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ASX Announcement

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Suncorp Group: 1H24 Financial Results

Group NPAT	Cash earnings	Net investment returns	General Insurance GWP	Bank Home lending	Dividend per share
$582 million	**$660 million**	**$396 million**	**$6.9 billion**	**$56.0 billion**	**34 cents**
pcp $552 million	pcp $580 million	pcp $167 million[i]	↑ 16.3%[ii]	↑ 2.2%[iii]	65% payout ratio

- Underlying insurance trading ratio (UITR) in the General Insurance business of 10.2%, up from 10.0%, and an underlying insurance services ratio (UISR) of 8.1%, up from 7.9%.
- Net investment returns of $396 million, up from $167 million.
- Suncorp Bank net interest margin (NIM) of 1.80%, down from 2.03%, and cost to income ratio of 58.4%, up from 49.9%.
- Common Equity Tier 1 (CET1) capital held at Group of $237 million, with appropriate levels of capital maintained across the business units.
- Suncorp welcomed the Australian Competition Tribunal's decision announced on 20 February to grant authorisation of the proposed sale of Suncorp Bank to Australia and New Zealand Banking Group (ANZ). Subject to Financial Sector (shareholdings) Act approval and Metway-Merger Act amendments, completion is expected to be around the middle of calendar year 2024.
- From 1 July 2023 the Group has adopted AASB 17, the new international accounting standard for insurance contracts. Comparative periods have been restated to reflect this application.

Suncorp Group Limited (ASX: SUN | ADR: SNMCY) today reported improved earnings, primarily driven by a significant improvement in investment returns. Group net profit after tax (NPAT) of $582 million, was up 5.4%, while cash earnings increased 13.8% to $660 million.

Strong equity market performance, higher running yields and favourable mark-to-market movements across the General Insurance business, resulted in higher net investment income of $396 million, compared to $167 million in 1H23. The Group's fixed interest and inflation-linked bond portfolio continued to support returns.

Gross written premium (GWP) growth of 16.3% in the General Insurance business reflected customer growth and targeted price increases required to respond to increasing reinsurance costs, elevated natural hazard experience and ongoing inflationary pressures. The Group's UITR of 10.2%, improved moderately from 10.0%, supported by improved investment yields and ongoing improvements to the business. The Bank demonstrated modest lending growth of $1.2 billion or 2.2% in the Home portfolio over the half, as growth was consciously balanced against industry-wide competitive pressures in deposits and lending that impacted NIM.

The total cost of natural hazard events was $568 million, $112 million below the Group's allowance in the half. Suncorp New Zealand benefitted from a relatively benign weather period with no natural hazard events over the half, whilst Australia was impacted by six significant weather events which occurred through November and December. This resulted in the Group managing around 45,000 natural hazard claims in 1H24.

The Group's natural hazard allowance for FY24 remains $1,360 million, and the Group has a comprehensive reinsurance program in place for major events. The full limits remain available on all the Group's reinsurance covers going into the second half of the financial year.

Prior year reserves, net of the impact of loss component movements, were strengthened by $107 million across several portfolios. The reserve strengthening was driven by the combination of external challenges, including ongoing inflationary pressures in supply chains, resulting in higher repair costs and extended repair times in the motor portfolio. The Group has responded to these challenges including with appropriate pricing and bringing on new repair capacity.

Total Group operating expenses increased 7.0%[iv] to $1.21 billion, largely reflecting growth related expenditure and inflation. Insurance expense ratios declined supported by the benefits from productivity and strategic initiatives, and operating leverage.

Other loss after tax increased $28 million to $55 million, partially driven by restructuring costs of $11 million associated with the Group's new operating model and higher joint venture profit shares.

The Board has determined to pay a fully franked interim ordinary dividend of 34 cents per share. The Group's half year dividend payout ratio of 65% of cash earnings is within the target payout ratio range of 60% to 80%.

CET1 capital held at Group is $237 million, with improving General Insurance and Bank 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.

Suncorp Group CEO Steve Johnston said it was a challenging half for customers and the Group amid ongoing inflationary pressures and the impact of six severe weather events that battered Australian communities in November and December.

"Against this backdrop, the Group has continued to work hard to support its customers while also delivering improved earnings driven by increased customer demand for our products and services and positive investment performance over the half," Mr Johnston said.

"Net investment returns were up significantly from $167 million in 1H23 to $396 million, and this has been a key contributor to our reported earnings and profit for the half," he said.

"Our Australian and New Zealand general insurance businesses achieved strong premium growth, with customer growth across both our home and motor portfolios. This remains a good indication of the value our customers continue to see in our products and brands, and the protection they provide.

"The growth in gross written premiums is also reflective of targeted price increases in response to higher reinsurance costs, ongoing supply chain inflationary pressures resulting in higher repair costs for cars and homes, and an elevated level of natural hazards. We remain acutely alert to the affordability challenges facing customers and continue to focus on driving greater efficiencies in our own business. We are vocal advocates of policy reform and mitigation investment that helps reduce the risk of extreme weather to people and communities, which are critical in reducing insurance premiums for consumers, particularly in high-risk locations," he said.

"Our teams right across the country have been supporting customers impacted by the severe weather events experienced across the east coast of Australia since November 2023. Over the half, these resulted in around 45,000 claims at a cost of $568 million, which remains within our natural hazard allowance of $1,360 million for the 2024 financial year. While our business remains well protected through our comprehensive reinsurance program, more needs to be done to protect people before disaster strikes.

Mr Johnston said the Bank demonstrated modest home lending growth of 2.2% over the half, with asset quality remaining sound within our conservative portfolio.

"We continue to see intense industry-wide competitive pressure in both deposits and lending, which we are carefully balancing," Mr Johnston said.

"Last week we welcomed the Australian Competition Tribunal's decision to grant authorisation for the proposed sale of Suncorp Bank to ANZ Banking Group, which acknowledged the competitive banking environment for customers.

"The decision brings us one step closer to becoming a dedicated Trans-Tasman insurer proudly headquartered in Queensland.

We look forward to continuing to engage constructively with the Queensland Government and Federal Treasurer on the remaining approvals and remain fully committed to Suncorp Bank while the process continues."

	1H24 ($m)	1H23 ($m)	Change (%)
Consumer Insurance	203	32	large
Commercial & Personal Injury	194	231	(16.0)
Suncorp New Zealand	87	83	4.8
Suncorp Bank	192	256	(25.0)
Profit after tax from ongoing functions[v]	**715**	**607**	**17.8**
Other profit (loss) after tax	(55)	(27)	(103.7)
Cash earnings	**660**	**580**	**13.8**
Group net profit after tax	**582**	**552**	**5.4**

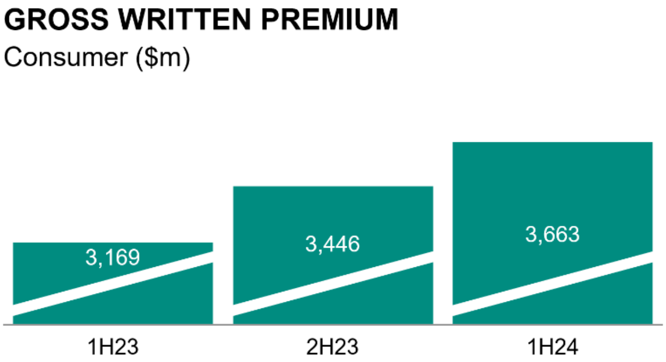
Consumer Insurance

Consumer Insurance profit after tax	GWP
$203m	**$3,663m** up 15.6%

Consumer Insurance delivered profit after tax of $203 million, up from $32 million, reflecting continued momentum in revenue growth and improved investment income.

The Home portfolio achieved GWP growth of 12.0%, with unit growth of 2.1% and Average Written Premium (AWP) growth of 9.9%.

Motor GWP grew 18.2%, with growth across mass and niche brands. Unit growth of 2.3% and AWP growth of 15.9% was achieved.



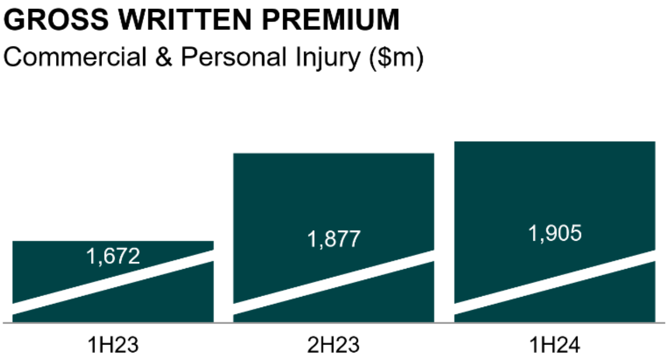
Net incurred claims increased by 10.4% to $2,443 million, driven by portfolio growth and persistent inflation, particularly in the Motor portfolio. Additional prior year reserve strengthening of $61 million, net of the impact of loss component movements, was due to increases in some prior year natural hazard event experiences, inflation and adverse claims experience in relation to water damage.

Commercial & Personal Injury Insurance

Commercial & Personal Injury profit after tax	GWP
$194m down 16.0%	**$1,905m** up 13.9%

Commercial & Personal Injury profit after tax of $194 million declined $37 million, with the pcp benefitting from the release of the business interruption provision of $124 million. Excluding the business interruption release, profit after tax increased 34.5%. Underying profit after tax of $211 million increased 21.3%.

GWP growth was achieved across all portfolios and was particularly strong across the Commercial (Tailored Lines) portfolio which was up 18.0% and Workers' Compensation which increased 19.7%.



Net incurred claims of $1,234 million increased 14.3% (excluding the business interruption release in 1H23), reflecting portfolio growth and claims inflation, partly offset by the impact of higher bond yields on the discounting of new claims.

Net prior year reserve strengthening of $21 million was largely attributable to an increase in reserving on lump sum costs in Workers' Compensation in Western Australia reflecting the ongoing impact of historical regulations, as well as modest increases in claims in run-off long tail portfolios. This was partly offset by a $24 million release in Compulsory Third Party (CTP) (excluding TEPL), primarily in New South Wales.

Suncorp New Zealand

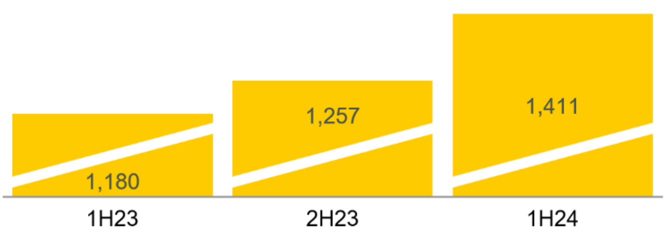
Suncorp New Zealand profit after tax	GWP
NZ$94m up 3.3%	**NZ$1,411m** up 19.6%

Suncorp New Zealand delivered profit after tax of NZ$94 million.

General Insurance profit after tax of NZ$80 million increased 6.7%. The General Insurance business benefitted from a benign natural hazard claims experience and improved investment income. This was partially offset by increased reinsurance and commission costs.

GWP of NZ$1,411 million increased 19.6%, with the Vero Intermediated and AA Insurance brands recording growth of 17.3% and 24.8% respectively. Solid unit growth was experienced across the business, especially in the consumer portfolios.

GROSS WRITTEN PREMIUM
Suncorp New Zealand (NZ$m)



Net incurred claims of NZ$620 million increased 6.9%. Higher working claims costs in the period were driven by inflationary pressures and unit growth. Natural hazards were NZ$14 million below allowance.

Prior year reserves were strengthened by NZ$26 million to reflect development on a small number of large commercial claims and the impact on claims processing capacity of the two weather events in early 2023.

Life Insurance profit after tax of NZ$14 million, was down NZ$2 million or 12.5%, with an increase in planned profit margins offset by an unfavourable experience. Annual in-force premium of NZ$330 million grew 7.1%.

Suncorp Bank

Suncorp Bank profit after tax	Home lending
$192m down 25.0%	**$55,997m** up 2.2%[iii]

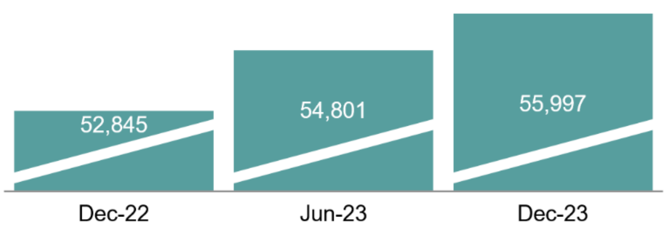
Suncorp Bank profit after tax decreased 25.0% to $192 million, driven by competitive pressures impacting margin.

NIM decreased 23 basis points to 1.80%, with increased funding costs and asset margin contraction driven by persistent competition across the industry in deposits and lending.

The cost to income ratio increased from 49.9% in 1H23 to 58.4%, primarily due to a reduction in revenue and higher expenses from inflationary pressures, including wages and technology.

The Home lending portfolio grew $1.2 billion or 2.2% over the half (4.3% annualised). Business lending remained broadly flat, driven by growth in Commercial and SME, partly offset by a contraction in the Agribusiness portfolio.

HOME LENDING
Total portfolio ($m)



Impairment expenses on loans and advances were flat, reflecting a high-quality lending portfolio and a largely benign credit environment. The Bank's ECL remained flat at $190 million.

Total customer deposits increased 2.1% to $52.5 billion over the half, with growth primarily driven by term deposits and at-call savings as customers showed ongoing demand for higher yield deposit products.

Group outlook for FY24

Strategic targets: Key strategic targets remain consistent with the previous aim of delivering a growing business with a sustainable return on equity above the through-the-cycle cost of equity.

Insurance:

- **Growth:** GWP growth now expected to be in the low to mid-teens for FY24, primarily driven by increases in AWP as the business responds to increased input costs, including from reinsurance, natural hazards and supply chain inflation.
- **Underlying ITR:** The Group's underlying ITR is supported by strong premium momentum, offset by reinsurance and natural hazard costs, and claims inflation. Investment yields are expected to moderate as market expectations for interest rate hikes ease, given a stabilisation in inflation and a pause in monetary tightening. For FY24, prior year reserve releases in CTP are expected to be around 0.7% of Group net insurance revenue, with releases in other portfolios expected to be neutral in 2H24. An underlying ITR around the midpoint of the 10% to 12% range remains the target for FY24.
- **Operating expenses:** Expense ratios in 2H24 are expected to remain in line with 1H24, noting expenses reflect ongoing investment in growing the business.

Global reinsurance markets have stabilised, however, natural hazard experience and inflation may impact the cost of reinsurance, and the degree of risk retention.

Bank:

- **Growth:** Overall, system growth is expected to slow as economic growth moderates and against a backdrop of significantly tighter monetary conditions. The Bank is targeting Home loan growth at around system.
- **NIM:** Competition in both lending and deposits has continued, with NIMs under pressure. The Bank expects NIM to be around the bottom of its 1.85% and 1.95% target range.
- **Cost to income ratio:** Considering the pressures to revenue from slowing credit growth and declining NIM, and cost pressures due to inflation, the Bank's cost to income ratio is expected to be in line with 1H24.

Capital: The Group will maintain its disciplined approach to active capital management, including holding appropriate capital buffers. The Group maintains its commitment to a 60% to 80% dividend payout ratio.

Bank Sale

On 20 February 2024, the Australian Competition Tribunal granted authorisation of the proposed sale of Suncorp Bank to ANZ. The transaction 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. Subject to these being received, completion is expected to be around the middle of the 2024 calendar year. Expected net proceeds of $4.1 billion remain materially unchanged. As previously announced, the Group remains committed to returning to shareholders any capital that is excess to the needs of the business following completion.

Bank transition costs: In light of the Australian Competition Tribunal's decision to grant merger authorisation, progress on separating the Bank continues. The Group expects to incur $70 million post-tax of Bank separation costs in 2H24.

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] Growth on the prior half.
[iv] Excludes emergency services levies, transitional excess profits and losses (TEPL) provision, commission and restructuring expenses.
[v] Profit after tax from functions includes Internal Reinsurance arrangements (1H24: $39 million, 1H23: $5 million).