SUNCORP GROUP LIMITED

SUNCORP BANK
APS 330

FOR THE QUARTER ENDED
31 MARCH 2020

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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 March 2020 (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 May 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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OVERVIEW

Suncorp Bank has a robust capital position and strong funding and liquidity, supported by the Group's A+ credit rating and balance sheet strength.

Suncorp Bank is focused on supporting customers and has announced a range of industry-wide financial assistance measures including loan repayment deferrals, reduced fees and access to working capital to assist with managing through the crisis via a new three-year unsecured SME Support Loan.

Suncorp Bank has redeployed a number of staff into customer-facing roles to support heightened customer needs during the early stages of the pandemic. The Bank has also provided on-line forms to help customers apply for support and released a significant mobile banking upgrade over the quarter on the Suncorp App. Together these enhancements have delivered improvements to customer service levels over the period.

Total lending was broadly flat over the March quarter, with growth in agribusiness lending offset by a contraction in retail and commercial lending.

Home lending contracted $278 million, down 0.6% over the quarter, with intense competition for acquisition and retention of mortgage customers continuing and following a sustained period of low lodgment volumes. The overall portfolio continues to be weighted towards owner occupiers, principal and interest repayments and loans with an LVR of less than 80%. Suncorp has started to see benefits from process enhancements following a targeted approach in the broker channel and continued development of digital home lending origination. Further digital solutions have been deployed over the quarter to assist customers impacted by COVID-19, such as online application for loan payments deferrals.

Business lending grew $19 million or 0.2% with growth in agribusiness lending offset by a reduction in the commercial portfolio. A portion of agribusiness customers have seen relief from extreme drought conditions in Queensland and New South Wales, particularly cropping and mixed farming operations.

As at 31 March 2020, impairment losses were 91 basis points of gross loans and advances (annualised), primarily reflecting a $133m economic overlay in response to COVID-19. This overlay is based on a conservative base case scenario, advanced provisioning modelling and the composition of the lending portfolio. The underlying assumptions for the base case scenario assume a sharp deterioration and slow recovery with unemployment peaking at 11.5%, an 11% reduction in house prices and a 14% reduction in commercial property prices.

Total past due loans not shown as impaired increased by $35 million over the quarter, partly driven by a reduced collections activity as resources have been redirected to support COVID-19 related customer needs, as well as an increase in customer hardship following the recent bush fires.

Suncorp's capital levels are sound with a risk-weighted Common Equity Tier 1 ratio of 9.02% being within the target range of 9-9.50%.

Strong growth in at-call deposits continued over the quarter with growth of $1.2 billion. Growth continues to be driven by customer-focused initiatives including zero account-keeping fees and competitive deposit rates, as well as ongoing development of online banking functionality, with over half of the new deposit accounts now being opened online.

As at 31 March 2020, the Net Stable Funding Ratio (NSFR) was 119% and the Liquidity Coverage Ratio (LCR) was 136%, demonstrating Suncorp's strong liquidity position. Suncorp, along with the industry, benefitted from several regulatory initiatives to support liquidity in the face of increasing uncertainty towards the end of the period. Suncorp also priced a five-year $750 million domestic covered bond transaction on 21 April 2020, capitalising on improved market conditions and further strengthening the balance sheet.

LOANS AND ADVANCES

	Mar-20 $M	Dec-19 $M	Mar-19 $M	Mar-20 vs Dec-19 %	Mar-20 vs Mar-19 %
Housing loans	41,851	41,861	40,569	(0.0)	3.2
Securitised housing loans and covered bonds	5,028	5,296	7,099	(5.1)	(29.2)
Total housing loans	**46,879**	**47,157**	**47,668**	**(0.6)**	**(1.7)**
Consumer loans	155	152	155	2.0	-
Retail loans	**47,034**	**47,309**	**47,823**	**(0.6)**	**(1.6)**
Commercial (SME)	6,752	6,797	6,675	(0.7)	1.2
Agribusiness	4,448	4,384	4,380	1.5	1.6
Total Business loans	**11,200**	**11,181**	**11,055**	**0.2**	**1.3**
Total lending	**58,234**	**58,490**	**58,878**	**(0.4)**	**(1.1)**
Other lending	8	-	4	n/a	100.0
Gross loans and advances	**58,242**	**58,490**	**58,882**	**(0.4)**	**(1.1)**
Provision for impairment	(267)	(136)	(138)	96.3	93.5
Total loans and advances	**57,975**	**58,354**	**58,744**	**(0.6)**	**(1.3)**
Credit-risk weighted assets	**27,661**	**27,771**	**27,561**	**(0.4)**	**0.4**
Geographical breakdown - Total lending					
Queensland	31,254	31,223	31,228	0.1	0.1
New South Wales	15,469	15,639	15,798	(1.1)	(2.1)
Victoria	5,730	5,812	5,976	(1.4)	(4.1)
Western Australia	3,440	3,449	3,496	(0.3)	(1.6)
South Australia and other	2,341	2,367	2,380	(1.1)	(1.6)
Outside of Queensland loans	26,980	27,267	27,650	(1.1)	(2.4)
Total lending	**58,234**	**58,490**	**58,878**	**(0.4)**	**(1.1)**

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	Quarter Ended			Mar-20	Mar-20
	Mar-20	Dec-19	Mar-19	vs Dec-19	vs Mar-19
	$M	$M	$M	%	%
Collective provision for impairment	130	(7)	(7)	n/a	n/a
Specific provision for impairment	3	4	3	(25.0)	-
Actual net write-offs	-	-	2	n/a	(100.0)
Impairment losses	**133**	**(3)**	**(2)**	**n/a**	**n/a**
Impairment losses to gross loans and advances (annualised)	**0.91%**	**(0.02%)**	**(0.01%)**		

IMPAIRED ASSETS

	Quarter Ended			Mar-20	Mar-20
	Mar-20	Dec-19	Mar-19	vs Dec-19	vs Mar-19
	$M	$M	$M	%	%
Retail lending	54	58	58	(6.9)	(6.9)
Agribusiness lending	38	31	37	22.6	2.7
Commercial/SME lending	65	64	65	1.6	-
Gross impaired assets	**157**	**153**	**160**	**2.6**	**(1.9)**
Impairment provision [1]	(48)	(42)	(39)	14.3	21.8
Net impaired assets	**109**	**111**	**121**	**(1.8)**	**(9.6)**
Gross impaired assets to gross loans and advances	**0.27%**	**0.26%**	**0.27%**		

[1] Comparative figure for Mar-19 impairment provision has been restated (Original published amount: $34 million).

NON-PERFORMING LOANS

	Quarter Ended			Mar-20	Mar-20
	Mar-20	Dec-19	Mar-19	vs Dec-19	vs Mar-19
	$M	$M	$M	%	%
Size of gross individually impaired assets					
Less than one million	45	47	43	(4)	4.7
Greater than one million but less than ten million	88	82	102	7.3	(13.7)
Greater than ten million	24	24	15	-	60.0
Gross impaired assets	**157**	**153**	**160**	**2.6**	**(1.9)**
Past due loans not shown as impaired assets	**563**	**528**	**537**	**6.6**	**4.8**
Gross non-performing loans	**720**	**681**	**697**	**5.7**	**3.3**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	153	148	164	3.4	(6.7)
Recognition of new impaired assets	17	27	13	(37)	30.8
Increases in previously recognised impaired assets	1	1	1	-	-
Impaired assets written off/sold during the period	(1)	(4)	(2)	(75.0)	(50.0)
Impaired assets which have been reclassed as performing assets or repaid	(13)	(19)	(16)	(31.6)	(18.8)
Balance at the end of the period	**157**	**153**	**160**	**2.6**	**(1.9)**

PROVISION FOR IMPAIRMENT

	Mar-20 $M	Dec-19 $M	Mar-19 $M	Mar-20 vs Dec-19 %	Mar-20 vs Mar-19 %
Collective provision					
Balance at the beginning of the period	103	110	111	(6.4)	(7.2)
Charge against impairment losses	130	(7)	(7)	n/a	n/a
Balance at the end of the period	**233**	**103**	**104**	**126.2**	**124.0**
Specific provision					
Balance at the beginning of the period	33	34	34	(2.9)	(2.9)
Charge against impairment losses	3	4	3	(25.0)	-
Impairment provision w ritten off	(1)	(4)	(2)	(75.0)	(50.0)
Unw ind of discount	(1)	(1)	(1)	-	-
Balance at the end of the period	**34**	**33**	**34**	**3.0**	**-**
Total provision for impairment - Banking activities	**267**	**136**	**138**	**96.3**	**93.5**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	86	103	111	(16.5)	(22.5)
Transfer (to) from retained earnings	(2)	(17)	(11)	(88.2)	(81.8)
Balance at the end of the period	**84**	**86**	**100**	**(2.3)**	**(16)**
Pre-tax equivalent coverage	120	123	143	(2.3)	(16.1)
Total provision for impairment and equity reserve for credit loss - Banking activities	**387**	**259**	**281**	**49.5**	**37.7**

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	**21.7**	**21.6**	**21.3**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.40	0.18	0.18
Specific provision	0.06	0.06	0.06
Total provision	0.46	0.23	0.24
ERCL coverage	0.21	0.21	0.24
Total provision and ERCL coverage	0.66	0.44	0.48

GROSS NON-PERFORMING LOANS COVERAGE BY PORTFOLIO

31-Mar-20	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage[1] %
Retail lending	500	54	9	83	40	24%
Agribusiness lending	33	38	5	39	6	70%
Commercial/SME lending	30	65	20	111	74	216%
Total	**563**	**157**	**34**	**233**	**120**	**54%**

(1) Calculated as: (ERCL (pre-tax) + Collective provision + Specific provision) / (Past due loans + Impaired assets)

31-Dec-19	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage[1] %
Retail lending	467	58	9	30	45	16%
Agribusiness lending	37	31	5	32	6	63%
Commercial/SME lending	24	64	19	41	72	150%
Total	**528**	**153**	**33**	**103**	**123**	**38%**

(1) Calculated as: (ERCL (pre-tax) + Collective provision + Specific provision) / (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 December 2019 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 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 Mar-20 $M	Carrying value Dec-19 $M	Avg risk weight Mar-20 %	Risk Weighted Assets Mar-20 $M	Risk Weighted Assets Dec-19 $M
On-balance sheet credit risk-weighted assets					
Cash items	523	445	-	22	9
Claims on Australian and foreign governments	3,406	3,010	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	1,026	1,165	31	315	361
Claims on securitisation exposures	1,128	1,244	20	225	248
Claims secured against eligible residential mortgages	44,270	44,323	37	16,186	16,236
Past due claims	688	641	84	580	539
Other retail assets	231	238	97	224	230
Corporate	9,761	9,769	100	9,753	9,762
Other assets and claims	356	386	100	356	386
Total banking assets	**61,389**	**61,221**		**27,661**	**27,771**

	Notional amount Mar-20 $M	Credit equivalent Mar-20 $M	Avg risk weight Mar-20 %	Risk Weighted Assets Mar-20 $M	Risk Weighted Assets Dec-19 $M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	323	323	98	315	317
Commitments to provide loans and advances	8,796	1,960	60	1,170	1,173
Foreign exchange contracts	7,361	64	50	32	34
Interest rate contracts	52,494	100	56	56	45
Securitisation exposures	3,157	148	20	30	30
CVA capital charge	-	-	-	133	123
Total off-balance sheet positions	**72,131**	**2,595**		**1,736**	**1,722**
Market risk capital charge				119	183
Operational risk capital charge				3,539	3,539
Total off-balance sheet positions				1,736	1,722
Total on-balance sheet credit risk-weighted assets				27,661	27,771
Total assessed risk				**33,055**	**33,215**

Risk-weighted capital ratios	Mar-20 %	Dec-19 %
Common Equity Tier 1	9.02	9.67
Tier 1	10.79	11.43
Tier 2	2.57	2.37
Total risk-weighted capital ratio	**13.36**	**13.80**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 March 2020

	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	-	-	-	-	3,973	222	4,195	38	33	4,124	5
Construction & development	-	-	-	-	784	209	993	3	3	987	1
Financial services	535	-	164	802	87	232	1,820	-	-	1,820	-
Hospitality	-	-	-	-	915	63	978	23	2	953	8
Manufacturing	-	-	-	-	285	23	308	3	6	299	-
Professional services	-	-	-	-	328	17	345	1	1	343	1
Property investment	-	-	-	-	2,842	127	2,969	15	3	2,951	4
Real estate - Mortgage	-	-	-	-	43,817	1,226	45,043	52	467	44,524	8
Personal	-	-	-	-	158	3	161	-	4	157	-
Government/public authorities	-	1,324	-	2,322	-	-	3,646	-	-	3,646	-
Other commercial & industrial [6]	-	-	-	-	1,986	161	2,147	20	15	2,112	6
Total gross credit risk	**535**	**1,324**	**164**	**3,124**	**55,175**	**2,283**	**62,605**	**155**	**534**	**61,916**	**33**
Securitisation exposures [1]	-	-	94	1,128	3,067	54	4,343	2	29	4,312	1
Total including securitisation exposures	**535**	**1,324**	**258**	**4,252**	**58,242**	**2,337**	**66,948**	**157**	**563**	**66,228**	**34**
Impairment provision							(267)	(48)	(26)	(193)	
Total							**66,681**	**109**	**537**	**66,035**	

(1) The securitisation exposures of $3,067 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 $105 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 31 December 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	-	-	-	-	3,914	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.

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TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 January to 31 March 2020

	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	-	-	-	-	3,944	224	4,168
Construction & development	-	-	-	-	786	220	1,006
Financial services	503	-	152	795	88	233	1,771
Hospitality	-	-	-	-	920	65	985
Manufacturing	-	-	-	-	281	26	307
Professional services	-	-	-	-	334	17	351
Property investment	-	-	-	-	2,852	134	2,986
Real estate - Mortgage	-	-	-	-	43,815	1,168	44,983
Personal	-	-	-	-	155	4	159
Government/public authorities	-	1,111	-	2,108	-	-	3,219
Other commercial & industrial [5]	-	-	-	-	1,991	163	2,154
Total gross credit risk	**503**	**1,111**	**152**	**2,903**	**55,166**	**2,254**	**62,089**
Securitisation exposures [1]	-	-	93	1,186	3,203	57	4,539
Total including securitisation exposures	**503**	**1,111**	**245**	**4,089**	**58,369**	**2,311**	**66,628**
Impairment provision							(202)
Total							**66,426**

(1) The securitisation exposures of $3,203 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 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	-	-	-	-	270	26	296
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]	-	-	-	-	2,003	175	2,178
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 4B: Credit risk by portfolio as at 31 March 2020

	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)	49,386	49,522	54	496	9	1
Other retail	161	159	-	4	-	-
Financial services	1,820	1,771	-	-	-	-
Government and public authorities	3,646	3,219	-	-	-	-
Corporate and other claims	11,935	11,957	103	63	25	2
Total	**66,948**	**66,628**	**157**	**563**	**34**	**3**

(1) $4,312 million, $4,539 million, $2 million and $29 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 $105 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $139 million.

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 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Mar-20 $M	Dec-19 $M
Collective provision for impairment	233	103
Ineligible collective provisions	(105)	(61)
Eligible collective provisions	128	42
Equity reserve for credit losses	84	86
General reserve for credit losses	**212**	**128**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 31 March 2020, there was no new securitisation activity undertaken (quarter ending 31 December 2019: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Mar-20	Dec-19	Mar-20	Dec-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

	Mar-20	Dec-19
Exposure type	$M	$M
Debt securities	1,128	1,244
Total on-balance sheet securitisation exposures	**1,128**	**1,244**

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

	Mar-20	Dec-19
Exposure type	$M	$M
Liquidity facilities	54	60
Derivative exposures	94	91
Total off-balance sheet securitisation exposures	**148**	**151**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Mar-20 $M	Total Weighted Value (Average) Mar-20 $M	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
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,826		4,545		4,288
Alternative liquid assets (**ALA**)		4,324		4,598		4,596
Cash outflows						
Retail deposits and deposits from small business customers, of which:	25,198	2,439	24,284	2,236	22,664	2,028
stable deposits	*15,966*	*798*	*15,927*	*796*	*15,231*	*762*
less stable deposits	*9,232*	*1,641*	*8,357*	*1,440*	*7,433*	*1,266*
Unsecured wholesale funding, of which:	4,542	3,194	4,474	3,055	4,729	3,438
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*2,987*	*1,639*	*3,249*	*1,830*	*3,072*	*1,781*
unsecured debt	*1,555*	*1,555*	*1,225*	*1,225*	*1,657*	*1,657*
Secured wholesale funding	-	77	-	365		46
Additional requirements, of which:	8,426	1,780	8,271	1,695	7,873	1,413
outflows related to derivatives exposures and other collateral requirements	*1,412*	*1,412*	*1,327*	*1,327*	*1,057*	*1,057*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*7,014*	*368*	*6,944*	*368*	*6,816*	*356*
Other contractual funding obligations	713	405	698	420	716	444
Other contingent funding obligations	6,052	597	6,634	599	6,378	648
Total cash outflows	-	**8,492**	-	**8,370**		**8,017**
Cash inflows						
Secured lending (e.g. reverse repos)	1,020	-	790	-	560	-
Inflows from fully performing exposures	697	389	624	346	576	304
Other cash inflows	1,053	1,053	902	902	794	794
Total cash inflows	**2,770**	**1,442**	**2,316**	**1,248**	**1,930**	**1,098**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		**9,150**		**9,143**		**8,884**
Total net cash outflows		**7,050**		**7,122**		**6,919**
Liquidity Coverage Ratio (%)		**130**		**128**		**128**
Number of data points used		**63**		**64**		**66**

The 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 LCR was 130% over the March 2020 quarter, compared to an average of 128% over the December 2019 quarter. There was a decrease in average net cash outflows in the quarter, primarily driven by the maturity profile of term deposit and term wholesale liabilities. This offset an increase in net cash outflows associated with a preference by retail and small to medium business customers to place their funds at call rather than in term deposits. The liquid assets held was consistent with the previous quarter, with an increase in high-quality liquid assets replacing a decrease in Alternative Liquid Assets from the reduction in the size of the CLF.

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.
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.