

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

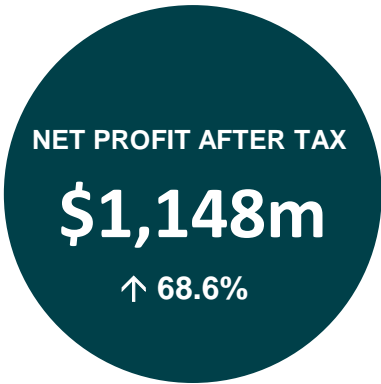


Group result

Strong revenue growth and margin expansion

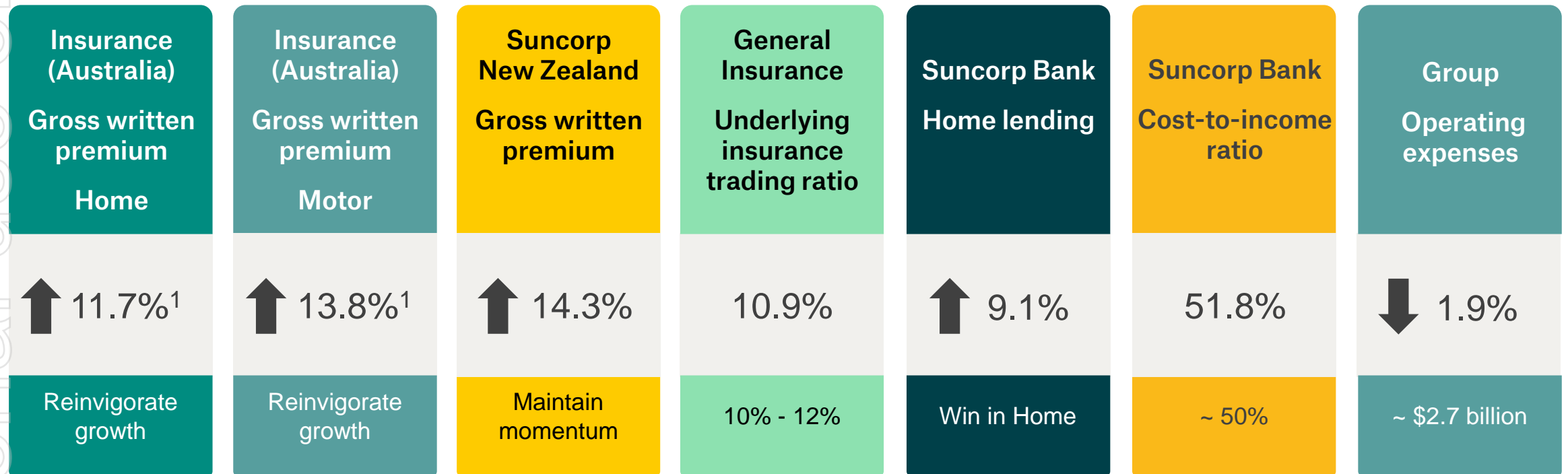
- Strong top-line growth across the Group
- Improved underlying margins and returns
- Significant turnaround in investment returns
- Reduced operating expenses
- Elevated natural hazard activity and inflationary pressures
- Fully franked final ordinary dividend of 27 cents per share, representing a full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

Profit after tax from Functions



Result highlights

Strong top-line growth and underlying momentum across the Group



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

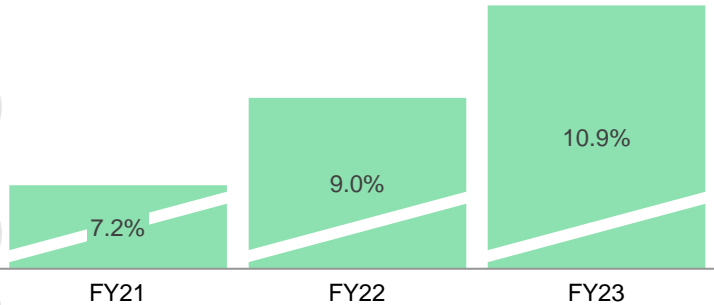
Underlying insurance trading ratio of 10% to 12% by FY23

Bank

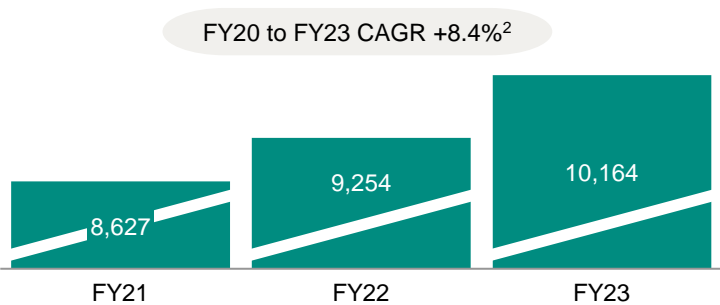
Cost-to-income ratio of ~50% by end of FY23

FY23 Plan completed successfully

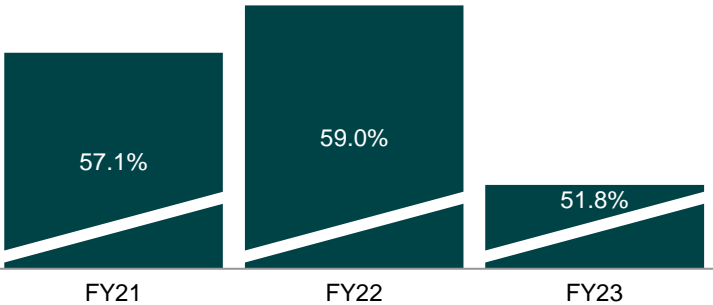
UNDERLYING INSURANCE TRADING RATIO
(excluding COVID-19 impacts)



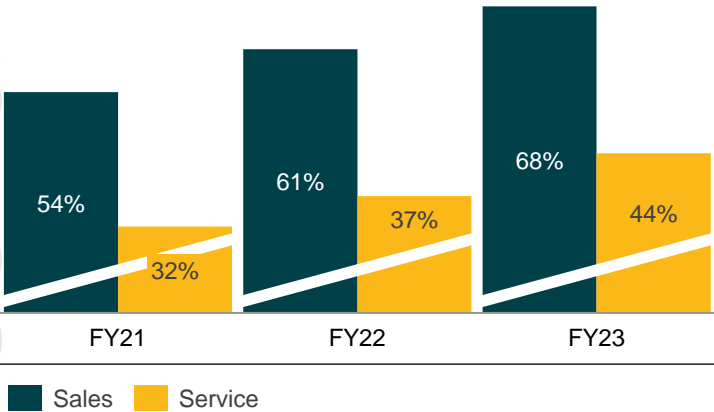
GROSS WRITTEN PREMIUM
Insurance (Australia)¹ (\$m)



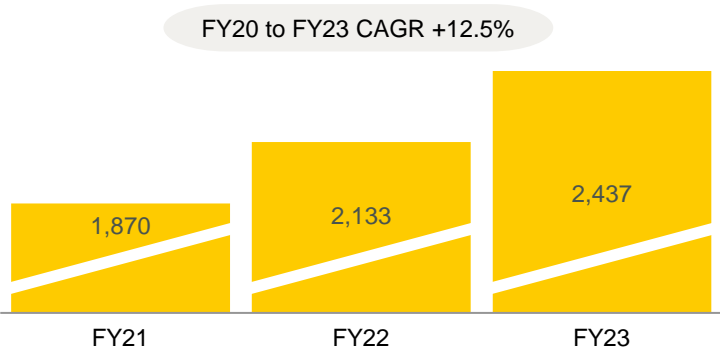
BANK COST-TO-INCOME RATIO



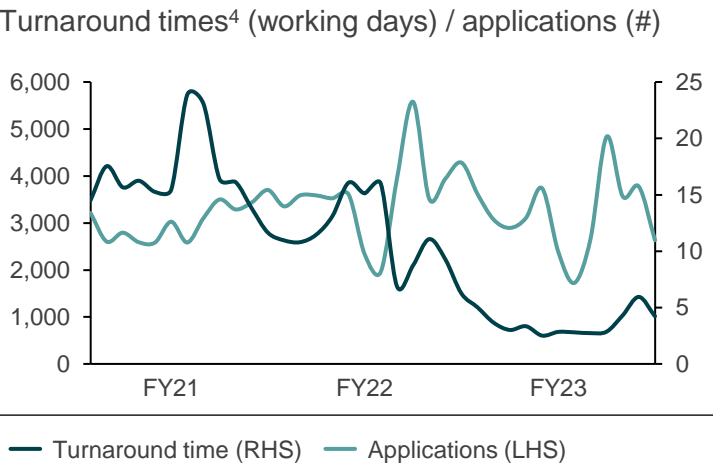
DIGITAL SALES & SERVICE TRANSACTIONS
Insurance (Australia)³



GROSS WRITTEN PREMIUM
Suncorp New Zealand (NZ\$m)

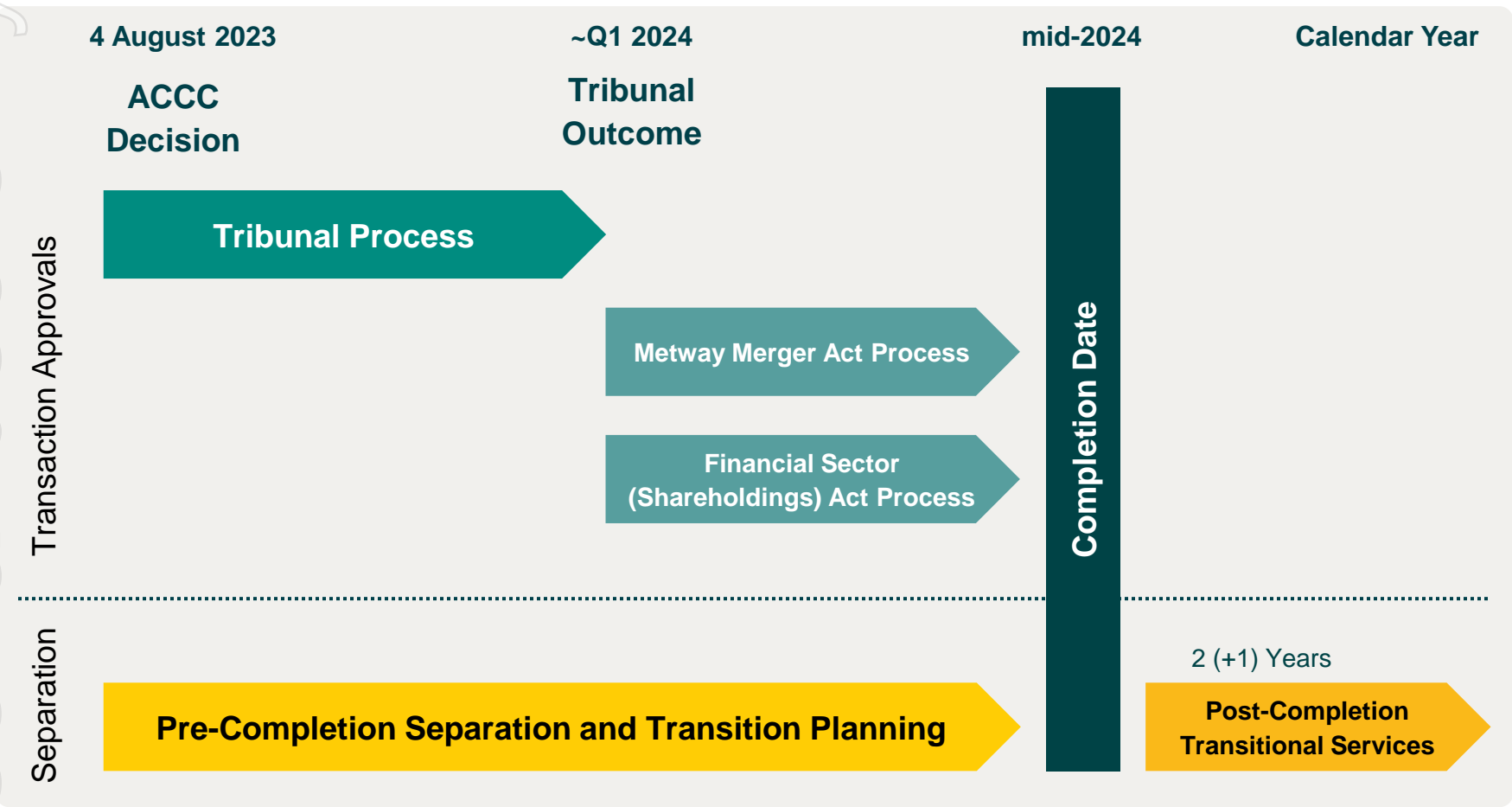


HOME LENDING



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

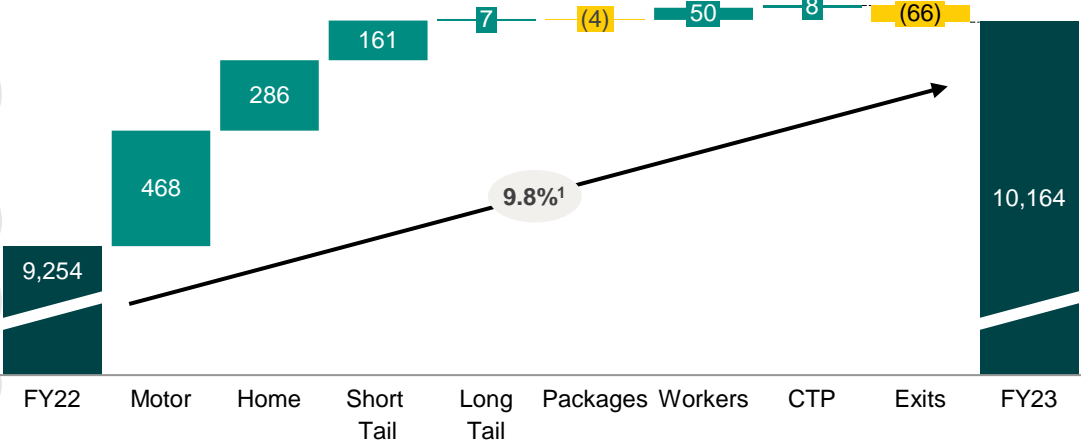
	FY23 (\$m)	FY22 (\$m)	Change (%)
Insurance (Australia)	755	174	333.9
Suncorp New Zealand	105	155	(32.3)
Suncorp Bank	470	368	27.7
Cash earnings	1,254	673	86.3
Group net profit after tax	1,148	681	68.6
Ordinary dividend (cents per share)	60	40	
CET1 held at Group	274	248	

KEY MESSAGES

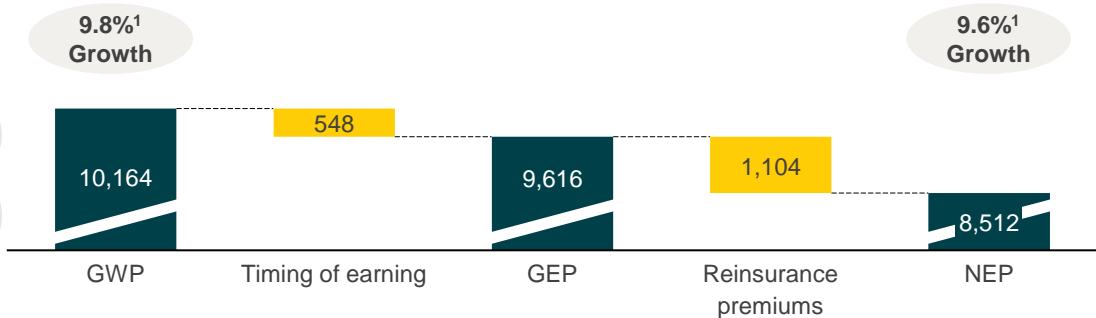
- Strong top-line growth and improved underlying margins
- Inflationary pressures and increased reinsurance costs driving price increases
- Significant turnaround in investment returns
- Capital impacted by reinsurance changes and business growth
- FY23 targets delivered
- Return on tangible equity of 15.7%
- FY23 total shareholder return of 28%

Insurance (Australia) – gross written premium

GROSS WRITTEN PREMIUM BY PORTFOLIO
(excluding ESL; \$m)

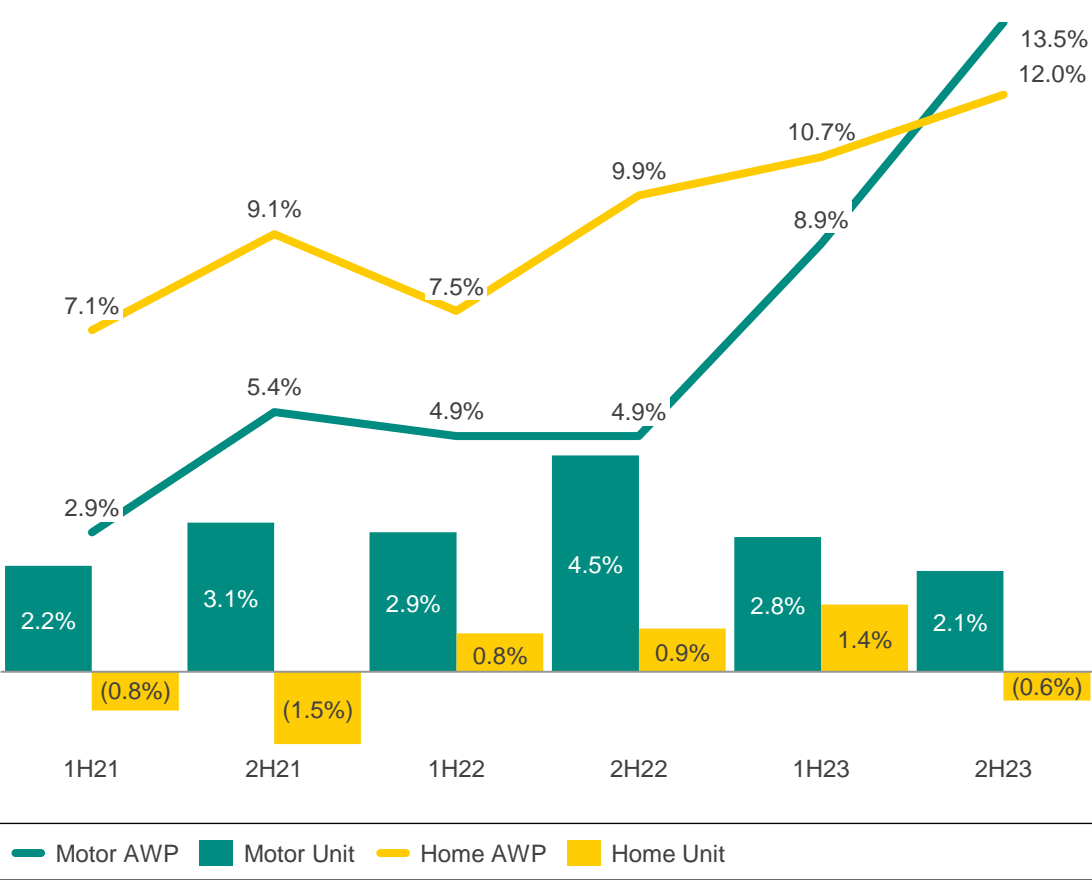


GWP TO NET EARNED PREMIUM GROWTH WALK
(\$m)



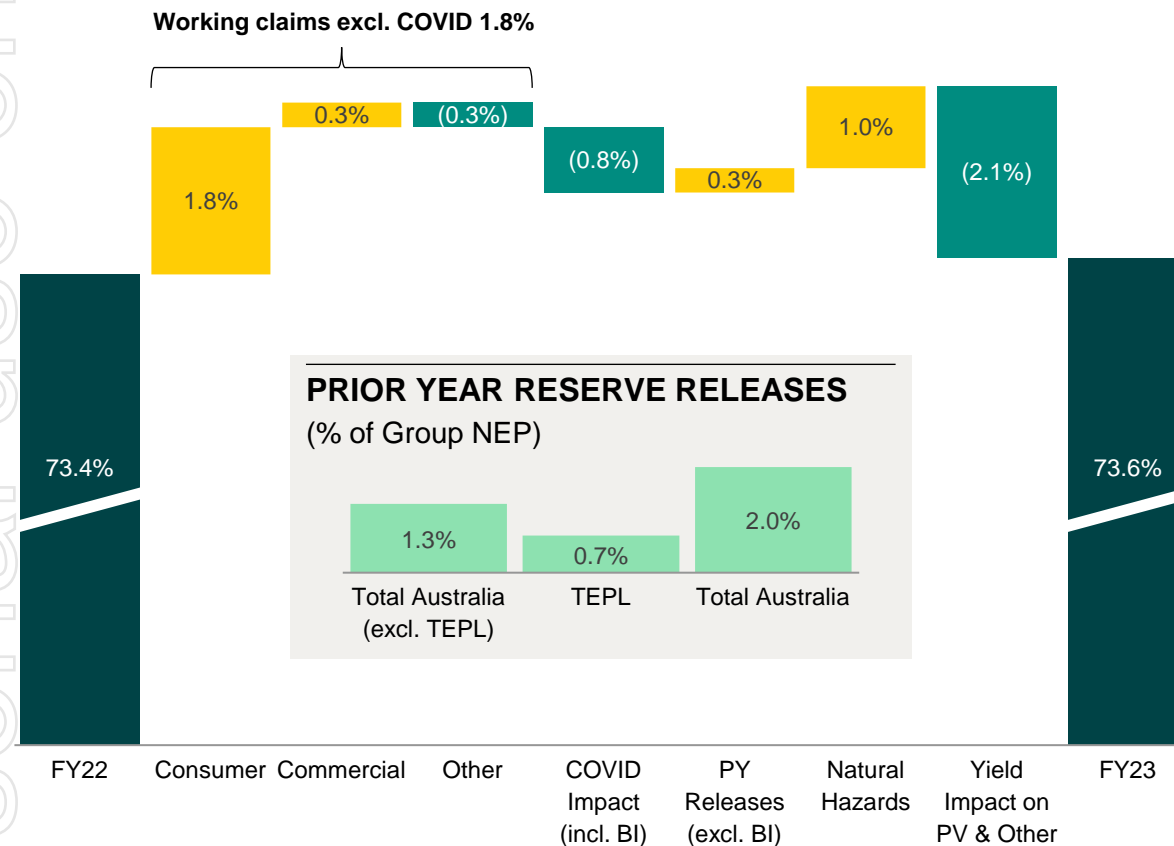
1. Including portfolio exits; 10.6% excluding portfolio exits.

HOME AND MOTOR PORTFOLIO GROWTH
(versus pcg; normalised for portfolio exits)



Insurance (Australia) – net loss ratio

NET LOSS RATIO BY PORTFOLIO



NOTES

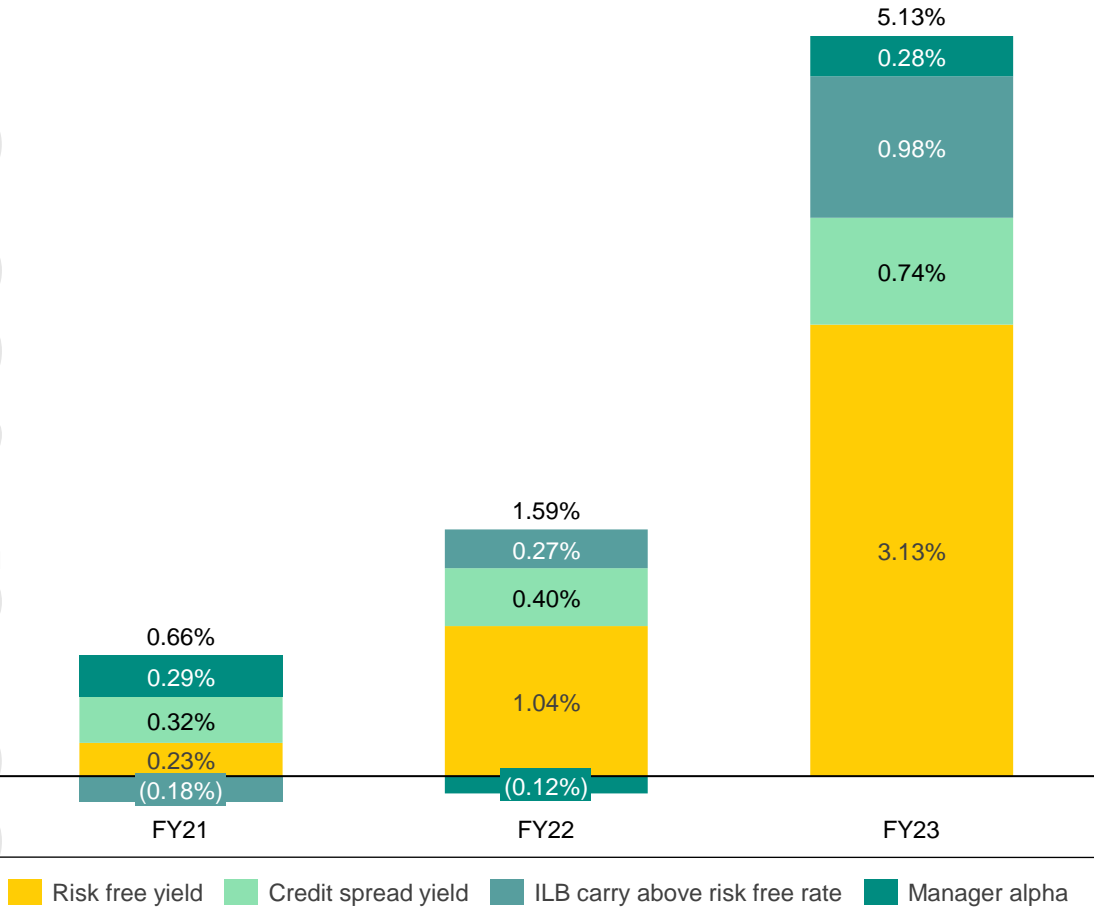
- Prior year reserve releases lower as previously indicated
- The negative impact of natural hazards costs was largely due to the prior year benefiting from reinsurance recovery related risk margin release
- COVID impact includes the release of the majority of the BI provision, partially offset by frequency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

MOTOR CLAIMS – PRICING AND INFLATION

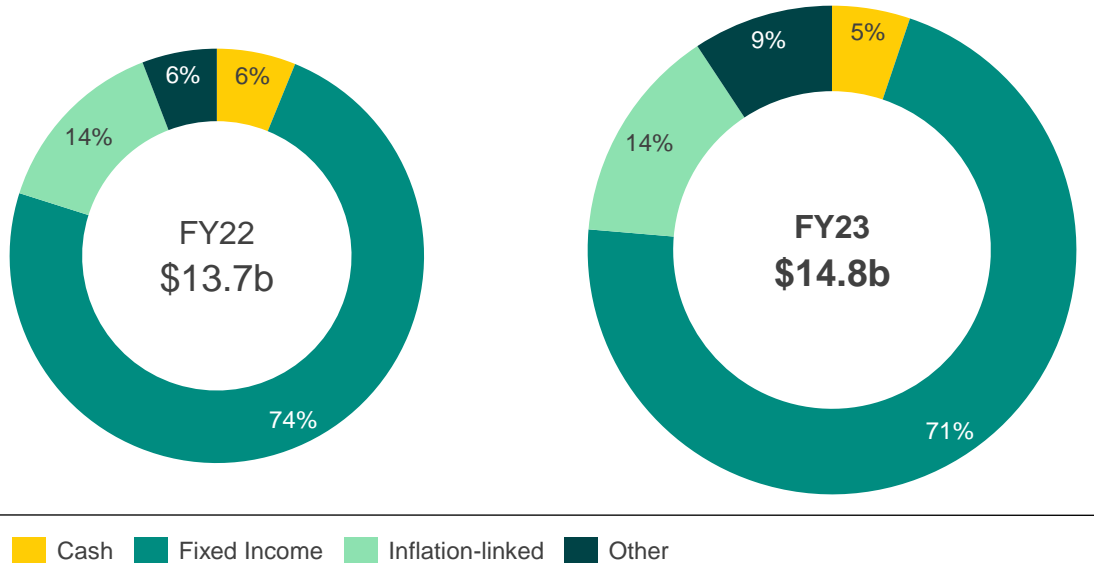
- Increased motor claims costs driven by both average claims size (second hand car prices, supply chain disruption) and higher frequency (downward pre-COVID frequency trends did not persist)
- Pricing response has accelerated through the year, with Q4 above inflation, noting the following timing dynamics:
 - 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

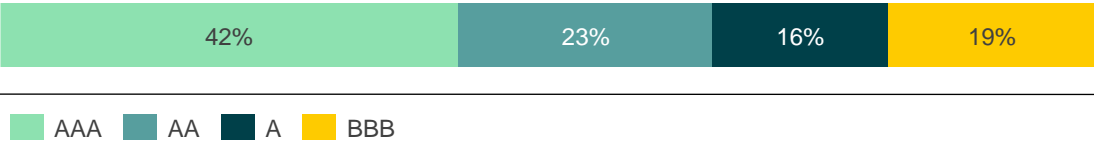
UNDERLYING YIELD ON INSURANCE FUNDS



PORTFOLIO ASSET ALLOCATION
(% of total investment assets)

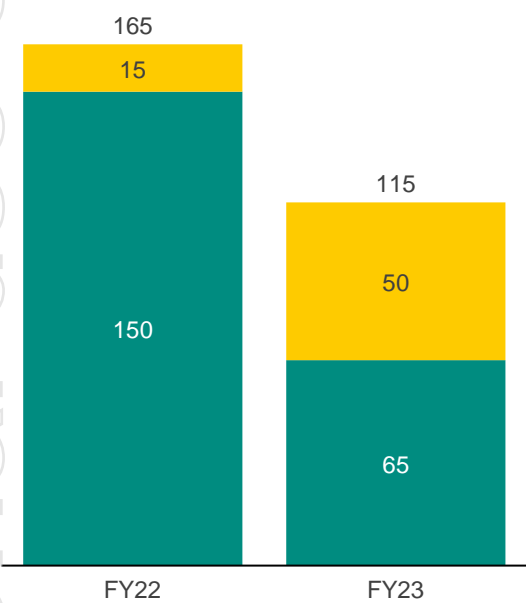


FIXED INCOME INVESTMENT GRADE
(% of total fixed interest; includes ILBs)



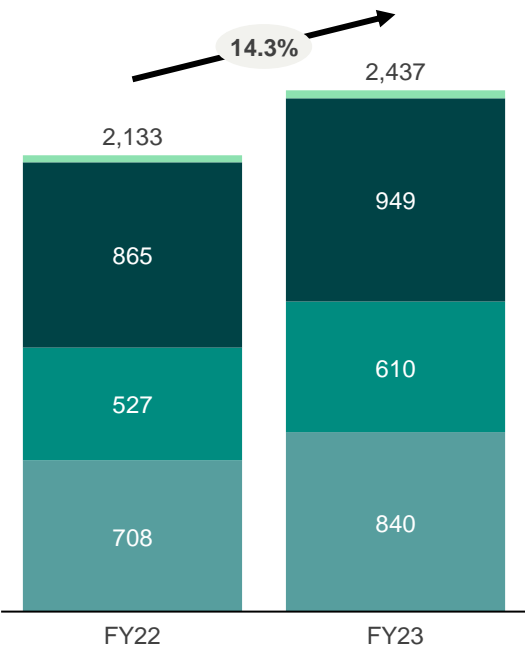
Suncorp New Zealand

PROFIT AFTER TAX
(NZ\$m)



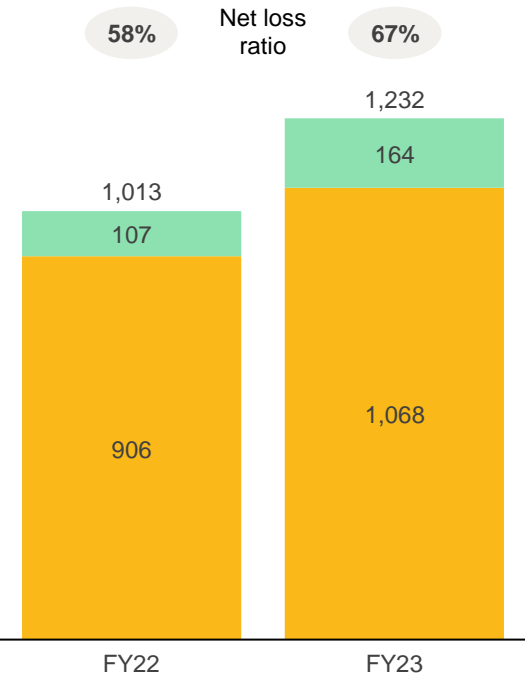
General Insurance
Life Insurance

GROSS WRITTEN PREMIUM
(NZ\$m)



Home Motor Commercial
Other

NET INCURRED CLAIMS
(NZ\$m)



Natural hazards
Working claims & other

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 UETR DRIVER ANALYSIS

	FY22 vs FY23	FY24 Outlook
FY22 UETR¹	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 UETR	10.9%	

1. Excluding COVID-19.

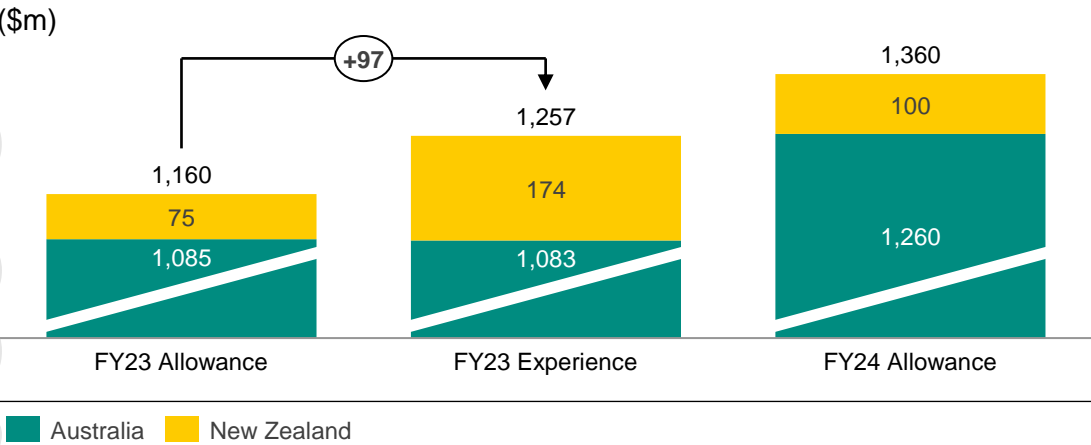
2. Expenses outlook on a ratio basis.

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 ALLOWANCE¹

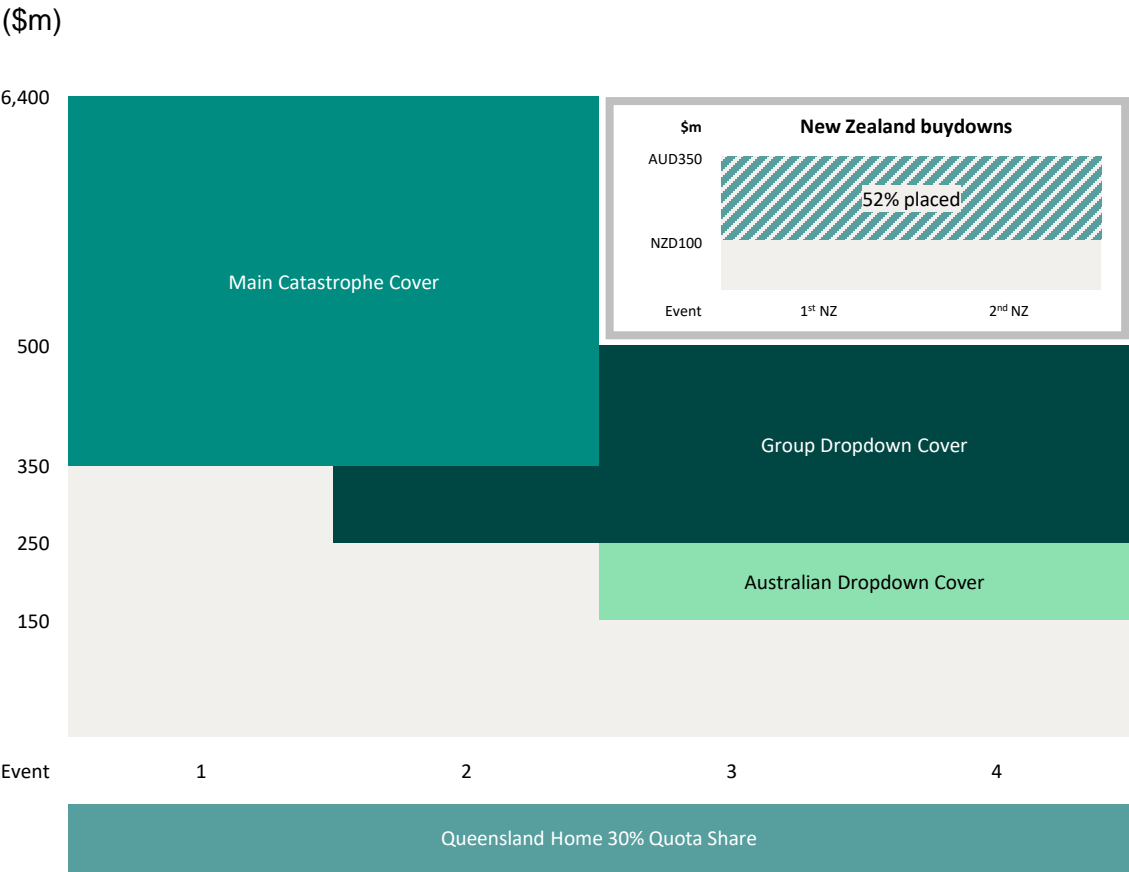


NOTES

- 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

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

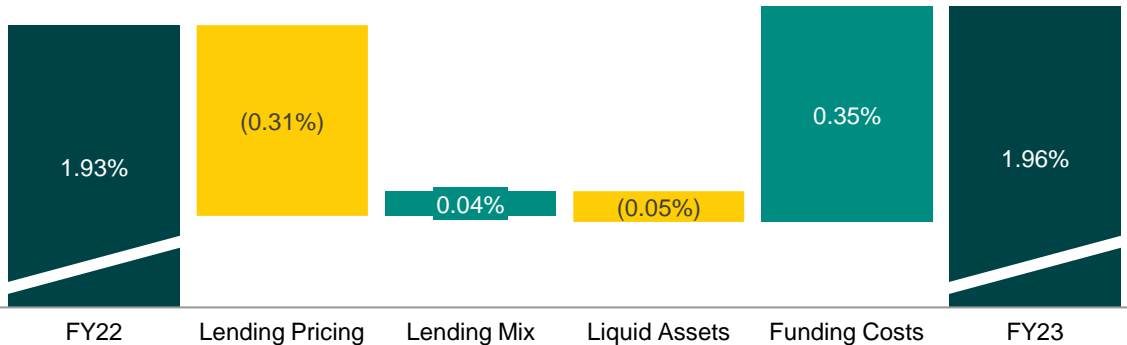
FY24 REINSURANCE PROGRAM



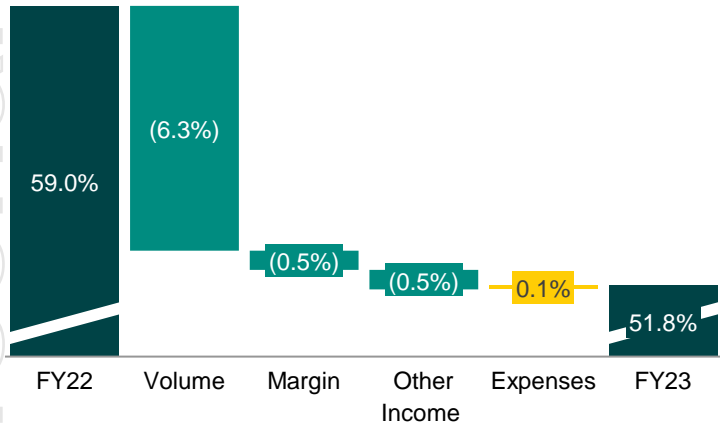
Suncorp Bank

	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

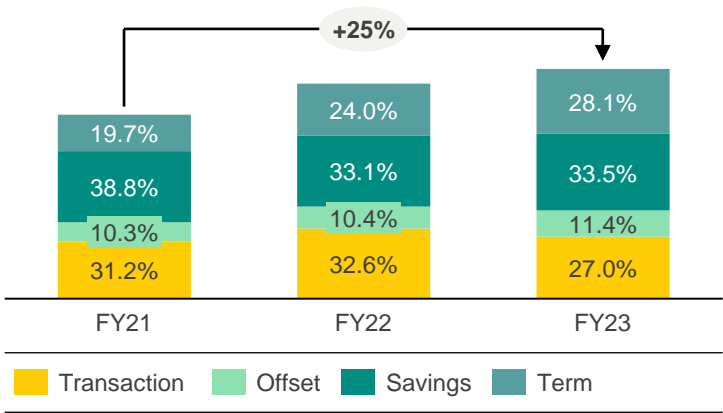
NET INTEREST MARGIN



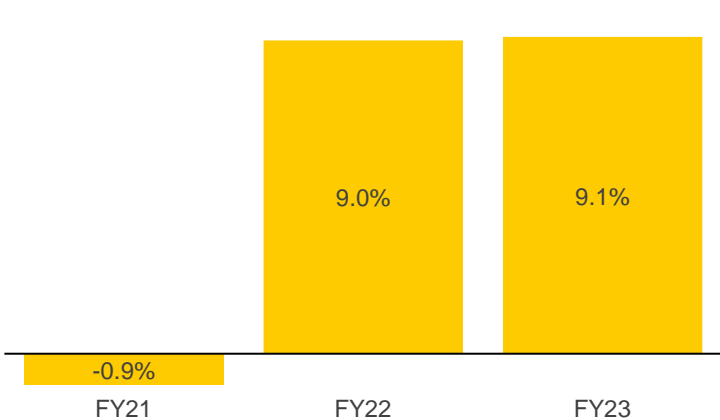
CTI DRIVERS



DEPOSIT GROWTH AND COMPOSITION

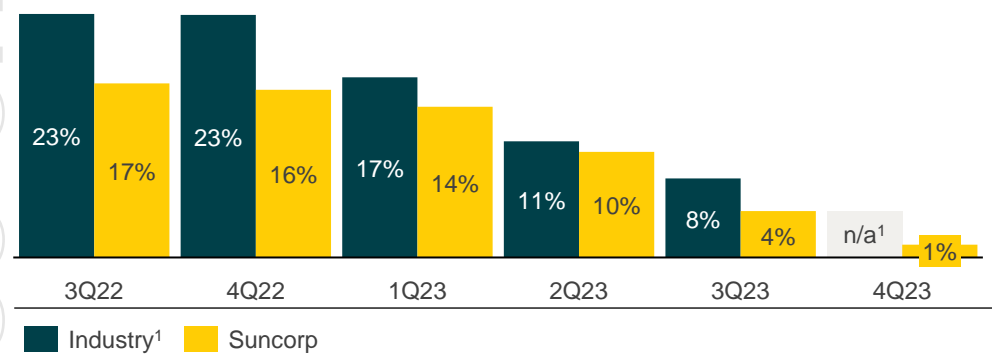


HOME LENDING GROWTH

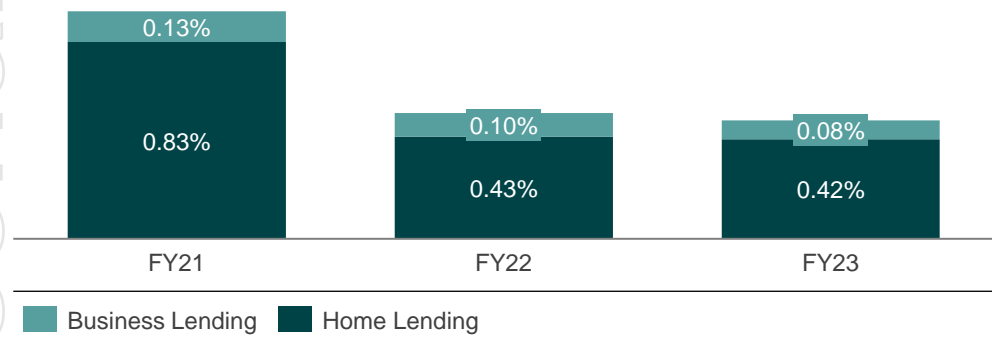


Suncorp Bank – credit quality

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

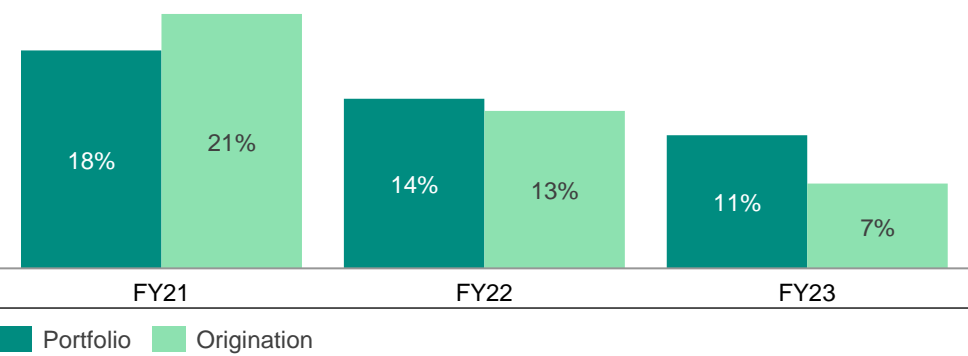


90+ DAYS PAST DUE
(% of total GLA)

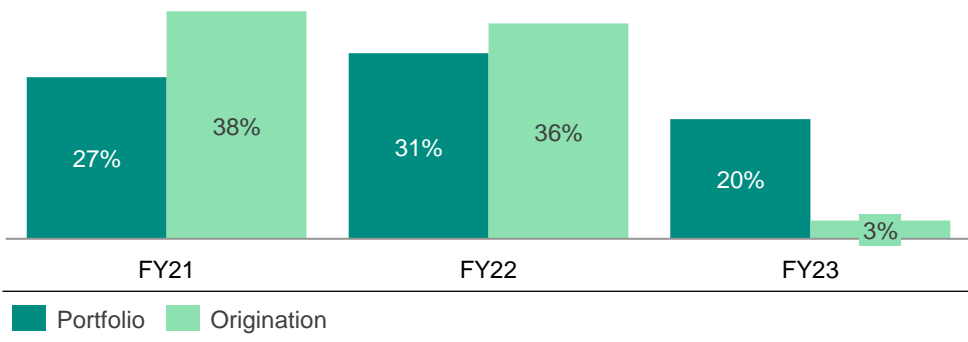


1. Source: APRA. Industry data for 4Q23 is not yet available.

HOME LENDING: LOAN-TO-VALUE > 80%

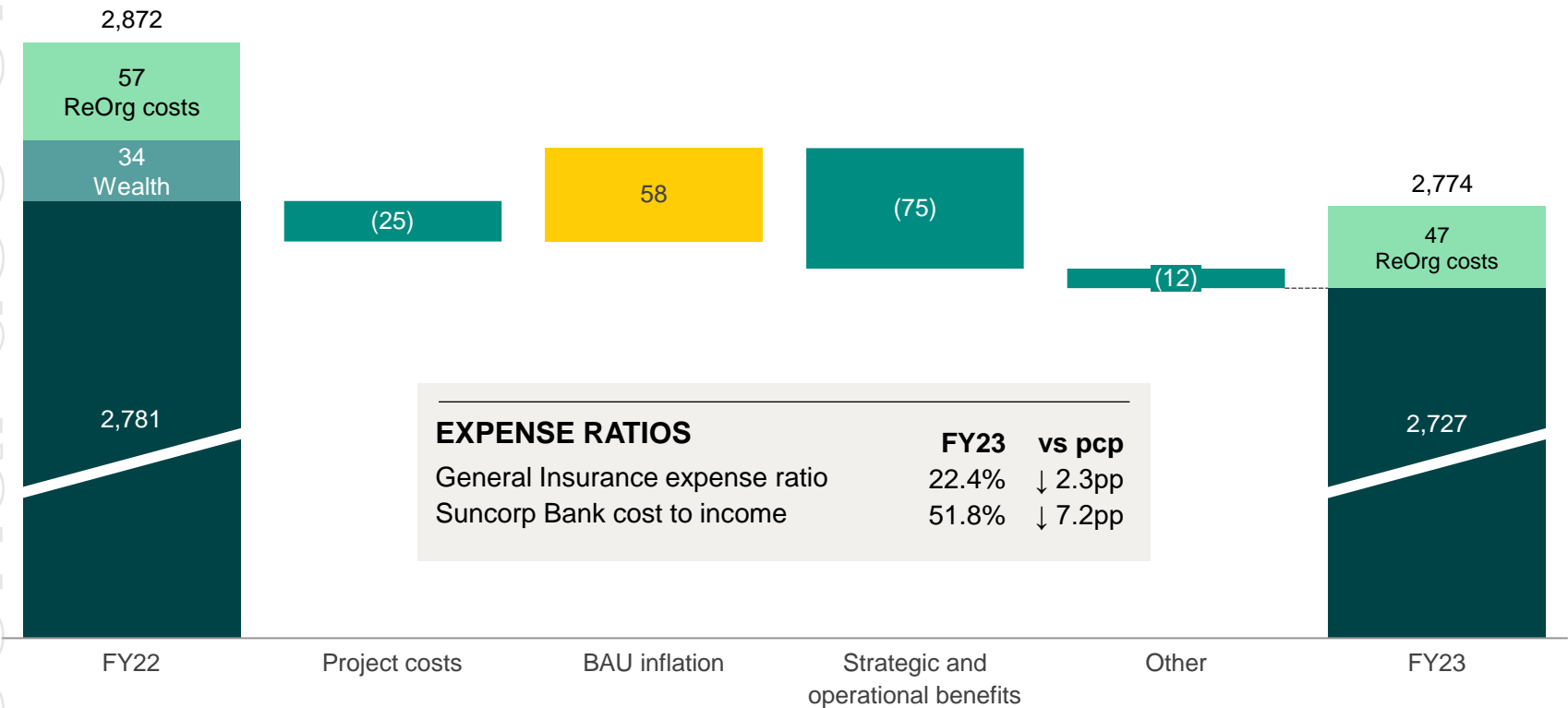


HOME LENDING: FIXED



Group operating expenses

GROUP OPERATING EXPENSES
(excluding ESL and TEPL; \$m)

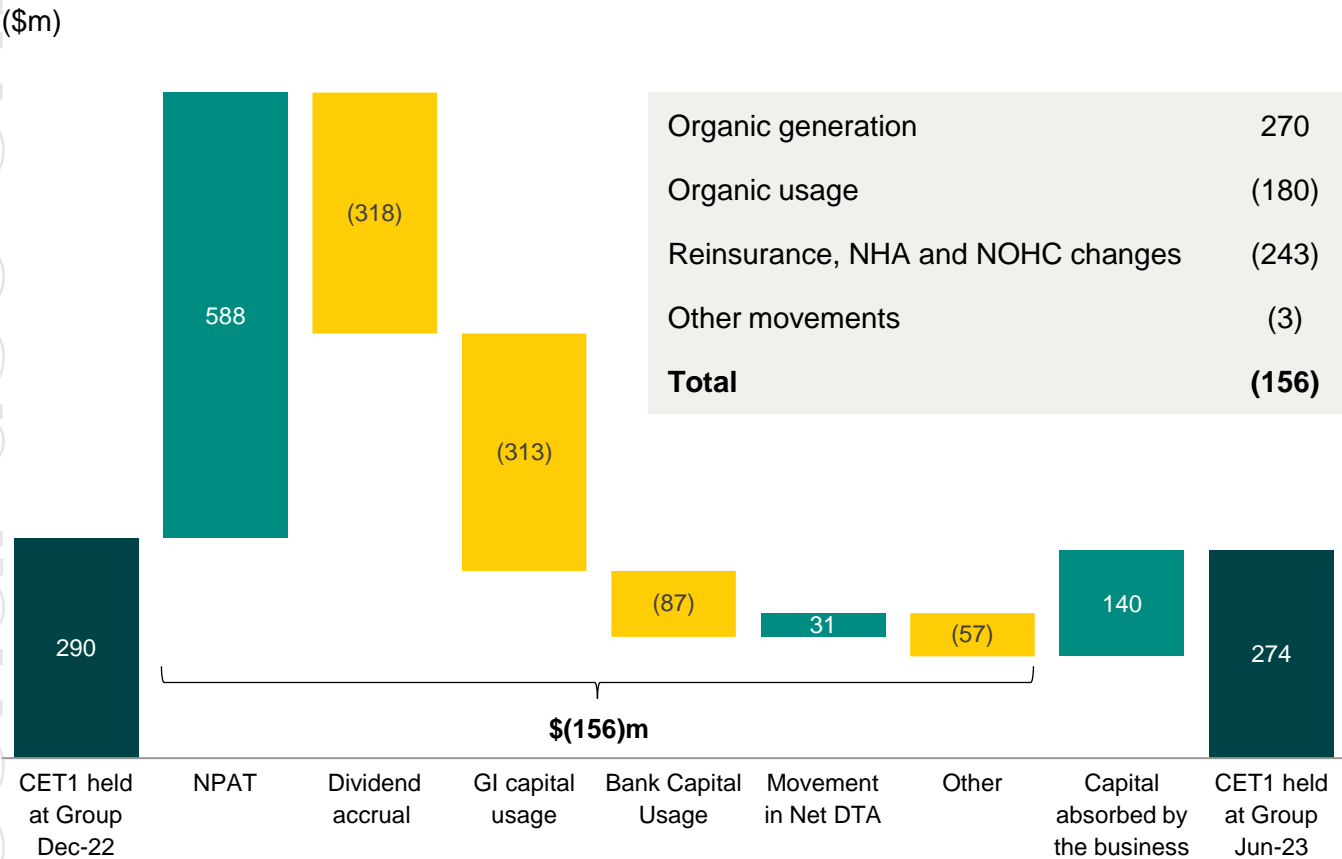


- NOTES**
- Project spend reduced as expected across regulatory and maintenance
 - Economy-wide inflationary pressures continued to impact the expense base
 - Strategic and operational efficiencies from the delivery of strategic initiatives and business simplification continued to deliver benefits
- 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 \$575-600m¹. Indicative net proceeds from the transaction remain unchanged

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

Group capital

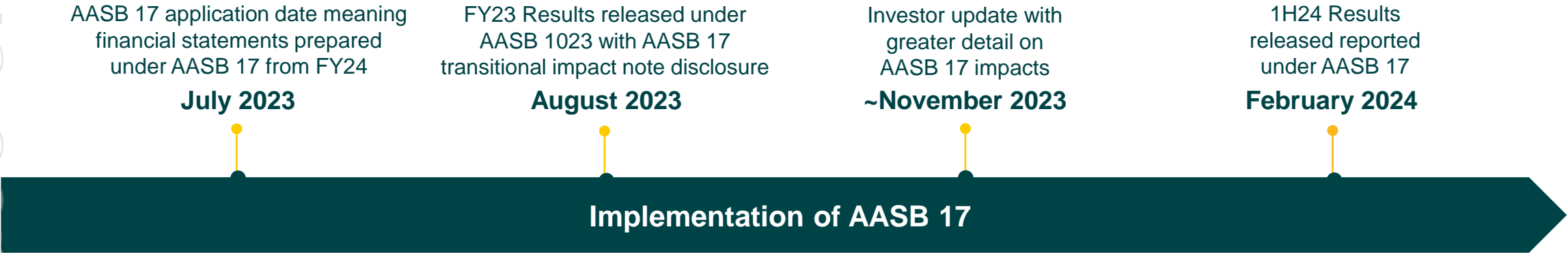
COMMON EQUITY TIER 1 CAPITAL HELD AT GROUP



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



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
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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
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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

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Questions

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