

SUNCORP GROUP LIMITED

SUNCORP BANK

APS 330

FOR THE QUARTER ENDED

31 MARCH 2021

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Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

This document has been prepared by Suncorp Bank to meet the disclosure obligations under the Australian Prudential Regulation Authority (**APRA**) Australian Prudential Standard (**APS**) 330 *Public Disclosure*.

Suncorp Bank is represented by Suncorp-Metway Limited (**SML**) and its subsidiaries. SML is an authorised deposit-taking institution (**ADI**) and a wholly owned subsidiary of Suncorp Group Limited. Suncorp Group is represented by Suncorp Group Limited and its subsidiaries.

Other than statutory information required by a regulator (including APRA), all financial information is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars and have been rounded to the nearest million.

This document has not been audited nor reviewed in accordance with Australian Auditing Standards. It should be read in conjunction with Suncorp Group's consolidated annual and interim financial reports which have been either audited or reviewed in accordance with Australian Auditing Standards.

Figures relate to the quarter ended 31 March 2021 (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 17 May 2021. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Suncorp Group and Suncorp Bank or any product or service offered by its entities. It is not intended to be relied upon as advice to investors or potential investors, and does not consider the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp Group's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp Group's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp Group and Suncorp Bank undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

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OVERVIEW

Following a period of decline, the home lending portfolio returned to growth during the quarter, increasing \$102 million or 0.2%. Home lending lodgement momentum continued, with total lodgements over 50% higher than 3Q20 and a 16% increase on last quarter. This increase was attributable to the Bank's improved competitive offerings, stable turnaround times and increased credit assessment efficiency. The Bank continues to deliver its targeted program of work to improve customer and broker experiences and to simplify its origination process. The Bank maintains a high-quality and conservatively positioned home lending portfolio, remaining weighted towards owner occupiers, principal and interest repayments and loans with an LVR below 80%.

Business lending contracted \$16 million or 0.1%, due to a reduction in the commercial loan portfolio partially offset by growth in agribusiness lending. The contraction of commercial loans was driven by material paydowns due to successful project completions in the development finance portfolio. Following consecutive seasons of favourable environmental conditions across several geographic areas, agribusiness growth was assisted by customers' property purchases, through support of cropping activity, and several new to bank refinances.

Household deposits grew broadly in line with system during the quarter with growth in at-call deposits offset by a strategic reduction in the higher-cost term portfolio. At-call deposit growth was predominantly driven by growth in transaction account balances supported by customer focused initiatives including zero account-keeping fees, competitive rates and ongoing development of digital banking functionality.

The Bank has continued to focus on increasing its digital enablement and capabilities. The number of digitally active Bank customers increased 6% (annualised) through the quarter, as customer logins increased to 1 million in a week. The average number of monthly Suncorp App logins per user has continued to grow, increasing to 20.0 by March 2021 (March 2020: 12.9). This increasing digital engagement remains a key focus.

Total impairment losses for the quarter were \$1 million, equivalent to 1 basis point of gross loans and advances (annualised). This reflects an unchanged collective provision and a small specific provision expense during the period. The Bank held an unchanged collective provision from 31 December 2020, despite an improved economic outlook, recognising the residual uncertainty following the cessation of a number of COVID-19 related government support and stimulus measures and the end of APRA capital concession loan repayment deferrals. A full review of the collective provision, incorporating changes in the economic outlook and emerging default experience over the next few months, will be undertaken as part of finalising the 30 June financial position.

Gross impaired assets increased \$20 million over the quarter to \$205 million or 36 basis points of gross loans and advances (GLA), mainly due to the impairment of a single commercial borrower group in the hospitality industry, which is heavily reliant on tourism and accordingly has been significantly impacted by the COVID-19 pandemic. Gross impaired retail loans decreased by \$8 million, underpinned by the strong housing market supporting voluntary asset sales by borrowers, coupled with strong clearance rates for properties brought to auction.

Total past due loans not impaired increased by \$85 million over the quarter to \$599 million or 1% of GLA, predominantly driven by a \$76 million increase in retail lending arrears. Whilst some of this increase can be attributed to the seasonal increase in arrears post-Christmas, it is also a result of customers previously under a COVID-19 deferral arrangement moving into business-as-usual hardship and arrears. There was a \$1 million increase in the agribusiness portfolio and an \$8 million increase in the commercial portfolio, due to several small borrower groups.

As at 31 March 2021, the Net Stable Funding Ratio (NSFR) was 133% and the Liquidity Coverage Ratio (LCR) was 159%, demonstrating the continued strength of Suncorp's funding and liquidity position as well as the benefit of the undrawn RBA term funding facility.

Suncorp's capital levels remain sound, with a risk-weighted Common Equity Tier 1 ratio of 9.79% (December 2020: 10.05%), above the Bank's target operating range of 9-9.50%.

LOANS AND ADVANCES

	Mar-21 \$M	Dec-20 \$M	Mar-20 ⁽¹⁾ \$M	Mar-21 vs Dec-20 %	Mar-21 vs Mar-20 ⁽¹⁾ %
Housing loans	40,797	40,448	41,860	0.9	(2.5)
Securitised housing loans and covered bonds	5,023	5,270	5,028	(4.7)	(0.1)
Total housing loans	45,820	45,718	46,888	0.2	(2.3)
Consumer loans	140	151	158	(7.3)	(11.4)
Retail loans	45,960	45,869	47,046	0.2	(2.3)
Commercial (SME)	7,298	7,417	7,220	(1.6)	1.1
Agribusiness	4,142	4,039	3,968	2.6	4.4
Total Business loans	11,440	11,456	11,188	(0.1)	2.3
Total lending	57,400	57,325	58,234	0.1	(1.4)
Other lending	4	5	8	(20.0)	(50.0)
Gross loans and advances	57,404	57,330	58,242	0.1	(1.4)
Provision for impairment	(303)	(304)	(267)	(0.3)	13.5
Total loans and advances	57,101	57,026	57,975	0.1	(1.5)
Credit-risk weighted assets	27,454	27,398	27,661	0.2	(0.8)
Geographical breakdown - Total lending					
Queensland	28,055	28,219	28,823	(0.6)	(2.7)
New South Wales	15,697	15,582	15,881	0.7	(1.2)
Victoria	7,288	7,171	7,040	1.6	3.5
Western Australia	3,682	3,677	3,788	0.1	(2.8)
South Australia and other	2,678	2,676	2,702	0.1	(0.9)
Outside of Queensland loans	29,345	29,106	29,411	0.8	(0.2)
Total lending	57,400	57,325	58,234	0.1	(1.4)

⁽¹⁾ The 31 March 2020 comparatives have been restated to reflect changes to business loan reporting to reclassify asset location based on the industry code and the primary collateral state rather than the loan origination business centre.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	Quarter Ended			Mar-21	Mar-21
	Mar-21	Dec-20	Mar-20	vs Dec-20	vs Mar-20
	\$M	\$M	\$M	%	%
Collective provision for impairment	-	-	130	n/a	(100.0)
Specific provision for impairment	-	5	3	(100.0)	(100.0)
Actual net write-offs	1	-	-	n/a	n/a
Impairment losses	1	5	133	(80.0)	99.2
Impairment losses to gross loans and advances (annualised)	0.01%	0.03%	0.91%		

NON-PERFORMING LOANS

	Quarter Ended			Mar-21	Mar-21
	Mar-21	Dec-20	Mar-20	vs Dec-20	vs Mar-20
	\$M	\$M	\$M	%	%
Retail lending	53	61	54	(13.1)	(1.9)
Agribusiness lending	35	35	38	-	(7.9)
Commercial/SME lending	117	89	65	31.5	80.0
Gross impaired assets	205	185	157	10.8	30.6
Impairment provision	(64)	(61)	(48)	4.9	33.3
Net impaired assets	141	124	109	13.7	29.4
Impairment provisions as a percentage of gross impaired assets	31%	33%	31%		
Size of gross individually impaired assets					
Less than one million	41	46	45	(11.1)	(8.9)
Greater than one million but less than ten million	109	115	88	(4.9)	23.9
Greater than ten million	55	24	24	129.2	129.2
Gross impaired assets	205	185	157	11.0	30.6
Past due loans not shown as impaired assets	599	514	563	16.5	6.4
Gross non-performing loans	804	699	720	15.1	11.7
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	185	170	153	8.8	21.1
Recognition of new impaired assets	39	23	17	69.6	129.4
Increases in previously recognised impaired assets	1	1	1	-	-
Impaired assets written off	-	(1)	(1)	(100.0)	(100.0)
Impaired assets which have been reclassified as performing assets or repaid	(20)	(8)	(13)	150.0	53.8
Balance at the end of the period	205	185	157	10.8	30.8

PROVISION FOR IMPAIRMENT

	Mar-21 \$M	Dec-20 \$M	Mar-20 \$M	Mar-21 vs Dec-20 %	Mar-21 vs Mar-20 %
Collective provision					
Balance at the beginning of the period	255	255	103	-	147.6
Charge against impairment losses	-	-	130	n/a	(100.0)
Balance at the end of the period	255	255	233	-	9.4
Specific provision					
Balance at the beginning of the period	49	45	33	7.9	48.5
Charge against impairment losses	-	5	3	(100.0)	(100.0)
Impairment provision written off	-	(1)	(1)	(100.0)	(100.0)
Unwind of discount	(1)	-	(1)	n/a	-
Balance at the end of the period	48	49	34	(2.0)	41.2
Total provision for impairment - Banking activities	303	304	267	(0.3)	13.5
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	76	87	86	(12.6)	(11.6)
Transfer (to) from retained earnings	-	(11)	(2)	(100.0)	(100.0)
Balance at the end of the period	76	76	84	-	(9.5)
Pre-tax equivalent coverage	109	109	120	-	(9.5)
Total provision for impairment and equity reserve for credit loss - Banking activities	412	413	387	(0.2)	6.3
Provision for impairment expressed as a percentage of gross loans and advances are as follows:	%	%	%		
Collective provision	0.44	0.44	0.40		
Specific provision	0.08	0.09	0.06		
Total provision	0.52	0.53	0.46		
ERCL coverage	0.19	0.19	0.21		
Total provision and ERCL coverage	0.71	0.72	0.67		

GROSS NON-PERFORMING LOANS COVERAGE BY PORTFOLIO

31-Mar-21

	Past due loans \$M	Impaired assets \$M	Specific provision \$M	Collective provision \$M	Total provision coverage ^{1,2} %
Retail lending	512	53	7	23	5.3
Agribusiness lending	37	35	8	16	33.3
Commercial/SME lending	50	117	33	32	38.9
Total	599	205	48	71	14.8

31-Dec-20

	Past due loans \$M	Impaired assets \$M	Specific provision \$M	Collective provision \$M	Total provision coverage ^{1,2} %
Retail lending	436	61	9	18	5.4
Agribusiness lending	36	35	8	12	28.2
Commercial/SME lending	42	89	32	14	35.1
Total	514	185	49	44	13.3

¹ Calculated as: (Specific provision + Collective provision Stage 3) / (Past due loans + Impaired assets)

² The basis for the coverage ratio has been revised during the period to provide a ratio which better reflects the provisions held for Gross non-performing loans. The collective provision presented in the table above is the provision held for non-performing loans i.e. loans in Stage 3 only. Comparatives for Dec-20 have been restated accordingly.

APPENDIX 1 – APS 330 TABLES

- Table 1: Capital disclosure template – not applicable for this reporting period. This table was disclosed in the December 2020 reporting period.
- Table 2: Main features of capital instruments
- Table 3: Capital adequacy
- Table 4: Credit risk
- Table 5: Securitisation exposures
- Table 20: Liquidity Coverage Ratio Disclosure

TABLE 2: MAIN FEATURES OF CAPITAL INSTRUMENTS

Attachment B of Prudential Standard APS 330 details the continuous disclosure requirements for the main features of all capital instruments included in Suncorp Bank's regulatory capital.

The Suncorp Group's main features of capital instruments are updated on an ongoing basis and are available at <http://www.suncorpgroup.com.au/investors/reports>.

The full terms and conditions of all of Suncorp Group's regulatory capital instruments are available at <http://www.suncorpgroup.com.au/investors/securities>¹.

¹ The published full terms and conditions represent the comparable capital instruments issued by Suncorp Group Limited to external investors. The terms of these instruments may differ slightly to those instruments issued by the regulatory Level 2 group.

TABLE 3: CAPITAL ADEQUACY

	Carrying value		Avg risk weight	Risk Weighted Assets	
	Mar-21	Dec-20	Mar-21	Mar-21	Dec-20
	\$M	\$M	%	\$M	\$M
On-balance sheet credit risk-weighted assets					
Cash items	1,017	1,106	2	21	11
Claims on Australian and foreign governments	3,817	3,310	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	651	731	28	181	241
Claims on securitisation exposures	807	873	20	160	174
Claims secured against eligible residential mortgages	44,109	43,743	37	16,196	16,035
Past due claims	765	662	92	702	594
Other retail assets	1,056	842	99	1,050	834
Corporate	8,928	9,284	100	8,918	9,278
Other assets and claims	227	231	100	226	231
Total banking assets	61,377	60,782		27,454	27,398
	Notional amount	Credit equivalent	Avg risk weight	Risk Weighted Assets	
	Mar-21	Mar-21	Mar-21	Mar-21	Dec-20
	\$M	\$M	%	\$M	\$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	312	312	98	307	318
Commitments to provide loans and advances	9,651	2,298	55	1,275	1,253
Foreign exchange contracts	3,239	69	48	33	25
Interest rate contracts	41,375	80	50	40	44
Securitisation exposures	2,353	127	20	25	26
CVA capital charge	-	-	-	98	105
Total off-balance sheet positions	56,930	2,886		1,778	1,771
Market risk capital charge				152	131
Operational risk capital charge				3,621	3,621
Total off-balance sheet credit risk-weighted assets				1,778	1,771
Total on-balance sheet credit risk-weighted assets				27,454	27,398
Total assessed risk (Total Risk Weighted Assets)				33,005	32,921
Risk-weighted capital ratios				%	%
Common Equity Tier 1				9.79	10.05
Tier 1				11.56	11.83
Tier 2				2.47	2.59
Total risk-weighted capital ratio				14.03	14.42

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 March 2021

	Receivables due from other Banks ⁽²⁾	Trading Securities	Derivatives ⁽³⁾	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) ⁽³⁾	Total Credit Risk ⁽⁴⁾	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired ⁽⁷⁾	Specific Provisions ⁽⁵⁾
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Agribusiness	-	-	-	-	4,142	220	4,362	35	37	4,290	8
Construction & development	-	-	-	-	754	158	912	2	4	906	1
Financial services	1,043	-	149	548	105	269	2,114	-	-	2,114	-
Hospitality	-	-	-	-	881	60	941	66	5	870	15
Manufacturing	-	-	-	-	224	18	242	3	-	239	1
Professional services	-	-	-	-	331	23	354	1	4	349	1
Property investment	-	-	-	-	3,170	116	3,286	16	16	3,254	6
Real estate - Mortgage	-	-	-	-	43,550	1,565	45,115	51	481	44,583	7
Personal	-	-	-	-	140	-	140	-	5	135	-
Government/public authorities	-	1,421	-	3,732	-	-	5,153	-	-	5,153	-
Other commercial & industrial ⁽⁶⁾	-	-	-	-	1,837	181	2,018	29	21	1,968	9
Total gross credit risk	1,043	1,421	149	4,280	55,134	2,610	64,637	203	573	63,861	48
Securitisation exposures ⁽¹⁾	-	-	84	807	2,270	43	3,204	2	26	3,176	-
Total including securitisation exposures	1,043	1,421	233	5,087	57,404	2,653	67,841	205	599	67,037	48
Impairment provision							(303)	(64)	(55)	(184)	
Total							67,538	141	544	66,853	

⁽¹⁾ The securitisation exposures of \$2,270 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 \$48 million specific provisions for accounting purposes plus \$136 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 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⁾	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired ⁽⁷⁾	Specific Provisions ⁽⁵⁾
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$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 – average gross exposure over period 1 January to 31 March 2021

	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	-	-	-	-	4,091	255	4,346
Construction & development	-	-	-	-	779	165	944
Financial services	1,128	-	139	522	104	266	2,159
Hospitality	-	-	-	-	887	58	945
Manufacturing	-	-	-	-	228	22	250
Professional services	-	-	-	-	341	21	362
Property investment	-	-	-	-	3,174	116	3,290
Real estate - Mortgage	-	-	-	-	43,366	1,432	44,798
Personal	-	-	-	-	146	-	146
Government/public authorities	-	1,396	-	3,499	-	-	4,895
Other commercial & industrial (5)	-	-	-	-	1,849	181	2,030
Total gross credit risk	1,128	1,396	139	4,021	54,965	2,516	64,165
Securitisation exposures (1)	-	-	85	840	2,404	44	3,373
Total including securitisation exposures	1,128	1,396	224	4,861	57,369	2,560	67,538
Impairment provision							(304)
Total							67,234

(1) The securitisation exposures of \$2,404 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

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

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 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 4B: Credit risk by portfolio as at 31 March 2021

	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⁾	48,319	48,171	53	507	7	-
Other retail	140	146	-	5	-	-
Financial services	2,114	2,159	-	-	-	-
Government and public authorities	5,153	4,895	-	-	-	-
Corporate and other claims	12,115	12,167	152	87	41	1
Total	67,841	67,538	205	599	48	1

⁽¹⁾ \$3,204 million, \$3,373 million, \$2 million and \$26 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 \$48 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of \$136 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are \$184 million.

Table 4B: Credit risk by portfolio as at 31 December 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⁾	48,021	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 4: CREDIT RISK (CONTINUED)

Table 4C: General reserve for credit losses

	Mar-21	Dec-20
	\$M	\$M
Collective provision for impairment	255	255
Ineligible collective provisions	(136)	(114)
Eligible collective provisions	119	141
Equity reserve for credit losses	76	76
General reserve for credit losses	195	217

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 31 March 2021, there was no new securitisation activity undertaken (quarter ending 31 December 2020: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Mar-21	Dec-20	Mar-21	Dec-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

Exposure type	Mar-21	Dec-20
	\$M	\$M
Debt securities	807	873
Total on-balance sheet securitisation exposures	807	873

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

Exposure type	Mar-21	Dec-20
	\$M	\$M
Liquidity facilities	43	44
Derivative exposures	84	86
Total off-balance sheet securitisation exposures	127	130

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Mar-21 \$M	Total Weighted Value (Average) Mar-21 \$M	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
Liquid assets, of which:						
High-quality liquid assets (HQLA)		5,574		5,308		4,588
Alternative liquid assets (ALA)		6,350		7,410		6,842
Cash outflows						
Retail deposits and deposits from small business customers, of which:	31,108	3,015	30,707	2,981	29,359	2,835
<i>stable deposits</i>	19,291	965	19,063	953	18,261	913
<i>less stable deposits</i>	11,817	2,050	11,644	2,028	11,098	1,922
Unsecured wholesale funding, of which:	4,467	3,050	4,083	2,796	4,411	3,075
<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	-	-	-	-	-	-
<i>non-operational deposits (all counterparties)</i>	2,986	1,569	2,825	1,538	2,924	1,588
<i>unsecured debt</i>	1,481	1,481	1,258	1,258	1,487	1,487
Secured wholesale funding	-	91	-	57	-	66
Additional requirements, of which:	8,624	1,537	8,552	1,572	8,069	1,315
<i>outflows related to derivatives exposures and other collateral requirements</i>	1,154	1,154	1,191	1,191	941	941
<i>outflows related to loss of funding on debt products credit and liquidity facilities</i>	7,470	383	7,361	381	7,128	374
Other contractual funding obligations	833	513	785	488	685	391
Other contingent funding obligations	5,363	505	5,606	505	4,974	441
Total cash outflows		8,711		8,399		8,123
Cash inflows						
Secured lending (e.g. reverse repos)	33	-	33	-	17	-
Inflows from fully performing exposures	679	359	616	319	609	315
Other cash inflows	837	837	828	828	566	566
Total cash inflows	1,549	1,196	1,477	1,147	1,192	881
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		11,924		12,718		11,430
Total net cash outflows		7,515		7,252		7,242
Liquidity Coverage Ratio (%)		159		175		158
Number of data points used		62		64		66

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, 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, which was returned to \$4.6 billion as of 1 December 2020. The CLF remained at \$4.6 billion for the March 2021 quarter and following further approval, reduced to \$3.91 billion on 1 April 2021.

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 which has covered the CLF increase from May 2020, and the TFF.

The daily average LCR was 159% over the March 2021 quarter, compared to an average of 175% over the December 2020 quarter. The decrease in the average LCR was primarily due to the decrease to the CLF on 1 December 2020 noted above, as well as an increase in average net cash outflows over the quarter. This decrease in CLF was partially offset by increases in the additional TFF between the December and March quarters. The main contributors to increases in net cash outflows were; an increase in retail customers placing their funds at call rather than in term deposits, and modelled outflows associated with short term wholesale funding, offset by inflows from maturing loans and issuance of term wholesale liabilities.

The LCR is forecast to remain above normal operating range over the next period due to the impact of the TFF measures.

APPENDIX 2 - DEFINITIONS

AASB 9	AASB 9 <i>Financial Instruments</i> 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 <i>Credit Quality</i> .
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 equivalent to the official cash rate at the time of drawdown.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.