SUNCORP

FY22 results deliver margin improvement and record second half premium growth; profit impacted by natural hazard costs and investment market volatility

- Insurance Australia gross written premium (excluding emergency services levies and portfolio exits) up 9.2%*
- Suncorp New Zealand gross written premium up 14.1%
- Suncorp Bank home lending, up $4.1 billion or 9.0%
- Group net profit after tax of $681 million, down 34.1% impacted by volatile investment markets and elevated natural hazard costs
- Final fully franked ordinary dividend of 17 cents per share representing a 75% payout ratio

Suncorp Group Limited (ASX: SUN | ADR: SNMCY) today reported record second half premium growth, a return to growth in home lending and improved underlying margins.

While the Group's reported financial year 2022 results were impacted by volatile investment markets and elevated natural hazard costs, the underlying business demonstrated strong momentum. The Group has reaffirmed its FY23 targets across general insurance and banking.

Group net profit after tax was down by 34.1% to $681 million, while cash earnings were down 36.7% to $673 million. The prevailing La Niña weather pattern across Australia and New Zealand led to 35 separate weather events and around 130,000 natural hazard claims. This resulted in the Group exceeding its natural hazard allowance by $101 million, with significant recoveries made under the Group's reinsurance program.

Volatile investment markets, including rapidly rising yields and widening credit spreads, drove mark-to-market losses across the Group's $14.9 billion investment portfolios. The net loss from investment market volatility was $190 million compared to a profit of $453 million in the prior year. Given the Group holds its fixed interest investments to maturity, the majority of these FY22 accounting losses are expected to unwind to profit over coming periods.

The Board has declared a fully franked final ordinary dividend of 17 cents per share, bringing total fully franked ordinary dividends for FY22 to 40 cents per share. The Group's full year dividend payout of 75% of cash earnings is towards the top of the target payout ratio range of 60% to 80%.

The Group reported record gross written premium (GWP) growth in the second half of the financial year across its Australian and New Zealand insurance businesses of 9.9% (excluding ESL), while second half annualised growth in home lending of 12.4% underscored the turnaround in the Bank's performance.

Suncorp Group CEO Steve Johnston said that in a challenging year, the Group had maintained momentum and delivered on its key strategic initiatives. "First and foremost, we have thrown our full support behind our customers, many of whom have been displaced by the far-reaching impacts of the La Niña weather pattern.

"At the same time, we have maintained our focus on executing our strategic initiatives and this has allowed us to offset increasing inflationary pressures, particularly in home and motor vehicle repairs.

"A highlight of this result is the GWP growth that has been delivered and the increased underlying ITR, which demonstrates that we can meet the needs of customers and make good progress against our strategic initiatives.

"We are proud of what we have delivered this year and the hard work we have done over the past three years means we are able to reaffirm our FY23 targets."

Insurance Australia delivered full year GWP growth of 9.2%, excluding portfolio exits, which was broad based across all portfolios.

Suncorp New Zealand delivered GWP growth of 14.1%, with growth in both Intermediated and direct distribution channels.

Excluding COVID-19 impacts the Group's underlying insurance trading ratio (ITR) increased from 7.2% to 9.0%.

Suncorp Bank made progress against its strategic initiative to Win in Home, growing the home lending portfolio 9.0% over the year with increasing momentum in the second half. Total bank deposits grew by 15.9% with transaction account growth of 20.6% a highlight.

Group operating expenses^^ grew by 3.2% to $2,781 million, largely reflecting the temporary increase in strategic investment as well as growth-related costs.

Appropriate capital buffers have been maintained in the heightened risk environment, in line with the Group's prudent approach to capital management.

Mr Johnston said the decision to sell Suncorp Bank to ANZ Banking Group, announced on 18 July 2022, followed a comprehensive strategic review. The sale remains subject to regulatory and Government approvals, with a targeted timeframe for completion of approximately 12 months.

"The strategic rationale for the sale is compelling. With the ability to focus exclusively on our insurance businesses, Suncorp will become a leading trans-Tasman insurer and have a louder voice in advocating for greater resilience and mitigation measures to better protect our customers and the community."

"Our insurance strategy is delivering and once the sale process is complete we will be able to do more, and faster."

To support the sale process, General Counsel Belinda Speirs will be seconded into the role of Group Executive, Completion & Transition. The current Group Customer Advocate, Michelle Bain, will step in as General Counsel (subject to regulatory approvals). Ms Bain will form part of the Group's Executive Leadership Team in this role.

* *All changes refer to the prior corresponding period unless otherwise stated.*
^ *Excludes portfolio exits.*
^^ *Excludes emergency services levies, transitional excess profits and losses provision, reorganisation costs and Wealth expenses.*

FY22 Result

	FY22 (AU $m)	FY21 (AU $m)	Change (%)
Insurance Australia	174	547	(68.2)
Banking	368	419	(12.2)
New Zealand	155	200	(22.5)
Profit after tax from functions	**697**	1,166	**(40.2)**
Other profit (loss) after tax	(24)	(102)	76.5
Cash earnings	**673**	1,064	**(36.7)**
Group net profit after tax	**681**	1,033	(34.1)

Insurance Australia

Insurance Australia profit after tax

$174m ↓ 68.2%

GWP (excluding ESL)

$9,254m ↑ 9.2%^

Insurance Australia continued to demonstrate strong momentum in FY22 but an intense natural hazard season and volatile financial markets impacted profit after tax, which declined 68.2% to $174 million. Underlying ITR improved, reflecting strong top-line growth, improving expense ratios and an increase in investment yields.

	FY22 ($m)	FY21 ($m)	FY22 vs FY21 (%)
Gross written premium	9,384	8,790	6.8
Net earned premium	7,911	7,540	4.9
Net incurred claims	(5,328)	(5,496)	3.1
Total operating expenses	(1,719)	(1,643)	(4.6)
Insurance trading result	464	644	(28.0)
Insurance Australia profit after tax	**174**	**547**	**(68.2)**

GWP growth reflected positive unit performance and rate increases driven by the ongoing pricing response to higher input costs. The increased focus on improved risk selection and portfolio discipline resulted in some portfolio exits.

The Home portfolio grew 9.6%^, with Average Written Premium (AWP) increases reflecting the ongoing pricing response to higher natural hazard and reinsurance costs.

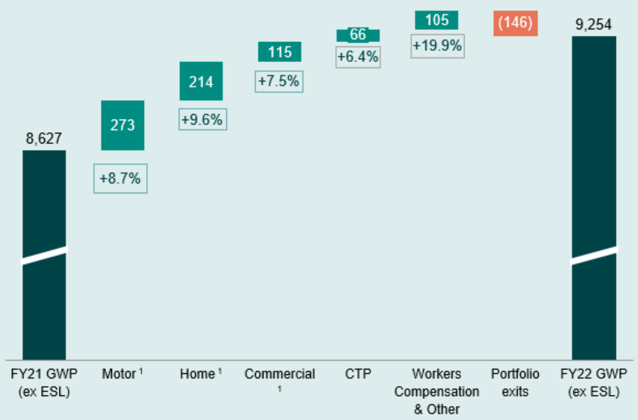
Motor increased by 8.7%^, benefitting from ongoing strategic investment in AAMI marketing and enhanced digitisation of the sales process, driving positive unit performance. AWP increases reflected underlying inflation and higher sums insured.

In Commercial, the portfolio grew 7.5%^ with strong performances in the NTI and Property businesses and good rate growth, retention and new business across most portfolios.

The Compulsory Third Party portfolio grew 6.4% with unit growth of 10% driven by digitisation in New South Wales and particularly solid unit growth in South Australia.

Workers' Compensation was up across all states driven by rate increases and higher wage growth.

Gross written premium (excluding ESL) by portfolio ($m)



[1]Excludes impact of portfolio exits

Net incurred claims declined by 3.1% to $5,328 million. Excluding discount movements, net incurred claims increased by 3.3%, reflecting the impact of portfolio growth and higher natural hazard costs, which were partially offset by the impact of business interruption provisioning in FY21.

Online claim lodgements in the Consumer portfolios increased significantly. Best in Class claims initiatives continue to be embedded across the supply chain including refreshed repair panels and technology changes to enhanced repair allocations and outcomes.

Prior year reserve releases were 1.7% of Group Net Earned Premium, above the Group's long run expectation of 1.5%.

Net investment loss was $133 million, reflecting significant market volatility with an increase in government bond yields, widening in credit spreads and lower equity markets.

Excluding Emergency Services Levies (ESL) and Transitional Excess Profits and Losses (TEPL) provision, operating expenses increased 2.8% driven by the temporary increase in strategic investment and growth-related expenses.

Suncorp Bank

Suncorp Bank profit after tax	Net Interest Margin	Cost-to-Income ratio
$368m ↓ 12.2%	1.93% ↓ 14 bps	59.0% ↑ 190 bps

Suncorp Bank profit after tax fell 12.2% to $368 million, with strong volume growth offset by higher strategic investment spend, margin compression and reduced operating income from unrealised mark-to-market losses on hedges.

The Net Interest Margin decreased by 14 basis points reflecting ongoing competitive pressure, compression in fixed rate margins, higher fixed rate lending mix and increased liquid assets, partly offset by strategic deposit repricing.

Growth momentum continued to build over the year with 1.3 times system growth recorded in home lending. A strong turnaround in home lending achieved growth of $4.1 billion, driven by higher new business volumes, improved customer experiences and faster turnaround times. The Bank continues to maintain a high quality and conservatively positioned home lending portfolio.

Business lending grew 3.7%, predominantly driven by commercial lending growth on the back of a buoyant property market.

Total customer funding was $48.1 billion, up 15.9%. The at-call transaction portfolio increased 20.6% to $20.8 billion, supported by a strong digital offering after finalising migration to the Suncorp App. In FY22, the bank launched Paylater to provide customers with payment flexibility and received both Canstar and Mozo awards for offering outstanding value in transaction accounts.

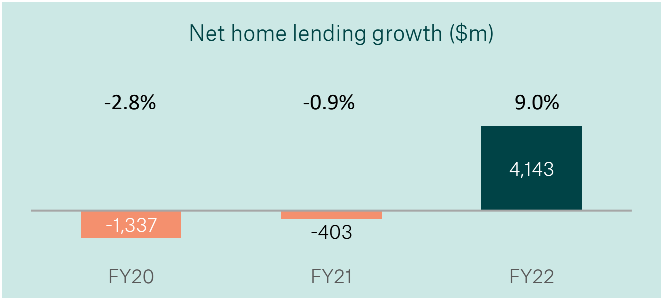
The Bank maintained strong capital, funding and liquidity metrics. The Common Equity Tier 1 (CET1) capital ratio of 9.08% remained within the target operating range of 9.00% to 9.50%.

A net impairment release of $14 million reflected a $15 million reduction in the collective provision. The provision remains prudently calibrated at $180 million despite further improvement in the risk profile in the second half, given risks in the economic outlook.

The cost-to-income ratio increased to 59.0%, up from 57.1%, driven by one-off unrealised mark-to-market losses and an increase in strategic investment. Normalising for these factors, the ratio reduces to 57.5%.

Total operating expenses of $736 million increased 0.7%, driven largely by increased strategic investment and personnel costs to support volume growth, partly offset by branch optimisation benefits and lower technology spend.

The sale of Suncorp's Wealth business to LGIAsuper was completed on 31 March 2022.



Suncorp New Zealand

Suncorp New Zealand profit after tax	Gross Written Premium	Life Insurance profit after tax
NZ$165m ↓ 23.3%	NZ$2,133m ↑ 14.1%	NZ$15m ↓ 60.5%

Suncorp New Zealand profit after tax fell by 23.3% to NZ$165 million.

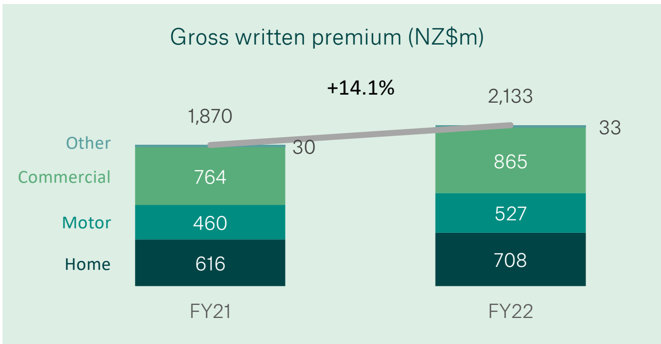
General Insurance profit after tax was NZ$150 million, down 15.3%. Reported ITR of 13.3% was supported by strong top-line growth but impacted by adverse investment market impacts and elevated natural hazard experience.

GWP increased 14.1% driven by strong growth across all product classes through a combination of unit growth and targeted pricing increases to offset inflationary pressures on claims. This growth reflects the strength of the New Zealand brands, registering seven consecutive quarters of market share gains.

Net incurred claims were up 17.2% to NZ$1,013 million. Higher working claims costs driven by unit growth, inflationary pressures and several large property fire claims, was partially offset by a COVID-19 related reduction in motor claims frequency seen in the first half of the year.

Net investment loss of NZ$30 million was materially impacted by rising bond yields and volatility in equity markets.

Operating expenses were up 7.2% to NZ$504 million, supporting growth across the business.



Life Insurance profit after tax of NZ$15 million was down 60.5%. In-force premium grew by 3.8%, supported by CPI and age-related premium growth. Growth in planned profit margins and favourable experience was offset by significant adverse market adjustment impacts from interest rate movements.

Group Outlook

Operating environment: The operating environment remains challenging. Economic growth is forecast to slow in line with upward movements in interest rates, while supply chain issues from the ongoing impacts of COVID-19 and global geopolitical events are resulting in inflationary pressures.

While the Group's extensive modelling of catastrophe risk indicates only a minor upward trend in the frequency of natural hazard related events, more recent years have been adversely affected by the prevalence of the La Niña related weather pattern. The Group has noted current modelling pointing to the likelihood of a third consecutive La Niña year. As previously announced, Suncorp has fully placed its reinsurance program, increased allowances and set the balance sheet appropriately.

On 4 May 2021, the Federal Government announced a reinsurance pool for cyclones and related flood damage in Northern Australia. Suncorp will continue to work closely with the Government and regulators to finalise the construct of the pool.

Suncorp's FY23 plan: The FY23 plan aims to deliver a growing business with a sustainable return on equity above the through-the-cycle cost of equity.

- Growth: In General Insurance, GWP growth 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. In Bank, above system growth is expected to continue.
- Underlying ITR: The Group's underlying ITR is impacted by headwinds from factors such as higher reinsurance and natural hazard costs which are expected to be offset by higher pricing, and the benefits from rising yields and strategic initiatives. The 10% to 12% target in FY23 is reaffirmed.
- Cost to Income: The cost-to-income ratio target of ~50% by the end of FY23 is reaffirmed as the benefits of increased growth and the strategic program of work are expected to be realised, and the associated strategic spend to decrease. Favourable trends in the interest rate cycle are also expected to be beneficial.

  Suncorp announced the sale of the Bank to ANZ on 18 July 2022 with completion expected in the second half of 2023.

Natural hazards and reinsurance: The Group has increased its natural hazard allowance for FY23 to $1,160 million, reflecting net exposure growth in the underlying portfolio, recent natural hazard experience and changes to the reinsurance program in FY23.

Changes to the reinsurance program included:

- Aggregate Excess of Loss: an increase in the per event retention from $5 million to $10 million and an increase in the aggregate deductible from $650 million to $850 million
- Dropdowns: an increase in the attachment point of Dropdown 3 from $50 million to $100 million with the level of cover reducing to $50 million
- Main Catastrophe Cover: an increase in the top layer from $6.5 billion to $6.8 billion.

The New Zealand Earthquake Commission will increase their cap for house policies by $150,000, effective October 2022. The net impact from this change is not expected to be material.

Prior year reserve releases: The Group allows for prior year reserve releases to be around 1.5% of Group net earned premium, assuming inflation remains at a controllable level. Future releases are expected to be impacted by relative growth in the Consumer and Commercial portfolios, as well as scheme reforms, and are expected to moderate over time.

Business Interruption: The Group remains well provisioned for potential business interruption claims, with the provision set at 90% confidence level in Insurance Australia. The industry Business Interruption test case is currently before the High Court of Australia for a Special Leave Application. The matter is expected to be resolved in FY23.

Capital: The Group will maintain its prudent capital management strategy, including holding an appropriate Common Equity Tier 1 (CET1) buffer at Group. The sale of Suncorp Bank is expected to yield net proceeds of $4.1 billion. The sale is subject to a number of approvals with a target completion by the second half of calendar year 2023.

The Group remains committed to returning to shareholders any capital that is excess to the needs of the business. Capital requirements will be continually reassessed considering the needs of the business, the economic outlook and any regulatory guidance.

Dividend policy: The Group maintains its commitment to a 60% to 80% dividend payout ratio.

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

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