
SUNCORP
Financial Results
For the year ended
30 June 2023
9 August 2023
SUNCORP GROUP LIMITED | ABN 66 145 290 124

Good morning and welcome.

For those joining us in the office, if there is a need to evacuate, please follow the instructions of our team.

Let me begin by acknowledging the traditional owners of the lands on which we meet and pay our respects to all Elders - past, present and emerging.

Today, I am joined by our CFO, Jeremy Robson to present our financial results for FY23. The other members of our leadership team will join Jeremy and I for the Q&A session that follows.

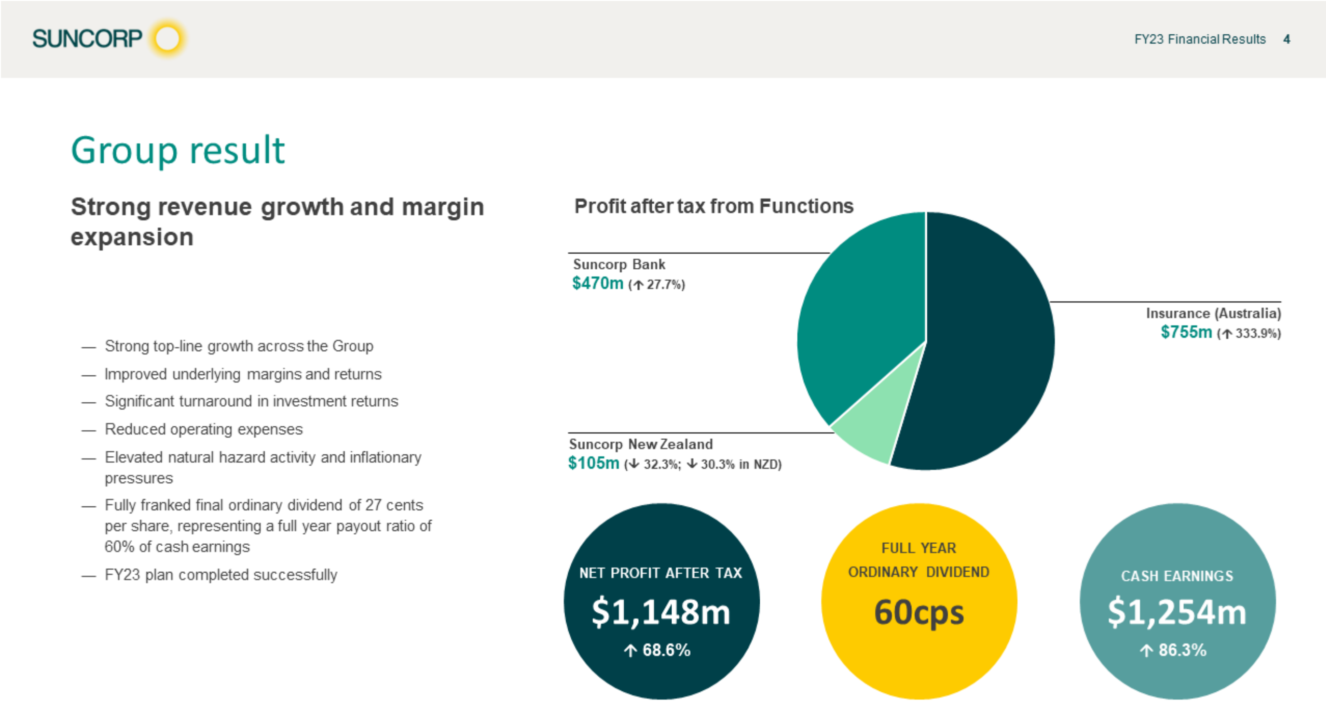
Purpose driven, delivering strong outcomes for the long term

As usual, I will start by reinforcing our purpose and how we believe it connects to long-term value creation.

At Suncorp, we are driven by our purpose - building futures and protecting what matters.

It is the absolute priority of our team to support our customers, often in times of great uncertainty or distress.

The long-term financial outcomes we achieve and the value we create for our shareholders reflects our success in getting this right.



Turning to the result, and the Group has delivered a material improvement in earnings for the 2023 financial year, with Net Profit after Tax of $1.15 billion and cash earnings of $1.25 billion.

At the headline level it's very difficult to compare the FY23 result with the prior period given FY22 saw very material mark to market losses across the Group's investment portfolios. As we said at the time these losses would unwind to profit in the form of improved underlying yield.

And while markets have continued to be volatile, the impact of higher running yields has more than offset any unfavourable mark-to-market movements in FY23, meaning investment returns are a large contributor to the headline profit increase.

The Group result was also impacted by the third consecutive La Niña and elevated natural hazard activity - with around 130,000 natural hazard claims during the year. While this is a similar overrun to FY22, this year it can largely be explained by the New Zealand events, with Australian experience broadly in line.

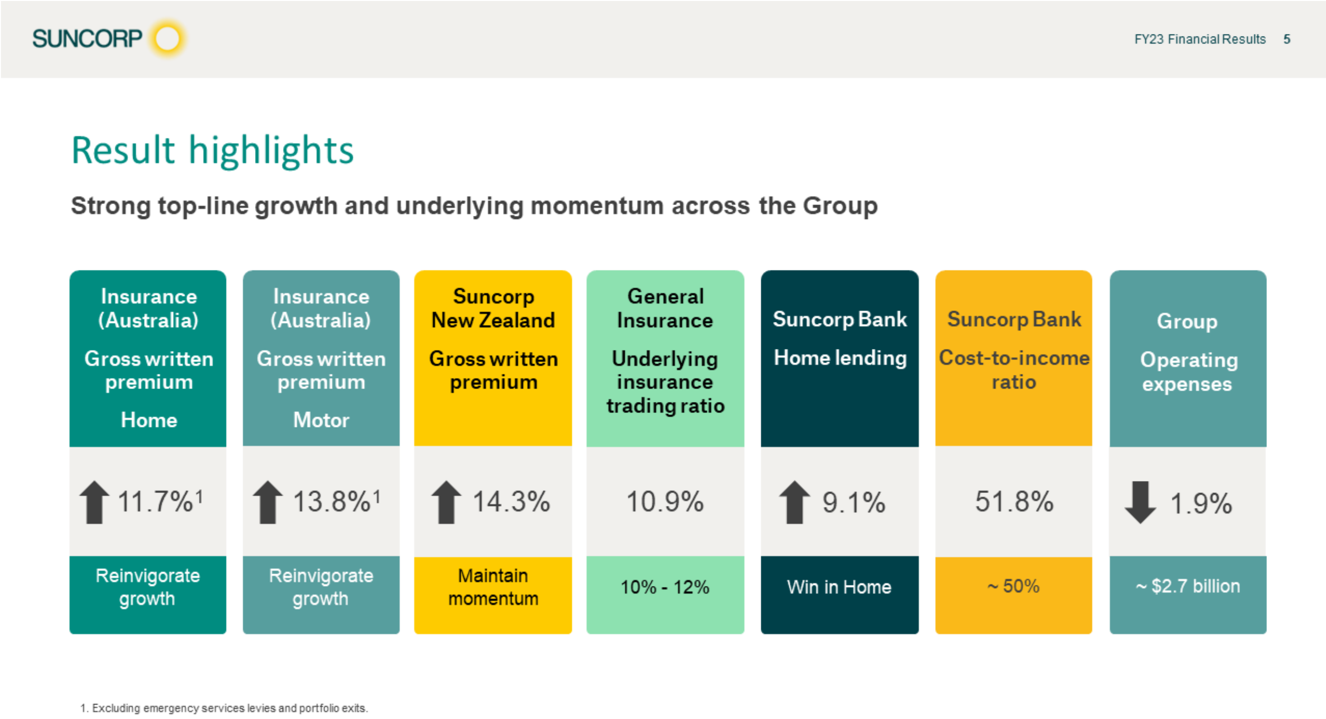
Once you get behind the headline noise, it's clear that the underlying performance across each of our businesses continues to improve and that the operational improvements embedded in the plan we put in place in FY20 are delivering.

I'll talk to some of the result highlights in a moment.

To the dividend and the Board has declared a final, fully franked, dividend of 27 cents per share. This represents a payout of 60% of cash earnings for the full year.

While this is a significant increase on the prior period and within our payout range, I acknowledge it breaks with our usual practice of landing the full year dividend payout in the top half of the range. Jeremy will step you through all the moving parts in a moment.

As you know, we have always maintained a conservative capital position in order to manage any unexpected risks, whether they be economic, geopolitical or weather-related. With the Bank sale now unlikely to complete until FY24, we felt it appropriate to maintain this approach.



To the next slide and strong top-line growth and underlying momentum across the Group has again been a key highlight of this result.

In Insurance (Australia), like-for-like GWP was up 11.7% in Home and 13.8% in Motor. Unit growth, while moderating in the second half, remained within our tolerances as we continue to prioritise margin by pricing for higher natural hazard and reinsurance costs and broader claims inflation.

New Zealand GWP increased by 14.3% with a targeted pricing response to offset inflationary pressures and higher reinsurance costs.

The Group achieved an underlying ITR of 10.9% for the year, up from 9.0% when you exclude the positive impact of COVID-19 from the prior period. Revenue growth, improving expense ratios in the Australian business and investment yields supported margins, and more than offset pressure from increased natural hazard and reinsurance costs and claims inflation, particularly within the Motor portfolio.

In the Bank, the home lending portfolio delivered another strong year of growth, increasing by $4.6 billion or 9.1%. Asset quality remains sound within the conservatively positioned portfolio, with a small increase in the collective provision due to a more challenging outlook for business credit. Customer deposits grew 6.9%, with increased demand for term deposits given rising interest rates.

The Bank's cost-to-income ratio decreased from 59.0% to 51.8%, through a combination of asset growth and disciplined cost management.

Group operating expenses fell by 1.9% in absolute terms as we continue to deliver the efficiency benefits from the strategic program of work that we have had in place for the past three years. Of course, this expense reduction has been delivered against the backdrop of the current inflationary environment.

FY23 Plan – strategic initiatives and targets

Strategic Initiatives

Insurance Australia	Suncorp New Zealand	Suncorp Bank
Revitalise growth Optimise pricing and risk selection Digital first customer experiences Best in class claims	Grow brands and strategic partnerships Best in class claims Digitise and automate	Win in Home Seamless everyday banking Grow businesses Digital first Customer service excellence

Strategic Targets

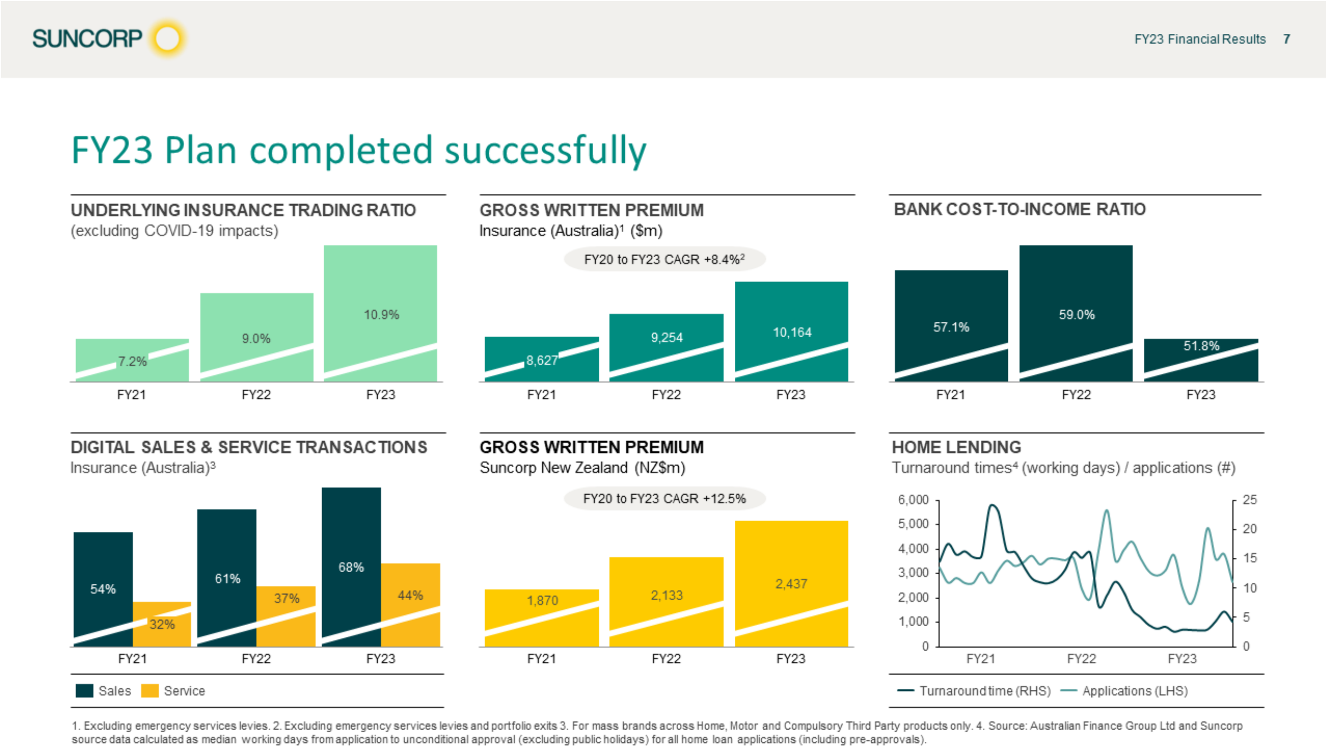
Return on equity	Dividends	General Insurance	Bank
Cash return on equity above the through-the-cycle cost of equity	Payout ratio 60% to 80% of cash earnings Return any capital to shareholders that is excess to the needs of the business	Underlying insurance trading ratio of 10% to 12% by FY23	Cost-to-income ratio of ~50% by end of FY23

To the next slide and three years ago we outlined our strategic plan, which targeted returns above the through-the-cycle cost of equity.

It targeted an underlying ITR of between 10% to 12%, a bank cost-to-income ratio of around 50%, alongside a growing franchise and a flat cost base.

We have delivered on these commitments in the face of considerable headwinds including three sequential La Niña weather patterns, dislocation of the global pandemic, significant supply chain disruption and record inflation.

The plan centred around 12 key strategic initiatives, outlined at the top of the slide, aimed at aligning everyone at Suncorp around improving the way we deliver insurance and banking products to our customers.



This slide provides a snapshot of the outcomes of the plan. I won't go through them all now other than highlight three key achievements.

Significant growth across the Australian and New Zealand Insurance businesses CAGR's of 8.4% and 12.5% respectively, has been supported by improved marketing, the revitalisation of our brands and broker relationships and improved customer value propositions.

Beyond the financials, our investment in digital has made a real difference to the way we interact with our customers.

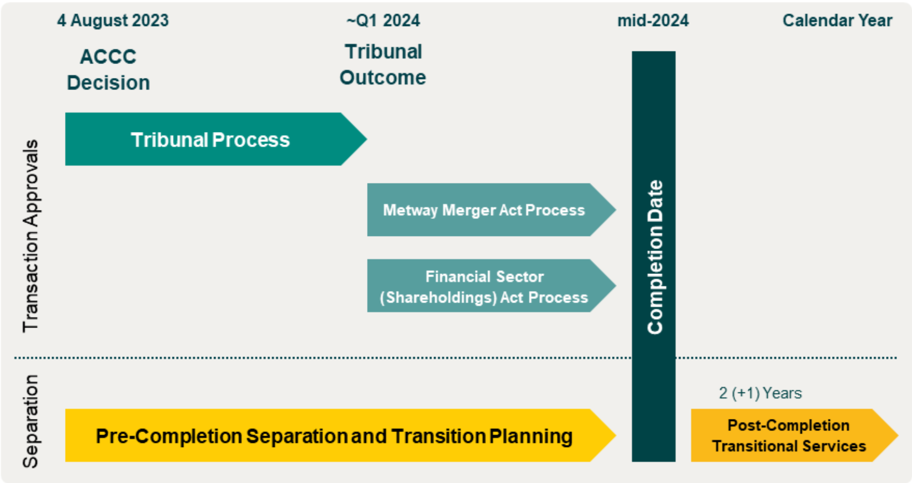
As illustrated on this slide, digital now makes up 68% of sales and 44% of service transactions across our mass brands, with active digital users growing to approximately 5 million.

In claims, enhancements to our online lodgement process has also resulted in 50% of Motor and Home claims now being lodged digitally.

More recent claims events have seen Home lodgements via digital of above 80%.

And in the Bank, our investments to simplify the Customer and Broker experience have significantly improved NPS, while median application turnaround times for Home lending have dramatically reduced to 4 working days, down from around 14 days at the beginning of the plan period. In fact we recorded the fastest turnaround among peers for 32 of the 52 weeks of FY23.

Pathway to Bank completion and transition



NOTES

- On 4 August 2023, the Australian Competition and Consumer Commission (ACCC) did not approve merger authorisation application
- Process will now continue to Australian Competition Tribunal
- ACCC decision disappointing but remain confident in the merits of the transaction
- We continue to work co-operatively with governments and regulators
- Targeted completion now anticipated by mid-2024, subject to regulatory approvals and legislative amendments
- Net proceeds remain materially unchanged, with the intention to return the majority to shareholders subject to the needs of the business

Turning now to the sale of the Bank and we are obviously disappointed with the ACCC's decision to deny authorisation of the planned sale of the Bank to ANZ.

We maintain the view that the proposed sale is in the best interests of our customers, shareholders and employees and that it will deliver public benefits for Queensland and the nation.

In our view the deal can achieve these objectives without adversely affecting the competitive dynamics in the markets in which we operate.

The evidence we have provided to support our views on these matters is contained on the public register and will ultimately be considered by the Tribunal. Our evidence also supports our belief that, based on the extensive analysis we have done and our engagement with the Queensland Government, there is no relevant alternative transaction involving another regional bank that has any commercial likelihood of being executed.

While we have only had a couple of days to review the ACCC determination, we've seen nothing that has changed our view on these matters or our level of confidence that the deal will ultimately be approved.

On this slide I have outlined how we see the process from here.

We will support ANZ through the Competition Tribunal process to review the determination. The Tribunal will look at all the evidence and ultimately form its own view.

This process could take up to eight months, with the timeframe dependant on the complexity of the case and whether new evidence is put before the Tribunal.

Subject to a successful outcome at the Tribunal and all approvals being received, we now expect completion to be around the middle of the 2024 calendar year.

With that, I'll hand over to Jeremy.

FY23 Financial Results

Jeremy Robson

Group Chief Financial Officer

Group result overview

Continued margin expansion and strong top-line growth

	FY23 ($m)	FY22 ($m)	Change (%)
Insurance (Australia)	755	174	333.9
Suncorp New Zealand	105	155	(32.3)
Suncorp Bank	470	368	27.7
Cash earnings	**1,254**	**673**	**86.3**
Group net profit after tax	**1,148**	**681**	**68.6**
Ordinary dividend (cents per share)	**60**	**40**	
CET1 held at Group	**274**	**248**	

KEY MESSAGES

- Strong top-line growth and improved underlying margins
- Inflationary pressures and increased reinsurance costs driving price increases
- Significant turnaround in investment returns
- Capital impacted by reinsurance changes and business growth
- FY23 targets delivered
- Return on tangible equity of 15.7%
- FY23 total shareholder return of 28%

Thanks Steve and good morning everyone.

I'd like to start by reiterating how pleasing it is to be able to report on the successful achievement of the FY23 targets that we first outlined in May 21.

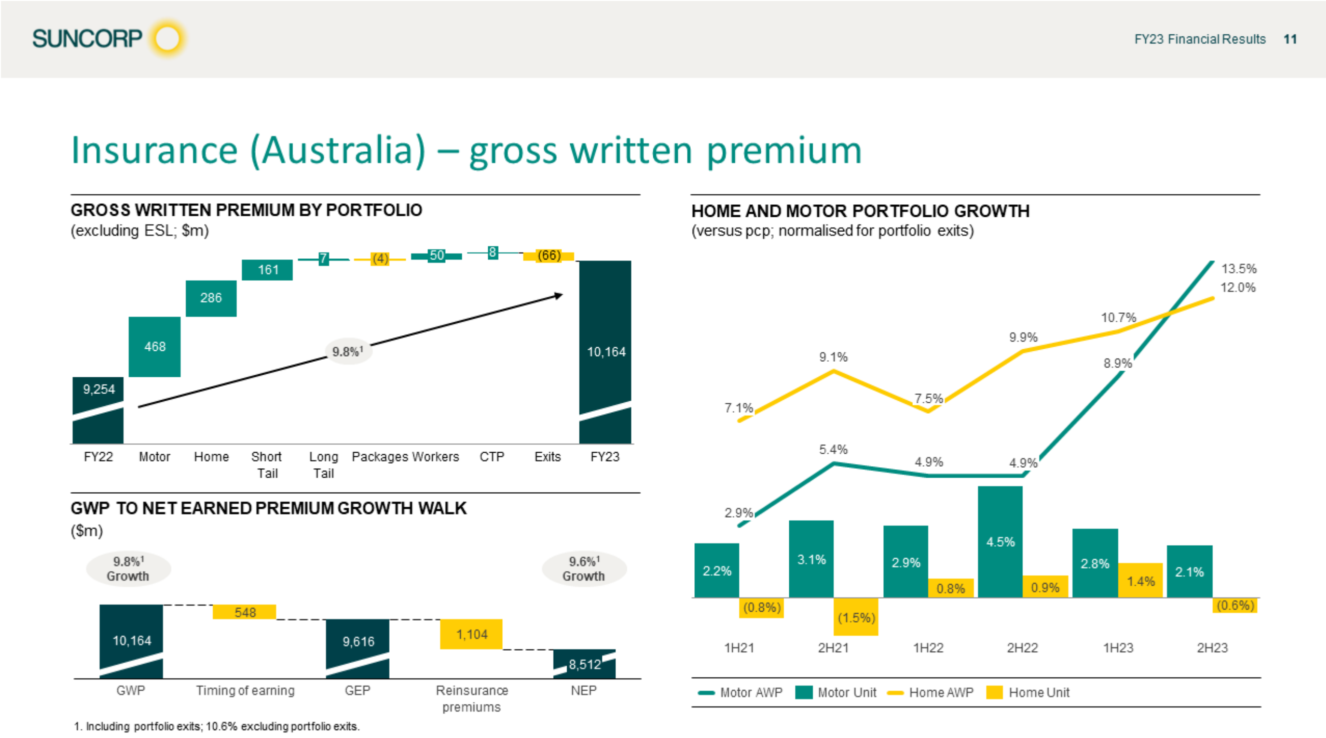
We've faced into many challenges, and it's a testament to the growing resilience of the business that we've been able to deliver on those promises today.

In GI, the operating conditions remained challenging, with inflationary pressures and elevated natural hazard costs.

We've continued to respond with appropriate price increases and good management of the cost base, and the result was supported by improved investment returns, as well a BI provision release in the first half.

In Banking, the benefits from growth in recent periods has underpinned the strong performance.

Shareholder returns improved with RoTE of ~16% and total shareholder returns of 28% over the financial year.



I'll now take you through the result in more detail, starting with Insurance (Australia) and top-line growth.

Overall, GWP grew by 10.6%, excluding portfolio exits.

The Home portfolio grew by nearly 12% as we continued to put through strong premium increases in response to natural hazards and reinsurance costs.

Motor increased by nearly 14%, with premium increases accelerating in the second half reflecting industry-wide claims inflation.

We saw unit growth across both portfolios over the course of the year, albeit with growth slowing in the second half.

We're confident our pricing reflects the increase in input costs, but I do remind you of the inherent lag between inflation and the earning of premiums - and note the significant GWP increase from previous renewals still to earn through the P&L

In Commercial, growth of 10% was driven by the NTI, Property and Fleet portfolios with retention stable and stronger new business despite rate increases. Remediation of the Packages and long tail portfolios drove improved growth in the second half.

CTP increased by ~1%, with a stronger second half from improved price positioning driving unit growth across all schemes.

And growth in Workers' Compensation reflected higher wages, rate increases and improved retention.

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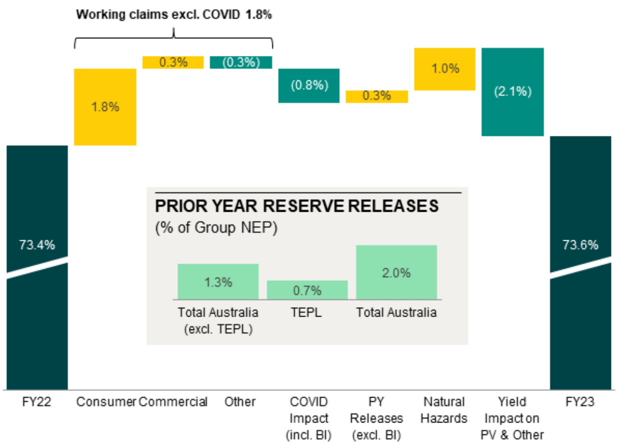
Insurance (Australia) – net loss ratio

NET LOSS RATIO BY PORTFOLIO



NOTES

— Prior year reserve releases lower as previously indicated

— The negative impact of natural hazards costs was largely due to the prior year benefiting from reinsurance recovery related risk margin release

— COVID impact includes the release of the majority of the BI provision, partially offset by frequency benefits in 1H22

— Higher risk-free rates drove an increase in present value discounting

MOTOR CLAIMS – PRICING AND INFLATION

— Increased motor claims costs driven by both average claims size (second hand car prices, supply chain disruption) and higher frequency (downward pre-COVID frequency trends did not persist)

— Pricing response has accelerated through the year, with Q4 above inflation, noting the following timing dynamics:

- Pricing – expected inflation versus actual inflation
- Earning – 12 to 24 months for pricing increases to earn through fully

— Pricing currently being put through in response to inflation

— Margins expected to return to target levels by the end of FY24

— Investment in technology including CaPE has increased precision and responsiveness

Turning to claims.

The deterioration in Consumer continued to be driven by the Motor portfolio, largely from elevated second-hand car prices (which were more prominent in the first half) and supply chain disruptions (which were more prominent in the second half).

In response to this inflation, we've:

– continued to increase repair capacity across both drive and non-drive

– implemented the new CaPE pricing model for motor

– improved our digital lodgement and claims management

– put through significant price increases, noting that it takes time for these to earn through the book

We have accelerated motor pricing throughout the year in response to inflation, and margins are expected to return to target levels by the end of FY24.

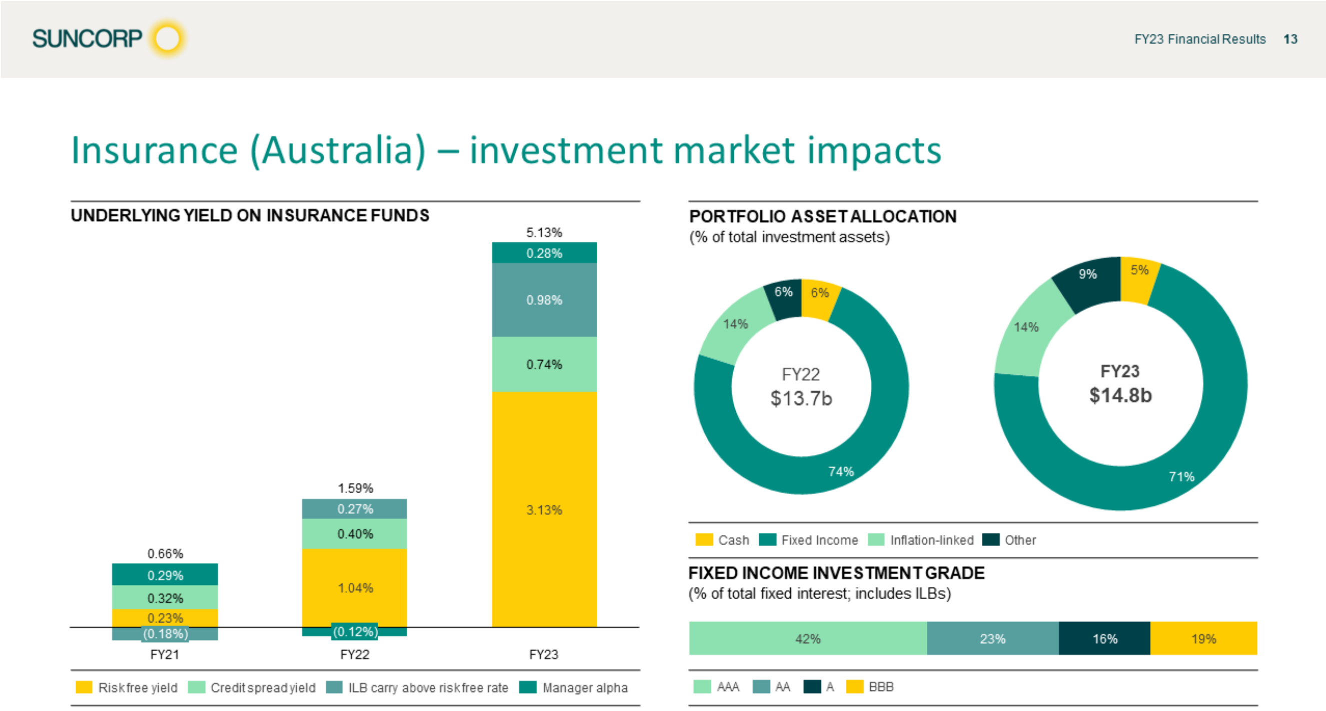
We expect current motor inflation to moderate in the second half of FY24.

Home loss ratios improved, despite the significant increase in Reinsurance costs, with stable frequency, strong cost management and favourable mix outcomes.

Commercial was slightly unfavourable as higher costs in fleet offset the benefits of ongoing pricing and underwriting actions.

Prior year reserve releases at 1.3% (excluding TEPL) were broadly in line with our expectation, with some favourability in consumer and run-off portfolios partially offset by a modest strengthening in Commercial.

Natural hazard costs, including the associated claims handling expense and risk margin, were higher with no major reinsurance recoveries in FY23.



Turning to investment performance.

The net impact of investment markets for FY23 was a very significant turnaround, with higher investment income on both technical reserves and shareholders' funds, as well as a higher discounting benefit in the claims line.

The performance of our managers across most asset classes has also been pleasingly strong.

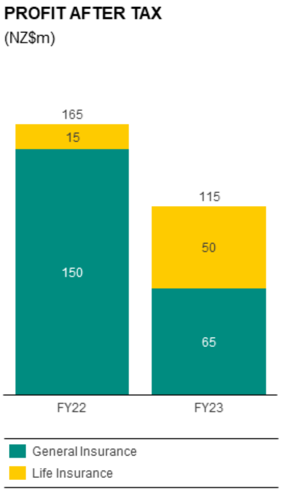
The average underlying yield on insurance funds was 5.1% with improved returns across all components. ILB's provided strong returns, supporting the business through this period of elevated inflation.

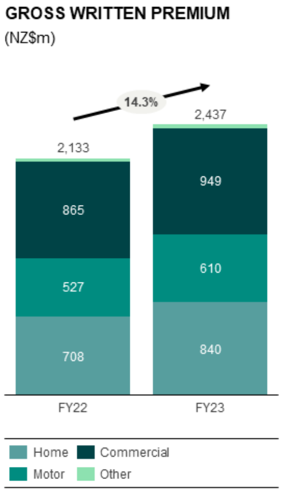
The average return on shareholders' funds was 4.6% with higher running yields and improved equity market performance.

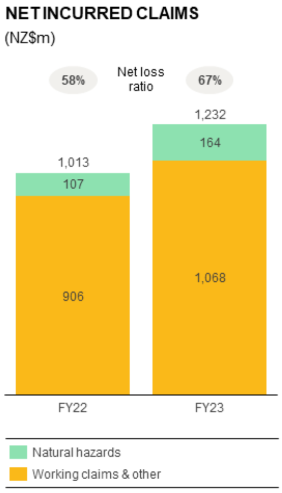
As always, we continue to assess the profile of our investment portfolio and note the following:

– We've normalised our exposure to equities in the second half as market conditions improved
– We've further diversified our portfolio with investment allocations to property and infrastructure
– And we continue to invest 90% of the overall portfolio in investment grade fixed income securities.

Suncorp New Zealand







NOTES

- Strong GWP growth with pricing reflecting inflationary pressures and increased reinsurance costs
- General Insurance business impacted by two large weather events
- Claims experience negatively impacted by natural hazards and elevated working claims largely in Motor
- Increased investment returns due to higher running yields
- Life Insurance profit increased due to growth in planned profit margins and favourable market adjustments
- Internal reinsurance reinstatement of NZ$95m impacted the NZ result but was neutral at Group level

Moving onto New Zealand.

And the result this year was impacted by significantly elevated natural hazard activity, particularly the North Island Floods and Cyclone Gabrielle.

As well as elevated claims costs, the impact from these events included a NZ$95 million internal reinsurance reinstatement that was neutral at a Group level.

We continued to experience strong top-line growth of over 14%, driven by targeted price increases in response to claims inflation and Reinsurance costs.

Higher working claims costs were driven by motor inflation, with similar dynamics to Australia, and large fire losses in Q1. The prior period was also positively impacted by COVID related motor frequency benefits.

As with Australia, we're confident that current pricing increases are appropriate to reflect underlying claims inflation.

Natural Hazard costs were elevated in New Zealand, with the La Niña weather pattern driving four events as well as elevated attritional losses.

Investment income improved with similar dynamics to the Australian portfolio.

And the Life business saw a significant increase in profit, supported by improved profit margins and market adjustments.

Group underlying ITR

FUNDAMENTAL UITR DRIVER ANALYSIS

	FY22 vs FY23	FY24 Outlook
FY22 UITR[1]	**9.0%**	
Gross earned premium	9.3%	Tailwind
Investment Income	4.3%	Neutral
Claims	(8.4)%	Moderating
Natural Hazards / Reinsurance	(4.7)%	Headwind
Expenses	1.4%	Neutral[2]
Prior year reserve releases	0.0%	Headwind
FY23 UITR	**10.9%**	

1. Excluding COVID-19.
2. Expenses outlook on a ratio basis.

NOTES

— FY23 target of 10% - 12% met (FY23: 10.9%; 2H23: 11.7%)
— Underlying ITR was impacted by an increase in natural hazard and reinsurance costs, as well as working claims, especially in Motor
— The pricing response to these impacts is reflected in the positive contribution of GEP
— Investment income was positively impacted by higher running yields
— Strategic and operational benefits drove improvements across operating expenses and claims handling
— FY23 at a portfolio level:
  - Home improved with higher investment yields, lower expenses and pricing increases, partially offset by higher reinsurance and natural hazard costs
  - Motor reduced with working claims experience offset by the pricing response, lower expenses and improved yields
  - Commercial and long tail statutory classes improved largely due to higher yields
  - New Zealand marginally lower from motor claims and large home fires, offset by higher yields

Turning then to the Group underlying ITR.

We recorded an increase to 10.9% for the year, accelerating to 11.7% in the second half.

This was a good result given the headwinds of increased reinsurance costs from the FY23 renewal and significant motor claims inflation in both Australia and New Zealand.

The key factors that offset these impacts were:

– Significant increases in premiums in response to these headwinds.
– Higher investment income driven by underlying yields, with the performance of the ILB portfolio continuing to provide a hedge against inflation.
– And the delivery of strategic initiatives that drove efficiencies across both opex and claims handling expenses.

We continue to target an underlying ITR range of 10% to 12%, with the outlook reflecting expected headwinds from the FY24 Reinsurance renewal, moderating investment yields and lower prior year reserve releases. But these are offset by the earn through of higher premium renewal rates and moderating motor claims inflation in the second half.

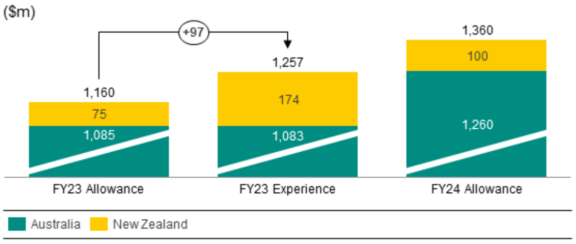
Given the timing of these dynamics, we expect the underlying ITR to be at the bottom end of the range in the first half, but with a stronger second half as the pricing response to increased input costs earns through in both Australia and New Zealand.

We expect this premium rate momentum to continue to earn through beyond FY24.

Natural hazards & reinsurance

FY23 NATURAL HAZARDS VS ALLOWANCE[1]

($m)



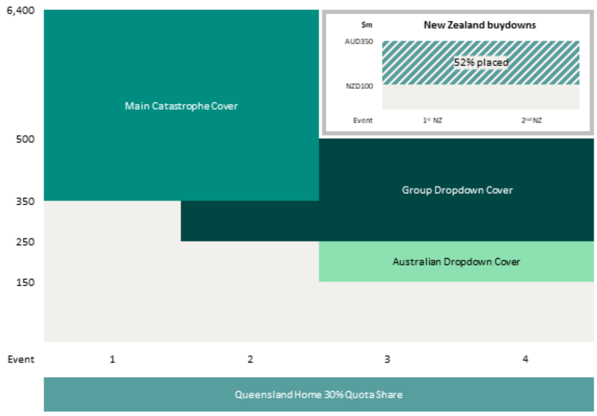
NOTES

- Australian natural hazards experience favourable to allowance after adjusting for internal reinsurance arrangements for New Zealand events
- Comprehensive FY24 reinsurance program in place with greater risk retention reflecting the hardening reinsurance market and disciplined economics
- FY24 allowance of $1,360 million reflects the increased retention, claims inflation and model changes, partly offset by reduced cyclone risk retention due to entry into the Cyclone Reinsurance Pool

1. The split between Australia and New Zealand is based on event location and excludes internal reinsurance arrangements.

FY24 REINSURANCE PROGRAM

($m)



Moving to natural hazards.

Our natural hazard costs for the year exceeded the allowance by $97 million, driven by weather events in New Zealand. Pleasingly, the Australian business was actually slightly favourable to the allowance.

The group result is in line with what our modelling would suggest for a La Niña year – our third in succession. And it now looks likely we are moving into a more favourable El Niño weather pattern for FY24.

We are pleased to have once again placed a comprehensive reinsurance program for FY24.

Key features of the programme include:

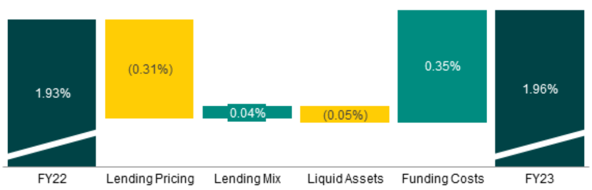
- A first event retention of $350 million, with a prepaid reinstatement, and appropriate dropdown structures in place for Group and Australia.
- We made the decision not to renew our AXL cover.
- An increase in the attachment points for New Zealand buydowns, with 52% placed.
- And we renewed the Queensland Quota Share for Home

As always, we perform comprehensive modelling and take a disciplined approach to assess an optimised programme, and believe the cover placed provides the best economic outcome. And our capital position has enabled to make this decision.

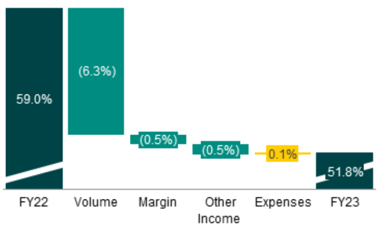
Suncorp Bank

	FY23 ($m)	FY22 ($m)	Change (%)
Net interest income	1,408	1,245	13.1
Other operating income	17	3	466.7
Operating expenses	(737)	(736)	(0.1)
Operating profit	**688**	**512**	**34.4**
Impairment release / (expense)	(17)	14	n/a
Income tax	(201)	(158)	(27.2)
Suncorp Bank profit after tax	**470**	**368**	**27.7**

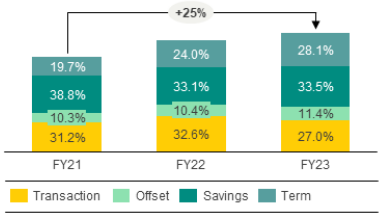
NET INTEREST MARGIN



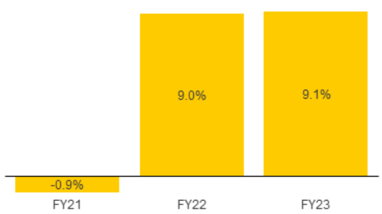
CTI DRIVERS



DEPOSIT GROWTH AND COMPOSITION



HOME LENDING GROWTH



Turning now to the Bank.

The strong profit performance benefited from volume growth and improved margins.

The Bank continued to deliver on its strategic objective to grow in Home lending with the book expanding 9% over the year.

The strong lending growth is testament to the significant improvement in the processes and turnaround times achieved by the Bank.

Importantly, we have grown credit without compromising quality. And I'll touch on that briefly on the next slide.

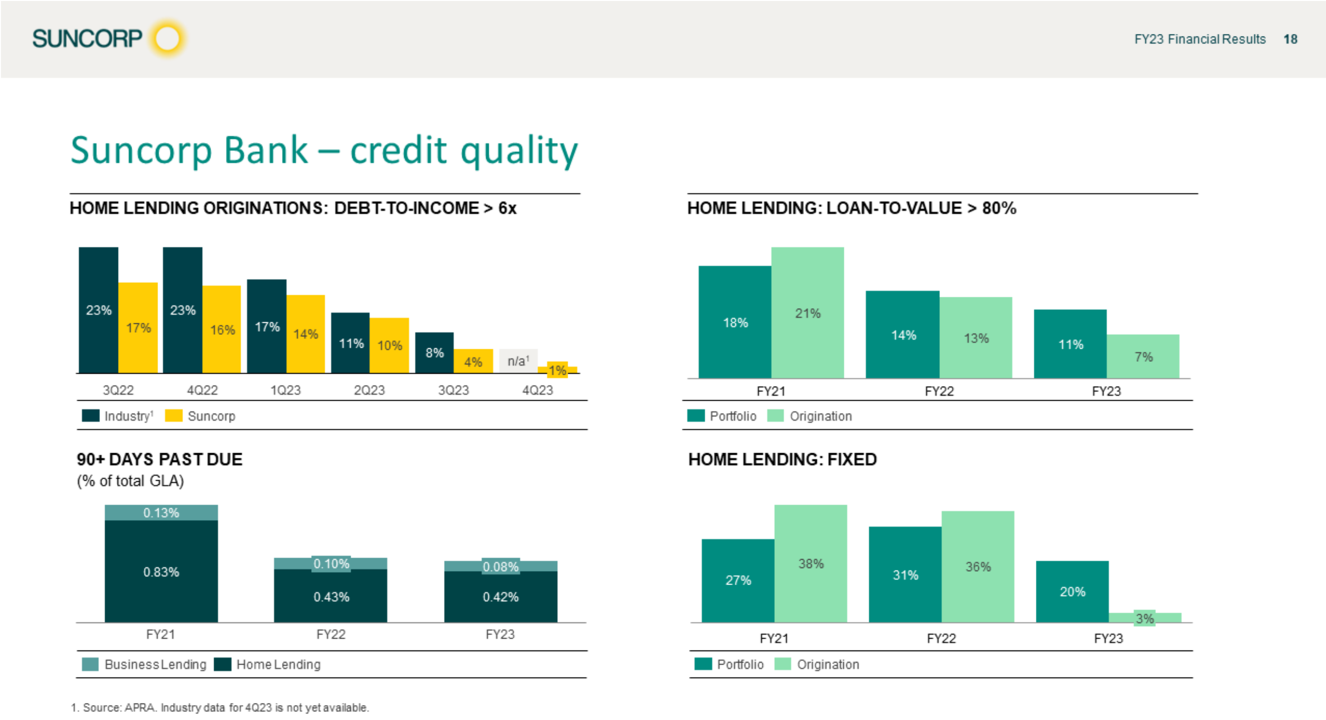
Deposits grew 7%, with a clear shift in mix from transaction accounts to term deposits and savings accounts as customers take advantage of interest rate increases.

The NIM of 196 basis points was just above our target range and was elevated primarily by deposit pricing in the first half, but offset by intense competition in lending pricing.

The increasing competition on deposits has led to a lower NIM in the second half.

The ongoing competition on lending and increased competition on deposits are expected to be a feature of the margin outlook.

Expenses have been well managed and were flat year on year. The cost to income ratio improved to 51.8%. But with an increase in the second half, largely from the impact of the margin environment.



Now I'll quickly touch on the Bank's credit quality.

It remains well positioned and strong on all key metrics:

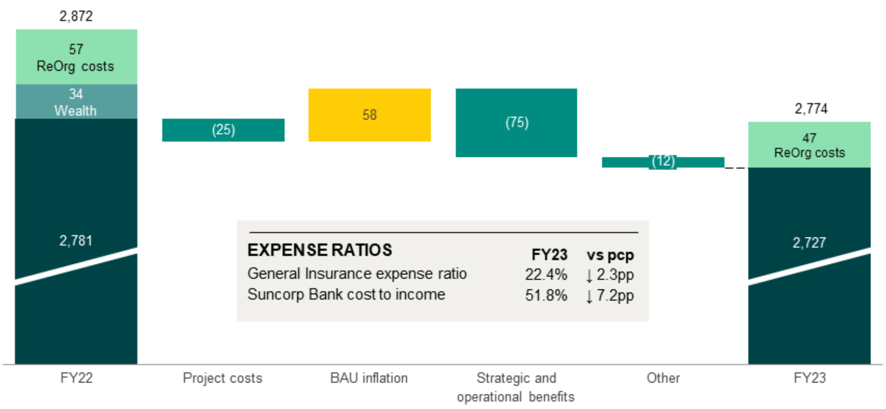
- 93% of new home lending business was originated at an LVR below 80%
- Only 3% of new home lending business was originated in the second half with a debt-to-income of greater than 6x
- The dynamic LVR of the home lending portfolio is 57%; and
- 90+ days past due loans reduced year on year.

Notwithstanding the current quality of our book, we remain alert to signs of stress and continue to closely monitor the portfolio.

We continue to review and update the economic assumptions underpinning the collective provision and consider it to be prudently set for the environment, noting an increase of $10 million to $190 million.

Group operating expenses

GROUP OPERATING EXPENSES
(excluding ESL and TEPL; $m)



EXPENSE RATIOS	FY23	vs pcp
General Insurance expense ratio	22.4%	↓ 2.3pp
Suncorp Bank cost to income	51.8%	↓ 7.2pp

NOTES

- Project spend reduced as expected across regulatory and maintenance
- Economy-wide inflationary pressures continued to impact the expense base
- Strategic and operational efficiencies from the delivery of strategic initiatives and business simplification continued to deliver benefits

Outlook

- GI expense ratio expected to be flat with tighter management of ongoing costs but investment in the business
- Bank CTI ratio expected to increase to the mid-50s
- Bank separation and other costs expected to increase from $500m to $575-600m[1]. Indicative net proceeds from the transaction remain unchanged

1. Expected phasing of separation and other costs: FY23: ~20%; FY24: ~75%; FY25: ~5%.

Turning to Group expenses.

I'm very pleased to report that we have been able to achieve the FY23 target of reducing expenses to around $2.7 billion.

Importantly this is in the context of continued inflationary pressures that have impacted most businesses, with wages and technology costs the most significant contributors.

However, we've more than offset these increases with efficiency benefits from strategic and operational initiatives as well as the steps taken to simplify the business in recent years.

In terms of outlook we expect:

- the GI expense ratio to remain flat, with strong, disciplined control of operating expenses, but also investment in growing the business
- the bank cost-to-income ratio is expected to increase, largely reflecting the challenging revenue environment but also a modest increase in costs

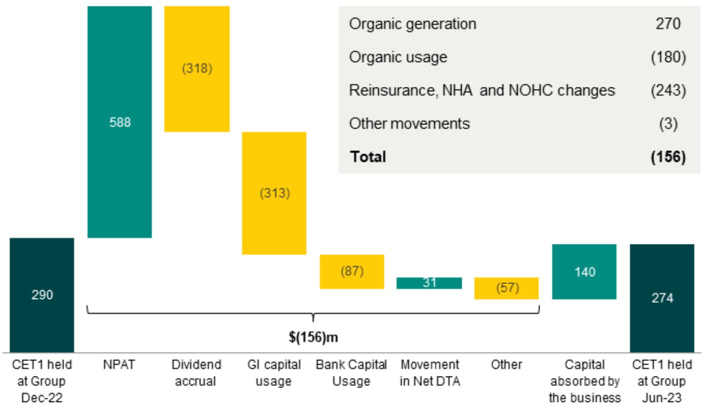
Whilst there has been no material change to the expected net proceeds from the bank sale, there have been some offsetting changes to the component parts. We now expect the separation and other costs to increase from the previously estimated $500 million to between $575 million and $600 million. This reflects the delayed process and improved clarity on the programme requirements.

We will update on this as we work through the revised transition timeline and plan following the ACCC's decision last week.

But I reiterate that importantly there has been no change to the expected net proceeds from the Bank sale.

Group capital

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



Organic generation	270
Organic usage	(180)
Reinsurance, NHA and NOHC changes	(243)
Other movements	(3)
Total	**(156)**

NOTES

- CET1 held at Group remained broadly flat at $274m
- Organic usage largely from business growth
- Capital impacted by FY24 reinsurance renewal of ~$440m partially offset by diversification benefits from changes to the NOHC conditions
- Timing differences reflected in capital include Excess Tech impact of the FY24 reinsurance renewal and Deferred Tax Assets on unrealised investment losses – expected to largely reverse over the next 12 to 24 months
- Both GI and Bank capital ratios remain within target ranges
- 27 cps fully franked final dividend, full year payout ratio 60%
- The lower payout ratio reflects a prudent and disciplined capital management in the context of the current environment, FY24 reinsurance renewal and as we work through the tribunal process in relation to the bank sale
- Additional capital retained by the Group will generate an appropriate return on capital in line with Group targets

Moving onto capital.

The capital position at 30 June was relatively flat on December, with CET1 held at Group of $274 million.

You'll see on the chart we've broken down the net capital usage for the half into its component parts.

The FY24 reinsurance renewal, as previously flagged, had a material impact on capital. This was partially offset by the realisation of capital diversification benefits through the NOHC changes.

I also note that the capital position at 30 June reflects the impact of timing differences that are expected to largely reverse over the coming 12 to 24 months. These include:

– the impact on excess tech from the FY24 reinsurance renewal ahead of the price response earning through, having already recovered the similar item relating to the FY23 renewal

– the asset risk charge from elevated reinsurance recoveries

– And the deferred tax assets on unrealised losses on fixed income investments.

The final dividend of 27 cents per share, takes the full year dividend to 60 cents per share, up 50% on FY22.

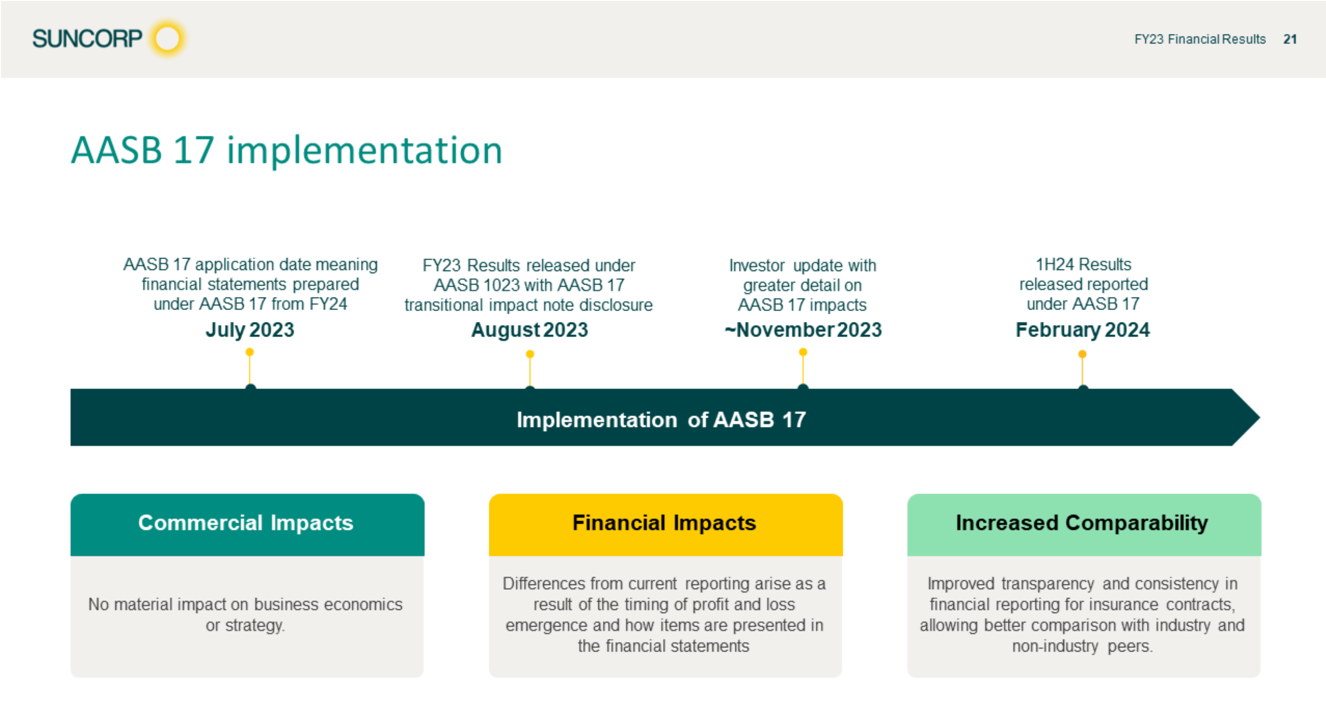
Now whilst we acknowledge the payout ratio is lower than usual, the decision reflects:

– Our prudent and disciplined approach to capital management in the current economic environment

– The impact on capital of the FY24 reinsurance renewal

– And as we work through the tribunal process relating to the sale of the Bank.

The Group remains committed to a 60% to 80% payout ratio going forwards, noting the factors I've just taken you through, which were reflected in the unusually lower FY23 payout.



And finally I'll quickly touch on the adoption of AASB 17.

Firstly, I'd like to note that the adoption of the standard is not expected to impact the economics of the business.

Financial impacts are contained to timing and the presentation in the financial statements, with the key changes being:

– Onerous contracts being calculated at a more granular level
– Risk adjustment, previously risk margin, being at a lower probability of adequacy, and
– An illiquidity premium adding to the discounting of outstanding claims.

Some financial metrics and ratios will be updated to reflect the new standards, noting that we will provide clear reconciliations to existing metrics over a transitional period.

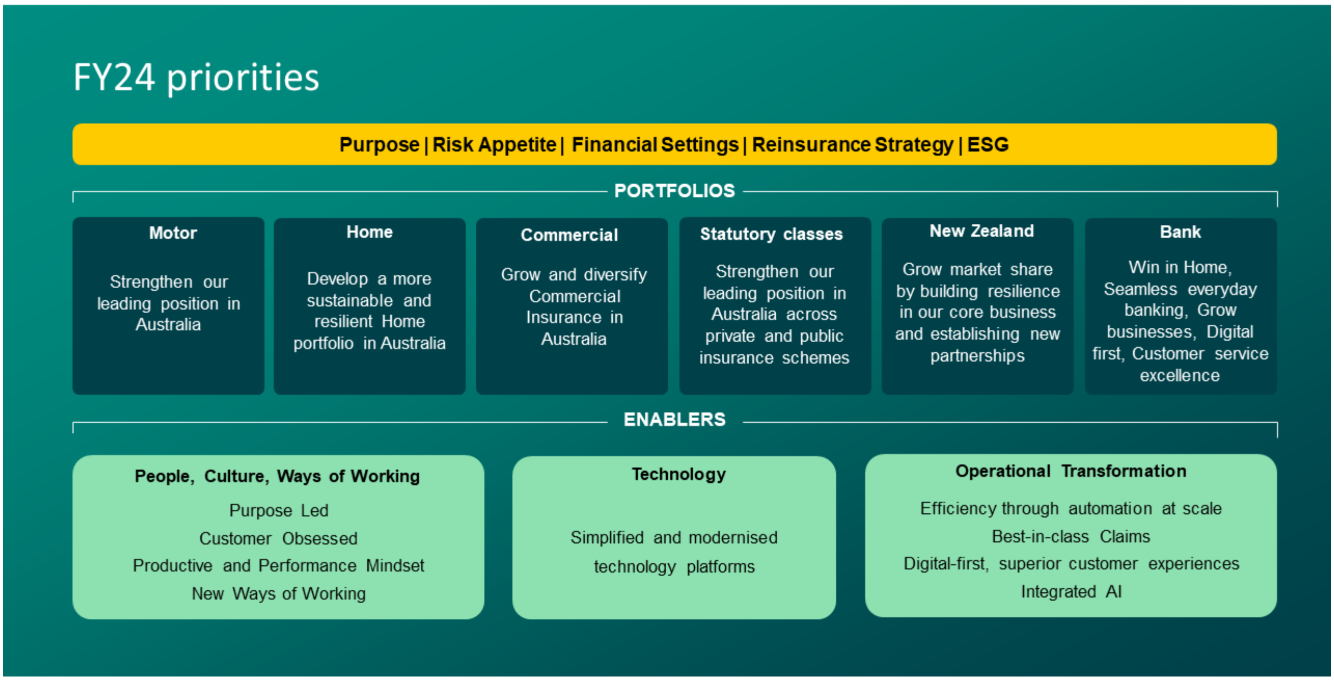
We will engage with the market later in the calendar year on changes being adopted, before first reporting under the new standards in February next year.

And on that I would now like to pass back to Steve.

Strategy & Outlook

Steve Johnston

Group Chief Executive Officer



Thanks Jeremy. On this slide I recap the strategic portfolios across the business and provide a high level articulation of our ambition in each.

I've also identified the tools we have built across the organisation to enable growth, modernise our business and make it more efficient.

You've already seen the results we've delivered in digital sales, service and claims lodgement. We will continue to progress to our ultimate objective of 70+ percent of sales and service and 80+ percent of claims lodgement delivered via digital channels.

We've also mobilised specialist automation teams to improve customer service, while making our business more efficient and risk resilient.

We are well advanced in exploring the significant opportunities AI will provide to reshape the insurance value chain.

Of course, we will continue to be disciplined around the way we invest in the business with our investment slate funded within the high level guiderails we have set for the portfolios and across the business.

In the Bank, it's now likely we will continue to own the Bank for a large part of the FY24 year. Here the priorities we have successfully executed over the past three years will remain in place. We will look to consolidate our best in market capability in Broker satisfaction and turnaround times while selectively lending in our business portfolio, as always, conscious of the economic outlook. As in Insurance we will continue to leverage our digital, automation and AI capabilities to support customers and reduce costs.

Organisational changes

- Operating model changes to further embed customer-centricity and enhance the efficiency of the business
- Three core insurance functions with end-to-end accountabilities to enable greater focus on customer and financial outcomes:

Consumer	Commercial & Personal Injury	New Zealand
– Lisa Harrison, CEO Consumer Insurance – Home and Motor portfolios	– Michael Miller, CEO Commercial & Personal Injury Insurance – Commercial and Statutory Class portfolios	– Jimmy Higgins, CEO Suncorp New Zealand – General and Life Insurance

- Insurance operational portfolios to shift under Adam Bennett, Group Executive Technology & Operations
- Paul Smeaton, Chief Operating Officer Insurance, to retire from fulltime executive career towards the end of 2023

With the delay to the Bank completion, we cannot afford to sit still. With input costs increasing and affordability being a key issue for our customers, we have to continue to evolve our business and align it to the priorities I outlined on the previous slide.

This has been the focus of the work we have undertaken in advance of receiving the Bank approvals. Not all the changes we had proposed can be implemented now but many can.

Today we are announcing some organisational changes that are broadly aligned to the portfolio view of our business.

Paul Smeaton, our current Insurance COO, has signalled his intention to retire from a full time executive career. Paul has served Suncorp with distinction in numerous EGM or ELT roles for almost 30 years. We thank him and wish him well when he leaves us at the end of the year.

When we put the current structure in place three years ago, I was keen to bring the claims function together under Paul in order to consolidate our scale and improve the way we leverage our supply chains. This model, and the Best-in-Class Claims initiatives, have served us well through an unprecedented period of hazard events and inflation.

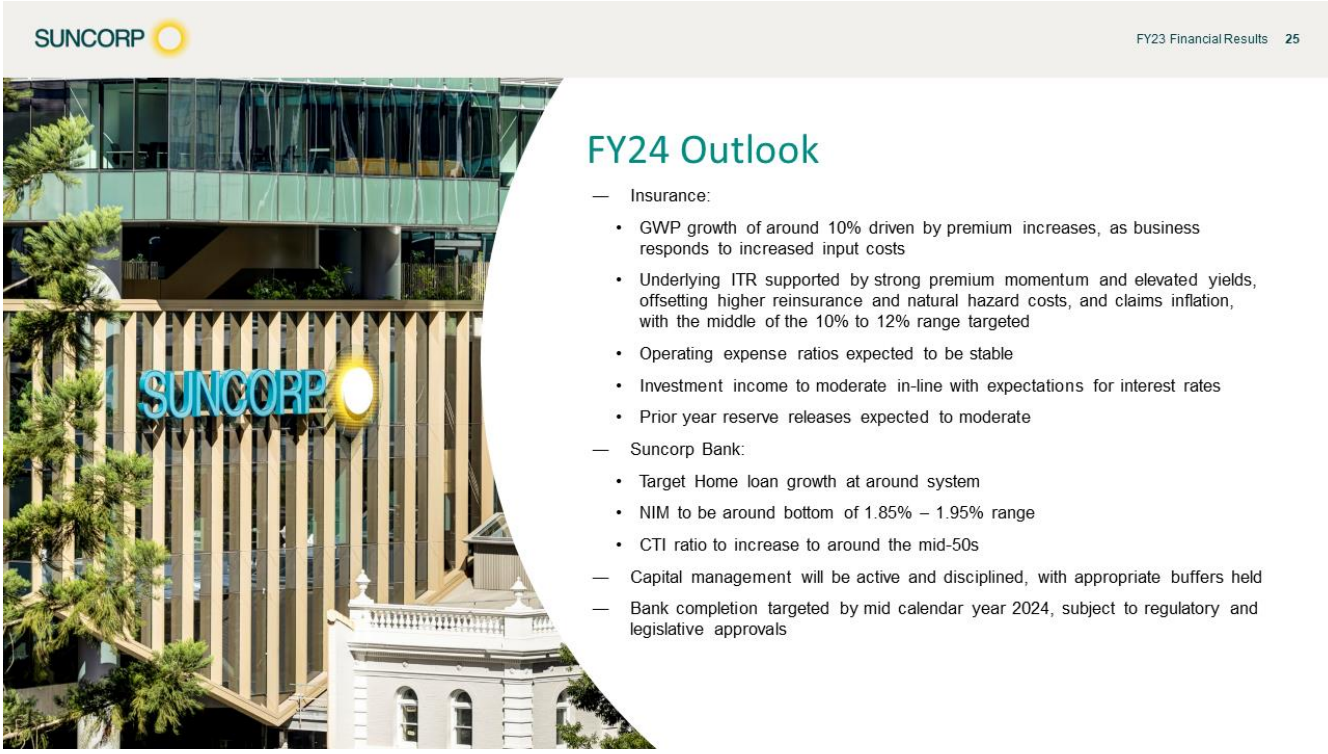
With claims improvements embedded in BAU we now have an opportunity to provide end-to-end alignment of our Home and Motor portfolios within a Consumer insurance division. This will bring together the whole value chain, including underwriting, pricing, product, distribution and claims, and provide single point accountability for customer and financial outcomes.

It's also now an appropriate time to elevate the Commercial and Personal Injury portfolios to the ELT and provide the same end-to-end focus.

The Consumer Insurance business will be led by Lisa Harrison while Michael Miller, currently EGM Commercial Insurance joins the ELT. Michael is well known to you, having served in a number of executive roles at Suncorp.

The insurance and Group operations activities, currently within Paul's responsibilities will transfer to Adam Bennett.

The changes come into effect in September, ensuring we can hit the ground running when the Bank sale completes.



Now finally to the outlook for FY24. At the macro level the operating environment remains challenging.

While pressures in the supply chain are easing, elevated economy-wide inflation continues to inform central bank decision making, and this in turn, is driving volatility in investment markets.

At the household level, cost of living pressures are likely to persist through FY24, suppressing aggregate consumer demand.

Global reinsurance markets remain in a hardening cycle, reflecting adverse global natural hazard experience, inflationary pressures and a reassessment of Australia and New Zealand underwriting risks.

These factors impact the cost of reinsurance, the degree of risk retention and, ultimately, the price of insurance products.

While we've had three consecutive years of La Niña weather patterns, the Bureau of Meteorology has updated the likelihood of an El Niño to 70% for the upcoming spring and summer seasons. This outlook accords with the views of our in-house weather science team.

Against this backdrop, our 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.

GWP growth of around 10% will be primarily driven by pricing as we continue to respond to increased input costs and prioritise margin over volume.

While we have exited the FY23 year with an underlying ITR close to the top end of the range, the impact of higher reinsurance and natural hazard costs and continuing inflation will see the first half margin revert to the bottom of the range. However, as premium increases are earned and as inflation moderates, the second half FY24 margin will return to the top of the range. In other words, broadly similar to the dynamics to those experienced in FY23.

Prior year reserve releases are expected to continue to moderate to around 1% of NEP but, importantly, we have assumed this within the go forward 10% to 12% underlying ITR guidance.

In the Bank, we are targeting Home lending growth to be in-line with system. Competition in both lending and deposits is expected to keep net interest margin under pressure and we expect the FY24 NIM to be at the lower end of the 1.85% to 1.95% target range.

Given the impact of slowing credit growth and lower margins, the Bank's cost-to-income ratio is expected to rise to around the mid-50s.

At a Group level, we will continue to target a cash return on equity above the through-the-cycle cost of equity. Alongside our target payout ratio of 60% to 80% of cash earnings, we remain committed to returning any capital to shareholders that is in excess of the needs of the business.

And with that, we will take your questions.

Questions

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