SUNCORP GROUP LIMITED

SUNCORP BANK APS 330

FOR THE QUARTER ENDED 31 DECEMBER 2019

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SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

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'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 2019 (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 11 February 2020. 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-19 $M	Adjustments Dec-19 $M	Regulatory Dec-19 $M
Assets				
Cash and cash equivalents		1,529	(1)	1,528
Receivables due from other banks		470	-	470
Trading securities		897	-	897
Derivatives		543	-	543
Investment securities		3,926	-	3,926
Investment in regulatory non-consolidated subsidiaries		-	-	-
Loans and advances		58,354	(3,338)	55,016
of which: eligible collective provision component of GRCL in tier 2 capital	(o)	-	-	42
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	(f)	-	-	184
Due from related parties		372	-	372
Deferred tax assets		34	-	34
of which: arising from temporary differences included in CET1 regulatory adjustments	(e)	-	-	*37*
Goodwill	(d)	21	-	21
Other assets		159	(10)	149
Total assets		**66,305**	**(3,349)**	**62,956**
Liabilities				
Payables due to other banks		289	-	289
Deposits and short-term borrowings		47,202	10	47,212
Derivatives		417	-	417
of which: securitisation derivatives in CET1 regulatory adjustments	(i)	-	-	1
Payables and other liabilities		256	(3)	253
Due to related parties		30	-	30
Provisions		3	-	3
Due to regulatory non-consolidated subsidiaries		-	46	46
Securitisation liabilities		3,396	(3,396)	-
of which: securitisation start-up costs in CET1 regulatory adjustments	(h)	-	-	*4*
Debt issues		9,884	-	9,884
of which: costs associated with debt raisings in CET1 regulatory adjustments	(g)	-	-	11
Subordinated notes		672	-	672
of which: directly issued qualifying tier 2 instruments	(k)	-	-	*600*
of which: directly issued instruments subject to phase out from tier 2	(l)	-	-	*57*
Total liabilities		**62,149**	**(3,343)**	**58,806**
Net assets		**4,156**	**(6)**	**4,150**
Equity				
Share capital	(a)	2,754	-	2,754
Capital notes	(j)	585	-	585
Reserves		(264)	-	(264)
of which: equity component of GRCL in tier 2 capital	(m)	-	-	*86*
of which: FVOCI reserve	(c)	-	-	*13*
of which: cash flow hedge reserve	(n)	-	-	*8*
Retained profits		1,081	(6)	1,075
of which: included in CET1	(b)	-	-	*704*
Total equity attributable to owners of the Company		**4,156**	**(6)**	**4,150**

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-19 $	Total liabilities Dec-19 $
SPDEF #2 Pty Ltd	1	-

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

	Total assets Dec-19 $M	Total liabilities Dec-19 $M
Suncorp Property Development Equity Fund #2 Unit Trust	6	0

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-19 $M	Total liabilities Dec-19 $M
Securitisation special purpose vehicles (1)		
Apollo Series 2010-1 Trust	102	102
Apollo Series 2011-1 Trust	164	164
Apollo Series 2012-1 Trust	171	171
Apollo Series 2013-1 Trust	230	230
Apollo Series 2015-1 Trust	406	406
Apollo Series 2017-1 Trust	625	625
Apollo Series 2017-2 Trust	872	872
Apollo Series 2018-1 Trust	834	834

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.

(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.

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-19 $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)	704
3	Accumulated other comprehensive income (and other reserves)	(c)+(n)	21
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**		**3,479**
	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)	8
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	*of which: significant investments in the ordinary shares of financial entities*		
24	*of which: mortgage servicing rights*		
25	*of which: deferred tax assets arising from temporary differences*		
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)		237
26a	*of which: treasury shares*		
26b	*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*		
26c	*of which: deferred fee income*		
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*		
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*	(e)	37
26f	*of which: capitalised expenses*	(f)+(g)+(h)	199
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA requirements*		-
26h	*of which: covered bonds in excess of asset cover in pools*		
26i	*of which: undercapitalisation of a non-consolidated subsidiary*		
26j	*of which: other national specific regulatory adjustments not reported in rows 26a to 26i*	(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**		**266**
29	**Common Equity Tier 1 Capital (CET1)**		**3,213**

		Per Regulatory Capital Reconciliation	Dec-19 $M
	Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments		585
31	*of which: classified as equity under applicable accounting standards*	(j)	585
32	*of which: classified as liabilities under applicable accounting standards*		
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	*of which: instruments issued by subsidiaries subject to phase out*		
36	**Additional Tier 1 Capital before regulatory adjustments**		**585**
	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	*of which: holdings of capital instruments in group members by other group members on behalf of third parties*		
41b	*of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40*		
41c	*of which: other national specific regulatory adjustments not reported in rows 41a and 41b*		
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)**		**585**
45	**Tier 1 Capital (T1=CET1+AT1)**		**3,798**
	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)	57
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	*of which: instruments issued by subsidiaries subject to phase out*		
50	Provisions	(m)+(o)	128
51	**Tier 2 Capital before regulatory adjustments**		**785**
	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% threshold)		
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	*of which: holdings of capital instruments in group members by other group members on behalf of third parties*		
56b	*of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55*		
56c	*of which: other national specific regulatory adjustments not reported in rows 56a and 56b*		
57	**Total regulatory adjustments to Tier 2 capital**		**-**
58	**Tier 2 capital (T2)**		**785**
59	**Total capital (TC=T1+T2)**		**4,583**
60	**Total risk-weighted assets based on APRA standards**		**33,215**

		Per Regulatory Capital Reconciliation	Dec-19 $M
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)		*9.67%*
62	Tier 1 (as a percentage of risk-weighted assets)		*11.43%*
63	Total capital (as a percentage of risk-weighted assets)		*13.80%*
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	*of which: capital conservation buffer requirement*		*2.50%*
66	*of which: ADI-specific countercyclical buffer requirements*		
67	*of which: G-SIB buffer requirement (not applicable)*		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)		*9.67%*
	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)	37
	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)	128
77	Cap on inclusion of provisions in Tier 2 under standardised approach		369
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	*Current cap on CET1 instruments subject to phase out arrangements*		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
82	*Current cap on AT1 instruments subject to phase out arrangements*		
83	*Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)*		
84	*Current cap on T2 instruments subject to phase out arrangements*	(l)	57
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*		

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-19	Sep-19	Dec-19	Dec-19	Sep-19
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	445	458	-	9	14
Claims on Australian and foreign governments	3,010	3,113	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	1,165	967	31	361	296
Claims on securitisation exposures	1,244	1,259	20	248	251
Claims secured against eligible residential mortgages	44,323	44,444	37	16,236	16,298
Past due claims	641	637	84	539	540
Other retail assets	238	247	97	230	240
Corporate	9,769	9,885	100	9,762	9,880
Other assets and claims	386	414	100	386	414
Total banking assets	**61,221**	**61,424**		**27,771**	**27,933**

	Notional amount	Credit equivalent	Avg risk weight	Risk Weighted Assets	
	Dec-19	Dec-19	Dec-19	Dec-19	Sep-19
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	325	325	98	317	327
Commitments to provide loans and advances	8,695	1,894	62	1,173	1,167
Foreign exchange contracts	6,354	65	52	34	70
Interest rate contracts	53,130	74	61	45	55
Securitisation exposures	3,454	151	20	30	31
CVA capital charge	-	-	-	123	138
Total off-balance sheet positions	**71,958**	**2,509**		**1,722**	**1,788**

	Dec-19	Sep-19
Market risk capital charge	183	130
Operational risk capital charge	3,539	3,530
Total off-balance sheet positions	1,722	1,788
Total on-balance sheet credit risk-weighted assets	27,771	27,933
Total assessed risk	**33,215**	**33,381**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	9.67	9.31
Tier 1	11.43	11.06
Tier 2	2.37	2.41
Total risk-weighted capital ratio	**13.80**	**13.46**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 December 2019

	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	-	-	-	-	3,914	225	4,139	31	37	4,071	5
Construction & development	-	-	-	-	788	231	1,019	3	2	1,014	1
Financial services	470	-	139	788	89	233	1,719	-	-	1,719	-
Hospitality	-	-	-	-	924	67	991	25	1	965	10
Manufacturing	-	-	-	-	276	28	304	3	1	300	-
Professional services	-	-	-	-	340	17	357	1	1	355	1
Property investment	-	-	-	-	2,861	140	3,001	11	4	2,986	3
Real estate - Mortgage	-	-	-	-	43,813	1,109	44,922	56	432	44,434	8
Personal	-	-	-	-	152	4	156	-	3	153	-
Government/public authorities	-	897	-	1,894	-	-	2,791	-	-	2,791	-
Other commercial & industrial [6]	-	-	-	-	1,995	165	2,160	21	15	2,124	4
Total gross credit risk	**470**	**897**	**139**	**2,682**	**55,152**	**2,219**	**61,559**	**151**	**496**	**60,912**	**32**
Securitisation exposures [1]	-	-	91	1,244	3,338	60	4,733	2	32	4,699	1
Total including securitisation exposures	**470**	**897**	**230**	**3,926**	**58,490**	**2,279**	**66,292**	**153**	**528**	**65,611**	**33**
Impairment provision							(136)	(42)	(20)	(74)	
Total							**66,156**	**111**	**508**	**65,537**	

(1) The securitisation exposures of $3,338 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 $33 million specific provisions for accounting purposes plus $61 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 2019

	Receivables due from other Banks [2] $M	Trading Securities $M	Derivatives [3] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [3] $M	Total Credit Risk [4] $M	Gross Impaired Assets $M	Past due not impaired > 90 days $M	Total not past due or impaired $M	Specific Provisions [5] $M
Agribusiness	-	-	-	-	3,946	221	4,167	36	41	4,090	8
Construction & development	-	-	-	-	896	235	1,131	5	2	1,124	2
Financial services	510	-	253	796	89	239	1,887	-	-	1,887	-
Hospitality	-	-	-	-	911	68	979	27	1	951	9
Manufacturing	-	-	-	-	264	23	287	4	-	283	-
Professional services	-	-	-	-	325	16	341	1	1	339	1
Property investment	-	-	-	-	2,864	146	3,010	3	10	2,997	2
Real estate - Mortgage	-	-	-	-	43,961	1,066	45,027	53	439	44,535	8
Personal	-	-	-	-	153	4	157	-	3	154	-
Government/public authorities	-	1,137	-	1,916	-	-	3,053	-	-	3,053	-
Other commercial & industrial [6]	-	-	-	-	2,010	184	2,194	17	14	2,163	4
Total gross credit risk	**510**	**1,137**	**253**	**2,712**	**55,419**	**2,202**	**62,233**	**146**	**511**	**61,576**	**34**
Securitisation exposures [1]	-	-	90	1,259	3,537	64	4,950	2	34	4,914	-
Total including securitisation exposures	**510**	**1,137**	**343**	**3,971**	**58,956**	**2,266**	**67,183**	**148**	**545**	**66,490**	**34**
Impairment provision							(144)	(44)	(26)	(74)	
Total							**67,039**	**114**	**509**	**66,416**	

(1) The securitisation exposures of $3,537 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 $34 million specific provisions for accounting purposes plus $69 million ineligible collective provision.

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

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TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2019

	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	-	-	-	-	3,930	223	4,153
Construction & development	-	-	-	-	842	233	1,075
Financial services	490	-	196	792	89	236	1,803
Hospitality	-	-	-	-	918	68	986
Manufacturing	-	-	-	-	271	26	297
Professional services	-	-	-	-	333	17	350
Property investment	-	-	-	-	2,863	143	3,006
Real estate - Mortgage	-	-	-	-	43,887	1,088	44,975
Personal	-	-	-	-	153	4	157
Government/public authorities	-	1,017	-	1,905	-	-	2,922
Other commercial & industrial [5]	-	-	-	-	2,002	175	2,177
Total gross credit risk	**490**	**1,017**	**196**	**2,697**	**55,288**	**2,213**	**61,901**
Securitisation exposures [1]	-	-	91	1,252	3,438	62	4,843
Total including securitisation exposures	**490**	**1,017**	**287**	**3,949**	**58,726**	**2,275**	**66,744**
Impairment provision							(140)
Total							**66,604**

(1) The securitisation exposures of $3,438 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 2019

	Receivables due from other Banks [(2)] $M	Trading Securities $M	Derivatives [(3)] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [(3)] $M	Total Credit Risk [(4)] $M
Agribusiness	-	-	-	-	3,984	206	4,190
Construction & development	-	-	-	-	892	221	1,113
Financial services	505	-	231	785	88	290	1,899
Hospitality	-	-	-	-	942	67	1,009
Manufacturing	-	-	-	-	263	25	288
Professional services	-	-	-	-	318	17	335
Property investment	-	-	-	-	2,819	138	2,957
Real estate - Mortgage	-	-	-	-	43,993	1,160	45,153
Personal	-	-	-	-	154	4	158
Government/public authorities	-	1,182	-	1,942	-	-	3,124
Other commercial & industrial [(5)]	-	-	-	-	2,023	186	2,209
Total gross credit risk	**505**	**1,182**	**231**	**2,727**	**55,476**	**2,314**	**62,435**
Securitisation exposures [(1)]	-	-	88	1,236	3,653	66	5,043
Total including securitisation exposures	**505**	**1,182**	**319**	**3,963**	**59,129**	**2,380**	**67,478**
Impairment provision							(143)
Total							**67,335**

(1) The securitisation exposures of $3,653 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 2019

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past Due Not Impaired > 90 days	Specific Provisions [2]	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages [1]	49,655	49,818	58	464	9	2
Other retail	156	157	-	3	-	-
Financial services	1,719	1,803	-	-	-	-
Government and public authorities	2,791	2,922	-	-	-	-
Corporate and other claims	11,971	12,044	95	61	24	2
Total	**66,292**	**66,744**	**153**	**528**	**33**	**4**

(1) $4,733 million, $4,843 million, $2 million and $32 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 $33 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $61 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $94 million.

Table 4B: Credit risk by portfolio as at 30 September 2019

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past Due Not Impaired > 90 days	Specific Provisions [2]	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages [1]	49,977	50,196	55	473	8	1
Other retail	157	158	-	3	-	-
Financial services	1,887	1,899	-	-	-	-
Government and public authorities	3,053	3,124	-	-	-	-
Corporate and other claims	12,109	12,101	93	69	26	4
Total	**67,183**	**67,478**	**148**	**545**	**34**	**5**

(1) $4,950 million, $5,043 million, $2 million and $34 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 $34 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $69 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $103 million.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Dec-19 $M	Sep-19 $M
Collective provision for impairment	103	110
Ineligible collective provisions	(61)	(69)
Eligible collective provisions	42	41
Equity reserve for credit losses	86	103
General reserve for credit losses	**128**	**144**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 31 December 2019, there was no new securitisation activity undertaken (quarter ending 30 September 2019: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Dec-19	Sep-19	Dec-19	Sep-19
	$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

	Dec-19	Sep-19
Exposure type	$M	$M
Debt securities	1,244	1,259
Total on-balance sheet securitisation exposures	**1,244**	**1,259**

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

	Dec-19	Sep-19
Exposure type	$M	$M
Liquidity facilities	60	64
Derivative exposures	91	90
Total off-balance sheet securitisation exposures	**151**	**154**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Dec-19 $M	Total Weighted Value (Average) Dec-19 $M	Total Unweighted Value (Average) Sep-19 $M	Total Weighted Value (Average) Sep-19 $M	Total Unweighted Value (Average) Jun-19 $M	Total Weighted Value (Average) Jun-19 $M
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,545		4,288		4,303
Alternative liquid assets (**ALA**)		4,598		4,596		4,597
Cash outflows						
Retail deposits and deposits from small business customers, of which:	24,284	2,236	22,664	2,028	22,390	1,981
stable deposits	*15,927*	*796*	*15,231*	*762*	*15,062*	*753*
less stable deposits	*8,357*	*1,440*	*7,433*	*1,266*	*7,328*	*1,228*
Unsecured wholesale funding, of which:	4,474	3,055	4,729	3,438	5,083	3,675
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*3,249*	*1,830*	*3,072*	*1,781*	*3,369*	*1,961*
unsecured debt	*1,225*	*1,225*	*1,657*	*1,657*	*1,714*	*1,714*
Secured wholesale funding	-	365		46		4
Additional requirements, of which:	8,271	1,695	7,873	1,413	7,934	1,553
outflows related to derivatives exposures and other collateral requirements	*1,327*	*1,327*	*1,057*	*1,057*	*1,199*	*1,199*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*6,944*	*368*	*6,816*	*356*	*6,735*	*354*
Other contractual funding obligations	698	420	716	444	751	441
Other contingent funding obligations	6,634	599	6,378	648	7,195	598
Total cash outflows	-	**8,370**		**8,017**		**8,252**
Cash inflows						
Secured lending (e.g. reverse repos)	790	-	560	-	566	-
Inflows from fully performing exposures	624	346	576	304	693	383
Other cash inflows	902	902	794	794	803	803
Total cash inflows	**2,316**	**1,248**	**1,930**	**1,098**	**2,062**	**1,186**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		**9,143**		**8,884**		**8,900**
Total net cash outflows		**7,122**		**6,919**		**7,066**
Liquidity Coverage Ratio (%)		**128**		**128**		**126**

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 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 for a CLF of $4.6 billion for the 2020 calendar year (2019 calendar year: $4.9 billion). Assets eligible for the CLF include senior unsecured bank paper, covered bonds and residential mortgage backed securities that are repo-eligible with the RBA.

The main contributors to net cash outflows were modelled outflows associated with deposits and unsecured wholesale funding, offset by inflows from maturing loans and issuance of term wholesale liabilities. The net cash outflow is sought to be minimised by targeting funding with lower LCR runoff rates and managing the maturity profile of wholesale liabilities.

The daily average all currencies LCR was 128% over both the September 2019 and December 2019 quarters. There was an increase in average net cash outflows in the quarter, primarily driven by the maturity profile of term deposit and term wholesale liabilities. The high-quality liquid assets held over the quarter increased, in line with the higher net cash outflow.

TABLE 21: NET STABLE FUNDING RATIO DISCLOSURE

	Dec-19					Sep-19				
	Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available Stable Funding (ASF) Item										
Capital	3,664	-	-	1,185	**4,849**	3,587	-	-	1,185	**4,772**
Regulatory capital	*3,664*	*-*	*-*	*1,185*	*4,849*	*3,587*	*-*	*-*	*1,185*	*4,772*
Other capital instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits and deposits from small business customers	-	30,767	1	-	**28,637**	-	29,701	1	-	**27,659**
Stable deposits	-	*18,902*	-	-	*17,957*	-	*18,548*	-	-	*17,621*
Less stable deposits	-	*11,865*	*1*	-	*10,680*	-	*11,153*	*1*	-	*10,038*
Wholesale funding	-	16,809	2,466	6,561	**10,989**	-	17,148	2,039	8,068	**12,462**
Operational deposits	-	-	-	-	-	-	-	-	-	-
Other wholesale funding	-	*16,809*	*2,466*	*6,561*	*10,989*	-	*17,148*	*2,039*	*8,068*	*12,462*
Liabilities with matching interdependent assets	-	-	-	-	**-**	-	-	-	-	-
Other liabilities	782	12	-	-	**-**	1,019	7	-	-	-
NSFR derivative liabilities			*12*					*7*		
All other liabilities and equity not included in the above categories	*782*	-	-	-	-	*1,019*	-	-	-	-
Total ASF					**44,475**	-	-	-	-	**44,893**
Required Stable Funding (RSF) Item										
Total NSFR (HQLA)					**140**					**154**
ALA					**490**					**490**
RBNZ securities					**-**					**-**
Deposits held at other financial institutions for operational purposes		217	-	-	**109**		20	-	-	**10**
Performing loans and securities		3,742	820	48,082	**35,951**		3,942	873	48,210	**36,497**
Performing loans to financial institutions secured by Level 1 HQLA		*1,200*	-	-	*120*		*1,302*	-	-	*130*
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:		*1,166*	*771*	*11,143*	*10,479*		*1,205*	*806*	*11,300*	*10,657*
With a risk weight of less than or equal to 35% under APS 112		-	-	-	-		-	-	-	-
Performing residential mortgages, of which:		*1,376*	*49*	*36,771*	*25,209*		*1,435*	*67*	*36,725*	*25,553*
With a risk weight equal to 35% under APS 112		*1,376*	*49*	*36,771*	*25,209*		*1,435*	*67*	*36,725*	*25,553*
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		-	-	*168*	*143*		-	-	*185*	*157*
Assets with matching interdependent liabilities		-	-	-	**-**		-	-	-	**-**
Other assets:	645	248	7	556	**1,349**	664	266	1	549	**1,396**
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			-		-			*34*		*34*
NSFR derivative liabilities before deduction of variation margin posted			*132*		*26*			*105*		*21*
All other assets not included in the above categories	*645*	*116*	*7*	*556*	*1,323*	*664*	*127*	*1*	*549*	*1,341*
Off-balance sheet items			9,774		**442**			9,678		**442**
Total RSF					**38,481**					**38,989**
Net Stable Funding Ratio (%)					**116%**					**115%**

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 ADIs 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 increased above the typical operating range over the half (from 112% at 30 June 2019 to 116% as at 31 December 2019). This was consistent with strong growth in retail and small business customer deposits in a subdued lending growth environment and a reduction in required stable funding associated with a decrease in covered bonds outstanding. The NSFR is expected to reduce over time to be in line with previous periods..

APPENDIX - 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.
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 credit loss (**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.
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.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.