SUNCORP GROUP LIMITED AND SUBSIDIARIES
ABN 66 145 290 124

Consolidated interim financial report

For the half-year ended 31 December 2020

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Directors' Report

The directors present their report together with the consolidated interim financial report of Suncorp Group Limited (the **Company**) and its subsidiaries (the **Suncorp Group**, **Suncorp** or the **Group**) for the half-year ended 31 December 2020 and the auditor's review report thereon. Terms that are defined appear in bold the first time they are used.

1. Directors

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

Non-executive

Christine McLoughlin (Chairman)	Director since 2015, Chairman since 2018
Sally Herman	Director since 2015
Simon Machell	Director since 2017
Douglas McTaggart	Director since 2012
Lindsay Tanner	Director since 2018
Sylvia Falzon	Director since 2018
Ian Hammond	Director since 2018
Elmer Funke Kupper	Appointed 1 January 2020
Audette Exel AO	Retired 30 September 2020

Executive

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

2. Dividends

A fully franked 2020 final dividend of $128 million (10 cents per share) was paid on 21 October 2020. A fully franked 2021 interim dividend of $333 million (26 cents per share) has been determined since balance date by the directors.

Further details of dividends on ordinary shares provided for or paid are set out in note 3 to the consolidated interim financial statements.

3. Review of operations

3.1. Overview of the Suncorp Group

The Suncorp Group has delivered a profit after tax attributable to owners of the Company of $490 million for the half-year ended 31 December 2020 (December 2019: $642 million, including a $293 million after tax profit on sale of Capital S.M.A.R.T Group and ACM Parts Pty Ltd to AMA Group Limited (**AMA**)).

Profit after tax from continuing operations improved by 40.4% from the prior comparative period. This was driven by strong top-line growth, higher investment returns, higher prior half-year reserve releases, higher net interest margin (**NIM**) and low impairment losses.

COVID-19 had a broadly neutral impact on the Group's result for the half-year ended 31 December 2020, excluding the impact of investment market volatility. The most significant impact from COVID-19 was in the General Insurance business, which experienced a benefit from lower motor claims frequency due to mobility restrictions, as well as a modest claims reduction in the home portfolio, broadly offset by increased provisions and risk margins to cover COVID-19 business interruption (**BI**) claims. In the Bank, the collective provision taken in the 2019-20 financial year remained unchanged.

The Group's total operating expenses (excluding Fire Services Levies) were $1.34 billion broadly in line with the prior comparative period. This reflects higher personnel costs as a result of salary inflation and increased technology and marketing costs, offset by lower project spend and commissions.

3.2. Financial position and capital structure

Net assets of the Suncorp Group increased from $12,784 million at 30 June 2020 to $13,198 million at 31 December 2020. The increase in net assets of $414 million primarily resulted from the total comprehensive income for the half-year, partially offset by the payment of the 2019-20 financial year final dividend.

Suncorp Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with the Board approved risk appetite. The Group has maintained a conservative approach to capital management during the half-year to ensure it maintains a strong capital position through the current period of increased uncertainty.

At 31 December 2020, the General Insurance Common Equity Tier 1 (**CET1**) (pre-dividend) capital position was 1.32 times the Prescribed Capital Amount (June 2020: 1.25 times) and the Bank's CET1 ratio (pre-dividend) was 10.06% (June 2020: 9.34%). The Group's excess to CET1 target is $1,026 million after adjusting for the interim dividend (net of Dividend Reinvestment Program (**DRP**)) (June 2020: $823 million after adjusting for the final 2019-20 financial year dividend (net of the DRP)).

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

3.3. Review of principal businesses

Insurance (Australia) achieved a profit after tax from continuing operations of $258 million for the half-year ended 31 December 2020 (December 2019: $123 million, adjusted for the sale of the Capital S.M.A.R.T and ACM Parts businesses). This was driven by top-line growth, strong investment mark-to-market gains and higher prior year reserve releases.

Impacts from COVID-19 continued into the first half of financial year 2021, following the 16-week Victorian lockdown. It was broadly neutral as reduced motor claims frequency and lower home theft claims were offset by the additional provisions to cover COVID-19 uncertainty around BI claims.

The insurance trading result for Australian general insurance business was $282 million (December 2019: $148 million).

Gross written premium (**GWP**) increased by 4.0% to $4,344 million (December 2019: $4,176 million) reflecting GWP growth of 5.2% in home and motor, 3.2% growth in Commercial and 9.5% growth in Workers' Compensation & Other. This was offset by a 5.0% decline in compulsory third party (**CTP**) GWP primarily due to an accounting recognition timing change made in the 2019-20 financial year. Normalising for the remediation of the Vero broker channel, the impact from the embargo on Landlord insurance policies and the exit from Travel insurance, GWP growth was 4.4%, driven by strong premium rate increases, a modest contraction in units and strong retention levels.

Net incurred claims of $2,871 million is in line with prior comparative period (December 2019: $2,861 million), due to higher natural hazard costs and an additional provision for potential BI claims, partially offset by a reduction in motor claims frequency and higher prior year reserve releases. The loss ratio was 77.0% (December 2019: 77.8%). Prior year reserve releases increased by $24 million to $89 million. Excluding the further strengthening for potential BI, prior year reserve releases were $140 million, mainly driven by the statutory schemes.

Total investment income on insurance funds and shareholders' funds was $305 million (December 2019: $136 million) benefitting from favourable movements in breakeven inflation, credit spreads and equities compared to the prior comparative period.

Banking & Wealth delivered a profit after tax from continuing operations of $190 million for the half-year ended 31 December 2020 (December 2019: $171 million).

Bank's result benefitted from strong improvement in NIM and non-interest income, partially offset by a small increase in impairment charges and reduced lending volumes.

Net interest income increased by 4.0% to $618 million (December 2019: $594 million), with the improvements in NIM more than offsetting the impact of lower lending volumes. NIM increased by 12 basis points (**bps**) to 2.04% (December 2019: 1.92%) primarily driven by strong growth in the Bank's retail deposits and significantly lower benchmark rates in the market, more than offsetting a reduction in capital earnings.

Operating expenses were broadly in line with the prior comparative period, primarily due to increase in technology and staffing costs, offset by reduced amortisation and project expenses. This resulted in a cost-to-income ratio of 56.5% (December 2019: 59.6%).

Total loans and advances decreased to $57,026 million (June 2020: $57,723 million). The home lending portfolio contracted 1.6% over the half-year, with improved new business volumes more than offset by higher levels of customer repayments, property sales and industry wide refinancing. The business lending portfolio grew 0.7% over the half-year, with growth in commercial lending partially offset by a contraction in agribusiness.

Impairment losses on loans and advances of $8 million (December 2019: $1 million) was predominantly driven by the modest specific provision of $7 million and $1 million of actual net-write offs. Gross impaired assets increased by $15 million over the half-year to $185 million, representing 32 bps of gross loans and advances.

Bank's deposit-to-loan ratio of 72.3% was above the top end of the target operating range of 60% to 70% reflecting strong at-call deposit growth and subdued lending. The Bank continues to maintain a conservative approach to managing liquidity and funding risk to ensure a sustainable funding profile to support balance sheet growth.

Following the onset of the COVID-19 pandemic, Bank established an initial provision overlay in March 2020 based on a set of forecast macroeconomic assumptions. The key assumptions utilised in the Bank's calculation of expected credit loss (ECL) have been refined. While the underlying economic assumptions of the best estimate scenario reflect an improved economic outlook compared to previous expectations, the Group continues to forecast a deterioration in macroeconomic conditions, offset by an increase in the breadth and severity of potential downside scenarios in the modelled collective provision, reflecting the continued market uncertainty. As at 31 December 2020, the ECL of $255 million is unchanged from as at 30 June 2020.

Wealth's underlying profit after tax was largely in line with the prior comparative period. Lower asset-linked revenue was offset by a decline in expenses from the closure of Suncorp Financial Advice Business in March 2020. Funds under administration (FUA) remained below the prior comparative period, however the recovery in global markets saw FUA increase over the half-year.

Suncorp New Zealand achieved a profit after tax of $120 million for the half-year ended 31 December 2020 (December 2019: $102 million). This comprises a profit after tax of $93 million (December 2019: $89 million) from the New Zealand general insurance business and a profit after tax of $27 million (December 2019: $13 million) from the New Zealand life insurance business.

The New Zealand general insurance business increase was largely driven by strong underlying performance.

GWP grew by 4.1% to $861 million (December 2019: $827 million) driven by a strong performance in the direct business across motor and home portfolios, as a result of new business growth and strong retention.

Net incurred claims increased by 4.8% to $393 million (December 2019: $375 million), driven by natural hazards experience including flood events in Northland and Napier and the significant Lake Ohau bushfire. The loss ratio was 54.4% (December 2019: 53.3%).

Net investment income has increased to $12 million (December 2019: $11 million), representing an annualised return of 2.5%.

The New Zealand life insurance business increase was driven by improved claims experience and favourable market adjustment impacts from interest rate movements. In-force premium grew by 3.7%, supported by consumer price index and age-related premium growth.

4. Events subsequent to reporting date

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 Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group in future financial years.

5. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2020.

6. Rounding of amounts

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

Signed in accordance with a resolution of the directors.

CHRISTINE MCLOUGHLIN
Chairman of the Board

STEVE JOHNSTON
Group Chief Executive Officer and Managing Director

9 February 2021

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 review of Suncorp Group Limited for the half-year ended 31 December 2020 there have been:

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

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

KPMG

David Kells

Partner

Sydney

9 February 2021

Consolidated interim statement of comprehensive income

For the half-year ended 31 December 2020

	Note	Dec 2020 $M	Dec 2019 $M
Revenue			
Insurance premium income		5,173	5,077
Reinsurance and other recoveries income		598	360
Interest income on financial assets not at fair value through profit or loss		889	1,116
Interest income on financial assets at fair value through profit or loss		168	196
Net gains on financial assets and liabilities at fair value through profit or loss		258	-
Dividend and trust distribution income		27	43
Fees and other income		239	262
Total revenue		7,352	7,054
Expenses			
Claims expense and movement in policyowner liabilities		(3,902)	(3,653)
Outwards reinsurance premium expense		(620)	(591)
Underwriting and policy maintenance expenses		(1,104)	(1,087)
Interest expense on financial liabilities not at fair value through profit or loss		(291)	(545)
Interest expense on financial liabilities at fair value through profit or loss		(14)	(23)
Net losses on financial assets and liabilities at fair value through profit or loss		-	(40)
Impairment loss on loans and advances	6.2	(8)	(1)
Impairment loss on goodwill and other intangible assets		(9)	-
Amortisation and depreciation expense		(115)	(131)
Fees, overheads and other expenses		(470)	(455)
Outside beneficial interests in managed funds		(93)	(12)
Total expenses		(6,626)	(6,538)
Profit before income tax		726	516
Income tax expense		(226)	(160)
Profit after tax from continuing operations		500	356
Profit after tax from discontinued operations		-	294
Profit for the period		500	650
Profit for the period attributable to:			
Owners of the Company		490	642
Non-controlling interests		10	8
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges		4	21
Net change in debt investments at fair value through other comprehensive income		33	(3)
Exchange differences on translation of foreign operations		4	2
Related income tax expense		(11)	(5)
Total other comprehensive income for the period		30	15
Total comprehensive income for the period		530	665
Total comprehensive income for the period attributable to:			
Owners of the Company		520	657
Non-controlling interests		10	8
Earnings per share		Cents	Cents
Basic earnings per share		38.39	50.16
Diluted earnings per share		36.30	48.27
Basic earnings per share from continuing operations		38.39	27.19
Diluted earnings per share from continuing operations		36.30	26.80

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 2020

	Note	Dec 2020 $M	Jun 2020 $M
Assets			
Cash and cash equivalents		1,234	1,046
Receivables due from other banks		1,212	567
Trading securities		1,371	1,460
Derivatives		478	831
Investment securities		20,219	19,763
Loans and advances	5	57,026	57,723
Premiums outstanding		2,783	2,857
Reinsurance and other recoveries		2,222	2,468
Deferred reinsurance assets		593	926
Deferred acquisition costs		753	734
Property, plant and equipment		530	576
Deferred tax assets		252	282
Goodwill and other intangible assets		5,254	5,275
Other assets		957	1,236
Total assets		94,884	95,744
Liabilities			
Payables due to other banks		68	293
Deposits and short-term borrowings	7	46,921	46,160
Derivatives		556	574
Amounts due to reinsurers		331	784
Payables and other liabilities		1,328	1,828
Current tax liabilities		78	164
Unearned premium liabilities		5,364	5,219
Provisions and employee benefit liabilities		534	610
Outstanding claims liabilities		10,912	10,598
Deferred tax liabilities		117	115
Managed funds units on issue		793	714
Securitisation liabilities	8	2,590	2,945
Long-term borrowings	8	9,720	10,607
Loan capital	8	2,374	2,349
Total liabilities		81,686	82,960
Net assets		13,198	12,784
Equity			
Share capital	9	12,524	12,509
Reserves		209	172
Retained profits		441	82
Total equity attributable to owners of the Company		13,174	12,763
Non-controlling interests		24	21
Total equity		13,198	12,784

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 2020

		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 2019		12,889	207	5	13,101	20	13,121
Profit for the period		-	-	642	642	8	650
Total other comprehensive income for the period		-	15	-	15	-	15
Total comprehensive income for the period		-	15	642	657	8	665
Transactions with owners, recorded directly in equity							
Dividends paid	3	-	-	(570)	(570)	(11)	(581)
Capital return, including transaction costs	9	(506)	-	-	(506)	-	(506)
Share-based payments	9	(1)	-	(1)	(2)	-	(2)
Treasury share movements	9	16	-	-	16	-	16
Transfers		-	(18)	18	-	-	-
Other movements		-	-	4	4	-	4
Balance as at 31 December 2019		12,398	204	98	12,700	17	12,717
Balance as at 1 July 2020		12,509	172	82	12,763	21	12,784
Profit for the period		-	-	490	490	10	500
Total other comprehensive income for the period		-	30	-	30	-	30
Total comprehensive income for the period		-	30	490	520	10	530
Transactions with owners, recorded directly in equity							
Dividends paid	3	-	-	(128)	(128)	(7)	(135)
Shares issued	9	9	-	-	9	-	9
Share-based payments	9	-	-	-	-	-	-
Treasury share movements	9	6	-	-	6	-	6
Transfers		-	7	(7)	-	-	-
Other movements		-	-	4	4	-	4
Balance as at 31 December 2020		12,524	209	441	13,174	24	13,198

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 2020

	Note	Dec 2020 $M	Dec 2019 $M
Cash flows from operating activities			
Premiums received		5,980	5,749
Claims paid		(4,002)	(4,224)
Interest received		1,068	1,340
Interest paid		(353)	(575)
Reinsurance and other recoveries received		1,094	1,050
Outwards reinsurance premiums paid		(789)	(828)
Fees and other operating income received		254	555
Dividends and trust distributions received		27	43
Fees and operating expenses paid		(2,009)	(2,109)
Income tax paid		(289)	(205)
Net movement in operating assets			
Trading securities		89	330
Loans and advances		683	784
Net movement in operating liabilities			
Deposits and short-term borrowings		935	465
Net cash from operating activities		2,688	2,375
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		14,103	13,438
Payments for acquisition of investment securities		(14,644)	(13,163)
Proceeds from other investing activities		86	215
Disposal of discontinued operations		-	383
Payments for other investing activities		(18)	(168)
Net cash (used in) from investing activities		(473)	705
Cash flows from financing activities			
Payment for capital return, including transaction costs	9	-	(506)
Proceeds from long-term borrowings and securitisation liabilities	8	1,341	1,200
Repayment of long-term borrowings and securitisation liabilities	8	(2,353)	(2,124)
Proceeds from issue of loan capital	8	250	183
Payment on call of loan capital	8	(225)	-
Dividends paid		(119)	(570)
Payments for other financing activities		(52)	(50)
Net cash used in financing activities		(1,158)	(1,867)
Net increase in cash and cash equivalents		1,057	1,213
Cash and cash equivalents at the beginning of the period		1,320	1,232
Effect of exchange rate fluctuations on cash held		1	1
Cash and cash equivalents at the end of the period		2,378	2,446
Cash and cash equivalents at the end of the period comprises:			
Cash and cash equivalents		1,234	2,265
Receivables due from other banks		1,212	470
Payables due to other banks		(68)	(289)
		2,378	2,446

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

Notes to the consolidated interim financial statements

For the half-year ended 31 December 2020

1. Reporting entity

Suncorp Group Limited (the **Company**) is a public company domiciled in Australia. Its registered office is at Level 28, 266 George Street, Brisbane, Qld, 4000.

The consolidated interim financial statements for the half-year ended 31 December 2020 comprise the Company and its subsidiaries (the **Suncorp Group, Suncorp** or the **Group**) and were authorised for issue by the Board of Directors on 9 February 2021.

The Group's principal activities during the course of the half-year were the provision of insurance and banking and wealth products and services in Australia and New Zealand.

2. Basis of preparation

The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 Suncorp Group for the financial year ended 30 June 2020 and any public announcements made by the Suncorp Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange (**ASX**) Listing Rules. The consolidated financial report of the Suncorp Group for the financial year ended 30 June 2020 is available upon request from the Company's registered office or at suncorpgroup.com.au/investors/reports.

The Company has applied the Revised Conceptual Framework (**AASB Framework**) for Financial Reporting from 1 July 2020. The AASB Framework establishes consistent concepts upon which future accounting standards will be developed. The AASB Framework also includes amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts. The impact on the Company's consolidated interim financial statements is not considered to be material. 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 2020.

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

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

2.1 Use of estimates and judgements

The preparation of consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the 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 judgements made by management in applying the Suncorp Group accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial report as at and for the financial year ended 30 June 2020.

COVID-19 impact on the use of estimates and assumptions

Given the ongoing economic uncertainties from COVID-19, the Group has continued to monitor its financial reporting procedures and governance practices consistent with those applied in the preparation of the consolidated financial report for the financial year ended 30 June 2020.

While the effects of COVID-19 do not change the areas requiring significant estimation and judgement in the preparation of financial statements, it has resulted in estimation uncertainty and application of further judgement within those identified areas. The following matters are provided as an update to the COVID-19 effects disclosed as at 30 June 2020.

General insurance outstanding claims liabilities

The Group has considered the impact from COVID-19 in its assumptions for measuring outstanding claims liabilities and assets arising from reinsurance contracts, including the potential claims impact of business interruption.

Potential claims impacts arising from business interruption remain uncertain. The outstanding claims liability is 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 of the central estimate. At 31 December 2020 the outstanding claims liability includes additional claims provisions and risk margins of $214 million (30 June 2020: $70 million) relating to business interruption.

The provision for additional claims provisions has been calculated on a probability-weighted basis and significant judgement has been exercised by management to derive a reasonable estimate of the probability-weighted view of potential future cashflows relating to business interruption. Key areas of judgement relate to ongoing legal risk, number of claims and estimation of potential economic loss.

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

Provision for impairment on financial assets

The COVID-19 pandemic, together with measures implemented to contain the virus, continues to have a profound impact on the Australian and global economy. COVID-19 related impacts to residential property prices and unemployment have been less severe than anticipated by the Group at 30 June 2020, however this could change in coming months as government support and loan payment deferrals reduce or expire. There is also the risk of further waves of infection which could delay economic recovery to varying degrees. Accordingly, significant estimation uncertainty with respect to the provision for impairment on financial assets remains, as forecast macroeconomic conditions are a key factor in determining the expected credit loss (ECL) for loans and advances.

Notwithstanding that credit model inputs and assumptions, including forward-looking macroeconomic assumptions, have been revised in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods. Further details on the ECL model methodology, estimates and assumptions are outlined in note 6.3.

Valuation of financial instruments and hedge accounting

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 (note 10).

The Group's ongoing hedge capacity testing confirmed that designated forecast cash flows remain highly probable and the designated derivatives remain eligible for hedge accounting.

3. Dividends

	Dec 2020		Dec 2019	
	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares				
2020 final dividend (December 2019: 2019 final dividend)	10	128	44	571
Dividends paid on treasury shares		-		(1)
Total dividends on ordinary shares paid to owners of the Company	10	128	44	570
Dividends not recognised in the consolidated interim statement of financial position[1]				
Dividends determined since balance date				
2021 interim dividend (December 2019: 2020 interim dividend)	26	333	26	328

1 The total 2021 interim dividend on ordinary shares determined but not recognised in the consolidated interim statement of financial position is estimated based on the total number of ordinary shares on issue without taking into account treasury shares as at 31 December 2020. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2021 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.

4. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Group Chief Executive Officer and Managing Director (**Group CEO**) and his immediate executive team, representing the Suncorp Group's Chief Operating Decision Maker (**CODM**), in assessing performance and determining the allocation of resources.

4.1 Operating segments

The Suncorp Group comprises the following operating segments.

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

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

The basis of measurement of segment results are the same as those applied by the Suncorp Group in its consolidated financial report for the financial year ended 30 June 2020.

	Insurance $M	Banking & Wealth $M	Suncorp New Zealand $M	Corporate $M	Total $M
Half-year ended 31 December 2020					
External revenue	5,183	1,018	1,048	7	7,256
Inter-segment revenue	6	-	3	-	9
Total segment revenue	5,189	1,018	1,051	7	7,265
Segment revenue continuing operations	5,189	1,018	1,051	7	7,265
Segment profit (loss) before income tax	366	271	168	(79)	726
Segment income tax expense (benefit)	(108)	(81)	(48)	11	(226)
Segment profit (loss) after income tax	258	190	120	(68)	500
Segment profit (loss) after tax continuing operations	258	190	120	(68)	500
Other segment disclosures					
Goodwill	4,187	254	283	-	4,724
Half-year ended 31 December 2019					
External revenue	4,912	1,255	1,017	406	7,590
Inter-segment revenue	7	1	-	-	8
Total segment revenue	4,919	1,256	1,017	406	7,598
Segment revenue continuing operations	4,780	1,256	1,017	11	7,064
Segment revenue discontinued operations	139	-	-	395	534
Segment profit before income tax	176	244	139	309	868
Segment income tax expense	(52)	(73)	(37)	(56)	(218)
Segment profit after income tax	124	171	102	253	650
Segment profit (loss) after tax continuing operations	123	171	102	(40)	356
Segment profit after tax discontinued operations	1	-	-	293	294
Other segment disclosures					
Goodwill	4,187	254	287	-	4,728

4.2 Reconciliation of reportable segment revenues and profit before income tax

	Dec 2020	Dec 2019	Dec 2020	Dec 2019
	Revenue		Profit before income tax	
	$M	$M	$M	$M
Segment total	7,265	7,598	726	868
Consolidation adjustments relating to intra-group investment income	93	(12)	-	3
Other consolidation eliminations	(6)	2	-	(3)
Attributable to discontinued operations	-	(534)	-	(352)
Consolidated total	7,352	7,054	726	516

5. Loans and advances

	Note	Dec 2020 $M	Jun 2020 $M
Retail loans			
Housing loans		40,448	40,403
Securitised housing loans and covered bonds		5,270	6,071
Consumer loans		151	155
		45,869	46,629
Business loans			
Commercial (SME)		7,417	7,295
Agribusiness		4,039	4,081
		11,456	11,376
Other lending		5	19
Gross loans and advances		57,330	58,024
Provision for impairment	6.1	(304)	(301)
Net loans and advances		57,026	57,723

The Group continues to be focused on supporting customers who are experiencing financial difficulties as a result of the COVID-19 global pandemic and has offered a range of industry-wide financial assistance measures including temporary loan repayment deferrals (principal and interest). As at 31 December 2020, the Group has significantly progressed the six-month review process for the COVID-19 related loan deferrals, with the majority of the Group's customers no longer requiring further relief and electing to resume loan repayments.

At reporting date, the gross carrying value of loans and advances that are subject to a COVID-19 financial assistance package total $644 million (30 June 2020: $4,828 million), comprised of housing loans of $508 million (30 June 2020: $3,752 million), SME lending of $91 million (30 June 2020: $697 million) and other business and retail lending of $45 million (30 June 2020: $379 million).

6. Provision for impairment on financial assets

6.1 Reconciliation of provision for impairment on financial assets

The table below shows the reconciliation of the ECL and specific provision for the half-year ended 31 December 2020.

	Half-year to		
	Dec 2020 $M	Jun 2020 $M	Dec 2019 $M
Collective provision			
Balance at the beginning of the period	255	103	111
Transfer to specific provision	(5)	-	(4)
Charge (write-back) against impairment losses	5	152	(4)
Balance at the end of the period	255	255	103
Specific provision			
Balance at the beginning of the period	46	33	31
Transfer from collective provision	5	-	4
New and increased provisions	8	20	8
Write-back of provisions no longer required	(6)	(3)	(4)
Specific provisions written off	(3)	(3)	(4)
Unwind of discount	(1)	(1)	(2)
Balance at the end of the period	49	46	33
Total provision for impairment	304	301	136

6.2 Impairment loss on financial assets

	Half-year to		
	Dec 2020 $M	Jun 2020 $M	Dec 2019 $M
Increase (decrease) in collective provision for impairment	-	153	(8)
Increase in specific provision for impairment	7	17	8
Bad debts written off	2	1	2
Bad debts recovered	(1)	-	(1)
Total impairment loss on loans and advances	8	171	1

6.3 Expected credit loss model methodology, estimates and assumptions

The impacts of COVID-19 have resulted in significant estimation uncertainty in relation to the measurement of the Group's ECL for loans and advances. The impacts of COVID-19 on consumers and businesses as well as the government stimulus packages deployed are unprecedented. Accordingly, significant adjustments to the ECL could occur in future periods as the full effects of COVID-19 are better understood.

Reported ECL

The Group calculates the ECL by considering a distribution of economic outcomes around the best estimate underlying scenario, with the best estimate reflecting the Group's view of the most likely economic scenario. As the negative impact of an economic downturn on credit losses tends to be greater than the positive impact of an economic upturn, if the Group determines collective provision only on the ECL under the best estimate forecast, or based on a limited number of discrete scenarios, it might maintain a level of collective provision that does not appropriately reflect the range of potential outcomes, including more severe downside events. To address this AASB 9 *Financial Instruments* requires the ECL to be the probability weighted ECL outcome calculated for a range of possible outcomes.

In determining the Reported ECL of $255 million, a distribution of outcomes around the best estimate economic scenario is adopted for both probability of default (**PD**) and loss given default (**LGD**), taking into consideration observed variability in economic outcomes and collateral values. The macroeconomic outlook, as reflected in the best estimate scenario, has improved since the outset of COVID-19. However, considerable uncertainty and potential for further downside risk remains, including the potential for economic fallout from further lockdowns and rolling back of government support. Accordingly, the PD and LGD distributions around the best estimate have been adjusted to increase the weighting to the downside outcomes. This is illustrated by the Group's Reported ECL calculation reflecting the following outcomes modelled around the best estimate scenario:

- For PD, a 10 per cent probability that mortgage defaults over the next year are consistent with an increase in unemployment to 11.0 per cent; and
- For LGD, a 10 per cent probability that Queensland metro house prices fall in excess of 23.2 per cent over the next year. Similarly, the ECL calculation reflects a 10 per cent probability that commercial property prices fall in excess of 34.6 per cent over the next year.

Key macroeconomic information that has been utilised in the base case is presented below. The base case reflects the Group's view of the most likely economic scenario at a point in time, noting the economic environment is uncertain and recent data points would indicate a more positive outlook. Notwithstanding, the Group considers the reported ECL as at 31 December 2020 to remain appropriate.

	Reported ECL %	
	June 21	June 22
GDP growth - annual change	6.0	3.1
Property prices - residential - annual change	(0.8)	(0.5)
Property prices - commercial - annual change	(11.5)	4.6
Unemployment rate	7.5	6.5

7. Deposits and short-term borrowings

	Dec 2020 $M	Jun 2020 $M
Financial liabilities at amortised cost		
Call deposits	32,059	28,320
Term deposits	9,011	11,263
Short-term securities issued	4,127	5,079
Total deposits and short-term borrowings at amortised cost	45,197	44,662
Financial liabilities designated at fair value through profit or loss		
Offshore commercial paper	1,724	1,498
Total deposits and short-term borrowings	46,921	46,160

Deposits and short-term borrowings obtained under repurchase agreements with the Reserve Bank of Australia (**RBA**) and outstanding at 31 December 2020 are $421 million (30 June 2020: $817 million).

8. Issues and repayments of debt securities

	Liabilities arising from financing activities		
	Securitisation liabilities $M	Long-term borrowings $M	Loan capital $M
Balance as at 1 July 2019	3,831	10,358	2,360
Cash flows			
Proceeds	-	1,200	183
Repayments	(437)	(1,687)	-
Transaction costs	-	(2)	(6)
Non-cash changes	2	15	3
Balance as at 31 December 2019	3,396	9,884	2,540
Cash flows			
Proceeds	-	1,850	-
Repayments	(452)	(1,330)	(23)
Transaction costs	-	(2)	(1)
Non-cash changes	1	205	(167)
Balance as at 30 June 2020	2,945	10,607	2,349
Cash flows			
Proceeds[1]	-	1,341	250
Repayments	(356)	(1,997)	(225)
Transaction costs	-	-	(2)
Non-cash changes	1	(231)	2
Balance as at 31 December 2020	2,590	9,720	2,374

1 During the half-year, the Group has drawn down $1,341 million under the Term Funding Facility which was made available by the RBA in response to the COVID-19 pandemic. The Group fully utilised its initial allowance of $1,741 million by drawing down $641 million during the half-year. The remaining $700 million was drawn from the Group's supplementary allowance with an undrawn amount of $2,043 million remaining under the supplementary and additional allowances.

On 1 September 2020, the Company issued $250 million of Wholesale Subordinated Notes for $10,000 per note. They are fully paid, cumulative, unsecured, subordinated notes, with a maturity date of 1 December 2035, with the option to redeem the notes on the early redemption date of 1 December 2025, subject to APRA approval. If APRA determines that a non-viability event has occurred in relation to the Company, some or all of the subordinated notes will be immediately converted into a variable number of the Company's ordinary shares or, if not possible, written off. Subsequent to the 1 September 2020 issue, $225 million of Wholesale Subordinated Notes, originally issued by AAI Limited in 2015, were redeemed at the optional redemption date on 18 November 2020.

Subordinated Notes are disclosed within the consolidated interim statement of financial position category of "Loan Capital".

9. Share capital

	Number of ordinary shares	Issued capital $M	Share-based payments $M	Treasury shares $M	Total share capital $M
Balance as at 1 July 2019	1,298,503,953	12,874	91	(76)	12,889
Shares issued	2	-	-	-	-
Capital return and share consolidation	(37,553,178)	(506)	-	-	(506)
Share-based payments	-	-	(1)	-	(1)
Treasury share movements	-	-	-	16	16
Balance as at 31 December 2019	1,260,950,777	12,368	90	(60)	12,398
Shares issued	18,699,561	171	-	-	171
Share-based payments	-	-	(69)	-	(69)
Treasury share movements	-	-	-	9	9
Balance as at 30 June 2020	1,279,650,338	12,539	21	(51)	12,509
Shares issued	951,084	9	-	-	9
Share-based payments	-	-	-	-	-
Treasury share movements	-	-	-	6	6
Balance as at 31 December 2020	1,280,601,422	12,548	21	(45)	12,524

Issue of new ordinary shares

On 21 October 2020, 951,084 ordinary shares were issued and allotted at the issue price of $9.12 per share under the Dividend Reinvestment Plan in respect of the 2020 final dividend.

10. Fair value of financial instruments

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

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

Financial assets and liabilities measured at fair value

The following table presents the financial assets and liabilities that are measured at fair value categorised by fair value hierarchy.

	Dec 2020				Jun 2020			
	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	310	1,061	-	1,371	435	1,025	-	1,460
Fair value through profit or loss[1]	4,304	11,018	245	15,567	3,648	10,979	304	14,931
Fair value through other comprehensive income[1]	-	4,634	18	4,652	-	4,814	18	4,832
Derivatives	3	475	-	478	2	829	-	831
	4,617	17,188	263	22,068	4,085	17,647	322	22,054
Financial liabilities								
Offshore commercial paper[2]	-	1,724	-	1,724	-	1,498	-	1,498
Derivatives	2	554	-	556	6	568	-	574
Managed funds units on issue	-	793	-	793	-	714	-	714
	2	3,071	-	3,073	6	2,780	-	2,786

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

2 Designated as financial liabilities at fair value through profit or loss. Disclosed within the consolidated interim statement of financial position category of 'Deposits and short-term borrowings'.

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

Level 3 financial assets consist of investment in unlisted equity securities of $18 million (30 June 2020: $29 million) and investments in infrastructure assets and property related assets of $242 million (30 June 2020: $293 million).

During the half-year, there have been no purchases of level 3 assets (2019: $35 million). Infrastructure assets were redeemed for $49 million (2019: $17 million). Fair value loss of $12 million (2019: $5 million gain) was recognised through 'Net gains on financial assets and liabilities at fair value through profit or loss'.

Financial assets and liabilities not measured at fair value

The following table discloses a comparison of carrying value and fair value of financial assets and liabilities that are not measured at fair value after initial recognition, where their carrying value is not a reasonable approximation of fair value. The significant assumptions and estimates used in determining their fair values are consistent with those used in the financial year ended 30 June 2020.

			Fair value			
	Note	Carrying value $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 31 December 2020						
Financial assets						
Loans and advances	5	57,026	-	-	57,164	57,164
		57,026	-	-	57,164	57,164
Financial liabilities						
Deposits and short-term borrowings at amortised cost	7	45,197	-	45,254	-	45,254
Securitisation liabilities	8	2,590	-	2,572	-	2,572
Long-term borrowings	8	9,720	-	9,938	-	9,938
Loan capital	8	2,374	1,154	1,256	-	2,410
		59,881	1,154	59,020	-	60,174
As at 30 June 2020						
Financial assets						
Loans and advances	5	57,723	-	-	57,909	57,909
		57,723	-	-	57,909	57,909
Financial liabilities						
Deposits and short-term borrowings at amortised cost	7	44,662	-	44,731	-	44,731
Securitisation liabilities	8	2,945	-	2,924	-	2,924
Long-term borrowings	8	10,607	-	10,757	-	10,757
Loan capital	8	2,349	1,128	1,214	-	2,342
		60,563	1,128	59,626	-	60,754

11. 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 2020.

12. Provisions, employee benefit liabilities and contingent assets and liabilities

12.1 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.

There have not been material movements in 'Provisions and employee benefit liabilities' since 30 June 2020.

12.2 Contingent assets

There are claims and possible claims made by the Group against external parties, the aggregate amount of which cannot be readily quantified. Where considered appropriate, privileged legal advice has been obtained. The Suncorp 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 Suncorp Group is of the opinion that receivables are not required in respect of these matters, as it is not virtually certain that future economic benefits will eventuate or the amount is not capable of reliable measurement.

12.3 Contingent liabilities

There are contingent liabilities facing the Suncorp Group in respect of the matters below. To the extent costs can be reliably estimated, they have been reflected in the Suncorp Group's provisions. Other than as provided for, the Suncorp Group is of the opinion that the outcome and total costs arising from these matters remains uncertain at this time.

Regulatory and internal reviews

Reviews, enquiries and findings from regulators may result in investigation costs, administrative costs, legal costs and compensation and/or remediation payments (including interest) or fines and penalties. The Suncorp 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, Australian Competition and Consumer Commission, Australian Transaction Reports and Analysis Centre (**AUSTRAC**) and the Australian Taxation Office (**ATO**) conducted reviews and made enquiries with the Suncorp Group. There were a number of non-compliance instances identified and disclosed by Suncorp Group to ASIC, APRA and AUSTRAC. These included breaches reported to ASIC in relation to financial advice given, pricing of products, the failure to provide disclosure documentation, fees for no service and other matters.

Correspondence with APRA included resubmissions of prudential returns, unauthorised disclosure of loan documentation and notification of a breach of regulatory outsourcing standards in relation to certain services outsourced by Suncorp Portfolio Services Limited (**SPSL**). Correspondence was also entered into with APRA in relation to its investigation into the timing of the transfer of the Accrued Default Amounts by SPSL, being a case study referred from the Royal Commission and discussed further below.

The Suncorp Group is currently subject to ASIC's industry wide Close and Continuous Monitoring Program, which includes providing documents and data to ASIC and interviews with key Group staff members. The focus of the review relates to Internal Dispute Resolution and Breach and Incident Management processes.

In July 2020, SML notified AUSTRAC that it had not reported a limited type of incoming cross-border transactions received through a card scheme platform which, following internal review, SML now considers should have been reported as International Funds Transfer Instructions. SML understands this is a known industry issue. SML has suspended the receipt of these payments through the card scheme platform whilst it establishes a reporting framework for this transaction type, which is expected in February 2021. SML has kept AUSTRAC apprised of all corrective activities.

It remains uncertain what other regulatory or internal reviews or notifications of non-compliance may arise or may be required that are yet unknown.

An assessment of the likely cost to the Suncorp 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, the amount has been provisioned.

Customer complaints

The Australian Financial Complaints Authority (**AFCA**) has the power to award compensation up to certain thresholds on complaints raised by customers. The Group is working through the individual cases that have been reported to AFCA.

An assessment of the likely cost to the Suncorp 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, the amount has been provisioned.

Royal Commission

The 2019 report of the Royal Commission set out 76 policy recommendations to strengthen protections for consumers, small business and rural and regional communities. A comprehensive program of work is currently underway to implement the reforms that have resulted from the recommendations and to enhance the Group's focus on culture and compliance matters. The Government's program in response to the recommendations of the Royal Commission continues to evolve with the Financial Sector Reform (Hayne Royal Commission Response) Bill 2020 passing both Houses of Parliament on 10 December 2020. The Suncorp Group is progressing with implementation of these reforms and continues to monitor and respond to any additional legislation and regulatory activity that may arise as a result of this program. The Suncorp Group is accordingly of the opinion that at this time the outcome and total costs which may arise from regulatory reform remain uncertain.

In addition to policy matters, the report sets out details of various case studies, made observations in respect of each and in some instances referred matters to regulators for further enquiry. The Commissioner referred two specific matters relating to SPSL to regulators being the utilisation of a tax surplus to fund administration costs and the timing of the transfer of Accrued Default Amounts (**ADA**). Provisions have been recognised for these matters. With regard to the ADA matter, the APRA investigation has concluded, a remediation program has been approved by APRA and commenced. The total costs of the remediation program remain uncertain although are anticipated to be within the existing provision. APRA has indicated that any further enquiries relating to the tax surplus referral will be conducted as part of a broader industry review. The Suncorp Group is of the opinion that at this time the total costs which may arise from this referral remains uncertain. It remains uncertain whether any other enquiries or claims may arise following the case studies and observations in the report.

Litigation

As disclosed to the ASX on 1 July 2019, a class action has been filed against SPSL, being the trustee of the Suncorp Master Trust and two former SPSL executive directors. The class action alleges trustee failures by allowing commissions to be paid to Australian Financial Services Licensed companies (financial advisers) between 1 July 2013 to 21 June 2019. The class action has been filed on an open basis for all persons whose accounts were alleged to have been affected by the payment of conflicted remuneration from 1 July 2013 to 21 June 2019. The Suncorp Group is defending this matter. The Suncorp Group has made provisions for legal, investigation and other defence costs. The Suncorp Group is of the opinion that at this time the outcome and any potential exposures remain uncertain.

The Suncorp Group is subject to litigation, including industry test cases, concerning the interpretation and application of business interruption exclusion clauses in relation to COVID-19 pandemic related losses. The potential claims impact of these matters is uncertain and has been considered in the recognition of additional claims provisions and risk margins in the General Insurance outstanding claims liabilities as set out in note 2.1.

A further industry test case is proposed to canvass a broad number of issues including the causation and construction aspects of Infectious Disease and Prevention of Access indemnity clauses and adjustment wordings. A number of Class Actions against insurers for COVID related losses have also been mooted. Other industry participants have discrete litigation on foot considering various aspects of their Business Interruption wordings response to COVID, which may be of broader industry application. Accordingly, there may be further judicial determinations which impact future exposure for the Suncorp Group.

There are other outstanding court proceedings, potential fines, claims and possible claims against the Suncorp Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, privileged legal advice has been obtained. The Suncorp 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 Suncorp 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.

Customer remediation

In response to both regulatory and internal reviews, the Suncorp Group is currently undertaking a number of programs of work in both Australia and New Zealand to resolve prior issues that have the potential to impact customers. An assessment of the Suncorp Group's likely loss has been considered on a case by case basis. To the extent that the potential impact can be reliably estimated the amount has been provisioned.

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 outcomes and total costs associated with these reviews and possible exposures remain uncertain.

Sale of businesses

As part of the sale of Australian Life Business (**SLSL**), the Suncorp Group provided warranties and indemnities to SLSL and TAL Dai-ichi Life Australia Pty Ltd (**TAL**). These included warranties, indemnities and remediation obligations in regard to the provision of services and products in accordance with terms and conditions of the contractual arrangements. TAL has notified Suncorp of a potential claim under the indemnity and that a project team has been set up. Whilst provisions in relation to the sale have been made where the amounts can be reliably estimated, the outcomes and costs of these potential warranties and indemnities remain uncertain.

As part of the sale of Capital S.M.A.R.T and ACM Parts, the Suncorp Group provided warranties in the respective Share Sale and Purchase Agreements entered into with AMA. Whilst provisions in relation to the sale have been made where the amounts can be reliably estimated, any outflows relating to the warranties remain uncertain.

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

Tax

The Suncorp Group is subject to regular reviews by the ATO and other revenue authorities of its taxation treatment which may result in additional tax liability or tax refund. The Suncorp Group engages with these authorities and provides responses as requested. To the extent reasonably possible, the Suncorp Group has recognised its tax payable as a current tax liability. There are no current disputes with the ATO.

Other

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 Suncorp Group, apart from the Company, also provide financial guarantees to other subsidiaries and external parties and may be exposed to contingent liabilities.

Under the terms of its contracts with New Zealand advisers, the Suncorp Group would potentially acquire the entitlement of individual advisers to future income streams from renewal commission should the advisers themselves be unable to find an approved buyer within six months of the date that the agreement ends. The liability for future renewal commission is contained in the Suncorp Group's policy liabilities, and therefore these potential transactions do not result in any change to the Suncorp 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.

13. Share-based payments

The Short-term incentives (STI) deferred plan is share rights offered to the Group CEO, Executive Leadership Team (ELT) and Executive General Manager level roles as part of their remuneration package under the Suncorp Equity-Based Deferral Plan. On 19 August 2020, 399,497 (December 2019: 293,871) equity-settled rights were offered under STI arrangements at a total fair value of $3,456,000 (December 2019: $3,900,000). Total STI deferred into equity-settled rights expensed for the half-year ended 31 December 2020 is $2,317,000 (December 2019: $4,449,000).

The Long-term incentives (LTI) are performance rights granted to the Group CEO, ELT and other eligible employees as part of their remuneration package under the Suncorp Group Equity Incentives Plan. During the half-year ended 31 December 2020, 909,691 (December 2019: 626,782) performance rights were offered under LTI arrangements at a total fair value of $3,736,000 (December 2019: $4,733,000). Total LTI expensed for the half-year ended 31 December 2020 is $1,680,000 (December 2019: $2,238,000).

The Share rights plan are granted to employees in senior roles below executive level. During the half-year ended 31 December 2020, 462,570 (December 2019: 155,713) share rights were offered at a total fair value of $4,222,000 (December 2019: $2,150,000). Total share rights expensed for the half-year ended 31 December 2020 is $1,485,000 (December 2019: $1,258,000).

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

14. Discontinued operations

Discontinued operations for the half-year ended 31 December 2019 relates to the sale of the Capital S.M.A.R.T and ACM Parts businesses to AMA on 31 October 2019 and includes $285 million total gain on sale after tax. There have been no sale of entities or businesses and no adjustments or costs were incurred during the half-year ended 31 December 2020.

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 Suncorp Group, the results of those operations, or the state of affairs of the Suncorp Group in future financial years.

Directors' declaration

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

1) The consolidated interim financial statements and notes set out on pages 7 to 25, are in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the Suncorp Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

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

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

Signed in accordance with a resolution of the directors:

C. McLoughlin.

CHRISTINE MCLOUGHLIN

Chairman of the Board

9 February 2021

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

KPMG

Independent Auditor's Review Report

To the shareholders of Suncorp Group Limited

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated interim statement of financial position as at 31 December 2020
- Consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the Half-year ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Basis for Conclusion

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

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

KPMG

Responsibilities of the Directors for the Consolidated Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Consolidated Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Consolidated Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

David Kells	Tanya Gilerman
Partner	*Partner*
Sydney	
9 February 2021	