SUNCORP

Financial Results

For the year ended 30 June 2023

9 August 2023

SUNCORP GROUP LIMITED | ABN 66 145 290 124

FY23 Overview

Steve Johnston

Group Chief Executive Officer

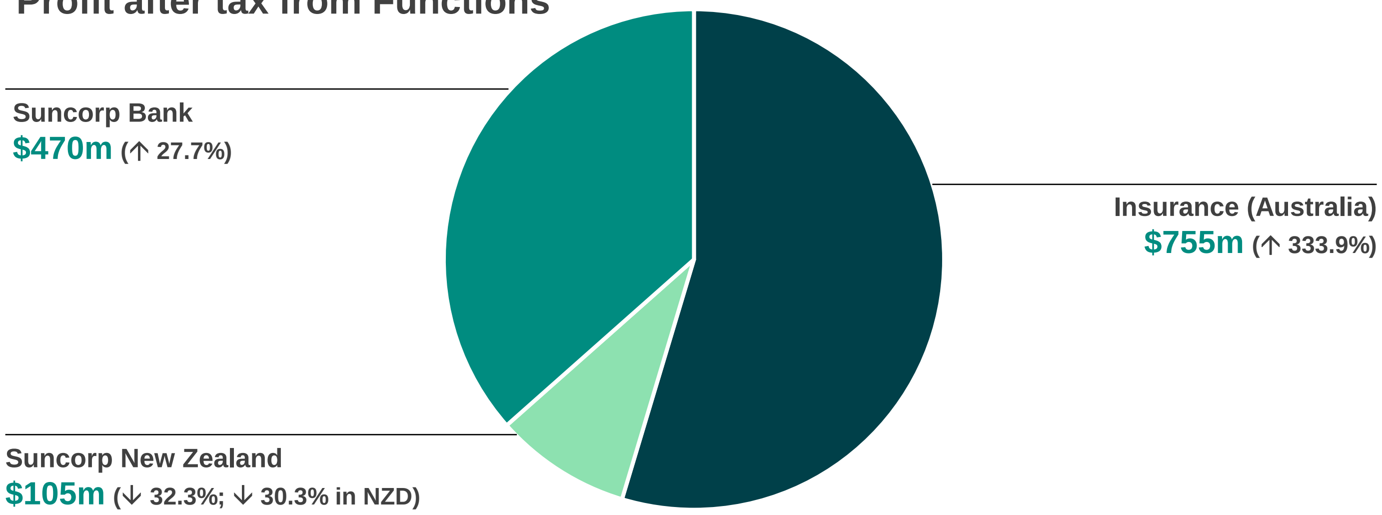
Purpose driven, delivering strong outcomes for the long term

Group result

Strong revenue growth and margin expansion

- Strong top-line growth across the Group
- Improved underlying margins and returns
- Significant turnaround in investment returns
- Reduced operating expenses
- Elevated natural hazard activity and inflationary pressures
- Fully franked final ordinary dividend of 27 cents per share, representing a full year payout ratio of 60% of cash earnings
- FY23 plan completed successfully

Profit after tax from Functions



NET PROFIT AFTER TAX
$1,148m
↑ 68.6%

FULL YEAR ORDINARY DIVIDEND
60cps

CASH EARNINGS
$1,254m
↑ 86.3%

Result highlights

Strong top-line growth and underlying momentum across the Group

Insurance (Australia) Gross written premium Home	Insurance (Australia) Gross written premium Motor	Suncorp New Zealand Gross written premium	General Insurance Underlying insurance trading ratio	Suncorp Bank Home lending	Suncorp Bank Cost-to-income ratio	Group Operating expenses
11.7%[1]	13.8%[1]	14.3%	10.9%	9.1%	51.8%	1.9%
Reinvigorate growth	Reinvigorate growth	Maintain momentum	10% - 12%	Win in Home	~ 50%	~ $2.7 billion

1. Excluding emergency services levies and portfolio exits.

FY23 Plan – strategic initiatives and targets

Strategic Initiatives

Insurance Australia

Revitalise growth

Optimise pricing and risk selection

Digital first customer experiences

Best in class claims

Suncorp New Zealand

Grow brands and strategic partnerships

Best in class claims

Digitise and automate

Suncorp Bank

Win in Home

Seamless everyday banking

Grow businesses

Digital first

Customer service excellence

Strategic Targets

Return on equity

Cash return on equity above the through-the-cycle cost of equity

Dividends

Payout ratio 60% to 80% of cash earnings

Return any capital to shareholders that is excess to the needs of the business

General Insurance

Underlying insurance trading ratio of 10% to 12% by FY23

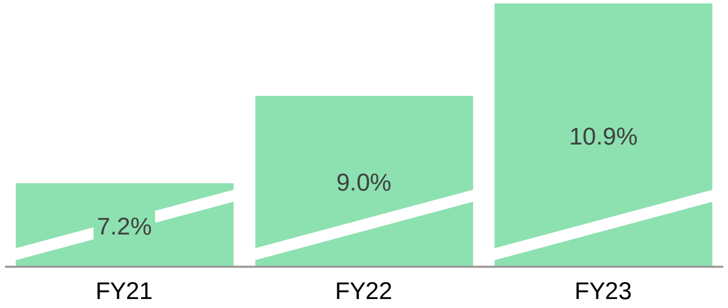
Bank

Cost-to-income ratio of ~50% by end of FY23

FY23 Plan completed successfully

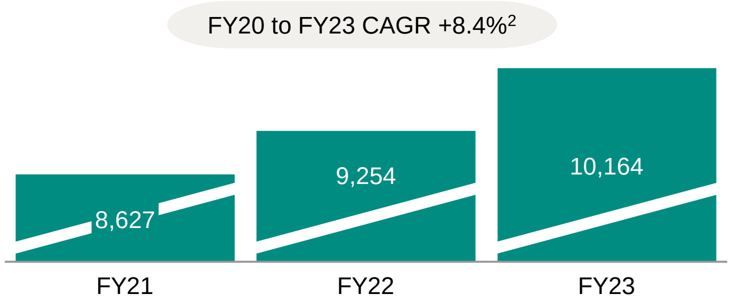
UNDERLYING INSURANCE TRADING RATIO

(excluding COVID-19 impacts)

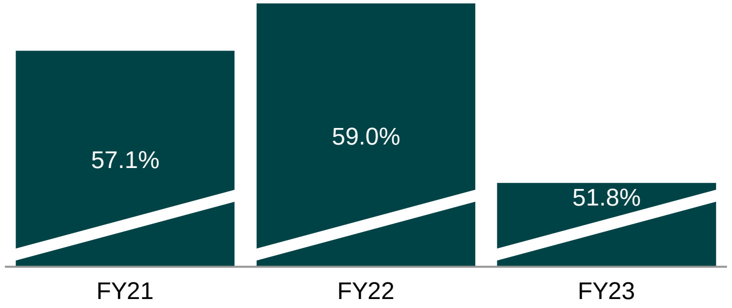


GROSS WRITTEN PREMIUM

Insurance (Australia)[1] ($m)

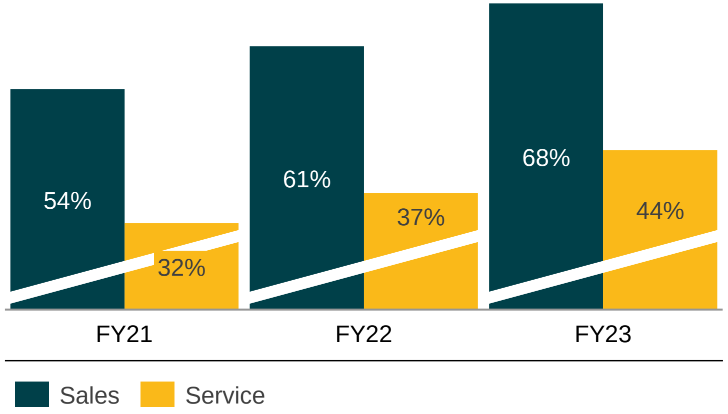


BANK COST-TO-INCOME RATIO



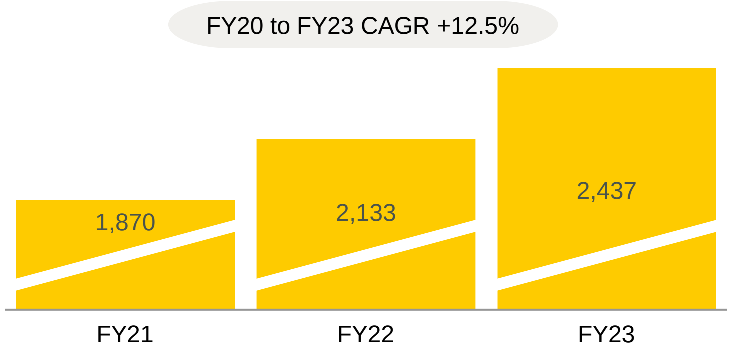
DIGITAL SALES & SERVICE TRANSACTIONS

Insurance (Australia)[3]



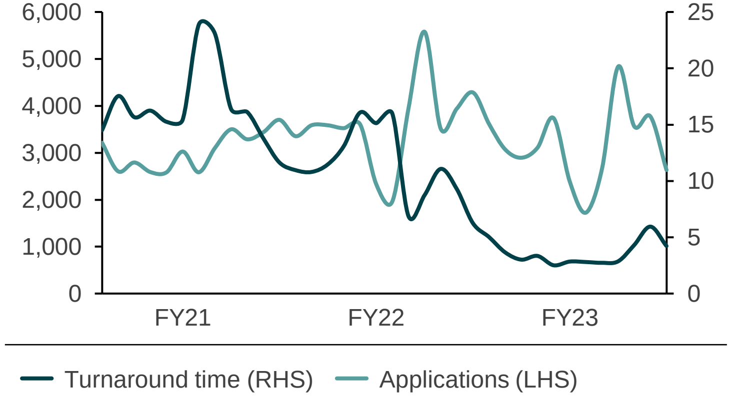
GROSS WRITTEN PREMIUM

Suncorp New Zealand (NZ$m)



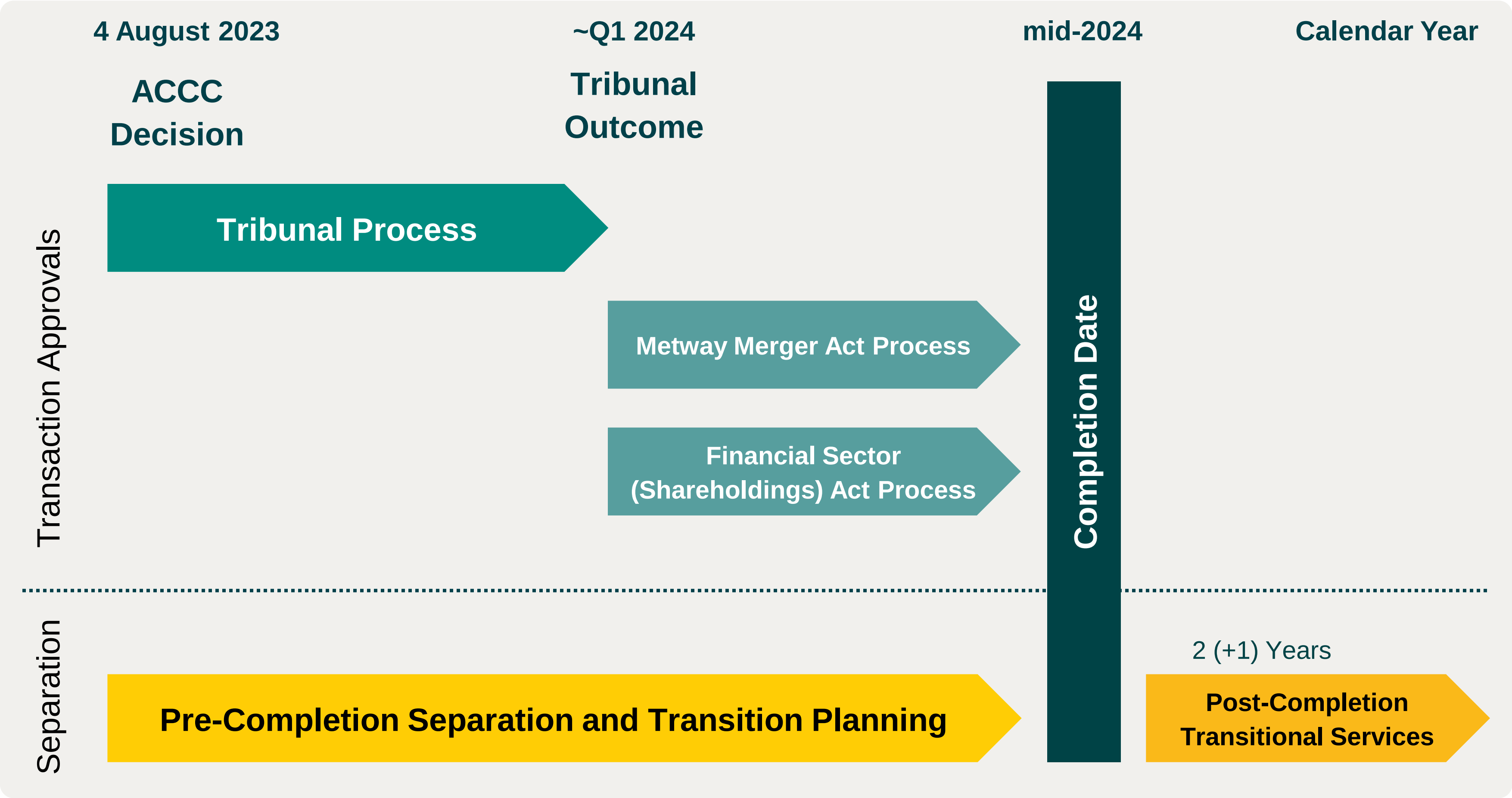
HOME LENDING

Turnaround times[4] (working days) / applications (#)



1. Excluding emergency services levies. 2. Excluding emergency services levies and portfolio exits 3. For mass brands across Home, Motor and Compulsory Third Party products only. 4. Source: Australian Finance Group Ltd and Suncorp source data calculated as median working days from application to unconditional approval (excluding public holidays) for all home loan applications (including pre-approvals).

Pathway to Bank completion and transition



NOTES

- On 4 August 2023, the Australian Competition and Consumer Commission (ACCC) did not approve merger authorisation application
- Process will now continue to Australian Competition Tribunal
- ACCC decision disappointing but remain confident in the merits of the transaction
- We continue to work co-operatively with governments and regulators
- Targeted completion now anticipated by mid-2024, subject to regulatory approvals and legislative amendments
- Net proceeds remain materially unchanged, with the intention to return the majority to shareholders subject to the needs of the business

FY23 Financial Results

Jeremy Robson

Group Chief Financial Officer

Group result overview

Continued margin expansion and strong top-line growth

	FY23 ($m)	FY22 ($m)	Change (%)
Insurance (Australia)	755	174	333.9
Suncorp New Zealand	105	155	(32.3)
Suncorp Bank	470	368	27.7
Cash earnings	**1,254**	**673**	**86.3**
Group net profit after tax	**1,148**	**681**	**68.6**
Ordinary dividend (cents per share)	**60**	**40**	
CET1 held at Group	**274**	**248**	

KEY MESSAGES

— Strong top-line growth and improved underlying margins

— Inflationary pressures and increased reinsurance costs driving price increases

— Significant turnaround in investment returns

— Capital impacted by reinsurance changes and business growth

— FY23 targets delivered

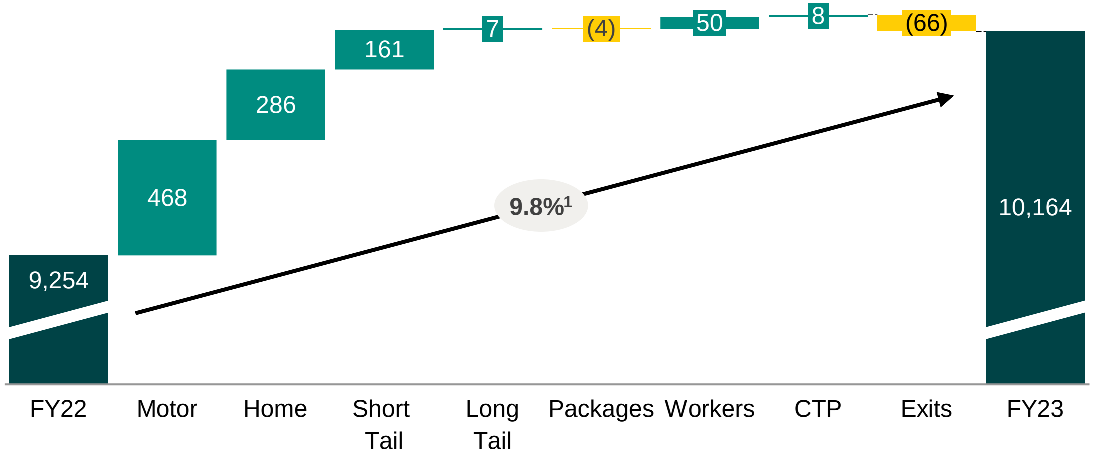
— Return on tangible equity of 15.7%

— FY23 total shareholder return of 28%

Insurance (Australia) – gross written premium

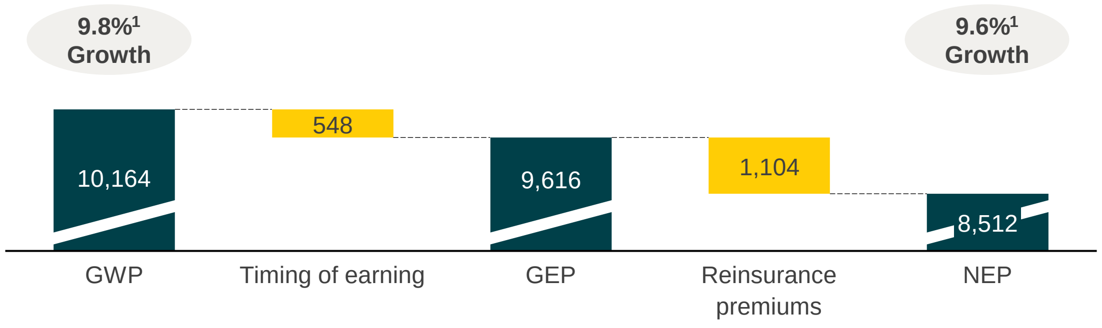
GROSS WRITTEN PREMIUM BY PORTFOLIO

(excluding ESL; $m)



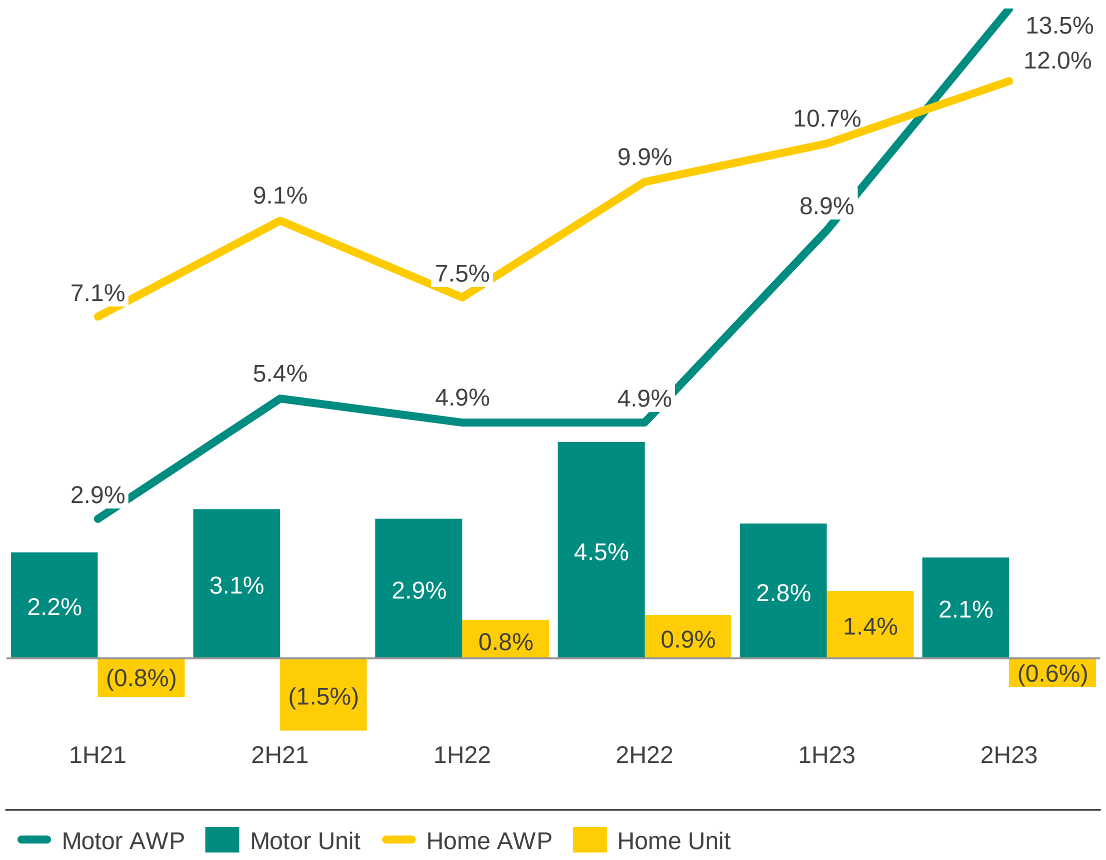
GWP TO NET EARNED PREMIUM GROWTH WALK

($m)



HOME AND MOTOR PORTFOLIO GROWTH

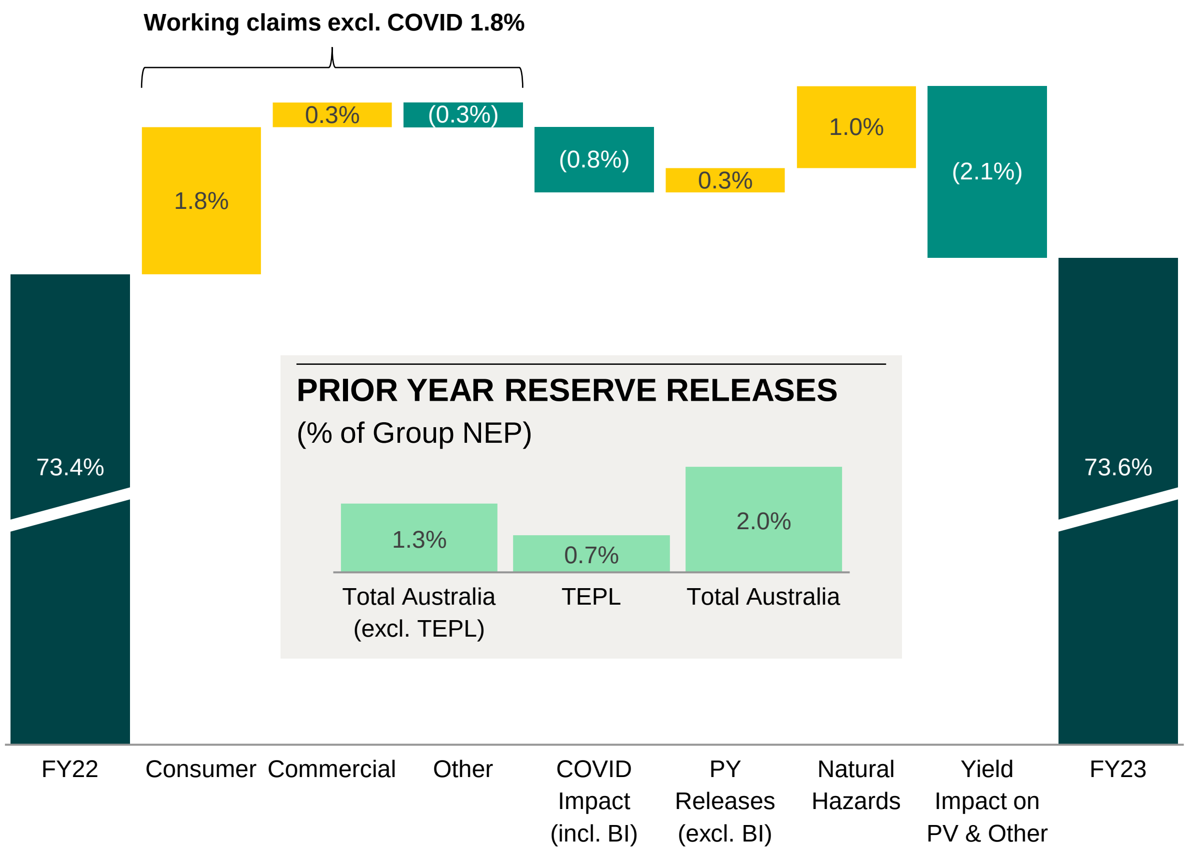
(versus pcp; normalised for portfolio exits)



1. Including portfolio exits; 10.6% excluding portfolio exits.

Insurance (Australia) – net loss ratio

NET LOSS RATIO BY PORTFOLIO



NOTES

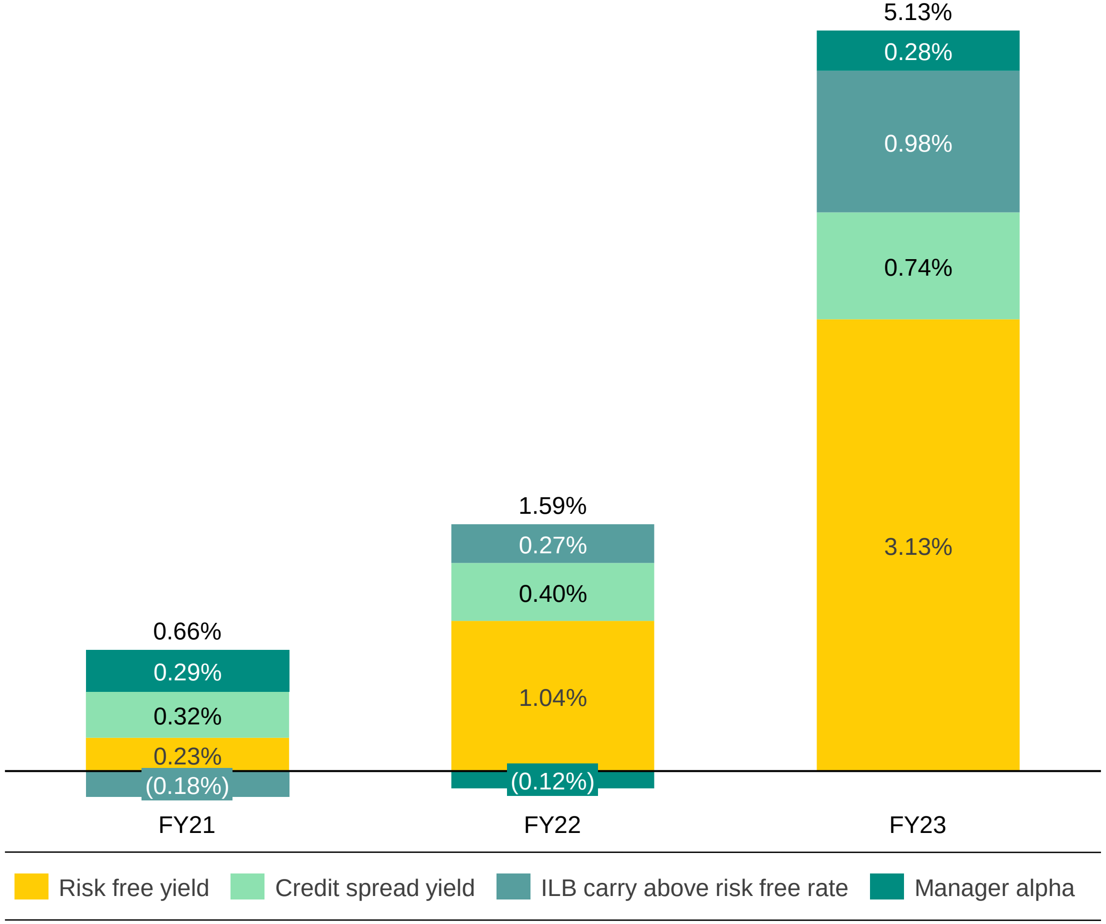
- Prior year reserve releases lower as previously indicated
- The negative impact of natural hazards costs was largely due to the prior year benefiting from reinsurance recovery related risk margin release
- COVID impact includes the release of the majority of the BI provision, partially offset by frequency benefits in 1H22
- Higher risk-free rates drove an increase in present value discounting

MOTOR CLAIMS – PRICING AND INFLATION

- Increased motor claims costs driven by both average claims size (second hand car prices, supply chain disruption) and higher frequency (downward pre-COVID frequency trends did not persist)
- Pricing response has accelerated through the year, with Q4 above inflation, noting the following timing dynamics:
  - Pricing – expected inflation versus actual inflation
  - Earning – 12 to 24 months for pricing increases to earn through fully
- Pricing currently being put through in response to inflation
- Margins expected to return to target levels by the end of FY24
- Investment in technology including CaPE has increased precision and responsiveness

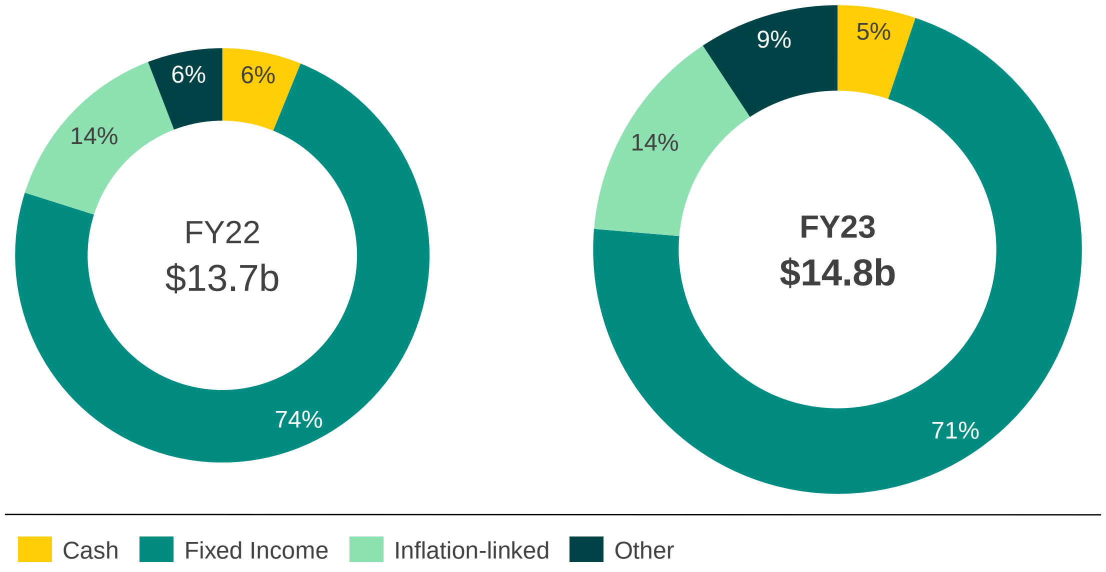
Insurance (Australia) – investment market impacts

UNDERLYING YIELD ON INSURANCE FUNDS



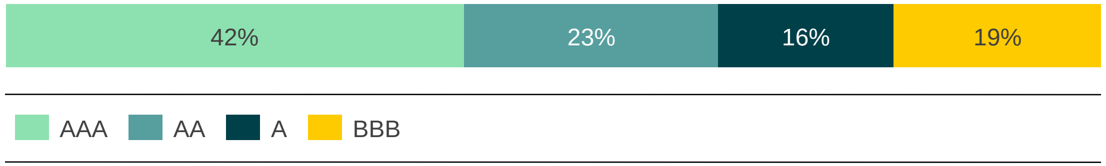
PORTFOLIO ASSET ALLOCATION

(% of total investment assets)



FIXED INCOME INVESTMENT GRADE

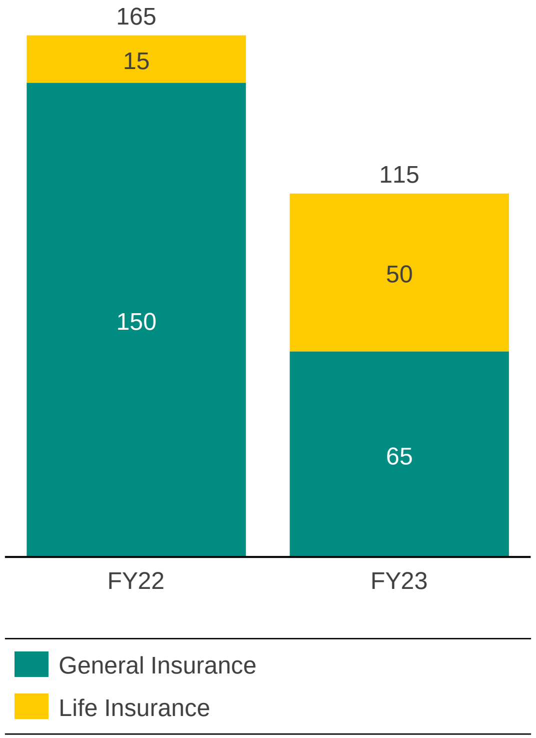
(% of total fixed interest; includes ILBs)



Suncorp New Zealand

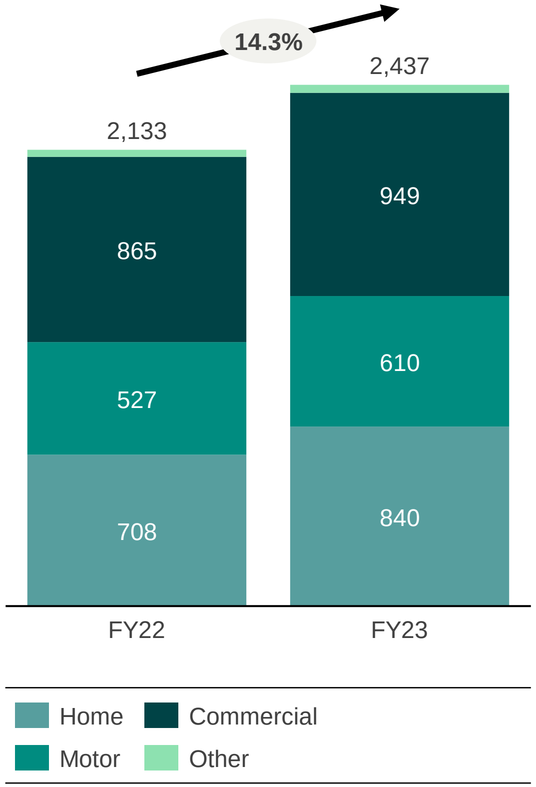
PROFIT AFTER TAX

(NZ$m)



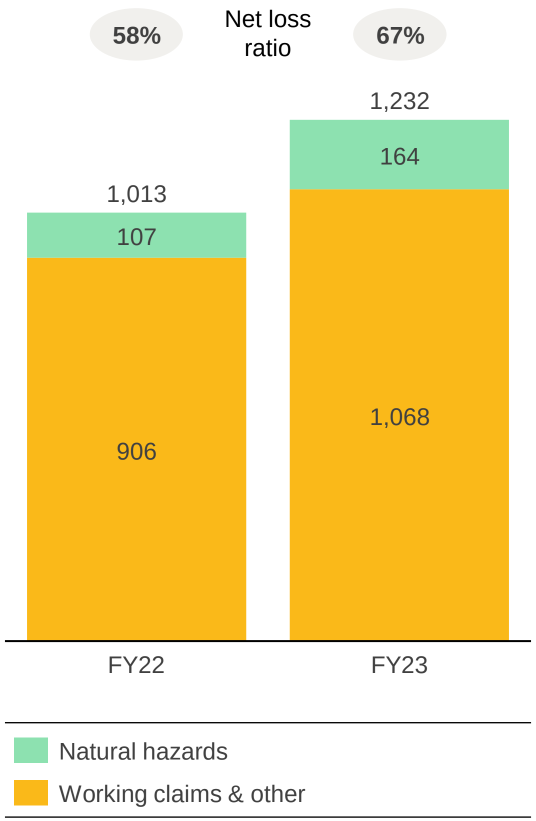
GROSS WRITTEN PREMIUM

(NZ$m)



NET INCURRED CLAIMS

(NZ$m)



NOTES

- Strong GWP growth with pricing reflecting inflationary pressures and increased reinsurance costs
- General Insurance business impacted by two large weather events
- Claims experience negatively impacted by natural hazards and elevated working claims largely in Motor
- Increased investment returns due to higher running yields
- Life Insurance profit increased due to growth in planned profit margins and favourable market adjustments
- Internal reinsurance reinstatement of NZ$95m impacted the NZ result but was neutral at Group level

Group underlying ITR

FUNDAMENTAL UITR DRIVER ANALYSIS

	FY22 vs FY23	FY24 Outlook
FY22 UITR[1]	**9.0%**	
Gross earned premium	9.3%	Tailwind
Investment Income	4.3%	Neutral
Claims	(8.4)%	Moderating
Natural Hazards / Reinsurance	(4.7)%	Headwind
Expenses	1.4%	Neutral[2]
Prior year reserve releases	0.0%	Headwind
FY23 UITR	**10.9%**	

1. Excluding COVID-19.
2. Expenses outlook on a ratio basis.

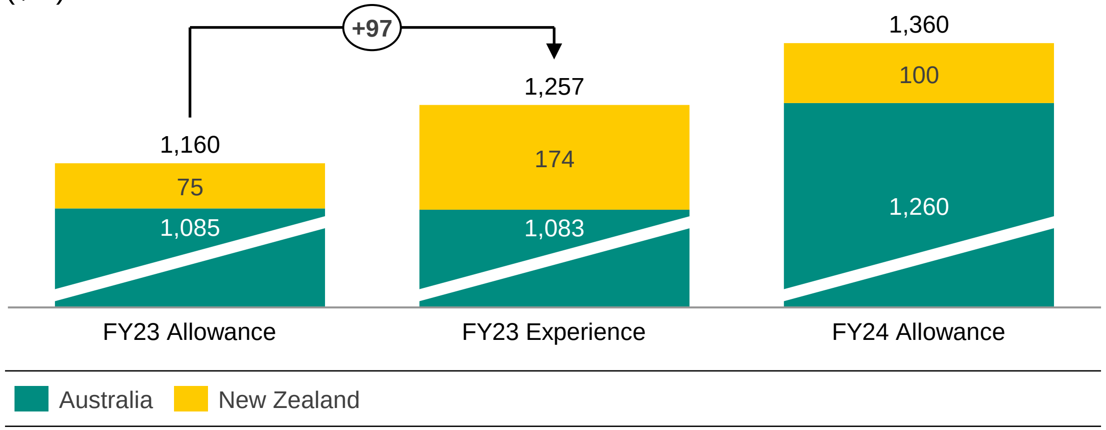
NOTES

- FY23 target of 10% - 12% met (FY23: 10.9%; 2H23: 11.7%)
- Underlying ITR was impacted by an increase in natural hazard and reinsurance costs, as well as working claims, especially in Motor
- The pricing response to these impacts is reflected in the positive contribution of GEP
- Investment income was positively impacted by higher running yields
- Strategic and operational benefits drove improvements across operating expenses and claims handling
- FY23 at a portfolio level:
  - Home improved with higher investment yields, lower expenses and pricing increases, partially offset by higher reinsurance and natural hazard costs
  - Motor reduced with working claims experience offset by the pricing response, lower expenses and improved yields
  - Commercial and long tail statutory classes improved largely due to higher yields
  - New Zealand marginally lower from motor claims and large home fires, offset by higher yields

Natural hazards & reinsurance

FY23 NATURAL HAZARDS VS ALLOWANCE[1]

($m)

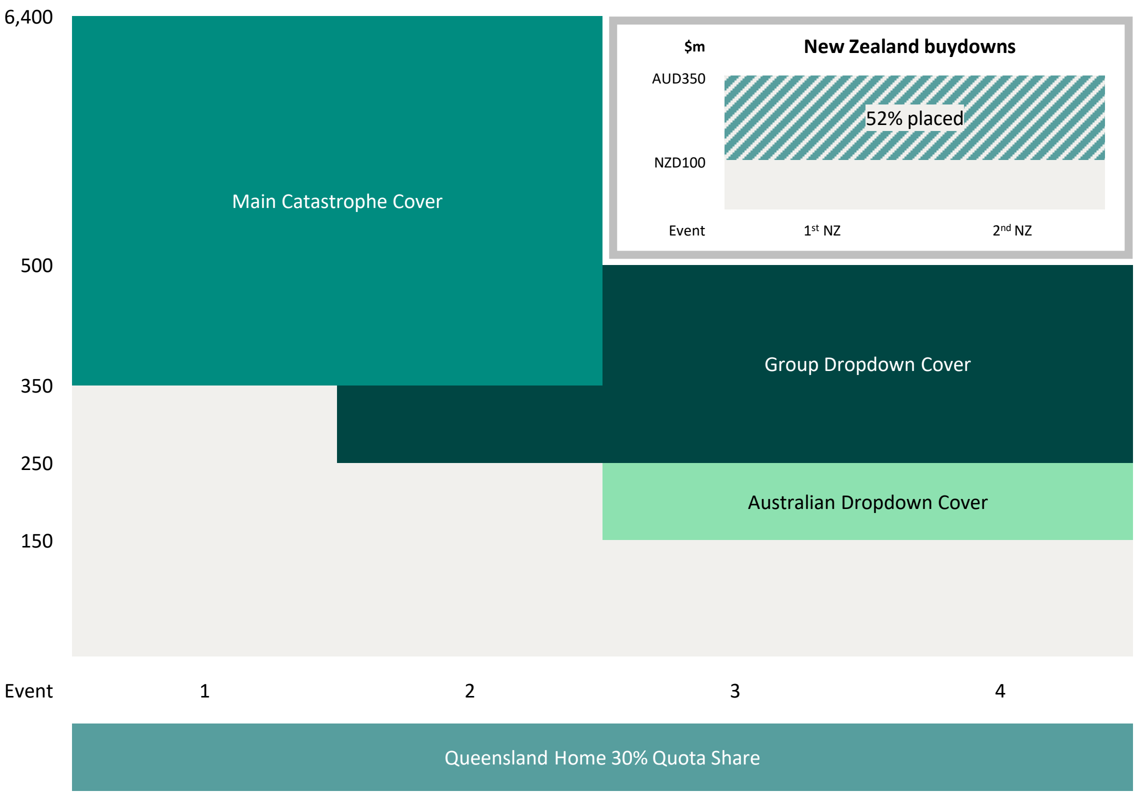


NOTES

- Australian natural hazards experience favourable to allowance after adjusting for internal reinsurance arrangements for New Zealand events
- Comprehensive FY24 reinsurance program in place with greater risk retention reflecting the hardening reinsurance market and disciplined economics
- FY24 allowance of $1,360 million reflects the increased retention, claims inflation and model changes, partly offset by reduced cyclone risk retention due to entry into the Cyclone Reinsurance Pool

FY24 REINSURANCE PROGRAM

($m)

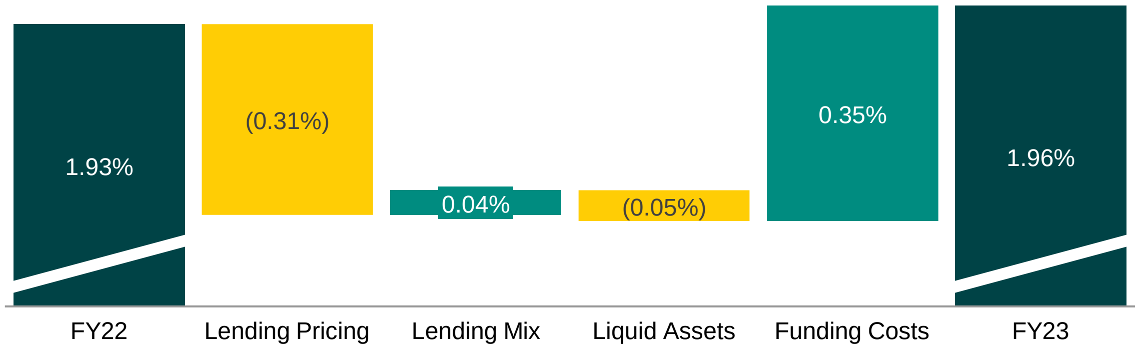


1. The split between Australia and New Zealand is based on event location and excludes internal reinsurance arrangements.

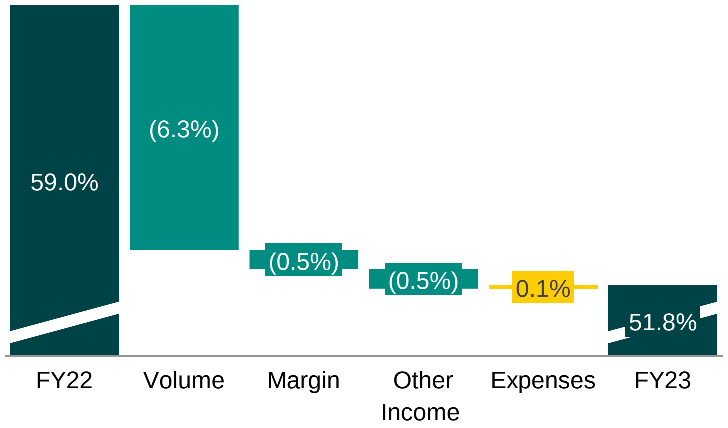
Suncorp Bank

	FY23 ($m)	FY22 ($m)	Change (%)
Net interest income	1,408	1,245	13.1
Other operating income	17	3	466.7
Operating expenses	(737)	(736)	(0.1)
Operating profit	**688**	**512**	**34.4**
Impairment release / (expense)	(17)	14	n/a
Income tax	(201)	(158)	(27.2)
Suncorp Bank profit after tax	**470**	**368**	**27.7**

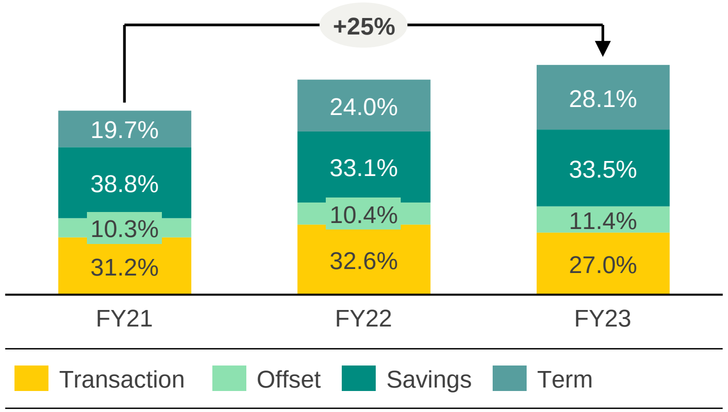
NET INTEREST MARGIN



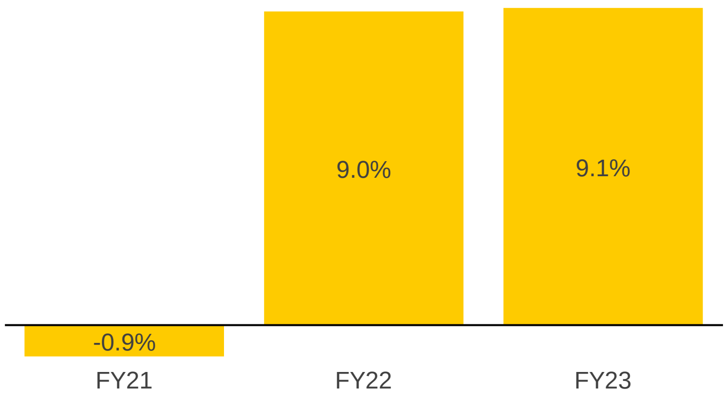
CTI DRIVERS



DEPOSIT GROWTH AND COMPOSITION

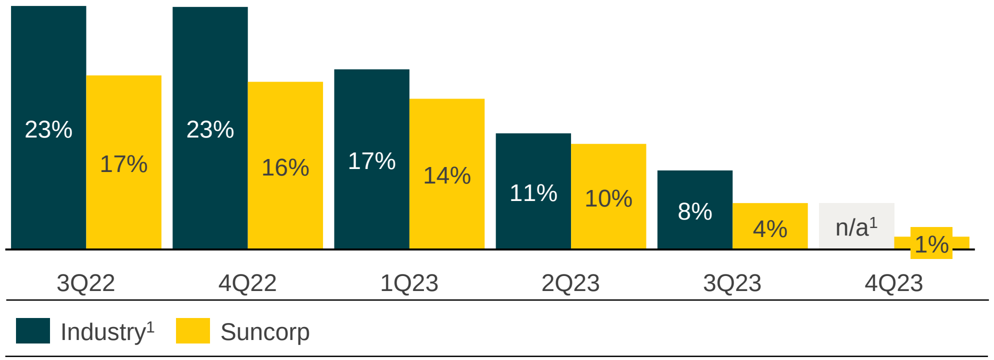


HOME LENDING GROWTH

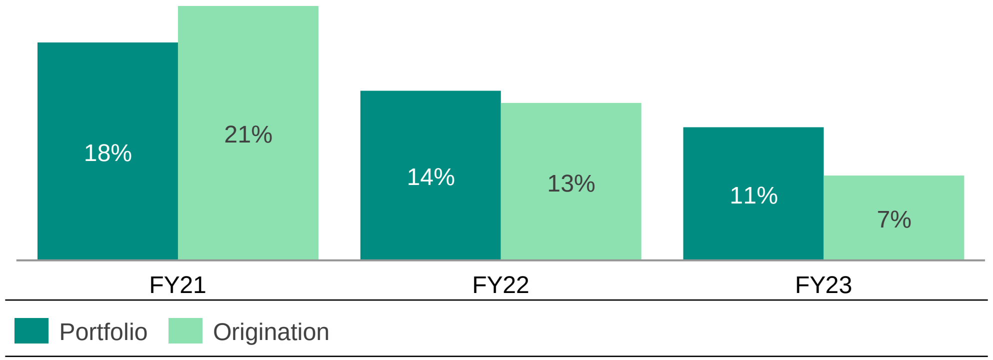


Suncorp Bank – credit quality

HOME LENDING ORIGINATIONS: DEBT-TO-INCOME > 6x

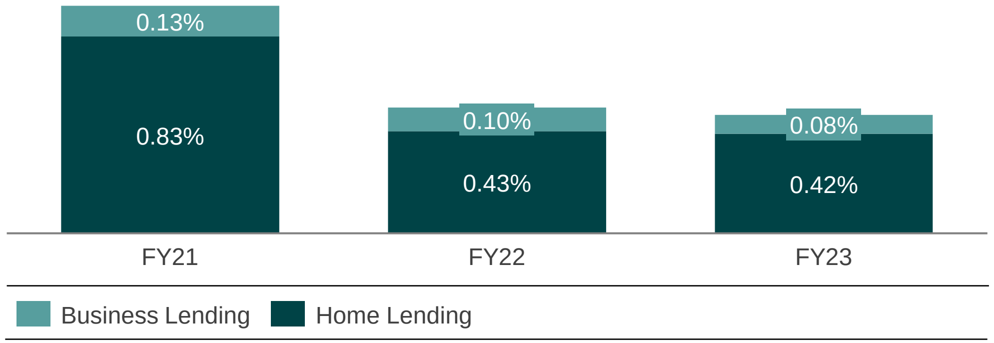


HOME LENDING: LOAN-TO-VALUE > 80%

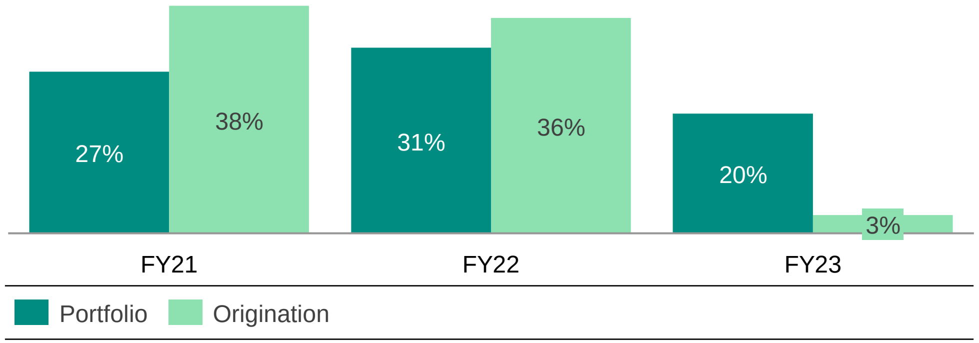


90+ DAYS PAST DUE

(% of total GLA)



HOME LENDING: FIXED

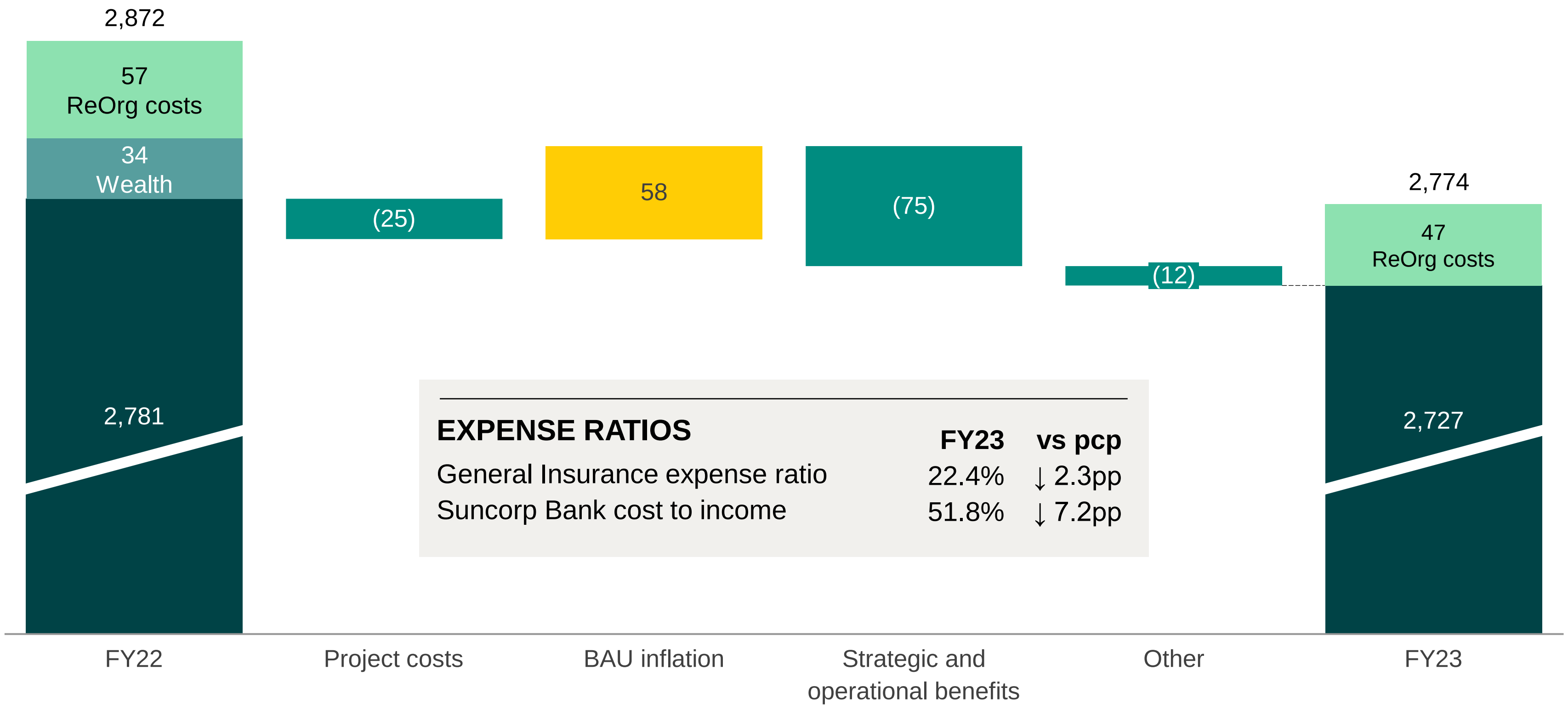


1. Source: APRA. Industry data for 4Q23 is not yet available.

Group operating expenses

GROUP OPERATING EXPENSES

(excluding ESL and TEPL; $m)



EXPENSE RATIOS

	FY23	vs pcp
General Insurance expense ratio	22.4%	↓ 2.3pp
Suncorp Bank cost to income	51.8%	↓ 7.2pp

NOTES

- Project spend reduced as expected across regulatory and maintenance
- Economy-wide inflationary pressures continued to impact the expense base
- Strategic and operational efficiencies from the delivery of strategic initiatives and business simplification continued to deliver benefits

Outlook

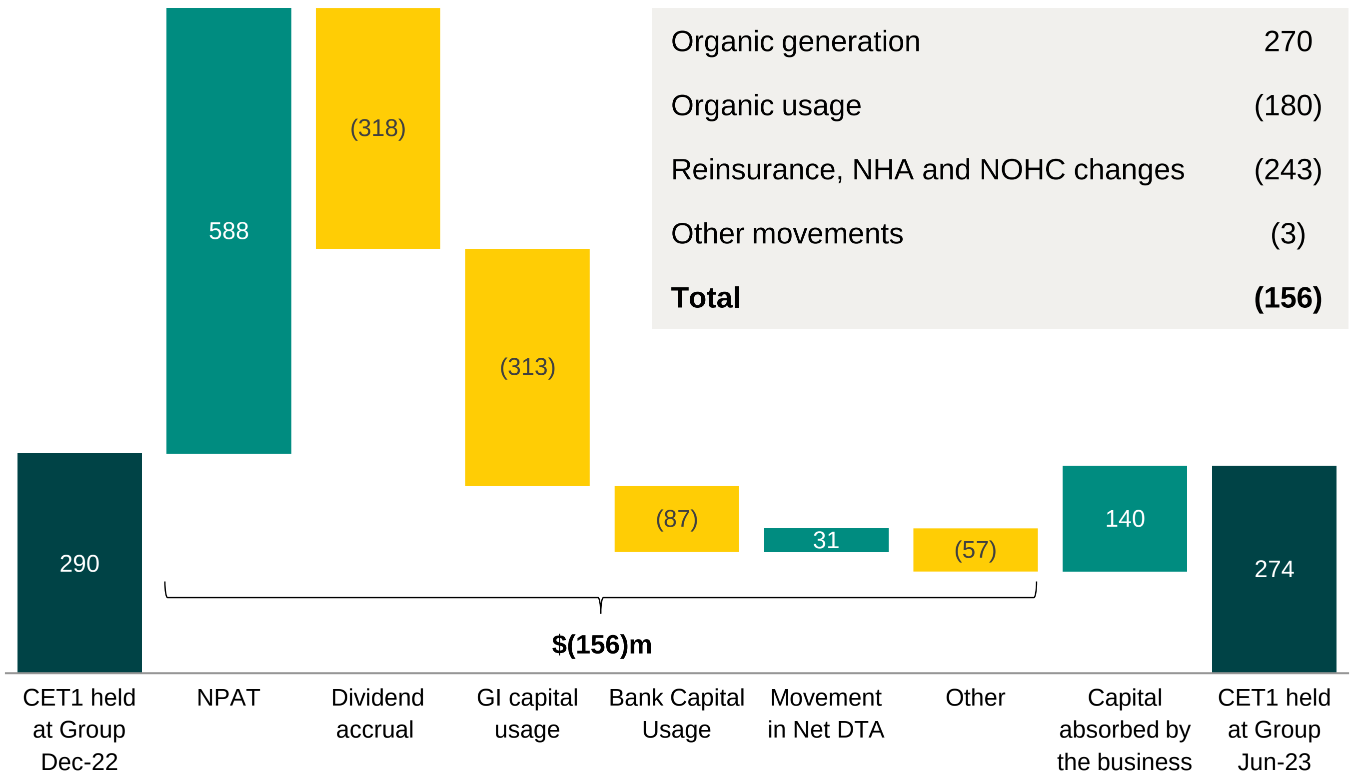
- GI expense ratio expected to be flat with tighter management of ongoing costs but investment in the business
- Bank CTI ratio expected to increase to the mid-50s
- Bank separation and other costs expected to increase from $500m to $575-600m[1]. Indicative net proceeds from the transaction remain unchanged

1. Expected phasing of separation and other costs: FY23: ~20%; FY24: ~75%; FY25: ~5%.

Group capital

COMMON EQUITY TIER 1 CAPITAL HELD AT GROUP

($m)



Organic generation	270
Organic usage	(180)
Reinsurance, NHA and NOHC changes	(243)
Other movements	(3)
Total	**(156)**

NOTES

- CET1 held at Group remained broadly flat at $274m
- Organic usage largely from business growth
- Capital impacted by FY24 reinsurance renewal of ~$440m partially offset by diversification benefits from changes to the NOHC conditions
- Timing differences reflected in capital include Excess Tech impact of the FY24 reinsurance renewal and Deferred Tax Assets on unrealised investment losses – expected to largely reverse over the next 12 to 24 months
- Both GI and Bank capital ratios remain within target ranges
- 27 cps fully franked final dividend, full year payout ratio 60%
- The lower payout ratio reflects a prudent and disciplined capital management in the context of the current environment, FY24 reinsurance renewal and as we work through the tribunal process in relation to the bank sale
- Additional capital retained by the Group will generate an appropriate return on capital in line with Group targets

AASB 17 implementation

July 2023
AASB 17 application date meaning financial statements prepared under AASB 17 from FY24

August 2023
FY23 Results released under AASB 1023 with AASB 17 transitional impact note disclosure

~November 2023
Investor update with greater detail on AASB 17 impacts

February 2024
1H24 Results released reported under AASB 17

Implementation of AASB 17

Commercial Impacts

No material impact on business economics or strategy.

Financial Impacts

Differences from current reporting arise as a result of the timing of profit and loss emergence and how items are presented in the financial statements

Increased Comparability

Improved transparency and consistency in financial reporting for insurance contracts, allowing better comparison with industry and non-industry peers.

Strategy & Outlook

Steve Johnston

Group Chief Executive Officer

FY24 priorities

Purpose | Risk Appetite | Financial Settings | Reinsurance Strategy | ESG

PORTFOLIOS

Motor

Strengthen our leading position in Australia

Home

Develop a more sustainable and resilient Home portfolio in Australia

Commercial

Grow and diversify Commercial Insurance in Australia

Statutory classes

Strengthen our leading position in Australia across private and public insurance schemes

New Zealand

Grow market share by building resilience in our core business and establishing new partnerships

Bank

Win in Home, Seamless everyday banking, Grow businesses, Digital first, Customer service excellence

ENABLERS

People, Culture, Ways of Working

Purpose Led
Customer Obsessed
Productive and Performance Mindset
New Ways of Working

Technology

Simplified and modernised technology platforms

Operational Transformation

Efficiency through automation at scale
Best-in-class Claims
Digital-first, superior customer experiences
Integrated AI

Organisational changes

- Operating model changes to further embed customer-centricity and enhance the efficiency of the business
- Three core insurance functions with end-to-end accountabilities to enable greater focus on customer and financial outcomes:

Consumer

- Lisa Harrison, CEO Consumer Insurance
- Home and Motor portfolios

Commercial & Personal Injury

- Michael Miller, CEO Commercial & Personal Injury Insurance
- Commercial and Statutory Class portfolios

New Zealand

- Jimmy Higgins, CEO Suncorp New Zealand
- General and Life Insurance

- Insurance operational portfolios to shift under Adam Bennett, Group Executive Technology & Operations
- Paul Smeaton, Chief Operating Officer Insurance, to retire from fulltime executive career towards the end of 2023

FY24 Outlook

— Insurance:
  - GWP growth of around 10% driven by premium increases, as business responds to increased input costs
  - Underlying ITR supported by strong premium momentum and elevated yields, offsetting higher reinsurance and natural hazard costs, and claims inflation, with the middle of the 10% to 12% range targeted
  - Operating expense ratios expected to be stable
  - Investment income to moderate in-line with expectations for interest rates
  - Prior year reserve releases expected to moderate

— Suncorp Bank:
  - Target Home loan growth at around system
  - NIM to be around bottom of 1.85% – 1.95% range
  - CTI ratio to increase to around the mid-50s

— Capital management will be active and disciplined, with appropriate buffers held

— Bank completion targeted by mid calendar year 2024, subject to regulatory and legislative approvals

Questions

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