Suncorp-Metway Limited and subsidiaries
ABN 66 010 831 722

Consolidated interim financial report

For the half-year ended 31 December 2022

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Consolidated interim statement of comprehensive income

For the half-year ended 31 December 2022

	Note	Dec 2022 $M	Dec 2021 $M
Interest income	5.1	1,342	779
Interest expense	5.1	(617)	(158)
Net interest income	5.1	725	621
Other operating income	5.2	12	14
Total net operating income		737	635
Operating expenses		(375)	(366)
Impairment (loss) release on financial assets	7.2	(2)	16
Profit before income tax		360	285
Income tax expense		(108)	(85)
Profit for the period attributable to owners of the Company		252	200
Other comprehensive loss			
Items that will be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges		(20)	(21)
Net change in fair value of investment securities		12	(21)
Income tax benefit		2	12
Total other comprehensive loss for the period		(6)	(30)
Total comprehensive income for the period attributable to owners of the Company		246	170

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

Consolidated interim statement of financial position

As at 31 December 2022

	Note	Dec 2022 $M	Jun 2022 $M
Assets			
Cash and cash equivalents		1,902	609
Receivables due from other banks		4,837	2,490
Trading securities		1,950	2,722
Derivatives		475	579
Investment securities		5,361	5,949
Loans and advances	6	64,691	61,856
Due from related parties		272	221
Deferred tax assets		126	127
Other assets		205	167
Total assets		79,819	74,720
Liabilities			
Payables due to other banks		75	165
Deposits	8	50,995	48,125
Derivatives		574	559
Payables and other liabilities		373	201
Due to related parties		72	135
Borrowings	9	22,870	20,910
Subordinated notes		600	600
Total liabilities		75,559	70,695
Net assets		4,260	4,025
Equity			
Share capital	10	2,754	2,754
Capital notes	11	560	560
Reserves		(62)	(56)
Retained profits		1,008	767
Total equity attributable to owners of the Company		4,260	4,025

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

Consolidated interim statement of changes in equity

For the half-year ended 31 December 2022

	Note	Share capital $M	Capital notes $M	Reserves $M	Retained profits $M	Total equity $M
Balance as at 1 July 2021		2,754	585	(234)	1,205	4,310
Profit for the period		-	-	-	200	200
Total other comprehensive loss for the period		-	-	(30)	-	(30)
Total comprehensive (loss) income for the period		-	-	(30)	200	170
Transactions with owners, recorded directly in equity						
Dividends paid	3	-	-	-	(226)	(226)
Transfers		-	-	5	(5)	-
Capital notes issued	11	-	350	-	-	350
Balance as at 31 December 2021		2,754	935	(259)	1,174	4,604
Balance as at 1 July 2022[1]		2,754	560	(56)	767	4,025
Profit for the period		-	-	-	252	252
Total other comprehensive loss for the period		-	-	(6)	-	(6)
Total comprehensive (loss) income for the period		-	-	(6)	252	246
Transactions with owners, recorded directly in equity						
Dividends paid	3	-	-	-	(11)	(11)
Balance as at 31 December 2022		2,754	560	(62)	1,008	4,260

1 The balance of the common control reserve of $372 million was released to retained profits during the second half of the financial year ended 30 June 2022.

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

Consolidated interim statement of cash flows

For the half-year ended 31 December 2022

	Note	Dec 2022 $M	Dec 2021 $M
Cash flows from operating activities			
Interest received		1,249	759
Interest paid		(438)	(159)
Fees and other operating income received		113	219
Fees and operating expenses paid		(575)	(471)
Reimbursement to related parties for income tax payments		(123)	(120)
Changes in operating assets and liabilities arising from cash flow movements			
Trading securities		775	(568)
Loans and advances		(2,797)	(1,044)
Due to/from related parties		4	10
Deposits		2,870	3,242
Net cash from operating activities		1,078	1,868
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		1,896	1,675
Payments for acquisition of investment securities		(1,108)	(1,759)
Net cash from (used in) investing activities		788	(84)
Cash flows from financing activities			
Proceeds from borrowings	9	10,315	6,800
Repayment of borrowings, including transaction costs	9	(8,440)	(6,117)
Payments for the redemption of subordinated notes		-	(72)
Proceeds from issue of capital notes	11	-	350
Dividends paid	3	(11)	(226)
Net cash from financing activities		1,864	735
Net increase in cash and cash equivalents		3,730	2,519
Cash and cash equivalents at the beginning of the period		2,934	1,460
Cash and cash equivalents at the end of the period		6,664	3,979
Cash and cash equivalents at the end of the period comprises:			
Cash and cash equivalents		1,902	90
Receivables due from other banks		4,837	4,004
Payables due to other banks		(75)	(115)
		6,664	3,979

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

Notes to the consolidated interim financial statements

For the half-year ended 31 December 2022

1. Reporting entity

Suncorp-Metway Limited (the **Company**) is a public company domiciled in Australia. Its registered office is at Level 23, 80 Ann Street, Brisbane, Qld, 4000.

The consolidated interim financial statements for the half-year ended 31 December 2022 comprise the Company and its subsidiaries (the **Group**) and were authorised for issue by the Board of Directors on 8 February 2023.

The Company's immediate parent entity is SBGH Limited and its ultimate parent entity is Suncorp Group Limited (**SGL**). SGL and its subsidiaries are referred to as the **Suncorp Group**.

The Group's principal activities during the course of the half-year were the provision of banking and related services to the retail, corporate and commercial sectors in Australia. The Group conducts the banking operations of the Suncorp Group.

The Company is an Authorised Deposit-taking Institution (**ADI**).

Following a comprehensive strategic review, the Suncorp Group announced on 18 July 2022 it has signed a share sale and purchase agreement (**SPA**) with Australia and New Zealand Banking Group Limited (**ANZ**) to sell the Company's immediate parent entity, SBGH Limited. The sale is subject to regulatory approvals from the Federal Treasurer and the Australian Competition and Consumer Commission, and both Suncorp Group and ANZ will engage with the Queensland Government in relation to the *State Financial Institutions and Metway Merger Act 1996 (Qld)*. The sale is expected to be completed in the second half of the 2023 calendar year. The sale does not impact the measurement of the assets and liabilities of the Company or the Group.

2. Basis of preparation

The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The consolidated interim financial report does not include all of the information required for a full consolidated annual financial report and should be read in conjunction with the consolidated financial report of the Group for the financial year ended 30 June 2022. The consolidated financial report of the Group for the financial year ended 30 June 2022 is available upon request from the Company's registered office or at suncorpgroup.com.au/investors/reports.

All accounting policies applied by the Group in this consolidated interim financial report are the same as those applied in its consolidated financial report for the financial year ended 30 June 2022.

All financial information presented has been rounded to the nearest one million dollars unless otherwise stated.

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

2.1 Use of estimates and judgments

The preparation of consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

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

The ongoing uncertainties associated with COVID-19 have moderated, however new risks associated with labour shortages, inflationary pressures, cash rate movements and geopolitical tensions have emerged. While the effects of these risks do not change the areas requiring significant estimation and judgment in the preparation of financial statements, it has resulted in estimation uncertainty and application of further judgment within those identified areas, and where relevant is disclosed in the notes to this interim financial report. Consistent with previous periods, the most significant area impacted by the economic outlook is the provision for impairment on financial assets which is outlined in note 7.3.

3. Dividends

		Dec 2022		Dec 2021	
	Note	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares					
2022 final dividend[1] (December 2021: 2021 final dividend)		-	-	77	216
Dividend payments on capital notes	11		11		10
Total dividends			11		226
Dividends not recognised in the consolidated interim statement of financial position					
Dividends determined since reporting date					
2023 interim dividend (December 2021: 2022 interim dividend)		48	135	67	189
			135		189

1 The directors determined that a 2022 final dividend would not be paid.

4. Segment reporting

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

As the Group operates in only one segment, the consolidated results of the Group are also its segment results for the current and prior periods.

5. Net operating income

5.1. Net interest income

	Dec 2022 $M	Dec 2021 $M
Interest income		
Cash and cash equivalents	3	-
Receivables due from other banks	45	-
Trading securities	20	1
Investment securities	75	18
Loans and advances	1,199	760
Total interest income	1,342	779
Interest expense		
Deposits	(335)	(63)
Derivatives[1]	(10)	(1)
Borrowings		
at amortised cost	(233)	(86)
designated at fair value through profit or loss	(26)	(1)
Subordinated notes	(13)	(7)
Total interest expense	(617)	(158)
Net interest income	725	621

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.

5.2. Other operating income

	Dec 2022 $M	Dec 2021 $M
Banking fee and commission income	81	75
Banking fee and commission expense	(82)	(73)
Net banking fee and commission (expense) income	(1)	2
Net gains (losses) on:		
Trading securities at fair value through profit or loss	3	(3)
Borrowings at fair value through profit or loss	(2)	1
Derivative financial instruments at fair value through profit or loss	4	(3)
Amount recycled into profit or loss on derecognition of investment securities at fair value through other comprehensive income	2	14
Other revenue	6	3
	13	12
Total other operating income	12	14

6. Loans and advances

	Note	Dec 2022 $M	Jun 2022 $M
Retail loans			
Housing loans		47,874	45,616
Securitised housing loans and covered bonds		4,971	4,598
Personal loans		51	67
		52,896	50,281
Business loans			
Commercial		5,165	4,884
SME		2,646	2,641
Agribusiness		4,195	4,267
		12,006	11,792
Gross loans and advances		64,902	62,073
Provision for impairment	7.1	(211)	(217)
Net loans and advances		64,691	61,856

7. Provision for impairment on financial assets

7.1 Reconciliation of provision for impairment on financial assets

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

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

7.2 Impairment loss (release) on financial assets

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

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

7.3 Expected credit loss model methodology, estimates and assumptions

Significant estimates, judgments and assumptions

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

Reported expected credit loss

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

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

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

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

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

Downside sensitivity expected credit loss

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

– residential and commercial property prices;

– the unemployment rate; and

– a combination of simultaneous adverse movements in the above variables.

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

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

8. Deposits

	Dec 2022 $M	Jun 2022 $M
At-call transactions deposits	20,385	20,805
At-call savings deposits	16,137	15,832
Term deposits	14,473	11,488
Total deposits	50,995	48,125

9. Issues and repayments of borrowings

	Dec 2022 $M	Jun 2022 $M	Dec 2021 $M
Balance at beginning of period	20,910	19,537	18,746
Cash flows			
Proceeds	10,315	2,715	6,800
Repayments	(8,435)	(1,434)	(6,115)
Transaction costs	(5)	(4)	(2)
Non-cash changes	85	96	108
Balance as at end of period	22,870	20,910	19,537

10. Share capital

There have been no issues or buy-backs of issued capital during the current half-year. As at 31 December 2022, the number of ordinary shares on issue was 282,147,584 (30 June 2022: 282,147,584).

11. Capital notes

	Dec 2022		Jun 2022	
	No of notes	$M	No of notes	$M
Issued on 18 December 2017	1,750,000	175	1,750,000	175
Issued on 27 May 2019	350,000	35	350,000	35
Issued on 23 September 2021	3,500,000	350	3,500,000	350
Balance at the end of the financial period	5,600,000	560	5,600,000	560

	Dec 2022		Dec 2021	
	Cents per note	$000	Cents per note	$000
Dividend payments on capital notes				
Issued on 5 May 2017[1]				
September quarter	-	-	73	2,725
December quarter	-	-	72	2,692
Issued on 18 December 2017				
September quarter	98	1,719	65	1,133
December quarter	113	1,982	64	1,119
Issued on 27 May 2019				
September quarter	98	344	65	227
December quarter	113	396	64	224
Issued on 23 September 2021				
September quarter	85	2,965	-	-
December quarter	100	3,507	48	1,664
Total dividend payments on capital notes		10,913		9,784

1 The capital notes issued on 5 May 2017 were bought back through a cash settlement on 17 June 2022.

The capital notes are perpetual, subordinated notes issued to the Group's ultimate parent entity, SGL. The capital notes are unsecured and pay periodic, non-cumulative dividends to the holder, based on a set formula (bank bill swap rate + margin) x (1 - corporate tax rate). Such dividends are at the discretion of the directors of the Company.

12. 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 measurement is not based on observable market data. The valuation techniques include the use of discounted cash flow models.

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.

	Dec 2022				Jun 2022			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets								
Trading securities	-	1,950	-	1,950	-	2,722	-	2,722
Investment securities	-	5,361	-	5,361	631	5,318	-	5,949
Derivatives	2	473	-	475	2	577	-	579
	2	7,784	-	7,786	633	8,617	-	9,250
Financial liabilities								
Offshore commercial paper[1]	-	1,856	-	1,856	-	1,842	-	1,842
Derivatives	-	574	-	574	1	558	-	559
	-	2,430	-	2,430	1	2,400	-	2,401

1 Designated as financial liabilities at fair value through profit or loss. Disclosed within the consolidated interim statement of financial position category of 'Borrowings'.

There have been no transfers between level 1 and level 2 and no transfers into or out of level 3 during the current or prior half-year.

Financial assets and liabilities not measured at fair value

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

			Fair value			
	Note	Carrying value $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 31 December 2022						
Financial assets						
Loans and advances	6	64,691	-	-	64,256	64,256
		64,691	-	-	64,256	64,256
Financial liabilities						
Deposits	8	50,995	-	50,875	-	50,875
Borrowings[1]		21,014	-	20,923	-	20,923
Subordinated notes		600	-	600	-	600
		72,609	-	72,398	-	72,398
As at 30 June 2022						
Financial assets						
Loans and advances	6	61,856	-	-	61,314	61,314
		61,856	-	-	61,314	61,314
Financial liabilities						
Deposits	8	48,125	-	47,978	-	47,978
Borrowings[1]		19,068	-	18,966	-	18,966
Subordinated notes		600	-	604	-	604
		67,793	-	67,548	-	67,548

1 Borrowings excludes short-term offshore commercial paper which are designated as financial liabilities at fair value through profit or loss.

13. Related parties

Arrangements for related parties continue to be in place as disclosed in the Group's consolidated financial report for the financial year ended 30 June 2022.

14. Contingent liabilities

There are contingent liabilities facing the Group in respect of the matters below. The Group is of the opinion that the outcome and total costs arising from these matters remains uncertain at this time and as such have not been provided for.

Regulatory and internal reviews

Reviews, enquiries and findings 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. The Group conducts its own internal reviews of its regulatory compliance, which it may disclose to the regulators, and which may result in similar costs.

In recent periods, a number of regulators including Australian Securities and Investments Commission (**ASIC**), Australian Prudential Regulation Authority (**APRA**), Australian Competition and Consumer Commission, Australian Transaction Reports and Analysis Centre (**AUSTRAC**) and the Australian Taxation Office 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 and AUSTRAC.

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

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

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 and the outflow becomes probable, then the amount would be provisioned.

Customer remediation and complaints

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

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

An assessment of the likely cost to the Group of these reviews and actions 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 and the outflow becomes probable, the amount has been provisioned.

Royal Commission

The 2019 report of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (**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. While it has been more than three years since the final Report was issued, it ultimately remains uncertain whether any other enquiries or claims may arise following the case studies and observations in the Report.

Litigation

There are outstanding court proceedings, 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 and the outflow becomes probable, the amount has been provisioned.

Other

A non-material subsidiary of the Company acts as the trustee for a trust. In this capacity, the subsidiary is liable for the debts of the trust but is entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trust.

The Company issued a letter of financial support to the directors of Suncorp Metway Advances Corporation Pty Ltd (**SMAC**), a wholly owned subsidiary of the Company. The letter confirmed that necessary financial support will be provided in the event SMAC is unable to meet its financial obligations as and when they fall due. No provision has been recognised in the Company's statement of financial position for the amount of the financial support provided as the likelihood of SMAC being unable to meet its financial obligations is determined as not being probable.

In the ordinary course of business, the Group enters into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.

15. Subsequent events

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

Directors' declaration

The directors of Suncorp-Metway Limited (the **Company**) declare that in their opinion:

1) The consolidated interim financial statements and notes set out on pages 2 to 15:

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

   b. comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting*; and

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

Signed in accordance with a resolution of the directors:

CHRISTINE MCLOUGHLIN, AM

Chairman

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

8 February 2023

KPMG

Independent Auditor's Review Report

To the shareholder of Suncorp-Metway Limited

Report on the Consolidated Interim Financial Report

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Consolidated Interim Financial Report of Suncorp-Metway Limited is not in accordance with *Australian Accounting Standards*, including:

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

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

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

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

Basis for Conclusion

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

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

Responsibilities of the Directors for the Consolidated Interim Financial Report

The Directors of the Group are responsible for:

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

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

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

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

KPMG

KPMG

Kim Lawry
Partner
Sydney
8 February 2023