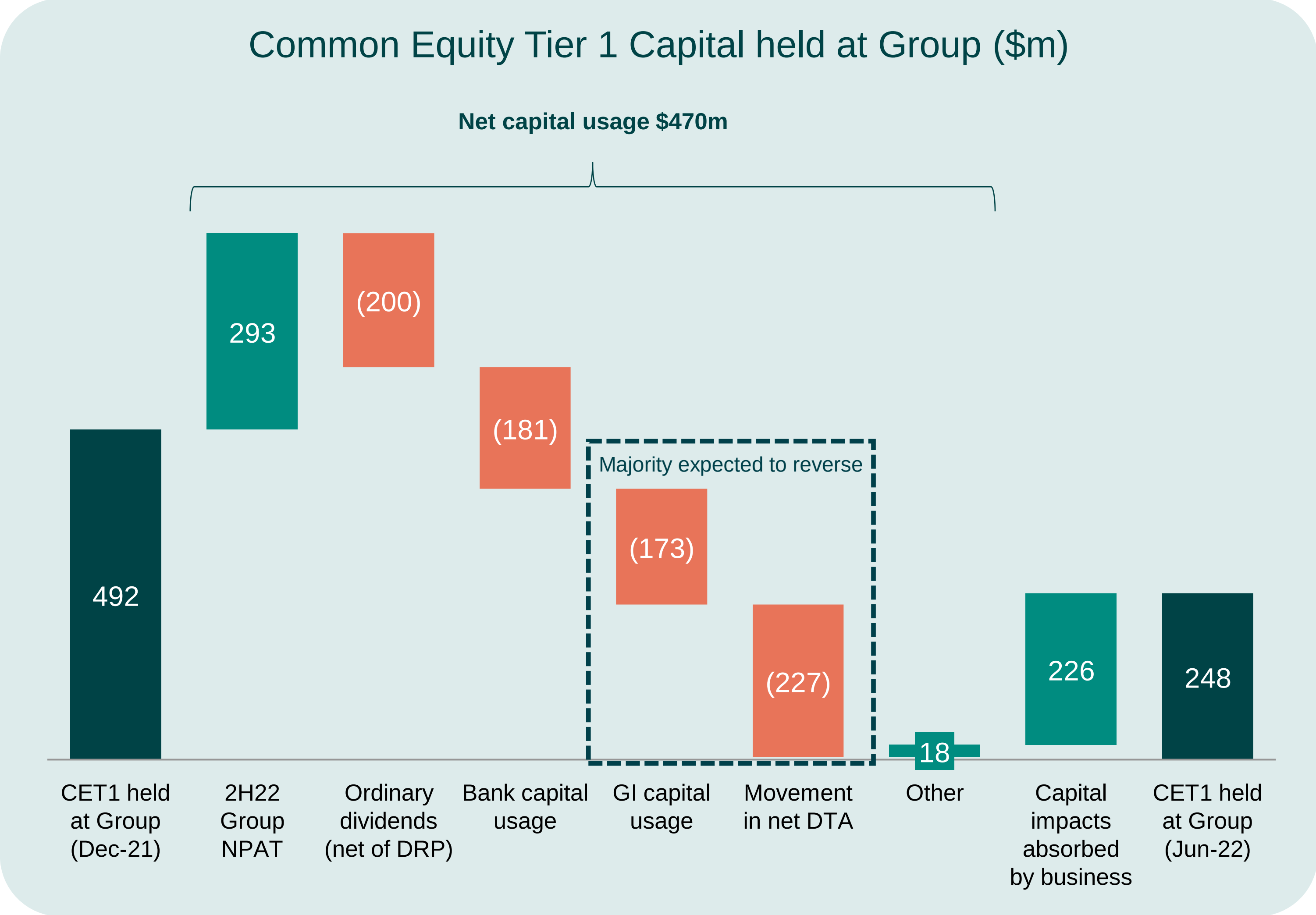
Group CET1 Capital

- The net capital usage was $470m during 2H22, with the majority of the Deferred Tax Asset (DTA) and GI capital usage expected to unwind over time as:
  - Investments reach maturity – average duration is 2 to 3 years
  - Pricing changes reverse the impact on Excess Tech Provisions from reinsurance and NHA
- $226m of net capital impact absorbed within the businesses
  - GI capital ratio allowed to fall into bottom half of target range and expected to improve as capital impacts unwind
  - Bank reverted to normal practice - operating in bottom half of target range post dividends
- Dividend payout ratio towards top of target range
- Ongoing commitment to return capital in excess of the needs of the business



Strategic Outlook

Steve Johnston
Chief Executive Officer

Strategy

Purpose	**Building futures and protecting what matters**			
Strategic pillars	**Customer led** *Digital first and personalised customer experiences*	**Technology enabled** *Automated processes and modernised technology platforms*	**Our people** *Exceptional people empowered to make a difference every day*	**Advocacy** *Building towards a fair and sustainable industry for our stakeholders*
Strategic initiatives	**Insurance Australia** Revitalise growth Optimise pricing and risk selection Digital first customer experiences Best in class claims	**New Zealand** Grow brands and strategic partnerships Best in class claims Digitise and automate	**Banking** Win in home Seamless everyday banking Grow business Digital first Customer service excellence	
Enablers	**Improved productivity through Digital, Data and Automation** **Engaged, Enabled and High Performing teams** **Innovation and Partnering**			

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Insurance Australia - strategic progress and outlook

Revitalise growth	- Achieved strong gross written premium growth across all our portfolios, with AAMI generating unit growth in home and motor and higher NPS scores than FY21 - Delivered growth in Commercial supported by simplifying our product lines and improving digital platforms - FY23 will continue focus on strengthening our brands
Optimise pricing and risk selection	- Delivered CaPE for Home mass brands with over 65% of policies now priced via CaPE - Continued investment in Commercial underwriting tools, rolling out Property Underwriting tool and iSME pilot - FY23 will rollout CaPE Motor for mass brands in 2H
Digital first customer experiences	- Increased mass brand digital sales to 61% (up ~7pp) and service transactions to 37% (up ~6pp) - Released over 100 digital deployments and increased customer self service solutions via Interactive Voice Response and SMS routing - FY23 will continue delivering digital tools for customers and rolling out new frontline productivity tools
Best in class claims	- Motor and Home claims digital lodgements have more than doubled in FY22 versus pcp - Home and Motor repair panels reviewed, systems implemented to manage allocation and benchmark costs - Focus in FY23 will be on end to end digital enhancements, further supply chain optimisation (e.g. bulk buying / salvage opportunities), event Control Room Centre of Excellence, and operational transformation

Suncorp New Zealand - strategic progress and outlook

Grow brands and strategic partnerships	- Continued momentum with a targeted focus on deepening broker relationships and offering compelling market propositions delivered through trusted brands. - Increased market share by 134 basis points over the preceding 12 months, registering seven consecutive quarters of market share gains.
Best in class claims	- Continued progress to deliver a single claims platform, introducing new channels for customer engagement and seamless connectivity. - Automated claims assessment in the second half, resulting in reduced field assessment handling time and improved data accuracy.
Increasing digital and data capability	- Continued investment in core systems to deliver more value to customers and intermediaries through digitisation of key steps in the customer experience while simplifying products and automating high volume processes. - Launched online motor insurance sales through the ANZ corporate partnership, with development work underway on future product releases. - Continued progress on enabling broker connectivity with a pilot scheduled for early in FY23.

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Natural Hazards, Resilience & Mitigation

Declared Events
35
Australia: 29 New Zealand: 6
↑ 12 Events on PCP

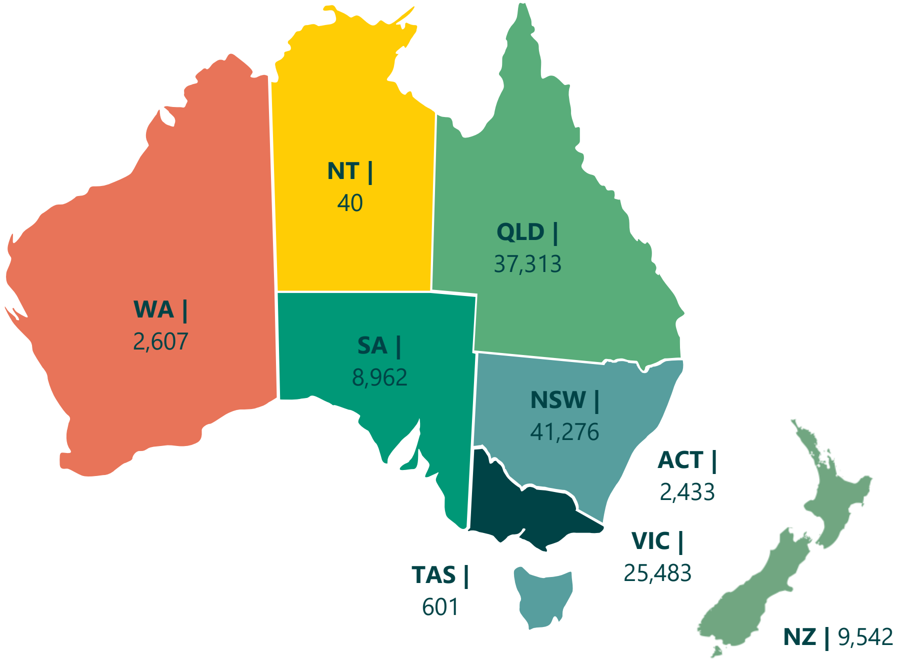
Total Event Claims
128,785
Motor: 29,295 | Home: 85,507
Commercial: 4,441 | NZ: 9,542

Finalisation
57%
Motor: 71% | Home: 52%
Commercial: 55% | NZ 73%

Online Lodgement
58%
(Australia)
Motor: 53% | Home 59%

Top Loss Causes

Rain	45,256
Hail	24,825
Flood	20,409
Wind	12,664



Four Point Plan

1. Improve public infrastructure
2. Provide subsidies to improve the resilience of private dwellings
3. Address inadequate planning laws and approval processes
4. Remove inefficient taxes and charges from insurance premiums

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FY23 targets reaffirmed

Returns	Cash return on equity above the through-the-cycle cost of equity
Dividends	Dividend payout ratio of 60% to 80% of cash earnings Return any capital to shareholders that is excess to the needs of the business

Key divisional metrics

General Insurance	Underlying ITR of 10 – 12% by FY23
Banking	Cost-to-income ratio of ~50% by end of FY23

FY23 Outlook

- GWP growth expected to be in the mid to high single digits
- Pricing increases to reflect increasing reinsurance and natural hazards costs and inflationary environment
- Unwind of mark-to-market investment losses to grow yield and support UITR
- Prior year reserve releases expected to moderate
- Transitory capital impacts to unwind

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Building futures and protecting what matters

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