Annual Report 2022-23

SUNCORP

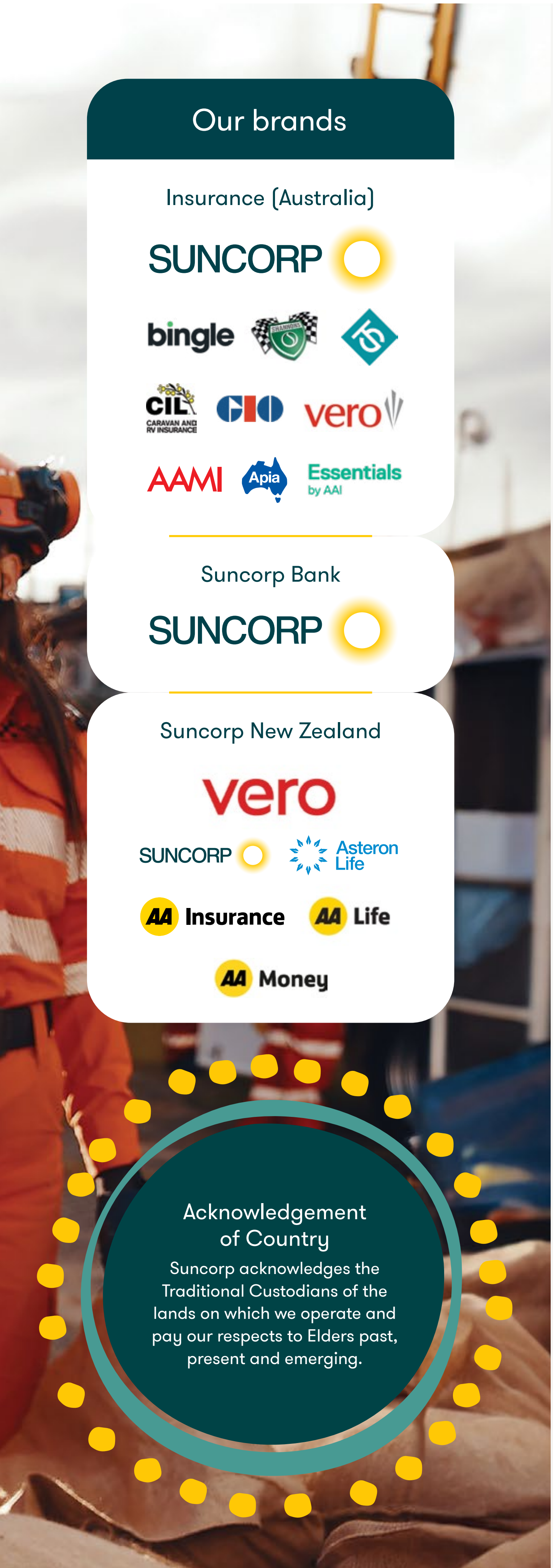
Building futures and protecting what matters

Supporting the SES across the east coast of Australia

AAMI became the major partner of New South Wales State Emergency Service (SES) this year, joining Suncorp Group's existing partnerships with Queensland SES (through Suncorp Group) and Victoria SES (through AAMI). The partnership will see NSW communities benefit from support for volunteering, education campaigns and local resilience programs.

Learn more[1]

1. suncorpgroup.com.au/news/news/AAMI-partners-with-NSW-SES



Our brands

Insurance (Australia)

Suncorp Bank

Suncorp New Zealand

Acknowledgement of Country

Suncorp acknowledges the Traditional Custodians of the lands on which we operate and pay our respects to Elders past, present and emerging.

About this report

Our FY23 Annual Report includes information on our financial and non-financial performance for the reporting period 1 July 2022 to 30 June 2023.

In preparing this report, we have drawn on aspects of the International Integrated Reporting <IR> Framework to describe how our business model, strategy, governance and risk management processes help us manage risks and opportunities in our operating environment and deliver value for our stakeholders. We outline our response to external social and environmental challenges, including how we are continuing to support our customers, people and communities as they recover from numerous extreme weather events. We also describe how we are strengthening our approach to managing the impacts of climate change with further details available in our 2022-23 Climate-related Disclosure Report.

The statutory reporting elements of the Directors' Report, including the Operating and Financial Review (OFR), are featured on pages 12 to 67 of this report, along with sections outlining How we create value, Financial performance and Corporate governance. All metrics included in the Directors' Report on pages 56 to 67 have been verified through our internal verification process. KPMG was engaged by Suncorp Group to undertake limited assurance over selected non-financial metrics in Suncorp's FY23 Annual Report. KPMG's independent Limited Assurance Statement to the Board and Management of Suncorp Group is available on the Suncorp Group website. Selected disclosures that have been assured are identified throughout the report via footnotes. The Remuneration Report on pages 68 to 94 and the Financial Statements on pages 96 to 181 have been audited by KPMG.

Our approach to sustainability reporting has been developed with reference to the 2021 Global Reporting Initiative (GRI) Standards. For a full list of disclosures referenced in this report, on our website and in the FY23 Sustainability Data Pack, please refer to the GRI Content Index in the FY23 Sustainability Data Pack.

Learn more[1]

About Suncorp Group

Suncorp Group offers insurance and banking products and services through some of Australia and New Zealand's most recognisable brands.

With a heritage dating back to 1902, we have grown to become an ASX-listed company with more than 13,000 people and approximately $115 billion in assets. Suncorp Group comprises three core businesses, each empowered to deliver for their customers.

Insurance (Australia)

Provides consumer, commercial and personal injury insurance products to the Australian market. Suncorp Group is one of Australia's largest general insurers by Gross Written Premium (GWP) and the country's largest compulsory third party insurer.

Suncorp Bank

Focused on lending, deposit gathering and transaction account services to personal, Small and Medium Enterprise (SME), commercial and agribusiness customers.

In July 2022, we announced the proposed sale of Suncorp Bank.

Learn more[2]

Suncorp New Zealand

Delivers financial services to New Zealanders through Suncorp's go-to-market general and life insurance brands. Made up of: Vero Insurance, Asteron Life and AA Insurance, AA Money and AA Life joint ventures with the New Zealand Automobile Association (NZAA).

1. suncorpgroup.com.au/corporate-responsibility/reports
2. suncorpgroup.com.au/announcements-pdf/1684677

Additional reports

More information on the Group's financial, non-financial, risk and sustainability performance is available online at: suncorpgroup.com.au.

FY23 Investor Pack
suncorpgroup.com.au/investors/events

FY23 Sustainability Data Pack
suncorpgroup.com.au/corporate-responsibility/reports

2022-23 Climate-related Disclosure Report
suncorpgroup.com.au/corporate-responsibility/reports

FY23 Proxy Voting Report
suncorpgroup.com.au/corporate-responsibility/reports

2022 Tax Transparency Report
suncorpgroup.com.au/corporate-responsibility/trust-and-transparency/tax-transparency

Suncorp Group Modern Slavery Statement FY22
Suncorp-Group-Modern-Slavery-Statement-2021-22.pdf (suncorpgroup.com.au)

Update on the proposed sale of Suncorp Bank

On 18 July 2022, following a comprehensive strategic review, we announced the decision to sell Suncorp Bank to Australia and New Zealand Banking Group (ANZ). This decision was taken after extensive consideration and assessment of ANZ's proposal by the Suncorp Board to ensure alignment with our purpose and values, and beneficial outcomes for all of our stakeholders.

It was the Board's firm belief that the sale would provide the opportunity for both our Bank and Insurance businesses to accelerate their growth plans through dedicated focus and targeted investment, particularly in technology. It would also allow Suncorp Group to become a dedicated trans-Tasman insurer at a time when the value of insurance to the economy and public has never been greater, particularly in light of the growing impact extreme weather events have on our business and the people and communities we serve.

Suncorp's insurance operations are not part of the proposed transaction, with Suncorp Group to remain the home of several of Australia and New Zealand's leading and most trusted insurance brands.

Approvals process

As we outlined at the time of the announcement, the sale of Suncorp Bank to ANZ is subject to a range of regulatory and government approvals. During FY23 we progressed the applications required for the sale.

On 16 June 2023, Suncorp announced a significant jobs and investment package worth around $25 million, agreed with the Queensland Government. This is in addition to Suncorp's commitment to remain headquartered in Queensland, and jobs and investment commitments from ANZ including no net job losses or branch closures in the state for at least three years post sale. These commitments are contingent on all required approvals being received.

On 4 August 2023, the Australian Competition and Consumer Commission (ACCC) announced it would deny authorisation of the proposed sale. As part of the merger authorisation process, ANZ have indicated they will refer the ACCC's decision to the Australian Competition Tribunal for review, and Suncorp has announced it will support ANZ through the process.

We remain of the view that the sale of Suncorp Bank to ANZ is in the best interests of our customers, shareholders and employees and will deliver public benefits for Queensland and a net benefit to the Australian economy. The intention to return the majority of net proceeds in excess of the needs of the business to shareholders following completion remains unchanged.

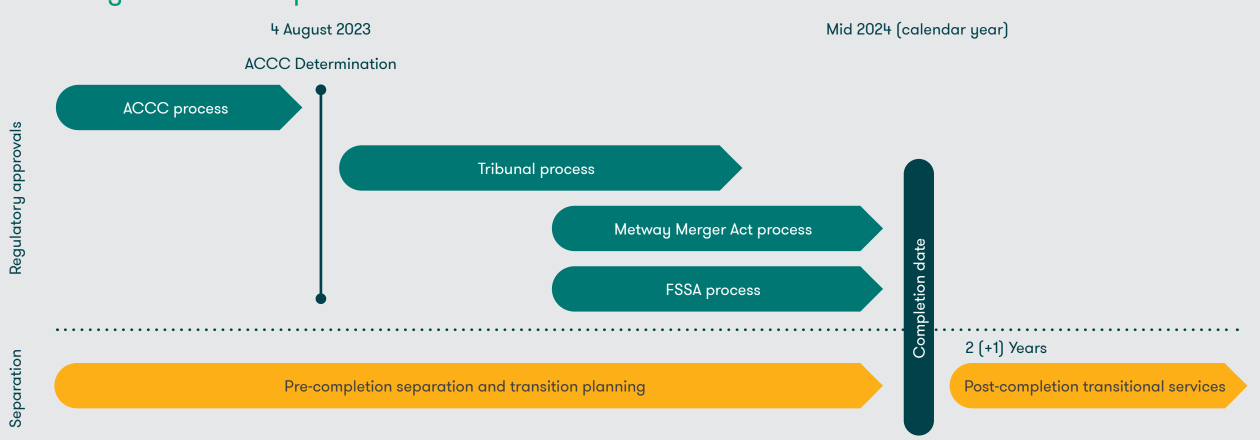
Next steps

If the Tribunal approves the transaction, proposed amendments to the Metway-Merger Act would need to be introduced to Queensland Parliament for consideration in accordance with normal processes to allow the sale to proceed.

The transaction is also subject to approval from the Federal Treasurer under the Financial Sector (Shareholdings) Act. Subject to all approvals and amendments being received, we now expect completion by the middle of the 2024 calendar year (refer to the timeline below).

Suncorp Group remains fully committed to the Bank while this process continues. Our focus on delivering for our customers, communities and shareholders does not change.

Pathway to Bank completion and transition



Performance highlights[1]

↑ 68.6%
$1.15bn
Group net profit after tax

↑ 86.3%
$1.25bn
Group cash earnings[2]

↑ 10.6%
$10.16bn
Insurance (Australia) GWP[3]

↑ 8.5%
$67.32bn
Bank total lending[4]

↑ 14.3%
NZ$2.44bn
New Zealand GWP

1. All changes refer to the prior corresponding period unless otherwise stated. Additional non financial metrics, performance against targets and historical data is available in the FY23 Sustainability Data Pack.
2. Cash earnings refers to net profit after tax adjusted for the amortisation of acquisition intangible assets ($15 million after tax) and the loss on divested/divesting operations ($91 million after tax).
3. Excluding portfolio exits and Emergency Services Levy (ESL).
4. Gross Lending.
5. FY23 figure subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on the Suncorp Group website.
6. Employee engagement is measured by Workday Peakon Employee Voice, a product of Workday, an independent company and a separate entity to Suncorp, and is scored out of 10.0.
7. For mass brands, Home, Motor and CTP products.

People

$1.8bn
Employee salaries, super and benefits

47.7%
Women in senior leadership[5]

99%
Code of conduct training complete[5]

8.3/10
Employee engagement score[5, 6]

Customers

$10.8bn+
Claims paid

68.2%
Digital sales up from 61.2%[7]

+7.7
Consumer Net Promoter Score[8]

99.9%
Internal Dispute Resolution (IDR) complaints resolved in 30 days[9, 10]

Community

$333m
Income tax paid

$9m+
Total community investment[11]

$1.9bn
Suppliers and other fees paid

76%
Reduction in Scope 1 & 2 GHG emissions from a FY20 baseline[5, 12]

Shareholders

28%
Total shareholder return[13]

99.32cps
Cash earnings per share[14]

60cps
Total ordinary dividend, fully franked

$632m
Dividends paid

8. Excludes New Zealand. Source: DBM Consumer Atlas. Aggregate of consumer insurance and retail banking MFI customers. Measured as at June each FY on a 6-month rolling average amongst personal customers. Net Promoter Score℠ is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.
9. Excluding New Zealand and personal injury complaints.
10. 30 calendar days is the ASIC maximum timeframe for IDR responses for standard complaints, but different complaint types are subject to different maximum IDR timeframes (see RG 271.58).
11. Verified by Business for Societal Impact (B4SI) - see verification certificate on 'B4SI' tab of our FY23 Sustainability Data Pack.
12. Scope 1 & 2 emissions performance is measured from a FY20 baseline using the Scope 2 market-based greenhouse gas (GHG) accounting methodology from the GHG Protocol Scope 2 Guidance and track our emissions aligning to the Science-Based Target initiative (SBTi) Corporate Net-Zero Standard. FY20 Scope 1 & 2 baseline has been revised from 23,640 tCO_2-e to 18,707 tCO_2-e to ensure alignment with the GHG Protocol Scope 2 Guidance
13. Total shareholder return represents the return of common stock over the financial year with dividends fully reinvested.
14. Calculated using basic number of shares.

Message from our Chairman

Dear Shareholders,

The focus at Suncorp on delivering our strategic plan underpinned another strong year for the Group, despite the backdrop of continued global economic and political volatility. I am proud of the resilience of our company, and what our employees have delivered for our customers, communities, and shareholders in FY23.

Our achievements continue to be guided by our purpose of building futures and protecting what matters and are supported by our investment in our people, innovation, processes, and our products to support this.

Our purpose has become more relevant than ever in light of the significant complexities faced in recent years, including the global pandemic, a surge in inflation, supply chain dislocation and elevated levels of natural hazards, largely due to the occurrence of three consecutive La Niña climate patterns.

The frequency of extreme weather events across our regions has resulted in increased reinsurance costs for insurers, which in turn is compounding the problem of insurance affordability for customers. This is an industry wide concern and an important issue for Suncorp across its insurance businesses.

The march of technological innovation has been relentless and continues to be the driving force of change. Innovation is critical to our future success and continuing to deliver positive customer outcomes, and your Board and Executive team have worked proactively to understand the major trends, including how artificial intelligence will impact our business and our customers, how to operate effectively in an environment of increasing scams and cyber threats and how to ensure data privacy can be managed across our trusted brands.

Sale of Suncorp Bank

We announced the decision to sell Suncorp Bank to ANZ Banking Group (ANZ) on 18 July 2022. Since that time, Suncorp has worked constructively with the relevant government and regulatory bodies to progress approvals.

Last week, the Australian Competition & Consumer Commission (ACCC) announced it would not approve the proposed sale. Like our shareholders, we were disappointed with this outcome.

Given the changes in and the challenges across the sector we do not believe the ACCC decision reflects a contemporary appreciation of the Australian banking sector's true competitive dynamics, global market conditions, or how businesses need to operate in these circumstances.

> I am proud of the resilience of our company, and what our employees have delivered for our customers, communities and shareholders in FY23.

That is why we are supporting ANZ in seeking consideration by the ACCC decision before the Australian Competition Tribunal ("Tribunal"). That process is led by a Justice of the Federal Court of Australia. We are confident the Tribunal will take an independent view based on a practical and contemporary assessment of the market and the evidence already produced by Suncorp and ANZ. We appreciate your patience as we continue to work through the merger authorisation process. Please be assured that your Board and executive team will continue to focus on running and investing in the business while the process is underway.

We remain firmly of the view that the sale of our Bank to ANZ is in the best interests of all our stakeholders. It will also deliver clear benefits to Queensland which were again acknowledged by the Queensland Government following the ACCC decision being announced.

Should all approvals be received, Suncorp Group will become a dedicated trans-Tasman insurance company with more focussed investment and management of the risks and opportunities associated with our changing climate. Suncorp Bank will continue to service our customers and communities but under different ownership.

Our performance and capital position

Suncorp's performance continued to improve in FY23. The Group delivered a material increase in earnings, driven by continued momentum in top-line growth, improved underlying margins, and a significant turnaround in investment returns.

Group net profit after tax of $1,148 million, was up by 68.6%, while cash earnings increased 86.3% to $1,254 million. This result reflects not only underwriting discipline but the significant contribution from investment markets and the release of the provision we had held for business interruption.

The Group delivered its FY23 plan and met its key financial and operational targets, which is a strong achievement given the enormity of the external challenges faced over the plan period.

Appropriate capital buffers have been maintained, in line with the Group's prudent and disciplined approach to capital management factoring in the changes to our reinsurance program and the elevated natural hazard activity.

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

The dividend payout ratio reflects the Board's careful consideration of the current circumstances for Suncorp covering capital requirements including the reinsurance renewal, and the recently announced delay in the sale of Suncorp Bank as we work through the Tribunal review process.

Navigating our biggest challenges

Your Board regularly considers environmental, social and governance matters.

This year, the Group again assessed our most material topics for our business and our stakeholders. These include the affordability and accessibility of insurance and the closely associated issues of action on climate change and natural hazard resilience. Suncorp continues to play a central role in navigating these challenges, both by ensuring our customers and communities receive the support they need today, and by working with governments at all levels to advocate long-term change.

Providing affordable and equitable access to financial services products, while finding solutions to support customers who are experiencing vulnerability or hardship in the short-term, remains a priority for Suncorp. We remain staunch advocates for long-term resilience measures, such as improved public infrastructure, subsidies to improve private dwellings and an overhaul of planning laws, as the surest way to protect people and alleviate pressure on insurance premiums. It's been pleasing to see our advocacy agenda start to gain real traction this year, with greater investment committed by all levels of government.

Suncorp's focus on responding to climate change and embracing the opportunities from a transition to a net-zero future continued in FY23. You can read more about our progress in reducing our own emissions, supporting our customers and partnering with others to make a difference in our Climate-related Disclosure Report.

Suncorp also published its third Modern Slavery Statement and introduced a Responsible Supply Chain Strategy this year aimed at reducing the climate impact and increasing employment opportunities, including for First Nations Australians.

Your Board remains deeply alert to the heightened threat of cybercrime, including scams and fraud, in both Australia and New Zealand. The cost of such incidents on businesses, our communities and economy continue to increase, with Australians losing more than $3 billion to scams in 2022, up 80% on the prior year. To counter this threat, Suncorp strengthened our capabilities to protect our business, people, and customers, while also building customer awareness on the growing threat of financial crime.

The people who work at Suncorp are front and centre in very challenging times for customers. Their experience and wellbeing continue to be of utmost importance to the Board. We appreciate and admire the way they responded when called upon during the significant weather events in 2023.

In closing

On behalf of the Board, I would like to thank you, our shareholders, for your continued support of the Suncorp Group.

We believe our long history of helping our customers and communities when they need us, combined with a strong focus on our people and innovation, will continue to deliver positive outcomes for our shareholders.

I would also like to thank our Group CEO, Steve Johnston, his leadership team and all Suncorp employees for working so hard for our business and stakeholders, with the trademark dedication and sense of purpose we are known for.

Christine McLoughlin, AM
Chairman

9 August 2023

Message from the Group CEO and Managing Director

Dear Shareholders,

Back in 2020, with our purpose of building futures and protecting what matters as our guide, we devised a three-year plan that would unite our people and align them to our core banking and insurance businesses. By focussing on our people and customers, investing in technology and advocating for change, we set out to simplify our Group to drive improved performance. Our plan included 12 clear initiatives and targets that would allow all of our stakeholders to measure our progress.

I'm proud to lead our dedicated team of people who have lived our purpose and values every day and successfully delivered on this plan. As outlined by the Chairman, this was against a backdrop of headwinds we could never have contemplated when embarking on this strategy. Most notably for Suncorp, this includes an unprecedented level of extreme weather events across our regions resulting in more than half a million claims over the past three years.

We're seeing this heightened activity result in significantly higher reinsurance costs as reinsurers globally reassess and price for the increased risk of such natural disasters across Australia and New Zealand. This, combined with the inflationary environment and supply chain pressures, is contributing to rises in insurance premiums across our communities. We recognise the cost-of-living pressures being experienced by our customers and the impact increased interest rates and more expensive insurance are having on household budgets.

This is why Suncorp continues to embed greater efficiencies in our own business through initiatives like our best-in-class claims program, and strongly advocates for increased investment in measures that help build a more resilient Australia and New Zealand and alleviate affordability pressures. This year we've seen encouraging progress on this front, including Federal and State government funding for a flood levee in Bundaberg, Queensland — something Suncorp has called for over many years. You can learn more on page 25.

Our ability to meet our commitments to our customers and shareholders and drive change while navigating the challenging operating environment is testament to the strength and resilience of our business, which has improved considerably over the past three years. We know our capacity to address these complex changes will be even greater as a dedicated trans-Tasman insurer, and we will continue to work through the process as it relates to the sale of Suncorp Bank to ANZ.

Our FY23 performance

The Group's net profit after tax of $1,148 million, up 68.6%, and cash earnings of $1,254 million, up 86.3%, demonstrates the underlying quality of our business with continued top-line growth and improved margins.

The result also reflects a significant turnaround in investment returns this year, despite ongoing market volatility. This helped offset the impacts of more than 130,000 natural hazard claims received by Suncorp during the year, which resulted in the Group exceeding our allowance of $1,160 million for such events by $97 million. The Group has successfully placed its comprehensive reinsurance program for FY24, increasing its allowance to $1,360 million.

Our Australian and New Zealand businesses achieved strong growth in premiums of 10.6%[1] and 14.3% respectively, reflecting price increases required to address material rises in reinsurance and natural hazard costs, and economy-wide inflation. Continued unit growth across our consumer portfolios demonstrates the ongoing importance our customers place in our products and brands, particularly in this environment.

The Bank's continued growth in home lending of 9.1%, or $4.6 billion, while maintaining sound credit quality, reflects the benefits of improved broker and customer experiences. Process enhancements and productivity improvements reduced the average median turnaround time for brokers from approximately 14 days in FY21 to around 4 days throughout FY23. This saw the Bank's Net Promoter Score shift from a 6-month rolling average of -33 in July 2020 to +49 in June 2023.

Customer deposits grew 6.9% to $51.4 billion this year, reflecting increased demand for term deposits with higher yields in the rising interest rate environment.

1. Excluding emergency services levies and portfolio exits

Our people

This year our teams across the Group worked tirelessly to achieve our FY23 plan while also supporting our customers and communities, including those impacted by 15 severe weather events.

Given the enormity of the flooding and cyclone disasters that struck New Zealand's North Island in early 2023, a team of more than 100 specialists from Australia's insurance operations were quickly mobilised to provide both on-the-ground and remote support to our local New Zealand teams in their response and recovery efforts. This ability to scale up our workforce and deploy resources as required highlights the benefits of being a trans-Tasman insurer with strong event response capabilities.

We continue to prioritise employee wellbeing and this year launched a partnership with mental health research institution, Black Dog Institute, aimed at building mental health literacy across our leader cohort.

Suncorp's employee engagement scores remained in the top quartile of our peer group, at 8.3 out of 10, which is consistent with our score last year. This is encouraging in what continues to be a tight labour market and reinforces the strength of our purpose and our compelling employee value proposition, both of which are key to attracting and retaining talent.

Supporting our customers

We continue to make a conscious effort to put our customers at the heart of our decision making. This underpins our customer-led culture and is critical in our plight to deliver seamless customer experiences. Our senior leaders engaged in customer immersion experiences throughout the year to gain deeper insights into the issues that matter to our customers and to consider ways to better support them.

We acknowledge that we don't always get it right and we've seen this reflected in an uptick in complaints volumes this year in Australia. While this is largely a sign of the complex range of issues impacting banking and insurance customers, we recognise we must do better and our priority will be to drive meaningful improvements to our customers' experience.

We again maintained a strong focus on supporting our customers impacted by extreme weather events throughout the year, including the more than 31,000 impacted by the flooding and cyclone events on the north island of New Zealand in early 2023, while also finalising more than 90% of claims following the 2022 Australian East Coast Floods.

Our ongoing investment in digital and data capabilities saw almost 47% of our insurance customers in Australia interact with us digitally, up from 40% last year, with 68% of customers purchasing home, motor and CTP products digitally over the year. This is good progress towards our long-term insurance sales and service goal of 70% digital and 30% voice.

Investing in our communities

This year, Suncorp invested more than $9 million in the community, including a further 27 grants worth a combined total of $500,000 awarded to local community groups impacted by the 2022 East Coast Floods through our partnership with Foundation for Rural and Regional Renewal. In addition, the Group extended $200,000 to the Prime Minister's Cyclone Gabrielle Appeal Fund to support the recovery of communities across the North Island of New Zealand.

The Group is also proud to now be a major partner of the State Emergency Service (SES) groups right across the east coast of Australia, with AAMI signing on as a major partner to the NSW SES this year to support its focus on community resilience, engagement and education programs.

Looking ahead

Our focus remains on building on the strong foundations and momentum achieved across our businesses over the past three years, while continuing to advocate strongly for measures that improve resilience to natural hazards to protect people and address insurance affordability and address the important issue of climate change.

We know there are many opportunities to build further efficiencies and innovation to meet evolving customer needs that will underpin the success of Suncorp, and we will continue to prioritise this.

We will work constructively and respectfully through the approval process in relation to the sale of our Bank to ANZ over the coming months and remain fully committed to supporting Suncorp Bank as this occurs.

I would like to note that Paul Smeaton, our Chief Operating Officer for Insurance, has indicated his intent to retire at the end of 2023. Paul has served Suncorp for almost 29 years, and I'd like to take this opportunity to thank Paul and wish him well. I am delighted that Michael Miller, who has held various roles at Suncorp over the past 12 years, will join our executive leadership team in the newly created role of CEO, Commercial & Personal Injury Insurance.

As always, I thank all of our teams for their ongoing dedication and support of our customers, communities and business, and also extend my appreciation to all of our shareholders for your continued confidence in our company.

Steve Johnston
Group Chief Executive Officer and Managing Director

9 August 2023

How we create value

Suncorp is committed to creating long-term value for all of our stakeholders. We are guided by our purpose – *Building futures and protecting what matters* – which positions Suncorp for success over the long term and underpins our future as a sustainable, investible and growing business.

Our purpose and strategy

Our purpose

Building futures and protecting what matters

Suncorp is a purpose-driven business. Building futures and protecting what matters sits at the core of everything we do. Our purpose underpins our culture; the work our people do every day and the role we play in communities across Australia and New Zealand. Our capable, engaged, diverse and innovative workforce brings our purpose to life for our customers and the communities we live and work in. The long term financial outcomes we achieve and the value we create for our shareholders reflects the sum of us getting all this right.

Our purpose
Building futures and protecting what matters

+

People
Capable, engaged, diverse, innovative

=

Customers and community
Delivering valued outcomes

=

Financial outcomes
A sustainable business

Our values

Our culture is underpinned by a set of values, behaviours and beliefs. Living by our values every day enables us to deliver on our purpose and strategy by creating a sustainable business that provides valuable outcomes for our stakeholders.

Doing the right thing
We are a high-performing team that prioritises honest and fair conduct. We manage risks while delivering results.

Caring for others
We are collaborative and inclusive, and we care about our customers, our people and the communities in which we operate. We are supportive of each other to safely achieve our goals.

Being courageous
We are purpose-led and embrace accountability. We are customer-driven and adapt to evolving stakeholder needs, speaking up when it is needed.

Our strategic plan to FY23

This year, Suncorp successfully completed our FY21-23 strategic plan, which focussed on 12 clear business initiatives designed to achieve Suncorp's strategic priorities. In doing so, we delivered on our commitment to embed our purpose and simplify the Group to drive improved performance across our core businesses.

FY21-23 strategic plan

Purpose

Building futures and protecting what matters

Strategic pillars

Customer led
Digital first and personalised customer experiences

Technology enabled
Automated processes and modernised technology platforms

Workforce reimagined
Exceptional people empowered to make a difference every day

Change advocated
Building towards a fair and sustainable industry for our stakeholders

Strategic initiatives

Insurance (Australia)
- Revitalise growth
- Optimise pricing and risk selection
- Digital first customer experiences
- Best-in-class claims

Suncorp New Zealand
- Grow brands and strategic partnerships
- Best-in-class claims
- Digitise and automate

Suncorp Bank
- Win in home
- Seamless everyday banking
- Grow businesses
- Digital first
- Customer service excellence

Outcome

Underlying Insurance Trading Ratio (ITR)
10-12%

Cost-to-income ratio
~50%

Our FY21-23 plan delivered

Over the course of our three-year plan, Suncorp successfully achieved growth and increased efficiencies in our core businesses while building on the Group's existing digital and data capability.

We targeted and delivered a sustainable return on equity above the through-the-cycle cost of equity, with the General Insurance business delivering an underlying ITR of between 10% to 12%, and the Bank Cost-to-income ratio falling to around 50%.

The Group maintained its commitment to a 60% to 80% dividend payout ratio and to returning to shareholders any capital that is excess to the needs of the business.

Our plan was delivered through 12 strategic initiatives across each of our businesses. These were each achieved against a backdrop of considerable headwinds, including the negative impacts of a global pandemic, three La Niña weather patterns, disrupted supply chains, and significant inflationary pressures that have resulted in central banks raising interest rates sharply.

Insurance (Australia)	
Business initiative	**Progress**
Revitalise growth	– Over the three-year plan period, GWP grew 27.2% (8.4% Compound Annual Growth rate (CAGR)) when normalised for portfolio exits, with broad-based growth across Motor, Home and Commercial. Rate increases were the largest driver of GWP growth reflecting the pricing changes made to respond to higher inflation, natural hazards and reinsurance costs. Unit growth was also achieved across most portfolios. – AAMI brand sustained #1 position[1] for consideration nationally across the plan period. AAMI Net Promoter Score (NPS) rank relative to peers remained stable between FY21 and FY23.
Optimise pricing and risk selection	– Implemented the Customer and Pricing Ecosystem (CaPE) for Consumer mass brands, allowing more accurate pricing for risk. CaPE was delivered for Home in November 2021 and for Motor in February 2023. At the end of FY23, over a third of mass-brand Motor policies have been priced through the platform. – Delivered the first phases of the new Intermediated Small and Medium Enterprises (iSME) Platform. iSME will enhance pricing and risk selection and improve the broker experience. The capability was delivered for new business on the Vero Edge Platform in the first half of FY23. – Invested in underwriting tools across property and liability in Commercial to improve risk selection and efficiency.
Digital first customer experiences	– Increased digital transactions for mass brands across Home, Motor and CTP products to 68% of all sales and 44% of all service transactions, up from 49% and 29% respectively at the start of the plan period. The number of unique digital users grew to 5 million in FY23. – Improved digital renewal process with approximately two thirds of mass-brands Home and Motor renewals completed digitally in FY23. Digital capability for Shannons and Terri Scheer was also launched. – Expanded conversational Artificial Intelligence (AI) chatbot capabilities to more than quadruple the annual interactions with customers over the plan period, delivering nearly 1.9 million chatbot conversations in FY23.
Best-in-class claims	– Home and Motor digital claim lodgements increased from approximately 20% of all lodgements to approximately 50% (and higher for natural hazard events) over the plan period following enhancements to the digital lodgement process. – Launched innovative platforms and tools to improve supply chain outcomes, enhancing cost efficiency, scope, and transparency while minimising inflation. Reconfigured supply chain including refreshed builder, repairer and supplier panels. – Delivered Disaster Response Plan, flexible workforce and Event Control Centre to enhance disaster response capability and supply chain readiness and coordination. – In Personal Injury schemes, introduced early intervention and direct lodgement initiatives such as customer concierge teams and industry leading digital lodgement functionality.

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

Our FY21-23 plan delivered (continued)

Suncorp New Zealand	
Business initiative	**Progress**
Grow brands and strategic partnerships	– Strengthened brand propositions and supported new growth through investment in broker relationships and product innovation. – Over the three-year plan period, GWP grew 42.3% (12.5% CAGR) and General Insurance market share increased from 23.4% (30 June 2020) to 25.2% (31 March 2023).[1] – Increased Life Insurance share of industry new business (12-month rolling) from 9.0% (30 June 2020) to 11.3% (31 Mar 2023).[2]
Best-in-class claims	– Delivered a single claims platform, introducing opportunities for customer engagement and seamless connectivity with partners across the claims value chain. – Improved claims experiences through process automation, speeding up claim assessment time, customer responsiveness and improved data accuracy.
Digitise and automate	– Nationwide rollout of digital connectivity with a key strategic broker for Commercial products. This resulted in an increase in premiums written. A successful pilot of Consumer product connectivity with a second key broker group was completed, with nationwide rollout underway. – Launched online Motor insurance sales through the ANZ corporate partnership with ANZ bank, future product releases under development. – Ongoing simplification of the consumer product portfolio, rationalising product numbers. – Delivered a cloud-based Life Underwriting Rules solution with a simplified question and rule set to increase automatic acceptance rates providing a faster turnaround for customers.

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

Suncorp Bank	
Business initiative	**Progress**
Win in home	– Home lending growth of $8.3 billion over the three-year plan period (5.6% CAGR). – Invested in key system enhancements, process simplification and improved operational productivity, resulting in a material reduction in the average median turnaround time from approximately 14 days in FY21 to around 4 days throughout FY23. – Significantly improved the Home Lending Broker NPS, lifting the 6-month rolling average from -33 in July 2020 to +49 in June 2023. Suncorp Bank ranked #1 in Australian Finance Group (AFG) turnaround times for 32 weeks of the year for FY23.
Seamless everyday banking	– Customer deposit growth of $6.6 billion over the three-year plan period driven by growth of $3.5 billion in the transaction portfolio and $3.3 billion in the savings portfolio. – Launched several product offerings during the plan period including the Carbon Insights Account, products and services to support vulnerable customers, and recycled plastic debit cards with tactile indicators.
Grow businesses	– Steady momentum in Business lending with growth of $1.1 billion over the three-year plan period (3.1% CAGR). – Business Banking NPS improved significantly with the 6-month rolling average lifting from -2.6 at the beginning of FY21 to +19 in June 2023. – Realigned and simplified the operating model into four discrete businesses, with differing service propositions covering Agribusiness & Regional, Property Finance, Commercial and Small Business.
Digital first	– Completed the migration of customers to the Suncorp App and continued the delivery of improved self-service capabilities. – Strengthened digital engagement and origination capabilities, including joint account online origination, pre-filled income and expense data and the launch of a refreshed broker portal. Digital origination continues to drive deposit funding, with over 82% of personal at-call accounts originated via digital channels in FY23.
Customer service excellence	– Delivered several improvements to our customer service proposition including upskilling our customer-facing and direct lender workforce, expanding access to fee-free ATMs with an arrangement through, launching an Adaptive Contact Us page to direct customer enquiries and implementing call-back functionality in Voice of Customer surveys.

Our FY24 priorities

For more information on Suncorp's FY24 priorities, please visit the Suncorp Group website.

Learn more

Our operating environment

We consider key trends, issues and risks in the external operating environment when formulating our strategy and plans. A summary of key external risks currently affecting our business and our response to them is outlined below.

Risk

Accessibility and affordability

Affordability of insurance and banking products remains an important issue for customers and key stakeholders. Natural hazard costs, coupled with high inflation and rising interest rates, has resulted in higher input costs for insurers. These changes drive higher premiums, resulting in some customers experiencing difficulty in affording adequate coverage.

Macro-economic trends

We consider the potential for the Australian and New Zealand economic outlook to remain challenging with inflationary pressures and associated interest rate impacts. Within this environment, there can be uncertainty around the path of inflation and the associated policy responses. Additionally, there remains the potential of higher unemployment in both Australia and New Zealand relative to official forecasts, in particular, a deeper recession could occur in New Zealand.

Climate change

Suncorp considers the strategic and financial impacts of climate change. The changing frequency and severity of weather events is identified as a risk over the short, medium and long term.

Severe natural hazard events impact our customers and communities and drive operational pressures in the business. In addition, the recent frequency of events is a major contributing factor to the current hardening reinsurance markets.

Supply chain risk

High inflation and a tight labour market, together with a global disruption to manufacturing, have impacted our insurance portfolios, specifically, the motor supply chain and our repair partners' performance.

Cyber risk

Cyber threats continue to evolve in both frequency and sophistication. Recent high-profile data breaches seen in the Australian financial services industry emphasise the impact cyber threats have on customers.

Changes in customer behaviour and competitive responses

Changes in customer behaviour may impact Suncorp's future business. The financial services industry's competitive landscape continues to evolve.

Workforce change

The demand for skilled individuals is bolstered by a combination of factors such as low unemployment rates, the continuous shift towards a digital-first approach in business, and the rapid progress in artificial intelligence (AI) technology. Consequently, there is a greater need to enhance the skills and abilities of various workforce segments.

Additionally, employees are increasingly seeking workplaces that reflect their values and provide flexibility.

Regulatory change

The evolving regulatory environment and government intervention across sectors will require appropriate responses in Suncorp's business in Australia and New Zealand. Compliance risks may arise if we do not appropriately plan for and implement regulatory change.

Our response

- We support customers to 'health check' their coverage to suit their budget.
- We are working closely with all levels of government to implement our four-point resilience advocacy plan. Refer to page 25 to learn more.
- We are focused on strengthening our digital capabilities and automating processes to ensure we are running our business as efficiently as possible.

- We monitor the risk of systemic shifts in the global environment, such as a prolonged subdued macroeconomy or a global financial crisis-type event that restricts access to capital and/or reinsurance.
- We manage our business responsibly, protecting the Group's balance sheet and maintaining conservative buffers to address uncertainties and support our customers through high-value products and services.

- We undertake climate change scenario analysis to understand the potential impacts of climate change and manage the associated risks and opportunities.
- We advocate for cross-sector collaboration and greater investment in building household and community resilience against natural hazards to better manage physical risks associated with climate change.
- Through our Climate Change Action Plan and net zero transition planning, we are committed to reducing our own emissions and supporting an orderly transition to a low-carbon future.
- We manage the impact of natural hazards through best-in-class claims processes, sophisticated pricing and underwriting models and a comprehensive reinsurance plan.

- We work closely with key suppliers to understand supply chain bottlenecks and capacity constraints.
- Within the motor supply chain, we are expanding our panel of driveable and non-driveable repair providers and we work with key suppliers to offer incentives to increase repair capacity.

- We have integrated cyber risk prevention, monitoring and response measures into our risk framework to safeguard against threats and ensure a resilient technology environment. We are investing in data protection and privacy initiatives to further strengthen our capabilities.
- We are investing in data analytics and technology to help protect our customers from the growing threat of cyber crime.

- Our strategy is customer led and technology enabled.
- Our business planning responds to changing customer behaviours, including mobility and digital trends.
- We will explore strategic partnerships to enable innovative products and services.

- We align our people strategy, processes and frameworks to support our purpose and to attract and retain talent.
- We continue to value flexibility at Suncorp. We work firstly where our customers and community need us, then where our team and stakeholders need us, and finally where we do our best work.
- We have introduced new models of work and continue to use automation, data and innovation to develop our people and transform our culture.

- We actively and constructively engage with regulators in Australia and New Zealand to deliver the best outcomes for our customers and shareholders.
- We participate in industry forums and collaborate with key stakeholders in the environments we operate in to advocate for a fair and balanced approach to regulatory change.
- We maintain strong governance over the implementation and embedding of regulatory change.

Engaging our stakeholders

Stakeholder engagement is highly valued by Suncorp as a means of building trust and confidence. We use a process of informal and formal engagement to identify the risks and opportunities that matter most to our business and our stakeholders. This year, we engaged with our stakeholders on a broad range of topics.

	How we engaged	Topics we heard
Customer	Daily interactions via contact centres, intermediaries, branches and digital platforms, customer feedback, surveys and complaints, social media and the Suncorp Group Customer Advocate.	Natural disasters, impact of climate change, cost-of-living pressures, affordability and accessibility of products and services, data privacy, scam and fraud awareness and the increasing threat of cybercrime.
Investors, shareholders and analysts	Half and full year results presentations, strategic updates, investor meetings, analyst briefings and conferences, annual credit rating reviews, management and director meetings, and the Annual General Meeting.	– Financial performance topics including growth, margins, pricing, claims inflation, natural hazards, reinsurance and capital. – Progress on the sale of Suncorp Bank and any potential capital return. – ESG issues including remuneration practices and the impacts of climate change.
Our people	Internal communication channels (intranet, all-company emails, Yammer, LinkedIn), virtual town halls, the Loop employee feedback survey and business leader presentations and webcasts.	Employee health and wellbeing, business continuity and workforce planning, business strategy and performance, engagement and employee experience, remuneration practices, talent retention, digital capability, resource use and efficiency, diversity and inclusion, reconciliation and cultural learning, cyber security and natural disaster support.
Community	Traditional and social media, community partnerships and events, community event response, community event response hubs and employee volunteering and giving.	Financial resilience support, natural hazard resilience and recovery, digital inclusion, support for people experiencing vulnerability, reconciliation, cultural heritage and environmental preservation, social inclusion and community investment.
Government, industry and regulators	Meetings, submissions and inquiries, government advisory panel briefings, correspondence, annual prudential consultations, site visits, industry reviews and information requests, discussions with industry bodies including Insurance Council of Australia, Australian Banking Association and Insurance Council of New Zealand.	Insurance affordability and accessibility, natural disaster response, reinsurance pool, regulatory reforms, climate-related financial risk, transparency and disclosure, conduct and culture, governance and accountability, responsible lending and underwriting, capital management, remuneration, cybercrime, compliance requirements and technology risk.
Suppliers and business partners	Formal and informal meetings, contract renewals and risk assessments against our Supplier Code of Practice.	Natural disaster impacts on supply chain and business continuity, digital capability, modern slavery risks and compliance, responsible supply chain and cyber and data security.

How we responded

- Supported customers amid natural disasters, cost-of-living pressures, and increasing cybercrime threats, creating new products and services to meet their needs and advocating for critical issues.
- Mobilised Trans-Tasman resources and leveraged technology to fast-track claims and provide swift responses for our customers impacted by flooding and Cyclone Gabrielle in New Zealand.
- Continued optimising our customers' insurance experience through integrating cutting-edge geospatial technologies.
- Prioritised financial accessibility and increased support for those experiencing financial hardship.
- Trained staff to assist customers inclusively and developed our first Accessibility Standard, which included the development of a Digital Accessibility Guideline for our online products and services.
- Expanded our digital offerings, including the introduction of an AI chatbot.
- The Suncorp Board and Executive Leadership Team had extensive on-the-ground engagement with customers and other stakeholders.

- Provided updates to the market via ASX releases, presentations and webcasts.
- Expanded the Annual General Meeting to a hybrid event, allowing both in-person and virtual attendees.
- Actively engaged with investors and sell-side analysts through one-on-one and group meetings.
- Held an investor update in November 2022 to provide an update on the Bank sale, as well as the Group's strategy for the Insurance business, modelling for perils and related pricing, and approach to natural hazard resilience.
- Continued to engage with our investee companies with the aid of our proxy advisor. Learn more in our Proxy Voting Report.

- Piloted our Reskill program, designed to close skill gaps and retain key employees.
- Invested in leadership development programs and initiatives.
- Continued to modernise our technology platforms with a commitment to move 90% of our workloads to public cloud environments by the end of 2023.
- Expanded upon our Employee Assistance Program and partnered with the Black Dog Institute to train our leaders to better support mental health at work.
- Introduced six weeks of paid Gender Affirmation Leave and implemented our online gender diversity awareness training module.

- Partnered with the Foundation for Rural & Regional Renewal (FRRR) to provide grants to communities impacted by natural disasters such as the 2022 Australian East Coast Floods.
- Partnered with What Ability to support community programs aimed at driving optimism and inclusivity for people living with disabilities.
- Continued to invest in financial literacy programs and reconciliation initiatives for Indigenous Australians.
- Collaborated with the Australian Road Safety Foundation and the Fatality Free Friday campaign to advocate for safer roads through our community partnerships and public education programs.
- Hosted our Consumer Advocate Day, inviting both internal and external guests to participate in open dialogue, addressing current and emerging issues concerning our customers and communities.

- Advocated for an industry-wide approach to addressing insurance affordability and natural perils risk mitigation through Hazard Insurance Partnership and ongoing direct engagement with government agencies.
- Advocated for financial services law simplification through Quality of Advice Review consultations.
- Launched the first 'Insurance now and in the future' program in New Zealand parliament to educate decision makers on insurance, assisting in the development of quality insurance related policy, building relationships and acting as a trusted adviser.
- Collaborated with the New South Wales and Queensland governments on resilience homes packages.
- Equipped members of parliament with localised data packs, enabling them to assess and respond to the extent of natural hazard risk in their electorates.
- Worked in conjunction with the local and federal government on the Bundaberg Flood Levee in Queensland.
- Commenced work with industry leaders and a consumer group to develop a consumer-centred approach to the proposed extension of the Consumer Data Right to general insurance.

- Introduced our Responsible Supply Chain Strategy aimed at reducing climate impact, diversifying suppliers, increasing employment opportunities and mitigating risk of modern slavery.

Understanding our most material topics

Suncorp undertakes regular materiality assessments to identify what matters most to our stakeholders and our business. This helps us to manage risks and opportunities and create value for our stakeholders, now and in the future.

An independent refresh of Suncorp's most material environmental, social and governance (ESG) topics was completed and disclosed in the FY22 Suncorp Annual Report. This year we undertook a review to understand how these topics and their prioritisation may have changed, based on key developments over the past year.

Our approach

The process for updating our material topics included the following:

- a review of media and peer activities across Australia and New Zealand
- consideration of industry research and selected Suncorp reports, plans and strategic priorities
- engagement with key Suncorp senior leaders to discuss topic movements and emerging themes
- an employee survey to understand the topics that matter most to our people, and
- an internal workshop to validate how existing topics may have changed in terms of importance.

Our 10 most material topics

↑ Topic increased in importance

↑ 1	Accessibility and affordability	Ensuring all customers can access affordable financial services that meet their needs.
2	Climate change response	Proactively adapting to and managing the physical and transitional risks and opportunities of climate change for Suncorp's business.
3	Natural hazard resilience	Helping customers and communities build resilience to natural hazards including floods, cyclones, storms, earthquakes and bushfires.
4	Customer experience	Developing agile, innovative and accessible solutions and products for customers. Enabling a personalised and seamless end-to-end user experience supported by customer engagement.
↑ 5	Trust and transparency	Promoting a culture of trust and integrity through robust and transparent governance and disclosure processes.
6	Data privacy and security	Rapidly adapting to and mitigating evolving data privacy and security threats to protect Suncorp and its customers.
↑ 7	Workforce planning and retention	Responding to changing market conditions, technological disruption and demographic shifts impacting the workforce. Embracing new opportunities to attract and retain high-calibre talent with a range of skills, experience and creativity.
8	Purposeful and responsible business	Promoting and integrating Suncorp's purpose into the way it does business. Embedding environmental, social and governance considerations into decision making, including investment, underwriting and lending practices.
↑ 9	Workforce wellbeing	Protecting and promoting the wellbeing, health and safety of all Suncorp employees, including contractors.
↑ 10	Sustainable supply chain	Championing sustainable supply chains through responsible procurement and working with business partners to minimise negative social, health, safety and environmental impacts. Mapping risks and opportunities that provide resilience against economic, social and environmental supply chain disruptions.

Identifying what's changed

Accessibility and affordability of financial services has increased in importance to become our most material topic, followed by **climate change response** and **natural hazard resilience**. This reflects economy-wide cost of living increases, as well as a continued societal focus on net-zero transition plans, climate resilience, and event response following natural disasters.

In addition, the update identified:

- the increasing importance of **trust and transparency**, driven by regulatory focus on sustainability activities and emerging reporting standards that aim to drive consistency in ESG disclosures
- sustained focus on **data privacy and security** in the wake of increasing cyberattacks globally and in Australia
- heightened emphasis on **workforce planning**, **retention** and **wellbeing** due to the tight labour market and flexible working arrangements becoming more common place, and
- the growing need for **sustainable supply chains** following ongoing disruption in global markets, the impact of local skills shortages, and the need for increased due diligence of environmental and social impacts.

These outcomes will continue to inform Suncorp's advocacy strategy and sustainability program of work, our business planning process, risk management practices and external reporting.

Our response to our most material topics is outlined throughout this report and further information is available on our website.

Learn more[1]

1. suncorpgroup.com.au/corporate-responsibility/our-approach
2. suncorpgroup.com.au/corporate-responsibility/our-approach#suncorp-s-contribution-to-the-sustainable-development-goals

Sustainable Development Goals

Suncorp remains committed to driving awareness and action in support of the United Nation's Sustainable Development Goals (SDGs), a set of 17 goals that define global sustainable development priorities and aspirations for 2030. The SDGs call for action to address significant economic, social and environmental challenges such as poverty, inequality, improving health and education and climate action.

Through our business activities, we have the greatest impact on the following goals:

More about our contribution to the SDGs and the alignment to our material topics is available on our website.

Learn more[2]

The first electric vehicles were added to our corporate fleet this year, as part of our ongoing commitment to net zero.

Our customers

Suncorp has supported its customers as they navigated some of today's biggest challenges: natural disasters, cost-of-living pressures and the increasing threat of cybercrime, including scams and fraud.

In this environment, customer expectations are growing and we recognise the need to keep investing in new products and services to meet their emerging needs and help streamline and personalise the customer experience.

New Zealand weather response

When more than 31,000 Suncorp New Zealand customers were impacted by flooding and Cyclone Gabrielle earlier this year, the Group was able to mobilise our Trans-Tasman resources immediately. The New Zealand business added around 350 people to its disaster response effort, including over 100 experienced team members from Australia. We increased the number of available builders and supported with additional assessors.

To ensure customers who were directly impacted could access information as soon as possible, we established community hubs in hard-hit areas across Auckland and Hawkes Bay.

We were able to provide additional support and fast-track the claims of over 1,150 customers identified as experiencing severe vulnerability, including providing additional touch points with these customers, providing immediate practical support and referring them to further support services.

Putting our agile work methods to the test, teams swiftly developed a new bot to take on much of the manual entry of claims, ensuring customers a faster response to their claim.

2022 Australian East Coast Flood response

More than one year on from these historic floods, Suncorp Group has made strong progress supporting our customers, with more than 54,000[1], or 93%[1], of claims finalised from these floods.

This event was the largest Suncorp has ever responded to in our 120-year history, and it helped to usher in a new wave of resilience initiatives in FY23.

Learn more[2]

31,000+[3]

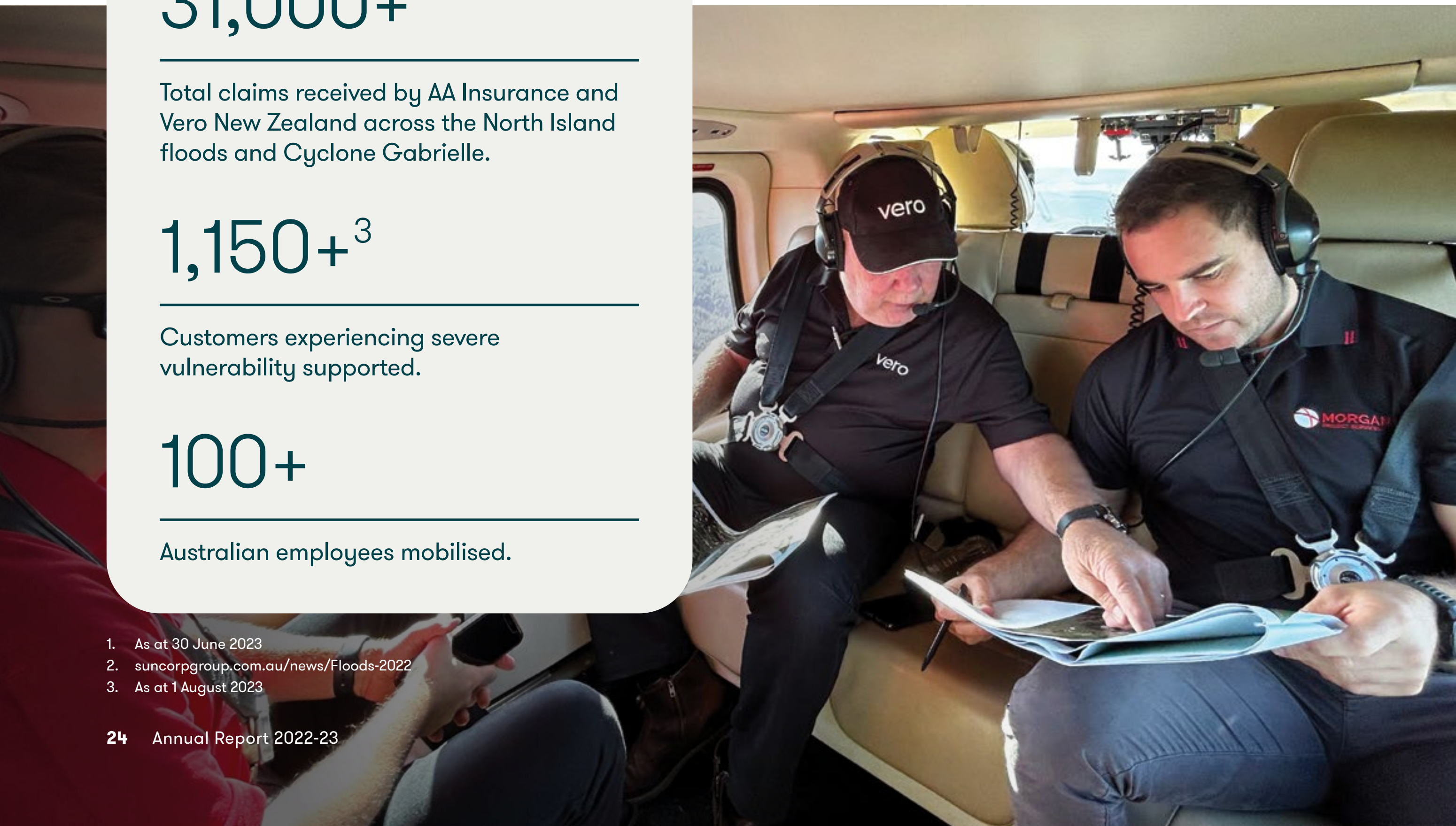
Total claims received by AA Insurance and Vero New Zealand across the North Island floods and Cyclone Gabrielle.

1,150+[3]

Customers experiencing severe vulnerability supported.

100+

Australian employees mobilised.



1. As at 30 June 2023
2. suncorpgroup.com.au/news/Floods-2022
3. As at 1 August 2023

Natural hazard resilience and insurance affordability

Suncorp remains committed to working with customers, government and industry stakeholders to address insurance affordability.

This challenge is one we will continue to face with extreme weather events, record high global reinsurance costs, high inflation and supply chain challenges continuing to put pressure on insurance premiums.

Suncorp has long advocated for a four-point action plan to ease insurance affordability pressures in high-risk regions of Australia.

Our four-point action plan

1. Improve public infrastructure
2. Provide subsidies to improve the resilience of private dwellings
3. Address inadequate planning laws and approval processes
4. Remove ineffecient taxes and charges from insurance premiums

Key FY23 milestones include:

- entering the Australian Government's Cyclone Reinsurance Pool on 30 June 2023
- welcoming the first round of projects announced for funding by the Disaster Ready Fund
- commencing the Hazard Insurance Partnership forum for insurers and the Federal Government to collaborate on opportunities to improve insurance affordability
- in New Zealand, meeting with MPs on both sides of the House to discuss reinsurance, infrastructure and the built environment, and
- engaging closely with Australian state government agencies on initiatives including the Queensland Government's Resilient Homes Fund and the New South Wales Government's Northern Rivers Reconstructions Corporation.

We are also committed to further understanding the barriers impacting homeowners when purchasing insurance through our Financial Inclusion Action Plan[1] leadership commitment. Suncorp is working with our customers, communities and key decision makers to explore and design a lower-cost home insurance solution to help reduce the barriers to insurance.

Suncorp's resilience strategy[2]

Bundaberg Flood Levee

Suncorp has been a strong advocate for the Bundaberg Flood Levee Project over several years. This year, the Queensland and Federal governments announced funding for the levee, that when built could see affected locals save around $1,000 a year on their home insurance premium.

Protecting against scams and cybercrime

Suncorp has strengthened our cyber management plan in the wake of increased cybercrime in FY23.

Our Bank backed the Australian Banking Association's (ABA) new scams-focused campaign and ramped up customer education on the issue as scammers' tactics become increasingly sophisticated. We have a dedicated Financial Crimes team who use 24-hour detection technology and our Group Cyber Security team works closely with the Australian Cyber Security Centre[3].

We have continued to invest in technology to protect customers. This year, we have added new warning messages in the Suncorp Secured Two Factor App and in our SMS one-time codes, to encourage customers to stop and think before they are tricked into giving codes to offenders. We also deployed an extension to our behavioural and detection analytics systems, including enabling our teams to detect when a customer is operating their internet banking while their computer is remotely accessed.

We also took action to protect customers who were victims of the various data breaches experienced by other organisations, through an increase in measures to protect the bank and customers from related fraud and scams.

Learn more[4]

Digital growth

In FY23, 46.9% of insurance customer interactions were digital, up from 40% in FY22.

Most of our customers are purchasing insurance digitally, growing from 61.2% in FY22 for our mass brands, Home, Motor and CTP products, to 68.2% in FY23. Our digital service uptake had a strong increase of 26.3% on FY22, resulting in an additional 848,000 digital service transactions completed.

In FY23, we also introduced digital sales for our Shannons brand, supported by an industry-leading application of conversational AI.

AAMI Driver Rewards

This year, AAMI introduced a new Driver Rewards feature on its app, which delivered an enhanced telematics customer experience and has been able to demonstrate a powerful ability to improve individual driving behaviours.

Since launch, more than 70,000 customers registered and had over 80,000,000 kilometres of driving data analysed and communicated back, leading to a greater road safety awareness and responsibility.

1. suncorpgroup.com.au/corporate-responsibility/responsible-financial-services/financial-resilience
2. suncorpgroup.com.au/about/our-resilience-strategy
3. cyber.gov.au/
4. suncorpgroup.com.au/corporate-responsibility/trust-and-transparency/data

Suncorp's Customer Advocate

Suncorp Group's new Customer Advocate Andrew Chanmugam was appointed this year and has focused on the affordability and accessibility of financial service products as a key part of Suncorp's Financial Inclusion Action Plan.

Learn more[1]

Supporting customers through cost of living pressures

Suncorp has increased the support available for customers experiencing financial hardship or vulnerability following the past year's cash rate rises.

Suncorp is proactively contacting customers who may be at higher risk of financial stress, including home loan customers who are coming off a fixed loan term. Our digital channels now prominently feature financial hardship support messages, directing customers to the support that is available. This may include temporarily postponing loan repayments, extending the contract period, referrals to third-party financial counselling and other short-term solutions.

We have proactively provided additional training to our customer-facing teams and increased the size of our dedicated support teams in preparation for challenging conditions.

Learn more[2]

New virtual medical care offering

Our Asteron Life brand in New Zealand is helping customers prioritise their health through a new virtual service called Connected Care. The service is run in partnership with Teladoc Health and offers customers free access to online GP consults, specialist second opinions, dieticians, fitness experts and mental health support. It comes as COVID-19 and extreme weather events have put a spotlight on the value of virtual medical care.

Learn more[3]

Improving access to financial products and services

Our vision is a financial system that supports people in times of need, ensures access to suitable financial products and services, and builds capability that supports financial wellbeing.

Notably this year, Suncorp developed its first Accessibility Standard, which sets out our expectations for how our people should respond when they interact with customers with accessibility needs, or when they identify an accessibility issue. We are training over 5,000 customer-facing insurance team members to have the confidence and tools to support our customers in an inclusive way. We worked with Uniting, an National Disability Insurance Scheme (NDIS) partner in the community, to develop the training. With more than 6% of our people identifying as having a disability, an introductory Disability Accessibility & Inclusion learning module is also available for all employees.

The Accessibility Standard included the development of a Digital Accessibility Guideline to ensure our online services and products remain accessible.

Learn more[4]

1. suncorpgroup.com.au/news/news/suncorp-new-customer-advocate-prioritises-affordability-and-accessibility
2. suncorp.com.au/banking/help-support/financial-difficulty.html
3. asteronlife.co.nz/connected-care.html
4. suncorpgroup.com.au/corporate-responsibility/responsible-financial-services

Our people

The future of work looks different for us all. Suncorp is embracing new ways of working and preparing our people with the skills they need to succeed in an environment where they can thrive.

Workforce reimagined

Building capabilities for the future

Suncorp piloted a new Reskill program in FY23, designed to address current and emerging workforce challenges. This initiative complements our strategic workforce plan and seeks to close skills gaps while retaining valuable employees at a time when there continues to be fierce competition for talent.

After the success of the initial pilot in the capability area of business process modelling, a second, larger intake commenced. To increase talent pools, a second capability area is in discovery, due to launch in early FY24.

We are continuing to invest in our leadership capabilities with development opportunities for our aspiring firstline leaders through to our strategic leaders. These opportunities align to a core set of leadership capabilities to empower our leaders in transforming Suncorp.

This year we offered the Amazon Web Service's Cloud Up for Her program, allowing a cohort of our female employees to access training in cloud computing.

Checking in on our culture

For us to achieve our strategy, we recognise the need to be more customer-obsessed, innovative and performance-driven than ever before. This year's culture check-in found a positive shift across all three areas since our previous assessment in 2020 and confirmed we are maintaining our cultural strengths of commitment, care, compliance and customer obsession.

23.5%[1]

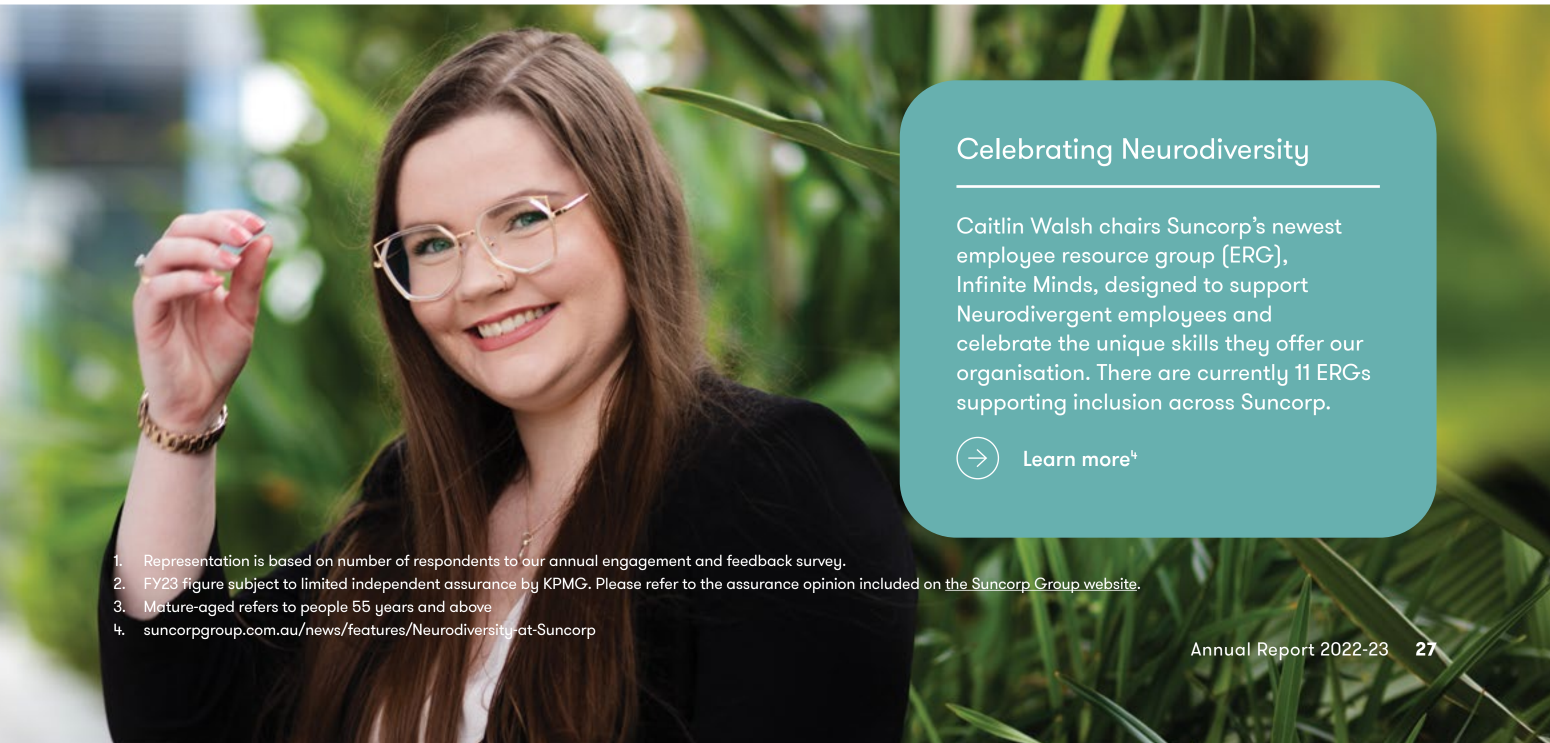
Suncorp employees who trace their heritage beyond Australia, Aotearoa and Britain. This was measured in 2023 to help us develop a better understanding of the diverse cultural makeup of our people.

2.7 percentage points[2]

Gender pay gap reduction from FY20 baseline.
(Target: Reduce gender pay gap by five percentage points by FY25.)

13.7%[2]

Suncorp mature-aged[3] workforce.
(FY23 target: 13%)



Celebrating Neurodiversity

Caitlin Walsh chairs Suncorp's newest employee resource group (ERG), Infinite Minds, designed to support Neurodivergent employees and celebrate the unique skills they offer our organisation. There are currently 11 ERGs supporting inclusion across Suncorp.

Learn more[4]

1. Representation is based on number of respondents to our annual engagement and feedback survey.
2. FY23 figure subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on the Suncorp Group website.
3. Mature-aged refers to people 55 years and above
4. suncorpgroup.com.au/news/features/Neurodiversity-at-Suncorp

Creating an environment for people to thrive

Suncorp introduces Gender Affirmation Leave

Suncorp introduced six weeks of paid Gender Affirmation Leave this year, giving eligible employees the time and financial support to engage in the steps they need to affirm their gender.

A practical introduction to gender diversity awareness was also introduced as an online training module, giving employees the knowledge and confidence to better serve our customers and our people.

Boost to parental leave entitlements

Suncorp welcomed a boost to parental leave entitlements this year. Primary carers in Australia are now offered an additional four weeks of leave (to a total of 20 weeks) and secondary carers an additional one week of leave (to a total of four weeks). Employees are now also able to access paid parental leave entitlements upon commencement with Suncorp.

Mihi Whakatau (Welcome)

Sixty-two new starters attended the inaugural Mihi Whakatau welcoming ceremony at our Auckland office in March. The ceremony will be introduced to our other main New Zealand centres and will be held quarterly.

Supporting our people's wellbeing

This year, a new partnership with the Black Dog Institute helped us develop our firstline leaders to better support mental health at work. Through interactive workshops, leaders were able to improve their mental health literacy, hone their skills to have effective conversations about mental health and promote overall wellbeing.

Suncorp's Employee Assistance Program (EAP) continued to help our people and their family members access confidential counselling, wellbeing coaching and financial coaching. Wellbeing resources were put in Australian employees' pockets with the promotion of a free wellbeing app giving access to mental health and wellbeing content, educational programs and an online counselling via chat feature. Our New Zealand employees also have access to our virtual medical care offering, Connected Care (see page 26).

Learn more[3]

1. suncorpgroup.com.au/news/news/gender-affirmation-leave-at-Suncorp
2. suncorpgroup.com.au/news/news/suncorp-group-welcomes-a-boost-to-parental-leave
3. suncorpgroup.com.au/news/news/Black-Dog-Institute-partnership

Heritage Lanes named Brisbane's top workplace

Our Brisbane-based headquarters, Heritage Lanes, was this year named Brisbane's top workplace by global workplace experience analysts Leesman, achieving its prestigious Leesman+ certification. The certification recognised Heritage Lanes as a leading example of a modern workplace experience.

Learn more[1]

1. suncorpgroup.com.au/news/news/Heritage-Lanes-named-Brisbanes-top-workplace

Our community

Through new and enduring partnerships, Suncorp continues to show unwavering commitment to building resilient, sustainable and inclusive communities.

Community grants strengthen East Coast

Suncorp and the Foundation for Rural & Regional Renewal (FRRR) awarded a further 27 grants in FY23 to local community groups affected by the 2022 East Coast Floods. The grants, with a combined worth of $500,000, funded projects to see communities better equipped to manage future natural disasters.

The next round of grants to be awarded in FY24 will help communities impacted by the 2022/23 Victorian floods.

$9.04m[1]

Total Group community investment

$584,000[2]

Employee matched giving program

5,429 hours[3]

Volunteering time by employees

Case Study: Solar powered batteries for Mooloolah Valley

The suburb of Mooloolah Valley in Queensland experienced intermittent loss of power during the 2022 East Coast floods, which impacted the community's access to lighting, hot water and technology. To help the community prepare for future disaster events, the Mooloolah Valley Community Association used a $25,000 grant to purchase and install three batteries that can be used to supply power to the region. The batteries have been able to keep the community's power running during the two electricity outages that Mooloolah has experienced since the batteries were installed.

Learn more[4]

AAMI joins What Ability as major partner

AAMI announced a partnership this year with What Ability, a National Disability Insurance Scheme (NDIS) registered service. What Ability supports people living with a disability with community access and overnight camps. The partnership continues AAMI's proud history of supporting community programs that spearhead positive change.

The partners hosted their first event earlier this year. We welcomed over 200 people including participants, families, volunteers and some of Australia's most prominent sports stars to AAMI Park for a day of fun and enriching sporting activities.

Learn more[5]

1. Verified by Business for Societal Impact (B4SI) - see verification certificate on 'B4SI' tab of our FY23 Sustainability Data Pack.
2. Includes matching for donations, fundraising, crowdfunding and personal volunteering.
3. Based on paid Australian and New Zealand employee volunteer time including First Responders Leave.
4. frrr.org.au/funding/disaster-resilience-and-climate-solutions/rebuilding-futures/
5. suncorpgroup.com.au/news/news/AAMI-What-Ability-partnership

Supporting Indigenous Australians' financial wellbeing

Suncorp has continued its work with partner First Nations Foundation, running financial literacy programs for 819 Indigenous Australians in FY23 and training 246 mentors to deliver the program locally. A new Impact Report[1] released by First Nations Foundation this year measured positive outcomes for the programs delivered.

Suncorp has now completed our second Reconciliation Action Plan (RAP), which was introduced in 2020. A key achievement was the launch of a new training module called Reconciliation: It Starts with Understanding, which has been completed by more than 300 employees since its launch in August 2022. This was accompanied by face-to-face sessions held with module creator John Briggs to deepen the understanding of Aboriginal and Torres Strait Islander cultures and histories.

Road safety education

As Australia's largest personal injury insurer, we see the significant impact of road trauma on our customers, people and our community.

Suncorp continued to campaign for safer roads through community partnerships and public education programs.

Our partnership with the Australian Road Safety Foundation is now in its seventeenth year, and its well-recognised Fatality Free Friday campaign encouraged long-term change this year, urging motorists to move to a Fatality Free Future.

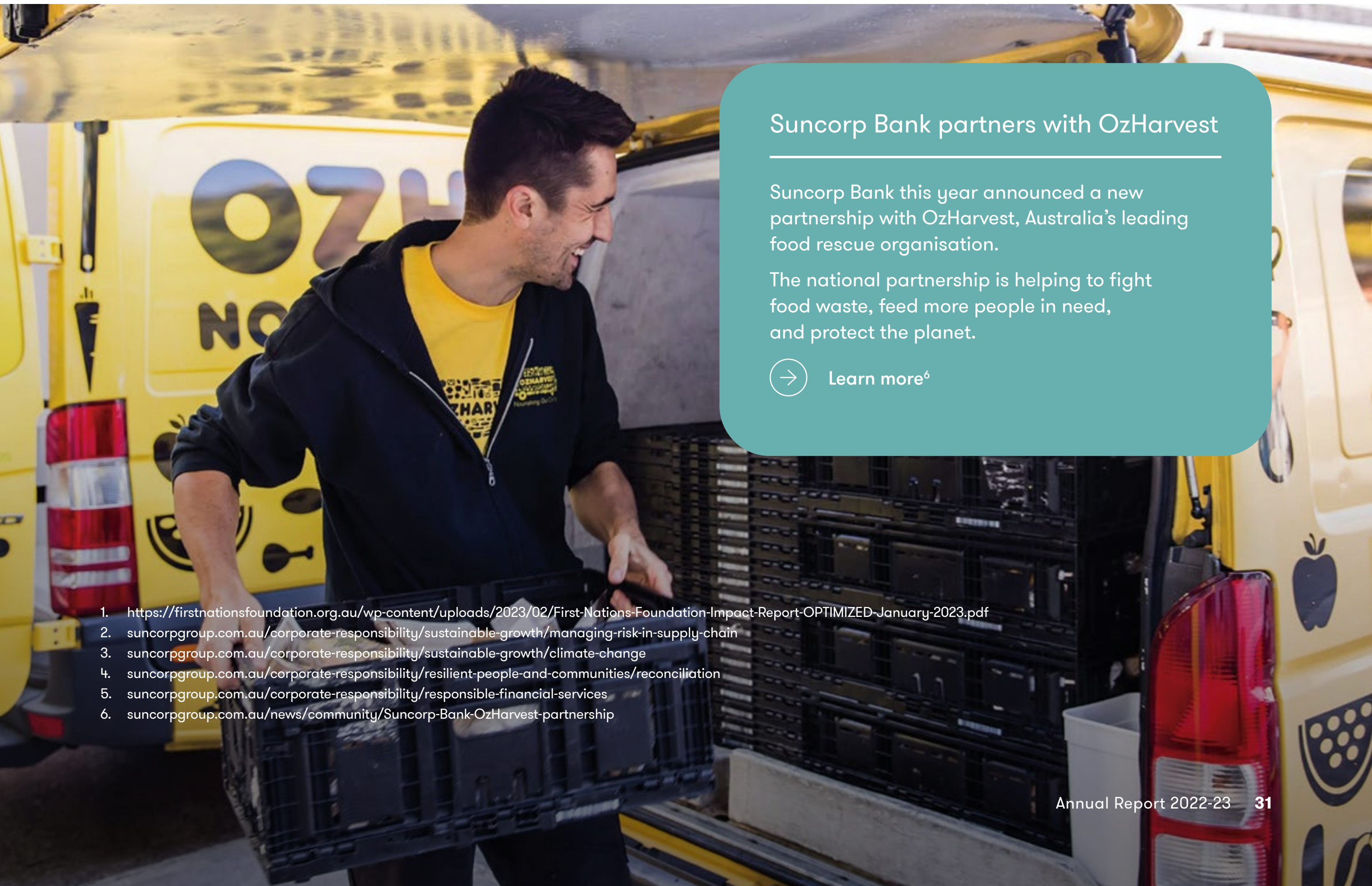
Working towards a sustainable supply chain

Suncorp introduced a Responsible Supply Chain Strategy this year, with aims to:

- reduce the climate impact of our supply chain
- diversify our suppliers and increase employment opportunities, including among Indigenous Australians
- pay all suppliers on time
- reduce the risk of modern slavery, and
- improve measurement and reporting.

Suncorp is committed to Responsible Supply Chain[2] practices aligned to our Climate Change Action Plan[3], Reconciliation Action Plan[4] and Financial Inclusion Action Plan[5].

Suncorp published our third Modern Slavery Statement[5] covering FY22, which detailed our potential risks and the actions we are taking to address these risks in our operations and supply chains.



Suncorp Bank partners with OzHarvest

Suncorp Bank this year announced a new partnership with OzHarvest, Australia's leading food rescue organisation.

The national partnership is helping to fight food waste, feed more people in need, and protect the planet.

Learn more[6]

1. https://firstnationsfoundation.org.au/wp-content/uploads/2023/02/First-Nations-Foundation-Impact-Report-OPTIMIZED-January-2023.pdf
2. suncorpgroup.com.au/corporate-responsibility/sustainable-growth/managing-risk-in-supply-chain
3. suncorpgroup.com.au/corporate-responsibility/sustainable-growth/climate-change
4. suncorpgroup.com.au/corporate-responsibility/resilient-people-and-communities/reconciliation
5. suncorpgroup.com.au/corporate-responsibility/responsible-financial-services
6. suncorpgroup.com.au/news/community/Suncorp-Bank-OzHarvest-partnership

Our environment and climate change approach

Responding to climate change and the opportunities emerging from the net-zero transition are central to Suncorp's purpose as an insurer and bank to millions of households and businesses across Australia and New Zealand.

76%

Reduction in Scope 1 & 2 greenhouse gas (GHG) emissions from a FY20 baseline.[1, 2, 3, 4]

77%[4]

Of our electricity consumed in FY23 purchased from renewable sources; on track to achieve 100% by 2025.[5]

Progressed our Scope 3 emissions baseline measurement as part of our net-zero transition planning.

Launched Team Zero, our climate-focused employee resource group.

Supported the Insurance Council of Australia Climate Change Roadmap.

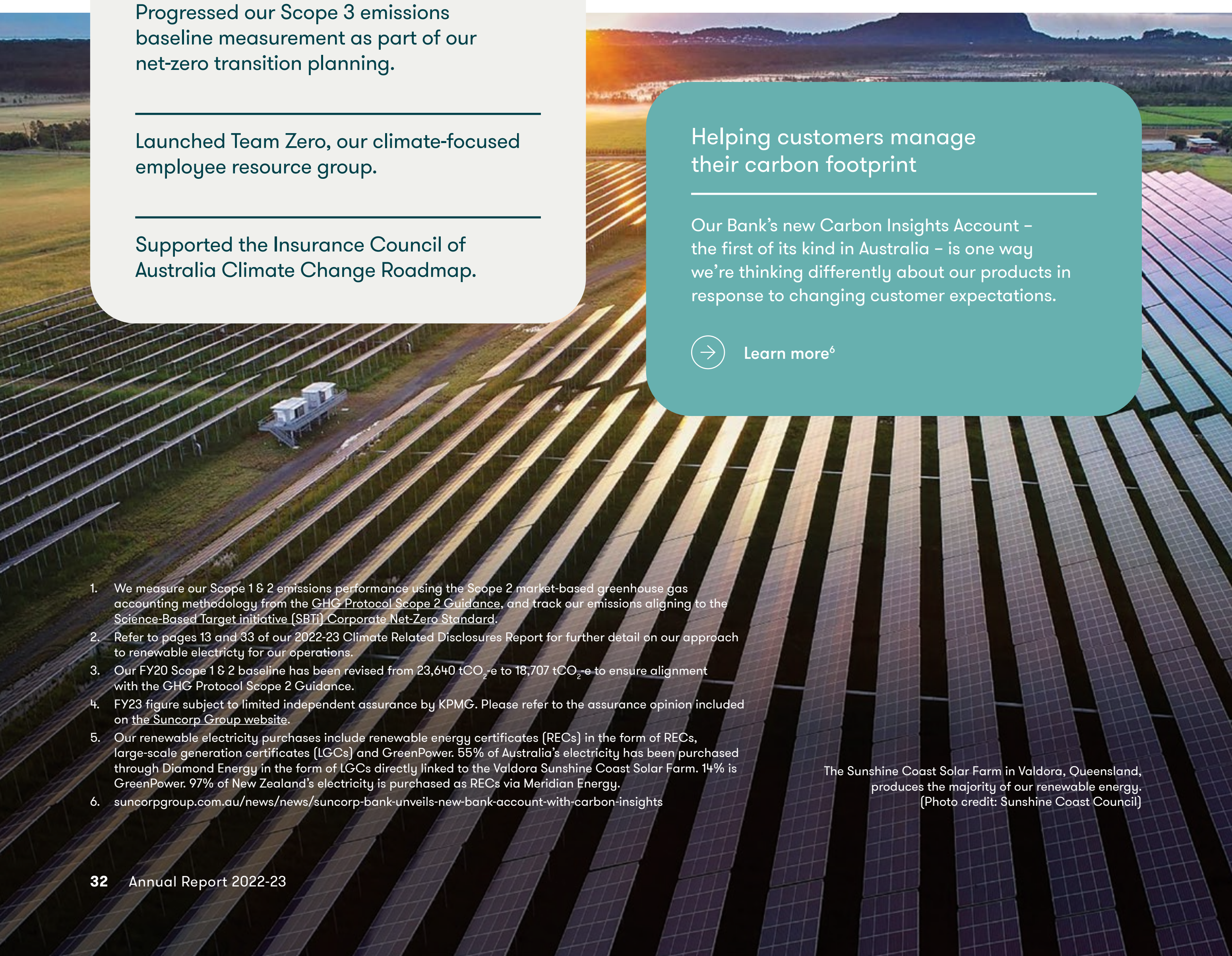
We have integrated climate change considerations into our governance, strategy and risk management processes in alignment with the Financial Stability Board's Task Force on Climate-related Financial Disclosures framework (TCFD).

This section of our report provides a summary of our activities and performance in FY23.

Governance

The boards of Suncorp Group Limited (the Group) and Suncorp New Zealand (SNZ) share oversight of climate-related risks and opportunities. They are accountable for overseeing our performance and have ultimate accountability of climate-related risk management, including approval of the Group's Climate Change Action Plan.

Our approach to climate governance is presented on pages 6 to 9 of our Climate-related Disclosure Report.



Helping customers manage their carbon footprint

Our Bank's new Carbon Insights Account – the first of its kind in Australia – is one way we're thinking differently about our products in response to changing customer expectations.

Learn more[6]

1. We measure our Scope 1 & 2 emissions performance using the Scope 2 market-based greenhouse gas accounting methodology from the GHG Protocol Scope 2 Guidance, and track our emissions aligning to the Science-Based Target initiative (SBTi) Corporate Net-Zero Standard.
2. Refer to pages 13 and 33 of our 2022-23 Climate Related Disclosures Report for further detail on our approach to renewable electricty for our operations.
3. Our FY20 Scope 1 & 2 baseline has been revised from 23,640 tCO_2-e to 18,707 tCO_2-e to ensure alignment with the GHG Protocol Scope 2 Guidance.
4. FY23 figure subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on the Suncorp Group website.
5. Our renewable electricity purchases include renewable energy certificates (RECs) in the form of RECs, large-scale generation certificates (LGCs) and GreenPower. 55% of Australia's electricity has been purchased through Diamond Energy in the form of LGCs directly linked to the Valdora Sunshine Coast Solar Farm. 14% is GreenPower. 97% of New Zealand's electricity is purchased as RECs via Meridian Energy.
6. suncorpgroup.com.au/news/news/suncorp-bank-unveils-new-bank-account-with-carbon-insights

The Sunshine Coast Solar Farm in Valdora, Queensland, produces the majority of our renewable energy. (Photo credit: Sunshine Coast Council)

Strategy

The four key pillars of our Climate Change Action Plan are below, with key actions delivered in FY23.

Reducing our climate impact of our own operations and supply chain.

Established an internal GHG Accounting function to operationalise GHG measurement for the Group.

Commenced measurement of our Scope 3 emissions for the Group's operational and financed emissions for Bank, Investments and Underwriting.

Commenced the electrification of our corporate fleet and the installation of an electric vehicle (EV) charging network at key sites.

Supporting the net-zero transition for our people, customers, and community while helping to strengthen customer and community resilience.

Continued discovery and design for customer solutions in response to the transition of the transport sector to EVs.

Continued to support our customers to transition through new banking product offerings, including the Carbon Insights Account and the Green Upgrades Equity Loan.

Integrating and lifting capability to better embed and integrate climate considerations across the Group.

Developed a cross-functional climate change scenario analysis working group to deliver insights on climate-related risks and opportunities for the Group.

Updated the governance framework to support the delivery and integration of climate scenario analysis insights.

Developed considerations to integrate climate risks and opportunities into business planning cycles.

Partnering with purpose through broader collaboration with industries, companies, policy makers, regulators, and climate experts to mitigate climate change.

Continued to engage closely with state government agencies on initiatives including the Queensland Government's Resilient Homes Fund and the NSW Government's Northern Rivers Reconstruction Corporation.

Contributed to the Insurance Council of Australia's Climate Change Action Committee and the Net-Zero Working Group, including the industry response to the Department of Treasury mandatory climate-related disclosure consultation.

Learn more on pages 10 to 27 of our Climate-related Disclosure Report.

Risk management

Suncorp's Enterprise Risk Management Framework describes how we identify, assess, manage and monitor risk, including climate-related risk. The way we reflect climate risk within our risk framework continues to evolve as our exposure to climate-related risk changes.

Learn more on pages 28 to 30 of our Climate-related Disclosure Report.

Metrics and targets

Suncorp measures and tracks our Scope 1 & 2 greenhouse gas absolute emissions against our net-zero target along with tracking the performance of our investment portfolio relative to benchmarks.

Learn more on our progress in FY23 on pages 31 to 34 of our Climate-related Disclosure Report.

Additional reports

Detailed disclosures are available in the Group's 2022-23 Climate-Related Disclosure Report and FY23 Sustainability Data Pack

FY23 Sustainability Data Pack
suncorpgroup.com.au/corporate-responsibility/reports

2022-23 Climate-related Disclosure Report
suncorpgroup.com.au/corporate-responsibility/reports

Our approach to risk management

Risk and compliance management drives customer and performance outcomes essential to achieving Suncorp's purpose, strategy and business plan and maintaining our social licence to operate.

Suncorp has policies, systems, processes and people in place to identify, assess, manage and monitor internal and external sources of material risk. Effective risk and compliance management is supported by:

- an Enterprise Risk Management Framework, through which the Board sets the direction of risk management
- a sound risk culture, aligned to Suncorp's broader culture
- a Risk Appetite Statement that is aligned to the Suncorp strategy and sets out the nature and degree of risk the Board is willing to accept in the pursuit of business objectives
- the Three Lines of Defence Model and clear accountabilities with risk owned in the first line
- an independent Risk function that oversees and challenges the business in our risk taking, and drives Suncorp's Risk Strategy, and
- the Board Risk Committee which monitors management of existing and emerging risks to the business.

Enterprise Risk Management Framework

Suncorp's Enterprise Risk Management Framework (ERMF) applies to Suncorp, including all of the Group's regulated entities, setting out:

- the minimum standards to manage the risks that Suncorp is exposed to as it implements our strategic and business objectives, and
- roles and responsibilities including the Three Lines of Defence Model for risk management accountability.

Suncorp's ERMF lays the foundation for the Group's approach to risk management and evolves with the business strategy and operating environment. The framework provides a holistic approach to risk management with all financial, non-financial and strategic risks covered and outlined by risk categories.

The ERMF sets out accountabilities, governance arrangements and processes for the management of risk within the Three Lines of Defence Model.

Suncorp employee Tony Phillips.

Risk governance

Accountability for the governance of risk management exists at two levels. Primary accountability rests with the Board, the Board Risk Committee and the Board Audit Committee; the second rests with management, in the execution of the ERMF and application of the Three Lines of Defence Model.

The Group CEO and the Executive Leadership Team oversee risk management through management committees. These include Non-Financial and Financial Risk Committees, at the Suncorp Group and function levels.

The Group Chief Risk Officer (Group CRO) and function CROs' attendance at Board and management committee meetings are required for committees that monitor and oversee material risks. The CRO and function CRO representatives have authority to challenge decisions and may escalate matters through functional reporting lines and to the Board Risk and Audit Committees.

Suncorp's remuneration scorecards consider risk management results and behaviours in performance and remuneration outcomes. More information is available in the Remuneration Report on page 68.

Risk Strategy

Risk and compliance management supports Suncorp to achieve our purpose of building futures and protecting what matters, through optimised risk taking that enables customer and performance outcomes. The Risk Strategy continues to evolve to meet the changing needs of the Group and our customers. Key initiatives in the Risk Strategy relate to improved data analytics, risk capability and risk culture, improving and simplifying risk practices and enhancing the control environment. These initiatives take into consideration business objectives, regulatory requirements, industry events and emerging risks.

Risk Appetite Statement

Risk appetite is the expression and definition of the risk that Suncorp is willing to accept in the pursuit of strategic objectives. The Board recognises risk appetite as a key component in setting the strategic direction of the company. It is also acknowledged that risk appetite is dynamic, evolving through time and responding to different drivers.

The Suncorp Group Risk Appetite Statement (RAS) has been set in consideration of Suncorp's strategy and reward/risk opportunities that Suncorp wishes to pursue. The RAS is an integral component of the strategic business planning cycle and is defined and reviewed in tandem with the review of Suncorp's internal and external operating environment and strategic objectives.

Three Lines of Defence Model

The Three Lines of Defence Model supports our risk taking through clarity of ownership and independent oversight with the clear expectation that:

- All business areas (the First Line of Defence) are responsible for the management of their risks. The First Line of Defence own their risks and compliance with policies, frameworks, standards and risk appetite.
- The Risk function forms the independent Second Line of Defence team that defines the risk and compliance management approach, policies, frameworks, standards and processes. They support the business in our risk-taking through advice, oversight and effective challenge.
- Internal and External Audit are the Third Line of Defence who provide independent reporting to the Board Audit Committee and Board Risk Committee.

Internal Audit

Suncorp's Internal Audit function provides assurance to the Board Audit Committee (and other Board Committees as required) on the quality and effectiveness of Suncorp's risk management framework. Internal Audit's objectives include:

- assessing whether risks have been adequately identified and assessed
- assessing whether internal controls (including management oversight processes) are properly designed and are consistently and effectively operating to mitigate those risks
- assessing the effectiveness of Second Line of Defence activities within the ERMF
- assessing risk culture through the conduct of audits, and
- conducting investigations on behalf of the Board Audit Committee, senior management and regulators as required.

The Internal Audit function reports directly to the Group CEO for operational purposes in line with best practice, while reporting directly to the Board Audit Committee Chairman in relation to its audit activity. Members of the Internal Audit team have unrestricted access to all Suncorp information and employees that may be required in carrying out its work. The Board Audit Committee meets regularly with the Executive General Manager Internal Audit without management being present.

Key strategic risks

Effectively identifying and managing strategic risk is integral to Suncorp's strategy. Strategic risks threaten the viability of Suncorp's business model due to changes in the external business environment, the economy, political landscape, regulation, technology and/or community expectations. In addition to strategic risks, Suncorp continues to monitor emerging risks and their potential to impact the Group. A summary of key external risks currently affecting our business and our response to them is outlined in Our operating environment on page 18.

Financial performance

Suncorp Group

Our FY23 result demonstrated continued top-line growth across the Group, with a material increase in earnings driven by improved underlying margins and a significant turnaround in investment returns.

The Group successfully delivered its three-year plan against a backdrop of considerable external headwinds. The plan achieved its financial and operational targets, delivering growth and improving profitability, while also building on our customer propositions including through enhanced digitisation.

Net profit after tax[1]

$1,148m

↑ 68.6%

Group cash earnings

$1,254m

↑ 86.3%

General Insurance GWP growth[2, 3]

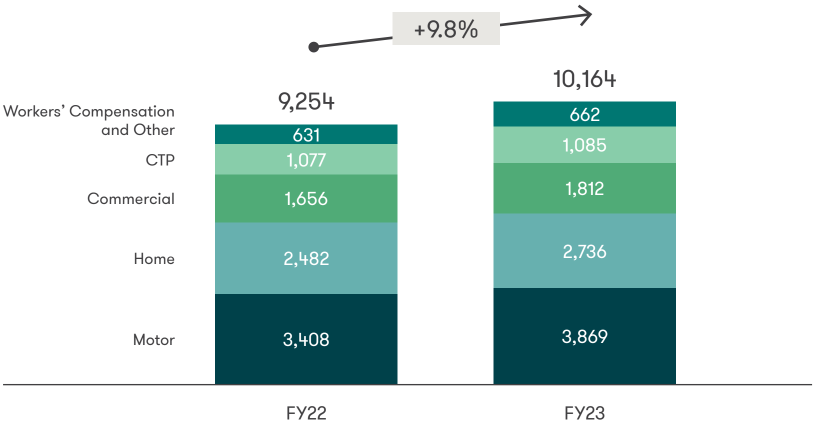
10.8%

Suncorp Bank Total Lending Growth

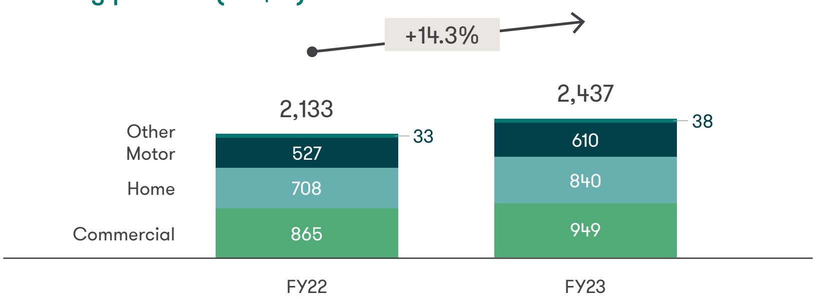
8.5%

1. All changes refer to the prior corresponding period unless otherwise stated.
2. Excluding emergency service levies and portfolio exits.
3. Across the Insurance (Australia) and New Zealand general insurance businesses.

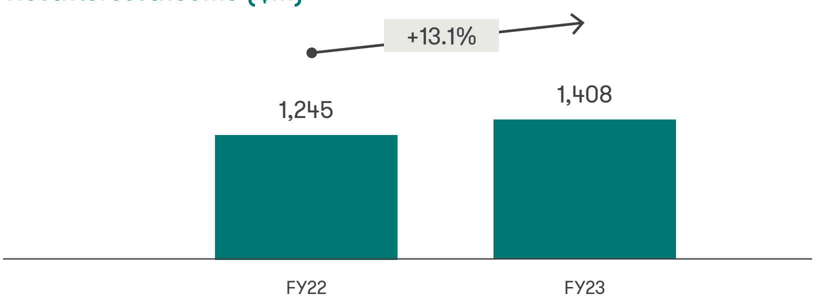
Insurance (Australia) GWP by product ($m)[2]



Suncorp New Zealand GWP by product (NZ$m)



Suncorp Bank Net Interest Income ($m)



Group financial performance

- The Group's FY23 cash earnings were up 86.3% to $1,254 million while net profit after tax increased by 68.6% to $1,148 million. The underlying business demonstrated strong momentum, with top-line growth across the Group, improved margins and a significant turnaround in investment income.
- A third consecutive La Niña weather pattern was experienced across Australia and New Zealand for most of the financial year. The Group's comprehensive reinsurance program protected earnings with significant recoveries against the gross cost of the natural disasters. The retained cost of natural hazard events was $97 million above the annual allowance.
- Despite ongoing volatility in investment markets through the year, the net gain from yields and investment markets was $724 million, compared to a loss of $190 million in FY22.
- A final dividend of 27 cents per share (fully franked) brought total ordinary dividends for the year to 60 cents per share, representing a full year payout ratio of 60%, at the bottom of the target payout ratio range of 60% to 80%. Appropriate capital buffers have been maintained in line with the Group's disciplined approach to active capital management.
- Insurance (Australia) continued to demonstrate strong momentum in FY23. GWP growth of 10.6% (excluding Emergency Services Levy (ESL) and portfolio exits) was broad-based across portfolios and stronger in the second half. Growth mainly reflected rate increases driven by the ongoing pricing response to higher input costs and positive unit performance.
- Suncorp New Zealand GWP of NZ$2,437 million increased by 14.3%, with strong growth in both intermediated and direct channels, although performance was impacted by significant weather events resulting in adverse natural hazard claims experience.
- Group underlying insurance trading ratio (ITR) was 10.9%, up from 9.0% in FY22 (excluding COVID-19 impacts) supported by higher pricing earned and investment yields.
- Suncorp Bank delivered on its strategic initiative to Win in Home, growing the Home portfolio by 9.1% over the year. Business lending grew by 5.9%, predominantly driven by Commercial lending. Bank net interest margin (NIM) increased 3 bps to 1.96%, reflecting strategic deposit pricing but partially offset by competitive pressures in Home lending pricing and increased funding costs.
- Common Equity Tier 1 (CET1) capital held at Group has remained broadly flat at $274 million, with appropriate buffers maintained across the business. Suncorp will continue to be disciplined in actively managing capital and remains committed to returning capital in excess of the needs of the business to shareholders.
- Group operating expenses were $2,727 million, down 1.9% excluding ESL, transitional excess profits and losses (TEPL) provision, restructuring costs, and Wealth expenses. The decrease in operating expenses largely reflected the efficiency benefits from the strategic program of work and a decrease in project costs relative to FY22, that more than offset inflationary pressures.

Capital

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

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

Natural hazards and reinsurance

Group natural hazard costs to 30 June 2023 were $1,257 million, up from $1,081 million, and $97 million above the Group's allowance of $1,160 million. During FY23 there were 15 events above $10 million.

Total natural hazard costs for Insurance (Australia) were $1,106 million, up from $981 million in FY22. This was $14 million above the $1,092 million allowance. Adjusting for internal reinsurance arrangements, Insurance (Australia) was favourable $2 million to the allowance.

In New Zealand, natural hazard claims were NZ$164 million, NZ$88 million above the allowance and NZ$57 million above the prior period, with four events above the $10 million threshold.

The Group has increased its natural hazard allowance for FY24 to $1,360 million, reflecting increased retention following changes to the reinsurance program, the inflationary claims environment and the Group's modelling of expected risks. This was partly offset by the ceding of cyclone risk to the Cyclone Reinsurance Pool which the Group joined on 30 June 2023. Risk covered by the cyclone pool has been transferred from reinsurers and Suncorp to the Federal Government from this date.

Insurance (Australia)

In FY23, our insurance business delivered against our strategic priorities, which contributed to improved GWP growth of 10.6% (excluding portfolio exits and Emergency Services Levy (ESL)).

GWP benefited from the strategic investment that saw the proportion of new business digital sales for mass brands across Home, Motor and Compulsory Third Party (CTP) products increase to 68% over the year, up from 61%.

Best-in-class claims initiatives continue to be embedded across the supply chain, including ongoing efforts to leverage scale to support repairers and enable competitive rates.

Profit after tax

$755m

↑ 333.9%

General Insurance GWP

$10.2bn

↑ 10.6%[1]

Digital sales

68%

↑ from 61%

Financial performance:

- Insurance (Australia) profit after tax was $755 million, up 333.9%, driven by continued revenue growth, reduced operating expenses and an improvement in investment income. The result also benefitted from the intra-group reinsurance arrangement with Suncorp New Zealand, which was largely neutral to the Group.
- GWP (excluding ESL and portfolio exits) increased by 10.6% to $10,164 million. Growth accelerated in the second half, which was broad-based across portfolios.
- Motor GWP growth normalised for portfolio exits was 13.8%, reflecting Average Written Premium (AWP) growth of 11.4% and unit growth of 2.4%. GWP growth was stronger in the second half as additional price increases to respond to claims inflation were reflected in policy renewals.
- Home GWP growth normalised for portfolio exits was 11.7%, reflecting an 11.3% increase in AWP and 0.4% increase in units. GWP growth slowed marginally in the second half as retention rates fell because of an increase in AWP from pricing for natural hazard and reinsurance costs.
- Commercial GWP (excluding portfolio exits) increased by 9.9%, with growth in the short-tail portfolio partly offset by a fall in Packages.
- Compulsory Third Party (CTP) GWP increased by 0.7%, primarily driven by growth across all schemes except for South Australia, which was impacted by increasing price competition.
- Workers' Compensation GWP increased 8.3% excluding portfolio exits, supported by rate and wage growth.
- Net investment income of $661 million was supported by higher running yield income including an improved Inflation Linked Bond (ILB) carry, offset by unfavourable mark-to-market movements from higher risk-free rates.
- Net incurred claims excluding discount movements increased by 9.9%, reflecting the impact of portfolio growth, reversion to pre-COVID-19 driving patterns, inflation, and natural hazard experience.
- Prior year reserve releases[2] were 1.3% of Group net earned premium (NEP). This was lower than FY22, largely due to lower reserve releases related to natural hazards.
- Operating expenses (excluding ESL and TEPL) decreased 6.2% driven by a reduction in project spend, benefits of strategic initiatives and ongoing cost management.

1. Excluding portfolio exits and ESL.
2. Excluding the impact of TEPL and business interruption provision release.

Suncorp New Zealand

Over the three-year plan, Suncorp New Zealand has delivered on the key strategic priorities of growing brands and strategic partnerships, delivering best-in-class claims and investing in digital and data capabilities of core systems.

Strong top-line performance continued during FY23, although the General Insurance business was impacted by significant weather events, resulting in higher natural hazard costs and additional intra-group reinsurance reinstatement during the year.

General Insurance profit after tax

NZ$65m

↓ 56.7%

General Insurance GWP

NZ$2.4bn

↑ 14.3%

Life Insurance profit after tax

NZ$50m

↑ 233.3%

Financial Performance:

- Suncorp New Zealand profit after tax was NZ$115 million, down 30.3%. General Insurance profit after tax was NZ$65 million, down 56.7%. The General Insurance business was impacted by significant weather events, resulting in adverse natural hazards claims experience and additional reinsurance reinstatement premiums following the North Island floods and Cyclone Gabrielle.
- GWP increased 14.3% to NZ$2,437 million driven by strong growth across intermediated and direct channels, with growth of 12.5% in Vero intermediated and 18.2% in AA Insurance direct distribution channels. This growth reflects targeted pricing increases to offset higher input costs, continued momentum towards achieving the strategic priorities, and steady retention rates from the strength of the New Zealand brands.
- Net incurred claims grew by 21.6% to NZ$1,232 million. Higher working claims costs were driven by growth, inflationary pressures, large loss claims from a number of property fires and higher Motor claims experience.
- Natural hazard claims were NZ$164 million, NZ$88 million above the allowance, with four events above the $10 million threshold.
- Operating expenses were NZ$557 million, up 10.5%, driven by commissions, growth related costs and an increase in strategic investment and regulatory initiatives.
- General Insurance investment income of NZ$49 million benefitted from increases in interest income from higher running yields, lower mark-to-market impacts from rising yields and improved equities returns.
- The New Zealand Life Insurance business delivered a profit after tax of NZ$50 million, up NZ$35 million, supported by growth in planned profit margins and favourable market adjustments.
- In-force premium, grew by 6.7%, supported by Consumer Price Index, and age-related premium growth.

Suncorp Bank

Over the three-year plan, Suncorp Bank delivered on its key initiatives to win in home, progress seamless everyday banking, grow business and invest in digitisation and customer service excellence.

On 18 July 2022, Suncorp announced it had signed a share sale and purchase agreement with Australia and New Zealand Banking Group Limited to sell its Banking business, following a comprehensive strategic review. The sale is subject to regulatory and government approvals with a target completion by the middle of the 2024 calendar year.

Learn more[1]

Profit after tax

$470m

↑ 27.7%

Total lending

$67.3bn

↑ 8.5%

Total customer deposits

$51.4bn

↑ 6.9%

Financial performance:

- Bank profit after tax was $470 million, up 27.7%, driven by strong volume growth and higher margin. NIM increased 3 bps to 1.96% reflecting strategic deposit pricing, partly offset by competitive pressures for home loans and increased funding costs.
- The Bank delivered on the strategic initiative to Win in Home, growing the Home portfolio 9.1% or $4.6 billion, reflecting higher new business volumes, faster turnaround times and improved customer experiences. Home lending growth was lower over the second half of the financial year as the Bank consciously balanced growth and margin outcomes in the context of a highly competitive market.
- Business lending grew by 5.9%, predominately driven by Commercial lending growth across several industries.
- Total customer deposits increased by 6.9% to $51.4 billion. Deposit growth reflected increased demand for higher yield deposit products in a rising interest rate environment and was weighted towards term deposits (up 25.1%) and at-call savings deposits (up 8.3%).
- Other operating income increased $14 million, primarily due to gains on derivatives and other financial instruments, partly offset by a decrease in net banking fee income.
- Operating expenses of $737 million increased $1 million, driven by increased operational demands, compliance-related spending, and inflationary pressures, offset by lower investment spend and the benefits of automation and digitisation. The cost-to-income ratio decreased from 59.0% to 51.8%.
- The Bank reported a net impairment charge of $16 million, representing 2 bps of gross loans and advances. The collective provision increased $10 million to $190 million.
- Home lending past due loans increased $16 million, representing 0.51% of the portfolio.
- The Bank maintained strong capital, funding and liquidity metrics. Following the Australian Prudential Regulatory Authority (APRA) announcement in FY22 that the Committed Liquidity Facility (CLF) limits will not be available beyond December 2022, the Bank incrementally reduced its CLF limit to zero by 1 January 2023. The Bank has continued to access wholesale funding markets with successful issuances, ahead of the reduction of the Term Funding Facility (TFF).

1. Refer to page 5 for our update on the proposed sale of Suncorp Bank.

Corporate governance

Corporate Governance Statement

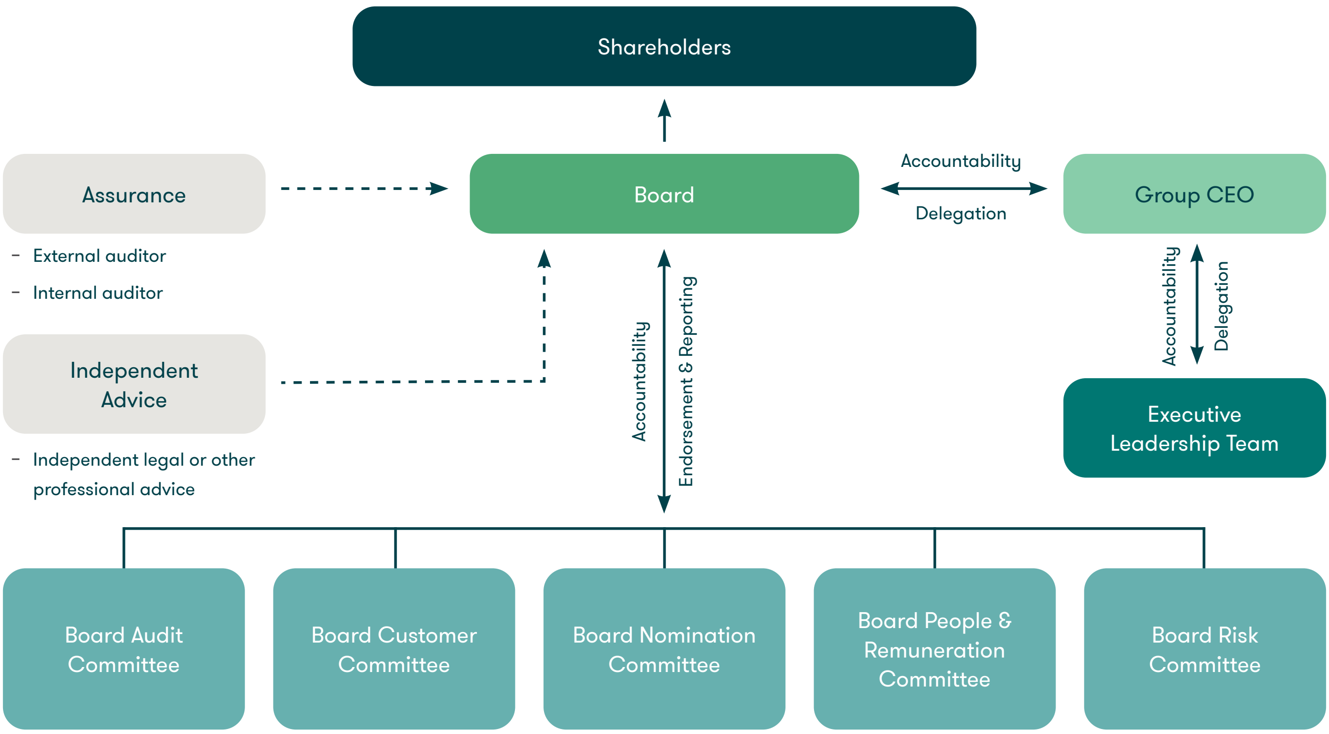
Suncorp's Corporate Governance Statement (Statement) outlines our approach to corporate governance and our principal governance practices.

The Board believes high standards of corporate governance are essential to achieving Suncorp's business objectives, which are aimed at creating value and sustainable outcomes for Suncorp shareholders, customers and the communities in which Suncorp operates.

This Statement:

- has been approved by the Board
- reports Suncorp's compliance with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations
- is current as at 9 August 2023.

Corporate Governance Framework



The Board's areas of focus during FY23

The Board's FY23 governance activities, both directly and through its Committees, included:

- oversight of Suncorp's response to significant natural disasters in Australia and New Zealand, including:
  - support for our many customers who have been directly affected by these events
  - continued contribution to, and advocacy for, increased disaster mitigation and community resilience measures, and other opportunities to improve insurance affordability
- substantial allocation of time to overseeing the activities associated with the planned sale of Suncorp Bank to ANZ, including:
  - participation in the relevant regulatory and government approval processes
  - management's significant program of work to successfully complete the sale, subject to receiving the above approvals
- ongoing oversight of management's successful delivery of its FY21-23 strategic plan, and mitigation of associated financial and non-financial risks
- robust discussion on, and approval of, management's FY24-26 strategic plan, through two dedicated annual sessions, supplemented by additional checkpoint discussions during scheduled Board meetings and information sessions
- continued oversight of management's specific initiatives to attract, motivate and retain a talented workforce to deliver Suncorp's strategic ambitions:
  - while the planned Bank sale remains underway, and beyond as Suncorp transitions to a dedicated trans-Tasman insurance company (subject to regulatory approvals)
  - given the particular challenges associated with responding to the unprecedented number of natural hazard events
- continued focus on Board education and development, including through:
  - site visits and immersion sessions, to gain valuable first-hand insights in relation to Suncorp's businesses, people and key trends impacting Suncorp (including ESG, technology and cyber security)
  - participation in key stakeholder engagement forums including our Customer Advocate Day
  - discussions with external advisers where relevant and necessary
- dedicated sessions to consider Board governance and performance, including:
  - the annual Board and Committee appraisal process
  - preliminary consideration of the optimal Board governance structure (including structure and remit of the Board Committees) for Suncorp as a dedicated insurance company
- ongoing engagement with:
  - institutional investors and proxy advisers, including in relation to ESG and remuneration matters
  - retail shareholders including through Suncorp's 2022 Annual General Meeting (AGM), which was held in a hybrid format for the first time, enabling shareholders to participate in person or online, and
- continued two-way dialogue with key regulators, government and industry stakeholders.

The Board

Members of the Board

Suncorp's Board currently consists of nine non-executive, independent directors (including Chairman Christine McLoughlin, AM) and one executive managing director (Group CEO Steve Johnston).

Biographical details for each director, including their tenure, are disclosed in the Directors' Report on pages 57 to 61 and on our website.

Learn more[1]

The roles and responsibilities of the Board and management

Suncorp's Constitution states that its business and affairs are to be managed under the Board's direction. The Board Charter:

- states that the Board's role is one of stewardship on behalf of stakeholders, ensuring the Suncorp Group remains sustainable and effective in the present and for the future
- clearly sets out the Board's role, responsibilities, powers and duties and describes those matters expressly reserved for the Board's determination and those matters delegated to management.

Other than the responsibilities specifically reserved for the Board and its Committees in their respective Charters, responsibility for management of the day-to-day business activities is delegated to the Group CEO who is accountable to the Board.

The Board regularly reviews the Board Charter and the delegation of Board authority to the Group CEO.

The Suncorp Constitution, and Board and Committee Charters are available in the governance and policies section of our website.

Learn more[2]

Director independence

The Board Charter requires that the Chairman, and a majority of directors, are independent, non-executive directors.

However, all Suncorp non-executive directors are expected to bring independent judgement to the Board's deliberations, and to constructively challenge management where required. In addition, the non-executive directors hold regular discussions during scheduled Board and Committee meetings without the Group CEO or other management in attendance.

The Board formally assesses the independence of its directors on appointment, and when reviewing each non-executive director's annual attestation. A register of directors' interests is kept current, to facilitate an ongoing assessment throughout the year.

The Board also gives consideration to a non-executive director's tenure on the Board in assessing independence, but the mere fact that a director has served on the Board for a substantial period does not mean that the director can no longer be considered independent.

Director independence – FY23 assessment

Based on its latest annual assessment, the Board considers that throughout FY23, the Board Chairman and all Suncorp non-executive directors have remained independent and have satisfied the Board's independence criteria (which align with the guidance provided by the ASX and other regulators). The Board's position on certain specific director interests follows.

Ian Hammond is a non-executive director of Perpetual Limited (Perpetual). As an investment manager, Perpetual group companies may hold Suncorp Group Limited securities from time to time. Perpetual's current Suncorp shareholding is not considered a substantial shareholding under the Corporations Act. Perpetual group companies also provide trustee services to Suncorp. Ian has confirmed that as a director of Perpetual he has no involvement in, or influence over, any decisions made by Perpetual in relation to any of the above activities.

Ian also receives a fixed post-termination benefit from his former partnership, PricewaterhouseCoopers (PwC) following his retirement in 2015. From time to time, Suncorp engages PwC to provide consulting services, which are not considered material in nature or quantum. Ian does not participate in any decision to engage PwC.

1. suncorpgroup.com.au/about/committees
2. suncorpgroup.com.au/about/corporate-governance

Duncan West is the Chairman of Challenger Limited (Challenger). As an investment manager, Challenger group companies may hold Suncorp Group Limited securities from time to time, however Challenger's current Suncorp shareholding is not considered a substantial shareholding under the Corporations Act. Challenger also provides fund management services to Suncorp. Duncan has confirmed that as a director of Challenger he has no involvement in, or influence over, any decisions made by Challenger in relation to any of these activities.

Lindsay Tanner is a director of Industry Super Holdings Pty Ltd (ISH) and its related entity IFM Investors Pty Ltd (IFM), which operate in the wealth management sector. IFM or other ISH subsidiaries may hold Suncorp Group Limited securities from time to time, however no ISH subsidiary currently holds a substantial Suncorp shareholding under the Corporations Act. Lindsay has confirmed that as a director of ISH and IFM he has no involvement in, or influence over, any decisions made by either entity in relation to these activities.

Accordingly, the Board does not believe that the work performed by Perpetual, PwC, Challenger, ISH or IFM affects the independence of Ian, Duncan or Lindsay (as relevant).

Managing director conflicts of interest

The Constitution, Board Charter and Suncorp Code of Conduct highlight the importance placed on ensuring the management of actual, potential or perceived conflicts of interest.

Each director has a continuing obligation to keep the Board advised of any interest that has arisen that could potentially conflict with those of the Suncorp Group.

Where a director has an actual, potential or perceived conflict in a matter being considered by the Board, the director will:

- declare that conflict of interest
- not receive the relevant Board papers
- not be present when the matter is considered during a Board or Committee meeting and
- not participate in any decision on the matter,

unless the Board Chairman (or if the relevant director is the Board Chairman, either of the Board Audit or Risk Committee Chairmen) determines otherwise.

The Suncorp Code of Conduct is available in the governance and policies section of our website.

Learn more[1]

Board composition

Suncorp's Constitution and Board Charter require that the Board is comprised of a minimum of five and a maximum of 13 directors.

The composition of the Board at any time will, within the above prescribed range, also reflect the Board's:

- commitment to ensuring its directors collectively have a sufficient mix of skills, expertise and diversity required for the effective governance of Suncorp
- objective of maintaining a balance between longer-serving directors with established experience and knowledge of Suncorp's business activities, and new directors who bring fresh perspectives.

As we complete the sale of Suncorp Bank (subject to regulatory approvals) and undertake the transition to become a dedicated trans-Tasman insurance company, the Board will evolve to reflect the changing composition and priorities of our business.

Board skills matrix

The Board skills matrix sets out the key skills, expertise and qualities that the Board believes are necessary for the effective governance of Suncorp.

During FY23, the Board:

- reviewed and updated the matrix categories, to ensure that they continue to reflect the nature of Suncorp's current strategic priorities and operating environment; and
- gave preliminary consideration to the optimal Board governance structure for Suncorp as a dedicated insurance company (which remains subject to completion of the sale of Suncorp Bank), including the skills and experience that would be necessary into the future.

Each director undertakes an annual self-assessment against the skills matrix categories, which are then aggregated and peer-reviewed by the Board. Where a director has been rated as having a developed level of capability in a given category (being a level that can confidently be drawn upon to add to the Board's deliberations), it is reflected in the Board skills matrix.

Suncorp's 2023 Board skills matrix (as shown on the following page) demonstrates the alignment between the Board's currently desired and actual range of skills and expertise.

1. suncorpgroup.com.au/about/corporate-governance

2023 Board skills matrix

Category	Description	No. of Directors
Customer Outcomes	Experience in developing and delivering customer strategies, meeting customer expectations and delivering the right customer outcomes, consistent with Suncorp's focus on customer obsession.	10
Leadership	Experience gained while performing at a senior executive level in an organisation of significant size and complexity. Successful delivery of business outcomes. Promotion of an ethical 'tone from the top'. Driving engagement, enablement and accountability, and leading organisation change.	10
Corporate Strategy	Reviewing, setting and monitoring the effective implementation of organisational strategy, and organic and inorganic growth opportunities.	10
Corporate Governance	Designing and implementing corporate governance frameworks, with a focus on best practice Board governance and the related legal and regulatory frameworks. This includes experience as a director of a listed company or other organisation of significant size and complexity.	10
Risk Management	Identifying, assessing and monitoring responses to existing and emerging financial and non-financial risks, setting risk appetite, building and adapting organisational risk culture, implementing compliance frameworks (including regulatory compliance).	10
General Insurance	Personal and commercial insurance experience, including strong knowledge of the regulatory landscape and competitive environment.	10
Banking	Domestic and/or international experience in banking, including strong knowledge of the regulatory landscape for Authorised Deposit-taking Institutions.	9
Environment and Social	Identifying, assessing and monitoring responses to existing and emerging risks and opportunities arising from environmental and social issues.	10
Stakeholder Engagement and Advocacy	Protecting and enhancing company reputation. Building stakeholder trust and confidence in an organisation. Managing relationships with key stakeholders, including shareholders, government, regulators and leading industry bodies. Advocating for public policy decisions and outcomes that benefit customers and communities.	9
People and Culture	Developing and sustaining the right corporate culture, including strategic workforce planning, and employee diversity, inclusion, health, safety and wellbeing. Experience in attracting and retaining executive talent through disciplined and fair executive remuneration frameworks, and effective succession planning.	10
Financial Acumen	Proficiency in financial management and reporting for organisations of significant size and complexity. Implementing financial and capital management strategies, corporate finance restructuring, capital raisings within risk appetite, taxation and actuarial experience.	10
Technology and Data	Experience in leveraging the use of technology, including implementing technology-led change and data analytics. Understanding of privacy and data regulation. Identifying, assessing and monitoring responses to cyber-security risk.	10
Digital Innovation	Experience in developing and executing digital strategies that transform and enhance the customer experience. Strong understanding of emerging digital technologies.	9

Board renewal

Where the Board has identified the need for a new director, whether as part of its skills matrix review or its ongoing succession planning, the Board Nomination Committee will assist with a candidate search and make a recommendation to the Board. An external consultant may be engaged to support the search process.

A new director is only appointed after the completion of appropriate checks, in accordance with Suncorp's Fit and Proper Policy (which in turn meets the requirements set out in APRA's Prudential Standard CPS 520 Fit and Proper, and also applies to Executive Leadership Team (ELT) appointments). Directors are formally assessed against this policy on appointment, and annually thereafter, to confirm they are of good standing, and that they possess/have maintained the necessary competence, character, diligence, experience and judgement required to fulfil their role.

Suncorp has formal letters of appointment in place with each non-executive director, which set out their appointment terms. The Group CEO has an employment contract.

Any new non-executive director that is appointed by the Board seeks election by shareholders at the AGM following their appointment (consistent with the Corporations Act and the ASX Listing Rules).

Suncorp discloses all information relevant to the election of a new non-executive director in the AGM Notice of Meeting.

Once elected, each continuing non-executive director seeks re-election by shareholders every three years at an AGM, subject to the support of the Board. The Board's recommendation in relation to each director seeking re-election is disclosed in the AGM Notice of Meeting.

The Board Renewal Policy is set out in the Board Charter, which is available in the governance and policies section of our website.

Learn more[1]

1. suncorpgroup.com.au/about/corporate-governance

Director induction and education

New non-executive directors meet with the Board Chairman, the Group CEO, members of the ELT, other relevant senior managers (including the Suncorp Group Customer Advocate) and the external auditor, to gain knowledge about Suncorp's structure, business activities, strategic priorities and key risks.

Ongoing director education is provided through regular management presentations on key business activities and issues that are topical for Suncorp, including areas that are subject to regulatory or operational change. Directors also engage with, and receive presentations from:

- employees below ELT level, to deepen their understanding of Suncorp's operations and culture
- external experts, where relevant and required.

Directors are expected to supplement their understanding, beyond that facilitated by Suncorp, on topical issues of broader significance.

Directors' access to information and independent advice

Directors have full and free access to Suncorp's internal records, to the ELT and to any other relevant senior management.

The Board collectively and each director individually, are entitled to obtain independent professional advice, if considered necessary to fulfil their duties and responsibilities. Where the advice is sought by an individual director, the Chairman's prior approval is required, and a copy of any professional advice received by the director is made available to all other Board members, except where the circumstances would make that inappropriate.

Board performance evaluation

The Board undertakes an annual evaluation of its performance, as well as the performance of its committees and each director individually, including the Chairman. The Board and Committee Chairmen facilitate group discussions, which are generally supported by a questionnaire process, and the Chairman meets individually with each director. The Board then discusses and considers the outcomes of the evaluation and agrees any necessary recommendations. The most recent performance evaluation was completed in July-August 2022, and an evaluation is underway during August 2023.

In addition, the Board periodically engages the assistance of an external consultant to facilitate the evaluation process. The Board is considering the optimum time to do so having regard to the completion of the Bank sale (subject to regulatory approvals).

The above structured evaluation processes supplement an ongoing focus at Board and Committee meetings on continuous improvement opportunities, including in relation to workplans, agendas and materials to support effective meeting discussions between Directors and management.

Board Committee composition and responsibilities

The Board has established five standing Board Committees to assist it in discharging its responsibilities:

- Audit Committee
- Customer Committee
- Nomination Committee
- People and Remuneration Committee
- Risk Committee.

The Board Committees are comprised of:

- non-executive directors only
- at least three members, a majority of whom must be independent
- a chairman, who must be independent. For all standing Committees other than the Nomination Committee, the Board Chairman does not serve as Committee chairman.

The Board, at the Nomination Committee's recommendation, reviews and confirms Board Committee composition annually, to ensure that each Committee has the requisite skills and expertise to remain effective in carrying out its role.

The Board may also establish other ad-hoc Board Committees as required, to deal with specific matters and for a specific duration of time. During FY23, the Board established a Completion & Separation Board Sub-Committee, which has met regularly to oversee management's program of work, and to receive timely information updates, in relation to the planned sale of Suncorp Bank.

A summary of each standing Board Committee's role, as set out in the relevant Committee Charter, follows. Each Committee regularly reviews its Charter, and any proposed enhancements are subsequently approved by the Board.

The number of Board and standing Board Committee meetings held during FY23 (and director attendance at those meetings) is disclosed in the Directors' Report on page 62. Membership of standing Board Committees is detailed in the Director biographies, which are disclosed in the Directors' Report on page 57 and on our website.

Learn more[1]

The standing Board Committee Charters are available in the governance and policies section of our website.

Learn more[2]

1. suncorpgroup.com.au/about/committees
2. suncorpgroup.com.au/about/corporate-governance

Audit Committee

The Audit Committee assists the Board in its oversight of Suncorp's financial and operational control environment. Specific matters addressed through the year, in accordance with its Charter, include:

- overseeing the integrity of the half-year and annual financial statements prior to consideration by the Board
- overseeing compliance with all disclosure requirements associated with Suncorp's statutory and regulatory financial and taxation reporting, including Australian Accounting Standards, and APRA and the Australian Securities and Investments Commission's requirements
- reviewing related reports from management, the Appointed Actuary, and the external auditor in relation to matters impacting Suncorp's statutory and regulatory financial reporting
- reviewing the appointment, compensation, performance, effectiveness, and independence of the external and internal auditors, including:
  - oversight of annual work plans
  - reviewing the provision of non-audit services by the external auditor to ensure there is no actual or perceived impact on the external auditor's independence
  - discussions with the auditors in the absence of management
- assessing the adequacy of any actions taken by management where the internal or external auditors have identified weaknesses in controls or procedures.

Customer Committee

The Customer Committee assists the Board in promoting its collective vision of Suncorp's customer obsession aspirations and culture. Specific matters addressed through the year, in accordance with its Charter, include:

- monitoring Suncorp's approach to our customer aspirations, including oversight of management's customer strategy and outcomes
- monitoring and guiding management's:
  - initiatives and programs to deliver value and good outcomes for customers in the short term, and to fulfil Suncorp's customer aspirations in the longer term
  - efforts to balance the needs of customers, employees, shareholders, regulators, and the community
- receiving regular reports from the Suncorp Group Customer Advocate, including in relation to the effectiveness of Suncorp's engagement with customers and their representatives.

Nomination Committee

The Nomination Committee assists the Board in achieving the optimal composition of the Board and Board Committees, by:

- making recommendations to the Board in relation to:
  - succession planning for non-executive directors, including the consideration of potential new candidates and confirming support for the re-election of non-executive directors
  - the composition of Board Committees
- periodically reviewing the Board skills matrix categories, to ensure that they remain appropriate
- ensuring that appropriate processes are in place to support:
  - director induction and continuing education
  - an annual review of the performance and effectiveness of the Board, its committees and individual directors.

People and Remuneration Committee

The People and Remuneration Committee assists the Board in overseeing that Suncorp's people and remuneration frameworks support the achievement of Suncorp's strategic and cultural objectives and are fair, transparent and responsible. Specific matters addressed through the year, in accordance with its Charter, include:

- reviewing and making recommendations to the Board in relation to:
  - the Group's remuneration framework, including an assessment of the effectiveness of the remuneration framework and its compliance with any applicable legal and regulatory requirements
  - the remuneration arrangements and outcomes for the Group CEO, senior executives and other specified roles
  - the structure and operation of equity-based plans, including performance measures and outcomes in relation to short and long-term incentive grants for the Group CEO, senior executives and other accountable persons
  - the size of the annual short-term incentive and fixed pay increase pools across the Group
  - recruitment, retention, termination and succession planning for senior executives
  - decisions relating to deferral of variable remuneration, and application of malus and/or clawback if applicable
  - the remuneration of non-executive directors
  - measurable objectives for achieving diversity in the composition of the Board, senior executives and employees generally
- reviewing management's implementation of organisational culture, diversity and inclusion initiatives
- reviewing management's employee engagement and talent management strategies.

Risk Committee

The Risk Committee assists the Board with oversight across all categories of risk and risk culture. Specific matters addressed throughout the year, in accordance with its Charter, include:

- ensuring that Suncorp's risk and compliance frameworks and management policies remain appropriate to the size, business mix and complexity of Suncorp, and are consistent with Suncorp's business plan
- overseeing management's processes for the identification, assessment and management of financial and non-financial risk and compliance, in accordance with Suncorp's related policies and frameworks
- reviewing, approving and making recommendations to the Board (as appropriate) in relation to Suncorp's risk management strategies, Risk Appetite Statements (RAS), the Enterprise Risk Management Framework (ERMF) and other policies in relation to specific categories of risk
- overseeing management's implementation of the ERMF and adherence to RAS and other internal risk and compliance management policies
- reviewing and considering Suncorp's risk profile, including emerging risks, and risk culture, through regular reports from management
- undertaking all risk-related activities required of the Board or Risk Committee by APRA and other regulators.

Company Secretaries

The Company Secretaries provide advice and support, and are directly accountable, to the Board through the Chairman, for all corporate governance matters relating to the Board's efficient functioning. The Company Secretaries are appointed and removed by the Board, and each director can communicate directly with each Company Secretary.

Darren Solomon was appointed by the Board as Company Secretary in 2010. Cassandra Hamlin was appointed by the Board as Company Secretary in 2022. Darren's and Cassandra's biographical details are disclosed in the Directors' Report on page 62.

Suncorp's purpose, values and culture

The Board and management believe that how we achieve our purpose of 'building futures and protecting what matters' is equally as important as the results we deliver.

Suncorp has developed a set of Being @ Suncorp behaviours that provide everyone at Suncorp with clear and consistent behavioural expectations that will support the achievement of our desired culture.

Further detail about Suncorp's purpose and values, which work together with our Code of Conduct, are disclosed in our How we create value section on page 13.

Suncorp's alignment of remuneration outcomes with consequence management is disclosed in the Remuneration Report on page 68. Material breaches of the Code are also reported to the Board.

Whistleblower protection

Suncorp supports and promotes a culture where our people feel able to report instances of wrongdoing. Suncorp's Whistleblower Policy describes additional protections and support that are provided to people in circumstances where the nature of the reportable conduct requires it.

A summary of de-identified incidents that are reported under the Whistleblower Policy are disclosed to the Board.

Anti-bribery and corruption policy

Suncorp has zero tolerance for illegal activity and requires compliance with all anti-bribery and corruption laws in all markets and jurisdictions in which we operate or conduct transactions.

Suncorp's Code of Conduct and Anti-Bribery and Corruption Policy prohibits our people from:

- offering, accepting, soliciting or paying any bribe in any form (including facilitating payments)
- engaging in any form of corruption, regardless of the intended beneficiary of the activity.

Any material breaches of the Anti-Bribery and Corruption Policy would be reported to the Board. If evidence of illegality were to be identified, the matter would also be referred to the relevant law enforcement agency.

Political engagement

Suncorp's policy continues to prohibit direct cash donations to political parties or candidates, and any political expenditure reflects a non-partisan approach to political engagement.

Learn more[1]

Trading in Suncorp securities

The Corporations Act and Suncorp's Securities Trading Policy prohibit directors, executives and all employees from trading in Suncorp securities at any time while in possession of price sensitive information. In addition:

- directors and prescribed persons are prohibited from trading in Suncorp securities at certain times including prior to the release of Suncorp's half-year and full-year financial results to the ASX, and the AGM
- directors and employees must not enter into a hedging transaction that is designed to limit the economic risk of holding in Suncorp securities.

Continuous disclosure

Suncorp's Disclosure Policy and associated procedures set out Suncorp's approach to ensure awareness and compliance with our legal continuous disclosure obligations. This includes the disclosure of required material information about Suncorp's activities in a timely and balanced manner to all market participants equally, through lodgement with the ASX.

The Group Chief Financial Officer (Group CFO) is Suncorp's Corporate Disclosure Officer. Management's Disclosure Committee assists the Corporate Disclosure Officer with ensuring compliance with Suncorp's continuous disclosure obligations. The Disclosure Committee meets regularly, and is engaged otherwise as required, to consider matters that may require disclosure, and to review and approve the content of proposed material for lodgement with the ASX.

In the case of significant ASX announcements, Board engagement, or where required Board approval, is facilitated (and the Board receives copies of all such announcements).

The Whistleblower, Anti-Bribery and Corruption, Political Engagement, Securities Trading and Disclosure Policies are available in the governance and policies section of our website.

Learn more[1]

Engaging with our shareholders

Shareholder communication

Copies of all Suncorp ASX announcements are available to all shareholders, and other market participants and interested stakeholders, via the ASX and on our website.

In addition to the specific corporate governance-focused materials that are outlined in this Statement, Suncorp also publishes other relevant information about the Suncorp Group on our website.

We encourage Suncorp shareholders to register to receive shareholder communications electronically, by contacting our share registry, Link Market Services (Link). Link is also available to assist with other shareholder-related matters.

Further, shareholders can subscribe to receive email news updates from Suncorp. Suncorp's Investor Relations team also:

- maintains a list of Frequently Asked Questions on our website
- responds to questions from shareholders that are submitted to the email address on our website.

Learn more[2]

Investor relations program

Suncorp's investor relations program enables ongoing two-way communication with institutional investors, retail shareholders, market analysts and proxy advisers.

Consistent with Suncorp's broader approach to continuous disclosure, when investor presentations are held (including those that accompany the announcement of our half-year and full-year results) the presentation materials are lodged with the ASX prior.

These materials, and access to webcast recordings, are also made available on our website.

Learn more[2]

Suncorp's practice is to implement blackout periods prior to the announcement of our half-year and full-year results, during which time Suncorp does not discuss any non-public financial performance or forecast information with market participants or other external parties.

1. suncorpgroup.com.au/about/corporate-governance
2. suncorpgroup.com.au/investors

Annual General Meeting

The AGM is a key two-way engagement opportunity for the Suncorp Board, ELT and our shareholders, particularly our retail shareholders.

An accompanying Notice of Meeting is made available to shareholders at least 28 days prior to each AGM and clearly sets out:

- the ways in which shareholders can participate in the AGM
- the business to be considered and voted on during the AGM
- that voting on each proposed resolution is conducted by poll, rather than by a show of hands.

Suncorp provides a range of means through which shareholders can vote and ask questions, both ahead of and during the AGM, and observe the meeting proceedings. Suncorp held its first hybrid AGM in 2022, and will also hold its 2023 AGM in a hybrid format, to facilitate attendance by shareholders in person and virtually.

For those shareholders and other interested stakeholders who are unable to participate during the live AGM, a webcast recording is made available on our website.

Learn more[1]

Integrity of corporate reporting

Board oversight of Suncorp's financial reporting

The role of the Audit Committee is set out in the Board Committee composition and responsibilities section of this Statement.

The Board has approved an Auditor Independence Policy, which outlines the processes that are in place to ensure that Suncorp's external auditor is independent and is perceived to be independent.

The Auditor Independence Policy is appended to the Audit Committee Charter, which is available in the governance and policies section page of our website.

Learn more[2]

External audit

KPMG is Suncorp's external auditor and acted in that role throughout FY23.

KPMG's role is to provide an independent opinion that Suncorp's financial reports are true, fair and comply with applicable accounting standards and regulations. KPMG also provides an independent opinion that Suncorp's Remuneration Report complies with the Corporations Act.

The Audit Committee meets regularly with KPMG without management being present.

KPMG's lead audit partner attends each AGM to answer questions from shareholders regarding the conduct of its audit, its audit report and independence, and the accounting policies adopted by Suncorp in preparing its financial statements.

In support of KPMG's independence for FY23, its declaration, together with details of non-audit services provided by KPMG during FY23, are included in the Directors' Report, on page 67 and page 66 respectively.

Supporting declarations from management

In addition, and before the Board approves Suncorp's half-year or full-year financial statements, it receives a declaration from the Group CEO, Group CFO and the Group Chief Risk Officer, that states:

- in their opinion:
  - the financial records of Suncorp have been properly maintained in accordance with the Corporations Act
  - the financial statements comply with applicable accounting standards and give a true and fair view of the financial position and performance of Suncorp
- the above statements are founded on sound systems of risk management and internal control and that the systems are operating effectively in all material respects in relation to financial reporting risks.

The above declaration is supported by a broader management certification process, where other senior executives provide attestations for their respective areas of responsibility.

Other periodic corporate reports

All Suncorp periodic corporate reports that are lodged with the ASX (including those that are not audited or reviewed by KPMG) are subject to a thorough review, verification and approval process by management.

Suncorp's Disclosure Committee reviews the content of all material documents for lodgement with the ASX. The Disclosure Committee in turn relies on a supporting verification process that involves the relevant senior management confirming that the disclosure is accurate, not misleading and is supported by appropriate source documents or personal knowledge and expertise. The verification process for this report (including this Statement) is overseen by a specific management steering committee.

1. suncorpgroup.com.au/investors/agm
2. suncorpgroup.com.au/about/corporate-governance

Risk management

Board oversight of Suncorp's risk management framework

The Risk Committee:

- reviews an independent report on the appropriateness, effectiveness and adequacy of Suncorp's ERMF at least every three years, including during FY23
- oversees regular reviews of Suncorp's ERMF, including updates during FY23
- endorses for Board approval an annual declaration to APRA in relation to risk management, as required by APRA's Prudential Standard CPS 220 Risk Management.

Further information about Suncorp's approach to risk management, including the structure and objectives of the Internal Audit function, is provided in the risk management section on page 35.

Management of environmental and social risks and sustainability governance

Suncorp:

- is committed to building a resilient and sustainable organisation that values positive customer, shareholder and stakeholder outcomes
- proactively manages the material environmental and social risks and opportunities identified by Suncorp in consultation with our key stakeholders.

The Board is responsible for overseeing management's ESG-related activities, including in relation to identification of risks and opportunities, materiality assessments, key disclosures, and the setting of metrics and targets for non-financial performance reporting.

The Board's ESG focus areas during FY23 included:

- management's progress toward development of a Net-Zero Transition Plan, which the Board expects to approve during FY24
- obtaining specialist external insights in relation to the FY23 Spring/Summer season climate outlook
- approval of FY22 Suncorp's Modern Slavery Statement
- management's development of non-financial ESG metrics and targets.

Management's Group Sustainability & Diversity Committee, together with the ELT, oversees the implementation of Suncorp's sustainability and diversity and inclusion programs of work, and is accountable for prioritising initiatives, setting targets, and managing performance in line with Suncorp's strategic objectives.

Further detail on Suncorp's approach to climate governance is outlined in our 2022-23 Climate-related Disclosure Report.

Further information about Suncorp's sustainability initiatives, including performance against our targets, is provided in the How we create value section of this report, our Climate-related Disclosure Report and the FY23 Sustainability Data Pack.

Learn more[1]

Remunerating fairly and responsibly

Board oversight of Suncorp's remuneration framework

As set out in the Board Committee composition and responsibilities section of this Statement, the People and Remuneration Committee's role includes assisting the Board in ensuring that Suncorp's remuneration framework:

- is fair, transparent and responsible
- reinforces executive accountability, as expected by our shareholders, customers, employees and the wider community
- maintains an ongoing focus on the attraction, motivation and retention of key talent to deliver for our shareholders, customers and our people, taking into account the competition for skills and expertise, and talent shortages, across the financial services industry and more broadly.

Further information about Suncorp's remuneration framework, including our policies and practices for remunerating directors and senior executives and evaluating the performance of executives, is provided in the Remuneration Report on page 68.

Fostering diversity and inclusion

Suncorp aspires to be one of the most inclusive places to work in Australia and New Zealand by providing an open, inclusive and accessible work environment for all its people regardless of age, gender, sexuality, ability or cultural background.

The Suncorp Diversity and Inclusion Policy is available in the governance and policies section of our website.

Learn more[2]

Gender diversity

Suncorp's commitment to gender equality is reflected in Suncorp's progress towards our gender equality goals.

Suncorp has complied with our 2023 reporting obligations under the Workplace Gender Equality Act.

Learn more[3]

1. suncorpgroup.com.au/corporate-responsibility
2. suncorpgroup.com.au/about/corporate-governance
3. suncorpgroup.com.au/uploads/2023-Suncorp-Group-WGEA-Compliance-Submission-Public.pdf

Steve Johnston
Group Chief Executive Officer and Managing Director

Jeremy Robson
Group Chief Financial Officer

Executive leadership team

Full biographies are available on our website

Learn more[1]

Jimmy Higgins
CEO Suncorp New Zealand

Fiona Thompson
Group Executive, People, Culture & Advocacy

Belinda Speirs
Group Executive Completion & Transition

1. suncorpgroup.com.au/about/leadership

Lisa Harrison
CEO Insurance Product & Portfolio

Paul Smeaton
Chief Operating Officer Insurance

Clive van Horen
CEO Suncorp Bank

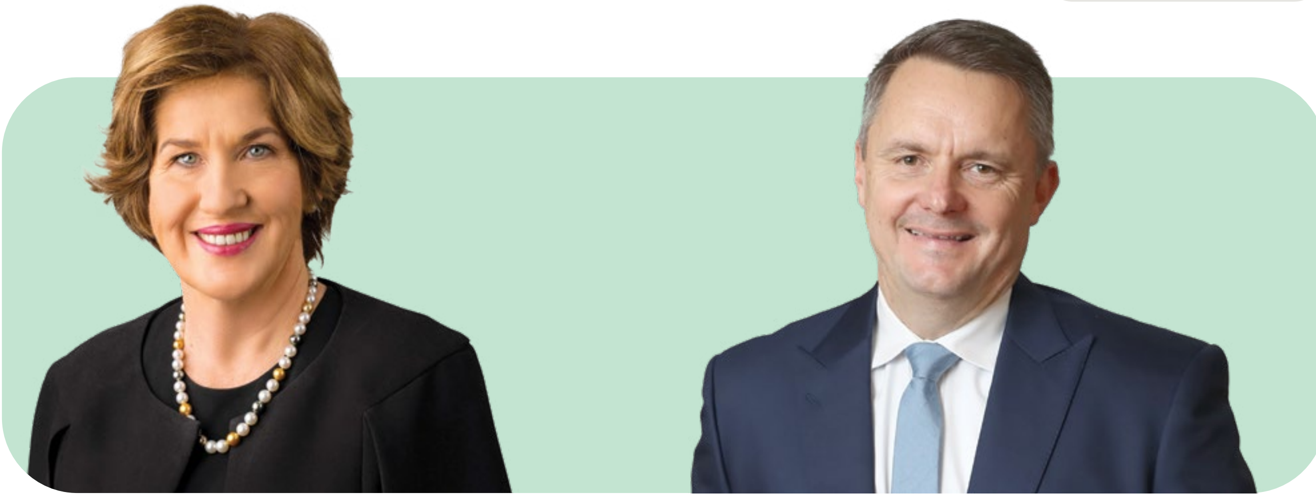
Adam Bennett
Chief Information Officer

Bridget Messer
Group Chief Risk Officer

Michelle Bain
Group General Counsel

Directors' Report

The directors present their report together with the financial report of the Suncorp Group (the Suncorp Group, Suncorp or the Group), being Suncorp Group Limited (SGL, the Company) and its subsidiaries, for the financial year ended 30 June 2023 (FY23) and the auditor's report thereon.



Christine McLoughlin, AM

BA, LLB (Hons), FAICD

Non-executive Chairman

Christine McLoughlin, AM has been a director of the Suncorp Group since 2015 and Chairman since September 2018. She is Chairman of the Nomination Committee and an ex-officio member of the Audit, Customer, People and Remuneration, and Risk Committees.

Christine's extensive experience as a director spans boards of ASX Top 50 companies in the financial services, resources, health and infrastructure sectors over the past 14 years. Her executive career was in leadership roles in financial services and telecommunications sectors in ASX Top 20 companies with businesses in the Australian, UK and Southeast Asian markets.

Christine is recognised for her focus in driving continuous improvements in organisational culture and performance, with an emphasis on creating value for shareholders.

Christine takes an active interest in technology and climate change and the impact on customers and the economy.

Her other governance roles include Director of listed company Cochlear Limited (since November 2020) and Chancellor of the University of Wollongong.

Christine is also Co-Founder and Chairman of the Minerva Network, a pro-bono organisation whose mission is to enable elite sportswomen to maximise their opportunities on and off the field.

Christine was previously the elected Australian private sector representative to the G20 EMPOWER Council, a member of the Australian Securities & Investments Commission's Non-Executive Director Advisory Panel, and inaugural Chairman of the Australian Payments Council.

In June 2021, Christine was awarded a Member of the Order of Australia in the Queen's Birthday Honours for her services to business, the not-for-profit sector, and women.

Steve Johnston

BBus (Mgt), BBus (Public Administration)

Group Chief Executive Officer and Managing Director

Steve Johnston was appointed Group Chief Executive Officer (Group CEO) of Suncorp and a director of the Group in September 2019.

Steve joined Suncorp in 2006 and has held various executive positions. Prior to his appointment, Steve was the Group Chief Financial Officer (CFO) with responsibility for financial reporting and management, legal and company secretariat, taxation, investor relations, corporate affairs and sustainability.

Steve's previous roles include Deputy CFO and Executive General Manager Investor Relations and Corporate Affairs.

Prior to joining Suncorp, Steve held senior positions at Telstra and the Queensland Government.

Steve is also a Director of the Insurance Council of Australia.

Sylvia Falzon

MIR (Hons), BBus, FAICD, SFFin

Non-executive director

Sylvia Falzon has been a director of the Group since September 2018 and is Chairman of the People and Remuneration Committee and a member of the Risk Committee.

Sylvia has held senior positions within the financial services sector having worked for major life insurance and asset management organisations over a 30-year career. Through her executive career and now as a non-executive director, she has gained valuable insights working in large consumer-facing and highly regulated businesses within the financial services, healthcare, retail and aged care sectors.

Sylvia is a non-executive director of listed company Premier Investments (since March 2018). Sylvia is also Chairman of the Governing Board of Cabrini Australia Limited, a diversified not-for-profit, health and technology care provider, and a member of the Australian Government Takeovers Panel.

Sylvia was previously a non-executive director of listed companies Perpetual Limited and Regis Healthcare (September 2014 – October 2021), and de-listed company Zebit Inc (August 2020 – March 2022). Sylvia held senior executive roles with Aviva Investors Australia (a wholly owned subsidiary of global insurer Aviva plc), Alpha Investment Management, and major life insurer National Mutual/AXA.

Elmer Funke Kupper

BBA, MBA

Non-executive director

Elmer Funke Kupper has been a director of the Group since January 2020. He is a member of the Audit and People and Remuneration Committees.

Elmer is a respected business leader and company director. He has significant financial services experience and has served as Chief Executive Officer of two listed companies.

Elmer brings experience in navigating demanding regulatory environments, and in transforming business models through the adoption of technology and digital services. He has worked closely with state and federal governments, regulators, customers and shareholders.

Elmer was previously Managing Director and CEO of the Australian Securities Exchange (ASX Limited), and a director of the Business Council of Australia. Prior to that he was Managing Director and CEO of Tabcorp. He held senior executive positions at ANZ Bank over more than 10 years and was a member of its Management Board. He started his career as a management consultant with McKinsey & Company.

Elmer is currently a non-executive director of MYOB Group Co Pty Ltd, the Australian holding company of the MYOB Group.

Ian Hammond

BA (Hons), FCA, FCPA, FAICD

Non-executive director

Ian Hammond has been a director of the Group since October 2018. He is Chairman of the Audit Committee, and a member of the Risk Committee.

Ian brings to Suncorp extensive knowledge of the financial services industry, and expertise in financial reporting and risk management. He has deep experience across the insurance, banking, wealth management and property sectors, and a keen interest in digital and technology trends.

Ian is a non-executive director of listed company Perpetual Limited (since March 2015) where his board roles include Chairman of the Audit, Risk and Compliance Committee. He is also Chairman of Mission Australia.

Previously Ian was a non-executive director of Citigroup Pty Limited and Venues NSW. Ian spent more than 35 years at PwC, including 26 years as a partner. He was lead partner for several of Australia's major financial institutions and was previously a member of the Australian Accounting Standards Board and the International Accounting Standards Board.

Simon Machell

BA (Hons), FCA

Non-executive director

Simon Machell has been a director of the Company since April 2017. He is a member of the Audit, People and Remuneration, and Nomination Committees.

Simon is a non-executive director of Prudential Assurance Company Singapore. He is also chairman of the Pacific Life Re Limited Australian entity board, and a director of its Bermuda entity boards. As a non-executive director of Tesco Bank and Chairman of Tesco Underwriting in the UK, Simon has considerable insight into changing customer expectations and engaging customers through digital channels.

Simon brings to Suncorp an international perspective on current industry trends in insurance, and insights into the risks and opportunities associated with emerging technologies and new business models. He has deep operational and strategic knowledge of the insurance industry and has planned and delivered significant change programs. In his executive career, Simon spent over 20 years with Norwich Union / Aviva running the finance, service centre and claims functions before becoming CEO of its UK general insurance business in 2005. Subsequently, he ran its portfolio of international businesses across Asia and Eastern Europe before embarking on a plural career in 2013.

Sally Herman, OAM

BA, GAICD

Non-executive director

Sally Herman has been a director of the Group since October 2015. She is Chairman of the Risk Committee, and a member of the Customer Committee.

Sally brings to Suncorp strong expertise in running retail banking and insurance products, setting strategy for financial services businesses, and working with customers, shareholders, regulators and government. She has deep executive experience running customer facing financial services businesses in Australia and the United States of America. She has held board positions (including on subsidiary boards) of financial services organisations for over 20 years, with a focus on governance, regulation and compliance.

Sally's current listed company directorships include Breville Group Limited (since March 2013) and Premier Investments Limited (since December 2011). She is also a director of Abacus Property Group. Sally was previously a director of listed company E & P Financial Group Limited (May 2018-November 2021) and a director of Irongate Funds Management Limited, responsible entity of listed trust Investec Australia Property Fund (July 2013 – July 2022).

During her senior executive career at Westpac, Sally oversaw stakeholder engagement including customers, shareholders, government and regulators. Her Westpac experience also included running the product function of retail and business banking, including general insurance and internet banking.

Doug McTaggart

BEcon (Hons), MA, PhD, DUniv, FAICD, SFFin

Non-executive director

Doug McTaggart has been a director of the Group since April 2012. He is a member of the Customer Committee, chairs AA Insurance Limited (a Suncorp joint venture with the New Zealand Automobile Association) and served on the Boards of Suncorp's New Zealand licensed entities until March 2023.

Doug brings to Suncorp great insight around regulator and government engagement, the economic landscape, organisational efficiency and financial management.

Doug has an extensive background in financial markets and has deep academic and commercial experience. He is well versed in operating in a rapidly changing regulatory environment and engaging effectively with regulators and government stakeholders.

Doug is currently Chairman of Indigenous Business Australia Asset Management Pty Ltd and a director of the listed entity The Lottery Corporation Limited (since June 2022).

Doug is a former CEO of QIC Ltd, Under Treasurer of the Queensland Department of Treasury and director of UGL Limited. He was also previously chairman of de-listed company Spark Infrastructure RE Limited (December 2015 – December 2021) and SunCentral Maroochydore, and served on the Australian National University Council (until 31 July 2023).

Lindsay Tanner

BA (Hons), LLB (Hons), MA (Melb)

Non-executive director

Lindsay Tanner has been a director of the Group since January 2018. He is Chairman of the Customer Committee, a member of the Risk Committee and is also a director of Suncorp's New Zealand licensed entities.

Lindsay brings to Suncorp an acute appreciation of the technological, regulatory and political changes shaping the financial services industry. He has worked at the highest levels of government and business for over 35 years, including as Minister for Finance and Deregulation from 2007 to 2010, where he played a significant role in regulatory reform in the financial services sector. He also served as Minister for the Future Fund during the Global Financial Crisis.

Lindsay is currently Chairman of AFL Victoria and since July 2023 has been a director of Industry Super Holdings Pty Ltd, IFM Investors Pty Ltd and the Future Skills Organisation.

Lindsay is a recognised authority on corporate governance and was a Special Adviser for financial advisory firm Lazard Australia for more than 10 years, where he had extensive involvement in the financial sector and with mergers and acquisitions.

Lindsay was also previously Chairman of Certane Group Pty Ltd and a non-executive director of Covata Limited and Lifebroker, the life insurance broking company. He began his professional career as a lawyer representing consumers in disputed personal injury and motor insurance claims.

Duncan West

BSc (Econ) (Hons), ANZIIF (Snr Assoc), CIP, FCII (UK), GAICD

Non-executive director

Duncan West has been a director of the Group since September 2021. He is a member of the Audit and Risk Committees.

Duncan is a highly experienced company director with almost 40 years of experience in the general insurance and financial services sectors, in both director and senior executive roles, in Australia and overseas. His financial services expertise spans general and life insurance, banking and wealth management.

Duncan is Chairman of listed company Challenger Limited (director since September 2018) and a non-executive director of listed company Helia Group Ltd (since September 2018). He is also a director of Avant Mutual Group Limited, Avant Group Holdings Limited, and Avant Insurance Limited, and Chairman of Habitat for Humanity Australia.

Duncan was previously Chairman and a director of The Hollard Insurance Company Pty Limited and Lawcover Insurance Pty Limited.

Duncan's previous executive roles include CEO of Vero Insurance, CEO of CGU Insurance, and Executive General Manager of Insurance for NAB Wealth and MLC. He also previously worked with Royal Sun Alliance Insurance in its UK and Indian operations and is a past President of the Australia and New Zealand Institute of Insurance and Finance.

Directors' meetings

The table below sets out the number of directors' meetings held during FY23 including meetings of the five standing Board Committees and the number of meetings attended by each director of the Company.

	Suncorp Board of Directors		Audit Committee		Risk Committee		People and Remuneration Committee		Customer Committee		Nomination Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
C McLoughlin (Chairman)	14	14	5	5	9	6	6	6	3	2	-	-
S Johnston[1]	14	14	5	4	9	9	6	5	3	3	-	-
S Falzon	14	14	-	-	9	9	6	6	-	-	-	-
E Funke Kupper	14	14	5	5	-	-	6	6	-	-	-	-
I Hammond	14	14	5	5	9	9	-	-	-	-	-	-
S Herman	14	14	-	-	9	9	-	-	3	3	-	-
S Machell	14	14	5	5	-	-	6	6	-	-	-	-
D McTaggart	14	14	-	-	-	-	-	-	3	2	-	-
L Tanner	14	14	-	-	9	9	-	-	3	3	-	-
D West	14	13	5	5	9	9	-	-	-	-	-	-

A Number of meetings held during the year while the director was a member of the Board or Committee.
B Number of meetings attended by the director during the year while the director was a member of the Board or Committee.
All non-executive directors are members of the Nomination Committee.

Directors' interests as at 30 June 2023

The Directors' interests as at 30 June 2023 can be found in the Remuneration Report on page 68.

Performance rights and share rights

As at 30 June 2023, there are 860,402 performance rights and 2,273,046 share rights outstanding in relation to Suncorp's fully paid ordinary shares. No exercise price is payable for performance rights or share rights. The latest dates for exercise of the performance rights and share rights range between 1 July 2023 and 30 June 2026.

Persons holding performance rights and share rights are not entitled to participate in capital actions by Suncorp (such as rights issues or bonus issues). For the period from 30 June 2023 to 9 August 2023, no fully paid Suncorp ordinary shares were issued as a result of the exercise of a performance right or a share right. For further details on performance and share rights refer to note 30 Share-based payments of the consolidated financial statements on page 159 and the Remuneration Report on page 68.

Company secretaries

Darren Solomon, LLB was appointed Company Secretary in March 2010, having joined Suncorp in 1989 as a senior lawyer in the legal department before moving to Company Secretariat in 2006.

Cassandra Hamlin, BCom, CA, FGIA, Grad Dip (GIA) was appointed Company Secretary in August 2022. She joined Suncorp's Company Secretariat team in 2019 and was previously Group Company Secretary of Qantas and a Senior Company Secretary at AMP. Cassandra is currently studying toward an LLB (expected completion 2024).

Remuneration Report

The Remuneration Report can be found on page 68 and forms part of the FY23 Directors' Report.

Principal activities

The principal activities of the Suncorp Group during FY23 were the provision of insurance and banking products and services to retail, corporate and commercial customers in Australia and New Zealand. There were no significant changes in the nature of the Suncorp Group's activities during FY23, other than as set out in the 'Significant changes in Suncorp Group's state of affairs' section below. More detail on the Group's activities is included in the How we create value and Financial performance sections on pages 12 to 41.

Dividends

A fully franked FY22 final ordinary dividend of $215 million (17 cents per share) was paid on 21 September 2022.

A fully franked FY23 interim ordinary dividend of $417 million (33 cents per share) was paid on 31 March 2023. The directors determined a fully franked FY23 final ordinary dividend of $342 million (27 cents per share).

Further details of dividends on ordinary shares provided for or paid are set out in note 20 to the consolidated financial statements.

Operating and financial review

The operating and financial review can be found in the How we create value section on pages 12 to 35 and Financial performance section on pages 36 to 41.

1. The Group CEO and Managing Director attends Audit Committee, Risk Committee, Nomination Committee, People & Remuneration Committee and Customer Committee meetings at the invitations of those Committees. There are no management representatives appointed as members of any Board Committee.

Significant changes in Suncorp Group's state of affairs

Sale of Suncorp Bank

On 18 July 2022, following a comprehensive strategic review, the Group announced it has signed a share sale and purchase agreement (SPA) with Australia and New Zealand Banking Group Limited (ANZ) to sell Suncorp Bank.

On 4 August 2023, the Australian Competition and Consumer Commission (ACCC) announced it would deny authorisation of the planned sale. As part of the merger authorisation process, ANZ has indicated it will refer the ACCC's decision to the Australian Competition Tribunal (the Tribunal) for review and Suncorp will support ANZ during the process. In addition to the Tribunal's approval, the sale remains subject to the amendment of the *State Financial Institutions and Metway Merger Act 1996* (Qld) and final approval from the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998*. Subject to all approvals being received, the Group expects the sale to complete by the middle of the 2024 calendar year. The estimated cash consideration for the sale of $4,900 million is subject to standard completion adjustments.

Events subsequent to the reporting date

On 4 August 2023, the ACCC announced it would deny authorisation of the planned sale of Suncorp Bank to ANZ. As part of the merger authorisation process, ANZ has indicated it will refer the ACCC's decision to the Tribunal for review and Suncorp will support ANZ during the process. In addition to the Tribunal's approval, the sale remains subject to the amendment of the *State Financial Institutions and Metway Merger Act 1996* (Qld) and final approval from the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998*. Subject to all approvals being received, the Group expects the sale to complete by the middle of the 2024 calendar year.

In the directors' opinion, between the end of the financial year and the date of this report, no other transaction or event of a material and unusual nature has arisen to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Company in future financial years.

Group outlook

Operational outlook

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

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

Strategic targets

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

Insurance

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

AASB17

Following the application of AASB17 from 1 July 2023, the metrics adopted by the Group will change to reflect the new accounting standard. Suncorp will update the market in due course on the metrics considered and adopted. The value and drivers of the business will remain materially unchanged.

Bank

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

Bank transition costs

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

Capital

The Group will maintain its disciplined approach to active capital management, including holding appropriate capital buffers.

Dividend policy

The Group maintains its commitment to a 60% to 80% dividend payout ratio, acknowledging the lower payout in FY23 reflected some significant shifts in capital, and as we work through the tribunal process relating to the sale of the Bank.

Bank sale

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

Key strategic risks

The effective identification and management of strategic risks is integral to Suncorp's strategy and decision-making process. Further detail on strategic risks is contained in the risk management section on page 34.

Impacts of legislation and other external requirements

Suncorp operates across a number of highly regulated industry sectors. There have been, and continue to be, significant domestic and global legislative and regulatory reforms and proposals, as well as numerous government and regulator consultations, reviews and inquiries which may result in changes that may impact Suncorp Group and its operations in Australia and New Zealand.

There are also various proposals and changes from global regulatory advisory and standard-setting bodies such as the International Association of Insurance Supervisors, the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions which, if adopted or followed by domestic regulators, may increase operational and capital costs or requirements.

Suncorp is committed to embracing these regulatory changes and is well placed to respond through the continuation of the Regulatory Program. Suncorp is taking active steps to implement the changes with a number of improvements already in place. Suncorp is engaging with regulators, the government and industry bodies to provide feedback and guide the policy direction. Matters which may impact Suncorp Group, its insurance businesses in Australia and New Zealand and its Banking business are set out below.

Matters which may impact

Suncorp Group

- The Banking Executive Accountability Regime (BEAR) being extended to all APRA regulated entities and the start of the **Financial Accountability Regime**.
- Consultation from APRA on **revisions to the prudential regulation of Conglomerate Groups**, encompassing Non-operating Holding Companies and subsidiaries.
- Closer supervision from APRA on the **proposed divestment of Suncorp Bank**, related contingency planning for Suncorp Group, and transitioning. Each of these will change depending on the regulatory approval decisions from the ACCC and Federal Treasurer along with the negotiations with the QLD Government and state legislative amendments necessary to enable the transaction to complete.
- Increased focus and assessment from APRA of **cyber security and cyber resilience**, including pursuit of breaches.
- ASIC administering its **product intervention power**, which allows ASIC to temporarily intervene, including to ban financial products when there is a risk of significant consumer detriment.
- ASIC supervising financial product **Design and Distribution Obligations (DDO)**, which require financial product firms to develop products that meet the needs of the consumers in their intended target market.
- APRA implementation of more detailed **operational risk and resilience prudential requirements** including for critical operations, business continuity management, and provision of services by external providers.
- APRA implementing prudential standards on **recovery and exit planning and resolution planning** to strengthen crisis preparedness, and taking effect from January 2024.
- Passing of the Treasury Laws Amendment (Consumer Data Right) Act 2019 which governs the **Consumer Data Right (CDR)** and which provides individuals and businesses with a right to efficiently and conveniently access specified data in relation to them held by businesses.
- APRA and ASIC oversighting **climate-change related risk management and disclosure**, along with regulatory changes currently being consulted on by Commonwealth Treasury on the latter.
- **Revised obligations and guidance for remuneration frameworks, practices and disclosures** (CPS 511 & FAR).
- Regulation and monitoring by ASIC of RG 271 Internal Dispute Resolution, which extends the standards for **complaints handling and management** by financial service licensees, and is enforceable.
- APRA's continuing focus on **risk culture**, including conducting risk culture surveys to benchmark perceived risk behaviours and the effectiveness of risk structures within entities.

- Finalisation of the **review of the Privacy Act**, likely to result in enhanced transparency and consent obligations, use of personal information needing to be fair and reasonable, new individual data subject rights, and requirements for privacy impact assessments. Legislation substantially increasing penalties for serious or repeated breaches of privacy commenced on 13 December 2022.
- Progression by APRA **to modernise the prudential architecture**, with amendments intended to make it clearer, simpler and more adaptable for institutions over the next few years.
- Legislation of the recommendations of the Quality of Advice Review into the accessibility and affordability of quality advice. Some recommendations propose reform to advice laws that would impact how banks and general insurers engage with their customers.

Insurance Operations Australia

- Recent commencement of **AASB 17 Insurance Contracts**, the new accounting standard which requires new measurement models to be applied and introduces significant changes to the presentation and disclosure of insurance contracts.
- Establishment by the Australian Government of the **Cyclone Reinsurance Pool. Suncorp joined from 30 June 2023, with all relevant policies fully participating by 31 December 2023.**
- Further monitoring by ASIC of **pricing promises and practices.** The outcomes of Suncorp's previous independent review of pricing promises continues to progress through the find, fix and report phases.
- ASIC regulating claims handling as a financial service, including performing an industry review which will soon document their findings and expectations for future conduct by Insurers.
- ASIC administrating the **unfair contract terms legislation**.
- Ongoing work across governments of all levels, as well as regulatory agencies, to address challenges on the **availability, affordability and sustainability of general insurance**, which could include future regulatory reforms such as new data collections.

Insurance Operations New Zealand

- Financial Markets (Conduct of Institutions) Amendment Act 2022 **requires insurers, banks and non-bank deposit takers be licensed and have a fair conduct program** to ensure consumers are treated fairly. Licence applications opened on 25 July 2023 and the Act will come into force on 31 March 2025.
- Government is proposing to reform New Zealand's insurance contract law including changes to disclosure requirements and unfair contract terms. Legislation is expected to be introduced to Parliament in early 2024.
- Reserve Bank of New Zealand is **reviewing the Insurance (Prudential Supervision) Act 2010 (IPSA) and Solvency Standards.** An interim solvency standard which takes into account IFRS 17 changes came into effect in January 2023 with updated insurance licence requirements that came into effect from 1 July 2023. IPSA consultations are in progress and legislation is not expected to be in place before the end of 2024.
- Financial Sector (Climate-related Disclosure and Other Matters) Amendment Act 2021 requires m**andatory climate-related financial disclosures** for certain entities including large insurers. Disclosures apply to accounting periods starting on or after 1 January 2023.
- The **Natural Hazards Insurance Act 2023** comes into force on 1 July 2024 and will replace the current Earthquake Commission Act 1993. The Act aims to reduce the impact of natural hazards on the community by contributing to improving resilience and uptake of insurance, as well as clarifying the nature and extent of cover provided.
- **Fire and Emergency New Zealand is proposing a 12.8% levy** increase across all levied insurance policies for the 2024/25 and 2025/26 financial years, taking effect from 1 July 2024.

Banking Operations

- More focus by APRA is anticipated on credit risk management given the elevated inflationary cycle and potential for increasingly difficult economic conditions.
- Impacts of implementing the **revised ADI capital framework** to ensure ADI capital ratios are 'unquestionably strong', aligning with Basel III reforms and improving the overall flexibility and operation of the framework.
- APRA's review of the prudential standard on **liquidity** (APS 210), along with **market risk requirements and guidance,** to ensure they are fit for purpose and incorporate recent learnings.
- Potential reinvigoration and/or sufficient support to progress the Federal Government's proposal to remove **responsible lending obligations** from ADIs, first put forward in September 2020.
- The triennial review of the Australian Banking Association (ABA) **Banking Code of Practice (BCoP)**. An independent review has been conducted and a report containing 116 recommendations was delivered, with the report and recommendations being considered by the ABA and banks. Any changes to the BCoP need to be approved by ASIC before adoption.

Environmental reporting

Suncorp conducts business in a way which sustains and protects the environment for both current and future generations. Through transparent environmental performance reporting and target setting we have continued to reduce our environmental impact over the past year. For more information, please refer to the Our approach to climate change section on page 32, our 2022-23 Climate-related Disclosure Report and our FY23 Sustainability Data Pack.

Non-audit services

During the year, KPMG, the Company's auditor, performed certain services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the financial year by the auditor and, having received the appropriate confirmations from the Audit Committee, is satisfied the auditor's provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The amounts paid or due and payable to KPMG and its related practices for non-audit services provided during FY23 (and FY22) are set out below.

Services other than statutory audit

	FY23 $000	FY22 $000
Audit-related fees (regulatory)		
APRA reporting	**752**	677
Australian financial services licences	**96**	102
Other regulatory compliance services	**1,157**	868
	2,005	1,647
Audit-related fees (non-regulatory)		
Other assurance services[1]	**1,063**	811
Other services		
Other non-audit related services[2]	**115**	824
	3,183	3,282

Indemnification and insurance of officers and directors

Under rule 39 of the Company's Constitution, the Company indemnifies each person who is or has been a director, secretary or officer of the Company (each an officer for the purposes of this section). The indemnity relates to liabilities to the fullest extent permitted by law to another party (other than the Company or a related body corporate) that may arise in connection with the performance of their duties to the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith.

The Constitution stipulates the Company will meet the full amount of such liabilities, including costs and expenses incurred in defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the Corporations Act.

The Company has also executed deeds of access, indemnity and insurance with each officer of the Company's subsidiaries, and deeds of indemnity and insurance with the officers of related bodies corporate and joint venture companies. Those deeds, which are subject to certain conditions and limitations, provide an indemnity to the full extent permitted by law for liabilities incurred by that person as an officer, including reasonable legal costs incurred in respect of certain legal proceedings and an entitlement to directors' and officers' liability insurance. The deeds containing access rights provide access to company records following the cessation of the officer's position with the relevant company.

During FY23 the Company paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been an officer of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered by or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration can be found on page 67.

Rounding of amounts

The Company is of a kind referred to in the 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 the consolidated financial statements have been rounded to the nearest one million dollars unless otherwise stated.

1. Other assurance services are assurance services other than Regulatory assurance services and primarily relate to services for Emissions reporting, Suncorp's Net Zero Transition plan and External peer reviews.
2. Other non-audit services relate to advisory services for disclosure requirements in accordance with the International Sustainability Standards Board and Human Rights Policies assessment.

Lead Auditor's Independence Declaration

KPMG

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 audit of Suncorp Group Limited for the financial year ended 30 June 2023 there have been:

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

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

KPMG

KPMG

Scott Guse

Scott Guse

Partner

Sydney

9 August 2023

Remuneration Report

Letter from the Chairman of the Board People and Remuneration Committee

On behalf of the Board, I am pleased to present the 2023 Remuneration Report.

As outlined in the Chairman's letter, this was another challenging year for our people. They responded to significant natural disasters, navigated the impacts of ongoing economy-wide inflation and cost of living pressures, and faced a heightened cyber risk and scamming environment. Under the guidance of our executive team, our people continued to live our purpose by supporting customers, our communities and each other. At the same time, the team delivered a solid financial outcome for shareholders.

In early 2023, when our Suncorp New Zealand teams were on the ground assisting our customers in the wake of the severe flooding and cyclone weather events that devastated parts of the country's north island, additional people from our Australian operations were quickly deployed to expedite our response to this disaster. This showcased the agility of our operating model and the benefits of being a trans-Tasman insurance company with strong capability in extreme weather event response and the ability to scale up as required.

Your Board, through the People and Remuneration Committee, maintains a strong focus on both local and global workforce trends. The Group continues to adapt its workforce programs and embrace new opportunities to attract and retain talent, particularly in light of low unemployment rates, demographic shifts and ongoing technological developments which both enable different ways of working whilst also disrupting workforce models. This year, Suncorp piloted a new Reskill program designed to address current and emerging workforce challenges.

Creating a diverse and inclusive environment

Suncorp recognises the value of a diverse workplace and understands we will be at our best when our people are as diverse as the communities in which we live and operate. One way this is embedded in our culture is through Suncorp's 11 Employee Resource Groups.

These groups have been created by our people, who come together with a common purpose, on topics ranging from climate change, to greater cultural representation, to empowering people with disabilities. The groups play a valued role in championing inclusion across our organisation and in giving us a greater understanding of our diverse customer needs.

Sale of Suncorp Bank

Last July we announced the sale of Suncorp Bank to ANZ, subject to regulatory and government approvals. During FY23 we progressed the applications required for the sale of the Bank. On 4 August, 2023 the Australian Competition and Consumer Commission (ACCC) announced it would deny authorisation of the proposed sale. ANZ have indicated they will refer the ACCC's decision to the Australian Competition Tribunal for review, and Suncorp will support ANZ through the process. Your Board remains of the view that the sale of Suncorp Bank is in the best interests of all our stakeholders. While this process may be unsettling for our people, the Board and executives are focused on ensuring our people remain engaged and focused on the delivery of the business plan while we await the Tribunal outcome.

Performance

Group performance is assessed in a balanced way against both financial and non-financial measures. The Group's FY23 financial performance included a 7% increase in Adjusted Net Profit After Tax (Adjusted NPAT) to $1,062 million and Cash Return on Tangible Equity (Cash RoTE) of 15.7%. While Adjusted NPAT and Cash RoTE were higher than what was achieved in FY22, ANPAT was slightly below the FY23 target, and Cash RoTE was slightly above the FY23 target. Total shareholder return was strong over FY23 with Suncorp delivering a 28% return to its shareholders, compared to the S&P / ASX 100 at 15%.

Suncorp performed well against its people and culture measures. As measured by Workday Peakon Employee Voice[1], employee engagement is in the top 25% of the Finance industry, with Employee Net Promoter Score (NPS) being in the top 10%. We also continued our progress towards building the workforce that we need to achieve our strategy by focusing on capacity, capability, composition and culture. In relation to customer measures, focus continued on digitising our sales and service offerings with performance against these measures being above target. However, our customer NPS results were disappointing. While Vero Intermediated Broker NPS was at target, both AAMI NPS (Consumer) and Suncorp Bank Main Financial Institution NPS (Consumer) were below target.

While the Group continued to improve its risk and compliance maturity over the year, the overall risk outcome was below target reflecting a small number of adverse internal audit and regulatory reports. See section 6 of this report for further information on Group performance outcomes.

Sustainability objectives

Each year Suncorp tracks performance against a range of non-financial targets that complement the Group and Function Scorecards. For FY23, these included targets in relation to diversity and inclusion, safety and wellbeing, suppliers, responsible investment and the reduction of our greenhouse gas emissions. These targets are an important part of the Group's focus on sustainability and our progress is reported in the FY23 Sustainability Data Pack.

FY23 Remuneration outcomes

In recommending the Group CEO and Senior Executive short-term incentive (STI) outcomes to the Board, the People and Remuneration Committee considered a broad range of factors. These included the Group Scorecard outcome, the relevant Function Scorecard outcome, material risk matters identified by the Remuneration Oversight Committee and Board Risk Committee, as well as a judgement overlay which included consideration of shareholder, customer, and risk outcomes, Code of Conduct compliance, and demonstration of the Being @ Suncorp behaviours.

In FY23 the Board provided the Group CEO and Senior Executives with an additional 20% target STI opportunity linked to the successful sale and separation of Suncorp Bank. While significant work was undertaken over the year in respect of this anticipated sale, the Board determined not to award any part of that additional opportunity. Instead, this additional temporary opportunity has been rolled into FY24 when outcomes can be appropriately assessed.

In assessing overall FY23 performance, the Group CEO FY23 STI was 80% of the target opportunity (or 53% of the maximum opportunity) and the FY23 STI for Senior Executives ranged between 76%-81% of the target opportunity (or 51%-54% of the maximum opportunity).

An elevated focus was also placed on remuneration consequences over the year. A Consequence Management Guideline was introduced from 1 January 2023 to ensure that remuneration consequences are determined in a fair and consistent way across the Group, and more formalised input from the Board Risk Committee is now considered by the Board in determining remuneration consequences.

1. Workday Peakon Employee Voice is a product of Workday, an independent company and separate entity to Suncorp.

FY21 and FY22 Long-term incentive awards

At the 2022 Annual General Meeting (AGM), in light of the announced Bank sale that was expected to complete by 30 June 2023, shareholder approval was obtained to make adjustments to the FY21 and FY22 Long-term incentive (LTI) performance rights and to test these rights early at 30 June 2022. At this time, 40.1% of the FY21 LTI performance rights, and 55.5% of the FY22 LTI performance rights, had met the relevant performance measures. These LTI performance rights were converted to share rights and a further one year service condition was imposed to incentivise retention.

The FY21 LTI awards were subsequently tested against the performance measures that would have applied in the normal course at 30 June 2023. As a result of strong performance against the Relative Total Shareholder Return (TSR) and Cash Return on Equity performance measures, 84.6% of the FY21 LTI awards had satisfied the performance measures at this date.

In considering the original principles that were outlined in the 2022 Remuneration Report and 2022 Notice of AGM, and in the context of the Bank sale not having completed by 30 June 2023 due to the delay in the approval process, the Board determined it was fair and reasonable to grant the Group CEO and eligible Senior Executives a further grant of rights. This grant equated to 44.5% of the original number of FY21 LTI awards that were granted, being the difference in performance outcomes between a test date of 30 June 2023 and 30 June 2022. These additional rights will remain subject to the additional service condition imposed, and malus criteria, until 30 June 2024.

This decision by the Board only applies to the FY21 LTI awards. In relation to the FY22 LTI awards, the Board will make a determination taking into account the porposed Bank sale progress as at 30 June 2024, performance and any other relevant factors. The treatment of the FY22 LTI awards, if adjusted at the time, will be disclosed in the 2024 Remuneration Report, noting that these awards will remain subject to service conditions, and malus criteria, until 30 June 2025. See section 5 of this report for further information.

Looking ahead to FY24

The Board is mindful to ensure the continued competitiveness and fairness of remuneration arrangements for its people, as well as compliance with all regulatory requirements. To this effect, changes have been made to the executive remuneration structure in alignment with the Bank sale transition process (see section 5 of this report) and to ensure compliance with APRA's Remuneration Prudential Standard (CPS 511) (see section 4 of this report).

For FY24, to meet APRA's CPS 511 requirements, the Group CEO's remuneration mix changed and now has greater emphasis on the LTI component. This creates stronger alignment with the shareholder experience over the longer term. The Group CEO's LTI allocation increased from 100% to 150% of fixed pay and, to offset this, the Group CEO's maximum STI opportunity reduced from 150% to 100% of fixed pay. While the Group CEO's total target remuneration increased as a result of this change, there was no increase in the total maximum remuneration opportunity. Considering the revised remuneration mix and external relativities, the Group CEO did not receive any fixed pay increase in FY24. The additional temporary STI opportunity of 20% of fixed pay (as noted above to incentivise the achievement of the successful sale and separation of Suncorp Bank) will apply in addition to the standard remuneration package as outlined above for FY24.

The other key change in the FY24 remuneration structure was in relation to the LTI plan itself. In line with APRA's CPS 511 requirements, two non-financial measures, Relative Customer NPS and Relative Trust and Reputation, were introduced into the LTI plan. These measures are collectively weighted at 30%. The two existing financial measures based on Relative TSR will continue to be utilised, collectively weighted at 70%. In addition, the LTI deferral period was extended from 4 years to 4-6 years for the Group CEO and to 4-5 years for the Senior Executives. See section 4 of this report for further information.

There was no change to the Senior Executive remuneration mix and the average Senior Executive FY24 fixed pay increase was 3%. There was also no increase in Non-Executive Director (NED) fees from 1 July 2023. NED fees have remained at the same level (excluding for mandatory increases in the superannuation guarantee contribution rate) since 2016 and the NED fee cap has remained at the same level since 2007.

Thank you for the opportunity to present our 2023 Remuneration Report. We value our ongoing engagement with our shareholders and other stakeholders and we look forward to your feedback ahead of our AGM.

Sylvia Falzon
Chairman of the People and Remuneration Committee

9 August 2023

Executives covered in this report

This report covers the remuneration arrangements of Key Management Personnel (KMP). KMP are the people who have the authority and responsibility for planning, directing and controlling the activities of the Suncorp Group and includes the non-executive directors.

For the purposes of this report, "executive", refers to the Group Chief Executive Officer and Managing Director (Group CEO) and the Executive Leadership Team (Senior Executives). Unless otherwise indicated below, all non-executive directors and executives were KMP over all of FY23.

Non-executive directors	Position	People and Remuneration Committee
Christine McLoughlin, AM	Chairman	Ex-officio member
Sylvia Falzon	Director	Chairman
Elmer Funke Kupper	Director	Member
Ian Hammond	Director	-
Sally Herman	Director	-
Simon Machell	Director	Member
Douglas McTaggart	Director	-
Lindsay Tanner	Director	-
Duncan West	Director	-

Group CEO and Senior Executives	
Steve Johnston	Group CEO
Adam Bennett	Chief Information Officer (CIO)
Lisa Harrison	CEO Insurance Product & Portfolio (CEO IPP)
Jimmy Higgins	CEO Suncorp New Zealand (CEO SNZ)
Bridget Messer	Group Chief Risk Officer (Group CRO)
Jeremy Robson	Group Chief Financial Officer (Group CFO)
Paul Smeaton	Chief Operating Officer (COO) – Insurance[1]
Belinda Speirs	Group Executive Completion & Transition (GE C&T) from 29 August 2022 Group General Counsel (GGC) until 28 August 2022
Fiona Thompson	Group Executive People, Culture & Advocacy (GE PC&A)
Clive van Horen	CEO Suncorp Bank

1. Paul Smeaton has indicated his intent to retire on or around 1 January 2024.

1. Executive remuneration overview

This executive remuneration overview provides a summary of the executive remuneration arrangements over FY23.

Our Purpose

Building futures and protecting what matters

Our Being @ Suncorp behaviours

Doing the right thing

Caring for others

Being courageous

Our reward principles

Align to Suncorp's Purpose, strategy, and the shareholder experience

Deliver high performance

Attract and retain talent

Promote accountability, doing the right thing, and effective risk management

Reward fairly, competitively and responsibly

Our remuneration structure

Fixed pay

- Consists of base salary, superannuation (or Kiwisaver), and any salary sacrificed benefits.
- Reflects the role scope and individual's skills and experiences and is set in the context of market remuneration levels.
- Reviewed annually for internal relativity and appropriate market alignment to a comparator group of financial services companies in the S&P / ASX 100 (excluding Real Estate Investment Trusts (REITs)).

Short-term incentive (STI)

- Rewards the achievement of Group, Function and individual performance over a 12-month period.
- Standard target STI and maximum STI opportunity of 100%[1] and 150% of fixed pay respectively for the Group CEO and most Senior Executives.
- Delivered as a mix of cash and share rights. Share rights vest in two equal tranches over a 1-2 year period:
  - Group CEO: 50% cash and 50% share rights
  - Senior Executives: 65% cash and 35% share rights.
- Outcomes are based on a scorecard of People and Culture, Customer, Risk, and Financial measures.
- Outcomes can be scaled down (to nil) if there is not adherence to the Code of Conduct.

Long-term incentive (LTI)

- Rewards the creation of long-term shareholder value.
- LTI allocation of 100% of fixed pay for the Group CEO and most Senior Executives.
- Delivered as performance rights which are tested for performance after a three-year period. The performance measures are below and are equally weighted at 50% each:
  - Relative TSR against S&P / ASX 100 companies
  - Relative TSR against 12 S&P / ASX 100 financial organisations with banking and / or insurance operations.
- A further one-year deferral period applies taking the total deferral period to four years.

All variable pay is subject to malus and clawback criteria

Minimum shareholding requirement

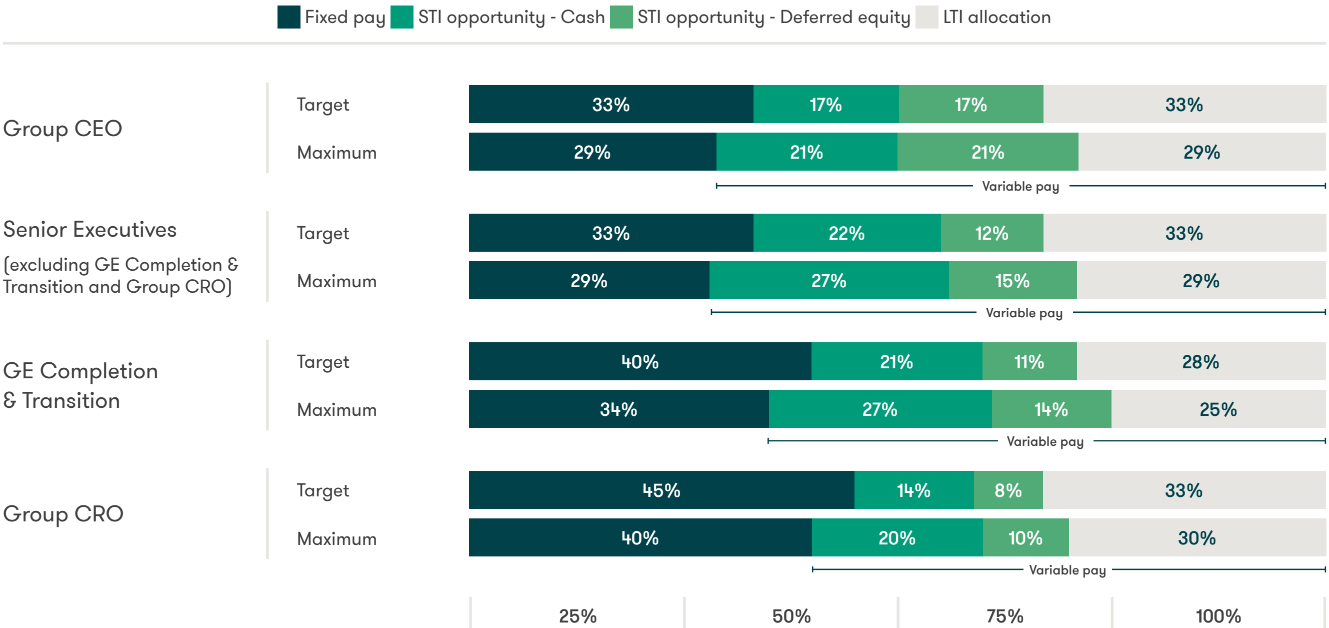
The Group CEO and most Senior Executives are required to hold Suncorp shares equivalent to 100% of fixed pay within four years following their appointment.

Further details are provided in section 3 and section 7.

1. For FY23, the target STI opportunity for the Group CEO and Senior Executives was temporarily increased by 20% to achieve performance measures related to the sale and separation of Suncorp Bank. See section 5 for further detail on this including the nil payout against this opportunity.

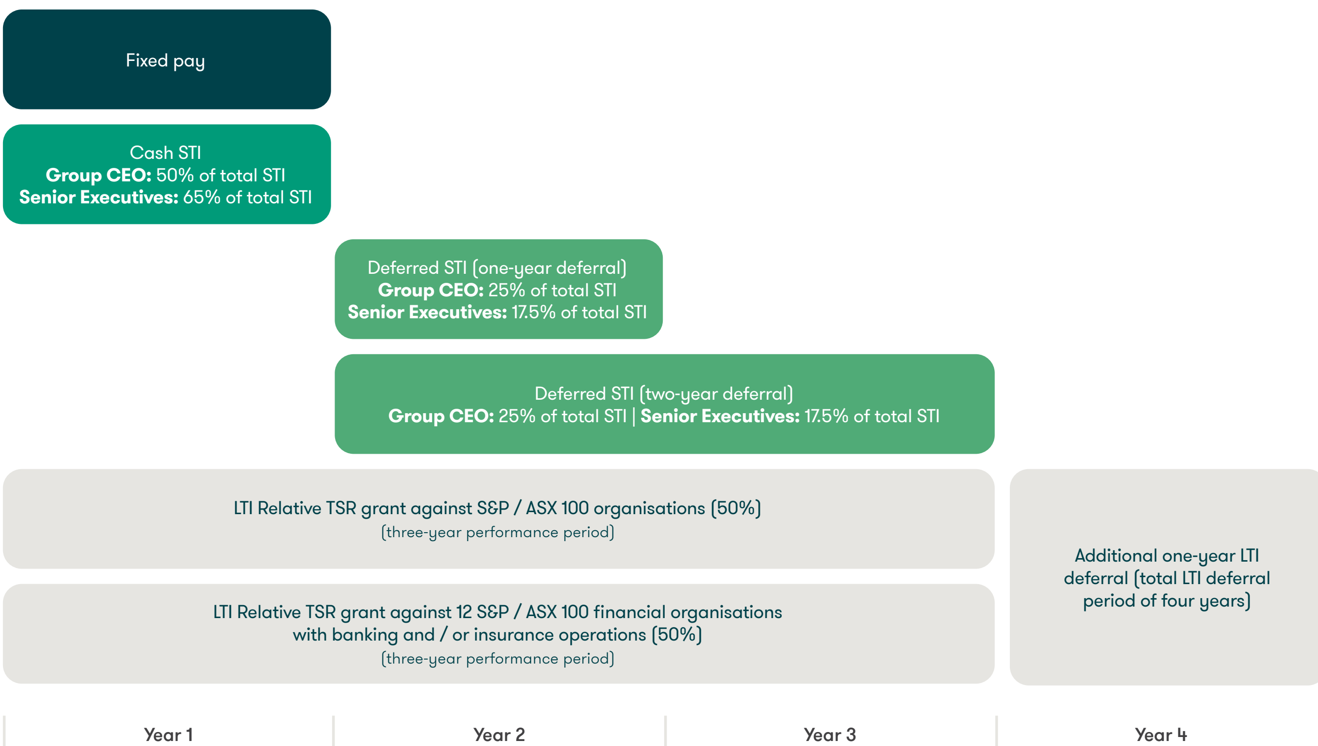
1. Executive remuneration overview (continued)

Remuneration mix[1]



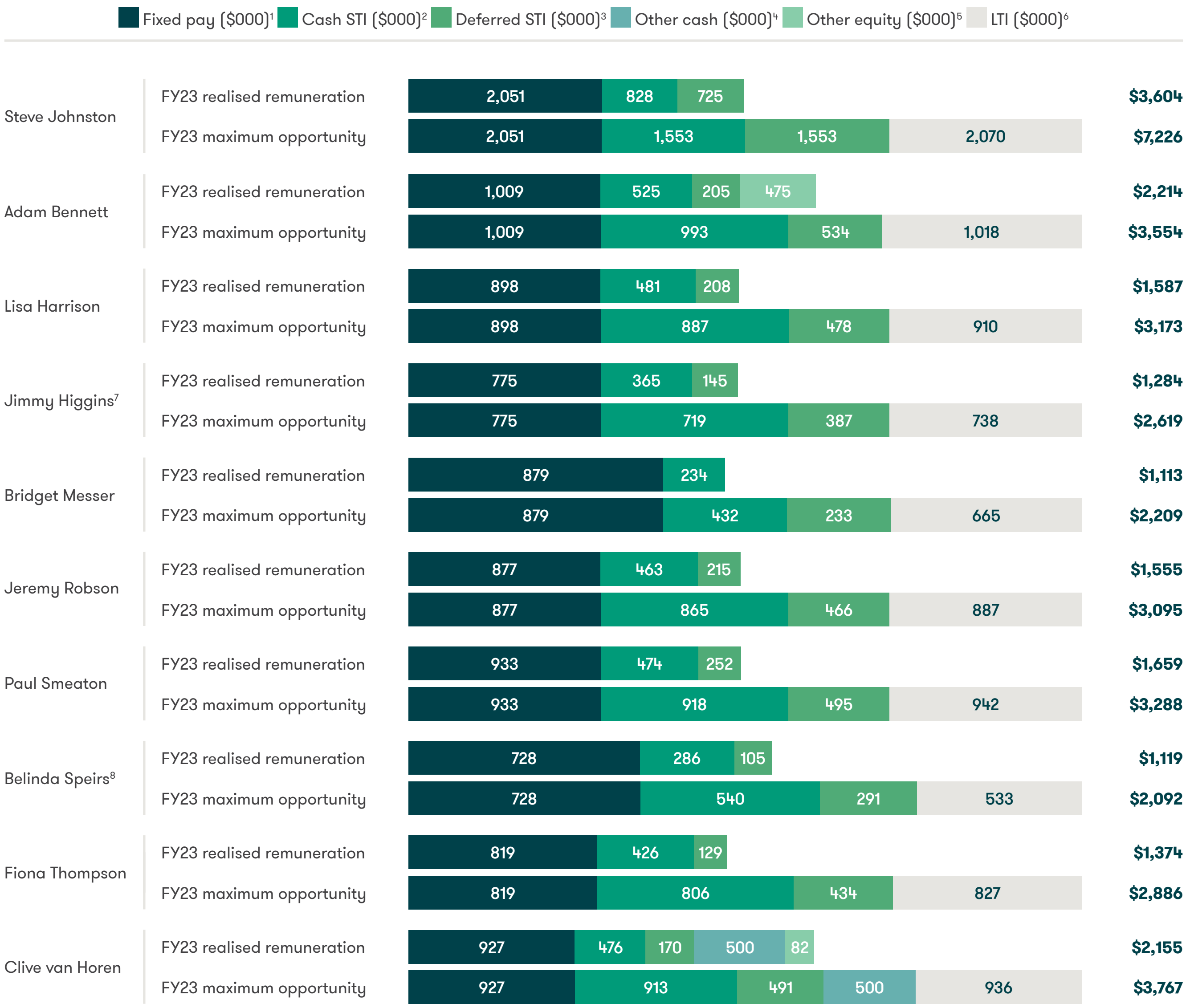
1. The above remuneration mix reflects the standard remuneration mix for the Group CEO and Senior Executives. See section 5 for details on the additional temporary FY23 target STI opportunity that was provided in light of the anticipated Bank sale and the nil payout against this opportunity.

Remuneration structure and time horizons



Actual remuneration realised

The below graphs illustrate the realised remuneration received by the Group CEO and Senior Executives in comparison to their maximum remuneration opportunity. There was no value realised from the LTI plan in FY23.



1. This includes base salary, superannuation (or KiwiSaver) and any salary sacrificed benefits.
2. The cash STI for the FY23 maximum opportunity refers to the maximum portion of the FY23 STI that can be delivered in cash if all stretch metrics are achieved. The cash STI for the FY23 realised remuneration refers to the actual cash component of the FY23 STI.
3. The deferred STI for the FY23 maximum opportunity refers to the maximum portion of the FY23 STI that can be deferred if all stretch metrics are achieved. The deferred STI for FY23 realised remuneration refers to deferred STI awards granted in prior years that vested in FY23.
4. The other cash relates to Tranche 2 and Tranche 3 of Mr van Horen's retention award. This was granted in FY22 as an added retention incentive acknowledging the uncertainty that could arise from the Group undertaking a strategic review of Suncorp Bank.
5. The other equity relates to Mr Bennett and Mr van Horen's special incentive awards for benefits forgone at their prior employer that were granted in FY21.
6. The LTI for the FY23 maximum opportunity refers to the face value of the FY23 LTI allocation. The LTI for the FY23 realised remuneration is nil as no prior LTI awards vested during FY23.
7. Mr Higgins' remuneration (paid in NZD) has been converted to Australian dollars based on the average FY23 daily exchange rate.
8. Ms Speirs' remuneration mix has been pro-rated to reflect her role as Group General Counsel from 1 July 2022 to 28 August 2022, and her role as Group Executive Completion & Transition from 29 August 2022.

2. Remuneration governance

Remuneration governance framework

The People and Remuneration Committee endorses the Group's people and remuneration frameworks and practices to the Board for approval. It assists the Board in fulfilling its responsibilities by ensuring frameworks are in place that enable the Group to attract, motivate and retain talent and support the achievement of Suncorp's strategic objectives and cultural aspirations.

Remuneration arrangements and outcomes for the Group CEO are recommended by the Chairman of the Board, endorsed by the People and Remuneration Committee, and approved by the Board. For Senior Executives, these are recommended by the Group CEO, endorsed by the People and Remuneration Committee, and approved by the Board.

The People and Remuneration Committee receives input from the Board Risk Committee (BRC), Chairmen of the BRC and Board Audit Committee (BAC), external advisers and management as illustrated below.

Board

People and Remuneration Committee

The People and Remuneration Committee members as at 30 June 2023 are:

Chairman	Sylvia Falzon
Members	Elmer Funke Kupper
	Simon Machell
Ex officio member	Christine McLoughlin, AM

The People and Remuneration Committee's responsibilities are outlined in its charter available at suncorpgroup.com.au/about/corporate-governance. The People and Remuneration Committee held six meetings during FY23. The biographies of the People and Remuneration Committee Chairman and members are outlined in the Directors' Report.

Board Risk Committee and Chairmen of Board Risk Committee and Board Audit Committee

The BRC recommends material risk matters that should be considered for remuneration consequences to the People and Remuneration Committee.

The Chairmen of the BRC and BAC join the People and Remuneration Committee for discussion on remuneration consequences in light of material risk matters.

External advisers

External advisers provide independent advice, as requested, to the People and Remuneration Committee. No remuneration recommendations were made by a remuneration consultant during FY23.

Management

Management advises the People and Remuneration Committee based on specific expertise and business knowledge.

Remuneration Oversight Committee

The Remuneration Oversight Committee (ROC) is a management committee. It consists of the GE PC&A (Chairman), Group CRO and Group CFO. It is responsible for the identification and review of significant issues that may require reduction of in-year STI or the application of malus or clawback for executives and employees.

The Chief Risk Office identifies issues for consideration and discussion by the ROC on a quarterly basis. Material matters including risk incidents, breaches and significant improvement audit outcomes are reported by the ROC to the BRC. The BRC Chairman and the Group CRO then report these matters to the People and Remuneration Committee and Board for consideration of remuneration consequences.

3. FY23 executive remuneration structure

Fixed pay

Structure	Consists of base salary, superannuation (or KiwiSaver) and any salary sacrificed benefits. Reflects the role scope and individual's skills and experience and is set in the context of internal relativities and external market data. External market data is based on a comparator group of financial services companies in the S&P / ASX 100 (excluding REITs).

Short-term incentive

	Executives	Target STI[1]	Maximum STI
STI opportunity	Group CEO and Senior Executives (excluding GE C&T and Group CRO)	100% of fixed pay	150% of fixed pay
	GE C&T	80% of fixed pay	120% of fixed pay
	Group CRO	50% of fixed pay	75% of fixed pay
Performance period	The 12 months ended 30 June 2023.		

Performance measures

Group CEO
The Group CEO is primarily assessed against the Group Scorecard as outlined below.

Performance category	Weighting
People and Culture	15%
Customer	20%
Risk	15%
Financial	50%

The Group Scorecard is intentionally weighted to incentivise executives to focus on both financial and non-financial measures and this also ensures compliance with APRA's Remuneration Prudential Standard CPS 511. Further detail on the measures in the Group Scorecard is outlined over the page.

Senior Executives

Senior Executive performance outcomes are dependent on the Group Scorecard outcome and their own Function Scorecard outcome.

Performance assessment	In addition to considering Group and Function Scorecard outcomes, the Board also considers other relevant factors including material risk matters identified by the ROC and BRC, and demonstration of the Being @ Suncorp behaviours.
Gateway and modifier	A STI gateway and modifier linked to the Code of Conduct applies. Where an executive has not adhered to the Code of Conduct, their STI may be reduced (down to nil).

Delivery mechanism

Executive	Cash	Share rights	
		Deferred over one year	Deferred over two years
Group CEO	50%	25%	25%
Senior Executives	65%	17.5%	17.5%

To focus executives on total shareholder returns from the start of the performance period, the allocation of these share rights is based on the volume weighted average price (VWAP) of the trading days during the month prior to the start of the performance period (June 2022). The allocation of share rights also reflects the value of dividends paid over the performance period.

Malus and clawback	All share rights are subject to malus and clawback criteria. See section 7 for further information.
Termination of employment	See section 9 for the treatment of STI on termination.

1. The target STI opportunities and Group Scorecard reflect the standard approach for the Group CEO and Senior Executives. See section 5 for detail on the additional temporary FY23 target STI opportunity that was provided in light of the anticipated Bank sale and the nil payout against this opportunity.

3. FY23 executive remuneration structure (continued)

Group Scorecard

Scorecard category	Scorecard measure	Weighting	Rationale
People and Culture	Employee Engagement	15%	Real-time results on employee engagement enable Suncorp to transform feedback into action plans to drive improved levels of employee engagement. Employee engagement is typically correlated with reduced employee initiated turnover, greater productivity, improved customer experiences, and stronger financial performance.
	Gender Pay Gap		The Gender Pay Gap is aligned to Suncorp's desire for a diverse and inclusive workforce and workplace. It is an indicator of equal opportunities and equal pay between the genders. Suncorp's Board has committed to achieving a number of key diversity targets, including reducing the Gender Pay Gap.
	Workforce of the Future		Suncorp's strategy requires a significant focus on four future workforce shifts related to capacity, composition, capability and culture.
Customer	AAMI NPS (Consumer)	20%	Net Promoter Score (NPS) is aligned to Suncorp's Purpose of "*Building futures and protecting what matters*". NPS is a standard and accepted market measure used to gauge customer advocacy. It provides insight into the customer experience and is reliably measured through external surveys. It also allows a comparison of competitor performance and is a lead measure of financial performance. NPS is in relation to AAMI, Vero Intermediated Brokers, and Suncorp Bank (MFI) because these were key segments of the Group in FY23.
	Vero Intermediated Broker NPS		
	Suncorp Bank Main Financial Institution (MFI) NPS (Consumer)		
	Digital Sales and Service (Mass Brands: Home, Motor, CTP)		Digital Sales and Service measures are included as a key part of Suncorp's overarching strategy and Customer Value Proposition to provide customers with digital capability to interact with the Group, however and whenever they need.
Risk	Building a moderate risk environment	15%	Focusing on risk and compliance is likely to lead to better anticipation and mitigation of key risks which can positively impact resilience, reputation, growth and financial performance. The three measures provide insights to the Board on the Group's risk culture, compliance practices, regulatory matters, adherence to Suncorp's Risk Appetite Statement, incident management and the control environment. The assessment also incorporates Board Risk Committee feedback.
	Enhancement of controls		
	Operating within risk appetite		
Financial	Adjusted NPAT	30%[1]	Adjusted NPAT provides stakeholders with a clear view of the Group's underlying results. It excludes the effects of a limited range of external factors and special items that do not reflect the ordinary earnings of the business. Over time, Adjusted NPAT allows the evaluation of Suncorp's period-over-period operating performance. It is a useful measure to shareholders in evaluating the underlying operating performance of the business.
	Cash Return on Tangible Equity (Cash RoTE)	10%[1]	Cash RoTE is a measure of Suncorp's overall return to shareholders. It illustrates how effective Suncorp is at turning the cash put into the business into greater gains and growth for the organisation and investors. Compared to Cash Return on Equity (Cash ROE), this measure is more relevant for current shareholders and the management team and is more closely aligned to return on incremental capital. It is also a more comparable measure across peers.
	Market Share Growth (Insurance Australia - including customer retention, Suncorp NZ, and Home Lending)	10%	Measuring Suncorp's growth versus System for Insurance Australia, Suncorp New Zealand, and Home Lending in Suncorp Bank provides an outcome relative to the market whilst also separating the impact of changes to market. Customer retention for Insurance Australia is measured based on Consumer Policy Retention.
	Total	100%[2]	

1. In FY24, Adjusted NPAT and Cash RoTE are equally weighted to place more emphasis on the unadjusted Cash RoTE measure.
2. In addition to the above, the Group CEO and Senior Executives also received an additional temporary 20% FY23 target STI opportunity to achieve performance measures related to the successful sale and separation of Suncorp Bank. There was no formal assessment against these performance measures as the Board exercised its discretion not to pay any portion of this additional FY23 STI opportunity and instead roll this additional opportunity into FY24 when outcomes can be appropriately assessed. See section 5 for further detail.

Long-term incentive

	Executives	**LTI allocation**
LTI allocation	Group CEO and Senior Executives (excluding the GE C&T and Group CRO)	100% of fixed pay
	GE C&T and Group CRO	75% of fixed pay
LTI instrument	Performance rights	
Performance period	3-years from 1 July 2022 – 30 June 2025. A performance period of three years is used as this aligns to the business planning process.	
Deferral period	4-years from 1 July 2022 – 30 June 2026. A four-year deferral period further aligns the interests of executives and shareholders and ensures compliance with the Banking Executive Accountability Regime (BEAR) and incoming Financial Accountability Regime (FAR). If performance rights vest after three years because the performance and service conditions have been achieved, they will convert into vested rights and these vested rights are required to be held by Suncorp on behalf of the executive for a further one-year period, taking the total deferral period to four years. At the end of Year 4, the vested rights convert to shares. To more closely align the experience of executives with shareholders, a dividend equivalent payment (DEP) is made at the end of the four-year deferral period. This DEP is only paid on any vested rights that met the performance measures and service conditions and converted to shares.	
Allocation methodology	The LTI allocation is divided by the VWAP of the ordinary shares over the five days preceding the start of the performance period (or the five days preceding the start date for any new appointments). No discount is applied for the probability of achieving the performance measures.	
Performance measures	There are two equally weighted performance measures: **Relative TSR against S&P / ASX 100 companies (broad-based comparator group):** This comparator group was chosen because it provides a relative indicator of changes in shareholder value by comparing the Company's return to shareholders against the returns of companies of a similar size and investment profile. **Relative TSR against 12 S&P / ASX 100 financial organisations with banking and / or insurance operations (customised comparator group):** This comparator group consists of – AMP Limited – Bendigo and Adelaide Bank Limited – Bank of Queensland Limited – Australia and New Zealand Banking Group Limited (ANZ) – Commonwealth Bank of Australia – Insurance Australia Group – Macquarie Group Limited – Medibank Private Limited – National Australia Bank Limited – NIB Holdings Limited – QBE Insurance Group Limited – Westpac Banking Corporation This comparator group provides a relative indicator of changes in shareholder value by comparing the Company's return to shareholders against the returns of large companies in the same industry that are exposed to similar external factors.	
	Relative TSR performance outcomes	**Percentage of LTI award subject to the relevant TSR performance measure that may vest**
Vesting Schedule	Below the 50th percentile	0%
	At the 50th percentile (median)	50%
	Between the 50th and 75th percentiles	50% plus 2% for each percentile above the 50th percentile
	At or above the 75th percentile	100%
Malus and clawback	All performance rights and vested rights are subject to malus and clawback criteria. See section 7 for further information.	
Termination provisions	See section 9 for information on the treatment of LTI awards on termination.	

4. FY24 executive remuneration structure

Outlined below are the changes that have been made to the executive remuneration structure in FY24. These changes are strategically aligned and ensure compliance with APRA's Remuneration Prudential Standard (CPS 511).

Change	Rationale
Incentive opportunities	**Group CEO** The Group CEO incentive opportunities have changed as outlined below, however the total maximum variable pay opportunity (being the maximum STI opportunity and the LTI allocation) remains unchanged. The Board considers the below incentive opportunities are appropriate as the Group CEO will now have a higher proportion of his variable pay dependent upon LTI measures. For FY24, the LTI measures are weighted 70% towards relative TSR measures which have strong alignment to the shareholder experience. The remaining 30% is weighted towards key non-financial measures as outlined below.

	Standard target STI opportunity[1]	Standard maximum STI opportunity	LTI Allocation	Target STI and LTI allocation	Maximum STI and LTI allocation
FY23	100%	150%	100%	200%	250%
FY24	100%	100%	150%	250%	250%

Senior Executives

There is no change to the remuneration mix for the Senior Executives as no change was needed to comply with CPS 511 requirements. The incentive opportunities are outlined in section 3.

LTI deferral periods

The LTI deferral period has been extended for both the Group CEO and Senior Executives as outlined below. This change aligns executive rewards to the shareholder experience over a longer period of time.

LTI deferral period	Group CEO	Senior Executives
FY23	100% of the performance rights may vest at the end of Year 4 if the performance measures and service conditions have been achieved.	
FY24	33% of the performance rights may vest in each of Years 4, 5 and 6 if the performance measures and service conditions have been achieved.	50% of the performance rights may vest in each of Years 4 and 5 if the performance measures and service conditions have been achieved.

LTI performance measures

Non-financial measures have been incorporated into the FY24 LTI plan with a collective weighting of 30%. These non-financial measures complement the existing relative TSR performance measures. Performance against all measures is assessed over a three-year period aligned to the business planning process.

Performance measure	Weighting
Relative TSR assessed against a broad-based comparator group (S&P / ASX 100 companies)	35%
Relative TSR assessed against a customised comparator group (S&P / ASX 100 financial organisations with banking and / or insurance operations)	35%
Relative Suncorp Group Insurance Customer NPS (Consumer)	20%
Relative Trust and Reputation	10%

Relative TSR

Further details on the relative TSR measures are outlined in section 3.

Relative Suncorp Group Insurance Customer NPS (Consumer)

This measure has been chosen because it is consistent with Suncorp's multi-brand strategy and long-term goal to improve customer experiences across all of Suncorp's insurance brands, being AAMI, APIA, GIO, Suncorp, Shannons, Bingle, Terry Scheer and CIL.

It is calculated by aggregating responses (which are weighted by customer base) for each brand and then comparing the aggregated NPS score to a peer group of brands, being Allianz Australia, Budget Direct, Coles Insurance, NRMA, RACQ, RACV, Woolworths Insurance and Youi.

Peer group NPS outcomes are provided to Suncorp independently through DBM Consultants and vesting outcomes are verified by Suncorp Internal Audit.

Performance is assessed on a relative improvement basis at the end of the performance period against the same vesting schedule as the relative TSR performance measures as outlined in section 3.

Relative Trust and Reputation

This measure has been chosen because trust and reputation play a key role in the extent to which a broad range of stakeholders view Suncorp as trustworthy and credible. A positive reputation can increase customer engagement and loyalty, enable Suncorp to attract and retain talented employees, strengthen relationships with governments and communities, and in turn contribute towards a sustainable business.

Trust and Reputation is assessed independently by The RepTrak Company. It is calculated based on the final rank of the RepTrak score at the end of the performance period against a peer group of insurance entities being Allianz Australia, Budget Direct, Bupa, HCF, Insurance Australia Group, Medibank Private, NIB Holdings Limited, QBE Insurance Group, Youi and Zurich.

Performance is assessed against the same vesting schedule as the relative TSR performance measures as outlined in section 3.

1. This excludes the additional temporary 20% target STI opportunity which applied in FY23, and the additional temporary 20% target STI opportunity that will apply in FY24, to provide an additional incentive to achieve specific performance measures related to the successful sale and separation of Suncorp Bank.

5. Changes in executive remuneration structure to support the successful sale and separation of Suncorp Bank

To ensure the executive remuneration structure remains appropriate throughout the sale and separation of Suncorp Bank, the below changes were endorsed by the People and Remuneration Committee and approved by the Board.

Change	Rationale
STI target opportunity for the Group CEO and Senior Executives	– To provide an additional incentive for the Group CEO and Senior Executives to achieve performance measures linked to the successful sale and separation of Suncorp Bank, the target STI opportunity for these roles was temporarily increased by 20% in FY23. There was no change to the maximum STI opportunity. – This meant that the target STI opportunity for FY23 for the Group CEO and most Senior Executives was 120% of fixed pay. For the GE C&T and Group CRO, the target STI opportunities were 96% and 60% of fixed pay respectively. – The Board exercised its discretion not to award any part of this additional FY23 opportunity. Instead, it determined to rollover this additional temporary target STI opportunity into FY24 when performance can be appropriately assessed following the anticipated Bank sale completion.
Treatment of FY21 and FY22 LTI awards for the Group CEO and Senior Executives	– At the 2022 Annual General Meeting (AGM), in light of the disruption and uncertainty caused by the announced Bank sale that was expected to complete by 30 June 2023, shareholder approval was obtained to make adjustments to the FY21 and FY22 LTI performance rights. – These performance rights were tested against the relevant performance measures early at 30 June 2022 and the performance rights that met the performance measures were converted to share rights. A further one year service condition was also imposed to incentivise stability in the executive team. – The adjustments and status of these grants is summarised below, with further detail outlined in the 2022 Remuneration Report and the 2022 Notice of AGM. **FY21 LTI awards** – Based on performance as at 30 June 2022, 80.2% of the relative TSR (broad based) performance measure was achieved and 0% of the Cash ROE performance measure was achieved. This resulted in 40.1% of FY21 LTI awards having met the performance measures at this date and remaining on-foot. An additional one-year service condition was also imposed. – The FY21 LTI awards were subsequently tested against these same performance measures at the original test date of 30 June 2023. Based on performance at this date, 98.0% of the relative TSR (broad based) performance measure was achieved and 71.1% of the Cash ROE performance measure was achieved. Accordingly, 84.6% of the FY21 LTI awards met the performance measures in the normal course. – In considering the original principles that were outlined in the 2022 Remuneration Report and 2022 Notice of AGM, and in the context of the Bank sale not having completed by 30 June 2023, the Board determined it was fair and reasonable to grant the Group CEO and eligible Senior Executives a further grant of rights. These rights equated to 44.5% of the original number of FY21 LTI awards that were granted, being the difference in performance outcomes between a test date of 30 June 2023 and 30 June 2022. These additional rights will remain subject to the additional service condition imposed, and malus criteria, until 30 June 2024. – As a result of this decision, the ultimate number of LTI awards that will vest will be aligned to performance outcomes that would have been achieved in the normal course and LTI outcomes will be aligned to the shareholder experience noting that TSR over this period was 60%. In addition, this decision further assists in ensuring executive stability during an ongoing period of Bank sale uncertainty while further motivating the leadership team to continue to deliver on the strategy. **FY22 LTI awards** – Based on performance as at 30 June 2022, 83.2% of the relative TSR (broad based) performance measure was achieved, 83.2% of the relative TSR (customised) performance measure was achieved, and 0% of the Cash RoTE measure was achieved. This resulted in 55.5% of FY22 LTI awards having met the performance measures at this date and remaining on-foot. An additional one-year service condition was also imposed. – The Board will consider whether any adjustment is required to the FY22 LTI awards in early FY25, taking into account the Bank sale progress as at 30 June 2024, performance and any other relevant factors. – The treatment of the FY22 LTI awards, if adjusted at the time, will be disclosed in the 2024 Remuneration Report, noting that these awards will remain subject to service conditions, and malus criteria, until 30 June 2025.
Performance measures for FY23 and FY24 LTI awards for the Group CEO and Senior Executives	– In recognition of the challenges in setting robust Cash RoTE performance targets if the Bank sale completed during the performance period, the Board approved that the FY23 LTI awards would be assessed only against relative TSR. – Relative TSR is assessed against both a broad-based and a customised comparator group as outlined in section 3. – This approach was approved by shareholders in relation to the Group CEO's FY23 LTI award at the 2022 AGM. The same approach will remain in place for FY24 subject to shareholder approval for the Group CEO's FY24 LTI award at the 2023 AGM.
Retention award and Bespoke LTI award for the CEO Suncorp Bank	– A retention award of $675,000 was granted to the CEO Suncorp Bank as an additional incentive acknowledging the uncertainty that could arise from the Group undertaking a strategic review of Suncorp Bank. The award vested in three tranches on 30 June 2022 ($175,000), 31 December 2022 ($225,000) and 30 June 2023 ($275,000). – In lieu of the standard FY24 LTI award, a bespoke LTI award of $500,000 was granted to the CEO Suncorp Bank in light of the anticipated sale of Suncorp Bank. This award vests subject to the successful completion of the sale of Suncorp Bank, continued service up to sale completion and demonstration of the Being @ Suncorp behaviours. This award is payable 60% on Bank sale completion, with the remaining 40% payable in equal tranches after four and five years from the grant date. The CEO Suncorp Bank is not eligible for the standard FY24 LTI award.

6. Executive remuneration outcomes

Group performance

Group financial performance

	FY23	FY22	FY21	FY20	FY19
Group NPAT ($m)	**1,148**	681	1,033	913	175[1]
Adjusted NPAT ($m)[2]	**1,062**	991	921	830	297
Group cash earnings	**1,254**	673	1,064	749	1,115
Closing share price ($)[3]	**13.49**	10.98	11.11	9.23	13.47
Dividend per share (cents)	**27**	38	74	36	78
% of LTI awards that met performance conditions	**84.6% (FY21 awards)[4, 5]**	40.1% (FY21 awards)[5] 55.5% (FY22 awards)[5]	0%	0%	0%

1. FY19 Group NPAT was impacted by the $910 million loss arising from the sale of the Australian Life Business.
2. Adjusted NPAT is the profitability figure used in the STI plan. See section 3 for information on Adjusted NPAT.
3. The closing share price is generally at 30 June. Where 30 June falls on an ASX non-trading day, the closing share price of the preceding trading day is used. The opening share price at 1 July 2018 was $14.59.
4. The FY21 LTI awards were tested against the performance measures at the original test date of 30 June 2023. See section 5 for further information.
5. These awards continue to be deferred and are subject to service conditions and malus and clawback criteria.

Suncorp's TSR over the five financial years to 30 June 2023 was 18.0%. This compares to S&P / ASX 100 organisations of 15.1%.

FY23 Group Scorecard outcomes

The Group CEO is assessed primarily against the Group Scorecard outlined below. Senior Executive STI outcomes are dependent on both the Group Scorecard outcome as well as their own Function Scorecard outcome. The Board also considers other relevant factors as outlined in section 3.

Strategic Driver	Measures	Weighting	Actual performance outcome: Below threshold	Threshold to target	Target	Target to stretch	Stretch	FY23 Achievement
People and Culture								
Exceptional people empowered to make a difference every day	Employee Engagement	15%		●				Employee engagement was 8.3 out of 10.0, being just below the target of 8.4. While engagement was below target, Suncorp's engagement is the top 25% of the Finance industry with Employee NPS in the top 10% of the Finance industry. Employee engagement is measured independently from Workday Peakon Employee Voice.
	Gender Pay Gap			●				Suncorp reduced its Gender Pay Gap over the year from 18.6% to 17.8% and was just below target of 17.5%. Suncorp is on track to achieve the FY25 market commitment of 15.5% by the end of FY25.
	Workforce of the Future				●			The Board assessed the Workforce of the Future measure at target in light of the significant progress made towards achieving its "Workforce of the Future". This included scaling the Momentum delivery model, implementing productivity tools across the transactional workforce, evolving Group and Function Career Pathways, and scaling the Reskill program in partnership with the University of NSW.
Customer								
Create value for customers	AAMI NPS (Consumer)	20%	●					AAMI NPS (Consumer) was below threshold, reflecting pricing which has been driven by external inflationary pressures and a heightened risk pricing environment. Claims volumes, supply and repairer constraints have also impacted claims experience across the industry.
	Vero Intermediated Broker NPS				●			Vero Intermediated Broker NPS was at target. A focus on service, broker relationships and claims experience were key sources of improvement. Price perception also compares favourably to the prior comparative period and long-term average.
	Suncorp Bank MFI NPS (Consumer)			●				Suncorp Bank MFI NPS (Consumer) was below target. While Home Lending delivered a significant positive step change in NPS and closed the gap to peers through focusing on pain points, digital experience placed pressure on the NPS outcome.
	Digital Sales and Service (Mass Brands: Home, Motor, CTP)					●		The targets for the digital sales and service measures were exceeded, with the proportion of sales and service through digital both increasing by 7 percentage points. Growth was enabled by numerous sales, service, adoption, renewal, chatbot, website and other initiatives which supported customer expectations to do more transactional activity digitally.

FY23 Group Scorecard outcomes (continued)

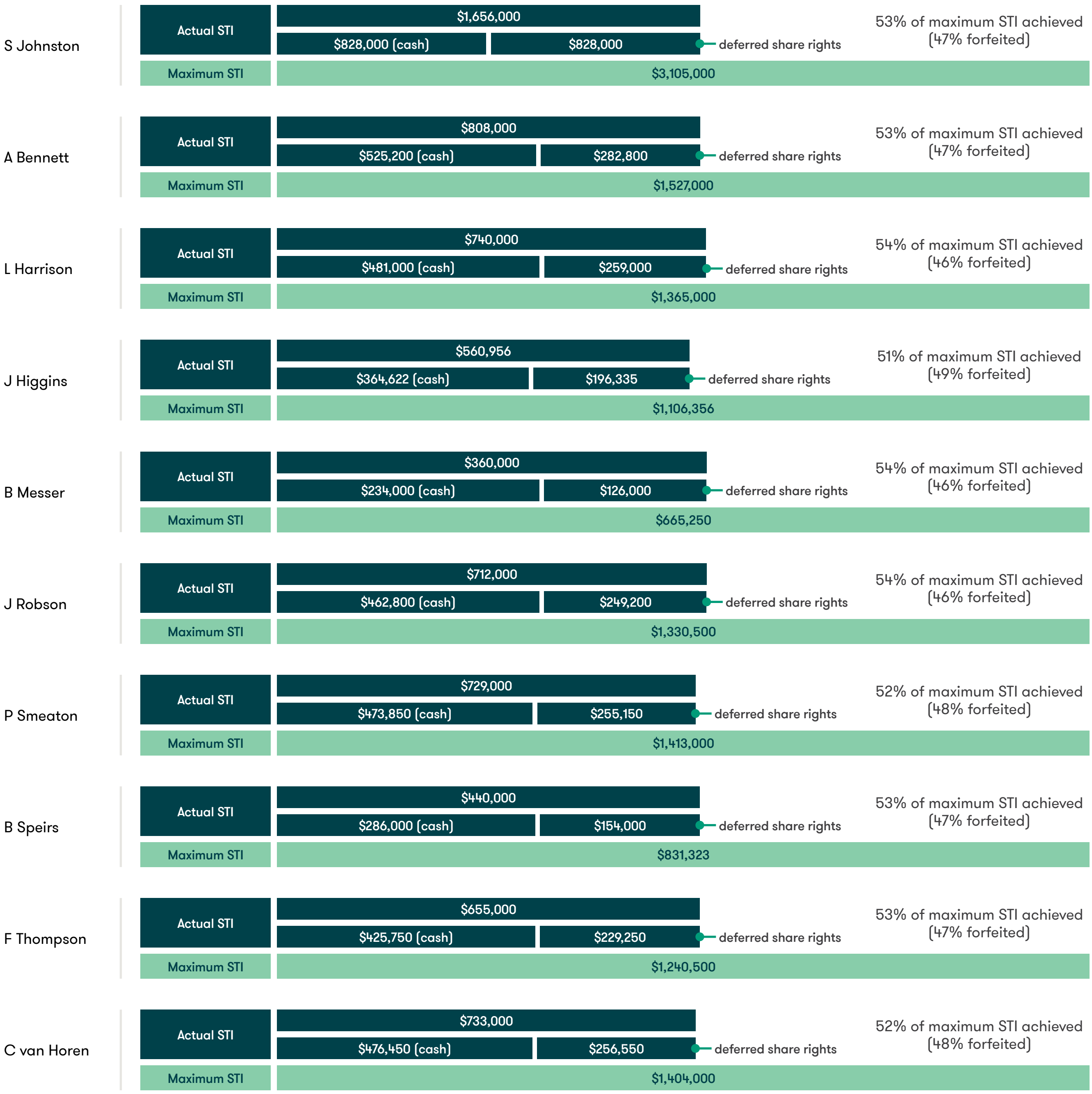
Strategic Driver	Measures	Weighting	Actual performance outcome: Below threshold	Threshold to target	Target	Target to stretch	Stretch	FY23 Achievement
Risk								
Manage risk and compliance within agreed parameters	Building a moderate risk environment Enhancement of controls Operating within risk appetite	15%		●				The Group continued to improve its risk and compliance maturity over the year, with some areas requiring further attention. Mature risk trade-off decisions were made which included the mitigation of risks relating to the Bank sale. Performance against building a moderate risk environment and enhancement of controls was at target, and operating within risk appetite was slightly below target. This reflected a small number of adverse internal audit and regulatory reports.
Financial								
Deliver targeted profit and shareholder returns	Adjusted NPAT	30%		●				The Group delivered an Adjusted NPAT result of $1,062m which was 92.5% of the target of $1,148m. Suncorp New Zealand and Suncorp Bank were broadly in line with target, with Insurance Australia being below target. The actual NPAT was $1,148m. Net adjustments for FY23 were $86m (post-tax). Adjustments were made for investment markets, natural hazards and reinsurance reinstatement premiums, prior year reserve releases, corporate development activity, COVID-19 business interruption provision release, and SNZ Life market adjustments.
	Cash RoTE	10%				●		Cash RoTE was 15.7%, being slightly above the target of 15.5%. The strong headline performance was driven by higher cash earnings.
	Market Share Growth (Insurance Australia)	10%					●	Insurance AU market share growth was at stretch, with the result being primarily driven by Motor.
	Customer Retention (Insurance Australia)						●	Insurance AU customer retention was at stretch as outcomes were managed through significant pricing changes and customer shopping behaviours. This outcome was supported by continued focus on ease of renewals through digital and the strength of the Suncorp brands.
	Market Share Growth (Suncorp NZ)				●			Market Share Growth for Suncorp NZ was at target. AAI market share increased, while Vero market share decreased with the result impacted by a large underwriting contract that was terminated in the first half of the financial year.
	Market Share Growth (Home Lending)			●				Home lending market share growth was below target. The performance outcome reflected a focus on balancing growth, margin and portfolio returns.
Overall Group Scorecard outcome				●				

6. Executive remuneration outcomes (continued)

Group performance (continued)

Short-term incentive outcomes

See section 3 for an outline of the STI plan.



7. Risk and remuneration consequences

In approving the remuneration structure, the Board has sought to ensure the remuneration framework is aligned to prudent risk management, material risk matters are considered in remuneration outcomes, and the framework incentivises desired conduct and behaviours.

Information on the remuneration governance process, including how the Board Risk Committee considers material risk matters and makes recommendations to the People and Remuneration Committee on remuneration consequences is outlined in section 2.

Risk and conduct matters are further incorporated into the remuneration framework as outlined below.

Scorecard and performance assessment

Material weighting of non-financial measures in the Group Scorecard and Function Scorecards	– The Group Scorecard and Function Scorecards consist of a number of measures across the categories of People & Culture, Customer, Risk, and Financial. There is a material weighting on non-financial measures in all scorecards, including a separately weighted risk measure.
STI outcomes are based on both the "what" and the "how"	– For executives, the Board considers behaviours as part of its judgement overlay in determining STI outcomes. – For other employees, individual scorecards are weighted 80% towards performance measures and 20% towards the Being @ Suncorp behaviours, with the intent of ensuring that performance outcomes are achieved in the appropriate way.
The behavioural STI gateway and modifier linked to the Code of Conduct	– The behavioural STI gateway and modifier is based on an employee's compliance with the Code of Conduct. This can lead to an employee's STI being reduced (down to nil) if they do not adhere to the Code of Conduct.
The Board's application of a judgement overlay on the Group Scorecard and Function Scorecard outcomes, with risk management considered as a key component of the overall performance outcome	– In determining performance and remuneration outcomes, the People and Remuneration Committee considers adherence to effective risk management practices and all other relevant factors in the context of the Group's risk appetite. This occurs before the Board makes its final determination of the overall STI pool and individual STI awards for the executives.

Consequence management

Application of a Consequence Management Guideline	– A Consequence Management Guideline was introduced from 1 January 2023. – This Guideline ensures remuneration consequences (such as in-year reduction in STI or the application of malus and / or clawback to deferred incentives) are determined in a fair and consistent way across the Group.
Incorporation of malus and clawback criteria into deferred incentive awards	– Malus and clawback criteria enable the Board, in its absolute discretion and subject to compliance with the law, to determine that a participant's deferred incentives will be fully or partially lapsed (malus) during the deferral period or any shares or cash payment made will be fully or partially forfeited, lapsed and / or repaid (clawback). – In exercising its discretion, the Board will consider whether this is necessary to protect the Group's financial soundness or to respond to unforeseen circumstances.

7. Risk and remuneration consequences (continued)

STI deferral, the mandatory shareholding requirement and the hedging prohibition

Deferral of a significant portion of the total remuneration package	– Deferral is in place to encourage executives to adopt a longer-term mindset in making decisions and to align executive remuneration outcomes to the shareholder experience. – See section 3 for information on the STI deferral and LTI deferral arrangements.
Minimum shareholding requirement (MSR)	– To further align executive interests with those of shareholders, the Group CEO and most Senior Executives are required to have a shareholding in the Company equivalent to at least 100% of fixed pay. The MSR for the GE C&T and Group CRO is 75% of fixed pay. – Executives are required to meet the MSR four years from the October following their appointment, with 50% to be achieved after two years. The value of the shares for the purposes of this requirement is the five-day VWAP up to 30 June in the relevant year. The Board has discretion to alter the VWAP in any particular year in light of any business decisions or external factors materially impacting the share price. – Based on their shareholding as at 30 June 2023, all executives have either met their MSR, or are on track to meet this, within the required timeframes. Detailed share ownership information for executives is outlined in section 9.
The hedging prohibition	– Suncorp Group's Securities Trading Policy regulates dealing by directors, employees and contractors in Suncorp securities and prohibits hedging transactions to limit the economic risk of a holding in the Company's securities including unvested rights. – All KMP are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results. – Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy. – Further detail can be found in the 2023 Corporate Governance Statement at suncorpgroup.com.au/about/corporate-governance.

Consequences for misconduct and material risk matters

In FY23, 232 employees breached the Code of Conduct where formal consequences were applied. This included:

- 134 employees[1] leaving Suncorp
- 28 employees[2] receiving nil variable rewards
- 70 employees[2] receiving a minimum 20% reduction in variable rewards.

In FY23, 14 employees received a reduction in their 2023 STI as a result of being accountable for a material risk matter. The extent of the reduction varied depending upon the severity of the matter and their level of accountability.

8. Non-executive director fees

Remuneration component	Description
Fee structure	Fees are based on a number of factors, including the requirements of the role, the size and complexity of the Suncorp Group, and market practice. Non-executive directors receive fixed pay only, paid as director fees, and do not participate in any performance-based incentive plans.
Superannuation	Compulsory superannuation guarantee contributions (SGC) are paid on the director's fee on behalf of all eligible non-executive directors, unless a non-executive director is receiving SGC from more than one employer and has elected to opt out of receiving the contributions. The Company's general practice is to cap SGC at 10.5% of the Maximum Contribution Base (MCB) (11% in FY24). Superannuation in excess of the MCB is delivered in the form of fees, unless the non-executive director has elected to make voluntary additional superannuation contributions. If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.
Aggregate annual fee pool	Non-executive director aggregate fees are within the shareholder-approved maximum aggregate total remuneration limit of $3,500,000 including SGC. This fee pool has remained the same since it was last increased in 2007.
Minimum shareholding requirement	Non-executive directors have four years from the October following their appointment to achieve the MSR, equivalent to 100% of their base fees. A 50% shareholding is required to be achieved after two years. Base fees refer to the Board Chairman fee or Board Member fee only (excluding Committee fees and SGC). Based on their shareholding as at 30 June 2023, all non-executive directors have either met, or are on track to meet, the MSR within the required timeframes. Detailed share ownership information for the non-executive directors is outlined in section 9.

1. 95 employees were terminated as a consequence of the Code of Conduct breach and 39 employees ceased employment after the Code of Conduct breach.
2. Pending the finalisation of the 2023 Annual Review.

Outlined below are the non-executive director fees for FY23. Non-executive director base fees excluding SGC have remained the same since 2016.

	Chairman ($)[1]		Members ($)	
	Fee excluding SGC	Fee including SGC	Fee excluding SGC	Fee including SGC
Board	600,000	663,000	220,000	243,100
Audit Committee	60,000	66,300	30,000	33,150
Risk Committee	60,000	66,300	30,000	33,150
People and Remuneration Committee	60,000	66,300	30,000	33,150
Customer Committee	40,000	44,200	20,000	22,100

1. The Chairman receives a fee for chairing the Board and is not paid any additional fees for chairing the Nomination Committee and Completion and Separation Committee meetings or attending the Audit, Risk, People and Remuneration, and Customer Committee meetings as an ex-officio member.

The Board may also establish other ad-hoc Board Committees as required to deal with specific matters and for a specific duration of time. During FY23, the Board established a Completion and Separation Board Sub-Committee. This Committee has met regularly to oversee management's program of work and received timely information updates in relation to the proposed sale of Suncorp Bank. There is no Chairman fee and the Member fee is $20,000 excluding SGC and $22,100 including SGC.

9. Contractual arrangements and statutory remuneration

Employment agreements and Incentive Plan Rules

The Group CEO and Senior Executives are employed by Suncorp Staff Pty Limited, a wholly owned subsidiary of the Company, under standard employment agreements with no fixed term.

A summary of the employment agreements, including key terms outlined in relevant Incentive Plan Rules, is outlined below.

	Group CEO	Senior Executives
Notice period	**Termination with notice:** 9 months **Resignation:** 6 months	**Termination with notice:** 9–12 months **Resignation:** 3 months
	Suncorp can immediately terminate the executive's employment in the case of serious misconduct. In this case, the executive would be entitled to fixed pay up to their termination date and their statutory entitlements.	
Treatment of STI cash on termination	**Resignation or immediate dismissal:** No cash STI will be awarded. **Redundancy:** A cash STI award may be received, subject to performance, at Board discretion. **All other cases:** Board discretion.	
Treatment of STI deferral on termination	**Resignation or immediate dismissal:** All unvested deferred incentives are forfeited. **Redundancy:** Any deferred incentive will generally remain on-foot and vest at the end of the deferral period and will remain subject to malus and clawback criteria. **All other cases:** Board discretion.	
Treatment of LTI on termination	**Unvested equity:** The Board has discretion to determine that any unvested LTI performance rights will continue until the relevant vesting dates and remain subject to the performance measures and malus and clawback criteria. All unvested equity is forfeited on immediate dismissal. **Vested rights subject to a holding lock:** Any vested rights will continue beyond cessation of employment and convert into shares in the normal course, subject to malus and clawback criteria. Vested rights are forfeited on immediate dismissal.	
Change of control	Impact of a change of control on remuneration is at Board discretion.	

9. Contractual arrangements and statutory remuneration (continued)

Executive statutory remuneration

	Year	Short-term benefits				Post-employment benefits		Long-term benefits		Share-based payments		Total remuneration	Performance related
		Salary	Cash STI	Non-monetary benefits[1]	Other[2]	Superannuation benefits	Other[3]	Other[4]	Termination benefits	Deferred STI[5]	LTI[6]		
		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
Executive director													
S Johnston	**2023**	**2,026**	**828**	**-**	**(4)**	**25**	**-**	**52**	**-**	**639**	**309**	**3,875**	**46%**
Group CEO	2022	1,923	900	-	46	24	-	83	-	1,174	757	4,907	58%
Senior Executives													
A Bennett	**2023**	**984**	**525**	**-**	**1**	**25**	**-**	**17**	**-**	**220**	**243**	**2,015**	**49%**
CIO	2022	952	566	-	58	24		16	-	388	700	2,704	61%
L Harrison	**2023**	**873**	**481**	**8**	**(30)**	**25**	**-**	**27**	**-**	**191**	**116**	**1,691**	**47%**
CEO IPP	2022	824	502	5	34	24		31	-	355	275	2,050	55%
J Higgins[7]	**2023**	**715**	**365**	**6**	**(24)**	**60**	**-**	**16**	**-**	**153**	**84**	**1,376**	**44%**
CEO SNZ	2022	718	414	6	36	57		(5)	-	216	273	1,715	53%
B Messer	**2023**	**854**	**234**	**-**	**8**	**25**	**-**	**14**	**-**	**23**	**243**	**1,401**	**36%**
Group CRO	2022	322	101	6	15	12		5	-	23	125	609	41%
J Robson	**2023**	**852**	**463**	**23**	**(34)**	**25**	**-**	**20**	**-**	**195**	**105**	**1,651**	**46%**
Group CFO	2022	813	515	20	16	24		20	-	359	270	2,037	56%
P Smeaton	**2023**	**908**	**474**	**19**	**19**	**25**	**-**	**6**	**-**	**203**	**108**	**1,763**	**45%**
COO – Insurance	2022	877	514	15	(9)	24		4	-	356	298	2,079	56%
B Speirs[8]	**2023**	**703**	**286**	**11**	**26**	**25**	**3**	**16**	**-**	**91**	**69**	**1,230**	**36%**
GE C&T	2022	638	211	9	(5)	24		17	-	139	178	1,211	44%
F Thompson	**2023**	**794**	**426**	**13**	**(21)**	**25**	**-**	**24**	**-**	**151**	**103**	**1,515**	**45%**
GE PC&A	2022	776	460	11	22	24		12	-	252	252	1,809	53%
C van Horen	**2023**	**902**	**476**	**1**	**502**	**25**	**5**	**16**	**-**	**201**	**128**	**2,255**	**36%**
CEO Suncorp Bank	2022	872	549	-	177	24		15	-	341	417	2,395	55%

1. Non-monetary benefits include costs met by the Suncorp Group for rebates on insurance premiums.
2. Other short-term benefits refer to movements in annual leave accruals. Mr van Horen's other short-term benefits include Tranche 2 ($225,000) and Tranche 3 ($275,000) of his retention award which vested on 31 December 2022 and 30 June 2023 respectively. See section 5 for further information.
3. Other post-employment benefits refers to superannuation above the maximum contribution base that was paid in cash.
4. Other long-term benefits refer to movements in long service leave accruals.
5. Deferred STI includes the amortised value of any on-foot share rights that were delivered as part of the STI related to FY23 or prior to this time.
6. LTI refers to the amortised value of grants under the LTI Plan. Awards are expensed to the profit & loss statement based on the fair value at grant date over the period from grant date to vesting date. The assumptions underpinning these valuations are set out in note 30.1 to the financial statements. The LTI value for Mr van Horen includes the amortised value of his Bespoke LTI award. See section 5 for further information.
7. Remuneration has been converted from New Zealand dollars to Australian dollars based on the average FY23 daily exchange rate.
8. Ms Speirs' 2023 remuneration relates to the Group General Counsel role from 1 July 2022 to 28 August 2022 and the GE C&T role from 29 August 2022. Her 2022 remuneration relates only to the Group General Counsel role.

Movement in awards under employee equity plans

	Employee equity awards granted[1]		Fair value yet to vest					
	Number	Grant date	Min[2]	Max[3]	Market value at date of grant[4]	Vested in year	Forfeited in year	Vested in year
			$	$	$	%	%	Number
Executive director								
S Johnston	14,477	19 August 2020	-	-	-	100%	-	14,477
	48,738	11 August 2021	-	-	-	100%	-	48,738
	192,098	22 October 2020	-	495,887	677,873	-	60%	-
	48,738	11 August 2021	-	623,846	623,846	-	-	-
	42,777	8 August 2022	-	498,352	498,352	-	-	-
	182,051	23 September 2021	-	975,018	1,249,840	-	45%	-
	42,777	8 August 2022	-	498,352	498,352	-	-	-
	187,152	19 October 2022	-	1,020,914	1,989,426	-	-	-
Senior Executives								
A Bennett	43,399	1 July 2020	-	-	-	100%	-	43,399
	17,646	11 August 2021	-	-	-	100%	-	17,646
	101,385	1 July 2020	-	272,083	359,797	-	60%	
	43,399	1 July 2020	-	384,081	384,081	-	-	-
	17,645	11 August 2021	-	225,856	225,856	-	-	-
	14,473	8 August 2022	-	168,610	168,610	-	-	-
	89,660	1 July 2021	-	398,918	546,376	-	45%	-
	14,473	8 August 2022	-	168,610	168,610	-	-	-
	92,039	19 October 2022	-	502,072	978,375	-	-	-
L Harrison	3,504	19 August 2020	-	-	-	100%	-	3,504
	14,594	11 August 2021	-	-	-	100%	-	14,594
	72,036	1 July 2020	-	193,320	255,641	-	60%	-
	14,594	11 August 2021	-	186,803	186,803	-	-	-
	12,859	8 August 2022	-	149,807	149,807	-	-	-
	78,737	1 July 2021	-	350,321	479,815	-	45%	-
	12,859	8 August 2022	-	149,807	149,807	-	-	-
	82,274	19 October 2022	-	448,805	874,573	-	-	-
J Higgins	1,373	9 August 2019	-	-	-	100%	-	1,373
	1,175	19 August 2020	-	-	-	100%	-	1,175
	8,620	11 August 2021	-	-	-	100%	-	8,620
	1,446	11 August 2021	-	-	-	100%	-	1,446
	1,175	19 August 2020	-	10,164	10,340	-	-	-
	71,216	15 October 2020	-	191,118	255,300	-	60%	-
	8,620	11 August 2021	-	110,336	110,336	-	-	-
	1,446	11 August 2021	-	18,509	18,509	-	-	-
	10,606	8 August 2022	-	123,560	123,560	-	-	-
	65,246	1 July 2021	-	290,292	397,597	-	45%	-
	1,446	11 August 2021	-	18,509	18,509	-	-	-
	10,606	8 August 2022	-	123,560	123,560	-	-	-
	65,890	19 October 2022	-	359,430	700,411	-	-	-

9. Contractual arrangements and statutory remuneration (continued)

Movement in awards under employee equity plans (continued)

	Employee equity awards granted[1]		Fair value yet to vest					
	Number	Grant date	Min[2]	Max[3]	Market value at date of grant[4]	Vested in year	Forfeited in year	Vested in year
			$	$	$	%	%	Number
B Messer	2,595	8 August 2022	-	30,232	30,232	-	-	-
	46,621	31 January 2022	-	207,425	285,649	-	45%	-
	2,595	8 August 2022	-	30,232	30,232	-	-	-
	60,146	19 October 2022	-	328,096	639,352	-	-	-
J Robson	2,081	9 August 2019	-	-	-	100%	-	2,081
	2,306	19 August 2020	-	-	-	100%	-	2,306
	14,367	11 August 2021	-	-	-	100%	-	14,367
	81,108	1 July 2020	-	217,667	287,837	-	60%	-
	14,366	11 August 2021	-	183,885	183,885	-	-	-
	13,192	8 August 2022	-	153,687	153,687	-	-	-
	3,588	19 August 2020	-	31,036	31,574	-	-	-
	77,371	1 July 2021	-	344,237	471,481	-	45%	-
	13,192	8 August 2022	-	153,687	153,687	-	-	-
	80,195	19 October 2022	-	437,464	852,473	-	-	-
P Smeaton	5,935	19 August 2020	-	-	-	100%	-	5,935
	16,073	11 August 2021	-	-	-	100%	-	16,073
	91,683	1 July 2020	-	246,042	325,361	-	60%	-
	16,072	11 August 2021	-	205,722	205,722	-	-	-
	13,159	8 August 2022	-	153,302	153,302	-	-	-
	82,833	1 July 2021		368,542	504,773	-	45%	-
	13,158	8 August 2022	-	153,291	153,291	-	-	-
	85,167	19 October 2022	-	464,587	905,325	-	-	-
B Speirs	1,356	9 August 2019	-	-	-	100%	-	1,356
	1,287	19 August 2020	-	-	-	100%	-	1,287
	4,306	11 August 2021	-	-	-	100%	-	4,306
	2,274	11 August 2021	-	-	-	100%	-	2,274
	1,287	19 August 2020	-	11,133	11,326	-	-	-
	39,828	1 December 2020	-	106,886	161,786	-	60%	-
	4,305	11 August 2021	-	55,104	55,104	-	-	-
	2,272	11 August 2021	-	29,082	29,082	-	-	-
	5,390	8 August 2022	-	62,794	62,794	-	-	-
	46,081	1 July 2021	-	205,020	280,803	-	45%	-
	2,272	11 August 2021	-	29,082	29,082	-	-	-
	5,389	8 August 2022	-	62,782	62,782	-	-	-
	48,144	19 October 2022	-	262,626	511,771	-	-	-

	Employee equity awards granted[1]		Fair value yet to vest					
	Number	Grant date	Min[2]	Max[3]	Market value at date of grant[4]	Vested in year	Forfeited in year	Vested in year
			$	$	$	%	%	Number
F Thompson	2,632	19 August 2020	-	-	-	100%	-	2,632
	8,643	11 August 2021	-	-	-	100%	-	8,643
	69,689	1 July 2020	-	187,021	247,313	-	60%	-
	8,642	11 August 2021	-	110,618	110,618	-	-	-
	11,761	8 August 2022	-	137,016	137,016	-	-	-
	72,820	1 July 2021	-	323,995	443,757	-	45%	-
	11,761	8 August 2022	-	137,016	137,016	-	-	-
	74,770	19 October 2022	-	407,870	794,805	-	-	-
C van Horen	7,132	4 August 2020	-	-	-	100%	-	7,132
	14,670	11 August 2021	-	-	-	100%	-	14,670
	97,506	4 August 2020	-	261,670	346,026	-	60%	-
	7,132	4 August 2020	-	67,540	63,118	-	-	-
	14,670	11 August 2021	-	187,776	187,776	-	-	-
	14,057	8 August 2022	-	163,764	163,764	-	-	-
	82,378	1 July 2021	-	366,516	501,995	-	45%	-
	14,057	8 August 2022	-	163,764	163,764	-	-	-
	84,625	19 October 2022	-	461,630	899,564	-	-	-

1. Employee equity awards include performance rights and share rights. The fair value per right can be found in note 30.2 to the financial statements.
2. The minimum value yet to vest is nil, since the service condition or performance measure (as applicable) may not be met and consequently the performance rights or share rights may not vest.
3. The maximum value yet to vest is determined as the fair value at grant date, assuming all performance measures are met.
4. Market value at date of grant is calculated based on the number of securities granted multiplied by the higher of the closing share price traded on ASX between the date of the grant and the day before. Where the date of grant falls on an ASX non-trading day, the closing share price of the preceding trading day is used.

Related party transactions

Loans to KMP and their related parties

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of the banking business. All loans have normal commercial terms, which may include employee discounts on the same terms available to all employees of the Suncorp Group. No amounts have been written down or recorded as provisions as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to KMP and their related parties are outlined below.

FY23	Opening balance $000	Closing balance $000	Interest charged[1] $000	Interest not charged $000
Total for KMP and their related parties	1,256	1,395	61	-

1. The loans may have offset facilities, in which case the interest charged is after the offset.

The closing balance includes loans issued to 3 KMP and their related parties.

FY23	Balance 1 July 2022 $000	Balance 30 June 2023 $000	Interest charged[1] $000	Interest not charged $000	Highest balance $000
Senior Executives					
J Higgins	409	630	31	-	663
P Smeaton	43	-	-	-	45
C van Horen	804	765	30	-	804

1. The loans may have offset facilities, in which case the interest charged is after the offset.

9. Contractual arrangements and statutory remuneration (continued)

Movement in securities

The movement during the reporting period in the number of securities in the Company held directly, indirectly or beneficially by each executive, including their related parties, is outlined below.

1 July 2022 – 30 June 2023		Balance 1 July 2022 Number	Received as remuneration Number	Purchases (sales) Number	Other changes[1] Number	Balance 30 June 2023 Number
Executive director[2]						
S Johnston	Ordinary shares	208,914	63,215	-	-	272,129
	Unvested securities	486,102	272,706	-	(259,295)	499,513
Senior Executives[2]						
A Bennett	Ordinary shares	43,401	61,045	(61,045)	-	43,401
	Unvested securities	313,134	120,985	-	(161,674)	272,445
L Harrison	Ordinary shares	74,728	18,098	-	-	92,826
	Unvested securities	183,465	107,992	-	(96,286)	195,171
J Higgins	Ordinary shares	24,892	12,614	-	458	37,964
	Unvested securities	162,221	87,102	-	(84,766)	164,557
B Messer	Ordinary shares	-	-	-	-	-
	Unvested securities	46,621	65,336	-	(20,747)	91,210
J Robson	Ordinary shares	43,022	18,754	-	-	61,776
	Unvested securities	195,187	106,579	-	(101,769)	199,997
P Smeaton	Ordinary shares	117,861	22,008	(21,757)	-	118,112
	Unvested securities	212,596	111,484	-	(113,788)	210,292
B Speirs	Ordinary shares	22,279	9,223	-	-	31,502
	Unvested securities	105,268	58,923	-	(53,587)	110,604
F Thompson	Ordinary shares	62,496	11,275	-	-	73,771
	Unvested securities	162,426	98,292	-	(85,424)	175,294
C van Horen	Ordinary shares	7,134	21,802	(28,936)	-	-
	Unvested securities	223,488	112,739	-	(116,868)	219,359

1. Other changes in ordinary shares relate to dividend plan allotments as part of the Dividend Reinvestment Plan during FY23. Other changes in unvested securities relate to equity awards that vested or were forfeited during FY23.
2. Unvested securities disclosed for the Executive director and Senior Executives refers to the performance rights granted under the LTI Plan and share rights granted as part of the STI award or Share Rights Plan (as applicable). Accordingly, beneficial entitlement of those unvested securities remains subject to satisfaction of specified service conditions and performance measures (as applicable).

Executives of the Company and their related parties received normal distributions on these securities.

Non-Executive Director statutory remuneration

	Year	Short-term benefits		Post-employment benefits		Total
		Salary and fees $000	Non-monetary benefits $000	Superannuation – Statutory $000	Superannuation – Other[1] $000	
Non-executive directors						
Christine McLoughlin, AM *Chairman*	2023	600	-	25	38	663
	2022	600	-	24	36	660
Sylvia Falzon[2] *Director*	2023	324	-	25	9	358
	2022	307	-	24	9	340
Elmer Funke Kupper *Director*	2023	280	-	25	4	309
	2022	280	-	24	8	312
Ian Hammond *Director*	2023	310	-	25	7	342
	2022	310	-	24	7	341
Sally Herman *Director*	2023	300	-	25	6	331
	2022	300	-	24	6	330
Simon Machell *Director*	2023	280	-	25	4	309
	2022	288	-	24	5	317
Douglas McTaggart[3] *Director*	2023	345	-	25	11	381
	2022	379	-	24	14	417
Lindsay Tanner[4] *Director*	2023	323	-	25	9	357
	2022	291	-	24	6	321
Duncan West *Director*	2023	280	-	25	4	309
	2022	188	-	18	1	207

1. Superannuation in excess of the MCB is delivered in the form of fees. Non-executive directors may elect to make voluntary additional superannuation contributions.
2. Ms Falzon commenced as a Member of the Completion & Separation Committee on 1 October 2022.
3. Mr McTaggart ceased as Member of the Suncorp New Zealand boards on 13 March 2023. He continues to chair the board of joint venture entity AA Insurance Limited.
4. Mr Tanner commenced as a Member of the Completion & Separation Committee on 1 October 2022 and the Suncorp New Zealand boards on 13 March 2023.

9. Contractual arrangements and statutory remuneration (continued)

Movement in securities

The movement during the reporting period in the number of securities in the Company held directly, indirectly or beneficially by each non-executive director, including their related parties, is outlined below.

1 July 2022 - 30 June 2023		Balance 1 July 2022 Number	Purchases (sales) Number	Other changes[1] Number	Balance 30 June 2023 Number
Non-executive directors					
C McLoughlin, AM	Ordinary shares	48,550	4,000	-	52,550
	SUNPH Capital Notes	700	-	-	700
S Falzon	Ordinary shares	24,554	7,000	359	31,913
E Funke Kupper	Ordinary shares	47,500	-	-	47,500
I Hammond	Ordinary shares	43,745	-	1,829	45,574
S Herman	Ordinary shares	40,000	5,000	-	45,000
S Machell	Ordinary shares	60,000	-	-	60,000
D McTaggart	Ordinary shares	44,737	-	1,870	46,607
L Tanner	Ordinary shares	18,668	1,400	-	20,068
D West	Ordinary shares	115	24,565	-	24,680

1. Other changes in ordinary shares relate to dividend plan allotments as part of the Dividend Reinvestment Plan during FY23.

Directors and executives of the Company and their related parties received normal distributions on these securities.

Other KMP transactions

Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) between the Suncorp Group and executives and their related parties during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions were on arm's length terms and conditions no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature.

Transactions other than financial instrument transactions

No director or Senior Executive has entered into a material contract with the Company or Suncorp Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Other transactions with executives and their related parties are conducted on arm's length terms and conditions that are no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

Directors' signatures to the Directors' Report

Signed in accordance with a resolution of the Board of Directors.

Christine McLoughlin, AM

Chairman
9 August 2023

Steve Johnston

Group Chief Executive Officer and Managing Director
9 August 2023

Financial statements

Consolidated statement of comprehensive income

For the financial year ended 30 June 2023

	Note	2023 $M	2022 $M
Revenue			
Insurance premium income		12,095	11,132
Reinsurance and other recoveries income		2,169	2,452
Interest income	10	3,525	1,865
Net gains on financial assets and liabilities at fair value through profit or loss		147	-
Dividend and trust distribution income		46	252
Fees and other income		372	468
Total revenue		18,354	16,169
Expenses			
Claims expense		(9,740)	(8,786)
Outwards reinsurance premium expense		(1,535)	(1,357)
Underwriting expense		(2,332)	(2,371)
Interest expense	10	(1,769)	(385)
Net losses on financial assets and liabilities at fair value through profit or loss		-	(1,179)
Impairment (expense) release on loans and advances	12.2	(17)	14
Amortisation and depreciation expense		(206)	(207)
Fees, overheads and other expenses		(1,113)	(1,016)
Outside beneficial interests in managed funds		-	(45)
Total expenses		(16,712)	(15,332)
Profit before income tax		1,642	837
Income tax expense	4.1	(483)	(138)
Profit for the financial year		1,159	699
Profit for the period attributable to:			
Owners of the Company		1,148	681
Non-controlling interests		11	18
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges	19	(47)	(183)
Net change in debt investments at fair value through other comprehensive income	19	10	(81)
Exchange differences on translation of foreign operations	19	16	(31)
Related income tax benefit		11	79
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on defined benefit plans		4	11
Net change in equity investments at fair value through other comprehensive income	19	(6)	(10)
Related income tax benefit (expense)		1	(1)
Total other comprehensive loss		(11)	(216)
Total comprehensive income for the financial year		1,148	483
Total comprehensive income for the financial year attributable to:			
Owners of the Company		1,137	465
Non-controlling interests		11	18

Earnings per share		Cents	Cents
Basic earnings per share	5	90.92	53.80
Diluted earnings per share	5	88.54	51.32

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

Consolidated statement of financial position

As at 30 June 2023

	Note	2023 $M	2022 $M
Assets			
Cash and cash equivalents	28.2	3,908	1,418
Receivables due from other banks	28.2	1,788	2,490
Trading securities	15	2,218	2,722
Derivatives	16	606	741
Investment securities	15	23,049	20,957
Premiums outstanding	25.1(a)	3,599	3,173
Loans and advances	11	67,102	61,856
Reinsurance and other recoveries	25.1(b)	2,656	3,212
Deferred reinsurance assets		1,165	1,152
Deferred acquisition costs		874	796
Property, plant and equipment		604	712
Deferred tax assets	4.3	488	592
Goodwill and other intangible assets	27	5,306	5,282
Other assets		1,620	1,275
Total assets		114,983	106,378
Liabilities			
Payables due to other banks	28.2	121	165
Deposits	13	51,178	47,875
Derivatives	16	682	783
Amounts due to reinsurers		1,153	1,119
Payables and other liabilities		2,924	1,741
Unearned premium liabilities	8.1	6,771	6,024
Provisions and employee benefit liabilities	33	459	537
Outstanding claims liabilities	9	11,651	11,692
Deferred tax liabilities	4.3	144	127
Borrowings	14	24,009	20,910
Loan capital	21	2,544	2,622
Total liabilities		101,636	93,595
Net assets		13,347	12,783
Equity			
Share capital	18	12,384	12,325
Reserves	19	(42)	(28)
Retained profits		972	456
Total equity attributable to owners of the Company		13,314	12,753
Non-controlling interests		33	30
Total equity		13,347	12,783

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

Consolidated statement of changes in equity

For the financial year ended 30 June 2023

		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 financial year		-	-	681	681	18	699
Total other comprehensive (loss) income for the financial year		-	(223)	7	(216)	-	(216)
Total comprehensive (loss) income for the financial year		-	(223)	688	465	18	483
Transactions with owners, recorded directly in equity							
Dividends paid	20	-	-	(905)	(905)	(12)	(917)
On market buy-back	18	(250)	-	-	(250)	-	(250)
Share-based payments	18	2	-	-	2	-	2
Treasury share movements	18	15	-	-	15	-	15
Transfers	19	-	(9)	9	-	-	-
Other movements		-	-	2	2	-	2
Balance as at 30 June 2022		12,325	(28)	456	12,753	30	12,783
Profit for the financial year		-	-	**1,148**	**1,148**	**11**	**1,159**
Total other comprehensive (loss) income for the financial year		-	**(14)**	**3**	**(11)**	-	**(11)**
Total comprehensive (loss) income for the financial year		-	**(14)**	**1,151**	**1,137**	**11**	**1,148**
Transactions with owners, recorded directly in equity							
Dividends paid	20	-	-	**(632)**	**(632)**	**(8)**	**(640)**
Shares issued	18	**48**	-	-	**48**	-	**48**
Share-based payments	18	**10**	-	-	**10**	-	**10**
Treasury share movements	18	**1**	-	-	**1**	-	**1**
Other movements		-	-	**(3)**	**(3)**	-	**(3)**
Balance as at 30 June 2023		**12,384**	**(42)**	**972**	**13,314**	**33**	**13,347**

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

Consolidated statement of cash flows

For the financial year ended 30 June 2023

	Note	2023 $M	2022 $M
Cash flows from operating activities			
Premiums received		13,778	12,588
Claims paid		(10,857)	(8,808)
Interest received		3,353	1,810
Interest paid		(1,509)	(339)
Reinsurance and other recoveries received		2,739	1,331
Outwards reinsurance premiums paid		(1,624)	(1,382)
Fees and other operating income received		302	615
Dividends and trust distributions received		46	252
Fees and operating expenses paid		(3,769)	(4,037)
Income tax paid		(333)	(589)
Net movement in operating assets			
Trading securities		505	(1,151)
Loans and advances		(5,192)	(4,480)
Net movement in operating liabilities			
Deposits		3,303	6,675
Net cash from operating activities	28.1	742	2,485
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		19,429	19,604
Payments for acquisition of investment securities		(20,403)	(21,740)
Proceeds from sale of businesses		-	139
Proceeds from other investing activities		-	4
Payments for other investing activities		(144)	(245)
Net cash used in investing activities		(1,118)	(2,238)
Cash flows from financing activities			
On market buy-back, including transaction costs	18	-	(250)
Proceeds from borrowings	28.3	20,964	15,763
Repayment of borrowings, including transaction costs	28.3	(18,181)	(13,803)
Proceeds from issue of loan capital, including transaction costs	28.3	248	695
Payment on call of loan capital, including transaction costs	28.3	(330)	(456)
Proceeds from other financing activities		181	-
Payments for other financing activities		(88)	(141)
Dividends paid		(584)	(905)
Net cash from financing activities		2,210	903
Net increase in cash and cash equivalents		1,834	1,150
Cash and cash equivalents at the beginning of the financial year		3,743	2,592
Effect of exchange rate fluctuations on cash held		(2)	1
Cash and cash equivalents at the end of the financial year	28.2	5,575	3,743

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

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

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.

The financial report includes information that is considered most relevant to the users' understanding of the operations, financial position and performance of the Group.

Information in the notes to the consolidated financial statements is only included if it is material and relevant to the understanding of the consolidated financial statements and results of the Group. Information is considered material and relevant if:

- the amount is significant in size or nature
- it is essential to understanding the Group's results
- it is critical in explaining significant changes in the Group's business operations
- it relates to an aspect of the Group's operations that is important to its future performance
- it is required under the relevant reporting and legislative frameworks applied by the Group.

Sale of Suncorp Bank

On 18 July 2022, following a comprehensive strategic review, the Group announced it has signed a share sale and purchase agreement (SPA) with Australia and New Zealand Banking Group Limited (ANZ) to sell Suncorp Bank.

On 4 August 2023, the Australian Competition and Consumer Commission (ACCC) announced it would deny authorisation of the planned sale. As part of the merger authorisation process, ANZ has indicated it will refer the ACCC's decision to the Australian Competition Tribunal (the Tribunal) for review and Suncorp will support ANZ during the process. In addition to the Tribunal's approval, the sale remains subject to the amendment of the *State Financial Institutions and Metway Merger Act 1996 (Qld)* and approval from the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998*. Subject to all approvals being received, the Group expects the sale to complete by the middle of the 2024 calendar year. The estimated cash consideration for the sale of $4,900 million is subject to standard completion adjustments.

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 statement of financial position as at 30 June 2023.

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 financial statements for the financial year ended 30 June 2023 comprise the Company and its subsidiaries and were authorised for issue by the SGL Board of Directors (the Board) on 9 August 2023.

2. Basis of preparation

The Group's consolidated financial statements have been prepared on a historical cost basis, unless the application of fair value measurements is required by the relevant accounting standards.

These consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency. As the Company is of a kind referred to in *Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' report) Instrument 2016/191* dated 24 March 2016, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

The consolidated statement of financial position is prepared with assets and liabilities presented in the order of liquidity. In the notes to the consolidated financial statements, amounts expected to be recovered or settled no more than 12 months after the reporting period are classified as 'current', otherwise they are classified as 'non-current'.

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

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

2.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Corporations Act). The consolidated financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (IASB).

There were no substantial amendments to Australian Accounting Standards adopted during the period that have a material impact on the Group. All accounting policies applied by the Group in the consolidated financial statements are the same as those applied in its consolidated financial statements for the financial year ended 30 June 2022.

2.2 Foreign currency

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars using the following applicable exchange rates:

Foreign currency	Applicable exchange rate
Transactions	Exchange rate at date of transaction
Monetary assets and liabilities	Exchange rate at reporting date
Non-monetary assets and liabilities measured at historical cost	Exchange rate at date of transaction
Non-monetary assets and liabilities measured at fair value	Exchange rate at date fair value is determined
Assets and liabilities of foreign operations	Exchange rate at reporting date
Income and expenses of foreign operations	Approximate exchange rate applicable at the dates of the transactions

Foreign exchange gains and losses resulting from translation of monetary items are recognised as revenue or expenses, except for qualifying cash flow hedges, which are deferred to equity reserves and are recognised in other comprehensive income (OCI). Foreign exchange differences arising on translation of assets, liabilities, income and expenses of foreign operations are recognised in OCI and presented in the foreign currency translation reserve, part of 'Reserves' in the consolidated statement of financial position.

2.3 Use of estimates and judgements

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

Significant estimates, judgements and assumptions are included in the following notes:

- Income tax (refer to note 4).
- Liability adequacy test (LAT) relating to general insurance contracts (refer to note 8.2).
- General insurance outstanding claims liabilities (refer to note 9).
- Provision for impairment on financial assets (refer to notes 12.3 and 25.2).
- Valuation of financial instruments carried at fair value (refer to note 17.1).
- Impairment of goodwill and other intangible assets (refer to note 27.1).
- Provisions and employee benefit liabilities (refer to note 33).
- Contingent assets and liabilities (refer to note 34).

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

Financial performance

This section provides an analysis of the Group's financial performance by business segments, its tax breakdown and earnings per share.

The Group comprises three core businesses – Insurance (Australia), Suncorp Bank and Suncorp New Zealand. The Group earns its revenue from providing a broad range of insurance and banking products and services to retail, corporate and commercial customers in Australia and New Zealand.

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 Chief Executive Officer 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 Group comprises the following operating segments:

Reportable segments	Segment information
Insurance (Australia)	– Provision 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	– Provision 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	– Provision 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.

Segment results presented below are measured on a consistent basis to how they are reported to the CODM:

- Revenues and expenses occurring between segments are subject to contractual agreements between the legal entities comprising each segment.
- Inter-segment transactions, which are eliminated on consolidation, are reported on a gross basis. An exception exists for operating expenses incurred by one segment on behalf of another, which are recharged on a cost-recovery basis, and are presented on a net basis (post allocation basis).
- Intra-group dividends are presented net of eliminations.
- Consolidated gain or loss on sale of subsidiaries and joint ventures and any amortisation of material business combination acquired intangible assets are allocated to the corporate segment.
- Amortisation and depreciation expenses relating to the corporate segment's property, plant, equipment and non-business combination acquired intangible assets are allocated to other segments based on their utilisation.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

3.1 Operating segments (continued)

	Insurance (Australia) $M	Suncorp Bank $M	Suncorp New Zealand $M	Corporate $M	Total $M
2023					
External revenue	11,432	3,258	3,617	47	18,354
Inter-segment revenue	105	-	19	(124)	-
Total segment revenue	11,537	3,258	3,636	(77)	18,354
Segment profit (loss) before income tax	1,073	671	140	(242)	1,642
Segment income tax (expense) benefit	(318)	(201)	(35)	71	(483)
Segment profit (loss) after income tax	755	470	105	(171)	1,159
Other segment disclosures					
Interest revenue	378	3,075	50	22	3,525
Interest expense	(35)	(1,667)	(5)	(62)	(1,769)
Amortisation and depreciation expense	(86)	(67)	(24)	(29)	(206)
Impairment (expense) on financial assets	-	(17)	-	-	(17)
Goodwill	4,187	254	280	-	4,721
2022					
External revenue[1]	11,929	1,772	2,382	86	16,169
Inter-segment revenue	13	-	22	(35)	-
Total segment revenue	11,942	1,772	2,404	51	16,169
Segment profit (loss) before income tax[1]	237	526	218	(144)	837
Segment income tax (expense) benefit	(63)	(158)	(63)	146	(138)
Segment profit (loss) after income tax[1]	174	368	155	2	699
Other segment disclosures					
Interest revenue	262	1,561	36	6	1,865
Interest expense	(17)	(316)	(5)	(47)	(385)
Amortisation and depreciation expense	(78)	(77)	(22)	(30)	(207)
Impairment release on financial assets	-	14	-	-	14
Goodwill	4,187	254	278	-	4,719

1. Includes external revenue of $41 million, segment profit (loss) before income tax of $nil, and segment profit (loss) after income tax of $nil in relation to the Australian Wealth business.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

4. Income tax

4.1 Income tax expense

	2023 $M	2022 $M
Reconciliation of prima facie to actual income tax expense		
Profit before income tax	1,642	837
Prima facie domestic corporate tax rate of 30% (2022: 30%)	493	251
Effect of tax rates in foreign jurisdictions	(3)	(4)
Effect of income taxed at non-corporate tax rate	-	(1)
Tax effect of:		
Non-deductible expenses	16	13
Non-deductible expenses – Life companies	(4)	(2)
Amortisation of intangible assets	4	5
Dividend adjustments	6	13
Tax exempt revenues	(2)	(3)
Current year rebates and credits	(11)	(19)
Utilisation of previously unrecognised capital losses	(12)	(66)
Prior year over provision	(4)	(49)
Total income tax expense on pre-tax profit	483	138
Total effective tax rate	29.4%	16.5%
Income tax expense recognised in profit consists of:		
Current tax expense (benefit)		
Current tax movement	371	418
Current year rebates and credits	(11)	(19)
Adjustments for prior financial years	(7)	(41)
Total current tax expense	353	358
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	127	(212)
Adjustments for prior financial years	3	(8)
Total deferred tax expense (benefit)	130	(220)
Total income tax expense	483	138

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

New Zealand

In New Zealand, a corporate tax rate of 28% (2022: 28%) applies.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

4.2 Current tax receivables and liabilities

	2023 $M	2022 $M
Net current tax receivable (liability) at the beginning of the financial year	42	(189)
Income tax paid net of refunds	333	589
Current year tax on operating profit	(360)	(399)
Adjustment for prior financial years	7	41
Net current tax receivable at the end of the financial year[1]	22	42

1. Net current tax receivable balance comprises of current tax receivable of $24 million (2022: $42 million) and current tax liability of $2 million (2022: $nil) classified as 'Other assets' and 'Payables and other liabilities' respectively in the consolidated statement of financial position.

4.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M
Trading securities and investment securities	120	220	3	-	117	220
Property, plant and equipment	30	50	-	-	30	50
Intangible assets	-	-	22	29	(22)	(29)
Provision for impairment on financial assets	69	67	-	-	69	67
Outstanding claims liabilities	111	108	-	-	111	108
Employee benefits	116	115	-	-	116	115
Other items	105	106	182	172	(77)	(66)
Deferred tax assets and liabilities	551	666	207	201	344	465
Set-off of tax	(63)	(74)	(63)	(74)	-	-
Net deferred tax assets	488	592	144	127	344	465

Movement in deferred tax balances during the financial year:

	Deferred tax assets		Deferred tax liabilities	
	2023 $M	2022 $M	2023 $M	2022 $M
Balance at the beginning of the financial year	666	469	201	302
Movement recognised in profit or loss	(127)	126	3	(94)
Movement recognised in OCI and retained earnings	12	75	-	-
Acquisition/disposal of subsidiaries	-	(1)	-	(2)
Foreign currency exchange movement and other	-	(3)	3	(5)
Balance at the end of the financial year	551	666	207	201

Accounting policies

Income tax expense comprises current and deferred tax. This is recognised in the profit or loss, except to the extent that it relates to items recognised in equity or in OCI. Current tax consists of the expected tax payable on the taxable income for the year, after any adjustments in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax consolidated group.

Significant estimates, judgements and assumptions

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

4.3 Deferred tax assets and liabilities (continued)

Tax consolidation

The Company is the head entity in the tax consolidated group comprising all the Australian wholly owned subsidiaries. Consequently, all members of the tax-consolidated group are taxed as a single entity.

The members of the tax-consolidated group have entered into a tax sharing agreement and a tax funding agreement. Under the tax funding agreement, the wholly owned entities fully compensate the Company for any current tax payable assumed. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, at call.

Each member recognises the current and deferred tax amounts applicable to the transactions undertaken by it, reasonably adjusted for certain intra-group transactions, as if it continued to be a separate taxpayer. The Company also recognises the entire tax-consolidated group's current tax liability. Any differences between the current tax liability and any tax funding arrangement amounts are recognised by the Company as an equity contribution to, or distribution from, the subsidiary.

5. Earnings per share

	2023 $M	2022 $M
Profit attributable to ordinary equity holders of the Company (basic)	1,148	681
Interest expense on convertible capital and subordinated notes[1]	54	37
Profit attributable to ordinary equity holders of the Company (diluted)	1,202	718
	No of shares	No of shares
Weighted average number of ordinary shares (basic)	1,262,641,453	1,265,706,373
Effect of conversion of convertible capital and subordinated notes[1]	95,005,950	133,465,755
Weighted average number of ordinary shares (diluted)	1,357,647,403	1,399,172,128

1. Capital notes and the $250 million SGL subordinated notes issued on 1 March 2023 will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share as per AASB 133 *Earnings per share*.

Accounting policies

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period after eliminating shares held within the Group, known as treasury shares. Diluted EPS is calculated by adjusting the profit or loss attributable to equity holders of the Company and the weighted average number of ordinary shares used in the basic EPS calculation, for the effect of dilutive potential ordinary shares.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

Insurance activities

This section (notes 6 to 9) discloses the general insurance activities, which constitute the largest operational function of the Group.

6. Underwriting result from general insurance contracts

	Note	2023 $M	2022 $M
Net earned premium			
Direct premium income		11,831	10,872
Outwards reinsurance premium expense		(1,489)	(1,313)
		10,342	9,559
Net incurred claims			
Claims expense		(9,632)	(8,699)
Reinsurance and other recoveries income		2,131	2,423
	7	(7,501)	(6,276)
Underwriting expenses			
Acquisition costs		(1,529)	(1,506)
Other underwriting expenses		(718)	(773)
		(2,247)	(2,279)
Reinsurance commission and other income		105	98
Underwriting result from general insurance contracts[1]		699	1,102

1. Includes the impact of discount unwind and movement in discount rates.

Accounting policies

Premium revenue

Premium revenue comprises amounts charged to policyholders and includes applicable levies and charges such as fire service levies, but excludes stamp duty and taxes collected on behalf of third parties such as goods and services tax. Premiums are recognised as revenue in accordance with the pattern of the underlying risk exposure from the date of attachment over the period of the insurance policy, which is usually one year.

Premiums on unclosed business are brought to account by reference to the prior years' experience and information that has become available between the reporting date and the date of completing the consolidated financial statements.

Outward reinsurance premium expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk. Reinsurance premiums are deferred and recognised as an asset where there are future economic benefits to be received from reinsurance premiums.

Claims expenses

Claims expenses represent payments for claims and the movement in outstanding claims liabilities. Claims represent the benefits paid or payable to the policyholders on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in profit or loss as losses are incurred, which is usually the point in time when the event giving rise to the claim occurs.

Reinsurance and other recoveries

Reinsurance and other recoveries on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) are recognised as revenue. Recoveries are measured as the present value of the expected future receipts.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

6. Underwriting result from general insurance contracts (continued)

Deferred acquisition costs

Acquisition costs are deferred and recognised as an asset where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods.

Deferred acquisition costs (DAC) are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. DAC are recognised as assets to the extent that the related unearned premiums exceed the sum of the DAC and the present value of both future expected claims and settlement costs, including an appropriate risk margin. The accounting policy for the write-down of DAC asset is discussed in note 8.2.

7. Net incurred claims from general insurance contracts

	2023			2022		
	Current year $M	Prior year $M	Total $M	Current year $M	Prior year $M	Total $M
Gross claims incurred and related expenses						
Undiscounted	10,566	(839)	9,727	10,093	(788)	9,305
Discount and discount movement	(206)	111	(95)	(219)	(387)	(606)
Gross claims incurred discounted	10,360	(728)	9,632	9,874	(1,175)	8,699
Reinsurance and other recoveries						
Undiscounted	(2,250)	94	(2,156)	(2,754)	226	(2,528)
Discount and discount movement	51	(26)	25	44	61	105
Reinsurance and other recoveries	(2,199)	68	(2,131)	(2,710)	287	(2,423)
Net incurred claims	8,161	(660)	7,501	7,164	(888)	6,276

The $660 million (2022: $888 million) decrease in prior year net incurred claims is primarily due to risk margin release relating to prior periods and changes in claims assumptions and experiences. The sensitivity of net profit to changes in claims assumptions, experience and risk margins is set out in note 9.3.

8. Unearned premium liabilities

8.1 Reconciliation of movement

	2023 $M	2022 $M
Unearned premium liabilities relating to general insurance contracts		
Balance at the beginning of the financial year	6,023	5,567
Premiums written during the financial year	12,558	11,360
Premiums earned during the financial year	(11,831)	(10,872)
Foreign currency exchange movement	20	(32)
Balance at the end of the financial year	6,770	6,023
Unearned premium liabilities relating to life insurance contracts	1	1
Total current unearned premium liabilities	6,771	6,024

Accounting policies

Premium revenue received and receivable but not earned is recognised as unearned premium liabilities.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

8. Unearned premium liabilities (continued)

8.2 Liability adequacy test relating to general insurance contracts

	2023 $M	2022 $M
Central estimate of present value of expected future cash flows arising from future claims	5,479	4,866
Risk margin	117	125
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	(251)	(264)
Expected present value of future cash flows arising from future claims including risk margin	5,345	4,727
	%	%
Risk margin	2.4	2.9
Probability of adequacy	57 – 64	57 – 64

Significant estimates, judgements and assumptions

The carrying value of unearned premium liabilities is assessed at each reporting date by carrying out a LAT. This test assesses whether the net unearned premium liabilities less any DAC is sufficient to cover future claims costs for in-force insurance contracts. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and include a risk margin to reflect the inherent uncertainty in the central estimate. The assessment is carried out on each portfolio of contracts subject to broadly similar risks and managed together as a single portfolio. The process used to determine the risk margin is discussed in note 9.

The probability of adequacy adopted for the general insurance LAT differs from the 90% probability of adequacy adopted in determining the outstanding claims liabilities (refer to note 9). The reason for this difference is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liabilities.

As at 30 June 2023 and 30 June 2022, the LAT resulted in surpluses for the general insurance portfolios.

If a LAT deficiency occurs, it is recognised in the profit or loss with a corresponding write-down of the related DAC asset. Any remaining balance is recognised as an unexpired risk liability on the consolidated statement of financial position.

9. Outstanding claims liabilities

	2023 $M	2022 $M
General insurance contracts		
Gross central estimate – undiscounted	10,736	10,762
Risk margin	1,269	1,223
Claims handling expenses	531	419
	12,536	12,404
Discount to present value	(1,056)	(875)
Gross outstanding claims liabilities relating to general insurance contracts – discounted	11,480	11,529
Gross outstanding claims liabilities relating to life insurance contracts – discounted	171	163
Total gross outstanding claims liabilities – discounted	**11,651**	**11,692**

Accounting policies

Outstanding claims liabilities are measured as the central estimate of the present value of expected future payments, relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty in the central estimate. Standard actuarial methods are applied to determine the net central estimate of outstanding claims liabilities. The details of actuarial assumptions and the process for determining the risk margins are set out below.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

9. Outstanding claims liabilities (continued)

Significant estimates, judgements and assumptions

General insurance outstanding claims liabilities and assets arising from reinsurance contracts

The Group's estimation of its claims liabilities includes the expected future cost of claims notified to the Group as at reporting date as well as claims IBNR and claims IBNER. Projected payments are discounted to present value and an estimate of direct expenses expected to be incurred in settling these claims is determined.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, with estimates and judgements continually being evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR and claims IBNER is generally subject to a greater degree of uncertainty with claims often not being adequately reported until many years after the events giving rise to the claims have happened. For this reason, long-tail classes of business will typically display greater variations between initial estimates and final outcomes.

Estimation of assets arising from reinsurance and other recoveries are also calculated using the above methods. The recoverability of these assets is assessed on a periodic basis, taking into consideration factors such as counterparty and credit risk.

Actuarial assumptions and methods relating to general insurance contracts

The estimation of the outstanding claims liabilities is based on multiple actuarial techniques that analyse experience, trends and other relevant factors utilising the Group's specific data, relevant industry data and general economic data. Methods undertaken to determine claims liabilities will vary according to the class of business.

The use of multiple actuarial methods assists in providing a greater understanding of the trends inherent in the historical data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the class of business and the extent of the development of each past accident period.

The following key assumptions have been made in determining the outstanding claims liabilities relating to general insurance contracts:

	2023		2022	
	Australia	New Zealand	Australia	New Zealand
Weighted average term to settlement (years)	2.8	1.0	3.0	1.0
Weighted average economic inflation rate	3.8%	6.2%	3.5%	5.8%
Superimposed inflation rate	1.6%	1.1%	2.0%	1.2%
Discount rate	4.1%	5.0%	3.3%	3.5%
Claims handling expense ratio	5.5%	8.3%	5.6%	8.2%
Risk margin	15.2%	14.0%	15.7%	14.7%

Weighted average term to settlement – The weighted average term to settlement is the projected term to final claim payment. The term to settlement is calculated separately by class of business and is based on historical settlement pattern.

Economic and superimposed inflation – Economic inflation is based on economic indicators such as the consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect experience and future expectations.

Discount rate – Discount rates are derived from market yields on Commonwealth Government securities in Australia and the 10-year government stock rate in New Zealand at the reporting date.

Claims handling expense ratio – Claims handling expense ratio is calculated with reference to past experience of claims handling costs as a percentage of past payments.

Risk margin – The overall risk margin is determined after analysing the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes and geographical locations.

The assumptions regarding uncertainty for each class of business are applied to the net central estimates, and the results are aggregated, allowing for diversification, in order to arrive at an overall position which is intended to have an approximate probability of adequacy of 90% across the Group (2022: 90%).

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

9. Outstanding claims liabilities (continued)

Others

There is a heightened level of price inflation being experienced across the community and there is uncertainty as to the ultimate level of 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; however, 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 environmental 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 made 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.

9.1 Reconciliation of movement in discounted outstanding claims liabilities on general insurance contracts

	2023 $M	2022 $M
Net outstanding claims liabilities relating to general insurance contracts at the beginning of the financial year	8,392	8,704
Prior periods		
Claims payments	(2,792)	(2,709)
Discount unwind	147	6
Margin release on prior periods	(321)	(332)
Incurred claims due to changes in assumptions and experience	(397)	(232)
Change in discount rate	(89)	(330)
Current period		
Incurred claims	8,161	7,164
Claims payments	(4,208)	(3,858)
Foreign currency exchange movement	4	(21)
Net outstanding claims liabilities relating to general insurance contracts at the end of the financial year	8,897	8,392
Reinsurance and other recoveries on outstanding claims liabilities		
Expected undiscounted outstanding reinsurance and other recoveries	2,743	3,272
Discount to present value	(160)	(135)
	2,583	3,137
Gross outstanding claims liabilities (discounted) on general insurance contracts at the end of the financial year	11,480	11,529

The following table summarises the maturity profile of net discounted outstanding claims liabilities on general insurance contracts based on the estimated timing of discounted cash outflows:

	Carrying amount $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2023	8,897	4,142	3,815	940	8,897
2022	8,392	3,692	3,709	991	8,392

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

9.2 General insurance contracts claims development table

The following table shows the development of the estimated undiscounted outstanding claims liabilities on general insurance contracts relative to the ultimate expected claims for the 10 most recent accident years:

	Accident Year											
	Prior $M	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M	2020 $M	2021 $M	2022 $M	2023 $M	Total $M
Estimate of ultimate claims cost:												
At end of accident year		1,415	1,433	1,477	1,588	1,518	1,433	1,386	1,429	1,569	1,672	
One year later		1,410	1,376	1,435	1,503	1,466	1,352	1,267	1,392	1,538		
Two years later		1,307	1,279	1,376	1,412	1,448	1,358	1,249	1,441			
Three years later		1,241	1,197	1,353	1,402	1,463	1,360	1,235				
Four years later		1,206	1,181	1,342	1,399	1,446	1,331					
Five years later		1,172	1,160	1,310	1,414	1,400						
Six years later		1,167	1,159	1,286	1,408							
Seven years later		1,166	1,157	1,273								
Eight years later		1,172	1,151									
Nine years later		1,168										
Current estimate of cumulative claims cost		1,168	1,151	1,273	1,408	1,400	1,331	1,235	1,441	1,538	1,672	
Cumulative payments		(1,078)	(1,086)	(1,168)	(1,224)	(1,155)	(967)	(765)	(640)	(386)	(152)	
Outstanding claims liabilities – undiscounted	557	90	65	105	184	245	364	470	801	1,152	1,520	5,553
Discount to present value	(151)	(14)	(9)	(13)	(21)	(24)	(32)	(39)	(68)	(111)	(162)	(644)
Outstanding claims – long-tail	406	76	56	92	163	221	332	431	733	1,041	1,358	4,909
Outstanding claims – short-tail												2,379
Claims handling expense												493
Risk margin												1,116
Total net outstanding claims liabilities relating to general insurance contracts												8,897
Reinsurance and other recoveries on outstanding claims liabilities relating to general insurance contracts												2,583
Total gross outstanding claims liabilities relating to general insurance contracts												**11,480**

The claims development table discloses amounts net of reinsurance and third-party recoveries to give the most meaningful insight into the impact on profit or loss. Short-tail claims are disclosed separately as they are generally subject to less uncertainty since they are normally reported soon after the incident and are generally settled within 12 months following the reported incident.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

9.3 Impact of changes in key variables relating to general insurance contracts

The Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions. A sensitivity analysis is conducted on each variable while holding all other variables constant. The table below describes how a change in each assumption will affect the profit before tax. There is no impact to equity reserves.

	Movement in variable[1]	2023 Profit (loss) $M	2022 Profit (loss) $M
Weighted average term to settlement (years)	+0.5 years	(53)	(92)
	-0.5 years	52	91
Inflation rate	+100 bps[1]	(198)	(197)
	-100 bps	186	186
Discount rate	+100 bps	180	188
	-100 bps	(193)	(203)
Claims handling expense ratio	+100 bps	(73)	(68)
	-100 bps	73	68
Risk margin	+100 bps	(77)	(72)
	-100 bps	77	72

1. bps – basis points.

The impact on profit or loss before income tax due to changes in interest rate from investment in interest-bearing securities may partially offset the effect of changes in inflation and discount rates on outstanding claims liabilities. Refer note 25.4(b) for the Group's risk management policies for interest rate risk exposures.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

Banking activities

This section (notes 10 to 14) includes disclosures about the Group's banking activities operated by Suncorp-Metway Limited (SML) and its subsidiaries, constituting the Suncorp Bank (referred to as the "Bank" hereon).

10. Net interest income

	2023			2022		
	Banking activities $M	Other Group activities[2] $M	Total Group $M	Banking activities $M	Other Group activities[2] $M	Total Group $M
Interest income						
Cash and cash equivalents	60	23	83	-	1	1
Receivables due from other banks	93	-	93	2	-	2
Trading securities at FVTPL[3]	60	-	60	5	-	5
Investment securities						
At FVOCI[3]	153	-	153	42	-	42
At FVTPL[3]	-	427	427	-	303	303
Loans and advances	2,709	-	2,709	1,512	-	1,512
Total interest income	3,075	450	3,525	1,561	304	1,865
Interest expense						
Deposits	(934)	-	(934)	(131)	-	(131)
Derivatives[1]	(60)	(1)	(61)	19	(1)	18
Borrowings						
At amortised cost	(580)	-	(580)	(185)	(1)	(186)
At FVTPL[3]	(63)	-	(63)	(5)	-	(5)
Loan capital	(30)	(94)	(124)	(14)	(60)	(74)
Leases	-	(7)	(7)	-	(7)	(7)
Total interest expense	(1,667)	(102)	(1,769)	(316)	(69)	(385)
Net interest income	1,408	348	1,756	1,245	235	1,480

1. Represents the net interest income (expense) from derivative instruments which are utilised to hedge interest rate risk in accordance with the Group's risk management practices set out in note 25.
2. Other Group activities include interest income and expense from the Group's insurance and corporate activities, and consolidation adjustments.
3. Terms 'FVTPL' and 'FVOCI' refer to 'fair value through profit and loss' and 'fair value through other comprehensive income' respectively.

Accounting policies

Interest income and expense

Interest income and expense on financial assets or liabilities at amortised cost are recognised in profit or loss using the effective interest method. This includes fees and commission income and expense (e.g. lending fees) that are integral to the effective interest rate on a financial asset or liability.

Interest income and expense on financial assets or liabilities at fair value are recognised in profit or loss when earned or incurred.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

11. Loans and advances

	Note	2023 $M	2022 $M
Retail loans			
Housing loans		48,076	45,616
Securitised housing loans and covered bonds		6,725	4,598
Personal loans		36	67
		54,837	50,281
Business loans			
Commercial		5,361	4,884
SME		2,633	2,641
Agribusiness		4,490	4,267
		12,484	11,792
Gross loans and advances		67,321	62,073
Provision for impairment	12.1	(219)	(217)
Net loans and advances		67,102	61,856
Current		11,708	11,152
Non-current		55,394	50,704
Net loans and advances		67,102	61,856

Accounting policies

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Financial assets are classified at amortised cost where cash flows are solely payments of principal and interest (SPPI), and the business model is held-to-collect. Loans and advances are included in this category. They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less any impairment losses.

Modification of contractual cash flows

In cases where borrowers face financial difficulties, the Group may grant a change to the terms and conditions of their loan repayments for a specific period to avoid the customers defaulting on their loan. These changes can include payment deferrals, change in amortisation periods, and temporary change in interest rates. Loans restructured on commercial terms with a significant modification of contractual cash flows are considered a re-origination. In this case, the asset will be derecognised and a new asset will be recognised.

For modifications that do not result in a derecognition, a modification gain or loss will be calculated based on the difference between the present value of the renegotiated or modified contractual cash flows and the gross carrying amount prior to modification. The present value is determined using the loan’s original effective interest rate.

Derecognition of financial assets

Financial assets, including loans and advances are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risk and rewards of ownership.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

12. Provision for impairment on financial assets

12.1 Reconciliation of provision for impairment on financial assets

The table below shows the reconciliation of expected credit loss (ECL), specific provision (SP) and gross carrying amount for loans and advances (GLA) for the financial year ended 30 June 2023.

	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 2021	55,066	93	1,654	50	712	52	131	44	57,563	239
Transfers:										
Transfer to stage 1	531	12	(392)	(8)	(139)	(4)	-	-	-	-
Transfer to stage 2	(447)	(17)	552	19	(101)	(2)	(4)	-	-	-
Transfer to stage 3	(146)	(12)	(80)	(2)	182	3	44	11	-	-
New loans and advances originated	16,541	37	-	-	-	-	-	-	16,541	37
Net increase (release) of ECL/SP	-	(6)	-	16	-	(3)	-	(12)	-	(5)
Loans and advances derecognised	(11,391)	(19)	(398)	(12)	(174)	(17)	(68)	-	(12,031)	(48)
SP written-off	-	-	-	-	-	-	-	(4)	-	(4)
Unwind of discount	-	-	-	-	-	-	-	(2)	-	(2)
As at 1 July 2022	**60,154**	**88**	**1,336**	**63**	**480**	**29**	**103**	**37**	**62,073**	**217**
Transfers:										
Transfer to stage 1	601	26	(520)	(23)	(77)	(2)	(4)	(1)	-	-
Transfer to stage 2	(889)	(19)	956	21	(59)	(1)	(8)	(1)	-	-
Transfer to stage 3	(174)	(2)	(111)	(6)	242	6	43	2	-	-
New loans and advances originated	18,849	60	-	-	-	-	-	-	18,849	60
Net increase (release) of ECL/SP	-	(35)	-	34	-	7	-	2	-	8
Loans and advances derecognised	(12,962)	(19)	(409)	(18)	(188)	(19)	(42)	-	(13,601)	(56)
SP written-off	-	-	-	-	-	-	-	(6)	-	(6)
Unwind of discount	-	-	-	-	-	-	-	(4)	-	(4)
As at 30 June 2023	**65,579**	**99**	**1,252**	**71**	**398**	**20**	**92**	**29**	**67,321**	**219**
Provision for impairment on:										
Loans and advances	(84)		(68)		(20)		(29)		(201)	
Commitments & guarantees	(15)		(3)		-		-		(18)	
Net carrying amount as at 30 June 2023	**65,480**		**1,181**		**378**		**63**		**67,102**	

12.2 Impairment expense (release) on financial assets

	2023 $M	2022 $M
Increase (decrease) in collective provision for impairment[1]	11	(15)
Increase (decrease) in SP for impairment	2	(1)
Bad debts written off	5	3
Bad debts recovered	(1)	(1)
Total impairment expense (release) on financial assets	**17**	**(14)**

1. Impairment loss above includes $1 million (2022: $nil) of ECL on investment securities and reverse repurchase agreements.

Accounting policies

By providing loans and advances to customers, the Group is exposed to the risk of customer default. Default occurs when indicators exist that a customer is unable to meet contractual credit obligations to the Group in full, or if the exposure is 90 days past due. Provisions for impairment are recognised to address this risk.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

12.2 Impairment expense (release) on financial assets (continued)

Expected credit loss model

Financial assets that are subject to credit risk are assigned to one of three stages and could be reassigned based on changes in asset quality:

	Asset quality	Provision established to provide for ECL for:
Stage 1	Performing and/or newly originated assets.	A 12-month period.
Stage 2	Have experienced a significant increase in credit risk (SICR) since origination.	The remaining term of the asset (lifetime ECL).
Stage 3	In default as they are either past due but not impaired or impaired assets.	Lifetime ECL.

The Group has developed the ECL model to estimate the adverse impact on future cash flows for each group of loans with similar credit risk characteristics.

ECL is recorded for all financial assets measured at amortised cost or FVOCI. ECL is calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting the influence of unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example the unemployment rate and changes in property prices.

The economic forecasts underpinning the PD and LGD estimates are reviewed on at least a six-monthly basis, taking into account expert judgment. As at 30 June 2023, management recognised 'out of model' overlays within the ECL where the existing inputs, assumptions and model techniques did not capture all the risk factors relevant to the lending portfolios. Further, management overlays have been recognised with respect to specific risks in the Agribusiness portfolio.

Portfolio managed assets in stage 3 (mainly retail lending), will have a collective provision determined by the ECL model. The portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default. Some portfolio managed assets are individually covered by a SP.

Most relationship managed assets in stage 3 (mainly business lending) will require a SP. If it is determined that a collective provision provides a more appropriate estimate, a ratings-based approach is applied using estimates of probability of default and loss given default, at a customer level.

Loans with similar credit risk characteristics are grouped as follows:

- Retail loans, small business and non-credit risk-rated business loans are grouped by product.
- Credit risk-rated business loans are grouped by the industry types, being agribusiness, commercial property, development finance and property investment.

The Business Customer Support and Customer Care teams independently assess the carrying value of impaired loans and factors impacting recoverability. This analysis is reported monthly to the Bank Chief Risk Officer and the Bank Credit Risk Committee.

Significant increase in credit risk

A SICR event occurs if a loan deteriorates on the master rating scale (MRS) by a defined number of notches since origination or by going into arrears. Loans with a higher MRS at origination (higher risk) require fewer notch movements to trigger a SICR event than loans with a lower MRS at origination (lower risk). From the perspective of arrears, 30 days past due is always considered stage 2. Exposures for which the MRS subsequently improves to below the SICR threshold will move back to stage 1. Loans restructured on commercial terms with a significant modification of their terms and conditions are considered a re-origination and will be moved into stage 1. The incorporation of forward-looking information (e.g. property prices, unemployment rate) within the ECL is designed to capture SICR events that are not yet reflected in observed data (e.g. arrears) at the exposure level.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

12.2 Impairment expense (release) on financial assets (continued)

Specific provisions

A SP for impairment is recognised where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amounts of the loan. All factors that have a bearing on the expected future cash flows are considered, including the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgements can change as new information becomes available and work-out strategies evolve. The asset quality of an exposure carrying a SP is rated as stage 3.

The Group's policy requires SP to be reviewed at least quarterly, and more regularly as circumstances require. A forecast for SP movements is reviewed monthly at a Business Customer Support portfolio level.

Write-offs

A write-off is made when all practical recovery efforts have concluded and all or part of a financial asset is deemed irrecoverable or forgiven. Write-offs reduce the principal amount of a claim and are charged against previously established ECLs.

12.3 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. The central economic forecast anticipates unemployment increasing from its current very low level over the next two years. The central outlook for residential property prices has improved since 30 June 2022, albeit significant downside risks remain given continued interest rate rises to combat inflation. For commercial property, the FY24 outlook is worse than anticipated at 30 June 2022, with falls expected for the commercial office and retail segments, noting high vacancy rates and higher funding costs are seeing capitalisation rates under pressure. 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 $190 million are presented in the table below. As an example of the downside allowance in the model, there is a 15% probability that house price falls will exceed 20% over FY24/FY25 while the weighted average fall is 8.1%.

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

1. Given the significant differing outlook for rural property and commercial office property, separate assumptions were used in the ECL model at 30 June 2023. Exposure to other types of collateral within the business lending portfolio is less significant.
2. Unemployment rate reflects the forecast rate as at June 2024 and June 2025. The PD is driven by combinations of variables relevant for each portfolio, such as unemployment and property prices. These combinations form an Economic Cycle indicator for which there is a distribution of outcomes. As such, a weighted unemployment rate is not a direct model input.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

12.3 Expected credit loss model methodology, estimates and assumptions(continued)

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 8.1% to 13.1%	(14)
Property prices	**Commercial office:** Decrease weighted average ~500 bps over 2 years from a fall of 10.3% to 15.3% **Rural:** Decrease weighted average ~500 bps over 2 years from a fall of 5.1% to 10.1%	(12)
Unemployment rate	Increase ~100 bps over 1 year to 5.4% in FY24	(50)
Movement of variables in combination		
Property prices and unemployment rate all move in combination over the given timeframes.	Adverse movements as above	(85)

13. Deposits

	2023 $M	2022 $M
At-call transactions deposits	19,658	20,555
At-call savings deposits	17,146	15,832
Term deposits	14,374	11,488
Total deposits	51,178	47,875
Current	50,814	47,625
Non-current	364	250
Total deposits	51,178	47,875

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

14. Borrowings

	Note	2023 $M	2022 $M
Short-term[1] securities issued in domestic market[2]		5,863	5,319
Short-term[1] offshore commercial paper[3]		2,519	1,842
Long-term[1] domestic borrowings[2]		6,363	4,414
Long-term[1] offshore borrowings[2]		734	711
Total unsecured borrowings		15,479	12,286
Covered bonds[2]	17.3	2,842	2,093
Securitisation liabilities[2]	17.3	2,659	2,402
Term funding facility[2]	17.3	3,029	4,129
Total secured borrowings		8,530	8,624
Total borrowings		24,009	20,910
Current		13,534	10,101
Non-current		10,475	10,809
Total borrowings		24,009	20,910

1. Short-term is defined as original maturity of less than 12 months, and long-term is defined as original maturity of 12 months or greater.
2. Financial liabilities at amortised cost.
3. Financial liabilities at FVTPL.

The Group has elected to recognise its Short-term offshore commercial paper portfolio at FVTPL on the basis that it is economically hedged by foreign exchange contracts. The fair value of foreign exchange swap agreements used as economic hedges of monetary liabilities in foreign currencies as at 30 June 2023 is a $50 million asset (2022: $95 million asset).

The contractual amount payable on financial liabilities designated at FVTPL at maturity is $2,551 million (2022: $1,851 million).

Accounting policies

Financial liabilities at amortised cost

All borrowings held by the Group are initially recognised at fair value, inclusive of any directly attributable costs. Subsequent to initial recognition, all borrowings (except for those designated at FVTPL, outlined below) are measured at amortised cost. Interest incurred is recognised using the effective interest method. The Group's financial liabilities at amortised cost include "Deposits" (refer to note 13), certain "Borrowings" (refer to note 14) and "Loan capital" (refer to note 21).

Financial liabilities designated at fair value through profit or loss

The Group designates certain financial liabilities at FVTPL on origination when doing so eliminates or reduces an accounting mismatch.

Subsequent to initial recognition, these liabilities are measured at fair value. Changes in the fair value of the liability are recognised in profit or loss. However, the portion of the change in the fair value of the liability attributable to changes in the Group's own credit risk is recognised in OCI, with no recycling to profit or loss, unless such treatment would create or enlarge an accounting mismatch in profit or loss.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

Investments and financial instruments

The Group's investment strategy is a key part in achieving an appropriate balance between risk and return. This strategy utilises a diverse range of trading and investment securities. This generates investment income which contributes to the Group's results, assists in meeting the Group's cash flow needs to pay claims (part of insurance activities), meet customer demands (part of banking activities) and the Group's capital requirements.

Derivatives are used by the Group to manage interest rate and foreign exchange risk exposures.

15. Trading and investment securities

	2023 $M	2022 $M
Trading securities		
Financial assets at FVTPL		
Interest-bearing securities:		
Government securities	2,218	2,722
Total trading securities – current	2,218	2,722
Investment securities		
Financial assets at FVTPL		
Interest-bearing securities	15,026	13,853
Equity securities	575	480
Unit trusts	1,017	669
	16,618	15,002
Financial assets at FVOCI		
Interest-bearing securities:		
Government securities, RMBS[1] and investment grade bank paper	6,431	5,955
Total investment securities	23,049	20,957
Current	17,815	16,062
Non-current	5,234	4,895
Total investment securities	23,049	20,957

1. Residential mortgage-backed securities (RMBS).

Accounting policies

The Group determines whether each financial asset's contractual cash flows are SPPI and how the financial asset is managed when classifying financial assets.

Fair value through profit or loss

Financial assets where contractual cash flows are not SPPI will be classified at FVTPL. Assets that are SPPI that are acquired for the purpose of selling in the near term or holds as part of a portfolio that is managed together for short term profit making. These securities are therefore classified as FVTPL. Where financial assets other than FVTPL back liabilities at FVTPL, this would create an accounting mismatch and the financial assets can be designated at FVTPL to remove this mismatch.

Financial assets at FVTPL are initially recognised on trade date at fair value. Transaction costs are recognised in profit or loss as incurred. Subsequently, the assets are measured at fair value on each reporting date and any gains or losses are taken immediately to profit or loss.

The Group has classified financial assets held in portfolios that match the interest rate sensitivity of insurance liabilities as assets backing general insurance liabilities.

Fair value through other comprehensive income

Debt instruments that are SPPI and are held-to-collect-and-to-sell (regular, but not frequent sales) will be recorded as FVOCI. These will be measured at fair value with subsequent changes going through OCI. On derecognition, the accumulated OCI will be recycled into profit or loss.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

16. Derivative financial instruments and hedge accounting

	2023		2022	
	Asset $M	Liability $M	Asset $M	Liability $M
Derivatives held for trading				
Interest rate	131	159	174	227
Interest rate and foreign exchange	4	4	1	2
Foreign exchange	67	34	108	37
Equity contracts	1	-	2	1
Credit contracts	1	2	2	1
	204	199	287	268
Derivatives designated in hedging relationships				
Interest rate				
Fair value hedge	64	-	62	-
Cash flow hedge	307	483	381	515
Interest rate and foreign exchange				
Fair value and cash flow hedge	31	-	11	-
	402	483	454	515
Total	606	682	741	783

Derivative financial instruments are contracts whose values are derived from one or more underlying prices, benchmarks or other variables. Derivatives are used by the Group to manage interest rate and foreign exchange risk. Derivatives that are classified as "held for trading" are either not designated in a qualifying hedge accounting relationship, or acquired or incurred principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit or position taking. Hedge accounting derivatives are those derivatives that are designated in a qualifying hedge accounting relationship.

As at 30 June 2023, there was either no embedded derivatives or if any it was deemed insignificant in value (2022: none).

Accounting policies

All derivatives are initially recognised at fair value on trade date and transaction costs are recognised in profit or loss as incurred. Derivatives are classified and measured at FVTPL unless they are being designated as a hedging instrument in an effective hedge relationship under hedge accounting.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

16.1 Derivative financial instruments – hedge accounting

The following table sets out the types of hedge accounting relationships used by the Group.

Type of hedge	Fair value hedge	Cash flow hedge	Net investment hedge
Objective	To hedge changes in fair value of financial assets and liabilities arising from interest rate risk	To hedge variability in cash flows from recognised financial assets and liabilities arising from interest rate and foreign currency risk	To hedge changes in foreign currency exposure arising from foreign operations of the Group
Hedged risk	Interest rate risk	Interest rate risk Foreign exchange risk	Foreign exchange risk (spot)
Hedging instruments	Pay fixed / receive variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Receive fixed / pay variable interest rate swaps Pay fixed / receive variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Pay variable foreign currency / receive variable local currency on cross currency swaps
Hedged item	Fixed interest financial assets and fixed interest foreign currency liabilities	Variable interest financial assets and liabilities Fixed interest foreign currency liabilities	Foreign operations
Economic relationship test	Matched terms	Matched terms and regression analysis	Regression analysis
Hedge effectiveness testing	Cumulative dollar offset Hedge ratio 1:1	Cumulative dollar offset Hedge ratio 1:1	Regression analysis Hedge ratio 1:1
Potential sources of ineffectiveness	Differences between the hedging instrument and hedged item, including: interest curves used for discounting; interest rate reset date or frequency; and changes in credit risk	Differences between the hedging instrument and hedged item, including: interest rate reset date or frequency; changes in credit risk; and prepayment risk on hedged items	Differences in interest rate reset frequency between the derivative and hedged item; differences in the interest rate setting date between the derivative and hedged item; change in the credit risk of the derivatives; prepayment risk on the hedged item and basis risks on the cross currency swap

The following table shows the maturity profile for hedging instruments by notional amount, reported based on their contractual maturity.

	2023				2022			
	Notional				Notional			
	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Interest rate risk								
Fair value hedge	65	1,450	500	2,015	35	640	493	1,168
Cash flow hedge	20,638	14,321	160	35,119	15,545	19,304	160	35,009
Interest rate and foreign exchange risk								
Fair value and cash flow hedge	755	-	-	755	-	726	-	726
Foreign exchange risk								
Net investment hedge	55	-	-	55	-	55	-	55

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

16.1 Derivative financial instruments – hedge accounting (continued)

The table below shows the average executed price or rate of the hedging instrument for interest rate exposures:

	2023	2022
Interest rate swaps:		
AUD average fixed interest rate		
Hedging investment securities	3.28%	2.49%
Hedging loans and advances	2.19%	1.29%
Hedging deposits and borrowings	1.44%	1.37%
Cross currency swaps:		
Average AUD/USD exchange rate	0.7125	0.7125
Average fixed interest rate USD	3.30%	3.30%

The following table shows amounts related to designated hedging instruments, including the fair value changes for the period used as the basis for calculating hedge ineffectiveness.

	Carrying amount assets $M	Carrying amount liabilities $M	Gains (losses) on hedging instruments $M	Gains (losses) attributable to hedged risk $M	Hedge ineffectiveness in profit or (loss)[1] $M
2023					
Interest rate risk					
Fair value hedge - interest rate swaps	64	-	2	(2)	-
Cash flow hedge - interest rate swaps	307	483	(42)	42	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	31	-	20	(20)	-
Total	402	483	(20)	20	-
2022					
Interest rate risk					
Fair value hedge - interest rate swaps	62	-	105	(105)	-
Cash flow hedge - interest rate swaps	381	515	(172)	172	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	11	-	16	(16)	-
Total	454	515	(51)	51	-

1. Hedge ineffectiveness is recognised as part of 'Fees and other income' in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

16.1 Derivative financial instruments – hedge accounting (continued)

The following table shows amounts relating to designated hedged items:

				Amounts reclassified from reserves to profit or (loss)[3] as:	
	Carrying amount $M	Accumulated fair value hedge adjustments[1] $M	Accumulated balances in reserves[2] $M	Hedged cash flows will no longer occur $M	Hedged item has affected profit or (loss) $M
2023					
Interest rate risk					
Fair value hedge					
Investment securities	1,894	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	29,571	n/a	(696)	-	-
Deposits and Borrowings	10,528	n/a	506	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Borrowings	734	(20)	-	-	-
Foreign exchange risk					
Net investment hedge					
Net investment in foreign operation	55	-	-	-	-
2022					
Interest rate risk					
Fair value hedge					
Investment securities	1,136	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	23,275	n/a	(869)	-	-
Deposits and Borrowings	19,913	n/a	729	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Borrowings	711	(14)	(2)	-	-
Foreign exchange risk					
Net investment hedge					
Net investment in foreign operation	55	-	-	-	-

Note: n/a – not applicable

1. The accumulated amount of fair value hedge adjustments remaining on the consolidated statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses is $nil (2022: $nil).
2. Balances presented in the table are gross of tax. There is $nil (2022: $nil) remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.
3. Amounts reclassified from reserves to profit or loss are included as part of 'Fees and other income' in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

16.1 Derivative financial instruments – hedge accounting (continued)

Accounting policies

The Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

The IASB is currently working on a project on dynamic risk management, which will impact hedge accounting for macro hedges. AASB 9 currently provides an option to continue to apply AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) hedge accounting rules until this project is finalised. The Group continues to apply hedge accounting under AASB 139.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability of cash flows that:

- is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction; and
- could affect profit or loss.

Changes in the fair value associated with the effective portion of a hedging instrument designated as a cash flow hedge are recognised in OCI and accumulated in the hedging reserve within equity as the lesser of the cumulative fair value gain or loss on the hedging instrument and the cumulative change in fair value on the hedged item from the inception of the hedge. Ineffective portions are immediately recognised in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts accumulated in equity are released to profit or loss immediately. In other cases, the cumulative gain or loss previously recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of:

- a recognised asset or liability;
- an unrecognised firm commitment; or
- an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Where an effective hedge relationship is established, fair value gains or losses on the hedging instrument are recognised in profit or loss. At the same time, changes in fair value of the hedged item attributable to the hedged risk are recognised as a gain or loss in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The hedged item is accounted for under the effective interest method from that point and any accumulated adjustment to the carrying value of the hedged item from when it was effective is released to profit or loss over the period to when the hedged item will mature.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for similarly to cash flow hedges. Where an effective hedge relationship is established, the effective portion of the cumulative net change in the clean fair value of hedging instruments is recognised in the foreign currency translation reserve; while the ineffective portion is recognised in profit or loss.

Upon disposal or partial disposal of the foreign operation, the effective portion recognised in the foreign currency translation reserve shall be reclassified from equity to profit or loss as part of the gain or loss on disposal.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

17. Financial instruments, master netting and transfer of financial assets

17.1 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 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 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 changes in its fair value 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.

	2023				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	-	2,218	-	2,218	-	2,722	-	2,722
FVTPL[1]	3,015	13,083	520	16,618	2,789	12,016	197	15,002
FVOCI[1]	-	6,431	-	6,431	631	5,318	6	5,955
Derivatives	9	597	-	606	10	731	-	741
	3,024	22,329	520	25,873	3,430	20,787	203	24,420
Financial liabilities								
FVTPL[2]	-	2,700	-	2,700	-	1,842	-	1,842
Derivatives	13	669	-	682	9	774	-	783
	13	3,369	-	3,382	9	2,616	-	2,625

1. Disclosed within the consolidated statement of financial position category of 'Investment securities'.
2. Disclosed within the consolidated statement of financial position category of 'Borrowings' as $2,519 million (2022: $1,842 million) and of 'Payables and other liabilities' as $181 million (2022: $nil).

There have been no transfers between level 1 and level 2 during the current and prior financial year.

Level 3 financial assets consist of investments in infrastructure assets and property related assets (held via unlisted trusts) of $520 million (2022: $197 million) and investments in unlisted securities carried at $nil (2022: $6 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 financial year, $306 million additional units of level 3 assets were purchased (2022: $20 million) while there were no redemptions (2022: $85 million). Fair value gain of $12 million (2022: $16 million) was recognised through 'Net gains / losses on financial assets and liabilities at FVTPL' in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

17.1 Fair value of financial instruments (continued)

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.

	Note	Carrying value $M	Fair value Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2023						
Financial assets						
Loans and advances	11	67,102	-	-	66,767	66,767
		67,102	-	-	66,767	66,767
Financial liabilities						
Deposits	13	51,178	-	51,054	-	51,054
Borrowings[1]	14	21,490	-	21,349	-	21,349
Loan capital	21	2,544	1,183	1,141	-	2,324
		75,212	1,183	73,544	-	74,727
2022						
Financial assets						
Loans and advances	11	61,856	-	-	61,314	61,314
		61,856	-	-	61,314	61,314
Financial liabilities						
Deposits	13	47,875	-	47,728	-	47,728
Borrowings[1]	14	19,068	-	18,973	-	18,973
Loan capital	21	2,622	1,156	1,471	-	2,627
		69,565	1,156	68,172	-	69,328

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

Accounting policies

Financial assets

The carrying value of loans and advances is net of provisions for ECL. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans. The discount rates applied are based on the rates offered by the Group on current products with similar maturity dates.

Financial liabilities

The carrying value for non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months of origination included in deposits is considered a reasonable estimate of their fair value. Discounted cash flow models are used to calculate the fair value of other term deposits included in deposits based upon deposit type and related maturities.

The fair value of borrowings and loan capital are calculated based on either the quoted market prices at reporting date or, where quoted market prices are not available, a discounted cash flow model using an observable yield curve appropriate to the remaining maturity of the instrument.

Significant estimates, judgements and assumptions

The Group continues to monitor valuation inputs when determining fair value of financial instruments. The Group's derivative assets and liabilities, trading and investment securities are valued using inputs from observable market data as shown in the Group fair value hierarchy disclosure.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

17.2 Master netting or similar arrangements

The following table sets out the effect of netting or similar arrangements (netting) of financial assets and financial liabilities that:

- are offset in the consolidated statement of financial position (SoFP)
- are subject to netting, irrespective of whether they are offset in the consolidated SoFP.

	Amounts subject to netting						
			Related amounts not offset on the SoFP				
	Gross amounts $M	Offsetting applied $M	Financial instruments $M	Financial collateral received/ pledged[5] $M	Net exposure $M	Amounts not subject to netting $M	Total $M
2023							
Financial assets							
Derivatives[1]	604	-	(496)	(80)	28	2	606
Amounts due from reinsurers[2]	133	(83)	-	(35)	15	173	223
Reverse repurchase agreements[3]	2,825	-	-	(2,795)	30	-	2,825
Total	3,562	(83)	(496)	(2,910)	73	175	3,654
Financial liabilities							
Derivatives[1]	655	-	(496)	(103)	56	27	682
Amounts due to reinsurers[2]	95	(83)	-	-	12	1,141	1,153
Repurchase agreements[4]	3,210	-	-	(3,210)	-	-	3,210
Total	3,960	(83)	(496)	(3,313)	68	1,168	5,045
2022							
Financial assets							
Derivatives[1]	623	-	(458)	(117)	48	118	741
Amounts due from reinsurers[2]	122	(76)	-	(12)	34	147	193
Reverse repurchase agreements[3]	500	-	-	(500)	-	-	500
Total	1,245	(76)	(458)	(629)	82	265	1,434
Financial liabilities							
Derivatives[1]	680	-	(458)	(118)	104	103	783
Amounts due to reinsurers[2]	93	(76)	-	-	17	1,102	1,119
Repurchase agreements[4]	4,376	-	-	(4,376)	-	-	4,376
Total	5,149	(76)	(458)	(4,494)	121	1,205	6,278

1. Certain derivatives are subject to the International Swaps and Derivative Association (ISDA) Master Agreement and other similar master netting arrangements. These arrangements contractually bind the Group and the counterparty to apply close out netting across all outstanding transactions. If either party defaults or other pre-agreed termination events occur, they do not meet the criteria for offsetting in the consolidated SoFP. The cash collateral pledged or received is subject to the ISDA Credit Support Annex and other standard industry terms.
2. Some reinsurance treaties of the Group include netting arrangements. Collateral received is subject to terms and conditions of the respective reinsurance treaties and provides regulatory capital relief on the Group's credit exposures to reinsurers. Amounts due from reinsurers is included as part of 'Other assets' in the consolidated SoFP.
3. Provision is made for netting of payments/receipts of all amounts in the same currency payable by each party to the other and close-out netting on termination. Reverse repurchase agreements with an original maturity of 90 days and are included as part of 'Cash and cash equivalents' in the consolidated SoFP. If original maturity is greater than 90 days, they are included in 'Loans and advances'. Details are discussed in note 17.3.
4. Repurchase agreements are presented as part of 'Borrowings' and 'Payables and other liabilities' in the consolidated SoFP.
5. For the purpose of this disclosure, financial collateral not set off on the consolidated SoFP has been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/liabilities reported on the consolidated SoFP, i.e. over collateralisation, where it occurs, is not reflected in the table. As a result, the above collateral balances will not correspond to the balances in note 17.3.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

17.3 Transfers of financial assets and collateral accepted as security for assets

Transferred financial assets continue to be recognised in the consolidated statement of financial position if the Group is deemed to have retained substantially all the risks and rewards associated with the financial assets transferred. This arises when the Group enters into repurchase agreements and conducts covered bond and securitisation programs.

Repurchase agreements

The Group enters into repurchase agreements involving the sale of interest-bearing securities and simultaneously agrees to buy them back at a pre-agreed price on a future date. In the consolidated statement of financial position, the interest-bearing securities transferred continue to be recognised in 'Investment securities' and 'Loans and advances', because the Group retains the risks and rewards of ownership. The obligation to repurchase is included in 'Borrowings' or 'Payables and other liabilities'.

Reverse repurchase agreements

The Group enters into reverse repurchase agreements whereby interest-bearing securities are acquired and simultaneously agrees to sell them back at a pre-agreed price on a future date. In the consolidated statement of financial position, the securities acquired are not recognised because the Group does not acquire the risks and rewards of ownership. The amount receivable on resale is included in 'Cash and cash equivalents' if the original maturity is 90 days or less, otherwise 'Loans and advances' if the original maturity is greater than 90 days.

Covered bonds

SML conducts a covered bond program whereby it issues covered bonds guaranteed by the Covered Bond Guarantor that are secured over covered pool assets consisting of $4,200 million (2022: $2,320 million) of mortgages and cash at call. Eligible mortgages are sold by SML to a special purpose trust, the Suncorp Covered Bond Trust, which guarantees the covered bonds. The Covered Bond Guarantor can take possession of the cover pool under certain events. In the event of default by SML, the covered bond holders have claim against both the cover pool assets and SML. SML receives the residual income of the Suncorp Covered Bond Trust after all costs of the program have been met. In the consolidated statement of financial position, the eligible mortgages transferred are included in 'Loans and advances' and the covered bonds issued are included in 'Borrowings'.

Term funding facility

The Group obtains funding through the facility by entering into repurchase agreements with the RBA. Following repayment of $1,100 million during the year, the funding outstanding as at 30 June 2023 was $3,029 million (2022: $4,129 million), with $nil (2022: $nil) remaining undrawn (refer to note 14). Interest is charged at a fixed rate equivalent to the official cash rate at the time the respective portion of the facility is drawn down and is presented within interest expense (refer to note 10). The repurchase agreements entered into under the Term funding facility require the Group to pledge eligible collateral which includes self-securitised RMBS. As at 30 June 2023 $4,140 million (2022: $5,483 million) of RMBS were pledged as collateral. In the consolidated statement of financial position, the eligible collateral transferred is included in 'Loans and advances'.

Securitisation programs

SML conducts a mortgage securitisation program whereby residential mortgages are packaged and sold to special purpose securitisation trusts known as the Apollo Series Trusts (the Trusts). The Trusts fund their purchase of the mortgages by issuing floating-rate pass-through debt securities. The Group receives residual income from the Trusts after all payments to security holders and costs of the program have been met. The Group does not guarantee the capital value or the performance of the securities or the assets of the Trusts, and it does not guarantee the payment of interest or the repayment of principal due on the securities. The mortgages subject to the securitisation program have been pledged as security for the securities issued by the Trusts, and as such, the Group cannot use these assets to settle the liabilities of the Bank. The Group is not obliged to support any losses that may be incurred by investors and does not intend to provide such support. In the consolidated statement of financial position, the mortgages transferred are included in 'Loans and advances' and the securitisation securities issued are included in 'Borrowings'.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

17.3 Transfers of financial assets and collateral accepted as security for assets (continued)

The following table sets out the carrying amount of the transferred financial assets and the associated liability at the reporting date.

	2023			2022		
	Repurchase agreements $M	Covered bonds $M	Securitisation liabilities[1] $M	Repurchase agreements $M	Covered bonds $M	Securitisation liabilities[1] $M
Carrying amount of transferred financial assets	4,321	4,124	2,601	5,801	2,258	2,340
Carrying amount of associated financial liabilities	3,210	2,842	2,659	4,376	2,093	2,402
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred financial assets	n/a	n/a	2,590	n/a	n/a	2,329
Fair value of associated financial liabilities	n/a	n/a	2,663	n/a	n/a	2,394
Net position			(73)			(65)

1. Securitisation liabilities of the Group comprise RMBS notes issued by the Apollo Series Trusts and are held by external investors. The carrying amount of transferred assets are included as part of 'Loans and advances' in the consolidated statement of financial position.

Capital structure

This section discloses the Group's different sources of funds, such as ordinary shares, retained earnings and loan capital. Details of the Group's approach to capital risk management are disclosed in note 22.

18. Share capital

	Number of ordinary shares	Issued capital $M	Share-based payments $M	Treasury shares $M	Total share capital $M
Balance as at 30 June 2021	1,282,966,675	12,571	28	(41)	12,558
On market buy-back	(20,361,699)	(250)	-	-	(250)
Share-based payments	-	-	2	-	2
Treasury share movements	-	-	-	15	15
Balance as at 30 June 2022	1,262,604,976	12,321	30	(26)	12,325
Shares issued under DRP[1]	3,937,416	48	-	-	48
Share-based payments	-	-	10	-	10
Treasury share movements	-	-	-	1	1
Balance as at 30 June 2023	1,266,542,392	12,369	40	(25)	12,384

1. Dividend reinvestment plan (DRP).

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at shareholders' meetings.

In the event of the winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

18. Share capital (continued)

Dividend Reinvestment Plan

All eligible shareholders can elect to participate in the DRP to reinvest all or part of their dividends, with no brokerage or transaction costs. During the current period, the DRP has been satisfied issuing new shares (2022: satisfied by acquiring existing shares on market).

Share-based payments

Share-based payments represent the cumulative expense and other adjustments recognised in share capital relating to equity-settled share-based payment transactions.

Treasury shares

Treasury shares are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised.

19. Reserves

	Equity reserve for credit losses $M	General equity reserve $M	Hedging reserve $M	FVOCI reserve $M	Foreign currency translation reserve $M	Total reserves $M
Balance as at 1 July 2021	85	-	28	25	66	204
Transfer (to) / from retained profits	(85)	76	-	-	-	(9)
Net change in fair value of financial instruments	-	-	(183)	(91)	-	(274)
Income tax benefit	-	-	55	27	-	82
Exchange differences on translation of foreign operations	-	-	-	-	(31)	(31)
Balance as at 30 June 2022	-	76	(100)	(39)	35	(28)
Net change in fair value of financial instruments	-	-	(47)	4	-	(43)
Income tax benefit (expense)	-	-	14	(1)	-	13
Exchange differences on translation of foreign operations	-	-	-	-	16	16
Balance as at 30 June 2023	-	76	(133)	(36)	51	(42)

Equity reserve for credit losses

The equity reserve for credit losses (ERCL) represents the difference between the estimate of credit losses over the full life of all exposures and the Group's collective provisions impairment, consistent with the requirements of Australian Prudential Regulation Authority (APRA) Prudential Standard *Credit Risk Management* (APS 220), which were effective until 1 January 2022.

General equity reserve

Following removal of the ERCL requirement in APS 220 from 1 January 2022, the general equity reserve has been established in its place. The general equity reserve will be maintained at $76 million pending further consideration of its future treatment.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Fair value through other comprehensive income reserve

The FVOCI reserve represents the cumulative net changes in the fair value of debt and equity investments classified as FVOCI, until derecognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve consists of all foreign exchange differences arising from the translation of the financial statements of foreign operations that have a functional currency other than Australian dollars. These foreign exchange differences are net of the effective portion of the cumulative net change in the fair value of hedging instruments used to hedge these operations.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

20. Dividends

	2023		2022	
	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares				
2022 final dividend (2022: 2021 final dividend)	17	215	40	513
2022 special dividend (2022: 2021 special dividend)	-	-	8	103
2023 interim dividend (2022: 2022 interim dividend)	33	417	23	290
Dividends paid on treasury shares		-		(1)
Total dividends on ordinary shares paid to owners of the Company	50	632	71	905
Dividends not recognised in the consolidated statement of financial position[1]				
Dividends determined since reporting date				
2023 final dividend (2022: 2022 final dividend)	27	342	17	215
	27	342	17	215
Dividend franking account[2]				
Amount of franking credit available for use in subsequent financial years excluding the effects of dividends determined since reporting date		416		374

1. The 2023 final dividend determined but not recognised in the consolidated statement of financial position, is estimated based on the total number of ordinary shares on issue without taking into account treasury shares as at 30 June 2023. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2024 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.
2. The 2023 final dividend determined is expected to reduce the dividend franking account balance by $147 million (2022: $92 million).

Accounting policies

Dividends on ordinary shares are provided for in the consolidated financial statements once determined, accordingly, the final dividends announced for the current financial year is provided for and paid in the following financial year.

21. Loan capital

The following table shows loan capital at amortised cost and categorised by capital type, class and instrument under APRA's Life and General Insurance Capital (LAGIC) and Bank Basel III reporting standards. These instruments have been issued by SGL and AAI Limited (AAIL).

	2023 $M	2022 $M
Additional Tier 1 loan capital		
$AUD 375 million SGL Capital Notes 2 (CN2)	374	373
$AUD 389 million SGL Capital Notes 3 (CN3)	385	384
$AUD 405 million SGL Capital Notes 4 (CN4)	400	399
Total Additional Tier 1 loan capital	1,159	1,156
Tier 2 loan capital		
$AUD 330 million AAIL Subordinated Notes (AAIL WSN)	-	330
$AUD 600 million SGL Subordinated Notes (SGL WSN)	600	599
$AUD 250 million SGL Subordinated Notes (SGL WSN2)	249	249
$AUD 290 million SGL Subordinated Notes (SGL WSN3)	288	288
$AUD 250 million SGL Subordinated Notes (SGL WSN4)	248	-
Total Tier 2 loan capital	1,385	1,466
Total non-current loan capital	2,544	2,622

Total liability in relation to interest accrued for the Group to make payments under the loan capital as at the end of the financial year is $9 million (2022: $4 million). It is disclosed within the consolidated statement of financial position category of 'Payables and other liabilities'.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

21. Loan capital (continued)

Additional Tier 1 Capital

	Margin above 90 day BBSW	Potential scheduled mandatory conversion date	Optional call/exchange date	Issue date	2023 Number on issue	2022 Number on issue
SGL CN2	365 bps	17 Jun 2026	17 Jun 2024	24 Nov 2017	**3,750,000**	3,750,000
SGL CN3	300 bps	17 Jun 2028	17 Jun 2026	17 Dec 2019	**3,890,000**	3,890,000
SGL CN4	290 bps	17 Dec 2030	17 Jun 2028	23 Sep 2021	**4,050,000**	4,050,000

The capital notes are eligible Additional Tier 1 instruments under Basel III and LAGIC rules. They are fully paid, perpetual, subordinated, unsecured securities.

Distributions are discretionary, non-cumulative, floating rate payments. Each capital note is scheduled to pay quarterly distributions which are expected to be fully franked. The Distribution Rate is equal to the sum of the three-month bank bill swap rate (BBSW) plus a fixed margin, adjusted for the corporate tax rate. If a Distribution is not paid, Holders have no right to receive that Distribution at any later time (non-cumulative) however (subject to certain exceptions), the Company will not be entitled to declare or pay dividends on Ordinary Shares until and including the next Distribution Payment Date.

Subject to certain conditions, including APRA approval, Suncorp has the option to convert, redeem or resell the instruments on the optional exchange date. If still outstanding on the mandatory conversion date, the instruments will mandatorily convert into a variable number of the Company's ordinary shares, subject to certain conditions being satisfied, and calculated in accordance with the conversion mechanics of the note terms.

Conversion may also occur following a regulatory or tax event or potential acquisition event, subject to APRA's prior written approval and certain conditions being fulfilled. If APRA determines that a non-viability event has occurred in relation to the Company, all (or in some circumstances, some) of the instruments will be immediately converted into the Company's ordinary shares or, if conversion cannot be effected for any reason within five business days, immediately and irrevocably terminated. Conversion is calculated according to the conversion mechanics contained within the note terms.

In the event of the winding-up of the Company, the rights of the holders will rank equally, and in priority to the rights of the ordinary shareholders only.

LAGIC/Basel III fully compliant subordinated notes

	Margin above 90 day BBSW	Maturity date	Holder conversion date	Optional redemption date	Issue date	2023 Number on issue	2022 Number on issue
AAIL WSN	320 bps	n/a	n/a	6 Oct 2022	6 Oct 2016	**-**	33,000
SGL WSN	215 bps	5 Dec 2028	n/a	5 Dec 2023	5 Sep 2018	**60,000**	60,000
SGL WSN2	225 bps	1 Dec 2035	n/a	1 Dec 2025	1 Sep 2020	**25,000**	25,000
SGL WSN3	230 bps	1 Jun 2037	n/a	1 Jun 2027	5 Apr 2022	**29,000**	29,000
SGL WSN4	265 bps	1 Dec 2038	1 Dec 2030	1 Dec 2028	1 Mar 2023	**25,000**	-

The Group issued $250 million of SGL WSN4 on 1 March 2023 and redeemed in full $330 million of AAIL WSN on 6 October 2022.

The subordinated notes pay quarterly, cumulative deferrable interest payments at a floating rate equal to the sum of the three-month BBSW and the margin, except for SGL WSN in which interest is non-deferrable.

The issuer has the option to redeem or, in the case of WSN4 resell, the instruments on the optional redemption date(s), subject to certain conditions, including APRA's prior written approval. A holder conversion option is embedded into the WSN4 terms, which allow the holder to convert the note to ordinary shares at the holder conversion date in line with the conversion mechanics contained within the note terms.

If APRA determines that a non-viability event has occurred in relation to the issuing entity and, where relevant, its parent, all (or in some circumstances, some) of the subordinated notes will be immediately converted into the Company's ordinary shares (or, if conversion cannot be effected for any reason within five business days, written off). Conversion is calculated in line with the mechanics outlined within the note terms. The rights of the holder rank in preference to the rights of the issuer's ordinary share and capital notes holders and rank equally against all other subordinated note holders of the issuer.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

22. Group capital management

The Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure that there are sufficient capital resources to maintain and grow the business, in accordance with the Group's risk appetite. The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Group and each regulated entity is capitalised to meet internal and external requirements. The Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA and the Reserve Bank of New Zealand (RBNZ).

In optimising shareholder value and managing the level and mix of capital, the timing of issuance of hybrid capital instruments is driven by a number of factors and in particular expected market conditions.

The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Group. Capital targets are structured according to risk appetite, the regulatory framework and APRA's non-operating holding company (NOHC) conditions. Details relating to the Group's Capital management strategy are provided on page 38 of the Financial performance section.

The Group has been operating under a NOHC structure since 2011, with associated NOHC conditions from APRA. The NOHC conditions were updated by APRA during the year.

The NOHC conditions include the following:

- The Group is required to meet, at all times, the Level 3 Prudential Capital Requirement for Eligible Capital (and the Eligible Capital must satisfy certain requirements around the proportion of high-quality capital such as share capital and retained earnings).
- Reductions in the Group's capital base require APRA's written approval (for example, planned payment of dividends that exceed the prior 12 months' earnings).
- The NOHC activities of the Company, Suncorp Bank NOHC (SBGH Limited) are limited and defined in scope.
- Compliance with certain APRA Prudential Standards.

The Group has established comprehensive policies and procedures to ensure compliance with the NOHC conditions.

The following table summarises the capital position as at the reporting date.

	2023 $M	2022 $M
Common Equity Tier 1 Capital	7,408	6,865
Additional Tier 1 Capital	1,169	1,169
Tier 1 Capital	8,577	8,034
Tier 2 Capital	1,611	1,672
Total Capital	10,188	9,706
Excess Common Equity Tier 1 Capital to target (ex dividends net of DRP)[1]	34	82
Excess Total Capital to target (ex dividends net of DRP)[1]	277	649

1. Group target represents the sum of the targets for the Bank, General Insurance Group, NZ Life business, and Group NOHC.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

Risk management

The Group applies a consistent and integrated approach to enterprise risk management (ERM).

The Group recognises that a strong risk culture, good governance and effective risk management are essential to achieving the Group's strategy and business plan and maintaining the Group's social licence to operate. The Group has systems, policies, processes and people in place to identify, measure, analyse, monitor, report and control or mitigate internal and external sources of material risk.

23. Risk management

The Board sets risk management direction through Suncorp's purpose and strategy, risk appetite statement, desired risk culture, and associated policies, frameworks and standards. The Enterprise Risk Management Framework (ERMF) describes how risk is managed by the Group. ERMF categorises risks across four material risk categories which are defined below.

Material	Definition
Strategic risk	Suncorp recognises and defines two types of strategic-level risk: – Strategic disruption risk: Risks as threats to the viability of Suncorp's business model resulting from adverse changes in the external business environment, with respect to the economy, political landscape, regulation, technology, climate change, customer and social expectations and competitors. Detailed climate change disclosures are included in *Our environment and climate change approach* section on pages 32 to 33 of the Annual Report. – Strategic execution risk: The risk of failing to achieve strategic business objectives or execution of the business strategy.
Financial risk	Financial risk collectively includes credit, counterparty and contagion risk, market/investment risk, liquidity risk and asset and liability management (ALM) risk. Credit risk is the risk of loss from a debtor being unable to meet the terms of an obligation wherein the outstanding amount is not able to be collected. Counterparty risk is the risk of a debtor being unable to meet its contractual obligations in accordance with agreed terms. Contagion risk is the potential for a credit event of a debtor to impact additional creditors who are then unable to meet their own obligations as debtors. Market/investment risk is the potential for financial impact resulting from exposure to financial market mechanisms. Main risk factors that Group is exposed to from operating within financial markets are foreign exchange rates, interest rates, equity prices, inflation, and credit risk. Liquidity risk is the risk that the Group will be unable to service its cash flow obligations today or in the future. The raising of funds through capital instruments is also an associated consideration reflected as Funding Risk. ALM risk is the risk of exposure to financial markets from a mismatch between assets and liabilities. It includes basis risk which arises when assets and liabilities are not directly offset. Basis risk represents the difference between assets and liabilities and the potential unequal movements due to changes in underlying risk factors.
Insurance risk	Insurance risk is the risk of unintended financial loss as a result of inadequate or inappropriate product design, pricing, underwriting, reserving, claims management and reinsurance, or because of adverse insurance concentration risk. Product design risk is the risk of unintended claims arising from the product's design, potentially resulting in a change in risk profile of the business insured. Pricing risk is the risk that inadequate pricing will result in unintended loss and may occur where several assumptions arising from the sale of products are inaccurately estimated. Reinsurance risk relates to loss arising from a failure to have appropriate reinsurance arrangements in place, potentially resulting in exposures beyond defined risk tolerance and unacceptable profit volatility with both financial and capital impacts. This includes the risk that the reinsurance program is inadequately designed, and the risk that appropriate cover is unavailable. Underwriting risk is the risk of loss where an underwriting decision is made that inappropriately accepts, or rejects a risk. This includes the risk of lost or missed opportunity arising from inadequate or unprofitable underwriting policies or guidelines and the emergence of unintended adverse concentrations. Reserving risk is the risk that policy reserves (money the Group set aside to service claims) will be insufficient to meet the amount payable (actual claim amounts/settlements) when insurance claim liabilities crystallise.
Operational risk	The risk of loss resulting from inadequate or failed internal processes and systems, errors by people or from external events. This includes compliance and legal risk. Operational risk events have the potential to adversely impact achievement of business objectives. The Group uses a risk and control self-and control self-assessment process to set the context, identify, assess, manage, and monitor operational risks.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

23. Risk management (continued)

Suncorp Group is exposed to the following categories of market risk:

Categories of market risk	Definition
Foreign exchange risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest-bearing assets and liabilities from changes in interest rates.
Equity risk	The risk of loss of current and future earnings and unfavourable movement in the value of investment in equity instruments from adverse movements in equity prices.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss of current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Further discussions on the application of the Group's risk management practices are presented in note 16 "Derivative financial instruments", note 24 "Insurance risk management" and note 25 "Risk management for financial instruments".

24. Insurance risk management

24.1 Managing insurance risk

Insurance risk is inherent in the operations of the Insurance business and relates to insurance product design, pricing, underwriting, exposure concentration, reserving, claims management and reinsurance management.

Insurance risk is managed through risk appetite statements, operation of the ERMF and supporting risk standards where adopted, with oversight from relevant Asset-Liability committees, and non-financial risk committees in Australia and New Zealand.

The Board receives an Australian General Insurance Financial Condition Report from the appointed actuary which reports on a number of areas including the management of insurance risk within the entities. The Boards for the New Zealand General Insurer and Life company receive equivalent reports and advice in respect of obligations imposed by the RBNZ.

24.2 Terms and conditions of general insurance contracts

The majority of direct insurance contracts written are entered into on a standard form basis. Insurance contracts are generally entered into on an annual basis, with most terms and conditions negotiable at the time of entering into a contract or, in the case of renewals, renegotiable. Non-standard and long-term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the consolidated financial statements.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25. Risk management for financial instruments

25.1 Credit risk for Group's financial instruments (excluding Bank)

Exposure to credit risk from Group's financial instruments (excluding Bank) arises primarily from:

- premiums outstanding
- reinsurance and other recoveries
- investments in interest-bearing securities and derivatives.

The carrying amount of the relevant asset classes in the consolidated statement of financial position represents the maximum amount of credit exposures as at reporting date.

(a) Premiums outstanding

Credit risk is managed by maintaining debtor control procedures including the monitoring of aged amounts to minimise overdue debts. Credit limits are set and enforced to limit credit exposures from business written through general insurance intermediaries. Where permissible by law, payment default will result in the termination of the insurance contract with the policyholder, eliminating both the credit risk and insurance risk for the unpaid balance. Collateral is not sought on these balances.

The ageing analysis is as follows:

	2023 $M	2022 $M
Neither past due nor impaired	3,463	3,054
Past due 0-3 months	48	49
Past due >3 months	79	62
Impaired	9	8
	3,599	3,173

(b) Reinsurance and other recoveries

Credit risk with respect to reinsurance programs is minimised by placement of cover with a number of reinsurers with A or higher credit ratings. Eligible recoveries under reinsurance arrangements are monitored and managed internally, and by specialised reinsurance brokers operating in the international reinsurance market.

Collateral arrangements exist for non-regulated reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. The Group holds $291 million (2022: $160 million) in collateral to support reinsurance recoveries on outstanding claims.

The following table provides information regarding credit risk exposure of reinsurance and other recoveries. The analysis classifies the assets according to Standard & Poor's (S&P) counterparty credit ratings. Credit ratings are sourced from other globally recognised credit agencies, where S&P's ratings are not available. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as non-investment grade.

	2023 $M	2022 $M
AAA	472	544
AA	1,141	1,423
A	604	794
BBB	2	3
Not rated	437	448
Total	2,656	3,212

The ageing analysis is as follows:

	2023 $M	2022 $M
Neither past due nor impaired	2,642	3,199
Past due 0-3 months	12	10
Past due >3 months	2	3
	2,656	3,212

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.1 Credit risk for Group's financial instruments (excluding Bank)(continued)

(c) Investments in interest-bearing securities and derivatives

Interest-bearing securities are held in accordance with the investment mandates. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. An investment framework is in place that sets and monitors investment strategies and arrangements.

Certain derivatives issuers have signed ISDA Credit Support Annex documentation to facilitate derivative transactions and manage credit risk (refer to note 17.2). The following table provides information regarding credit risk exposure of investments in interest-bearing securities and derivatives. The analysis classifies the assets according to S&P counterparty credit ratings. Credit ratings are sourced from other globally recognised credit agencies, where S&P ratings are not available.

	2023	2022	2023	2022
	Interest-bearing investment securities		Derivative asset	
	$M	$M	$M	$M
AAA	5,918	5,554	-	-
AA	3,860	2,528	26	20
A	2,537	2,921	77	135
BBB	2,646	2,780	1	2
Non-investment grade	64	69	-	-
Not rated	1	1	-	-
Total	15,026	13,853	104	157

25.2 Credit risk for Bank's financial instruments

Due to the nature of the Bank's business, credit risk exposure arising from the Bank's financial assets is managed separately to other business areas of the Group.

(a) Credit risk exposures

The Bank is exposed to credit risk from conventional lending to customers and receivables from inter-bank, treasury, international trade and capital market activities.

Credit risk is managed on a structured basis with approval decisions being taken within credit approval authorities delegated by the Board. The setting and maintenance of detailed credit policies and standards is undertaken by an independent function under the responsibility of the Chief Risk Officer (CRO), Suncorp Bank. The Chief Executive Officer (CEO), Suncorp Bank is accountable for exercising delegated credit authority for credit decisions and delivering delegated credit authorities for the completion of first line of defence credit activities, in accordance with Board delegated authorities and credit policies and standards. The CRO, Suncorp Bank is accountable for exercising delegated credit authority (delegated by the CRO, Suncorp Group) for credit decisions and delivering delegated credit authorities for the completion of second line of defence credit activities. The management of Business Banking troublesome and impaired assets is the responsibility of the Business Customer Support team within the Chief Risk Office, with the CEO, Suncorp Bank having accountability for these activities.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.2 Credit risk for Bank's financial instruments (continued)

Credit risk on loans and advances

Credit risk involves a wide spectrum of customers ranging from individuals to large institutions and as such credit risk management is divided into two distinct categories: a statistically managed portfolio and a risk-graded portfolio.

The statistically managed portfolio covers retail lending and certain SME exposures, and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Bank's end-to-end automated workflow system that also enforces credit policies and certain business rules. A sample of these exposures are reviewed by the First Line of Defence Lending Quality Assurance function.

The risk-graded portfolio includes commercial, agribusiness and certain SME exposures. Within these portfolios, exposures are individually assessed, and an internal risk grade is assigned depending on the discrete analysis of each customer or group of related customers' risk profile. Exposures within this portfolio are subject to annual review, or more frequent review if deemed necessary including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the relationship manager including regular performance monitoring, reporting and if required, transfer to the Business Customer Support team.

A Credit Hindsight team within the Suncorp Bank Chief Risk Office review and oversight a sample of Business Bank portfolio credit risk decisions. Additionally, a Portfolio Quality Review team also within the Suncorp Bank Chief Risk Office is in place to review the acceptance and management of credit risk in accordance with the approved ERMF.

Credit risk on derivative financial instruments

The Bank manages its exposures to potential credit losses on over-the-counter (OTC) derivative contracts through central clearing and by entering into netting arrangements with its derivative counterparties (refer to note 17.2).

The fair value of derivatives recognised in the consolidated statement of financial position represent the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 16.

Credit risk by gross credit exposure

The tables below detail the Bank's exposure to credit risk from its financial assets and credit commitments as at the reporting date. No adjustments are made for any collateral held or credit enhancements.

Bank	2023 $M	2022 $M
Reverse repurchase agreements	2,825	500
Receivables due from other banks	1,788	2,490
Trading securities	2,218	2,722
Derivatives	501	579
Investment securities	6,431	5,949
Loans and advances	67,321	62,073
Credit commitments[1]	6,272	3,631
Gross credit risk	87,356	77,944
Impairment provisions	(219)	(217)
Total credit risk	87,137	77,727

1. Credit commitments represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APRA Prudential Standard *APS 112 Capital Adequacy: Standardised Approach to Credit Risk.*

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.2 Credit risk for Bank's financial instruments (continued)

(b) Credit quality

The following table provides information regarding the credit quality of loans and advances including restructured loans.

Bank	2023 $M	2022 $M
Performing loans		
Loans and advances[1]	66,869	61,574
Provision for impairment	(174)	(161)
	66,695	61,413
Non-performing loans – not impaired		
Loans and advances - past due[2]	333	327
Loans and advances with restructured terms[3]	18	34
Provision for impairment	(14)	(10)
	337	351
Non-performing loans – impaired		
Loans and advances - impaired[4]	101	138
Provision for impairment	(31)	(46)
	70	92
Total loans and advances	67,102	61,856

1. Loans that are not impaired and not past due under the contractual terms by 90 days or more.
2. Loans which are overdue under the contractual terms by 90 days or more where the Group considers that principal and interest plus any associated costs will be recovered in full.
3. Loan facilities whereby the original contractual terms have been modified in a manner that would not be commercially available to other customers in good standing due to the financial difficulties or hardship of the customer. For example, a reduction in principal, interest or other repayments due or an extended maturity date for repayment.
4. Loans classified as impaired, as doubt exists that the full amount of principal and interest will be collected in a timely manner in compliance with agreed terms. Excludes non-performing loans that meet additional requirements under the revised APS 220.

Financial assets that are performing loans can be assessed by reference to the Bank's internal credit grade rating scale and are segmented into 'strong', 'satisfactory' and 'weak' categories. Credit quality is internally assessed using the Bank's credit rating system to determine each customer's PD and the associated internal risk rating grade. The rating grades can be aligned to the S&P ratings categories to enable wider comparisons. Internal credit rating assessments reflect several credit risk variables including arrears status, are tailored to the Bank's significant customer segments and are undertaken in accordance with Credit Policy and Lending Guidelines.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.2 Credit risk for Bank's financial instruments (continued)

The analysis below represents the current credit quality of loans and advances. Refer to note 12.2 for the explanation of each stage.

	2023					2022				
Bank	Stage 1 ECL $M	Stage 2 ECL $M	Stage 3 ECL $M	SP $M	Total $M	Stage 1 ECL $M	Stage 2 ECL $M	Stage 3 ECL $M	SP $M	Total $M
Statistically managed portfolio										
Strong[1]	54,737	-	-	-	54,737	50,814	-	-	-	50,814
Satisfactory[2]	677	517	-	-	1,194	527	432	-	-	959
Weak[3]	-	372	308	-	680	-	318	294	-	612
Impaired	-	-	9	24	33	-	-	20	26	46
Risk-graded portfolio										
Strong[1]	6,085	-	-	-	6,085	4,922	-	-	-	4,922
Satisfactory[2]	4,080	218	-	-	4,298	3,891	305	-	-	4,196
Weak[3]	-	145	81	-	226	-	281	151	-	432
Impaired	-	-	-	68	68	-	-	15	77	92
Gross carrying amount	65,579	1,252	398	92	67,321	60,154	1,336	480	103	62,073
Provision for impairment	(99)	(71)	(20)	(29)	(219)	(88)	(63)	(29)	(37)	(217)
Net carrying amount	65,480	1,181	378	63	67,102	60,066	1,273	451	66	61,856

1. Strong: PD aligns to S&P's rating AAA to BB.
2. Satisfactory: PD aligns to S&P's rating BB- to B.
3. Weak: PD aligns to S&P's rating B- to C.

(c) Collateral management

Collateral is used to mitigate credit risk as the secondary source of repayment in the event the counterparty cannot meet their contractual repayment commitments. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The extent of collateral value secured, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty.

81.5% (2022: 81.0%) of the Bank's lending is classified as retail and 99.9% (2022: 99.9%) of that lending is secured by residential property. Residential Lenders Mortgage Insurance is generally required for residential mortgages with a loan-to-value ratio at origination of more than 80% to cover any shortfall in outstanding loan principal and accrued interest. If the borrower is either an employee of Suncorp or an acceptable medical practitioner, then mortgage insurance is only required where the loan-to-value ratio at origination is greater than 90% (subject to loan eligibility criteria). The financial effect of these measures is that remaining credit risk on residential loans is significantly reduced.

For the business banking portfolio, the Bank will hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

In the event of ongoing customer default and/or post appropriate customer hardship support and negotiations, the Bank may enact possession of security held as collateral against the outstanding claim. Any loan security for residential mortgages is held as mortgagee in possession while the Bank seeks to realise its value through the sale of the property. Therefore, the Bank does not hold any real estate or other assets acquired through the repossession of collateral. It is the Bank's practice to demonstrate high standards of conduct when taking recovery action, and to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

For impaired assets, considerable care is taken to assess the underlying collateral value taking into account the likely method of recovery such as whether the client sells or through a formal insolvency appointment, the time involved, and likely costs associated with the strategy. On 30 June 2023 the net impaired loans of $71 million (2022: $92 million) were supported by collateral held against the impaired loans of $80 million (2022: $105 million). Collateral and other credit enhancements held by the Bank mitigates the maximum exposure to credit risk.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.2 Credit risk for Bank's financial instruments (continued)

(d) Concentration of credit risk

Concentration of credit risk is managed by client or counterparty, customer segment and geography. Portfolios are actively monitored and frequently reviewed to identify, assess and protect against unacceptable risk concentrations. The following table details the credit risk by geographical concentration on gross loans and advances.

Geographic breakdown	2023 $M	2022 $M
Queensland	30,440	29,195
New South Wales	19,381	17,388
Victoria	9,842	8,516
Western Australia	4,326	4,048
South Australia and other	3,332	2,926
Gross loans and advances	67,321	62,073

25.3 Liquidity risk

The key objective of the Group's liquidity and funding management is to ensure that it has sufficient available liquidity to meet the current and future obligations under both normal and stressed liquidity environments, and does not introduce an unacceptable level of funding risk.

The following key facilities and arrangements are in place to mitigate liquidity risks (excluding Bank):

- Investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations.
- Investment funds set aside within the investment portfolios can be realised to meet significant claims payment obligations.
- In the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements.
- Mandated liquidity limits.
- Regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise.

In conjunction with Group policies, the Bank has separate documents and processes to mitigate liquidity and funding risk which are approved by the Board Risk Committee and the CRO, Suncorp Bank, which are also subject to APRA review. These include:

- A liquidity and funding risk appetite statement as well as relevant risk limits.
- A framework that includes control practices, early warning indicators and appropriate management notification structures, including, but not limited to: deposit concentration, liquidity coverage ratio, net stable funding ratio and liquidity concentration metrics limits.
- Sourcing of retail deposits and long-term debt to provide funding for the majority of the funding portfolio. Funding capacity is monitored and diversity in the funding portfolio is managed with consideration given to product, tenor and customer concentrations; and
- A contingency funding plan that outlines strategies to address liquidity shortfalls in stressed situations.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.3 Liquidity risk (continued)

(a) Maturity analysis

The following table summarises the maturity profile of the Group's financial liabilities based on the remaining undiscounted contractual obligations. For liquidity risk management purposes, the Group's daily liquidity reporting is largely aligned to contractual maturity except where prescribed differently by APRA or where other methods are considered more appropriate. The Group supplements contractual maturity with other metrics including the liquidity coverage ratio and the net stable funding ratio to manage its liquidity risk.

Derivative liabilities designated in a hedging relationship are included according to their contractual maturity. Derivative liabilities which are not hedge accounted, or are in an economic hedge, are not included within the following tables as they are frequently settled and/or managed within the short term (refer to note 16).

	Carrying amount $M	At call $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2023						
Payables due to other banks	121	121	-	-	-	121
Deposits	51,178	37,144	14,339	389	-	51,872
Payables and other liabilities	2,913	-	2,436	277	200	2,913
Amounts due to reinsurers	1,153	-	1,153	-	-	1,153
Borrowings	24,009	-	14,232	11,113	461	25,806
Loan capital[1]	2,544	-	729	1,568	663	2,960
	81,918	37,265	32,889	13,347	1,324	84,825
Derivatives						
Contractual amounts receivable (gross settled)	(754)	-	(424)	(362)	(11)	(797)
Contractual amounts payable (gross and net settled)	1,237	-	713	577	12	1,302
	483	-	289	215	1	505
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	84	-	-	-	84
Commitments to provide loans and advances	-	11,602	-	-	-	11,602
	-	11,686	-	-	-	11,686
2022						
Payables due to other banks	165	165	-	-	-	165
Deposits	47,875	36,470	11,525	260	-	48,255
Payables and other liabilities	1,727	-	1,197	295	235	1,727
Amounts due to reinsurers	1,119	-	1,119	-	-	1,119
Borrowings	20,910	-	10,412	11,368	245	22,025
Loan capital[1]	2,622	-	413	2,097	414	2,924
	74,418	36,635	24,666	14,020	894	76,215
Derivatives						
Contractual amounts receivable (gross settled)	(328)	-	(179)	(159)	(4)	(342)
Contractual amounts payable (gross and net settled)	843	-	358	519	7	884
	515	-	179	360	3	542
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	86	-	-	-	86
Commitments to provide loans and advances	-	11,330	-	-	-	11,330
	-	11,416	-	-	-	11,416

1. The cash flows for loan capital have been included at the earlier of optional call/exchange/redemption date and the mandatory conversion/maturity/next call date of each instrument. Cash flows include both principal and associated future interest estimated using estimated forward rates at the reporting date. For loan capital, interest payments for a number of securities are discretionary and/or may be deferred (refer to note 21). For the purposes of the maturity analysis, it is assumed discretionary interest payments are payable and no deferral to occur.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.4 Market risk for Group's financial instruments (excluding Bank)

(a) Foreign exchange risk

The Group's (excluding bank) foreign exchange risk exposure mainly arises from investments in overseas assets, including foreign issued interest-bearing securities and global equities. The exposure is managed via the use of cross currency swaps, forward foreign exchange and futures contracts.

A sensitivity analysis showing the impact on profit or loss for changes in foreign exchange rates for exposure as at the reporting date with all other variables including interest rates remaining constant is shown in the table below. The impact is before the effect of economic hedging which in accordance with the Group's Risk Management policies are designed to largely offset foreign exchange movements. There is no impact on equity reserves.

The movements in foreign exchange rates used in the sensitivity analysis for the current financial year have been revised to reflect an updated assessment of the reasonable possible changes in foreign exchange rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2023			2022		
	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax $M
USD	495	+10	35	637	+10	46
		-5	(17)		-5	(21)
Other	732	+5	24	667	+5	22
		-5	(25)		-5	(24)

(b) Interest rate risk

Interest rate risk exposure arises mainly from investment in interest-bearing securities and from ongoing valuation of insurance liabilities.

The investment portfolios, which hold significant interest-bearing securities in support of corresponding outstanding insurance liabilities, are invested in a manner consistent with the expected duration of claims payments. Interest rate risk is also managed by maintaining a diversified portfolio of investment securities and the controlled use of interest rate derivative instruments. The below table considers the impact of interest rate risk on the interest-bearing investment securities including derivative financial instruments. The impact of interest rate changes on outstanding claims liabilities will partially offset this effect. Refer to note 9.3 for details of the impact on profit or loss before income tax to changes in key variables relating to outstanding claims liabilities, including movement in inflation and discount rates.

The sensitivity of profit and loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the reporting date is shown in the table below. There is no impact on equity reserves. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves.

The movements in interest rates used in the sensitivity analysis for the current financial year have been revised based on an updated assessment of the reasonable possible changes in interest rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2023			2022		
	Exposure at 30 June $M	Change in interest rate bps	Profit (loss) after tax $M	Exposure at 30 June $M	Change in interest rate bps	Profit (loss) after tax $M
Interest-bearing investment securities (including derivative financial instruments)	14,985	+20	(42)	13,815	+15	(36)
		-100	219		-40	101
Loan capital	2,559	+20	(4)	2,639	+15	(2)
		-100	17		-40	5

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.4 Market risk for Group's financial instruments (excluding Bank)(continued)

(c) Equity risk

The Group has exposure to equity risk through its investments in international and domestic equity trusts. Equity risk is managed by incorporating a diverse holding of Australian and overseas equities (whether direct or through unitised trusts) and through the controlled use of derivative financial instruments.

The table below presents a sensitivity analysis showing the impact on profit or loss for price movements for exposures as at the reporting date with all other variables remaining constant. There is no impact on equity reserves.

The movements in equity prices used in the sensitivity analysis for the current financial year have been revised to reflect an updated assessment of the reasonable possible changes in equity prices over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2023			2022		
	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M
Australian equities and unit trusts	1,181	+7.5	61	899	+5	33
		-15	(123)		-20	(132)
International equities and unit trusts	411	+7.5	22	250	+5	9
		-15	(43)		-20	(35)

(d) Credit spread risk

The Group is exposed to credit spread risk through its investments in non-Australian Government-issued bonds (and other interest-bearing securities). This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings, and managing to a credit risk diversity score limit.

The table below presents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the reporting date. There is no impact on equity reserves.

The movements in credit spread used in the sensitivity analysis for the current financial year have been revised based on an updated assessment of the reasonable possible changes in credit spread over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2023			2022		
	Exposure at 30 June $M	Change in credit spread bps	Profit (loss) after tax $M	Exposure at 30 June $M	Change in credit spread bps	Profit (loss) after tax $M
Credit exposure[1]	10,780	+45	(74)	10,395	+20	(30)
		-20	33		-45	69

1. Includes bonds issued by Australian states and territories, local and international government agencies and owned corporations, and supranational with exposure of $829 million (2022: $1,060 million). The Group's credit spread risk is managed at aggregate level for non-Australian Government-issued bonds to maintain diverse credit portfolio in line with established risk exposure limits for asset classes, counterparties, and credit ratings.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.5 Market risk for Bank's financial instruments

Due to the nature of the Bank's business, market risk exposure is managed separately to other business areas of the Group.

The Bank is exposed to mainly two sources of market risk, being interest rate and foreign exchange risks. For the purposes of market risk management, these are further broken down into traded and non-traded market risks.

The Bank uses value at risk (VaR) as one of the key measures of traded market risk and non-traded interest rate risk in the banking book (IRRBB). The VaR model is a statistical technique used to measure and quantify the market risk over a specific holding period at a given confidence level. The Bank's standard VaR approach for traded and non-traded risk is based on a historical simulation which uses equally weighted market observation from the last two years and eight years respectively. Historical VaR simulation assumes that the distribution of past price returns will reflect future returns.

(a) Traded market risk

The Bank trades a range of on-balance sheet interest, foreign exchange and off-balance sheet derivative products. Income is earned from effective trading within the established risk management framework.

In addition to VaR, traded interest rate and foreign exchange risks are managed using a framework that includes stress-testing, scenario analysis, sensitivity and stop losses. These measures are monitored and reported to the CRO, Suncorp Bank, and the Bank Asset and Liability Committee for management oversight.

VaR is modelled at a 99% confidence level over a 1-day holding period for trading book positions.

The VaR for the Bank's total interest rate and foreign exchange trading activities at the end of the financial year are as follows:

	2023			2022		
Bank	Interest rate risk $M	FX risk $M	Combined risk[1] $M	Interest rate risk $M	FX risk $M	Combined risk[1] $M
VaR at the end of the financial year	0.30	0.20	0.41	0.24	0.03	0.25
Average VaR for the financial year	0.27	0.10	0.30	1.20	0.08	1.23

1. VaR for combined risk is the interest rate risk and foreign exchange risk, taking into account correlations between different positions in both the interest rate and foreign exchange trading portfolios.

(b) Non-traded interest rate risk

Non-traded IRRBB is defined as all on-balance sheet items and off-balance sheet items in the banking portfolio that create an interest rate risk exposure within the Bank. The main objective of IRRBB management is to maximise and stabilise net interest income in the long term.

Interest rate risk arises from changes in interest rates that expose the Bank to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB and they include:

- repricing risk: resulting from changes in the overall levels of interest rates and the effect this has on the banking book with respect to mismatches in repricing dates.
- yield curve risk: resulting from changes in the relative levels of interest rates at different tenors of the yield curve (that is a change in the slope or shape of the yield curve).
- basis risk: resulting from differences between the actual and expected interest margins on banking book items.
- optionality risk: resulting from the existence of stand-alone or embedded options to the extent that the potential for losses is not included in the measurement of repricing, yield curve or basis risks.
- embedded value risk: resulting from differences in transactions book value compared to market-to-market fair value due to past interest rate movements.
- spread risk: arises due to the imperfect movement of interest rates for different yield curves within an economy.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

25.5 Market risk for Bank's financial instruments (continued)

(i) IRRBB – Net interest income sensitivity

IRRBB exposures are generated by using underlying reconciled financial position data to generate cash flows using relevant interest rate curves, and a static balance sheet assumption. Contractual cash flows are generated except for products where expected behavioural cash flow modelling is more appropriate, and they are modelled with a profile and at a term that can be statistically supported.

As a measure of shorter-term sensitivity, net interest income sensitivity (NIIS) measures the sensitivity of the banking book earnings over the next 12 months to instantaneous parallel and non-parallel shocks to the yield curve. NIIS is measured using a 2% parallel and non-parallel shock to the yield curve to determine the potential adverse change in net interest income in the ensuing 12-month period.

The following table indicates the potential impact to NIIS from an adverse 2% parallel movement in interest rates on the Bank's statement of financial position. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2023 $M	2022 $M
Exposure at the end of the financial year	(15)	(45)
Average exposure during the financial year	(34)	(18)

(ii) Present value sensitivity

As a measure of longer-term sensitivity, present value sensitivity measures the sensitivity of the present value of all known future cash flows in the banking book, to instantaneous parallel and non-parallel shocks to the yield curve. All exposures have their known future cash flows present valued from relevant interest rate curves.

The following table indicates the potential impact to economic value from an adverse 2% parallel movement in interest rates on the Bank's statement of financial position.

The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2023 $M	2022 $M
Exposure at the end of the financial year	(2)	(58)
Average exposure during the financial year	(25)	(54)

(iii) Value at Risk

VaR is modelled at a 99% confidence level over a one-month holding period for IRRBB. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2023 $M	2022 $M
Exposure at the end of the financial year	(9)	(23)
Average exposure during the financial year	(16)	(18)

(c) Non-traded foreign exchange risk

Non-traded foreign exchange risk can arise from having non-Australian dollar items in the banking portfolio, thereby exposing current and future earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management is to minimise the impact on earnings of any such movements. The Bank policy is to fully hedge any such exposure and accordingly minimise exposure to the risk. All offshore borrowing facilities arranged as part of the overall funding diversification process have been economically hedged in respect of their potential foreign exchange risk through the use of financial derivatives (refer to note 16).

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

Group structure and consolidation

This section provides disclosures on the Company's separate set of financial statements, the Company's interest in subsidiaries, the fiduciary activities carried out by the Group on behalf of the trusts as trustee or custodian and any significant acquisitions or divestments during the year.

26. Parent entity and composition of the Group

26.1 Ultimate parent entity

Company	2023 $M	2022 $M
Results of the Company for the financial year:		
Revenue		
Dividend and interest income from subsidiaries	543	884
Interest and trust distribution income on financial assets at FVTPL	92	(17)
Other income	11	9
Total revenue	646	876
Expenses		
Impairment loss on investment in subsidiaries	(52)	(85)
Interest expense on financial liabilities at amortised cost	(118)	(63)
Operating expenses	(130)	(19)
Total expenses	(300)	(167)
Profit before income tax	346	709
Income tax benefit	37	136
Profit for the financial year	383	845
Total comprehensive income for the financial year	383	845

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

26.1 Ultimate parent entity (continued)

Company	2023 $M	2022 $M
Financial position of the Company as at the end of the financial year:		
Current assets		
Cash and cash equivalents	40	129
Financial assets designated at FVTPL	352	554
Due from subsidiaries	73	60
Other assets	11	50
Total current assets	476	793
Non-current assets		
Investment in subsidiaries	13,445	13,378
Due from subsidiaries	1,393	1,136
Deferred tax assets	4	7
Other assets	23	28
Total non-current assets	14,865	14,549
Total assets	15,341	15,342
Current liabilities		
Payables and other liabilities	38	33
Due to subsidiaries	41	106
Total current liabilities	79	139
Non-current liabilities		
Loan capital	2,544	2,292
Total non-current liabilities	2,544	2,292
Total liabilities	2,623	2,431
Net assets	12,718	12,911
Equity		
Share capital	12,407	12,351
Retained profits	311	560
Total equity	12,718	12,911

Capital and expenditure commitments

There are no capital and expenditure commitments contracted for but not provided in the statement of financial position of the Company.

Contingent liabilities

The parent entity issued letters of comfort for certain subsidiaries. In this capacity, SGL ensures that subsidiaries continue to meet their obligations and commitments.

Parent entity guarantees

There are no parent entity guarantees in relation to the debts of its subsidiaries.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

26.2 Material subsidiaries of Suncorp Group Limited

			2023	2022
			Equity holding	
Material subsidiaries of Suncorp Group Limited	Class of shares	Country of incorporation	%	%
Suncorp Insurance Holdings Limited	Ordinary	Australia	100	100
AAI Limited[1]	Ordinary	Australia	100	100
Australian Associated Motor Insurers Pty Ltd	Ordinary	Australia	100	100
Suncorp Insurance (General Overseas) Pty Ltd	Ordinary	Australia	100	100
Suncorp Group Holdings (NZ) Limited	Ordinary	New Zealand	100	100
Vero Insurance New Zealand Limited	Ordinary	New Zealand	100	100
Vero Liability Insurance Limited	Ordinary	New Zealand	100	100
AA Insurance Limited[2]	Ordinary	New Zealand	68	68
SBGH Limited	Ordinary	Australia	100	100
Suncorp-Metway Limited	Ordinary	Australia	100	100
APOLLO Series Trusts (various)[3]	Units	Australia	100	100
Suncorp Covered Bond Trust	Units	Australia	100	100
Suncorp Life Holdings Limited	Ordinary	Australia	100	100
Suncorp Insurance (Life Overseas) Pty Ltd	Ordinary	Australia	100	100
Asteron Life Limited	Ordinary	New Zealand	100	100
Asteron Retirement Investment Limited	Ordinary	New Zealand	n/a	100
Suncorp Staff Pty Ltd	Ordinary	Australia	100	100
Suncorp Corporate Services Pty Ltd	Ordinary	Australia	100	100

1. Also registered as an overseas company in New Zealand.
2. The New Zealand Automobile Association Limited holds the remaining shares in AA Insurance Limited.
3. These trusts are structured entities (SE) created as part of the Group's loan securitisation program. As at 30 June 2023, the Group maintains seven active trusts (2022: seven).

In April 2023, Asteron Retirement Investment Limited (ARIL) voluntarily liquidated its assets and ceased to exist as a company. There was no financial impact to the Group as at 30 June 2023.

Other than ARIL the Group did not acquire or dispose of any material subsidiaries, associates or joint venture entities during the current year.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

26.2 Material subsidiaries of Suncorp Group Limited (continued)

Accounting policies

The Group's consolidated financial statements are the financial statements of the Company and all its subsidiaries, presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Group which includes companies, managed funds and trusts. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control commences until the date on which control ceases.

Non-controlling interests recognised as equity and managed funds units recognised as a liability arise when the Group does not hold 100% of the shares or units in a subsidiary. They represent the external equity or liability interests in non-wholly owned subsidiaries of the Group.

SE are entities created to accomplish a specific and well-defined objective such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. Judgements are applied in determining whether a SE is controlled and consolidated by the Group. A SE is consolidated if the Group is exposed to, or has rights to, variable returns from its involvement with the SE and has the ability to affect those returns through its power over the SE.

The main types of SE established by the Group are securitisation trusts and covered bond trusts. The securitisation trusts and the covered bond trusts are controlled by the Group and are consolidated in the consolidated financial statements.

26.3 Consolidated structured entities

The Group has the following contractual arrangements which require it to provide support to its consolidated structured entities, the Apollo Series Trusts.

Liquidity facility

The Group provides a liquidity facility to the Trustee of the Apollo Series Trusts. If there is a remaining net liquidity shortfall, the trustee may be able to request an advance under the liquidity facility up to a total aggregate amount equal to the unutilised portion of the liquidity facility limit. Drawings under the liquidity facility will be subject to certain conditions precedent. The maximum amount which can be drawn is $208 million (2022: $207 million). The amount drawn as of 30 June 2023 is $nil (2022: $nil).

Redraw facility

The Group provides a redraw facility to the Trustee of the Apollo Series Trusts. If total principal collections for a monthly period are insufficient to fully reimburse the seller for redraws made during that monthly period to the extent the seller is entitled to be reimbursed, the trustee may be able to request an advance from the redraw facility provider under the redraw facility up to a total aggregate amount equal to the unutilised portion of the redraw facility limit. The provision of the redraw facility will be subject to normal credit criteria and a market rate of interest will be charged. Drawings under the redraw facility will be subject to certain conditions precedent. The maximum amount which can be drawn is $75 million (2022: $74 million). The amount drawn as of 30 June 2023 is $nil (2022: $nil).

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

27. Goodwill and other intangible assets

	Goodwill $M	Brands $M	Customer contracts & other relationships $M	Outstanding claims liabilities intangible $M	Software $M	Internally generated software in development $M	Total $M
2022							
Gross carrying amount[1]	5,279	632	947	187	624	134	7,803
Accumulated amortisation and impairment losses[1]	(560)	(341)	(930)	(174)	(516)	-	(2,521)
Balance at the end of the financial year	4,719	291	17	13	108	134	5,282
Movements in intangible assets							
Balance at the beginning of the financial year	4,724	310	25	15	129	52	5,255
Acquisitions	-	-	-	-	-	95	95
Amortisation	-	(19)	(8)	(2)	(34)	-	(63)
Transfers	-	-	-	-	13	(13)	-
Foreign currency exchange movement	(5)	-	-	-	-	-	(5)
Balance at the end of the financial year	4,719	291	17	13	108	134	5,282
Maximum remaining useful life	Indefinite	35 years	5 years	5 years	4 years	n/a	
2023							
Gross carrying amount	5,279	632	947	187	723	119	7,887
Accumulated amortisation and impairment losses	(558)	(353)	(936)	(174)	(560)	-	(2,581)
Balance at the end of the financial year	4,721	279	11	13	163	119	5,306
Movements in intangible assets							
Balance at the beginning of the financial year	4,719	291	17	13	108	134	5,282
Acquisitions	-	-	-	-	-	84	84
Amortisation	-	(12)	(6)	-	(44)	-	(62)
Transfers	-	-	-	-	99	(99)	-
Foreign currency exchange movement	2	-	-	-	-	-	2
Balance at the end of the financial year	4,721	279	11	13	163	119	5,306
Maximum remaining useful life	Indefinite	34 years	4 years	4 years	5 years	n/a	

1. During the prior financial year, the Group derecognised goodwill and the cost and accumulated amortisation of fully depreciated other intangible assets in relation to the sale of the Australian Wealth business.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

27.1 Impairment test for cash-generating units containing goodwill

For the purpose of the annual impairment test, goodwill is allocated to groups of cash-generating units (CGU) which represent the Group's operating segments (refer to note 3.1). The carrying amount of each CGU is then compared to its recoverable amount.

The value of goodwill allocated to each group of CGUs is disclosed in note 3.1. The value of goodwill allocated to each of the Bank and Suncorp New Zealand operating segments is not significant in comparison to the Group's total carrying amount of goodwill.

The recoverable amount for the banking CGU is determined based on fair value less cost to sell.

The recoverable amounts for the Insurance (Australia) and Suncorp New Zealand operating segments, are determined based on value in use.

Significant estimates, judgements and assumptions

Value in use for Insurance (Australia)

The recoverable amount of Insurance (Australia) is its value in use and is determined by discounting the future cash flows generated from the continuing use of the unit and are based on the latest three-year business plans projected for years four and five using key assumptions to cover a five-year period. A terminal growth rate of 2.5% (2022: 2.5%) is used to extrapolate cash flows beyond the five-year projections which does not exceed the long-term average growth rate for the industry.

The key assumptions for Insurance (Australia) include gross earned premium growth, projected insurance loss ratios, operating expense growth, and expected operational and regulatory capital levels. The cash flow projections and values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of data.

For Insurance (Australia), the weighted average cost of capital is used as the post-tax discount rate. The discount rates reflect an equity beta and a market risk premium sourced from observable market inputs.

Discount rates	2023		2022	
	Post-tax %	Pre-tax equivalent %	Post-tax %	Pre-tax equivalent %
Insurance (Australia)	7.6	10.3	7.6	10.2

The Group has considered and assessed reasonably possible changes for above key assumptions and have not identified any instances that could cause the carrying amount of any of the CGUs to exceed its recoverable amount.

Accounting policies

Goodwill is recognised at cost from business combinations and is subsequently measured at cost less accumulated impairment loss. Intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at acquisition date.

Internally generated intangible assets such as software are recognised at cost, which comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management. All other expenditure, including expenditure on software maintenance, research costs and brands is recognised as an expense as incurred.

Amortisation

Intangible assets with finite lives are amortised over the estimated useful lives from the date the asset is available for use. Amortisation is charged to profit or loss in a manner that reflects the pattern in which the asset's future economic benefits are expected to be consumed using straight-line or diminishing balance methods. All intangible assets except goodwill have finite useful lives. The maximum remaining useful lives as outlined in note 27 are reviewed annually.

Intangible assets deemed to have an indefinite useful life are not amortised but are tested for impairment at least annually.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

27.1 Impairment test for cash-generating units containing goodwill (continued)

Impairment

Goodwill and other intangible assets are assessed for indicators of impairment at each reporting date. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (as part of CGU) which may be an individual asset or a group of assets. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In assessing fair value less cost to sell, an earnings' multiple applicable to that type of business is used.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any, recognised in respect of the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss recognised for goodwill is not reversed.

Other disclosures

This section includes other information about the Group's operations that must be disclosed to comply with the Australian Accounting Standards, Corporations Act and ASX Listing Rules. Also set out in this section are details of the employee benefit arrangements including share-based payments, an overview of key management personnel remuneration and related party arrangements.

28. Notes to the consolidated statement of cash flows

28.1 Reconciliation of cash flows from operating activities

	2023 $M	2022 $M
Profit for the financial year	1,159	699
Non-cash items		
Impairment expense (release) on financial assets	17	(14)
Impairment loss on property, plant and equipment	34	37
Amortisation and depreciation expense	206	207
Change in fair value relating to investing and financing activities	(303)	1,080
Other non-cash items	137	140
Change in operating assets and liabilities		
Net movement in insurance assets and liabilities	696	(198)
Net movement in tax assets and liabilities	147	(459)
Increase (decrease) in trading securities	505	(1,151)
Increase in loans and advances	(5,192)	(4,480)
(Decrease) increase in other assets	(214)	18
Increase in deposits	3,303	6,675
Decrease (increase) in payables and other liabilities	247	(69)
Net cash from operating activities	742	2,485

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

28.2 Reconciliation of cash and cash equivalents to the consolidated statement of cash flows

	2023 $M	2022 $M
Cash and cash equivalents at the end of the financial year in the consolidated statement of cash flows is represented by the following line items in the consolidated statement of financial position:		
Cash and cash equivalents	3,908	1,418
Receivables due from other banks[1]	1,788	2,490
Payables due to other banks[2]	(121)	(165)
	5,575	3,743

1. Includes $132 million (2022: $117 million) of collateral representing credit support to secure the Group's derivative liability position, as part of the standard ISDA agreement and $1,645 million (2022: $2,274 million) of balances with the RBA.
2. Includes $75 million (2022: $120 million) of collateral representing credit support to secure the Group's derivative asset position, as part of the standard ISDA agreement.

Accounting policies

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, balances with the RBA, highly liquid short-term investments, money at short call, and securities held under reverse repurchase agreements with an original maturity of three months or less. Receivables due from and payables due to other banks are classified as cash equivalents for cash flow purposes. Bank overdrafts are shown within financial liabilities unless there is a right of offset.

Receivables due from and payables due to other banks include collateral posted or received on derivative positions, nostro balances and settlement account balances. They are carried at the gross value of the outstanding balance.

28.3 Changes in liabilities arising from financing activities

	Borrowings $M	Loan capital $M
Balance as at 1 July 2021	18,746	2,376
Cash flows		
Proceeds	15,763	695
Repayments	(13,797)	(447)
Transaction costs	(6)	(9)
Non-cash changes		
Fair value changes	(56)	-
Foreign exchange movement	180	-
Other movements	80	7
Balance as at 30 June 2022	20,910	2,622
Cash flows		
Proceeds	20,964	250
Repayments	(18,176)	(330)
Transaction costs	(5)	(2)
Non-cash changes		
Fair value changes	(4)	-
Foreign exchange movement	179	-
Other movements	141	4
Balance as at 30 June 2023	24,009	2,544

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

29. Employee benefits

The following employee expenses have been included in the consolidated statement of comprehensive income under the line items: 'Claims expense', 'Underwriting expense', and 'Fees, overheads and other expenses'.

	2023 $M	2022 $M
Wages, salaries, share-based payments and other staff costs[1]	1,686	1,733
Defined contribution superannuation expenses	118	114
Total employee expenses	1,804	1,847

1. Includes $16,126,000 (2022: $29,118,000) relating to equity-settled share-based payment transactions.

30. Share-based payments

Eligible employees of the Group have the right to participate in the Group's share plans. Shares, share rights and performance rights are offered in these share plans and are granted by the Company to eligible employees of the Group.

Shares required for the equity plans are acquired on the ASX by a special purpose trustee. Shares can only be granted or issued under the plans if the number to be granted or issued will not exceed 5% of the Company's total shares on issue when aggregated with the number of shares granted or issued during the previous five years for all share plans operated by the Company.

30.1 Long-term incentives (performance rights)

Long-term incentives (LTI) are performance rights granted to eligible executives. These are equity-settled and in limited circumstances cash-settled at the Board's discretion. The Board determines the value of performance rights granted (offered) based on the executive's LTI opportunity as a percentage of their fixed pay. Vested shares carry full entitlement to dividends from the grant date (less any taxes paid/payable by the Plan Trustee in respect of such dividends).

The FY23 LTI award only vests if performance related market conditions are achieved. The performance measures are equally weighted and are outlined below:

- **TSR Measure 1:** Relative total shareholder return (TSR) against a broad-based comparator group. The broad-based comparator group comprises the companies within the S&P / ASX 100 index as determined at the commencement of each grant.
- **TSR Measure 2:** Relative TSR against a customised comparator group. The customised comparator group comprises 14 ASX 100 financial organisations that are domiciled in Australia at the commencement of each grant.

If a company in either TSR comparator group is suspended or delisted from the ASX during the performance period, it may be removed from the comparator group. There may, therefore, be fewer than 100 companies in the broad-based comparator group and fewer than 14 companies in the customised comparator group for that period. No LTI related to the TSR performance measure will vest unless the Company achieves a relative TSR of 50th percentile (median) or above. Any performance rights not vested at the end of the performance period are lapsed. Further details on TSR and the vesting schedule and other terms and conditions can be found on page 79 of the Remuneration Report.

The fair value of services received in return for LTI granted is measured by reference to the fair value of the shares granted. The estimate of the fair value of the shares is measured based on a Monte Carlo simulation pricing model and reflects the fact that vesting of the shares is dependent on meeting performance criteria based on TSR. The vesting of the shares is also subject to non-market conditions; however these are not taken into account in the grant date fair value measurement of the services received.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

30.1 Long-term incentives (performance rights)(continued)

Inputs into the model include expected volatility which is based on the historic volatility of the Company's share price, dividend yield and a risk-free interest rate based on Australian Government bonds. The inputs for measurement of grant date fair value and the number of unvested performance rights at the financial year end are as follows:

						2023	2022
		Inputs for measurement of fair value at grant date					
Grant date	Fair value at grant date	Share price	Expected volatility	Vesting period	Risk-free interest rate	Number of shares unvested	Number of shares unvested
1 July 2019	$7.40	$13.47	19%	3 Years	0.94%	-	128,541
1 July 2019	$13.47	$13.47	19%	3 Years	0.94%	-	128,541
26 September 2019	$7.45	$13.68	18%	3 Years	0.67%	-	66,720
26 September 2019	$13.68	$13.68	18%	3 Years	0.67%	-	66,721
13 December 2019	$6.02	$13.19	17%	3 Years	0.78%	-	24,681
13 December 2019	$13.19	$13.19	17%	3 Years	0.78%	-	24,681
1 July 2020	$4.16	$8.85	25%	3 Years	0.30%	-	340,975
1 July 2020	$8.85	$8.85	25%	3 Years	0.30%	-	340,976
22 October 2020	$3.91	$8.80	27%	3 Years	0.17%	-	96,049
22 October 2020	$8.80	$8.80	27%	3 Years	0.17%	-	96,050
1 July 2021	$6.38	$10.98	28%	3 Years	0.46%	-	222,741
1 July 2021	$6.56	$10.98	28%	3 Years	0.46%	-	222,745
1 July 2021	$11.11	$10.98	28%	3 Years	0.46%	-	222,752
23 September 2021	$8.11	$12.37	28%	3 Years	0.38%	-	60,683
23 September 2021	$8.67	$12.37	28%	3 Years	0.38%	-	60,684
23 September 2021	$12.17	$12.37	28%	3 Years	0.38%	-	60,684
19 October 2022	$4.94	$10.63	29%	3 Years	3.46%	430,200	-
19 October 2022	$5.97	$10.63	29%	3 Years	3.46%	430,202	-
						860,402	2,164,224

Accounting policies

The fair value of share-based payments is recognised as an expense on a straight-line basis over the vesting period, with a corresponding increase in equity. The fair value is calculated on grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest. The fair value of the share-based payments is based on the market price of the shares, dividend entitlements, and market vesting conditions (e.g. share price-related performance criteria) upon which the shares were granted. Non-market vesting conditions (e.g. service conditions and Cash Return on Tangible Equity) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

30.2 Other equity-settled share plans

The Group operates other equity-settled share plans that are not subject to performance conditions. Key features are set out below.

Equity plans	Suncorp employee share plan (tax exempt)	Suncorp equity participation plan	Short-term incentive (STI) deferred plan	Share rights plan and special incentives
Eligible plan participant	Eligible employees below Executive General Manager (EGM) level	Employees can elect to participate	Group CEO, ELT, EGM and eligible employees in senior roles	Eligible employees in senior roles
Basis of share grant/issue	Market value of shares up to $1,000 per employee per year may be granted by the Board having regard to the Group's overall performance	Employees fund the acquisition of shares to be held under this Plan from their pre-tax remuneration up to a maximum value of $5,000 per year	A portion of the total STI is delivered as share rights. STI is determined having regard to Group, function and individual performance and determined prior to the ex-dividend date	Value of grants is based on a percentage of the employee's fixed pay and Board discretion
Vesting	Fully vested, not subject to forfeiture Restricted from sale for a three-year period unless the employee ceases employment with Suncorp within this period	As the acquisition of shares is funded through the employee's remuneration, the shares are fully vested at the date of acquisition	Group CEO and ELT: 50% of the Group CEO's STI, and 35% of the ELT STI is delivered in share rights, with 50% vesting after one year and 50% vesting after two years EGMs: 30% of the STI is delivered in share rights, with one third vesting on each of the first, second and third anniversaries Eligible employees in senior roles: 15% of the STI is delivered in share rights, with half vesting on each of the first and second anniversaries	Subject to service and/or performance conditions until the date of vesting
Dividend entitlements	Full entitlement to dividends from when the shares are acquired and held in the Plan	Full entitlement to dividends from when the shares are acquired and held in the Plan	Full entitlement to dividend equivalents paid on any vested shares, equal to the notional net dividends earned on vested shares over the deferral period	Share rights plan has full entitlement to dividend equivalents paid on any vested shares, equal to the notional net dividends earned on vested shares over the deferral period Generally, special incentives do not have any entitlements to dividend equivalents
Fair value	Market value of the shares on the date they were granted	Market value of the shares on the date they were acquired	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date

883,762 share rights (2022: 277,772 share rights) at fair value $5,397,768 (2022: $3,301,484) were granted during the financial year.

The total number of shares acquired through the Suncorp Equity Participation Plan was 217,633 (2022: 202,265 shares), with a fair value of $2,541,052 (2022: $2,363,514).

No ordinary shares of the Company were granted under the Suncorp Employee Share Plan (tax exempt) for the financial year (2022: $500).

Under the STI deferred plan, share rights are offered to eligible employees in August following completion of the performance period. The total number of share rights offered during the financial year was 585,633 (2022: 666,914 shares), at a total fair value of $6,822,625 (2022: $8,536,499). The fair value of the STI deferred plan is expensed from the start of the performance period to the end of the deferral period. Total expense of $7,840,733 (2022: $6,724,138) relating to the STI deferred plan is included in 'Fees, overheads and other expenses' in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

30.3 Reconciliation of outstanding share plans

LTI, STI deferred plan, and Share rights plan and special incentives

The following table summarises the movement and weighted-average fair value at grant date of LTI and other equity-settled share plans with vesting conditions during the year.

	LTI	STI deferred plan	Share rights plan and special incentives	Total
Outstanding as at 1 July 2021	1,737,722	653,142	732,561	3,123,425
Granted during the financial year	850,289	666,914	277,772	1,794,975
Vested and allocated during the financial year	-	(275,303)	(225,267)	(500,570)
Forfeited or withdrawn during the financial year	(423,787)	(222,569)	(116,231)	(762,587)
Outstanding as at 30 June 2022	2,164,224	822,184	668,835	3,655,243
Weighted-average fair value at grant date	$8.37	$12.80	$11.89	
Granted during the financial year	860,402	585,633	883,762	2,329,797
Vested and allocated during the financial year	-	(391,640)	(237,435)	(629,075)
Forfeited or withdrawn during the financial year	(2,164,224)	(23,108)	(35,185)	(2,222,517)
Outstanding as at 30 June 2023	860,402	993,069	1,279,977	3,133,448
Weighted-average fair value at grant date	$5.46	$11.65	$6.11	

Suncorp employee share plan (tax exempt)

The following table summarises the shares granted under the Suncorp Employee Share Plan (tax exempt).

Period	Allocation date	Participants	Number of shares allocated per participant	Total number of shares allocated	Issue price	Total fair value $000
2023	26 Oct 2022	11,797	46	542,662	10.83	5,879
2022	14 Oct 2021	11,357	78	885,846	12.68	11,231

Suncorp equity participation plan

The following table summarises the shares acquired under the Suncorp Equity Participation Plan.

Period	Participants	Number of shares purchased	Average purchase price $	Total purchase consideration $000
2023	9,368	217,633	11.68	2,541
2022	8,634	202,265	11.69	2,364

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

31. Key management personnel and related party disclosures

31.1 Key management personnel disclosures

Information regarding key management personnel (KMP) remuneration, loans and equity instruments disclosures are included on page 68 of the Remuneration Report.

KMP compensation is included in Employee benefits expense (refer to note 29). Its categorisation is as follows:

	2023 $000	2022 $000
Short-term employee benefits	17,738	16,852
Long-term employee benefits	208	198
Post-employment benefits	610	563
Share-based payments	3,575	7,148
	22,131	24,761

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of the Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as SP, as the balances are considered fully collectable.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to KMP and their related parties are as follows:

	2023		2022	
	Key management personnel $000	Other related parties $000	Key management personnel $000	Other related parties $000
Closing balance	1,394	-	1,213	43
Interest charged	61	-	40	1

31.2 Related party transactions with joint venture entities and other related parties

	2023 $000	2022 $000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
Other income received or due and receivable:		
Joint ventures	57,718	50,855
Aggregate amounts receivable from, and payable to, each class of related parties at reporting date:		
Receivables:		
Joint ventures	74,060	43,019
Payables:		
Joint ventures	148	134

Transactions between the Group and joint venture entities consisted of fees received and paid for information technology services, investment management services, overseas management services, property development finance facilities and reinsurance arrangements. All these transactions were on a normal commercial basis.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

32. Commitments

32.1 Credit commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers. Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the PD. They are not sold or traded and are not recorded in the consolidated statement of financial position. The Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments. These commitments would be classified as loans and advances in the consolidated statement of financial position on the occurrence of the contingent event.

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts. Credit equivalent amounts are determined in accordance with the capital adequacy guidelines set out by APRA.

	2023 $M	2022 $M
Notional amounts		
Guarantees entered into in the normal course of business	84	86
Commitments to provide loans and advances	11,602	11,330
	11,686	11,416
Credit equivalent amounts		
Guarantees entered into in the normal course of business	84	86
Commitments to provide loans and advances[1]	5,998	3,388
	6,082	3,474

1. Reflects Basel III Prudential Capital requirements effective for reporting periods beginning on or after 1 January 2023, resulting in an increase in credit equivalent amounts. The 30 June 2022 comparative numbers have not been restated.

32.2 Other commitments

The Group has lease commitments of $28 million (2022: $39 million) which have not been recognised as lease liabilities in the consolidated statement of financial position, as the respective lease commencement dates are after the end of the financial year.

Expenditure for the acquisition of property, plant and equipment and other expenditure contracted for but not provided in the consolidated statement of financial position was $6 million (2022: $7 million).

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

33. Provisions and employee benefit liabilities

Provisions are recognised for present obligations arising from past events where a payment (or other economic transfer) is probable to be necessary to settle the obligation and can be reliably estimated.

	June 2022 $M	Additions $M	Amounts used $M	Unused amounts reversed $M	Other $M	June 2023 $M
Annual leave and other employee benefits	265	248	(273)	-	1	241
Long service leave	111	22	(15)	-	-	118
Pay and leave entitlements review	12	-	(9)	-	-	3
Leaseholds	16	5	(7)	-	-	14
Divestments and restructuring	52	17	(43)	(8)	-	18
Compliance and remediation programs	72	14	(29)	(1)	-	56
Other	9	9	(7)	(2)	-	9
Total	537	315	(383)	(11)	1	459
Current	433					350
Non-current	104					109
Total	537					459

Annual leave, long service leave and other employee benefits

The provision is determined based on expected payments.

Where the payments are expected to be more than one year in the future, these provisions include estimates such as employee service periods, employee turnover rates, future salary increases and mix of leave taken versus paid out. These future obligations are discounted using a market observable rate.

Leaseholds

Leasehold provisions recognised are management's best estimate of the amount required to discharge the Group's contractual make good obligations.

Divestments and restructuring

A divestment provision is recognised in relation to the costs associated with exiting the Australian Wealth business (SPSL). The nature of these costs includes operational, technical separation and indemnities and warranties provided.

A restructuring provision is recognised in relation to changes in the Group's operating model primarily for redundancy costs.

Compliance and remediation

The requirement for anticipated customer remediation has been assessed across the Group, Bank, Insurance (Australia) and Suncorp New Zealand businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Key remediation programs have been identified and associated provisions estimated. As at 30 June 2023, the remaining provision includes cost estimates for the following:

- Estimated remediation for insurance customers relating to discount entitlements on premiums and claims adjustments.
- Coverage of legal costs for ongoing litigation.
- Matters arising from regulatory and supervisory reviews disclosed in note 34.2 "Contingent liabilities" where the potential impact can be reliably measured.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

33. Provisions and employee benefit liabilities (continued)

Accounting policies

A provision is a liability of uncertain timing or amount which is recognised in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Short-term employee benefits

Liabilities for short-term employee benefits are those expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services. They are measured at the amounts expected to be paid when the liabilities are settled. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

Long service leave and annual leave

The liabilities for long service leave and annual leave are those not expected to be settled wholly before 12 months after the end of the reporting period. They are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Australian corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

Termination benefits

Termination benefits are recognised as an expense when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructure. Termination benefits for voluntary redundancies are recognised as an expense if the Group can no longer withdraw the offer as an employee has accepted the offer or when a restriction on the Group's ability to withdraw the offer takes effect.

34. Contingent assets and liabilities

34.1 Contingent assets

Contingent assets are not recognised but are disclosed in the consolidated 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.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

34.2 Contingent liabilities

Contingent liabilities are not recognised, but are disclosed in the consolidated 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 ASIC, APRA, ACCC, Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian Taxation Office (ATO), and the RBNZ 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 Office of the Australian Information Commissioner (OAIC), 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.

During the year, AUSTRAC issued a Compliance Assessment Report concerning SML's compliance with its Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) obligations, which included a number of findings and recommendations. Management have incorporated the recommendations into the Financial Crime Compliance Program of Action (FCC PoA) and continue to keep AUSTRAC informed of its progress. Management are not aware of any pending enforcement action or liability arising from AUSTRAC's findings.

The FMA filed proceedings against Vero Insurance New Zealand Limited (VINZL) on 13 October 2022 in relation to the multi-policy discount (MPD) remediation. 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. The parties are waiting on a court penalty hearing to be set and provision for a potential penalty has been made.

On 31 May 2023, the FMA filed proceedings against AA Insurance Limited (AAI NZ) in relation to its multi-policy discount, NZAA member discount and no claims bonus (NCB) customer remediation activities. The FMA is seeking a declaration that AAI NZ contravened certain sections of the FMCA and for AAI NZ to pay a pecuniary penalty. Discussions with the FMA are ongoing although the scope of any potential penalty is still unknown.

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 have 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 investigate matters they consider may be 'systemic'. The Group is working through individual cases that have been referred to AFCA as well as any systemic matters opened by 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. 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.

Bills have recently passed through the senate and, subject to receiving Royal Assent, will result in the establishment of the Compensation Scheme of Last Resort (CSLR) in Australia. The scheme will provide compensation to victims of financial misconduct who have won their cases through AFCA but have not been paid due to the insolvency of the involved financial institution. While the scheme is not related to Group matters, initial financial remediations under this scheme are to be financed via a one-off levy, applicable to the top ten largest, APRA regulated banking and insurance groups in financial year 2021-22. The Group has made a provision for its share of the one-off levy, however the actual levy imposed could vary from this amount.

The Annual and Special levies are also proposed under the CSLR bills but given the scope and enforcement date for the industry funded levies it is unlikely that the Group will be liable for these.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

34.2 Contingent liabilities (continued)

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.

The COVID-19 pandemic led to the examination of various business interruption wordings through litigation, including two significant industry test cases. In the first case, the Court ruled that insurers cannot rely on certain policy exclusions referencing the Quarantine Act. 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 found in favour of the insurers concluding that, in most instances, the indemnity clauses did not trigger. The High Court of Australia's rejection of the special leave application on 14 October 2022 confirmed the Federal Court decision. While settled in the main, there is some ongoing business interruption litigation with other industry participants, the outcome of which may have broader industry application and impact the Group's future exposure.

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 9.

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 during the financial year ended 30 June 2019, 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. Any potential outflows relating to the indemnities remain uncertain.

As part of the sale of Capital S.M.A.R.T and ACM Parts during the financial year ended 30 June 2020, the Group provided warranties in the respective Share Sale and Purchase Agreements entered into with AMA Group Limited (AMA). Any potential outflows remain uncertain.

As part of the sale of Resilium during the financial year ended 30 June 2019, the Group provided certain tax warranties in the Sale and Purchase Agreement entered into with the Resilium management team. As at 30 June 2023, 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 SPSL to LGIAsuper during the financial year ended 30 June 2022, 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 indemnity remain uncertain.

As part of the sale of Suncorp's 50% stake in RACT Insurance to Royal Automobile Club of Tasmania during the financial year ended 30 June 2022, 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 indemnity 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.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

35. Auditors' remuneration

	2023	2022	2023	2022
	KPMG Australia		Overseas KPMG firms	
	$000	$000	$000	$000
Audit and review services				
Audit and review of financial reports	3,544	3,475	1,273	1,456
	3,544	3,475	1,273	1,456
Assurance services				
Regulatory assurance services	1,598	1,280	407	367
Other assurance services[1]	1,056	804	7	7
	2,654	2,084	414	374
Other services				
Other non-audit services[2]	115	824	-	-
Total auditors' remuneration	6,313	6,383	1,687	1,830

1. Other assurance services are assurance services other than Regulatory assurance services and primarily relate to services for Emissions reporting, Suncorp's Net Zero Transition plan and External peer reviews.
2. Other non-audit services relate to advisory services for disclosure requirements in accordance with the International Sustainability Standards Board and Human Rights Policies assessment.

36. New Australian accounting standards

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* (AASB 1023) 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.

Measurement models

AASB 17 introduces three new measurement models – the general model, the variable fee approach and premium allocation approach. The general model measures insurance contracts based on the fulfilment cash flows (the present value of estimated future cash flows with an explicit risk adjustment for non-financial risk) and the contractual service margin (the unearned profit that will be recognised as services are provided over the coverage period). A modified version of the general model (variable fee approach) is applied to insurance contracts with direct participation features, and a simplified measurement model (premium allocation approach) is permitted in certain circumstances. The premium allocation approach (PAA) is similar to the current measurement model used for general insurance.

The Group has developed a model and methodology to assess eligibility of contracts to use the premium allocation approach. The Group expects to use the premium allocation approach for all its general insurance contracts issued and associated reinsurance contracts held and to use all measurement models across its life insurance contracts issued and associated reinsurance contracts held. Insurance contracts issued to policyholders and reinsurance contracts are measured separately.

Acquisition costs relating to insurance contracts issued to policyholders measured under the premium allocation approach can either be immediately expensed or capitalised and amortised over the coverage period. For general insurance contracts the Group will amortise acquisition costs over the coverage period. Acquisition costs relating to life insurance contracts will also be amortised over the coverage period. Under AASB 17 certain expenses are not attributed to insurance and reinsurance contracts and will be accounted for outside of the insurance service result.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

36. New Australian accounting standards (continued)

Onerous contracts

AASB 17 requires the identification of groups of onerous contracts for insurance contracts issued at a more granular level than the liability adequacy test performed under the AASB 1023 accounting standard, with a loss component recognised on initial recognition of the group of contracts. Under the PAA, the Group assumes that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts not measured under the PAA, an assessment is made at initial recognition to determine if they are onerous or have no significant possibility of becoming onerous. The Group has developed a framework for identifying indicators of possible onerous contracts using internal management information and has calculated the impact on transition to AASB 17. This will be assessed on an ongoing basis as part of the Group's reporting processes.

Discount rates

AASB 17 requires estimates of future cash flows of insurance contracts to be discounted to reflect the time value of money, the financial risks, and liquidity characteristics of the cash flows. This differs from the risk-free discount rates used under current accounting standards. To calculate the discount rate, a bottom-up approach is applied, whereby the risk-free yield curve is adjusted to reflect the liquidity characteristics of the insurance cash flows through the addition of an illiquidity premium which will increase the discount rate. The Group has developed a framework to determine an illiquidity premium. The Group will present the financial impacts of discounting in the profit or loss, rather than disaggregate the impact between profit or loss and other comprehensive income.

Risk adjustment

The measurement of insurance contract liabilities includes a risk adjustment to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risks as the entity fulfills insurance contracts. This differs from the risk margin used under the AASB 1023 accounting standard which reflects the inherent uncertainty in the central estimate of estimated future cash flows. The Group has developed a framework and models for determining the risk adjustment and expects to use a probability of adequacy of between 75% and 80% as determined by a cost of capital model.

Capital impacts

The Group has analysed the implications of implementing AASB 17 for changes to capital and prudential reporting standards. Major changes to capital management and dividend policy are not expected to arise from AASB 17, but stress tests will be performed to ensure they are appropriate for the Group's strategy.

Tax impacts

Current tax law in Australia is drafted to mirror AASB 1023. The Federal Budget in May 2023 contained an announcement from the Australian Government about its intention to align tax legislation for insurers with AASB 17. Exposure draft legislation was released on 10 July 2023 and a Bill is expected to be introduced in Parliament in the coming months.

The current income tax settings in New Zealand for insurance have largely not changed for NZ IFRS 17. However, there has been legislative change to align the income tax treatment of outstanding claims reserves to the treatment under NZ IFRS 17. Otherwise, differences between the income tax treatment and NZ IFRS 17 give rise to a temporary difference.

Presentation and disclosure

AASB 17 introduces significant changes to the presentation and disclosure of insurance contracts which include:

- The separate disclosure of assets and liabilities related to insurance contracts issued and reinsurance contracts held, replacing current balance sheet items such as premiums outstanding, reinsurance and other recoveries, deferred reinsurance assets, deferred acquisition costs, amounts due to reinsurers, unearned premium liabilities and outstanding claims liabilities.
- The presentation of insurance revenue and insurance service expense gross of reinsurance. Insurance service expense includes claims expenses, non-reinsurance recoveries and expenses that are directly attributable to the fulfilment of insurance contracts. The reinsurance result is disclosed separately and is included in the insurance service result. The financial impact of changes to discount rates and the unwinding of the discounting of insurance and reinsurance assets and liabilities will be presented as part of the insurance finance result rather than the insurance service result.
- Additional disclosures to provide information on amounts recognised for insurance contracts and the nature and extent of risk arising from insurance contracts.

Notes to the consolidated financial statements

For the financial year ended 30 June 2023

36. New Australian accounting standards (continued)

Transition approach

AASB 17 is to be applied retrospectively to all insurance contracts on the transition date unless it is impractical to do so, in which case a modified retrospective or fair value approach may be applied. The Group will use the full retrospective approach for general insurance contracts and is currently completing an assessment on the transition approach for life insurance contracts.

Financial impact

On transition to AASB 17 on 1 July 2022, the impact on the Group's reported equity/net assets is expected to be within a range of $250 million to $400 million increase after tax for general insurance with the impact on the New Zealand life insurance business still to be quantified.

The differences between AASB 1023 and AASB 17 total equity are mainly driven by the application of the risk adjustment and the discounting of claims liabilities applying the principles of the new standard. This is somewhat offset by decreases to net assets from the recognition of onerous contracts.

The AASB 17 requirements are complex and global interpretation of these requirements continues to evolve. The actual financial impact is subject to finalisation of key assumptions relating to the requirements of AASB 17 and the finalisation of taxation legislation change.

At the date of this financial report, the Group continues the preparation of the comparative period financial information based on AASB 17. It is not practicable to reliably quantify the financial impact of AASB 17 at 30 June 2023.

The accounting policy decisions have been made and the technology and systems builds have been completed. The Group is well progressed with the implementation and final testing of changes to finance systems and processes, actuarial and capital modelling and financial, regulatory and management reporting.

37. Subsequent events

On 4 August 2023, the ACCC announced it would deny authorisation of the planned sale of Suncorp Bank to ANZ. As part of the merger authorisation process, ANZ has indicated it will refer the ACCC's decision to the Tribunal for review and Suncorp will support ANZ during the process. In addition to the Tribunal's approval, the sale remains subject to the amendment of the *State Financial Institutions and Metway Merger Act 1996 (Qld)* and approval from the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998*. Subject to all approvals being received, the Group expects the sale to complete by the middle of the 2024 calendar year.

In the directors' opinion, between the end of the financial year and the date of this report, no other transaction or event of a material and unusual nature has arisen to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' Declaration

1. The directors of Suncorp Group Limited (the Company) declare that in their opinion:
    a. The consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 68 to 171, are in accordance with the *Corporations Act 2001* (Corporations Act), including:
        i. giving a true and fair view of the Suncorp Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
        ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
    b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by section 295A of the Corporations Act from the Group Chief Executive Officer and Managing Director and the Group Chief Financial Officer for the financial year ended 30 June 2023.
3. The directors draw attention to note 2.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Christine McLoughlin

Christine McLoughlin, AM

Chairman
9 August 2023

Steve Johnston

Group Chief Executive Officer and Managing Director
9 August 2023

Independent Auditor’s Report to the shareholders of Suncorp Group Limited

KPMG

Independent Auditor’s Report

To the shareholders of Suncorp Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Suncorp Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***’s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors’ Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Outstanding claims liabilities and reinsurance and other recoveries;
- Provisions for impairment on financial assets – loans and advances;
- Valuation of goodwill; and
- Information Technology (IT) systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Outstanding claims liabilities and reinsurance and other recoveries
(Net outstanding claims liabilities AUD 8,897 million
Reinsurance and other recoveries on outstanding claims liabilities AUD 2,583 million)

Refer to Note 9 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The estimation of outstanding claims liabilities and reinsurance and other recoveries, is a key audit matter as it involves significant judgement to be applied by the Group and by us, given the high degree of uncertainty inherent in challenging the estimation of the expected future payments for claims incurred. In particular, we focused on the Group's: • estimation of future payments for claims incurred at the reporting date but which have not yet been reported to the Group as it may take many years to notify a claim, and the ultimate cost may be influenced by factors unknown at 30 June 2023 or outside of the control of the Group. • application of historical experience of claims development to determine current estimates, including the variability between the original estimation and the ultimate settlement of claims where there is a long time delay between the claim being incurred and the ultimate settlement such as Compulsory Third Party and Worker's Compensation. This includes assessing key assumptions for significant classes of business which are forward-looking and tend to be prone to greater risk for potential bias such assumptions include discount rate, claims handling	Working with our actuarial specialists, our procedures included: • assessing the appropriateness of the Group's selection of actuarial methods against the requirements of the accounting standards, actuarial standards and the methods applied in the prior periods and by industry. • testing key IT controls in relation to the claim payments. This included relevant associated IT general and application controls, such as system enforced segregation of duties. We involved our IT specialists in testing the IT controls. • testing key actuarial controls including the reconciliations of key data related to claims payments and case estimates, and the Group's oversight of the outstanding claims liabilities. • testing a sample of claim payments and case estimates to underlying third party evidence such as invoices, expert reports, legal advice and bank statements. This was performed to test the accuracy of the claims information used within the estimation of outstanding claims liabilities. • performing our own re-estimation of a sample of significant classes of business of outstanding claims liabilities to compare and challenge the Group's outstanding claims liabilities using

expense ratio, economic and superimposed inflation applied. • valuation of reinsurance and other recoveries involves a high degree of judgement due to the implicit dependence on the estimate of gross outstanding claims and the complexity of significant contracts such as coverage for natural hazards and catastrophes. As the auditor, challenging the Group's estimation process requires deep understanding of the industry and specialist actuarial knowledge.	industry accepted actuarial methods. To do this, we used the information on the Group's claims payments and case estimate data, understood the facts and circumstances of the claims through our sample testing and developed our own estimation of expected future payments on the outstanding claims liabilities. Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group in estimating expected future payments to comparable industry data. • for selected significant classes of business, and consideration of claims relating to natural hazard events, we have performed an assessment of the: — accuracy of previous estimates including comparison of the prior year liabilities against current year actual experience of costs and claims; and — key assumptions used such as discount rate, claims handling expense ratio, economic and superimposed inflation applied, by comparing to relevant industry data. • considering evidence of management bias, we evaluated the key assumptions and selection of methods against the Group's historical experience and industry trends. • for reinsurance recoveries made on natural hazard and catastrophe events during the year, we checked a sample of the underlying claims data to the terms of the reinsurance contract coverage for consistency in recognising the amount in the year. In addition, we incorporated the reinsurance and other recoveries into our procedures performed in respect of gross outstanding claims liabilities described above. • assessing the appropriateness of the outstanding claims liabilities disclosures in the financial report using our understanding obtained from procedures described above and the requirements of the accounting standards.

Provision for impairment on financial assets – loans and advances (AUD 219 million)	
Refer to Note 12 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Expected credit loss (ECL) provisions for loans and advances held at amortised cost are a key audit matter due to the significance of the balance of loans and advances held at amortised cost to the financial statements and the inherent complexity of the Group's ECL models. AASB 9 Financial Instruments (AASB 9) requires significant judgement to estimate expected credit losses. AASB 9 requires the Group to measure ECLs on a forward-looking basis reflecting a range of assumptions affecting the performance of loans and advances and the specific circumstances of those individual exposures. Certain forward looking assumptions, in particular commercial and residential property prices along with macro-economic such as unemployment rates, are significant assumptions for the Group given their business lines. At balance date, economic uncertainty remains heightened. Given the range of potential economic outcomes and impacts, significant judgement continues to be exercised by the Group in developing forward-looking macro-economic scenarios to estimate future credit losses. The Group calculates the ECL utilising a distribution model which estimates economic outcomes around weighted underlying forward-looking macro-economic scenarios. Post-model adjustments to the ECL results are also made by the Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgemental overlays the Group applied to the ECL results. For credit-impaired loans, it is the Group's policy to identify specific ECLs (specific provisions) based on the Group's judgement. This focuses on estimating when an impairment event has occurred and the present value of expected future cash flows, which have high estimation uncertainty. We focused on the high degree of estimation uncertainty related to the business and agribusiness loans. This is due to the forecast cash flows being dependent on future and uncertain events, for example, the timing and proceeds from the	Our procedures included: Testing key controls relating to: • reconciliation of relevant data used in the ECL models and specific provisioning assessments to gross balances recorded within the general ledger as well as source systems; • the onboarding of new lending facilities, including quality checks on key loan information (such as borrower type and security details) used in the measurement of ECL provisions; • assessment of the credit quality of business lending counterparties; • systems recording retail loans lending arrears; • the Group's monitoring mechanisms to identify loans experiencing signs of stress, including a Significant Increase in Credit Risk (SICR) or default event; • the Group's ECL model governance and validation processes; and • the Group's assessment and approval of the ECL provisions estimate, application of forward-looking macroeconomic assumptions, and post-model adjustments. In addition to controls testing, our procedures included: • testing the accuracy of a sample of critical data elements used within ECL models, such as checking year end loan balances, repayment history and risk ratings to source systems. • working with our credit risk specialists: — we reperformed the key components of the Group's model validation processes over key ECL models; and — we assessed the accuracy of the Group's ECL model estimates by re-performing the calculation for a sample of ECL models using the Group's provisioning methodology and relevant data used

future sale of collateral, which are inherently challenging to predict. These features resulted in significant audit effort to address the risks of loan recoverability and the determination of related ECLs, hence considering this to be a key audit matter.	within the ECL models. We compared our results to the amount recorded by the Group; • working with our economic specialists, we challenged the Group's forward-looking macro-economic assumptions and scenarios incorporated into the ECL models. Examples include comparing the Group's forecasts with those of KPMG's economist, and with published data provided by reputable property data and analytics providers. • assessing the post-model adjustments applied by the Group to the ECL provisions. We challenged the basis for the adjustments and compared the loan portfolios' underlying performance and characteristics to current market conditions, emerging risks and trends, using our knowledge of the industry and public views of commentators. • re-performing credit assessments of a sample of loans controlled by the Group's specialist workout and recovery team assessed as of higher risk or impaired (specific provisions). We challenged the Group's risk grading of the loan, staging and SICR treatment and assessment of loan recoverability. • For a sample of loans we took into consideration the Group's qualitative and quantitative risk rating criteria and compared the adopted risk ratings, staging and SICR status of these accounts with our expectation. • as part of assessing recoverability including for specifically provisioned loans, we evaluated the valuation and timing of collateral realisation using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group to the Group's externally sourced evidence for valuations of collateral held. We compared inputs utilised in the valuation reports relied upon by the Group with more recent evidence such as median property prices published by reputable property data and analytics providers and recent valuations of comparable properties completed by certified practicing valuers. • assessing the appropriateness of the

	Group's disclosures using our understanding obtained from our testing and against the requirements of the accounting standards.

Valuation of goodwill (AUD 4,721 million)	
Refer to Note 27 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the high level of judgement required by us in assessing the significant forward-looking assumptions the Group applied in their valuation models for each Cash Generating Unit (CGU), including: • forecast cash flows, growth rates and terminal growth rates. The current and expected uncertain economic conditions increase the inherent uncertainty of the forecasts, the probability of a wider range of possible outcomes and the possibility of goodwill being impaired. • discount rates. These are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time. The Group engaged an external expert to assist in determining the discount rates. The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed and use a range of internal and external sources as inputs to the assumptions. Complex modelling, particularly those containing highly judgemental allocations of corporate assets and costs to CGUs, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing	Working with our valuation specialists, our procedures included: • considering the appropriateness of the valuation methods applied by the Group to each CGU to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • checking the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry and/or economic environment in which they operate. • challenging the Group's forecast cash flow and growth assumptions in light of the economic uncertainties. We compared the forecast cash flows contained in the value in use models and compared the key events to the Board approved plan. We compared the forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. • independently developing a discount rate range considered comparable to the CGUs using publicly available market data for comparable entities, adjusted by risk factors specific to the CGUs, Group and the industry it operates in. • assessing the sensitivity of the models by

this key audit matter.	varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • assessing the recoverable value of the Bank CGU recorded by the Group against the terms and conditions in the signed Share Sale and Purchase Agreement for consistency. • assessing the scope, competency and objectivity of the Group's external expert. • assessing the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Information Technology (IT) systems and controls	
Refer to the basis of preparation in Note 2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's businesses utilise a number of interdependent IT systems to process and record a high volume of financial transactions. Controls for access and changes to relevant IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Group's financial position and performance. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our audit approach could significantly differ depending on the effective operation of the Group's IT controls. KPMG IT specialists were used throughout the engagement as a core part of our audit team.	Working with our IT specialists, we obtained an understanding of the Group's IT environment and risk assessment processes, for how the Group uses IT as part of financial reporting. We evaluated the risks of material misstatement to the Group's current year financial statements resulting from, among other things, unauthorised access to financial reporting systems, including IT applications, databases, and operating systems. We tested key systems, automated controls and the control environments underlying the relevant financial preparation processes. Our procedures included: • testing controls relevant to the governance of access rights given to employees, contractors and privileged users by checking them to approved records, and inspecting the reports regarding the granting and removal of access rights. We also tested controls related to monitoring of access rights. • testing controls used to request, document, develop, test and authorise changes to the functionality and

	configuration of core systems relevant to in-scope automated controls. This also included controls related to the appropriateness of users with access to request, authorise, and release changes into the production environment of core systems relevant to financial reporting. • testing the operating effectiveness of automated controls key to our audit testing in relation to system calculations, the generation of reports, and operation of system enforced access controls. We tested mitigating controls where we noted design or operating effectiveness matters relating to IT system or application controls relevant to our audit. We also raised these matters with the Group.

Other Information

Other Information is financial and non-financial information in Suncorp Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Suncorp Group Limited for the year ended 30 June 2023, complies with Section 300A of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 68 to 95 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Scott Guse
Partner

Tanya Gilerman
Partner

Sydney
9 August 2023

Shareholder information

Suncorp Group Limited is a publicly-listed company limited by shares and incorporated in Australia.

Suncorp Group Limited shares are listed on the Australian Securities Exchange (ASX).

Performance summary

Performance		FY23	FY22	FY21	FY20	FY19
Cash return on average shareholders' equity	(%)	**9.6**	5.2	8.1	5.9	8.4
Return on average shareholders' equity	(%)	**8.8**	5.3	7.9	7.2	1.3
Basic cash earnings per share	(cents)	**99.32**	53.17	83.29	59.01	86.24
Basic earnings per share	(cents)	**90.92**	53.80	80.86	71.93	13.54
Net profit after tax attributable to shareholders[1]	($m)	**1,148**	681	1,033	913	175
General Insurance Gross Written Premium	($m)	**12,559**	11,382	10,531	9,952	9,811
Reported insurance trading ratio	(%)	**10.1**	7.1	9.6	8.9	11.6
Underlying insurance trading ratio	(%)	**10.9**	9.9	7.9	11.1	12.3
Bank total lending[2]	($m)	**67,321**	62,073	57,563	58,024	59,296
Bank net interest margin	(%)	**1.96**	1.93	2.07	1.94	1.90
Bank cost-to-income ratio	(%)	**51.8**	59.0	57.1	57.3	56.2
Effective income tax rate	(%)	**29.4**	16.5	30.6	32.1	29.8
Financial Strength						
Total assets	($m)	**114,983**	106,378	96,857	95,747	96,235
Net assets	($m)	**13,347**	12,783	13,448	12,784	13,133
Net tangible assets backing per share	($)	**6.36**	5.95	6.40	5.89	5.93
Group excess to Common Equity Tier 1 capital target (ex dividend)	($m)	**34**	82	773	823	989
General insurance group total capital ratio (ex dividend)	(times PCA[3])	**1.63**	1.74	1.66	1.67	1.60
Bank Common Equity Tier 1 capital ratio[5]	(% RWA[4])	**10.39**	9.08	10.07	9.34	9.27
Shareholder summary						
Ordinary share price at end of year[6]	($)	**13.49**	10.98	11.11	9.23	13.47
Number of ordinary shares at end of period[7]	(million)	**1,265**	1,261	1,280	1,276	1,293
Ordinary dividend per ordinary share, fully franked	(cents)	**60**	40	66	36	70
Special dividend per ordinary share, fully franked	(cents)	**-**	-	8	-	8
Dividend payout ratio (excluding special dividend)	(%)	**60.4**	74.9	79.3	60.7	81.2
Dividend payout ratio (including special dividend)	(%)	**60.4**	74.9	88.9	60.7	90.5
Market Capitalisation[8]	($m)	**17,086**	13,863	14,254	11,811	17,491

A summary of our non-financial performance is included in the FY23 Sustainability Data Pack.

1. FY20 impacted by the sale of Capital S.M.A.R.T and ACM Parts, which resulted in a $285 million gain. FY19 impacted by the sale of the Australian Life business, which resulted in a $910 million loss.
2. Bank Total Lending balances for all periods have been restated to include 'Other Lending'
3. Prescribed Capital Amount
4. Risk-Weighted Assets
5. FY23 figure presented under Basel III effective 1 January 2023. All other periods have not been restated.
6. The Group structure has altered over the performance period as a result of the divestment of the Australian Life business, Capital S.M.A.R.T and ACM Parts, and other corporate activity.
7. Excluding Treasury shares
8. Market capitalisation calculated using total shares which includes Treasury shares. This also reflects capital management initiatives completed during the performance period.

Stock exchange information

The number of quoted securities as at 30 June 2023 and the respective codes for those securities are set out below.

Suncorp Group Limited

ASX Security code	Number of securities
SUN	1,266,542,392 ordinary shares
SUNPG	3,750,000 capital notes
SUNPH	3,890,000 capital notes
SUNPI	4,050,000 capital notes

American depository receipts (ADR) program

ADRs are securities issued in the United States which replicate locally issued ordinary shares that are denominated and pay dividends in US dollars.

Suncorp Group Limited ADRs are negotiable certificates issued by Deutsche Bank AG, with one ADR representing one Suncorp Group Limited ordinary share. They are traded under the symbol SNMCY and are classified as sponsored Level 1.

Five-year summary statistics

		FY23	FY22	FY21	FY20	FY19
Ordinary share price at end of year	($)	**13.49**	10.98	11.11	9.23	13.47
Number ordinary shares on issue at end of period	(million)	**1,267**	1,263	1,283	1,280	1,299
Market capitalisation[1]	($million)	**17,086**	13,863	14,254	11,811	17,491
Dividend per ordinary share, fully franked	(cents)	**60**	40	74	36	78
Interim	(cents)	**33**	23	26	26	26
Final	(cents)	**27**	17	40	10	44
Special	(cents)	**-**	-	8	-	8

Note: the information above is as at 30 June.

1. Market capitalisation calculated using total shares which includes Treasury shares. This also reflects capital management initiatives completed during the performance period.

Holdings analysis by security

SUNCORP GROUP LIMITED ORDINARY SHARES (ASX: SUN)

The table below shows the top 20 Suncorp ordinary shareholders, including shareholders that may hold shares for the benefit of third parties. This information is current as at 30 June 2023.

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	364,636,795	28.79
J P Morgan Nominees Australia Pty Limited	210,178,891	16.59
Citicorp Nominees Pty Limited	156,764,373	12.38
National Nominees Limited	61,342,255	4.84
BNP Paribas Noms Pty Ltd (DRP)	32,921,185	2.60
BNP Paribas Nominees Pty Ltd (Agency Lending DRP a/c)	11,480,933	0.91
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	10,786,522	0.85
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp a/c)	8,654,729	0.68
Argo Investments Limited	7,496,097	0.59
Pacific Custodians Pty Limited (EPS Ctrl a/c)	6,396,462	0.51
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP a/c)	5,388,148	0.43
Washington H Soul Pattinson and Company Limited	3,708,120	0.29
HSBC Custody Nominees (Australia) Limited - a/c 2	3,365,638	0.27
UBS Nominees Pty Ltd	3,283,442	0.26
Netwealth Investments Limited (Wrap Services a/c)	2,573,778	0.20
HSBC Custody Nominees (Australia) Limited	2,368,682	0.19
Pacific Custodians Pty Limited (EIP TST a/c)	2,024,557	0.16
BNP Paribas Noms(NZ) Ltd (DRP)	1,822,557	0.14
BKI Investment Company Limited	1,531,408	0.12
Citicorp Nominees Pty Limited (143212 NMMT Ltd a/c)	1,336,888	0.11

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1,000	82,518	36,484,828	2.88
1,001 to 5,000	60,201	134,785,834	10.64
5,001 to 10,000	9,253	65,102,464	5.14
10,001 to 100,000	5,205	106,693,004	8.42
10,0001 and over	116	923,476,262	72.91

The number of investors holding less than a marketable parcel of 38 securities (less than $500 based on a market price of $13.49 on 30 June 2023) is 4,313 and they hold a total of 63,169 securities.

Voting rights

Fully paid ordinary shareholders are entitled to vote at any meeting of members of the Company in person or by proxy and their voting rights are:

- on a show of hands – one vote per shareholder
- on a poll – one vote per fully paid ordinary share.

Substantial shareholders

A person has a 'substantial holding' of a company's shares within the meaning of the Corporations Act if the total votes attached to their voting shares (in which they or their associates have relevant interests) is 5% or more of any class of voting shares. As at 30 June 2023 the following substantial shareholdings were recorded in the Company's register of substantial shareholdings:

Substantial shareholder	Number of ordinary shares	% issued capital
BlackRock Group[1]	77,418,312	6.11
State Street Corporation[2]	75,086,020	5.93
FIL Limited[3]	70,911,520	5.60
The Vanguard Group, Inc.[4]	68,352,072	5.40

1. Substantial shareholder notice dated 21 July 2017
2. Substantial shareholder notice dated 4 November 2021
3. Substantial shareholder notice dated 24 January 2023
4. Substantial shareholder notice dated 28 June 2022

Dividend Reinvestment Plan

Suncorp's Dividend Reinvestment Plan (DRP) allows eligible shareholders to reinvest all or part of their ordinary dividends in the Company's shares, with no brokerage or transaction costs.

Shareholders wishing to join the DRP for future dividends should advise our share registry, Link Market Services, by updating their preferences online or contacting the registry via phone by no later than 5pm AEST on the business day following the record date for each dividend payment.

Shareholders may vary their participation or withdraw from the DRP at any time. Further information is available on the Suncorp Group website or by contacting Link Market Services.

SUNCORP GROUP LIMITED CAPITAL NOTES 2 (SUNPG)

Top 20 holders

Name	Number of securities	% issued capital
Citicorp Nominees Pty Limited (143212 NMMT Ltd a/c)	177,886	4.74
HSBC Custody Nominees (Australia) Limited	136,958	3.65
Mutual Trust Pty Ltd	106,703	2.85
Navigator Australia Ltd (JB Were List Fix INT SMA a/c)	80,116	2.14
Eastcote Pty Ltd (Van Lieshout Family a/c)	80,000	2.13
Citicorp Nominees Pty Limited	74,513	1.99
National Nominees Limited	73,552	1.96
Dimbulu Pty Ltd	60,000	1.60
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	58,138	1.55
Netwealth Investments Limited (Wrap Services a/c)	44,276	1.18
BNP Paribas Nominees Pty Ltd (Pitcher Partners DRP)	40,189	1.07
J P Morgan Nominees Australia Pty Limited	31,237	0.83
IOOF Investment Services Limited (IPS Superfund a/c)	26,726	0.71
Invia Custodian Pty Limited (Wehi - Investment Pool a/c)	23,955	0.64
HSBC Custody Nominees (Australia) Limited - a/c 2	20,839	0.56
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	20,231	0.54
Navigator Australia Ltd (MLC Investment Sett a/c)	19,079	0.51
First Samuel Ltd Acn 086243567 (ANF ITS MDA Clients a/c)	15,085	0.40
Invia Custodian Pty Limited (A/M Unit a/c)	14,650	0.39
Citicorp Nominees Pty Limited (DPSL a/c)	14,493	0.39

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1,000	4,644	1,513,206	40.35
1,001 to 5,000	407	850,968	22.69
5,001 to 10,000	30	232,971	6.21
10,001 to 100,000	20	731,308	19.50
100,001 and over	3	421,547	11.24

The number of investors holding less than a marketable parcel of five securities (less than $500 based on a market price of $102.20 on 30 June 2023) is two and they hold a total of two securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

SUNCORP GROUP LIMITED CAPITAL NOTES 3 (SUNPH)

Top 20 holders

Name	Number of securities	% issued capital
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP a/c)	145,513	3.74
HSBC Custody Nominees (Australia) Limited	141,408	3.64
BNP Paribas Nominees Pty Ltd (Pitcher Partners DRP)	114,107	2.93
Mutual Trust Pty Ltd	80,810	2.08
Diocese Development Fund - Catholic Diocese of Parramatta	60,432	1.55
Netwealth Investments Limited (Wrap Services a/c)	54,599	1.40
John E Gill Trading Pty Ltd	44,992	1.16
National Nominees Limited	42,123	1.08
Federation University Australia	39,841	1.02
Eastcote Pty Ltd (Van Lieshout Family a/c)	39,000	1.00
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP)	30,532	0.78
J P Morgan Nominees Australia Pty Limited	29,889	0.77
Invia Custodian Pty Limited (A/M Unit a/c)	26,150	0.67
Fopar Nominees Pty Ltd	25,000	0.64
Citicorp Nominees Pty Limited	19,964	0.51
Invia Custodian Pty Limited (Baptistcare Long Term a/c)	19,200	0.49
Corp Of The Tstees Of The Roman Cath Arc	15,000	0.39
Cavillwood Investments Pty Ltd	14,670	0.38
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	13,896	0.36
Invia Custodian Pty Limited (Mudgerabah Pty Ltd a/c)	12,250	0.31

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1,000	5,217	1,646,262	42.32
1,001 to 5,000	464	950,652	24.44
5,001 to 10,000	41	303,110	7.79
10,001 to 100,000	19	588,948	15.14
100,001 and over	3	401,028	10.31

The number of investors holding less than a marketable parcel of five securities (less than $500 based on a market price of $101.45 on 30 June 2023) is four and they hold a total of four securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

SUNCORP GROUP LIMITED CAPITAL NOTES 4 (SUNPI)

Top 20 holders

Name	Number of securities	% issued capital
Citicorp Nominees Pty Limited	218,497	5.39
HSBC Custody Nominees (Australia) Limited	142,851	3.53
BNP Paribas Nominees Pty Ltd (Pitcher Partners DRP)	140,064	3.46
Netwealth Investments Limited (Wrap Services a/c)	134,400	3.32
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP a/c)	130,133	3.21
J P Morgan Nominees Australia Pty Limited	79,399	1.96
Mutual Trust Pty Ltd	74,855	1.85
Leda Holdings Pty Ltd	60,000	1.48
National Nominees Limited	53,473	1.32
Dimbulu Pty Ltd	50,000	1.23
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP)	34,320	0.85
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	25,730	0.64
Netwealth Investments Limited (Super Services a/c)	24,839	0.61
Teresina Pty Ltd (Barob Pty Ltd Super a/c)	22,830	0.56
Anglicare SA Ltd	20,000	0.49
The Trust Company (Australia) Limited (WCCTFI a/c)	20,000	0.49
Navigator Australia Ltd (MLC Investment Sett a/c)	19,982	0.49
Premium Capital (Aust) Pty Ltd	13,050	0.32
Mark Bowden (Pastoral Group) Pty Ltd (The Bowden Pastoral a/c)	10,120	0.25
AC International Group Pty Ltd (AC International Family a/c)	10,000	0.25
Fibora Pty Ltd	10,000	0.25
Inverleigh Nominees Pty Ltd	10,000	0.25
Invia Custodian Pty Limited (A/M Unit a/c)	10,000	0.25
Moneybourne Pty Ltd (Logan Family a/c)	10,000	0.25

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1,000	4,483	1,560,797	38.54
1,001 to 5,000	481	1,049,326	25.91
5,001 to 10,000	21	165,334	4.08
10,001 to 100,000	14	508,598	12.56
100,001 and over	5	765,945	18.91

The number of investors holding less than a marketable parcel of six securities (less than $500 based on a market price of $99.92 on 30 June 2023) is four and they hold a total of 13 securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

Unquoted Securities

The number of unquoted securities as at 30 June 2023 and the respective codes for these securities are set out below.

ASX Security code	Number of securities	Number of holders
SUNAB	2,273,046 share rights	181
SUNAD	860,402 performance rights	10

Voting rights

Unquoted security holders have no voting rights at general meetings of members of the Company.

Financial calendar and key payment dates

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

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

Suncorp Group Limited (SUN)	
Full year results and final dividend announcement	**9 August 2023**
Final ordinary dividend ex-dividend date	14 August 2023
Final ordinary dividend record date	15 August 2023
Final ordinary dividend payment date	25 September 2023
Annual General Meeting	**26 September 2023**
Half year results and interim dividend announcement	**21 February 2024**
Interim ordinary dividend ex-dividend date	26 February 2024
Interim ordinary dividend record date	27 February 2024
Interim ordinary dividend payment date	17 April 2024

Suncorp Group Limited Capital Notes 2 (SUNPG)	
Ex-distribution date	1 September 2023
Distribution payment date	18 September 2023
Ex-distribution date	1 December 2023
Distribution payment date	18 December 2023
Ex-distribution date	1 March 2024
Distribution payment date	18 March 2024
Ex-distribution date	30 May 2024
Distribution payment date	17 June 2024

Suncorp Group Limited Capital Notes 3 (SUNPH)	
Ex-distribution date	1 September 2023
Distribution payment date	18 September 2023
Ex-distribution date	1 December 2023
Distribution payment date	18 December 2023
Ex-distribution date	1 March 2024
Distribution payment date	18 March 2024
Ex-distribution date	30 May 2024
Distribution payment date	17 June 2024

Suncorp Group Limited Capital Notes 4 (SUNPI)	
Ex-distribution date	1 September 2023
Distribution payment date	18 September 2023
Ex-distribution date	1 December 2023
Distribution payment date	18 December 2023
Ex-distribution date	1 March 2024
Distribution payment date	18 March 2024
Ex-distribution date	30 May 2024
Distribution payment date	17 June 2024

How to contact us

Registered office

Level 23
Heritage Lanes
80 Ann Street
Brisbane, Qld 4000

Company Secretaries

Darren Solomon

Cassandra Hamlin

Auditors

KPMG
Level 16, Riparian Plaza
71 Eagle Street
Brisbane, Qld 4000

Share registry contact details

Link Market Services Limited
PO Box A50
Sydney South, NSW 1235
Australia

suncorp@linkmarketservices.com.au
linkmarketservices.com.au

1300 882 012 (inside Australia) or
+61 2 8767 1219 (outside Australia)

Managing your shareholding

Shareholders can go to the Link Market Services Investor Centre website to:

- update personal details
- view details of holding(s) such as your holding balance
- view notices of shareholder meetings, financial reports and other registry communications such as dividend statements
- register an email address for payment advices and registry communications
- obtain and complete forms to have payments made directly to their Australian or New Zealand bank, building society or credit union account
- elect to participate in, vary or withdraw from the DRP.

For assistance with the above or any other administrative questions regarding your holding please contact Link Market Services using the contact details provided above.

In all communications with the Share Registry, please ensure you quote your Securityholder Reference Number (SRN), or in case of broker sponsored shareholders, your Holder Identification Number (HIN).

Suncorp Investor Centre

The Suncorp Group website has a dedicated section for investors: suncorpgroup.com.au/investors.

Investors can access current and historic Company announcements, results announcement materials, the full suite of Suncorp reports and our latest financial calendar and key payment dates for all securities.

Investors can also subscribe to receive regular email updates on the latest Suncorp news and announcements via our Suncorp Group website.

For any other investor queries please contact the Suncorp Investor Relations team by email to investor.relations@suncorp.com.au.

Customer Relations

If you have a complaint, compliment or suggestion, please contact our Customer Relations Team via:

Phone: 1800 689 762 (Mon–Fri 9am–5pm AEST)

Mail:
Suncorp
Customer Relations – RE058
Reply Paid 1453
BRISBANE QLD 4001

Email: customer.relations@suncorp.com.au

In person: Visit your nearest branch

For other enquires

For any other customer or general queries please visit suncorpgroup.com.au/contact

To see more, go online
suncorpgroup.com.au

Connect
suncorpgroup.com.au
@SuncorpGroup
@SuncorpGroup

Suncorp Group Limited
ABN 66 145 290 124