SUNCORP GROUP LIMITED AND SUBSIDIARIES
ABN 66 145 290 124

Consolidated interim financial report

For the half-year ended 31 December 2022

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Directors' report

The directors present their report together with the consolidated interim financial statements of Suncorp Group Limited (the Company) and its subsidiaries (the Suncorp Group, Suncorp or the Group) for the half-year ended 31 December 2022 and the auditor's review report thereon.

1. Directors

The directors of the Company at any time during or since the end of the half-year are:

Non-executive

Christine McLoughlin, AM (Chairman)	Director since 2015, Chairman since 2018
Sylvia Falzon	Director since 2018
Elmer Funke Kupper	Director since 2020
Ian Hammond	Director since 2018
Sally Herman, OAM	Director since 2015
Simon Machell	Director since 2017
Douglas McTaggart	Director since 2012
Lindsay Tanner	Director since 2018
Duncan West	Director since 2021

Executive

Steve Johnston (Group Chief Executive Officer and Managing Director)	Executive Director since 2019

2. Dividends

A fully franked 2022 final dividend of $215 million (17 cents per share) was paid on 21 September 2022. A fully franked 2023 interim dividend of $417 million (33 cents per share) has been determined since balance date by the directors.

Further details of dividends on ordinary shares provided for or paid are set out in note 10 to the consolidated interim financial statements.

3. Review of operations

3.1. Overview of the Suncorp Group

The Suncorp Group has delivered a profit after tax attributable to owners of the Company of $560 million for the half-year ended 31 December 2022 (December 2021: $388 million).

Profit after tax increased by 44.3% from the prior comparative period driven by continued strong top-line growth across the Group, improved underlying margins and positive investment returns. The result also benefitted from the release of $150 million of the provision for potential business interruption claims, following the resolution of the second industry test case.

The Group's total operating expenses (excluding Emergency Services Levies (ESL), Transitional Excess Profits and Losses (TEPL) provision and the exited Wealth business expenses) were $1,349 million, a decrease of 3.1% from the prior comparative period. This largely reflects efficiency benefits from the strategic program of work, as well as a decrease in project investment relative to the prior period, more than offsetting the impact of the inflationary environment.

3.2. Financial position and capital structure

Net assets of the Suncorp Group increased from $12,783 million at 30 June 2022 to $13,176 million at 31 December 2022. The increase in net assets of $393 million is primarily driven by the total comprehensive income for the half-year, partially offset by the payment of the 2021-22 financial year final dividend.

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

At 31 December 2022, the General Insurance Common Equity Tier 1 (CET1) (pre-dividend) capital position was 1.30 times the Prescribed Capital Amount (June 2022: 1.28 times) and the Bank's CET1 ratio (pre-dividend) was 10.51% (June 2022: 9.08%). The CET1 capital held at Group is $290 million after adjusting for the interim dividend (June 2022: $248 million after adjusting for the final 2021-22 financial year dividend).

Suncorp-Metway Limited's Basel III APS 330 Public Disclosures are made available at suncorpgroup.com.au/investors/reports.

3.3. Review of principal businesses

3.3.1 Insurance (Australia)

Insurance (Australia) achieved a profit after tax of $276 million for the half-year ended 31 December 2022 (December 2021: $114 million). This is driven by strong top-line growth, a reduction in operating expenses and a turnaround in investment income, with increased claims costs mitigated by pricing effects and the release of the majority release of the business interruption provision.

The insurance trading result for Insurance (Australia) was $372 million (December 2021: $150 million).

Gross written premium (GWP) (excluding ESL) increased by 8.2% to $4,840 million (December 2021: $4, 474 million). Excluding portfolio exits, GWP growth of 9.0% was reflected by GWP growth of 11.8% in Consumer, 6.9% growth in Commercial, 4.4% growth in Workers' Compensation and Other, offset by decrease in Compulsory Third Party of 1.3%.

Net incurred claims of $3,196 million increased by 9.3% from prior comparative period (December 2021: $2,923 million). Net incurred claims excluding discount movements increased by 6.4% due to the impact of portfolio growth, more normal levels of claims frequency and inflation. Online claim lodgements in the Consumer portfolios remained strong, with continued focus on improving the digital experience for customers across all portfolios. The loss ratio was 75.5% (December 2021: 73.4%).

The valuation of outstanding claims has resulted in central estimate releases of $230 million or $81 million excluding TEPL of $25 million and business interruption provision release of $124 million. This represents 1.6% of Group Net Earned Premium (NEP), in line with the Group's long-run expectation for reserve releases of 1.5% of NEP.

Total investment income across insurance funds and shareholder funds was $194 million (December 2021: $4 million), representing an annualised return of 2.8% (December 2021: 0.1%) for the period. Investment income on insurance funds was $139 million, representing an annualised return of 2.8%. This reflects favourable impacts from higher running credit spreads and the carry above risk free on inflation-linked bonds, partly offset by mark-to-market losses from an increase in risk-free rates and lower breakeven inflation. Investment income on shareholders' funds was $55 million, representing an annualised return of 3.0%, primarily driven by higher running yield income and equity markets.

3.3.2 Suncorp Bank

Suncorp Bank delivered a profit after tax of $256 million for the half-year ended 31 December 2022 (December 2021: $200 million). The result was driven by solid volume growth and higher margin primarily from deposit pricing, coupled with flat expenses.

Net interest income increased by 16.7% to $725 million (December 2021: $621 million) as deposit margins improved in line with increases to the RBA cash rate and market rates. Net Interest Margin (NIM) increased by 13 basis points (bps) over the half-year to 2.03% (half-year June 2022: 1.90%, half-year December 2021: 1.97%) attributed to strategic deposit pricing, partly offset by unfavourable lending pricing driven by intense competition for home loans and increased funding costs.

Operating expenses of $366 million were flat on the prior comparative period due to the continued benefit of branch optimisation, as well as digitisation and automation initiatives completed in the prior half. This was partly offset by higher personnel costs to support growth and inflationary uplifts. The cost-to-income ratio was 49.9% (December 2021: 57.6%).

Gross loans and advances increased to $64,902 million (June 2022: $62,073 million). The home lending portfolio grew by 5.2% over the half-year, reflecting improved customer and broker experience. The business lending portfolio also increased by 1.8% over the half-year, predominantly driven by commercial lending growth across several industries.

Net impairment charge of $2 million (December 2021: net impairment release of $16 million) reflects no change in the collective provision and small movements across several exposures in the specific provision. The credit environment remained benign in the half, with a more cautious outlook given the potential negative impact of recent rapid interest rate increases on customers.

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

3.3.3 Suncorp New Zealand

Suncorp New Zealand achieved a profit after tax of $83 million for the half-year ended 31 December 2022 (December 2021: $81 million). This comprises a profit after tax of $68 million (December 2021: $75 million) from the New Zealand General Insurance business and a profit after tax of $15 million (December 2021: $6 million) from the New Zealand Life Insurance business.

GWP grew by 6.7% to $1,071 million (December 2021: $1,004 million) driven by intermediated and direct channels recording strong growth through targeted pricing increases to offset inflationary pressures on claims and increased reinsurance costs. Unit growth moderated compared to the high levels achieved in the prior year.

Net incurred claims increased by 12.1% to $529 million (December 2021: $472 million). Higher working claims costs were driven by unit growth, inflationary pressures and prior comparative period being positively impacted by COVID-19 related motor claims frequency reduction. Working claims were also impacted by several large loss property claims from home fires during the first quarter. The loss ratio was 60.9% (December 2021: 57.7%).

Net investment income increased to $11 million (December 2021: loss of $6 million), primarily due to increases in interest income from higher yielding securities and lower mark-to-market impacts arising from rising yields.

Operating expenses of $250 million increased by 5.0% (December 2021: $238 million). The New Zealand General Insurance operating expense ratio of 28.8% (December 2021: 29.1%) improved, driven by strong premium growth. The increase in operating expenses was driven by growth related costs and an increase in strategic investment spend.

The profit after tax from New Zealand Life Insurance business was driven by growth in planned profit margins and favourable experience, while market adjustments from interest rate movements improved from the prior comparative period.

4. Events subsequent to reporting date

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

There has not arisen in the interval between the end of the half-year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group in future financial years.

5. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 2022.

6. Rounding of amounts

The Company is of a kind referred to in *Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191* dated 24 March 2016 and in accordance with that legislative instrument, amounts in the Directors' Report and consolidated interim financial statements have been rounded to the nearest one million dollars unless otherwise stated.

Signed in accordance with a resolution of the directors.

Christine McLoughlin

CHRISTINE MCLOUGHLIN, AM

Chairman
8 February 2023

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director
8 February 2023

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Suncorp Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Suncorp Group Limited for the half-year ended 31 December 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Scott Guse

Partner

Brisbane

8 February 2023

Consolidated interim statement of comprehensive income

For the half-year ended 31 December 2022

	Note	Dec 2022 $M	Dec 2021 $M
Revenue			
Insurance premium income		5,948	5,539
Reinsurance and other recoveries income		555	430
Interest income		1,553	937
Dividend and trust distribution income		18	49
Fees and other income		188	279
Total revenue		8,262	7,234
Expenses			
Claims expense		(4,314)	(3,877)
Outwards reinsurance premium expense		(737)	(628)
Underwriting expenses		(1,146)	(1,218)
Interest expense		(662)	(188)
Net losses on financial assets and liabilities at fair value through profit or loss		(1)	(146)
Impairment (loss) release on loans and advances	6.2	(2)	16
Amortisation and depreciation expense		(98)	(99)
Fees, overheads and other expenses		(492)	(463)
Outside beneficial interests in managed funds		-	(58)
Total expenses		(7,452)	(6,661)
Profit before income tax		810	573
Income tax expense		(241)	(172)
Profit for the period		569	401
Profit for the period attributable to:			
Owners of the Company		560	388
Non-controlling interests		9	13
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges		(20)	(21)
Net change in debt investments at fair value through other comprehensive income		12	(21)
Exchange differences on translation of foreign operations		32	10
Related income tax benefit		2	12
Items that will not be reclassified subsequently to profit or loss			
Net change in equity investments at fair value through other comprehensive		(6)	(2)
Related income tax benefit		2	-
Total other comprehensive income (loss) for the period		22	(22)
Total comprehensive income for the period		591	379
Total comprehensive income for the period attributable to:			
Owners of the Company		582	366
Non-controlling interests		9	13
Earnings per share		Cents	Cents
Basic earnings per share		44.38	30.53
Diluted earnings per share		42.81	28.91

The consolidated interim statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated interim statement of financial position

As at 31 December 2022

	Note	Dec 2022 $M	Jun 2022 $M
Assets			
Cash and cash equivalents		2,436	1,418
Receivables due from other banks		4,837	2,490
Trading securities	8	1,950	2,722
Derivatives	8	638	741
Investment securities		20,556	20,957
Premiums outstanding		3,140	3,173
Loans and advances	5	64,691	61,856
Reinsurance and other recoveries		2,370	3,212
Deferred reinsurance assets		697	1,152
Deferred acquisition costs		829	796
Property, plant and equipment		670	712
Deferred tax assets		515	592
Goodwill and other intangible assets		5,294	5,282
Other assets		1,561	1,275
Total assets		110,184	106,378
Liabilities			
Payables due to other banks		75	165
Deposits	7	50,803	47,875
Derivatives	8	742	783
Amounts due to reinsurers		384	1,119
Payables and other liabilities		1,794	1,760
Unearned premium liabilities		6,235	6,024
Provisions and employee benefit liabilities		397	518
Outstanding claims liabilities	4	11,267	11,692
Deferred tax liabilities		146	127
Borrowings		22,870	20,910
Loan capital		2,295	2,622
Total liabilities		97,008	93,595
Net assets		13,176	12,783
Equity			
Share capital	9	12,349	12,325
Reserves		1	(28)
Retained profits		793	456
Total equity attributable to owners of the Company		13,143	12,753
Non-controlling interests		33	30
Total equity		13,176	12,783

The consolidated interim statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

For the half-year ended 31 December 2022

		Equity attributable to owners of the Company					
	Note	Share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total equity $M
Balance as at 1 July 2021		12,558	204	662	13,424	24	13,448
Profit for the period		-	-	388	388	13	401
Total other comprehensive income for the period		-	(22)	-	(22)	-	(22)
Total comprehensive income for the period		-	(22)	388	366	13	379
Transactions with owners, recorded directly in equity							
Dividends paid	10	-	-	(615)	(615)	-	(615)
On market buy-back	9	(250)	-	-	(250)	-	(250)
Share-based payments	9	(6)	-	-	(6)	-	(6)
Treasury share movements	9	12	-	-	12	-	12
Transfers		-	5	(5)	-	-	-
Other movements		-	-	1	1	-	1
Balance as at 31 December 2021		12,314	187	431	12,932	37	12,969
Balance as at 1 July 2022		12,325	(28)	456	12,753	30	12,783
Profit for the period		-	-	560	560	9	569
Total other comprehensive income for the period		-	22	-	22	-	22
Total comprehensive income for the period		-	22	560	582	9	591
Transactions with owners, recorded directly in equity							
Dividends paid	10	-	-	(215)	(215)	(6)	(221)
Shares issued	9	16	-	-	16	-	16
Share-based payments	9	1	-	-	1	-	1
Treasury share movements	9	7	-	-	7	-	7
Transfers		-	7	(7)	-	-	-
Other movements		-	-	(1)	(1)	-	(1)
Balance as at 31 December 2022		12,349	1	793	13,143	33	13,176

The consolidated interim statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated interim statement of cash flows

For the half-year ended 31 December 2022

	Note	Dec 2022 $M	Dec 2021 $M
Cash flows from operating activities			
Premiums received		6,873	6,363
Claims paid		(5,194)	(4,091)
Interest received		1,429	920
Interest paid		(478)	(180)
Reinsurance and other recoveries received		1,370	573
Outwards reinsurance premiums paid		(1,074)	(859)
Fees and other operating income received		178	473
Dividends and trust distributions received		18	49
Fees and operating expenses paid		(2,172)	(2,327)
Income tax paid		(217)	(343)
Net movement in operating assets			
Trading securities		775	(568)
Loans and advances		(2,797)	(1,044)
Net movement in operating liabilities			
Deposits		2,928	3,192
Net cash from operating activities		1,639	2,158
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		8,323	11,857
Payments for acquisition of investment securities		(7,786)	(11,132)
Proceeds from other investing activities		22	50
Payments for other investing activities		(36)	(716)
Net cash from investing activities		523	59
Cash flows from financing activities			
On market buy-back, including transaction costs	9	-	(250)
Proceeds from borrowings		10,315	6,800
Repayment of borrowings, including transaction costs		(8,440)	(6,117)
Proceeds from issue of loan capital		-	405
Payment on call of loan capital, including transaction costs		(330)	(79)
Payments for other financing activities		(52)	(40)
Dividends paid		(199)	(615)
Net cash from financing activities		1,294	104
Net increase in cash and cash equivalents		3,456	2,321
Cash and cash equivalents at the beginning of the period		3,743	2,592
Effect of exchange rate fluctuations on cash held		(1)	1
Cash and cash equivalents at the end of the period		7,198	4,914
Cash and cash equivalents at the end of the period comprises:			
Cash and cash equivalents		2,436	1,025
Receivables due from other banks		4,837	4,004
Payables due to other banks		(75)	(115)
		7,198	4,914

The consolidated interim statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated interim financial statements

For the half-year ended 31 December 2022

Overview

Suncorp Group Limited (SGL, the Company) is listed on the Australian Securities Exchange (ASX) and is a for-profit entity. The Company and its subsidiaries (referred to as the "Group" or "Suncorp") offer insurance and banking products and services through some of Australia's and New Zealand's most recognisable brands.

Sale of Suncorp Bank

Following a comprehensive strategic review, Suncorp announced on 18 July 2022 it has signed a share sale and purchase agreement (SPA) with Australia and New Zealand Banking Group Limited (ANZ) to sell Suncorp Bank. As announced to the market on 12 December 2022, ANZ lodged a merger authorisation application with the Australian Competition and Consumer Commission (ACCC) for the purchase of Suncorp Bank. The ACCC have announced an indicative timeline for consideration of the application with the ACCC's determination expected by 12 June 2023. ANZ's authorisation application to ACCC is the first step in the approval process, with approvals also required from the Federal Treasurer and the Queensland Government in relation to the *State Financial Institutions and Metway Merger Act 1996* (QLD).

The estimated cash consideration for the sale of $4,900 million is subject to standard completion adjustments. Completion of the sale is expected to occur in the second half of the 2023 calendar year.

In accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*, the sale of Suncorp Bank does not meet the criteria to be classified as held for sale in the consolidated interim statement of financial position as at 31 December 2022.

1. Reporting entity

The Company is a public company domiciled in Australia. Its registered office is at Level 23, 80 Ann Street, Brisbane, Qld, 4000. The consolidated interim financial statements for the half-year ended 31 December 2022 comprise the Company and its subsidiaries and were authorised for issue by the Board of Directors (the Board) on 8 February 2023.

2. Basis of preparation

The consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial statements do not include all of the information required for a full consolidated annual financial report, and should be read in conjunction with the consolidated financial report of the Suncorp Group for the financial year ended 30 June 2022 and any public announcements made by the Suncorp Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules. The consolidated financial report of the Suncorp Group for the financial year ended 30 June 2022 is available upon request from the Company's registered office or at suncorpgroup.com.au/investors/reports.

The accounting policies and methods of computation applied in the consolidated interim financial statements are consistent with those applied in the Group's consolidated annual financial report as at and for the financial year ended on 30 June 2022. There were no substantial amendments to Australian Accounting Standards adopted during the period that have a material impact on the Group.

As the Company is of a kind referred to in *Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191* dated 24 March 2016, all financial information presented has been rounded to the nearest one million dollars unless otherwise stated.

Where necessary, comparatives have been re-presented to conform to changes in presentation in the current half-year.

2.1 Use of estimates and judgements

The preparation of consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated interim financial statements.

Significant estimates, judgements and assumptions considered material to the financial statements are discussed in the following notes:

— General insurance outstanding claims liabilities (refer to note 4).

— Provision for impairment on financial assets (refer to note 6.3).

— Valuation of financial instruments (refer to note 8).

— Contingent assets and liabilities (refer to note 13).

A number of issues are driving global economic uncertainty, including geopolitical affairs, natural disasters, inflation, increasing interest rates and aftermath of the COVID-19 pandemic. This evolving global uncertainty has resulted in emergence of risks in the form of changes in consumer behaviour, disrupted supply chains, staff shortages and increased market volatility. The estimation and judgement applied in the preparation of consolidated interim financial statements, where relevant, is disclosed in the notes to the consolidated interim financial statements.

The significant judgements made by management in applying the Suncorp Group accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial report as at and for the financial year ended 30 June 2022.

Financial performance

3. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Group's Chief Operating Decision Maker (CODM), represented by the Group CEO and Managing Director (Group CEO and MD) and his Executive Leadership Team (ELT), in assessing performance and determining the allocation of resources.

3.1 Operating segments

The Suncorp Group comprises the following operating segments.

Reportable segments	Segment information
Insurance (Australia)	– Design, manufacture and delivery of general insurance products and services and distribution of life insurance products to customers in Australia. – Key products include home and contents, motor, marine, commercial property, industrial special risk, public liability and professional indemnity, workers' compensation and compulsory third party.
Suncorp Bank	– Design, manufacture and delivery of banking services to customers in Australia. – Key products include commercial, agribusiness, small business, home loans, savings and transaction accounts, foreign exchange, treasury products and services.
Suncorp New Zealand	– Design, manufacture and delivery of general and life insurance products to customers in New Zealand. – Key products include home and contents, motor, commercial property, public liability and professional indemnity, life, trauma, total and permanent disablement and income protection.
Corporate	– Investment of the Group's capital, Suncorp Group business strategy activities (including business combinations and divestments) and Suncorp Group shared services.

Only profit or loss information is reviewed by the CODM at an operating segment level.

The basis of measurement of segment results are the same as those applied by the Suncorp Group in its consolidated financial report for the financial year ended 30 June 2022.

	Insurance (Australia) $M	Suncorp Bank[1] $M	Suncorp New Zealand $M	Corporate $M	Total $M
Half-year ended 31 December 2022					
External revenue	5,569	1,432	1,255	21	8,277
Inter-segment revenue	8	-	(3)	-	5
Total segment revenue	5,577	1,432	1,252	21	8,282
Segment profit (loss) before income tax	392	365	114	(61)	810
Segment income tax (expense) benefit	(116)	(109)	(31)	15	(241)
Segment profit (loss) after income tax	276	256	83	(46)	569
Other segment disclosures					
Goodwill	4,187	254	283	-	4,724
Half-year ended 31 December 2021					
External revenue	5,072	897	1,188	69	7,226
Inter-segment revenue	7	-	(2)	-	5
Total segment revenue	5,079	897	1,186	69	7,231
Segment profit before income tax	160	285	112	16	573
Segment income tax expense	(46)	(85)	(31)	(10)	(172)
Segment profit after income tax	114	200	81	6	401
Other segment disclosures					
Goodwill	4,187	254	285	-	4,726

1 The half-year ended 31 December 2021 includes external revenue of $26 million, segment profit (loss) before and after income tax of $nil million in relation to the Australian Wealth business.

3.2 Reconciliation of reportable segment revenues and profit before income tax

	Revenue		Profit before income tax	
	Dec 2022 $M	Dec 2021 $M	Dec 2022 $M	Dec 2021 $M
Segment total	8,282	7,231	810	573
Consolidation adjustments relating to intra-group investment income	-	58	-	-
Other consolidation eliminations	(20)	(55)	-	-
Consolidated total	8,262	7,234	810	573

Insurance activities

4. Outstanding claims liabilities

	Dec 2022 $M	Jun 2022 $M
General insurance contracts		
Gross central estimate – undiscounted	10,386	10,762
Risk margin	1,273	1,223
Claims handling expenses	436	419
	12,095	12,404
Discount to present value	(989)	(875)
Gross outstanding claims liabilities relating to general insurance contracts – discounted	11,106	11,529
Gross outstanding claims liabilities relating to life insurance contracts – discounted	161	163
Total gross outstanding claims liabilities – discounted	11,267	11,692
	%	%
General insurance contracts		
Net risk margin applied - Australia	15.0	15.7
Net risk margin applied - New Zealand	14.4	14.7
Probability of adequacy of the risk margin (approximately)	90	90

Significant estimates, judgements and assumptions

Business interruption

The Group has considered the impact from COVID-19 in its assumptions for measuring outstanding claims liabilities and assets arising from reinsurance contracts, including the potential claims impact of business interruption. At 31 December 2022, the level of exposure to policies with Quarantine Act exemptions has reduced as all the business interruption policy wordings have now been updated to reflect the Biosecurity Act. At 31 December 2022, the outstanding claims liability includes additional claims provisions and risk margins of $29 million (30 June 2022: $179 million) relating to business interruption.

The provision for residual claims has been calculated on a probability-weighted basis and significant judgement has been exercised by management to derive a reasonable estimate of the probability-weighted view of potential future cash flows relating to business interruption. Key areas of judgement relate to ongoing legal risk (refer to note 13.2), including the potential for further legal action and the estimation of potential economic loss.

Other

There is currently a heightened level of price inflation being experienced across the community and there is uncertainty as to the ultimate level and timing for this higher inflation to reduce. As a result of this higher price inflation there is also a risk of potential flow on to increased wage inflation. Allowance has been made in the valuations for potential inflation although the extent of future inflation may be different to that assumed leading to different outcomes in claims costs for future reporting periods.

In addition to price and wage inflation, allowance is made for superimposed (or social) inflation for long-tail classes of business. This represents the tendency for claims costs to increase faster than normal inflation and can be due to a number of factors such as changes to court awards and precedents, increased costs of medical treatment and social and environment pressures. Superimposed inflation experience can have periods of non-existence followed by periods of high superimposed inflation which can have a significant impact on ultimate cost of claims. As for price and wage inflation, allowance has been mode for potential superimposed inflation but experience may be different to that assumed.

The outstanding claims liability continues to include a risk margin to achieve a probability of adequacy of 90% for the Group overall.

Banking activities

5. Loans and advances

	Note	Dec 2022 $M	Jun 2022 $M
Retail loans			
Housing loans		47,874	45,616
Securitised housing loans and covered bonds		4,971	4,598
Consumer loans		51	67
		52,896	50,281
Business loans			
Commercial		5,165	4,884
SME		2,646	2,641
Agribusiness		4,195	4,267
		12,006	11,792
Gross loans and advances		64,902	62,073
Provision for impairment	6.1	(211)	(217)
Net loans and advances		64,691	61,856

6. Provision for impairment on financial assets

6.1 Reconciliation of provision for impairment on financial assets

The table below shows the reconciliation of the ECL, specific provision (SP) and gross carrying amount for loans and advances (GLA) for the half-year ended 31 December 2022.

	Collective provision									
	Stage 1		Stage 2		Stage 3		Stage 3 SP		Total	
	GLA $M	ECL $M	GLA $M	ECL $M	GLA $M	ECL $M	GLA $M	SP $M	GLA $M	Provision $M
As at 1 July 2022	60,154	88	1,336	63	480	29	103	37	62,073	217
Transfers:										
Transfer to stage 1	513	22	(467)	(19)	(43)	(2)	(3)	(1)	-	-
Transfer to stage 2	(859)	(16)	938	18	(70)	(1)	(9)	(1)	-	-
Transfer to stage 3	(57)	(1)	(80)	(6)	115	5	22	2	-	-
New loans and advances originated	10,309	39	-	-	-	-	-	-	10,309	39
Net increase (release) of ECL/SP	-	(29)	-	24	-	(8)	-	-	-	(13)
Loans and advances derecognised	(7,057)	(9)	(281)	(11)	(114)	(6)	(28)	-	(7,480)	(26)
SP written-off	-	-	-	-	-	-	-	(4)	-	(4)
Unwind of discount	-	-	-	-	-	-	-	(2)	-	(2)
As at 31 December 2022	63,003	94	1,446	69	368	17	85	31	64,902	211
Provision for impairment on:										
Loans and advances	(82)		(63)		(17)		(31)		(193)	
Commitments & guarantees	(12)		(6)		-		-		(18)	
Net carrying amount as at 31 December 2022	62,909		1,377		351		54		64,691	

6.2 Impairment loss (release) on financial assets

	Dec 2022 $M	Dec 2021 $M
Increase (decrease) in collective provision for impairment[1]	1	(15)
Decrease in specific provision for impairment	-	(2)
Bad debts written off	1	1
Total impairment loss (release) on financial assets	2	(16)

1 Impairment losses above includes $1 million of expected credit losses on investment securities which are measured at fair value through other comprehensive income (FVOCI) (2021: $nil million).

6.3 Expected credit loss model methodology, estimates and assumptions

Significant estimates, judgements and assumptions

The provision for impairment on financial assets is considered to be a significant accounting estimate and judgment as forecast macroeconomic conditions are a key factor in determining the ECL for loans and advances. Key economic indicators such as residential property prices and unemployment improved as the Australian and global economies recovered from the initial significant impacts of COVID-19. However, central banks are now responding to significant inflation pressures by tightening monetary policy and this will slow demand in economies. The impacts from the tightening of monetary policy are still yet to take full effect, and accordingly there is considerable uncertainty about the economic outlook. One specific example of this is the outlook for customers who are refinancing from fixed rate loans at historically low levels to the current and prevailing market rates. A correction in residential property prices is underway following the large rise in prices over the past two years and a rise in the unemployment rate is anticipated, albeit from current exceptionally low levels. The ECL model calibration reflects the uncertain economic outlook.

Reported expected credit loss

The Group calculates the ECL by considering a distribution of economic outcomes around a central underlying scenario, with the distribution of outcomes reflecting the Group's view of the likelihood of more adverse outcomes.

As the negative impact of an economic downturn on credit losses tends to be greater than the positive impact of an economic upturn, AASB 9 *Financial Instruments* (AASB 9) requires the ECL to be a probability weighted outcome based on a range of possible outcomes. Accordingly, the Group determines the collective provision allowing for a distribution of economic outcomes, including more severe downside events.

Key assumptions underpinning the Group's reported ECL of $180 million are presented in the table below. As an example of the downside allowance in the model, there is a 19% probability that house price falls will exceed 25% over FY23/FY24.

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

1 Unemployment rate reflects the rate as at June 2023 and June 2024. The probability of default 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.

Downside sensitivity expected credit loss

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, signifying no single analysis can fully demonstrate the sensitivity of the ECL to fluctuations in macroeconomic variables. As a result of economic uncertainty and the sensitivity to key macroeconomic variables, significant adjustments to the ECL could occur in future periods. To provide an indication of the impact of changes in key macroeconomic variables, a sensitivity analysis is conducted on the following key macroeconomic drivers to which the ECL is sensitive:

- residential and commercial property prices;
- the unemployment rate; and
- a combination of simultaneous adverse movements in the above variables.

The table below indicates how each of the aforementioned drivers would impact the profit (loss) before tax with a corresponding impact on the ECL at reporting date.

	Downside sensitivity	
	Movement in variable	Pre-tax impact Profit (loss) $M
Movement of variables in isolation		
Property prices - residential	Decrease weighted average ~500 bps over 2 years from a fall of 14.6% to 19.6%	(19)
Property prices - commercial	Decrease weighted average ~500 bps over 2 years from a rise of 0.4% to a fall of 4.6%	(7)
Unemployment rate	Increase ~100 bps over 1 year to 5.3%	(48)
Movement of variables in combination		
Property prices - residential and commercial, and unemployment rate all move in combination over the given timeframes	Adverse movements as above	(79)

7. Deposits

	Dec 2022 $M	Jun 2022 $M
At-call transactions deposits	20,193	20,555
At-call savings deposits	16,137	15,832
Term deposits	14,473	11,488
Total deposits	50,803	47,875

Other investment and financial instruments

8. Fair value of financial instruments

Fair values are categorised by a three-level hierarchy which identifies the inputs to valuation techniques used to measure fair value:

- Level 1: derived from quoted prices (unadjusted) in active markets for identical financial instruments that the Suncorp Group can access at the measurement date.
- Level 2: derived from other than quoted prices included within level 1 that are observable for the financial instruments, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.
- Level 3: fair value is determined using valuation techniques which include significant inputs that are unobservable. The valuation techniques include the use of discounted cash flow models for loans and advances. The fair value of investments in infrastructure assets and property related assets (held via unlisted trusts) are determined based on the Group's share of the net asset value of the unlisted trusts, as advised by the external investment manager. The fair value of other unlisted equity securities is determined as the cost of the investment adjusted for known increments or decrements as this is considered to be the most reliable measure of fair value.

Financial assets and liabilities measured at fair value

The following table presents the financial assets and liabilities that are measured at fair value categorised by fair value hierarchy. Terms 'FVTPL' and 'FVOCI' refer to 'fair value through profit and loss' and 'fair value through other comprehensive income' respectively

	Dec 2022				Jun 2022			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets								
Trading securities	-	1,950	-	1,950	-	2,722	-	2,722
FVTPL[1]	2,905	11,937	353	15,195	2,789	12,016	197	15,002
FVOCI[1]	-	5,361	-	5,361	631	5,318	6	5,955
Derivatives	21	617	-	638	10	731	-	741
	2,926	19,865	353	23,144	3,430	20,787	203	24,420
Financial liabilities								
Short-term offshore commercial paper[2]	-	1,856	-	1,856	-	1,842	-	1,842
Derivatives	14	728	-	742	9	774	-	783
	14	2,584	-	2,598	9	2,616	-	2,625

1 Disclosed within the consolidated interim statement of financial position category of 'Investment securities'.

2 Designated as financial liabilities at FVTPL. Disclosed within the consolidated interim statement of financial position category of 'Borrowings'.

There have been no significant transfers between Level 1 and Level 2 during the current or prior half-year.

Level 3 financial assets consist of investments in infrastructure assets and property related assets (held via unlisted trusts) of $353 million (30 June 2022: $196 million). The fair value of level 3 financial assets (held via unlisted trusts) is based on the Group's share of reported net asset value, as advised by the external investment manager. Infrastructure and property related assets held in the unlisted trusts are independently valued in accordance with AASB 13 *Fair value measurement*.

During the half-year, additional units of infrastructure and property related assets were purchased for $150 million (2021: $nil) and a fair value gain of $7 million (2021: $9 million gain) was recognised through 'Net gains (losses) on financial assets and liabilities at fair value through profit or loss''. No units were redeemed during the current half-year (2021: $85 million).

Financial assets and liabilities not measured at fair value

The following table discloses a comparison of carrying value and fair value of financial assets and liabilities that are not measured at fair value after initial recognition, where their carrying value is not a reasonable approximation of fair value. The significant assumptions and estimates used in determining their fair values are consistent with those used in the financial year ended 30 June 2022.

	Note	Carrying value $M	Fair value Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 31 December 2022						
Financial assets						
Loans and advances	5	64,691	-	-	64,256	64,256
		64,691	-	-	64,256	64,256
Financial liabilities						
Deposits	7	50,803	-	50,683	-	50,683
Borrowings[1]		21,014	-	20,923	-	20,923
Loan capital		2,295	1,218	1,127	-	2,345
		74,112	1,218	72,733	-	73,951
As at 30 June 2022						
Financial assets						
Loans and advances	5	61,856	-	-	61,314	61,314
		61,856	-	-	61,314	61,314
Financial liabilities						
Deposits	7	47,875	-	47,728	-	47,728
Borrowings[1]		19,068	-	18,966	-	18,966
Loan capital		2,622	1,156	1,471	-	2,627
		69,565	1,156	68,165	-	69,321

1 Borrowings excludes short-term offshore commercial paper which are designated as financial liabilities at FVTPL.

Capital structure

9. Share capital

	Number of ordinary shares	Issued capital $M	Share-based payments $M	Treasury shares $M	Total share capital $M
Balance as at 1 July 2021	1,282,966,675	12,571	28	(41)	12,558
On market buy-back	(20,361,699)	(250)	-	-	(250)
Share-based payments	-	-	(6)	-	(6)
Treasury share movements	-	-	-	12	12
Balance as at 31 December 2021	1,262,604,976	12,321	22	(29)	12,314
Share-based payments	-	-	8	-	8
Treasury share movements	-	-	-	3	3
Balance as at 30 June 2022	1,262,604,976	12,321	30	(26)	12,325
Shares issued	1,470,621	16	-	-	16
Share-based payments	-	-	1	-	1
Treasury share movements	-	-	-	7	7
Balance as at 31 December 2022	1,264,075,597	12,337	31	(19)	12,349

Issue of new ordinary shares

On 21 September 2022, 1,470,621 ordinary shares were issued and allotted at the issue price of $10.88 per share under the Dividend Reinvestment Plan in respect of the 2022 final dividend.

10. Dividends

	Dec 2022		Dec 2021	
	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares				
2022 final dividend (December 2021: 2021 final dividend)	17	215	40	513
2022 special dividend (December 2021: 2021 special dividend)	-	-	8	103
Dividends paid on treasury shares		-		(1)
Total dividends on ordinary shares paid to owners of the Company	17	215	48	615
Dividends not recognised in the consolidated interim statement of financial position[1]				
Dividends determined since balance date				
2023 interim dividend (December 2021: 2022 interim dividend)	33	417	23	290

1 The total 2023 interim dividend on ordinary shares determined but not recognised in the consolidated interim statement of financial position is estimated based on the total number of ordinary shares on issue without taking into account treasury shares as at 31 December 2022. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2023 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.

Other disclosures

11. Share-based payments

The following awards are made under the Suncorp Group Equity Incentive Plan:

Long-term incentive (performance rights):

- Long-term incentives (LTI) are performance rights granted to eligible executives. During the half-year ended 31 December 2022, 860,402 (December 2021: 803,668) performance rights were offered at a total fair value of $4,693,000 (December 2021: $6,740,000). Total LTI performance rights expensed for the half-year ended 31 December 2022 is $2,182,000 (December 2021: $2,264,000).

Share rights plan:

- Share Rights are granted to eligible employees in specific roles that satisfy the eligibility criteria as approved by the Board. During the half-year ended 31 December 2022, 45,807 (December 2021: 211,471) share rights were offered at a total fair value of $524,000 (December 2021: $2,535,000). Total share rights expensed for the half-year ended 31 December 2022 is $985,000 (December 2021: $1,176,000).

Short-term incentive (STI) deferred plan:

- Share rights are offered to the Group CEO and MD, ELT and Executive General Managers as the deferred component of their total STI award. On 8 August 2022, 585,633 (December 2021: 666,914) share rights were offered at a total fair value of $6,823,000 (December 2021: $8,536,000). Total STI deferred into share rights expensed for the half-year ended 31 December 2022 is $3,631,000 (December 2021: $3,863,000).

Expenses relating to share-based payments are included in 'Fees, overheads and other expenses' in the consolidated interim statement of comprehensive income.

12. Related parties

Arrangements for related parties continue to be in place as disclosed in the Group's consolidated financial report for the financial year ended 30 June 2022. There have been no other transactions with related parties that are significant to understanding the changes in financial position and performance of the Group since 30 June 2022.

13. Contingent assets and liabilities

13.1 Contingent assets

Contingent assets are not recognised but are disclosed in the consolidated interim financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

There are claims and possible claims made by the Group against external parties. Where considered appropriate, privileged legal advice has been obtained. The Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. The Group is of the opinion that receivables are not required in respect of these matters, as the inflow of future economic benefits is probable but not virtually certain.

13.2 Contingent liabilities

Contingent liabilities are not recognised, but are disclosed in the consolidated interim financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

There are contingent liabilities facing the Group in respect of the matters below.

Regulatory and internal reviews

Reviews and enquiries from regulators may result in investigation and administrative costs, system changes, litigation and regulatory enforcement action (and associated legal costs), compensation and/or remediation payments (including interest) or fines and penalties. The Group conducts its own internal reviews of its regulatory compliance, which it may disclose to the regulators in Australia and New Zealand, which may result in similar costs.

In recent periods, a number of regulators in Australia and New Zealand including Australian Securities and Investments Commission (ASIC), APRA, Australian Competition and Consumer Commission (ACCC), Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian Taxation Office (ATO), and the Reserve Bank of New Zealand and Financial Markets Authority (FMA) in New Zealand conducted reviews and made enquiries with the Group. There were a number of non-compliance instances identified and disclosed by the Group to ASIC, APRA, AUSTRAC, Department of Foreign Affairs and Trade Australian Sanctions Office (ASO), the Fair Work Ombudsman (FWO) and FMA.

An assessment of the likely cost to the Group of these matters has been made on a case-by-case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

AUSTRAC completed a Compliance Assessment Report concerning SML's compliance with Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) obligations, and provided a detailed report on 28 July 2022 with their findings and recommendations. Management have incorporated the recommendations into the Financial Crime Compliance Program of Action (FCC PoA) and are not aware of any pending enforcement action or liability arising from AUSTRAC's findings.

The Group was subject to ASIC's Institutional Supervision Program, resulting in the implementation of an action plan to address ASIC's findings from its review into Internal Dispute Resolution and Breach and Incident Management processes. Suncorp is no longer involved in this program, and no further findings are expected to be received from ASIC in relation to this program.

ASIC requested certain Australian insurers to commission a review to confirm whether all discounts or price rewards the insurer has promised on all retail general insurance products over the past five years have been fully delivered to all relevant customers. The review was completed and submitted in April 2022 and identified some areas of non-compliance. An immaterial provision has been raised for this matter.

The FMA filed proceedings against Vero Insurance New Zealand Limited (VINZL) on 13 October 2022 in relation to the multi-policy discount (MPD) remediation, however these proceedings have not yet been served. The claim covers alleged breaches of the fair dealing provisions in the Financial Markets Conduct Act 2013 (FMCA) in respect of the misapplication of MPD. The FMA is seeking a declaration that VINZL contravened certain sections of the Act and for VINZL to pay a pecuniary penalty. Discussions with the FMA are ongoing and potential penalties have been provisioned.

The FMA has been investigating AA Insurance Limited (AAI NZ) in relation to its customer remediation activities. Communications with the FMA are ongoing.

Customer remediation and complaints

The Group is currently undertaking a number of programs of work in both Australia and New Zealand to resolve prior issues that in some cases impacted customers. Contingent liabilities may exist in respect of actual or potential claims, compensation payments and/or remediation payments (including interest) identified as part of existing programs of work or as part of future programs responding to regulatory or internal reviews.

The Australian Financial Complaints Authority (AFCA) has the power to award compensation within financial limits prescribed by its rules on complaints raised by customers and also investigate matters they consider may be 'systemic'. The Group is working through the individual cases that have been referred to AFCA.

An assessment of the likely cost to the Group of reviews and customer complaints has been made on a case-by-case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

Royal Commission

The 2019 report of the Royal Commission (Report) set out 76 policy recommendations. There were focused matters in relation to the Accrued Default Amount (ADA) transfers to MySuper and utilisation of tax surpluses and these have been covered as part of the warranties and indemnities provided for as part of the sale of the Wealth business.

The Group has implemented many of the known reforms since the Report and will continue to monitor and respond to any additional legislative and regulatory activity. While it has been more than 3 years since the final Report was issued, it ultimately remains uncertain whether any other enquiries or claims may arise following the case studies and observations in the Report.

Litigation

As disclosed in the consolidated annual financial report as at 30 June 2022 a class action was filed against AAI Limited, MTAI Limited and former Suncorp Group entity Suncorp Life & Superannuation Limited (SLSL) on behalf of persons who purchased add-on insurance products sold with the purchase or lease of motor vehicles at car dealerships between 1 May 2006 and 30 June 2018. The Group is defending this matter. The Group has made provision for legal, investigation and other defence costs. At this stage of the proceedings it is not possible to determine the ultimate financial impact of this matter, if any.

Following the onset of the COVID-19 pandemic, the construction of various business interruption wordings has been tested through litigation including two industry test cases. The first industry test case considered the validity of certain policy exclusions referencing the Quarantine Act. The Court determined that insurers could not rely on these exclusions. The second industry test case considered whether the insuring clauses for these policies respond, including the construction of Infectious Diseases, Prevention of Access, and adjustments clauses.

The Full Federal Court determined that in most instances the indemnity clauses considered did not trigger and therefore the insurers were not liable to indemnify the policyholders for COVID-19 related business interruption claims. On 14 October 2022, the High Court of Australia rejected the Special Leave applications to appeal the Full Federal Court decision, resulting in confirmation of the Full Federal Court decision.

Other industry participants have discrete litigation and/or class actions on foot relating to business interruption and, while settled in the main, there is some outstanding litigation in relation to the second industry test case. Accordingly, there may be additional judicial determinations which may be of broader industry application and impact future exposure for the Group.

The potential impact of these matters is uncertain and has been considered in the recognition of claims provisions and risk margins in the General Insurance outstanding claims liabilities as set out in note 4.

As disclosed to the ASX on 1 July 2019, a class action was filed against SPSL, being the trustee of the former Suncorp Master Trust and two former SPSL executive directors. The NSW Supreme Court has approved a settlement and judgment has now been entered for the defendants in respect of all the claims of the Plaintiff and Group Members. The settlement was fully provided for and has been paid.

There are other outstanding court proceedings, potential fines, enquiries, industry reviews, claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, privileged legal advice has been obtained. The Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, likely to have a material effect on its operations or financial position.

An assessment of the likely cost to the Group of these matters has been made on a case-by-case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

Sale of businesses

As part of the sale of SLSL, the Group provided warranties and indemnities to SLSL and TAL Dai-ichi Life Australia Pty Ltd (TAL). These included warranties, indemnities, and remediation obligations regarding the provision of services and products in accordance with terms and conditions of the contractual arrangements. As at 31 December 2022, no claims are outstanding and the period within which claims may be commenced has expired, except for tax warranties.

As part of the sale of Capital S.M.A.R.T and ACM Parts, the Group provided warranties in the respective Share Sale and Purchase Agreements entered into with AMA Group Limited (AMA). As at 31 December 2022, no claims are outstanding and the period within which claims may be commenced has expired, except for tax warranties.

As part of the sale of Resilium, the Group provided certain tax warranties in the Sale and Purchase Agreement entered into with the Resilium management team. Any potential outflows relating to the warranties remain uncertain.

As part of the sale of SPSL to LGIAsuper, Suncorp Life Holdings Limited provided warranties and indemnities to LGIA Trustee, as trustee of LGIAsuper. These included warranties, indemnities, and remediation obligations regarding the provision of services and products in accordance with the terms and conditions of the contractual arrangements. Any outflows relating to the warranties and indemnities remain uncertain.

As part of the sale of Suncorp's 50% stake in RACT Insurance to Royal Automobile Club of Tasmania, the Group provided certain warranties relating to title and capacity and a tax indemnity as part of the Share Purchase Agreement. Any potential outflows relating to the warranties and indemnities remain uncertain.

Other

Under the terms of its contracts with New Zealand advisers, the Group would potentially acquire the entitlement of individual advisers to future income streams from renewal commission for business in-force as at 16 April 2021, should the advisers themselves be unable to find an approved buyer within six months of the date that the agreement ends. For in-force business written since 16 April 2021, the entitlement of individual advisers to future income streams from renewal commission if an approved buyer is not found within six months of the date that the agreement ends, is ceded to the Company at no cost. The liability for future renewal commission is contained in the Group's policy liabilities, and therefore these potential transactions do not result in any change to the Group's net assets or profit or loss. In practice, these transactions are not frequent, and management do not consider the consequent acceleration of the timing of underlying cash flows to be material.

Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.

Some companies in the Group, apart from the Company, also provide financial guarantees to external parties and may be exposed to contingent liabilities.

14. New Australian accounting standards

There are several new or revised accounting standards published by the AASB that are either mandatory in the current period or will be mandatory in future financial years. An update on new or revised accounting standards that are expected to have a material impact on the Group is set out below. The Group has not early adopted this accounting standard.

AASB 17 *Insurance Contracts*

AASB 17 *Insurance Contracts* (AASB 17) is a new accounting standard for all types of insurance contracts and replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 is effective for the Group's consolidated financial statements for the reporting period beginning 1 July 2023.

The Group's consolidated financial statements for the year ended 30 June 2022 included disclosure on the key requirements and changes expected from implementing AASB 17 in note 35 including changes to presentation and disclosure of insurance contracts.

The overall economics of insurance and reinsurance contracts do not change with the implementation of AASB 17. Differences from current reporting arise as a result of the timing of profit and loss emergence and how items are presented in the financial statements.

Profit and loss impact from the new standard for general insurance contracts will predominantly arise from the up-front recognition of losses on groups of insurance contracts considered loss making and changes to the risk margin and discount rate in the valuation of claims liabilities.

The measurement requirements of AASB 17 are applied at an aggregated level rather than at an individual contract level. Contracts are initially aggregated into portfolios (comprised of contracts subject to similar risks that are managed together) and then divided into groups based on the expected profitability of contracts and the periods in which the contracts are written. Contracts may not be grouped if they are written more than 12 months apart. Under the level of aggregation requirements, the identification and measurement of contracts that are expected to be loss making will be performed at a lower granularity than occurs for the liability adequacy test under current accounting standards, with any loss component recognised on initial recognition of the group of contracts.

Insurance contracts issued to policyholders and reinsurance contracts held are measured separately.

Discount rates for the valuation of claims liabilities are required to reflect the liquidity characteristics of the insurance contracts through the addition of an illiquidity premium, this differs from the risk-free discount rates used under current accounting standards.

The risk adjustment applied in the valuation of claims liabilities reflects the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows as the entity fulfills insurance contracts. This differs from the risk margin used under AASB 1023 which reflects the inherent uncertainty in the central estimate of estimated future cash flows.

The Group continues its analysis of the implications of implementing AASB 17 including the changes to capital and reporting prudential standards. The expectation is that there would not be a material impact to capital as a result of applying AASB 17.

Current tax law in Australia is drafted to mirror AASB 1023 and the Group are awaiting direction from the appropriate authorities to understand the financial and operational impact of transition to AASB 17.

The AASB 17 requirements are complex and global interpretation of these requirements is evolving. The Group continues to closely monitor all these developments and to assess the impacts of the standard and other regulations on the Group. The financial impact of adopting AASB 17 is not reasonably estimable at the date of this report and will be disclosed in the Group's consolidated financial statements for the financial year ending 30 June 2023.

The Group is progressing with implementation and testing of changes to finance systems and processes, actuarial modelling and financial, regulatory and management reporting.

15. Subsequent events

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

There has not arisen in the interval between the end of the half-year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group in future financial years.

Directors' declaration

The directors of Suncorp Group Limited (the Company) declare that in their opinion:

1) The consolidated interim financial statements and notes set out on pages 6 to 25, are in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the Suncorp Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

   b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and

2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Christine McLoughlin

CHRISTINE MCLOUGHLIN, AM

Chairman
8 February 2023

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director
8 February 2023

Independent Auditor's Review Report

To the shareholders of Suncorp Group Limited

Report on the Consolidated Interim Financial Report

Conclusion

We have reviewed the accompanying ***Consolidated Interim Financial Report*** of Suncorp Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Consolidated Interim Financial Report of Suncorp Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Consolidated Interim Financial Report*** comprises:

- Consolidated interim statement of financial position as at 31 December 2022
- Consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the Half-year ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Suncorp Group Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Consolidated Interim Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Consolidated Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Consolidated Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Consolidated Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Consolidated Interim Financial Report

Our responsibility is to express a conclusion on the Consolidated Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Consolidated Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Consolidated Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

Scott Guse

Partner

Brisbane

8 February 2023

T. Gilerman

Tanya Gilerman

Partner

Sydney

8 February 2023