Investor Pack

Financial results for the half year ended 31 December 2022

SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

8 February 2023

Basis of preparation

Suncorp Group ('Group', 'the Group', 'the Company' or 'Suncorp') is comprised of Suncorp Group Limited (SGL) and its subsidiaries, its interests in associates and jointly controlled entities. The Group's results and historical financial information are reported across three functions: Insurance Australia, Suncorp Bank and Suncorp New Zealand.

Net profit after tax (NPAT) for the Group is measured in accordance with Australian Accounting Standards. Profit after tax from functions, associated ratios and key statistics are based on the segment reporting disclosures that follow Suncorp's operating model.

All figures have been quoted in Australian dollars, rounded to the nearest million, unless otherwise denoted. The Suncorp New Zealand section reports the profit contribution table in both A$ and NZ$ and all other Suncorp New Zealand tables and commentary in NZ$.

All figures relate to the half year ended 31 December 2022 and comparatives are for 31 December 2021, unless otherwise stated. Where necessary, comparatives have been restated to reflect any changes in table formats or methodology. Movements within the financial tables have been labelled 'large' where there has been a percentage movement greater than 500% (or less than 500%). If a line item changes from negative to positive (or vice versa) between periods, this has been labelled 'n/a'.

In the context of ASIC's Regulatory Guide 230, this report contains information that is 'non-IFRS financial information', such as the General Insurance Underlying Insurance Trading Result and Life underlying profit after tax. The calculation of these metrics is outlined in the report and they are shown as they are used internally to determine operating performance within the various functions.

In relation to Bank capital, in future periods this document will be prepared in accordance with Basel III Prudential Capital requirements effective for reporting periods beginning on or after 1 January 2023. A proforma of the Basel III position has been included in this document and prepared in accordance with the Basel III Prudential Capital requirements.

Suncorp announced the sale of Suncorp Bank to Australia and New Zealand Banking Group Limited on 18 July 2022. The sale is subject to regulatory and government approvals with completion targeted in the second half of calendar year 2023. The financial performance of Suncorp Bank will continue to be reported as an ongoing function until completion occurs.

Disclaimer

This report contains general information on the Group and its operations, which is current as at 8 February 2023. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Group or any product or service offered by Suncorp or any of its subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These factors should be considered, with or without professional advice, when deciding if an investment is appropriate.

This report should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to the business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. Past performance is not necessarily indicative of future performance.

Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).
There are a number of other important factors which could cause actual results to differ materially from those set out in this presentation, including the risks and uncertainties associated with the ongoing impacts from COVID-19 and the Australian and global economic environment.

Table of contents

Suncorp Group Limited
ABN 66 145 290 124

Level 23, 80 Ann Street
Brisbane Qld 4000
suncorpgroup.com.au

ASX Announcement
1H23 Financial Results

8 February 2023

1H23 result delivers continued top-line growth and margin expansion; FY23 targets reaffirmed

- Group net profit after tax up 44.3%[i] to $560 million, cash earnings up 62.9% to $588 million
- Interim fully franked ordinary dividend of 33 cents per share, representing a payout ratio of 71% of cash earnings
- Insurance Australia gross written premium of $4.8 billion, up 9.0%[ii], driven by the pricing response to inflation and increased natural hazard and reinsurance costs
- Suncorp New Zealand gross written premium of NZ$1.2 billion, up 12.2% benefitting from price momentum
- General Insurance underlying insurance trading ratio of 10.0%, up from 8.0% (excluding COVID-19 impacts)
- Suncorp Bank home lending up $2.6 billion over the half or 10.4% (annualised). Net interest margin of 2.03%, up 13 basis points, and cost-to-income ratio reduced to 49.9%
- Common Equity Tier 1 held at Group of $290 million, with increased levels of capital held across the business units
- FY23 financial targets reaffirmed
- Sale of Suncorp Bank on track, subject to regulatory and government approvals

Suncorp Group Limited (ASX: SUN | ADR: SNMCY) today reported improved earnings, with continued strong top-line growth across the Group, improved underlying margins and positive investment returns. The result also benefitted from the release of $150 million of the provision for potential business interruption claims, following the resolution of the second industry test case.

Group net profit after tax of $560 million, was up by 44.3%, while cash earnings increased 62.9% to $588 million. The Group has reaffirmed its FY23 targets.

The Group reported gross written premium (GWP) growth of 9.0%, excluding Emergency Services Levies (ESL) and portfolio exits, in its Australian general insurance business, and 12.2% in New Zealand. The Group's underlying Insurance Trading Ratio (ITR) increased from 8.0% (excluding COVID-19 impacts) in 1H22 to 10.0% in 1H23. The improved ratio was supported by strong top-line growth, improving expense ratios and an increase in investment yields but impacted by increased natural hazards, reinsurance costs and claims inflation.

In the Bank, annualised growth in home lending of 10.4% provided further evidence of the continued turnaround in performance. The Bank's cost-to-income ratio decreased to 49.9% from 57.6%, driven by revenue growth and cost management.

While the underlying business demonstrated strong momentum, the Group's results were impacted by elevated natural hazard activity. The prevailing La Niña weather pattern across Australia and New Zealand led to eight separate weather events and around 53,000 natural hazard claims for 1H23. 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 the Group retains strong protection through its comprehensive reinsurance program.

Volatility continued in investment markets in the half, although the impact of higher running yields more than offset any mark-to-market losses across the Group's $15.0 billion investment portfolio. The net gain from yields and investment markets was $287 million compared to $61 million in 1H22.

Group operating expenses[iii] fell by 3.1% to $1,349 million, largely reflecting efficiency benefits from the strategic program of work, as well as a decrease in project investment relative to the prior period, more than offsetting the impact of the inflationary environment.

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 towards the middle of the target payout ratio range of 60% to 80%.

Appropriate capital buffers have been maintained in the heightened risk environment, in-line with the Group's prudent approach to capital management. The Common Equity Tier 1 (CET1) held at Group improved to $290 million from $248 million at the end of the previous half, with increased levels of capital also held within the General Insurance and Bank businesses.

The sale of Suncorp Bank to ANZ Banking Group remains on track and is expected to complete in the second half of calendar year 2023, subject to approvals.

Suncorp Group CEO Steve Johnston said the Group had delivered a strong set of results for the half despite ongoing economy-wide inflationary pressures and the impacts of eight natural hazard events, largely due to the La Niña climate pattern.

"Suncorp's priority has been supporting our customers impacted by these severe weather events, while also continuing to work hard to return customers to their homes following the Australian East Coast floods almost one year ago," Mr Johnston said.

"In addition, through a dedicated focus on executing our strategic initiatives as outlined to the market two years ago, our three businesses have continued to build on the good momentum achieved over this time to deliver top-line growth with improved margins and productivity," he said.

"Our Australian and New Zealand businesses have achieved strong growth in premiums, while unit growth across our consumer portfolio demonstrates the value of our products and brands, particularly in an inflationary environment. Our Best-in-Class claims program has allowed us to be more disciplined in leveraging scale to deliver lower aggregate inflation outcomes. The Bank continued to grow its home and business lending portfolios and customer deposits.

"Pleasingly, we remain on track to achieve our FY23 targets, which is testament to the strength and resilience of our business amid significant headwinds, and demonstrates our ability to create long-term shareholder value while meeting the evolving needs of our customers and other stakeholders.

"We firmly believe our ability to continue to manage the risks associated with a changing climate, drive a more resilient Australia and New Zealand through our products and advocacy and create further long-term shareholder value will be enhanced as a dedicated Trans-Tasman insurance company. We continue to engage constructively with the relevant regulatory and government stakeholders as the bank sale process remains underway."

	1H23 ($m)	1H22 ($m)	Change (%)
Insurance Australia	276	114	142.1
Suncorp Bank	256	200	28.0
Suncorp New Zealand	83	81	2.5
Profit after tax from ongoing functions	**615**	**395**	**55.7**
Profit after tax from discontinued business	-	(1)	n/a
Other profit (loss) after tax	(27)	(33)	18.2
Cash earnings	**588**	**361**	**62.9**
Group net profit after tax	**560**	**388**	**44.3**

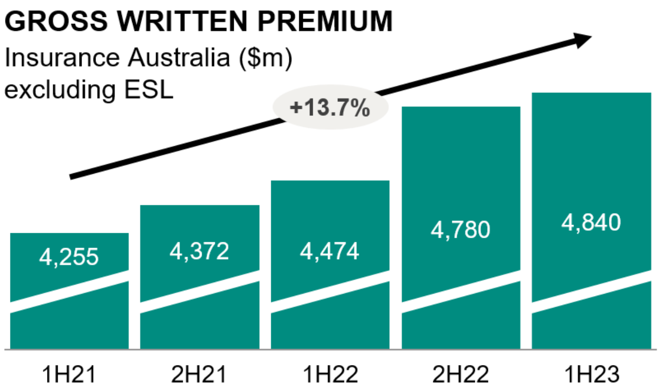
Insurance Australia

Insurance Australia profit after tax	GWP (excluding ESL)
$276m up 142.1%	**$4,840m up 9.0%[iv]**

Insurance Australia delivered profit after tax of $276 million, up 142.1%. The result reflected strong top-line growth, reduced operating expenses and a turnaround in investment income. Increased claims costs were mitigated by stronger pricing and higher prior year reserve releases which included a one-off release of the provision for business interruption.

Growth was largely driven by the Consumer business. The Home portfolio grew 12.1%[iv], with average written premium (AWP) up 10.7%, reflecting firmer pricing in response to higher natural hazard and reinsurance costs, and inflation. Unit growth was 1.4%.

Motor GWP increased by 11.7%[iv], reflecting AWP growth of 8.9% and unit growth of 2.8%. The AWP increase reflected pricing for higher working claims and sum insured inflation.



In Commercial, GWP grew 6.9%[iv], with growth across short-tail underwriting partly offset by a decrease in Packages.

Compulsory Third Party GWP decreased by 1.3% as growth within the Queensland scheme was offset by a reduction in GWP across other states. The leading national market share position continues to be maintained.

Net incurred claims increased by 9.3% to $3,196 million. Excluding discount movements, the increase was 6.4%, reflecting the impact of portfolio growth, more normal levels of claims frequency and persistent inflation. This was partially offset by a $150 million release of business interruption provision. Prior year reserve releases, excluding transitional excess profits and losses (TEPL) provision and business interruption provision release, were 1.6% of Group Net Earned Premium (NEP), in-line with the Group's long-run expectation of 1.5%.

Suncorp Bank

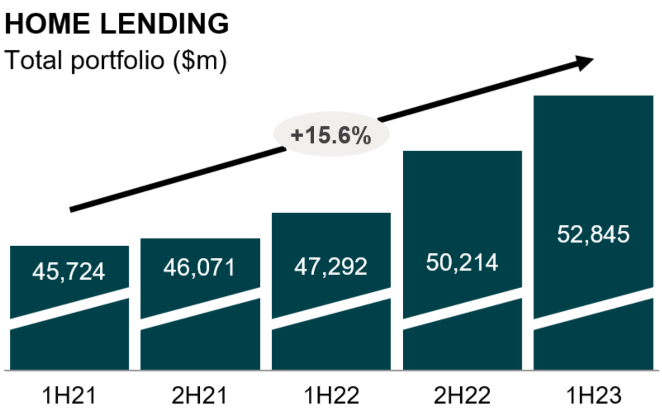
Suncorp Bank profit after tax	Net interest margin
$256m up 28.0%	**2.03% up 13 basis points**

Suncorp Bank profit after tax increased 28.0% to $256 million, driven by solid volume growth and higher margin.

The net interest margin (NIM) increased 13 basis points over the half to 2.03%, supported by higher cash rates and strategic deposit pricing actions, but partly offset by competitive pressures in home lending pricing.

The decrease in the cost-to-income ratio to 49.9%, from 57.6%, was enabled by asset growth and higher NIM along with disciplined cost management.

Growth momentum continued in the half with $2.6 billion of home lending growth. The Bank continues to maintain a high quality and conservatively positioned home lending portfolio. Business lending grew 1.8% in the half, predominantly driven by commercial lending across several industries.



Total customer funding was $51.0 billion, up 6.0% over the half, with growth primarily driven by term deposits as customers respond to higher interest rates.

Asset quality remained sound. A net impairment charge of $2 million reflected small specific provision movements across several exposures. The collective provision remains prudently calibrated at $180 million.

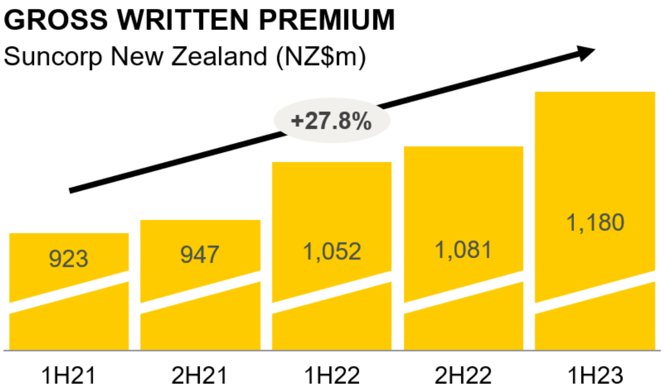
Suncorp New Zealand

Suncorp New Zealand profit after tax	GWP
NZ$91m up 8.3%	**NZ$1,180m up 12.2%**

Suncorp New Zealand profit after tax of NZ$91 million increased 8.3%.

General Insurance profit after tax of NZ$75 million decreased 3.8%. The General Insurance business benefitted from strong top-line performance although profit was moderated by elevated claims experience and increased operating expenses to support growth.

GWP of NZ$1,180 million increased 12.2%. Intermediated and direct channels recorded strong growth through targeted pricing increases to offset inflationary pressures on claims and increased reinsurance costs.



Net incurred claims of NZ$583 million increased 17.8%. Higher working claims costs were driven by unit growth, inflationary pressures and the COVID-19 related motor frequency benefits in 1H22. Working claims were also impacted by several large loss property claims from home fires during the first quarter.

Prior year reserves were strengthened by NZ$12 million to reflect a combination of Canterbury earthquake claims and development on property claims.

Life Insurance profit after tax of NZ$16 million increased 166.7% supported by growth in planned profit margins and favourable experience. In-force premium grew by 4.4%, supported by Consumer Price Index and age-related premium growth.

Group Outlook

Operational outlook: The operating environment continues to remain challenging. While some supply chain pressures have eased, global geopolitical events remain uncertain, and inflationary pressures persist. Central banks have raised interest rates aggressively in response to decades-high inflation and these policy settings are expected to remain in the near-term. Economic growth is projected to moderate.

The Group's modelling of natural hazard risk indicates a modest upward trend in the frequency of natural hazard events but the more recent La Niña conditions appear to be turning neutral. However, indications are that global reinsurance markets remain in a hardening cycle with higher return hurdles and capital constraints impacting the cost of reinsurance and risk retention.

Suncorp's FY23 plan: The FY23 plan aims to deliver a growing business with a sustainable return on equity above the through-the-cycle cost of equity.

- Growth: In General Insurance, GWP growth is expected to be primarily driven by increases in AWP as the business responds to increased input costs, including from reinsurance, natural hazards and supply chain inflation. For the full year, the Bank is expected to grow slightly above system, which is expected to moderate.
- Underlying ITR: The Group's underlying ITR is impacted by factors such as higher reinsurance and natural hazard costs and claims inflation. These are expected to be offset by higher pricing, and the benefits from higher investment yields and strategic initiatives focused on efficiency improvements. Investment yields are expected to moderate as market expectations for economic growth ease. The 10% to 12% target for FY23 is reaffirmed.
- Operating expenses: Operating expenses are expected to be in-line with previous guidance of around $2.7 billion, with the second half impacted by seasonality and restructuring costs.
- Bank cost-to-income: The cost-to-income ratio target of around 50% by the end of FY23 has been achieved ahead of schedule as the benefits of rising rates, increased growth, and the strategic program of work to reduce costs were realised. The 2H23 cost-to-income ratio is expected to increase slightly due to ongoing competition in lending and deposits causing margins to compress. However, it will remain in a narrower range around 50% than in previous years.

Key dynamics over the medium term for insurance are expected to include headwinds from natural hazards and reinsurance costs; ongoing higher pricing that should broadly offset higher claims; broadly neutral impact from operating expenses; moderating investment income in-line with forward market expectations for rates; and moderating prior year reserve releases.

Key dynamics over the medium term for the Bank include moderating growth in-line with system, pressure from margins from increased competition in lending and deposits, and modestly higher expenses to fund growth.

Suncorp announced the sale of the Bank to ANZ on 18 July 2022. The sale is progressing according to plan with completion targeted in the second half of calendar year 2023, subject to several approvals. The sale is expected to yield net proceeds of approximately $4.1 billion. As previously announced, the Group remains committed to returning to shareholders any capital that is excess to the needs of the business.

The New Zealand Earthquake Commission has increased its cap for house policies by $150,000, effective October 2022. The net impact from this change is not expected to be material.

Suncorp continues to work closely with governments and regulators to finalise entry into the reinsurance pool for cyclones and related flood damage across Australia, due to be implemented on 30 June 2023.

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% to 80% dividend payout ratio.

New Zealand weather event

On 30 January 2023, the Group provided an update on flooding experienced across the North Island in New Zealand. The impact of this weather event is still being assessed. As of close of business 7 February 2023, the Group has received in excess of 8,000 claims and the gross event cost is yet to be determined. The Group's comprehensive reinsurance program provides additional protection for New Zealand losses. The losses from this event will be capped at NZ$50 million, net of reinsurance cover. Post this event, the Group maintains significant prepaid reinsurance cover and the approach to any reinstatement of cover utilised in this event will be determined once the full impact of the event is known.

Authorised for lodgement with the ASX by the Suncorp Group Board

Analysts/Investors

Neil Wesley
+61 498 864 530
neil.wesley@suncorp.com.au

Kyran McGushin
+61 438 087 980
kyran.mcgushin@suncorp.com.au

Media

Amy McDonald
+61 403 058 462
amy.mcdonald@suncorp.com.au

[i] All changes refer to the prior corresponding period unless otherwise stated.
[ii] Excluding emergency services levies and portfolio exits.
[iii] Excludes emergency services levies, transitional excess profits and losses provision and Wealth expenses.
[iv] Excludes portfolio exits.

Strategy and FY23 plan

Suncorp is in the final stages of the successful delivery of its three-year plan to drive growth and efficiencies in the core businesses, while building on the Group's existing digital and data capability. The plan has been delivered to date against a backdrop of considerable headwinds including the negative impacts of a global pandemic, three La Niña weather patterns, a war in Europe that has disrupted supply chains, and significant inflationary pressures that have resulted in central banks raising interest rates sharply.

The plan consists of 12 key initiatives that have been prioritised using a robust return framework.

The plan was built from the bottom up and incorporates recent experience as well as leveraging existing capabilities. The executive team has clear accountability for the delivery of the key initiatives.

Insurance Australia

Revitalise growth	– AAMI, the most considered national insurance brand, achieved a Net Promoter Score (NPS) of +2.9 while also growing in Home and Motor. NPS for other brands ranges from +36.8 (Shannons) to +2.2 (Bingle). – GWP grew 9.0% on the pcp, when normalised for portfolio exits, of which Consumer grew 11.8%. Rate increases were the largest driver of GWP growth reflecting decisions taken to respond to higher inflation, natural hazards and reinsurance costs. There was also unit growth across most portfolios.
Optimise pricing and risk selection	– Ongoing investment in a modern, analytics-driven pricing engine and disciplined portfolio management to improve margins and loss ratios. – In Home, the Customer and Pricing Ecosystem (CaPE) capability, which was deployed for Home mass brands in the pcp, has been used to drive improved risk selection contributing to the Home working loss ratio improvement. Delivery of CaPE for mass brands in Motor will be completed in early calendar year 2023. – Delivered first phase of the new Intermediated Small and Medium Enterprises (SME) Platform to enhance pricing and risk selection and improve the broker experience for new business. Renewal functionality and connectivity to select major strategic brokers will be completed in the first half of next financial year.
Digital first customer experiences	– Increased digital sales for mass brands across Home, Motor and Compulsory Third Party (CTP) products to 65.2% of all sales, and digital service transactions to 41.9% of all transactions, up from 59.8% and 34.2% respectively on the pcp. – Digital purchasing made easier, through an initiative which utilises geospatial imagery and artificial intelligence to remove questions asked of home insurance customers. Revenue through the digital channel increased by 26.2% compared to the pcp. – Focus on removing barriers to online self-service and improving the digital pathway for high-volume transactions such as renewals, with 82.1% of customers for Home, Motor and CTP insurance now paying their renewal digitally.
Best in class claims	– Motor and Home claims digital lodgements tracking consistently at ~50%, with further deployments released in December to make claim lodgements simpler for customers. Key focus for the second half will be deployments to make claims tracking simpler and easier for customers. – Delivered better customer experience and personal injury claims outcomes by boosting New South Wales CTP digital lodgement to around ~22% and ramping up initiatives for Queensland CTP customers to manage their claim directly with Suncorp. – Successful renegotiation of repair panel arrangements in Home was supported by ongoing efforts to leverage scale to expand bulk buy benefits to a broader range of categories enabling competitive prices for repair partners and driving improved repair quality, capacity, and cost outcomes.

Suncorp Bank

Win in home	– Home lending growth of $2.6 billion over the half or 5.2%. – Continued investment in system enhancements and process simplification has streamlined customer and broker experiences, resulting in a reduction in median turnaround time to 3 days for the half, ahead of key peers. Customer and broker NPS also showed strong improvements.
Seamless everyday banking	– Term deposit growth of $2.9 billion over the half, as customers look to capitalise on the rising interest rate environment. – Launched the certified carbon neutral Carbon Insights Account delivering on the "Create a brighter future" ambition.
Grow businesses	– Business lending continued the momentum built in 2H22, growing 1.8% over the half with expansion across targeted portfolios. – Launched a refreshed and simplified business banking operating model, creating clear accountability for growth and project delivery across business portfolios.
Digital first	– Continued delivery of improved self-service capabilities within the Suncorp App, including transaction notifications and managing lost or stolen debit cards. – Further enhancements to digital engagement and origination capabilities, including streamlined home loan online origination and Carbon Insights Account origination.
Customer service excellence	– Continued to expand and upskill direct lender capabilities, delivering leading service and customer experience. – Ongoing improvements in cross-channel customer service, providing a consistent customer experience for all interactions, regardless of channel choice.

Suncorp New Zealand

Grow brands and strategic partnerships	– Maintained emphasis on deepening broker relationships and offering compelling customer propositions through trusted brands. – Increased General Insurance market share from 24.7% to 25.5%[1] over the past 12 months. – Increased Life Insurance share of industry new business from 9.5% to 11.7%[2] over the past 12 months.
Best in class claims	– Delivered a single claims platform, introducing opportunities for customer engagement and seamless connectivity with partners across the claims value-chain. – Claims process automation, speeding up claim assessment time, customer responsiveness and improved data accuracy.
Digitise and Automate	– Continued progress on enabling digital connectivity with large broker groups including delivery of two pilots with key broker groups. – Program underway to rationalise and simplify the consumer product portfolio. – Upgrade of Life Underwriting Rules to a cloud based solution with a simplified question and rule set to increase automatic acceptance rates providing a faster turnaround for customers, to be delivered in 2H23. – Investment in a new digital platform for customer notices for clear, modern customer communications and reduced manual interventions.

[1] General Insurance market share growth data is sourced from the quarterly Insurance Council New Zealand (ICNZ) General Insurance statistical data.
[2] Life Insurance new business growth data is sourced from the quarterly Financial Services Council of New Zealand (FSC) Life Insurance statistical data.

Contribution to profit by function

	Half Year Ended Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Insurance Australia					
Gross written premium	4,918	4,842	4,542	1.6	8.3
Net earned premium	4,231	3,929	3,982	7.7	6.3
Net incurred claims	(3,196)	(2,405)	(2,923)	(32.9)	(9.3)
Operating expenses	(802)	(833)	(886)	3.7	9.5
Investment income - insurance funds	139	(377)	(23)	n/a	n/a
Insurance trading result	372	314	150	18.5	148.0
Other income	20	(237)	10	n/a	100.0
Profit before tax	392	77	160	409.1	145.0
Income tax	(116)	(17)	(46)	n/a	(152.2)
Insurance Australia profit after tax	**276**	60	114	360.0	142.1
Suncorp Bank					
Net interest income	725	624	621	16.2	16.7
Other operating income	8	(11)	14	n/a	(42.9)
Operating expenses	(366)	(370)	(366)	1.1	-
Profit before impairment releases/(losses) on financial assets	367	243	269	51.0	36.4
Impairment releases/(losses) on financial assets	(2)	(2)	16	-	n/a
Profit before tax	365	241	285	51.5	28.1
Income tax	(109)	(73)	(85)	(49.3)	(28.2)
Suncorp Bank profit after tax	**256**	168	200	52.4	28.0
Suncorp New Zealand					
Gross written premium	1,071	994	1,004	7.7	6.7
Net earned premium	868	830	818	4.6	6.1
Net incurred claims	(529)	(477)	(472)	(10.9)	(12.1)
Operating expenses	(250)	(235)	(238)	(6.4)	(5.0)
Investment income - insurance funds	7	(4)	(4)	n/a	n/a
Insurance trading result	96	114	104	(15.8)	(7.7)
Other income	(1)	(19)	(1)	94.7	-
Profit before tax	95	95	103	-	(7.8)
Income tax	(27)	(29)	(28)	6.9	3.6
General Insurance profit after tax	**68**	66	75	3.0	(9.3)
Life Insurance profit after tax	**15**	8	6	87.5	150.0
Suncorp New Zealand profit after tax	**83**	74	81	12.2	2.5
Profit after tax from ongoing functions	**615**	302	395	103.6	55.7
Profit after tax from discontinued business [1]	**-**	1	(1)	n/a	n/a
Profit after tax from functions	**615**	303	394	103.0	56.1
Other profit (loss) after tax [2]	(27)	9	(33)	n/a	18.2
Cash earnings	**588**	312	361	88.5	62.9
Net profit (loss) on sale of ceased operations (after tax) [3]	(20)	(1)	39	n/a	n/a
Acquisition amortisation (after tax) [4]	(8)	(18)	(12)	55.6	33.3
Net profit after tax	**560**	293	388	91.1	44.3

1. Profit after tax from discontinued business includes the performance of the Wealth business which was sold to LGIAsuper on 31 March 2022
2. Refer to 'Other profit / (Loss) after tax' (page 18) for details
3. Net profit (loss) on sale of ceased operations includes costs associated with the sale of the Bank announced on 18 July 2022
4. Acquisition amortisation includes asset impairments for Data Centre Hardware (Jun-22: loss $9 million)

Group ratios and statistics

		Half Year Ended			Dec-22 v	Dec-22 v
		Dec-22	Jun-22	Dec-21	Jun-22	Dec-21
Performance ratios						
Earnings per share [1,2]						
Basic	(cents)	44.38	23.24	30.53	91.0	45.4
Diluted	(cents)	42.81	22.41	28.91	91.0	48.1
Cash earnings per share [1,2]						
Basic	(cents)	46.60	24.75	28.41	88.3	64.0
Diluted	(cents)	44.87	23.76	26.98	88.8	66.3
Cash return on average shareholders' equity pre-goodwill [1]	(%)	14.3	7.9	8.7		
Return on average shareholders' equity [1]	(%)	8.6	4.6	5.9		
Cash return on average shareholders' equity [1]	(%)	9.1	4.9	5.5		
Insurance trading ratio	(%)	9.2	9.0	5.3		
Underlying insurance trading ratio (excl COVID-19) [3]	(%)	10.0	9.9	8.0		
Bank net interest margin (interest-earning assets)	(%)	2.03	1.90	1.97		
Shareholder summary						
Ordinary dividends per ordinary share	(cents)	33.0	17.0	23.0	94.1	43.5
Special dividends per ordinary share	(cents)	-	-		n/a	n/a
Payout ratio (ordinary dividend) [1]						
Cash earnings	(%)	70.9	68.7	80.3		
Payout ratio (including special dividend) [1]						
Cash earnings	(%)	70.9	68.7	80.3		
Weighted average number of shares						
Basic	(m)	1,261.8	1,260.5	1,270.8	0.1	(0.7)
Diluted	(m)	1,361.7	1,401.3	1,397.3	(2.8)	(2.5)
Number of shares at end of period [4]	(m)	1,262.6	1,260.6	1,260.4	0.2	0.2
Net tangible asset backing per share	($)	6.24	5.95	6.11	4.9	2.1
Share price at end of period	($)	12.04	10.98	11.07	9.7	8.8
Productivity						
Australian General Insurance expense ratio	(%)	19.0	21.2	22.2		
Banking cost to income ratio	(%)	49.9	60.4	57.6		
New Zealand General Insurance expense ratio	(%)	28.8	28.2	29.1		
Financial position						
Total assets	($M)	110,184	106,378	99,452	3.6	10.8
Net tangible assets	($M)	7,882	7,501	7,702	5.1	2.3
Net assets	($M)	13,176	12,783	12,969	3.1	1.6
Average Shareholders' Equity	($M)	12,862	12,722	12,951	1.1	(0.7)
Capital [5]						
General Insurance Common Equity Tier 1 PCA coverage	(times)	1.21	1.19	1.21		
General Insurance total capital PCA coverage	(times)	1.63	1.74	1.64		
Bank Common Equity Tier 1 ratio [6]	(%)	10.09	9.08	9.34		
Bank total capital ratio [6]	(%)	14.37	12.99	14.57		
Common Equity Tier 1 Capital held at Group	($M)	290	248	492	16.9	(41.1)

1. Refer to Glossary for definitions
2. Refer to Appendix 'Group EPS Calculations' (page 61) for detailed earnings per share calculations
3. There were no COVID-19 impacts in 2H22 and 1H23. The 1H22 underlying insurance trading ratio was 9.9% including COVID-19 benefits
4. Excluding treasury shares
5. Ratios are presented post dividend
6. Dec-22 Bank CET1 ratio is provided on a Basel III Proforma Basis, prior periods on previous standards

Group reported and underlying Insurance Trading Ratio

Reconciliation of reported ITR to underlying ITR

	Half Year Ended		
	Dec-22	Jun-22	Dec-21
	$M	$M	$M
Reported ITR	**468**	428	254
Reported reserve releases (above) below long-run expectations[1]	(118)	8	(40)
Natural hazards above (below) allowances	99	(104)	205
Investment income mismatch	23	94	4
Other:			
Risk margin	32	(26)	42
Abnormal (Simplification/restructuring) expenses [1]	6	1	5
Additional Reinsurance premium	-	79	3
Underlying ITR	**510**	480	473
Underlying ITR ratio including COVID-19 impact	**10.0%**	9.9%	9.9%
COVID-19 impact	**-**	-	(1.9%)
Underlying ITR ratio excluding COVID-19 impact	**10.0%**	9.9%	8.0%

1. Reserve releases and abnormal expenses exclude impacts of TEPL.

Underlying ITR movements

	Jun-22 v Dec-22 %
2H22 underlying ITR	**9.9**
Consumer	(0.3)
Commercial	(0.2)
Long-tail statutory classes	0.8
New Zealand	(0.2)
1H23 underlying ITR	**10.0**

	Dec-21 v Dec-22 %
1H22 underlying ITR excluding COVID-19	**8.0**
Consumer	(0.7)
Commercial	0.6
Long-tail statutory classes	2.3
New Zealand	(0.2)
1H23 underlying ITR	**10.0**

Excluding COVID-19 impacts on 1H22, underlying ITR has increased from 8.0% to 10.0%:

- The Consumer portfolio adversely impacted the Group's underlying ITR primarily due to the increased natural hazard allowance, reinsurance costs and higher working claims, especially in the Motor portfolio. This was partially offset by the pricing response which will continue to earn through over the following periods. Higher investment income also provided a partial offset, together with lower operating and claims handling expenses due to ongoing cost management and Best-in-Class Claims initiative benefits.
- The Commercial portfolio made a positive contribution to underlying ITR driven by higher investment income, including benefits from higher present value discounting.
- Long-tail statutory classes increased their contribution to underlying ITR, reflecting higher investment income and higher present value discounting on claims because of rising yields. Current year reserve strengthening to allow for higher inflation in the CTP portfolio was offset by the non-recurrence of current year reserve strengthening in a run-off Workers' Compensation portfolio in the pcp.
- New Zealand's performance largely reflected the adverse large claims experience, and higher spends in strategic investment and growth.

Natural hazards and reinsurance

Date	Event	Net costs $M
Jul 22	Sydney East Coast Low	89
Aug 22	Southern Australia Winds and Storms	19
Aug 22	NZ North Island and Top of South Island Storm	20
Oct 22	VIC Rain and Floods	202
Oct 22	NSW VIC Rain and Floods	24
Oct 22	East Coast Rain and Hail	47
Nov 22	November Rain and Flood	59
Dec 22	Sunshine Coast Hail	19
Total events over $10 million		**479**
Other natural hazards		200
Total natural hazards		**679**
Less: allowance for natural hazards		(580)
Natural hazards costs above / (below) allowance		**99**

Total natural hazard costs were $679 million, $16 million below the pcp, and $99 million above the Group's half year allowance of $580 million. The Group FY23 natural hazard allowance is $1,160 million, divided equally between the first and second halves of the financial year.

The Aggregate Excess of Loss (AXL) treaty for FY23 is an aggregate protection cover providing $400 million of cover in excess of a retention of $850 million (FY22: $650 million) for loss events above $10 million (FY22: $5 million). The Group retains strong protection through its comprehensive reinsurance program. Accumulated losses from natural hazard events during the first half of the year have eroded $399 million of the AXL deductible.

The Group's comprehensive reinsurance program provides additional protection for New Zealand losses. This means losses from the New Zealand North Island weather event experienced in the second half of FY23 are capped at NZ$50 million, net of reinsurance cover.

For an outline of the FY23 reinsurance program, refer to page 69.

Group investments

Suncorp's primary objective is to optimise investment returns relative to investment risk appetite. This process has regard to capital as well as to immunise, as far as practical, the interest rate and claims inflation risks inherent in the insurance liabilities. Investment grade fixed interest securities and assets with inflation hedging characteristics are key to meeting this objective.

Net impact of yields and investment markets

	Half Year Ended		
	Dec-22 $M	Jun-22 $M	Dec-21 $M
Insurance Australia			
Investment income (Insurance funds)	139	(377)	(23)
Impact of risk-free discount rates on outstanding claims	(31)	322	51
	108	(55)	28
Present value adjustment on newly recognised claims	119	62	22
Investment income (Shareholders' funds)	55	(217)	27
	174	(155)	49
Total Insurance Australia	**282**	(210)	77
Suncorp New Zealand (AUD)			
General insurance			
Investment Income (Insurance funds)	7	(4)	(4)
Investment Income (Shareholders' funds)	4	(18)	(2)
	11	(22)	(6)
Life Insurance			
Market adjustments (pre-tax)	(6)	(19)	(10)
	(6)	(19)	(10)
Total Suncorp New Zealand	**5**	(41)	(16)
Net impact of yields and Investment markets	**287**	(251)	61

Developments in inflation, monetary policy, and the economic growth outlook continue to shape financial markets. Suncorp's investment strategy incorporates medium to long term views of asset class returns, capital, profit volatility, liquidity and liability matching considerations. Having endured the most aggressive monetary tightening cycle in decades, the 1H23 investment result reflects the benefit realised from higher government bond yields, credit spreads, and inflation linked income, raising the overall underlying yield Suncorp earns on its assets.

Suncorp invests in various assets with inflation hedging characteristics including inflation-linked bonds (ILBs) which provide returns indexed to inflation. During periods of higher-than-expected inflation, the underlying indexed returns of the ILBs have exceeded that of the equivalent nominal bonds, which has translated to higher underlying yield (with the carry of the ILB being greater than the risk-free rate). If current inflation converges to long-run inflation expectations, there will be lower contribution from the ILBs to underlying yield going forward. This has been particularly prominent since the start of COVID-19, where inflation expectations have been seen both above and below the market.

Insurance Australia

For insurance fund assets, a key objective is to match the overall risk-free interest rate sensitivity of the insurance claims liabilities. The aim is to immunise, as far as possible, the impact from changes in risk-free interest rates, such that the dollar impact on assets and liabilities offset each other for every one basis point movement in interest rates. The residual net gain of $108 million shown in the table primarily reflects the favourable impacts from higher running credit spreads and the carry above risk free on inflation-linked bonds as Consumer Price Index (CPI) prints continued to exceed breakeven inflation. This was partially offset by risk free mark-to-market losses on assets backing the undiscounted liabilities (unearned premium) as government bond yields rose and mark-to-market losses from lower breakeven inflation. Other contributions include manager active performance and a mismatch component due to the approach of matching assets to the APRA assessment of liabilities instead of the accounting liabilities.

The present value adjustment on newly recognised claims reflects the initial discounting applied to new claims to recognise them at present value. This has increased as a result of rising yields.

The investment income on shareholders' funds is the absolute return on an investment portfolio of fixed income, convertible bonds, equities, and unlisted assets. For further detail on investment income for Insurance Australia, please refer to page 29.

New Zealand

The New Zealand General Insurance investment portfolio includes insurance funds and shareholders' funds. The insurance funds are matched from an interest rate sensitivity perspective to the technical reserves within the balance sheet. The shareholders' funds support the capital position, whilst maintaining sufficient liquidity to enable the business to meet its commitments. Investment income of $11 million, improved on the pcp due to increases in interest income from higher yielding securities and lower mark-to-market impacts arising from rising yields compared to the pcp.

For further detail on investment income for New Zealand General Insurance, please refer to page 52.

The New Zealand Life investment portfolio includes funds supporting insurance liabilities, investment products and shareholder funds. For insurance fund portfolios the primary objectives are to meet policyholder guarantees and immunise liability matching risk while shareholder funds support the capital position and ensure sufficient liquidity to enable the business to meet its commitments. Market adjustments are comprised of balance sheet revaluations of policy liabilities and shareholder investment assets. During the half-year market adjustments were impacted by the continued increase in long-term interest rates.

Group operating expenses

Operating expenses by function

	Half Year Ended Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Insurance Australia					
Insurance Australia operating expenses	**709**	760	766	6.7	7.4
Suncorp New Zealand					
General Insurance operating expenses	250	235	238	(6.4)	(5.0)
Life Insurance operating expenses	24	24	22	-	(9.1)
	274	259	260	(5.8)	(5.4)
Suncorp Bank					
Suncorp Bank operating expenses	366	370	366	1.1	-
Group operating expenses	**1,349**	1,389	1,392	2.9	3.1
Other Expenses					
Restructuring Expenses	-	57	-	n/a	
Wealth operating expenses	-	11	23	n/a	n/a
ESL	68	68	76	-	10.5
TEPL	25	5	44	(400.0)	43.2
Group total operating expenses (including Other Expenses)	**1,442**	1,530	1,535	5.8	6.1

Operating expenses movements

	Movement $M
Dec-21 operating expenses (excluding ESL)[1]	**1,392**
Re-organisation costs	-
Dec-21 operating expenses (excluding ESL and re-organisation)	**1,392**
Project costs (included in operating expenses)	(14)
BAU Inflation	26
Strategic and Operational Benefits	(39)
Other expenses	(16)
Dec-22 operating expenses (excluding ESL)[1]	**1,349**

1. Excludes TEPL Dec-21 $44 million, Dec-22 $25 million

Group total operating expenses decreased $43 million on the pcp to $1.35 billion. Key movements reflect:

- A decline in project costs largely driven by a reduction in the cost of regulatory and maintenance projects, as well as a reduction in strategic spend in line with expectations as the current strategic cycle nears completion.
- Economy-wide inflationary pressures.
- Strategic and operational efficiencies driven by benefits from the delivery of strategic initiatives including Digital Customer Experience in Insurance and Optimising Distribution networks within the Bank, as well as the benefits from business simplification measures that have been implemented in recent years.
- Reduced other expenses primarily driven by lower commissions due to Vero portfolio exits, and lower advertising and promotions due to timing.

A provision of $25 million related to the New South Wales CTP scheme TEPL has been raised in this financial year in operating expenses to recognise the excess profit payable to the regulator, with an equivalent release from prior year claims reserves during the year.

Other Profit / (Loss) After Tax

	Half Year Ended		
	Dec-22 $m	Jun-22 $m	Dec-21 $m
Other profit / (loss) after tax	(27)	9	(33)
Recurring			
Net external funding expense[1]	(25)	(22)	(18)
Non-controlling interest (Joint Ventures)	(9)	(5)	(13)
Investment income / (loss) on capital funds held at Group	6	(8)	(1)
Total recurring	(28)	(35)	(32)
Non-recurring			
Net Tax Adjustment	-	92	(2)
Restructuring	-	(40)	-
Other	1	(8)	1
Total non-recurring	1	44	(1)

The values in the above table are all stated after tax

[1] Net external funding expense contains interest expense, capital raising transaction costs and mark to market valuation adjustments, on the capital notes held by SGL

Total other losses after tax of $27 million reduced by $6 million on the pcp, driven by lower deductions for non-controlling interest. Higher net external funding expenses and income on investments held at Group are a result of changes in yields and interest rates, with the overall net movement neutral on the pcp.

Group capital and dividends

Capital management strategy

The Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. Capital management balances requirements to grow the business, commitments to customers, returns to shareholders and regulatory obligations.

In line with its conservative approach to capital management, the Group has maintained a strong capital position over the half, with both the General Insurance Group and Bank CET1 ratios improving within their target operating ranges after the payment of dividends, and a further buffer of CET1 at Group. The Group will continue to take a prudent approach to capital management throughout FY23, actively managing capital requirements with the needs of the business, the economic outlook and regulatory guidance.

Capital

	As at 31 December 2022					
	General Insurance	Bank[2]	NZ Life & other businesses[3]	Corporate	Total[4]	30 June 2022
	$M	$M	$M	$M	$M	$M
CET1 (pre div)	3,559	3,369	88	277	**7,293**	6,865
Midpoint of Target CET1 Range	3,141	3,285	67	-	**6,493**	6,583
Excess to Midpoint of Target CET1 Range (pre div)	418	84	21	277	**800**	282
Common Equity Tier 1 ratio (pre div)[1]	1.30x	10.51%				
Group dividend					**(388)**	(200)
Key metrics (ex div)	1.21x CET1 Ratio	10.09% CET1 Ratio		290 CET1	**412 Excess CET1**	82 Excess CET1
CET1 Target	1.05 - 1.25x	10.0 - 10.5%				
Total capital	4,708	4,742	88	277	**9,815**	9,706
Total target capital	4,370	4,407	67	(18)	**8,826**	8,857
Excess to target (pre div)	338	335	21	295	**989**	849
Group dividend					**(388)**	(200)
Group excess to target (ex div)					**601**	649
Total capital ratio[1]	1.72x	14.80%				

1. Capital ratios are expressed as coverage of the PCA for General Insurance and as a percentage of Risk Weighted Assets for the Bank.
2. On a proforma basis under Basel III effective 1 January 2023.
3. The midpoint for "NZ Life and other businesses" represents the midpoint to the New Zealand Life insurance Target Operating Range.
4. The Total Group represents the Level 3 PCR as specified under SGL's NOHC Conditions and is on a proforma basis allowing for Basel III.

The 31 December 2022 capital position is presented on a proforma basis allowing for the impact on the Bank from the implementation of Basel III on 1 January 2023. The implementation of Basel III is expected to result in a reduction in Bank Risk Weighted Assets (approximately 11%), offset by an increase in capital targets of 100 basis points to reflect the higher regulatory buffers required under Basel III (new Basel III CET1 Target of 10.0% to 10.5%, previous CET1 Target of 9.0% to 9.5%).

The strength of the capital position has enabled the Group to pay an interim dividend within the target payout ratio range whilst maintaining an appropriate capital buffer considering the risk environment.

Key factors impacting the capital position during the half include:

- General Insurance capital usage was driven by an increase in the Excess Technical Provision from improvements in Home pricing to reflect the increase in reinsurance and natural hazards costs, offset by seasonality and deterioration in Motor loss ratios. There was also an increase in capital usage due to the continued implementation of the Strategic Asset Allocation as well from business growth and higher outstanding claims.
- Strong growth in Risk Weighted Assets in the Bank, along with associated capitalised broker commissions over the half.
- A material reduction in net Deferred Tax Assets (DTA) of $99 million, largely driven by stabilisation of bond yields and the unwind of the accrued DTA as the underlying investments reach maturity.
- Redemption of the $330 million of Tier 2 capital notes deployed in AAI Limited during October 2022 following the issuance of $290 million Tier 2 capital notes in April 2022.
- Determining the FY23 interim dividend based on a payout ratio of 71% of cash earnings, within the Group's 60% to 80% target range.

— Changes to the Group Non-Operating Holding Company Conditions which allow the General Insurance Group to realise diversification benefits between the Australian and New Zealand businesses, resulting in a 0.075x Prescribed Capital Amount (PCA) or $205 million, reduction in the General Insurance Group CET1 target range to 1.05x-1.25x PCA (Jun-22: 1.125x-1.325x PCA). Total capital targets were unchanged. Suncorp continues to look for opportunities to optimise the capital mix it employs, with capital that is surplus to business requirements returned to Group.

To enhance flexibility in capital management, the Group maximises the capital it holds centrally while ensuring the regulated entities continue to maintain appropriate capital levels. As at 31 December 2022, there was $290 million of CET1 capital held at Group.

Dividends

The Group's robust balance sheet has allowed the Board to declare a fully franked interim FY23 dividend of 33 cents per share (cps). This equates to a pay-out ratio of 71% of cash earnings, in line with the Group's dividend policy.

The interim dividend will be paid on 31 March 2023. The ex-dividend date is 14 February 2023.

The Group's franking credit balance is set out in the table below. To ensure the Group can continue to fully frank dividends, it retains a franking account surplus to cover potential future volatility in the franking account due to changes in the split of the Group's earnings between Australia and New Zealand and differences between Australian accounting profit and Australian taxable income.

	Half Year Ended		
	Dec-22 $M	Jun-22 $M	Dec-21 $M
Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends	**216**	282	244

The current franking credit balance is elevated due to a small number of significant timing differences, most significantly the non-deductible mark-to-market losses on investment securities.

Insurance Australia

Insurance Australia delivers home and contents, motor, caravan, compulsory third party, workers' compensation and commercial insurance through its suite of insurance brands including AAMI, Suncorp Insurance, GIO, Vero, Apia, Terri Scheer and Shannons. The Insurance Australia business is one of Australia's largest general insurers by gross written premium and Australia's largest compulsory third party insurer.

Result overview

- Insurance Australia **profit after tax of $276 million was up 142.1% on the pcp**, reflecting strong top-line growth, a reduction in operating expenses and a turnaround in investment income, with increased claims costs mitigated by pricing effects and the release of the majority of the business interruption provision.
- Insurance Australia continued to see strong momentum in the strategic initiative to Revitalise Growth with GWP excluding ESL of $4,840 million, up 8.2% on the pcp. GWP growth excluding portfolio exits was 9.0%. The proportion of new business from digital sales for mass brands across home, motor and CTP products increased to 65.2% in the half, up from 59.8% on the pcp.
- Consumer GWP grew 10.8% on the pcp or 11.8% excluding portfolio exits. GWP growth was driven by strong AWP increases combined with unit growth. In Home, this reflected the pricing response to higher natural hazards and reinsurance costs. In Motor, AWP growth was driven by pricing for inflation including increases in the sums insured.
- Commercial grew 6.9% excluding portfolio exits, predominantly from rate and exposure growth. Rate increases averaged around 8% during the half year, including pricing for inflation, higher natural hazard and reinsurance costs.
- CTP GWP decreased 1.3% driven by increasing price competition across the schemes. Leading national market share position continues to be maintained.
- Workers' Compensation and other GWP increased 2.7% on the pcp, or 4.4% excluding portfolio exits, driven by rate and wage growth in the Workers' Compensation portfolio.
- Net incurred claims of $3,196 million was up 9.3% on the pcp. Net incurred claims excluding discount movements increased by 6.4% (reflecting the impact of portfolio growth, more normal levels of claims frequency and inflation). The loss ratio excluding discount rate impacts improved by 0.1%, although this ratio would have increased by 1.3% after adjusting for COVID-19 impacts (including the release of the business interruption provision).
- Online claim lodgements in the Consumer portfolios remained strong, with continued focus on improving the digital experience for customers across all portfolios. Best-in-Class Claims initiatives continued to be embedded across the supply chain including ongoing efforts to leverage scale to support repairers and enable competitive rates. Insurance Australia prior year reserve releases[1] were 1.6% of Group NEP, in line with the Group's long-run expectation of 1.5%.
- Net investment income of $282 million, or $163 million excluding present value adjustment on new claims, reflected continued market volatility and higher interest rates. Investment income was primarily supported by higher running yield income including an improved ILB carry. This was offset by unfavourable mark-to-market movements from higher risk-free rates, widening credit spreads and a decrease in breakeven inflation.
- Operating expenses excluding ESL and TEPL decreased 7.4% on the pcp to $709 million, driven by a reduction in project spend, benefits of strategic initiatives and ongoing cost management, partly offset by inflation.
- Managed schemes, joint ventures and other contributed a loss of $18 million, as claims management revenue declined due to the run-off of certain portfolios while costs in the business were elevated.

[1] Excludes the impact of TEPL (further explained on page 28) and Business Interruption provision release.

Profit contribution and key ratios

	Half Year Ended Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Gross written premium	**4,918**	4,842	4,542	1.6	8.3
Gross unearned premium movement	(114)	(323)	(68)	64.7	(67.6)
Gross earned premium	4,804	4,519	4,474	6.3	7.4
Outwards reinsurance expense	(573)	(590)	(492)	2.9	(16.5)
Net earned premium	**4,231**	3,929	3,982	7.7	6.3
Net incurred claims					
Claims expense [1]	(3,672)	(4,332)	(3,256)	15.2	(12.8)
Reinsurance and other recoveries revenue	476	1,927	333	(75.3)	42.9
Net incurred claims	**(3,196)**	(2,405)	(2,923)	(32.9)	(9.3)
Total operating expenses					
Acquisition expenses	(512)	(545)	(542)	6.1	5.5
Other underwriting expenses [1]	(290)	(288)	(344)	(0.7)	15.7
Total operating expenses	**(802)**	(833)	(886)	3.7	9.5
Underwriting result	233	691	173	(66.3)	34.7
Investment income - insurance funds	139	(377)	(23)	n/a	n/a
Insurance trading result	**372**	314	150	18.5	148.0
Managed schemes, joint ventures and other	(18)	(9)	(8)	(100.0)	(125.0)
Insurance Australia operational earnings	**354**	305	142	16.1	149.3
Investment income - shareholder funds	55	(217)	27	n/a	103.7
Insurance Australia profit before tax and capital funding	**409**	88	169	364.8	142.0
Capital funding	(17)	(11)	(9)	(54.5)	(88.9)
Insurance Australia profit before tax	**392**	77	160	409.1	145.0
Income tax	(116)	(17)	(46)	n/a	(152.2)
Insurance Australia profit after tax	**276**	60	114	360.0	142.1
Key ratios	%	%	%		
Acquisition expenses ratio	12.1	13.9	13.6		
Other underwriting expenses ratio	6.9	7.3	8.6		
Total operating expenses ratio	**19.0**	21.2	22.2		
Loss ratio	75.5	61.2	73.4		
Combined operating ratio	94.5	82.4	95.6		
Insurance trading ratio	8.8	8.0	3.8		

[1] Other Underwriting Expense includes a movement in the provision for TEPL of $25 million (Jun-22 $5 million, Dec-21: $44 million). The reserve release associated with this provision movement is in net incurred claims.

Insurance trading result (excluding ESL, discount rate movement and unwind)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Gross written premium	4,840	4,780	4,474	1.3	8.2
Net earned premium	4,163	3,861	3,906	7.8	6.6
Net incurred claims [1]	(3,165)	(2,727)	(2,974)	(16.1)	(6.4)
Acquisition expenses	(512)	(545)	(542)	6.1	5.5
Other underwriting expenses [1]	(222)	(220)	(268)	(0.9)	17.2
Total operating expenses	**(734)**	(765)	(810)	4.1	9.4
Investment income - insurance funds	108	(55)	28	n/a	285.7
Insurance trading result	**372**	314	150	18.5	148.0
Key ratios	%	%	%		
Acquisition expenses ratio	12.3	14.1	13.9		
Other underwriting expenses ratio [2]	5.3	5.7	6.9		
Total operating expenses ratio	**17.6**	19.8	20.8		
Loss ratio [2]	76.0	70.6	76.1		
Combined operating ratio	**93.6**	90.4	96.9		
Insurance trading ratio	8.9	8.1	3.8		

1. Other Underwriting Expense includes a movement in the provision for TEPL of $25 million (Jun-22 $5 million, Dec-21: $44 million). The reserve release associated with this provision movement is in net incurred claims.
2. Excluding the impacts of TEPL, Dec-22 Other underwriting expenses ratio is 4.7% (Jun-22: 5.6%, Dec-21: 5.7%) and Loss ratio is 76.6% (Jun-22: 70.7%, Dec-21: 77.3%).

Gross written premium

GWP by product & geography

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Gross written premium by product					
Motor	1,819	1,776	1,632	2.4	11.5
Home	1,344	1,259	1,223	6.8	9.9
Commercial	928	787	869	17.9	6.8
Compulsory third party	521	549	528	(5.1)	(1.3)
Workers' compensation and other	228	409	222	(44.3)	2.7
Total GWP	**4,840**	4,780	4,474	1.3	8.2
Emergency Services Levies					
Motor	10	8	9	25.0	11.1
Home	49	39	40	25.6	22.5
Commercial	19	15	19	26.7	-
Total ESL	**78**	62	68	25.8	14.7
Total GWP including ESL	**4,918**	4,842	4,542	1.6	8.3
Gross written premium by geography					
Queensland	1,255	1,155	1,157	8.7	8.5
New South Wales	1,541	1,441	1,401	6.9	10.0
Victoria	1,134	1,113	1,039	1.9	9.1
Western Australia	407	509	383	(20.0)	6.3
South Australia	226	222	212	1.8	6.6
Tasmania	111	130	104	(14.6)	6.7
Other	166	210	178	(21.0)	(6.7)
Total GWP excluding ESL	**4,840**	4,780	4,474	1.3	8.2
Emergency Services Levies					
New South Wales	76	61	67	24.6	13.4
Tasmania	2	1	1	100.0	100.0
Total ESL	**78**	62	68	25.8	14.7
Total GWP including ESL	**4,918**	4,842	4,542	1.6	8.3

A number of portfolios were strategically exited in the prior year including Vero and Corporate Partners within Home and Motor, Vero Construction and Workers' Compensation for Seafarers. This resulted in a $32 million reduction in GWP compared to the pcp.

Motor

Motor GWP growth normalised for portfolio exits was 11.7% on the pcp, reflecting AWP growth of 8.9% and unit growth of 2.8%. GWP growth was broad-based across mass and niche brands with the highest growth coming from AAMI, Suncorp and Shannons. The AWP increase reflected pricing for claims inflation including increases in sums insured.

Home

Home GWP growth normalised for portfolio exits was 12.1% on the pcp, reflecting a 10.7% increase in AWP and 1.4% increase in units. Home AWP outcomes reflected the ongoing pricing response to higher natural hazard and reinsurance costs, inclusive of pricing enhancements using CaPE for improved risk selection. Unit growth was driven by landlord policies in the Terri Scheer Insurance brand. Across mass brands there was a fall in units on the pcp, driven by lower retention rates as price increases flowed through the portfolio.

Commercial

Commercial GWP normalised for portfolio exits increased 6.9% on the pcp, with growth in short-tail tailored underwriting partly offset by a fall in Packages.

GWP in the short-tail tailored underwriting portfolios accounts for over 60% of Commercial GWP and increased 13.5% on the pcp. Growth was driven by the larger NTI, Property and Fleet portfolios, reflecting mid-to-high single digit rate increases for claims inflation and the inflationary impacts on exposures. Across short-tail there continued to be strong retention rates, in line with pcp, as well as higher new business, particularly in Property.

Packages GWP fell 4.2% on the pcp. The focus has been on improving margins, with a rate increase of 10% in the half. New business volumes fell in the half reflecting increased competition. Further improvements in margin, and growth, will be underpinned by the continued delivery of the new Intermediated SME platform in the first half of next financial year, including connectivity with select major broker platforms.

The long-tail tailored underwriting portfolios were broadly unchanged on the pcp reflecting mid single-digit rate increases offset by a fall in new business.

Workers' Compensation and other

Workers' Compensation GWP normalised for portfolio exits increased 4.4% on the pcp, reflecting high single digit growth in customer wage bills and high single-digit rate increases. New business was in line with the pcp.

Compulsory Third Party

CTP GWP decreased 1.3%. The Queensland portfolio grew 5.9% due to AWP increases of 3.7% and unit growth from improved retention, which was offset by falls in GWP across other states from increasing price competition.

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Compulsory third party GWP by geography					
Queensland	214	215	202	(0.5)	5.9
New South Wales	235	245	238	(4.1)	(1.3)
Australian Capital Territory	24	24	30	-	(20.0)
South Australia	48	65	58	(26.2)	(17.2)
Total compulsory third party GWP	**521**	549	528	(5.1)	(1.3)

Net incurred claims

Net incurred claims were $3,196 million, 9.3% above the pcp. Excluding discount movements, net incurred claims increased by 6.4% reflecting the impact of portfolio growth, more normal levels of claims frequency and persistent inflation, partly offset by the release of a business interruption provision. The loss ratio improved by 0.1% against the pcp, although this ratio would have increased by 1.3% after adjusting for COVID-19 impacts including the release of the business interruption provision.

Motor

Motor claims costs increased on the pcp and adversely impacted the loss ratio due to average claim sizes increasing by low double digits and a return to more typical driving patterns.

There were three key, industry-wide trends which impacted the average claim size increase including ongoing high second-hand car prices which impact total loss claims (which account for a large portion of overall claims costs), a return to higher frequency and pressures within the supply chain.

In addition to pricing, management response to these challenges includes:

- Adding repair capacity to a number of partners across the driveable and non-driveable repair networks, much of which will come online in the second half.
- Continuing to improve digital capability to allow customers to manage their repair. The digital program of work in claims continues to progress well, with more than 50% of claims now lodged online. A number of enhancements to improve the customer experience and manage claims handling expenses were implemented late in the half.

Claims frequency was impacted by lockdown restrictions due to COVID-19 in the pcp, particularly in New South Wales and Victoria, but has rebounded and is in-line with pre-COVID-19 levels.

Home

Home working claims loss ratio decreased slightly against the pcp due to stable frequency, strong cost management and favourable mix outcomes. Average claims size increased slightly against the pcp. Water costs continue to be well managed with strong vendor cost and performance management and lower frequency. Fire claim severity increased against the pcp, with a larger mix of more expensive claims even though the total number of new claims reduced. More broadly, less supply chain disruption from East Coast floods, ongoing work to leverage scale to enable panel repairers to provide competitive rates, and strong vendor cost and performance management have contributed to stable cost outcomes against industry. Strategic system enhancements are delivering improvements across inflation tracking, vendor performance and volume allocation optimisation. This is supported by the ongoing focus on the digital claims experience for customers and development of end-to-end solutions (eg. zero touch and straight through processing), contributing to improved digital lodgement rates compared to the pcp. Reserves were strengthened for home liability claims given some unfavourable large claims experience.

Commercial

Commercial claims loss ratios were broadly flat. Experience in the half reflected several large fire claims and higher claims costs in the Fleet portfolio, reflecting some of the trends in the Consumer Motor portfolio. Prior year reserves were strengthened modestly reflecting one large claim in Property and some further strengthening for bodily injury claims across Packages, Liability and Construction.

CTP and Workers' Compensation

CTP claims costs increased, primarily driven by an increase in exposure and observed inflation in average claims size in Queensland. Prior year reserve releases were particularly strong in New South Wales.

Workers' Compensation claims costs increased largely due to growth in the portfolio, partially offset by the improvement in loss ratios across the major states and benign experience in the run-off portfolio compared with the prior year. Prior year reserves were strengthened mainly to reflect an increase in frequency of lump sum claims and higher average claim sizes in the Australian Capital Territory largely relating to one accident year, as well as higher statutory payments in Western Australia.

Natural hazards

	Net costs $M
Total events over $10 million	**459**
Other natural hazards	166
Total natural hazards	**625**
Less: allowance for natural hazards	(546)
Natural hazards costs above / (below) allowance	**79**

Total natural hazard costs were $625 million, broadly in line with the pcp and $79 million above the half year allowance for Insurance Australia.

Outstanding claims provision

Outstanding claims provision breakdown

The valuation of outstanding claims has resulted in central estimate releases of $230 million. Excluding TEPL of $25 million and business interruption provision of $124 million, the valuation of outstanding claims results in a central estimate release of $81 million. The prior year reserve releases excluding TEPL and business interruption were 1.6% of Group NEP, in line with the Group's long-run expectation of 1.5%.

The short-tail release of $164 million was primarily driven by the release of the majority of the business interruption provision and Consumer (partly natural hazard related). The business interruption release was due to updates to the reserves following the resolution of the second industry test case.

The long-tail claims reserve releases of $66 million were primarily attributable to favourable claims experience in the New South Wales CTP portfolio. This was partially offset by increases in Bodily Injury liability claims in Commercial portfolios and increased claims costs for Workers Compensation. As the New South Wales CTP scheme performed favourably for accident years 2018 and 2019, the TEPL provision has been increased in the half to recognise the excess profit that is expected to be payable to the regulator.

	Total	Net central estimate (discounted)	Risk margin (90th percentile discounted)	Change in net central estimate[1]
	$M	$M	$M	$M
Short-tail	2,443	2,218	225	(164)
Long-tail	5,911	5,067	844	(66)
Total	**8,354**	**7,285**	**1,069**	**(230)**

1. This column is equal to the closing central estimate for outstanding claims (before the impact of a change in interest rates) incurred before the opening balance sheet date, less the opening net central estimate for outstanding claims, plus payments and claims handling expenses, less investment income earned on the net central estimate. Figures in brackets imply that there has been a release from outstanding reserves.

The remaining business interruption provision of $29 million has been calculated on a probability-weighted basis and significant judgement has been exercised to derive a reasonable estimate of the probability-weighted view of potential future cash flows relating to business interruption, in line with the Group's approach to reserve at a 90% confidence level for potential exposures. The key remaining uncertainty is the potential for future legal challenges.

The provision has reduced by $150 million over the period, given the resolution of the second industry test case. At the Central Estimate level, there has been a release of $124 million on prior year reserves.

To date, there have been two Insurance Council of Australia (ICA) industry test cases on business interruption claims. The first industry test case in November 2020, determined that certain policy exclusions referencing the Quarantine Act could not be read as references to the Biosecurity Act and therefore could not be relied on in relation to COVID-19 business interruption claims.

The second industry test case examined a number of insuring clauses, as well as adjustment clauses, including the application of government subsidies such as Job Keeper payments. In October 2021, the Federal Court held that most of the business interruption policy wordings considered were not triggered by COVID-19 related losses, and government subsidies should be taken into account when adjusting any claims. On 14 October 2022, the High Court of Australia rejected the Special Leave applications which were lodged following the Full Federal Court decision and the separate but related litigation Star Entertainment v Chubb. This resulted in the confirmation of the previous Full Federal Court decision.

Since the onset of COVID-19, the level of exposure to policies with Quarantine Act exemptions has progressively reduced as the policies renew with updated wording. All business interruption in-force policies now reflect the Biosecurity Act wording. The Rockment Pty Ltd v Vero judgment confirmed the broad application of the Biosecurity Act exclusion for losses connected to COVID-19.

Outstanding claims provision over time

The following table shows the gross and net outstanding claims liabilities and their movement over time. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate (90th percentile, discounted) and the risk margin components.

	Half Year Ended			Dec-22	Dec-22
	Dec-22 $M	Jun-22 $M	Dec-21 $M	v Jun-22 %	v Dec-21 %
Gross outstanding claims liabilities	10,410	10,852	10,159	4.1	(2.5)
Reinsurance and other recoveries	(2,056)	(2,887)	(1,581)	(28.8)	30.0
Net outstanding claims liabilities	**8,354**	7,965	8,578	(4.9)	2.6
Expected future claims payments and claims handling expenses	7,964	7,526	7,713	(5.8)	(3.3)
Discount to present value	(679)	(596)	(255)	13.9	166.3
Risk margin	1,069	1,035	1,120	(3.3)	4.6
Net outstanding claims liabilities	**8,354**	7,965	8,578	(4.9)	2.6
Short-tail	2,443	2,116	2,448	(15.5)	0.2
Long-tail	5,911	5,849	6,130	(1.1)	3.6
Total	**8,354**	7,965	8,578	(4.9)	2.6

Risk margins

Risk margins give an assessed level of confidence to the outstanding claims reserves of 90%.

Total risk margins increased by $34 million since June 2022 to $1,069 million, which aligns with the increase to the net outstanding claims liabilities. The assets notionally backing risk margins had a net gain of $2 million. The net impact was therefore $32 million, which is excluded from the underlying ITR calculation.

Operating expenses

Excluding ESL and TEPL impact, operating expenses decreased 7.4% driven by a reduction in project spend and ongoing strong cost management. TEPL includes a profit normalisation mechanism which caps industry and insurer profits in the New South Wales CTP scheme. In the half, additional levy provision ($25 million) has been recognised, recorded in operating expenses and offset by associated prior year reserve releases.

Managed schemes, joint ventures and other

Suncorp continues to be part of a scheme arrangement with the New South Wales Government receiving revenue as a claims service provider to manage its existing workers' compensation portfolio. Claims management revenue under this arrangement has declined due to the run-off of certain portfolios and costs in the business were elevated. There is an opportunity to right-size expenses in this area going forward.

Investment income

Key market metrics for the year are set out in the table below.

	Dec-22	Jun-22	Dec-22 v Jun-22
3 year bond yield (%)	3.50	3.12	+38bp
5 year breakeven inflation rate (%)	2.67	2.72	-5bp
10 year breakeven inflation rate (%)	2.46	2.27	+19bp
AA 3 year credit spreads (bp)	130	125	+5bp
Australian fixed interest (Bloomberg composite index)	9,383	9,408	-0.3%
Australian equities (total return)	**85,188**	77,569	+9.8%
International equities (hedged total return)	**2,155**	2,121	+1.6%

Asset allocation

	Half Year Ended					
	Dec-22		Jun-22		Dec-21	
	$M	%	$M	%	$M	%
Insurance funds						
Cash and short-term deposits	220	2	326	3	450	5
Inflation-linked bonds	2,053	20	1,948	20	1,746	17
Corporate bonds	7,577	74	7,133	73	7,134	69
Semi-Government bonds	98	1	116	1	224	2
Commonwealth Government bonds	250	3	326	3	757	7
Total Insurance funds	**10,198**	100	9,849	100	10,311	100
Shareholders' funds						
Cash and short-term deposits[1]	452	13	516	14	351	10
Australian interest-bearing securities	1,249	36	1,628	43	1,545	45
Global interest-bearing securities (hedged)	843	24	861	23	843	24
Equities[1]	360	10	355	9	568	16
Infrastructure and property	358	10	200	5	168	5
Convertible bonds	262	7	242	6	-	-
Total shareholders' funds	**3,524**	100	3,802	100	3,475	100
Total	**13,722**		13,651		13,786	

[1] Cash and short-term deposits and equities include effective exposure of derivatives

Suncorp continues to invest in line with the Group's risk appetite and the Board approved investment strategy. Portfolio changes continue to reflect implementation of the strategic asset allocation and current conservative portfolio positioning. In the insurance funds, portfolio allocation remained broadly consistent with the prior half. In the shareholders' funds, allocation to Australian interest-bearing securities decreased by 7% due to the unwinding of short-dated assets temporarily held for capital funding and portfolio investment activities. Australian and global equities are underweight to long-term target allocations, as markets continue to experience heightened levels of volatility and uncertainty. Additional investment was made to property and infrastructure during the half. Over the next 18 months, further capital is expected to be deployed across unlisted infrastructure and property. Currently, the portfolio is holding elevated levels of cash. Five percent of shareholders' funds is targeted to impact investing which includes Green Bonds, Renewable Energy Infrastructure and Social Impact.

Credit quality

Rating	Dec-22 %	Jun-22 %	Dec-21 %
AAA	41.1	46.1	42.5
AA	18.6	14.5	14.0
A	19.0	19.2	22.4
BBB	21.3	20.2	21.1
	100.0	100.0	100.0

The decreased exposure to AAA rated securities is primarily the result of a reduced allocation to cash instruments. The increased allocation to AA rated securities is due to investment manager positioning.

Duration

	Dec-22 Years	Jun-22 Years	Dec-21 Years
Insurance funds			
Interest rate duration	2.4	2.5	2.5
Credit spread duration	1.4	1.4	1.4
Shareholders' funds			
Interest rate duration	1.7	1.7	1.5
Credit spread duration	2.3	2.4	2.4

The interest rate duration of the insurance funds continues to closely match the duration of insurance liabilities, which comprise of outstanding claims and premium liabilities. The interest rate duration of the shareholders' funds did not materially change.

Investment performance

Total investment income on insurance funds and shareholders' funds was $194 million, representing an annualised return of 2.8% for the period.

Insurance funds

Investment income on insurance funds was $139 million, representing an annualised return of 2.8%. This reflects favourable impacts from higher running credit spreads and the carry above risk free on inflation-linked bonds, partly offset by mark-to-market losses from an increase in risk-free rates and lower breakeven inflation.

Underlying yield

The underlying yield income was $250 million, representing an annualised return of 5.0%, and reflecting higher risk-free yields, credit spreads and inflation breakeven over risk-free yield income earnt on assets. The underlying yield income reflects the investment gain of $139 million adjusted for the following market valuation impacts:

— Losses of $90 million due to an increase in risk-free rates.

— Losses of $5 million due to a widening of credit spreads.

— Losses of $16 million due to a decrease in breakeven inflation.

Adjustment to ITR for investment market volatility

Consistent with prior periods, an adjustment has been made to the ITR to normalise the impact of investment market volatility. The adjustment has three parts, as follows:

— Risk-free rates: for insurance funds, a key objective is to match the overall risk-free interest rate sensitivity of the insurance claims liabilities. The residual net unfavourable impact of $3 million represents the impact from the asset and liability mismatch. This is added to the ITR.

— Credit spreads: the $5 million unfavourable impact due to the widening of credit spreads is added to the ITR.

— Inflation-linked bonds: the $16 million unfavourable impact from breakeven inflation is added to the ITR.

The combined impact of these adjustments to ITR is positive $24 million.

Shareholders' funds

Investment income on shareholders' funds was $55 million, representing an annualised return of 3.0%, primarily driven by higher running yield income and equity markets.

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Investment income on insurance funds					
Interest-bearing securities and other	139	(377)	(23)	n/a	n/a
Total	**139**	(377)	(23)	n/a	n/a
Investment income on shareholders' funds					
Interest-bearing securities and other	21	(118)	(23)	n/a	n/a
Equities	18	(87)	34	n/a	(47.1)
Infrastructure and property	8	14	16	(42.9)	(50.0)
Convertible Bonds	8	(26)	-	n/a	n/a
Total	**55**	(217)	27	n/a	103.7
Total investment income	**194**	(594)	4	n/a	n/a

Suncorp Bank

Suncorp Bank provides lending, deposit and transaction account services to personal, SME, commercial and agribusiness customers. On 18 July 2022, Suncorp announced it has signed a share sale and purchase agreement with Australia and New Zealand Banking Group Limited to sell its Banking business, following a comprehensive strategic review. The sale is subject to regulatory and government approvals with a target completion by the second half of the calendar year 2023.

Result overview

— Suncorp Bank **profit after tax of $256 million was up 28.0% on the pcp**. The result was driven by solid volume growth and higher margin primarily from deposit pricing, coupled with flat expenses.

— The Bank's NIM increased 13 basis points over the half to 2.03%, attributed to strategic deposit pricing, partly offset by unfavourable lending pricing driven by intense competition for home loans and increased funding costs.

— Other operating income decreased 42.9% on the pcp to $8 million, primarily due to reduced gains from the sale of liquid assets, increased home lending trail commissions associated with the growth in the home lending portfolio and lower revenue from the merchant business.

— Operating expenses were flat on the pcp at $366 million, driven by continued benefit of the branch optimisation and digitisation initiatives completed in the prior half, partly offset by higher personnel costs to support growth. The Bank's cost-to-income ratio decreased to 49.9%, down from 57.6% in the pcp, driven by revenue growth and flat expenses.

— The Bank continued to make progress on its strategic initiative to Win in Home, growing the home portfolio 5.2% over the half. Business lending grew 1.8%, predominantly driven by commercial lending growth across several industries.

— The Bank continues to pursue Seamless Everyday Banking. The at-call portfolio is supported by a compelling digital offering, with digital transaction account openings now accounting for 80% of new consumer deposit accounts. The digital account growth trajectory is expected to be supported by the 'Carbon Insights Account' which launched on the 28 October 2022.

— A net impairment charge of $2 million reflects no change in the collective provision and small movements across several exposures in the specific provision. The credit environment remained benign in the half, with a more cautious outlook given the potential negative impact of recent rapid interest rate increases on customers.

— Past due loans of $281 million decreased $46 million over the half. Home lending past due loans not impaired decreased $32 million, with unemployment remaining at historic lows.

— The Bank's capital position remains strong, with a CET1 ratio of 10.09% ex-dividend, within the target operating range of 10.00% to 10.50%[1]. The Bank has also maintained strong funding and liquidity metrics, with a Net Stable Funding Ratio (NSFR) of 135% and Liquidity Coverage Ratio (LCR) of 134%.

— Following APRA's announcement in 1H22 that the Committed Liquidity Facility (CLF) limits will not be available beyond December 2022, the Bank incrementally reduced its CLF limit to zero on 1 January 2023. The Bank has continued to access wholesale funding markets with several successful issuances, with strong liquidity metrics ahead of the reduction of the Term Funding Facility (TFF).

[1] On a proforma basis under Basel III effective 1 January 2023

Profit contribution and key ratios

	Half Year Ended Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Net interest income	725	624	621	16.2	16.7
Net other operating income					
Net banking fee income and commission	(1)	-	2	n/a	n/a
Gain on derivatives and other financial instruments	7	(13)	9	n/a	(22.2)
Other revenue	2	2	3	-	(33.3)
Total other operating income	**8**	(11)	14	n/a	(42.9)
Total income	**733**	613	635	19.6	15.4
Operating expenses	(366)	(370)	(366)	1.1	-
Profit before impairment losses on financial assets	**367**	243	269	51.0	36.4
Impairment release/(loss) on loans and advances	(1)	(2)	16	50.0	n/a
Impairment release/(loss) on investment securities	(1)	-	-	n/a	n/a
Suncorp Bank profit before tax	**365**	241	285	51.5	28.1
Income tax	(109)	(73)	(85)	(49.3)	(28.2)
Suncorp Bank profit after tax	**256**	168	200	52.4	28.0
Key ratios	%	%	%		
Lending growth	4.56	5.90	1.82		
Customer funding growth	5.96	7.51	7.81		
Net interest margin (interest-earning assets)	2.03	1.90	1.97		
Cost to income ratio	49.9	60.4	57.6		
Impairment release/(losses) to gross loans and advances[1]	(0.00)	(0.01)	0.05		
Common Equity Tier 1 ratio[2]	10.09	9.08	9.91		
NSFR	135	138	132		
LCR	134	138	146		

1. Annualised
2. Dec-22 period presented on a proforma basis under Basel III effective 1 January 2023.

Net interest income

Net interest income (NII) of $725 million increased 16.7% on the pcp as deposit margins improved with increases to the RBA cash rate and market rates.

	%
2H22 net interest margin	**1.90**
Lending pricing	(0.26)
Lending mix	0.02
Liquid assets	(0.02)
Customer deposit pricing	0.39
1H23 net interest margin	**2.03**

NIM increased 13 basis points over the half to 2.03%. The key drivers of the movement include:

— Lending pricing accounting for a 26 basis points reduction in NIM, primarily due to significant competition in the market for home loans.

— Lending mix changes accounting for a 2 basis point increase in NIM, driven by roll-off of lower yielding fixed rate home loans and lower fixed rate originations.

— Liquid assets increased marginally, causing a 2 basis point NIM reduction primarily driven by an increase in high quality liquid assets (HQLA) as the Bank prepared to reduce the remainder of its CLF ($0.5 billion) to zero by 1 January 2023.

— Improved customer deposit margins added 39 basis points driven by active management of customer pricing in the at call and retail term deposit portfolios.

Average banking balance sheet

	Half Year Ended Dec-22			Half Year Ended Jun-22		
	Average Balance[1]	Interest	Average Rate	Average Balance[1]	Interest	Average Rate
	$M	$M	%	$M	$M	%
Assets						
Interest-earning assets						
Trading and investment securities [2]	13,112	142	2.15	11,542	30	0.52
Gross loans and advances	57,870	1,200	4.11	54,665	751	2.77
Total interest-earning assets	**70,982**	**1,342**	**3.75**	66,207	782	2.38
Non-interest earning assets						
Loan balances subject to mortgage offsets	5,378			4,886		
Other assets (inc. loan provisions)	441			477		
Total non-interest earning assets	**5,819**			5,363		
Total assets	**76,801**			71,570		
Liabilities						
Interest-bearing liabilities						
Customer deposits	44,377	244	1.09	40,826	51	0.25
Wholesale liabilities	21,592	360	3.31	20,106	100	1.00
Subordinated loans	600	13	4.30	600	7	2.35
Total interest-bearing liabilities	**66,569**	**617**	**1.84**	61,532	158	0.52
Non-interest bearing liabilities						
Other customer deposits	5,378			4,886		
Other liabilities	428			448		
Total non-interest bearing liabilities	**5,806**			5,334		
Total liabilities	**72,375**			66,866		
Average Net Assets	**4,426**			4,704		
Non-Shareholder accounting equity	150			53		
Convertible preference shares	(560)			(906)		
Average Ordinary Shareholders' equity	4,016			3,851		
Goodwill allocated to banking business	(240)			(240)		
Average Ordinary Shareholders' equity (ex goodwill)	3,776			3,611		
Analysis of interest margin and spread						
Interest-earning assets	70,982	1,342	3.75	66,207	782	2.38
Interest-bearing liabilities	66,569	617	1.84	61,532	159	0.52
Net interest spread			1.91			1.86
Net interest margin (interest-earning assets)	70,982	725	2.03	66,207	623	1.90
Net interest margin (lending assets)	57,870	725	2.49	54,665	623	2.30

1. Calculated based on daily balances over the period.

2. Includes interest on cash and receivables due from other banks.

Average interest earning assets increased $4.8 billion or 7.2% over the half to $71.0 billion, driven by:

- Gross loans and advances: increased $3.2 billion or 5.9% over the half to $57.9 billion (compared to 4.6% growth on spot balance) driven by an increase in home and business lending.
- Trading and investment securities: increased $1.6 billion or 13.6% over the half to $13.1 billion. The Bank increased HQLA predominantly to replace the CLF facility.

Other operating income

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Net banking fee income and commission	(1)	-	2	n/a	n/a
Gain/(loss) on derivatives and other financial instruments	7	(13)	9	n/a	(22.2)
Other revenue	2	2	3	-	(33.3)
Total other operating income	**8**	(11)	14	n/a	(42.9)

Total other operating income was $8 million, a decrease of $6 million on the pcp, due to:

- A decrease in net banking fee income from increased home lending trail commissions associated with the growth in the home lending portfolio and lower revenue from the merchant business.
- A decrease in gains on derivatives and other financial instruments due to reduced gains from the sale of liquid assets, partly offset by the anticipated unwind of unrealised losses on interest rate swaps.

Operating expenses

Total operating expenses of $366 million were flat on the pcp, primarily driven by continued benefit of branch optimisation, as well as digitisation and automation initiatives completed in the prior half. This was partly offset by higher personnel costs to support growth and inflationary uplifts.

The cost-to-income ratio decreased substantially on the pcp from 57.6% to 49.9%.

Loan impairment expense

Impairment releases/(losses) on loans and advances

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Collective provision for impairment	-	-	15	n/a	n/a
Specific provision for impairment	-	(1)	2	n/a	n/a
Actual net write-offs	(1)	(1)	(1)	-	-
Impairment releases/(losses)	**(1)**	(2)	16	50.0	n/a
Impairment releases/(losses) to gross loans and advances[1]	(0.00%)	(0.01%)	0.05%		

[1] Annualised

The forecast economic outlook remains broadly consistent with that of the prior half and the collective provision has remained flat.

The Bank reported net impairment losses on loans and advances of $1 million, representing less than 1 basis point of gross loans and advances (annualised).

Bank balance sheet

	Dec-22	Jun-22	Dec-21	Dec-22 Jun-22	Dec-22 v Dec-21
	$M	$M	$M	%	%
Housing loans - term	47,251	44,838	42,334	5.4	11.6
Housing line of credit	623	778	872	(19.9)	(28.6)
Securitised housing loans and covered bonds	4,971	4,598	4,086	8.1	21.7
Total housing loans	**52,845**	50,214	47,292	5.2	11.7
Personal loans	51	67	93	(23.9)	(45.2)
Retail loans	**52,896**	50,281	47,385	5.2	11.6
SME	2,646	2,641	2,716	0.2	(2.6)
Commercial	5,165	4,884	4,406	5.8	17.2
Agribusiness	4,195	4,267	4,106	(1.7)	2.2
Total business loans	**12,006**	11,792	11,228	1.8	6.9
Total lending	**64,902**	62,073	58,613	4.6	10.7
Provision for impairment	(211)	(217)	(219)	2.8	3.7
Total loans and advances	**64,691**	61,856	58,394	4.6	10.8
Geographical breakdown - Total lending					
Queensland	29,740	29,195	28,053	1.9	6.0
New South Wales	18,365	17,388	16,266	5.6	12.9
Victoria	9,369	8,516	7,749	10.0	20.9
Western Australia	4,242	4,048	3,769	4.8	12.5
South Australia and other	3,186	2,926	2,776	8.9	14.8
Outside of Queensland loans	**35,162**	32,878	30,560	6.9	15.1
Total lending	**64,902**	62,073	58,613	4.6	10.7

Home lending

The Home Lending portfolio grew $2.6 billion or 5.2% in the half, reflecting improved customer and broker experience.

The Bank continued to grow settlement volumes, up 10% over the half and 22% on the pcp. This was partly offset by elevated outflows which increased 21% over the half and 4% on the pcp. The Bank maintained a positive net refinance rate despite an increase in external refinances to other institutions.

During the half, the Bank remained focused on improving broker and customer experiences and delivered a 46-point increase in the 6-month rolling average Broker NPS and a 23-point uplift in Home Loan Customer NPS. These results demonstrate the improvements made to the Bank's product and service proposition, and the positive turnaround in the perception of the Suncorp Bank brand.

Home Lending continued its targeted program of work to simplify origination processes and enhance operational productivity through automation and digitisation. The median application turnaround time over the half was 3 working days, down from 12 working days in the pcp. This result positions the Bank in the top quartile for application turnaround times.

Home lending portfolio metrics

	Dec-22 %	Jun-22 %	Dec-21 %
Owner-occupier proportion of total portfolio	72	73	73
Investor proportion of total portfolio	28	27	27
Principal and interest proportion of total portfolio	88	88	87
Interest only proportion of total portfolio	12	12	13
Variable rate	75	69	68
Fixed rate	25	31	32
Broker originated	72	70	69
Direct originated	28	30	31
Proportion of total portfolio with LVR < 80%	88	86	84
Portfolio dynamic LVR	56	54	58
Proportion of total portfolio covered by LMI[1]	21	24	26

1. Lenders mortgage insurance

Home lending origination metrics

	Dec-22 %	Jun-22 %	Dec-21 %
Owner-occupier proportion of new business	68	71	71
Investor proportion of new business	32	29	29
Principal and interest proportion of new business	84	85	83
Interest only proportion of new business	16	15	17
Variable rate	98	64	48
Fixed rate	2	36	52
Broker originated	78	76	75
Direct originated	22	24	25
Proportion of new business with LVR < 80%	91	87	84
Proportion of new business covered by LMI[1]	8	13	16

1. Lenders mortgage insurance

The Bank continues to maintain a high quality, conservatively positioned home lending portfolio, with 91% of new business originated at a loan-to-value (LVR) ratio below 80% and 12.3% with a debt to income (DTI) ratio greater than 6. This compares to 84% and 16.8% respectively for the pcp.

Following the recent cash rate increases that ended a period of historically low fixed interest rates and resulting pricing changes implemented by the Bank, customer preferences have shifted back towards variable rate products. The proportion of new fixed rate loans decreased from 36% in the prior half and now represent 2% of new business.

Home lending portfolio geographic profile

	Dec-22 %	Jun-22 %	Dec-21 %
Queensland	43	44	45
New South Wales	29	29	29
Victoria	15	14	13
Western Australia	8	8	8
Other	5	5	5

The Bank maintains 43% of the home lending portfolio in Queensland. The broker network has enabled geographic diversification of the home lending portfolio across other states, particularly New South Wales and Victoria.

Business Banking

Commercial

	Half Year Ended				
	Dec-22	Jun-22	Dec-21	Dec-22 v Jun-22	Dec-22 v Dec-21
	$M	$M	$M	%	%
Property Investment	3,047	2,882	2,555	5.7	19.3
Construction & Development	517	586	485	(11.8)	6.6
Hospitality & Accommodation	620	537	529	15.5	17.2
Services (Inc. professional services)	362	293	309	23.5	17.2
Retail	258	293	220	(11.9)	17.3
Manufacturing & Mining	103	49	88	110.2	17.0
Other	258	244	220	5.7	17.3
Total $M	**5,165**	**4,884**	**4,406**	**5.8**	**17.2**

The commercial portfolio increased 5.8% over the half to $5.2 billion. Growth was driven by new lending in these portfolios and supported by moderation of external refinancing, project completion paydowns and customer-initiated property sales taking advantage of higher property values.

The Bank continues to monitor the size and geographic distribution of the portfolio within a range of strict internal limits to ensure ongoing sound credit quality and prudent diversification of the portfolio.

SME[1]

	Half Year Ended				
	Dec-22	Jun-22	Dec-21	Dec-22 v Jun-22	Dec-22 v Dec-21
	$M	$M	$M	%	%
Property Investment	635	581	625	9.3	1.6
Hospitality & Accommodation	264	290	272	(9.0)	(2.9)
Retail	238	238	245	-	(2.9)
Construction & Development	265	291	244	(8.9)	8.6
Manufacturing & Mining	159	158	163	0.6	(2.5)
Services (Inc. professional services)	873	872	923	0.1	(5.4)
Other [2]	212	211	244	0.5	(13.1)
Total $M	**2,646**	**2,641**	**2,716**	**0.2**	**(2.6)**

1. SME lending is defined as lending of up to $3m Total Business-Related Exposure (TBRE) from the 'SME Comm' CRMF ANZSIC segment. Remaining business ($3m TBRE and over) is classified as Commercial.

2. Includes a portion of small business loans, with limits below $1 million, that are not classified.

The SME portfolio increased 0.2% over the half to $2.6 billion. Increased competition from new and existing lenders moderated new business with SMEs looking beyond traditional options to finance their diverse range of needs. The business continues to drive initiatives that reduce "Time to Yes", improve the end-to-end customer journey and make doing business easier.

Agribusiness

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Beef	2,014	1,963	1,889	2.6	6.6
Grain & Mixed Farming	1,007	1,067	985	(5.6)	2.2
Sheep & Mixed Livestock	377	342	329	10.2	14.6
Cotton	252	341	328	(26.1)	(23.2)
Sugar	84	85	82	(1.2)	2.4
Fruit	126	128	164	(1.6)	(23.2)
Other	335	341	329	(1.8)	1.8
Total $M	**4,195**	**4,267**	**4,106**	**(1.7)**	**2.2**

The agribusiness portfolio contracted 1.7% over the half to $4.2 billion, with higher disbursements more than offset by the continued uplift in external refinances and pay-downs from property sales. New business was driven by restocking, property purchase activity and Suncorp Bank's support of several customers through their expansion journey.

Agribusiness customers have benefited from high commodity prices, which have remained elevated across most sectors coupled with a buoyant rural property market. In addition, significant and widespread rainfall has occurred across the eastern states, with storms and flooding in many areas. While this has negatively impacted winter crop harvesting and summer plantings, particularly in New South Wales, the sector has also seen high soil moisture levels and river and water storage systems at full capacity. Customers have generally shown strong resilience through these events.

The agribusiness portfolio has seen favourable seasonal conditions over the past two years following a sustained period of drought. This has been particularly evident in the sheep & mixed livestock and beef portfolios, with major restocking and land purchases driving 10.2% and 2.6% growth respectively over the half.

Portfolio run-off rates, particularly at the beginning of the half, were supported by competitive market conditions and elevated refinancing through a growing Queensland-based broker network.

Funding and deposits

The Bank continued to maintain a conservative approach to managing liquidity and funding risk to provide a sustainable funding profile and support balance sheet growth.

The Bank's key funding and liquidity management strategies include:

— Continued focus on the Bank's stable deposit base by growing Main Financial Institution (MFI) customer relationships.

— Maintaining a sustainable and diversified funding base across a range of long-term wholesale markets.

— Minimising the impact of market volatility by maintaining a smooth profile of long-term wholesale funding maturities, with an appropriate weighted average tenor. This includes finalisation of the CLF removal in the current financial year and managing the Term Funding Facility (TFF) maturities in FY23 and FY24.

— Managing HQLA of over 100% of net cash outflows, under various stress scenarios.

Funding composition

	Half Year Ended Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Customer funding					
Customer deposits					
At-call transactions	20,385	20,805	19,449	(2.0)	4.8
At-call savings	16,137	15,832	16,949	1.9	(4.8)
Term deposits	14,473	11,488	8,364	26.0	73.0
Total customer funding	**50,995**	48,125	44,762	6.0	13.9
Wholesale funding					
Domestic funding					
Short-term wholesale	6,216	5,319	4,431	16.9	40.3
Long-term wholesale	9,289	8,543	7,995	8.7	16.2
Covered bonds	2,843	2,093	2,092	35.8	35.9
Subordinated notes	600	600	600	-	-
Total domestic funding	**18,948**	16,555	15,118	14.5	25.3
Overseas funding[1]					
Short-term wholesale	1,855	1,842	1,744	0.7	6.4
Long-term wholesale	711	711	1,400	-	(49.2)
Total overseas funding	**2,566**	2,553	3,144	0.5	(18.4)
Total wholesale funding	**21,514**	19,108	18,262	12.6	17.8
Total funding (excluding securitisation)	**72,509**	67,233	63,024	7.8	15.0
Securitisation					
APS 120 qualifying[2]	1,956	2,402	1,875	(18.6)	4.3
Total securitisation	**1,956**	2,402	1,875	(18.6)	4.3
Total funding (including securitisation)	**74,465**	69,635	64,899	6.9	14.7
Total funding is represented on the balance sheet by:					
Deposits	50,995	48,125	44,762	6.0	13.9
Borrowings[3]	22,870	20,910	19,537	9.4	17.1
Subordinated notes	600	600	600	-	-
Total funding	**74,465**	69,635	64,899	6.9	14.7
Deposit to loan ratio	**78.6%**	77.5%	76.4%		

1. Foreign currency borrowings are hedged back into Australian dollars.

2. Qualifies for capital relief under APS120.

3. Long-term borrowings include $4.1 billion as at Dec-22 of the Term Funding Facility announced by the Reserve Bank of Australia (RBA) on 19 March 2020 in response to COVID-19.

Customer funding

Customer deposits grew in line with system, increasing 6.0% over the half to $51.0 billion, and representing 68.5% of total funding compared to 69.0% in the pcp. Deposit growth reflected increased demand for higher yield deposit products in a rising interest rate environment and was weighted towards term deposits, up 26.0% over the half to $14.5 billion and at-call savings deposits, up 1.9% over the half to $16.1 billion. At-call transaction account balances decreased 2.0% over the half, however included an ongoing material increase in mortgage offset balances as customers optimise yields.

The Bank acquired 15,065 new MFI customers compared to 3,877 in the prior half and 10,920 in the pcp[1]. Digital transaction account openings continued to increase, and now accounts for 80% of new consumer deposit accounts, up from 76% in the prior half. The Bank continues to invest in digital origination and servicing capability for other key savings and investment accounts.

The digital account growth trajectory is expected to continue with the launch of the 'Carbon Insights Account' on 28 October 2022. In launching this account, Suncorp Bank is the first Australian financial institution to be certified carbon neutral by Climate Active not just as an organisation but also in relation to personal transaction deposit accounts. The Carbon Insights Account also comes with a visa debit card made from 82% recycled material.

Wholesale funding

Wholesale funding of $23.5 billion increased 9.1% over the half, comprising:

— An increase in domestic short-term wholesale funding of 16.9% to $6.2 billion, driven by an increase in negotiable certificates of deposit to assist in funding growing lending portfolios and the CLF removal,

— An increase in domestic long-term wholesale funding of 8.7% to $9.3 billion. The current balance includes $4.1 billion from the TFF, which was unchanged in the half with the first parcel maturing in April 2023, and

— An increase in funding from covered bonds of 35.8% to $2.8 billion, driven by a new issuance during the half.

Wholesale funding instruments maturity profile

	Short-term $M	Long-term $M	Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Maturity							
0 to 3 months	5,373	278	5,651	6,496	3,847	(13.0)	46.9
3 to 6 months	2,649	1,224	3,873	2,066	3,960	87.5	(2.2)
6 to 12 months	49	2,915	2,964	1,529	1,314	93.9	125.6
1 to 3 years	-	8,236	8,236	8,175	8,326	0.7	(1.1)
3+ years	-	2,746	2,746	3,244	2,690	(15.4)	2.1
Total wholesale funding instruments	**8,071**	**15,399**	**23,470**	**21,510**	**20,137**	**9.1**	**16.6**

1. Wholesale funding includes securitisations

Net Stable Funding Ratio and Liquidity Coverage Ratio

The NSFR remained above the typical operating range over the half, ending the period at 135%. This was due to continued growth in retail deposits as well as the benefit from the treatment of the TFF.

The LCR over the half averaged 134%, well above the APRA's 100% requirement. The Bank has reduced its CLF in-line with APRA's guidance to $1 billion on 1 May 2022, $0.5 billion on 1 September 2022, and to zero on 1 January 2023. The Bank's liquidity metrics have normalised following the CLF reductions.

The Bank has reduced its holdings of alternative liquid assets following the 21 September 2021 APRA CLF announcement but will continue to hold a portfolio of alternate liquid assets available to meet balance sheet requirements and unforeseen cash outflows under a range of market conditions and stress scenarios.

[1] The number of newly acquired MFI customers for Dec-21 has been restated.

Credit quality

Impaired assets and 90+ days past due loans

	Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Gross balances of individually impaired loans					
Retail lending	38	40	46	(5.0)	(17.4)
Agribusiness lending	8	7	12	14.3	(33.3)
Commercial lending	36	77	88	(53.2)	(59.1)
SME lending	17	14	20	21.4	(15.0)
Gross impaired assets	**99**	138	166	(28.3)	(40.4)
Impairment provision	(33)	(46)	(51)	28.3	35.3
Net impaired assets	**66**	92	115	(28.3)	(42.6)
Impairment provisions expressed as a percentage of gross impaired assets	**33%**	33%	31%		
Size of gross individually impaired assets					
Less than one million	31	33	37	(6.1)	(16.2)
Greater than one million but less than ten million	55	61	79	(9.8)	(30.4)
Greater than ten million	13	44	50	(70.5)	(74.0)
Gross impaired assets	**99**	138	166	(28.3)	(40.4)
90+ days past due loans not shown as impaired assets	281	327	365	(14.1)	(23.0)
Gross non-performing loans[1]	**380**	465	531	(18.3)	(28.4)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	138	166	180	(16.9)	(23.3)
Recognition of new impaired assets	32	14	27	128.6	18.5
Other movements in impaired assets[2]	(3)	(1)	(2)	(200.0)	(50.0)
Impaired assets which have been reclassed as performing assets or repaid	(68)	(41)	(39)	(65.9)	(74.4)
Balance at the end of the period	**99**	138	166	(28.3)	(40.4)

1. Gross non-performing loans in the above table excludes loans that meet additional requirements under the revised APS 220 *Credit Risk Management*.
2. Net of increases in previously recognised impaired assets and impaired assets written off.

Gross impaired assets of $99 million decreased $39 million over the half, mainly driven by the commercial lending portfolio.

Retail impaired loans of $38 million decreased $2 million over the half, indicating that the credit portfolio is yet to reflect signs of economic stress despite higher interest rates and inflation.

Commercial impaired assets of $36 million reduced $41 million over the half, with successful asset sales and improved performance metrics involving two large exposures contributing to the decrease. This portfolio is also yet to reflect signs of stress.

Agribusiness impairments of $8 million increased $1 million over the half, driven by small movements across several exposures.

SME impairments of $17 million increased $3 million over the half. SME impairments are not concentrated in any industry and include no large single exposures.

Provision for impairment

	Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Collective provision					
Balance at the beginning of the period	180	180	195	-	(7.7)
(Release)/charge against impairment losses	-	-	(15)	n/a	n/a
Balance at the end of the period	**180**	180	180	-	-
Specific provision					
Balance at the beginning of the period	37	39	44	(5.1)	(15.9)
(Release)/charge against impairment losses	-	1	(2)	n/a	n/a
Impairment provision written off[1]	(6)	(3)	(3)	(100.0)	(100.0)
Balance at the end of the period	**31**	37	39	(16.2)	(20.5)
Total provision for impairment - Banking activities	**211**	217	219	(2.8)	(3.7)
Provision for impairment expressed as a percentage of gross loans and advances are as follows:	%	%	%		
Collective provision	0.28	0.29	0.31		
Specific provision	0.05	0.06	0.07		
Total provision	0.33	0.35	0.38		

[1] Includes immaterial unwind of discount.

The total provision for impairment reduced 2.8% over the half to $211 million, representing 33 basis points of gross loans and advances compared to 38 basis points in the pcp. The key drivers include:

- No change in the collective provision at $180 million, and
- A 16.2% reduction in the specific provision to $31 million, driven by small movements across several exposures. As noted earlier, the portfolio is yet to reflect signs of distress although this may change in the period ahead.

Gross non-performing loans coverage by portfolio

	Half Year Ended Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Retail Lending					
Past due loans[1]	232	264	317	(12.1)	(26.8)
Impaired assets	38	40	46	(5.0)	(17.4)
Specific provision	7	8	8	(12.5)	(12.5)
Collective provision	10	7	9	42.9	11.1
Total provision coverage[2]	**6.3%**	4.9%	4.7%	28.6	34.0
Agribusiness Lending					
Past due loans[1]	29	33	17	(12.1)	70.6
Impaired assets	8	7	12	14.3	(33.3)
Specific provision	3	1	1	200.0	200.0
Collective provision	3	5	6	(40.0)	(50.0)
Total provision coverage[2]	**16.2%**	15.0%	24.1%	8.0	(32.8)
Commercial Lending					
Past due loans[1]	7	18	13	(61.1)	(46.2)
Impaired assets	36	77	88	(53.2)	(59.1)
Specific provision	16	21	21	(23.8)	(23.8)
Collective provision	1	13	14	(92.3)	(92.9)
Total provision coverage[2]	**39.5%**	35.8%	34.7%	10.3	13.8
SME Lending					
Past due loans[1]	13	12	18	8.3	(27.8)
Impaired assets	17	14	20	21.4	(15.0)
Specific provision	5	7	9	(28.6)	(44.4)
Collective provision	3	3	7	-	(57.1)
Total provision coverage[2]	**26.7%**	38.5%	42.1%	(30.6)	(36.6)

1. Excludes loans which are less than 90 days past due.

2. Calculated as: (Specific provision + Collective provision Stage 3) / (90+ days past due loans + Impaired assets).

Retail lending 90+ days past due loans of $232 million reduced $32 million over the half, representing 0.44% of the portfolio. This was underpinned by a strong economy, with unemployment remaining at historic lows. The portfolio is yet to reflect signs of distress despite higher interest rates and construction input costs.

Declining yields have been observed on properties in the commercial real estate sector, however, the impact is yet to be realised in any deterioration of credit metrics.

Expected Credit Loss

The Bank calculates the Expected Credit Loss (ECL) by considering a distribution of economic outcomes around a central underlying scenario, with the distribution of outcomes reflecting the Bank's view of the likelihood of more adverse outcomes.

Central banks are now responding to significant inflation pressures by tightening monetary policy to slow demand. The impacts from the tightening of monetary policy are still yet to take full effect, and accordingly there is considerable uncertainty about the economic outlook. One specific example of this is the outlook for customers who are refinancing from fixed rate loans at historically low levels to the current and prevailing market rates. A correction in residential property prices is underway following the large rise in prices over the past two years and a rise in the unemployment rate is anticipated, albeit from current exceptionally low levels. The ECL model calibration reflects the uncertain economic outlook.

The key assumptions used in the Bank's calculation of ECL are residential property prices, commercial property prices and unemployment rates. These are presented in the table below. The outlook for these variables is reviewed regularly. As an example of the downside allowance in the model, there is a 19% probability that house price falls will exceed 25% over FY23/24 while the weighted average fall is 14.6%.

	Model assumption		Weighted average change
	FY23	FY24	FY23/24
	%	%	%
Property prices - residential - weighted average annual change	(15.6)	1.3	(14.6)
Property prices - commercial - weighted average annual change	(4.1)	4.7	0.4
Unemployment rate[1]	3.9	4.4	n/a

1. Unemployment rate reflects the rate as at June 2023 and June 2024. The probability of default (PD) is driven by combinations of variables relevant for each portfolio, such as unemployment and property prices. These combinations form an Economic Cycle indicator for which there is a distribution of outcomes. As such, a weighted unemployment rate is not a direct model input.

The ECL has remained stable at $180 million. This incorporates the modelled collective provision and various management overlays, including overlays to reflect general uncertainty in modelling of this nature.

Suncorp New Zealand

Note: All figures and commentary in the New Zealand section are displayed in New Zealand dollars (NZD) unless otherwise specified.

Suncorp New Zealand (SNZ) represents Suncorp's operations within New Zealand. SNZ includes Vero Insurance New Zealand, Vero Liability, Asteron Life, AA Insurance and AA Finance and operates an end-to-end business with local functions across the value chain. General and Life Insurance products are manufactured internally and distributed via intermediaries. General and Life Insurance is also underwritten and white-labelled via corporate partners. Joint ventures and a Life Insurance distribution arrangement with the New Zealand Automobile Association offer solutions manufactured and sold directly to customers.

Result overview (NZD)

- Suncorp New Zealand **profit after tax of $91 million increased 8.3% on the pcp.**
- General Insurance profit after tax of $75 million, decreased 3.8% on the pcp. The General Insurance business benefitted from strong top-line performance. However, profit was moderated by elevated claims experience and increased operating expenses to support growth and strategic investment. Reported ITR of 11.0% was down on the pcp due to higher working claims experience with the pcp being positively impacted by COVID-19 motor frequency benefits.
- GWP of $1,180 million increased 12.2% on the pcp. Intermediated and direct channels recorded strong growth through targeted pricing increases to offset inflationary pressures on claims and increased reinsurance costs. Unit growth has moderated compared to the high levels achieved in the prior year.
- Total investment income of $12 million, improved on the pcp due to increases in interest income from higher yielding securities and lower mark-to-market impacts arising from rising yields compared to the pcp.
- Net incurred claims of $583 million increased 17.8% on the pcp. Higher working claims costs were driven by unit growth, inflationary pressures and the pcp being positively impacted by COVID-19 related motor claims frequency reductions. Working claims were also impacted by several large loss property claims from home fires during the first quarter.
- Prior year reserves strengthened by $12 million to reflect a combination of Canterbury earthquake claims strengthening and development on property claims.
- Natural hazard claims of $59 million decreased 18.1% on the pcp, $21 million above the allowance but $13 million lower than the pcp.
- Operating expenses of $275 million increased 10.0% on the pcp. The General Insurance operating expense ratio of 28.8% improved, driven by strong premium growth. The increase in operating expenses was driven by growth related costs and an increase in strategic investment spend.
- Life Insurance profit after tax of $16 million increased 166.7% on the pcp supported by growth in planned profit margins and favourable experience. In-force premium grew by 4.4%, supported by increased new business from advisers together with CPI and age-related premium growth.

Profit contribution and key ratios (NZD)

	Half Year Ended Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
General Insurance					
Gross written premium	**1,180**	1,081	1,052	9.2	12.2
Gross unearned premium movement	(67)	(54)	(74)	(24.1)	9.5
Gross earned premium	1,113	1,027	978	8.4	13.8
Outwards reinsurance expense	(158)	(127)	(120)	(24.4)	(31.7)
Net earned premium	**955**	900	858	6.1	11.3
Net incurred claims					
Claims expense	(648)	(607)	(579)	(6.8)	(11.9)
Reinsurance and other recoveries revenue	65	89	84	(27.0)	(22.6)
Net incurred claims	**(583)**	(518)	(495)	(12.5)	(17.8)
Total operating expenses					
Acquisition expenses	(181)	(167)	(174)	(8.4)	(4.0)
Other underwriting expenses	(94)	(87)	(76)	(8.0)	(23.7)
Total operating expenses	**(275)**	(254)	(250)	(8.3)	(10.0)
Underwriting result	**97**	128	113	(24.2)	(14.2)
Investment income - insurance funds	8	(3)	(5)	n/a	n/a
Insurance trading result	**105**	125	108	(16.0)	(2.8)
Joint venture and other expense	(6)	(2)	1	(200.0)	n/a
General Insurance operational earnings	**99**	123	109	(19.5)	(9.2)
Investment income - shareholders' funds	4	(20)	(2)	n/a	n/a
General Insurance profit before tax	**103**	103	107	-	(3.7)
Income tax	(28)	(31)	(29)	9.7	3.4
General Insurance profit after tax	**75**	72	78	4.2	(3.8)
Life Insurance					
Underlying profit after tax	21	25	13	(16.0)	61.5
Market adjustments	(5)	(16)	(7)	68.8	28.6
Life Insurance profit after tax	**16**	9	6	77.8	166.7
Suncorp New Zealand profit after tax	**91**	81	84	12.3	8.3
Key ratios	%	%	%		
Acquisition expenses ratio	19.0	18.6	20.2		
Other underwriting expenses ratio	9.8	9.6	8.9		
Total operating expenses ratio	**28.8**	28.2	29.1		
Loss ratio	61.0	57.6	57.7		
Combined operating ratio	89.8	85.8	86.8		
Insurance trading ratio	**11.0**	13.9	12.6		

Profit contribution and key ratios (AUD)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
General Insurance					
Gross written premium	1,071	994	1,004	7.7	6.7
Gross unearned premium movement	(60)	(47)	(72)	(27.7)	16.7
Gross earned premium	**1,011**	947	932	6.8	8.5
Outwards reinsurance expense	(143)	(117)	(114)	(22.2)	(25.4)
Net earned premium	**868**	830	818	4.6	6.1
Net incurred claims					
Claims expense	(589)	(559)	(552)	(5.4)	(6.7)
Reinsurance and other recoveries revenue	60	82	80	(26.8)	(25.0)
Net incurred claims	**(529)**	(477)	(472)	(10.9)	(12.1)
Total operating expenses					
Acquisition expenses	(165)	(155)	(165)	(6.5)	-
Other underwriting expenses	(85)	(80)	(73)	(6.3)	(16.4)
Total operating expenses	**(250)**	(235)	(238)	(6.4)	(5.0)
Underwriting result	89	118	108	(24.6)	(17.6)
Investment income - insurance funds	7	(4)	(4)	n/a	n/a
Insurance trading result	**96**	114	104	(15.8)	(7.7)
Joint venture and other expense	(5)	(1)	1	(400.0)	n/a
General Insurance operational earnings	**91**	113	105	(19.5)	(13.3)
Investment income - shareholders' funds	4	(18)	(2)	n/a	n/a
General Insurance profit before tax	**95**	95	103	-	(7.8)
Income tax	(27)	(29)	(28)	6.9	3.6
General Insurance profit after tax	**68**	66	75	3.0	(9.3)
Life Insurance					
Underlying profit after tax	19	23	13	(17.4)	46.2
Market adjustments	(4)	(15)	(7)	73.3	42.9
Life Insurance profit after tax	**15**	8	6	87.5	150.0
Suncorp New Zealand profit after tax	**83**	74	81	12.2	2.5

Key ratios	%	%	%
Acquisition expenses ratio	19.0	18.7	20.2
Other underwriting expenses ratio	9.8	9.6	8.9
Total operating expenses ratio	**28.8**	28.3	29.1
Loss ratio	60.9	57.5	57.7
Combined operating ratio	89.7	85.8	86.8
Insurance trading ratio	**11.1**	13.7	12.7

Profit and loss transactions for the New Zealand business are translated into Australian dollars on a monthly basis. The average exchange rate prevailing during the month of that transaction is taken to reasonably reflect the appropriate reporting currency value for the Group.

General Insurance

Gross written premium (NZD)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Motor	289	268	259	7.8	11.6
Home	395	368	340	7.3	16.2
Commercial	480	427	438	12.4	9.6
Other	16	18	15	(11.1)	6.7
Total	**1,180**	1,081	1,052	9.2	12.2

GWP grew 12.2% on the pcp with Vero intermediated and AA Insurance direct distribution channels recording growth of 11.0% and 14.8%, respectively. This reflects the strength of brands in New Zealand and continued momentum towards achieving the strategic priorities. Suncorp New Zealand's market share of 25.5% as at 30 September 2022[1] has grown by 0.8% over the preceding 12 months.

Consumer insurance

Motor and Home GWP increased 11.6% and 16.2% respectively. Strong growth was achieved in both the Vero intermediated channels and AA Insurance, mainly driven by premium increases to offset inflationary pressures. Unit growth has moderated compared to the high levels achieved in the prior year.

Commercial insurance

Commercial GWP grew 9.6% on the pcp, driven by rate increases as a pricing response to the current inflationary environment, continued strong retention, and increased participation in a co-insurance arrangement. A large underwriting contract was terminated during 1H23. The contract contributed approximately $60 million GWP in FY22.

Other

Other business which mainly consists of marine pleasure craft contributed GWP of $16 million, reporting growth of 6.7% on the pcp.

1. Market share growth data is sourced from the quarterly Insurance Council New Zealand (ICNZ) General Insurance statistical data.

Net incurred claims (NZD)

Net incurred claims costs of $583 million increased 17.8% on the pcp.

Home claims costs were higher than the pcp due to unit growth, higher average claims cost and a number of large loss property fires in Q1. Higher average claim costs continue to be driven by supply chain constraints and inflationary pressures on materials and labour particularly with respect to higher value claims.

Motor claims costs increased as the pcp was positively impacted by reduced motor claims frequency stemming from the COVID-19 lockdown restrictions, as well as a combination of unit growth and increased average claims cost. Higher average claims costs have continued to be impacted by longer repair times as a result of supply chain disruptions, together with inflation in parts and labour costs.

Commercial claims costs were higher than the pcp, impacted by elevated commercial motor claims costs.

Prior year reserves strengthened by $12 million to reflect a combination of Canterbury earthquake claims strengthening and development on property claims.

Natural hazards (NZD)

Date	Event	Net costs $M
Aug-22	North Island and Top of South Island Storm	21
Total events over $10 million		**21**
Other natural hazards		38
Total natural hazards		**59**
Less: allowance for natural hazards		(38)
Natural hazards costs above / (below) allowance		**21**

Total natural hazards costs of $59 million were $21 million above the allowance, with one event above $10 million. Attritional weather claims of $38 million were incurred in the half.

Outstanding claims provision

Outstanding claims provision breakdown (NZD)

	Actual $M	Net central estimate (discounted) $M	Risk margin (90th percentile discounted) $M	Change in net central estimate[1] $M
Short-tail	372	329	43	13
Long-tail	113	95	18	(1)
Total	**485**	424	61	12

1. This column is equal to the closing central estimate for outstanding claims (before the impact of a change in interest rates) incurred before the opening balance sheet date, less the opening net central estimate for outstanding claims, plus payments and claims handling expenses, less investment income earned on the net central estimate. Figures in brackets imply there has been a release from outstanding reserves.

The valuation of outstanding claims resulted in a net central estimate increase of $12 million.

The $13 million increase in the short-tail net central estimate reflects a combination of Canterbury earthquake claims strengthening and development on property claims.

Outstanding claims provisions over time (NZD)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Gross outstanding claims liabilities	767	775	705	(1.0)	8.8
Reinsurance and other recoveries	(282)	(302)	(269)	6.6	(4.8)
Net outstanding claims liabilities	**485**	473	436	2.5	11.2
Expected future claims payments and claims handling expenses	443	428	388	3.5	14.2
Discount to present value	(19)	(16)	(9)	(18.8)	(111.1)
Risk margin	61	61	57	-	7.0
Net outstanding claims liabilities	**485**	473	436	2.5	11.2
Short-tail	372	361	319	3.0	16.6
Long-tail	113	112	117	0.9	(3.4)
Total	**485**	473	436	2.5	11.2

The above table shows the gross and net outstanding claims liabilities and their movement over time. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate, and the risk margin components.

Risk margins

Risk margins represent approximately 12.6% of net outstanding claims reserves. This gives an approximate level of confidence of 90%.

Operating expenses (NZD)

Total operating expenses of $275 million were 10.0% higher than the pcp. The increase was driven by commissions and additional resourcing, both driven by top-line growth, and increased investment in strategic initiatives. The operating expense ratio improved on the pcp reflecting the continued strong top-line growth that outpaced the expense increase due to disciplined expense management.

Investment income

The New Zealand investment portfolio includes insurance funds and shareholders' funds. The insurance funds are matched from an interest rate sensitivity perspective to the technical reserves within the balance sheet. The shareholders' funds support the capital position, whilst maintaining sufficient liquidity to enable the business to meet its commitments.

Asset allocation (NZD)

	Half Year Ended					
	Dec-22		Jun-22		Dec-21	
	$M	%	$M	%	$M	%
Insurance funds						
Cash and short-term deposits	249	32	297	35	243	32
Corporate bonds	458	58	496	59	455	60
Local government bonds	77	10	54	6	57	7
Government bonds	-	-	1	-	6	1
	784	100	848	100	761	100
Shareholders' funds						
Cash and short-term deposits	45	10	57	13	38	8
Interest-bearing securities	223	52	204	49	236	52
Equities and unit trusts	164	38	158	38	178	40
Total shareholders' funds	**432**	100	419	100	452	100
Total	**1,216**		1,267		1,213	

Asset allocations within funds remain broadly consistent with the pcp and in accordance with risk appetite.

Credit quality

	Dec-22	Jun-22	Dec-21
	%	%	%
AAA	18.0	15.4	19.3
AA	54.2	58.7	50.1
A	24.0	22.6	26.8
BBB	3.8	3.3	3.8
	100.0	100.0	100.0

The average credit rating for New Zealand investment assets remained largely consistent with the pcp.

Duration

	Dec-22	Jun-22	Dec-21
	Years	Years	Years
Insurance funds			
Interest rate duration	1.2	1.1	1.3
Shareholders' funds			
Interest rate duration	2.2	2.2	2.4

The interest rate duration of the insurance funds continues to closely match the duration of insurance liabilities, which comprise of outstanding claims and premium liabilities.

Investment performance (NZD)

	Half Year Ended Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Investment income on insurance funds					
Cash and short-term deposits	3	1	1	200.0	200.0
Interest-bearing securities and other	5	(4)	(6)	n/a	n/a
	8	(3)	(5)	n/a	n/a
Investment income on shareholders' funds					
Cash and short-term deposits	1	1	-	-	n/a
Interest-bearing securities	1	(5)	(4)	n/a	n/a
Equities and unit trusts	2	(16)	2	n/a	-
	4	(20)	(2)	n/a	n/a
Total investment income	**12**	(23)	(7)	n/a	n/a

Total investment income for the half of $12 million, represents an annualised return of 2.0%

Investment income on insurance funds was $8 million, representing an annualised gain of 2.1% up from a loss of $5 million or -1.3% annualised loss in the pcp.

Investment income on shareholders' funds was $4 million, representing an annualised gain of 1.8% up from a loss of $2 million or -0.9% annualised loss in the pcp.

The improvement on the pcp result can be attributed to increases in interest income from higher running yields in the portfolios and a slowdown in interest rate rises leading to lower levels of mark-to-market movements compared to the pcp.

Life Insurance

The New Zealand Life Insurance business delivered a profit after tax of $16 million, up $10 million on the pcp. Underlying profit after tax of $21 million increased by $8 million due to growth in planned profit margins and favourable experience, while market adjustments from interest rate movements improved on the pcp.

Planned profit margins of $18 million were up on the pcp, in line with underlying growth and long-term profitability of the in-force portfolio.

Net positive experience generated a profit contribution of $3 million which was $6 million higher than the pcp.

Market adjustments were impacted by the interest rate environment with increasing interest rates continuing and giving rise to adverse investment income returns through mark-to-market revaluations.

Profit contribution (NZD)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Planned profit margin	18	17	17	5.9	5.9
Experience	3	4	(3)	(25.0)	n/a
Other	-	4	(1)	n/a	n/a
Underlying profit after tax	**21**	**25**	**13**	**(16.0)**	**61.5**
Market adjustments	(5)	(16)	(7)	68.8	28.6
Net profit after tax	**16**	**9**	**6**	**77.8**	**166.7**

Life risk in-force annual premium by channel (NZD)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Advised	241	234	231	3.0	4.3
Direct	45	44	44	2.3	2.3
Group and other	22	21	20	4.8	10.0
Total	**308**	299	295	3.0	4.4
Total new business	**12**	8	10	50.0	20.0

In-force premium of $308 million, grew 4.4% on the pcp, supported by new business, CPI and age-related premium growth. New business of $12 million was up $2 million on the pcp driven by strong adviser support, with growth also across other channels as market conditions normalised following the COVID-19 impacts in the pcp. Retention rates continue to be better than system.

Appendix A: Group Financial Statements

Consolidated interim statement of comprehensive income (statutory view)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Revenue					
Insurance premium income	5,948	5,593	5,539	6.3	7.4
Reinsurance and other recoveries income	555	2,022	430	(72.6)	29.1
Interest income	1,553	928	937	67.3	65.7
Dividend and trust distribution income	18	203	49	(91.1)	(63.3)
Fees and other income	188	189	279	(0.5)	(32.6)
Total revenue	**8,262**	**8,935**	**7,234**	**(7.5)**	**14.2**
Expenses					
Claims expense	(4,314)	(4,909)	(3,877)	(12.1)	11.3
Outwards reinsurance premium expense	(737)	(729)	(628)	1.1	17.4
Underwriting expense	(1,146)	(1,153)	(1,218)	(0.6)	(5.9)
Interest expense	(662)	(197)	(188)	236.0	252.1
Net losses on financial assets and liabilities at fair value through profit or loss	(1)	(1,033)	(146)	(99.9)	(99.3)
Impairment (loss) release on loans and advances	(2)	(2)	16	-	n/a
Amortisation and depreciation expense	(98)	(108)	(99)	(9.3)	(1.0)
Fees, overheads and other expenses	(492)	(553)	(463)	(11.0)	6.3
Outside beneficial interests in managed funds	-	13	(58)	(100.0)	(100.0)
Total expenses	**(7,452)**	**(8,671)**	**(6,661)**	**(14.1)**	**11.9**
Profit before income tax	810	264	573	206.8	41.4
Income tax (expense) benefit	(241)	34	(172)	n/a	40.1
Profit for the period	**569**	**298**	**401**	**90.9**	**41.9**
Profit for the period attributable to:					
Owners of the Company	560	293	388	91.1	44.3
Non-controlling interests	9	5	13	80.0	(30.8)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	(20)	(162)	(21)	(87.7)	(4.8)
Net change in debt investments at fair value through other comprehensive income	12	(60)	(21)	n/a	n/a
Exchange differences on translation of foreign operations	32	(41)	10	n/a	220.0
Related income tax benefit	2	67	12	(97.0)	(83.3)
	26	(196)	(20)	n/a	n/a
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains on defined benefit plans	-	11	-	(100.0)	n/a
Net change in equity investments at fair value through other comprehensive income	(6)	(8)	(2)	(25.0)	200.0
Related income tax benefit (expense)	2	(1)	-	n/a	n/a
	(4)	2	(2)	n/a	100.0
Total other comprehensive income (loss) for the period	**22**	**(194)**	**(22)**	**n/a**	**n/a**
Total comprehensive income for the period	**591**	**104**	**379**	**468.3**	**55.9**
Total comprehensive income for the period attributable to:					
Owners of the Company	582	99	366	487.9	59.0
Non-controlling interests	9	5	13	80.0	(30.8)
Total comprehensive income for the period	**591**	**104**	**379**	**468.3**	**55.9**

Consolidated interim statement of financial position (statutory view)

	Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Assets					
Cash and cash equivalents	2,436	1,418	1,025	71.8	137.7
Receivables due from other banks	4,837	2,490	4,004	94.3	20.8
Trading securities	1,950	2,722	2,144	(28.4)	(9.0)
Derivatives	638	741	342	(13.9)	86.5
Investment securities	20,556	20,957	20,258	(1.9)	1.5
Premiums outstanding	3,140	3,173	2,879	(1.0)	9.1
Loans and advances	64,691	61,856	58,394	4.6	10.8
Reinsurance and other recoveries	2,370	3,212	1,898	(26.2)	24.9
Deferred reinsurance assets	697	1,152	577	(39.5)	20.8
Deferred acquisition costs	829	796	774	4.1	7.1
Property, plant and equipment	670	712	558	(5.9)	20.1
Deferred tax assets	515	592	322	(13.0)	59.9
Goodwill and other intangible assets	5,294	5,282	5,267	0.2	0.5
Other assets	1,561	1,275	1,010	22.4	54.6
Total assets	**110,184**	**106,378**	**99,452**	**3.6**	**10.8**
Liabilities					
Payables due to other banks	75	165	115	(54.5)	(34.8)
Deposits	50,803	47,875	44,392	6.1	14.4
Derivatives	742	783	306	(5.2)	142.5
Amounts due to reinsurers	384	1,119	279	(65.7)	37.6
Payables and other liabilities	1,794	1,760	1,418	1.9	26.5
Current tax liabilities	-	-	44	n/a	(100.0)
Unearned premium liabilities	6,235	6,024	5,716	3.5	9.1
Provisions and employee benefit liabilities	397	518	457	(23.4)	(13.1)
Outstanding claims liabilities	11,267	11,692	10,985	(3.6)	2.6
Deferred tax liabilities	146	127	129	15.0	13.2
Managed funds units on issue	-	-	399	n/a	(100.0)
Borrowings	22,870	20,910	19,537	9.4	17.1
Loan capital	2,295	2,622	2,706	(12.5)	(15.2)
Total liabilities	**97,008**	**93,595**	**86,483**	**3.6**	**12.2**
Net assets	**13,176**	**12,783**	**12,969**	**3.1**	**1.6**
Equity					
Share capital	12,349	12,325	12,314	0.2	0.3
Reserves	1	(28)	187	(103.6)	(99.5)
Retained profits	793	456	431	73.9	84.0
Total equity attributable to owners of the Company	**13,143**	**12,753**	**12,932**	**3.1**	**1.6**
Non-controlling interests	33	30	37	10.0	(10.8)
Total equity	**13,176**	**12,783**	**12,969**	**3.1**	**1.6**

Consolidated interim statement of financial position by function

	General Insurance Dec-22 $M	Banking Dec-22 $M	Life Dec-22 $M	Corporate Dec-22 $M	Eliminations Dec-22 $M	Consolidated Dec-22 $M
Assets						
Cash and cash equivalents	608	1,902	17	101	(192)	2,436
Receivables due from other banks	-	4,837	-	-	-	4,837
Trading securities	-	1,950	-	-	-	1,950
Derivatives	161	475	-	2	-	638
Investment securities	14,197	5,361	496	13,823	(13,321)	20,556
Premiums outstanding	3,139	-	1	-	-	3,140
Loans and advances	-	64,691	-	-	-	64,691
Reinsurance and other recoveries	2,299	-	71	-	-	2,370
Deferred reinsurance assets	697	-	-	-	-	697
Deferred acquisition costs	829	-	-	-	-	829
Property, plant and equipment	63	-	3	604	-	670
Deferred tax assets	220	126	17	152	-	515
Goodwill and other intangible assets	4,750	262	64	218	-	5,294
Other assets	958	184	117	256	46	1,561
Due from related parties	265	272	41	1,405	(1,983)	-
Total assets	**28,186**	**80,060**	**827**	**16,561**	**(15,450)**	**110,184**
Liabilities						
Payables due to other banks	-	75	-	-	-	75
Deposits	-	50,995	-	-	(192)	50,803
Derivatives	154	574	8	6	-	742
Amounts due to reinsurers	382	-	2	-	-	384
Payables and other liabilities	782	372	9	625	6	1,794
Unearned premium liabilities	6,234	-	1	-	-	6,235
Provisions and employee benefits liabilities	93	1	15	296	(8)	397
Outstanding claims liabilities	11,106	-	161	-	-	11,267
Deferred tax liabilities	22	-	120	-	4	146
Borrowings	-	22,870	-	-	-	22,870
Loan capital	540	600	-	2,295	(1,140)	2,295
Due to related parties	150	72	27	557	(806)	-
Total liabilities	**19,463**	**75,559**	**343**	**3,779**	**(2,136)**	**97,008**
Net assets	**8,723**	**4,501**	**484**	**12,782**	**(13,314)**	**13,176**
Equity						
Share capital						12,349
Reserves						1
Retained profits						793
Total equity attributable to owners of the Company						**13,143**
Non-controlling interests						33
Total equity						**13,176**

Appendix B: Statement of assets and liabilities

General Insurance

	Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Assets					
Cash and cash equivalents	608	848	1,027	(28.3)	(40.8)
Derivatives	161	162	46	(0.6)	250.0
Investment securities	14,197	13,964	14,081	1.7	0.8
Premiums outstanding	3,139	3,172	2,878	(1.0)	9.1
Reinsurance and other recoveries	2,299	3,136	1,822	(26.7)	26.2
Deferred reinsurance assets	697	1,152	577	(39.5)	20.8
Deferred acquisition costs	829	796	774	4.1	7.1
Due from related parties	265	197	156	34.5	69.9
Property, plant and equipment	63	67	73	(6.0)	(13.7)
Deferred tax assets	220	279	101	(21.1)	117.8
Goodwill and intangible assets	4,750	4,748	4,767	0.0	(0.4)
Other assets	958	828	605	15.7	58.3
Total assets	**28,186**	**29,349**	**26,907**	**(4.0)**	**4.8**
Liabilities					
Payables and other liabilities	782	784	711	(0.3)	10.0
Provisions and employee benefits liabilities	93	105	110	(11.4)	(15.5)
Derivatives	154	213	68	(27.7)	126.5
Due to related parties	150	216	208	(30.6)	(27.9)
Deferred tax liabilities	22	17	12	29.4	83.3
Unearned premium liabilities	6,234	6,023	5,715	3.5	9.1
Outstanding claims liabilities	11,106	11,529	10,812	(3.7)	2.7
Loan capital	540	870	580	(37.9)	(6.9)
Current tax liabilities	-	-	-	n/a	n/a
Amount due to reinsurers	382	1,117	277	(65.8)	37.9
Total liabilities	**19,463**	**20,874**	**18,493**	**(6.8)**	**5.2**
Net assets	**8,723**	**8,475**	**8,414**	**2.9**	**3.7**
Reconciliation of net assets to Common Equity Tier 1 capital					
Net assets - GI businesses	8,723	8,475	8,414		
Insurance liabilities in excess of liability valuation	448	441	520		
Reserves excluded from regulatory capital	(22)	(20)	(18)		
Additional Tier 1 capital	(609)	(609)	(579)		
Goodwill allocated to GI businesses	(4,398)	(4,393)	(4,399)		
Other intangibles (inc. software assets)	(571)	(634)	(467)		
Other Tier 1 deductions	(12)	(7)	(4)		
Common Equity Tier 1 capital	**3,559**	**3,253**	**3,467**		

Bank

	Dec-22 $M	Jun-22 $M	Dec-21 $M	Dec-22 v Jun-22 %	Dec-22 v Dec-21 %
Assets					
Cash and cash equivalents	1,902	609	90	212.3	2,013.3
Receivables due from other banks	4,837	2,490	4,004	94.3	20.8
Trading securities	1,950	2,722	2,144	(28.4)	(9.0)
Derivatives	475	579	296	(18.0)	60.5
Investment securities	5,361	5,949	4,678	(9.9)	14.6
Loans and advances	64,691	61,856	58,394	4.6	10.8
Due from related parties	272	221	235	23.1	15.7
Deferred tax assets	126	127	57	(0.8)	121.1
Other assets	184	146	138	26.0	33.3
Goodwill and intangible assets	262	262	262	-	-
Total assets	**80,060**	74,961	70,298	6.8	13.9
Liabilities					
Deposits	50,995	48,125	44,762	6.0	13.9
Derivatives	574	559	237	2.7	142.2
Payables due to other banks	75	165	115	(54.5)	(34.8)
Payables and other liabilities	373	201	123	85.6	203.3
Due to related parties	72	135	78	(46.7)	(7.7)
Borrowings	22,870	20,910	19,537	9.4	17.1
Subordinated notes	600	600	600	-	-
Total liabilities	**75,559**	70,695	65,452	6.9	15.4
Net assets	**4,501**	4,266	4,846	5.5	(7.1)

	Dec-22 $M	Jun-22 $M	Dec-21 $M
Reconciliation of net equity to Common Equity Tier 1			
Net equity - Banking	4,501	4,266	4,846
Additional Tier 1 capital	(560)	(560)	(935)
Goodwill allocated to Banking Business	(240)	(240)	(240)
Regulatory capital equity adjustments	(1)	(2)	(4)
Regulatory capital adjustments	(256)	(231)	(287)
Other reserves excluded from Common Equity Tier 1 ratio	(76)	(76)	(90)
Common Equity Tier 1 capital	**3,368**	3,157	3,290

Appendix C: Income Tax

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Reconciliation of prima facie income tax expense to actual tax expense:					
Profit before tax	**810**	**264**	**573**	**206.8**	**41.4**
Prima facie domestic corporate tax rate of 30% (2022: 30%)	243	79	172	207.6	41.3
Effect of tax rates in foreign jurisdictions	(2)	(2)	(2)	-	-
Effect of income taxed at non-corporate tax rate	-	(1)	-	n/a	n/a
Tax effect of amounts not deductible (assessable) in calculating taxable income:					
Non-deductible expenses	7	8	5	(12.5)	40.0
Non-deductible expenses – Life companies	1	(4)	2	n/a	(50.0)
Amortisation of intangible assets	2	2	3	-	(33.3)
Dividend adjustments	6	11	2	(45.5)	200.0
Tax exempt revenues	(1)	-	(3)	n/a	(66.7)
Current year rebates and credits	(8)	(15)	(4)	(46.7)	100.0
Utilisation of previously unrecognised capital losses	(11)	(66)	-	(83.3)	n/a
Prior year under/(over) provision	2	(45)	(4)	n/a	n/a
Other	2	(1)	1	n/a	100.0
Total income tax expense on pre-tax profit	**241**	**(34)**	**172**	**n/a**	**40.1**
Effective tax rate	**29.8%**	**(12.9%)**	**30.0%**	**42.7**	**(0.2)**

The effective tax rate of 29.8% (Dec 2021: 30.0%) has decreased relative to the pcp.

Appendix D: Group Earnings Per Share

Earnings per share

	Half Year Ended		
	Dec-22	Jun-22	Dec-21
Numerator	**$M**	**$M**	**$M**
Earnings:			
Profit attributable to ordinary equity holders of the company (basic)	560	293	388
Interest expense on convertible capital notes[1]	23	21	16
Profit attributable to ordinary equity holders of the company (diluted)	583	314	404
Denominator	**No. of shares**	**No. of shares**	**No. of shares**
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,261,779,833	1,260,526,085	1,270,800,291
Effect of conversion of convertible capital notes[1]	99,952,536	140,767,431	126,527,917
Weighted average number of ordinary shares (diluted)	1,361,732,369	1,401,293,516	1,397,328,208
Earnings per share:	**cents**	**cents**	**cents**
Basic	44.38	23.24	30.53
Diluted [1]	42.81	22.41	28.91

[1] Capital notes will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share as per AASB 133 *Earnings per share*.

Cash earnings per share

	Half Year Ended		
	Dec-22	Jun-22	Dec-21
Numerator	**$M**	**$M**	**$M**
Earnings:			
Cash profit attributable to ordinary equity holders of the company (basic)	588	312	361
Interest expense on convertible capital notes[1]	23	21	16
Cash profit attributable to ordinary equity holders of the company (diluted)	611	333	377
Denominator	**No. of shares**	**No. of shares**	**No. of shares**
Weighted average number of shares:			
Weighted average number of ordinary shares (basic)	1,261,779,833	1,260,526,085	1,270,800,291
Effect of conversion of convertible capital notes[1]	99,952,536	140,767,431	126,527,917
Weighted average number of ordinary shares (diluted)	1,361,732,369	1,401,293,516	1,397,328,208
Cash earnings per share	**cents**	**cents**	**cents**
Basic	46.60	24.75	28.41
Diluted[1]	44.87	23.76	26.98

[1] Capital notes will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share as per AASB 133 *Earnings per share*.

Appendix E: ASX Listed Securities

	Dec-22	Jun-22	Dec-21
Ordinary shares (SUN) each fully paid			
Number at the end of the period	1,264,075,597	1,262,604,976	1,262,604,976
Dividend declared for the period (cents per share)	33	17	23
SGL Capital Notes (SUNPF) each fully paid			
Number at the end of the period	-	-	3,750,000
Distribution declared for the period ($ per share)[1]	-	0.75	1.44
SGL Capital Notes 2 (SUNPG) each fully paid			
Number at the end of the period	3,750,000	3,750,000	3,750,000
Distribution declared for the period ($ per share)[1]	2.29	1.65	1.28
SGL Capital Notes 3 (SUNPH) each fully paid			
Number at the end of the period	3,890,000	3,890,000	3,890,000
Distribution declared for the period ($ per share)[1]	2.07	1.42	1.06
SGL Capital Notes 4 (SUNPI) each fully paid			
Number at the end of the period	4,050,000	4,050,000	4,050,000
Distribution declared for the period ($ per share)[1]	2.03	1.39	0.99

[1] Classified as interest expense.

Appendix F: Group capital

Group capital

	As at 31 December 2022					
	General Insurance $M	Banking[5] $M	Life $M	SGL, Corp Services & Consol $M	Total $M	As at 30 June 2022 Total $M
Common Equity Tier 1 capital						
Ordinary share capital	-	-	-	12,337	12,337	12,321
Subsidiary share capital (eliminated upon consolidation)	7,575	3,976	424	(12,003)	(28)	(26)
Reserves	(1)	(1,124)	327	754	(44)	(78)
Retained profits and non-controlling interests	518	1,013	(269)	(430)	832	486
Insurance liabilities in excess of liability valuation	448	-	-	-	448	441
Goodwill and other intangible assets	(4,741)	(532)	(64)	(233)	(5,570)	(5,515)
Net deferred tax liabilities/(assets)[1]	(228)	(77)	104	(148)	(349)	(447)
Policy liability adjustment [2]	-	-	(434)	-	(434)	(409)
Other Tier 1 deductions	(12)	113	-	-	101	92
Common Equity Tier 1 capital	**3,559**	**3,369**	**88**	**277**	**7,293**	**6,865**
Additional Tier 1 capital						
Eligible hybrid capital	609	560	-	-	1,169	1,169
Transitional Subordinated Notes	-	-	-	-	-	-
Additional Tier 1 capital	609	560	-	-	1,169	1,169
Tier 1 capital	**4,168**	**3,929**	**88**	**277**	**8,462**	**8,034**
Tier 2 capital						
General reserve for credit losses	-	213	-	-	213	202
Eligible Subordinated notes	540	600	-	-	1,140	1,470
Transitional Subordinated notes [3]	-	-	-	-	-	-
Tier 2 capital	**540**	**813**	**-**	**-**	**1,353**	**1,672**
Total capital	**4,708**	**4,742**	**88**	**277**	**9,815**	**9,706**
Represented by:						
Capital in Australian regulated entities	4,116	4,741	-	-	8,857	8,647
Capital in New Zealand regulated entities	526	-	77	-	603	603
Capital in unregulated entities [4]	66	1	11	277	355	456
Common Equity Tier 1 capital (ex div)	**3,308**	**3,234**	**73**	**290**	**6,905**	**6,665**
Total capital (ex div)	**4,457**	**4,607**	**73**	**290**	**9,427**	**9,506**

1. Deferred tax assets in excess of deferred tax liabilities are deducted in arriving at CET1. Under the RBNZ's regulations, a net deferred tax liability is added back in determining CET1 Capital.

2. Policy liability adjustments equate to the difference between adjusted policy liabilities and the sum of policy liabilities and policy owner retained profits. This mainly represents the implicit Deferred Acquisition Costs for the Life risk business. The policy liability adjustment for the New Zealand business is shown gross of Deferred Tax Liabilities.

3. Tier 2 instruments subject to the transitional arrangements outlined in APRA's prudential standard APS111 Attachment L.

4. Capital in unregulated entities includes capital in authorised NOHCs such as SGL, consolidated adjustments within a business unit and other diversification adjustments.

5. On a proforma basis under Basel III effective 1 January 2023.

General Insurance capital

	GI Group[1] Dec-22 $M	GI Group[1] Jun-22 $M
Common Equity Tier 1 capital		
Ordinary share capital	7,575	7,575
Reserves	(1)	(16)
Retained profits and non-controlling interests	518	287
Insurance liabilities in excess of liability valuation	448	441
Goodwill and other intangible assets	(4,741)	(4,740)
Net deferred tax assets	(228)	(287)
Other Tier 1 deductions	(12)	(7)
Common Equity Tier 1 capital	**3,559**	3,253
Additional Tier 1 capital	609	609
Tier 1 capital	**4,168**	3,862
Tier 2 Capital		
Eligible subordinated notes	540	870
Tier 2 capital	**540**	870
Total capital	**4,708**	4,732
Prescribed Capital Amount		
Outstanding claims risk charge	1,024	987
Premium liabilities risk charge	703	689
Total insurance risk charge	1,727	1,676
Insurance concentration risk charge	250	250
Asset risk charge	974	984
Asset concentration risk charge	-	-
Operational risk charge	359	344
Aggregation benefit	(579)	(579)
Total Prescribed Capital Amount (PCA)	**2,731**	2,675
Common Equity Tier 1 ratio	**1.30**	1.22
Total capital ratio	**1.72**	1.77
Common Equity Tier 1 ratio (ex div)	**1.21**	1.19
Total capital ratio (ex div)	**1.63**	1.74

1. GI Group represents Suncorp Insurance Holdings Ltd and its subsidiaries including New Zealand subsidiaries.

Bank capital

	Regulatory Banking Group[1]	Other Entities	Statutory Banking Group	Statutory Banking Group
	Dec-22	Dec-22	Dec-22	Jun-22
	$M	$M	$M	$M
Common Equity Tier 1 capital				
Ordinary share capital	2,754	1,222	3,976	3,976
Reserves	(137)	(987)	(1,124)	(1,119)
Retained profits	1,007	6	1,013	772
Goodwill and other intangible assets	(292)	(240)	(532)	(486)
Net deferred tax assets	(77)	-	(77)	(84)
Other Tier 1 deductions	113	-	113	99
Common Equity Tier 1 capital	**3,368**	**1**	**3,369**	3,158
Additional Tier 1 capital				
Eligible hybrid capital	560	-	560	560
Additional Tier 1 capital	**560**	**-**	**560**	560
Tier 1 capital	**3,928**	**1**	**3,929**	3,718
Tier 2 capital				
General reserve for credit losses	213	-	213	202
Eligible Subordinated notes	600	-	600	600
Transitional Subordinated notes	-	-	-	-
Tier 2 capital	**813**	**-**	**813**	802
Total capital	**4,741**	**1**	**4,742**	4,520
Risk-Weighted Assets				
Credit risk	29,609	-	29,609	30,914
Market risk	107	-	107	155
Operational risk	2,335	-	2,335	3,728
Total Risk-Weighted Assets	**32,051**	-	**32,051**	34,797
Common Equity Tier 1 ratio	**10.51%**		**10.51%**	9.08%
Total capital ratio	**14.79%**		**14.80%**	12.99%
Common Equity Tier 1 ratio (ex div)	**10.09%**		**10.09%**	9.08%
Total capital ratio (ex div)	**14.37%**		**14.37%**	12.99%

[1]On a proforma basis under Basel III effective 1 January 2023.

Capital instruments

31 December 2022	Semi-annual coupon rate/ margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	GI $M	Bank $M	SGL $M	Regulatory Capital $M	Accounting Balance $M
SGL Subordinated Debt [1,2]	215 bps	Dec 2023	Sep 2018	-	600	-	600	600
SGL Subordinated Debt 2[1,2]	225 bps	Dec 2025	Sep 2020	250	-	-	250	249
SGL Subordinated Debt 3[1,2]	230 bps	Jun 2027	Apr 2022	290	-	-	290	288
Total subordinated debt				**540**	**600**	**-**	**1,140**	**1,137**
SGL Capital Notes 2 (SUNPG)[1,2]	365 bps	Jun 2024	Nov 2017	165	210	-	375	373
SGL Capital Notes 3 (SUNPH)[1,2]	300 bps	Jun 2026	Dec 2019	389	-	-	389	385
SGL Capital Notes 4 (SUNPI) [1,2]	290 bps	Jun 2028	Sep 2021	55	350	-	405	399
Total Additional Tier 1 capital				**609**	**560**	**-**	**1,169**	**1,157**
Total				**1,149**	**1,160**	**-**	**2,309**	**2,294**
30 June 2022								
AAIL Subordinated Debt [1,3]	320 bps	Oct 2022	Oct 2016	330	-	-	330	330
SGL Subordinated Debt [1,2]	215 bps	Dec 2023	Sep 2018	-	600	-	600	596
SGL Subordinated Debt 2[1,2]	225 bps	Dec 2025	Sep 2020	250	-	-	250	250
SGL Subordinated Debt 3[1,2]	230 bps	Jun 2027	Apr 2022	290	-	-	290	290
Total subordinated debt				**870**	**600**	**-**	**1,470**	**1,466**
SGL Capital Notes 2 (SUNPG)[1,2]	365 bps	Jun 2024	Nov 2017	165	210	-	375	373
SGL Capital Notes 3 (SUNPH)[1,2]	300 bps	Jun 2026	Dec 2019	389	-	-	389	384
SGL Capital Notes 4 (SUNPI) [1,2]	290 bps	Jun 2028	Sep 2021	55	350	-	405	399
Total Additional Tier 1 capital				**609**	**560**	**-**	**1,169**	**1,156**
Total				**1,479**	**1,160**	**-**	**2,639**	**2,622**

1. Unamortised transaction costs related to external issuance are deducted from the "Accounting Balance" outlined above when recorded in the issuing entities balance sheet.

2. These instruments were issued to external investors by SGL and deployed to regulated entities within the Group via similar back to back arrangements. The value of internally deployed instruments are eliminated on consolidation for accounting and regulatory purposes.

3. The AAIL Subordinated Debt was issued directly out of AAI Limited to external investors, with no further internal deployment.

Appendix G: General Insurance ITR split

Insurance Australia: Consumer Insurance[1]

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Gross written premium	**3,227**	3,086	2,910	4.6	10.9
Net earned premium	**2,667**	2,460	2,521	8.4	5.8
Net incurred claims	**(2,230)**	(1,726)	(1,949)	(29.2)	(14.4)
Acquisition expenses	(280)	(308)	(311)	9.1	10.0
Other underwriting expenses	(170)	(187)	(204)	9.1	16.7
Total operating expenses	**(450)**	(495)	(515)	9.1	12.6
Underwriting result	(13)	239	57	n/a	n/a
Investment income - insurance funds	60	(28)	9	n/a	n/a
Insurance trading result	**47**	211	66	(77.7)	(28.8)
Ratios	%	%	%		
Acquisition expenses ratio	10.5	12.5	12.3		
Other underwriting expenses ratio	6.4	7.6	8.1		
Total operating expenses ratio	**16.9**	20.1	20.4		
Loss ratio	83.6	70.2	77.3		
Combined operating ratio	100.5	90.3	97.7		
Insurance trading ratio	1.8	8.6	2.6		

1. Consumer Insurance includes Home, Motor and Boat Insurance.

Insurance Australia: Commercial Insurance, CTP, Workers compensation and Internal Reinsurance

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Gross written premium	**1,691**	1,756	1,632	(3.7)	3.6
Net earned premium	**1,564**	1,469	1,461	6.5	7.0
Net incurred claims[1]	**(966)**	(679)	(974)	(42.3)	0.8
Acquisition expenses	(232)	(237)	(231)	2.1	(0.4)
Other underwriting expenses [1]	(120)	(101)	(140)	(18.8)	14.3
Total operating expenses	**(352)**	(338)	(371)	(4.1)	5.1
Underwriting result	246	452	116	(45.6)	112.1
Investment income - insurance funds	79	(349)	(32)	n/a	n/a
Insurance trading result	**325**	103	84	215.5	286.9
Ratios	%	%	%		
Acquisition expenses ratio	14.8	16.1	15.8		
Other underwriting expenses ratio [2]	7.7	6.9	9.6		
Total operating expenses ratio	**22.5**	23.0	25.4		
Loss ratio [2]	61.8	46.2	66.7		
Combined operating ratio	84.3	69.2	92.1		
Insurance trading ratio	20.8	7.0	5.7		

1. Other Underwriting Expense includes a movement in the provision for TEPL of $25 million (Jun-22 $5 million, Dec-21: $44 million). The reserve release associated with this provision movement is in net incurred claims.
2. Excluding the impacts of TEPL, Dec-22 Other underwriting expenses ratio is 6.1% (Jun-22: 6.5%, Dec-21: 6.6%) and loss ratio is 63.4% (Jun-22: 46.6%, Dec-21: 69.7%).

General Insurance short-tail (includes New Zealand)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Short-tail					
Gross written premium	4,903	4,566	4,453	7.4	10.1
Net earned premium	**3,976**	3,700	3,748	7.5	6.1
Net incurred claims	(2,914)	(2,386)	(2,689)	(22.1)	(8.4)
Acquisition expenses	(534)	(552)	(562)	3.3	5.0
Other underwriting expenses	(292)	(322)	(329)	9.3	11.2
Total operating expenses	**(826)**	(874)	(891)	5.5	7.3
Underwriting result	**236**	440	168	(46.4)	40.5
Investment income - insurance funds	81	(41)	9	n/a	n/a
Insurance trading result	**317**	399	177	(20.6)	79.1
Ratios	%	%	%		
Acquisition expenses ratio	13.4	14.9	15.0		
Other underwriting expenses ratio	7.4	8.7	8.8		
Total operating expenses ratio	**20.8**	23.6	23.8		
Loss ratio	73.3	64.5	71.7		
Combined operating ratio	94.1	88.1	95.5		
Insurance trading ratio	**8.0**	10.8	4.7		

General Insurance long-tail (includes New Zealand)

	Half Year Ended			Dec-22	Dec-22
	Dec-22	Jun-22	Dec-21	v Jun-22	v Dec-21
	$M	$M	$M	%	%
Long-tail					
Gross written premium	1,086	1,270	1,093	(14.5)	(0.6)
Net earned premium	**1,123**	1,059	1,052	6.0	6.7
Net incurred claims [1]	(811)	(496)	(706)	(63.5)	(14.9)
Acquisition expenses	(143)	(148)	(145)	3.4	1.4
Other underwriting expenses [1]	(83)	(46)	(88)	(80.4)	5.7
Total operating expenses	**(226)**	(194)	(233)	(16.5)	3.0
Underwriting result	**86**	369	113	(76.7)	(23.9)
Investment income - insurance funds	65	(340)	(36)	n/a	n/a
Insurance trading result	**151**	29	77	420.7	96.1
Ratios	%	%	%		
Acquisition expenses ratio	12.7	14.0	13.8		
Other underwriting expenses ratio [2]	7.4	4.3	8.4		
Total operating expenses ratio	**20.1**	18.3	22.2		
Loss ratio [2]	72.2	46.8	67.1		
Combined operating ratio	92.3	65.1	89.3		
Insurance trading ratio	**13.4**	2.7	7.3		

1. Other Underwriting Expense includes a movement in the provision for TEPL of $25 million (Jun-22 $5 million, Dec-21: $44 million). The reserve release associated with this provision movement is in net incurred claims.
2. Excluding the impacts of TEPL, Dec-22 Other underwriting expenses ratio is 5.2% (Jun-22: 3.8%, Dec-21: 4.2%) and Loss ratio is 74.4% (Jun-22: 47.3%, Dec-21: 71.3%).

Appendix H: FY23 Group Reinsurance Program

Reinsurance security has been maintained for FY23, with over 85% of business protected by reinsurers rated 'A+' or better.

Property catastrophe program

The Group's maximum event retention remains at $250 million with an upper limit of $6.8 billion (FY22: $6.5 billion) which covers the Home, Motor and Commercial property portfolios across Australia and New Zealand. The FY23 limit remains in excess of Australia and New Zealand regulatory requirements. The main catastrophe program includes one prepaid reinstatement which covers losses up to $6.8 billion for a second event and two further prepaid reinstatements at the lower layer which covers losses up to $500 million for the third and fourth events.

In addition to the main catastrophe program, the Group has purchased dropdown aggregate protection in the form of three dropdowns covering Australian events:

— Dropdown 1 (50m xs 200m xs 50m) provides $50 million of cover, for events greater than $200 million once the cumulative impact of qualifying events reach $50 million.

— Dropdown 2 (100m xs 150m xs 200m) provides $100 million of cover, for events greater than $150 million once the cumulative impact of qualifying events reach $200 million.

— Dropdown 3 (50m xs 100m xs 100m) provides $50 million of cover, for events greater than $100 million once the cumulative effect of qualifying events reach $100 million. Dropdown 3 has been restructured to increase the event deductible to $100 million from $50 million last year.

The Group also has in place a prepaid reinstatement for Dropdown 2 and Dropdown 3. In aggregate, the dropdowns provide an additional $350 million of protection against large natural hazard events down from $450 million in FY22 due to the restructure of dropdown 3. The manner in which the dropdowns interact with the main catastrophe program and AXL (see below) depends on the size and frequency of natural hazard events. The extent to which the horizontal dropdown layer has been eroded will determine when a dropdown may be triggered and the amount of recoveries available. In general, the Group would make recoveries under the dropdowns where available, prior to utilising the aggregate excess of loss treaty.

For New Zealand, the Group has purchased cover to reduce the first event retention to NZ$50 million and the second to NZ$25 million. For the third event a further cover of NZ$25 million in excess of NZ$25 million has been purchased. An internal reinsurance agreement with Insurance Australia reduces Suncorp New Zealand's retention for a first New Zealand event to NZ$25 million. However, this arrangement exists for capital purposes only and does not impact the Group's net exposure of NZ$50 million.

The AXL treaty for FY23 is an aggregate protection cover providing $400 million of cover in excess of a retention of $850 million for loss events above $10 million. The inclusion of the event deductible means Suncorp will retain the first $10 million of each event, accepting the lower end of the natural hazard volatility components. The AXL treaty has also been restructured and last year provided $400 million of cover in excess of a retention of $650 million for loss events above $5 million.

The Group also has a multi-year quota share arrangement ceding 30% from the Queensland home insurance portfolio. Suncorp maintains strong market share within this market and the quota share reduces concentration risk in this region.

Suncorp also has a 50% quota share arrangement in place for large global property risks. Other quota share arrangements continue to be investigated and implemented where they provide sufficient capital and earnings benefits to offset the profit ceded to reinsurance partners.

Glossary

Acquisition expense ratio – general insurance	Acquisition expenses expressed as a percentage of net earned premium.
Suncorp Bank function	Suncorp Bank is focused on lending, deposit gathering and transaction account services to personal, small and medium enterprise, commercial and agribusiness customers.
Basis points (bps)	A 'basis point' is 1/100th of a percentage point.
Cash earnings	Net profit after tax adjusted for the amortisation of acquisition intangible assets, recoverable amount adjustments on intangibles, the profit or loss on divestment and their tax effect.
Cash earnings per share	Basic: cash earnings divided by the weighted average number of ordinary shares (net of treasury shares) outstanding during the period. Diluted: cash earnings adjusted for consequential changes in income or expenses associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares (net of treasury shares) outstanding during the period.
Cash return on average shareholders' equity	Cash earnings divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years.
Cash return on average shareholders' equity pre-goodwill	Cash earnings divided by average equity attributable to owners of the Company less goodwill. Averages are based on monthly balances over the period. The ratio is annualised for half years.
Claims Handling Expenses (CHE)	Costs incurred in the investigation, assessment and settlement of a claim.
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus the costs of acquiring, writing and servicing the General Insurance business.
Common Equity Tier 1 (CET1)	Common Equity Tier 1 Capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank.
Cost-to-income ratio	Operating expenses of the Banking business divided by total income from Banking activities.
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods.
Deposit-to-loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables.
Diluted shares	Weighted average number of ordinary shares outstanding during the period, adjusted for potential ordinary shares that are dilutive, in accordance with AASB 133 *Earnings per Share*.
Effective tax rate	Income tax expense divided by profit before tax.
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle, based on guidance provided by APRA.
Emergency services levies (ESL)	The expense levied on premiums for insurance policies, which is recoverable from insurance companies by the applicable State Government. Emergency services levies were established to cover corresponding emergency services charges.

General insurance businesses	General insurance businesses include Insurance Australia's general insurance business and New Zealand's general insurance business. This term is used when describing Suncorp's capital position and statement of financial position which are structured around the Group's legal entity structure, rather than business functions structure.
Gross earned premium	The total premium on insurance earned by an insurer during a specified period on premiums underwritten in the current and previous underwriting years.
Gross non-performing loans	Gross impaired assets plus past due loans.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer during a specified period, before deduction of reinsurance premium.
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross loans and advances. The ratio is annualised for half years.
Insurance Australia function	Suncorp's Insurance Australia business provides consumer, commercial and personal injury products to the Australian market. The Suncorp Group is one of Australia's largest general insurers by Gross Written Premium and Australia's largest compulsory third party insurer.
Insurance funds	Insurance funds explicitly back insurance liabilities. They are designed to match the insurance liabilities and are managed separately from shareholders' funds.
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves.
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium.
Life planned profit margin release	Includes the unwind of policy liabilities which refers to the profit impact of changes in the value of policy liabilities due to the passing of time.
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the date (including new business written during the reporting period).
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period.
Life underlying profit after tax	Net profit after tax less market adjustments. Market adjustments represents the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches.
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario.
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased.
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consists of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities.
Main Financial Institution Customer	A Bank customer that transacts every second day and spends $5,000 over a 90-day period.
Maximum Event Retention	This is an estimate of the largest accumulated property loss (from a single event) to which Suncorp will be exposed (taking into account the likelihood of this event is up to one in 200 years), after netting off any potential reinsurance recoveries.
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year.

Net incurred claims	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries.
Net interest margin (NIM)	Net interest income divided by average interest earning assets (net of offset accounts). NIM is the percentage difference between revenue earned on interest bearing assets (loans) minus the cost of interest-bearing liabilities (funding).
Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest-bearing liabilities.
Net profit after tax (NPAT)	Net profit after tax attributable to owners of Suncorp, derived in accordance with Australian Accounting Standards.
Net Stable Funding Ratio (NSFR)	The NSFR measures the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The amount of ASF is the amount of capital and liabilities that are expected to be a reliable source of funds over a 1-year time horizon. The amount of RSF is based on the liquidity characteristics and residual maturity of assets and off-balance sheet activities. The requirement to maintain an NSFR of at least 100% was introduced on 1 January 2018.
Net tangible asset backing per share	Total equity less intangible assets divided by ordinary shares at the end of the period, adjusted for treasury shares.
Suncorp New Zealand function	Suncorp New Zealand distributes consumer, commercial and life insurance products through intermediaries and corporate partners, as well as insurance and personal loans directly to customers via partnerships with the New Zealand Automobile Association.
Operating functions	The Suncorp Group comprises three core businesses— Insurance Australia, Suncorp Bank and Suncorp New Zealand. The operating functions are responsible for product design, manufacturing, claims management, and distribution. The core businesses have end-to-end responsibility for the statutory entities within the Suncorp Group.
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium.
Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
Past due loans	Loans outstanding for more than 90 days.
Payout ratio – cash earnings	Ordinary shares (net of treasury shares) at the end of the period, multiplied by the ordinary dividend per share for the period divided by cash earnings.
Payout ratio – net profit after tax	Ordinary shares (net of treasury shares) at the end of the period, multiplied by the ordinary dividend per share for the period divided by profit after tax.
Prescribed capital amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance risk, insurance concentration risk, operational risk, combined stress scenario and aggregation benefit as required by APRA.
Profit after tax from functions	The profit after tax for the Insurance Australia, Suncorp Bank and Suncorp New Zealand functions.
Reinsurance	A form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all, or a share of, certain claims incurred by the insurance company.
Reserve releases	Reserve releases occur when provisions made to cover insurance claims made against underwritten policies are assessed as higher than long-run trends in actual experience.
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years.
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years.

Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years.
Shareholders' funds	Shareholders' funds are part of the investment portfolio and are managed separately from insurance funds.
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
Total capital ratio	Total capital divided by the Prescribed Capital Amount for Life and General Insurance, or total risk-weighted assets for the Bank, as defined by APRA.
Total operating expense ratio – general insurance	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium.
Total risk-weighted assets	Bank credit risk-weighted assets, off-balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA.
Transitional excess profit and loss (TEPL)	Includes a profit normalisation mechanism which caps industry and insurer profits in the New South Wales CTP scheme.
Treasury shares	Ordinary shares of Suncorp Group Limited that are acquired by subsidiaries.
Ultimate net loss (UNL) – New Zealand	Financial obligation when an insured event occurs, net of the catastrophe treaty.
Underlying Insurance Trading Ratio (Underlying ITR)	The insurance trading ratio is adjusted for reported prior year reserve releases and natural hazards claims costs above/below long-run expectations, investment income mismatch and any abnormal expenses.

Financial Calendar

The financial calendar below may be updated throughout the year. Please refer to suncorpgroup.com.au for up-to-date details. Dividend and distribution dates set out below may be subject to change.

Suncorp considers the payment of ordinary dividends as part of the process of preparing half and full year accounts, taking into consideration the company's capital position, the outlook for the operating environment and guidance from regulators. Suncorp generally pays a dividend on its ordinary shares twice a year following the interim and final results announcements and the proposed dates for the next 12 months are set out below.

Suncorp Group Limited (SUN)

Half year results and interim dividend announcement	**8 February 2023**
Interim ordinary dividend ex-dividend date	14 February 2023
Interim ordinary dividend record date	15 February 2023
Interim ordinary dividend payment date	31 March 2023
Full year results and final dividend announcement	**9 August 2023**
Final ordinary dividend ex-dividend date	11 August 2023
Final ordinary dividend record date	14 August 2023
Final ordinary dividend payment date	25 September 2023
Annual General Meeting	**26 September 2023**

Suncorp Group Limited Capital Notes 2 (SUNPG)

Ex-distribution date	2 March 2023
Distribution payment date	17 March 2023
Ex-distribution date	1 June 2023
Distribution payment date	19 June 2023
Ex-distribution date	1 September 2023
Distribution payment date	18 September 2023
Ex-distribution date	1 December 2023
Distribution payment date	18 December 2023

Suncorp Group Limited Capital Notes 3 (SUNPH)

Ex-distribution date	2 March 2023
Distribution payment date	17 March 2023
Ex-distribution date	1 June 2023
Distribution payment date	19 June 2023
Ex-distribution date	1 September 2023
Distribution payment date	18 September 2023
Ex-distribution date	1 December 2023
Distribution payment date	18 December 2023

Suncorp Group Limited Capital Notes 4 (SUNPI)

Ex-distribution date	2 March 2023
Distribution payment date	17 March 2023
Ex-distribution date	1 June 2023
Distribution payment date	19 June 2023
Ex-distribution date	1 September 2023
Distribution payment date	18 September 2023
Ex-distribution date	1 December 2023
Distribution payment date	18 December 2023

Contact

Investors / Analysts

Neil Wesley
EGM Investor Relations
0498 864 530
Neil.Wesley@suncorp.com.au

Media

Amy McDonald
EM External & Executive Communications
0403 058 462
Amy.McDonald@suncorp.com.au

Registered office

Level 23, 80 Ann Street
Brisbane QLD 4000
suncorpgroup.com.au