



# Financial Results

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**For the half year ended  
31 December 2023**

**26 February 2024**

SUNCORP GROUP LIMITED | ABN 66 145 290 124

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SUNCORP

# 1H24 Overview

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Steve Johnston

Group Chief Executive Officer

# Purpose driven, delivering strong outcomes for the long term



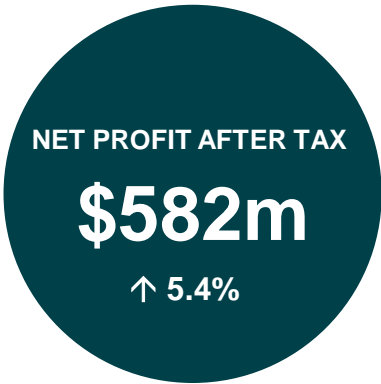
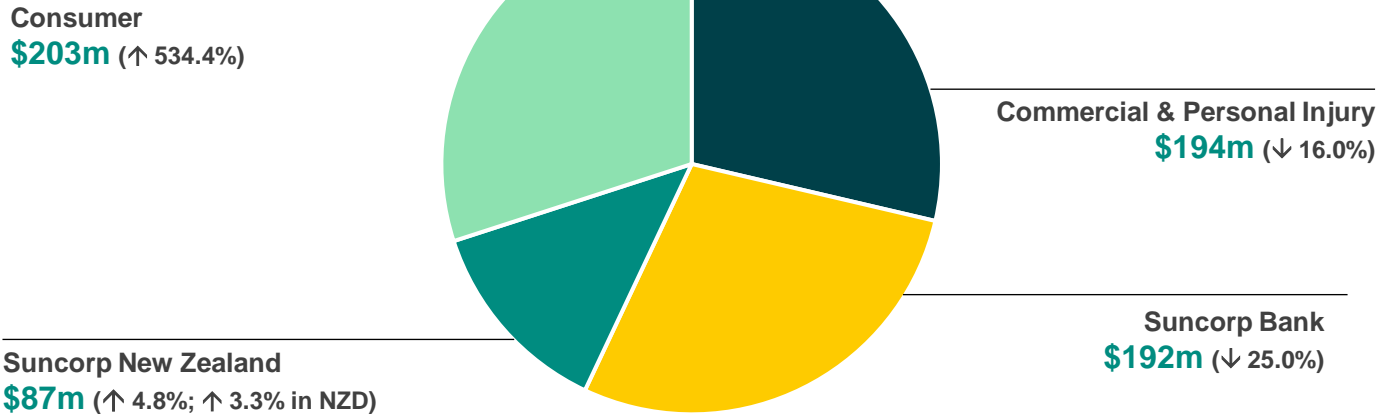


# Group result

## Strong top line growth and guidance reiterated

- Strong top-line growth across the Group reflecting customer growth and pricing
- Improved investment returns driven by higher running yields and mark to market gains
- Impacts of high inflation moderating
- Fully franked interim ordinary dividend of 34 cents per share, representing a dividend payout ratio of 65% of cash earnings

Profit after tax from functions



## Result snapshot

**Consumer Home  
Gross Written Premium**

↑ 12.0%

**Commercial Insurance  
Gross Written Premium**

Ex-CTP ↑ 16.2%  
CTP ↑ 8.8%

**General Insurance  
Underlying ITR<sup>1</sup>**

10.2%

**Suncorp Bank**

Home Lending<sup>2</sup> ↑ 2.2%  
Turnaround time<sup>3</sup> <4 days

**Consumer Motor  
Gross Written Premium**

↑ 18.2%

**New Zealand  
Gross Written Premium**

↑ 19.6%

**Net Reserve  
Strengthening**

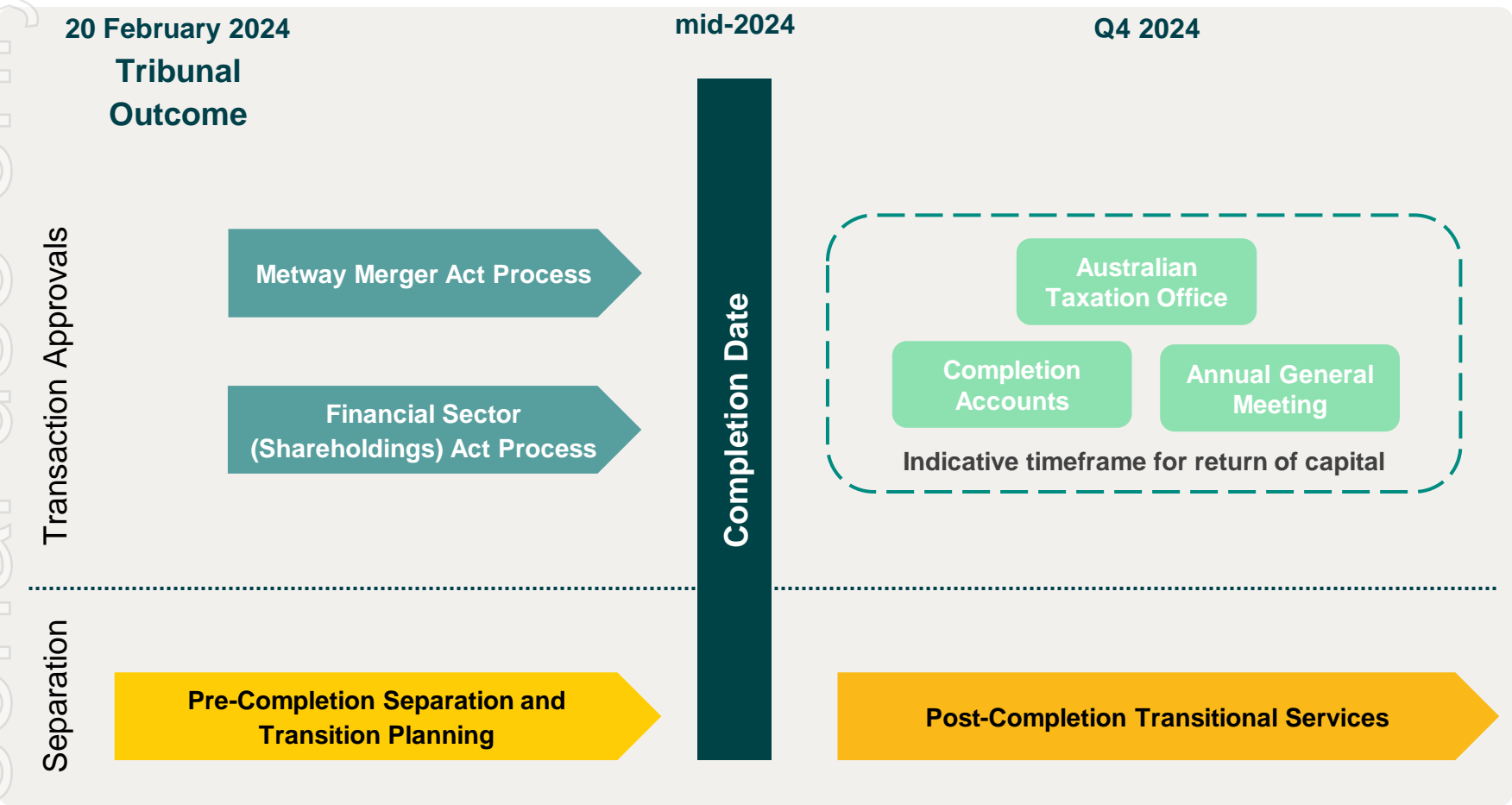
\$107m

**Claims Progress**

FY22 Aus Events 98%  
FY23 NZ Events<sup>4</sup> >90%

1. UTR based on AASB17; 2. Growth on prior half; 3. AFG reported turnaround time, averaging below 4 days; 4. Auckland floods and Cyclone Gabrielle

# Pathway to Bank completion and transition



## NOTES

- On 20 February 2024, the Australian Competition Tribunal granted authorisation
- Sale remains subject to the amendment of the State Financial Institutions and Metway Merger Act, and approval from the Federal Treasurer under the Financial Sector (Shareholdings) Act
- Targeted completion anticipated around mid-2024, subject to Financial Sector (Shareholdings) Act approval and legislative amendments
- Net proceeds remain materially unchanged, with the intention to return the majority to shareholders subject to the needs of the business



# 1H24 Financial Results

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Jeremy Robson

Group Chief Financial Officer

# Group result overview

## Strong top-line growth and underlying margins on target

	1H24 (\$m)	1H23 (\$m)	Change (%)
Consumer	203	32	534.4
Commercial & Personal Injury	194	231	(16.0)
New Zealand GI	74	68	8.8
<b>General Insurance<sup>1</sup></b>	<b>510</b>	<b>336</b>	<b>51.8</b>
New Zealand Life	13	15	(13.3)
Suncorp Bank	192	256	(25.0)
<b>Cash earnings<sup>2</sup></b>	<b>660</b>	<b>580</b>	<b>13.8</b>
<b>Group net profit after tax</b>	<b>582</b>	<b>552</b>	<b>5.4</b>
<b>Ordinary dividend (cents per share)</b>	<b>34</b>	<b>33</b>	
<b>CET1 held at Group</b>	<b>237</b>	<b>290</b>	

## KEY MESSAGES

- Strong top-line growth driven by customer growth and pricing
- Continued strong investment performance
- Higher quality underlying margin
- Strong capital position maintained with improved divisional capital ratios
- 1H24 dividend of 34 cents per share, payout ratio of 65%
- Results presented under AASB17 which was adopted from 1 July 2023

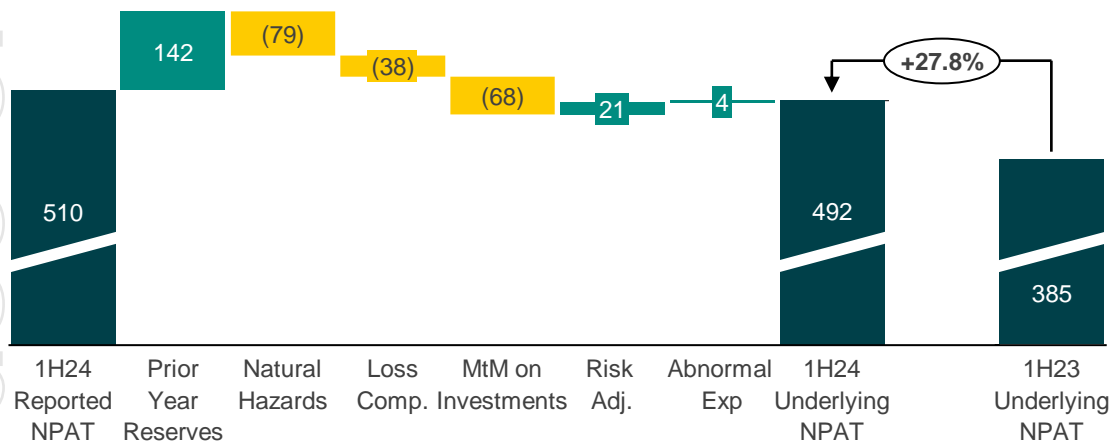
1. Includes internal reinsurance of \$39m post-tax

2. Includes Other Profit / (Loss) of \$55m post-tax

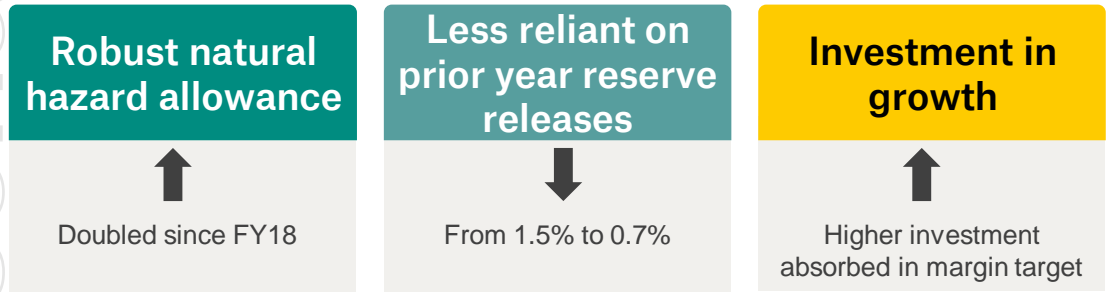


# General Insurance – underlying profit & margin

## REPORTED TO UNDERLYING PROFIT WALK



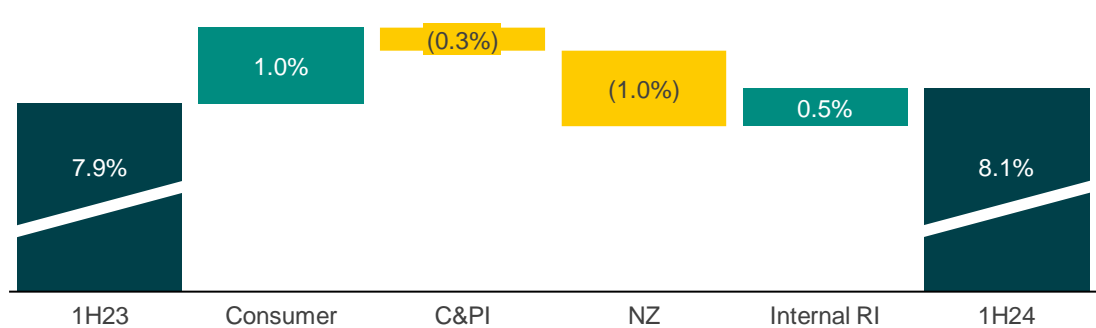
## IMPROVED RESILIENCE IN UNDERLYING MARGINS



## UITR<sup>1</sup> DRIVER ANALYSIS

	1H24 vs 1H23	2H24 Outlook
1H23 UITR	10.0%	
Natural Hazard Allowance	(0.4)%	Tailwind
Expenses (incl. Commissions)	0.8%	Neutral
Claims	0.1%	Tailwind
Present Value Adjustment	0.5%	Headwind
Prior year reserve releases	(0.8)%	Neutral
Investments	0.1%	Headwind
Non directly attributable expenses	(0.1)%	Neutral
1H24 UITR	10.2%	

## UISR BY PORTFOLIO



1. UITR based on AASB17

# General Insurance – prior year reserves and loss component

## PRIOR YEAR RESERVE STRENGTHENING / (RELEASES)

	1H24 (\$m)	Expected PYRR (% of Group NIR)
Motor	56	-
Home	32	-
Natural hazards	32	-
Commercial and Workers' Comp.	41	-
NZ	24	-
<b>Total</b>	<b>185</b>	<b>-</b>
CTP (excl. TEPL)	(24)	0.7%
<b>Total net reserve strengthening</b>	<b>161</b>	<b>0.7%</b>

## LOSS COMPONENT

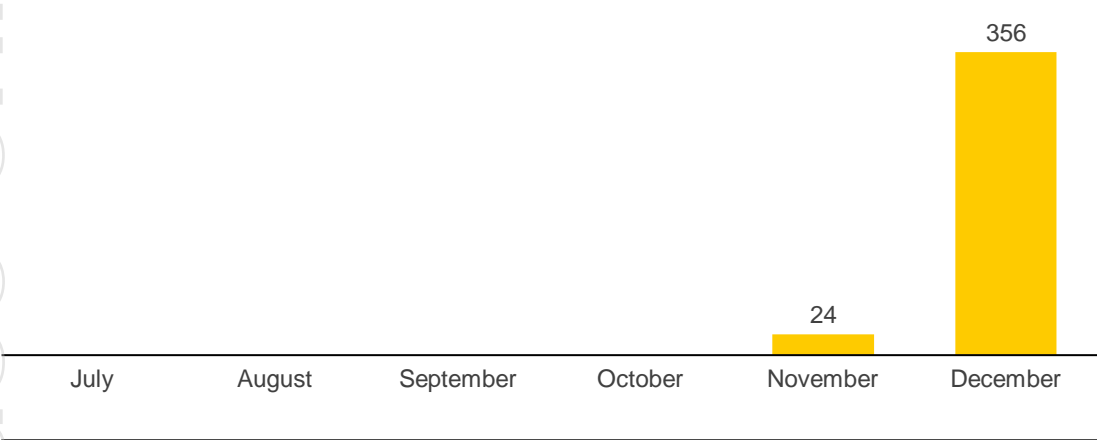
\$m	31 Dec 2023	30 Jun 2023	Movement
Loss component provision	(44)	(98)	54

## NOTES

- Motor strengthening driven by higher repair costs and extended repair times, especially in relation to third party settlements
- Home strengthening was primarily driven by water damage and large fires
- Natural Hazards reserve strengthening includes development of the Newcastle Hail event from May 2023 (\$19m)
- C&PI strengthening largely attributable to Workers Compensation in Western Australia, as well as a modest increase in claims in run-off long tail portfolios
- Strengthening in New Zealand driven by a small number of large commercial claims and event driven claims capacity constraints
- These items were partially offset by a release in CTP, primarily in NSW; the CTP release has moderated, largely driven by broad-based superimposed inflation in Queensland
- The loss component release was driven by improved profitability in Motor as the inflationary related pricing response is reflected in renewals
- Underlying margins updated to assume a long run average reserve release of 0.7%, down from 1.5% in previous periods
- The expected release is solely in the CTP portfolio and the reduction was driven by growth in Group NEP and CTP scheme changes

# General Insurance - natural hazards & reinsurance

NATURAL HAZARD EVENTS >\$10 MILLION BY MONTH



1H24 NATURAL HAZARDS VS ALLOWANCE (\$m)



## NOTES

### Natural Hazards

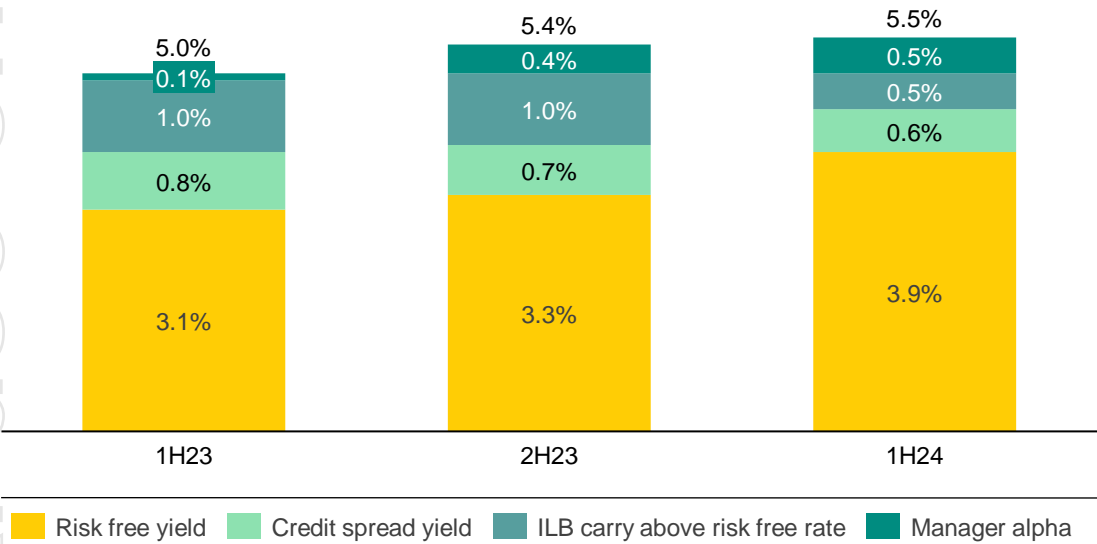
- Natural hazards experience was primarily driven by Australian events in late December
- The full limits on all of the Group’s reinsurance covers remain available going into 2H24
- The retained cost of ex-Tropical Cyclone Jasper was approximately \$55m whilst recoveries from the Cyclone Reinsurance Pool totalled only \$14m

### Internal reinsurance

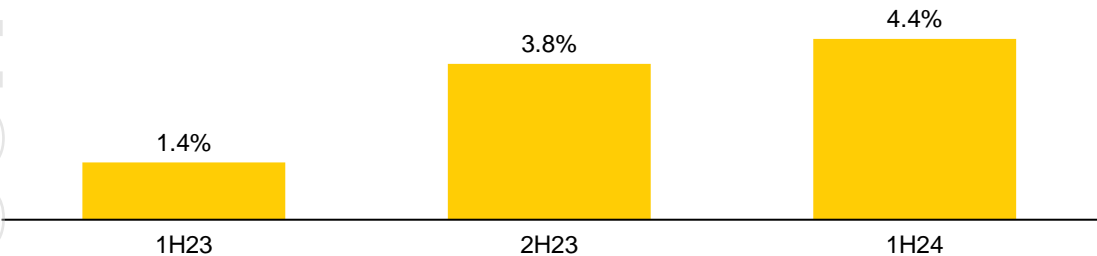
- Reinsurance costs in New Zealand were significantly higher in FY24 largely driven by the two large weather events in early calendar year 2023
- The Group’s strong capital position enabled the strategic decision to retain more risk for New Zealand events, which is reflected in higher internal reinsurance premiums
- The cost of the internal reinsurance premiums is reflected in the New Zealand divisional accounts
- There is no impact on Group financials resulting from the arrangements

# General Insurance – investment market impacts

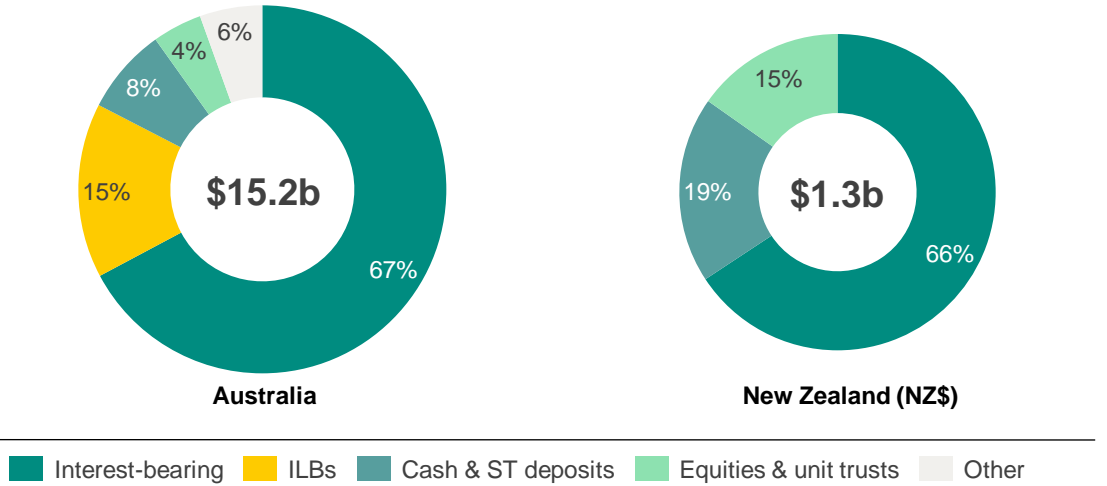
UNDERLYING YIELD ON INSURANCE FUNDS (AUS)



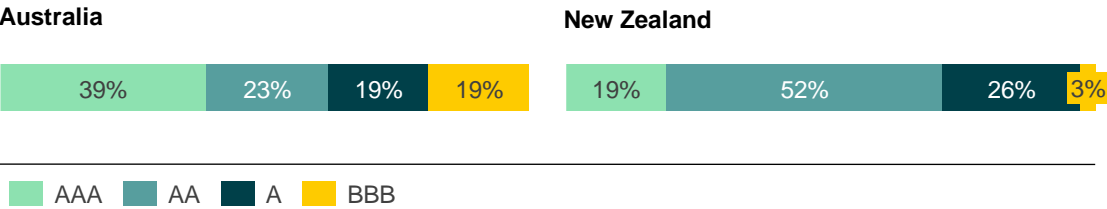
UNDERLYING YIELD ON INSURANCE FUNDS (NZ)



PORTFOLIO ASSET ALLOCATION  
(% of total investment assets)



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

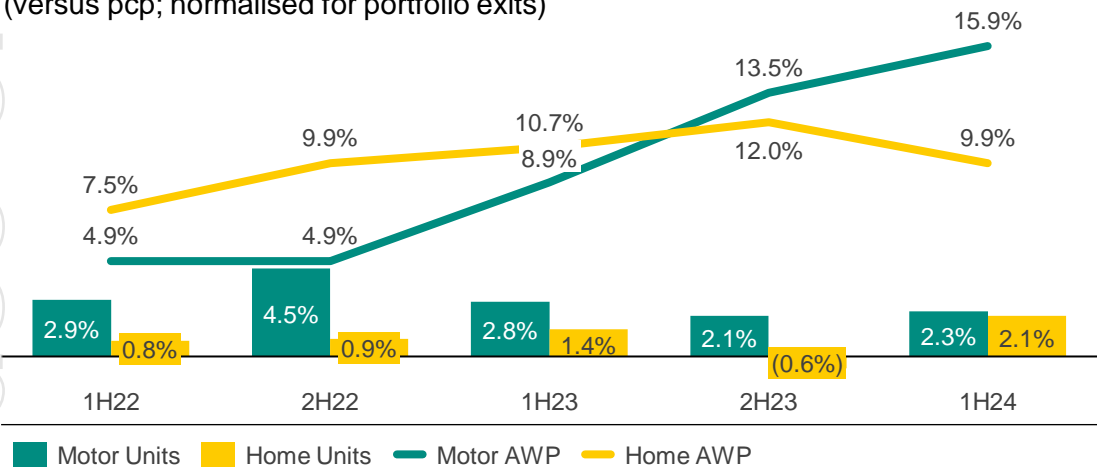




# Consumer – portfolio growth

## HOME AND MOTOR PORTFOLIO GROWTH

(versus pcp; normalised for portfolio exits)

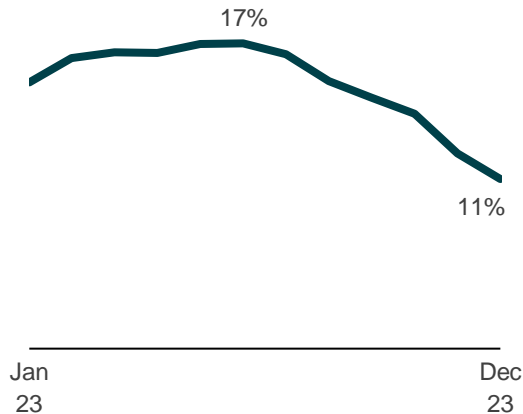


### NOTES

- Strong GWP growth across both Home and Motor
- Motor pricing in response to continued inflationary pressures, with some recent signs of moderation
- The reduction in Home AWP includes the impact of the Cyclone Reinsurance Pool
- Customer growth with >2% increase in units across both portfolios

1. 6-month rolling average; excludes total loss, 3<sup>rd</sup> party and other ancillary motor claims costs  
2. Excludes discounting, risk adjustment and movements related to prior year and loss component

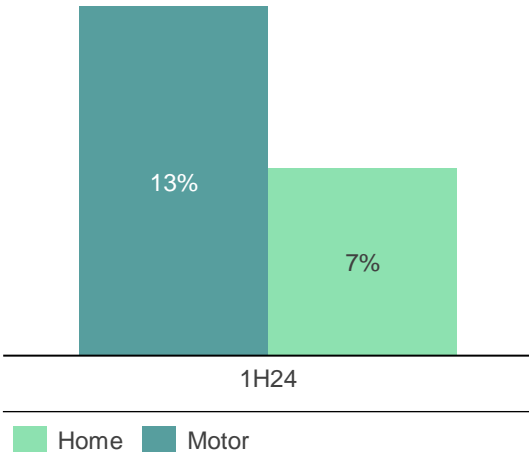
## MOTOR REPAIR INFLATION<sup>1</sup>



### NOTES

- Motor inflation is driven by supply chain capacity constraints and higher third-party settlements, repair costs beginning to moderate
- Motor earned premium increase per policy is 13%, in line with cost inflation, and is expected to increase in 2H24 as sustained pricing earns through
- Home inflation driven by higher natural hazard costs and water damage claims
- Home per policy earned premium increase of 11% above claims inflation of 7%

## COST PER POLICY INFLATION<sup>2</sup>



# Consumer – underlying profit, margin & claims

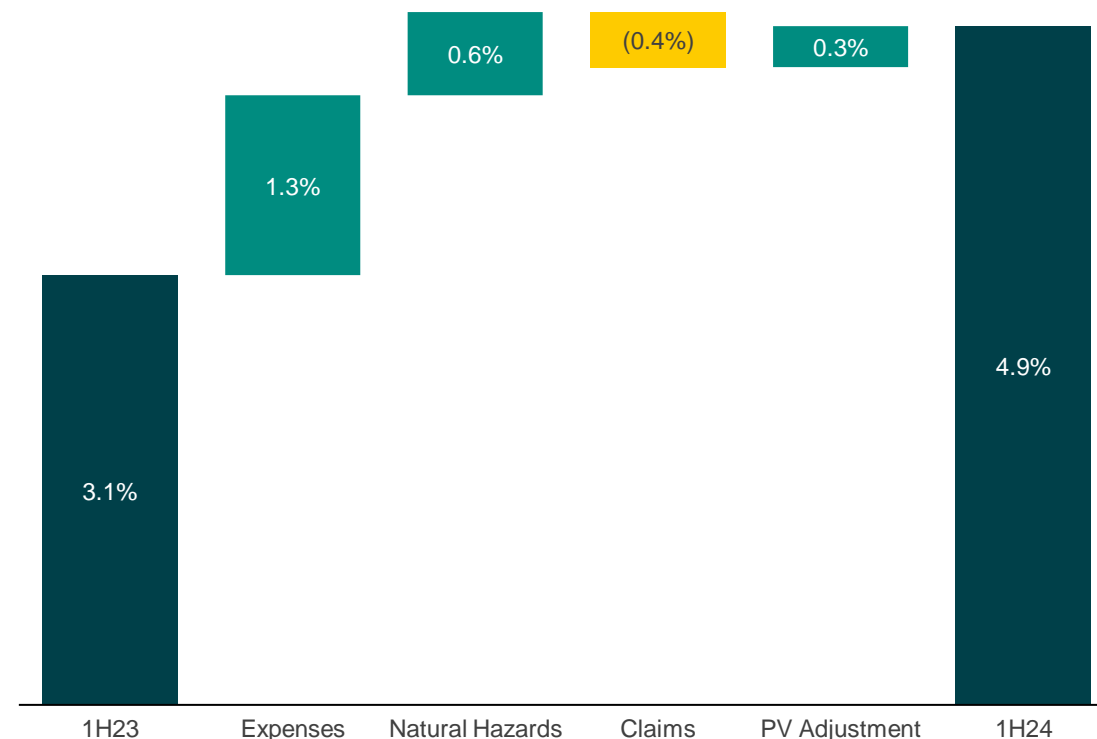
## UNDERLYING PROFIT

	1H24 (\$m)	1H23 (\$m)	Change (%)
Gross written premium	3,663	3,169	15.6
Net insurance revenue	3,050	2,646	15.3
Net incurred claims	(2,439)	(2,128)	(14.6)
Directly attributable expenses	(461)	(436)	(5.7)
<b>Insurance services result</b>	<b>150</b>	<b>82</b>	<b>82.9</b>
Net investment income	75	73	2.7
Non directly attributable expenses	(10)	(8)	(25.0)
<b>Insurance trading result</b>	<b>215</b>	<b>147</b>	<b>46.3</b>
<b>Consumer underlying NPAT</b>	<b>188</b>	<b>123</b>	<b>52.8</b>

## NOTES

- Significant improvement in UISR driven by strong revenue growth, more than offsetting higher working claims, natural hazards allowance and expenses
- Increase in NIC driven by an increase in the cost of water claims, severity of fire claims and natural hazard allowance in Home, and inflationary pressures in Motor as well as growth in both portfolios
- Operating expense ratio improved from 16.2% to 14.9%

## UISR WALK



# Commercial & Personal Injury

## UNDERLYING PROFIT

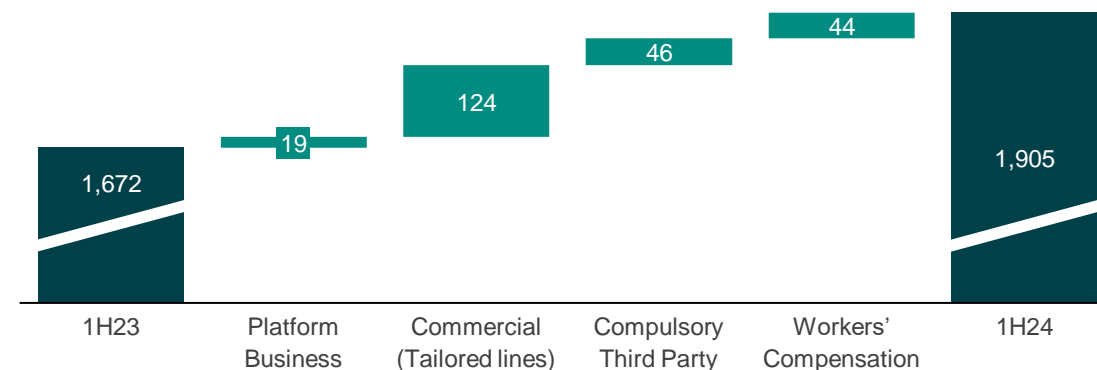
	1H24 (\$m)	1H23 (\$m)	Change (%)
Gross written premium	1,905	1,672	13.9
Net insurance revenue	1,705	1,556	9.6
Net incurred claims	(1,160)	(1,048)	(10.7)
Directly attributable expenses	(347)	(315)	(10.2)
<b>Insurance services result</b>	<b>198</b>	<b>193</b>	<b>2.6</b>
Net investment income	56	49	14.3
Non directly attributable expenses	(4)	(5)	20.0
<b>Insurance trading result</b>	<b>250</b>	<b>237</b>	<b>5.5</b>
<b>Comm. &amp; Personal Inj. underlying NPAT</b>	<b>211</b>	<b>174</b>	<b>21.3</b>

## NOTES

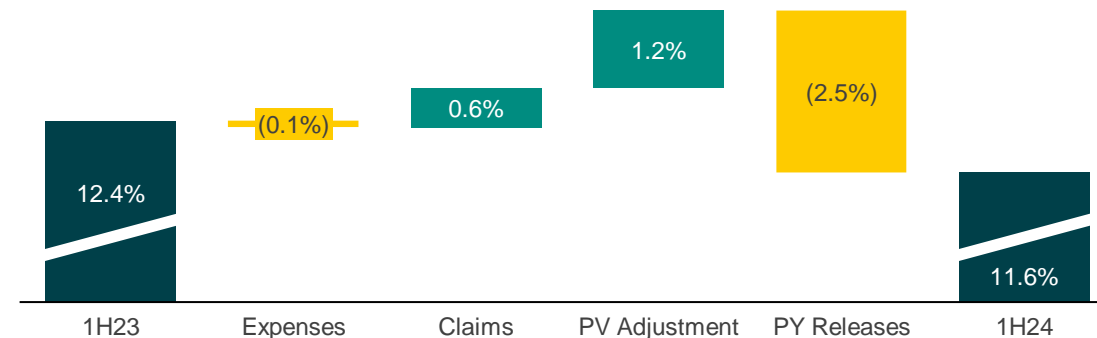
- GWP growth across all portfolios, especially Tailored Lines and Workers' Comp.
- Underlying profit increased with strong business performance, especially in working claims, offsetting a reduction in PY reserve assumptions
- Long run prior year reserve release assumption reduced from 1.5% to 0.7% of Group NIR driven by CTP scheme changes and Group NIR growth
- Queensland CTP market share to increase once Suncorp's allocation of RACQ customers are transferred

## GWP WALK

(\$m)



## UISR WALK



# New Zealand

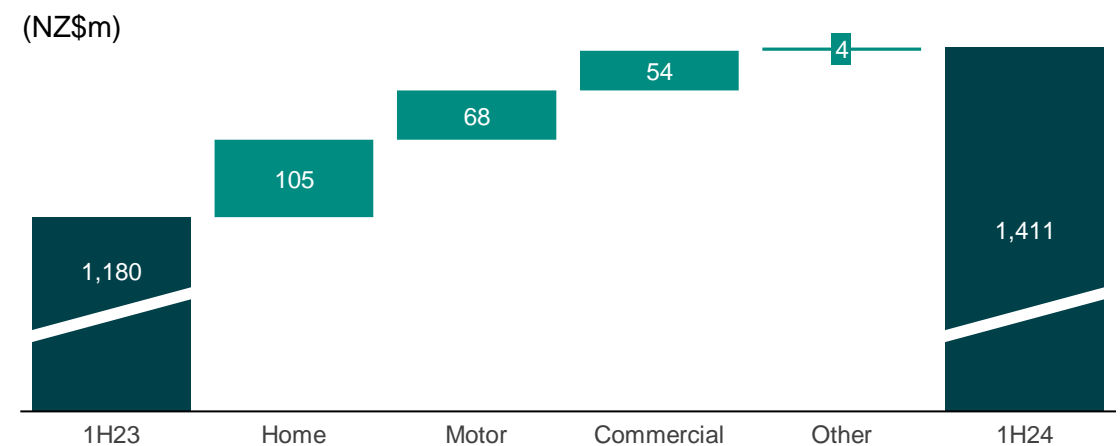
## UNDERLYING PROFIT

	1H24 (NZ\$m)	1H23 (NZ\$m)	Change (%)
Gross written premium	1,411	1,180	19.6
Net insurance revenue	1,004	964	4.1
Net incurred claims	(606)	(547)	(10.8)
Directly attributable expenses	(306)	(280)	(9.3)
<b>Insurance service result</b>	<b>92</b>	<b>137</b>	<b>(32.8)</b>
Net investment income	13	(1)	n/a
Non directly attributable expenses	(9)	(4)	(125.0)
<b>Insurance trading result</b>	<b>96</b>	<b>132</b>	<b>(27.3)</b>
<b>New Zealand GI underlying NPAT</b>	<b>76</b>	<b>95</b>	<b>(19.7)</b>
<b>NZ Life NPAT</b>	<b>14</b>	<b>16</b>	<b>(12.5)</b>

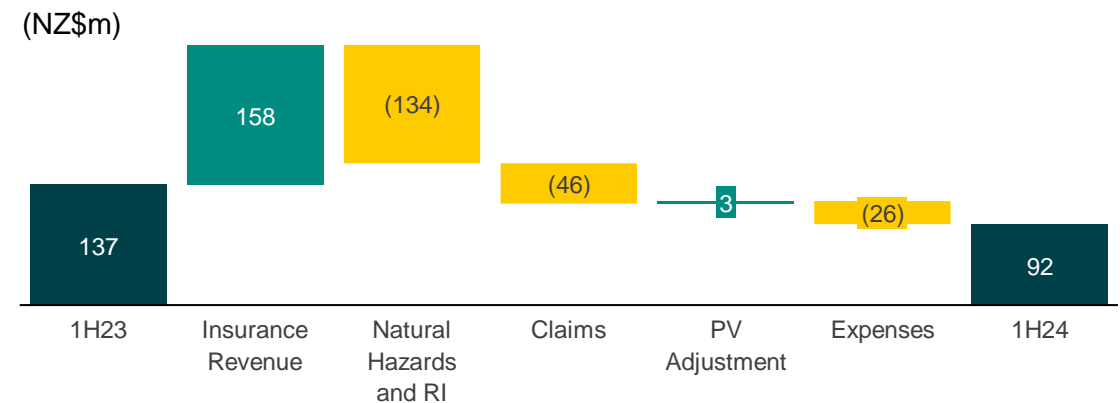
## NOTES

- Strong GWP growth across all portfolios, reflecting response to higher input costs and solid unit growth
- Reinsurance costs significantly higher in FY24 largely driven by the two large weather events in calendar year 2023
- Higher claims costs, driven by inflationary pressures in Motor, have moderated compared to the second half of FY23
- Earn through of pricing expected to drive margin improvement in the second half

## GWP WALK



## UNDERLYING INSURANCE SERVICE RESULT WALK



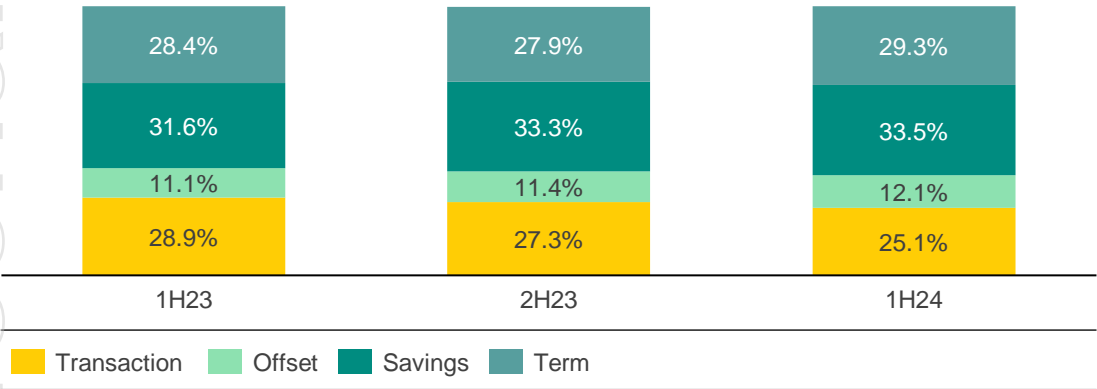


# Suncorp Bank

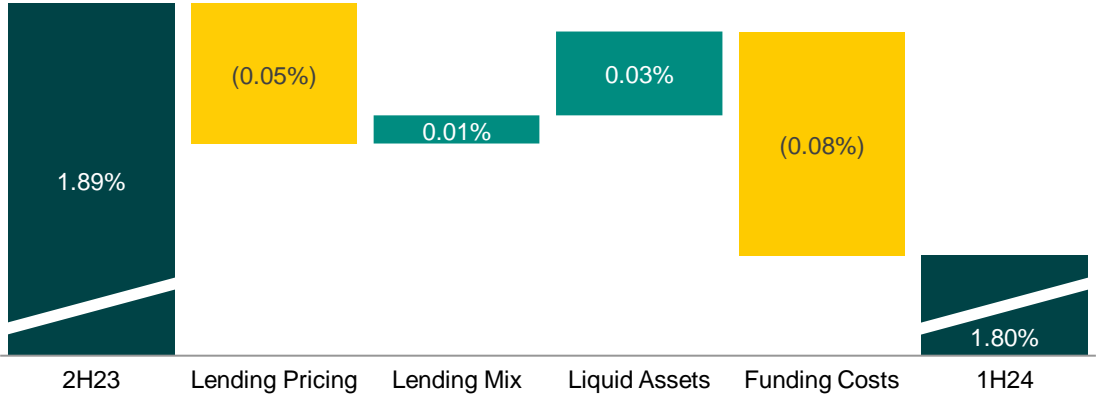
## REPORTED PROFIT

	1H24 (\$m)	1H23 (\$m)	Change (%)
Net interest income	666	725	(8.1)
Other operating income	(5)	8	n/a
Operating expenses	(386)	(366)	(5.5)
<b>Operating profit</b>	<b>275</b>	<b>367</b>	<b>(25.1)</b>
Impairment release / (expense)	(1)	(2)	(50)
Income tax	(82)	(109)	24.8
<b>Suncorp Bank profit after tax</b>	<b>192</b>	<b>256</b>	<b>(25.0)</b>

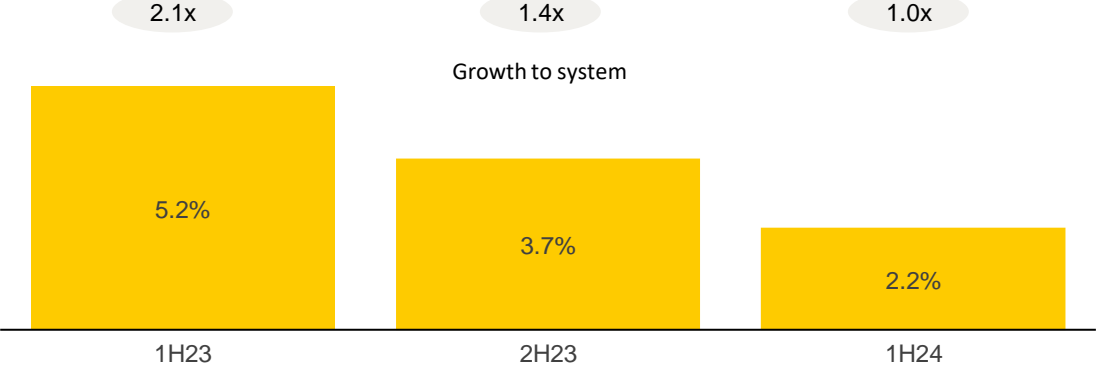
## DEPOSIT COMPOSITION



## NET INTEREST MARGIN

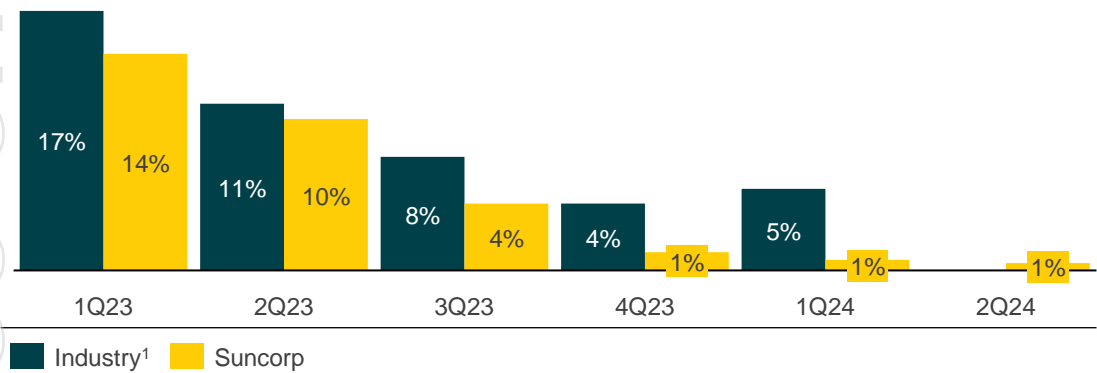


## HOME LENDING GROWTH

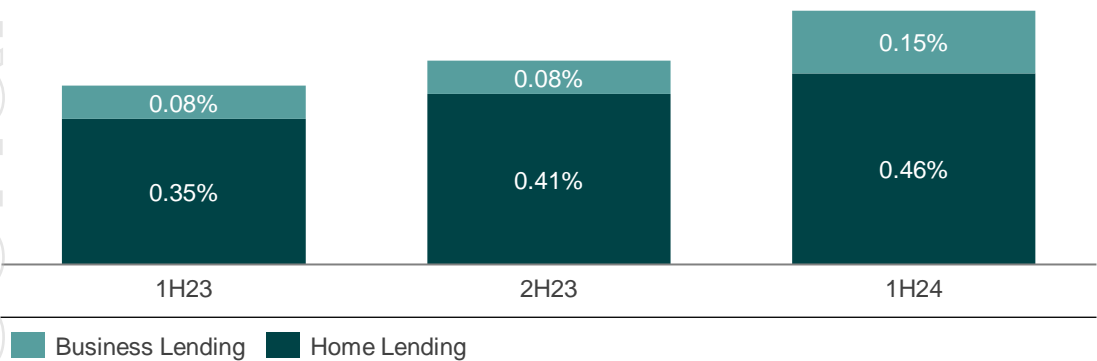


# Suncorp Bank – credit quality

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

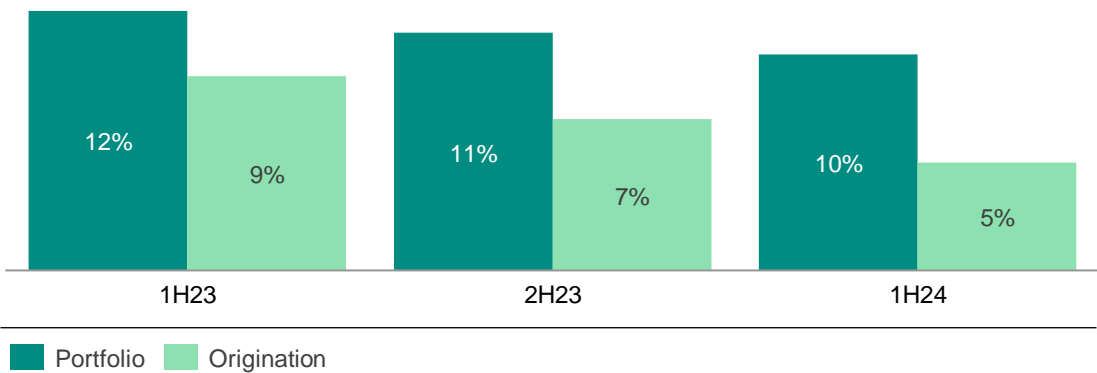


90+ DAYS PAST DUE  
(% of total GLA)

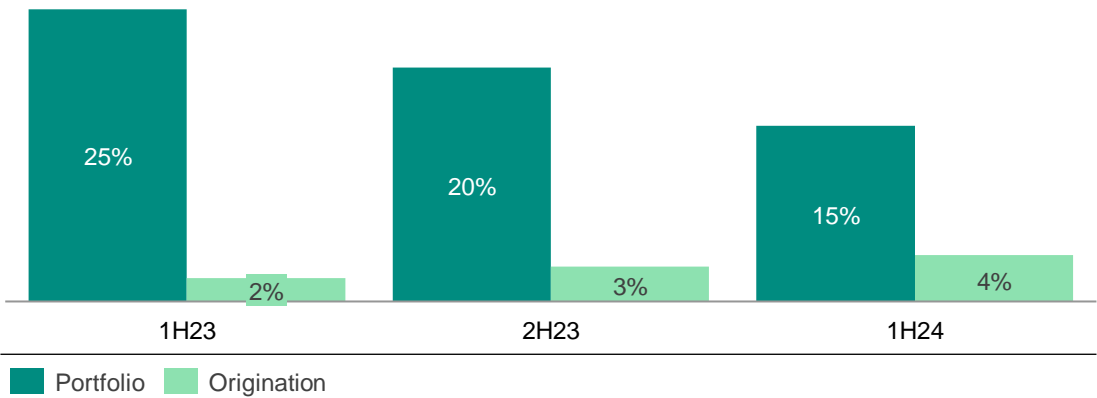


1. Source: APRA. Industry data for 2Q24 is not yet available.

HOME LENDING: LOAN-TO-VALUE > 80%

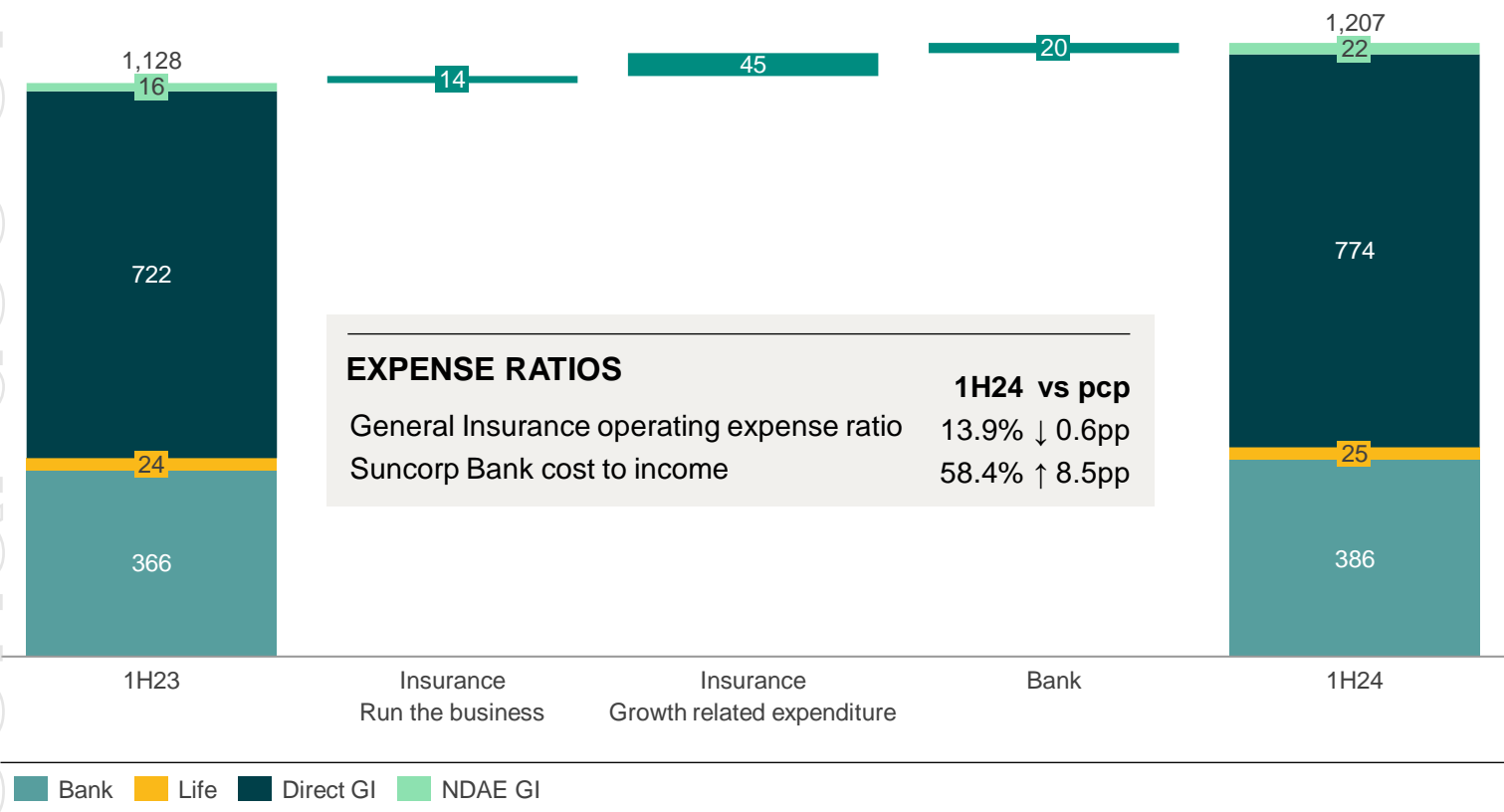


HOME LENDING: FIXED



# Group operating expenses

GROUP OPERATING EXPENSES<sup>1</sup>  
(excluding restructuring, ESL and TEPL; \$m)



NOTES

- Increase in Insurance run the business costs driven by inflation in wages and technology and an increase in system maintenance project costs
- Growth related expenditure includes discretionary investment
- Increase in Bank costs driven by inflation in wages and technology costs

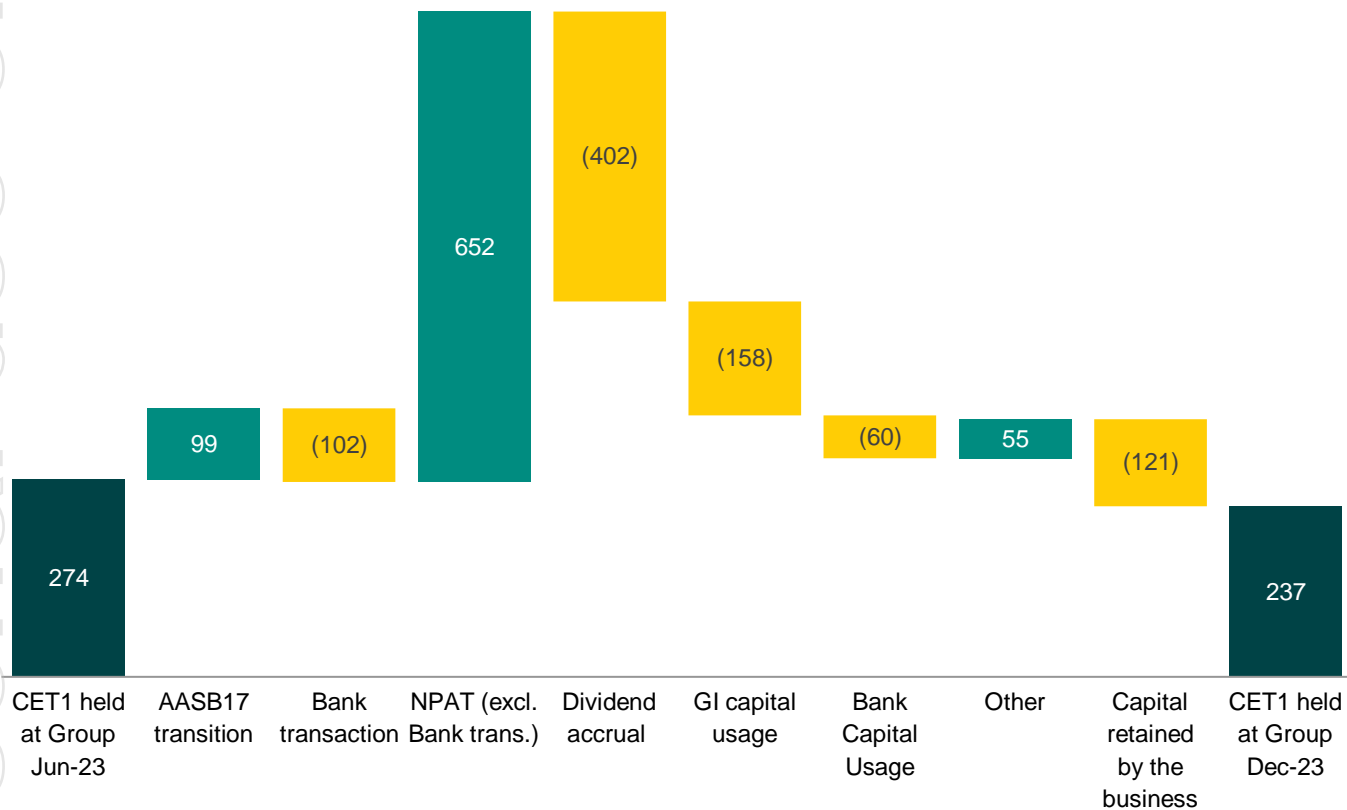
Outlook

- Insurance run the business costs expected to be flat for the full year
- 2H24 GI expense ratios to remain in line with 1H24
- Bank CTI to remain at a similar level to first half

1. Commission expenses are now presented separately in the financial statements and are not included in this analysis

# Group capital

COMMON EQUITY TIER 1 CAPITAL HELD AT GROUP  
(\$m)

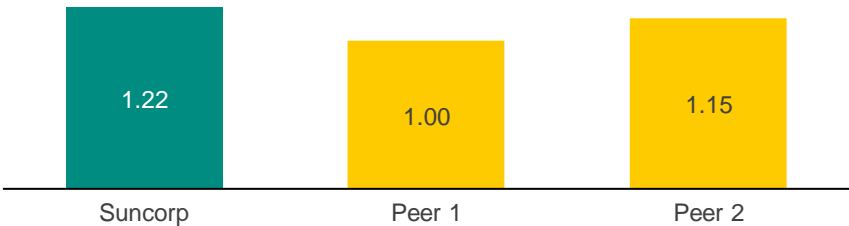


1. Ex-dividend and announced capital management initiatives

## NOTES

- \$237m of CET1 held at Group
- AASB17 transition and Bank transaction cost impacts are broadly offsetting
- 34 cps fully franked final dividend, interim payout ratio 65%
- Additional capital retained by the business will generate an appropriate return on capital in line with Group targets
- Both GI and Bank capital ratios remain within target ranges, with GI CET1 ratio strong relative to peers

## CAPITAL RELATIVE TO PEERS (GI CET1 Capital Ratio<sup>1</sup>)







# Strategy & Outlook

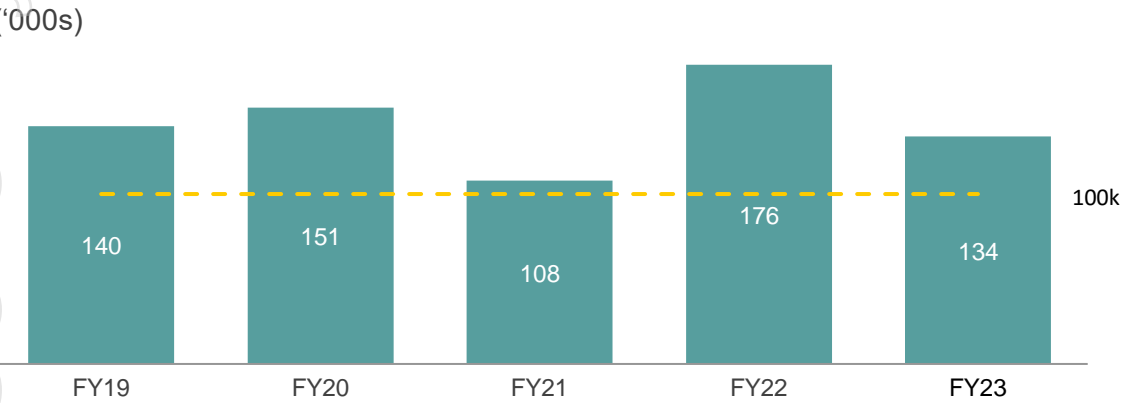
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Steve Johnston

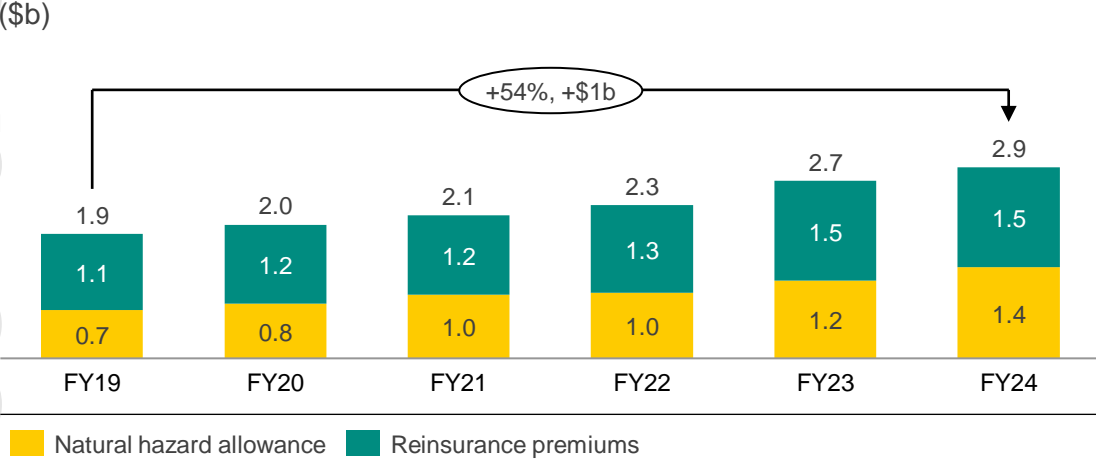
Group Chief Executive Officer

# Factors driving insurance pricing

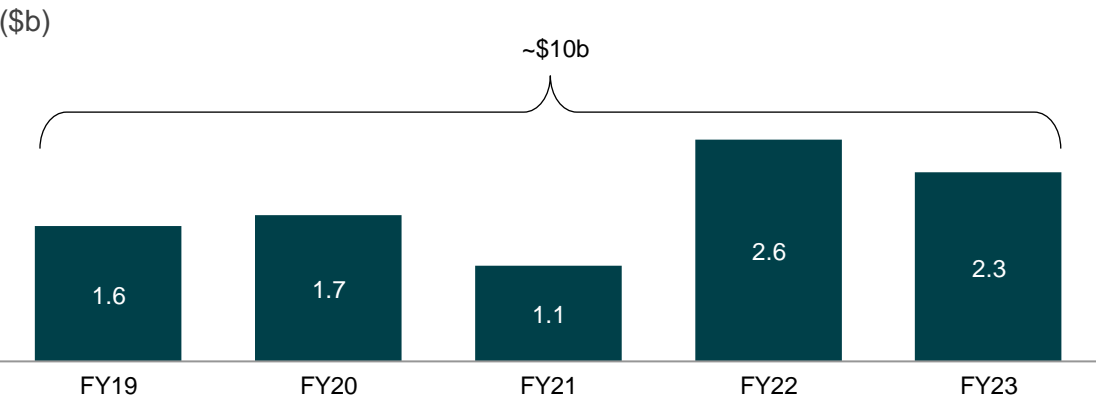
NUMBER OF NATURAL HAZARD CLAIMS



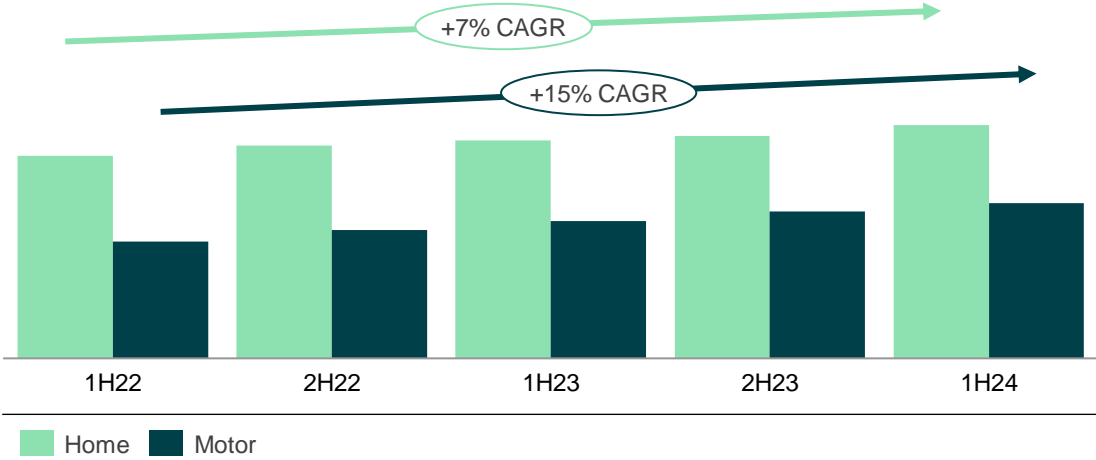
NATURAL HAZARD ALLOWANCE & REINSURANCE PREMIUMS



GROSS NATURAL HAZARD COSTS



COST PER POLICY



# Four point plan for a more resilient Australia

- 1

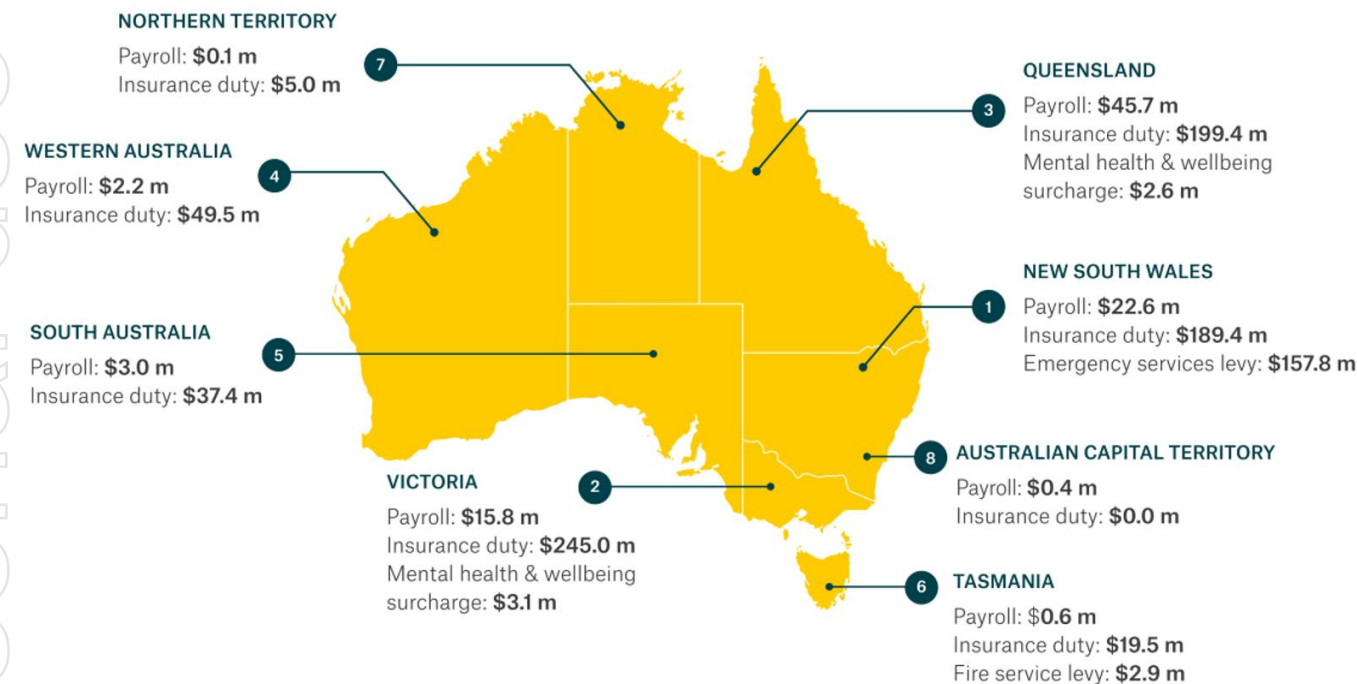
Improve public infrastructure
- 2

Provide subsidies to improve the resilience of private dwellings
- 3

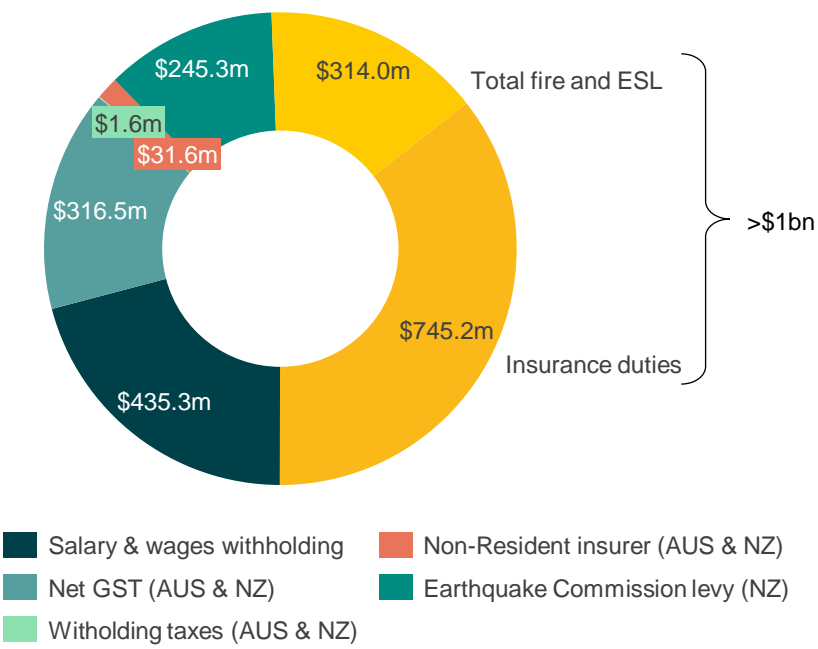
Address inadequate planning laws and approval processes
- 4

Remove inefficient taxes and charges from insurance premiums

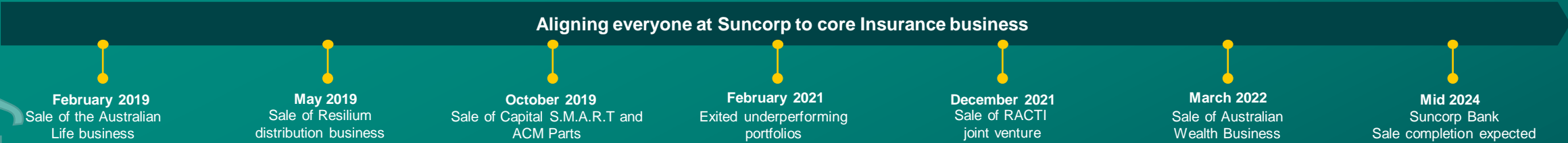
STATE & TERRITORY TAXES PAID<sup>1</sup>



TAXES COLLECTED ON BEHALF OF OTHERS (\$2,090M)<sup>1</sup>



1. 2023 Data



# FY24 – FY26 priorities

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

## PORTFOLIOS

<b>Motor</b> Strengthen our leading position in Australia	<b>Home</b> Develop a more sustainable and resilient Home portfolio in Australia	<b>Commercial</b> Grow and diversify Commercial Insurance in Australia	<b>Personal Injury</b> Strengthen our leading position in Australia across private and public insurance schemes	<b>New Zealand</b> Grow market share by building resilience in our core business and establishing new partnerships
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## ENABLERS

<b>People, Culture, Ways of Working</b> Purpose Led Customer Focused Flexible Ways of Working	<b>Technology</b> Simplified and modernised technology platforms Pricing • Data • Policy Admin • Claims • Enterprise	<b>Operational Transformation</b> Automation Integrated AI Digital-first customer experiences
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## FY24 Outlook

- Insurance:
  - GWP growth now expected to be in the low to mid-teens driven by AWP increases to respond to increased input costs
  - Underlying ITR supported by premium momentum, offsetting reinsurance and natural hazard costs, and claims inflation, with around the middle of the 10% to 12% range remaining the target
  - Investment income to moderate in-line with expectations for interest rates
  - Operating expense ratios in 2H24 expected to remain in line with 1H24
  - Prior year reserve releases in CTP expected to be around 0.7% of Group NIR with releases in other portfolios expected to be neutral in 2H24
- Suncorp Bank:
  - Target Home loan growth at around system
  - NIM to be around the bottom of the 1.85% – 1.95% range
  - CTI ratio to be approximately in line with 1H24
- Capital management will be active and disciplined, with appropriate buffers held
- Bank completion targeted around mid calendar year 2024, subject to Financial Sector (Shareholdings) Act approval and Metway-Merger Act amendments

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# Questions

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