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ASX Announcement
FY24 Financial Results

19 August 2024

FY24 result delivers growth and returns

Group NPAT	Natural Hazards	Net investment returns	General Insurance GWP	Bank Home lending	FY Dividend per share
$1,197 million	**$1,235 million**	**$661 million**	**$14.1 billion**	**$57.0 billion**	**78 cents**
pcp $1,071 million	$125 million below allowance	pcp $451 million[i]	↑ 13.9%[ii]	↑ 4.0%	72% payout ratio

- Underlying insurance trading ratio (UITR) in the General Insurance business of 11.1%, up from 10.6%, and an underlying insurance services ratio (UISR) of 9.2%, up from 8.2%.
- Net investment returns of $661 million, up from $451 million.
- Common Equity Tier 1 (CET1) capital held at Group of $203 million, with appropriate levels of capital maintained across the business units.
- Fully franked full year ordinary dividend of 78 cents per share, representing a payout ratio of 72% of cash earnings.
- The Group successfully completed the sale of Suncorp Bank to Australia and New Zealand Banking Group Limited (ANZ) on 31 July 2024.
- Net proceeds from the sale of the Bank largely unchanged at c.$4.1 billion with the majority expected to be returned to shareholders around the first quarter of calendar year 2025.

Suncorp Group Limited (ASX: SUN | ADR: SNMCY) today reported an increase in earnings driven by improved underlying margins, positive investment returns and natural hazard costs below allowances. Group net profit after tax (NPAT) was $1,197 million (pcp $1,071 million) while cash earnings increased to $1,372 million (pcp $1,177 million). The Bank, which was sold to ANZ on 31 July, contributed NPAT of $379 million (pcp $470 million).

Suncorp CEO, Steve Johnston said: "While the headline results represent strong increases on the prior year it's important to point out that the past three years have been very challenging for all insurance companies with inflation, natural hazards and a fundamental resent in global reinsurance markets. It's pleasing that we navigated these challenges, and the complexity of the bank sale, and our earnings have rebounded to roughly where they were previously."

In the General Insurance business, gross written premium (GWP) increased by 13.9% reflecting both unit growth and targeted price increases in response to higher costs from reinsurance, natural hazards and claims inflation.

The UITR or margin for 2H24 in the General Insurance business increased to 12.0%, with the full year increasing from 10.6% to 11.1%. The improvement was supported by revenue growth, the impact on earnings from price increases in response to higher input costs, and from efficiency gains in the business.

Higher net investment income of $661 million was driven by a strong underlying yield on the interest-earning portfolio and stronger equity markets.

The total cost of natural hazard events was $1,235 million, $125 million below the Group's allowance. The Group managed 12 separate weather events in Australia and one event in New Zealand, as well as events covered by the Cyclone Reinsurance Pool (CRP). The Group's natural hazard allowance for FY25 is $1,560 million with a comprehensive reinsurance program placed successfully at a cost broadly in line with the prior year.

Total net reserves for the year were strengthened by $124 million, largely in the first half across several portfolios. Compulsory Third Party (CTP) releases were below the reserve release assumption of 0.7% driven by broad based superimposed inflation in Queensland.

Total Group operating expenses increased 8.5%[iii] to $2.5 billion, largely reflecting growth related expenditure, inflationary pressures on wages and technology costs, and an increase in Bank costs. This was partly offset by benefits from productivity and the delivery of strategic initiatives during the year, resulting in improved insurance expenses ratios.

Other loss after tax increased $28 million to $103 million, driven by higher external interest expenses and minority interest profits. The Group incurred Bank separation costs of $151 million after tax through the year.

The Board has determined to pay a fully franked final ordinary dividend of 44 cents per share. This brings total fully franked ordinary dividends for FY24 to 78 cents per share. The Group's full year dividend payout ratio of 72% of cash earnings is around the middle of the target payout ratio range of 60% to 80%.

CET1 capital held at Group is $203 million, with improving General Insurance capital ratios. Suncorp will continue to be disciplined in managing capital and remains committed to returning capital in excess of the needs of the business to shareholders.

Mr Johnston said the result demonstrated momentum across the business and set a strong foundation for the insurer's FY25-27 plan.

"While the bank sale process continued through the year, our insurance portfolios have remained focused on improving our underlying business and customer experiences. As a pureplay insurer, we now look forward to investing in our business and delivering greater value for our customers and communities as well as our shareholders.

"We acknowledge it has been a challenging period for our customers amid ongoing inflationary pressures and the continuing impact of severe weather events, particularly in Queensland in late 2023.

"Over the past five years we have managed around 700,000 natural hazard claims at a cost of more than $9 billion. This step-up in the frequency and severity of weather events has impacted the cost of reinsurance and the amount we set aside in our natural hazard allowance. Together these input costs have increased by more than $1 billion and much of this has unfortunately flowed through to customers. On top of this has been the inflation that has been embedded in the Australian and New Zealand economies.

"As we have outlined previously, the impacts of climate change, a reassessment and repricing of risk by global reinsurers, the planning and zoning mistakes of the past and stubborn inflation have converged to put upward pressure on insurance pricing.

"Suncorp remains committed to working alongside government, the wider insurance industry and our communities to respond to these challenges," Mr Johnston said.

He said Suncorp had also incorporated learnings from the major claims events in 2022. "I recognise that we must continuously improve our processes and communications in order to meet the changing needs of our customers."

"Using our new pricing engine, we are continuing to carefully manage input costs, and pleasingly some of these pressures have moderated in the last six months, with average written premiums easing for our Australian customers," he said.

"To put further downward pressure on inflation we have expanded our motor repairer panel and invested in technology and process improvement to improve end-to-end customer experience and claims costs. In home we are taking a variety of actions to manage large fire and water claims that have increased this year.

"Our ability to support our customers and the wider community during future events will be improved by our investment in a disaster response centre of excellence out of our Brisbane headquarters, as part of our commitments agreed with the Queensland government through the sale of the Bank."

Mr Johnston said that with the bank sale complete and the reinsurance markets stabilising, Suncorp was now in a position to consider other covers and alternative reinsurance structures. "Any proposal would need to be in the long-term interests of our shareholders; therefore value accretive and consistent with our strategic priorities."

	FY24 ($m)	FY23 ($m)	Change (%)
Consumer Insurance	424	200	112.0
Commercial & Personal Injury	381	443	(14.0)
Suncorp New Zealand	213	82	159.8
Suncorp Bank	379	470	(19.4)
Profit after tax from functions[iv]	**1,475**	**1,252**	**17.8**
Other profit (loss) after tax	(103)	(75)	(37.3)
Cash earnings	**1,372**	**1,177**	**16.6**
Group net profit after tax	**1,197**	**1,071**	**11.8**

Consumer Insurance

Consumer Insurance profit after tax	GWP
$424 million	**$7,526 million**

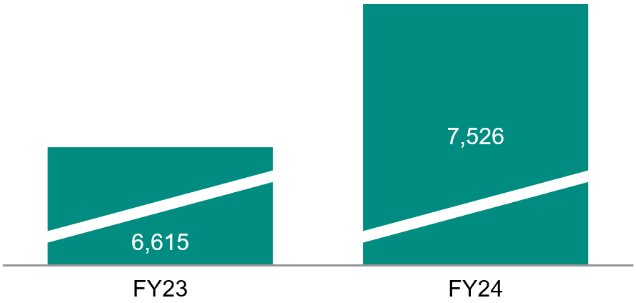
Consumer Insurance delivered profit after tax of $424 million, up from $200 million, with continued momentum in revenue growth driving margin repair. The UISR increased from 3.4% to 6.3%.

The Motor portfolio achieved GWP growth of 16.2%, with unit growth of 1.8% and Average Written Premium (AWP) growth of 14.4%.

Home GWP grew 10.3%, with unit growth of 1.4% and AWP growth of 8.9%. The entry into the CRP resulted in lower premiums to customers which is reflected in lower AWP growth.

Net incurred claims increased by 14.0% to $4,953 million, reflecting increased exposure due to higher units, unfavourable development on prior year claims and ongoing working claims inflation particularly in the Home portfolio.

GROSS WRITTEN PREMIUM
Consumer ($m)



Commercial & Personal Injury Insurance

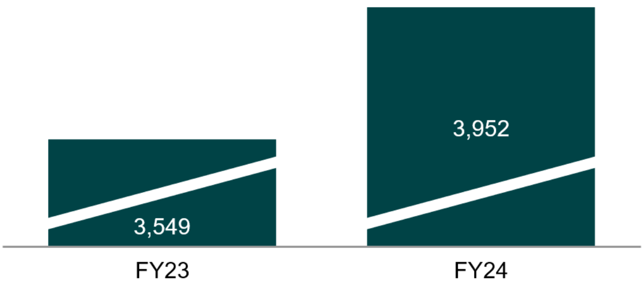
Commercial & Personal Injury profit after tax	GWP
$381 million	**$3,952 million**

Commercial & Personal Injury profit after tax of $381 million declined $62 million, with the prior year benefitting from the release of the business interruption provision of $124 million. On an underlying basis, which is normalised for reserve releases, profit after tax increased 11.0%.

GWP growth was achieved across all portfolios and was particularly strong across the Commercial (Tailored Lines) portfolio which was up 14.9%, especially in Fleet and Commercial Property.

Underlying net incurred claims of $2,338 million increased 13.2% (excluding the business interruption release in FY23 and other prior year reserve release movements), reflecting portfolio growth and claims inflation, partly offset by the impact of higher risk free rates on the discounting of new claims.

GROSS WRITTEN PREMIUM
Commercial & Personal Injury ($m)



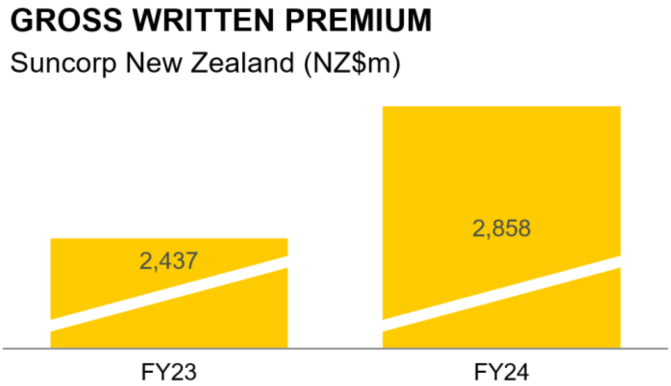
Suncorp New Zealand

Suncorp New Zealand profit after tax	GWP
NZ$230 million	**NZ$2,858 million**

Suncorp New Zealand delivered profit after tax of NZ$230 million.

General Insurance profit after tax of NZ$211 million (pcp NZ$65 million) benefitted from benign natural hazard claims experience, with the prior year impacted by significant weather events. The General Insurance business also benefited from strong top line growth, a moderation in working claims experience, and improved investment income.

GWP of NZ$2,858 million increased 17.3%, with the Vero Intermediated and AA Insurance brands recording growth of 14.5% and 23.2%, respectively. Growth reflected the pricing response to higher input costs and claims inflation, along with solid unit growth, largely in the Consumer portfolios.



Net incurred claims of NZ$1,228 million increased 0.2%. Natural hazard costs were lower relative to the prior year; however, working claims were impacted by unit growth and inflationary pressures that have moderated through the year.

Life Insurance profit after tax of NZ$19 million, was down NZ$7 million or 26.9%, with an increase in planned profit margins offset by an unfavourable experience. Annual in-force premium of NZ$336 million grew 5.3%.

Suncorp Bank

Suncorp Bank profit after tax	Home lending
$379 million	**$57.0 billion**

Suncorp Bank profit after tax decreased 19.4% to $379 million, impacted by competitive pressures on NIM and increased operating expenses.

NIM decreased 14 basis points to 1.82%, driven by a shift in deposit mix towards higher yielding savings products and persistent competition in lending.

The Bank continued to strengthen Home lending, growing the portfolio by $2.2 billion or 4.0%. Business lending grew 3.3% to $12.9 billion with growth across all portfolios.

Home lending 90+ days past due loans increased from 0.51% to 0.70% of the portfolio, although this remained below long-term trends demonstrating a high-quality lending portfolio. The Bank's Expected Credit Loss (ECL) increased $10 million to $200 million, largely from credit rating downgrades on a small number of business banking customers.

Suncorp Bank sale

On 31 July 2024, Suncorp successfully completed the sale of Suncorp Bank to ANZ. This followed approval from the Australian Competition Tribunal in February 2024, and the passing of legislation by the Queensland Government to amend the Metway Merger Act and approval from the Federal Treasurer under the Financial Sector (Shareholdings) Act in June 2024. Expected net proceeds of around $4.1 billion remain materially unchanged. The current expected statutory profit on sale is around $235 million. The final profit on sale, sale proceeds and capital return will be determined following the process of completion accounts, the receipt of a ruling by the Australian Tax Office, and approvals from shareholders, the Board and the Australian Prudential Regulation Authority. As previously announced, the Group remains committed to returning the majority of proceeds to shareholders, subject to the needs of the business. The return will be primarily by way of a capital return and accompanying pro rata share consolidation and a smaller fully franked special dividend component. This is anticipated to occur around the first quarter of calendar year 2025.

Suncorp has entered a Transitional Service Agreement with ANZ to provide a range of services to Suncorp Bank. The majority of transitory business and technology services are planned to be exited within 2 years with the remainder exited no later than 5 years post completion. A transitional trademark licensing agreement allows ANZ to use the Suncorp Bank brand for 5 years. ANZ has an option to renew the agreement for a further 2 years.

Mr Johnston said: "I'm pleased the Bank has been handed over in good shape to ANZ, reflecting our clear strategy to improve its overall performance and risk maturity over the past four years. Throughout the two-year process the Bank team maintained its focus, delivering strong direct and broker net promoter scores, improved turnaround times and consistently high employee engagement scores."

New Zealand Life sale

On 4 April 2024, Suncorp Group Limited announced that it had entered into a share sale and purchase agreement with Resolution Life NOHC Pty Ltd to sell its New Zealand Life Insurance business, Asteron Life Limited. The sale, which is expected to complete around the end of January 2025, is subject to approval from the Reserve Bank of New Zealand. Approval from the Overseas Investment Office has been obtained and no objections were raised by the New Zealand Commerce Commission. The estimated net proceeds from the sale of the New Zealand Life business are around $270 million.

Strategy update

Following the successful completion of the sale of Suncorp Bank and the announced sale of New Zealand Life, the business is positioning itself as a focused, trans-Tasman general insurer centred around three operating divisions: Consumer, Commercial & Personal Injury and Suncorp New Zealand. The organisation has strong market positions in each division with ambitions to maintain or grow market share with clear financial parameters. Suncorp's FY25-27 strategy focuses on generating appropriate risk adjusted returns within each portfolio, supported by improved resilience across the business with increased investment in growth, a robust natural hazards allowance, focused management of expenses and less reliance on prior year reserve releases. The strategy is also enabled by investment in two strategic initiatives: Platform Modernisation and Operational Transformation. These will focus on continuing to upgrade the organisation's core systems, including the policy administration system, and deploying new artificial intelligence capabilities.

The strategy has clear financial settings that aim to deliver sustainable returns above the group's cost of capital:

- Financial guiderails
  - UITR margin of between 10 – 12%
- Capital targets
  - CET1 capital target operating range 1.025 – 1.325x PCA
- Shareholder returns
  - Consistent payout ratio at the mid-point of the 60-80% range of cash earnings
  - Active capital management including systematic on-market buybacks

FY25 outlook

Growth: GWP growth expected to be in the mid to high single digits, primarily driven by increases in AWP albeit with moderating premium rates as the reinsurance market stabilises and inflationary pressures ease slightly in some portfolios.

Underlying ITR: Supported by the continued earn through of elevated premium rates as inflation begins to moderate. Investment yields are expected to reduce as market expectations for interest rates decline in anticipation of a stabilisation in inflation. For FY25, prior year reserve releases in CTP are expected to be around 0.4% of Group net insurance revenue, with releases in other portfolios expected to be neutral over the year. An UITR towards the top of the 10% to 12% range is targeted.

Operating expenses: Expense ratios are expected to be broadly flat including the investment required to support strategic investments and continue to grow the business.

Capital: The Group will maintain its disciplined approach to active capital management, with a payout ratio at the mid-point of the 60% to 80% range of cash earnings.

Strategic targets: Delivering a growing business with a sustainable return on equity above the through-the-cycle cost of equity.

Authorised for lodgement with the ASX by the Suncorp Group Board.

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[i] Net investment income is investment income on insurance funds and shareholders' funds and discount unwind and market rate adjustments on claims liabilities.
[ii] All changes refer to the prior corresponding period unless otherwise stated.
[iii] Excludes emergency services levies, transitional excess profits and losses (TEPL) provision, commission and restructuring expenses.
[iv] Profit after tax from functions includes Internal Reinsurance arrangements (FY24: $78 million, FY23: $57 million).