



Suncorp Group Limited

ABN 66 145 290 124

Suncorp Bank APS 330: Quarter ended
31 December 2021

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Basis of Preparation

This document has been prepared by Suncorp Bank to meet the disclosure obligations under the Australian Prudential Regulation Authority (APRA) Australian Prudential Standard (APS) 330 *Public Disclosure*.

Suncorp Bank is represented by Suncorp-Metway Limited (SML) and its subsidiaries. SML is an authorised deposit-taking institution (ADI) and a wholly owned subsidiary of Suncorp Group Limited. Suncorp Group is represented by Suncorp Group Limited and its subsidiaries.

Other than statutory information required by a regulator (including APRA), all financial information is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars and have been rounded to the nearest million.

This document has not been audited nor reviewed in accordance with Australian Auditing Standards. It should be read in conjunction with Suncorp Group and SML's consolidated annual and interim financial reports which have been either audited or reviewed in accordance with Australian Auditing Standards.

Figures relate to the quarter ended 31 December 2021 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (ASX).

Disclaimer

This report contains general information which is current as at 8 February 2022. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Suncorp Group and Suncorp Bank or any product or service offered by its entities. It is not intended to be relied upon as advice to investors or potential investors, and does not consider the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp Group's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp Group's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp Group and Suncorp Bank undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

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Regulatory Capital Reconciliation

The following table discloses the consolidated balance sheet of SML and its subsidiaries (Suncorp Bank), as published in its financial statements, and the balance sheet under the Level 2 regulatory scope of consolidation pursuant to APS 111 Capital Adequacy: Measurement of Capital.

Each component of capital reported below in Table 1: Common Disclosures – Composition of Capital can be reconciled to the balance sheets below using the reference letters included in both tables.

	Per table 1 Capital Disclosure	Statutory Dec-21 \$M	Adjustments Dec-21 \$M	Regulatory Dec-21 \$M
Assets				
Cash and cash equivalents		90	(1)	89
Receivables due from other banks		4,004	-	4,004
Trading securities		2,144	-	2,144
Derivatives		296	-	296
Investment securities		4,678	-	4,678
Investment in regulatory non-consolidated subsidiaries		-	-	-
Loans and advances		58,394	(1,827)	56,567
<i>of which: eligible collective provision component of GRCL in tier 2 capital</i>	(o)	-	-	115
<i>of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments</i>	(f)	-	-	181
Due from related parties		235	-	235
Deferred tax assets		57	-	57
<i>of which: arising from temporary differences included in CET1 regulatory adjustments</i>	(e)	-	-	63
Goodwill	(d)	21	-	21
Other assets		137	(3)	134
Total assets		70,056	(1,831)	68,225
Liabilities				
Payables due to other banks		115	-	115
Deposits and short-term borrowings		44,762	9	44,771
Derivatives		237	-	237
<i>of which: securitisation derivatives in CET1 regulatory adjustments</i>	(i)	-	-	1
Payables and other liabilities		123	(1)	122
Due to related parties		78	-	78
Provisions		-	-	-
Due to regulatory non-consolidated subsidiaries		-	39	39
Securitisation liabilities		1,875	(1,875)	-
<i>of which: securitisation start-up costs in CET1 regulatory adjustments</i>	(h)	-	-	-
Borrowings		17,662	-	17,662
<i>of which: costs associated with debt raisings in CET1 regulatory adjustments</i>	(g)	-	-	8
Subordinated notes		600	-	600
<i>of which: directly issued qualifying tier 2 instruments</i>	(k)	-	-	600
<i>of which: directly issued instruments subject to phase out from tier 2</i>	(l)	-	-	-
Total liabilities		65,452	(1,828)	63,624
Net assets		4,604	(3)	4,601
Equity				
Share capital	(a)	2,754	-	2,754
Capital notes	(j)	935	-	935
Reserves		(259)	-	(259)
<i>of which: equity component of GRCL in tier 2 capital</i>	(m)	-	-	90
<i>of which: FVOCI reserve</i>	(c)	-	-	10
<i>of which: cash flow hedge reserve</i>	(n)	-	-	13
Retained profits		1,174	(3)	1,171
<i>of which: included in CET1</i>	(b)	-	-	800
Total equity attributable to owners of the Company		4,604	(3)	4,601

Regulatory Capital Reconciliation (Continued)

The Level 2 group for regulatory capital purposes consists of the parent entity, SML, and its eligible subsidiaries.

The following legal entities are included in the accounting scope of consolidation but are excluded from the regulatory scope of consolidation:

	Total assets Dec-21 \$	Total liabilities Dec-21 \$
SPDEF #2 Pty Ltd	1	-

Principal activity:

The company acts as trustee for Suncorp Property Development Equity Fund #2 Unit Trust.

	Total assets Dec-21 \$M	Total liabilities Dec-21 \$M
Suncorp Property Development Equity Fund #2 Unit Trust	3	-

Principal activity:

The Trust was established by the directors of SPDEF #2 Pty Ltd (the trustee) for the purpose of forming an unincorporated joint venture to develop land for the purpose of reselling as residential housing lots.

	Total assets Dec-21 \$M	Total liabilities Dec-21 \$M
Securitisation special purpose vehicles ⁽¹⁾		
Apollo Series 2012-1 Trust	108	108
Apollo Series 2013-1 Trust	144	144
Apollo Series 2015-1 Trust	252	252
Apollo Series 2017-1 Trust	382	382
Apollo Series 2017-2 Trust	511	511
Apollo Series 2018-1 Trust	481	481

⁽¹⁾ The Trusts qualify for regulatory capital relief under APS 120 and are therefore deconsolidated from the Level 2 regulatory group. The assets of the Trusts include the secured loans from SML, representing the outstanding balance of securitised mortgages and accrued interest, as well as cash and other receivables.

Principal activity:

The Trusts were established for the purpose of raising funds, via the issue of mortgage backed securities, to fund the purchase of mortgage loans by equitable assignment.

Any transfer of funds or regulatory capital within the Level 2 group can occur only after the relevant approvals from management and the Board of each affected entity, in line with the Suncorp Group's capital management policies. Any such transactions must be consistent with the Suncorp Group's capital management strategy objectives to ensure each entity in the Level 2 group has sufficient capital resources to maintain the business and operational requirements, retain sufficient capital to exceed externally imposed capital requirements, and ensure Suncorp Bank's ability to continue as a going concern.

Table 1: Capital Disclosure Template

The disclosures below are presented using the post 1 July 2018 common disclosure template as, pursuant to APRA guidelines, SML and its eligible subsidiaries are applying, in full, the Basel III regulatory adjustments from 1 January 2013.

	Per Regulatory Capital Reconciliation	Dec-21 \$M
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) (a)	2,754
2	Retained earnings (b)	800
3	Accumulated other comprehensive income (and other reserves) (c)+(n)	23
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
6	Common Equity Tier 1 capital before regulatory adjustments	3,577
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability) (d)	21
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	
11	Cash-flow hedge reserve (n)	13
12	Shortfall of provisions to expected losses	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	
15	Defined benefit superannuation fund net assets	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	
17	Reciprocal cross-holdings in common equity	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	
20	Mortgage service rights (amount above 10% threshold)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
22	Amount exceeding the 15% threshold	
23	<i>of which: significant investments in the ordinary shares of financial entities</i>	
24	<i>of which: mortgage servicing rights</i>	
25	<i>of which: deferred tax assets arising from temporary differences</i>	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	253
26	<i>of which: treasury shares</i>	
26	<i>of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI</i>	
26	<i>of which: deferred fee income</i>	
26	<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 26</i>	
26	<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i> (e)	63
26f	<i>of which: capitalised expenses</i> (f)+(g)+(h)	189
26	<i>of which: investments in commercial (non-financial) entities that are deducted under APRA requirements</i>	-
g	<i>of which: covered bonds in excess of asset cover in pools</i>	
26i	<i>of which: undercapitalisation of a non-consolidated subsidiary</i>	
26j	<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26j</i> (i)	1
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
28	Total regulatory adjustments to Common Equity Tier 1	287
29	Common Equity Tier 1 Capital (CET1)	3,290

	Per Regulatory Capital Reconciliation	Dec-21 \$M
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	935
31	<i>of which: classified as equity under applicable accounting standards</i>	(j) 935
32	<i>of which: classified as liabilities under applicable accounting standards</i>	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	
36	Additional Tier 1 Capital before regulatory adjustments	935
Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	
41a	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	
41b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40</i>	
41c	<i>of which: other national specific regulatory adjustments not reported in rows 41a and 41b</i>	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	935
45	Tier 1 Capital (T1=CET1+AT1)	4,225
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	(k) 600
47	Directly issued capital instruments subject to phase out from Tier 2	(l) -
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	
50	Provisions	(m)+(o) 205
51	Tier 2 Capital before regulatory adjustments	805
Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10%	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	
56a	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	
56b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55</i>	
56c	<i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>	
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	805
59	Total capital (TC=T1+T2)	5,030
60	Total risk-weighted assets based on APRA standards	33,232

	Per Regulatory Capital Reconciliation	Dec-21 \$M
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	9.90%
62	Tier 1 (as a percentage of risk-weighted assets)	12.71%
63	Total capital (as a percentage of risk-weighted assets)	15.14%
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%
65	<i>of which: capital conservation buffer requirement</i>	2.50%
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	
67	<i>of which: G-SIB buffer requirement (not applicable)</i>	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted)	9.90%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	
71	National total capital minimum ratio (if different from Basel III minimum)	
Amount below thresholds for deductions (not risk-weighted)		
72	Non-significant investments in the capital of other financial entities	
73	Significant investments in the ordinary shares of financial entities	
74	Mortgage servicing rights (net of related tax liability)	
75	Deferred tax assets arising from temporary differences (net of related tax liability) (e)	63
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) (m)+(o)	205
77	Cap on inclusion of provisions in Tier 2 under standardised approach	368
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i> (l)	-
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	

Table 2: Main Features of Capital Instruments

Attachment B of Prudential Standard APS 330 details the continuous disclosure requirements for the main features of all capital instruments included in Suncorp Bank's regulatory capital.

The Suncorp Group's main features of capital instruments are updated on an ongoing basis and are available at <http://www.suncorpgroup.com.au/investors/reports>.

The full terms and conditions of all of Suncorp Group's regulatory capital instruments are available at <http://www.suncorpgroup.com.au/investors/securities>¹.

¹ The published full terms and conditions represent the comparable capital instruments issued by Suncorp Group Limited to external investors. The terms of these instruments may differ slightly to those instruments issued by the regulatory Level 2 group.

Table 3: Capital Adequacy

	Carrying value		Avg risk weight	Risk Weighted Assets	
	Dec-21 \$M	Sep-21 \$M	Dec-21 %	Dec-21 \$M	Sep-21 \$M
On-balance sheet credit risk-weighted assets					
Cash items	4,065	3,219	0.2	8	16
Claims on Australian and foreign governments	3,902	4,019	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	153	432	34	52	154
Claims on securitisation exposures	684	749	20	135	149
Claims secured against eligible residential mortgages	46,111	45,073	37	16,943	16,529
Past due claims	506	589	92	464	546
Other retail assets ⁽¹⁾	212	226	95	202	215
Corporate	9,700	9,819	100	9,691	9,814
Other assets and claims	302	376	100	302	376
Total banking assets	65,635	64,502		27,797	27,799

⁽¹⁾ The 30 September 2021 comparatives have been restated to reflect the reclassification of a business lending product from Other retail assets to Corporate.

	Notional amount		Avg risk weight	Risk Weighted Assets	
	Dec-21 \$M	Dec-21 \$M	Dec-21 %	Dec-21 \$M	Sep-21 \$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	282	282	98	277	285
Commitments to provide loans and advances	10,674	2,613	47	1,235	1,457
Lending of securities or posting of securities as collateral	-	-	-	-	-
Foreign exchange contracts	3,503	39	51	20	32
Interest rate contracts	50,789	63	43	27	39
Securitisation exposures	1,919	79	20	16	17
CVA capital charge	-	-	-	39	63
Total off-balance sheet positions	67,167	3,076		1,614	1,893
Market risk capital charge				156	148
Operational risk capital charge				3,665	3,635
Total off-balance sheet credit risk-weighted assets				1,614	1,893
Total on-balance sheet credit risk-weighted assets				27,797	27,799
Total assessed risk (Total Risk Weighted Assets)				33,232	33,475
Risk-weighted capital ratios				%	%
Common Equity Tier 1				9.90	9.63
Tier 1				12.71	12.42
Tier 2				2.43	2.42
Total risk-weighted capital ratio				15.14	14.84

Table 4: Credit Risk

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 December 2021

	Receivables due from other Banks (2)	Trading Securities	Derivatives (3)	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) (3)	Total Credit Risk (4)	Gross Impaired Assets	Past due not > 90 days	Total not past due or impaired	Specific Provisions (5)
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Agribusiness	-	-	-	-	4,106	55	4,161	12	17	4,132	1
Construction & development	-	-	-	-	765	201	966	-	2	964	-
Financial services	4,004	-	102	96	95	244	4,541	-	-	4,541	-
Hospitality	-	-	-	-	818	39	857	70	-	787	15
Manufacturing	-	-	-	-	229	18	247	2	-	245	1
Professional services	-	-	-	-	342	14	356	1	6	349	1
Property investment	-	-	-	-	3,135	55	3,190	7	9	3,174	4
Real estate - Mortgage	-	-	-	-	45,467	2,166	47,633	45	295	47,293	8
Consumer	-	-	-	-	93	-	93	-	4	89	-
Government/public authorities	-	2,144	-	3,898	-	-	6,042	-	-	6,042	-
Other commercial & industrial (6)	-	-	-	-	1,736	103	1,839	28	14	1,797	9
Total gross credit risk	4,004	2,144	102	3,994	56,786	2,895	69,925	165	347	69,413	39
Securitisation exposures (1)	-	-	47	684	1,827	32	2,590	1	18	2,571	-
Total including securitisation exposures	4,004	2,144	149	4,678	58,613	2,927	72,515	166	365	71,984	39
Impairment provision							(219)	(51)	(17)	(151)	
Total							72,296	115	348	71,833	

(1) The securitisation exposures of \$1,827 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent \$39 million specific provisions for accounting purposes plus \$65 million ineligible collective provision.

(6) Includes a portion of small business loans, with limits below \$1 million, that are not classified.

Table 4: Credit Risk (Continued)

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 September 2021

	Receivables due from other Banks (2)	Trading Securities	Derivatives (3)	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) (3)	Total Credit Risk (4)	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions (5)
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Agribusiness	-	-	-	-	4,244	193	4,437	24	30	4,383	5
Construction & development	-	-	-	-	712	220	932	1	3	928	1
Financial services	3,201	-	176	364	89	353	4,183	-	-	4,183	-
Hospitality	-	-	-	-	844	53	897	64	1	832	14
Manufacturing	-	-	-	-	219	13	232	3	-	229	1
Professional services	-	-	-	-	333	21	354	1	4	349	-
Property investment	-	-	-	-	3,081	96	3,177	9	12	3,156	4
Real estate - Mortgage	-	-	-	-	44,544	2,063	46,607	39	360	46,208	7
Consumer	-	-	-	-	104	-	104	-	4	100	-
Government/public authorities	-	1,523	-	3,662	-	-	5,185	-	-	5,185	-
Other commercial & industrial (6)	-	-	-	-	1,788	159	1,947	27	18	1,902	10
Total gross credit risk	3,201	1,523	176	4,026	55,958	3,171	68,055	168	432	67,455	42
Securitisation exposures (1)	-	-	52	749	1,973	35	2,809	1	19	2,789	-
Total including securitisation exposures	3,201	1,523	228	4,775	57,931	3,206	70,864	169	451	70,244	42
Impairment provision							(237)	(55)	(22)	(160)	
Total							70,627	114	429	70,084	

(1) The securitisation exposures of \$1,973 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent \$42 million specific provisions for accounting purposes plus \$66 million ineligible collective provision.

(6) Includes a portion of small business loans, with limits below \$1 million, that are not classified.

Table 4: Credit Risk (Continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2021

	Receivables due from other Banks ⁽²⁾	Trading Securities	Derivatives ⁽³⁾	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) ⁽³⁾	Total Credit Risk ⁽⁴⁾
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Agribusiness	-	-	-	-	4,175	124	4,299
Construction & development	-	-	-	-	739	210	949
Financial services	3,603	-	139	230	92	299	4,363
Hospitality	-	-	-	-	831	46	877
Manufacturing	-	-	-	-	224	15	239
Professional services	-	-	-	-	338	17	355
Property investment	-	-	-	-	3,108	76	3,184
Real estate - Mortgage	-	-	-	-	45,006	2,114	47,120
Consumer	-	-	-	-	99	-	99
Government/public authorities	-	1,834	-	3,780	-	-	5,614
Other commercial & industrial ⁽⁵⁾	-	-	-	-	1,762	131	1,893
Total gross credit risk	3,603	1,834	139	4,010	56,374	3,032	68,992
Securitisation exposures ⁽¹⁾	-	-	50	717	1,900	34	2,701
Total including securitisation exposures	3,603	1,834	189	4,727	58,274	3,066	71,693
Impairment provision							(228)
Total							71,465

⁽¹⁾ The securitisation exposures of \$1,900 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

⁽²⁾ Receivables due from other banks include collateral deposits provided to derivative counterparties.

⁽³⁾ Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

⁽⁴⁾ Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

⁽⁵⁾ Includes a portion of small business loans, with limits below \$1 million, that are not classified.

Table 4: Credit Risk (Continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 July to 30 September 2021

	Receivables due from other Banks ⁽²⁾	Trading Securities	Derivatives ⁽³⁾	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) ⁽³⁾	Total Credit Risk ⁽⁴⁾
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Agribusiness	-	-	-	-	4,236	201	4,437
Construction & development	-	-	-	-	720	244	964
Financial services	2,348	-	160	426	97	305	3,336
Hospitality	-	-	-	-	857	53	910
Manufacturing	-	-	-	-	224	15	239
Professional services	-	-	-	-	334	23	357
Property investment	-	-	-	-	3,096	98	3,194
Real estate - Mortgage	-	-	-	-	44,240	2,068	46,308
Consumer	-	-	-	-	113	-	113
Government/public authorities	-	1,551	-	3,486	-	-	5,037
Other commercial & industrial ⁽⁵⁾	-	-	-	-	1,782	169	1,951
Total gross credit risk	2,348	1,551	160	3,912	55,699	3,176	66,846
Securitisation exposures ⁽¹⁾	-	-	53	745	2,050	36	2,884
Total including securitisation exposures	2,348	1,551	213	4,657	57,749	3,212	69,730
Impairment provision							(238)
Total							69,492

⁽¹⁾ The securitisation exposures of \$2,050 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

⁽²⁾ Receivables due from other banks include collateral deposits provided to derivative counterparties.

⁽³⁾ Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

⁽⁴⁾ Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

⁽⁵⁾ Includes a portion of small business loans, with limits below \$1 million, that are not classified.

Table 4: Credit Risk (Continued)

Table 4B: Credit risk by portfolio as at 31 December 2021

	Gross Credit Risk Exposure \$M	Average Gross Exposure \$M	Impaired Assets \$M	Past Due Not Impaired > 90 days \$M	Specific Provisions ⁽²⁾ \$M	Charges for Specific Provisions & Write Offs \$M
Claims secured against eligible residential mortgages ⁽¹⁾	50,223	49,821	46	313	8	2
Other retail	93	99	-	4	-	-
Financial services	4,541	4,363	-	-	-	-
Government and public authorities	6,042	5,614	-	-	-	-
Corporate and other claims	11,616	11,796	120	48	31	(2)
Total	72,515	71,693	166	365	39	-

⁽¹⁾ \$2,590 million, \$2,701 million, \$1 million and \$18 million has been included in gross credit risk exposure, average gross exposure, impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

⁽²⁾ The specific provisions of \$39 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of \$65 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are \$104 million.

Table 4B: Credit risk by portfolio as at 30 September 2021

	Gross Credit Risk Exposure \$M	Average Gross Exposure \$M	Impaired Assets \$M	Past Due Not Impaired > 90 days \$M	Specific Provisions ⁽²⁾ \$M	Charges for Specific Provisions & Write Offs \$M
Claims secured against eligible residential mortgages ⁽¹⁾	49,416	49,192	40	379	7	1
Other retail	104	113	-	4	-	-
Financial services	4,183	3,336	-	-	-	-
Government and public authorities	5,185	5,037	-	-	-	-
Corporate and other claims	11,976	12,052	129	68	35	(2)
Total	70,864	69,730	169	451	42	(1)

⁽¹⁾ \$2,809 million, \$2,884 million, \$1 million and \$19 million has been included in gross credit risk exposure, average gross exposure, impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

⁽²⁾ The specific provisions of \$42 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of \$66 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are \$108 million.

Table 4: Credit Risk (Continued)

Table 4C: General reserve for credit losses

	Dec-21 \$M	Sep-21 \$M
Collective provision for impairment	180	195
Ineligible collective provisions	(65)	(66)
Eligible collective provisions	115	129
Equity reserve for credit losses	90	82
General reserve for credit losses	205	211

Table 5: Securitisation Exposures

Table 5A: Summary of securitisation activity for the period

During the quarter ending 31 December 2021, there was no new securitisation activity undertaken (quarter ending 30 September 2021: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Dec-21	Sep-21	Dec-21	Sep-21
	\$M	\$M	\$M	\$M
Residential mortgages	-	-	-	-
Total exposures securitised during the period	-	-	-	-

Table 5B(i): Aggregate of on-balance sheet securitisation exposures by exposure type

Exposure type	Dec-21	Sep-21
	\$M	\$M
Debt securities	684	749
Total on-balance sheet securitisation exposures	684	749

Table 5B(ii): Aggregate of off-balance sheet securitisation exposures by exposure type

Exposure type	Dec-21	Sep-21
	\$M	\$M
Liquidity facilities	32	35
Derivative exposures	47	52
Total off-balance sheet securitisation exposures	79	87

Table 20: Liquidity Coverage Ratio Disclosure

	Total Unweighted Value (Average) Dec-21 \$M	Total Weighted Value (Average) Dec-21 \$M	Total Unweighted Value (Average) Sep-21 \$M	Total Weighted Value (Average) Sep-21 \$M	Total Unweighted Value (Average) Jun-21 \$M	Total Weighted Value (Average) Jun-21 \$M
Liquid assets, of which:						
High-quality liquid assets (HQLA)		9,194		6,923		5,961
Alternative liquid assets (ALA)		2,819		3,608		4,424
Cash outflows						
Retail deposits and deposits from small business customers, of which:						
<i>stable deposits</i>	34,032	3,326	32,936	3,204	31,947	3,107
<i>less stable deposits</i>	20,960	1,048	20,357	1,018	19,684	984
Unsecured wholesale funding, of which:	13,072	2,278	12,579	2,186	12,263	2,123
<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	3,961	2,423	4,238	2,835	3,490	2,113
<i>non-operational deposits (all counterparties)</i>	-	-	-	-	-	-
<i>unsecured debt</i>	3,210	1,672	2,999	1,596	2,844	1,467
Secured wholesale funding	751	751	1,239	1,239	646	646
Additional requirements, of which:						
<i>outflows related to derivatives exposures and other collateral requirements</i>	8,964	1,252	8,841	1,332	8,235	1,080
<i>outflows related to loss of funding on debt products</i>	837	837	930	930	700	700
<i>credit and liquidity facilities</i>	-	-	-	-	-	-
Other contractual funding obligations	8,127	415	7,911	402	7,535	380
Other contingent funding obligations	1,130	803	1,178	877	1,029	667
Total cash outflows	5,575	483	5,204	627	5,614	447
		8,336		8,930		7,638
Cash inflows						
Secured lending (e.g. reverse repos)	67	-	94	-	16	-
Inflows from fully performing exposures	682	355	611	310	745	384
Other cash inflows	476	476	792	792	274	274
Total cash inflows	1,225	831	1,497	1,102	1,035	658
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		12,013		10,531		10,385
Total net cash outflows		7,505		7,828		6,980
Liquidity Coverage Ratio (%)		160		135		149
Number of data points used ⁽¹⁾		64		66		63

⁽¹⁾ Comparatives have been restated to reflect the correct number of data points.

The Liquidity Coverage Ratio (**LCR**) promotes shorter-term resilience by requiring ADIs to maintain sufficient qualifying High Quality Liquid Assets (**HQLA**) to meet expected net cash outflows (**NCOs**) under an APRA prescribed 30 calendar day stress scenario. SML manages its LCR on a daily basis and maintains a buffer over the regulatory minimum of 100%.

The amount of liquid assets held considers the amount needed to meet prudential and internal requirements (including a variety of internal stress scenarios as part of the risk management framework) and a suitable buffer reflecting management's preference.

Liquid assets included in the LCR comprise HQLA (cash, Australian Semi-Government and Commonwealth Government securities) and alternative liquid assets covered by the Committed Liquidity Facility (**CLF**) with the Reserve Bank of Australia (**RBA**). SML received approval from APRA to reduce the CLF from \$3.9 billion to \$1.5 billion which became effective on 1 December 2021. SML will reduce its CLF to zero by 31st December 2022 in equal sized reductions in line with APRA's guidance.

The daily average LCR was 160% over the December 2021 quarter, compared to an average of 135% over the September 2021 quarter. The increase in the LCR over the quarter was in preparation for the CLF reduction on 1st December 2021 combined with the HQLA to NCO minimum of 100% by 31st December 2021. The reduction in the CLF and HQLA to NCO minimum meant that SML prioritised an increase in treasury deposit funding and at-call deposits along with selling ALAs in order to purchase HQLA throughout the quarter.

Table 21: Net Stable Funding Ratio Disclosure

	Dec-21			Weighted value (\$M)	Sep-21			Weighted value (\$M)		
	Unweighted value by residual maturity (\$M)				Unweighted value by residual maturity (\$M)					
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		
Available Stable Funding (ASF) Item										
Capital	3,783	-	-	1,535	5,318	3,732	-	-	1,535	5,267
Regulatory capital	3,783	-	-	1,535	5,318	3,732	-	-	1,535	5,267
Other capital instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits and deposits from small business customers	-	38,261	1	-	35,596	-	37,162	1	-	34,582
Stable deposits	-	23,220	-	-	22,059	-	22,726	-	-	21,589
Less stable deposits	-	15,041	1	-	13,537	-	14,436	1	-	12,993
Wholesale funding	-	13,190	1,409	9,211	12,686	-	11,200	2,574	9,191	12,922
Operational deposits	-	-	-	-	-	-	-	-	-	-
Other wholesale funding	-	13,190	1,409	9,211	12,686	-	11,200	2,574	9,191	12,922
Liabilities with matching interdependent assets										
Other liabilities	650	4	-	-	-	695	-3	-	-	-
NSFR derivative liabilities	-	-	4	-	-	-	-3	-	-	-
All other liabilities and equity not included in the above categories	650	-	-	-	-	695	-	-	-	-
Total ASF					53,600					52,771
Required Stable Funding (RSF) Item										
Total NSFR (HQLA)					297					261
ALA					150					391
RBZ securities					-					-
Deposits held at other financial institutions for operational		14	-	-	7		3	-	-	2
Performing loans and securities		2,239	1,136	52,085	38,411		2,709	1,078	48,865	36,420
Performing loans to financial institutions secured by Level 1 HQLA		-	-	-	-		300	-	-	30
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		-	-	-	-		-	-	-	-
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:		1,307	1,093	10,409	10,051		1,417	1,030	10,442	10,104
With a risk weight of less than or equal to 35% under APS 112		-	-	-	-		-	-	-	-
Performing residential mortgages, of which:		932	43	41,676	28,360		992	48	38,283	26,167
With a risk weight equal to 35% under APS 112		932	43	41,676	28,360		992	48	38,283	26,167
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		-	-	-	-		-	-	140	119
Assets with matching interdependent liabilities										
Other assets:	643	166	9	400	1,194	665	265	7	465	1,363
Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)										
NSFR derivative assets								52		52
NSFR derivative liabilities before deduction of variation margin posted								50		10
All other assets not included in the above categories	643	135	9	400	1,188	665	163	7	465	1,301
Off-balance sheet items			11,563		518		11,243			508
Total RSF					40,577					38,945
Net Stable Funding Ratio (%)					132%					136%

The Net Stable Funding Ratio (**NSFR**) promotes longer-term funding resilience by requiring ADIs to fund their activities with sufficiently stable sources of funding on an ongoing basis.

The NSFR requires that an ADI has sufficient Available Stable Funding (**ASF**), the portion of capital and liabilities expected to be a reliable source of funds over a one-year time frame, to cover its Required Stable Funding (**RSF**), which is based on the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet exposures. SML manages its NSFR on a daily basis and maintains a buffer over the regulatory minimum of 100%.

The NSFR remained above the typical operating range over the quarter (from 136% as at 30 September 2021 to 132% at 31 December 2021). This was consistent with growth in RSF (Performing Residential Mortgages) offset by growth in ASF (Retail Deposits). The lower CLF combined with growth in mortgages were the biggest factors in the quarterly reduction.

Appendix - Definitions

AASB 9	AASB 9 <i>Financial Instruments</i> was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce a forward-looking expected credit loss impairment model, and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. This standard became mandatory for the annual reporting period from 1 July 2018.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Collective provision	A collective provision is established to determine expected credit losses (see also Expected Credit Losses definition below) for loan exposures which are not specifically provisioned and can be in the performing or non-performing portfolios. For business banking exposures, a ratings-based approach is applied using estimates of probability of default and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default are used to calculate the collective provision.
Common Equity Tier 1 (CET1)	Common Equity Tier 1 capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total risk weighted assets, as defined by APRA.
Credit value adjustment (CVA)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk.
Eligible collective provisions	Primarily represents the collective provision for impairment on loans and advances in Stage 1 (performing and/or newly originated assets). Provisions for loans and advances in Stage 1 are established to provide for expected credit losses (ECL) for a period of 12 months. Forward-looking provisions for future, presently unidentified losses are also included within the Eligible collective provision balance.
Expected credit losses (ECL)	Expected credit losses (ECL) are calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in house prices.
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA.
General reserve for credit losses (GRCL)	The general reserve for credit losses is a reserve that covers credit losses prudently estimated but not certain to arise over the full life of all the individual facilities based on guidance provided by APRA.
Impaired assets	Impaired assets are those for which the Bank has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. The Bank fully considers the counterparty's capacity to repay and security valuation position before an asset is considered impaired.
Ineligible collective provisions	Represents the collective provision for impairment on loans and advances in Stage 2 or Stage 3. Stage 2 assets include assets that have experienced a significant increase in credit risk (SICR) since origination (under-performing loans). Stage 3 assets within ineligible collective provisions include 'past due but not impaired' and 'impaired assets' (non-performing loans, other than those for which a specific provision is held under AASB 9). Collective provisions for loans and advances in Stage 2 and Stage 3 are established to provide for ECL for the remaining term of the loans and advances (lifetime ECL). Ineligible collective provision is considered as specific provision for regulatory purposes under APS 220 <i>Credit Quality</i> .
Liquidity coverage ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent of a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario.
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased.
Past due loans	Loans outstanding for more than 90 days.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Specific provision	A specific provision for impairment is recognised where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amount of the loan to determine the specific provision required.
Term Funding Facility (TFF)	On 19 March 2020, the RBA announced the Term Funding Facility (TFF) to support lending to Australian businesses as part of a package of measures to support the Australian economy. Under the TFF, Authorised Deposit-taking Institutions (ADIs) can access three-year funding through repurchase agreements at a fixed interest rate equivalent to the official cash rate at the time of drawdown.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.