SUNCORP GROUP LIMITED

SUNCORP BANK APS 330

FOR THE QUARTER ENDED 31 DECEMBER 2020

RELEASE DATE: 9 FEBRUARY 2021

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 2020 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (**ASX**).

DISCLAIMER

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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-20 $M	Adjustments Dec-20 $M	Regulatory Dec-20 $M
Assets				
Cash and cash equivalents		260	-	260
Receivables due from other banks		1,212	-	1,212
Trading securities		1,371	-	1,371
Derivatives		368	-	368
Investment securities		4,634	-	4,634
Investment in regulatory non-consolidated subsidiaries		-	-	-
Loans and advances		57,026	(2,537)	54,489
of which: eligible collective provision component of GRCL in tier 2 capital	(o)	-	-	*141*
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	(f)	-	-	*166*
Due from related parties		248	(1)	247
Deferred tax assets		64	-	64
of which: arising from temporary differences included in CET1 regulatory adjustments	(e)	-	-	*76*
Goodwill	(d)	21	-	21
Other assets		139	(5)	134
Total assets		**65,343**	**(2,543)**	**62,800**
Liabilities				
Payables due to other banks		68	-	68
Deposits and short-term borrowings		47,294	12	47,306
Derivatives		530	-	530
of which: securitisation derivatives in CET1 regulatory adjustments	(i)	-	-	*1*
Payables and other liabilities		132	(1)	131
Due to related parties		65	-	65
Provisions		-	-	-
Due to regulatory non-consolidated subsidiaries		-	39	39
Securitisation liabilities		2,590	(2,590)	-
of which: securitisation start-up costs in CET1 regulatory adjustments	(h)	-	-	*2*
Long-term borrowings		9,720	-	9,720
of which: costs associated with debt raisings in CET1 regulatory adjustments	(g)	-	-	*8*
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		**61,071**	**(2,540)**	**58,531**
Net assets		**4,272**	**(3)**	**4,269**
Equity				
Share capital	(a)	2,754	-	2,754
Capital notes	(j)	585	-	585
Reserves		(237)	-	(237)
of which: equity component of GRCL in tier 2 capital	(m)	-	-	*76*
of which: FVOCI reserve	(c)	-	-	*32*
of which: cash flow hedge reserve	(n)	-	-	*26*
Retained profits		1,170	(3)	1,167
of which: included in CET1	(b)	-	-	*796*
Total equity attributable to owners of the Company		**4,272**	**(3)**	**4,269**

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

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

	Total assets Dec-20 $M	Total liabilities Dec-20 $M
Suncorp Property Development Equity Fund #2 Unit Trust	4	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-20 $M	Total liabilities Dec-20 $M
Securitisation special purpose vehicles (1)		
Apollo Series 2011-1 Trust	131	131
Apollo Series 2012-1 Trust	136	136
Apollo Series 2013-1 Trust	185	185
Apollo Series 2015-1 Trust	325	325
Apollo Series 2017-1 Trust	500	500
Apollo Series 2017-2 Trust	676	676
Apollo Series 2018-1 Trust	640	640

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-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)	796
3	Accumulated other comprehensive income (and other reserves)	(c)+(n)	59
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**		**3,609**
	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)	27
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)		253
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)	76
26f	*of which: capitalised expenses*	(f)+(g)+(h)	176
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**		**301**
29	**Common Equity Tier 1 Capital (CET1)**		**3,308**

	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)**		**3,893**
	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)	217
51	**Tier 2 Capital before regulatory adjustments**		**855**
	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)**		**855**
59	**Total capital (TC=T1+T2)**		**4,748**
60	**Total risk-weighted assets based on APRA standards**		**32,921**

		Per Regulatory Capital Reconciliation	Dec-20 $M
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)		*10.05%*
62	Tier 1 (as a percentage of risk-weighted assets)		*11.83%*
63	Total capital (as a percentage of risk-weighted assets)		*14.42%*
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)		*10.05%*
	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)	76
	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)	217
77	Cap on inclusion of provisions in Tier 2 under standardised approach		365
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	
	Dec-20	Sep-20	Dec-20	Dec-20	Sep-20
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	1,106	850	1	11	25
Claims on Australian and foreign governments	3,310	3,202	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	731	731	33	241	283
Claims on securitisation exposures	873	947	20	174	188
Claims secured against eligible residential mortgages	43,743	43,847	37	16,035	16,048
Past due claims	662	621	90	594	542
Other retail assets	842	531	99	834	525
Corporate	9,284	9,712	100	9,278	9,706
Other assets and claims	231	298	100	231	298
Total banking assets	**60,782**	**60,739**		**27,398**	**27,615**

	Notional amount	Credit equivalent	Avg risk weight	Risk Weighted Assets	
	Dec-20	Dec-20	Dec-20	Dec-20	Sep-20
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	324	324	98	318	323
Commitments to provide loans and advances	9,542	2,100	60	1,253	1,246
Foreign exchange contracts	3,460	48	52	25	32
Interest rate contracts	40,404	80	55	44	51
Securitisation exposures	2,629	130	20	26	27
CVA capital charge	-	-	-	105	116
Total off-balance sheet positions	**56,359**	**2,682**		**1,771**	**1,795**

	Dec-20	Sep-20
Market risk capital charge	131	118
Operational risk capital charge	3,621	3,572
Total off-balance sheet credit risk-weighted assets	1,771	1,795
Total on-balance sheet credit risk-weighted assets	27,398	27,615
Total assessed risk (Total Risk Weighted Assets)	**32,921**	**33,100**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	10.05	9.62
Tier 1	11.83	11.38
Tier 2	2.59	2.65
Total risk-weighted capital ratio	**14.42**	**14.03**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 December 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	-	-	-	-	4,039	289	4,328	35	36	4,257	8
Construction & development	-	-	-	-	804	173	977	2	3	972	1
Financial services	1,212	-	128	496	103	264	2,203	-	-	2,203	-
Hospitality	-	-	-	-	893	56	949	35	5	909	15
Manufacturing	-	-	-	-	232	27	259	3	-	256	1
Professional services	-	-	-	-	351	20	371	1	12	358	1
Property investment	-	-	-	-	3,178	115	3,293	19	8	3,266	6
Real estate - Mortgage	-	-	-	-	43,181	1,300	44,481	60	404	44,017	9
Personal	-	-	-	-	151	-	151	-	5	146	-
Government/public authorities	-	1,371	-	3,265	-	-	4,636	-	-	4,636	-
Other commercial & industrial [6]	-	-	-	-	1,861	180	2,041	29	14	1,998	8
Total gross credit risk	**1,212**	**1,371**	**128**	**3,761**	**54,793**	**2,424**	**63,689**	**184**	**487**	**63,018**	**49**
Securitisation exposures [1]	-	-	86	873	2,537	44	3,540	1	27	3,512	-
Total including securitisation exposures	**1,212**	**1,371**	**214**	**4,634**	**57,330**	**2,468**	**67,229**	**185**	**514**	**66,530**	**49**
Impairment provision							(304)	(61)	(31)	(212)	
Total							**66,925**	**124**	**483**	**66,318**	

(1) The securitisation exposures of $2,537 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 $49 million specific provisions for accounting purposes plus $114 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 30 September 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	-	-	-	-	4,089	261	4,350	36	37	4,277	8
Construction & development	-	-	-	-	788	206	994	3	3	988	1
Financial services	917	-	154	575	104	269	2,019	-	-	2,019	-
Hospitality	-	-	-	-	905	58	963	29	11	923	14
Manufacturing	-	-	-	-	282	26	308	3	1	304	1
Professional services	-	-	-	-	324	20	344	1	2	341	1
Property investment	-	-	-	-	3,100	115	3,215	16	6	3,193	5
Real estate - Mortgage	-	-	-	-	43,314	1,252	44,566	53	430	44,083	7
Personal	-	-	-	-	158	-	158	-	6	152	-
Government/public authorities	-	1,399	-	3,186	-	-	4,585	-	-	4,585	-
Other commercial & industrial [6]	-	-	-	-	1,914	181	2,095	28	18	2,049	8
Total gross credit risk	**917**	**1,399**	**154**	**3,761**	**54,978**	**2,388**	**63,597**	**169**	**514**	**62,914**	**45**
Securitisation exposures [1]	-	-	89	947	2,705	48	3,789	1	28	3,760	-
Total including securitisation exposures	**917**	**1,399**	**243**	**4,708**	**57,683**	**2,436**	**67,386**	**170**	**542**	**66,674**	**45**
Impairment provision							(300)	(59)	(33)	(208)	
Total							**67,086**	**111**	**509**	**66,466**	

(1) The securitisation exposures of $2,705 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 $45 million specific provisions for accounting purposes plus $103 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 – average gross exposure over period 1 October to 31 December 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	-	-	-	-	4,064	275	4,339
Construction & development	-	-	-	-	796	189	985
Financial services	1,065	-	141	536	104	266	2,112
Hospitality	-	-	-	-	899	57	956
Manufacturing	-	-	-	-	257	27	284
Professional services	-	-	-	-	338	20	358
Property investment	-	-	-	-	3,139	115	3,254
Real estate - Mortgage	-	-	-	-	43,248	1,276	44,524
Personal	-	-	-	-	155	-	155
Government/public authorities	-	1,385	-	3,226	-	-	4,611
Other commercial & industrial [5]	-	-	-	-	1,888	181	2,069
Total gross credit risk	**1,065**	**1,385**	**141**	**3,762**	**54,888**	**2,406**	**63,647**
Securitisation exposures [1]	-	-	87	910	2,621	46	3,664
Total including securitisation exposures	**1,065**	**1,385**	**228**	**4,672**	**57,509**	**2,452**	**67,311**
Impairment provision							(302)
Total							**67,009**

(1) The securitisation exposures of $2,621 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 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	-	-	-	-	4,085	258	4,343
Construction & development	-	-	-	-	789	213	1,002
Financial services	742	-	177	623	97	254	1,893
Hospitality	-	-	-	-	909	57	966
Manufacturing	-	-	-	-	281	23	304
Professional services	-	-	-	-	326	19	345
Property investment	-	-	-	-	3,022	139	3,161
Real estate - Mortgage	-	-	-	-	43,451	1,123	44,574
Personal	-	-	-	-	157	-	157
Government/public authorities	-	1,430	-	3,140	-	-	4,570
Other commercial & industrial [5]	-	-	-	-	1,943	182	2,125
Total gross credit risk	**742**	**1,430**	**177**	**3,763**	**55,060**	**2,268**	**63,440**
Securitisation exposures [1]	-	-	92	998	2,796	50	3,936
Total including securitisation exposures	**742**	**1,430**	**269**	**4,761**	**57,856**	**2,318**	**67,376**
Impairment provision							(301)
Total							**67,075**

(1) The securitisation exposures of $2,796 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 2020

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions [(2)] $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [(1)]	48,021	48,188	61	431	9	2
Other retail	151	155	-	5	-	-
Financial services	2,203	2,112	-	-	-	-
Government and public authorities	4,636	4,611	-	-	-	-
Corporate and other claims	12,218	12,245	124	78	40	3
Total	**67,229**	**67,311**	**185**	**514**	**49**	**5**

(1) $3,540 million, $3,664 million, $1 million and $27 million have 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 $49 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $114 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $163 million.

Table 4B: Credit risk by portfolio as at 30 September 2020

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions [(2)] $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [(1)]	48,355	48,510	54	458	7	1
Other retail	158	157	-	6	-	-
Financial services	2,019	1,893	-	-	-	-
Government and public authorities	4,585	4,570	-	-	-	-
Corporate and other claims	12,269	12,246	116	78	38	2
Total	**67,386**	**67,376**	**170**	**542**	**45**	**3**

(1) $3,789 million, $3,936 million, $1 million and $28 million have 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 $45 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $103 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $148 million.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4C: General reserve for credit losses

	Dec-20 $M	Sep-20 $M
Collective provision for impairment	255	255
Ineligible collective provisions	(114)	(103)
Eligible collective provisions	141	152
Equity reserve for credit losses	76	87
General reserve for credit losses [1]	**217**	**239**

[1] The reduction in the General Reserve for Credit Losses (**GRCL**) is due to a more favourable macroeconomic forecast, which resulted in the lifetime loss for Stage 1 exposures reducing over the period, together with a reduction in forward-looking provisions for future, presently unidentified losses.

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

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

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

	Dec-20	Sep-20
Exposure type	$M	$M
Debt securities	873	947
Total on-balance sheet securitisation exposures	**873**	**947**

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

	Dec-20	Sep-20
Exposure type	$M	$M
Liquidity facilities	44	48
Derivative exposures	86	89
Total off-balance sheet securitisation exposures	**130**	**137**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Dec-20 $M	Total Weighted Value (Average) Dec-20 $M	Total Unweighted Value (Average) Sep-20 $M	Total Weighted Value (Average) Sep-20 $M	Total Unweighted Value (Average) Jun-20 $M	Total Weighted Value (Average) Jun-20 $M
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		5,308		4,588		4,753
Alternative liquid assets (**ALA**)		7,410		6,842		6,484
Cash outflows						
Retail deposits and deposits from small business customers, of which:	30,707	2,981	29,359	2,835	27,243	2,617
stable deposits	*19,063*	*953*	*18,261*	*913*	*17,117*	*856*
less stable deposits	*11,644*	*2,028*	*11,098*	*1,922*	*10,126*	*1,761*
Unsecured wholesale funding, of which:	4,083	2,796	4,411	3,075	4,762	3,298
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*2,825*	*1,538*	*2,924*	*1,588*	*3,239*	*1,775*
unsecured debt	*1,258*	*1,258*	*1,487*	*1,487*	*1,523*	*1,523*
Secured wholesale funding	-	57	-	66	-	59
Additional requirements, of which:	8,552	1,572	8,069	1,315	8,679	2,004
outflows related to derivatives exposures and other collateral requirements	*1,191*	*1,191*	*941*	*941*	*1,637*	*1,637*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*7,361*	*381*	*7,128*	*374*	*7,042*	*367*
Other contractual funding obligations	785	488	685	391	684	379
Other contingent funding obligations	5,606	505	4,974	441	5,899	478
Total cash outflows		**8,399**		**8,123**		**8,835**
Cash inflows						
Secured lending (e.g. reverse repos)	33	-	17	-	330	-
Inflows from fully performing exposures	616	319	609	315	624	320
Other cash inflows	828	828	566	566	1,318	1,318
Total cash inflows	**1,477**	**1,147**	**1,192**	**881**	**2,272**	**1,638**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		**12,718**		**11,430**		**11,237**
Total net cash outflows		**7,252**		**7,242**		**7,197**
Liquidity Coverage Ratio (%)		**175**		**158**		**156**
Number of data points used		**64**		**66**		**63**

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**) 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. SML received approval from APRA to normalise the CLF to $4.6 billion as of 1 December 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 175% over the December 2020 quarter, compared to an average of 158% over the September 2020 quarter. The increase in the average LCR was due to increase in average HQLA and Alternative Liquid Assets (**ALA**) over the quarter. This reflected the introduction of the supplementary allowance in October 2020 and an increase in the additional allowance available under the TFF. This was partially offset by the decrease in CLF on 1 December and an increase in net cash outflows associated with an increase in retail and small to medium business customers placing their funds at call rather than in term deposits. The LCR is forecast to remain above the normal operating range over the next period due to the impact of the TFF measures.

TABLE 21: NET STABLE FUNDING RATIO DISCLOSURE

	Dec-20					Sep-20				
	Unweighted value by residual maturity ($M)				Weighted value ($M)	Unweighted value by residual maturity ($M)				Weighted value ($M)
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available Stable Funding (ASF) Item										
Capital	3,865	-	-	1,185	**5,050**	3,772	-	-	1,185	**4,957**
Regulatory capital	*3,865*	-	-	*1,185*	*5,050*	*3,772*	-	-	*1,185*	*4,957*
Other capital instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits and deposits from small business customers	-	35,448	1	-	**32,985**	-	34,946	-	-	**32,516**
Stable deposits	-	*21,621*	-	-	*20,540*	-	*21,267*	-	-	*20,204*
Less stable deposits	-	*13,827*	*1*	-	*12,445*	-	*13,679*	-	-	*12,312*
Wholesale funding	-	12,762	393	8,279	**10,973**	-	12,398	1,598	7,679	**10,707**
Operational deposits	-	-	-	-	-	-	-	-	-	-
Other wholesale funding	-	*12,762*	*393*	*8,279*	*10,973*	-	*12,398*	*1,598*	*7,679*	*10,707*
Liabilities with matching interdependent assets		-	-	-	**-**		-	-	-	-
Other liabilities	567	41	-	-	**-**	713	6	-	-	-
NSFR derivative liabilities			*41*					*6*		
All other liabilities and equity not included in the above categories	*567*	-	-	-	-	*713*	-	-	-	-
Total ASF					**49,008**					**48,180**
Required Stable Funding (RSF) Item										
Total NSFR (HQLA)					**233**					**231**
ALA					**664**					**692**
RBNZ securities					-					-
Deposits held at other financial institutions for operational purposes		3	-	-	**1**		5	-	-	**2**
Performing loans and securities		2,592	944	45,288	**34,276**		2,618	1,006	45,203	**34,309**
Performing loans to financial institutions secured by Level 1 HQLA		*151*	-	-	*15*		*122*	-	-	*12*
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:		*1,271*	*886*	*10,918*	*10,366*		*1,302*	*920*	*10,949*	*10,424*
With a risk weight of less than or equal to 35% under APS 112		-	-	-	-		-	-	-	-
Performing residential mortgages, of which:		*1,170*	*58*	*34,370*	*23,895*		*1,194*	*86*	*34,217*	*23,842*
With a risk weight equal to 35% under APS 112		*1,170*	*58*	*34,370*	*23,895*		*1,194*	*86*	*34,217*	*23,842*
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		-	-	-	-		-	-	*37*	*31*
Assets with matching interdependent liabilities		-	-	-	**-**		-	-	-	**-**
Other assets:	711	393	11	531	**1,460**	707	304	1	568	**1,460**
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			-		-			-		-
NSFR derivative liabilities before deduction of variation margin posted			*233*		*47*			*151*		*30*
All other assets not included in the above categories	*711*	*160*	*11*	*531*	*1,413*	*707*	*153*	*1*	*568*	*1,430*
Off-balance sheet items			10,468		**463**			10,284		**459**
Total RSF					**37,097**					**37,153**
Net Stable Funding Ratio (%)					**132%**					**130%**

The Net Stable Funding Ratio (**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 remained above the typical operating range over the quarter (from 130% as at 30 September 2020 to 132% at 31 December 2020). This was consistent with strong growth in retail and Small and Medium-sized Enterprises (**SME**) deposits, the reduction of funding from financial corporates, the low lending growth environment and support mechanisms provided by the RBA and APRA. 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.
Eligible collective provisions	Primarily represents the collective provision for impairment on loans and advances in Stage 1 (performing and/or newly originated assets). Provisions for loans and advances in Stage 1 are established to provide for expected credit losses (**ECL**) for a period of 12 months. Forward-looking provisions for future, presently unidentified losses are also included within the Eligible collective provision balance.
Expected Credit Losses (**ECL**)	Expected credit losses (ECL) are calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in house prices.
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA.
General reserve for credit losses (**GRCL**)	The general reserve for credit losses is a reserve that covers credit losses prudently estimated but not certain to arise over the full life of all the individual facilities based on guidance provided by APRA.
Impaired assets	Impaired assets are those for which the Bank has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. The Bank fully considers the counterparty's capacity to repay and security valuation position before an asset is considered impaired.
Ineligible collective provisions	Represents the collective provision for impairment on loans and advances in Stage 2 or Stage 3. Stage 2 assets include assets that have experienced a significant increase in credit risk (**SICR**) since origination (under-performing loans). Stage 3 assets within ineligible collective provisions include 'past due but not impaired' and 'impaired assets' (non-performing loans, other than those for which a specific provision is held under AASB 9). Collective provisions for loans and advances in Stage 2 and Stage 3 are established to provide for ECL for the remaining term of the loans and advances (lifetime ECL). Ineligible collective provision is considered as specific provision for regulatory purposes under APS 220 *Credit Quality*.
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.