

SUNCORP-METWAY LIMITED AND SUBSIDIARIES

ABN 66 010 831 722

Consolidated interim financial report For the half-year ended 31 December 2017

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DIRECTORS' REPORT

The directors present their report together with the consolidated interim financial report of the consolidated entity (the **Group**), being Suncorp-Metway Limited (the **Company**) and its subsidiaries for the half-year ended 31 December 2017 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

Dr Zygmunt E Switkowski AO (Chairman)	Director since 2005
Audette E Exel AO	Director since 2012
Sally A Herman	Director since 2015
Simon C Machell	Director since 2017
Christine F McLoughlin	Director since 2015
Dr Douglas F McTaggart	Director since 2012
Lindsay J Tanner	Appointed 1 January 2018
William J Bartlett	Retired 21 September 2017
Ewoud J Kulk	Retired 21 September 2017

Executive

Michael A Cameron (CEO and Managing Director)	Executive director since 2015 (Non-executive director from 2012 to 30 September 2015)
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2. Dividends

A 2017 final dividend on ordinary shares of \$181 million (67 cents per share) was paid on 31 August 2017. The Company paid dividends on capital notes totalling \$20 million during the half-year.

A 2018 interim dividend on ordinary shares of \$117 million (43 cents per share) has been determined by the directors.

Further details of dividends on ordinary shares and capital notes 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 Group

The Group delivered a net profit after tax attributable to owners of the Company of \$184 million for the half-year ended 31 December 2017 (December 2016: \$203 million). The result was driven by favourable selected lending growth. This was offset by increased operating expenses from the investment in the Business Improvement Program and the digital and self-service payment capabilities, together with investment in modernisation of the store network, increased costs associated with the changing regulatory environment and change in impairment costs.

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3.2. Financial position and capital structure

Net assets of the Group are \$3,829 million (June 2017: \$4,124 million). The movement was a result of total comprehensive income for the half-year of \$181 million, offset by a net decrease in capital notes of \$275 million from the buyback and issuance during December 2017, \$181 million 2017 final dividend on ordinary shares and \$20 million dividends on capital notes.

The Common Equity Tier 1 (**CET1**) capital ratio continued to be strong at 8.96% (June 2017: 9.18%) and is within the target range of 8.5% to 9.0%.

The Company's Basel III APS 330 Public Disclosures are available at suncorpgroup.com.au/investors/regulatory-disclosures.

3.3. Review of principal businesses

Net interest income increased 7.2% to \$598 million (December 2016: \$558 million), primarily driven by increased lending volumes. Despite continuing competition in the residential mortgage market, the net interest margin increased 8 basis points (bps) to 1.86% (December 2016: 1.78%), supported by targeted growth within risk settings and management of the funding portfolio mix and remained at the top end of the target range.

Operating expenses were \$357 million for the half-year (December 2016: \$307 million), an increase of 16.3%. This reflects the increase in investment in the Business Improvement Program, digital payment and self-service capabilities, and modernisation of the store network. In addition, marketing costs increased to support growth and costs associated with regulatory compliance and inquiry responses also increased.

Loans and advances increased to \$57,635 million (June 2017: \$55,197 million), due to competitive price offerings, focus on customer retention and experience and enhanced broker partnerships. Business lending continued to grow, driven by targeted growth within selected well-known market segments to balance the total lending portfolio mix.

Impairment losses on loans and advances of \$13 million (December 2016: \$1 million), remains below the through-the-cycle operating range, representing 4bps of gross loans and advances on an annualised basis.

The Group's deposit-to-loan ratio of 65.8% remains within the target operating range of 60% to 70%. An increase in at-call deposits over the period was driven by customer growth through attractive customer offers and increased retention through investment in digital self-service, enhanced payment capabilities and simplified processes. Due to heightened competition for term deposits, the Company continues to rebalance the customer deposit portfolio and reduce reliance on this relatively expensive funding option. The Banking business monitors the composition and stability of its funding to remain within Board approved risk appetite. This includes compliance with both the LCR and NSFR APRA requirements, with a focus on the stability of the overall funding profile rather than concentrating on a single measure.

4. Events subsequent to reporting date

There has not arisen in the interval between 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.


5. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the half-year ended 31 December 2017.

6. Rounding of amounts

The Company is of a kind referred to in *Australian Securities and Investments Commission 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.



DR ZIGGY SWITKOWSKI AO

Chairman of the Board

15 February 2018



MICHAEL CAMERON

CEO and Managing Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Suncorp-Metway Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Suncorp-Metway Limited for the half-year ended 31 December 2017 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.

The KPMG logo, consisting of the letters 'KPMG' in a stylized, handwritten font.

KPMG

A handwritten signature in black ink that reads 'Jillian Richards'.

Jillian Richards

Partner

Brisbane

15 February 2018

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CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2017

	Note	Dec 2017 \$M	Dec 2016 \$M
Interest income	5.1	1,270	1,261
Interest expense	5.1	(672)	(703)
Net interest income	5.1	598	558
Other operating income	5.2	34	39
Total net operating income		632	597
Operating expenses		(357)	(307)
Impairment loss on loans and advances	7.2	(13)	(1)
Profit before income tax		262	289
Income tax expense		(78)	(86)
Profit for the period attributable to owners of the Company		184	203
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Net change in fair value of cash flow hedges		(2)	(36)
Net change in fair value of available-for-sale financial assets		(3)	7
Income tax benefit		2	9
Total other comprehensive loss		(3)	(20)
Total comprehensive income for the period attributable to owners of the Company		181	183

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

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CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	Dec 2017 \$M	Jun 2017 \$M
Assets			
Cash and cash equivalents		363	903
Receivables due from other banks		470	567
Trading securities		1,512	1,520
Derivatives		117	138
Investment securities		4,576	4,560
Loans and advances	6	57,635	55,197
Due from related parties		317	316
Deferred tax assets		47	51
Other assets		169	169
Total assets		65,206	63,421
Liabilities			
Payables due to other banks		54	50
Deposits and short-term borrowings	8	46,024	45,427
Derivatives		294	354
Payables and other liabilities		405	357
Due to related parties		25	63
Securitisation liabilities	9	4,111	3,088
Debt issues	9	9,722	9,216
Subordinated notes	9	742	742
Total liabilities		61,377	59,297
Net assets		3,829	4,124
Equity			
Share capital	10	2,648	2,648
Capital notes	11	550	825
Reserves		(308)	(307)
Retained profits		939	958
Total equity attributable to owners of the Company		3,829	4,124

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

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2017

	Note	Share capital \$M	Capital notes \$M	Reserves \$M	Retained profits \$M	Total equity \$M
Balance as at 1 July 2017		2,648	825	(307)	958	4,124
Profit for the period		-	-	-	184	184
Total other comprehensive loss for the period		-	-	(3)	-	(3)
Total comprehensive (loss) income for the period		-	-	(3)	184	181
Transactions with owners, recorded directly in equity						
Dividends paid	3	-	-	-	(201)	(201)
Transfers		-	-	2	(2)	-
Capital notes issued	11	-	175	-	-	175
Capital notes buy back	11	-	(450)	-	-	(450)
Balance as at 31 December 2017		2,648	550	(308)	939	3,829
Balance as at 1 July 2016		2,648	450	(270)	910	3,738
Profit for the period		-	-	-	203	203
Total other comprehensive loss for the period		-	-	(20)	-	(20)
Total comprehensive (loss) income for the period		-	-	(20)	203	183
Transactions with owners, recorded directly in equity						
Dividends paid	3	-	-	-	(185)	(185)
Balance as at 31 December 2016		2,648	450	(290)	928	3,736

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

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2017

	Note	Dec 2017 \$M	Dec 2016 \$M
Cash flows from operating activities			
Interest received		1,274	1,256
Interest paid		(669)	(730)
Fees and other operating income received		109	112
Operating expenses paid		(409)	(396)
Reimbursement to related parties for income tax payments		(66)	(119)
<i>Net decrease (increase) in operating assets</i>			
Trading securities		8	(100)
Loans and advances		(2,442)	87
<i>Net increase in operating liabilities</i>			
Deposits and short-term borrowings		509	983
Net cash (used in) from operating activities		(1,686)	1,093
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		994	1,025
Payments for purchase of investment securities		(1,076)	(1,271)
Net cash used in investing activities		(82)	(246)
Cash flows from financing activities			
Proceeds from debt issues and securitisation liabilities	9	3,801	1,716
Repayment of debt issues and securitisation liabilities	9	(2,198)	(2,342)
Payment from the buy back and issue of capital notes	11	(275)	-
Dividends paid	3	(201)	(185)
Net cash from (used in) financing activities		1,127	(811)
Net (decrease) increase in cash and cash equivalents		(641)	36
Cash and cash equivalents at the beginning of the period		1,420	1,248
Cash and cash equivalents at the end of the period		779	1,284
Cash and cash equivalents at the end of the period comprises:			
Cash and cash equivalents		363	1,323
Receivables due from other banks		470	473
Payables due to other banks		(54)	(512)
		779	1,284

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

1. Reporting entity

Suncorp-Metway 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 2017 comprise the Company and its subsidiaries (the **Group**) and were authorised for issue by the Board of Directors on 15 February 2018.

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

The Company'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* 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 Group for the financial year ended 30 June 2017 and any public announcements made by the 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 Group for the financial year ended 30 June 2017 is available upon request from the Company's registered office or at suncorpgroup.com.au.

As the Company is of a kind referred to in *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.

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report for the financial year ended 30 June 2017.

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 2017.

3. Dividends

	Dec 2017		Dec 2016	
	Cents per share/note	\$M	Cents per share/note	\$M
Dividend payments on ordinary shares				
2017 final dividend (December 2016: 2016 final dividend)	67	181	64	175
Dividend payments on capital notes				
<i>Issued on 17 December 2012</i>				
September quarter	111	5	120	5
December quarter	111	5	111	5
<i>Issued on 5 May 2017</i>				
September quarter	152	6	-	-
December quarter	102	4	-	-
Total dividends on capital notes		20		10
Total dividends		201		185
Dividends not recognised in the consolidated interim statement of financial position				
<i>Dividends determined since balance date</i>				
2018 interim dividend (December 2016: 2017 interim dividend)	43	117	57	154
		117		154

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 2017.

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.

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5. Net operating income

5.1. Net interest income

	Dec 2017 \$M	Dec 2016 \$M
Interest income		
Cash and cash equivalents	3	4
Receivables due from other banks	2	2
Trading securities	13	16
Investment securities	78	88
Loans and advances	1,174	1,151
Total interest income	1,270	1,261
Interest expense		
Deposits and short-term borrowings:		
at amortised cost	(417)	(465)
designated at fair value through profit and loss	(19)	(14)
Derivatives	(26)	(21)
Securitisation liabilities	(54)	(36)
Debt issues	(140)	(150)
Subordinated notes	(16)	(17)
Total interest expense	(672)	(703)
Net interest income	598	558

5.2. Other operating income

	Dec 2017 \$M	Dec 2016 \$M
Other operating income		
Banking fee and commission income	92	100
Banking fee and commission expense	(69)	(65)
Net banking fee and commission income	23	35
Net gains (losses) on:		
Trading securities	-	2
Financial liabilities designated at fair value through the profit and loss	3	2
Derivative and other financial instruments	3	(2)
Other revenue	5	2
	11	4
Other operating income	34	39

6. Loans and advances

	Note	Dec 2017 \$M	Jun 2017 \$M
<i>Financial assets at amortised cost</i>			
Housing loans		46,940	44,844
Consumer loans		250	254
Business loans		10,569	10,226
Other lending		7	13
Gross loans and advances		57,766	55,337
Provision for impairment	7	(131)	(140)
Net loans and advances		57,635	55,197
Current		10,854	10,172
Non-current		46,781	45,025
Net loans and advances		57,635	55,197

7. Provision for impairment on loans and advances

7.1 Reconciliation of provision for impairment on loans and advances

	Dec 2017 \$M	Half-year to Jun 2017 \$M	Dec 2016 \$M
Collective provision			
Balance at the beginning of the period	96	102	108
Write-back against impairment losses	(2)	(6)	(6)
Balance at the end of the period	94	96	102
Specific provision			
Balance at the beginning of the period	44	46	56
New and increased individual provisioning	19	14	20
Write-back of provisions no longer required	(7)	(5)	(20)
Impaired provision written off	(17)	(9)	(7)
Unwind of discount	(2)	(2)	(3)
Balance at the end of the period	37	44	46
Total provisions for impairment	131	140	148

7.2 Impairment loss on loans and advances

	Dec 2017 \$M	Half-year to Jun 2017 \$M	Dec 2016 \$M
Decrease in collective provision for impairment	(2)	(6)	(6)
Increase in specific provision for impairment	12	9	-
Bad debts written off	4	5	8
Bad debts recovered	(1)	(2)	(1)
Total impairment loss on loans and advances	13	6	1

8. Deposits and short-term borrowings

	Dec 2017 \$M	Jun 2017 \$M
<i>Financial liabilities at amortised cost</i>		
Call deposits	19,905	18,945
Term deposits	18,117	17,895
Short-term securities issued	5,739	6,118
Total financial liabilities at amortised cost	43,761	42,958
<i>Financial liabilities designated at fair value through profit or loss</i>		
Offshore commercial papers	2,263	2,469
Total deposits and short-term borrowings	46,024	45,427
Current	45,689	44,641
Non-current	335	786
Total deposits and short-term borrowings	46,024	45,427

Deposits and short-term borrowings obtained under repurchase agreements with the Reserve Bank of Australia and outstanding at 31 December 2017 are \$300 million (30 June 2017: \$306 million).

9. Issues and repayments of debt securities

	Liabilities arising from operating activities		Liabilities arising from financing activities	
	Short-term offshore debt securities ¹	Securitisation liabilities	Debt issues	Subordinated notes
	\$M	\$M	\$M	\$M
Balance as at 1 July 2017	2,469	3,088	9,216	742
Cash flows				
Proceeds	2,196	1,500	2,301	-
Repayments	(2,446)	(475)	(1,723)	-
Transaction costs	-	(2)	-	-
Non-cash changes	44	-	(72)	-
Balance as at 31 December 2017	2,263	4,111	9,722	742
Balance as at 1 July 2016	2,681	2,544	9,860	742
Cash flows				
Proceeds	2,924	-	1,716	-
Repayments	(2,676)	(342)	(2,000)	-
Non-cash changes	174	2	9	-
Balance as at 31 December 2016	3,103	2,204	9,585	742

¹ Disclosed within the consolidated interim statement of financial position category of 'Deposits and short-term borrowings'.

10. Share capital

There has been no issue or buy-back of issued capital during the current or prior half-year. As at 31 December 2017, the number of ordinary shares on issue was 271,467,584.

11. Capital notes

	Dec 2017		Jun 2017	
	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	-	-
Issued on 17 December 2012	-	-	4,500,000	450
Balance at the end of the financial period	5,500,000	550	8,250,000	825

The capital notes are perpetual, subordinated notes issued to the Group's ultimate parent entity, Suncorp Group Limited. The \$450 million of capital notes issued on 17 December 2012 were bought back through a capital notes issuance of \$175 million and a cash settlement of \$275 million on 18 December 2017.

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.

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.
- Level 3: fair value measurement is not based on observable market data.

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.

	Note	Dec 2017				Jun 2017			
		Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Financial assets									
Trading securities		-	1,512	-	1,512	-	1,520	-	1,520
Available-for-sale financial assets ¹		-	3,809	-	3,809	-	3,677	-	3,677
Derivatives		1	116	-	117	1	137	-	138
		1	5,437	-	5,438	1	5,334	-	5,335
Financial liabilities									
Short-term offshore commercial papers designated as financial liabilities at fair value through profit or loss ²	8	-	2,263	-	2,263	-	2,469	-	2,469
Derivatives		-	294	-	294	-	354	-	354
		-	2,557	-	2,557	-	2,823	-	2,823

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

2 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 and no transfers into or out of Level 3 during the current or prior half-year. Transfers are deemed to have occurred at the end of the reporting period.

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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 2017.

	Note	Carrying value \$M	Fair value			Total \$M
			Level 1 \$M	Level 2 \$M	Level 3 \$M	
As at 31 December 2017						
Financial assets						
Held-to-maturity investments		767	-	779	-	779
Loans and advances	6	57,635	-	-	57,635	57,635
Financial liabilities						
Deposits and short-term borrowings at amortised cost	8	43,761	-	43,773	-	43,773
Securitisation liabilities	9	4,111	-	4,128	-	4,128
Debt issues	9	9,722	-	9,808	-	9,808
Subordinated notes	9	742	-	738	-	738
As at 30 June 2017						
Financial assets						
Held-to-maturity investments		883	-	897	-	897
Loans and advances	6	55,197	-	-	55,240	55,240
Financial liabilities						
Deposits and short-term borrowings at amortised cost	8	42,958	-	43,030	-	43,030
Securitisation liabilities	9	3,088	-	3,092	-	3,092
Debt issues	9	9,216	-	9,252	-	9,252
Subordinated notes	9	742	-	726	-	726

13. Related parties

Arrangements for related parties continue to be in place as disclosed in the consolidated financial report for the financial year ended 30 June 2017.

14. Contingent assets and liabilities

There have been no material changes in contingent assets or contingent liabilities since 30 June 2017.

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.

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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 5 to 16, are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Group's financial position as at 31 December 2017 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:



DR ZIGGY SWITKOWSKI AO

Chairman

15 February 2018



MICHAEL CAMERON

CEO and Managing Director

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Independent Auditor's Review Report

To the shareholders 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 the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 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 2017
- 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-Metway Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year.

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*;
- for such internal control as the Directors determine is necessary to enable the preparation of the Consolidated interim financial report that is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility 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. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Consolidated interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 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*. As auditor of Suncorp-Metway Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

The KPMG logo, consisting of the letters 'KPMG' in a stylized, handwritten font.

KPMG

A handwritten signature in black ink that reads 'Jillian Richards'.

Jillian Richards
Partner
Brisbane

15 February 2018

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