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Investor Pack

Financial results for the year ended 30 June 2023

SUNCORP



Suncorp Group Limited

ABN 66 145 290 124

9 August 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 year ended 30 June 2023 and comparatives are for 30 June 2022, 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 outside the range of 500% to (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, this document is prepared in accordance with Basel III Prudential Capital requirements effective for reporting periods beginning on or after 1 January 2023.

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 by the middle of the 2024 calendar year. The financial performance of Suncorp Bank will continue to be reported as an ongoing function until completion occurs, if all necessary prior approvals have been obtained.

Disclaimer

This report contains general information on the Group and its operations, which is current as at 9 August 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.

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 Australian and global economic environments.

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ASX Announcement

FY23 Financial Results

9 August 2023

FY23 result delivers strong revenue growth and margin expansion; FY23 plan completed successfully

| | | | | |
|---|--|--|--|---|
| Group NPAT \$1,148 million pcpc \$681 million | Cash Earnings \$1,254 million pcpc \$673 million | Insurance AU GWP \$10.2 billion ↑ 10.6% ^{i, ii} | Insurance NZ GWP NZ\$2.4 billion ↑ 14.3% | Bank Home Lending \$54.8 billion ↑ 9.1% |
|---|--|--|--|---|

- FY23 plan completed successfully, with improved stakeholder returns, setting strong foundations for the business going forward
- Gross written premium (GWP) across Australia and New Zealand up 10.8%ⁱⁱ and underlying insurance trading ratio (ITR) of 10.9%, up from 9.0% (excluding COVID-19 impacts)
- Suncorp Bank Home lending growth of 9.1%, net interest margin (NIM) of 1.96%, and cost-to-income ratio of 51.8%
- Investment market returns of \$724 million, primarily from the significant turnaround in mark-to-market losses in the prior year
- Fully franked full year ordinary dividend of 60 cents per share, up 50% on FY22
- Common Equity Tier 1 (CET1) capital held at Group of \$274 million, with appropriate levels of capital maintained across the business units
- The Group placed its comprehensive FY24 reinsurance program successfully, but premiums were up on the prior year
- Suncorp has confirmed that it will support Australia and New Zealand Banking Group (ANZ) through the Australian Competition Tribunal process in its application for a review of the Australian Competition & Consumer Commission's (ACCC) determination, and is confident in the merits of the case

Suncorp Group Limited (ASX: SUN | ADR: SNMCY) today reported a material increase in earnings, driven by continued momentum in top-line growth across the Group, improved underlying margins and a significant turnaround in investment returns.

Group net profit after tax (NPAT) of \$1,148 million, and cash earnings of \$1,254 million were both up significantly on FY22 which was impacted by mark-to-market losses on investment portfolios. The Group has successfully completed its three-year plan to FY23 (FY23 plan, three-year plan or the plan) and achieved its key financial and operational targets.

GWP growth of 10.6%ⁱⁱ in the Australian General Insurance business and 14.3% in New Zealand, reflected targeted price increases required to address material rises in reinsurance and natural hazard costs and economy-wide inflation. The Group's underlying ITR increased from 9.0% (excluding COVID-19 impacts) to 10.9%. The improved ratio was supported by revenue growth, improving expense ratios in the Australian business and an increase in investment yields. Margins have been impacted by increased natural hazard and reinsurance costs, and claims inflation, particularly in the Motor portfolio.

In the Bank, growth in Home lending of 9.1% provided further evidence of improved broker and customer experiences. The Bank's cost-to-income ratio decreased to 51.8% from 59.0%, driven by revenue growth and cost management.



While the underlying business demonstrated strong momentum, the Group's results were again impacted by elevated natural hazard activity. A third consecutive La Niña weather pattern, experienced across Australia and New Zealand for the majority of the financial year, led to 15 separate weather events and around 130,000 natural hazard claims. This resulted in the Group exceeding its natural hazard allowance by \$97 million (\$2 million favourable in Australia and \$99 million unfavourable in New Zealand)ⁱⁱⁱ.

The Group's natural hazard allowance for FY24 is \$1,360 million, and its comprehensive reinsurance program was placed successfully, with premiums up on the prior year. The changes to the reinsurance program will result in an approximately \$340 million increase in capital required to be held by the Group.

Volatility continued in investment markets, although the impact of higher running yields more than offset any unfavourable mark-to-market movements across the Group's \$16.2 billion investment portfolio. The net gain from yields and investment markets was \$724 million compared to a loss of \$190 million in FY22.

Group operating expenses fell 1.9% to \$2,727^{iv} million, largely reflecting efficiency benefits from the strategic program of work, and a decrease in project costs relative to the prior period, that more than offset significant inflationary pressures.

Other loss after tax increased \$52 million to \$76 million, largely due to the impact of a favourable one-off tax adjustment in the prior period. Restructuring costs of \$34 million after tax were primarily driven by the impact of flexible working arrangements on the real estate footprint.

The Board has determined to pay a fully franked final ordinary dividend of 27 cents per share. The Group's full year dividend payout ratio of 60% of cash earnings is at the bottom of the target payout ratio range of 60% to 80%.

The FY23 dividend payout ratio reflects the Group's prudent and disciplined approach to managing capital in the context of the current environment, the FY24 reinsurance renewal and as it works through the Tribunal process relating to the sale of the Bank.

CET1 capital held at Group has remained broadly flat at \$274 million, with appropriate buffers maintained across the business. Suncorp will continue to be disciplined in actively managing capital and remains committed to returning capital in excess of the needs of the business to shareholders.

Suncorp Group CEO Steve Johnston said the Group had delivered a strong set of results, demonstrating the progress made over the past three years to successfully execute the strategic initiatives under the FY23 plan while facing a challenging operating environment.

"Our dedicated focus on digitising and automating, reinvigorating our leading brands, becoming more efficient and improving how we serve our customers, has helped us to deliver strong top-line growth across our businesses and improve underlying margins," Mr Johnston said.

"Our Australian and New Zealand businesses have achieved strong growth in premiums, while unit growth across Consumer portfolios demonstrates the value of our products and brands. The Bank's continued growth in home lending demonstrates the benefits of improved broker and customer experiences," he said.

These outcomes are particularly pleasing given the challenging backdrop over the FY23 plan period, including the global pandemic, social and economic disruption and market volatility, supply chain inflationary challenges and unprecedented natural hazard events from three consecutive La Niña weather patterns. This is testament to the dedication of our people, strength and resilience of our business, and ability to create long-term shareholder value while meeting the evolving needs of our customers.

"Our underlying business is significantly more resilient today than it was when we laid out the three-year plan in 2020."

"We have maintained a strong focus on supporting our customers impacted by extreme weather events throughout the year, including the more than 32,000 impacted by the flooding and cyclone events on the North Island of New Zealand in early 2023, while also finalising more than 90% of claims following the 2022 Australian East Coast Floods, and supporting those impacted in flooding across New South Wales, South Australia and Victoria.

"While Suncorp Group remains well protected through its comprehensive reinsurance program, over the last few years floods, fires and other natural disasters has resulted in a continued reassessment of risk by our reinsurance partners. This, combined with broader inflationary pressures across the economy, continues to impact the cost of reinsurance across the industry, and is a major contributor to the rising costs of everyone's insurance premiums, particularly when household budgets are under pressure.

"This underscores the challenges facing the insurance industry in Australia and New Zealand and is why Suncorp continues to drive greater efficiencies in our own business through initiatives such as our Best-in-class claims program. We also continue to advocate that governments should provide a long-term program to support people living in areas that are prone to floods or bushfires to help make their homes stronger and more resilient, or to relocate to a safer location.

"We also 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.

"Suncorp will support ANZ through the next step of the merger authorisation process as it relates to the sale of Suncorp Bank, being a referral of the ACCC's recent decision not to approve the transaction to the Australian Competition Tribunal for review. We remain fully committed to supporting Suncorp Bank while the process continues."

| | FY23 (\$m) | FY22 (\$m) |
|--|--------------|------------|
| Insurance (Australia) | 755 | 174 |
| Suncorp New Zealand | 105 | 155 |
| Suncorp Bank | 470 | 368 |
| Profit after tax from ongoing functions | 1,330 | 697 |
| Other profit (loss) after tax | (76) | (24) |
| Cash earnings | 1,254 | 673 |
| Group net profit after tax | 1,148 | 681 |

Insurance (Australia)

Insurance (Australia) profit after tax
\$755m vs \$174m pcpc

GWP
\$10,164m up 10.6%ⁱⁱ

Insurance (Australia) delivered profit after tax of \$755 million, up 333.9%, reflecting continued momentum in revenue growth, a reduction in operating expenses and a significant turnaround in investment income. Increased working claims and natural hazard costs were partially offset by the release of the majority of the business interruption provision. The result also benefitted from an intra-group reinsurance arrangement with Suncorp New Zealand, which was neutral to the Group.

The Home portfolio achieved GWP growth of 11.7%ⁱⁱ, driven by the ongoing pricing response to higher natural hazard and reinsurance costs. Motor GWP grew 13.8%ⁱⁱ, reflecting Average Written Premium (AWP) growth driven by pricing for claims inflation. Unit growth of 2.4% was achieved in the Motor portfolio.

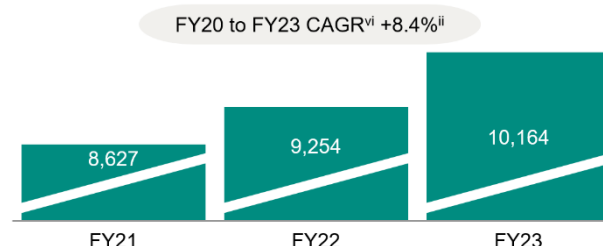
In Commercial, GWP grew 9.9%ⁱⁱ, with growth in Property, Fleet and heavy vehicles partly offset by a fall in Packages.

Compulsory Third Party (CTP) GWP increased by 0.7%, driven by growth across all schemes except for South Australia, which was impacted by increasing price competition.

Net incurred claims increased by 19.6% to \$6,373 million. Excluding discount movements, net incurred claims increased by 9.9% reflecting the impact of portfolio growth, reversion to pre-COVID-19 driving patterns, persistent inflation particularly in the Motor portfolio and natural hazard experience. This was partly offset by the release of business interruption provision. Prior year reserve releases were 1.3% of Group net earned premium (NEP).

GROSS WRITTEN PREMIUM^v

Insurance (Australia) (\$m)



Suncorp New Zealand

Suncorp New Zealand profit after tax
NZ\$115m vs NZ\$165m pcp

Suncorp New Zealand delivered profit after tax of NZ\$115 million.

General Insurance profit after tax of NZ\$65 million decreased 56.7%. The General Insurance business was impacted by significant weather events, resulting in adverse natural hazards claims experience and NZ\$95 million (before tax) of additional reinsurance reinstatement premiums from an intra-group arrangement with the Insurance (Australia) business. The result was also impacted by higher working claims experience.

GWP of NZ\$2,437 million increased 14.3%. Intermediated and direct channels recorded strong growth through targeted pricing increases to offset inflationary pressures on claims and higher reinsurance costs.

Net incurred claims of NZ\$1,232 million increased 21.6%. Higher working claims costs in the period were driven by unit growth, inflationary pressures, large loss claims from home fires, elevated claims experience in Motor, and COVID-19 related motor frequency benefits in FY22.

Prior year reserves were strengthened by NZ\$13 million to reflect a combination of Canterbury earthquake claims and development on property claims.

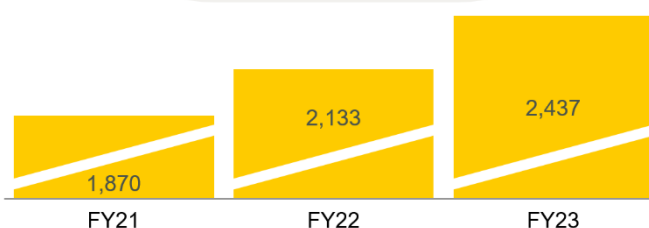
Life Insurance profit after tax of NZ\$50 million, increased 233.3% supported by growth in planned profit margins and favourable market adjustments. In-force premium grew by 6.7%, supported by Consumer Price Index, and age-related premium growth.

GWP
NZ\$2,437m up 14.3%

GROSS WRITTEN PREMIUM

Suncorp New Zealand (NZ\$m)

FY20 to FY23 CAGR +12.5%



Suncorp Bank

Suncorp Bank profit after tax
\$470m vs \$368m pcp

Suncorp Bank profit after tax increased 27.7% to \$470 million, driven by strong volume growth and higher margin.

NIM increased 3 basis points to 1.96%, supported by strategic deposit pricing, but partially offset by competitive pressures in Home lending pricing and increased funding costs.

The decrease in the cost-to-income ratio to 51.8%, from 59.0%, was achieved through a combination of asset growth and disciplined cost management.

Growth momentum continued with a \$4.6 billion or 9.1% increase in the Home lending portfolio, which continues to maintain high credit quality and is conservatively positioned. Business lending grew 5.9%, predominantly driven by Commercial lending growth across several industries.

Total customer deposits increased 6.9% to \$51.4 billion, with growth primarily driven by term deposits and at-call savings as customers responded to higher interest rates.

Asset quality overall remained sound. A net impairment charge of \$16 million represented two basis points of gross loans and advances. The collective provision increased \$10 million to \$190 million.

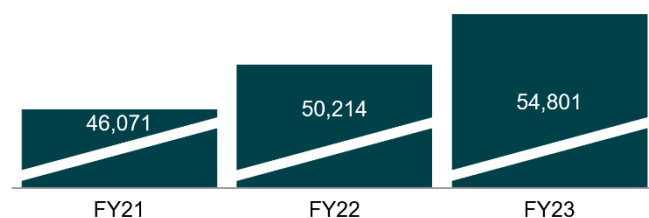
NIM

1.96% up 3 basis points

HOME LENDING^{vii}

Total portfolio (\$m)

FY20 to FY23 CAGR +5.6%

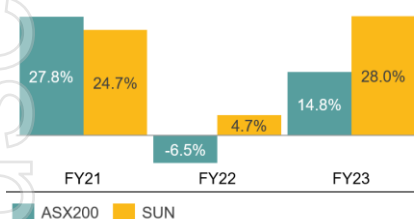


FY23 plan delivered successfully

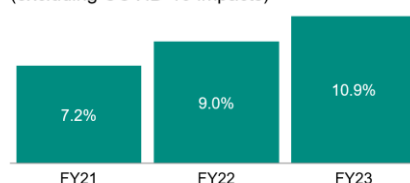
Suncorp successfully delivered its FY23 plan against a backdrop of considerable external headwinds. The plan achieved its financial and operational targets, delivering growth and improving profitability, while also building on the Group's customer value propositions including through enhanced digitisation and automation.

The plan committed to delivering a cash return on equity (FY23: 9.6%) above the through-the-cycle cost of equity, an underlying insurance trading ratio between 10% to 12% (FY23: 10.9%) and a cost-to-income ratio in the Bank of around 50% (FY23: 51.8%). Significant premium increases and higher investment returns have enabled the Group to counter the impacts of elevated natural hazards and reinsurance costs as well as claims inflation and supply chain challenges in the Motor portfolio. The successful delivery of the FY23 Plan provides strong foundations for the business going forward.

TOTAL SHAREHOLDER RETURN^{viii}

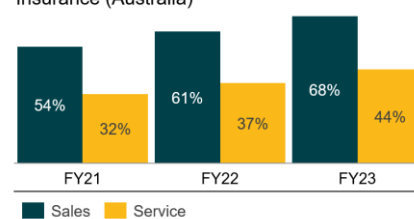


UNDERLYING INSURANCE TRADING RATIO (excluding COVID-19 impacts)



DIGITAL SALES & SERVICE TRANSACTIONS

Insurance (Australia)



Organisational changes

Suncorp today announced changes to its operating model to embed a customer-centric focus and enhance the efficiency of the business, aligned to its ambition of being the leading Trans-Tasman insurer. Suncorp will be organised around three core insurance functions: Consumer, Commercial & Personal Injury and New Zealand, each with end-to-end accountabilities to enable greater focus on customer and financial outcomes. There is no change to Suncorp Bank.

A new Consumer Insurance function will bring together responsibility for underwriting, pricing, product, distribution and claims for our home and motor portfolios. This business will be led by Lisa Harrison, currently CEO Insurance Product Portfolio. Ms Harrison's new title will be CEO, Consumer Insurance.

A new Commercial & Personal Injury function will be established with the same end-to-end focus, recognising the importance of commercial and statutory class portfolios to our strategy. This function will be elevated to the executive level and led by current EGM Commercial Insurance Michael Miller, who will be promoted to the role of CEO, Commercial & Personal Injury Insurance.

The operational portfolios within Insurance Claims & Operations including First Line Risk, Real Estate and Procurement will shift to a renamed Technology & Operations and will be led by Adam Bennett, whose new title will be Group Executive Technology & Operations.

After almost 29 years with Suncorp and having successfully led a number of different teams across the business, Insurance COO Paul Smeaton has indicated his desire to retire from a fulltime executive career towards the end of 2023. Paul will support the transition to the new operating model until he departs.

Mr Johnston thanked Mr Smeaton for his immense contribution to Suncorp over three decades. Mr Johnston also congratulated Mr Miller on joining the Executive Leadership Team and said that his promotion was a testament to the strength of the talent within the organisation.

Group outlook

Operational outlook: The operating environment remains challenging. While pressures in the supply chain are easing, geopolitical and economic uncertainty, and persistent inflationary pressures continue to drive investment market volatility. Central banks have tightened monetary policy in response to inflation and interest rates are expected to trend higher until inflation is brought under control. Economic growth is expected to moderate.

Following three consecutive years of La Niña weather patterns, the Bureau of Meteorology has updated the likelihood of an El Niño to 70% for the upcoming spring and summer seasons. Global reinsurance markets remain structurally disrupted and in a hardening cycle reflecting adverse recent natural hazard experience and inflationary pressures. These factors impact the cost of reinsurance, the degree of risk retention and, ultimately, the price of insurance products.

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

Insurance:

- Growth: GWP growth of around 10% 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.
- Underlying ITR: The Group's underlying ITR is supported by strong premium momentum, offset by higher reinsurance and natural hazard costs, and claims inflation. Investment yields are expected to moderate as expectations for economic growth and inflationary pressures ease. As previously signalled prior year reserve releases are also expected to continue to moderate. Given these dynamics, an underlying ITR around the midpoint of the 10% to 12% range is targeted for FY24. Given the timing of premium increases being earned and higher reinsurance and natural hazard costs along with persistent claims inflation in Motor, the underlying ITR in 1H24 is expected to be at the bottom end of the range.
- Over the medium-term the Group expects ongoing margin improvement as higher renewal premium rates are earned through.
- Operating expenses: Expense ratios are expected to remain in-line with current levels noting expenses are expected to increase with ongoing investment in growing the business.

AASB 17: Following the application of AASB 17 from 1 July 2023, the metrics adopted by the Group will change to reflect the new accounting standard. Suncorp will update the market in due course on the metrics considered and adopted. The value and drivers of the business will remain materially unchanged.

Bank:

- Growth: Overall, system growth is expected to slow as economic growth moderates and against a backdrop of significantly tighter monetary conditions. The Bank is targeting Home loan growth at around system.
- NIM: Competition in both lending and deposits is expected to keep NIMs under pressure. The Bank expects NIM to be around the bottom of its 1.85% and 1.95% target range.
- Cost-to-income ratio: Considering the pressures to revenue from slowing credit growth and declining NIM, and cost pressures due to inflation, the Bank's cost-to-income ratio is expected to rise to around the mid-50s.

Bank transition costs: In light of the ACCC's decision to not grant merger authorisation, Suncorp has confirmed its commitment to supporting ANZ in its referral of the decision to the Tribunal. Progress on separating the Bank continues. Whilst there is no change to the expected net proceeds from the transaction, there have been some offsetting changes in the component parts. In particular, the Group now expects the separation and other costs to increase from \$500 million to between \$575 million to \$600 million given the delay in completion as well as further clarity on the programme requirements. The Group will work through the details of these costs and update the market once details are refined.

Capital: The Group will maintain its disciplined approach to active capital management, including holding appropriate capital buffers. The Group maintains its commitment to a 60% to 80% dividend payout ratio, acknowledging the lower payout in FY23 reflected some significant shifts in capital, and as we work through the tribunal process relating to the sale of the Bank.

Bank Sale

Suncorp announced the sale of the Bank to ANZ on 18 July 2022. On 4 August 2023, following a lengthy process, the ACCC decided not to grant merger authorisation for the acquisition of Suncorp Bank by ANZ. Suncorp has confirmed that it will support ANZ through the Australian Competition Tribunal process in its decision to review of the ACCC determination. Subject to all the regulatory and government approvals being received, completion is now expected by the middle of the 2024 calendar year. As previously announced, the Group remains committed to returning to shareholders any capital that is excess to the needs of the business following completion.

Authorised for lodgement with the ASX by the Suncorp Group Board

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- i All changes refer to the prior corresponding period unless otherwise stated
- ii Excluding emergency services levies and portfolio exits
- iii The split between Australia and New Zealand is based on event location and excludes internal reinsurance arrangements
- iv Excludes emergency services levies, transitional excess profits and losses (TEPL) provision, restructuring expenses and Wealth expenses
- v Excludes emergency services levies
- vi Compound Annual Growth Rate (CAGR)
- vii FY20 Home Lending excludes 'Other Lending'
- viii Total shareholder returns represents the return of common stock over the financial year with dividends fully reinvested

DISCLAIMER: This announcement contains general information which is current as at 9 August 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 Suncorp Group Limited (Suncorp) 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.

Strategy and FY23 plan

Suncorp has successfully delivered 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 targeted and delivered a sustainable return on equity above the through-the-cycle cost of equity, with the General Insurance business delivering an underlying ITR of between 10% to 12%, and the Bank cost-to-income ratio falling to around 50%. The Group maintained its commitment to a 60% to 80% dividend payout ratio and to returning to shareholders any capital that is excess to the needs of the business.

The plan was delivered against a backdrop of considerable headwinds including the negative impacts of a global pandemic, three La Niña weather patterns, disrupted supply chains, and significant inflationary pressures that have resulted in central banks raising interest rates sharply.

Insurance (Australia)

Revitalise growth

- Over the three-year plan period, GWP grew 27.2% (8.4% CAGR) when normalised for portfolio exits, with broad-based growth across Motor, Home and Commercial. Rate increases were the largest driver of GWP growth reflecting the pricing changes made to respond to higher inflation, natural hazards and reinsurance costs. Unit growth was also achieved across most portfolios.
- AAMI brand sustained #1 position¹ for consideration nationally across the plan period. AAMI Net Promoter Score (NPS) rank relative to peers remained stable between FY21 and FY23.

Optimise pricing and risk selection

- Implemented the Customer and Pricing Ecosystem (CaPE) for Consumer mass-brands, allowing more accurate pricing for risk. CaPE was delivered for Home in November 2021 and for Motor in February 2023. At the end of FY23, over a third of mass-brand Motor policies have been priced through the platform.
- Delivered the first phases of the new Intermediated Small and Medium Enterprises (iSME) Platform. iSME will enhance pricing and risk selection and improve the broker experience. The capability was delivered for new business on the Vero Edge Platform in the first half of FY23.
- Invested in underwriting tools across property and liability in Commercial to improve risk selection and efficiency.

Digital first customer experiences

- Increased digital transactions for mass brands across Home, Motor and CTP products to 68% of all sales and 44% of all service transactions, up from 49% and 29% respectively at the start of the plan period. The number of unique digital users grew to 5 million in FY23.
- Improved digital renewal process with approximately two thirds of mass-brands Home and Motor renewals completed digitally in FY23. Digital capability for Shannons and Terri Scheer was also launched.
- Expanded conversational Artificial Intelligence (AI) chatbot capabilities to more than quadruple the annual interactions with customers over the plan period, delivering nearly 1.9 million chatbot conversations in FY23.

Best-in-Class Claims

- Home and Motor digital claim lodgements increased from approximately 20% of all lodgements to approximately 50% (and higher for natural hazard events) over the plan period following enhancements to the digital lodgement process.
- Launched innovative platforms and tools to improve supply chain outcomes, enhancing cost efficiency, scope, and transparency while minimising inflation. Reconfigured supply chain including refreshed builder, repairer and supplier panels.
- Delivered Disaster Response Plan, flexible workforce and Event Control Centre to enhance disaster response capability and supply chain readiness and coordination.
- In Personal Injury schemes, introduced early intervention and direct lodgement initiatives such as customer concierge teams and industry leading digital lodgement functionality.

1. Brand consideration of the national Personal Insurance market sourced from IPSOS, based on a 12-month average.

Suncorp New Zealand

Grow brands and strategic partnerships

- Strengthened brand propositions and supported new growth through investment in broker relationships and product innovation.
- Over the three-year plan period, GWP grew 42.3% (12.5% CAGR) and General Insurance market share increased from 23.4% (30 June 2020) to 25.2% (31 March 2023).¹
- Increased Life Insurance share of industry new business (12-month rolling) from 9.0% (30 June 2020) to 11.3% (31 Mar 2023).²

Best-in-Class Claims

- Delivered a single claims platform, introducing opportunities for customer engagement and seamless connectivity with partners across the claims value-chain.
- Improved claims experiences through process automation, speeding up claim assessment time, customer responsiveness and improved data accuracy.

Digitise and automate

- Nationwide rollout of digital connectivity with a key strategic broker for Commercial products. This resulted in an increase in premiums written. A successful pilot of Consumer product connectivity with a second key broker group was completed, with nationwide rollout underway.
- Launched online Motor insurance sales through the ANZ corporate partnership with ANZ bank, future product releases under development.
- Ongoing simplification of the consumer product portfolio, rationalising product numbers.
- Delivered a cloud-based Life Underwriting Rules solution with a simplified question and rule set to increase automatic acceptance rates providing a faster turnaround for customers.

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

2. Life Insurance new business data is sourced from the quarterly Financial Services Council of New Zealand (FSC) Life Insurance statistical data.

Suncorp Bank

| | |
|------------------------------------|--|
| Win in Home | <ul style="list-style-type: none">– Home lending growth of \$8.3 billion over the three-year plan period (5.6% CAGR).– Invested in key system enhancements, process simplification and improved operational productivity, resulting in a material reduction in the average median turnaround time from approximately 14 days in FY21 to around 4 days throughout FY23.– Achieved a significant improvement in the Home Lending Broker NPS, lifting the 6-month rolling average from -33 in July 2020 to +49 in June 2023. Suncorp Bank ranked #1 in Australian Finance Group (AFG) turnaround times for 32 weeks of the year for FY23. |
| Seamless everyday banking | <ul style="list-style-type: none">– Customer deposit growth of \$6.6 billion over the three-year plan period driven by growth of \$3.5 billion in the transaction portfolio and \$3.3 billion in the savings portfolio.– Launched several product offerings during the plan period including the Carbon Insights Account, products and services to support vulnerable customers, and recycled plastic debit cards with tactile indicators. |
| Grow businesses | <ul style="list-style-type: none">– Steady momentum in Business lending with growth of \$1.1 billion over the three-year plan period (3.1% CAGR).– Business Banking NPS improved significantly with the 6-month rolling average lifting from -2.6 at the beginning of FY21 to +19 in June 2023.– Realigned and simplified the operating model into four discrete businesses, with differing service propositions covering Agribusiness & Regional, Property Finance, Commercial and Small Business. |
| Digital first | <ul style="list-style-type: none">– Completed the migration of customers to the Suncorp App and continued the delivery of improved self-service capabilities.– Strengthened digital engagement and origination capabilities, including joint account online origination, pre-filled income and expense data and the launch of a refreshed broker portal. Digital origination continues to drive deposit funding, with over 82% of personal at-call accounts originated via digital channels in FY23. |
| Customer service excellence | <ul style="list-style-type: none">– Delivered several improvements to our customer service proposition including upskilling our customer-facing and direct lender workforce, expanding access to fee-free ATMs with an arrangement through ATMx, launched an Adaptive Contact Us page to direct customer enquiries, and implemented call-back functionality in Voice of Customer surveys. |

Contribution to profit by function

| | Full Year Ended | | Jun-23 |
|---|-----------------|------------|---------------|
| | Jun-23 | Jun-22 | Jun-23 |
| | \$M | \$M | v Jun-22 |
| | | | % |
| Insurance (Australia) | | | |
| Gross written premium | 10,328 | 9,384 | 10.1 |
| Net earned premium | 8,654 | 7,911 | 9.4 |
| Net incurred claims | (6,373) | (5,328) | (19.6) |
| Operating expenses | (1,650) | (1,719) | 4.0 |
| Investment income - insurance funds | 337 | (400) | n/a |
| Insurance trading result | 968 | 464 | 108.6 |
| Other income | 105 | (227) | n/a |
| Profit before tax | 1,073 | 237 | 352.7 |
| Income tax | (318) | (63) | (404.8) |
| Insurance (Australia) profit after tax | 755 | 174 | 333.9 |
| Suncorp New Zealand | | | |
| Gross written premium | 2,231 | 1,998 | 11.7 |
| Net earned premium | 1,688 | 1,648 | 2.4 |
| Net incurred claims | (1,128) | (949) | (18.9) |
| Operating expenses | (510) | (473) | (7.8) |
| Investment income - insurance funds | 28 | (8) | n/a |
| Insurance trading result | 78 | 218 | (64.2) |
| Other income | 5 | (20) | n/a |
| Profit before tax | 83 | 198 | (58.1) |
| Income tax | (24) | (57) | 57.9 |
| General Insurance profit after tax | 59 | 141 | (58.2) |
| Life Insurance profit after tax | 46 | 14 | 228.6 |
| Suncorp New Zealand profit after tax | 105 | 155 | (32.3) |
| Suncorp Bank | | | |
| Net interest income | 1,408 | 1,245 | 13.1 |
| Total other operating income | 17 | 3 | 466.7 |
| Operating expenses | (737) | (736) | (0.1) |
| Profit before impairment releases/(losses) on loans and advances | 688 | 512 | 34.4 |
| Impairment releases/(losses) on loans and advances | (17) | 14 | n/a |
| Profit before tax | 671 | 526 | 27.6 |
| Income tax | (201) | (158) | (27.2) |
| Suncorp Bank profit after tax | 470 | 368 | 27.7 |
| Profit after tax from ongoing functions | 1,330 | 697 | 90.8 |
| Profit after tax from discontinued business ¹ | - | - | n/a |
| Profit after tax from functions | 1,330 | 697 | 90.8 |
| Other profit (loss) after tax ² | (76) | (24) | (216.7) |
| Cash earnings | 1,254 | 673 | 86.3 |
| Net profit (loss) on sale of divested/divesting operations ³ | (91) | 38 | n/a |
| Acquisition amortisation (after tax) ⁴ | (15) | (30) | 50.0 |
| Net profit after tax | 1,148 | 681 | 68.6 |

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 23) for details

3. FY23 net profit (loss) on divested/divesting operations includes costs associated with the sale of the Bank announced on 18 July 2022. FY22 net profit (loss) on sale of divested operations includes a gain on sale of the RACTI business (FY22: \$43 million), offset by losses associated with the sale of the Wealth business.

4. Acquisition amortisation includes asset impairments for Data Centre Hardware (Jun-22: loss \$9 million)

| | Jun-23 \$M | Half Year Ended Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|---|---------------|----------------------------------|---------------|---------------|-------------------------|-------------------------|
| Insurance (Australia) | | | | | | |
| Gross written premium | 5,410 | 4,918 | 4,842 | 4,542 | 10.0 | 11.7 |
| Net earned premium | 4,423 | 4,231 | 3,929 | 3,982 | 4.5 | 12.6 |
| Net incurred claims | (3,177) | (3,196) | (2,405) | (2,923) | 0.6 | (32.1) |
| Operating expenses | (848) | (802) | (833) | (886) | (5.7) | (1.8) |
| Investment income - insurance funds | 198 | 139 | (377) | (23) | 42.4 | n/a |
| Insurance trading result | 596 | 372 | 314 | 150 | 60.2 | 89.8 |
| Other income | 85 | 20 | (237) | 10 | 325.0 | n/a |
| Profit before tax | 681 | 392 | 77 | 160 | 73.7 | large |
| Income tax | (202) | (116) | (17) | (46) | (74.1) | large |
| Insurance (Australia) profit after tax | 479 | 276 | 60 | 114 | 73.6 | large |
| Suncorp New Zealand | | | | | | |
| Gross written premium | 1,160 | 1,071 | 994 | 1,004 | 8.3 | 16.7 |
| Net earned premium | 820 | 868 | 830 | 818 | (5.5) | (1.2) |
| Net incurred claims | (599) | (529) | (477) | (472) | (13.2) | (25.6) |
| Operating expenses | (260) | (250) | (235) | (238) | (4.0) | (10.6) |
| Investment income - insurance funds | 21 | 7 | (4) | (4) | 200.0 | n/a |
| Insurance trading result | (18) | 96 | 114 | 104 | n/a | n/a |
| Other income | 6 | (1) | (19) | (1) | n/a | n/a |
| Profit before tax | (12) | 95 | 95 | 103 | n/a | n/a |
| Income tax | 3 | (27) | (29) | (28) | n/a | n/a |
| General Insurance profit after tax | (9) | 68 | 66 | 75 | n/a | n/a |
| Life Insurance profit after tax | 31 | 15 | 8 | 6 | 106.7 | 287.5 |
| Suncorp New Zealand profit after tax | 22 | 83 | 74 | 81 | (73.5) | (70.3) |
| Suncorp Bank | | | | | | |
| Net interest income | 683 | 725 | 624 | 621 | (5.8) | 9.5 |
| Other operating income | 9 | 8 | (11) | 14 | 12.5 | n/a |
| Operating expenses | (371) | (366) | (370) | (366) | (1.4) | (0.3) |
| Profit before impairment releases/(losses) on financial assets | 321 | 367 | 243 | 269 | (12.5) | 32.1 |
| Impairment releases/(losses) on financial assets | (15) | (2) | (2) | 16 | large | large |
| Profit before tax | 306 | 365 | 241 | 285 | (16.2) | 27.0 |
| Income tax | (92) | (109) | (73) | (85) | 15.6 | (26.0) |
| Suncorp Bank profit after tax | 214 | 256 | 168 | 200 | (16.4) | 27.4 |
| Profit after tax from ongoing functions | 715 | 615 | 302 | 395 | 16.3 | 136.8 |
| Profit after tax from discontinued business ¹ | - | - | 1 | (1) | n/a | n/a |
| Profit after tax from functions | 715 | 615 | 303 | 394 | 16.3 | 136.0 |
| Other profit (loss) after tax ² | (49) | (27) | 9 | (33) | (81.5) | n/a |
| Cash earnings | 666 | 588 | 312 | 361 | 13.3 | 113.5 |
| Net profit (loss) on sale of divested/divesting operations ³ | (71) | (20) | (1) | 39 | (255.0) | large |
| Acquisition amortisation (after tax) ⁴ | (7) | (8) | (18) | (12) | 12.5 | 61.1 |
| Net profit after tax | 588 | 560 | 293 | 388 | 5.0 | 100.7 |

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 23) for details

3. Jun-23 and Dec-22 net profit (loss) on divested/divesting operations includes costs associated with the sale of the Bank announced on 18 July 2022. Dec-21 net profit (loss) on sale of divested operations includes a gain on sale of the RACTI business (Dec-21: \$43 million), offset by losses associated with the sale of the Wealth business.

4. Acquisition amortisation includes asset impairments for Data Centre Hardware (Jun-22: loss \$9 million)

Group ratios and statistics

| | | Full Year Ended Jun-23 | Jun-22 | Jun-23 v Jun-22 % |
|---|---------|---------------------------|---------|----------------------|
| Performance ratios | | | | |
| Earnings per share ² | | | | |
| Basic | (cents) | 90.92 | 53.80 | 69.0 |
| Diluted | (cents) | 88.54 | 51.32 | 72.5 |
| Cash earnings per share ^{1,2} | | | | |
| Basic | (cents) | 99.32 | 53.17 | 86.8 |
| Diluted | (cents) | 96.34 | 50.74 | 89.9 |
| Return on average shareholders' equity ¹ | (%) | 8.8 | 5.3 | |
| Cash return on average shareholders' equity ¹ | (%) | 9.6 | 5.2 | |
| Cash return on average shareholders' equity pre-goodwill ¹ | (%) | 15.1 | 8.3 | |
| Cash return on average shareholders' equity pre goodwill and intangibles ¹ | (%) | 15.7 | 8.7 | |
| Insurance trading ratio | (%) | 10.1 | 7.1 | |
| Underlying insurance trading ratio (excl COVID-19) | (%) | 10.9 | 9.0 | |
| Bank net interest margin (interest-earning assets) | (%) | 1.96 | 1.93 | |
| Shareholder summary | | | | |
| Ordinary dividends per ordinary share | (cents) | 60.0 | 40.0 | 50.0 |
| Special dividends per ordinary share | (cents) | - | - | n/a |
| Payout ratio (ordinary dividend) ¹ | | | | |
| Cash earnings | (%) | 60.4 | 74.9 | |
| Payout ratio (including special dividend) ¹ | | | | |
| Cash earnings | (%) | 60.4 | 74.9 | |
| Weighted average number of shares | | | | |
| Basic | (m) | 1,262.6 | 1,265.7 | (0.2) |
| Diluted | (m) | 1,357.6 | 1,399.2 | (3.0) |
| Number of shares at end of period ³ | (m) | 1,264.5 | 1,260.6 | 0.3 |
| Net tangible asset backing per share | (\$) | 6.36 | 5.95 | 6.9 |
| Share price at end of period | (\$) | 13.49 | 10.98 | 22.9 |
| Productivity | | | | |
| Australian General Insurance expense ratio | (%) | 19.1 | 21.7 | |
| Suncorp New Zealand General Insurance expense ratio | (%) | 30.2 | 28.7 | |
| Bank cost to income ratio | (%) | 51.8 | 59.0 | |
| Financial position | | | | |
| Total assets | (\$M) | 114,983 | 106,378 | 8.1 |
| Net tangible assets | (\$M) | 8,041 | 7,501 | 7.2 |
| Net assets | (\$M) | 13,347 | 12,783 | 4.4 |
| Average Shareholders' Equity | (\$M) | 13,017 | 12,836 | 1.4 |
| Capital ⁴ | | | | |
| General Insurance total capital PCA coverage | (times) | 1.63 | 1.74 | |
| General Insurance Common Equity Tier 1 PCA coverage | (times) | 1.16 | 1.19 | |
| Bank total capital ratio | (%) | 14.31 | 12.99 | |
| Bank Common Equity Tier 1 ratio ⁵ | (%) | 10.06 | 9.08 | |
| Common Equity Tier 1 Capital held at Group | (\$M) | 274 | 248 | 10.5 |

1. Refer to Glossary for definitions

2. Refer to Appendix 'Group EPS Calculations' (page 69) for detailed earnings per share (EPS) calculations

3. Excluding Treasury shares

4. Ratios are presented post dividend

5. Jun-23 presented under Basel III effective 1 January 2023. Jun-22 period has not been restated.

| | | Half Year Ended | | | | Jun-23 v | Jun-23 v |
|---|---------|-----------------|---------|---------|---------|----------|----------|
| | | Jun-23 | Dec-22 | Jun-22 | Dec-21 | Dec-22% | Jun-22 % |
| Performance ratios | | | | | | | |
| Earnings per share ² | | | | | | | |
| Basic | (cents) | 46.54 | 44.38 | 23.24 | 30.53 | 4.9 | 100.3 |
| Diluted | (cents) | 45.35 | 42.81 | 22.41 | 28.91 | 5.9 | 102.4 |
| Cash earnings per share ^{1,2} | | | | | | | |
| Basic | (cents) | 52.71 | 46.60 | 24.75 | 28.41 | 13.1 | 113.0 |
| Diluted | (cents) | 51.06 | 44.87 | 23.76 | 26.98 | 13.8 | 114.9 |
| Return on average shareholders' equity ¹ | (%) | 9.0 | 8.6 | 4.6 | 5.9 | | |
| Cash return on average shareholders' equity ¹ | (%) | 10.2 | 9.1 | 4.9 | 5.5 | | |
| Cash return on average shareholders' equity pre-goodwill ¹ | (%) | 15.9 | 14.3 | 7.9 | 8.7 | | |
| Cash return on average shareholders' equity pre goodwill and intangibles ¹ | (%) | 16.5 | 14.9 | 8.2 | 9.1 | | |
| Insurance trading ratio | (%) | 11.0 | 9.2 | 9.0 | 5.3 | | |
| Underlying insurance trading ratio (excl COVID-19) | (%) | 11.7 | 10.0 | 9.9 | 8.0 | | |
| Bank net interest margin (interest-earning assets) | (%) | 1.89 | 2.03 | 1.90 | 1.97 | | |
| Shareholder summary | | | | | | | |
| Ordinary dividends per ordinary share | (cents) | 27.0 | 33.0 | 17.0 | 23.0 | (18.2) | 58.8 |
| Special dividends per ordinary share | (cents) | - | - | - | - | n/a | n/a |
| Payout ratio (ordinary dividend) ¹ | | | | | | | |
| Cash earnings | (%) | 51.3 | 70.9 | 68.7 | 80.3 | | |
| Payout ratio (including special dividend) ¹ | | | | | | | |
| Cash earnings | (%) | 51.3 | 70.9 | 68.7 | 80.3 | | |
| Weighted average number of shares | | | | | | | |
| Basic | (m) | 1,263.5 | 1,261.8 | 1,260.5 | 1,270.8 | 0.1 | 0.2 |
| Diluted | (m) | 1,365.0 | 1,361.7 | 1,401.3 | 1,397.3 | 0.2 | (2.6) |
| Number of shares at end of period ³ | (m) | 1,264.5 | 1,262.6 | 1,260.6 | 1,260.4 | 0.2 | 0.3 |
| Net tangible asset backing per share | (\$) | 6.36 | 6.24 | 5.95 | 6.11 | 1.9 | 6.9 |
| Share price at end of period | (\$) | 13.49 | 12.04 | 10.98 | 11.07 | 12.0 | 22.9 |
| Productivity | | | | | | | |
| Australian General Insurance expense ratio | (%) | 19.2 | 19.0 | 21.2 | 22.2 | | |
| Suncorp New Zealand General Insurance expense ratio | (%) | 31.7 | 28.8 | 28.2 | 29.1 | | |
| Bank cost to income ratio | (%) | 53.7 | 49.9 | 60.4 | 57.6 | | |
| Financial position | | | | | | | |
| Total assets | (\$M) | 114,983 | 110,184 | 106,378 | 99,452 | 4.4 | 8.1 |
| Net tangible assets | (\$M) | 8,041 | 7,882 | 7,501 | 7,702 | 2.0 | 7.2 |
| Net assets | (\$M) | 13,347 | 13,176 | 12,783 | 12,969 | 1.3 | 4.4 |
| Average Shareholders' Equity | (\$M) | 13,171 | 12,862 | 12,722 | 12,951 | 2.4 | 3.5 |
| Capital ⁴ | | | | | | | |
| General Insurance total capital PCA coverage | (times) | 1.63 | 1.63 | 1.74 | 1.64 | | |
| General Insurance Common Equity Tier 1 PCA coverage | (times) | 1.16 | 1.21 | 1.19 | 1.21 | | |
| Bank total capital ratio | (%) | 14.31 | 14.37 | 12.99 | 14.57 | | |
| Bank Common Equity Tier 1 ratio ⁵ | (%) | 10.06 | 10.09 | 9.08 | 9.34 | | |
| Common Equity Tier 1 Capital held at Group | (\$M) | 274 | 290 | 248 | 492 | (5.5) | 10.5 |

1. Refer to Glossary for definitions

2. Refer to Appendix 'Group EPS Calculations' (page 69) for detailed earnings per share calculations

3. Excluding Treasury shares

4. Ratios are presented post dividend

Group reported and underlying Insurance Trading Ratio

Reconciliation of reported ITR to underlying ITR

| | Full Year Ended | | Half Year Ended | | | |
|--|-----------------|---------------|-----------------|---------------|---------------|---------------|
| | Jun-23 \$M | Jun-22 \$M | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M |
| Reported ITR | 1,046 | 682 | 578 | 468 | 428 | 254 |
| Reported reserve releases (above) below long-run expectations ¹ | (91) | (32) | 27 | (118) | 8 | (40) |
| Natural hazards above (below) allowances | 97 | 101 | (2) | 99 | (104) | 205 |
| Investment income mismatch | 45 | 98 | 22 | 23 | 94 | 4 |
| Other: | | | | | | |
| Risk margin | 13 | 16 | (19) | 32 | (26) | 42 |
| Abnormal (Simplification/restructuring) expenses ¹ | 13 | 6 | 7 | 6 | 1 | 5 |
| Additional Reinsurance Premium | - | 82 | - | | 79 | 3 |
| Underlying ITR | 1,123 | 953 | 613 | 510 | 480 | 473 |
| Underlying ITR ratio including COVID-19 impact | 10.9% | 9.9% | 11.7% | 10.0% | 9.9% | 9.9% |
| COVID-19 impact | - | (0.9%) | | - | - | (1.9%) |
| Underlying ITR ratio excluding COVID-19 impact | 10.9% | 9.0% | 11.7% | 10.0% | 9.9% | 8.0% |

1. Reserve releases and abnormal expenses exclude impacts of TEPL and includes the release of the business interruption provision.

Underlying ITR movements

| | Jun-22 v Jun-23 % |
|---|-------------------------|
| FY22 underlying ITR excluding COVID-19 | 9.0 |
| Gross earned premium | 9.3 |
| Investment income | 4.3 |
| Claims | (8.4) |
| Natural Hazards / Reinsurance | (4.7) |
| Expenses | 1.4 |
| FY23 underlying ITR ex COVID-19 | 10.9 |

Excluding COVID-19 impacts in the pcp, underlying ITR increased from 9.0% to 10.9%:

- The Consumer portfolio had a small reduction in underlying ITR due to the increased natural hazard allowance, reinsurance costs and working claims in the Motor portfolio. This was partially offset by the pricing response which will continue to earn through over future periods. Higher investment income provided some additional offset, together with lower operating and claims handling expenses due to ongoing cost management and Best-in-Class Claims initiative benefits. Within the Consumer portfolio, the underlying ITR in the Home portfolio improved, but reduced in the Motor portfolio.
- The Commercial portfolio had an improved underlying ITR driven by higher investment income and higher present value discounting, partly offset by higher reinsurance costs, large fire claims and Fleet claims frequency normalised to pre-COVID-19 levels.
- Long-tail statutory classes increased their contribution to underlying ITR, reflecting higher investment income and higher present value discounting on claims from rising yields. These benefits were largely due to longer average claims duration under these classes.
- Suncorp New Zealand's performance largely reflected higher working claims in the Motor portfolio and adverse large claims experience.

Natural hazards and reinsurance

| Date | Event | Net costs \$M |
|--|---|------------------|
| Jul 22 | Sydney East Coast Low | 87 |
| Aug 22 | Southern Australia Winds and Storms | 19 |
| Aug 22 | NZ North Island and Top of South Island Storm | 19 |
| Oct 22 | VIC Rain and Floods | 209 |
| Oct 22 | NSW VIC Rain and Floods | 24 |
| Oct 22 | East Coast Rain and Hail | 53 |
| Nov 22 | November Rain and Flood | 68 |
| Dec 22 | Sunshine Coast Hail | 48 |
| Jan 23 | NZ North Island Floods | 46 |
| Feb 23 | NSW Rain and Hail | 57 |
| Feb 23 | NZ TC Gabrielle | 23 |
| Apr 23 | April Rain and Hail | 22 |
| May 23 | Newcastle Hail | 93 |
| May 23 | All NZ Heavy Rain and Flooding | 13 |
| Jun 23 | June Rain and Hail | 18 |
| Total events over \$10 million | | 798 |
| Other natural hazards | | 459 |
| Total natural hazards | | 1,257 |
| Less: allowance for natural hazards | | (1,160) |
| Natural hazards costs above / (below) allowance | | 97 |

Total natural hazard costs were \$1,257 million, \$176 million above the pcg, and \$97 million above the Group's allowance of \$1,160 million. Based on event locations and excluding internal reinsurance arrangements, Insurance (Australia) was \$2 million favourable to allowance and New Zealand was \$99 million unfavourable to allowance.

Accumulated losses from natural hazard events during the year eroded \$648 million of the Aggregate Excess of Loss (AXL) treaty deductible (\$850 million), therefore no recoveries were made under that arrangement in FY23.

The Group's comprehensive reinsurance program in FY23 provided additional protection for New Zealand losses. As a result, losses from the two major New Zealand events experienced in the second half were capped at NZ\$50 million for the North Island Floods and NZ\$25 million for Cyclone Gabrielle, net of reinsurance cover.

For an outline of the FY24 reinsurance program, refer to page 77.

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

| | Full Year Ended | | Half Year Ended | | | |
|--|-----------------|---------------|-----------------|---------------|---------------|---------------|
| | Jun-23 \$M | Jun-22 \$M | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M |
| Insurance (Australia) | | | | | | |
| Investment income (insurance funds) | 337 | (400) | 198 | 139 | (377) | (23) |
| Impact of risk-free discount rates on outstanding claims | (106) | 373 | (75) | (31) | 322 | 51 |
| | 231 | (27) | 123 | 108 | (55) | 28 |
| Present value adjustment on newly recognised claims | 253 | 84 | 134 | 119 | 62 | 22 |
| Investment income (shareholders' funds) | 177 | (190) | 122 | 55 | (217) | 27 |
| | 430 | (106) | 256 | 174 | (155) | 49 |
| Total Insurance (Australia) | 661 | (133) | 379 | 282 | (210) | 77 |
| Suncorp New Zealand (AUD) | | | | | | |
| General insurance | | | | | | |
| Investment income (insurance funds) | 28 | (8) | 21 | 7 | (4) | (4) |
| Investment income (shareholders' funds) | 17 | (20) | 13 | 4 | (18) | (2) |
| | 45 | (28) | 34 | 11 | (22) | (6) |
| Life | | | | | | |
| Market adjustments (pre-tax) | 18 | (29) | 24 | (6) | (19) | (10) |
| | 18 | (29) | 24 | (6) | (19) | (10) |
| Total Suncorp New Zealand | 63 | (57) | 58 | 5 | (41) | (16) |
| Net impact of yields and investment markets | 724 | (190) | 437 | 287 | (251) | 61 |

Suncorp's investment strategy incorporates medium to long-term views of asset class returns, capital, profit volatility, liquidity and liability matching considerations. The investment result benefitted from higher government bond yields, credit spreads and inflation-linked income following the RBA's aggressive monetary tightening cycle over the period. This lifted the overall underlying yield of Suncorp's assets.

The higher yield provides some buffer to risks in investment returns due to uncertainty over inflation, monetary policy, and economic growth. Suncorp invests in various assets with inflation hedging characteristics including inflation-linked bonds (ILBs) that have returns linked to Consumer Price Index (CPI) inflation. The returns from ILBs outperformed nominal bonds over the last year as realised inflation exceeded expectations and contributed to the higher underlying yield. This excess performance from ILBs is expected to reduce as realised inflation converges to long-run inflation expectations.

Insurance (Australia)

The residual net gain of \$231 million primarily reflects the favourable impacts from higher base yields in risk-free and credit spreads, and carry above risk-free on ILBs as CPI prints continued to exceed inflation expectations. There were additional contributions from mark-to-market gains on narrowing credit spreads and manager active performance. This was partially offset by risk-free mark-to-market losses on assets backing the undiscounted liabilities (unearned premium) as government bond yields rose.

The present value adjustment on newly recognised claims reflects the initial discounting applied to new claims liabilities to recognise them at present value, which has increased as yields have risen.

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 35.

Suncorp New Zealand

Suncorp New Zealand General Insurance investment income of NZ\$49 million improved due to increases in interest income from higher-yielding securities and lower mark-to-market impacts from rising yields compared to the pcp.

For further detail on investment income for Suncorp New Zealand General Insurance, please refer to page 44.

The Suncorp New Zealand Life market adjustments were impacted by the continued increase in long-term interest rates and the impact of higher CPI on the valuation of customer policies with an inbuilt sum insured indexation.

For further detail on the Suncorp New Zealand Life investment portfolio, please refer to page 46.

Group operating expenses

Operating expenses by function

| | Full Year Ended | | | Half Year Ended | | | | | |
|--|-----------------|--------|--------------------|-----------------|--------|--------|--------|--------------------|--------------------|
| | Jun-23 | Jun-22 | Jun-23 v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | Jun-23 v Dec-22 | Jun-23 v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Insurance (Australia) | | | | | | | | | |
| Insurance (Australia) operating expenses | 1,432 | 1,526 | (6.2) | 723 | 709 | 760 | 766 | 2.0 | (4.9) |
| Suncorp New Zealand | | | | | | | | | |
| General Insurance operating expenses | 510 | 473 | 7.8 | 260 | 250 | 235 | 238 | 4.0 | 10.6 |
| Life operating expenses | 48 | 46 | 4.3 | 24 | 24 | 24 | 22 | - | - |
| | 558 | 519 | 7.5 | 284 | 274 | 259 | 260 | 3.6 | 9.7 |
| Suncorp Bank | | | | | | | | | |
| Suncorp Bank operating expenses | 737 | 736 | 0.1 | 371 | 366 | 370 | 366 | 1.4 | 0.3 |
| Group operating expenses | 2,727 | 2,781 | (1.9) | 1,378 | 1,349 | 1,389 | 1,392 | 2.1 | (0.8) |
| Other expenses | | | | | | | | | |
| Restructuring expenses ¹ | 47 | 57 | (17.5) | 47 | - | 57 | - | n/a | (17.5) |
| Wealth operating expenses | - | 34 | n/a | - | - | 11 | 23 | n/a | (100.0) |
| ESL | 141 | 144 | (2.1) | 73 | 68 | 68 | 76 | 7.4 | 7.4 |
| TEPL ² | 77 | 49 | 57.1 | 52 | 25 | 5 | 44 | 108.0 | large |
| Total Group operating expenses (including other expenses) | 2,992 | 3,065 | (2.4) | 1,550 | 1,442 | 1,530 | 1,535 | 7.5 | 1.3 |

1. Includes real estate asset write-offs driven by the impact of flexible working arrangements and redundancy costs resulting from ongoing operational improvement.

2. TEPL provision recognises excess profit payable to the regulator with an equivalent release from prior year claim reserves.

Operating expenses movements

| | Movement Jun-22 to Jun-23 \$M |
|--|-------------------------------------|
| Jun-22 Group operating expenses¹ | 2,781 |
| Project costs (included in operating expenses) | (25) |
| BAU inflation | 58 |
| Strategic and operational benefits | (75) |
| Other expenses | (12) |
| Jun-23 Group operating expenses¹ | 2,727 |

1. Excludes restructuring expenses, Wealth operating expenses, ESL and TEPL

Group total operating expenses decreased \$54 million to \$2.7 billion. Key movements include:

- A decline in project costs largely driven by a reduction in the cost of regulatory and maintenance projects and spending on strategic initiatives in-line with expectations as the current cycle nears completion.
- An increase in BAU inflation primarily driven by economy-wide inflationary pressures on wages and technology costs.
- Strategic and operational efficiencies driven by 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 is primarily driven by lower bad debt expense and a reduction in one-off costs from the prior year, partially offset by an uplift in growth related costs driven by commissions associated with an increase in Gross Written Premium.

Other Profit / (Loss) After Tax

| | Full Year Ended | | | Half Year Ended | | |
|---|-----------------|-------------|-------------|-----------------|-------------|-------------|
| | Jun-23 | Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Other profit / (loss) after tax | (76) | (24) | (49) | (27) | 9 | (33) |
| Recurring | | | | | | |
| Net external funding expense ¹ | (54) | (40) | (29) | (25) | (22) | (18) |
| Non-controlling interest | (11) | (18) | (2) | (9) | (5) | (13) |
| Investment income / (loss) on capital funds held at Group | 16 | (9) | 10 | 6 | (8) | (1) |
| Total recurring | (49) | (67) | (21) | (28) | (35) | (32) |
| Non-recurring | | | | | | |
| Net Tax Adjustment | 2 | 90 | 2 | - | 92 | (2) |
| Restructuring | (34) | (40) | (34) | - | (40) | - |
| Other | 5 | (7) | 4 | 1 | (8) | 1 |
| Total non-recurring | (27) | 43 | (28) | 1 | 44 | (1) |

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 loss after tax of \$76 million increased \$52 million, largely driven by a one-off tax adjustment in the pcg relating to the sale of the Australian Life Business.

Higher income on capital funds held at Group was more than offset by higher net external funding expenses.

Restructuring costs were primarily driven by the impact of flexible working arrangements on the real estate footprint.

Group capital and dividends

Capital management strategy

The Group's capital management strategy is to optimise shareholder value by actively managing the level, mix and use of capital resources. The Group will continue to be disciplined about actively managing capital and will balance the needs of the business, the economic outlook, regulatory guidance, and returns.

The FY23 dividend payout ratio of 60% reflects the Group's prudent and disciplined approach to managing capital in the context of the current environment, the FY24 reinsurance renewal and as it works through the Tribunal process relating to the sale of the Bank.

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

Capital

| | As at 30 June 2023 | | | | | 30 June 2022 |
|---|--------------------|-------------------|---|-----------|----------------------|----------------------|
| | General Insurance | Bank ² | NZ Life & other businesses ³ | Corporate | Total ⁴ | |
| | \$M | \$M | \$M | \$M | \$M | \$M |
| CET1 (pre div) | 3,918 | 3,377 | 86 | 27 | 7,408 | 6,865 |
| Midpoint of Target CET1 Range | 3,656 | 3,330 | 73 | (3) | 7,056 | 6,583 |
| Excess to Midpoint of Target CET1 Range (pre div) | 262 | 47 | 13 | 30 | 352 | 282 |
| Common Equity Tier 1 ratio (pre div) ¹ | 1.31x | 10.39% | | | | |
| Group dividend | | | | | (318) | (200) |
| Key metrics (ex div) | 1.16x | 10.06% | | 274 | 34 | 82 |
| | CET1 Ratio | CET1 Ratio | | CET1 | Excess CET1 | Excess CET1 |
| | | | | | 571 | 445 |
| CET1 Target | 1.075 - 1.375x | 10.0 - 10.5% | | | Surplus within range | Surplus within range |
| Total capital | 5,317 | 4,758 | 86 | 27 | 10,188 | 9,706 |
| Total target capital | 5,074 | 4,468 | 73 | (22) | 9,593 | 8,857 |
| Excess to target (pre div) | 243 | 290 | 13 | 49 | 595 | 849 |
| Group dividend | | | | | (318) | (200) |
| Group excess to target (ex div) | | | | | 277 | 649 |
| Total capital ratio ¹ | 1.78x | 14.64% | | | | |

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. 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.

| | Movement Dec-22 to Jun-23 \$M |
|--|-------------------------------------|
| Dec-22 CET1 held at Group | 290 |
| NPAT | 588 |
| Dividend accrual (60% FY cash payout ratio) net of DRP | (318) |
| GI capital usage | (313) |
| Bank capital usage | (87) |
| Movement in Net DTA | 31 |
| Other | (57) |
| Capital Impact absorbed by the Business | 140 |
| Jun-23 CET1 held at Group | 274 |

Key factors impacting the capital position during 2H23 include:

- General Insurance capital usage of \$313 million, driven by:
 - Changes to the FY24 reinsurance program resulting in an approximately \$340 million increase in the levels of capital required to be held by the General Insurance business:
 - An increase in the Insurance Concentration Risk Charge by \$100 million, in line with the increase in risk retention under the reinsurance program, with a CET1 capital impact of \$115 million.
 - A 0.075x increase in the midpoint of the CET1 range, equivalent to approximately \$225 million. At the same time the target range has also been widened in line with the increased retention under the reinsurance program. The new General Insurance CET1 target range is 1.075x to 1.375x prescribed capital amount (PCA).
 - In addition, the higher reinsurance premiums and natural hazards allowance reduced Excess Technical Provisions by approximately \$100 million. This impact is expected to reverse as pricing is adjusted and earned. Pricing adjustments following last year's program changes have resulted in a broadly offsetting benefit over FY23.
 - Recognition of diversification benefits between Australia and New Zealand through a reduction in capital targets (0.075x PCA) following APRA changes to SGL's Non-Operating Holding Company Conditions, partially offsetting the increase from the reinsurance changes.
 - Other capital usage included the impact of the continued implementation of the Group's Strategic Asset Allocation (SAA), and reinsurance counterparty risk charge of approximately \$85 million. The capital impact of changes to the SAA are non-recurring and limited to their implementation. The reinsurance counterparty risk charge should unwind as recoveries are paid. Business growth and higher outstanding claims also formed part of normal capital usage but were partially offset by improvements in Excess Technical Provisions from increases in pricing in the Motor portfolio.
- Bank capital usage driven by growth in lending and Risk Weighted Assets (RWAs), along with associated capitalised broker commissions.
- A reduction in net Deferred Tax Assets (DTA) of \$31 million, largely driven by continued unwind of accrued DTA as underlying investments reach maturity.
- Determining the FY23 dividend based on a payout ratio of 60% of cash earnings, at the bottom of the Group's 60% to 80% target range.

As at 30 June 2023, there was \$274 million of CET1 capital held at Group (after dividends).

Dividends

The Group's strong balance sheet has allowed the Board to declare a fully franked final FY23 dividend of 27 cents per share (cps), taking full year dividends to 60cps, a 50% increase on FY22. This equates to a payout ratio of 60% of cash earnings for the year, at the bottom of the target payout ratio range.

The final dividend will be paid on 25 September 2023. The ex-dividend date is 14 August 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.

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M |
|---|---------------|---------------|---------------|
| Franking credits available for subsequent financial periods based on a tax rate of 30% after proposed dividends | 269 | 216 | 282 |

Insurance (Australia)

Insurance (Australia) delivers Home and Contents, Motor, CTP, Workers' Compensation and Commercial insurance through its suite of brands including AAMI, Suncorp Insurance, GIO, Vero, Apia, CIL, Terri Scheer, Shannons and Bingle. The Insurance (Australia) business is one of Australia's largest general insurers by GWP.

Result overview

- Insurance (Australia) **profit after tax of \$755 million was up 333.9%**, reflecting continued momentum in revenue growth, a reduction in operating expenses and a significant turnaround in investment income. An increase in working claims and natural hazard costs was partially offset by the release of the majority of the business interruption provision. The result also benefitted from the intra-group reinsurance arrangement with Suncorp New Zealand, which was neutral to the Group.
- Insurance (Australia) reported GWP excluding ESL of \$10,164 million, up 9.8%. GWP growth excluding portfolio exits was 10.6%. Growth accelerated in the second half, which was broad-based across portfolios.
- Consumer GWP grew 12.9% excluding portfolio exits, driven by strong AWP increases reflecting the pricing response to increasing reinsurance and natural hazard costs in Home and working claims inflation in Motor. GWP growth increased to 13.8% in the second half. Unit growth was achieved in both the Motor and Home portfolios across the year.
- Commercial GWP grew 9.9% excluding portfolio exits, predominantly from rate and exposure growth. Rate increases averaged 11% across the year and were higher in the second half.
- CTP GWP increased 0.7% driven by growth in Queensland. Maintained leading national market share position.
- Workers' Compensation GWP increased 5.1%, or 8.3% excluding portfolio exits, driven by rate and wage growth.
- Net incurred claims of \$6,373 million was up 19.6%. Net incurred claims excluding discount movements increased by 9.9%, reflecting the impact of portfolio growth, reversion to pre-COVID-19 driving patterns, inflation, and natural hazard experience. The loss ratio excluding discount rate impacts increased by 0.2%. After adjusting for COVID-19 impacts, including the release of business interruption provision, the loss ratio increased by 1.0%.
- 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 releases¹ were 1.3% of Group NEP. This was lower than the pcp, largely due to lower reserve releases related to natural hazards.
- Net investment income of \$661 million, or \$408 million excluding present value adjustment on new claims, reflects the higher interest rate environment. 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.
- Operating expenses excluding ESL and TEPL decreased 6.2% to \$1,431 million, and the operating expense ratio reduced 2.8% to 16.8%. This was driven by a reduction in project spend, benefits of strategic initiatives and ongoing cost management, which together more than offset inflation.
- Managed schemes, joint ventures and other contributed a loss of \$32 million, as claims management revenue declined due to the run-off of certain portfolios while costs remained elevated.

1. Excludes the impact of TEPL and business interruption provision release.

Profit contribution and key ratios

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|--|-----------------|----------|---------------|----------------|-----------------|----------|----------|--------------|---------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Gross written premium | 10,328 | 9,384 | 10.1 | 5,410 | 4,918 | 4,842 | 4,542 | 10.0 | 11.7 |
| Gross unearned premium movement | (571) | (391) | (46.0) | (457) | (114) | (323) | (68) | (300.9) | (41.5) |
| Gross earned premium | 9,757 | 8,993 | 8.5 | 4,953 | 4,804 | 4,519 | 4,474 | 3.1 | 9.6 |
| Outwards reinsurance expense | (1,103) | (1,082) | (1.9) | (530) | (573) | (590) | (492) | 7.5 | 10.2 |
| Net earned premium | 8,654 | 7,911 | 9.4 | 4,423 | 4,231 | 3,929 | 3,982 | 4.5 | 12.6 |
| Net incurred claims | | | | | | | | | |
| Claims expense | (7,343) | (7,588) | 3.2 | (3,671) | (3,672) | (4,332) | (3,256) | 0.0 | 15.3 |
| Reinsurance and other recoveries revenue | 970 | 2,260 | (57.1) | 494 | 476 | 1,927 | 333 | 3.8 | (74.4) |
| Net incurred claims | (6,373) | (5,328) | (19.6) | (3,177) | (3,196) | (2,405) | (2,923) | 0.6 | (32.1) |
| Total operating expenses | | | | | | | | | |
| Acquisition expenses | (1,088) | (1,087) | (0.1) | (576) | (512) | (545) | (542) | (12.5) | (5.7) |
| Other underwriting expenses ¹ | (562) | (632) | 11.1 | (272) | (290) | (288) | (344) | 6.2 | 5.6 |
| Total operating expenses | (1,650) | (1,719) | 4.0 | (848) | (802) | (833) | (886) | (5.7) | (1.8) |
| Underwriting result | 631 | 864 | (27.0) | 398 | 233 | 691 | 173 | 70.8 | (42.4) |
| Investment income - insurance funds | 337 | (400) | n/a | 198 | 139 | (377) | (23) | 42.4 | n/a |
| Insurance trading result | 968 | 464 | 108.6 | 596 | 372 | 314 | 150 | 60.2 | 89.8 |
| Managed schemes, joint ventures and other | (32) | (17) | (88.2) | (14) | (18) | (9) | (8) | 22.2 | (55.6) |
| Insurance (Australia) operational earnings | 936 | 447 | 109.4 | 582 | 354 | 305 | 142 | 64.4 | 90.8 |
| Investment income - shareholder funds | 177 | (190) | n/a | 122 | 55 | (217) | 27 | 121.8 | n/a |
| Insurance (Australia) profit before tax and capital funding | 1,113 | 257 | 333.1 | 704 | 409 | 88 | 169 | 72.1 | large |
| Capital funding (Tier 2) | (40) | (20) | (100.0) | (23) | (17) | (11) | (9) | (35.3) | (109.1) |
| Insurance (Australia) profit before tax | 1,073 | 237 | 352.7 | 681 | 392 | 77 | 160 | 73.7 | large |
| Income tax | (318) | (63) | (404.8) | (202) | (116) | (17) | (46) | (74.1) | large |
| Insurance (Australia) profit after tax | 755 | 174 | 333.9 | 479 | 276 | 60 | 114 | 73.6 | large |
| Key ratios | % | % | | % | % | % | % | | |
| Acquisition expenses ratio | 12.6 | 13.7 | | 13.0 | 12.1 | 13.9 | 13.6 | | |
| Other underwriting expenses ratio | 6.5 | 8.0 | | 6.1 | 6.9 | 7.3 | 8.6 | | |
| Total operating expenses ratio | 19.1 | 21.7 | | 19.2 | 19.0 | 21.2 | 22.2 | | |
| Loss ratio | 73.6 | 67.3 | | 71.8 | 75.5 | 61.2 | 73.4 | | |
| Combined operating ratio | 92.7 | 89.1 | | 91.0 | 94.5 | 82.4 | 95.6 | | |
| Insurance trading ratio | 11.2 | 5.9 | | 13.5 | 8.8 | 8.0 | 3.8 | | |

1. Other underwriting expense includes a movement in the provision for TEPL of \$77 million (Jun-23: \$52 million, Dec-22: \$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)

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|--|-----------------|----------------|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Gross written premium | 10,164 | 9,254 | 9.8 | 5,324 | 4,840 | 4,780 | 4,474 | 10.0 | 11.4 |
| Net earned premium | 8,512 | 7,767 | 9.6 | 4,349 | 4,163 | 3,861 | 3,906 | 4.5 | 12.6 |
| Net incurred claims ¹ | (6,267) | (5,701) | (9.9) | (3,102) | (3,165) | (2,727) | (2,974) | 2.0 | (13.8) |
| Acquisition expenses | (1,088) | (1,087) | (0.1) | (576) | (512) | (545) | (542) | (12.5) | (5.7) |
| Other underwriting expenses ¹ | (420) | (488) | 13.9 | (198) | (222) | (220) | (268) | 10.8 | 10.0 |
| Total operating expenses | (1,508) | (1,575) | 4.3 | (774) | (734) | (765) | (810) | (5.4) | (1.2) |
| Investment income - insurance funds | 231 | (27) | n/a | 123 | 108 | (55) | 28 | 13.9 | n/a |
| Insurance trading result | 968 | 464 | 108.6 | 596 | 372 | 314 | 150 | 60.2 | 89.8 |
| Key ratios | % | % | | % | % | % | % | | |
| Acquisition expenses ratio | 12.8 | 14.0 | | 13.2 | 12.3 | 14.1 | 13.9 | | |
| Other underwriting expenses ratio ² | 4.9 | 6.3 | | 4.6 | 5.3 | 5.7 | 6.9 | | |
| Total operating expenses ratio ² | 17.7 | 20.3 | | 17.8 | 17.6 | 19.8 | 20.8 | | |
| Loss ratio ² | 73.6 | 73.4 | | 71.3 | 76.0 | 70.6 | 76.1 | | |
| Combined operating ratio | 91.3 | 93.7 | | 89.1 | 93.6 | 90.4 | 96.9 | | |
| Insurance trading ratio | 11.4 | 6.0 | | 13.7 | 8.9 | 8.1 | 3.8 | | |

1. Other underwriting expense includes a movement in the provision for TEPL of \$77 million (Jun-23: \$52 million, Dec-22: \$25 million, Jun-22: \$5 million, Dec-21: \$44 million). The reserve release associated with this provision is in net incurred claims.

2. Excluding the impacts of TEPL, the full year ended Jun-23 other underwriting expenses ratio is 4.0%, loss ratio is 74.5% and total operating expense ratio is 16.8%.

Gross written premium

GWP by product & geography

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|---|-----------------|--------------|-------------|--------------|-----------------|--------------|--------------|-------------|-------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Gross written premium by product | | | | | | | | | |
| Motor | 3,869 | 3,408 | 13.5 | 2,050 | 1,819 | 1,776 | 1,632 | 12.7 | 15.4 |
| Home | 2,736 | 2,482 | 10.2 | 1,392 | 1,344 | 1,259 | 1,223 | 3.6 | 10.6 |
| Commercial | 1,812 | 1,656 | 9.4 | 884 | 928 | 787 | 869 | (4.7) | 12.3 |
| Compulsory third party | 1,085 | 1,077 | 0.7 | 564 | 521 | 549 | 528 | 8.3 | 2.7 |
| Workers' Compensation and Other | 662 | 631 | 4.9 | 434 | 228 | 409 | 222 | 90.4 | 6.1 |
| Total GWP | 10,164 | 9,254 | 9.8 | 5,324 | 4,840 | 4,780 | 4,474 | 10.0 | 11.4 |
| Emergency Service Levies | | | | | | | | | |
| Motor | 21 | 17 | 23.5 | 11 | 10 | 8 | 9 | 10.0 | 37.5 |
| Home | 101 | 79 | 27.8 | 52 | 49 | 39 | 40 | 6.1 | 33.3 |
| Commercial | 42 | 34 | 23.5 | 23 | 19 | 15 | 19 | 21.1 | 53.3 |
| Total ESL | 164 | 130 | 26.2 | 86 | 78 | 62 | 68 | 10.3 | 38.7 |
| Total GWP including ESL | 10,328 | 9,384 | 10.1 | 5,410 | 4,918 | 4,842 | 4,542 | 10.0 | 11.7 |
| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| GWP by geography | | | | | | | | | |
| Queensland | 2,579 | 2,312 | 11.5 | 1,324 | 1,255 | 1,155 | 1,157 | 5.5 | 14.6 |
| New South Wales | 3,109 | 2,842 | 9.4 | 1,568 | 1,541 | 1,441 | 1,401 | 1.8 | 8.8 |
| Victoria | 2,384 | 2,152 | 10.8 | 1,250 | 1,134 | 1,113 | 1,039 | 10.2 | 12.3 |
| Western Australia | 959 | 892 | 7.5 | 552 | 407 | 509 | 383 | 35.6 | 8.4 |
| South Australia | 468 | 434 | 7.8 | 242 | 226 | 222 | 212 | 7.1 | 9.0 |
| Tasmania | 260 | 234 | 11.1 | 149 | 111 | 130 | 104 | 34.2 | 14.6 |
| Other | 405 | 388 | 4.4 | 239 | 166 | 210 | 178 | 44.0 | 13.8 |
| Total GWP | 10,164 | 9,254 | 9.8 | 5,324 | 4,840 | 4,780 | 4,474 | 10.0 | 11.4 |
| Emergency Service Levies | | | | | | | | | |
| New South Wales | 161 | 128 | 25.8 | 85 | 76 | 61 | 67 | 11.8 | 39.3 |
| Tasmania | 3 | 2 | 50.0 | 1 | 2 | 1 | 1 | (50.0) | - |
| Total ESL | 164 | 130 | 26.2 | 86 | 78 | 62 | 68 | 10.3 | 38.7 |
| Total GWP including ESL | 10,328 | 9,384 | 10.1 | 5,410 | 4,918 | 4,842 | 4,542 | 10.0 | 11.7 |

Several portfolios were exited in the prior year including Vero and Corporate Partners within Home and Motor, Vero Construction and the Workers' Compensation Seafarers' portfolio. This resulted in a \$65 million reduction in GWP in FY23.

Motor

Motor GWP growth normalised for portfolio exits was 13.8%, driven by AWP growth of 11.4%, as pricing responded to industry-wide claims costs. Unit growth of 2.4% was achieved across the year. GWP growth was broad-based across mass and niche brands with the highest growth coming from the AAMI, Shannons and Suncorp brands.

GWP growth was stronger in the second half at 15.6%, as additional price increases were implemented in response to higher claims costs. Unit growth was 2.1% in the second half.

Home

Home GWP growth normalised for portfolio exits was 11.7%, reflecting a 11.3% increase in AWP and 0.4% increase in units. Normalised GWP growth slowed marginally in the second half to 11.4%. This was driven by a 0.6% fall in units, as renewal rates fell 2 percentage points, and economy-wide pressures in the housing market impacted the Terri Scheer Insurance brand. This was partly offset by an increase in AWP growth compared to the first half, as anticipated increases in reinsurance and natural hazard costs were priced for.

Commercial

Commercial GWP normalised for portfolio exits increased 9.9%, with growth in short-tail partly offset by a fall in Packages GWP. Rate increases averaged 11% across the year. Retention rates averaged 86%, in-line with the pcg. There was a broad-based improvement in growth across portfolios in the second half, with GWP up 13.5% on the pcg compared to 6.8% in the first half.

The short-tail tailored underwriting portfolios, which account for approximately two-thirds of Commercial GWP, grew 16.3%. Growth was driven by the larger Property and Fleet portfolios, and National Transport Insurance (NTI) joint venture. Across short-tail lines, average rate increases were 11%. Strong average retention rates of 92% remained stable, while higher new business was achieved, particularly in Property.

The long-tail tailored underwriting portfolios achieved 2.6% GWP growth, driven by high single-digit average rate increases. Retention rates were modestly lower.

Packages GWP fell 1.1%, though growth improved in the second half and was up 2.3% on the pcg. The focus for the portfolio has been on improving margins. Rate increases averaged 12% and, along with competition, this impacted retention rates which averaged 73%, down from 74%. Further improvements in margin and growth will be underpinned by the delivery of the new iSME platform in FY24 including connectivity with major broker platforms.

Workers' Compensation and other

Workers' Compensation GWP normalised for portfolio exits increased 8.3%, with stronger growth in the second half of 10.4%. Growth was driven by average growth in customer wage bills of 8%, rate increases of 6% and an improvement in retention rates at 87%.

Compulsory Third Party

CTP GWP increased 0.7%. The Queensland portfolio grew 6.0% due to AWP increases of 3.5% and unit growth from improved retention. This was offset by a reduction in the South Australia portfolio where retention fell 12% to 70% driven by increasing price competition.

Growth across the CTP portfolios was higher in the second half driven by the relative price position in the New South Wales and Australian Capital Territory schemes compared with the rest of market.

| | Full Year Ended | | Jun-23 | | Half Year Ended | | Jun-23 | | Jun-23 |
|------------------------------|-----------------|--------|----------|--------|-----------------|--------|--------|----------|--------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Queensland | 442 | 417 | 6.0 | 228 | 214 | 215 | 202 | 6.6 | 6.1 |
| New South Wales | 488 | 483 | 1.1 | 253 | 235 | 245 | 238 | 7.7 | 3.4 |
| Australian Capital Territory | 55 | 54 | 2.0 | 31 | 24 | 24 | 30 | 29.5 | 29.5 |
| South Australia | 99 | 123 | (19.3) | 51 | 48 | 65 | 58 | 6.7 | (21.2) |
| | 1,085 | 1,077 | 0.7 | 564 | 521 | 549 | 528 | 8.3 | 2.7 |

Net incurred claims

Net incurred claims were \$6,373 million, up 19.6%. Excluding discount movements, net incurred claims increased by 9.9% reflecting the impact of portfolio growth, more normal levels of claims frequency and persistent inflation particularly in Motor, partly offset by the release of the majority of the business interruption provision. The loss ratio increased by 0.2% or by 1.0% after adjusting for COVID-19 impacts including the release of the business interruption provision.

Motor

Motor claims costs increased on the pcip, adversely impacting the loss ratio due to average claim sizes increasing by approximately 14%, higher frequency from a return to more typical driving patterns, and strengthened reserving on existing claims reflecting the changed market inflation position. Claims inflation in the second half was similar to the first half.

There were several industry-wide trends which impacted the average claim size increase including:

- Ongoing high second-hand car prices which impact total loss claims. Second-hand prices may have peaked in late calendar year 2022, however, it will take some time for the decrease in these prices to be reflected in lower total loss costs, as the majority of the portfolio is comprised of agreed value policies.
- Higher repair costs in the second half. Existing pressures within the supply chain were compounded by a return to pre-COVID-19 driving patterns, together with a slightly greater proportion of more expensive, non-drive repairs. Longer repair timeframes also put upward pressure on ancillary costs such as hire cars.
- An uptick in the second half in volume and cost of demands received from other insurers, who are also grappling with cost pressures.

In addition to pricing actions (including regular model updates and the implementation of CaPE for Motor), management's responses to these challenges have included:

- Additional driveable repair capacity (including an agreement with the CARe network which went live in August) along with other fixed price driveable repair capacity.
- Significantly broadening Suncorp's panel of fixed price non-driveable repairers to manage higher volumes and cost pressures.

Continued investment in technology tools to improve the customer experience and manage costs through digital lodgement and claims tracking, as well as the implementation of productivity tools. In addition, further resources were added to manage the additional volume of claim recovery activities.

Home

The Home working claims loss ratio decreased due to improving frequency, strong cost management and favourable mix outcomes. Average claim size across the portfolio increased by 4%. Escape of liquid claims continue to be well managed with strong vendor cost and performance management and lower frequency. Fire claim severity increased particularly in the second half, with a larger mix of more expensive claims even though the total number of new claims reduced.

More broadly, there is increased capacity across the repair network following easing supply chain disruption from the East Coast floods and reduced new housing and construction approvals. Strong vendor cost and performance management and favourable annual benchmarking rate negotiations 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, such as zero touch and straight through processing, contributing to improved digital lodgement rates.

Commercial

Commercial claims loss ratios are slightly unfavourable. This was driven by the Fleet portfolio, reflecting similar trends to the Consumer Motor portfolio. Prior year reserves were strengthened further for bodily injury claims across Packages and Liability, with releases in NTI for recoverable natural hazard costs for the East Coast Floods in February 2022. The majority of the business interruption provision was released in the first half.

CTP and Workers' Compensation

CTP claims costs increased, primarily driven by an increase in exposure and an increase in loss ratios across the New South Wales and Queensland schemes to reflect the higher inflationary environment. Prior year reserve releases have reduced as previously flagged, particularly as claims from the old New South Wales Motor Accidents Compensation Act (MACA) scheme run off.

Workers' Compensation claims costs increased, largely due to growth in the portfolio. Loss ratios reduced marginally due to continued premium rate growth. Prior year reserves were strengthened in Western Australia to account for earlier cost development across the 2020 and 2021 accident years and in the Australian Capital Territory to reflect an increase in frequency of lump sum claims and higher average claim sizes largely relating to one accident year.

Natural hazards

Total natural hazard costs were \$1,106 million for the full year, \$125 million above the pcg, and \$14 million above the allowance for Insurance (Australia).

| | Net costs \$M |
|--|------------------|
| Total events over \$10 million | 698 |
| Event cost relating to NZ North Island Floods Jan23 | 23 |
| Other natural hazards | 385 |
| Total natural hazards | 1,106 |
| Less: allowance for natural hazards | (1,092) |
| Natural hazards costs above / (below) allowance | 14 |

The above table includes natural hazard costs of \$23 million relating to New Zealand events due to internal reinsurance arrangements. The allowance for these events was \$7 million. As this event was \$16 million above its allowance, adjusting for it results in Australia being \$2 million favourable to allowance.

Impact of internal reinsurance arrangements

| | Insurance (Australia) \$M | Full Year Ended New Zealand \$M |
|--|------------------------------|---------------------------------------|
| Internal reinsurance premium | 16 | (16) |
| Internal reinsurance reinstatement premium | 89 | (89) |
| Natural hazard allowance | 7 | |
| Natural hazard experience | 23 | |
| Natural hazard experience above allowance | (16) | |

Outstanding claims provision

Outstanding claims provision breakdown

The valuation of outstanding claims has resulted in central estimate releases of \$335 million. Excluding TEPL of \$77 million and business interruption provision release of \$124 million, the valuation of outstanding claims results in a central estimate release of \$134 million. The prior year reserve releases excluding TEPL and business interruption were 1.3% of Group NEP.

The short-tail release of \$190 million was primarily driven by the release of the business interruption provision, Motor and NTI. The business interruption provision relates to COVID-19 business interruption claims, with the release a result of the successful resolution of two Insurance Council of Australia industry test cases.

The remaining business interruption provision of \$17 million reflects remaining uncertainty around the potential for future legal challenges including ongoing class actions.

The long-tail claims reserve releases of \$145 million (\$68 million excluding TEPL provision increase) were primarily attributable to favourable claims experience in the CTP portfolios. This was partially offset by increases in Bodily Injury liability claims in Commercial portfolios and for Workers Compensation. As the New South Wales CTP scheme performed favourably for accident years 2018 and 2019, the TEPL provision has been increased to recognise the excess profit that is expected to be payable to the regulator.

| | Total \$M | Net central estimate (discounted) \$M | Risk margin (90th percentile discounted) \$M | Change in net central estimate ¹ \$M |
|--------------|--------------|---|---|---|
| Short-tail | 2,502 | 2,283 | 219 | (190) |
| Long-tail | 5,893 | 5,057 | 836 | (145) |
| Total | 8,395 | 7,340 | 1,055 | (335) |

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.

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.

| | Jun-23 \$M | Half Year Ended Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|--|---------------|----------------------------------|---------------|---------------|-------------------------|-------------------------|
| Gross outstanding claims liabilities | 10,043 | 10,410 | 10,852 | 10,159 | 3.5 | 7.5 |
| Reinsurance and other recoveries | (1,648) | (2,056) | (2,887) | (1,581) | 19.8 | (42.9) |
| Net outstanding claims liabilities | 8,395 | 8,354 | 7,965 | 8,578 | (0.5) | 5.4 |
| Expected future claims payments and claims handling expenses | 8,069 | 7,964 | 7,526 | 7,713 | (1.3) | 7.2 |
| Discount to present value | (729) | (679) | (596) | (255) | (7.4) | 22.3 |
| Risk margin | 1,055 | 1,069 | 1,035 | 1,120 | 1.3 | 1.9 |
| Net outstanding claims liabilities | 8,395 | 8,354 | 7,965 | 8,578 | (0.5) | 5.4 |
| Short-tail | 2,502 | 2,443 | 2,116 | 2,448 | (2.4) | 18.2 |
| Long-tail | 5,893 | 5,911 | 5,849 | 6,130 | 0.3 | 0.8 |
| Total | 8,395 | 8,354 | 7,965 | 8,578 | (0.5) | 5.4 |

Risk margins

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

Total risk margins increased by \$20 million to \$1,055 million, which largely aligns with the increase in the net outstanding claims liabilities and change in claims mix. The assets notionally backing risk margins had a net gain of \$12 million. Therefore, the net impact was \$8 million, which is excluded from the underlying ITR calculation.

Operating expenses

Excluding ESL and TEPL impact, operating expenses decreased 6.2% driven by a reduction in project spend, benefits of strategic initiatives and ongoing strong cost management. TEPL includes a profit normalisation mechanism which caps industry and insurer profits in the New South Wales CTP scheme. An additional levy provision of \$77 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 (CSP) to manage its existing workers' compensation portfolio. The new iCare contract came into effect from 1 January 2023. Suncorp has retained its position as a service provider on tail claims and for corporate employers, and now participates in managing claims in respect of SMEs. Revenue continues to be driven by the iCare contract whilst costs in the business remain elevated due to the run-off off portfolios as previously disclosed. There remains an opportunity to right-size expenses in the portfolio going forward.

Investment income

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

| | Jun-23 | Jun-22 | Jun-23 v Jun-22 |
|---|---------------|--------|--------------------|
| 3 year bond yield (%) | 4.05 | 3.12 | +93bp |
| 5 year breakeven inflation rate (%) | 2.72 | 2.72 | 0bp |
| 10 year breakeven inflation rate (%) | 2.45 | 2.27 | +18bp |
| Bloomberg Ausbond 0-5 year index (bp) | 112 | 125 | -13bp |
| Australian equities (total return) | 89,032 | 77,569 | +14.8% |
| International equities (hedged total return) | 2,472 | 2,121 | +16.5% |

Asset allocation

| | Half Year Ended | | | | | | | |
|---|-----------------|------------|--------|-----|--------|-----|--------|-----|
| | Jun-23 | | Dec-22 | | Jun-22 | | Dec-21 | |
| | \$M | % | \$M | % | \$M | % | \$M | % |
| Insurance funds | | | | | | | | |
| Cash and short-term deposits | 494 | 5 | 220 | 2 | 326 | 3 | 450 | 5 |
| Inflation-linked bonds | 2,131 | 20 | 2,053 | 20 | 1,948 | 20 | 1,746 | 17 |
| Corporate bonds | 7,997 | 73 | 7,577 | 74 | 7,133 | 73 | 7,134 | 69 |
| Semi-Government bonds | 96 | 1 | 98 | 1 | 116 | 1 | 224 | 2 |
| Commonwealth Government bonds | 171 | 2 | 250 | 3 | 326 | 3 | 757 | 7 |
| Total insurance funds | 10,889 | 100 | 10,198 | 100 | 9,849 | 100 | 10,311 | 100 |
| Shareholders' funds | | | | | | | | |
| Cash and short-term deposits | 273 | 7 | 452 | 13 | 516 | 14 | 351 | 10 |
| Australian interest-bearing securities | 1,481 | 38 | 1,249 | 36 | 1,628 | 43 | 1,545 | 45 |
| Global interest-bearing securities (hedged) | 814 | 21 | 843 | 24 | 861 | 23 | 843 | 24 |
| Equities | 575 | 14 | 360 | 10 | 355 | 9 | 568 | 16 |
| Infrastructure and property | 524 | 13 | 358 | 10 | 200 | 5 | 168 | 5 |
| Convertible bonds | 279 | 7 | 262 | 7 | 242 | 6 | - | - |
| Total shareholders' funds | 3,946 | 100 | 3,524 | 100 | 3,802 | 100 | 3,475 | 100 |
| Total | 14,835 | | 13,722 | | 13,651 | | 13,786 | |

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. 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. Portfolio allocation in the insurance funds did not change materially. In the shareholders' funds, the allocation to Australian and global equities returned to long-term targets in the second half following the removal of a hedge placed in the second half of FY22 to protect against downside risk. Additional investment was made to property and infrastructure during the year in line with the implementation of the strategic asset allocation. The allocation to impact investing which includes Green Bonds, Renewable Energy Infrastructure and Social Impact investments exceeded the targeted five percent of shareholders' funds over the year.

Credit quality

| Rating | Jun-23 % | Dec-22 % | Jun-22 % | Dec-21 % |
|--------|--------------|-------------|-------------|-------------|
| AAA | 41.9 | 41.1 | 46.1 | 42.5 |
| AA | 23.2 | 18.6 | 14.5 | 14.0 |
| A | 16.0 | 19.0 | 19.2 | 22.4 |
| BBB | 18.9 | 21.3 | 20.2 | 21.1 |
| | 100.0 | 100.0 | 100.0 | 100.0 |

Over the year, the increased exposure to AA rated securities from lower rated securities is due to investment manager positioning and rating movements. The investment funds continue to be aligned with risk appetite and current fixed income exposures are positioned to meet investment objectives whilst remaining well within risk limits.

Duration

| | Jun-23 Years | Dec-22 Years | Jun-22 Years | Dec-21 Years |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| Insurance funds | | | | |
| Interest rate duration | 2.2 | 2.4 | 2.5 | 2.5 |
| Credit spread duration | 1.4 | 1.4 | 1.4 | 1.4 |
| Shareholders' funds | | | | |
| Interest rate duration | 1.6 | 1.7 | 1.7 | 1.5 |
| Credit spread duration | 2.4 | 2.3 | 2.4 | 2.4 |

Investment performance

Total investment income on insurance funds and shareholders' funds was \$514 million, representing an annualised return of 3.6%. This consists of \$194 million in 1H23 and \$320 million in 2H23, reflecting higher risk-free yields and stronger equity markets during the second half of the year.

Insurance funds

Investment income on insurance funds was \$337 million, representing an annual return of 3.3%. This reflects favourable impacts from higher running risk-free and credit spreads as well as inflation carry above risk-free on ILBs, partly offset by mark-to-market losses from the continuous increases in risk-free rates throughout the year.

Underlying yield

The underlying yield income was \$532 million, representing an annual return of 5.1%, and reflecting higher risk-free yields, credit spreads and inflation carry income earned on assets. The underlying yield income reflects the investment gain of \$337 million adjusted for the following market valuation impacts:

- Losses of \$207 million due to an increase in risk-free rates.
- Gain of \$26 million due to a narrowing of credit spreads.
- Losses of \$14 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 \$62 million represents the impact from the asset and liability mismatch. This is added to the ITR.
- Credit spreads: the \$26 million favourable impact due to narrowing of credit spreads is deducted from the ITR.
- Inflation-linked bonds: the \$14 million unfavourable impact from breakeven inflation is added to the ITR.

The combined impact of these adjustments to ITR is positive \$50 million.

Shareholders' funds

Investment income on shareholders' funds was \$177 million, representing an annual return of 4.6%, primarily driven by higher running yield income and equity market performance.

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|---|-----------------|--------------|------------|------------|-----------------|--------------|-------------|--------------|------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Investment income on insurance funds | | | | | | | | | |
| Interest-bearing securities and other | 337 | (400) | n/a | 198 | 139 | (377) | (23) | 42.4 | n/a |
| Total | 337 | (400) | n/a | 198 | 139 | (377) | (23) | 42.4 | n/a |
| Investment income on shareholder funds | | | | | | | | | |
| Interest-bearing securities | 66 | (141) | n/a | 45 | 21 | (118) | (23) | 114.3 | n/a |
| Equities | 59 | (53) | n/a | 41 | 18 | (87) | 34 | 127.8 | n/a |
| Infrastructure and property | 27 | 30 | (10.0) | 19 | 8 | 14 | 16 | 137.5 | 35.7 |
| Convertible Bonds | 25 | (26) | n/a | 17 | 8 | (26) | - | 112.5 | n/a |
| Total | 177 | (190) | n/a | 122 | 55 | (217) | 27 | 121.8 | n/a |
| Total investment income | 514 | (590) | n/a | 320 | 194 | (594) | 4 | 64.9 | n/a |

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 \$115 million decreased 30.3%.**
- General Insurance profit after tax of \$65 million decreased 56.7%. The General Insurance business was impacted by significant weather events, resulting in adverse natural hazards claims experience and additional reinsurance reinstatement premiums incurred to Group. The result was also impacted by higher working claims experience with the pcp being positively impacted by COVID-19 motor frequency benefits and increased operating expenses to support growth and investment. Reported ITR of 4.6% was down from 13.3%.
- GWP of \$2,437 million increased 14.3%. 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.
- Outward reinsurance expense of \$422 million driven by business growth, the increased cost of reinsurance, and reinsurance reinstatement premiums following the North Island floods and Cyclone Gabrielle. The reinstatement premiums include \$95 million (before tax) from an intra-group reinsurance arrangement with the Insurance (Australia) business.
- Total investment income of \$49 million, improved due to increases in interest income from higher yielding securities, lower mark-to-market impacts from rising yields and improved equities returns.
- Net incurred claims of \$1,232 million increased 21.6%. Higher working claims costs were driven by growth, inflationary pressures and the pcp being positively impacted by COVID-19 related motor claims frequency reductions. Working claims were also impacted by a number of large loss property claims from home fires and elevated claims in the Motor portfolios.
- Natural hazard claims of \$164 million increased 53.3%, \$88 million above the allowance. The impact of several significant weather events including the North Island floods and Cyclone Gabrielle have contributed to the adverse natural hazard claims experience.
- Prior year reserves strengthened by \$13 million to reflect a combination of Canterbury earthquake claims strengthening and development on property claims.
- Operating expenses of \$557 million increased 10.5%. The increase in operating expenses was driven by growth related costs and an increase in strategic and regulatory investment spend. The operating expense ratio of 30.2%, increased 1.5%, primarily due to the reinsurance reinstatement costs impacting on the ratio.
- Life Insurance profit after tax of \$50 million increased 233.3%, supported by growth in planned profit margins and market adjustments. Annual in-force premium grew by 6.7%, driven by CPI and age-related premium growth. New business grew 27.8% due to increased adviser support lifting market share, together with solid growth in the direct channel.

Profit contribution and key ratios (NZD)

| | Full Year Ended | | Jun-23 | Half Year Ended | | | | Jun-23 | Jun-23 |
|---|-----------------|-------------|---------------|-----------------|-------------|-------------|-------------|---------------|---------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | vs Dec-22 | v Jun-22 |
| | NZ\$M | NZ\$M | % | NZ\$M | NZ\$M | NZ\$M | NZ\$M | % | % |
| General Insurance | | | | | | | | | |
| Gross written premium | 2,437 | 2,133 | 14.3 | 1,257 | 1,180 | 1,081 | 1,052 | 6.5 | 16.3 |
| Gross unearned premium movement | (171) | (128) | (33.6) | (104) | (67) | (54) | (74) | (55.2) | (92.6) |
| Gross earned premium | 2,266 | 2,005 | 13.0 | 1,153 | 1,113 | 1,027 | 978 | 3.6 | 12.3 |
| Outwards reinsurance expense | (422) | (247) | (70.9) | (264) | (158) | (127) | (120) | (67.1) | (107.9) |
| Net earned premium | 1,844 | 1,758 | 4.9 | 889 | 955 | 900 | 858 | (6.9) | (1.2) |
| Net incurred claims | | | | | | | | | |
| Claims expense | (2,491) | (1,186) | (110.0) | (1,843) | (648) | (607) | (579) | (184.4) | (203.6) |
| Reinsurance and other recoveries revenue | 1,259 | 173 | large | 1,194 | 65 | 89 | 84 | large | large |
| Net incurred claims | (1,232) | (1,013) | (21.6) | (649) | (583) | (518) | (495) | (11.3) | (25.3) |
| Total operating expenses | | | | | | | | | |
| Acquisition expenses | (366) | (341) | (7.3) | (185) | (181) | (167) | (174) | (2.2) | (10.8) |
| Other underwriting expenses | (191) | (163) | (17.2) | (97) | (94) | (87) | (76) | (3.2) | (11.5) |
| Total operating expenses | (557) | (504) | (10.5) | (282) | (275) | (254) | (250) | (2.5) | (11.0) |
| Underwriting result | 55 | 241 | (77.2) | (42) | 97 | 128 | 113 | n/a | n/a |
| Investment income - insurance funds | 30 | (8) | n/a | 22 | 8 | (3) | (5) | 175.0 | n/a |
| Insurance trading result | 85 | 233 | (63.5) | (20) | 105 | 125 | 108 | n/a | n/a |
| Joint venture and other expense | (13) | (1) | large | (7) | (6) | (2) | 1 | (16.7) | (250.0) |
| General Insurance operational earnings | 72 | 232 | (69.0) | (27) | 99 | 123 | 109 | n/a | n/a |
| Investment income - shareholders' funds | 19 | (22) | n/a | 15 | 4 | (20) | (2) | 275.0 | n/a |
| General Insurance profit before tax | 91 | 210 | (56.7) | (12) | 103 | 103 | 107 | n/a | n/a |
| Income tax | (26) | (60) | 56.7 | 2 | (28) | (31) | (29) | n/a | n/a |
| General Insurance profit after tax | 65 | 150 | (56.7) | (10) | 75 | 72 | 78 | n/a | n/a |
| Life Insurance | | | | | | | | | |
| Underlying profit after tax | 36 | 38 | (5.3) | 15 | 21 | 25 | 13 | (28.6) | (40.0) |
| Market adjustments | 14 | (23) | n/a | 19 | (5) | (16) | (7) | n/a | n/a |
| Life Insurance profit after tax | 50 | 15 | 233.3 | 34 | 16 | 9 | 6 | 112.5 | 277.8 |
| Suncorp New Zealand profit after tax | 115 | 165 | (30.3) | 24 | 91 | 81 | 84 | (73.6) | (70.4) |
| Key ratios | % | % | | % | % | % | % | | |
| Acquisition expenses ratio | 19.8 | 19.4 | | 20.8 | 19.0 | 18.6 | 20.2 | | |
| Other underwriting expenses ratio | 10.4 | 9.3 | | 10.9 | 9.8 | 9.6 | 8.9 | | |
| Total operating expenses ratio | 30.2 | 28.7 | | 31.7 | 28.8 | 28.2 | 29.1 | | |
| Loss ratio | 66.8 | 57.6 | | 73.0 | 61.0 | 57.6 | 57.7 | | |
| Combined operating ratio | 97.0 | 86.3 | | 104.7 | 89.8 | 85.8 | 86.8 | | |
| Insurance trading ratio | 4.6 | 13.3 | | (2.2) | 11.0 | 13.9 | 12.6 | | |

Profit contribution and key ratios (AUD)

| | Full Year Ended | | Jun-23 | Half Year Ended | | | | Jun-23 | Jun-23 |
|---|-----------------|--------------|---------------|-----------------|--------------|--------------|--------------|---------------|---------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | vs Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| General Insurance | | | | | | | | | |
| Gross written premium | 2,231 | 1,998 | 11.7 | 1,160 | 1,071 | 994 | 1,004 | 8.3 | 16.7 |
| Gross unearned premium movement | (155) | (119) | (30.3) | (95) | (60) | (47) | (72) | (58.3) | (102.1) |
| Gross earned premium | 2,076 | 1,879 | 10.5 | 1,065 | 1,011 | 947 | 932 | 5.3 | 12.5 |
| Outwards reinsurance expense | (388) | (231) | (68.0) | (245) | (143) | (117) | (114) | (71.3) | (109.4) |
| Net earned premium | 1,688 | 1,648 | 2.4 | 820 | 868 | 830 | 818 | (5.5) | (1.2) |
| Net incurred claims | | | | | | | | | |
| Claims expense | (2,289) | (1,111) | (106.0) | (1,700) | (589) | (559) | (552) | (188.6) | (204.1) |
| Reinsurance and other recoveries revenue | 1,161 | 162 | large | 1,101 | 60 | 82 | 80 | large | large |
| Net incurred claims | (1,128) | (949) | (18.9) | (599) | (529) | (477) | (472) | (13.2) | (25.6) |
| Total operating expenses | | | | | | | | | |
| Acquisition expenses | (335) | (320) | (4.7) | (170) | (165) | (155) | (165) | (3.0) | (9.7) |
| Other underwriting expenses | (175) | (153) | (14.4) | (90) | (85) | (80) | (73) | (5.9) | (12.5) |
| Total operating expenses | (510) | (473) | (7.8) | (260) | (250) | (235) | (238) | (4.0) | (10.6) |
| Underwriting result | 50 | 226 | (77.9) | (39) | 89 | 118 | 108 | n/a | n/a |
| Investment income - insurance funds | 28 | (8) | n/a | 21 | 7 | (4) | (4) | 200.0 | n/a |
| Insurance trading result | 78 | 218 | (64.2) | (18) | 96 | 114 | 104 | n/a | n/a |
| Joint venture and other expense | (12) | - | n/a | (7) | (5) | (1) | 1 | (40.0) | large |
| General Insurance operational earnings | 66 | 218 | (69.7) | (25) | 91 | 113 | 105 | n/a | n/a |
| Investment income - shareholders' funds | 17 | (20) | n/a | 13 | 4 | (18) | (2) | 225.0 | n/a |
| General Insurance profit before tax | 83 | 198 | (58.1) | (12) | 95 | 95 | 103 | n/a | n/a |
| Income tax | (24) | (57) | 57.9 | 3 | (27) | (29) | (28) | n/a | n/a |
| General Insurance profit after tax | 59 | 141 | (58.2) | (9) | 68 | 66 | 75 | n/a | n/a |
| Life Insurance | | | | | | | | | |
| Underlying profit after tax | 33 | 36 | (8.3) | 14 | 19 | 23 | 13 | (26.3) | (39.1) |
| Market adjustments | 13 | (22) | n/a | 17 | (4) | (15) | (7) | n/a | n/a |
| Life Insurance profit after tax | 46 | 14 | 228.6 | 31 | 15 | 8 | 6 | 106.7 | 287.5 |
| Suncorp New Zealand profit after tax | 105 | 155 | (32.3) | 22 | 83 | 74 | 81 | (73.5) | (70.3) |
| Key ratios | % | % | | % | % | % | % | | |
| Acquisition expenses ratio | 19.8 | 19.4 | | 20.7 | 19.0 | 18.7 | 20.2 | | |
| Other underwriting expenses ratio | 10.4 | 9.3 | | 11.0 | 9.8 | 9.6 | 8.9 | | |
| Total operating expenses ratio | 30.2 | 28.7 | | 31.7 | 28.8 | 28.3 | 29.1 | | |
| Loss ratio | 66.8 | 57.6 | | 73.0 | 60.9 | 57.5 | 57.7 | | |
| Combined operating ratio | 97.0 | 86.3 | | 104.8 | 89.7 | 85.8 | 86.8 | | |
| Insurance trading ratio | 4.6 | 13.2 | | (2.2) | 11.1 | 13.7 | 12.7 | | |

General Insurance

Gross written premium (NZD)

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|--------------|-----------------|--------------|-------------|--------------|-----------------|--------------|--------------|------------|-------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Motor | 610 | 527 | 15.7 | 321 | 289 | 268 | 259 | 11.1 | 19.8 |
| Home | 840 | 708 | 18.6 | 445 | 395 | 368 | 340 | 12.7 | 20.9 |
| Commercial | 949 | 865 | 9.7 | 469 | 480 | 427 | 438 | (2.3) | 9.8 |
| Other | 38 | 33 | 15.2 | 22 | 16 | 18 | 15 | 37.5 | 22.2 |
| Total | 2,437 | 2,133 | 14.3 | 1,257 | 1,180 | 1,081 | 1,052 | 6.5 | 16.3 |

GWP grew 14.3% with Vero intermediated and AA Insurance direct distribution channels recording growth of 12.5% and 18.2%, respectively. This reflects targeted pricing increases to offset higher input costs, continued momentum towards achieving the strategic priorities, and steady retention rates due to the strength of brands in New Zealand.

Consumer insurance

Motor and Home GWP increased by 15.7% and 18.6% 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 9.7%, 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 in the first half of the financial year, which contributed approximately \$60 million of GWP in FY22.

Other

Other business, which mainly consists of marine pleasure craft, contributed GWP of \$38 million, reporting an increase of \$5 million.

Net incurred claims (NZD)

Net incurred claims costs of \$1,232 million increased 21.6%.

Home claims costs increased due to unit growth, higher average claims cost, and several large loss property fires. Higher average claims costs have continued to be impacted by inflationary pressures on materials and labour particularly with respect to higher value claims.

Motor claims costs increased as the pcg 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 been impacted by several factors including inflationary pressures on materials and labour, capacity constraints in the repair industry leading to longer repair times, and an increase in total loss write offs.

Commercial claims costs increased, impacted by elevated Commercial Motor claims costs due to similar factors as the Consumer portfolio.

Prior year reserves strengthened \$13 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 |
| Jan-23 | North Island Floods | 25 |
| Feb-23 | Cyclone Gabrielle | 25 |
| May-23 | New Zealand Heavy Rain and Flooding | 14 |
| Total events over \$10 million | | 85 |
| Other natural hazards | | 79 |
| Total natural hazards | | 164 |
| Less: allowance for natural hazards | | (76) |
| Natural hazards costs above / (below) allowance | | 88 |

Total natural hazards costs of \$164 million were \$88 million above the allowance, with four events above \$10 million. Attritional weather claims of \$79 million were incurred during the year. Additionally, a further \$25 million of events that occurred in New Zealand were retained in Australia as a result of internal reinsurance arrangements.

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 | 428 | 380 | 48 | 17 |
| Long-tail | 118 | 99 | 19 | (4) |
| Total | 546 | 479 | 67 | 13 |

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 \$13 million.

The \$17 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)

| | Jun-23 \$M | Half Year Ended Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|--|---------------|----------------------------------|---------------|---------------|-------------------------|-------------------------|
| Gross outstanding claims liabilities | 1,584 | 767 | 775 | 705 | 106.5 | 104.4 |
| Reinsurance and other recoveries | (1,038) | (282) | (302) | (269) | (268.1) | (243.7) |
| Net outstanding claims liabilities | 546 | 485 | 473 | 436 | 12.6 | 15.4 |
| Expected future claims payments and claims handling expenses | 498 | 443 | 428 | 388 | 12.4 | 16.4 |
| Discount to present value | (19) | (19) | (16) | (9) | - | (18.8) |
| Risk margin | 67 | 61 | 61 | 57 | 9.8 | 9.8 |
| Net outstanding claims liabilities | 546 | 485 | 473 | 436 | 12.6 | 15.4 |
| Short-tail | 428 | 372 | 361 | 319 | 15.1 | 18.6 |
| Long-tail | 118 | 113 | 112 | 117 | 4.4 | 5.4 |
| Total | 546 | 485 | 473 | 436 | 12.6 | 15.4 |

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.

The increase in gross outstanding claims and reinsurance recoveries was caused by two significant weather events, the North Island floods and Cyclone Gabrielle.

Risk margins

Risk margins represent approximately 12.3% of net outstanding claims reserves. This gives an approximate level of confidence of 90%.

Operating expenses (NZD)

Total operating expenses of \$557 million increased 10.5%. The increase was driven by commissions, additional resourcing to support top-line growth, and increased investment in strategic and regulatory initiatives. The operating expense ratio of 30.2%, increased 1.5%, primarily due to the reinsurance reinstatement costs.

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)

| | Jun-23 | | Half Year Ended | | Jun-22 | | Dec-21 | |
|----------------------------------|--------------|------------|-----------------|------------|--------------|------------|--------------|------------|
| | \$M | % | \$M | % | \$M | % | \$M | % |
| Insurance funds | | | | | | | | |
| Cash and short-term deposits | 312 | 37 | 249 | 32 | 297 | 35 | 243 | 32 |
| Corporate bonds | 460 | 56 | 458 | 58 | 496 | 59 | 455 | 60 |
| Local government bonds | 49 | 6 | 77 | 10 | 54 | 6 | 57 | 7 |
| Government bonds | 18 | 2 | - | - | 1 | - | 6 | 1 |
| Total insurance funds | 839 | 100 | 784 | 100 | 848 | 100 | 761 | 100 |
| Shareholders' funds | | | | | | | | |
| Cash and short-term deposits | 43 | 9 | 45 | 10 | 57 | 13 | 38 | 8 |
| Interest-bearing securities | 222 | 50 | 223 | 52 | 204 | 49 | 236 | 52 |
| Equities and unit trusts | 179 | 40 | 164 | 38 | 158 | 38 | 178 | 40 |
| Total shareholders' funds | 444 | 100 | 432 | 100 | 419 | 100 | 452 | 100 |
| Total | 1,283 | | 1,216 | | 1,267 | | 1,213 | |

Asset allocations within funds remain broadly consistent with the pcg and in accordance with risk appetite. Government inflation linked bonds were added to insurance funds due to the attractiveness of the CPI linked yields.

Credit quality

| | Jun-23 | Dec-22 | Jun-22 | Dec-21 |
|-----|--------|--------|--------|--------|
| | % | % | % | % |
| AAA | 17.0 | 18.0 | 15.4 | 19.3 |
| AA | 58.3 | 54.2 | 58.7 | 50.1 |
| A | 22.3 | 24.0 | 22.6 | 26.8 |
| BBB | 2.4 | 3.8 | 3.3 | 3.8 |
| | 100.0 | 100.0 | 100.0 | 100.0 |

The average credit rating for New Zealand investment assets remained broadly consistent with the pcg.

Duration

| | Jun-23 | Dec-22 | Jun-22 | Dec-21 |
|----------------------------|--------|--------|--------|--------|
| | Years | Years | Years | Years |
| Insurance funds | | | | |
| Interest rate duration | 0.9 | 1.2 | 1.1 | 1.3 |
| Shareholders' funds | | | | |
| Interest rate duration | 2.0 | 2.2 | 2.2 | 2.4 |

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

Investment performance (NZD)

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|---|-----------------|-------------|------------|-----------|-----------------|-------------|------------|--------------|------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Investment income on insurance funds | | | | | | | | | |
| Cash and short-term deposits | 8 | 2 | 300.0 | 5 | 3 | 1 | 1 | 66.7 | 400.0 |
| Interest-bearing securities and other | 22 | (10) | n/a | 17 | 5 | (4) | (6) | 240.0 | n/a |
| | 30 | (8) | n/a | 22 | 8 | (3) | (5) | 175.0 | n/a |
| Investment income on shareholders' funds | | | | | | | | | |
| Cash and short-term deposits | 2 | 1 | 100.0 | 1 | 1 | 1 | - | - | - |
| Interest-bearing securities | 8 | (9) | n/a | 7 | 1 | (5) | (4) | large | n/a |
| Equities and unit trusts | 9 | (14) | n/a | 7 | 2 | (16) | 2 | 250.0 | n/a |
| | 19 | (22) | n/a | 15 | 4 | (20) | (2) | 275.0 | n/a |
| Total investment income | 49 | (30) | n/a | 37 | 12 | (23) | (7) | 208.3 | n/a |

Total investment income of \$49 million, represents an annualised return of 3.9%.

Investment income on insurance funds of \$30 million, represents an annualised return of 3.7%, up from a loss of \$8 million or 1.0% annualised loss.

Investment income on shareholders' funds of \$19 million, represents an annualised return of 4.2%, up from a loss of \$22 million or 5.0% annualised loss.

Improved performance can be attributed to increases in interest income from higher running yields, lower mark-to-market impacts from rising yields, and improved equities returns.

Life Insurance

The New Zealand Life Insurance business delivered a profit after tax of \$50 million, up \$35 million.

Underlying profit after tax of \$36 million decreased by \$2 million. Planned profit margin increased to \$36 million, in line with underlying growth and long-term profitability of the in-force portfolio. The net experience loss of \$1 million reflected favourable lapse experience offset by unfavourable claims experience. AASB 17 project implementation costs increased.

Market adjustments were significantly higher, due to increases in interest income from higher running yields and lower mark-to-market impacts from running yields compared to the pcip, and the impact of higher CPI on the valuation of customer policies with an inbuilt sum insured indexation.

Profit contribution (NZD)

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|------------------------------------|-----------------|-----------|--------------|-----------|-----------------|-----------|-----------|---------------|---------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Planned profit margin | 36 | 34 | 5.9 | 18 | 18 | 17 | 17 | - | 5.9 |
| Experience | (1) | 1 | n/a | (4) | 3 | 4 | (3) | n/a | n/a |
| Other | 1 | 3 | (66.7) | 1 | - | 4 | (1) | n/a | (75.0) |
| Underlying profit after tax | 36 | 38 | (5.3) | 15 | 21 | 25 | 13 | (28.6) | (40.0) |
| Market adjustments | 14 | (23) | n/a | 19 | (5) | (16) | (7) | n/a | n/a |
| Net profit after tax | 50 | 15 | 233.3 | 34 | 16 | 9 | 6 | 112.5 | 277.8 |

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

| | Half Year Ended | | | | Jun-23 | Jun-23 |
|---------------------------|-----------------|------------|------------|------------|--------------|-------------|
| | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | \$M | \$M | % | % |
| Advised | 248 | 241 | 234 | 231 | 2.9 | 6.0 |
| Direct | 47 | 45 | 44 | 44 | 4.4 | 6.8 |
| Group and other | 24 | 22 | 21 | 20 | 9.1 | 14.3 |
| Total | 319 | 308 | 299 | 295 | 3.6 | 6.7 |
| Total new business | 11 | 12 | 8 | 10 | (8.3) | 37.5 |

In-force premium of \$319 million up 6.7%, was supported by new business, CPI and age-related premium growth. New business of \$23 million was up \$5 million, driven by strong adviser engagement and support, with solid growth in the direct channel. Retention rates and new business growth continue to be better than system.

Life investment portfolio

The Suncorp 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.

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 had 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 middle of the 2024 calendar year.

Result overview

- Suncorp Bank **profit after tax of \$470 million was up 27.7%**. The result was driven by strong volume growth, improved margins and flat expenses, offset partly by an increase in bad and doubtful debts.
- The Bank's Net Interest Margin (NIM) increased 3 bps to 1.96%, attributed to strategic deposit pricing, partly offset by unfavourable lending pricing driven by intense competition for home loans and increased funding costs. Whilst up year on year, NIM reduced from 2.03% in 1H23 to 1.89% in 2H23.
- Other operating income increased by \$14 million to \$17 million, primarily due to gains on derivatives and other financial instruments, partly offset by a decrease in net banking fee income.
- Operating expenses were broadly flat, up \$1 million to \$737 million, driven by increased operational demands, compliance-related spending, and inflationary pressures, offset by lower investment spend and the benefits of automation and digitisation. The Bank's cost-to-income ratio decreased from 59.0% to 51.8% for the year, albeit with an increase in 2H23 to 53.7%.
- The Bank continued to deliver on its strategic initiative to Win in Home, growing the Home lending portfolio 9.1% and increasing market share modestly by 9.4 bps¹. Turnaround times were best in market for 32 weeks in FY23². Business lending grew 5.9%, 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 competitive digital offering, with 82% of new transaction and savings accounts opened digitally (up from 74% in FY22).
- A net impairment charge of \$16 million reflects a \$10 million increase in the collective provision, a \$4 million charge in actual net write-offs driven by a charge associated with a discontinued product, and a \$2 million increase in specific provisions. The credit environment deteriorated only slightly over the year as the effects of rapid interest rate increases and heightened inflation begin to impact consumers and businesses.
- Past due (90+ days) loans of \$333 million increased by \$6 million, representing 50 bps of gross loans and advances compared to 53 bps in FY22. Retail lending past due loans increased \$16 million, representing 0.51% of the portfolio compared to 0.53% in FY22.
- The Bank's capital position remains strong, with a Common Equity Tier 1 (CET1) ratio of 10.39%, within the target operating range of 10.00% to 10.50%. The Bank has also maintained strong funding and liquidity metrics, with a Net Stable Funding Ratio (NSFR) of 123% and Liquidity Coverage Ratio (LCR) of 136%.
- Following the Australian Prudential Regulatory Authority (APRA) 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 by 1 January 2023. The Bank has continued to access wholesale funding markets with successful issuances, ahead of the reduction of the Term Funding Facility (TFF).

1. Source: APRA Monthly Authorised Deposit-taking Institution Statistics (MADIS) as at June 2023.

2. Source: AFG reported turnaround time

Profit contribution and key ratios

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | |
|--|-----------------|--------------|--------------|------------|-----------------|-------------|------------|---------------|-------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | Jun-23 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Net interest income | 1,408 | 1,245 | 13.1 | 683 | 725 | 624 | 621 | (5.8) | 9.5 |
| Net other operating income | | | | | | | | | |
| Net banking fee income and commission | (7) | 2 | n/a | (6) | (1) | - | 2 | large | n/a |
| Gain on derivatives and other financial instruments | 19 | (4) | n/a | 12 | 7 | (13) | 9 | 71.4 | n/a |
| Other revenue | 5 | 5 | - | 3 | 2 | 2 | 3 | 50.0 | 50.0 |
| Total other operating income | 17 | 3 | 466.7 | 9 | 8 | (11) | 14 | 12.5 | n/a |
| Total income | 1,425 | 1,248 | 14.2 | 692 | 733 | 613 | 635 | (5.6) | 12.9 |
| Operating expenses | (737) | (736) | (0.1) | (371) | (366) | (370) | (366) | (1.4) | (0.3) |
| Profit before impairment losses on financial assets | 688 | 512 | 34.4 | 321 | 367 | 243 | 269 | (12.5) | 32.1 |
| Impairment release/(loss) on loans and advances | (16) | 14 | n/a | (15) | (1) | (2) | 16 | large | large |
| Impairment release/(loss) on investment securities | (1) | - | n/a | - | (1) | - | - | n/a | n/a |
| Suncorp Bank profit before tax | 671 | 526 | 27.6 | 306 | 365 | 241 | 285 | (16.2) | 27.0 |
| Income tax | (201) | (158) | (27.2) | (92) | (109) | (73) | (85) | 15.6 | (26.0) |
| Suncorp Bank profit after tax | 470 | 368 | 27.7 | 214 | 256 | 168 | 200 | (16.4) | 27.4 |
| Key ratios | % | % | | % | % | % | % | | |
| Lending growth | 8.45 | 7.83 | | 3.73 | 4.56 | 5.90 | 1.82 | | |
| Customer funding growth | 6.88 | 15.91 | | 0.86 | 5.96 | 7.51 | 7.81 | | |
| Net interest margin (interest-earning assets) | 1.96 | 1.93 | | 1.89 | 2.03 | 1.90 | 1.97 | | |
| Cost to income ratio | 51.8 | 59.0 | | 53.7 | 49.9 | 60.4 | 57.6 | | |
| Impairment release/(losses) to gross loans and advances ¹ | (0.02) | 0.02 | | (0.04) | - | (0.01) | 0.05 | | |
| Common Equity Tier 1 ratio ² | 10.39 | 9.08 | | 10.39 | 10.09 | 9.08 | 9.91 | | |
| NSFR | 123 | 138 | | 123 | 135 | 138 | 132 | | |
| LCR ³ | 136 | 142 | | 138 | 134 | 138 | 146 | | |

1. Annualised

2. Jun-23 and Dec-22 (pro forma) period presented under Basel III effective 1 January 2023. All other periods have not been restated.

3. LCR for half-year ended Dec-21 updated to reflect average rate in line with other reported metrics.

Net interest income

Net interest income (NII) of \$1,408 million increased 13.1% primarily from improved deposit margins, partly offset by the impacts of intense competition for home loans.

| | % |
|--|-------------|
| FY22 net interest margin | 1.93 |
| Lending pricing | (0.31) |
| Lending mix | 0.04 |
| Liquid assets | (0.05) |
| Customer deposit pricing and wholesale funding | 0.35 |
| FY23 net interest margin | 1.96 |

NIM increased 3 bps over the year to 1.96%. The key drivers of the movement include:

- Lending pricing accounted for a 31 bps reduction in NIM, primarily due to significant competition in the market for home and business loans.
- Lending mix changes accounted for a 4 bps increase in NIM, driven by the roll-off of lower yielding fixed rate home loans and fewer fixed rate loan originations.
- An increase in liquid assets resulted in a 5 bps NIM reduction, primarily due to the impact of replacing the CLF with high quality liquid assets (HQLA) (with minimal impact on NII).
- Improved customer deposit margins contributed 35 bps to NIM, driven by higher margins on transaction account balances, strategic pricing of at-call and retail term deposits, partly offset by an adverse shift in mix as customers moved balances from lower yielding to higher yielding deposit products.

| | % |
|--|-------------|
| 1H23 net interest margin | 2.03 |
| Lending pricing | (0.09) |
| Lending mix | 0.04 |
| Liquid assets | (0.03) |
| Customer deposit pricing and wholesale funding | (0.06) |
| 2H23 net interest margin | 1.89 |

NIM decreased 14 bps over the half to 1.89%. The key drivers of the movement include:

- Lending pricing accounted for a 9 bps reduction in NIM, primarily due to significant competition in the market for home and business loans.
- Lending mix changes accounted for a 4 bps increase in NIM, driven by the roll-off of lower yielding fixed rate home loans and fewer fixed rate loan originations.
- An increase in liquid assets resulted in a 3 bps NIM reduction, primarily due to the impact of replacing the CLF with HQLA (with minimal impact on NII).
- Deteriorating customer deposit margins contributed to a 6 bps reduction to NIM, due to a continued shift in mix as customers moved to higher yielding deposit products, competition for savings and term deposits heightened by TFF maturities, and increased retail and wholesale funding costs.

Other operating income

| | Full Year Ended | | Jun-23 | Half Year Ended | | | | Jun-23 | Jun-23 |
|--|-----------------|----------|--------------|-----------------|----------|-------------|-----------|-------------|------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Net banking fee income and commission | (7) | 2 | n/a | (6) | (1) | - | 2 | large | n/a |
| Gain/(loss) on derivatives and other financial instruments | 19 | (4) | n/a | 12 | 7 | (13) | 9 | 71.4 | n/a |
| Other revenue | 5 | 5 | - | 3 | 2 | 2 | 3 | 50.0 | 50.0 |
| Total other operating income | 17 | 3 | 466.7 | 9 | 8 | (11) | 14 | 12.5 | n/a |

Total other operating income of \$17 million increased \$14 million, due to:

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

Operating expenses

Total operating expenses of \$737 million increased \$1 million, primarily driven by increased operational demands, compliance-related spending, and inflationary pressures, mostly offset by lower investment spend and the benefits of digitisation and automation. The cost-to-income ratio decreased from 59.0% to 51.8% for the year, albeit with an increase in 2H23 to 53.7%. The increased cost-to-income ratio for 2H23 was primarily due to lower NIM and a reduction in revenue of 5.6%, as a result of margin pressures. Operating expenses were relatively well contained with a 1.4% increase in 2H23 compared to 1H23.

Loan impairment expense

Impairment releases/(losses) on loans and advances

| | Full Year Ended | | Jun-23 | Half Year Ended | | | | Jun-23 | Jun-23 |
|---|-----------------|-----------|------------|-----------------|------------|------------|-----------|--------------|--------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec-22 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Collective provision for impairment | (10) | 15 | n/a | (10) | - | - | 15 | n/a | n/a |
| Specific provision for impairment | (2) | 1 | n/a | (2) | - | (1) | 2 | n/a | (100.0) |
| Actual net write-offs | (4) | (2) | (100.0) | (3) | (1) | (1) | (1) | (200.0) | (200.0) |
| Impairment releases/(losses) | (16) | 14 | n/a | (15) | (1) | (2) | 16 | large | large |
| Impairment releases/(losses) to gross loans and advances (annualised) | (0.02%) | 0.02% | - | (0.04%) | 0.00% | (0.01%) | 0.05% | | |

Net impairment losses totalled \$16 million for the year, representing 2 bps of gross loans and advances.

The central economic forecast for interest rates and unemployment is broadly unchanged from the first half. The outlook for Home lending improved in view of the stronger than expected housing market, while the outlook for the commercial office and retail segment is weaker due to the impact of higher interest rates, reductions in office usage after COVID-19, and reduced spending affecting retail tenants and property owners. This has led to a strengthening of the collective provision for this segment of the portfolio.

Increased write-offs were mainly attributable to a \$1.9 million charge associated with a discontinued product as part of portfolio simplification.

A \$2 million increase in the specific provision was attributable to certain customer groups in the childcare and accommodation industries.

Bank balance sheet

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|---|---------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Housing loans - term | 47,526 | 47,251 | 44,838 | 42,334 | 0.6 | 6.0 |
| Housing line of credit | 550 | 623 | 778 | 872 | (11.7) | (29.3) |
| Securitised housing loans and covered bonds | 6,725 | 4,971 | 4,598 | 4,086 | 35.3 | 46.3 |
| Total housing loans | 54,801 | 52,845 | 50,214 | 47,292 | 3.7 | 9.1 |
| Personal loans | 36 | 51 | 67 | 93 | (29.4) | (46.3) |
| Retail loans | 54,837 | 52,896 | 50,281 | 47,385 | 3.7 | 9.1 |
| SME | 2,633 | 2,646 | 2,641 | 2,716 | (0.5) | (0.3) |
| Commercial | 5,361 | 5,165 | 4,884 | 4,406 | 3.8 | 9.8 |
| Agribusiness | 4,490 | 4,195 | 4,267 | 4,106 | 7.0 | 5.2 |
| Total business loans | 12,484 | 12,006 | 11,792 | 11,228 | 4.0 | 5.9 |
| Total lending | 67,321 | 64,902 | 62,073 | 58,613 | 3.7 | 8.5 |
| Provision for impairment | (219) | (211) | (217) | (219) | (3.8) | (0.9) |
| Total loans and advances | 67,102 | 64,691 | 61,856 | 58,394 | 3.7 | 8.5 |
| Geographical breakdown - Total lending | | | | | | |
| Queensland | 30,440 | 29,740 | 29,195 | 28,053 | 2.4 | 4.3 |
| New South Wales | 19,381 | 18,365 | 17,388 | 16,266 | 5.5 | 11.5 |
| Victoria | 9,842 | 9,369 | 8,516 | 7,749 | 5.0 | 15.6 |
| Western Australia | 4,326 | 4,242 | 4,048 | 3,769 | 2.0 | 6.9 |
| South Australia and other | 3,332 | 3,186 | 2,926 | 2,776 | 4.6 | 13.9 |
| Outside of Queensland loans | 36,881 | 35,162 | 32,878 | 30,560 | 4.9 | 12.2 |
| Total lending | 67,321 | 64,902 | 62,073 | 58,613 | 3.7 | 8.5 |

Home lending

The Bank delivered a 60-point increase in its 6-month rolling average Home Lending Broker NPS and a 38-point uplift in its Home Loan Customer NPS. In addition, the Bank was awarded Mortgage Business' Non-Major Bank of the Year. This notable achievement reflects the significant improvements made to the Bank's Home lending proposition and brand reputation over recent periods.

The Bank delivered continued improvements to broker and customer experiences through simplified processes, improved productivity, and a clear focus on lower-risk new business. This focus drove a material reduction in median application turnaround times to 4 working days, down from 11 working days in FY22, the fastest among peers for 32 weeks of the year (AFG reported turnaround time).

The Bank achieved Home lending growth of \$4.6 billion or 9.1%, driven by higher new business volumes, faster turnaround times and improved customer experiences. Home lending growth was lower over the second half of the financial year as the Bank consciously balanced growth and margin outcomes in the context of a highly competitive market. Suncorp Bank took active steps to improve profitability such as increasing new business pricing, removing cashback offers, and increasing back-book retention hurdles. Notwithstanding the slower second half, the Bank delivered strong Home lending market share growth of 9.4 basis points over the year, outpacing system to achieve 1.8 system growth.

Home lending portfolio metrics

| | Jun-23 | Jun-22 |
|---|--------|--------|
| | % | % |
| Owner-occupier proportion of total portfolio | 72 | 73 |
| Investor proportion of total portfolio | 28 | 27 |
| Principal and interest proportion of total portfolio | 88 | 88 |
| Interest only proportion of total portfolio | 12 | 12 |
| Variable rate | 80 | 69 |
| Fixed rate | 20 | 31 |
| Broker originated | 74 | 70 |
| Direct originated | 26 | 30 |
| Proportion of total portfolio with LVR < 80% | 89 | 86 |
| Portfolio dynamic LVR ¹ | 57 | 54 |
| Proportion of total portfolio covered by Lenders Mortgage Insurance | 19 | 24 |

1. Prior year dynamic LVR restated

Home lending origination metrics

| | Jun-23 | Jun-22 |
|--|--------|--------|
| | % | % |
| Owner-occupier proportion of new business | 69 | 71 |
| Investor proportion of new business | 31 | 29 |
| Principal and interest proportion of new business | 85 | 85 |
| Interest only proportion of new business | 15 | 15 |
| Variable rate | 97 | 64 |
| Fixed rate | 3 | 36 |
| Broker originated | 80 | 76 |
| Direct originated | 20 | 24 |
| Proportion of new business with LVR < 80% | 93 | 87 |
| Proportion of new business covered by Lenders Mortgage Insurance | 7 | 13 |

Suncorp Bank maintained a high quality and conservatively positioned Home lending portfolio during FY23. The Bank increased the proportion of low loan-to-value ratio (LVR) lending to 93% of new business, and reduced loans with a debt to income (DTI) ratio greater than 6 times to an average of less than 10% of all new lending throughout the year, and less than 2% for 4Q23.

Approximately 47% of the elevated fixed rate loan volumes have now matured (these elevated maturities cover the period January 2022 to December 2025). Approximately 26% of customer loans that matured in FY23 were refinanced with other institutions in view of the margin management strategy deployed on maturity. The Bank continues to proactively contact customers prior to and post maturity to provide support to manage the increase in monthly repayments. Fixed rate loans currently represent approximately 20% of the total Home lending portfolio, down from 31% a year ago. New fixed rate originations represented only 3% of new loans in FY23 compared to 36% in FY22.

Home lending portfolio geographic profile

| | Jun-23 | Jun-22 |
|-------------------|--------|--------|
| | % | % |
| Queensland | 42 | 44 |
| New South Wales | 30 | 29 |
| Victoria | 15 | 14 |
| Western Australia | 8 | 8 |
| Other | 6 | 5 |

The Bank maintains a strong geographic presence in Queensland, although continued growth through the broker channel has enabled steady geographic diversification of the Home lending portfolio across other states, particularly New South Wales and Victoria.

Business lending

Commercial

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|---------------------------------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Property Investment | 3,056 | 3,047 | 2,882 | 0.3 | 6.0 |
| Construction & Development | 643 | 517 | 586 | 24.4 | 9.7 |
| Hospitality & Accommodation | 590 | 620 | 537 | (4.8) | 9.9 |
| Services (Inc. professional services) | 375 | 362 | 293 | 3.6 | 28.0 |
| Retail | 322 | 258 | 293 | 24.8 | 9.9 |
| Manufacturing & Mining | 161 | 103 | 49 | 56.3 | 228.6 |
| Other | 214 | 258 | 244 | (17.1) | (12.3) |
| Total Commercial | 5,361 | 5,165 | 4,884 | 3.8 | 9.8 |

The Commercial portfolio increased 9.8% to \$5.4 billion with strong growth in Manufacturing & Mining, as well as commercial real estate across portfolios, contributing to the result. Growth slowed in the second half of the financial year as macro-economic factors such as inflation and increased interest rates weighed on the market. Strong fundamentals in development finance have, to date, insulated the portfolio from builder collapses and development losses that have impacted sector confidence over the past year. The Bank's risk appetite and focused target market have been stable through the year.

The geographic distribution of the portfolio remained stable and within a range of strict internal limits to ensure sound quality and diversification of the portfolio.

SME¹

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|---------------------------------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Property Investment | 606 | 635 | 581 | (4.6) | 4.3 |
| Hospitality & Accommodation | 290 | 264 | 290 | 9.8 | - |
| Retail | 263 | 238 | 238 | 10.5 | 10.5 |
| Construction & Development | 289 | 265 | 291 | 9.1 | (0.7) |
| Manufacturing & Mining | 158 | 159 | 158 | (0.6) | - |
| Services (Inc. professional services) | 843 | 873 | 872 | (3.4) | (3.3) |
| Other ² | 184 | 212 | 211 | (13.2) | (12.8) |
| Total SME | 2,633 | 2,646 | 2,641 | (0.5) | (0.3) |

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

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

The SME portfolio contracted 0.3% to \$2.6 billion. Moderation in the portfolio was in-line with expectations due to:

- A change in the operating model that increased required resourcing, but a tight recruitment market delayed full capacity until the second half of the year.
- Favourable market prices driving asset sale pay-outs.
- Changing fundamentals from increasing interest rates driving the Bank's prioritisation of returns over asset growth.

The Bank continued 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.

Agribusiness

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|---------------------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Beef | 2,110 | 2,014 | 1,963 | 4.8 | 7.5 |
| Grain & Mixed Farming | 1,078 | 1,007 | 1,067 | 7.1 | 1.0 |
| Sheep & Mixed Livestock | 359 | 377 | 342 | (4.8) | 5.0 |
| Cotton | 314 | 252 | 341 | 24.6 | (7.9) |
| Sugar | 90 | 84 | 85 | 7.1 | 5.9 |
| Fruit | 135 | 126 | 128 | 7.1 | 5.5 |
| Other | 404 | 335 | 341 | 20.6 | 18.5 |
| Total Agribusiness | 4,490 | 4,195 | 4,267 | 7.0 | 5.2 |

The Agribusiness portfolio grew 5.2% to \$4.5 billion, with growth across most segments in the second half. New business was driven primarily by existing customers' property purchases.

While the La Niña weather pattern experienced over the past three years has ended, the expected onset of the El Niño weather pattern potentially signals drier conditions. However, river systems and dams remain at healthy levels, positioning the sector reasonably well for future conditions. Favourable weather and market conditions have provided the opportunity for farmers to build up reserves over past seasons. As a result, the Agribusiness portfolio continued to grow as customers increased funding to invest in higher stock levels and purchase additional properties.

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

Funding composition

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|--|---------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Customer funding | | | | | | |
| Customer deposits | | | | | | |
| At-call transactions | 19,914 | 20,385 | 20,805 | 19,449 | (2.3) | (4.3) |
| At-call savings | 17,146 | 16,137 | 15,832 | 16,949 | 6.3 | 8.3 |
| Term deposits | 14,374 | 14,473 | 11,488 | 8,364 | (0.7) | 25.1 |
| Total customer funding | 51,434 | 50,995 | 48,125 | 44,762 | 0.9 | 6.9 |
| Wholesale funding | | | | | | |
| Domestic funding | | | | | | |
| Short-term wholesale | 5,863 | 6,216 | 5,319 | 4,431 | (5.7) | 10.2 |
| Long-term wholesale | 9,390 | 9,289 | 8,543 | 7,995 | 1.1 | 9.9 |
| Covered bonds | 2,844 | 2,843 | 2,093 | 2,092 | 0.0 | 35.9 |
| Subordinated notes | 600 | 600 | 600 | 600 | - | - |
| Total domestic funding | 18,697 | 18,948 | 16,555 | 15,118 | (1.3) | 12.9 |
| Overseas funding¹ | | | | | | |
| Short-term wholesale | 2,519 | 1,855 | 1,842 | 1,744 | 35.8 | 36.8 |
| Long-term wholesale | 734 | 711 | 711 | 1,400 | 3.2 | 3.2 |
| Total overseas funding | 3,253 | 2,566 | 2,553 | 3,144 | 26.8 | 27.4 |
| Total wholesale funding | 21,950 | 21,514 | 19,108 | 18,262 | 2.0 | 14.9 |
| Total funding (excluding securitisation) | 73,384 | 72,509 | 67,233 | 63,024 | 1.2 | 9.1 |
| Securitisation | | | | | | |
| APS 120 qualifying ² | 2,663 | 1,956 | 2,402 | 1,875 | 36.1 | 10.9 |
| Total securitisation | 2,663 | 1,956 | 2,402 | 1,875 | 36.1 | 10.9 |
| Total funding (including securitisation) | 76,047 | 74,465 | 69,635 | 64,899 | 2.1 | 9.2 |
| Total funding is represented on the balance sheet by: | | | | | | |
| Deposits | 51,434 | 50,995 | 48,125 | 44,762 | 0.9 | 6.9 |
| Borrowings | 24,013 | 22,870 | 20,910 | 19,537 | 5.0 | 14.8 |
| Subordinated notes | 600 | 600 | 600 | 600 | - | - |
| Total funding | 76,047 | 74,465 | 69,635 | 64,899 | 2.1 | 9.2 |
| Deposit to loan ratio | 76.7% | 78.6% | 77.5% | 76.4% | | |

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

2. Qualifies for capital relief under APS120.

Customer funding

Customer deposits of \$51.4 billion increased 6.9%, marginally below system, accounting for 67.6% of total Bank funding.

Deposit growth reflected increased demand for higher yield deposit products in a rising interest rate environment and was weighted towards term deposits (up 25.1%) and, to a lesser extent, at-call savings deposits (up 8.3%). At-call transaction account balances decreased 4.3%, driven by migration of balances to higher yielding deposit products, increased cost of living pressures, and growth in mortgage offset account balances.

The Bank acquired over 29,000 new to bank MFI customers in FY23, up 33%, with MFI continuing to grow strongly. The Digital channel accounted for 82% of deposit account openings (vs. 74% in FY22) and new digital transaction accounts grew 30% ahead of the prior year.

The Bank continues to invest in reducing fraud and scam losses and providing customers with better and more accessible support. This investment continues as the industry coordinates an approach to detect and disrupt scams, working with government, telecommunication providers, digital platforms and the Australian Banking Association.

Wholesale funding

Wholesale funding of \$21.9 billion increased 14.9% over the year, comprising:

- An increase in domestic short-term wholesale funding of 10.2% to \$5.8 billion, driven by an increase in negotiable certificates of deposit to assist in funding growing lending portfolios and the CLF removal, which was completed in December 2022.
- An increase in domestic long-term wholesale funding of 9.9% to \$9.4 billion, required to replace maturing transactions including TFF repayments. The current balance includes \$3.0 billion from the TFF, a decrease of \$1.1 billion over the year.
- An increase in funding from covered bonds of 35.8% to \$2.8 billion, driven by a new issuance during the first half of the financial year.
- Material movements in the 0 – 3 month and 3+ years buckets in the second half can be attributed to the timing of maturities, however, note that the weighted average term to maturity of short and long-term wholesale liabilities remains in line with prior periods.

Wholesale funding instruments maturity profile ¹

| | Short-term \$M | Long-term \$M | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|--|-------------------|------------------|---------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Maturity | | | | | | | | |
| 0 to 3 months | 5,540 | 1,567 | 7,107 | 5,651 | 6,496 | 3,847 | 25.8 | 9.4 |
| 3 to 6 months | 2,842 | 1,465 | 4,307 | 3,873 | 2,066 | 3,960 | 11.2 | 108.5 |
| 6 to 12 months | - | 2,720 | 2,720 | 2,964 | 1,529 | 1,314 | (8.2) | 77.9 |
| 1 to 3 years | - | 8,647 | 8,647 | 8,236 | 8,175 | 8,326 | 5.0 | 5.8 |
| 3+ years | - | 1,828 | 1,828 | 2,746 | 3,244 | 2,690 | (33.4) | (43.6) |
| Total wholesale funding instruments | 8,382 | 16,227 | 24,609 | 23,470 | 21,510 | 20,137 | 4.9 | 14.4 |

1. Wholesale funding includes securitisations

Net Stable Funding Ratio and Liquidity Coverage Ratio

The NSFR remained above the typical operating range over the year, ending the period at 123%. This was due to regulatory considerations in response to market turmoil associated with bank failures in offshore markets, and to facilitate an orderly refinancing of the TFF.

The LCR averaged 136% over the year, well above APRA's 100% requirement. The Bank reduced its CLF to zero in-line with APRA's guidance by 1 January 2023. The Bank's liquidity metrics remain elevated following the CLF reductions to meet balance sheet requirements and unforeseen cash outflows under a range of market conditions and stress scenarios.

Capital

| | % |
|---------------------------------------|--------------|
| June 22 CET1 Ratio | 9.08 |
| NPAT | 1.42 |
| Dividends | (0.49) |
| APRA Regulatory Reforms (Basel III) | 1.20 |
| Risk weighted asset movement | (0.56) |
| Regulatory deductions and adjustments | (0.26) |
| June 23 CET1 Ratio | 10.39 |

The Bank CET1 Ratio increased 131 bps to 10.39%, remaining above the midpoint of the target operating range of 10.00% to 10.50%. The new APRA capital framework which came into effect from 1 January 2023 translated to a 120 bps increase in the CET1 Ratio while the target operating range increased by 100 bps to align with increased regulatory buffers. Other key drivers of the CET1 ratio include:

- Bank profit after tax of \$470 million drove an increase of 142 bps, partially offset by
- An increase in Risk Weighted Assets (RWA) accounted for a 56 bps reduction excluding the impact of Basel III
- First half interim dividends accounted for a 49 bps reduction
- Regulatory deductions of 26 bps mostly related to loan origination costs.

The increase in RWA from loan growth was partially offset by 11 bps of relief from a \$1 billion Residential Mortgage-Backed Security (RMBS) issuance in April 2023.

Credit quality

Impaired assets and 90+ days past due loans

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|---|---------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Gross balances of individually impaired loans | | | | | | |
| Retail lending | 29 | 38 | 40 | 46 | (23.7) | (27.5) |
| Agribusiness lending | 24 | 8 | 7 | 12 | 200.0 | 242.9 |
| Commercial lending | 34 | 36 | 77 | 88 | (5.6) | (55.8) |
| SME lending | 14 | 17 | 14 | 20 | (17.6) | - |
| Gross impaired assets | 101 | 99 | 138 | 166 | 2.0 | (26.8) |
| Impairment provision | (31) | (33) | (46) | (51) | 6.1 | 32.6 |
| Net impaired assets | 70 | 66 | 92 | 115 | 6.1 | (23.9) |
| Impairment provisions expressed as a percentage of gross impaired assets | 31% | 33% | 33% | 31% | | |
| Size of gross individually impaired assets | | | | | | |
| Less than one million | 25 | 31 | 33 | 37 | (19.4) | (24.2) |
| Greater than one million but less than ten million | 64 | 55 | 61 | 79 | 16.4 | 4.9 |
| Greater than ten million | 12 | 13 | 44 | 50 | (7.7) | (72.7) |
| Gross impaired assets | 101 | 99 | 138 | 166 | 2.0 | (26.8) |
| 90+ days Past due loans not shown as impaired assets | 333 | 281 | 327 | 365 | 18.5 | 1.8 |
| Gross non-performing loans | 434 | 380 | 465 | 531 | 14.2 | (6.7) |
| Analysis of movements in gross individually impaired assets | | | | | | |
| Balance at the beginning of the half year | 99 | 138 | 166 | 180 | (28.3) | (40.4) |
| Recognition of new impaired assets | 30 | 32 | 14 | 27 | (6.3) | 114.3 |
| Other movement in impaired assets ¹ | 1 | (3) | (1) | (2) | n/a | n/a |
| Impaired assets which have been reclassified as performing assets or repaid | (29) | (68) | (41) | (39) | 57.4 | 29.3 |
| Balance at the end of the full year | 101 | 99 | 138 | 166 | 2.0 | (26.8) |

1. Net of increases in previously recognised impaired assets and impaired assets written off.

Gross impaired assets of \$101 million decreased \$37 million, mainly driven by the Commercial lending portfolio.

Retail impaired loans of \$29 million decreased \$11 million, supported by a combination of Customer Assistance contact focussing on late-stage arrears collections, well secured loans, and successful asset sales.

Commercial impaired assets of \$34 million reduced \$43 million, with debt reductions and successful asset sales across three large exposures contributing to the decrease. This was despite higher interest rates and construction input costs.

Agribusiness impairments of \$24 million increased \$17 million, largely driven by two customers, with one impacted by higher operating and input costs, and the other impacted by repeated crop failures.

SME impairments of \$14 million were flat on the prior year. SME impairments are not concentrated in any industry and include no large single exposures.

Provision for impairment

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 Dec-22 % | Jun-23 v Jun-22 % |
|---|---------------|---------------|---------------|---------------|-----------------------|-------------------------|
| Collective provision | | | | | | |
| Balance at the beginning of the period | 180 | 180 | 180 | 195 | - | - |
| (Release)/charge against impairment losses | 10 | - | - | (15) | n/a | n/a |
| Balance at the end of the period | 190 | 180 | 180 | 180 | 5.6 | 5.6 |
| Specific provision | | | | | | |
| Balance at the beginning of the period | 31 | 37 | 39 | 44 | (16.2) | (20.5) |
| (Release)/charge against impairment losses | 2 | - | 1 | (2) | n/a | 100.0 |
| Impairment provision written off ¹ | (4) | (6) | (3) | (3) | 33.3 | (33.3) |
| Balance at the end of the period | 29 | 31 | 37 | 39 | (6.5) | (21.6) |
| Total provision for impairment - Banking activities | 219 | 211 | 217 | 219 | 3.8 | 0.9 |
| Provision for impairment expressed as a percentage of gross loans and advances are as follows: | % | % | % | % | | |
| Collective provision | 0.29 | 0.28 | 0.29 | 0.31 | | |
| Specific provision | 0.04 | 0.05 | 0.06 | 0.07 | | |
| Total provision | 0.33 | 0.33 | 0.35 | 0.38 | | |

1. Includes immaterial unwind of discount of less than \$1 million.

The total balance sheet provision for impairment increased 0.9% to \$219 million, representing 33 bps of gross loans and advances compared to 35 bps in FY22. The key drivers include:

- A \$10 million increase to the collective provision to \$190 million; and
- A 21.6% reduction in the specific provision to \$29 million, driven by small movements across several exposures.

Gross non-performing loans coverage by portfolio

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 Dec-22 % | Jun-23 Jun-22 % |
|---|---------------|---------------|---------------|---------------|-----------------------|-----------------------|
| Retail lending | | | | | | |
| Past due loans | 280 | 232 | 264 | 317 | 20.7 | 6.1 |
| Impaired assets | 29 | 38 | 40 | 46 | (23.7) | (27.5) |
| Specific provision | 6 | 7 | 8 | 8 | (14.3) | (25.0) |
| Collective provision | 8 | 10 | 7 | 9 | (20.0) | 14.3 |
| Total provision coverage¹ | 4.5% | 6.3% | 4.9% | 4.7% | (28.6) | (8.2) |
| Agribusiness lending | | | | | | |
| Past due loans | 26 | 29 | 33 | 17 | (10.3) | (21.2) |
| Impaired assets | 24 | 8 | 7 | 12 | 200.0 | 242.9 |
| Specific provision | 4 | 3 | 1 | 1 | 33.3 | 300.0 |
| Collective provision | 3 | 3 | 5 | 6 | - | (40.0) |
| Total provision coverage¹ | 14.0% | 16.2% | 15.0% | 24.1% | (13.6) | (6.7) |
| Commercial lending | | | | | | |
| Past due loans | 12 | 7 | 18 | 13 | 71.4 | (33.3) |
| Impaired assets | 34 | 36 | 77 | 88 | (5.6) | (55.8) |
| Specific provision | 14 | 16 | 21 | 21 | (12.5) | (33.3) |
| Collective provision | 3 | 1 | 13 | 14 | 200.0 | (76.9) |
| Total provision coverage¹ | 37.0% | 39.5% | 35.8% | 34.7% | (6.3) | 3.4 |
| SME lending | | | | | | |
| Past due loans | 15 | 13 | 12 | 18 | 15.4 | 25.0 |
| Impaired assets | 14 | 17 | 14 | 20 | (17.6) | - |
| Specific provision | 5 | 5 | 7 | 9 | - | (28.6) |
| Collective provision | 6 | 3 | 3 | 7 | 100.0 | 100.0 |
| Total provision coverage¹ | 37.9% | 26.7% | 38.5% | 42.1% | 41.9 | (1.6) |

1. Calculated as: (Specific provision + Collective provision Stage 3) / (Past due loans + Impaired assets).

Retail lending 90+ days past due loans of \$280 million increased \$16 million, representing 0.51% of the portfolio compared to 0.53% in the pcp. This was underpinned by higher interest rates and inflation contributing to an increased rate of hardship applications throughout the year, with levels now comparable to pre-COVID-19.

Expected Credit Loss

The Expected Credit Loss (ECL) has increased by \$10 million to \$190 million. This incorporates the modelled collective provision and various management overlays, including an overlay to reflect general uncertainty in modelling of this nature.

The Bank calculates the 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.

The central economic forecast anticipates an increase in the unemployment rate of approximately 1.3% over the next two years. The central outlook for residential property prices has improved since 1H23, albeit significant downside risks remain given continued interest rate rises to combat inflation. For commercial property the FY24 outlook has deteriorated since 1H23, with risks to the downside for the commercial office and retail segments, driven by above average vacancy rates, increasing incentives reducing net effective rents available to service debt, and higher funding costs seeing capitalisation rates under pressure. 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. The variances are probability weighted. As an example of the downside allowance in the model, there is a 15% probability that house price falls will exceed 20% over FY24/25 while the weighted average fall is 8.1%.

| | Model assumption | | Weighted average change |
|---|------------------|-----------|-------------------------|
| | FY24 % | FY25 % | FY24/25 % |
| Property prices - residential - weighted average annual change | (10.3) | 2.2 | (8.1) |
| Property prices - commercial office - weighted average annual change ¹ | (10.4) | 0.1 | (10.3) |
| Property prices - rural - weighted average annual change ¹ | (5.0) | (0.1) | (5.1) |
| Unemployment rate ² | 4.4 | 4.9 | n/a |

1. Given the significantly differing outlook for rural property and commercial property, the assumptions now differ in the ECL model. The Bank also has some retail and industrial collateral but the proportion of such collateral is much smaller than for commercial and rural.

2. Unemployment rate reflects the rate as at June 2024 and June 2025. 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.

Appendix A: Group Financial Statements

Consolidated statement of comprehensive income (statutory view)

| | Full Year Ended | | | Half Year Ended | | | | | |
|---|-----------------|-----------------|---------------|-----------------|----------------|----------------|----------------|--------------|---------------|
| | Jun-23 | Jun-22 | Jun-23 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | Jun-23 | Jun-23 |
| | \$M | \$M | vs Jun-22 | \$M | \$M | \$M | \$M | vs Dec-22 | vs Jun-22 |
| | | | % | | | | | % | % |
| Revenue | | | | | | | | | |
| Insurance premium income | 12,095 | 11,132 | 8.7 | 6,147 | 5,948 | 5,593 | 5,539 | 3.3 | 9.9 |
| Reinsurance and other recoveries income | 2,169 | 2,452 | (11.5) | 1,614 | 555 | 2,022 | 430 | 190.8 | (20.2) |
| Interest income | 3,525 | 1,865 | 89.0 | 1,972 | 1,553 | 928 | 937 | 27.0 | 112.5 |
| Net gains on financial assets and liabilities at fair value through profit or loss | 147 | - | n/a | 147 | - | - | - | n/a | n/a |
| Dividend and trust distribution income | 46 | 252 | (81.7) | 28 | 18 | 203 | 49 | 55.6 | (86.2) |
| Fees and other income | 372 | 468 | (20.5) | 184 | 188 | 189 | 279 | (2.1) | (2.6) |
| Total revenue | 18,354 | 16,169 | 13.5 | 10,092 | 8,262 | 8,935 | 7,234 | 22.1 | 12.9 |
| Expenses | | | | | | | | | |
| Claims expense | (9,740) | (8,786) | 10.9 | (5,426) | (4,314) | (4,909) | (3,877) | 25.8 | 10.5 |
| Outwards reinsurance premium expense | (1,535) | (1,357) | 13.1 | (798) | (737) | (729) | (628) | 8.3 | 9.5 |
| Underwriting expense | (2,332) | (2,371) | (1.6) | (1,186) | (1,146) | (1,153) | (1,218) | 3.5 | 2.9 |
| Interest expense | (1,769) | (385) | 359.5 | (1,107) | (662) | (197) | (188) | 67.2 | 461.9 |
| Net losses on financial assets and liabilities at fair value through profit or loss | - | (1,179) | (100.0) | 1 | (1) | (1,033) | (146) | large | large |
| Impairment (expense) release on loans and advances | (17) | 14 | n/a | (15) | (2) | (2) | 16 | large | large |
| Amortisation and depreciation expense | (206) | (207) | (0.5) | (108) | (98) | (108) | (99) | 10.2 | - |
| Fees, overheads and other expenses | (1,113) | (1,016) | 9.5 | (621) | (492) | (553) | (463) | 26.2 | 12.3 |
| Outside beneficial interests in managed funds | - | (45) | (100.0) | - | - | 13 | (58) | n/a | (100.0) |
| Total expenses | (16,712) | (15,332) | 9.0 | (9,260) | (7,452) | (8,671) | (6,661) | 24.3 | 6.8 |
| Profit before income tax | 1,642 | 837 | 96.2 | 832 | 810 | 264 | 573 | 2.7 | 215.2 |
| Income tax (expense) benefit | (483) | (138) | 250.0 | (242) | (241) | 34 | (172) | 0.4 | large |
| Profit for the financial year | 1,159 | 699 | 65.8 | 590 | 569 | 298 | 401 | 3.7 | 98.0 |
| Profit for the period attributable to: | | | | | | | | | |
| Owners of the Company | 1,148 | 681 | 68.6 | 588 | 560 | 293 | 388 | 5.0 | 100.7 |
| Non-controlling interests | 11 | 18 | (38.9) | 2 | 9 | 5 | 13 | (77.8) | (60.0) |
| Other comprehensive income | | | | | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | | |
| Net change in fair value of cash flow hedges | (47) | (183) | (74.3) | (27) | (20) | (162) | (21) | 35.0 | (83.3) |
| Net change in debt investments at fair value through other comprehensive income | 10 | (81) | n/a | (2) | 12 | (60) | (21) | large | (96.7) |
| Exchange differences on translation of foreign operations | 16 | (31) | n/a | (16) | 32 | (41) | 10 | large | (61.0) |
| Related income tax benefit | 11 | 79 | (86.1) | 9 | 2 | 67 | 12 | 350.0 | (86.6) |
| | (10) | (216) | (95.4) | (36) | 26 | (196) | (20) | large | (81.6) |
| Items that will not be reclassified subsequently to profit or loss | | | | | | | | | |
| Actuarial gains on defined benefit plans | 4 | 11 | (63.6) | 4 | - | 11 | - | n/a | (63.6) |
| Net change in equity investments at fair value through other comprehensive income | (6) | (10) | (40.0) | - | (6) | (8) | (2) | (100.0) | (100.0) |
| Related income tax benefit (expense) | 1 | (1) | n/a | (1) | 2 | (1) | - | large | - |
| | (1) | - | n/a | 3 | (4) | 2 | (2) | large | 50.0 |
| Total other comprehensive (loss) income | (11) | (216) | (94.9) | (33) | 22 | (194) | (22) | large | (83.0) |
| Total comprehensive income for the financial year | 1,148 | 483 | 137.7 | 557 | 591 | 104 | 379 | (5.8) | 435.6 |
| Total comprehensive income for the financial year attributable to: | | | | | | | | | |
| Owners of the Company | 1,137 | 465 | 144.5 | 555 | 582 | 99 | 366 | (4.6) | 460.6 |
| Non-controlling interests | 11 | 18 | (38.9) | 2 | 9 | 5 | 13 | (77.8) | (60.0) |
| Total comprehensive income for the financial year | 1,148 | 483 | 137.7 | 557 | 591 | 104 | 379 | (5.8) | 435.6 |

Consolidated statement of financial position (statutory view)

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 vs Dec-22 % | Jun-23 vs Jun-22 % |
|---|----------------|----------------|----------------|---------------|--------------------------|--------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | 3,908 | 2,436 | 1,418 | 1,025 | 60.4 | 175.6 |
| Receivables due from other banks | 1,788 | 4,837 | 2,490 | 4,004 | (63.0) | (28.2) |
| Trading securities | 2,218 | 1,950 | 2,722 | 2,144 | 13.7 | (18.5) |
| Derivatives | 606 | 638 | 741 | 342 | (5.0) | (18.2) |
| Investment securities | 23,049 | 20,556 | 20,957 | 20,258 | 12.1 | 10.0 |
| Premiums outstanding | 3,599 | 3,140 | 3,173 | 2,879 | 14.6 | 13.4 |
| Loans and advances | 67,102 | 64,691 | 61,856 | 58,394 | 3.7 | 8.5 |
| Reinsurance and other recoveries | 2,656 | 2,370 | 3,212 | 1,898 | 12.1 | (17.3) |
| Deferred reinsurance assets | 1,165 | 697 | 1,152 | 577 | 67.1 | 1.1 |
| Deferred acquisition costs | 874 | 829 | 796 | 774 | 5.4 | 9.8 |
| Property, plant and equipment | 604 | 670 | 712 | 558 | (9.9) | (15.2) |
| Deferred tax assets | 488 | 515 | 592 | 322 | (5.2) | (17.6) |
| Goodwill and other intangible assets | 5,306 | 5,294 | 5,282 | 5,267 | 0.2 | 0.5 |
| Other assets | 1,620 | 1,561 | 1,275 | 1,010 | 3.8 | 27.1 |
| Total assets | 114,983 | 110,184 | 106,378 | 99,452 | 4.4 | 8.1 |
| Liabilities | | | | | | |
| Payables due to other banks | 121 | 75 | 165 | 115 | 61.3 | (26.7) |
| Deposits | 51,178 | 50,803 | 47,875 | 44,392 | 0.7 | 6.9 |
| Derivatives | 682 | 742 | 783 | 306 | (8.1) | (12.9) |
| Amounts due to reinsurers | 1,153 | 384 | 1,119 | 279 | 200.3 | 3.0 |
| Payables and other liabilities | 2,924 | 1,794 | 1,741 | 1,418 | 63.0 | 67.9 |
| Current tax liabilities | - | - | - | 44 | n/a | n/a |
| Unearned premium liabilities | 6,771 | 6,235 | 6,024 | 5,716 | 8.6 | 12.4 |
| Provisions and employee benefit liabilities | 459 | 397 | 537 | 457 | 15.6 | (14.5) |
| Outstanding claims liabilities | 11,651 | 11,267 | 11,692 | 10,985 | 3.4 | (0.4) |
| Deferred tax liabilities | 144 | 146 | 127 | 129 | (1.4) | 13.4 |
| Managed funds units on issue | - | - | - | 399 | n/a | n/a |
| Borrowings | 24,009 | 22,870 | 20,910 | 19,537 | 5.0 | 14.8 |
| Loan capital | 2,544 | 2,295 | 2,622 | 2,706 | 10.8 | (3.0) |
| Total liabilities | 101,636 | 97,008 | 93,595 | 86,483 | 4.8 | 8.6 |
| Net assets | 13,347 | 13,176 | 12,783 | 12,969 | 1.3 | 4.4 |
| Equity | | | | | | |
| Share capital | 12,384 | 12,349 | 12,325 | 12,314 | 0.3 | 0.5 |
| Reserves | (42) | 1 | (28) | 187 | large | 50.0 |
| Retained profits | 972 | 793 | 456 | 431 | 22.6 | 113.2 |
| Total equity attributable to owners of the Company | 13,314 | 13,143 | 12,753 | 12,932 | 1.3 | 4.4 |
| Non-controlling interests | 33 | 33 | 30 | 37 | - | 10.0 |
| Total equity | 13,347 | 13,176 | 12,783 | 12,969 | 1.3 | 4.4 |

Consolidated statement of financial position by function

| | General Insurance Jun-23 \$M | Banking Jun-23 \$M | Life Jun-23 \$M | Corporate Jun-23 \$M | Eliminations Jun-23 \$M | Consolidated Jun-23 \$M |
|---|---------------------------------------|--------------------------|-----------------------|----------------------------|-------------------------------|-------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | 1,169 | 2,927 | 14 | 54 | (256) | 3,908 |
| Receivables due from other banks | - | 1,788 | - | - | - | 1,788 |
| Trading securities | - | 2,218 | - | - | - | 2,218 |
| Derivatives | 103 | 501 | - | 2 | - | 606 |
| Investment securities | 15,778 | 6,431 | 488 | 13,768 | (13,416) | 23,049 |
| Premiums outstanding | 3,597 | - | 2 | - | - | 3,599 |
| Loans and advances | - | 67,102 | - | - | - | 67,102 |
| Reinsurance and other recoveries | 2,583 | - | 73 | - | - | 2,656 |
| Deferred reinsurance assets | 1,165 | - | - | - | - | 1,165 |
| Deferred acquisition costs | 874 | - | - | - | - | 874 |
| Property, plant and equipment | 64 | - | 2 | 538 | - | 604 |
| Deferred tax assets | 174 | 136 | 11 | 167 | - | 488 |
| Goodwill and other intangible assets | 4,740 | 262 | 65 | 239 | - | 5,306 |
| Other assets | 1,051 | 219 | 155 | 119 | 76 | 1,620 |
| Due from related parties | 238 | 165 | 20 | 1,725 | (2,148) | - |
| Total assets | 31,536 | 81,749 | 830 | 16,612 | (15,744) | 114,983 |
| Liabilities | | | | | | |
| Payables due to other banks | - | 121 | - | - | - | 121 |
| Deposits | - | 51,434 | - | - | (256) | 51,178 |
| Derivatives | 157 | 520 | - | 5 | - | 682 |
| Amounts due to reinsurers | 1,152 | - | 1 | - | - | 1,153 |
| Payables and other liabilities | 1,792 | 431 | 10 | 681 | 10 | 2,924 |
| Unearned premium liabilities | 6,770 | - | 1 | - | - | 6,771 |
| Provisions and employee benefits liabilities | 107 | 1 | 9 | 342 | - | 459 |
| Outstanding claims liabilities | 11,480 | - | 171 | - | - | 11,651 |
| Deferred tax liabilities | 22 | - | 122 | - | - | 144 |
| Borrowings | - | 24,009 | - | - | - | 24,009 |
| Loan capital | 790 | 600 | - | 2,544 | (1,390) | 2,544 |
| Due to related parties | 242 | 90 | 7 | 350 | (689) | - |
| Total liabilities | 22,512 | 77,206 | 321 | 3,922 | (2,325) | 101,636 |
| Net assets | 9,024 | 4,543 | 509 | 12,690 | (13,419) | 13,347 |
| Equity | | | | | | |
| Share capital | | | | | | 12,384 |
| Reserves | | | | | | (42) |
| Retained profits | | | | | | 972 |
| Total equity attributable to owners of the Company | | | | | | 13,314 |
| Non-controlling interests | | | | | | 33 |
| Total equity | | | | | | 13,347 |

Appendix B: Statement of assets and liabilities

General Insurance

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|--|---------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | 1,169 | 608 | 848 | 1,027 | 92.3 | 37.9 |
| Derivatives | 103 | 161 | 162 | 46 | (36.0) | (36.4) |
| Investment securities | 15,778 | 14,197 | 13,964 | 14,081 | 11.1 | 13.0 |
| Premiums outstanding | 3,597 | 3,139 | 3,172 | 2,878 | 14.6 | 13.4 |
| Reinsurance and other recoveries | 2,583 | 2,299 | 3,136 | 1,822 | 12.4 | (17.6) |
| Deferred reinsurance assets | 1,165 | 697 | 1,152 | 577 | 67.1 | 1.1 |
| Deferred acquisition costs | 874 | 829 | 796 | 774 | 5.4 | 9.8 |
| Due from related parties | 238 | 265 | 197 | 156 | (10.2) | 20.8 |
| Property, plant and equipment | 64 | 63 | 67 | 73 | 1.6 | (4.5) |
| Deferred tax assets | 174 | 220 | 279 | 101 | (20.9) | (37.6) |
| Goodwill and intangible assets | 4,740 | 4,750 | 4,748 | 4,767 | (0.2) | (0.2) |
| Other assets | 1,051 | 958 | 828 | 605 | 9.7 | 26.9 |
| Total assets | 31,536 | 28,186 | 29,349 | 26,907 | 11.9 | 7.5 |
| Liabilities | | | | | | |
| Payables and other liabilities | 1,792 | 782 | 765 | 711 | 129.2 | 134.2 |
| Provisions and employee benefits liabilities | 107 | 93 | 124 | 110 | 15.1 | (13.7) |
| Derivatives | 157 | 154 | 213 | 68 | 1.9 | (26.3) |
| Due to related parties | 242 | 150 | 216 | 208 | 61.3 | 12.0 |
| Deferred tax liabilities | 22 | 22 | 17 | 12 | - | 29.4 |
| Unearned premium liabilities | 6,770 | 6,234 | 6,023 | 5,715 | 8.6 | 12.4 |
| Outstanding claims liabilities | 11,480 | 11,106 | 11,529 | 10,812 | 3.4 | (0.4) |
| Loan capital | 790 | 540 | 870 | 580 | 46.3 | (9.2) |
| Current tax liabilities | - | - | - | - | n/a | n/a |
| Amount due to reinsurers | 1,152 | 382 | 1,117 | 277 | 201.6 | 3.1 |
| Total liabilities | 22,512 | 19,463 | 20,874 | 18,493 | 15.7 | 7.8 |
| Net assets | 9,024 | 8,723 | 8,475 | 8,414 | 3.5 | 6.5 |
| Reconciliation of net assets to Common Equity | | | | | | |
| Tier 1 capital | | | | | | |
| Net assets - GI businesses | 9,024 | 8,723 | 8,475 | 8,414 | | |
| Insurance liabilities in excess of liability valuation | 442 | 448 | 441 | 520 | | |
| Reserves excluded from regulatory capital | (22) | (22) | (20) | (18) | | |
| Additional Tier 1 capital | (609) | (609) | (609) | (579) | | |
| Goodwill allocated to GI businesses | (4,394) | (4,398) | (4,393) | (4,399) | | |
| Other intangibles (including software assets) | (520) | (571) | (634) | (467) | | |
| Other Tier 1 deductions | (3) | (12) | (7) | (4) | | |
| Common Equity Tier 1 capital | 3,918 | 3,559 | 3,253 | 3,467 | | |

Bank

| | Jun-23 \$M | Dec-22 \$M | Jun-22 \$M | Dec-21 \$M | Jun-23 v Dec-22 % | Jun-23 v Jun-22 % |
|---|---------------|---------------|---------------|---------------|-------------------------|-------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | 2,927 | 1,902 | 609 | 90 | 53.9 | 380.6 |
| Receivables due from other banks | 1,788 | 4,837 | 2,490 | 4,004 | (63.0) | (28.2) |
| Trading securities | 2,218 | 1,950 | 2,722 | 2,144 | 13.7 | (18.5) |
| Derivatives | 501 | 475 | 579 | 296 | 5.5 | (13.5) |
| Investment securities | 6,431 | 5,361 | 5,949 | 4,678 | 20.0 | 8.1 |
| Loans and advances | 67,102 | 64,691 | 61,856 | 58,394 | 3.7 | 8.5 |
| Due from related parties | 165 | 272 | 221 | 235 | (39.3) | (25.3) |
| Deferred tax assets | 136 | 126 | 127 | 57 | 7.9 | 7.1 |
| Other assets | 219 | 184 | 146 | 138 | 19.0 | 50.0 |
| Goodwill and intangible assets | 262 | 262 | 262 | 262 | - | - |
| Total assets | 81,749 | 80,060 | 74,961 | 70,298 | 2.1 | 9.1 |
| Liabilities | | | | | | |
| Deposits | 51,434 | 50,995 | 48,125 | 44,762 | 0.9 | 6.9 |
| Derivatives | 520 | 574 | 559 | 237 | (9.4) | (7.0) |
| Payables due to other banks | 121 | 75 | 165 | 115 | 61.3 | (26.7) |
| Payables and other liabilities | 432 | 373 | 201 | 123 | 15.8 | 114.9 |
| Due to related parties | 90 | 72 | 135 | 78 | 25.0 | (33.3) |
| Borrowings | 24,009 | 22,870 | 20,910 | 19,537 | 5.0 | 14.8 |
| Subordinated notes | 600 | 600 | 600 | 600 | - | - |
| Total liabilities | 77,206 | 75,559 | 70,695 | 65,452 | 2.2 | 9.2 |
| Net assets | 4,543 | 4,501 | 4,266 | 4,846 | 0.9 | 6.5 |
| Reconciliation of net equity to Common Equity Tier 1 capital | | | | | | |
| Net equity - Banking | 4,543 | 4,501 | 4,266 | 4,846 | | |
| Additional Tier 1 capital | (560) | (560) | (560) | (935) | | |
| Goodwill allocated to Banking Business | (240) | (240) | (240) | (240) | | |
| Regulatory capital equity adjustments | (2) | (1) | (2) | (4) | | |
| Regulatory capital adjustments | (289) | (256) | (231) | (287) | | |
| Other reserves excluded from Common Equity | | | | | | |
| Tier 1 ratio | (76) | (76) | (76) | (90) | | |
| Common Equity Tier 1 capital | 3,376 | 3,368 | 3,157 | 3,290 | | |

Average banking balance sheet

| | Full Year Ended Jun-23 | | | Half Year Ended Jun-23 | | |
|--|------------------------------|--------------|--------------|------------------------------|--------------|--------------|
| | 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 | 13,304 | 361 | 2.71 | 13,503 | 219 | 3.27 |
| Gross loans and advances | 58,603 | 2,713 | 4.63 | 59,345 | 1,513 | 5.14 |
| Total interest-earning assets | 71,907 | 3,074 | 4.27 | 72,848 | 1,732 | 4.79 |
| Non-interest earning assets | | | | | | |
| Loan balances subject to mortgage offsets | 5,617 | | | 5,856 | | |
| Other assets (inc. loan provisions) | 602 | | | 765 | | |
| Total non-interest earning assets | 6,219 | | | 6,621 | | |
| Total assets | 78,126 | | | 79,469 | | |
| Liabilities | | | | | | |
| Interest-bearing liabilities | | | | | | |
| Customer deposits | 44,780 | 702 | 1.57 | 45,193 | 458 | 2.04 |
| Wholesale liabilities | 22,119 | 934 | 4.38 | 22,652 | 574 | 5.11 |
| Subordinated loans | 600 | 30 | 5.00 | 600 | 17 | 5.71 |
| Total interest-bearing liabilities | 67,499 | 1,666 | 2.50 | 68,445 | 1,049 | 3.09 |
| Non-interest bearing liabilities | | | | | | |
| Other customer deposits | 5,617 | | | 5,856 | | |
| Other liabilities | 498 | | | 574 | | |
| Total non-interest bearing liabilities | 6,115 | | | 6,430 | | |
| Total Liabilities | 73,614 | | | 74,875 | | |
| Average Net Assets | 4,512 | | | 4,594 | | |
| Non-Shareholder Accounting Equity | 387 | | | 109 | | |
| Convertible Preference Shares | (560) | | | (560) | | |
| Average Ordinary Shareholders' equity | 4,339 | | | 4,143 | | |
| Goodwill allocated to banking business | (240) | | | (240) | | |
| Average Ordinary Shareholders' equity (ex goodwill) | 4,099 | | | 3,903 | | |
| Analysis of interest margin and spread | | | | | | |
| Interest-earning assets | 71,907 | 782 | 4.27 | 72,848 | 1,732 | 4.79 |
| Interest-bearing liabilities | 66,714 | 159 | 2.50 | 68,445 | 1,049 | 3.09 |
| Net interest spread | | | 1.77 | | | 1.70 |
| Net interest margin (interest-earning assets) | 71,907 | 623 | 1.96 | 72,848 | 683 | 1.89 |
| Net interest margin (lending assets) | 58,603 | 623 | 2.40 | 59,345 | 683 | 2.32 |

¹ Calculated based on daily balances over the period.

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

Appendix C: Income Tax

| | Full Year ended | | Jun-23 |
|---|-----------------|--------------|--------------|
| | Jun-23 | Jun-22 | v Jun-22 |
| | \$M | \$M | % |
| Reconciliation of prima facie income tax expense to actual tax expense: | | | |
| Profit before tax | 1,642 | 837 | 96.2 |
| Prima facie domestic corporate tax rate of 30% (2022: 30%) | 493 | 251 | 96.4 |
| Effect of tax rates in foreign jurisdictions | (3) | (4) | (25.0) |
| Effect of income taxed at non-corporate tax rate | - | (1) | (100.0) |
| Tax effect of amounts not deductible (assessable) in calculating taxable income: | | | |
| Non-deductible expenses | 16 | 13 | 23.1 |
| Non-deductible expenses – Life companies | (4) | (2) | 100.0 |
| Amortisation of intangible assets | 4 | 5 | (20.0) |
| Dividend adjustments | 6 | 13 | (53.8) |
| Tax exempt revenues | (2) | (3) | (33.3) |
| Current year rebates and credits | (11) | (19) | (42.1) |
| Utilisation of previously unrecognised capital losses | (12) | (66) | (81.8) |
| Prior year over provision | (4) | (49) | (91.8) |
| Total income tax expense on pre-tax profit | 483 | 138 | 250.0 |
| Effective tax rate | 29.4% | 16.5% | 12.9 |

The effective tax rate of 29.4% (2022: 16.5%) is consistent with the Australian corporate tax rate of 30% (2022: 30%).

Appendix D: Group Earnings Per Share

Earnings per share

| Numerator | Full Year Ended | | | Half Year Ended | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Jun-23 | Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 |
| | \$M | \$M | \$M | \$M | \$M | \$M |
| Earnings: | | | | | | |
| Profit attributable to ordinary equity holders of the company (basic) | 1,148 | 681 | 588 | 560 | 293 | 388 |
| Interest expense on convertible capital and subordinated notes ¹ | 54 | 37 | 31 | 23 | 21 | 16 |
| Profit attributable to ordinary equity holders of the company (diluted) | 1,202 | 718 | 619 | 583 | 314 | 404 |
| Denominator | No. of shares | No. of shares | No. of shares | No. of shares | No. of shares | No. of shares |
| Weighted average number of shares: | | | | | | |
| Weighted average number of ordinary shares (basic) | 1,262,641,453 | 1,265,706,373 | 1,263,515,586 | 1,261,779,833 | 1,260,526,085 | 1,270,800,291 |
| Effect of conversion of convertible capital and subordinated notes ¹ | 95,005,950 | 133,465,755 | 101,449,095 | 99,952,536 | 140,767,431 | 126,527,917 |
| Weighted average number of ordinary shares (diluted) | 1,357,647,403 | 1,399,172,128 | 1,364,964,681 | 1,361,732,369 | 1,401,293,516 | 1,397,328,208 |
| Earnings per share | cents | cents | cents | cents | cents | cents |
| Basic | 90.92 | 53.80 | 46.54 | 44.38 | 23.24 | 30.53 |
| Diluted ¹ | 88.54 | 51.32 | 45.35 | 42.81 | 22.41 | 28.91 |

1. Capital notes and the \$250 million SGL subordinated notes issued on 1 March 2023 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

| Numerator | Full Year Ended | | | Half Year Ended | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Jun-23 | Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 |
| | \$M | \$M | \$M | \$M | \$M | \$M |
| Earnings: | | | | | | |
| Cash profit attributable to ordinary equity holders of the company (basic) | 1,254 | 673 | 666 | 588 | 312 | 361 |
| Interest expense on convertible capital and subordinated notes ¹ | 54 | 37 | 31 | 23 | 21 | 16 |
| Cash profit attributable to ordinary equity holders of the company (diluted) | 1,308 | 710 | 697 | 611 | 333 | 377 |
| Denominator | No. of shares | No. of shares | No. of shares | No. of shares | No. of shares | No. of shares |
| Weighted average number of shares: | | | | | | |
| Weighted average number of ordinary shares (basic) | 1,262,641,453 | 1,265,706,373 | 1,263,515,586 | 1,261,779,833 | 1,260,526,085 | 1,270,800,291 |
| Effect of conversion of convertible capital and subordinated notes ¹ | 95,005,950 | 133,465,755 | 101,449,095 | 99,952,536 | 140,767,431 | 126,527,917 |
| Weighted average number of ordinary shares (diluted) | 1,357,647,403 | 1,399,172,128 | 1,364,964,681 | 1,361,732,369 | 1,401,293,516 | 1,397,328,208 |
| Cash earnings per share | cents | cents | cents | cents | cents | cents |
| Basic | 99.32 | 53.17 | 52.71 | 46.60 | 24.75 | 28.41 |
| Diluted ¹ | 96.34 | 50.74 | 51.06 | 44.87 | 23.76 | 26.98 |

1. Capital notes and the \$250 million SGL subordinated notes issued on 1 March 2023 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

| | Jun-23 | Dec-22 | Jun-22 |
|--|---------------|---------------|---------------|
| Ordinary shares (SUN) each fully paid | | | |
| Number at the end of the period | 1,266,542,392 | 1,264,075,597 | 1,262,604,976 |
| Dividend declared for the period (cents per share) | 27 | 33 | 17 |
| SGL Capital Notes (SUNPF) each fully paid | | | |
| Number at the end of the period | - | - | - |
| Distribution declared for the period (\$ per share) ¹ | - | - | 0.7516 |
| 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 | 2.7125 | 2.2891 | 1.6545 |
| 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 | 2.4820 | 2.0660 | 1.4226 |
| 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 | 2.4464 | 2.0316 | 1.3869 |

1. Classified as interest expense.

Appendix F: Group capital

Group capital

| | As at 30 June 2023 | | | | | As at 30 June 2022 |
|--|--------------------------|----------------|-------------|------------------------------------|---------------|--------------------|
| | General Insurance \$M | Banking \$M | Life \$M | SGL, Corp Services & Consol \$M | Total \$M | Total \$M |
| Common Equity Tier 1 capital | | | | | | |
| Ordinary share capital | - | - | - | 12,369 | 12,369 | 12,321 |
| Subsidiary share capital (eliminated upon consolidation) | 7,704 | 3,976 | 424 | (12,129) | (25) | (26) |
| Reserves | (10) | (1,145) | 321 | 740 | (94) | (78) |
| Retained profits and non-controlling interests | 699 | 1,075 | (236) | (533) | 1,005 | 486 |
| Insurance liabilities in excess of liability valuation | 442 | - | - | - | 442 | 441 |
| Goodwill and other intangible assets | (4,732) | (574) | (67) | (253) | (5,626) | (5,515) |
| Net deferred tax liabilities/(assets) ¹ | (182) | (79) | 111 | (167) | (317) | (447) |
| Policy liability adjustment ² | - | - | (467) | - | (467) | (409) |
| Other Tier 1 deductions | (3) | 124 | - | - | 121 | 92 |
| Common Equity Tier 1 capital | 3,918 | 3,377 | 86 | 27 | 7,408 | 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 | 4,527 | 3,937 | 86 | 27 | 8,577 | 8,034 |
| Tier 2 capital | | | | | | |
| General reserve for credit losses | - | 221 | - | - | 221 | 202 |
| Eligible Subordinated notes | 790 | 600 | - | - | 1,390 | 1,470 |
| Transitional Subordinated notes ³ | - | - | - | - | - | - |
| Tier 2 capital | 790 | 821 | - | - | 1,611 | 1,672 |
| Total capital | 5,317 | 4,758 | 86 | 27 | 10,188 | 9,706 |
| Represented by: | | | | | | |
| Capital in Australian regulated entities | 4,757 | 4,757 | - | - | 9,514 | 8,647 |
| Capital in New Zealand regulated entities | 514 | - | 69 | - | 583 | 603 |
| Capital in unregulated entities ⁴ | 46 | 1 | 17 | 27 | 91 | 456 |
| Common Equity Tier 1 capital (ex div) | 3,467 | 3,267 | 82 | 274 | 7,090 | 6,665 |
| Total capital (ex div) | 4,866 | 4,648 | 82 | 274 | 9,870 | 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.

General Insurance capital

| | GI Group ¹ Jun-23 \$M | GI Group ¹ Jun-22 \$M |
|--|--|--|
| Common Equity Tier 1 capital | | |
| Ordinary share capital | 7,704 | 7,575 |
| Reserves | (10) | (16) |
| Retained profits and non-controlling interests | 699 | 287 |
| Insurance liabilities in excess of liability valuation | 442 | 441 |
| Goodwill and other intangible assets | (4,732) | (4,740) |
| Net deferred tax assets | (182) | (287) |
| Other Tier 1 deductions | (3) | (7) |
| Common Equity Tier 1 capital | 3,918 | 3,253 |
| Additional Tier 1 capital | 609 | 609 |
| Tier 1 capital | 4,527 | 3,862 |
| Tier 2 Capital | | |
| Eligible subordinated notes | 790 | 870 |
| Tier 2 capital | 790 | 870 |
| Total capital | 5,317 | 4,732 |
| Prescribed Capital Amount | | |
| Outstanding claims risk charge | 1,032 | 987 |
| Premium liabilities risk charge | 776 | 689 |
| Total insurance risk charge | 1,808 | 1,676 |
| Insurance concentration risk charge | 350 | 250 |
| Asset risk charge | 1,094 | 984 |
| Asset concentration risk charge | - | - |
| Operational risk charge | 377 | 344 |
| Aggregation benefit | (645) | (579) |
| Total Prescribed Capital Amount (PCA) | 2,984 | 2,675 |
| Common Equity Tier 1 ratio | 1.31 | 1.22 |
| Total capital ratio | 1.78 | 1.77 |
| Common Equity Tier 1 ratio (ex div) | 1.16 | 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 |
|--|---|----------------|----------------------------|----------------------------|
| | Jun-23 | Jun-23 | Jun-23 | Jun-22 |
| | \$M | \$M | \$M | \$M |
| Common Equity Tier 1 capital | | | | |
| Ordinary share capital | 2,754 | 1,222 | 3,976 | 3,976 |
| Reserves | (158) | (987) | (1,145) | (1,119) |
| Retained profits | 1,069 | 6 | 1,075 | 772 |
| Goodwill and other intangible assets | (334) | (240) | (574) | (486) |
| Net deferred tax assets | (79) | - | (79) | (84) |
| Other Tier 1 deductions | 124 | - | 124 | 99 |
| Common Equity Tier 1 capital | 3,376 | 1 | 3,377 | 3,158 |
| Additional Tier 1 capital | | | | |
| Eligible hybrid capital | 560 | - | 560 | 560 |
| Additional Tier 1 capital | 560 | - | 560 | 560 |
| Tier 1 capital | 3,936 | 1 | 3,937 | 3,718 |
| Tier 2 capital | | | | |
| General reserve for credit losses | 221 | - | 221 | 202 |
| Eligible Subordinated notes | 600 | - | 600 | 600 |
| Transitional Subordinated notes | - | - | - | - |
| Tier 2 capital | 821 | - | 821 | 802 |
| Total capital | 4,757 | 1 | 4,758 | 4,520 |
| Risk-Weighted Assets | | | | |
| Credit risk | 29,838 | - | 29,838 | 30,914 |
| Market risk | 141 | - | 141 | 155 |
| Operational risk | 2,512 | - | 2,512 | 3,728 |
| Total Risk-Weighted Assets | 32,491 | - | 32,491 | 34,797 |
| Common Equity Tier 1 ratio | 10.39% | | 10.39% | 9.08% |
| Total capital ratio | 14.64% | | 14.64% | 12.99% |
| Common Equity Tier 1 ratio (ex div) | 10.05% | | 10.06% | 9.08% |
| Total capital ratio (ex div) | 14.30% | | 14.31% | 12.99% |

1. Basel III effective 1 January 2023.

Capital instruments

| | 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 |
|--|--|-------------------------------------|---------------|--------------|--------------|------------|------------------------------|------------------------------|
| 30 June 2023 | | | | | | | | |
| 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 |
| SGL Subordinated Debt ^{4,1,2} | 265 bps | Dec 2028 | Mar 2023 | 250 | - | - | 250 | 248 |
| Total subordinated debt | | | | 790 | 600 | - | 1,390 | 1,385 |
| SGL Capital Notes 2 (SUNPG) ^{1,2} | 365 bps | Jun 2024 | Nov 2017 | 165 | 210 | - | 375 | 374 |
| 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 | 400 |
| Total Additional Tier 1 capital | | | | 609 | 560 | - | 1,169 | 1,159 |
| Total | | | | 1,399 | 1,160 | - | 2,559 | 2,544 |
| 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 | 599 |
| 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 | | | | 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. Transaction costs related to external issuance are deducted from the "Accounting Balance" outlined above when recorded in the issuing entities balance sheet and amortised to the optional first call or optional exchange date.
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 insurance¹

| | Full Year Ended | | Jun-23 | | Half Year Ended | | Jun-23 | Jun-23 |
|---------------------------------------|-----------------|---------|---------------|--------------|-----------------|---------|---------|--------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % |
| Gross written premium | 6,737 | 5,996 | 12.4 | 3,510 | 3,227 | 3,086 | 2,910 | 8.8 |
| Net earned premium | 5,421 | 4,981 | 8.8 | 2,754 | 2,667 | 2,460 | 2,521 | 3.3 |
| Net incurred claims | (4,360) | (3,675) | 18.6 | (2,130) | (2,230) | (1,726) | (1,949) | (4.5) |
| Acquisition expenses | (587) | (619) | (5.2) | (307) | (280) | (308) | (311) | 9.6 |
| Other underwriting expenses | (317) | (391) | (18.9) | (147) | (170) | (187) | (204) | (13.5) |
| Total operating expenses | (904) | (1,010) | (10.5) | (454) | (450) | (495) | (515) | 0.9 |
| Underwriting result | 157 | 296 | (47.0) | 170 | (13) | 239 | 57 | n/a |
| Investment income - insurance funds | 134 | (19) | n/a | 74 | 60 | (28) | 9 | 23.3 |
| Insurance trading result | 291 | 277 | 5.1 | 244 | 47 | 211 | 66 | 419.1 |
| | % | % | | % | % | % | % | |
| Ratios | | | | | | | | |
| Acquisition expenses ratio | 10.8 | 12.5 | | 11.1 | 10.5 | 12.5 | 12.3 | |
| Other underwriting expenses ratio | 5.8 | 7.8 | | 5.3 | 6.4 | 7.6 | 8.1 | |
| Total operating expenses ratio | 16.6 | 20.3 | | 16.4 | 16.9 | 20.1 | 20.4 | |
| Loss ratio | 80.4 | 73.8 | | 77.3 | 83.6 | 70.2 | 77.3 | |
| Combined operating ratio | 97.0 | 94.1 | | 93.7 | 100.5 | 90.3 | 97.7 | |
| Insurance trading ratio | 5.4 | 5.6 | | 8.9 | 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

| | Full Year Ended | | Jun-23 | | Half Year Ended | | Jun-23 | Jun-23 |
|--|-----------------|---------|--------------|----------------|-----------------|--------|--------|-------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % |
| Gross written premium | 3,591 | 3,388 | 6.0 | 1,900 | 1,691 | 1,756 | 1,632 | 12.4 |
| Net earned premium | 3,233 | 2,930 | 10.3 | 1,669 | 1,564 | 1,469 | 1,461 | 6.7 |
| Net incurred claims¹ | (2,013) | (1,653) | 21.8 | (1,047) | (966) | (679) | (974) | 8.4 |
| Acquisition expenses | (501) | (468) | 7.1 | (269) | (232) | (237) | (231) | 15.9 |
| Other underwriting expenses ¹ | (245) | (241) | 1.7 | (125) | (120) | (101) | (140) | 4.2 |
| Total operating expenses | (746) | (709) | 5.2 | (394) | (352) | (338) | (371) | 11.9 |
| Underwriting result | 474 | 568 | (16.5) | 228 | 246 | 452 | 116 | (7.3) |
| Investment income - insurance funds | 203 | (381) | n/a | 124 | 79 | (349) | (32) | 57.0 |
| Insurance trading result | 677 | 187 | 262.0 | 352 | 325 | 103 | 84 | 8.3 |
| | % | % | | % | % | % | % | |
| Ratios | | | | | | | | |
| Acquisition expenses ratio | 15.5 | 16.0 | | 16.1 | 14.8 | 16.1 | 15.8 | |
| Other underwriting expenses ratio ² | 7.6 | 8.2 | | 7.5 | 7.7 | 6.9 | 9.6 | |
| Total operating expenses ratio | 23.1 | 24.2 | | 23.6 | 22.5 | 23.0 | 25.4 | |
| Loss ratio | 62.2 | 56.4 | | 62.7 | 61.8 | 46.2 | 66.7 | |
| Combined operating ratio | 85.3 | 80.6 | | 86.3 | 84.3 | 69.2 | 92.1 | |
| Insurance trading ratio | 20.9 | 6.4 | | 21.1 | 20.8 | 7.0 | 5.7 | |

1. Other underwriting expense includes a movement in the provision for TEPL of \$77 million (Jun-23: \$52 million, Dec-22: \$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, Jun-23 Other underwriting expenses ratio is 5.2% and loss ratio is 64.6%.

General Insurance short-tail (includes New Zealand)

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|---------------------------------------|-----------------|----------------|---------------|--------------|-----------------|--------------|--------------|---------------|---------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec- | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Short-tail | | | | | | | | | |
| Gross written premium | 10,139 | 9,019 | 12.4 | 5,236 | 4,903 | 4,566 | 4,453 | 6.8 | 14.7 |
| Net earned premium | 7,999 | 7,448 | 7.4 | 4,023 | 3,976 | 3,700 | 3,748 | 1.2 | 8.7 |
| Net incurred claims | (6,066) | (5,075) | 19.5 | (3,152) | (2,914) | (2,386) | (2,689) | 8.2 | 32.1 |
| Acquisition expenses | (1,129) | (1,114) | 1.3 | (595) | (534) | (552) | (562) | 11.4 | 7.8 |
| Other underwriting expenses | (581) | (651) | (10.8) | (289) | (292) | (322) | (329) | (1.0) | (10.2) |
| Total operating expenses | (1,710) | (1,765) | (3.1) | (884) | (826) | (874) | (891) | 7.0 | 1.1 |
| Underwriting result | 223 | 608 | (63.3) | (13) | 236 | 440 | 168 | n/a | n/a |
| Investment income - insurance funds | 188 | (32) | n/a | 107 | 81 | (41) | 9 | 32.1 | n/a |
| Insurance trading result | 411 | 576 | (28.6) | 94 | 317 | 399 | 177 | (70.3) | (76.4) |
| Ratios | % | % | | % | % | % | % | | |
| Acquisition expenses ratio | 14.1 | 15.0 | | 14.8 | 13.4 | 14.9 | 15.0 | | |
| Other underwriting expenses ratio | 7.3 | 8.7 | | 7.2 | 7.4 | 8.7 | 8.8 | | |
| Total operating expenses ratio | 21.4 | 23.7 | | 22.0 | 20.8 | 23.6 | 23.8 | | |
| Loss ratio | 75.8 | 68.1 | | 78.3 | 73.3 | 64.5 | 71.7 | | |
| Combined operating ratio | 97.2 | 91.8 | | 100.3 | 94.1 | 88.1 | 95.5 | | |
| Insurance trading ratio | 5.1 | 7.7 | | 2.3 | 8.0 | 10.8 | 4.7 | | |

General Insurance long-tail (includes New Zealand)

| | Full Year Ended | | Jun-23 | | Half Year Ended | | | Jun-23 | Jun-23 |
|--|-----------------|--------------|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|
| | Jun-23 | Jun-22 | v Jun-22 | Jun-23 | Dec-22 | Jun-22 | Dec-21 | v Dec- | v Jun-22 |
| | \$M | \$M | % | \$M | \$M | \$M | \$M | % | % |
| Long-tail | | | | | | | | | |
| Gross written premium | 2,420 | 2,363 | 2.4 | 1,334 | 1,086 | 1,270 | 1,093 | 22.8 | 5.0 |
| Net earned premium | 2,343 | 2,111 | 11.0 | 1,220 | 1,123 | 1,059 | 1,052 | 8.6 | 15.2 |
| Net incurred claims ¹ | (1,435) | (1,202) | 19.4 | (624) | (811) | (496) | (706) | (23.1) | 25.8 |
| Acquisition expenses | (306) | (293) | 4.4 | (163) | (143) | (148) | (145) | 14.0 | 10.1 |
| Other underwriting expenses ¹ | (155) | (134) | 15.7 | (72) | (83) | (46) | (88) | (13.3) | 56.5 |
| Total operating expenses | (461) | (427) | 8.0 | (235) | (226) | (194) | (233) | 4.0 | 21.1 |
| Underwriting result | 447 | 482 | (7.3) | 361 | 86 | 369 | 113 | 319.8 | (2.2) |
| Investment income - insurance funds | 177 | (376) | n/a | 112 | 65 | (340) | (36) | 72.3 | n/a |
| Insurance trading result | 624 | 106 | 488.7 | 473 | 151 | 29 | 77 | 213.2 | large |
| Ratios | % | % | | % | % | % | % | | |
| Acquisition expenses ratio | 13.1 | 13.9 | | 13.4 | 12.7 | 14.0 | 13.8 | | |
| Other underwriting expenses ratio ² | 6.6 | 6.3 | | 5.9 | 7.4 | 4.3 | 8.4 | | |
| Total operating expenses ratio | 19.7 | 20.2 | | 19.3 | 20.1 | 18.3 | 22.2 | | |
| Loss ratio ² | 61.2 | 56.9 | | 51.1 | 72.2 | 46.8 | 67.1 | | |
| Combined operating ratio | 80.9 | 77.1 | | 70.4 | 92.3 | 65.1 | 89.3 | | |
| Insurance trading ratio | 26.6 | 5.0 | | 38.8 | 13.4 | 2.7 | 7.3 | | |

1. Other Underwriting Expense includes a movement in the provision for TEPL of \$77 million (Jun-23: \$52 million, Dec-22: \$25 million, Jun-22: \$5 million, Dec-21: \$44 million). The reserve release associated with this provision is in Net incurred claims.

2. Excluding the impacts of TEPL, Jun-22 Other underwriting expenses ratio is 3.3% and Loss ratio is 64.5%.

Appendix H: FY24 Group Reinsurance Program

Reinsurance security has been maintained for FY24, with over 85% of business protected by reinsurers rated 'A+' or better.

Property catastrophe program

The Group's maximum event retention increased to \$350 million (FY23: \$250 million) with an upper limit of \$6.4 billion (FY23: \$6.8 billion) which covers the Home, Motor and Commercial property portfolios across Australia and New Zealand and includes one full prepaid reinstatement. The FY24 upper limit remains in excess of Australia and New Zealand regulatory requirements. The reduction from FY23 is due to the implementation of the Australian Cyclone Reinsurance Pool and the increased earthquake coverage provided by the Toka Tū Ake Earthquake Commission (EQC) in New Zealand.

In addition to the Main Catastrophe program, the Group has purchased Group Dropdown protection that reduces the second, third and fourth event retention to \$250 million.

Below the Group retentions, Suncorp has purchased an Australian Dropdown program that further reduces the third and fourth event retention for Australian events to \$150 million (FY23: \$100 million).

In New Zealand, buydown cover (including a prepaid reinstatement) has been 52% placed to provide cover between NZ\$100 million and the Group's maximum event retention of \$350 million. Placing the remaining 48% of the buydown cover was not economically viable. In FY23 the buydowns provided cover down to NZ\$50 million for a first event and NZ\$25 million for a second event. The part-placement and increase in retention reflect the increases in reinsurance costs following the North Island Floods and Tropical Cyclone Gabrielle that occurred during FY23.

Following comprehensive internal modelling on its cost and benefits, the aggregate excess of loss (AXL) cover has not been renewed.

The Group also has a 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. |
| Cash return on average shareholders' equity pre-goodwill and intangibles | Cash earnings divided by average equity attributable to owners of the Company less goodwill and intangibles. Intangibles excludes any capitalised costs (software or broker commissions). 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 <i>Earnings per Share</i> . |
| 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. |

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| 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. |

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| 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)

Full year results and final dividend announcement

9 August 2023

Final ordinary dividend ex-dividend date

14 August 2023

Final ordinary dividend record date

15 August 2023

Final ordinary dividend payment date

25 September 2023

Annual General Meeting

26 September 2023

Half year results and interim dividend announcement

21 February 2024

Interim ordinary dividend ex-dividend date

26 February 2024

Interim ordinary dividend record date

27 February 2024

Interim ordinary dividend payment date

17 April 2024

Suncorp Group Limited Capital Notes 2 (SUNPG)

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|---------------------------|-------------------|
| Ex-distribution date | 1 September 2023 |
| Distribution payment date | 18 September 2023 |
| Ex-distribution date | 1 December 2023 |
| Distribution payment date | 18 December 2023 |
| Ex-distribution date | 1 March 2024 |
| Distribution payment date | 18 March 2024 |
| Ex-distribution date | 30 May 2024 |
| Distribution payment date | 17 June 2024 |

Suncorp Group Limited Capital Notes 3 (SUNPH)

| | |
|---------------------------|-------------------|
| Ex-distribution date | 1 September 2023 |
| Distribution payment date | 18 September 2023 |
| Ex-distribution date | 1 December 2023 |
| Distribution payment date | 18 December 2023 |
| Ex-distribution date | 1 March 2024 |
| Distribution payment date | 18 March 2024 |
| Ex-distribution date | 30 May 2024 |
| Distribution payment date | 17 June 2024 |

Suncorp Group Limited Capital Notes 4 (SUNPI)

| | |
|---------------------------|-------------------|
| Ex-distribution date | 1 September 2023 |
| Distribution payment date | 18 September 2023 |
| Ex-distribution date | 1 December 2023 |
| Distribution payment date | 18 December 2023 |
| Ex-distribution date | 1 March 2024 |
| Distribution payment date | 18 March 2024 |
| Ex-distribution date | 30 May 2024 |
| Distribution payment date | 17 June 2024 |

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