ASX Announcement
FY21 Financial Results - 9 August 2021

Suncorp delivers strong profit and returns capital to shareholders

Group cash earnings	Group net profit after tax	COVID-19 relief and support
$1,064m ↑ up 42.1%*	$1,033m ↑ up 13.1%	85,000+ customers
Final ordinary dividend, fully franked	Special dividend, fully franked	On-market buyback announced
40 cps	8 cps	up to $250m

Suncorp Group has announced a strong FY21 result with cash earnings of $1,064 million, up 42.1%. The result demonstrates the program of simplifying and refocusing Suncorp is gaining traction. Group net profit after tax increased by 13.1% to $1,033 million.

The Board has declared a fully franked final ordinary dividend of 40 cents per share. This brings total fully franked ordinary dividends for FY21 to 66 cents per share. In addition, the Board has declared a fully franked 8 cent special dividend and has announced an on-market share buyback of up to $250 million.

Suncorp Group CEO Steve Johnston said the result had been delivered against a challenging external backdrop of COVID-19 and the La Niña weather pattern.

"During this time our focus has been on supporting our insurance and banking customers and executing our strategic priorities."

Mr Johnston said over the course of the year, the Group had provided COVID-19 support to more than 85,000 customers and contributed $9 million to a range of community programs.

"While COVID-19 and the weather will continue to challenge our customers and our team, we know we have good momentum and a program of work that will further improve outcomes for our customers and shareholders."

The significant improvement in cash earnings was driven by increased Profit After Tax in Insurance (Australia) (up 42.4%) and Suncorp Bank (up 69.0%). Profit in New Zealand fell by 18.4% (in AUD terms), largely as a result of increased natural hazard costs.

The Group reported improved top-line growth, with Insurance (Australia) and New Zealand delivering Gross Written Premium (GWP) growth of 5.5% and 9.2% respectively. This is the best insurance top-line performance in almost a decade. Suncorp Bank delivered home lending growth of 0.8% over the second half and at 31 July 2021 had achieved six consecutive months of growth in home loans.

Mr Johnston said the Group had struck an appropriate balance between returning capital to shareholders and retaining appropriate buffers for uncertainty.

"After the proposed returns, we will continue to hold almost $400 million in excess capital at the Group level."

Financial results

Insurance (Australia) delivered its strongest top-line growth since 2013, with GWP up 5.5%. As part of the business' focus on revitalising growth, its customer value propositions have been refined, new product features have been introduced and an additional investment has been made in marketing.

In the Bank, driving improved performance in home lending is the key priority. Home lending grew by 0.8% in the second half of the year, reflecting improvements in broker lodgements and settlements, and improved approval turnaround times.

A net impairment release of $49 million reflected a $60 million reduction in the Collective Provision, due to the improvement in economic conditions since the outbreak of COVID-19.

New Zealand GWP grew 9.2%, driven by performance in the AA Insurance channel and growth in the intermediated commercial portfolios. This top-line growth was partly offset by higher natural hazard costs, lower investment returns and a normalisation in working claims.

The La Niña weather pattern resulted in a higher number of events during FY21, with Group natural hazard costs of $1,010 million. This was $60 million above the Group's FY21 allowance of $950 million.

Group operating expenses were $2.80 billion, up from $2.75 billion, due to the temporary increase in spending on strategic initiatives, technology upgrades and increased spending on marketing.

Continued focus on simplifying the business

In FY21, the Group's ongoing simplification included the agreement to sell the Wealth business to LGIAsuper. Early in FY22, the Group announced the agreement to sell its 50% interest in RACT Insurance.

"We believe each of these divestments has made strategic sense and represent good outcomes for our shareholders, customers and employees," Mr Johnston said.

Insurance (Australia) and the Bank also exited from several underperforming portfolios including Vero consumer and construction policies via Australian intermediated partners, as well as travel insurance and personal loans.

COVID-19

The financial impact of COVID-19 was broadly neutral throughout FY21 with lower motor claims frequency offset by additional provisioning for potential business interruption claims.

Mr Johnston said: "Despite the challenges of COVID-19, we have been in a position to support our customers, employees, shareholders and communities through this uncertain time.

"We have been flexible and responsive in supporting our customers as we know the financial and emotional strain COVID-19 is inflicting on our communities.

"This includes a range of relief measures such as flexible premium options and loan deferrals.

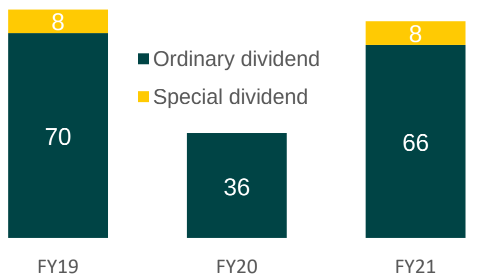
"A vaccinated population is key to building confidence and restoring movement between the two countries and the world. All members of our Board and our Australian-based ELT are either fully vaccinated or are awaiting their second vaccine," he said.

** All changes refer to the prior corresponding period unless otherwise stated.*

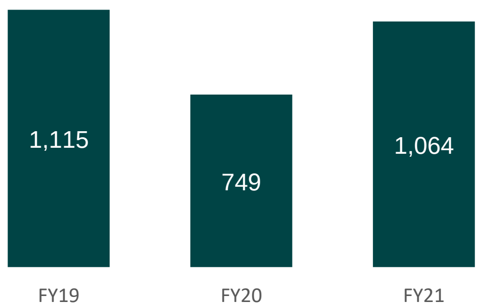
FY21 Result

	FY21 (AU $m)	FY20 (AU $m)	Change (%)
Contribution by function			
Insurance (Australia)	547	384	42.4
Banking	419	248	69.0
New Zealand	200	245	(18.4)
PAT from ongoing functions	**1,166**	**877**	**33.0**
Profit after tax from discontinued operations[1]	-	(5)	(100.0)
Other profit (loss) after tax	(102)	(123)	(17.1)
Cash earnings	**1,064**	**749**	**42.1**
Net profit (loss) on sale of ceased operations (after tax)[2]	-	285	(100.0)
Acquisition amortisation (after tax)[3]	(31)	(121)	(74.4)
Group NPAT	**1,033**	**913**	**13.1**
Total ordinary dividend (cps)	66	36	83.3
Payout ratio – cash earnings (%)	79.3	60.7	30.6
Excess CET1 capital (post dividend)	773	823	(6.1)

1. 'Profit after tax from discontinued business' includes the performance of the Wealth business following the sale agreement announced on 28 April. The Jun-20 period also includes the contribution from Capital SMART and ACM Parts businesses sold on 31 October 2019.
2. 'Net profit (loss) on sale of ceased operations' includes a gain on sale of the Capital SMART and ACM Parts businesses (Jun-21: n/a; Jun-20 $285 million).
3. 'Acquisition amortisation' includes Core Banking Platform write off (Jun-21: n/a; Dec-20: loss $6 million; Jun-20: loss $89 million)



Dividend
Cents Per Share, Fully Franked



Group cash earnings ($m)

As a result of the Group's strong balance sheet and confidence in the outlook, the Board has declared a fully franked final ordinary dividend of 40 cps, a fully franked special dividend of 8 cps and has announced an on-market buyback of up to $250 million. Total FY21 ordinary dividends are 66 cps fully franked.

Group cash earnings rose by 42.1% to $1,064 million in FY21 from the FY20 result of $749 million.

Insurance (Australia)

Insurance (Australia) PAT	Gross Written Premium (GWP)	Investment income on insurance funds
$547m ↑ up 42.4%	$8,790m ↑ up 5.5%	$390m ↑ up 25.8%

Insurance (Australia) reported a 42.4% increase in Profit After Tax to $547 million, driven by growth, higher investment returns and increased prior year reserve releases, partly offset by the temporary increase in spend on strategic initiatives and higher natural hazard costs.

The P&L impact from COVID-19 was broadly neutral as reduced motor claims frequency was offset by additional provisions to cover uncertainty around business interruption claims. In FY21, the Group increased its provision for potential business interruption claims to $211 million and will continue to monitor legal proceedings and assess all claims in accordance with policy terms and circumstances.

	FY21 ($m)	FY20 ($m)	FY21 vs FY20 (%)
Gross written premium	8,790	8,329	5.5
Net earned premium	7,540	7,265	3.8
Net incurred claims	(5,496)	(5,443)	1.0
Total operating expenses	(1,643)	(1,572)	4.5
Insurance trading result	644	497	29.6
Insurance (Australia) PAT	**547**	**384**	**42.4**

Growth

Insurance (Australia) made good progress against its strategic priorities in FY21, which contributed to improved growth.

Overall GWP increased 5.5% to $8,790 million, benefiting from new product offerings and an increased investment in marketing to revitalise growth.

Consumer GWP increased by 5.6%. The Home portfolio grew by 4.0% with ongoing re-pricing for higher natural hazards and reinsurance costs. Motor GWP grew 6.9%, with a 1.6% increase in customer numbers.

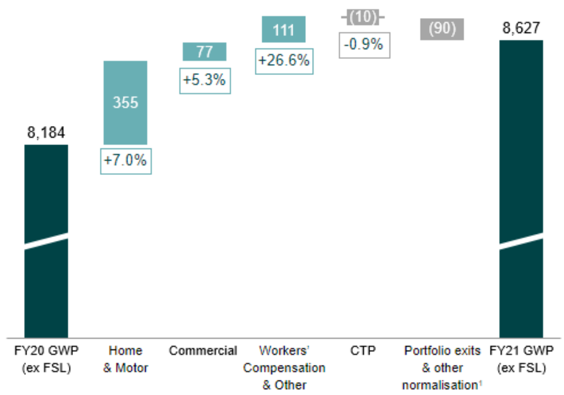
Suncorp has continued to make good progress on the development of its new pricing engine, CaPE, which will significantly improve risk selection. CaPE will be deployed across the mass brands in Home portfolio in the first half of FY22 and rolled out to the other portfolios in subsequent periods.

Commercial GWP increased by 4.9%, primarily reflecting good retention and ongoing premium rate momentum.

The Compulsory Third Party (CTP) portfolio experienced positive unit growth with customer numbers up significantly across Queensland, NSW and the ACT as a result of increased sales through the motor dealer channel and improved digital experience.

Workers compensation and other GWP increased by 24.8% reflecting good retention, higher wage growth and increased SME new business volumes in the portfolio.

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



1. Includes impact of portfolio exits, COVID-19 and FY20 CTP accounting adjustment
2. Average written premiums (AWP) is a function of premium rate increases, product and brand mix

Digital first experiences

In FY21, 21% of consumer motor and home claims were lodged via online channels. Following growth in FY20, there was a further 13.7% increase in digital sales volumes and 13% increase in digital service transaction volumes for the Group's mass brands, across home, motor and CTP products.

The AAMI App, launched in May 2020, has expanded its capability to include weather alerts, real time claim updates via the AAMI Virtual Assistant, and the integration of AAMI Lucky Club and Everyday Savings Rewards.

Claims and operations

Net incurred claims increased by 1.0%. Excluding discount movements, net incurred claims increased by 5.0%. The increase reflected higher natural hazard costs and additional provisioning for business interruption claims.

Prior year reserve releases, excluding business interruption reserves, were $259 million, representing 2.9% of Group NEP, with continued releases from the long-tail portfolios.

The long-run expectation for reserve releases remains 1.5% of Group NEP.

Suncorp has continued to focus on its Best-in-class claims initiatives in FY21 and achieved several critical milestones including the deployment of Claims Centre 10 and the implementation of new tools to strengthen management of the claims supply chain.

Total investment income across Insurance Funds and Shareholder Funds increased by 25.8% to $390 million, driven by favourable gains from equities and breakeven inflation.

Excluding Fire Service Levies (FSL), operating expenses increased 3.7% driven by the temporary project spend on strategic initiatives and technology.

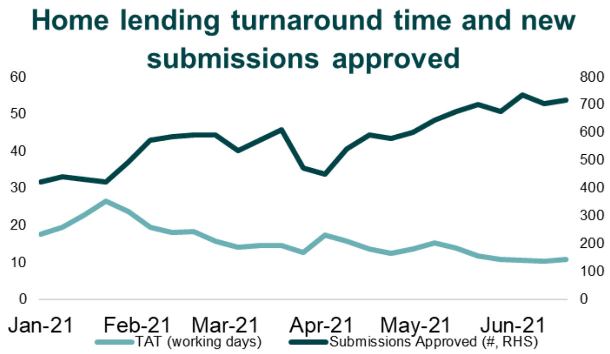
Banking & Wealth

Banking PAT	Net Interest Margin (NIM)	Cost-to-Income ratio
$419m ↑ up 69%	2.07% ↑ up 13 bps	57.1% ↓ down 0.2%

Banking Profit After Tax rose 69.0% to $419 million, driven by improvement in the Net Interest Margin (NIM) and a net impairment release, in part offset by investment in technology and the temporary increase in spend on strategic initiatives. Profit before impairment losses on financial assets increased 4.6% to $550 million.

NIM increased 13 bps in FY21 to 2.07%, attributable to growth in retail deposits and lower benchmark interest rates.

The Bank is successfully delivering on its key strategic initiative to win in home lending, with a $1.1 billion turnaround in home lending growth between the first and second halves.



Home lending grew 0.8% over the second half, driven by higher monthly settlements and sustained improvements in mortgage processing turnaround times, which are now ahead of most major banks.

While business lending fell 0.1%, the agribusiness portfolio grew 3.6% due to increased cropping activity, restocking and asset purchases.

A net impairment release of $49 million reflected a $60 million reduction in the Collective Provision due to the improvement in economic conditions since the outbreak of COVID-19.

Operating expenses increased by 3.7%, due to the temporary increase in spending on strategic initiatives. The cost-to-income ratio fell slightly to 57.1%.

Digital enablement has progressed well in FY21 with average monthly Sun App logins per customer increasing by 34% and the proportion of products originated digitally rising to 15% for home loans and 64% for deposit accounts.

The Bank's capital position remains strong with a CET1 ratio of 9.42% (post dividend), in the top half of the target operating range of 9.00%-9.50%. Liquidity and funding metrics also remain solid.

Simplification of the business continued with the exit of personal loans and several smaller products, as well as the sale of Suncorp's superannuation business to LGIAsuper, which is expected to be complete in 2H22.

New Zealand

New Zealand PAT	Gross Written Premium (GWP)	Life insurance PAT
NZ$215m ↓ down 17%	NZ$1,870m ↑ up 9.2%	NZ$38m ↓ down 5%

New Zealand Profit After Tax was down 17.0% to NZ$215 million with General Insurance PAT declining 19.2% and Life PAT declining 5.0%.

General Insurance PAT of NZ$177 million was impacted by higher natural hazard costs, lower investment income and normalisation of working claims.

Gross Written Premium grew by 9.2%, led by the performance in the direct AA insurance channel, together with growth in the intermediated commercial portfolios.

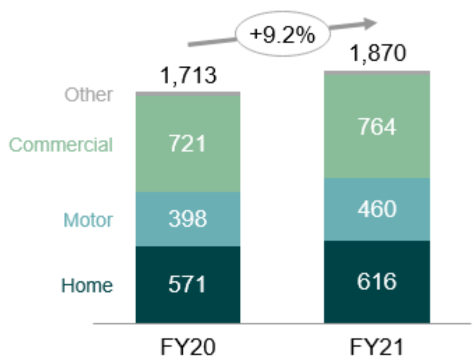
Net incurred claims grew by 17.7%, reflecting higher natural hazard costs, with the full year allowance exceeded by $27 million. Motor claims experience normalised following reduced frequency in FY20 as a result of COVID-19.

Suncorp New Zealand's focus on delivering best-in-class claims continued in FY21 with the consolidation to a single claims platform, a new disaster response program and ongoing automation.

Operating expenses were up 0.6% to NZ$470 million, supporting growth across the business.

NZ Life Insurance PAT of NZ$38 million was driven by adverse market adjustments with interest rate movements offsetting improved underlying claims.

New Zealand GWP (NZ$m)



Group Outlook

Operating environment: While the operating environment has improved since the outbreak of COVID-19 in 2020, the outlook remains uncertain, with lockdowns and restrictions currently in place in a number of states.

An effective vaccination program with maximum coverage is essential to reducing the frequency and severity of lockdowns and allowing the Australian and New Zealand economies to fully open up.

FY23 Plan: The plan aims to deliver a growing business with a sustainable return on equity above the through-the-cycle cost of equity. To achieve this the Group is investing in 12 strategic initiatives, with the benefits of this program beginning to be realised in 2H22. Consequently, this implies the General Insurance business delivers an underlying ITR in FY23 of between 10-12% and the Bank cost-to-income ratio will fall to around 50%.

Growth: The Group remains focused on driving improved momentum in the core business, in order to deliver on its FY23 aspirations.

In FY21, approximately $115 million in GWP related to portfolios which have been exited, and this GWP will not repeat in FY22.

Natural hazards and reinsurance: The Group has increased its natural hazard allowance for FY22 to $980 million, reflecting net growth in the underlying portfolio. The Group's reinsurance program for FY22 is unchanged from the FY21 program.

Prior year reserve releases: The Group continues to allow for prior year reserve releases to be at least 1.5% of Group NEP, assuming inflation remains benign.

Operating expenses: Including project spending and restructuring charges, the Group's operating expense base is expected to be ~$2.8 billion In FY22. The FY23 expense base is expected to return to ~$2.7 billion, with a planned reduction in project spending and efficiency gains effectively offset the costs of investing in growth and the impact of inflation.

Capital: The Group will maintain its prudent capital management strategy, including holding an appropriate CET1 buffer at Group.

The Group maintains its commitment to a 60-80% dividend payout ratio.

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

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CET1: Common Equity Tier 1 | CTI: Cost to Income | CTP: Compulsory Third Party | FSL: Fire Services Levies | GLA: Gross Loans and Advances | GWP: Gross Written Premium | ITR: Insurance Trading Ratio | NEP: Net Earned Premium | NIM: Net Interest Margin | NPAT: Net Profit After Tax | PAT: Profit After Tax | ROE: Return on Equity | UITR: Underlying Insurance Trading Ratio

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