SUNCORP

# ASX announcement

10 November 2023

## Suncorp Bank APS 330 30 September 2023

Suncorp (ASX: SUN | ADR: SNMCY) today released its Bank quarterly update as at 30 September 2023 as required under the Australian Prudential Standard 330. The report is attached.

**Authorised for lodgement with the ASX by the Suncorp Audit Committee.**

**ENDS**

**For more information contact:**


| | | |
|---|---|---|
| **Media** | James Spence | +61 436 457 886<br>james.spence@suncorp.com.au |
| **Analysts / Investors** | Neil Wesley | +61 498 864 530<br>neil.wesley@suncorp.com.au |
| | Kyran McGushin | +61 438 087 980<br>kyran.mcgushin@suncorp.com.au |

# Suncorp Group Limited

**ABN 66 145 290 124**

Suncorp Bank APS 330: Quarter ended
30 September 2023

Release date 10 November 2023

## 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 30 September 2023 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (ASX).

This document is prepared in accordance with Basel III Prudential Capital requirements effective for reporting periods beginning on or after 1 January 2023.

Suncorp announced the sale of Suncorp Bank to Australia and New Zealand Banking Group Limited on 18 July 2022. Should all approvals be received, completion of the transaction is expected around the middle of the 2024 calendar year.

## Disclaimer

This report contains general information which is current as at 10 November 2023. 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, or intended to be relied upon as advice.

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 and undertakes no obligation to update any forward-looking statements. 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.


### Registered office

Level 23, 80 Ann Street
Brisbane QLD 4000
suncorpgroup.com.au

### Investor Relations

Neil Wesley
EGM Investor Relations & Corporate Development
+61 498 864 530
neil.wesley@suncorp.com.au

Kyran McGushin
Executive Manager
Investor Relations
+61 438 087 980
kyran.mcgushin@suncorp.com.au

# Table of contents

## Overview

Suncorp Bank's home lending portfolio contracted $64 million or 0.1% (0.5% annualised) over the September quarter as the Bank focused on profitability amid ongoing and intense price-driven competition. However, momentum returned to the portfolio in September with positive growth and an uptick in application volumes. The Bank remains strongly focused on customer and broker experience, and Broker and Home Lending Net Promotor Score (**NPS**) continue to perform strongly, alongside market leading turnaround times. The Bank maintains a high-quality and conservatively positioned home lending portfolio, weighted towards owner occupiers, on principal and interest repayment terms and loans with a loan-to-valuation ratio (**LVR**) below 80%.

Business lending contracted $107 million or 0.9% (3.4% annualised). The agribusiness portfolio contracted $134 million in line with seasonal trends, and due to heightened external refinances late in the quarter. This was partly offset by growth in the commercial lending portfolio of $16 million, predominantly due to higher drawdowns in development finance, offsetting runoff. The small and medium enterprise (**SME**) portfolio grew by $11 million, mainly driven by solid growth in the relationship managed portfolio.

Household deposit growth for the quarter was below strong system growth levels in a period of intense competition, as customers became increasingly responsive to higher yielding products. The Bank grew both retail term deposits (44.3% annualised) and savings account balances (9.3% annualised), partly offset by a contraction in the transaction portfolio of 9.0% (annualised) as average account balances approached pre-COVID-19 levels.

Pricing on both lending and deposits continues to reflect the intensely competitive environment, with ongoing pressure on net interest margin.

A net impairment release of $2 million for the quarter was mainly driven by recoveries in the specific provision, with two facilities repaid without loss and one customer group no longer impaired, together with small movements across the portfolios. Write-offs were minimal and the collective provision remained unchanged. Gross impaired assets decreased $25 million over the quarter to $76 million or 11 basis points of gross loans and advances (**GLA**), with decreases across all lending portfolios.

Total 90+ days past due loans not impaired increased $47 million over the quarter to $380 million or 57 basis points of GLA, up from 49 basis points of GLA in the previous quarter. This was primarily driven by a $19 million increase within the commercial lending portfolio, and an $18 million increase within the home lending portfolio, reflecting the impact of interest rate and inflationary pressures.

The Liquidity Coverage Ratio (**LCR**) averaged 141% over the quarter and the Net Stable Funding Ratio (**NSFR**) remained above the typical operating range ending the period at 125%, demonstrating the continued strength of Suncorp's funding and liquidity position. The Bank's capital levels remain sound, with a Common Equity Tier 1 ratio of 10.38% (Jun 2023: 10.38%), within the target operating range of 10.00% to 10.50%.

# Loans and advances

| | Sep-23 $M | Jun-23 $M | Sep-22 $M | Sep-23 vs Jun-23 % | Sep-23 vs Sep-22 % |
|---|---|---|---|---|---|
| Housing loans - term | 48,542 | 47,526 | 45,953 | 2.1 | 5.6 |
| Housing line of credit | 473 | 550 | 690 | (14.0) | (31.4) |
| Securitised housing loans and covered bonds | 5,722 | 6,725 | 5,228 | (14.9) | 9.4 |
| **Total housing loans** | **54,737** | 54,801 | 51,871 | **(0.1)** | **5.5** |
| Personal loans | 30 | 36 | 58 | (16.7) | (48.3) |
| **Retail loans** | **54,767** | 54,837 | 51,929 | **(0.1)** | **5.5** |
| SME | 2,644 | 2,633 | 2,653 | 0.4 | (0.3) |
| Commercial | 5,377 | 5,361 | 4,998 | 0.3 | 7.6 |
| Agribusiness | 4,356 | 4,490 | 4,176 | (3.0) | 4.3 |
| **Total business loans** | **12,377** | 12,484 | 11,827 | **(0.9)** | **4.7** |
| **Total lending** | **67,144** | 67,321 | 63,756 | **(0.3)** | **5.3** |
| Provision for impairment | (212) | (219) | (212) | (3.2) | - |
| **Total loans and advances** | **66,932** | 67,102 | 63,544 | **(0.3)** | **5.3** |
| | | | | | |
| **Geographical breakdown - Total lending** | | | | | |
| Queensland | 30,283 | 30,440 | 29,592 | (0.5) | 2.3 |
| New South Wales | 19,316 | 19,381 | 17,853 | (0.3) | 8.2 |
| Victoria | 9,913 | 9,842 | 9,031 | 0.7 | 9.8 |
| Western Australia | 4,329 | 4,326 | 4,190 | 0.1 | 3.3 |
| South Australia and other | 3,303 | 3,332 | 3,090 | (0.9) | 6.9 |
| **Outside of Queensland loans** | 36,861 | 36,881 | 34,164 | (0.1) | 7.9 |
| **Total lending** | **67,144** | 67,321 | 63,756 | **(0.3)** | **5.3** |

## Impairment (losses)/releases on loans and advances

| | Quarter Ended Sep-23 $M | Jun-23 $M | Sep-22 $M | Sep-23 vs Jun-23 % | Sep-23 vs Sep-22 % |
|---|---|---|---|---|---|
| Collective provision for impairment | - | (10) | - | (100.0) | n/a |
| Specific provision for impairment | 3 | (4) | 1 | (175.0) | 200.0 |
| Actual net write-offs | (1) | - | (1) | n/a | - |
| **Impairment releases/(losses)** | **2** | **(14)** | **-** | **(114.3)** | **n/a** |
| Impairment releases/(losses) to gross loans and advances | 0.00% | (0.02%) | 0.00% | | |

## Impaired assets and 90+ days past due loans

| | Quarter Ended Sep-23 $M | Jun-23 $M | Sep-22 $M | Sep-23 vs Jun-23 % | Sep-23 vs Sep-22 % |
|---|---|---|---|---|---|
| **Gross balances of individually impaired loans** | | | | | |
| Retail lending | 27 | 29 | 37 | (6.9) | (27.0) |
| Agribusiness lending | 15 | 24 | 15 | (37.5) | - |
| Commercial lending | 27 | 34 | 42 | (20.6) | (35.7) |
| SME lending | 7 | 14 | 12 | (50.0) | (41.7) |
| **Gross impaired assets** | **76** | **101** | **106** | **(24.8)** | **(28.3)** |
| Impairment provision | (24) | (31) | (34) | (22.6) | (29.4) |
| **Net impaired assets** | **52** | **70** | **72** | **(25.7)** | **(27.8)** |
| **Impairment provisions expressed as a percentage of gross impaired assets** | **32%** | **31%** | **32%** | | |
| **Size of gross individually impaired assets** | | | | | |
| Less than one million | 23 | 25 | 30 | (8.0) | (23.3) |
| Greater than one million but less than ten million | 42 | 64 | 52 | (34.4) | (19.2) |
| Greater than ten million | 11 | 12 | 24 | (8.3) | (54.2) |
| **Gross impaired assets** | **76** | **101** | **106** | **(24.8)** | **(28.3)** |
| **90+ days past due loans not shown as impaired assets** | **380** | **333** | **283** | **14.1** | **34.3** |
| **Gross non-performing loans** [1] | **456** | **434** | **389** | **5.1** | **17.2** |
| **Analysis of movements in gross individually impaired assets** | | | | | |
| Balance at the beginning of the period | 101 | 98 | 138 | 3.1 | (26.8) |
| Recognition of new impaired assets | 2 | 19 | 14 | (89.5) | (85.7) |
| Other movements in impaired assets [2] | (3) | 1 | (3) | (400.0) | - |
| Impaired assets which have been reclassed as performing assets or repaid | (24) | (17) | (43) | 41.2 | (44.2) |
| **Balance at the end of the period** | **76** | **101** | **106** | **(24.8)** | **(28.3)** |

(1) Gross non-performing loans in the above table excludes loans that meet additional requirements under the revised APS 220 *Credit Risk Management*.

(2) Net of increases in previously recognised impaired assets and impaired assets written off.

# Provision for impairment

| | Sep-23 $M | Jun-23 $M | Sep-22 $M | Sep-23 vs Jun-23 % | Sep-23 vs Sep-22 % |
|---|---|---|---|---|---|
| **Collective provision** | | | | | |
| Balance at the beginning of the period | 190 | 180 | 180 | 5.6 | 5.6 |
| Charge against impairment losses | - | 10 | - | (100.0) | n/a |
| **Balance at the end of the period** | **190** | **190** | **180** | **-** | **5.6** |
| **Specific provision** | | | | | |
| Balance at the beginning of the period | 29 | 27 | 37 | 7.4 | (21.6) |
| (Release)/charge against impairment losses | (3) | 4 | (1) | (175.0) | 200.0 |
| Impairment provision written off [1] | (4) | (2) | (4) | 100.0 | - |
| **Balance at the end of the period** | **22** | **29** | **32** | **(24.1)** | **(31.3)** |
| **Total provision for impairment - Banking activities** | **212** | **219** | **212** | **(3.2)** | **-** |

| Provision for impairment expressed as a percentage of gross loans and advances are as follows: | % | % | % |
|---|---|---|---|
| Collective provision | 0.28 | 0.28 | 0.28 |
| Specific provision | 0.03 | 0.05 | 0.05 |
| Total provision coverage | 0.31 | 0.33 | 0.33 |

[1] Includes immaterial unwind of discount.

# Gross non-performing loans coverage by portfolio

| | Sep-23 $M | Jun-23 $M | Sep-22 $M | Sep-23 vs Jun-23 % | Sep-23 vs Sep-22 % |
|---|---|---|---|---|---|
| **Retail Lending** | | | | | |
| Past due loans[1] | 298 | 280 | 231 | 6.4 | 29.0 |
| Impaired assets | 27 | 29 | 37 | (6.9) | (27.0) |
| Specific provision | 6 | 6 | 8 | - | (25.0) |
| Collective provision[2] | 8 | 8 | 7 | - | 14.3 |
| Total provision coverage[3] | 4.3% | 4.5% | 5.6% | (0.2) | (1.3) |
| **Agribusiness Lending** | | | | | |
| Past due loans[1] | 34 | 26 | 30 | 30.8 | 13.3 |
| Impaired assets | 15 | 24 | 15 | (37.5) | - |
| Specific provision | 3 | 4 | 2 | (25.0) | 50.0 |
| Collective provision[2] | 7 | 3 | 5 | 133.3 | 40.0 |
| Total provision coverage[3] | 20.4% | 14.0% | 15.6% | 6.4 | 4.9 |
| **Commercial Lending** | | | | | |
| Past due loans[1] | 31 | 12 | 7 | 158.3 | 342.9 |
| Impaired assets | 27 | 34 | 42 | (20.6) | (35.7) |
| Specific provision | 11 | 14 | 18 | (21.4) | (38.9) |
| Collective provision[2] | 7 | 3 | 8 | 133.3 | (12.5) |
| Total provision coverage[3] | 31.0% | 37.0% | 53.1% | (5.9) | (22.0) |
| **SME Lending** | | | | | |
| Past due loans[1] | 17 | 15 | 15 | 13.3 | 13.3 |
| Impaired assets | 7 | 14 | 12 | (50.0) | (41.7) |
| Specific provision | 2 | 5 | 4 | (60.0) | (50.0) |
| Collective provision[2] | 4 | 6 | 2 | (33.3) | 100.0 |
| Total provision coverage[3] | 25.0% | 37.9% | 22.2% | (12.9) | 2.8 |

[1] Excludes loans which are less than 90 days past due.
[2] The collective provision presented in the table above is the provision held for non-performing loans i.e. loans in Stage 3 only.
[3] Calculated as: (Specific provision + Collective provision Stage 3) / (Past due loans + Impaired assets).

# Appendix 1 – APS 330 Tables

- Table 1: Capital disclosure template – not applicable for this reporting period. This table was disclosed in the June 2023 reporting period.
- Table 2: Main features of capital instruments
- Table 3: Capital adequacy
- Table 4: Credit risk
- Table 5: Securitisation exposures
- Table 20: Liquidity Coverage Ratio Disclosure
- Table 22: Remuneration Disclosures

# 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 https://www.suncorpgroup.com.au/investors/regulatory-disclosures-current.

The full terms and conditions of all of Suncorp Group's regulatory capital instruments are available at https://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

| | Risk Weighted Assets | |
|---|---|---|
| | Sep-23 $M | Jun-23[2] $M |
| **On-balance sheet credit risk-weighted assets** | | |
| Claims secured by residential mortgage | 18,095 | 18,105 |
| Other retail | 102 | 102 |
| Bank | 98 | 26 |
| Government | - | - |
| Corporates[1] | 8,553 | 8,689 |
| Securisation | 17 | 23 |
| All other exposures | 126 | 141 |
| **Total on-balance sheet assets** | 26,991 | 27,086 |
| | | |
| **Off-balance sheet exposures** | | |
| Non-market related off-balance sheet exposures | 2,567 | 2,722 |
| Market related off-balance sheet exposures | 73 | 51 |
| Securitisation | 5 | 9 |
| **Total off-balance sheet exposures** | 2,645 | 2,782 |
| | | |
| **Total on-balance sheet assets and off-balance sheet positions** | 29,636 | 29,868 |
| **Market risk capital charge** | 173 | 141 |
| **Operational risk capital charge** | 2,512 | 2,512 |
| **Total risk-weighted assets** | 32,321 | 32,521 |

| | Capital Ratios | |
|---|---|---|
| | Sep-23 % | Jun-23 % |
| Common Equity Tier 1 | 10.38 | 10.38 |
| Tier 1 | 12.11 | 12.10 |
| Tier 2 | 2.52 | 2.53 |
| **Total risk-weighted capital ratio** | 14.63 | 14.63 |

(1) Includes commercial property and land acquisition, development, and construction exposures.
(2) June 2023 credit risk-weighted assets have been restated by $30 million from $32,491 million to $32,521 million. Total capital ratio decreased 1 basis point from 14.64% to 14.63%.

# Table 4: Credit Risk

## Table 4A: Credit risk by gross credit exposure

| Exposure Type | Gross Credit Exposure[1] Sep-23 $M | Gross Credit Exposure[1] Jun-23 $M | Average Gross Credit Exposure[1] Sep-23 $M | Average Gross Credit Exposure[1] Jun-23 $M |
|---|---|---|---|---|
| Reverse repurchase agreements | 643 | 2,825 | 1,734 | 2,598 |
| Receivables[2] | 890 | 1,788 | 1,339 | 2,323 |
| Trading Securities | 2,895 | 2,218 | 2,557 | 2,418 |
| Derivatives[3] | 95 | 78 | 86 | 104 |
| Investment Securities | 7,671 | 6,317 | 6,994 | 5,671 |
| Loans and Advances | 64,738 | 64,719 | 64,729 | 64,070 |
| Off-balance sheet exposures[3] | 5,817 | 5,990 | 5,903 | 6,173 |
| **Total gross credit risk[4]** | **82,749** | **83,935** | **83,342** | **83,357** |
| Securitisation exposures[5] | 2,801 | 3,044 | 2,923 | 2,653 |
| **Total including securitisation exposures** | **85,550** | **86,979** | **86,265** | **86,010** |
| Impairment provision | (212) | (219) | (216) | (213) |
| **Total** | **85,338** | **86,760** | **86,049** | **85,797** |

| Portfolios Subject to the Standardised Approach | Gross Credit Exposure[1] Sep-23 $M | Gross Credit Exposure[1] Jun-23 $M | Average Gross Credit Exposure[1] Sep-23 $M | Average Gross Credit Exposure[1] Jun-23 $M |
|---|---|---|---|---|
| Claims secured by residential mortgage | 57,714 | 57,652 | 57,683 | 57,260 |
| Other retail assets | 125 | 128 | 126 | 140 |
| Bank | 1,127 | 2,928 | 2,027 | 2,831 |
| Government | 10,988 | 10,146 | 10,567 | 10,161 |
| Corporates[6] | 12,696 | 12,919 | 12,809 | 12,823 |
| All other exposures | 98 | 162 | 130 | 142 |
| **Total gross credit risk[4]** | **82,749** | **83,935** | **83,342** | **83,357** |
| Securitisation exposures[5] | 2,801 | 3,044 | 2,923 | 2,653 |
| **Total including securitisation exposures** | **85,550** | **86,979** | **86,265** | **86,010** |
| Impairment provision | (212) | (219) | (216) | (213) |
| **Total** | **85,338** | **86,760** | **86,049** | **85,797** |

**Notes:**

[1] Gross credit exposures and Average gross credit exposures reflect on balance sheet exposures and credit equivalent amounts for off balance sheet exposures.

[2] Receivables due from other Banks include collateral deposits provided to derivative counterparties.

[3] Off-balance sheet exposures represent the credit equivalent amount in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

[4] Total credit risk excludes cash at bank and other money market placements.

[5] Securitisation exposures for September 2023 include $2,406 million in Loans and advances, $83 million in Investment Securities, $18 million in Derivatives and $294 million in Off-balance sheet exposures. The securitisation exposures for 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*.

[6] Includes commercial property and land acquisition, development, and construction exposures.

# Table 4: Credit Risk (Continued)

Table 4B: Credit risk by portfolio

| Portfolios Subject to the Standardised Approach | Non-performing loans Sep-23 $M | Specific Provisions[1] Sep-23 $M | Charges for Specific Provisions & Write Offs Sep-23 $M |
|---|---|---|---|
| Claims secured by residential mortgage | 509 | 5 | - |
| Other retail assets | 5 | 2 | (1) |
| Bank | - | - | - |
| Government | - | - | - |
| Corporates[2] | 171 | 15 | 3 |
| All other exposures | - | - | - |
| **Total gross credit risk** | **685** | **22** | **2** |
| Securitisation exposures | 18 | - | |
| **Total including securitisation exposures** | **703** | **22** | |
| Impairment provision | (20) | - | |
| **Total** | **683** | **22** | |

[1] The specific provisions of $22 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $52 million which in accordance with APS 220 Credit Risk Management are regulatory specific provisions. The regulatory specific provisions under APS 220 Credit Risk Management are $74 million.
[2] Includes commercial property and land acquisition, development, and construction exposures.

| Portfolios Subject to the Standardised Approach | Non-performing loans Jun-23 $M | Specific Provisions[1] Jun-23 $M | Charges for Specific Provisions & Write Offs Jun-23 $M |
|---|---|---|---|
| Claims secured by residential mortgage | 464 | 8 | - |
| Other retail assets | 5 | 2 | (2) |
| Bank | - | - | - |
| Government | - | - | - |
| Corporates[2] | 150 | 19 | (2) |
| All other exposures | - | - | - |
| **Total gross credit risk** | **619** | **29** | **(4)** |
| Securitisation exposures | 17 | - | |
| **Total including securitisation exposures** | **636** | **29** | |
| Impairment provision | (27) | - | |
| **Total** | **609** | **29** | |

[1] The specific provisions of $29 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $45 million which in accordance with APS 220 Credit Risk Management are regulatory specific provisions. The regulatory specific provisions under APS 220 Credit Risk Management are $74 million.
[2] Includes commercial property and land acquisition, development, and construction exposures.

# Table 4: Credit Risk (Continued)

Table 4C: Provisions eligible for inclusion in Tier 2 capital [1]

| | Sep-23 $M | Jun-23 $M |
|---|---|---|
| Collective provision for impairment | 190 | 190 |
| Ineligible collective provisions [2] | (52) | (45) |
| Eligible collective provisions | 138 | 145 |
| General equity reserve [3] | 76 | 76 |
| **Provisions eligible for inclusion in Tier 2 capital (Standardised approach) [1]** | **214** | **221** |

[1] Provisions held against performing exposures that represent a purely forward-looking amount for future losses that are presently unidentified.

[2] Ineligible collective provisions represent the collective provision for impairment on loans and advances in Stage 2 or Stage 3, where loans have experienced significant increase in credit risk (SICR) or are non-performing and a specific provision under AASB 9 has not been raised. Ineligible collective provision is considered as specific provision for regulatory purposes under APS 220 *Credit Risk Management*.

[3] Following removal of the ERCL (equity reserve for credit losses) requirement in APS 220 *Credit Risk Management* from 1 January 2022, the general equity reserve has been established in its place. The general equity reserve will be maintained at this level ($76 million) pending further consideration of its future treatment.

# Table 5: Securitisation Exposures

### Table 5A: Summary of securitisation activity for the period

During the quarter ending 30 September 2023, there was no new securitisation activity undertaken (quarter ending 30 June 2023: $1 billion).

| | Exposures Securitised | | Recognised Gain or (Loss) on Sale | |
|---|---|---|---|---|
| | Sep-23 $M | Jun-23 $M | Sep-23 $M | Jun-23 $M |
| Residential mortgages | - | 1,000 | - | - |
| Total exposures securitised during the period | - | 1,000 | - | - |

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

| Exposure type | Sep-23 $M | Jun-23 $M |
|---|---|---|
| Debt securities | 83 | 114 |
| Total on-balance sheet securitisation exposures | 83 | 114 |

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

| Exposure type | Sep-23 $M | Jun-23 $M |
|---|---|---|
| Liquidity facilities | 15 | 16 |
| Derivative exposures | 18 | 30 |
| Total off-balance sheet securitisation exposures | 33 | 46 |

# Table 20: Liquidity Coverage Ratio Disclosure

| | Total unweighted value (average) Sep-23 $M | Total weighted value (average) Sep-23 $M | Total unweighted value (average) Jun-23 $M | Total weighted value (average) Jun-23 $M | Total unweighted value (average) Mar-23 $M | Total weighted value (average) Mar-23 $M |
|---|---|---|---|---|---|---|
| Liquid assets, of which: | | | | | | |
| High-quality liquid assets (HQLA) | | 12,864 | | 12,898 | | 12,608 |
| Alternative liquid assets (ALA) | | - | | - | | - |
| Cash outflows | | | | | | |
| Retail deposits and deposits from small business customers, of which: | 35,746 | 3,522 | 35,422 | 3,510 | 35,210 | 3,462 |
| *stable deposits* | *22,698* | *1,135* | *22,250* | *1,112* | *22,047* | *1,102* |
| *less stable deposits* | *13,048* | *2,387* | *13,172* | *2,398* | *13,163* | *2,360* |
| Unsecured wholesale funding, of which: | 5,019 | 3,206 | 5,572 | 3,573 | 5,226 | 3,423 |
| *operational deposits (all counterparties) and deposits in networks for cooperative banks* | - | - | - | - | - | - |
| *non-operational deposits (all counterparties)* | *3,483* | *1,670* | *3,908* | *1,909* | *3,511* | *1,708* |
| *unsecured debt* | *1,536* | *1,536* | *1,664* | *1,664* | *1,715* | *1,715* |
| Secured wholesale funding | | 544 | | 278 | | 197 |
| Additional requirements, of which: | 9,269 | 1,209 | 9,466 | 1,547 | 9,644 | 1,343 |
| *outflows related to derivatives exposures and other collateral requirements* | *769* | *769* | *1,108* | *1,108* | *885* | *885* |
| *outflows related to loss of funding on debt products* | - | - | - | - | - | - |
| *credit and liquidity facilities* | *8,500* | *440* | *8,358* | *439* | *8,759* | *458* |
| Other contractual funding obligations | 1,154 | 884 | 1,544 | 1,279 | 1,119 | 824 |
| Other contingent funding obligations | 6,742 | 748 | 6,491 | 548 | 6,567 | 715 |
| Total cash outflows | | 10,113 | | 10,735 | | 9,964 |
| Cash inflows | | | | | | |
| Secured lending (e.g. reverse repos) | 2,065 | - | 2,569 | - | 1,825 | - |
| Inflows from fully performing exposures | 580 | 310 | 574 | 308 | 630 | 335 |
| Other cash inflows | 653 | 653 | 978 | 978 | 685 | 685 |
| Total cash inflows | 3,298 | 963 | 4,121 | 1,286 | 3,140 | 1,020 |
| | | Total adjusted value | | Total adjusted value | | Total adjusted value |
| Total liquid assets | | 12,864 | | 12,898 | | 12,608 |
| Total net cash outflows | | 9,150 | | 9,449 | | 8,944 |
| Liquidity Coverage Ratio (%) | | 141 | | 137 | | 141 |
| Number of data points used | | 65 | | 62 | | 63 |

# Overview

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 (NCO) 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%.

## Liquidity and Funding Risk Management Framework

The Suncorp Board is responsible for the sound and prudent management of liquidity risk across the Group, with authority delegated to the Board Risk Committee.

Executive management of liquidity and funding risk is overseen through the Suncorp Bank Asset and Liability Committee (SBALCO) which reviews risk measures and limits, endorses and monitors funding and liquidity strategies and ensures stress tests, the Contingency Funding Plan and holdings of high-quality liquid assets are effective and appropriate. Operational management of liquidity risk is delegated to the Bank Treasury division.

The Group Asset and Liability Committee's (ALCO) also oversees asset and liability management, liquidity and funding policies and strategies and monitoring compliance with those policies across the Group, including Suncorp Bank.

## Liquidity and Funding Management

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 suitable buffers as appropriate.

Liquid assets included in the LCR consist of HQLA (such as cash, Australian Semi-Government and Commonwealth Government securities).

Other contractual funding obligations and other net inflows represent gross flows not included elsewhere in the LCR. Over time, key balances in these categories can be material to the Bank's net cash outflow. During the quarter, the material balances were due to Suncorp Group dividend and reinsurance cashflows.

## Contingency Funding Plan

Suncorp Bank maintains a Contingency Funding Plan (CFP) which details how it would respond to a liquidity stress event. The CFP sets out roles and responsibilities including the committee of responsible executives, early warning indicators and trigger events. The CFP is reviewed and oversighted regularly. It contains details of potential funding actions that could be taken to manage Suncorp Bank's liquidity position.

## Liquidity Coverage Ratio

Suncorp Bank calculates its LCR position on a daily basis, ensuring a buffer is maintained over the regulatory requirement of 100% and the Board's risk appetite. The daily average LCR was 141% over the September 2023 quarter, slightly higher than the average of 137% over the June quarter.

The term funding maturities totalling $1.4 billion (TFF and Covered Bond) through September were replaced earlier in the quarter via issuance of a $1 billion Covered Bond transaction, which settled in July. The timing difference of these transactions led to the increased average LCR over the period.

During the quarter, the lowest point of the LCR was 124% on 19 September due to an increased amount of NCD's being in the LCR Window. The increased daily average LCR over the September quarter reflects higher liquidity holdings ahead of the ACCC decision on 4 August.

# TABLE 22: REMUNERATION DISCLOSURES AS AT 30 JUNE 2023

## Introduction

This Remuneration Disclosure has been prepared in accordance with the APRA APS 330: Public Disclosure.

This disclosure explains the Suncorp Group Limited (**Suncorp**) Remuneration Policy and structure, which have been endorsed by the Suncorp Board People and Remuneration Committee (**People and Remuneration Committee**) and approved by the Suncorp Group Limited Board (**Board**). Suncorp's remuneration framework and associated remuneration governance applies to all employees of Suncorp Bank. Suncorp Bank is represented by the legal entity SML and its subsidiaries. SML is an authorised deposit-taking institution and a wholly owned subsidiary of Suncorp. Accordingly, this Remuneration Disclosure is completed on a Level 2 basis[2].

For the purposes of this disclosure:

- Senior Managers are defined as Responsible Persons included in the Group's Fit and Proper Policy. This includes:
  - Key Management Personnel (**KMP**) for the Group that are also KMP for SML and its subsidiaries (where KMP refers to the Group CEO and Group Executives); and
  - Other Senior Managers. These include select Executive General Managers (**EGMs**) and employees below EGM level who are Responsible Persons for SML.
- Material Risk Takers (**MRT**) are select employees below EGM level that are not Responsible Persons who may be able to individually or collectively affect the financial standing, risk profile, performance and/or long-term soundness of the business where the incumbents have a performance-based incentive target of a significant portion of total remuneration (being more than 50% of fixed pay). MRTs covered under this disclosure are also responsible for activities that can lead to significant financial and/or reputational damage.

The aggregated remuneration data is for KMP, Other Senior Managers, and MRTs relating to Suncorp Bank during the financial year ended 30 June 2023 (**FY23**).

## Section 1

### Remuneration governance framework

The People and Remuneration Committee endorses the Group's people and remuneration frameworks and practices to the Board for approval. It assists the Board in fulfilling its responsibilities by ensuring frameworks are in place that enable the Group to attract, motivate and retain talent and support the achievement of Suncorp's strategic objectives and cultural aspirations.
The People and Remuneration Committee receives input from the Board Risk Committee (**BRC**), Chairmen of the BRC and Board Audit Committee (**BAC**), external advisers and management as illustrated below.

[2] Under Application Paragraph 3, 'where a locally incorporated ADI is a subsidiary of an authorised non-operating holding company (authorised NOHC), the authorised NOHC must ensure that the requirements under this Prudential Standard are met on a Level 2 basis' (APS 330, July 2018).

Board

### People and Remuneration Committee

The People and Remuneration Committee members as at 30 June 2023 are:

| | |
|---|---|
| **Chairman** | Sylvia Falzon |
| **Members** | Elmer Funke Kupper |
| | Simon Machell |
| **Ex officio member** | Christine McLoughlin, AM |

The People and Remuneration Committee's responsibilities are outlined in its charter available at suncorpgroup.com.au/about/corporate-governance

The People and Remuneration Committee held six meetings during FY23.

### Board Risk Committee and Chairmen of Board Risk Committee and Board Audit Committee

The BRC recommends material risk matters that should be considered for remuneration consequences to the People and Remuneration Committee.

The Chairmen of the BRC and BAC join the People and Remuneration Committee for discussion on remuneration consequences in light of material risk matters.

### External advisers

External advisers provide independent advice, as requested, to the People and Remuneration Committee. No remuneration recommendations were made by a remuneration consultant during FY23.

### Management

Management advises the People and Remuneration Committee based on specific expertise and business knowledge.

The FY23 fee for the People and Remuneration Committee Chairman was $66,300 and Member fees were $33,150 (including superannuation). There were no fee increases in FY23.

All remuneration arrangements for Senior Managers and MRT roles require approval by the Board. Within pre-defined parameters, delegated authority has been granted by the Board to the Group CEO to approve remuneration for Other Senior Managers and MRT roles that are EGM level or below. The Board has oversight and reviews the remuneration arrangements of all KMP, Other Senior Managers and MRT roles on an annual basis.

## FY23 Remuneration Policy and Framework

The Suncorp Remuneration Policy provides a governance framework for the structure and operation of remuneration plans within the context of Suncorp's strategy, long-term financial soundness and risk management framework.

The Board has sought to ensure the remuneration framework is aligned to prudent risk management, material risk matters are considered in remuneration outcomes, and the framework incentivises desired conduct and behaviours. This ensures that incentives are paid based on achieving performance goals while demonstrating appropriate behaviours.

The below table summarises Suncorp's FY23 remuneration framework.

# Our Purpose

**Building futures and protecting what matters**

## Our Being @ Suncorp behaviours

Doing the right thing

Caring for others

Being courageous

## Our reward principles

- Align to Suncorp's Purpose, strategy, and the shareholder experience
- Deliver high performance
- Attract and retain talent
- Promote accountability, doing the right thing, and effective risk management
- Reward fairly, competitively and responsibly

## Our remuneration structure

### Fixed pay

- Consists of base salary, superannuation (or Kiwisaver) and any salary sacrifice benefits.
- Reflects the role scope and individual's skills and experiences and is set in the context of market remuneration levels.
- Reviewed against internal relativity and relevant matches from Suncorp's peer group and/or with regard to other relevant factors.

### Short-term incentive (STI)

- Delivered as a mix of cash (50% of Fixed Pay for Group CEO, 65% of Fixed Pay for other KMP, 70% of Fixed Pay for Other Senior Managers who are EGMs) with the remainder delivered as share rights.
- Share rights are deferred for a 1-2 year period for the KMP and over a 1-3 year period for EGMs.
- For Other Senior Managers and MRTs below EGM level, STI is delivered 100% in cash unless a threshold is exceeded, where a portion is deferred over one year and paid in cash.
- KMP, Other Senior Managers and MRT are assessed against a Function or individual scorecard comprising People & Culture, Customer, Risk, and Financial measures.
- The FY23 Group Scorecard determines the overall size of the Group STI pool and is shown below:

| Category | Performance measure | Weighting |
|---|---|---|
| People and Culture | Employee Engagement | 15% |
| | Gender Pay Gap | |
| | Workforce of the Future | |
| Customer | AAMI NPS (Consumer) | 20% |
| | Vero Intermediated Broker NPS | |
| | Suncorp Bank Main Financial Institution (MFI) NPS (Consumer) | |
| | Digital Sales and Service (Mass Brands: Home, Motor, CTP) | |
| Risk | Building a moderate risk environment | 15% |
| | Enhancement of controls | |
| | Operating within risk appetite | |
| Financial | Adjusted Net Profit After Tax | 30% |
| | Cash Return on Tangible Equity | 10% |
| | Market Share Growth (Insurance Australia - Including customer retention, Suncorp NZ, and Home Lending) | 10% |

- An STI gateway and modifier linked to the Code of Conduct applies which can reduce STI outcomes (down to nil).

### Long-term incentive (LTI)

- Only KMP are eligible to participate in the LTI plan[1].
- Delivered as performance rights which vest over a three-year period.
- The performance measures are below and are equally weighted at 50% each:
  - Relative Total Shareholder Return (TSR) against S&P/ ASX 100 companies.
  - Relative TSR against 14 S&P / ASX 100 financial organisations with banking and / or insurance operations.
- For vesting to occur Suncorp's TSR must be at least at the median of the peer group for the minimum 50% vesting to occur. Full vesting occurs at the 75th percentile and there is pro-rata vesting between these points.
- Performance is tested over a three-year period from 1 July 2022 – 30 June 2025.
- A further one-year deferral period applies on any vested rights, taking the total deferral period to four years.

All variable pay is subject to malus and clawback criteria

[1] EGMs, Other Senior Managers and MRT do not participate in the LTI plan.

### Suncorp Bank Scorecard

The FY23 Suncorp Bank Scorecard measures are below. These are assessed at the Suncorp Bank level unless otherwise indicated.

| Category | Performance measure | Weighting |
|---|---|---|
| People & Culture | Employee Engagement<br>Gender Pay Gap<br>Women in Senior Leadership<br>Workforce of the Future | 15% |
| Customer | Suncorp Bank Consumer MFI NPS<br>Business Bank Customer NPS<br>Home Loan Broker and Customer NPS<br>Digitally Active % of total customers | 30% |
| Risk | Building a moderate risk environment<br>Enhancement of controls<br>Operating within risk appetite<br>Net Stable Funding Ratio | 15% |
| Financial | Adjusted Net Profit After Tax<br>Budgeted costs<br>Bank Cost to Income %<br>Market Share Growth (Home Lending, Business Lending and MFI customers) | 40% |

The Suncorp Bank Scorecard is cascaded as appropriate to the Suncorp Bank Leadership Team and to employees within Suncorp Bank.

### Changes in the executive remuneration structure to support the successful sale and separation of Suncorp Bank

To ensure the executive remuneration structure remains appropriate throughout the sale and separation of Suncorp Bank, the below changes were endorsed by the People and Remuneration Committee and approved by the Board.

#### Temporary increase of STI target opportunity

To provide an additional incentive to achieve performance measures linked to the successful sale and separation of Suncorp Bank, the target STI opportunity for the KMP and select other Senior Managers was temporarily increased by 20% in FY23. There was no change to the maximum STI opportunity.

The Board exercised its discretion not to award any part of this additional FY23 opportunity. Instead, it determined to rollover this additional temporary target STI opportunity into FY24 when performance can be appropriately assessed following the anticipated Bank sale completion.

#### Modifications to the FY21 and FY22 LTI plan

At the 2022 Annual General Meeting (**AGM**), in light of the disruption and uncertainty caused by the announced Bank sale that was expected to complete by 30 June 2023, shareholder approval was obtained to make adjustments to the FY21 and FY22 LTI performance rights and to test these rights early at 30 June 2022. At the time, 40.1% of the FY21 LTI performance rights, and 55.5% of the FY22 LTI performance rights, had met the relevant performance measures. These LTI performance rights were converted to share rights and a further one-year service condition was imposed to incentivise retention.

The FY21 LTI awards were subsequently tested against the performance measures that would have applied in the normal course at 30 June 2023. As a result of strong performance against the Relative TSR and Cash Return on Equity performance measures, 84.6% of the FY21 LTI awards had satisfied the performance measures at this date.

In considering the original principles that were outlined in the 2022 Remuneration Report and 2022 Notice of AGM, and in the context of the Bank sale not having completed by 30 June 2023, the Board determined it was fair and reasonable to grant the Group CEO and eligible Senior Executives a further grant of rights.

This grant equated to 44.5% of the original number of FY21 LTI awards that were granted, being the difference in performance outcomes between a test date of 30 June 2023 and 30 June 2022. These additional rights will remain subject to the additional service condition imposed, and malus criteria, until 30 June 2024.

This decision by the Board only applies to the FY21 LTI awards. In relation to other on-foot and future LTI awards, the Board will assess the circumstances and performance in the normal course at the end of the relevant performance period, including for the FY22 LTI awards at 30 June 2024 (noting the FY22 LTI awards were similarly tested early at 30 June 2022).

The Board expects that the unique circumstances of the ongoing regulatory approval process that affected the FY21 LTI awards will not apply to the FY22 LTI awards.

Further information can be found in section 5 of Suncorp's 2023 Remuneration Report.

### Changes to the FY24 remuneration structure

To meet APRA's CPS 511 requirements, the Group CEO's remuneration mix changed and now has greater emphasis on the LTI component. This creates stronger alignment with the shareholder experience over the longer term.

The other key change in the FY24 remuneration structure is in relation to the LTI plan. In line with APRA's CPS 511 requirements, two non-financial measures, Relative Customer NPS and Relative Trust and Reputation, were introduced into the LTI plan. These measures are collectively weighted at 30%.

The two existing financial measures based on Relative TSR will continue to be utilised, collectively weighted at 70%. In addition, the LTI deferral period was extended from 4 years to 4-6 years for the Group CEO and to 4-5 years for the Senior Executives.

Further information can be found in the Chairman's Letter in Suncorp's 2023 Remuneration Report.

## Remuneration alignment with risk management

Suncorp is committed to effective risk management throughout the Group, with risk management considering both financial and non-financial risks.

The Non-Financial Risk Committee, made up of the KMP, supports the identification, assessment, monitoring, and mitigation of non-financial risks. This governance structure ensures that relevant non-financial risks, including conduct risks, receive appropriate focus.

The Enterprise Risk Management Framework (ERMF) lays the foundation for all Suncorp's risk management processes. The ERMF seeks to ensure the integration of effective risk management across the Group and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy). Employees understand the importance of managing risk and the link between risk management and the outcomes for our shareholders, customers, and employees.

The Board sets the risk appetite for the Group and has ultimate responsibility for the effectiveness of the Group's risk management practices. Suncorp develops its strategy and business plan both in consideration of the Group's risk appetite and with regard to the broader external environment.

In addition to ensuring the remuneration framework is aligned to prudent risk management, the Board also places significant importance on ensuring the framework incentivises desired conduct and behaviours.

Risk and conduct matters are further incorporated into the remuneration framework as outlined below.

## Scorecard and performance assessment

| | |
|---|---|
| **Material weighting of non-financial measures in the Group Scorecard** | - The structure of the Group Scorecard consists of a number of measures across the categories of People & Culture, Customer, Risk, and Financial. There is a material weighting on non-financial measures in all scorecards, including a separately weighted risk measure. |
| **STI outcomes are based on both the "what" and the "how"** | - For KMP, the Board considers behaviours as part of its judgement overlay in determining STI outcomes.<br>- For other employees, individual scorecards are weighted 80% towards performance measures and 20% towards the Being @ Suncorp behaviours, with the intent of ensuring that performance outcomes are achieved in the appropriate way. |
| **The behavioural STI gateway and modifier linked to the Code of Conduct** | - The behavioural STI gateway and modifier is based on an employee's compliance with the Code of Conduct. This can lead to an employee's STI being reduced (down to nil) if they do not adhere to the Code of Conduct. |
| **The Board's application of a judgement overlay on the Group Scorecard outcomes, with risk management considered as a key component of the overall performance outcome** | - In determining performance and remuneration outcomes, the People and Remuneration Committee considers adherence to effective risk management practices and all other relevant factors in the context of the Group's risk appetite. This occurs before the Board makes its final determination of the overall STI pool and individual STI awards for the KMP. |

## Consequence management

| | |
|---|---|
| **Application of a Consequence Management Guideline** | - A Consequence Management Guideline was introduced from 1 January 2023.<br>- This Guideline ensures remuneration consequences (such as in-year reduction in STI or the application of malus and / or clawback to deferred incentives) are determined in a fair and consistent way across the Group. |
| **Incorporation of malus and clawback criteria into deferred incentive awards** | - Malus and clawback criteria enable the Board, in its absolute discretion and subject to compliance with the law, to determine that a participant's deferred incentives will be fully or partially lapsed (malus) during the deferral period or any shares or cash payment made will be fully or partially forfeited, lapsed and / or repaid (clawback).<br>- In exercising its discretion, the Board will consider whether this is necessary to protect the Group's financial soundness or to respond to unforeseen circumstances. |

## STI deferral, the mandatory shareholding requirement and the hedging prohibition

| | |
|---|---|
| **Deferral of a significant portion of the total remuneration package** | - STI deferral is in place to encourage KMP and EGMs to adopt a longer-term mindset in making decisions and to align their remuneration outcomes to the shareholder experience. |
| **Minimum shareholding requirement (MSR)** | - To further align executive interests with those of shareholders, KMP are required to have a shareholding in the Company equivalent to at least 75% or 100% of fixed pay, depending on their role. |
| **The hedging prohibition** | - Suncorp Group's Securities Trading Policy regulates dealing by directors, employees and contractors in Suncorp securities and prohibits hedging transactions to limit the economic risk of a holding in the Company's securities including unvested rights.<br>- All KMP are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results.<br>- Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy. |

### Risk and financial control personnel

Separate remuneration review processes govern remuneration decisions concerning identified employees working in the areas of risk and financial control (**R&FC Personnel**).

To assist in managing potential conflicts of interest, all R&FC Personnel have a function leader in addition to their direct leader. All short-term incentive outcomes, having regard to the agreed performance measures, are approved by both the direct leader and function leader. The Group Chief Risk Officer (**Group CRO**) and Group Chief Financial Officer (**Group CFO**) are the function leaders for risk management roles and financial control roles respectively that do not directly report to them. The Group CEO is the function leader for R&FC Personnel that report to the Group CRO or Group CFO, and the Board acts as the function leader of the EGM Internal Audit, Group CRO and Group CFO.

In addition, R&FC Personnel typically have a comparatively higher percentage of risk-based measures in their scorecard.

## Section 2: Quantitative disclosure requirements

| | FY23 | | |
|---|---|---|---|
| | Senior Managers (KMP) | Other Senior Managers | MRT |
| Number of Individuals[1] | 10 | 15 | 2 |
| Number of Roles | 11 | 15 | 2 |

1. The number of individuals is based on headcount. Where the individual held the disclosed role for a portion of the financial year their remuneration is pro-rated to reflect this.

The table below contains aggregated remuneration details for Senior Managers and MRTs as calculated in accordance with Australian Accounting Standards:

| | FY23 | | | | | | FY22 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior Managers (KMP) | | Other Senior Managers | | MRT | | Senior Managers (KMP) | | Other Senior Managers | | MRT | |
| $000 | Unrestricted | Deferred | Unrestricted | Deferred | Unrestricted | Deferred | Unrestricted | Deferred | Unrestricted | Deferred | Unrestricted | Deferred |
| **Fixed pay** | | | | | | | | | | | | |
| Cash-based[1] | 9,612 | - | 6,088 | - | 536 | - | 8,714 | - | 6,021 | - | 900 | - |
| Other[2] | 532 | - | 443 | - | 76 | - | 743 | - | 489 | - | 99 | - |
| **Variable pay** | | | | | | | | | | | | |
| Cash-based[3] | 4,558 | 500 | 2,310 | 109 | 225 | 29 | 4,733 | 175 | 2,387 | 146 | 314 | 40 |
| Share linked instruments[4] | - | 3,575 | 1 | 721 | 1 | 14 | - | 7,145 | 2 | 1,642 | 2 | 170 |

1. Represents actual fixed pay received, including salary sacrificed benefits.
2. Represents employer superannuation, non-monetary benefits including airfares and insurance premium rebates paid on behalf of the employee, and the net annual leave and long service leave accrual for the financial year.
3. Represents cash incentives earned during the financial year. For Other Senior Managers and MRT below EGM level, the deferred cash portion awarded includes interest accrued on prior year deferred STIs. For Senior Managers (KMP) and Other Senior Managers at the EGM level, the deferred portion of the FY22 and FY21 STI is deferred into share rights, outlined in 'Share linked instruments' under the 'Deferred' column. The FY22 cash based deferred remuneration has been amended to account for additional cash based deferred remuneration for other Senior Managers and MRT.
4. STI deferred into share rights is expensed to the profit & loss from the start of the performance period to the end of the deferral period and the fair value is amortised from the start of the performance period to the end of the deferral period. Grants made under the LTI plan and Share Rights Plan are expensed to the profit & loss based on the fair value at grant date over the period from grant date to vesting date.

During FY23, 10 Senior Managers (KMP), 14 Other Senior Managers and 2 MRTs received a variable remuneration award. In FY22, 10 Senior Managers (KMP), 15 Other Senior Managers and 3 MRTs received a variable remuneration award. No guaranteed bonuses were made to any Senior Managers and MRTs during FY23 and FY22.

The table below summarises the sign-on and termination payments made or granted to Senior Managers and MRTs in FY23 and FY22.

| | FY23 | | | | | | FY22 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior Managers (KMP) | | Other Senior Managers | | MRT | | Senior Managers (KMP) | | Other Senior Managers | | MRT | |
| | No. of individuals | Total Amount $000 | No. of individuals | Total Amount $000 | No. of individuals | Total Amount $000 | No. of individuals | Total Amount $000 | No. of individuals | Total Amount $000 | No. of individuals | Total Amount $000 |
| Special incentive awards | - | - | - | - | - | - | - | - | - | - | - | - |
| Termination payments[1] | - | - | - | - | - | - | - | - | 1 | 31 | - | - |

1. Termination payments are paid in accordance with contractual commitments.

The table below summarises information on deferred remuneration for Senior Managers and MRTs.

| $000 | FY23 | | | FY22 | | |
|---|---|---|---|---|---|---|
| | Senior Managers (KMP) | Other Senior Managers | MRT | Senior Managers (KMP) | Other Senior Managers | MRT |
| **Total outstanding deferred remuneration[1]** | 13,208 | 3,493 | 262 | 15,959 | 1,773 | 173 |
| Cash-based[2] | - | 1,472 | 223 | 500 | 127 | 81 |
| Shares and share-linked instruments[3] | 13,208 | 2,021 | 39 | 15,459 | 1,646 | 92 |
| **Total paid during the year[4]** | 3,211 | 969 | 18 | 2,453 | 903 | 243 |
| **Total reductions due to explicit adjustments[5]** | (6,598) | - | - | (4,718) | (191) | - |
| **Total reductions due to implicit adjustments[6]** | - | - | - | (982) | (119) | (1) |

1. Includes the total outstanding deferred cash and equity awards as at 30 June. Outstanding deferred remuneration is subject to malus and clawback criteria. All deferred remuneration outstanding for Senior Managers and MRTs at 30 June has been included, even where that award was earned in a different capacity within the Group. The deferred balance has been excluded where the Senior Manager and MRT is no longer employed in that capacity at 30 June.
2. Deferred cash-based remuneration for FY23 represents the deferred portion of short-term incentives awarded in FY22 and/or FY21, together with the interest accrued on the outstanding deferral, for all Senior Managers and MRTs employed within that capacity as at 30 June. Deferred cash may have been accrued whilst employed in a different capacity within the Group. The FY22 cash based outstanding deferred remuneration has been amended to account for additional outstanding cash based deferred remuneration and accrued interest for other Senior Managers and MRT.
3. Deferred equity represents the market value as at 30 June, calculated by the number of performance rights or share rights granted multiplied by the closing share price as traded on the ASX on 30 June. The balance consists of all offers up to and including 30 June that are still to vest for Senior Managers and MRTs employed in that capacity as at 30 June.
4. Consists of all deferred cash incentives from prior years (and associated interest) paid and deferred equity vested during the financial year, received whilst employed in the capacity of a Senior Manager or MRT.
5. Represents the market value at grant date of performance rights, share rights or restricted shares forfeited during the financial year.
6. Represents any reduction in the market value at grant date compared to the market value at 30 June for performance rights or share rights yet to vest, or reduction in the market value at grant date compared to the market value at vesting date during the period. Note that increases may have occurred during the period, however only reductions have been disclosed in accordance with the requirements of APS 330

# Appendix 2 - Definitions

| | |
|---|---|
| AASB 9 | AASB 9 *Financial Instruments* 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. |
| 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 *Credit Risk Management*. |
| 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. |
| Non-performing exposure | An exposure that is in default. A default is considered to have occurred with regard to a particular borrower when either, or both, of the events in sub-paragraphs (i) or (ii) have taken place: (i) the ADI considers that the borrower is unlikely to pay its credit obligations to the ADI in full, without recourse by the ADI to actions such as realising available security;<br>(ii) the borrower is 90 days or more past-due on a credit obligation to the ADI or, in the case of subsidiaries in jurisdictions where a different number of days past-due is set for exposures to individuals (i.e. natural persons) or public sector entities by the national regulator, the borrower is past-due by the number of days (or more) specified by that national regulator. |
| Past due loans | An exposure for which any amount due under a contract (interest, principal, fee or other amount) has not been paid in full at the date when it was due. An exposure is considered past-due from the first day of missed payment. |
| 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. |