Suncorp-Metway Limited and subsidiaries
ABN 66 010 831 722

Consolidated interim financial report

For the half-year ended 31 December 2021

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Consolidated interim statement of comprehensive income

For the half-year ended 31 December 2021

	Note	Dec 2021 $M	Dec 2020 $M
Interest income	5.1	779	891
Interest expense	5.1	(158)	(273)
Net interest income	5.1	621	618
Other operating income	5.2	14	24
Total net operating income		635	642
Operating expenses		(366)	(377)
Impairment release (loss) on financial assets	7.2	16	(8)
Profit before income tax		285	257
Income tax expense		(85)	(77)
Profit for the period attributable to owners of the Company		200	180
Other comprehensive (loss) income			
Items that will be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges		(21)	4
Net change in fair value of investment securities		(21)	33
Income tax benefit (expense)		12	(11)
Total other comprehensive (loss) income for the period		(30)	26
Total comprehensive income for the period attributable to owners of the Company		170	206

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 2021

	Note	Dec 2021 $M	Jun 2021 $M
Assets			
Cash and cash equivalents		90	68
Receivables due from other banks		4,004	1,495
Trading securities		2,144	1,579
Derivatives		296	310
Investment securities		4,678	4,538
Loans and advances	6	58,394	57,324
Due from related parties		235	223
Deferred tax assets		57	49
Other assets		158	279
Total assets		70,056	65,865
Liabilities			
Payables due to other banks		115	103
Deposits	8	44,762	41,520
Derivatives		237	272
Payables and other liabilities		123	158
Due to related parties		78	84
Borrowings	9	19,537	18,746
Subordinated notes		600	672
Total liabilities		65,452	61,555
Net assets		4,604	4,310
Equity			
Share capital		2,754	2,754
Capital notes	11	935	585
Reserves		(259)	(234)
Retained profits		1,174	1,205
Total equity attributable to owners of the Company		4,604	4,310

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 2021

	Note	Share capital $M	Capital notes $M	Reserves $M	Retained profits $M	Total equity $M
Balance as at 1 July 2020		2,754	585	(258)	993	4,074
Profit for the period		-	-	-	180	180
Total other comprehensive income for the period		-	-	26	-	26
Total comprehensive income for the period		-	-	26	180	206
Transactions with owners, recorded directly in equity						
Dividends paid	3	-	-	-	(8)	(8)
Transfers		-	-	(5)	5	-
Balance as at 31 December 2020		2,754	585	(237)	1,170	4,272
Balance as at 1 July 2021		2,754	585	(234)	1,205	4,310
Profit for the period		-	-	-	200	200
Total other comprehensive loss for the period		-	-	(30)	-	(30)
Total comprehensive (loss) income for the period		-	-	(30)	200	170
Transactions with owners, recorded directly in equity						
Dividends paid	3	-	-	-	(226)	(226)
Transfers		-	-	5	(5)	-
Capital notes issued	11	-	350	-	-	350
Balance as at 31 December 2021		2,754	935	(259)	1,174	4,604

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 2021

	Note	Dec 2021 $M	Dec 2020 $M
Cash flows from operating activities			
Interest received		759	893
Interest paid		(159)	(317)
Fees and other operating income received		219	113
Fees and operating expenses paid		(471)	(517)
Reimbursement to related parties for income tax payments		(120)	(98)
Changes in operating assets and liabilities arising from cash flow movements			
Trading securities		(568)	89
Loans and advances		(1,044)	683
Due to/from related parties		10	10
Deposits		3,242	1,496
Net cash from operating activities		1,868	2,352
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		1,675	1,587
Payments for acquisition of investment securities		(1,759)	(1,433)
Net cash (used in) from investing activities		(84)	154
Cash flows from financing activities			
Proceeds from borrowings	9	6,800	7,294
Repayment of borrowings, including transaction costs	9	(6,117)	(8,873)
Payments for the redemption of subordinated notes		(72)	-
Proceeds from issue of capital notes	11	350	-
Dividends paid	3	(226)	(8)
Net cash from (used in) financing activities		735	(1,587)
Net increase in cash and cash equivalents		2,519	919
Cash and cash equivalents at the beginning of the period		1,460	485
Cash and cash equivalents at the end of the period		3,979	1,404
Cash and cash equivalents at the end of the period comprises:			
Cash and cash equivalents		90	260
Receivables due from other banks		4,004	1,212
Payables due to other banks		(115)	(68)
		3,979	1,404

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 2021

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 2021 comprise the Company and its subsidiaries (the **Group**) and were authorised for issue by the Board of Directors on 8 February 2022.

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

The Company's parent entity is SBGH Limited, with Suncorp Group Limited (**SGL**) being the ultimate parent entity. Suncorp Group is defined to be Suncorp Group Limited and its subsidiaries.

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

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 2021. The consolidated financial report of the Group for the financial year ended 30 June 2021 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 2021.

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 2021.

The changes in estimates and the movements over the half-year ended 31 December 2021 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.

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 2021. While the effects of COVID-19 do not change the areas requiring significant estimation and judgment in the preparation of financial statements, it has resulted in estimation uncertainty and application of further judgment within those identified areas and where relevant is disclosed in the notes to this interim financial report. Consistent with previous periods, the most significant area impacted by COVID-19 is the provision for impairment on financial assets which is outlined in note 7.3.

3. Dividends

		Dec 2021		Dec 2020	
	Note	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares					
2021 final dividend (December 2020: 2020 final dividend[1])		77	216	-	-
Dividend payments on capital notes	11		10		8
Total dividends			226		8
Dividends not recognised in the consolidated interim statement of financial position					
Dividends determined since reporting date					
2022 interim dividend (December 2020: 2021 interim dividend)		67	189	61	171
			189		171

1 In line with the updated capital management and dividend guidance issued by the Australian Prudential Regulation Authority (APRA) on 29 July 2020, the directors determined that a 2020 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 2021.

As the Group operates in only one segment, the consolidated results of the Group are also its segment results for the current and prior periods. All revenue of the Group is from external customers.

5. Net operating income

5.1. Net interest income

	Dec 2021 $M	Dec 2020 $M
Interest income		
Trading securities	1	2
Investment securities	18	35
Loans and advances	760	854
Total interest income	779	891
Interest expense		
Deposits	(63)	(133)
Derivatives[1]	(1)	(10)
Borrowings		
at amortised cost	(86)	(120)
designated at fair value through profit or loss	(1)	(3)
Subordinated notes	(7)	(7)
Total interest expense	(158)	(273)
Net interest income	621	618

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 2021 $M	Dec 2020 $M
Banking fee and commission income	75	85
Banking fee and commission expense	(73)	(73)
Net banking fee and commission income	2	12
Net gains (losses) on:		
Trading securities at fair value through profit or loss	(3)	-
Financial liabilities at fair value through profit or loss	1	(1)
Derivative financial instruments at fair value through profit or loss	(3)	-
Amount recycled into profit or loss on derecognition of investment securities at fair value through other comprehensive income	14	9
Other revenue	3	4
	12	12
Total other operating income	14	24

6. Loans and advances

	Note	Dec 2021 $M	Jun 2021 $M
Retail loans			
Housing loans		43,206	41,697
Securitised housing loans and covered bonds		4,086	4,374
Consumer loans		93	122
		47,385	46,193
Business loans			
Commercial		4,406	4,404
SME		2,716	2,738
Agribusiness		4,106	4,228
		11,228	11,370
Gross loans and advances		58,613	57,563
Provision for impairment	7.1	(219)	(239)
Net loans and advances		58,394	57,324

7. Provision for impairment on financial assets

7.1 Reconciliation of provision for impairment on financial assets

The table below shows the reconciliation of the ECL, specific provision (SP) and gross carrying amount for loans and advances (GLA) for the half-year ended 31 December 2021.

	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 2021	55,066	93	1,654	50	712	52	131	44	57,563	239
Transfers:										
Transfer to stage 1	410	6	(368)	(5)	(42)	(1)	-	-	-	-
Transfer to stage 2	(994)	(32)	1,148	35	(154)	(3)	-	-	-	-
Transfer to stage 3	(123)	(14)	(80)	(3)	165	7	38	10	-	-
New loans and advances originated	14,538	90	-	-	-	-	-	-	14,538	90
Net increase (release) of ECL/SP	-	(2)	-	11	-	(3)	-	(12)	-	(6)
Loans and advances derecognised	(12,437)	(55)	(801)	(30)	(195)	(16)	(55)	-	(13,488)	(101)
SP written-off	-	-	-	-	-	-	-	(2)	-	(2)
Unwind of discount	-	-	-	-	-	-	-	(1)	-	(1)
As at 31 December 2021	56,460	86	1,553	58	486	36	114	39	58,613	219
Provision for impairment on:										
Loans and advances	(73)		(51)		(36)		(39)		(199)	
Commitments & guarantees	(13)		(7)		-		-		(20)	
Net carrying amount as at 31 December 2021	56,374		1,495		450		75		58,394	

7.2 Impairment loss on financial assets

	Dec 2021 $M	Dec 2020 $M
Decrease in collective provision for impairment	(15)	-
(Decrease) increase in specific provision for impairment	(2)	7
Bad debts written off	1	2
Bad debts recovered	-	(1)
Total impairment (release) loss on loans and advances	(16)	8

7.3 Expected credit loss model methodology, estimates and assumptions

COVID-19 impact on 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 COVID-19 pandemic and the associated prevention measures continue to have a profound impact on the Australian and global economy. Notwithstanding these impacts, key economic indicators such as residential property prices and unemployment have improved since the onset of the pandemic. The latest COVID-19 variant Omicron has not resulted in severe lock downs and curtailment of economic activity to the extent recorded from previous variants to date, however, the situation continues to rapidly evolve. With increased uptake of vaccines in Australia, any slowdown of economic activity is expected to be transitory, caused by emerging issues relating to pressure on healthcare and reduced staff numbers across various industries leading to operational impacts and supply chain pressures.

Reported expected credit loss

The Group calculates the ECL by considering a distribution of economic outcomes around a central underlying scenario, with the central scenario set considering the Group's view of the most likely economic scenario, as well as 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, if the Group determines collective provision only on the ECL under the central 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* (**AASB 9**) requires the ECL to be the probability weighted ECL outcome calculated for a range of possible outcomes.

In determining the Reported ECL of $180 million as at 31 December 2021, a distribution of outcomes around the central 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 central scenario, has improved since the outset of COVID-19. However, considerable uncertainty and potential for further downside risk remains, as outlined above.

Accordingly, the PD and LGD distributions around the central estimate incorporate an increased weighting to downside outcomes. For example, for LGD, the ECL reflects a 10 per cent probability that Queensland metro residential property prices fall in excess of 22.2 per cent over the next year. Similarly, the ECL calculation reflects a 10 per cent probability that national commercial property prices fall in excess of 30.3 per cent over the next year.

The central scenario incorporates a weighting of key macroeconomic information from three distinct views being Base, Downside and Severe Downside. The central scenario does reflect potential for worse outcomes than may be indicated by recent data points which indicate a more positive outlook. The views are described below:

- Base view reflects the assumptions used by the Group for business planning and forecasting.
- Downside view reflects a moderate shift to the downside in the short term in comparison to the base view. In the longer term the annual change is more aligned to the base view.
- Severe Downside view reflects a significant deterioration in the economic outlook.

The key macroeconomic information for the central scenario view is presented below:

	Actual	Central (weighted view)		
	FY21	FY22	FY23	FY24
Property prices - residential - annual change (%)	16.8	1.1	(1.9)	0.8
Property prices - commercial - annual change (%)	2.7	(6.2)	0.3	4.1
Unemployment rate (%)	4.8	5.9	4.3	4.0

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 as the ECL is most sensitive to these inputs:

– residential and commercial property prices,
– the unemployment rate, and
– a combination of simultaneous adverse movements in both the property prices and the unemployment rate as this highlights how the variables would interact in a downside scenario.

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

	Downside sensitivity	
	Movement in variable relative to central case	Pre-tax impact Profit (loss) $M
Movement of variables in isolation		
Property prices - residential	Decrease ~400 bps over 2 years	(8)
Property prices - commercial	Decrease ~400 bps over 2 years	(11)
Unemployment rate	Increase 100 bps	(26)
Movement of variables in combination		
Property prices - residential and commercial, and unemployment rate all move simultaneously	Adverse movements as above	(45)

8. Deposits

	Dec 2021 $M	Jun 2021 $M
At-call transactions deposits	19,449	17,248
At-call savings deposits	16,949	16,180
Term deposits	8,364	8,092
Total deposits	44,762	41,520

9. Issues and repayments of borrowings

	Dec 2021 $M	Jun 2021 $M	Dec 2020 $M
Balance at beginning of period	18,746	18,161	20,129
Cash flows			
Proceeds	6,800	2,209	7,294
Repayments	(6,115)	(1,794)	(8,873)
Transaction costs	(2)	(2)	-
Non-cash changes	108	172	(389)
Balance as at end of period	19,537	18,746	18,161

10. Share capital

There have been no issues or buy-backs of issued capital during the current half-year. As at 31 December 2021, the number of ordinary shares on issue was 282,147,584 (30 June 2021: 282,147,584).

11. Capital notes

	Dec 2021		Jun 2021	
	No of notes	$M	No of notes	$M
Issued on 5 May 2017	3,750,000	375	3,750,000	375
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	-	-
Balance at the end of the financial period	9,350,000	935	5,850,000	585

	Dec 2021		Dec 2020	
	Cents per note	$000	Cents per note	$000
Dividend payments on capital notes				
Issued on 5 May 2017				
September quarter	73	2,725	74	2,779
December quarter	72	2,692	73	2,742
Issued on 18 December 2017				
September quarter	65	1,133	66	1,158
December quarter	64	1,119	65	1,142
Issued on 27 May 2019				
September quarter	65	227	66	232
December quarter	64	224	65	228
Issued on 23 September 2021				
December quarter	48	1,664	-	-
Total dividend payments on capital notes		9,784		8,281

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 2021				Jun 2021			
	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	39	2,105	-	2,144	-	1,579	-	1,579
Investment securities	510	4,168	-	4,678	-	4,538	-	4,538
Derivatives	2	294	-	296	1	309	-	310
	551	6,567	-	7,118	1	6,426	-	6,427
Financial liabilities								
Offshore commercial paper[1]	-	1,744	-	1,744	-	1,763	-	1,763
Derivatives	-	237	-	237	-	272	-	272
	-	1,981	-	1,981	-	2,035	-	2,035

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

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

Financial assets and liabilities not measured at fair value

The table below discloses a comparison of carrying value and fair value of financial assets and liabilities that are not measured at fair value after initial recognition, where their carrying value is not a reasonable approximation of fair value. The significant assumptions and estimates used in determining their fair values are consistent with those used in the financial year ended 30 June 2021.

		Carrying value	Fair value			
	Note	$M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
As at 31 December 2021						
Financial assets						
Loans and advances	6	58,394	-	-	58,325	58,325
		58,394	-	-	58,325	58,325
Financial liabilities						
Deposits	8	44,762	-	44,755	-	44,755
Borrowings		17,793	-	17,923	-	17,923
Subordinated notes		600	-	615	-	615
		63,155	-	63,293	-	63,293
As at 30 June 2021						
Financial assets						
Loans and advances	6	57,324	-	-	57,341	57,341
		57,324	-	-	57,341	57,341
Financial liabilities						
Deposits	8	41,520	-	41,546	-	41,546
Borrowings		16,983	-	17,187	-	17,187
Subordinated notes		672	-	688	-	688
		59,175	-	59,421	-	59,421

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 2021.

14. Contingent liabilities

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

Regulatory and internal reviews

Reviews, enquiries and findings from regulators may result in investigation costs, administrative costs, legal costs and 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), APRA, Australian Competition and Consumer Commission, Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Taxation Office conducted reviews and made enquiries with the Group. There were a number of non-compliance instances identified and disclosed by the Group to ASIC, APRA and AUSTRAC.

The Group is currently subject to ASIC's Institutional Supervision Program. The most recent review related to Internal Dispute Resolution and Breach and Incident Management processes. An action plan is in place to address ASIC's findings. Further reviews under the program are possible in the future.

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

Customer remediation and complaints

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

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

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

Royal Commission

The 2019 report of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (Report) set out 76 policy recommendations. The Government's program in response to the Report continues to evolve. In the period since the Report, a number of actions have been implemented by Government, although in some cases the changes have not yet been fully implemented. The Group has implemented many of the known reforms and continues to monitor and respond to any additional legislation and regulatory activity that may arise.

Litigation

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

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

Other

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

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

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

15. Subsequent events

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

Directors' declaration

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

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

   a. give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

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

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

Signed in accordance with a resolution of the directors:

CHRISTINE MCLOUGHLIN, AM

Chairman

8 February 2022

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

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 is not in accordance with *Australian Accounting Standards*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2021 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 2021;
- Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' declaration.

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

Basis for Conclusion

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

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

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 2021 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

Scott Guse

Scott Guse
Partner
Brisbane
8 February 2022