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ASX Announcement
FY23 Financial Results

9 August 2023

FY23 result delivers strong revenue growth and margin expansion; FY23 plan completed successfully

Group NPAT	Cash Earnings	Insurance AU GWP	Insurance NZ GWP	Bank Home Lending
$1,148 million	**$1,254 million**	**$10.2 billion**	**NZ$2.4 billion**	**$54.8 billion**
pcp $681 million	pcp $673 million	↑ 10.6%[i, ii]	↑ 14.3%	↑ 9.1%

- FY23 plan completed successfully, with improved stakeholder returns, setting strong foundations for the business going forward
- Gross written premium (GWP) across Australia and New Zealand up 10.8%[ii] and underlying insurance trading ratio (ITR) of 10.9%, up from 9.0% (excluding COVID-19 impacts)
- Suncorp Bank Home lending growth of 9.1%, net interest margin (NIM) of 1.96%, and cost-to-income ratio of 51.8%
- Investment market returns of $724 million, primarily from the significant turnaround in mark-to-market losses in the prior year
- Fully franked full year ordinary dividend of 60 cents per share, up 50% on FY22
- Common Equity Tier 1 (CET1) capital held at Group of $274 million, with appropriate levels of capital maintained across the business units
- The Group placed its comprehensive FY24 reinsurance program successfully, but premiums were up on the prior year
- Suncorp has confirmed that it will support Australia and New Zealand Banking Group (ANZ) through the Australian Competition Tribunal process in its application for a review of the Australian Competition & Consumer Commission's (ACCC) determination, and is confident in the merits of the case

Suncorp Group Limited (ASX: SUN | ADR: SNMCY) today reported a material increase in earnings, driven by continued momentum in top-line growth across the Group, improved underlying margins and a significant turnaround in investment returns.

Group net profit after tax (NPAT) of $1,148 million, and cash earnings of $1,254 million were both up significantly on FY22 which was impacted by mark-to-market losses on investment portfolios. The Group has successfully completed its three-year plan to FY23 (FY23 plan, three-year plan or the plan) and achieved its key financial and operational targets.

GWP growth of 10.6%[ii] in the Australian General Insurance business and 14.3% in New Zealand, reflected targeted price increases required to address material rises in reinsurance and natural hazard costs and economy-wide inflation. The Group's underlying ITR increased from 9.0% (excluding COVID-19 impacts) to 10.9%. The improved ratio was supported by revenue growth, improving expense ratios in the Australian business and an increase in investment yields. Margins have been impacted by increased natural hazard and reinsurance costs, and claims inflation, particularly in the Motor portfolio.

In the Bank, growth in Home lending of 9.1% provided further evidence of improved broker and customer experiences. The Bank's cost-to-income ratio decreased to 51.8% from 59.0%, driven by revenue growth and cost management.

While the underlying business demonstrated strong momentum, the Group's results were again impacted by elevated natural hazard activity. A third consecutive La Niña weather pattern, experienced across Australia and New Zealand for the majority of the financial year, led to 15 separate weather events and around 130,000 natural hazard claims. This resulted in the Group exceeding its natural hazard allowance by $97 million ($2 million favourable in Australia and $99 million unfavourable in New Zealand)[iii].

The Group's natural hazard allowance for FY24 is $1,360 million, and its comprehensive reinsurance program was placed successfully, with premiums up on the prior year. The changes to the reinsurance program will result in an approximately $340 million increase in capital required to be held by the Group.

Volatility continued in investment markets, although the impact of higher running yields more than offset any unfavourable mark-to-market movements across the Group's $16.2 billion investment portfolio. The net gain from yields and investment markets was $724 million compared to a loss of $190 million in FY22.

Group operating expenses fell 1.9% to $2,727[iv] million, largely reflecting efficiency benefits from the strategic program of work, and a decrease in project costs relative to the prior period, that more than offset significant inflationary pressures.

Other loss after tax increased $52 million to $76 million, largely due to the impact of a favourable one-off tax adjustment in the prior period. Restructuring costs of $34 million after tax were primarily driven by the impact of flexible working arrangements on the real estate footprint.

The Board has determined to pay a fully franked final ordinary dividend of 27 cents per share. The Group's full year dividend payout ratio of 60% of cash earnings is at the bottom of the target payout ratio range of 60% to 80%.

The FY23 dividend payout ratio reflects the Group's prudent and disciplined approach to managing capital in the context of the current environment, the FY24 reinsurance renewal and as it works through the Tribunal process relating to the sale of the Bank.

CET1 capital held at Group has remained broadly flat at $274 million, with appropriate buffers maintained across the business. Suncorp will continue to be disciplined in actively managing capital and remains committed to returning capital in excess of the needs of the business to shareholders.

Suncorp Group CEO Steve Johnston said the Group had delivered a strong set of results, demonstrating the progress made over the past three years to successfully execute the strategic initiatives under the FY23 plan while facing a challenging operating environment.

"Our dedicated focus on digitising and automating, reinvigorating our leading brands, becoming more efficient and improving how we serve our customers, has helped us to deliver strong top-line growth across our businesses and improve underlying margins," Mr Johnston said.

"Our Australian and New Zealand businesses have achieved strong growth in premiums, while unit growth across Consumer portfolios demonstrates the value of our products and brands. The Bank's continued growth in home lending demonstrates the benefits of improved broker and customer experiences," he said.

These outcomes are particularly pleasing given the challenging backdrop over the FY23 plan period, including the global pandemic, social and economic disruption and market volatility, supply chain inflationary challenges and unprecedented natural hazard events from three consecutive La Niña weather patterns. This is testament to the dedication of our people, strength and resilience of our business, and ability to create long-term shareholder value while meeting the evolving needs of our customers.

"Our underlying business is significantly more resilient today than it was when we laid out the three-year plan in 2020."

"We have maintained a strong focus on supporting our customers impacted by extreme weather events throughout the year, including the more than 32,000 impacted by the flooding and cyclone events on the North Island of New Zealand in early 2023, while also finalising more than 90% of claims following the 2022 Australian East Coast Floods, and supporting those impacted in flooding across New South Wales, South Australia and Victoria.

"While Suncorp Group remains well protected through its comprehensive reinsurance program, over the last few years floods, fires and other natural disasters has resulted in a continued reassessment of risk by our reinsurance partners. This, combined with broader inflationary pressures across the economy, continues to impact the cost of reinsurance across the industry, and is a major contributor to the rising costs of everyone's insurance premiums, particularly when household budgets are under pressure.

"This underscores the challenges facing the insurance industry in Australia and New Zealand and is why Suncorp continues to drive greater efficiencies in our own business through initiatives such as our Best-in-class claims program. We also continue to advocate that governments should provide a long-term program to support people living in areas that are prone to floods or bushfires to help make their homes stronger and more resilient, or to relocate to a safer location.

"We also firmly believe our ability to continue to manage the risks associated with a changing climate, drive a more resilient Australia and New Zealand through our products and advocacy and create further long-term shareholder value will be enhanced as a dedicated Trans-Tasman insurance company.

"Suncorp will support ANZ through the next step of the merger authorisation process as it relates to the sale of Suncorp Bank, being a referral of the ACCC's recent decision not to approve the transaction to the Australian Competition Tribunal for review. We remain fully committed to supporting Suncorp Bank while the process continues."

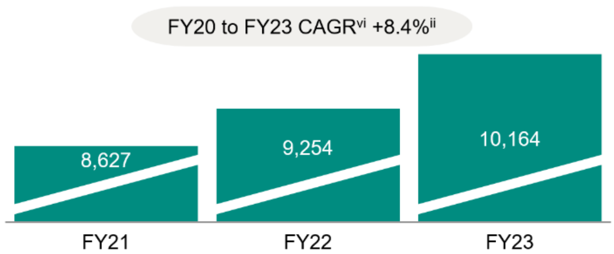
	FY23 ($m)	FY22 ($m)
Insurance (Australia)	755	174
Suncorp New Zealand	105	155
Suncorp Bank	470	368
Profit after tax from ongoing functions	**1,330**	**697**
Other profit (loss) after tax	(76)	(24)
Cash earnings	**1,254**	**673**
Group net profit after tax	**1,148**	**681**

Insurance (Australia)

Insurance (Australia) profit after tax	GWP
$755m vs $174m pcp	**$10,164m up 10.6%[ii]**

Insurance (Australia) delivered profit after tax of $755 million, up 333.9%, reflecting continued momentum in revenue growth, a reduction in operating expenses and a significant turnaround in investment income. Increased working claims and natural hazard costs were partially offset by the release of the majority of the business interruption provision. The result also benefitted from an intra-group reinsurance arrangement with Suncorp New Zealand, which was neutral to the Group.

GROSS WRITTEN PREMIUM[v]
Insurance (Australia) ($m)



The Home portfolio achieved GWP growth of 11.7%[ii], driven by the ongoing pricing response to higher natural hazard and reinsurance costs. Motor GWP grew 13.8%[ii], reflecting Average Written Premium (AWP) growth driven by pricing for claims inflation. Unit growth of 2.4% was achieved in the Motor portfolio.

In Commercial, GWP grew 9.9%[ii], with growth in Property, Fleet and heavy vehicles partly offset by a fall in Packages.

Compulsory Third Party (CTP) GWP increased by 0.7%, driven by growth across all schemes except for South Australia, which was impacted by increasing price competition.

Net incurred claims increased by 19.6% to $6,373 million. Excluding discount movements, net incurred claims increased by 9.9% reflecting the impact of portfolio growth, reversion to pre-COVID-19 driving patterns, persistent inflation particularly in the Motor portfolio and natural hazard experience. This was partly offset by the release of business interruption provision. Prior year reserve releases were 1.3% of Group net earned premium (NEP).

Suncorp New Zealand

Suncorp New Zealand profit after tax	GWP
NZ$115m vs NZ$165m pcp	**NZ$2,437m up 14.3%**

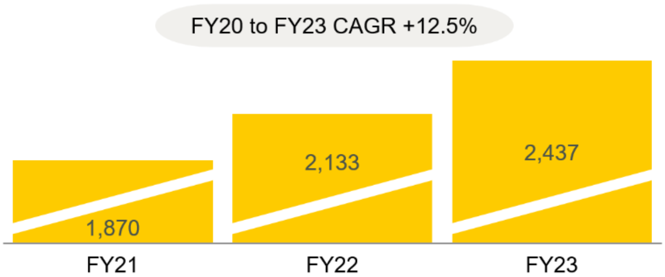
Suncorp New Zealand delivered profit after tax of NZ$115 million.

General Insurance profit after tax of NZ$65 million decreased 56.7%. The General Insurance business was impacted by significant weather events, resulting in adverse natural hazards claims experience and NZ$95 million (before tax) of additional reinsurance reinstatement premiums from an intra-group arrangement with the Insurance (Australia) business. The result was also impacted by higher working claims experience.

GWP of NZ$2,437 million increased 14.3%. Intermediated and direct channels recorded strong growth through targeted pricing increases to offset inflationary pressures on claims and higher reinsurance costs.

GROSS WRITTEN PREMIUM

Suncorp New Zealand (NZ$m)



Net incurred claims of NZ$1,232 million increased 21.6%. Higher working claims costs in the period were driven by unit growth, inflationary pressures, large loss claims from home fires, elevated claims experience in Motor, and COVID-19 related motor frequency benefits in FY22.

Prior year reserves were strengthened by NZ$13 million to reflect a combination of Canterbury earthquake claims and development on property claims.

Life Insurance profit after tax of NZ$50 million, increased 233.3% supported by growth in planned profit margins and favourable market adjustments. In-force premium grew by 6.7%, supported by Consumer Price Index, and age-related premium growth.

Suncorp Bank

Suncorp Bank profit after tax	NIM
$470m vs $368m pcp	**1.96% up 3 basis points**

Suncorp Bank profit after tax increased 27.7% to $470 million, driven by strong volume growth and higher margin.

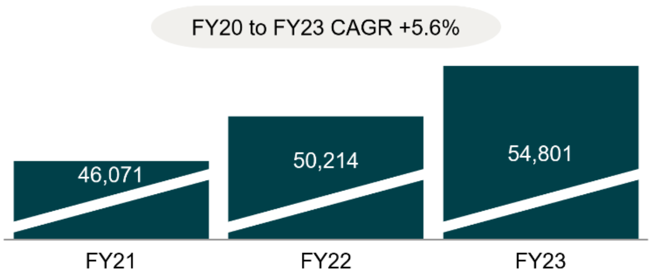
NIM increased 3 basis points to 1.96%, supported by strategic deposit pricing, but partially offset by competitive pressures in Home lending pricing and increased funding costs.

The decrease in the cost-to-income ratio to 51.8%, from 59.0%, was achieved through a combination of asset growth and disciplined cost management.

Growth momentum continued with a $4.6 billion or 9.1% increase in the Home lending portfolio, which continues to maintain high credit quality and is conservatively positioned. Business lending grew 5.9%, predominantly driven by Commercial lending growth across several industries.

HOME LENDING[vii]

Total portfolio ($m)



Total customer deposits increased 6.9% to $51.4 billion, with growth primarily driven by term deposits and at-call savings as customers responded to higher interest rates.

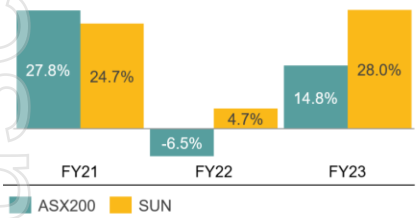
Asset quality overall remained sound. A net impairment charge of $16 million represented two basis points of gross loans and advances. The collective provision increased $10 million to $190 million.

FY23 plan delivered successfully

Suncorp successfully delivered its FY23 plan against a backdrop of considerable external headwinds. The plan achieved its financial and operational targets, delivering growth and improving profitability, while also building on the Group's customer value propositions including through enhanced digitisation and automation.

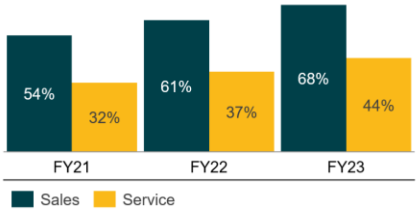
The plan committed to delivering a cash return on equity (FY23: 9.6%) above the through-the-cycle cost of equity, an underlying insurance trading ratio between 10% to 12% (FY23: 10.9%) and a cost-to-income ratio in the Bank of around 50% (FY23: 51.8%). Significant premium increases and higher investment returns have enabled the Group to counter the impacts of elevated natural hazards and reinsurance costs as well as claims inflation and supply chain challenges in the Motor portfolio. The successful delivery of the FY23 Plan provides strong foundations for the business going forward.

TOTAL SHAREHOLDER RETURN[viii]



UNDERLYING INSURANCE TRADING RATIO
(excluding COVID-19 impacts)

DIGITAL SALES & SERVICE TRANSACTIONS
Insurance (Australia)



Organisational changes

Suncorp today announced changes to its operating model to embed a customer-centric focus and enhance the efficiency of the business, aligned to its ambition of being the leading Trans-Tasman insurer. Suncorp will be organised around three core insurance functions: Consumer, Commercial & Personal Injury and New Zealand, each with end-to-end accountabilities to enable greater focus on customer and financial outcomes. There is no change to Suncorp Bank.

A new Consumer Insurance function will bring together responsibility for underwriting, pricing, product, distribution and claims for our home and motor portfolios. This business will be led by Lisa Harrison, currently CEO Insurance Product Portfolio. Ms Harrison's new title will be CEO, Consumer Insurance.

A new Commercial & Personal Injury function will be established with the same end-to-end focus, recognising the importance of commercial and statutory class portfolios to our strategy. This function will be elevated to the executive level and led by current EGM Commercial Insurance Michael Miller, who will be promoted to the role of CEO, Commercial & Personal Injury Insurance.

The operational portfolios within Insurance Claims & Operations including First Line Risk, Real Estate and Procurement will shift to a renamed Technology & Operations and will be led by Adam Bennett, whose new title will be Group Executive Technology & Operations.

After almost 29 years with Suncorp and having successfully led a number of different teams across the business, Insurance COO Paul Smeaton has indicated his desire to retire from a fulltime executive career towards the end of 2023. Paul will support the transition to the new operating model until he departs.

Mr Johnston thanked Mr Smeaton for his immense contribution to Suncorp over three decades. Mr Johnston also congratulated Mr Miller on joining the Executive Leadership Team and said that his promotion was a testament to the strength of the talent within the organisation.

Group outlook

Operational outlook: The operating environment remains challenging. While pressures in the supply chain are easing, geopolitical and economic uncertainty, and persistent inflationary pressures continue to drive investment market volatility. Central banks have tightened monetary policy in response to inflation and interest rates are expected to trend higher until inflation is brought under control. Economic growth is expected to moderate.

Following three consecutive years of La Niña weather patterns, the Bureau of Meteorology has updated the likelihood of an El Niño to 70% for the upcoming spring and summer seasons. Global reinsurance markets remain structurally disrupted and in a hardening cycle reflecting adverse recent natural hazard experience and inflationary pressures. These factors impact the cost of reinsurance, the degree of risk retention and, ultimately, the price of insurance products.

Strategic targets: Key strategic targets remain consistent with the previous aim of delivering a growing business with a sustainable return on equity above the through-the-cycle cost of equity.

Insurance:

- Growth: GWP growth of around 10% is expected to be primarily driven by increases in AWP as the business responds to increased input costs, including from reinsurance, natural hazards and supply chain inflation.
- Underlying ITR: The Group's underlying ITR is supported by strong premium momentum, offset by higher reinsurance and natural hazard costs, and claims inflation. Investment yields are expected to moderate as expectations for economic growth and inflationary pressures ease. As previously signalled prior year reserve releases are also expected to continue to moderate. Given these dynamics, an underlying ITR around the midpoint of the 10% to 12% range is targeted for FY24. Given the timing of premium increases being earned and higher reinsurance and natural hazard costs along with persistent claims inflation in Motor, the underlying ITR in 1H24 is expected to be at the bottom end of the range.

  Over the medium-term the Group expects ongoing margin improvement as higher renewal premium rates are earned through.
- Operating expenses: Expense ratios are expected to remain in-line with current levels noting expenses are expected to increase with ongoing investment in growing the business.

AASB 17: Following the application of AASB 17 from 1 July 2023, the metrics adopted by the Group will change to reflect the new accounting standard. Suncorp will update the market in due course on the metrics considered and adopted. The value and drivers of the business will remain materially unchanged.

Bank:

- Growth: Overall, system growth is expected to slow as economic growth moderates and against a backdrop of significantly tighter monetary conditions. The Bank is targeting Home loan growth at around system.
- NIM: Competition in both lending and deposits is expected to keep NIMs under pressure. The Bank expects NIM to be around the bottom of its 1.85% and 1.95% target range.
- Cost-to-income ratio: Considering the pressures to revenue from slowing credit growth and declining NIM, and cost pressures due to inflation, the Bank's cost-to-income ratio is expected to rise to around the mid-50s.

Bank transition costs: In light of the ACCC's decision to not grant merger authorisation, Suncorp has confirmed its commitment to supporting ANZ in its referral of the decision to the Tribunal. Progress on separating the Bank continues. Whilst there is no change to the expected net proceeds from the transaction, there have been some offsetting changes in the component parts. In particular, the Group now expects the separation and other costs to increase from $500 million to between $575 million to $600 million given the delay in completion as well as further clarity on the programme requirements. The Group will work through the details of these costs and update the market once details are refined.

Capital: The Group will maintain its disciplined approach to active capital management, including holding appropriate capital buffers. The Group maintains its commitment to a 60% to 80% dividend payout ratio, acknowledging the lower payout in FY23 reflected some significant shifts in capital, and as we work through the tribunal process relating to the sale of the Bank.

Bank Sale

Suncorp announced the sale of the Bank to ANZ on 18 July 2022. On 4 August 2023, following a lengthy process, the ACCC decided not to grant merger authorisation for the acquisition of Suncorp Bank by ANZ. Suncorp has confirmed that it will support ANZ through the Australian Competition Tribunal process in its decision to review of the ACCC determination. Subject to all the regulatory and government approvals being received, completion is now expected by the middle of the 2024 calendar year. As previously announced, the Group remains committed to returning to shareholders any capital that is excess to the needs of the business following completion.

Authorised for lodgement with the ASX by the Suncorp Group Board

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i All changes refer to the prior corresponding period unless otherwise stated
ii Excluding emergency services levies and portfolio exits
iii The split between Australia and New Zealand is based on event location and excludes internal reinsurance arrangements
iv Excludes emergency services levies, transitional excess profits and losses (TEPL) provision, restructuring expenses and Wealth expenses
v Excludes emergency services levies
vi Compound Annual Growth Rate (CAGR)
vii FY20 Home Lending excludes 'Other Lending'
viii Total shareholder returns represents the return of common stock over the financial year with dividends fully reinvested