

# Financial Results

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**For the year ended  
30 June 2024**

**19 August 2024**

SUNCORP GROUP LIMITED | ABN 66 145 290 124



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AAMI



# FY24 Overview

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Steve Johnston

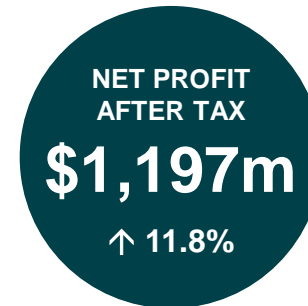
Group Chief Executive Officer

## Group result

### Strong growth and margin improvement

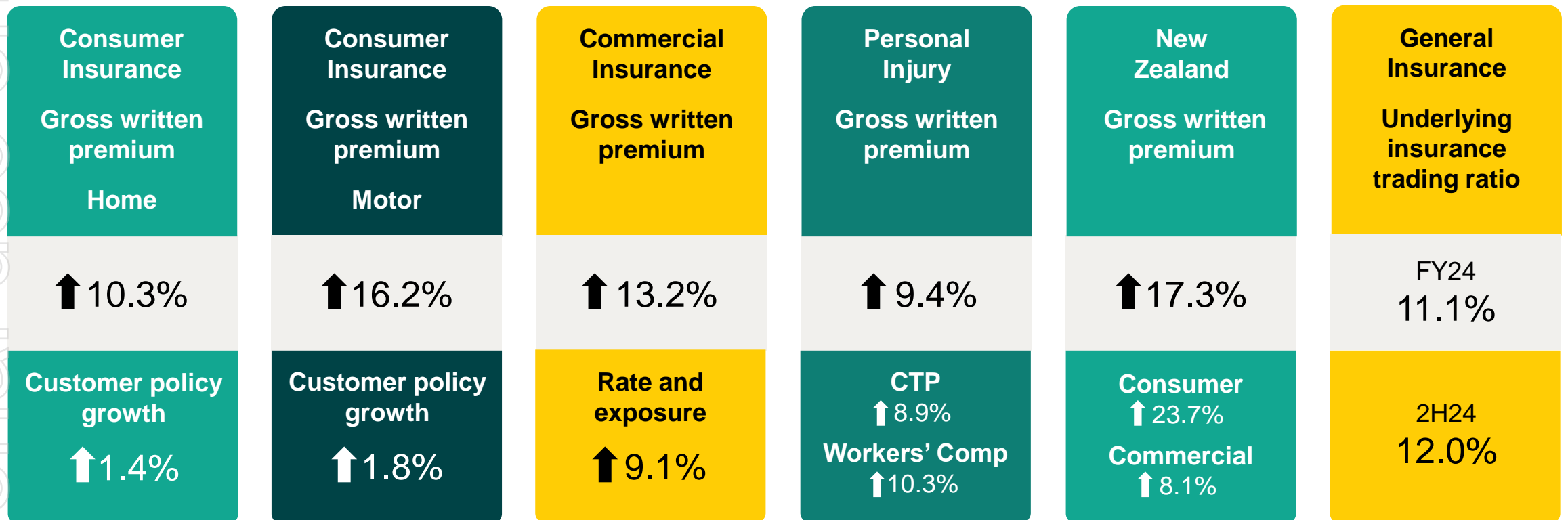
- Growth driven by unit growth and pricing
- Improved underlying margins
- Positive investment returns driven by yield environment
- Fully franked final ordinary dividend of 44 cents per share, representing a full year dividend payout ratio of 72% of cash earnings
- Strong balance sheet maintained with CET1 capital held at Group of \$203 million

### Profit after tax from functions



## Result snapshot

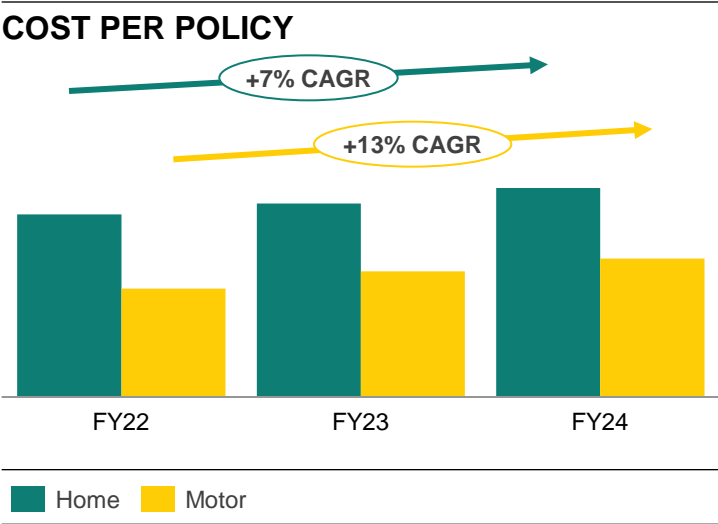
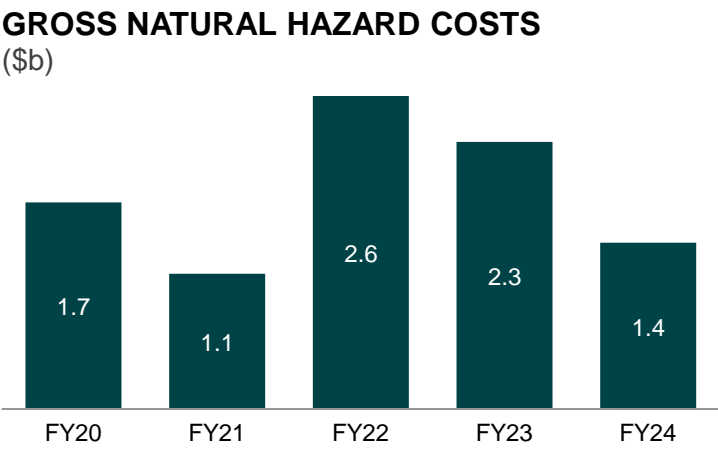
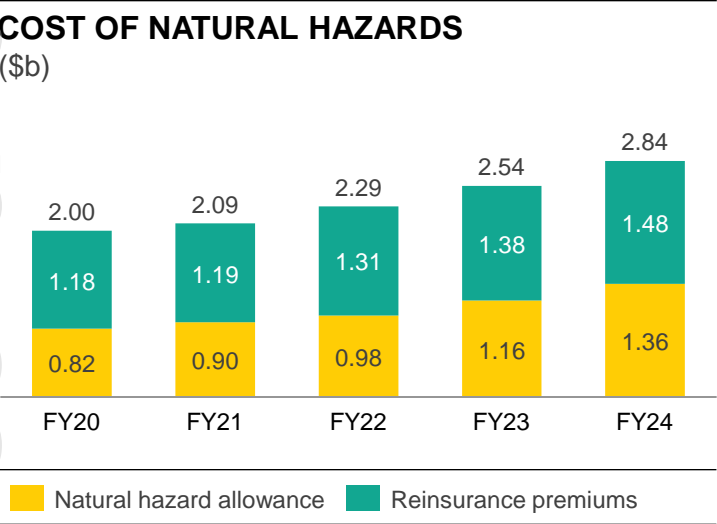
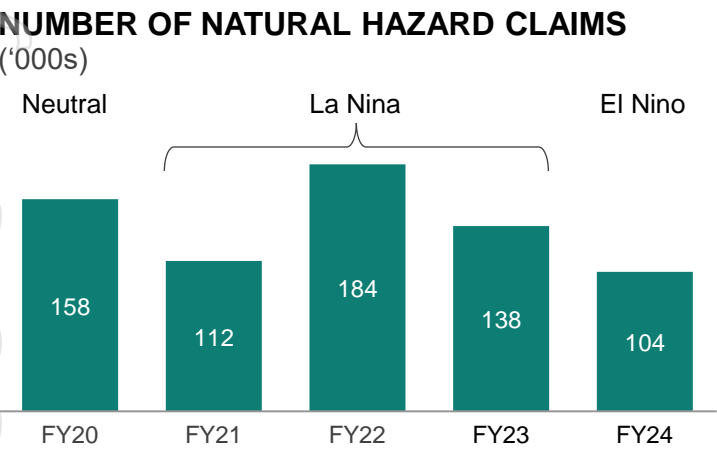
**Strong top-line growth and underlying momentum across the Group**



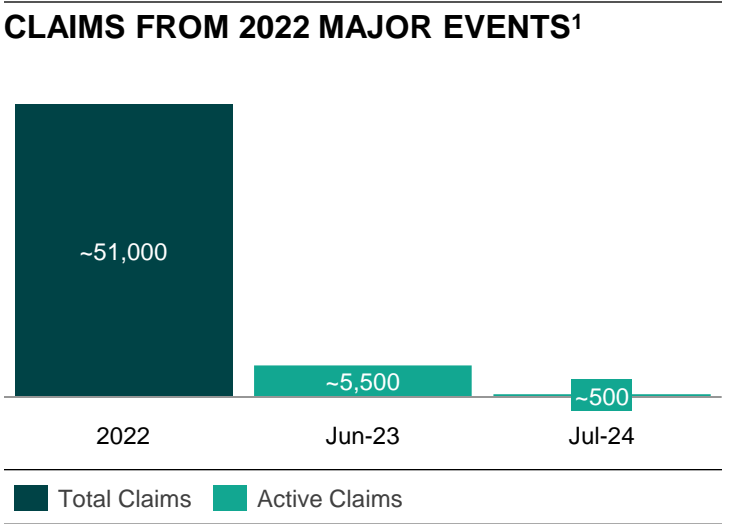
Note: All movements are FY24 relative to the prior corresponding period



# Factors driving insurance pricing and profitability



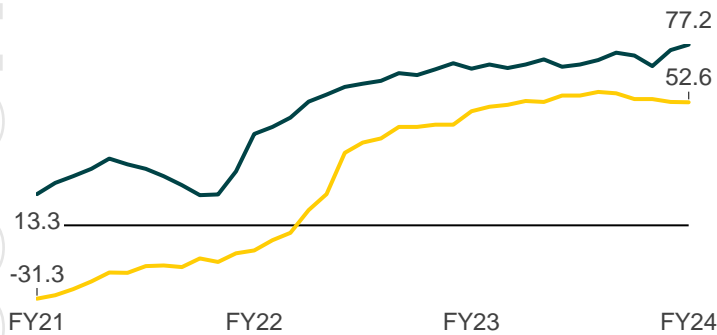
- NOTES**
- c.700,000 natural hazard claims over 5 years
  - Gross natural hazard cost of c.\$9b over 5 years
  - \$1b+ increase in natural hazard allowance and reinsurance costs from FY20 – FY25
  - Average Australian Home insurance return on capital over FY19 – FY24 of 5%



1. Relates to the four Insurance Council of Australia declared catastrophes in calendar year 2022

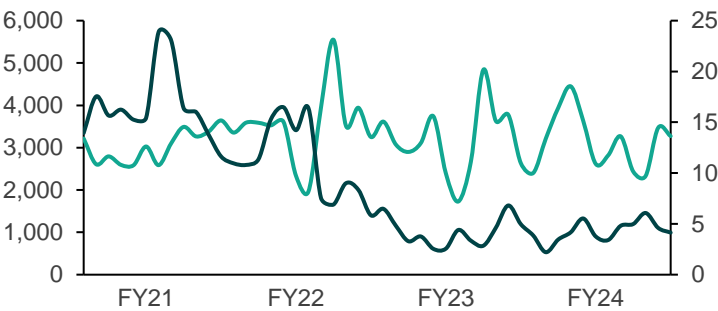
# Suncorp Bank

NET PROMOTER SCORE



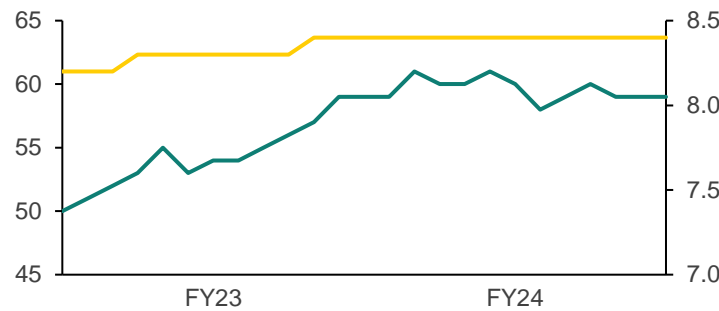
— Direct Home Lending Onboarding — Broker

HOME LENDING TURNAROUND TIMES<sup>1</sup>  
(# of applications, working days)



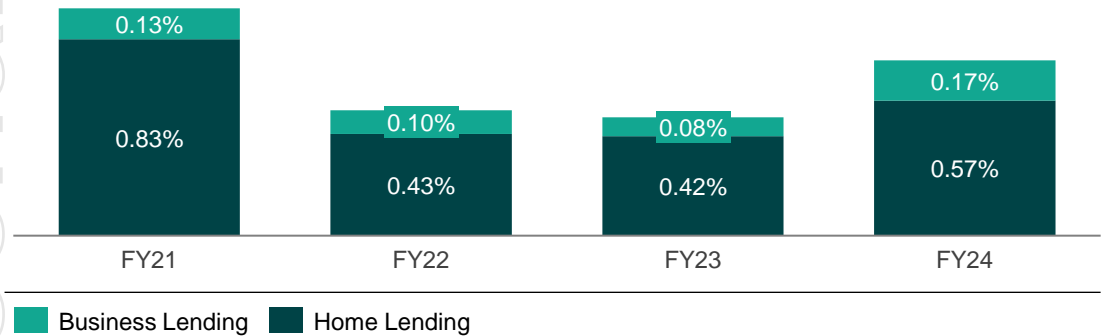
— Applications (LHS) — Turnaround time (RHS)

BANK EMPLOYEE ENGAGEMENT



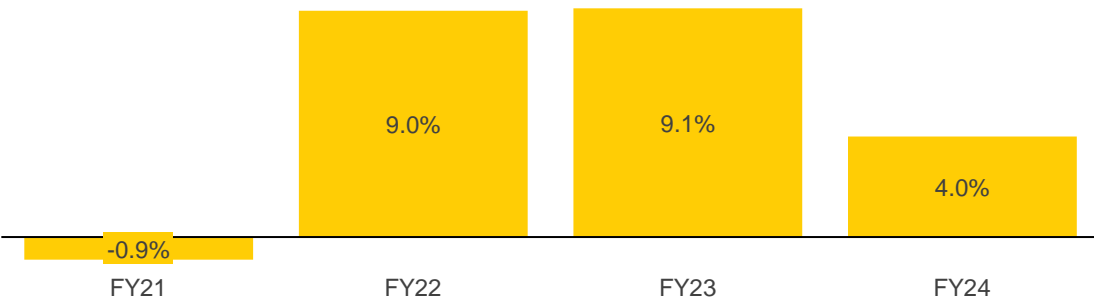
— Employee NPS (LHS) — Loop Score (RHS)

90+ DAYS PAST DUE (% of total GLA)



■ Business Lending ■ Home Lending

HOME LENDING GROWTH



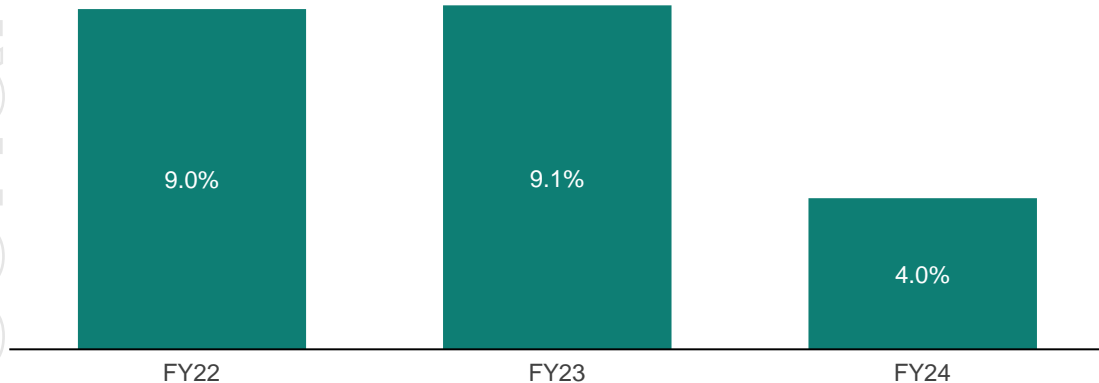
1. Source: Australian Finance Group Ltd and Suncorp data calculated as median working days from application to unconditional approval (excluding public holidays) for all home loan applications (including pre-approvals).

# Suncorp Bank

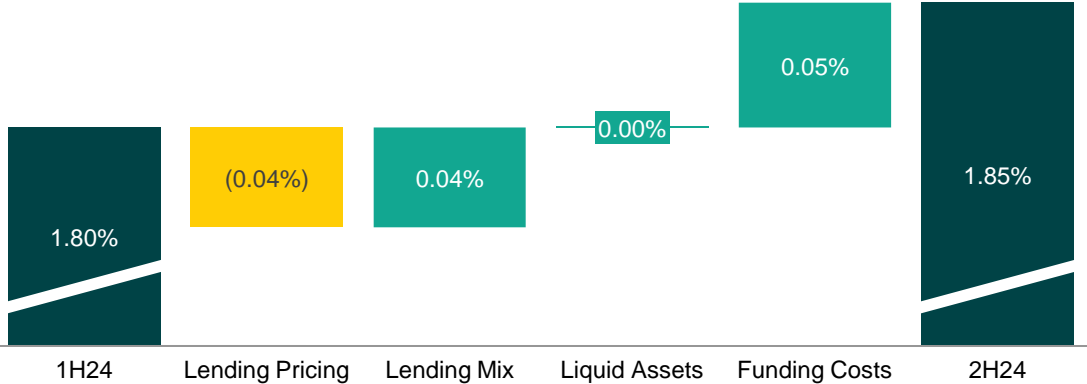
## REPORTED PROFIT

	FY24 (\$m)	FY23 (\$m)	Change (%)
Net interest income	1,368	1,408	(2.8)
Other operating income	(10)	17	na
Operating expenses	(804)	(737)	(9.1)
<b>Operating profit</b>	<b>554</b>	<b>688</b>	<b>(19.5)</b>
Impairment release / (expense)	(13)	(17)	23.5
Income tax	(162)	(201)	19.4
<b>Suncorp Bank profit after tax</b>	<b>379</b>	<b>470</b>	<b>(19.4)</b>

## HOME LENDING GROWTH



## NET INTEREST MARGIN

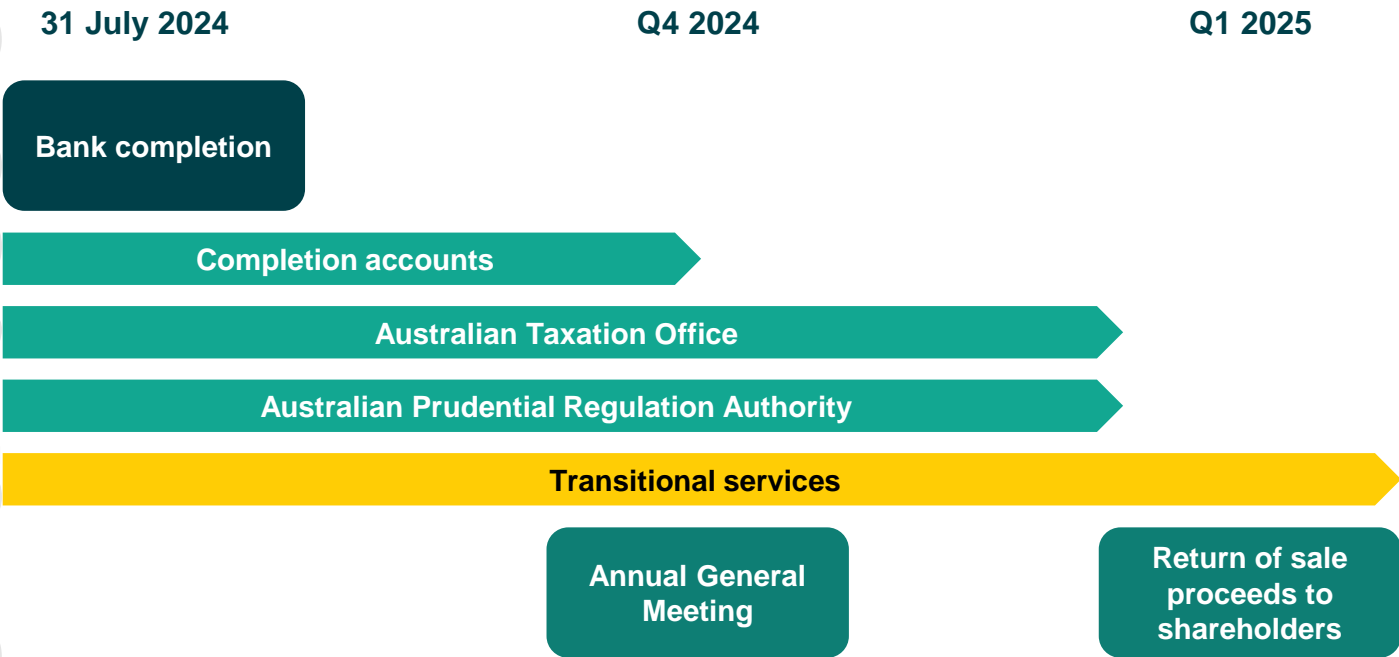


## NOTES

- Profit impacted by competitive pressures on net interest margin and increased operating expenses
- NIM recovered to 1.85% during the second half driven by lower funding costs
- Continued growth in Home lending in a highly competitive market
- 90+ days past due Home loans increased by 19 basis points of the portfolio although continue to track below long term trends
- ECL up \$10 million largely from credit rating downgrades on a small number of business banking customers.

# Bank sale completion

## TIMELINE



## NOTES

- Net proceeds materially unchanged at around \$4.1 billion
- Intention remains to return the majority to shareholders subject to the needs of the business, finalisation of completion accounts and necessary approvals
- Primarily a capital return with a pro rata share consolidation and a smaller fully franked special dividend, subject to approvals
- Transitional Service Agreement with ANZ extended to up to 5 years for some technology services, with most transitional services to be exited by the end of year two
- Licence Agreement in place to use Suncorp Bank brand
- Higher separation and transactions costs resulting from the extended time to completion
- The statutory profit on sale is estimated to be around \$235m





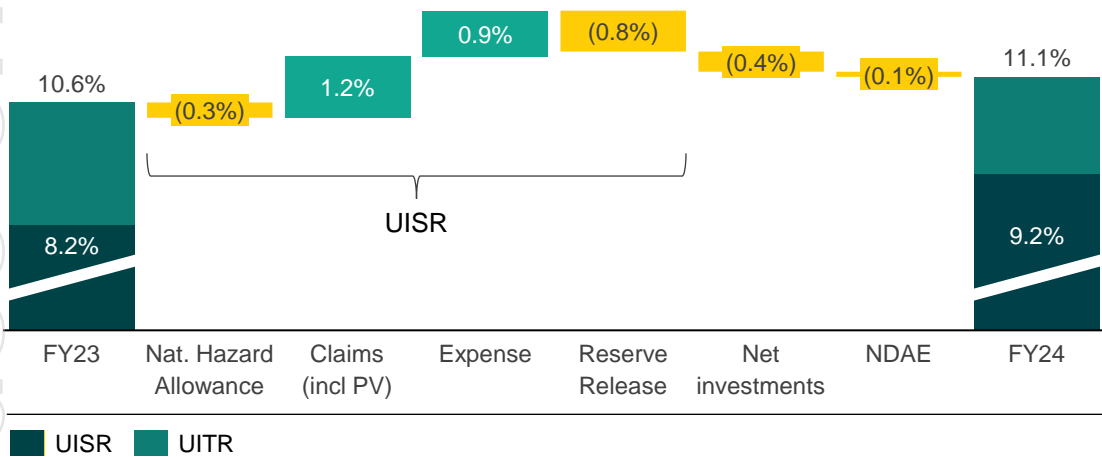
# FY24 Financial Results

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Photo: Rylie Batt, Brand Ambassador  
Paralympian

# General Insurance – underlying margin

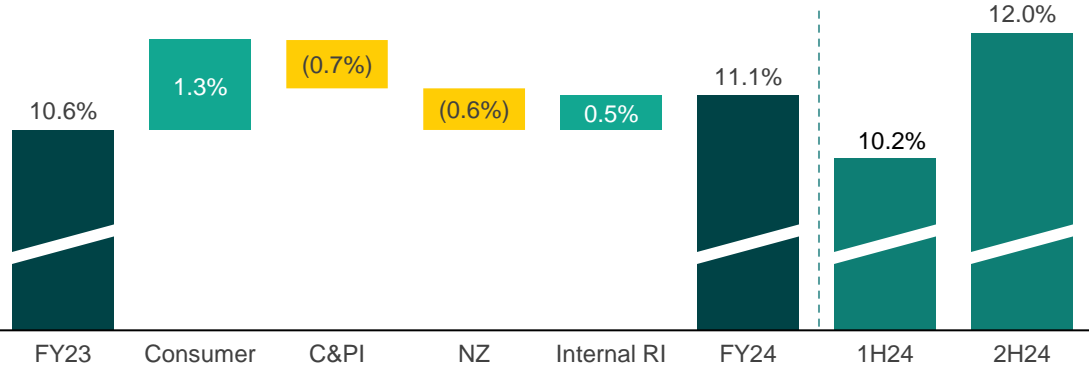
UNDERLYING MARGIN DRIVER ANALYSIS



FY25 MARGIN OUTLOOK VERSUS 2H24

Driver	Outlook	Comments
Claims	Tailwind	Earned premium to outpace inflation
PV adjustment	Headwind	Moderating risk-free rate to reduce discounting
Net investments	Headwind	Lower inflation carry and manager alpha
Reserve releases	Headwind	Continued long-term moderation
Exp inc NDAE	Neutral	Investment in growth absorbed in margin
RI and NHA	Neutral	Lower RI cost offset by higher allowance
FY25 UITR	Towards the top of 10-12% target range	

UITR CONTRIBUTION BY PORTFOLIO

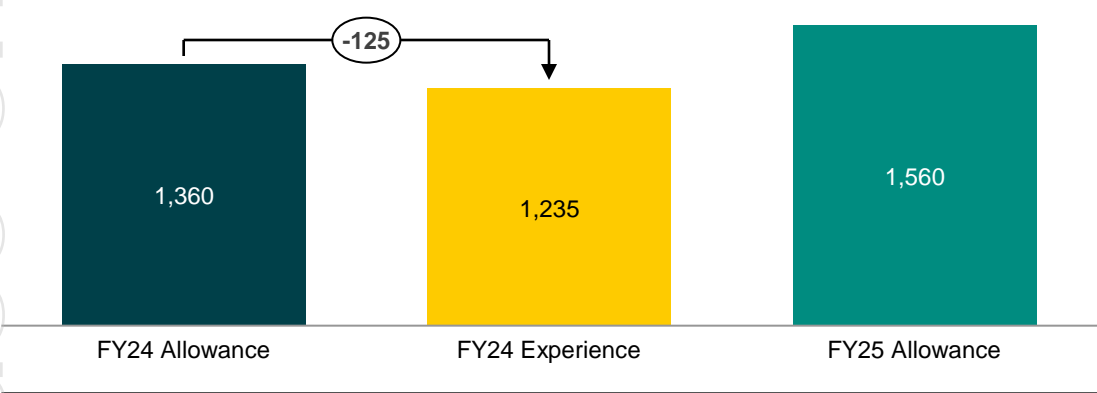


RESILIENCE IN UNDERLYING MARGINS

<b>Robust natural hazard allowance</b> ↑ Over 100% since FY17	<b>Less reliance on reserve releases</b> ↓ From 1.5% to 0.7%	<b>Investment in growth</b> ↑ Absorbed in margin	<b>Disciplined expense management</b> ↓ Opex ratio 13.9%
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# General Insurance - natural hazards & reinsurance

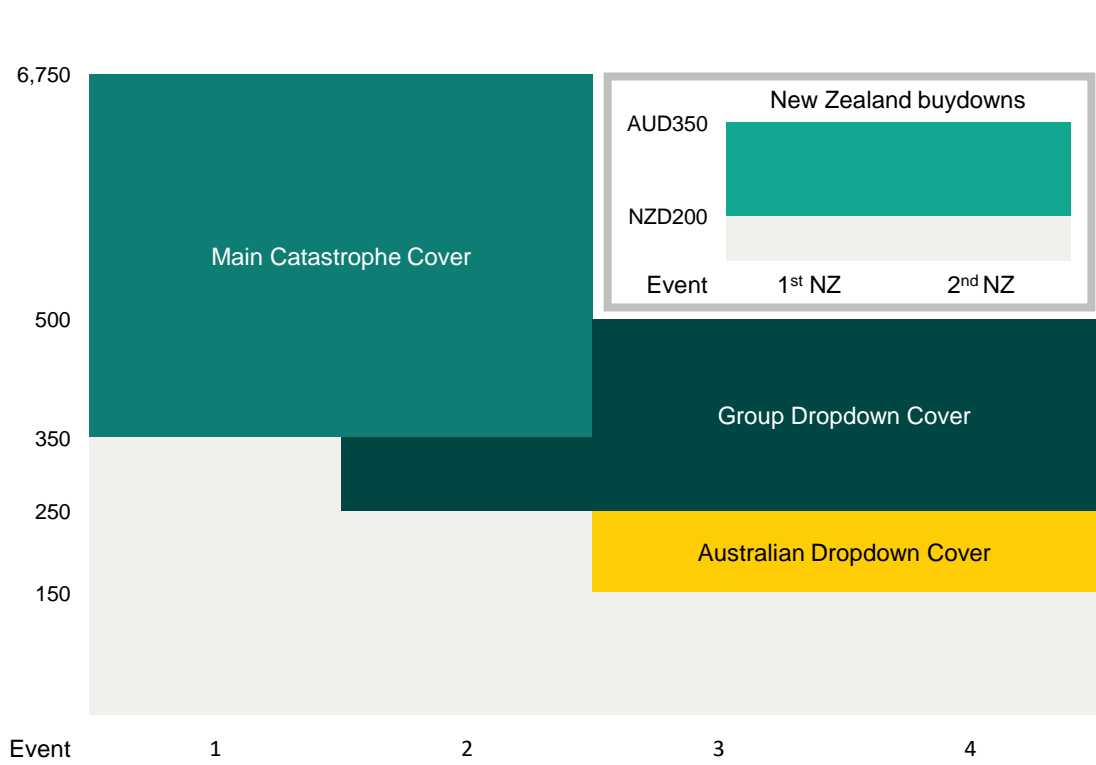
FY24 NATURAL HAZARDS VS ALLOWANCE (\$m)



NOTES

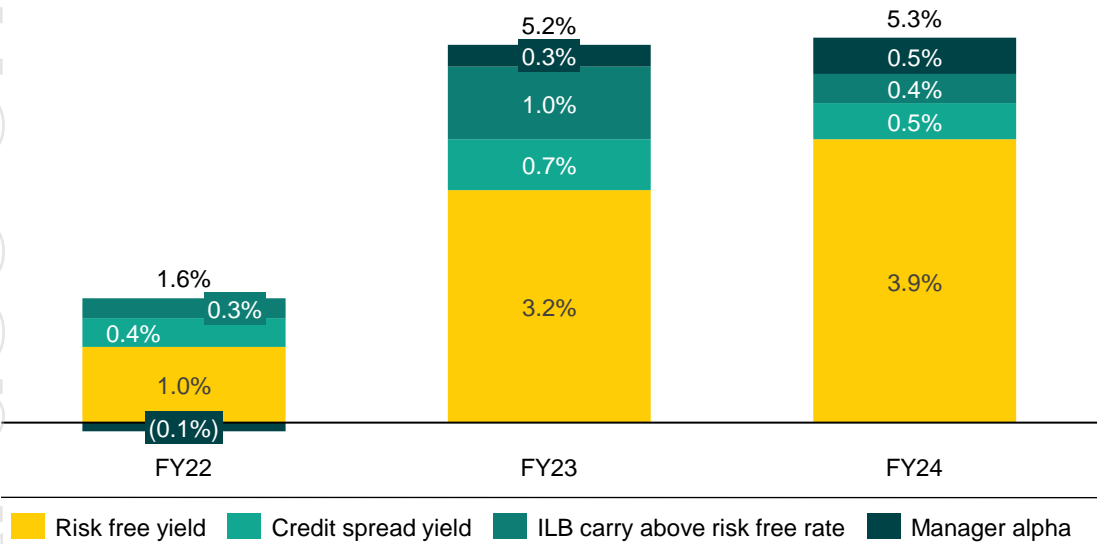
- FY24 Natural hazards experience 9% below the allowance, with both Australia and New Zealand favourable
- FY25 reinsurance program in place with impact of portfolio growth and program structure (including removal of Queensland quota share), offset by improved reinsurance market conditions
- FY25 allowance of \$1,560 million reflects unit growth, continued inflationary pressures across the industry, and increased risk retention resulting from the RI program structure changes
- Suncorp will explore alternative reinsurance options as appropriate

FY25 REINSURANCE PROGRAM (\$m)

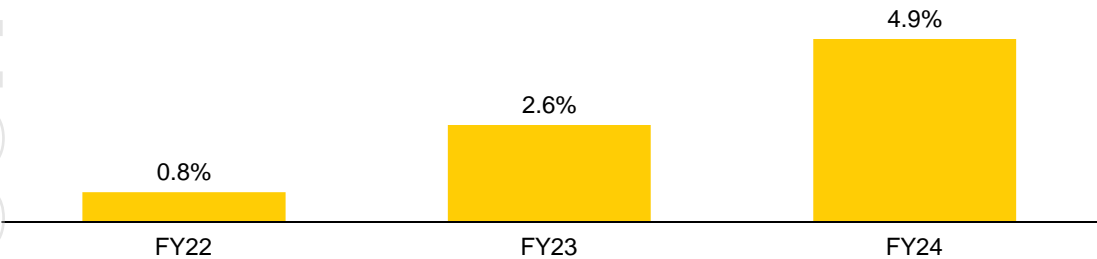


# General Insurance – investment market impacts

UNDERLYING YIELD ON INSURANCE FUNDS (AUS)

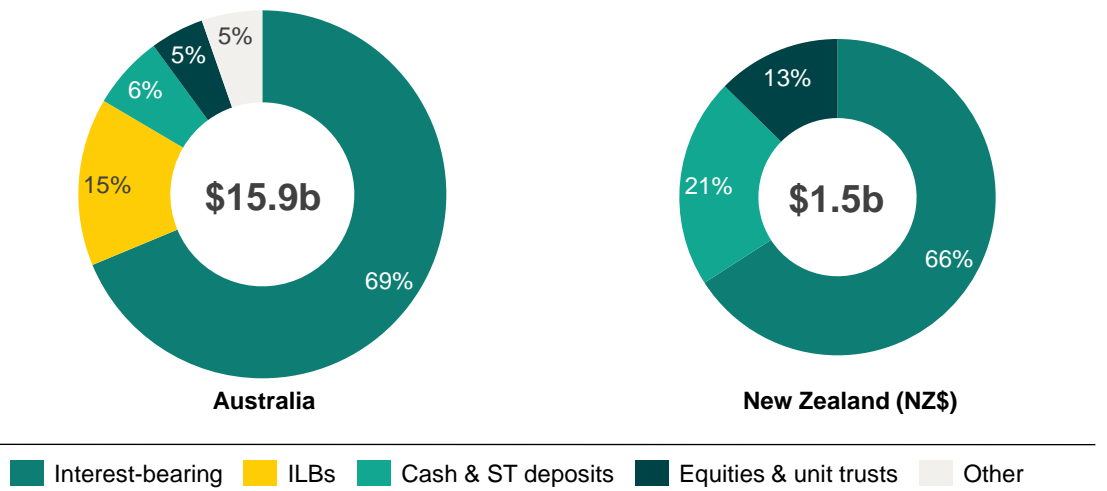


UNDERLYING YIELD ON INSURANCE FUNDS (NZ)



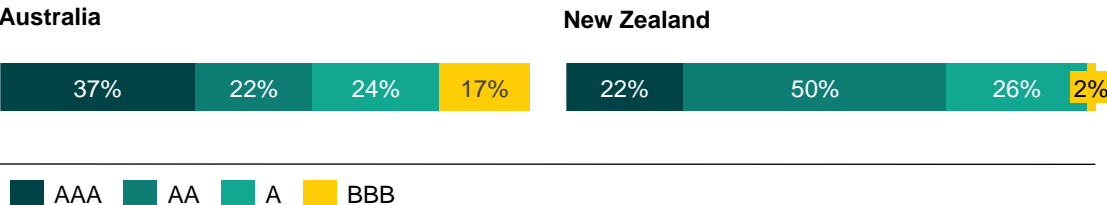
PORTFOLIO ASSET ALLOCATION

(% of total investment assets; June 2024)



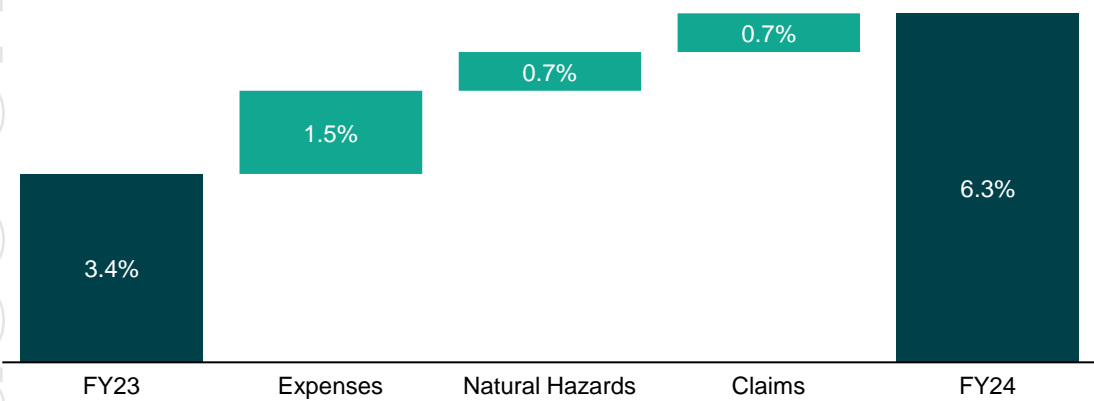
FIXED INCOME INVESTMENT GRADE

(% of total fixed interest; includes ILBs; June 2024)

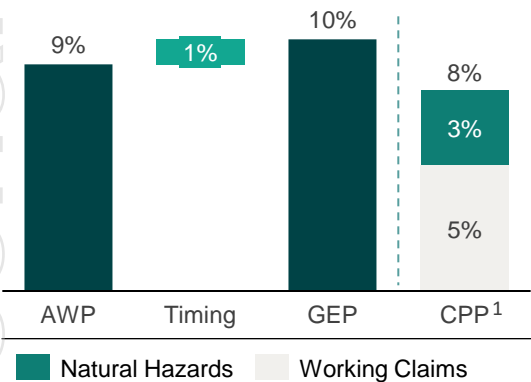


Consumer

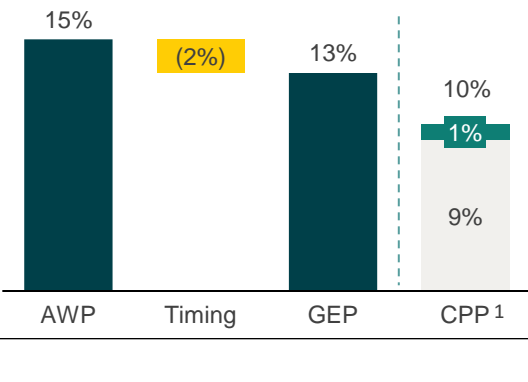
UISR WALK



HOME PREMIUM VS CPP

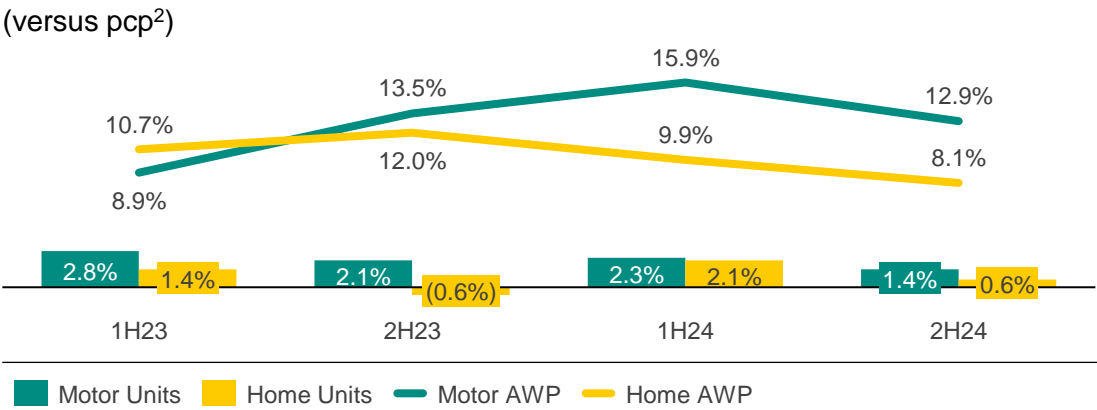


MOTOR PREMIUM VS CPP



1. Excludes discounting, reserve releases and risk adjustment; Other factors that impact cost per policy such as expenses and reinsurance have an immaterial impact on FY24 inflation and are therefore not represented on the chart  
2. Normalised for portfolio exits for FY23, no impact for FY24

HOME AND MOTOR PORTFOLIO GROWTH

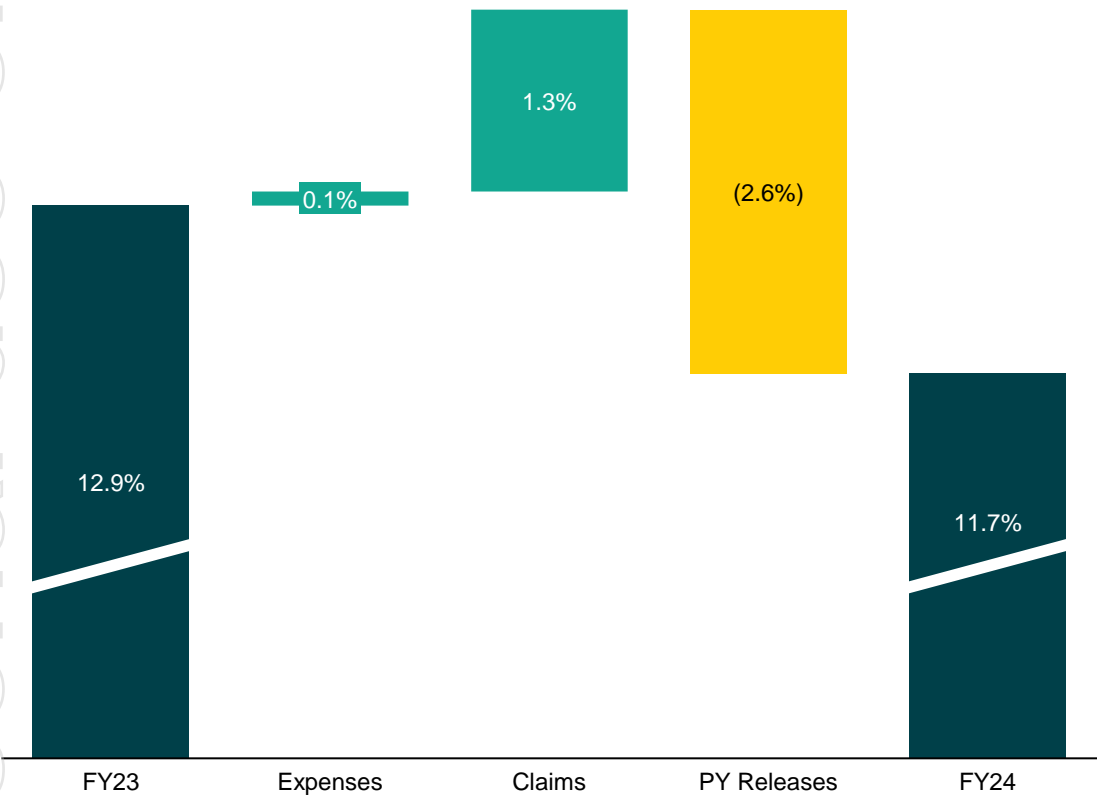


NOTES

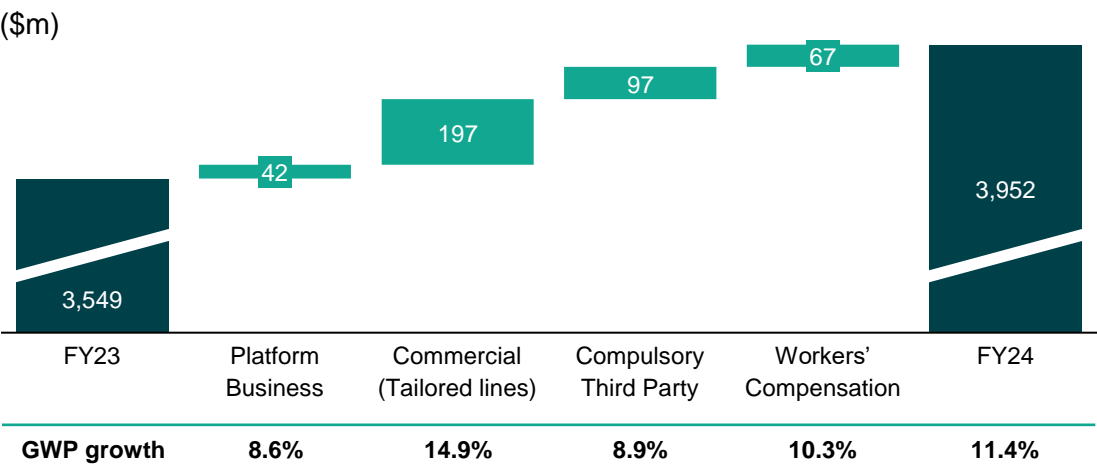
- Double digit GWP growth across both Home and Motor
- Continued unit growth with strong new business
- Increase in digital sales and service transactions for mass brands
- Margin repair with discipline in cost management and price increases
- Changes to pricing, underwriting and vendor management in response to sticky inflation in Home related to higher water (Escape of Liquid) claim costs
- The entry into the Cyclone Reinsurance Pool has impacted AWP by approximately 3% over the course of the year

# Commercial & Personal Injury

UISR WALK



GWP WALK



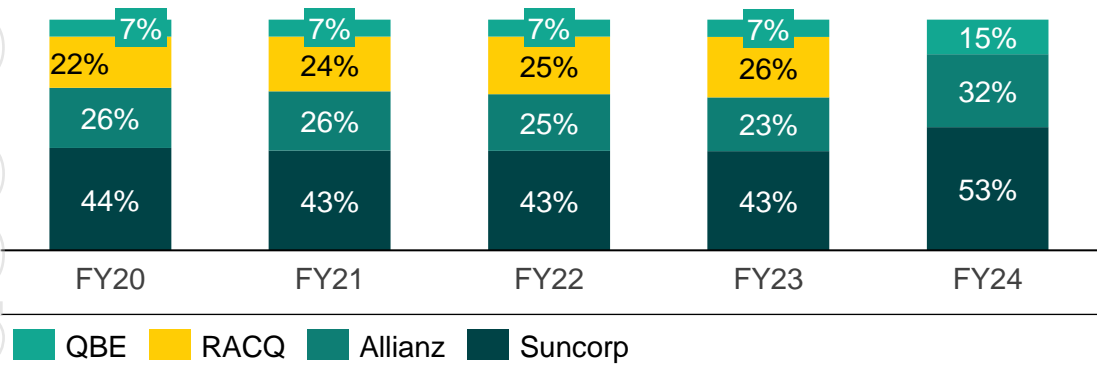
NOTES

- Strong topline growth, especially in Tailored Lines and Workers' Compensation
- Improvement in underlying claims ratio driven by Workers' Compensation and Platforms portfolio
- Underlying margin impacted by lower reserve release assumptions in CTP, driven by broad based superimposed inflation in Queensland

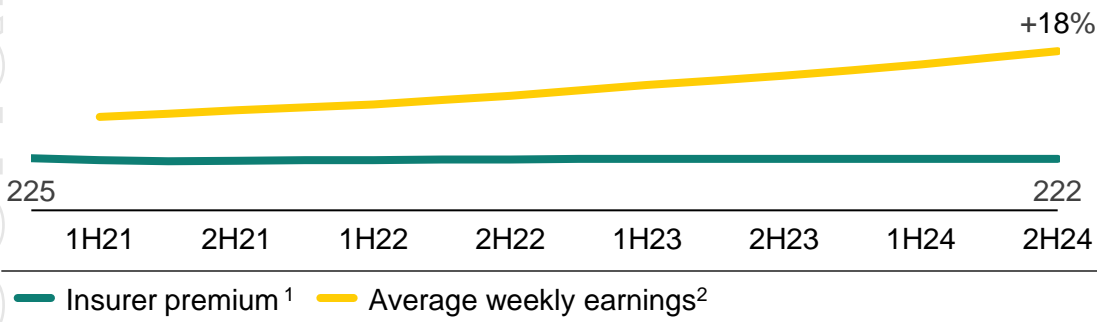


# Queensland CTP

**SUNCORP MARKET SHARE <sup>1</sup>**  
(rolling 3-month average at year end)

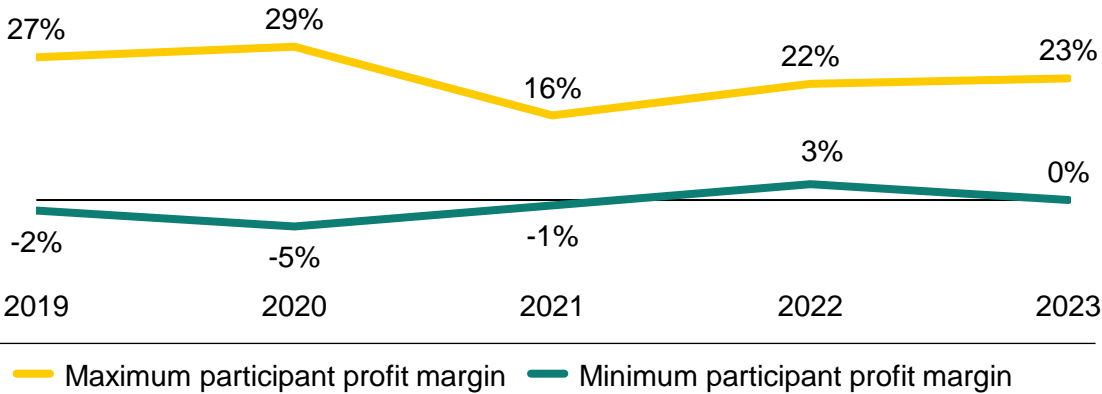


**INSURER PREMIUM VERSUS AVERAGE WEEKLY EARNINGS**



1. Motor Accident Insurance Commission; 2. Australian Bureau of Statistics

**SCHEME PARTICIPANT PROFIT MARGIN <sup>1</sup>**

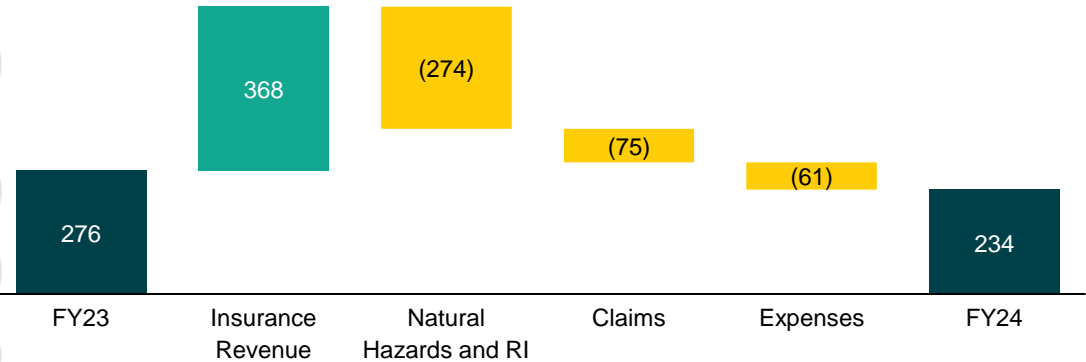


**NOTES**

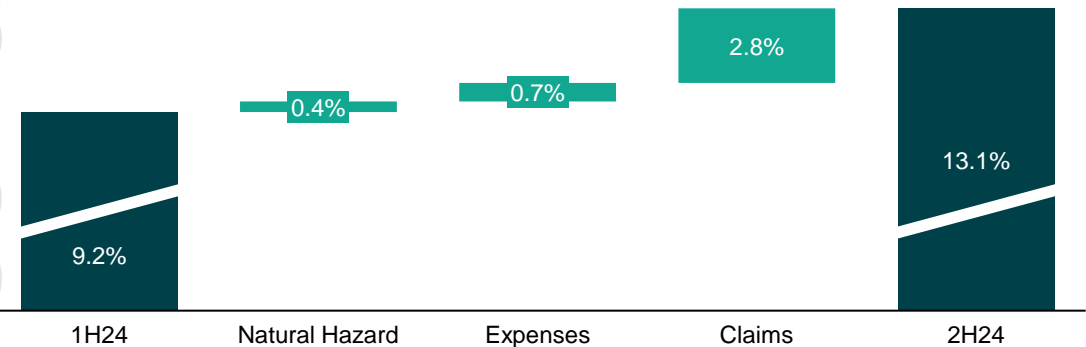
- No new scheme entrant in over 20 years
- Number of scheme participants has reduced from five at the start of FY14 to three at the end of FY24 with NRMA exiting in January 2014 and RACQ exiting in Oct 2023
- Suncorp's Queensland CTP portfolio considered onerous since FY22 with Combined Operating Ratios over 110%

New Zealand

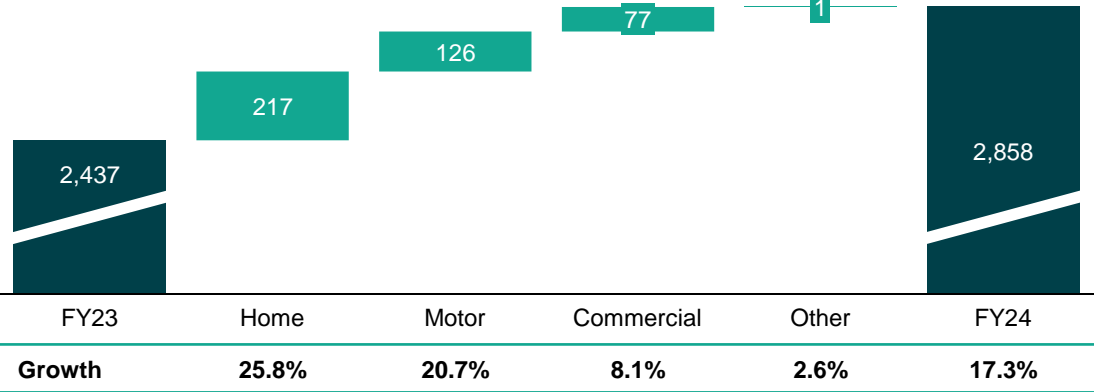
UNDERLYING INSURANCE SERVICES RESULT WALK  
(NZ\$m)



2H24 UISR % WALK



GWP WALK  
(NZ\$m)

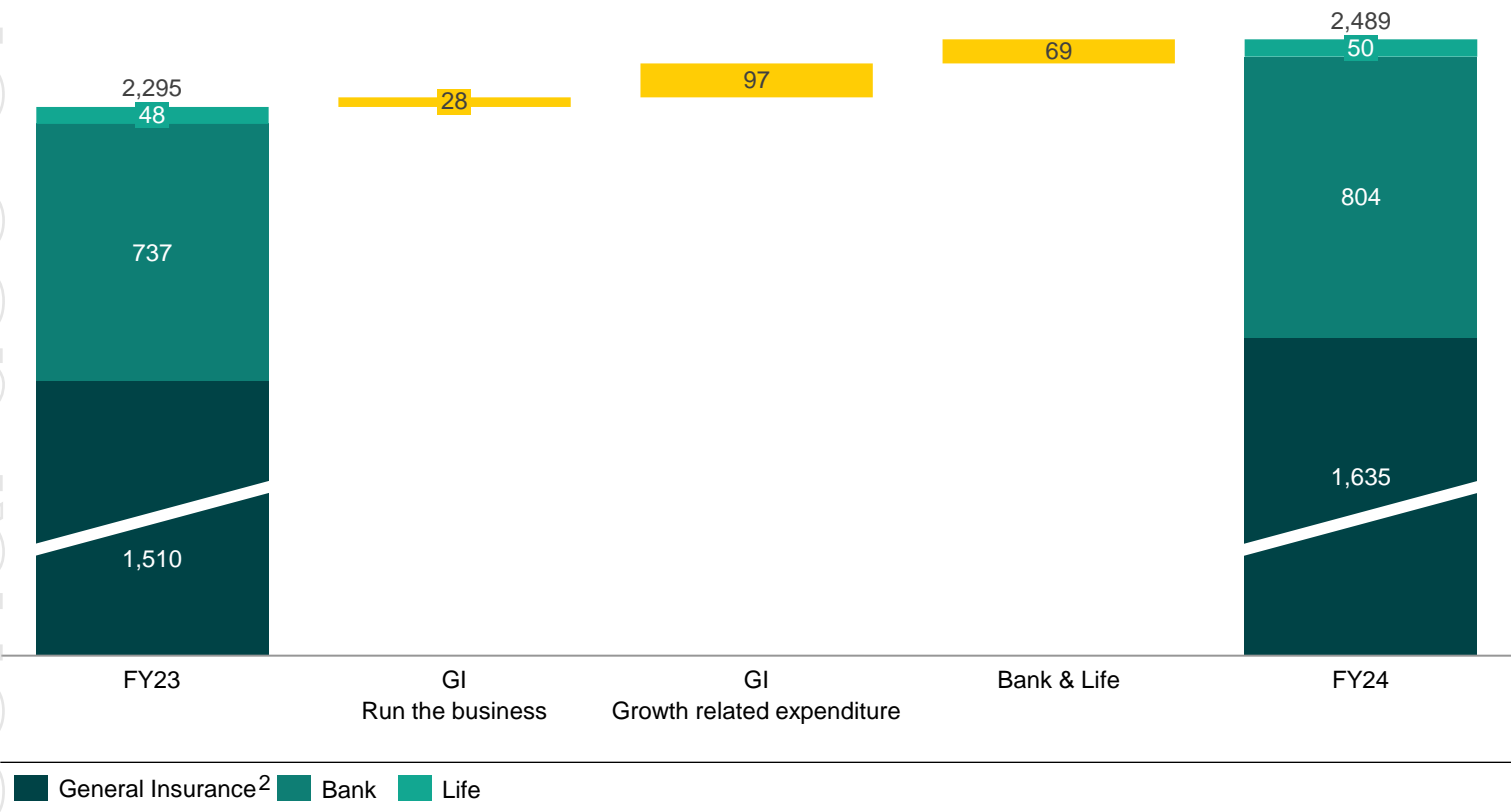


NOTES

- Strong growth, especially in Consumer, reflecting pricing increases in response to higher input costs and solid unit growth
- Underlying margin impacted by increases in reinsurance costs and higher natural hazard allowance
- Earn-through of pricing increases in response to higher input costs drove margin improvement in the second half
- Life sale net proceeds expected to be around A\$270m

# Group operating expenses

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



**NOTES**

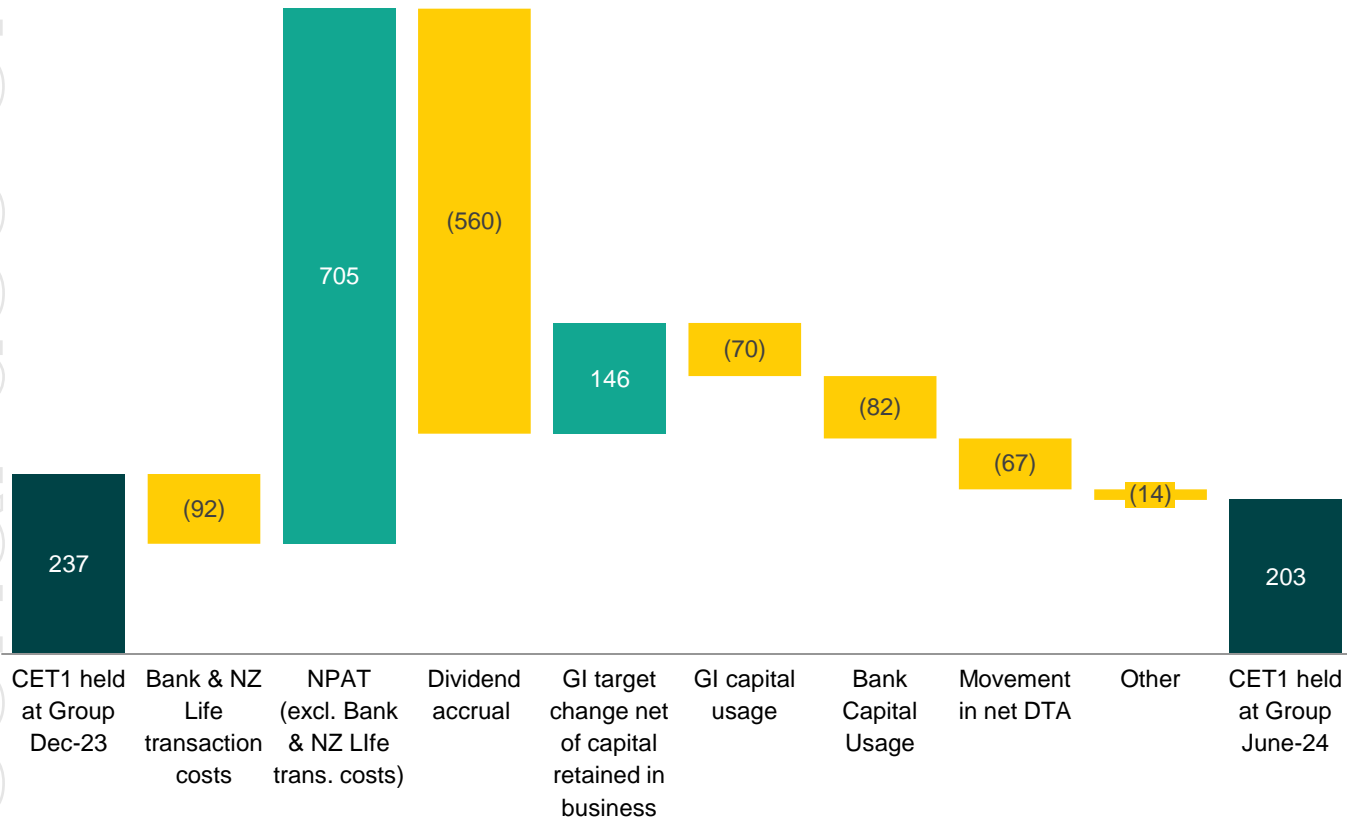
- General Insurance operating expense ratio fell 0.8pp to 13.9% driven by disciplined management of run the business costs
- Increase in growth related expenditure driven by marketing, customer and broker connectivity improvements, digital transformation as well as core system and regulatory projects
- Increase in Bank costs driven by an uplift in technology costs, inflation in wages, and increased investment and regulatory spend

1. Commission expenses are now presented separately in the financial statements and are not included in this analysis  
2. Includes NDAE (FY23: \$40m; FY24: \$56m)

# Group capital

## COMMON EQUITY TIER 1 CAPITAL HELD AT GROUP

(\$m)



## NOTES

- \$203m of CET1 capital held at Group
- Capital benefit from change to risk appetite at the GI holding company level partly offset by capital retained in the business
- GI capital usage largely driven by growth and inflation
- Bank capital usage driven by growth in the book
- 44 cps fully franked final dividend, with full year payout ratio at 72%
- Capital retained by the business will generate an appropriate return on capital in line with Group targets

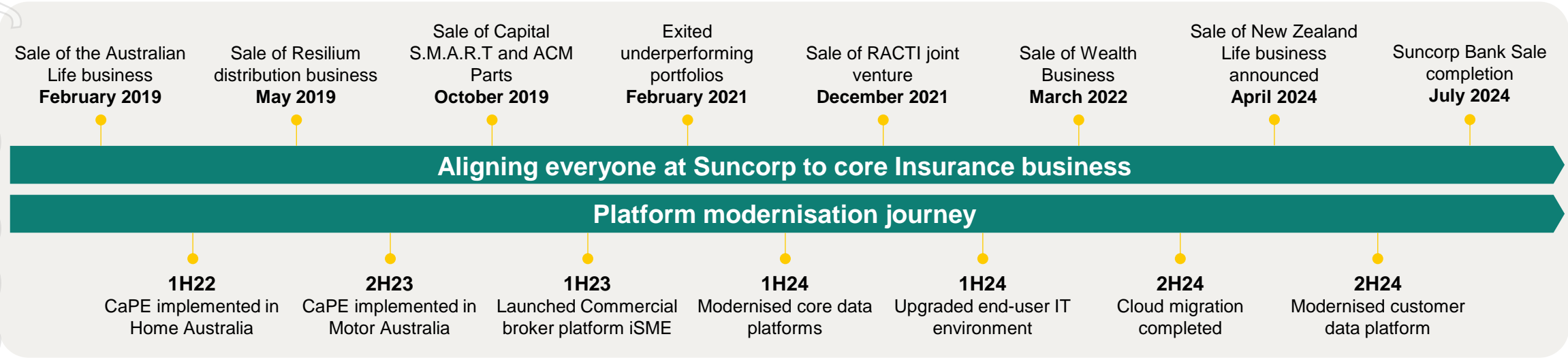
1. Ex-dividend and announced capital management initiatives



# Strategy Update

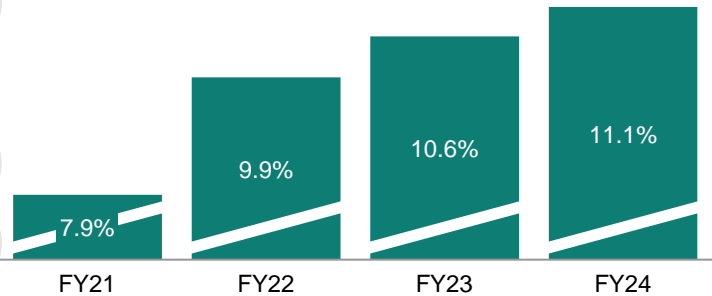
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# Reshaping and simplifying



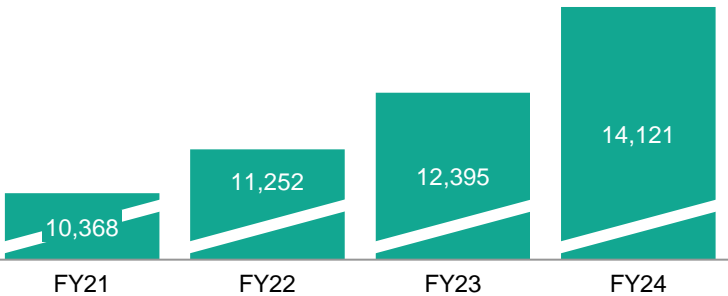
## UNDERLYING INSURANCE TRADING RATIO

General Insurance<sup>1</sup>

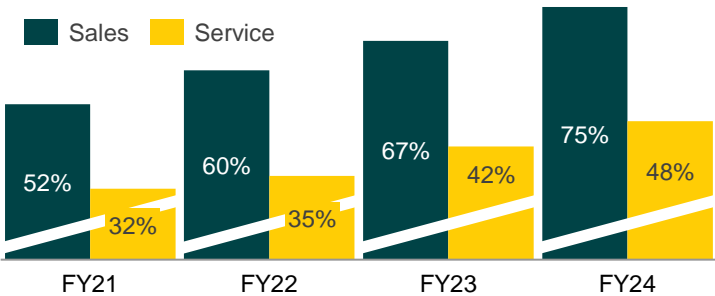


## GROSS WRITTEN PREMIUM

General Insurance



## DIGITAL SALES & SERVICE TRANSACTIONS<sup>2</sup>

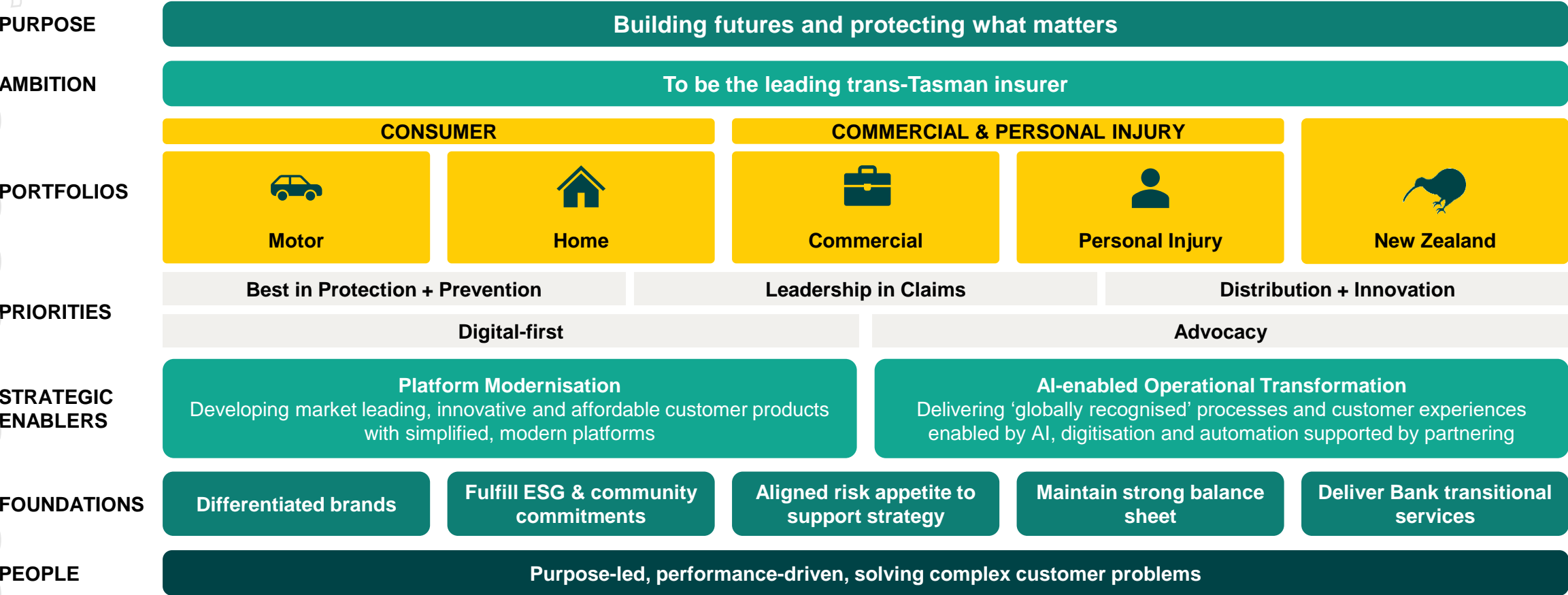


1. UITR based on AASB1023 for FY21 and FY22 and on AASB17 for FY23 and FY24  
2. Covers Home & Motor products for mass brands only in Australia



# FY25-27 priorities

only  
use  
personal




# Purpose driven, delivering strong outcomes for the long term





# Strategic Enablers


## PLATFORM MODERNISATION

Pricing • Data • Policy Admin • Claims • Enterprise

 Better customer propositions


 Reduce complexity


 Business agility


 Enables innovation

## OPERATIONAL TRANSFORMATION

Digitisation • Automation • Partnering • Artificial Intelligence • Best in class claims

 Generative AI

 Low risk use cases

 Service excellence

# Financial settings

## Financial guiderails

UITR 10-12%

## Capital targets

CET1 capital target  
operating range 1.025-  
1.325x PCA

## Divisional guiderails

Margin and return targets set based on capital  
consumption and volatility of each portfolio

## Investment proposition



A growing  
business



Strong risk  
adjusted returns



Consistent payout ratio at the  
mid-point of 60-80% range



Strong and well managed  
balance sheet with optimised  
reinsurance program and  
asset allocation strategy



Disciplined capital allocation  
and active capital management  
including systematic on-market  
buybacks

# Divisional strategies

Division	Consumer		Commercial & Personal Injury		New Zealand	
Portfolio	Motor	Home	Commercial	Personal Injury	Intermediated	Direct
	Maintain #1 market share	#2 to #1 market share	#4 to #2 market share	Australian public and private scheme leader	Growth through improved pricing & UW	Growth through digital experiences
UITR Target (relative to Group target)	Below	Above	In-line	Above	Above	
Leading protection & prevention solutions	Best in class underwriting & pricing Develop and launch prevention solutions		Best in class underwriting & pricing B2B customer focused distribution		Transform Intermediated pricing, underwriting & portfolio management	
Industry leadership in claims	Excellent customer claims experience Leading cost efficiency		Best in class claims Digital CTP lodgment for Direct Customers		Digitise claims lodgment Automate simple claims settlement Expand repairer network capacity	
Customer distribution and innovation	Best in class brands and customer service Develop prevention capabilities		Platform broker connections New product & expand claims as a service		Boost broker and partner digital experiences Develop digital platform through new partnerships	
Simple, digital-first customer experiences	Simple, personalised, digital experiences Affordable insurance propositions through efficient operations		AI supported underwriting AI enabled digital experiences and claims processing		Develop a scalable operating platform Direct GI core policy system through Digital Insurer	
Leading industry voice on advocacy	Amplify four-point plan for a more resilient Australia Leading voice for safer, greener roads		Reform for QLD CTP scheme sustainability Efficient government schemes for better customer results		Climate adaption advocacy with central and local government	

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# Outlook

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## FY25 Outlook

- GWP growth expected to be in the mid to high single digits as the reinsurance market stabilises and inflationary pressures ease slightly in some portfolios
- Underlying ITR towards the top of the 10 to 12% range supported by the continued earn through of elevated premium rates as inflation begins to moderate
- Investment income to moderate in-line with expectations for interest rates
- Prior year reserve releases in CTP expected to be around 0.4% of Group NIR with releases in other portfolios expected to be neutral
- Expense ratios expected to be broadly flat including the investment required to support strategic investments and continue to grow the business
- Sustainable return on equity above the through-the-cycle cost of equity

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# Questions

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