

SUNCORP



**Building futures and
protecting what matters**

11 December 2023

AASB17 proforma financial results for the year ended 30 June 2023

Suncorp Group Limited
ABN 66 145 290 124

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 FY23 results are reported across four functions following a recent re-organisation: Consumer Insurance, Commercial and Personal Injury Insurance, Suncorp New Zealand and Suncorp Bank.

From 1 July 2023, Suncorp Group reporting for the General Insurance and New Zealand Life business is under AASB 17, the new international accounting standard for insurance contracts. The enclosed FY23 restatements should be read in conjunction with the 'AASB 17 Update' presentation released today (11 December 2023), which includes detailed guidance regarding AASB 17 accounting concepts and impacts.

The information in this release provides an unaudited overview of FY23 performance. Any restatement of prior period results to AASB 17 results has not been subject to external review and is subject to change following a review by Suncorp Group's auditor.

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\$.

Disclaimer

This report contains general information on the Group and its operations, which is current as at 11 December 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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1. Group result overview

	FY23	2H23	1H23	Comparative	Comparative
	\$M	\$M	\$M	%	%
Consumer Insurance	200	168	32		
Commercial & Personal Injury	443	212	231		
Suncorp New Zealand	59	(9)	68		
Internal Reinsurance	57	52	5		
General Insurance profit after tax	759	423	336		
New Zealand Life	17	4	13		
Suncorp Bank	470	214	256		
Profit after tax from ongoing functions	1,246	641	605		
Other profit (loss) after tax	(75)	(48)	(27)		
Cash earnings	1,171	593	578		
Net profit (loss) on sale of divested/divesting operations	(91)	(71)	(20)		
Acquisition amortisation	(15)	(7)	(8)		
Net profit after tax	1,065	515	550		

Contribution to Profit

	FY23	2H23	1H23	Comparative	Comparative
	\$M	\$M	\$M	%	%
GROUP GENERAL INSURANCE					
Gross written premium	12,559	6,568	5,991		
Insurance revenue	11,826	6,014	5,812		
Reinsurance premium	(1,380)	(720)	(659)		
Net insurance revenue	10,446	5,293	5,153		
Net incurred claims	(7,397)	(3,724)	(3,673)		
Direct operating expenses	(1,688)	(874)	(814)		
Commission expenses	(594)	(304)	(290)		
Insurance service result	767	392	375		
Investment income on insurance funds	365	219	146		
Discount unwind on claims liabilities	(234)	(143)	(91)		
Market rate adjustments on claims liabilities	109	64	45		
Non-directly attributable expenses	(40)	(24)	(16)		
Insurance trading result	967	508	459		
Investment income on shareholder funds	218	148	70		
Managed schemes, JV and other	(112)	(59)	(53)		
Profit before tax	1,073	597	476		
Income tax	(314)	(174)	(140)		
General Insurance profit after tax	759	423	336		
Life Insurance profit after tax	17	4	13		
SUNCORP BANK					
Net interest income	1,408	683	725		
Total other operating income	17	9	8		
Operating expenses	(737)	(371)	(366)		
Profit before impairment releases/(losses) on loans and advances	688	321	367		
Impairment releases/(losses) on loans and advances	(17)	(15)	(2)		
Profit before tax	671	306	365		
Income tax	(201)	(92)	(109)		
Suncorp Bank profit after tax	470	214	256		
Profit after tax from functions	1,246	641	605		
Other profit (loss) after tax	(75)	(48)	(27)		
Cash earnings	1,171	593	578		
Net profit (loss) on sale of divested/divesting operations	(91)	(71)	(20)		
Acquisition amortisation (after tax)	(15)	(7)	(8)		
Net profit after tax	1,065	515	550		

Group result reconciliation to AASB1023¹

	FY23	2H23	1H23
	\$M	\$M	\$M
Net profit after tax (AASB1023)	1,148	588	560
Loss component	(43)	(23)	(20)
Discount rate (illiquidity premium)	(2)	(3)	1
Risk adjustment	16	(7)	23
DAC calculation	(55)	(40)	(15)
General Insurance income tax & Other ²	30	27	3
New Zealand Life adjustment (net of tax)	(29)	(27)	(2)
Net profit after tax (AASB17)	1,065	515	550

1. Loss component and risk adjustment are captured as part of the net incurred claims line within the contribution to profit table. Discount rate (illiquidity premium) is captured across net incurred claims and discount unwind on claims liabilities. Other adjustments are captured within direct operating expenses and non-directly attributable expenses.

2. Other relates to the write-off of intangible assets

Group ratios and statistics

		FY23	2H23	1H23	Comparative %	Comparative %
PERFORMANCE RATIOS						
Earnings per share						
Basic	(cents)	83.48	40.60	42.88		
Diluted	(cents)	81.61	39.85	41.42		
Cash earnings per share ¹						
Basic	(cents)	92.74	46.93	45.81		
Diluted	(cents)	90.23	45.72	44.13		
Return on average shareholders' equity ¹	(%)	8.1	7.8	8.5		
Cash return on average shareholders' equity ¹	(%)	8.9	8.9	8.9		
Cash return on average shareholders' equity pre-goodwill ¹	(%)	13.9	13.9	14.0		
Cash return on average shareholders' equity pre goodwill and intangibles ¹	(%)	14.5	14.4	14.5		
General Insurance services ratio (net)	(%)	7.3	7.4	7.3		
General Insurance services ratio (gross)	(%)	6.5	6.5	6.5		
General Insurance underlying insurance services ratio (net)	(%)	8.1	8.4	7.8		
General Insurance underlying insurance services ratio (gross)	(%)	7.1	7.4	6.9		
General Insurance underlying trading ratio (AASB 1023)	(%)	10.9	11.7	10.0		
Bank net interest margin (interest-earning assets)	(%)	1.96	1.89	2.03		
SHAREHOLDER SUMMARY						
Ordinary dividends per ordinary share	(cents)	60.0	27.0	33.0		
Special dividends per ordinary share	(cents)	–	–	–		
Payout ratio (ordinary dividend) ¹						
Cash earnings	(%)	60.4	51.3	70.9		
Payout ratio (including special dividend) ¹						
Cash earnings	(%)	60.4	51.3	70.9		
Weighted average number of shares						
Basic	(m)	1,262.6	1,263.5	1,261.8		
Diluted	(m)	1,357.6	1,365.0	1,361.7		
Number of shares at end of period ²	(m)	1,264.5	1,264.5	1,262.6		
Net tangible asset backing per share	(\$)	6.39	6.39	6.38		
Share price at end of period	(\$)	13.49	13.49	12.04		
Productivity						
General Insurance expense ratio	(%)	21.8	22.3	21.4		
Bank cost-to-income ratio	(%)	51.8	53.7	49.9		
FINANCIAL POSITION						
Total assets	(\$M)	107,848	107,848	104,388		
Net tangible assets	(\$M)	8,081	8,081	8,056		
Net assets	(\$M)	13,375	13,375	13,338		
Average shareholders' equity	(\$M)	13,121	13,266	13,004		
CAPITAL ³						
General Insurance total capital PCA coverage	(times)	1.63	1.63	1.63		
General Insurance Common Equity Tier 1 PCA coverage	(times)	1.16	1.16	1.21		
Bank total capital ratio	(%)	14.31	14.31	14.37		
Bank Common Equity Tier 1 ratio ⁴	(%)	10.06	10.06	10.09		
Common Equity Tier 1 Capital held at Group	(\$M)	274	274	290		

1. Refer to Glossary for definitions.

2. Excluding Treasury shares.

3. Ratios are presented post dividend.

4. Jun-23 presented under Basel III effective 1 January 2023.

2. General Insurance

Underlying General Insurance profit contribution

	FY23 \$M	2H23 \$M	1H23 \$M	Comparative %	Comparative %
GROUP GENERAL INSURANCE					
Gross written premium	12,559	6,568	5,991		
Insurance revenue	11,826	6,014	5,812		
Reinsurance premiums	(1,380)	(720)	(659)		
Net insurance revenue	10,446	5,293	5,153		
Net incurred claims	(7,408)	(3,730)	(3,678)		
Direct operating expenses ¹	(1,598)	(815)	(783)		
Commission expenses	(594)	(304)	(290)		
Underlying insurance service result	845	443	402		
Investment income on insurance funds ²	519	310	209		
Discount unwind on claims liabilities	(234)	(143)	(91)		
Non-directly attributable expenses	(40)	(24)	(16)		
Underlying insurance trading result	1,090	587	503		
Investment income on shareholder funds ²	230	93	137		
Managed schemes, JV and other	(112)	(59)	(53)		
Underlying profit before tax	1,209	621	587		
Income tax	(365)	(190)	(175)		
Underlying General Insurance profit after tax	843	431	412		
Reported reserve releases above / (below) long-run expectations	91	(25)	116		
Natural hazards (above) / below allowances	(97)	2	(99)		
Risk adjustment	(19)	(2)	(17)		
Abnormal (simplification / restructuring) expenses	(13)	(7)	(6)		
Loss component	(43)	(23)	(20)		
Mark-to-market on investments	(57)	27	(85)		
Tax on above	55	36	36		
Reported General Insurance profit after tax	759	423	336		

1. Direct operating expenses is adjusted for TEPL (FY23: \$77 million).

2. Underlying investment income excludes mark-to-market on interest-bearing securities.

FY23 underlying General Insurance profit contribution by function

	Consumer \$M	Commercial & PI \$M	New Zealand \$M	Head Office ¹ \$M	Total \$
Gross written premium	6,615	3,549	2,231	164	12,559
Insurance revenue	6,196	3,412	2,076	141	11,826
Reinsurance premium	(822)	(291)	(283)	16	(1,380)
Net insurance revenue	5,374	3,121	1,793	157	10,446
Net incurred claims	(4,307)	(2,065)	(1,029)	(7)	(7,408)
Direct operating expenses	(847)	(372)	(238)	(141)	(1,598)
Commission expenses	(38)	(282)	(274)		(594)
Underlying insurance service result	182	402	252	9	845
Investment income on insurance funds	199	301	19		519
Discount unwind on claims liabilities	(52)	(182)	–		(234)
Non-directly attributable expenses	(22)	(10)	(8)		(40)
Underlying insurance trading result	307	511	263	9	1,090
Investment income on shareholder funds	111	106	13		230
Managed schemes, JV and other	(31)	(69)	(12)		(112)
Underlying profit before tax	387	548	265	9	1,209
Income tax	(114)	(161)	(88)	(3)	(365)
Underlying profit after tax	273	387	177	6	843
Underlying insurance services ratio²	3.4%	12.9%	14.1%	n/a	8.1%
Net yield	2.7%	3.8%	1.1%		2.7%

1. As divisional P&Ls are provided excluding ESL the adjustment for ESL has been included in the head office column. The ESL adjustment impacts the gross written premium, insurance revenue and direct operating expense lines in this column. Other entries in this column also relate to internal reinsurance arrangements.

2. Differences between NZ UISR in AUD and NZD relate to the foreign exchange impact on cash flows

Group reported and underlying Insurance Services Ratio

Reconciliation of reported ISR to underlying ISR

	FY23	2H23	1H23
	\$M	\$M	\$M
Reported ISR (%)	7.3%	7.4%	7.3%
Reported reserve releases (above) / below long-run expectations	(0.9%)	0.5%	(2.3%)
Natural hazards above / (below) allowances	0.9%	(0.0%)	1.9%
Risk adjustment	0.2%	0.0%	0.3%
Abnormal (simplification / restructuring) expenses	0.1%	0.1%	0.1%
Loss component	0.5%	0.4%	0.5%
Underlying ISR (%)	8.1%	8.4%	7.8%

Natural hazards and reinsurance

Impact of internal reinsurance

Reported

	FY23 \$M	2H23 \$M	1H23 \$M
Initial premium	16	9	7
Reinstatement premium	89	89	–
Total premium	105	98	7
Natural hazard experience	(23)	(23)	–
Reported profit before tax impact	82	75	7
Income tax	(25)	(23)	(2)
Reported profit after tax impact	57	52	5

Underlying

	FY23 \$M	2H23 \$M	1H23 \$M
Initial premium	16	9	7
Natural hazard allowance	(7)	(4)	(3)
Underlying profit before tax impact	9	5	4
Income tax	(3)	(2)	(1)
Underlying profit after tax impact	6	3	3

Insurance Contract Liabilities

Australia

	June - 2023			December - 2022		
	Liability \$M	Asset \$M	Net \$M	Liability \$M	Asset \$M	Net \$M
Central estimate ¹	(8,070)	775	(7,295)	(8,392)	1,154	(7,238)
Risk adjustment ¹	(588)	61	(527)	(615)	82	(533)
Other ²	172	57	229	144	226	370
Liability/Asset for Incurred Claims (LIC/AIC)	(8,486)	893	(7,593)	(8,863)	1,462	(7,401)
Unearned premium reserve	(5,756)	(58)	(5,814)	(5,194)	(56)	(5,250)
Other ³	3,759	47	3,806	3,300	222	3,522
Loss component ¹	(98)	0	(98)	(76)	–	(76)
Liability/Asset for Remaining Coverage (LfRC/AfRC)	(2,095)	(11)	(2,106)	(1,970)	166	(1,804)
Insurance Contract Liabilities / Reinsurance Contract Assets	(10,581)	882	(9,699)	(10,833)	1,628	(9,205)

1. These figures are discounted at risk-free yields adjusted for illiquidity premium.

2. Other for LIC contains non reinsurance recoveries on claims paid, incurred claims (past & current), accrued insurance service expenses and AIC contains reinsurance receivables, deferred reinsurance assets, non-performance risk and reinsurance payables

3. Other for LfRC contains insurance revenue receivables, deferred acquisition costs, and accrued acquisition costs. AfRC contains deferred reinsurance assets and reinsurance payables

Incurred claims breakdown

	Total \$M	Net central estimate (discounted) \$M	Risk adjustment (75th percentile discounted) \$M	Prior Year Valuation Impact Release / (Strengthening) \$M
Consumer	(1,889)	(1,802)	(87)	46
Commercial & Personal Injury	(5,932)	(5,493)	(440)	288
Total	(7,821)	(7,295)	(526)	335

New Zealand (NZD)

	June - 2023			December - 2022		
	Liability \$M	Asset \$M	Net \$M	Liability \$M	Asset \$M	Net \$M
Central estimate ¹	(1,477)	998	(479)	(665)	243	(422)
Risk adjustment ¹	(103)	63	(41)	(56)	18	(37)
Other ²	18	149	168	14	39	53
Liability/Asset for Incurred Claims (LIC/AIC)	(1,561)	1,210	(352)	(707)	300	(406)
Unearned premium reserve	(1,235)	465	(771)	(1,130)	146	(983)
Other ³	1,079	(507)	572	929	(81)	848
Loss component ¹	–	–	–	–	–	–
Liability/Asset for Remaining Coverage (LfRC/AfRC)	(157)	(42)	(199)	(200)	65	(136)
Insurance Contract Liabilities / Reinsurance Contract Assets	(1,718)	1,167	(551)	(907)	365	(542)

1. These figures are discounted at risk-free yields adjusted for illiquidity premium

2. Other for LIC contains non reinsurance recoveries on claims paid, incurred claims (past & current), accrued insurance service expenses and AIC contains reinsurance receivables, deferred reinsurance assets, non-performance risk and reinsurance payables

3. Other for LfRC contains insurance revenue receivables, deferred acquisition costs, and accrued acquisition costs. AfRC contains deferred reinsurance assets and reinsurance payables

Incurred Claims breakdown (NZD)

	Total \$M	Net central estimate (discounted) \$M	Risk adjustment (75th percentile discounted) \$M	Prior Year Valuation Impact Release / (Strengthening) \$M
Total	(520)	(479)	(41)	(11)

3. Consumer Insurance

Consumer Insurance delivers Home and Contents and Motor insurance in Australia through its suite of brands including AAMI, Suncorp Insurance, GIO, Apia, CIL, Terri Scheer, Shannons and Bingle.

Profit contribution

	FY23 \$M	2H23 \$M	1H23 \$M	Comparative %	Comparative %
Gross written premium¹	6,615	3,446	3,169		
Insurance revenue	6,196	3,157	3,039		
Reinsurance premium	(821)	(428)	(393)		
Net insurance revenue ¹	5,375	2,729	2,646		
Net incurred claims	(4,345)	(2,132)	(2,213)		
Direct operating expenses ¹	(851)	(430)	(421)		
Commission expenses	(38)	(19)	(19)		
Insurance service result	141	148	(7)		
Investment income on insurance funds	134	74	60		
Discount unwind on claims liabilities	(52)	(33)	(19)		
Market rate adjustments on claims liabilities	11	9	2		
Non-directly attributable expenses	(22)	(14)	(8)		
Insurance trading result	212	184	28		
Investment income on shareholder funds	102	68	34		
JV and other	(31)	(15)	(16)		
Profit before tax	283	237	46		
Income tax	(83)	(69)	(14)		
Consumer Insurance profit after tax	200	168	32		

1. Gross written premium excludes ESL (FY23: \$122 million), net insurance revenue and direct operating expenses excludes ESL (FY23: \$104 million).

Key ratios

	FY23 %	2H23 %	1H23 %
Commission expenses ratio	0.7	0.7	0.7
Operating expenses ratio	15.8	15.8	15.9
Total expenses ratio	16.5	16.5	16.6
Net loss ratio	80.8	78.1	83.6
Combined operating ratio	97.3	94.6	100.2
Insurance services ratio	2.6	5.4	(0.3)
Underlying insurance services ratio	3.4	3.7	3.1

Underlying profit contribution

	FY23	2H23	1H23	Comparative	Comparative
	\$M	\$M	\$M	%	%
Gross written premium	6,615	3,446	3,169		
Insurance revenue	6,196	3,157	3,039		
Reinsurance premium	(821)	(428)	(393)		
Net insurance revenue	5,375	2,729	2,646		
Net incurred claims	(4,307)	(2,179)	(2,128)		
Direct operating expenses	(847)	(430)	(417)		
Commission expenses	(38)	(19)	(19)		
Underlying insurance service result	183	101	82		
Underlying investment income on insurance funds	199	111	88		
Discount unwind on claims liabilities	(52)	(33)	(19)		
Non-directly attributable expenses	(22)	(14)	(8)		
Underlying insurance trading result	308	165	143		
Underlying investment income on shareholder funds	111	43	68		
JV and other	(31)	(15)	(16)		
Underlying Profit before tax	388	193	195		
Income tax	(114)	(56)	(58)		
Underlying Consumer profit after tax	274	137	137		
Reported reserve releases above / (below) long-run expectations	46	7	39		
Natural hazards (above) / below allowances	(9)	75	(84)		
Risk adjustment	(21)	(4)	(17)		
Abnormal (simplification / restructuring) expenses	(4)	–	(4)		
Loss component	(54)	(31)	(23)		
Mark-to-market on investments	(63)	(3)	(60)		
Tax on above	31	(13)	44		
Reported Consumer profit after tax	200	168	32		

Reconciliation of reported ISR to underlying ISR

	FY23	2H23	1H23
	\$M	\$M	\$M
Reported ISR (\$)	141	148	(7)
Reported reserve releases (above) / below long-run expectations	(46)	(7)	(39)
Natural hazards above / (below) allowances	9	(75)	84
Risk adjustment	21	4	17
Abnormal (simplification / restructuring) expenses	4	–	4
Loss component	54	31	23
Underlying ISR (\$)	183	101	82
Reported ISR (%)	2.6%	5.4%	(0.3)%
Reported reserve releases (above) / below long-run expectations	(0.9)%	(0.3)%	(1.5)%
Natural hazards above / (below) allowances	0.2%	(2.6)%	3.2%
Risk adjustment	0.4%	0.1%	0.6%
Abnormal (simplification / restructuring) expenses	0.1%	—%	0.2%
Loss component	1.0%	1.1%	0.9%
Underlying ISR (%)	3.4%	3.7%	3.1%

4. Commercial and Personal Injury Insurance

The Commercial and Personal Injury Insurance business supports the Commercial Insurance, Workers' Compensation and Compulsory Third Party (CTP) needs of its customers through brands including Vero, GIO, AAMI, Apia and Suncorp Insurance. The business is structured around four key customer segments; Commercial (Tailored Lines), CTP, Workers' Compensation, and SME and direct customers (Platforms).

Profit Contribution

	FY23 \$M	2H23 \$M	1H23 \$M	Comparative %	Comparative %
Gross written premium¹	3,549	1,877	1,672		
Insurance revenue	3,412	1,718	1,694		
Reinsurance premium	(290)	(152)	(138)		
Net insurance revenue ¹	3,122	1,566	1,556		
Net incurred claims	(1,978)	(1,022)	(956)		
Direct operating expenses ¹	(374)	(194)	(180)		
Commission expenses	(282)	(145)	(137)		
Insurance service result	488	205	283		
Investment income on insurance funds	203	124	79		
Discount unwind on claims liabilities	(182)	(110)	(72)		
Market rate adjustments on claims liabilities	98	55	43		
Non-directly attributable expenses	(10)	(5)	(5)		
Insurance trading result	597	269	328		
Investment income on shareholder funds	98	66	32		
Managed schemes and other	(69)	(37)	(32)		
Profit before tax	626	298	328		
Income tax	(183)	(86)	(97)		
Commercial & Personal Injury profit after tax	443	212	231		

1. The following numbers exclude ESL; net insurance revenue (FY23: \$38 million), gross written premium (FY23: \$42 million), direct operating expenses (FY23: \$38 million), and TEPL; direct operating expenses (FY23: \$77 million).

Key ratios

	FY23 %	2H23 %	1H23 %
Commission expenses ratio	9.0	9.3	8.8
Operating expenses ratio	12.0	12.4	11.6
Total expenses ratio	21.0	21.7	20.4
Net loss ratio	63.4	65.3	61.4
Combined operating ratio	84.4	87.0	81.8
Insurance services ratio	15.6	13.1	18.2
Underlying insurance services ratio	12.9	13.4	12.4

Underlying profit contribution

	FY23	2H23	1H23	Comparative	Comparative
	\$M	\$M	\$M	%	%
Gross written premium	3,549	1,877	1,672		
Insurance revenue	3,412	1,718	1,694		
Reinsurance premium	(290)	(152)	(138)		
Net insurance revenue	3,122	1,566	1,556		
Net incurred claims	(2,065)	(1,017)	(1,048)		
Direct operating expenses	(372)	(194)	(178)		
Commission expenses	(282)	(145)	(137)		
Underlying insurance service result	403	210	193		
Underlying investment income on insurance funds	301	185	116		
Discount unwind on claims liabilities	(182)	(110)	(72)		
Non-directly attributable expenses	(10)	(5)	(5)		
Underlying insurance trading result	512	280	232		
Underlying investment income on shareholder funds	106	42	64		
JV and other	(69)	(37)	(32)		
Underlying Profit before tax	549	285	264		
Income tax	(161)	(83)	(78)		
Underlying Commercial & Personal Injury profit after tax	388	202	186		
Reported reserve releases above / (below) long-run expectations	57	(32)	89		
Natural hazards (above) / below allowances	11	11	–		
Risk adjustment	8	8	–		
Abnormal (simplification / restructuring) expenses	(2)	–	(2)		
Loss component	11	8	3		
Mark-to-market on investments and discounting	(8)	18	(26)		
Tax on above	(22)	(3)	(19)		
Reported Commercial & Personal Injury profit after tax	443	212	231		

Reconciliation of reported ISR to underlying ISR

	FY23	2H23	1H23
	\$M	\$M	\$M
Reported ISR (\$)	488	205	283
Reported reserve releases (above) / below long-run expectations	(57)	32	(89)
Natural hazards above / (below) allowances	(11)	(11)	–
Risk adjustment	(8)	(8)	–
Abnormal (simplification / restructuring) expenses	2	–	2
Loss component	(11)	(8)	(3)
Underlying ISR (\$)	403	210	193
Reported ISR (%)	15.6%	13.1%	18.2%
Reported reserve releases (above) / below long-run expectations	(1.8)%	2.0%	(5.7)%
Natural hazards above / (below) allowances	(0.3)%	(0.7)%	—%
Risk adjustment	(0.3)%	(0.5)%	—%
Abnormal (simplification / restructuring) expenses	0.1%	—%	0.1%
Loss component	(0.4)%	(0.5)%	(0.2)%
Underlying ISR (%)	12.9%	13.4%	12.4%

5. 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.

Profit Contribution (NZD)

	FY23 \$M	2H23 \$M	1H23 \$M	Comparative %	Comparative %
Gross written premium	2,437	1,257	1,180		
Insurance revenue	2,266	1,153	1,113		
Reinsurance premium	(404)	(255)	(149)		
Net insurance revenue	1,862	898	964		
Net incurred claims	(1,232)	(649)	(583)		
Direct operating expenses	(268)	(136)	(132)		
Commission expenses	(300)	(152)	(148)		
Insurance service result	62	(39)	101		
Investment income on insurance funds	31	23	8		
Discount unwind on claims liabilities	–	–	–		
Market rate adjustments on claims liabilities	–	–	–		
Non-directly attributable expenses	(9)	(5)	(4)		
Insurance trading result	84	(21)	105		
Investment income on shareholder funds	20	16	4		
Managed schemes, JV and other	(13)	(7)	(6)		
General Insurance profit before tax	91	(12)	103		
Income tax	(26)	2	(28)		
General Insurance profit after tax	65	(10)	75		
Life Insurance profit after tax	19	4	15		
Suncorp New Zealand profit after tax	84	(6)	90		

Key Ratios

	FY23 %	2H23 %	1H23 %
Commission expenses ratio	16.1	16.9	15.3
Operating expenses ratio	14.4	15.2	13.7
Total expenses ratio	30.5	32.1	29.0
Net loss ratio	66.2	72.3	60.5
Combined operating ratio	96.7	104.4	89.5
Insurance services ratio	3.3	(4.4)	10.5
Underlying insurance services ratio	13.9	13.9	13.9

Profit Contribution (AUD)

	FY23	2H23	1H23	Comparative	Comparative
	\$M	\$M	\$M	%	%
Gross written premium	2,231	1,160	1,071		
Insurance revenue	2,076	1,065	1,011		
Reinsurance premium	(372)	(236)	(135)		
Net insurance revenue	1,704	829	876		
Net incurred claims	(1,128)	(599)	(529)		
Direct operating expenses	(245)	(125)	(120)		
Commission expenses	(274)	(140)	(134)		
Insurance service result	57	(35)	92		
Investment income on insurance funds	28	21	7		
Discount unwind on claims liabilities	–	–	–		
Market rate adjustments on claims liabilities	–	–	–		
Non-directly attributable expenses	(8)	(5)	(3)		
Insurance trading result	77	(19)	96		
Investment income on shareholder funds	18	14	4		
Managed schemes, JV and other	(12)	(7)	(5)		
Profit before tax	83	(12)	95		
Income tax	(24)	3	(27)		
Suncorp New Zealand profit after tax	59	(9)	68		
Life Insurance profit after tax	17	4	13		
Suncorp New Zealand profit after tax	76	(5)	82		

Key ratios (AUD)

	FY23	2H23	1H23
	%	%	%
Commission expenses ratio	16.1	16.9	15.3
Operating expenses ratio	14.4	15.0	13.7
Total expenses ratio	30.4	32.0	29.0
Net loss ratio	66.2	72.3	60.4
Combined operating ratio	96.6	104.3	89.4
Insurance services ratio	3.4	(4.3)	10.6
Underlying insurance services ratio	14.1	14.1	14.0

General Insurance

Underlying profit contribution (NZD)

	FY23	2H23	1H23	Comparative	Comparative
	\$M	\$M	\$M	%	%
Gross written premium	2,437	1,257	1,180		
Insurance revenue	2,266	1,153	1,113		
Reinsurance premium	(306)	(157)	(149)		
Net insurance revenue	1,960	996	964		
Net incurred claims	(1,127)	(577)	(550)		
Direct operating expenses	(261)	(129)	(132)		
Commission expenses	(300)	(152)	(148)		
Underlying insurance service result	272	138	134		
Underlying investment income on insurance funds	21	15	5		
Discount unwind on claims liabilities	–	–	–		
Non-directly attributable expenses	(9)	(5)	(4)		
Underlying insurance trading result	284	149	136		
Underlying investment income on shareholder funds	15	10	5		
JV and other	(13)	(7)	(6)		
Underlying Profit before tax	287	152	135		
Income tax	(95)	(54)	(40)		
Underlying Suncorp New Zealand profit after tax	192	97	95		
Reported reserve releases above / (below) long-run expectations	(11)	1	(12)		
Natural hazards (above) / below allowances	(88)	(67)	(21)		
Risk adjustment	(7)	(7)	–		
Abnormal (simplification / restructuring) expenses	(7)	(7)	–		
Loss component	–	–	–		
Mark-to-market on investments	15	14	1		
Reinsurance reinstatement premium	(98)	(98)	–		
Tax on above	69	57	12		
Reported Suncorp New Zealand profit after tax	65	(10)	75		

Reconciliation of reported ISR to underlying ISR (NZD)

	FY23	2H23	1H23
	\$M	\$M	\$M
Reported ISR (\$)	62	(39)	101
Reported reserve releases (above) / below long-run expectations	11	(1)	12
Natural hazards above / (below) allowances	88	67	21
Risk adjustment	7	7	–
Abnormal (simplification / restructuring) expenses	7	7	–
Reinsurance reinstatement premium	98	98	–
Underlying ISR (\$)	272	138	134
Reported ISR (%)	3.3%	(4.4)%	10.5%
Reported reserve releases (above) / below long-run expectations	0.6%	(0.1)%	1.2%
Natural hazards above / (below) allowances	4.3%	7.1%	2.2%
Risk adjustment	0.3%	0.7%	—%
Abnormal (simplification / restructuring) expenses	0.4%	0.8%	—%
Reinsurance reinstatement premium	5.0%	9.8%	—%
Underlying ISR (%)	13.9%	13.9%	13.9%

Underlying profit contribution (AUD)

	FY23	2H23	1H23	Comparative	Comparative
	\$M	\$M	\$M	%	%
Gross written premium	2,231	1,160	1,071		
Insurance revenue	2,076	1,065	1,011		
Reinsurance premium	(283)	(147)	(135)		
Net insurance revenue	1,793	918	876		
Net incurred claims	(1,029)	(531)	(498)		
Direct operating expenses	(238)	(118)	(120)		
Commission expenses	(274)	(140)	(134)		
Underlying insurance service result	252	129	123		
Underlying Investment income on insurance funds	19	14	5		
Discount unwind on claims liabilities	–	–	–		
Non-directly attributable expenses	(8)	(5)	(3)		
Underlying insurance trading result	263	138	125		
Underlying Investment income on shareholder funds	13	8	5		
JV and other	(12)	(7)	(5)		
Underlying Profit before tax	265	140	125		
Income tax	(88)	(49)	(38)		
Underlying Suncorp New Zealand profit after tax	177	90	86		
Reported reserve releases above / (below) long-run expectations	(10)	1	(11)		
Natural hazards (above) / below allowances	(83)	(63)	(20)		
Risk adjustment	(6)	(6)	–		
Abnormal (simplification / restructuring) expenses	(7)	(7)	–		
Loss component	–	–	–		
Mark-to-market on investments	14	12	1		
Reinsurance reinstatement premium	(89)	(89)	–		
Tax on above	64	52	11		
Reported Suncorp New Zealand profit after tax	59	(9)	68		

6. Operating expenses

Group operating expenses

Operating expense by function

	FY23	2H23	1H23	Comparative	Comparative
	\$M	\$M	\$M	%	%
Direct operating expenses					
Consumer Insurance	851	430	421		
Commercial & Personal Injury Insurance	374	194	180		
Suncorp New Zealand	245	125	120		
Suncorp New Zealand Life	48	24	24		
Suncorp Bank	737	371	366		
Total direct operating expenses	2,255	1,144	1,111		
Commission expenses					
Consumer Insurance	38	19	19		
Commercial & Personal Injury Insurance	282	145	137		
Suncorp New Zealand	274	140	134		
Total commission expenses	594	304	290		
Non directly attributable expenses¹	40	24	16		
Total Group expenses and commissions	2,889	1,472	1,417		
Other expenses					
Restructuring expenses ²	47	47	–		
ESL	141	73	68		
TEPL ³	77	52	25		
Total Group operating expenses (including other expenses)	3,154	1,644	1,510		
Ratios (%)⁴					
General Insurance expense ratio	21.8	22.3	21.4		
Consumer Insurance expense ratio	16.5	16.5	16.6		
Commercial & Personal Injury expense ratio	21.0	21.7	20.4		
Suncorp New Zealand expense ratio	30.4	32.0	29.0		

1. Non-directly attributable expenses are costs that do not relate to the fulfilment of current insurance contracts. The most material component of this value is project expenditure that either relates to prior period contracts where they are remediation based or where the benefits are expected to impact future insurance contracts.

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

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

4. Consumer Insurance and Commercial & Personal Injury Insurance expense ratios exclude ESL and TEPL. General Insurance expense ratio includes ESL and TEPL. NDAE is excluded from all ratios.

Glossary

Attributable expenses	Operating expenses that are directly related to the fulfilment of current insurance contracts, such as acquisition costs, general operating expenses and policy administration expenses.
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, included as part of net incurred claims.
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.
Confidence level	Also referred to as "probability of adequacy", represents the level of certainty that the estimated insurance liabilities, including the risk adjustment, will be adequate to cover future obligations.
Cost-to-income ratio	Operating expenses of the Banking business divided by total income from Banking activities.
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods.
Deposit-to-loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables.
Diluted shares	Weighted average number of ordinary shares outstanding during the period, adjusted for potential ordinary shares that are dilutive, in accordance with AASB 133 Earnings per Share.

Discount rate	The rate applied to future cash flows within the boundary of an insurance contract to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.
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.
Illiquidity premium	An adjustment to the risk-free discount rate to reflect the liquidity characteristics of an insurance contract. The illiquidity premium increases the discount rate to reflect that the insurance portfolio is less liquid in nature than the reference portfolio upon which the risk-free rate is calculated.
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 funds	Insurance funds explicitly back insurance liabilities. They are designed to match the insurance liabilities and are managed separately from shareholders' funds.
Insurance revenue	The amount charged for insurance coverage when it is earned. This is equivalent to gross earned premium under AASB1023 less bad debts (part of operating expense in AASB1023)
Insurance service expense	Includes incurred claims and benefits excluding investment components, other directly attributable insurance service expenses, amortisation of insurance acquisition cash flows, and changes that relate to past service and future service on insurance contracts.
Insurance Services Result	Comprises insurance revenue, insurance service expenses and reinsurance income and expenses.
Insurance Services Ratio (ISR)	The insurance services result expressed as a percentage of net insurance revenue.
Insurance Trading Result (AASB 1023)	Underwriting result plus investment income on assets backing technical reserves.
Insurance Trading Result (AASB 17)	Insurance services result adjusted for movements in claims liabilities, non-directly attributable expenses and investment income on assets backing technical reserves.
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium.
Liability for incurred claims (LIC)	An obligation to investigate and pay valid claims for insured events that have already occurred. This replaces the outstanding claims liability under AASB1023.
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 component	An amount added to the Liability for Remaining Coverage and expensed to profit or loss where a contract or group of contracts is assessed as onerous at initial recognition.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consists of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities.
Main Financial Institution Customer	A Bank customer that transacts every second day and spends \$5,000 over a 90-day period.
Maximum Event Retention	This is an estimate of the largest accumulated property loss (from a single event) to which Suncorp will be exposed (taking into account the likelihood of this event is up to one in 200 years), after netting off any potential reinsurance recoveries.
Net incurred claims	The amount of claims incurred during an accounting period after deducting reinsurance recoveries and non-reinsurance recoveries.
Net insurance revenue	Insurance revenue minus reinsurance premium
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.
Onerous contract	An insurance contract where the fulfilment cashflows allocated to the contract, and any previously recognised acquisition cash flows and any cashflow arising from the contract at the date of initial recognition in total are a net outflow.
Operating functions	The Suncorp Group comprises four businesses— Consumer Insurance, Commercial & Personal Injury Insurance, Suncorp New Zealand and Suncorp Bank. 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.
Operating expenses ratio	Operating expenses expressed as a percentage of net insurance revenue.
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 Consumer Insurance, Commercial and Personal Injury Insurance, Suncorp New Zealand and Suncorp Bank functions.
Reinsurance	A form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all, or a share of, certain claims incurred by the insurance company.
Reserve releases	Reserve releases occur when provisions made to cover insurance claims made against underwritten policies are assessed as higher than long-run trends in actual experience.
Return on average shareholders' equity	Net profit after tax divided by average equity attributable to owners of the Company. Averages are based on monthly balances over the period. The ratio is annualised for half years.
Return on average total assets	Net profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years.
Return on Common Equity Tier 1	Net profit after tax adjusted for dividends paid on capital notes divided by average Common Equity Tier 1 Capital. Average Common Equity Tier 1 Capital is based on the monthly balance of Common Equity Tier 1 Capital over the period. The ratio is annualised for half years.
Risk adjustment	The compensation that an issuer of insurance contracts requires for bearing the uncertainty attached to the amount and timing of the cashflows arising from non-financial risks as it fulfils insurance contracts.
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 expense ratio – general insurance	Total expenses (commission and direct operating expenses) expressed as a percentage of net insurance revenue.
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 Services Ratio (UISR)	The insurance services ratio is adjusted for reported prior year reserve releases and natural hazard claims costs above/below expectations, risk adjustment, loss component and any abnormal expenses.
Underlying Insurance Services Result	The insurance services result is adjusted for reported prior year reserve releases and natural hazard claims costs above/below expectations, risk adjustment, loss component and any abnormal expenses.
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.