Suncorp-Metway Limited and subsidiaries
ABN 66 010 831 722

Consolidated interim financial report

For the half-year ended 31 December 2023

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Consolidated interim statement of comprehensive income

For the half-year ended 31 December 2023

	Note	Dec 2023 $M	Dec 2022 $M
Interest income	5.1	2,026	1,342
Interest expense	5.1	(1,360)	(617)
Net interest income	5.1	666	725
Other operating income	5.2	(5)	12
Total net operating income		661	737
Operating expenses		(386)	(375)
Impairment expense on financial assets	7.2	(1)	(2)
Profit before income tax		274	360
Income tax expense		(82)	(108)
Profit for the period attributable to owners of the Company		192	252
Other comprehensive income (loss)			
Items that will be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges		164	(20)
Net change in fair value of investment securities		(1)	12
Income tax (expense) benefit		(49)	2
Total other comprehensive income (loss) for the period		114	(6)
Total comprehensive income for the period attributable to owners of the Company		306	246

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 2023

	Note	Dec 2023 $M	Jun 2023 $M
Assets			
Cash and cash equivalents		2,079	2,927
Receivables due from other banks		848	1,788
Trading securities		3,351	2,218
Derivatives		357	501
Investment securities		6,914	6,431
Loans and advances	6	68,310	67,102
Due from related parties		199	165
Deferred tax assets		77	136
Other assets		238	240
Total assets		82,373	81,508
Liabilities			
Payables due to other banks		106	121
Deposits	8	52,535	51,434
Derivatives		447	520
Payables and other liabilities		531	432
Due to related parties		51	90
Borrowings	9	23,619	24,009
Subordinated notes		600	600
Total liabilities		77,889	77,206
Net assets		4,484	4,302
Equity			
Share capital	10	2,754	2,754
Capital notes	11	560	560
Reserves		32	(82)
Retained profits		1,138	1,070
Total equity attributable to owners of the Company		4,484	4,302

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 2023

	Note	Share capital $M	Capital notes $M	Reserves $M	Retained profits $M	Total equity $M
Balance as at 1 July 2022		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
Balance as at 1 July 2023		2,754	560	(82)	1,070	4,302
Profit for the period		-	-	-	192	192
Total other comprehensive income for the period		-	-	114	-	114
Total comprehensive income for the period		-	-	114	192	306
Transactions with owners, recorded directly in equity						
Dividends paid	3	-	-	-	(124)	(124)
Balance as at 31 December 2023		2,754	560	32	1,138	4,484

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 2023

	Note	Dec 2023 $M	Dec 2022 $M
Cash flows from operating activities			
Interest received		1,983	1,249
Interest paid		(1,312)	(438)
Fees and other operating income received		128	113
Fees and operating expenses paid		(543)	(575)
Reimbursement to related parties for income tax payments		(47)	(123)
Changes in operating assets and liabilities arising from cash flow movements			
Trading securities		(1,129)	775
Loans and advances		(1,199)	(2,797)
Due from/to related parties		9	4
Deposits		1,101	2,870
Net cash (used in) from operating activities		(1,009)	1,078
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		2,413	1,896
Payments for acquisition of investment securities		(2,585)	(1,108)
Net cash (used in) from investing activities		(172)	788
Cash flows from financing activities			
Proceeds from borrowings	9	11,611	10,315
Repayment of borrowings, including transaction costs	9	(12,079)	(8,440)
Dividends paid	3	(124)	(11)
Net cash (used in) from financing activities		(592)	1,864
Net (decrease) increase in cash and cash equivalents		(1,773)	3,730
Cash and cash equivalents at the beginning of the period		4,594	2,934
Cash and cash equivalents at the end of the period		2,821	6,664
Cash and cash equivalents at the end of the period comprises:			
Cash and cash equivalents		2,079	1,902
Receivables due from other banks		848	4,837
Payables due to other banks		(106)	(75)
		2,821	6,664

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 2023

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 2023 comprise the Company and its subsidiaries (the **Group**) and were authorised for issue by the Board of Directors on 26 February 2024.

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 retail, commercial, small and medium enterprises and agribusiness customers in Australia. The Group conducts the banking operations of the Suncorp Group.

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

On 18 July 2022, following a comprehensive strategic review, Suncorp Group announced it had 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.

On 4 August 2023, the Australian Competition and Consumer Commission (**ACCC**) announced it would deny authorisation of the planned sale. On 25 August 2023, ANZ announced it had filed an application for Australian Competition Tribunal (the **Tribunal**) review of the decision by the ACCC not to grant authorisation for ANZ's proposed acquisition of SBGH Limited and Suncorp Group would support ANZ during the process.

On 20 February 2024, the Tribunal granted authorisation of the planned sale of SBGH Limited to ANZ. 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, Suncorp Group expects the sale to complete around the middle of the 2024 calendar year. The sale does not impact the measurement of the assets and liabilities of the Company or the Group as of the date of this report.

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 2023. The consolidated financial report of the Group for the financial year ended 30 June 2023 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 2023.

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 2023.

The changes in estimates and the movements over the half-year ended 31 December 2023 for the provision for impairment and gross carrying amount of loans and advances in different expected credit loss (ECL) stages are set out in note 7.

3. Dividends

		Dec 2023		Dec 2022	
	Note	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares					
2023 final dividend (December 2022: 2022 final dividend[1])		39	110	-	-
Dividend payments on capital notes	11		14		11
Total dividends			124		11
Dividends not recognised in the consolidated interim statement of financial position					
Dividends determined since reporting date					
2024 interim dividend (December 2022: 2023 interim dividend)		46	131	48	135
			131		135

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 2023.

As the Group operates in only one segment, being Banking, the consolidated results of the Group are also its segment results for the current and prior periods. Further information with respect to the products offered to customers is disclosed in note 6 and note 8.

5. Net operating income

5.1. Net interest income

	Dec 2023 $M	Dec 2022 $M
Interest income		
Cash and cash equivalents	39	16
Receivables due from other banks	21	45
Trading securities	60	20
Investment securities	139	62
Loans and advances	1,767	1,199
Total interest income	2,026	1,342
Interest expense		
Deposits	(769)	(335)
Derivatives[1]	(68)	(10)
Borrowings		
at amortised cost	(473)	(233)
designated at fair value through profit or loss	(31)	(26)
Subordinated notes	(19)	(13)
Total interest expense	(1,360)	(617)
Net interest income	666	725

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 2023 $M	Dec 2022 $M
Banking fee and commission income	80	81
Banking fee and commission expense	(90)	(82)
Net banking fee and commission expense	(10)	(1)
Net gains (losses) on:		
Trading securities at fair value through profit or loss	4	3
Borrowings at fair value through profit or loss	2	(2)
Derivative financial instruments at fair value through profit or loss	(3)	4
Amount recycled into profit or loss on derecognition of investment securities at fair value through other comprehensive income	-	2
Other revenue	2	6
	5	13
Total other operating income	(5)	12

6. Loans and advances

	Note	Dec 2023 $M	Jun 2023 $M
Retail loans			
Housing loans		50,410	48,076
Securitised housing loans and covered bonds		5,587	6,725
Personal loans		25	36
		56,022	54,837
Business loans			
Commercial		5,406	5,361
SME		2,636	2,633
Agribusiness		4,456	4,490
		12,498	12,484
Gross loans and advances		68,520	67,321
Provision for impairment	7.1	(210)	(219)
Net loans and advances		68,310	67,102

7. Provision for impairment on financial assets

7.1 Reconciliation of provision for impairment on financial assets

The table below shows the reconciliation of ECL, specific provision (SP) and gross carrying amount for loans and advances (GLA) for the half-year ended 31 December 2023.

	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 2023	65,579	99	1,252	71	398	20	92	29	67,321	219
Transfers:										
Transfer to stage 1	434	16	(371)	(14)	(62)	(2)	(1)	-	-	-
Transfer to stage 2[1]	(6,700)	(30)	6,751	32	(49)	(1)	(2)	(1)	-	-
Transfer to stage 3	(113)	(3)	(140)	(16)	251	19	2	-	-	-
New loans and advances originated	8,835	24	-	-	-	-	-	-	8,835	24
Net increase (release) of ECL/SP	-	(31)	-	32	-	(4)	-	1	-	(2)
Loans and advances derecognised	(7,307)	(12)	(248)	(8)	(51)	(2)	(30)	-	(7,636)	(22)
SP written-off	-	-	-	-	-	-	-	(7)	-	(7)
Unwind of discount	-	-	-	-	-	-	-	(2)	-	(2)
As at 31 December 2023	60,728	63	7,244	97	487	30	61	20	68,520	210
Provision for impairment on:										
Loans and advances	(57)		(90)		(30)		(20)		(197)	
Commitments & guarantees	(6)		(7)		-		-		(13)	
Net carrying amount as at 31 December 2023	60,665		7,147		457		41		68,310	

1 During the half-year, the Group reviewed its rules and approach to determining Significant Increase in Credit Risk (SICR). This resulted in a higher proportion of exposures allocated to Stage 2 as at 31 December 2023. These exposures remain performing and well secured resulting in a low likelihood of loss. The change did not result in a significant change in total provisioning levels as the Group previously held a lifetime loss provision for exposures which had not yet met the SICR thresholds at the reporting date but which were notionally considered to be in Stage 2 based on the forward looking economic outlook. The removal of this provision (given it is now explicitly incorporated into the model), together with recalibrated probability of default parameters and other changes in the economic outlook, resulted in a net neutral ECL outcome.

7.2 Impairment expense on financial assets

	Dec 2023 $M	Dec 2022 $M
Increase in collective provision for impairment[1]	-	1
Bad debts written off	1	1
Total impairment expense on financial assets	1	2

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

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. The central economic forecast anticipates an increase in the unemployment rate to 4.7% at December 2025 and falling property values over the next two years. There remains a high risk of negative median house prices in the outlook given the tightening of monetary policy to date. For commercial property prices, further falls are anticipated given a high incentive environment eroding effective returns and continued low occupancy rates placing pressure on values. Falls are expected for rural property prices, as positive factors that were observed in recent financial years are reversing with commodity prices falling. 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.

Key assumptions underpinning the Group's reported ECL of $190 million are presented in the table below. The outlook for these variables is reviewed regularly. As an example of the downside allowance in the model, there is a 29% probability that house price falls will exceed 20% over CY24/CY25 while the weighted average fall is 9.8%.

	Model assumption %		
	CY24	CY25	CY24/25
Property prices - residential - weighted average change	(8.3)	(1.5)	(9.8)
Property prices - commercial office - weighted average change	(12.2)	-	(12.2)
Property prices - rural - weighted average change	(6.9)	(4.5)	(11.4)
Unemployment rate[1]	4.6	4.7	n/a

1 Unemployment rate reflects the forecast rate as at December 2024 and December 2025. 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 9.8% to 14.8%	(14)
Property prices - non-residential	Commercial office: Decrease weighted average ~500 bps over 2 years from a fall of 12.2% to 17.2% Rural: Decrease weighted average ~500 bps over 2 years from a fall of 11.4% to 16.4%	(11)
Unemployment rate	Increase ~100 bps over 1 year to forecast rates of 5.6% (CY24) and 5.7% (CY25)	(57)
Movement of variables in combination		
Property prices and unemployment rate all move in combination over the given timeframes	Adverse movements as above	(85)

8. Deposits

	Dec 2023 $M	Jun 2023 $M
At-call transactions deposits	19,522	19,914
At-call savings deposits	17,598	17,146
Term deposits	15,415	14,374
Total deposits	52,535	51,434

9. Issues and repayments of borrowings

	Dec 2023 $M	Jun 2023 $M	Dec 2022 $M
Balance at beginning of period	24,009	22,870	20,910
Cash flows			
Proceeds	11,611	10,649	10,315
Repayments	(12,074)	(9,741)	(8,435)
Transaction costs	(5)	(4)	(5)
Non-cash changes	78	235	85
Balance as at end of period	23,619	24,009	22,870

10. Share capital

There have been no issues or buy-backs of issued capital during the current half-year. As at 31 December 2023, the number of ordinary shares on issue was 282,147,584 (30 June 2023: 282,147,584).

11. Capital notes

	Dec 2023		Jun 2023	
	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 2023		Dec 2022	
	Cents per note	$000	Cents per note	$000
Dividend payments on capital notes				
Issued on 18 December 2017				
September quarter	139	2,433	98	1,719
December quarter	136	2,373	113	1,982
Issued on 27 May 2019				
September quarter	139	487	98	344
December quarter	136	475	113	396
Issued on 23 September 2021				
September quarter	126	4,407	85	2,965
December quarter	123	4,288	100	3,507
Total dividend payments on capital notes		14,463		10,913

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 2023				Jun 2023			
	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	-	3,351	-	3,351	-	2,218	-	2,218
Investment securities	-	6,914	-	6,914	-	6,431	-	6,431
Derivatives	3	354	-	357	1	500	-	501
	3	10,619	-	10,622	1	9,149	-	9,150
Financial liabilities								
Offshore commercial paper[1]	-	400	-	400	-	2,519	-	2,519
Derivatives	1	446	-	447	-	520	-	520
	1	846	-	847	-	3,039	-	3,039

1 Disclosed within the consolidated interim statement of financial position category of 'Borrowings'. In accordance with the Group accounting policy, the Group applies the option to designate offshore commercial paper at fair value through profit or loss (FVTPL) upon issuance when it significantly reduces a measurement inconsistency (accounting mismatch). From 1 October 2023, the Group no longer applied the option to designate offshore commercial paper at FVTPL as it no longer significantly reduced the accounting mismatch. The change has been applied prospectively with all issuances from 1 October 2023 being measured at amortised cost (31 December 2023: $1,792m).

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 2023.

	Note	Carrying value $M	Fair value Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 31 December 2023						
Financial assets						
Loans and advances	6	68,310	-	-	68,161	68,161
		68,310	-	-	68,161	68,161
Financial liabilities						
Deposits	8	52,535	-	52,488	-	52,488
Borrowings[1]		23,219	-	23,203	-	23,203
Subordinated notes		600	-	600	-	600
		76,354	-	76,291	-	76,291
As at 30 June 2023						
Financial assets						
Loans and advances	6	67,102	-	-	66,767	66,767
		67,102	-	-	66,767	66,767
Financial liabilities						
Deposits	8	51,434	-	51,310	-	51,310
Borrowings[1]		21,490	-	21,349	-	21,349
Subordinated notes		600	-	601	-	601
		73,524	-	73,260	-	73,260

1 Includes $1,792m (30 June 2023: $nil) of offshore commercial paper issued from 1 October 2023 and classified as amortised cost.

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 2023.

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 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. The Group conducts its own internal reviews of its regulatory compliance, which it may disclose to the regulators, 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**), ACCC, 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 various regulatory authorities including ASIC, APRA and AUSTRAC.

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 has been provisioned.

The Company remains focused on uplifting the maturity of its Anti-Money Laundering and Counter-Terrorism Financing (**AML/CTF**) systems and controls. To ensure a strategic and holistic approach, management have established a Financial Crime Compliance Program of Action (**FCCPoA**). The FCCPoA incorporates the actions arising from AUSTRAC's AML/CTF Compliance Assessment Report findings in relation to the Company's AML Program as well as findings and recommendations from internal assurance work. Management regularly reports to AUSTRAC on the progress of the FCCPoA.

Customer remediation and complaints

The Group is currently undertaking a number of programs of work 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 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.

On 22 June 2023, the Australian Parliament passed legislation establishing 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. Suncorp Group has made a provision for its share of the one-off levy, however the actual levy imposed could vary from this amount.

The Group will be liable for payment of Annual and Special levies which are also proposed under the CSLR bills but given the scope and enforcement date for the industry funded levies the amounts have not been provided for.

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

On 20 February 2024, the Tribunal granted authorisation of the planned sale of SBGH Limited to ANZ (refer to note 1).

There has not arisen in the interval between the end of the half-year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the 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 2023 and of its performance for the half-year ended on that date; and

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

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

Signed in accordance with a resolution of the directors:

Christine McLoughlin

CHRISTINE MCLOUGHLIN, AM

Chairman

26 February 2024

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

26 February 2024

Independent Auditor's Review Report

To the shareholder of Suncorp-Metway Limited

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 does not comply with Australian Accounting Standards, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 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 2023;
- 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 including selected explanatory notes; 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.

KPMG

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 2023 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

26 February 2024