

08 February 2023

Chairman's letter to shareholders – 1H23 Financial Results

Suncorp Group Limited (Suncorp) (ASX: SUN | ADR: SNMCY) has today released the attached letter from the Chairman to shareholders regarding Suncorp's 1H23 Financial Results.

Authorised for lodgement with the ASX by the Company Secretary.

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Dear Shareholder

Half year results to 31 December 2022

I am writing to update you on the first six months of Suncorp's 2023 financial year.

Our three businesses have continued to build momentum and grow through a dedicated focus on our strategic priorities and an unwavering commitment to our customers and communities, all of which underscores the financial outcomes achieved despite the substantial headwinds of recent years.

The Group has continued to face into challenging operating conditions including economy-wide inflation, an uncertain geo-political landscape and of course the prevailing La Niña climate pattern, which has contributed to an ongoing elevated level of natural hazards for our insurance businesses.

Suncorp's priority has been supporting our customers impacted by these severe weather events that have devastated so many of our communities, while also continuing to work hard to return customers to their homes following the Australian East Coast floods almost one year ago. We're making good progress on this front, with four in five customers now back in their homes, and we remain deeply committed to ensuring every customer is returned as soon as possible.

More recently, our focus turned to those impacted by the extreme rain and flooding event in Auckland and surrounding areas on New Zealand's North Island. Suncorp's New Zealand teams are on the ground assisting our customers, with additional people from our Australian operations quickly deployed to expedite our response to this disaster.

This is a demonstration of the agility of our operating model as we continue to strengthen our Trans-Tasman insurance business. Bringing our teams together to support our customers and communities in their times of crisis is part of the Group's core capability. We have received more than 8000 claims to date as a result of the flooding in New Zealand and, notwithstanding the magnitude of this event, our business remains well protected by our robust reinsurance program.

Pleasingly, the Group remains on track to achieve our FY23 targets, which is testament to the strength and resilience of our business and people. It also demonstrates our ability to continue to create long-term shareholder value while meeting the evolving needs of our customers and other stakeholders.

Performance and dividend

Today we have reported improved earnings, driven by continued strong top-line growth across the Group, improved underlying margins and positive investment returns. Group net profit after tax was up by 44.3% to \$560 million, while cash earnings were up 62.9% to \$588 million. You can view the [ASX here](#).

While the underlying business demonstrated strong momentum, the Group's results were impacted by elevated natural hazard activity, with eight separate weather events experienced during the half resulting in around 53,000 in natural hazard claims. This resulted in the Group exceeding its natural hazard allowance by \$99 million. The Group's full year natural hazard allowance is \$1,160 million and our reinsurance program continues to provide strong protection.

Volatility continued in investment markets in the half, although the Group's \$15 billion investment portfolios benefitted from higher running yields, with the net impact of yields and investment markets contributing \$287 million this half compared to \$61 million in the prior corresponding period.

The Board has determined to pay a fully franked interim ordinary dividend of 33 cents per share. The Group's half year dividend payout of 71% of cash earnings is within the target payout ratio range of 60% to 80%.

Sale of Bank

The Group's decision to divest Suncorp Bank to the ANZ Banking Group (ANZ), as announced in July last year, positions both our insurance business and Suncorp Bank for ongoing growth and success as separate businesses.

We continue to believe the Bank will benefit from being part of a larger banking group that can invest in its future and that of Queensland. This includes better access to capital and funding markets, technology investment, and a wider range of products and services for customers.

The sale of the bank will simplify the Group as an organisation and allow for greater focus on Suncorp's insurance business, products and services at a time when the value of insurance to customers and the community has never been greater.

The sale process remains on track and, subject to regulatory and government approvals, is expected to complete in the second half of calendar year 2023. The ACCC is currently reviewing ANZ's application for merger authorisation and considering submissions that have been made by interested parties as part of the public consultation. We expect this process will take some months as the ACCC works towards their determination by June 2023.

As you are aware, the transaction is also subject to approvals from the Queensland Government and Federal Treasurer, and we continue to engage constructively with these stakeholders.

Until the sale is completed, Suncorp remains fully committed to delivering against the Bank's strategic priorities, which have achieved solid results this half year.

Your Board also remains committed to returning to shareholders any capital that is excess of the needs of the business.

In closing

While the operating environment continues to pose challenges, we expect current inflationary trends to moderate as monetary policy changes impact demand and as supply chain pressures ease. We continue, however, to see skills shortages in some critical areas across the markets we operate in; while this is challenging, the Chief Executive Officer and his team maintain a sharp focus on attracting and retaining the best people to our purpose-led organisation.

Like other major businesses, we also see the intensity of cyber security risk increasing. We have a heightened focus on our own cyber security and continue to strengthen our cyber resilience to protect our business, people and customers. We encourage our shareholders and customers to remain vigilant around scams in particular.

While we have been impacted by the La Niña conditions recently, there is an expectation that these extreme weather conditions are becoming neutral. However, the global reinsurance markets remain in a hardening phase due to elevated natural hazard events and the inflationary environment, which will continue to impact the cost of reinsurance. As always, we will navigate these challenges with a view to balancing risk selection and generating returns for our shareholders.

In addition, our focus on improving community resilience to natural hazards, responding to climate change, and addressing the affordability and accessibility of insurance remains a priority. These issues continue to be among the most material for our industry to address, and it's been pleasing to see our company's advocacy agenda starting to gain real traction.

We firmly believe our ability to continue to drive a more resilient Australia and New Zealand and create further long-term shareholder value will be enhanced as a dedicated Trans-Tasman insurance company.

On behalf of the Board, I would like to thank you, our valued shareholders, for your ongoing support of the Suncorp Group.

Yours sincerely,



Christine McLoughlin AM
Chairman

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