SUNCORP GROUP LIMITED

SUNCORP BANK

APS 330

FOR THE QUARTER ENDED 30 JUNE 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 30 June 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 21 August 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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TABLE OF CONTENTS

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 Jun-20 $M	Adjustments Jun-20 $M	Regulatory Jun-20 $M
Assets				
Cash and cash equivalents		211	(1)	210
Receivables due from other banks		567	-	567
Trading securities		1,460	-	1,460
Derivatives		691	-	691
Investment securities		4,814	-	4,814
Investment in regulatory non-consolidated subsidiaries		-	-	-
Loans and advances		57,723	(2,887)	54,836
of which: eligible collective provision component of GRCL in tier 2 capital	(o)	-	-	*145*
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	(f)	-	-	*170*
Due from related parties		230	(1)	229
Deferred tax assets		78	-	78
of which: arising from temporary differences included in CET1 regulatory adjustments	(e)	-	-	*87*
Goodwill	(d)	21	-	21
Other assets		151	(7)	144
Total assets		**65,946**	**(2,896)**	**63,050**
Liabilities				
Payables due to other banks		293	-	293
Deposits and short-term borrowings		46,524	11	46,535
Derivatives		534	-	534
of which: securitisation derivatives in CET1 regulatory adjustments	(i)	-	-	*1*
Payables and other liabilities		217	(2)	215
Due to related parties		80	-	80
Provisions		-	-	-
Due to regulatory non-consolidated subsidiaries		-	46	46
Securitisation liabilities		2,945	(2,945)	-
of which: securitisation start-up costs in CET1 regulatory adjustments	(h)	-	-	*3*
Long-term borrowings		10,607	-	10,607
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)	-	-	*38*
Total liabilities		**61,872**	**(2,890)**	**58,982**
Net assets		**4,074**	**(6)**	**4,068**
Equity				
Share capital	(a)	2,754	-	2,754
Capital notes	(j)	585	-	585
Reserves		(258)	-	(258)
of which: equity component of GRCL in tier 2 capital	(m)	-	-	*81*
of which: FVOCI reserve	(c)	-	-	*9*
of which: cash flow hedge reserve	(n)	-	-	*24*
Retained profits		993	(6)	987
of which: included in CET1	(b)	-	-	*615*
Total equity attributable to owners of the Company		**4,074**	**(6)**	**4,068**

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 Jun-20 $	Total liabilities Jun-20 $
SPDEF #2 Pty Ltd	1	-

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

	Total assets Jun-20 $M	Total liabilities Jun-20 $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 Jun-20 $M	Total liabilities Jun-20 $M
Securitisation special purpose vehicles (1)		
Apollo Series 2011-1 Trust	147	147
Apollo Series 2012-1 Trust	156	156
Apollo Series 2013-1 Trust	207	207
Apollo Series 2015-1 Trust	371	371
Apollo Series 2017-1 Trust	565	565
Apollo Series 2017-2 Trust	771	771
Apollo Series 2018-1 Trust	733	733

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	Jun-20 $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)	615
3	Accumulated other comprehensive income (and other reserves)	(c)+(n)	33
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**		**3,402**
	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)	24
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)		272
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)	87
26f	*of which: capitalised expenses*	(f)+(g)+(h)	184
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**		**317**
29	**Common Equity Tier 1 Capital (CET1)**		**3,085**

		Per Regulatory Capital Reconciliation	Jun-20 $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)**		**3,670**
	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)	38
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)	226
51	**Tier 2 Capital before regulatory adjustments**		**864**
	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)**		**864**
59	**Total capital (TC=T1+T2)**		**4,534**
60	**Total risk-weighted assets based on APRA standards**		**33,107**

		Per Regulatory Capital Reconciliation	Jun-20 $M
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)		*9.32%*
62	Tier 1 (as a percentage of risk-weighted assets)		*11.09%*
63	Total capital (as a percentage of risk-weighted assets)		*13.70%*
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)		*9.32%*
	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)	87
	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)	226
77	Cap on inclusion of provisions in Tier 2 under standardised approach		368
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*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)	38
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	
	Jun-20	Mar-20 [1]	Jun-20	Jun-20	Mar-20 [1]
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	507	523	4	18	22
Claims on Australian and foreign governments	3,043	3,406	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	928	1,026	39	360	315
Claims on securitisation exposures	1,049	1,128	20	209	225
Claims secured against eligible residential mortgages	44,068	44,270	37	16,123	16,186
Past due claims	719	688	89	638	580
Other retail assets	402	231	99	398	224
Corporate	9,666	9,761	100	9,663	9,753
Other assets and claims	281	384	100	280	384
Total banking assets	**60,663**	**61,417**		**27,689**	**27,689**

	Notional amount	Credit equivalent	Avg risk weight	Risk Weighted Assets	
	Jun-20	Jun-20	Jun-20	Jun-20	Mar-20 [1]
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	331	330	98	324	315
Commitments to provide loans and advances	8,777	1,818	64	1,166	1,170
Foreign exchange contracts	4,344	102	44	45	32
Interest rate contracts	48,352	97	57	55	56
Securitisation exposures	2,995	147	20	29	30
CVA capital charge	-	-	-	134	133
Total off-balance sheet positions	**64,799**	**2,494**		**1,753**	**1,736**
Market risk capital charge				93	119
Operational risk capital charge				3,572	3,539
Total off-balance sheet positions				1,753	1,736
assets				27,689	27,689
Total assessed risk				**33,107**	**33,083**
Risk-weighted capital ratios				%	%
Common Equity Tier 1				9.32	9.01
Tier 1				11.09	10.78
Tier 2				2.61	2.65
Total risk-weighted capital ratio				**13.70**	**13.43**

(1) The 31 March 2020 comparatives have been restated to reflect changes to the methodology applied in determining the eligible portion of provisions. The revised methodology has been applied consistently for 31 March 2020 and 30 June 2020 and is in accordance with APRA guidance.

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 June 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 [7] $M	Specific Provisions [5] $M
Agribusiness	-	-	-	-	4,081	255	4,336	38	49	4,249	8
Construction & development	-	-	-	-	789	221	1,010	3	4	1,003	1
Financial services	567	-	199	671	90	239	1,766	-	-	1,766	-
Hospitality	-	-	-	-	913	56	969	29	14	926	15
Manufacturing	-	-	-	-	279	20	299	3	6	290	-
Professional services	-	-	-	-	328	18	346	1	4	341	1
Property investment	-	-	-	-	2,944	163	3,107	16	7	3,084	5
Real estate - Mortgage	-	-	-	-	43,587	993	44,580	58	458	44,064	8
Personal	-	-	-	-	155	-	155	-	4	151	-
Government/public authorities	-	1,460	-	3,094	-	-	4,554	-	-	4,554	-
Other commercial & industrial [6]	-	-	-	-	1,971	183	2,154	20	17	2,117	7
Total gross credit risk	**567**	**1,460**	**199**	**3,765**	**55,137**	**2,148**	**63,276**	**168**	**563**	**62,545**	**45**
Securitisation exposures [1]	-	-	95	1,049	2,887	52	4,083	2	31	4,050	1
Total including securitisation exposures	**567**	**1,460**	**294**	**4,814**	**58,024**	**2,200**	**67,359**	**170**	**594**	**66,595**	**46**
Impairment provision							(301)	(60)	(38)	(203)	
Total							**67,058**	**110**	**556**	**66,392**	

(1) The securitisation exposures of $2,887 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 $46 million specific provisions for accounting purposes plus $110 million ineligible collective provision.

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

(7) As per regulatory guidance, exposures which are granted COVID-19 temporary financial assistance are not to be treated as being in arrears during the deferral period and not be considered as Restructured under Prudential Standard APS 220 *Credit Quality*.

TABLE 4: CREDIT RISK (CONTINUED)

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 $77 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 April to 30 June 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
Agribusiness	-	-	-	-	4,027	239	4,266
Construction & development	-	-	-	-	787	215	1,002
Financial services	551	-	182	737	89	236	1,795
Hospitality	-	-	-	-	914	60	974
Manufacturing	-	-	-	-	282	22	304
Professional services	-	-	-	-	328	18	346
Property investment	-	-	-	-	2,893	145	3,038
Real estate - Mortgage	-	-	-	-	43,702	1,110	44,812
Personal	-	-	-	-	157	2	159
Government/public authorities	-	1,392	-	2,708	-	-	4,100
Other commercial & industrial [5]	-	-	-	-	1,979	172	2,151
Total gross credit risk	**551**	**1,392**	**182**	**3,445**	**55,158**	**2,219**	**62,947**
Securitisation exposures [1]	-	-	95	1,089	2,977	53	4,214
Total including securitisation exposures	**551**	**1,392**	**277**	**4,534**	**58,135**	**2,272**	**67,161**
Impairment provision							(284)
Total							**66,877**

(1) The securitisation exposures of $2,977 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 January to 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
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 4B: Credit risk by portfolio as at 30 June 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]	48,663	49,026	60	489	9	1
Other retail	155	158	-	4	-	-
Financial services	1,766	1,795	-	-	-	-
Government and public authorities	4,554	4,100	-	-	-	-
Corporate and other claims	12,221	12,081	110	101	37	14
Total	**67,359**	**67,160**	**170**	**594**	**46**	**15**

(1) $4,050 million, $4,214 million, $2 million and $31 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 $46 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $110 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $156 million.

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 $77 million which in accordance with APS 220 Credit Quality are regulatory specific provisions. The regulatory specific provisions under APS 220 Credit Quality are $111 million.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Jun-20	Mar-20 [1]
	$M	$M
Collective provision for impairment	255	233
Ineligible collective provisions	(110)	(77)
Eligible collective provisions	145	156
Equity reserve for credit losses	81	84
General reserve for credit losses	**226**	**240**

(1) The 31 March 2020 comparatives have been restated to reflect changes to the methodology applied in determining the eligible portion of provisions. The revised methodology has been applied consistently for 31 March 2020 and 30 June 2020 and is in accordance with APRA guidance.

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 30 June 2020, there was no new securitisation activity undertaken (quarter ending 31 March 2020: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Jun-20	Mar-20	Jun-20	Mar-20
	$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

	Jun-20	Mar-20
Exposure type	$M	$M
Debt securities	1,049	1,128
Total on-balance sheet securitisation exposures	**1,049**	**1,128**

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

	Jun-20	Mar-20
Exposure type	$M	$M
Liquidity facilities	52	54
Derivative exposures	95	94
Total off-balance sheet securitisation exposures	**147**	**148**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Jun-20 $M	Total Weighted Value (Average) Jun-20 $M	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
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,753		4,826		4,545
Alternative liquid assets (**ALA**)		6,484		4,324		4,598
Cash outflows						
Retail deposits and deposits from small business customers, of which:	27,243	2,617	25,198	2,439	24,284	2,236
stable deposits	*17,117*	*856*	*15,966*	*798*	*15,927*	*796*
less stable deposits	*10,126*	*1,761*	*9,232*	*1,641*	*8,357*	*1,440*
Unsecured wholesale funding, of which:	4,762	3,298	4,542	3,194	4,474	3,055
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*3,239*	*1,775*	*2,987*	*1,639*	*3,249*	*1,830*
unsecured debt	*1,523*	*1,523*	*1,555*	*1,555*	*1,225*	*1,225*
Secured wholesale funding	-	59	-	77	-	365
Additional requirements, of which:	8,679	2,004	8,426	1,780	8,271	1,695
outflows related to derivatives exposures and other collateral requirements	*1,637*	*1,637*	*1,412*	*1,412*	*1,327*	*1,327*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*7,042*	*367*	*7,014*	*368*	*6,944*	*368*
Other contractual funding obligations	684	379	713	405	698	420
Other contingent funding obligations	5,899	478	6,052	597	6,634	599
Total cash outflows		**8,835**		**8,492**		**8,370**
Cash inflows						
Secured lending (e.g. reverse repos)	330	-	1,020	-	790	-
Inflows from fully performing exposures	624	320	697	389	624	346
Other cash inflows	1,318	1,318	1,053	1,053	902	902
Total cash inflows	**2,272**	**1,638**	**2,770**	**1,442**	**2,316**	**1,248**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		**11,237**		**9,150**		**9,143**
Total net cash outflows		**7,197**		**7,050**		**7,122**
Liquidity Coverage Ratio (%)		**156**		**130**		**128**
Number of data points used		**63**		**63**		**64**

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 (**ALA**) covered by the Committed Liquidity Facility (**CLF**) and the available Term Funding Facility (**TFF**) 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); however, as part of support measures provided by APRA and the RBA in response to COVID-19, SML received an increase to the CLF of $1.4 billion (total of $6.0 billion) from 1 May 2020. Assets eligible for the CLF and TFF include senior unsecured bank paper, covered bonds and residential mortgage backed securities that are repo-eligible with the RBA. SML increased its self-securitisation in March 2020.

The main contributors to net cash outflows were modelled outflows associated with deposits, offset by inflows from maturing loans and issuance of term wholesale liabilities.

The daily average LCR was 156% over the June 2020 quarter, compared to an average of 130% over the March 2020 quarter. The increase in the LCR was driven by an increase in alternative liquid assets, as the LCR recognises amounts that can be drawn down from the RBA under the TFF and the CLF. This was partially offset by 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 LCR is forecast to return to the normal operating range when the CLF is normalised.

TABLE 21: NET STABLE FUNDING RATIO DISCLOSURE

	Jun-20					Mar-20				
	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	3,667	-	-	1,185	**4,852**	3,569	-	-	1,185	**4,754**
Regulatory capital	*3,667*	*-*	*-*	*1,185*	*4,852*	*3,569*	*-*	*-*	*1,185*	*4,754*
Other capital instruments	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Retail deposits and deposits from small business customers	-	33,069	-	-	**30,763**	-	31,228	1	-	**29,055**
Stable deposits	*-*	*20,035*	*-*	*-*	*19,033*	*-*	*18,974*	*-*	*-*	*18,025*
Less stable deposits	*-*	*13,034*	*-*	*-*	*11,730*	*-*	*12,254*	*1*	*-*	*11,030*
Wholesale funding	-	15,015	1,569	7,038	**10,605**	-	16,257	2,139	6,561	**10,665**
Operational deposits	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Other wholesale funding	*-*	*15,015*	*1,569*	*7,038*	*10,605*	*-*	*16,257*	*2,139*	*6,561*	*10,665*
Liabilities with matching interdependent assets		-	-	-	**-**		-	-	-	-
Other liabilities	685	5	-	-	**-**	563	25	-	-	-
NSFR derivative liabilities			*5*					*25*		
All other liabilities and equity not included in the above categories	*685*	*-*	*-*	*-*	*-*	*563*	*-*	*-*	*-*	*-*
Total ASF					**46,220**					**44,474**
Required Stable Funding (RSF) Item										
Total NSFR (HQLA)					**228**					**181**
ALA					**687**					**634**
RBNZ securities					**-**					**-**
Deposits held at other financial institutions for operational purposes		94	-	-	**47**		83	-	-	**41**
Performing loans and securities		2,587	947	45,565	**34,649**		3,771	839	46,236	**34,769**
Performing loans to financial institutions secured by Level 1 HQLA		*50*	*-*	*-*	*5*		*1,186*	*-*	*-*	*119*
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:		*1,258*	*865*	*10,904*	*10,339*		*1,228*	*779*	*10,926*	*10,299*
With a risk weight of less than or equal to 35% under APS 112		*-*	*-*	*-*	*-*		*-*	*-*	*-*	*-*
Performing residential mortgages, of which:		*1,279*	*82*	*34,661*	*24,305*		*1,357*	*60*	*35,205*	*24,261*
With a risk weight equal to 35% under APS 112		*1,279*	*82*	*34,661*	*24,305*		*1,357*	*60*	*35,205*	*24,261*
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		*-*	*-*	*-*	*-*		*-*	*-*	*105*	*90*
Assets with matching interdependent liabilities		-	-	-	**-**		-	-	-	**-**
Other assets:	703	372	13	600	**1,567**	698	251	1	601	**1,451**
Physical traded commodities, including gold	*-*				*-*	*-*				*-*
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)				*-*	*-*			*0*		*-*
NSFR derivative assets			*42*		*42*			*0*		*-*
NSFR derivative liabilities before deduction of variation margin posted			*152*		*30*			*124*		*25*
All other assets not included in the above categories	*703*	*178*	*13*	*600*	*1,495*	*698*	*127*	*1*	*601*	*1,426*
Off-balance sheet items			9,805		**442**			9,824		**448**
Total RSF					**37,620**					**37,524**
Net Stable Funding Ratio (%)					**123%**					**119%**

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 116% as at 31 December 2019 to 123% at 30 June 2020). This was consistent with strong growth in retail and small business customer deposits, the reduction of funding from financial corporates, the low lending growth environment and support mechanisms provided by the RBA and APRA as part of the response to COVID-19. The NSFR is expected to remain above the typical target range over the coming months.

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.
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 of 25 basis points.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.