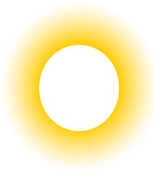


SUNCORP



Suncorp Group Limited

ABN 66 145 290 124

Suncorp Bank APS 330: Quarter ended
30 June 2023

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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 and SML'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 2023 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (ASX).

This document is prepared in accordance with Basel III Prudential Capital requirements effective for reporting periods beginning on or after 1 January 2023.

Suncorp announced the sale of Suncorp Bank to Australia and New Zealand Banking Group Limited on 18 July 2022. The sale is subject to regulatory and government approvals with completion targeted by the middle of calendar year 2024. The financial performance of Suncorp Bank will continue to be reported as an ongoing function until completion occurs.

Disclaimer

This report contains general information which is current as at 9 August 2023. 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, or intended to be relied upon as advice.

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 and undertakes no obligation to update any forward-looking statements. 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.

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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 Jun-23 \$M	Adjustments Jun-23 \$M	Regulatory Jun-23 \$M
Assets					
Cash and cash equivalents			2,927	(7)	2,920
Receivables due from other banks			1,788	-	1,788
Trading securities			2,218	-	2,218
Derivatives			501	-	501
Investment securities			6,431	-	6,431
Investment in regulatory non-consolidated subsidiaries			-	-	-
Loans and advances			67,102	(2,602)	64,500
<i>of which: eligible collective provision component of GRCL in tier 2 capital</i>	(o)		-	-	145
<i>of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments</i>	(f)		-	-	298
Due from related parties			165	-	165
Deferred tax assets			136	-	136
<i>of which: arising from temporary differences included in CET1 regulatory adjustments</i>	(e)		-	-	79
Goodwill	(d)		21	-	21
Other assets			219	(4)	215
Total assets			81,508	(2,613)	78,895
Liabilities					
Payables due to other banks			121	-	121
Deposits and short-term borrowings			51,434	-	51,434
Derivatives			520	-	520
<i>of which: securitisation derivatives in CET1 regulatory adjustments</i>	(i)		-	-	9
Payables and other liabilities			432	(8)	424
Due to related parties			90	-	90
Provisions			-	-	-
Due to regulatory non-consolidated subsidiaries			-	58	58
Securitisation liabilities			2,659	(2,659)	-
Borrowings			21,350	(3)	21,347
<i>of which: costs associated with debt raisings in CET1 regulatory adjustments</i>	(g)		-	-	12
<i>of which: securitisation start-up costs in CET1 regulatory adjustments</i>	(h)		-	-	3
Subordinated notes			600	-	600
<i>of which: directly issued qualifying tier 2 instruments</i>	(k)		-	-	600
<i>of which: directly issued instruments subject to phase out from tier 2</i>	(l)		-	-	-
Total liabilities			77,206	(2,612)	74,594
Net assets			4,302	(1)	4,301
Equity					
Share capital	(a)		2,754	-	2,754
Capital notes	(j)		560	-	560
Reserves			(82)	-	(82)
<i>of which: equity component of GRCL in tier 2 capital</i>	(m)		-	-	76
<i>of which: FVOCI reserve</i>	(c)		-	-	(25)
<i>of which: cash flow hedge reserve</i>	(n)		-	-	(133)
Retained profits			1,070	(1)	1,069
<i>of which: included in CET1</i>	(b)		-	-	1,069
Total equity attributable to owners of the Company			4,302	(1)	4,301

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-23 \$	Total liabilities Jun-23 \$
SPDEF #2 Pty Ltd	1	-

Principal activity:

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

	Total assets Jun-23 \$M	Total liabilities Jun-23 \$M
Suncorp Property Development Equity Fund #2 Unit Trust	2	1

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-23 \$M	Total liabilities Jun-23 \$M
Securitisation special purpose vehicles ⁽¹⁾		
Apollo Series 2015-1 Trust	177	177
Apollo Series 2017-1 Trust	260	260
Apollo Series 2017-2 Trust	345	345
Apollo Series 2018-1 Trust	310	310
Apollo Series 2022-1 Trust	609	609
Apollo Series 2023-1 Trust	968	968

⁽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.

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.

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-23 \$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)	1,069
3	Accumulated other comprehensive income (and other reserves)	(c)+(n)	(158)
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		3,665
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)	(133)
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	<i>of which: significant investments in the ordinary shares of financial entities</i>		
24	<i>of which: mortgage servicing rights</i>		
25	<i>of which: deferred tax assets arising from temporary differences</i>		
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)		401
26a	<i>of which: treasury shares</i>		
26b	<i>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</i>		
26c	<i>of which: deferred fee income</i>		
26d	<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 26e</i>		
26e	<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>	(e)	79
26f	<i>of which: capitalised expenses</i>	(f)+(g)+(h)	313
26g	<i>of which: investments in commercial (non-financial) entities that are deducted under APRA requirements</i>		-
26h	<i>of which: covered bonds in excess of asset cover in pools</i>		
26i	<i>of which: undercapitalisation of a non-consolidated subsidiary</i>		
26j	<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>	(i)	9
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		289
29	Common Equity Tier 1 Capital (CET1)		3,376

	Per Regulatory Capital Reconciliation	Jun-23 \$M
Additional Tier 1 Capital: instruments		
30 Directly issued qualifying Additional Tier 1 instruments		560
31 <i>of which: classified as equity under applicable accounting standards</i>	(j)	560
32 <i>of which: classified as liabilities under applicable accounting standards</i>		
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 <i>of which: instruments issued by subsidiaries subject to phase out</i>		
36 Additional Tier 1 Capital before regulatory adjustments		560
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 <i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>		
41b <i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40</i>		
41c <i>of which: other national specific regulatory adjustments not reported in rows 41a and 41b</i>		
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)		560
45 Tier 1 Capital (T1=CET1+AT1)		3,936
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)	-
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 <i>of which: instruments issued by subsidiaries subject to phase out</i>		
50 Provisions	(m)+(o)	221
51 Tier 2 Capital before regulatory adjustments		821
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 <i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>		
56b <i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55</i>		
56c <i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>		
57 Total regulatory adjustments to Tier 2 capital		-
58 Tier 2 capital (T2)		821
59 Total capital (TC=T1+T2)		4,757
60 Total risk-weighted assets based on APRA standards		32,491

	Per Regulatory Capital Reconciliation	Jun-23 \$M
Capital ratios and buffers		
61 Common Equity Tier 1 (as a percentage of risk-weighted assets)		10.39%
62 Tier 1 (as a percentage of risk-weighted assets)		12.11%
63 Total capital (as a percentage of risk-weighted assets)		14.64%
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)		8.00%
65 of which: capital conservation buffer requirement		2.50%
66 of which: ADI-specific countercyclical buffer requirements		1.00%
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)		5.89%
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)	79
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)	221
77 Cap on inclusion of provisions in Tier 2 under standardised approach		406
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)	-
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 <https://www.suncorpgroup.com.au/investors/regulatory-disclosures-current>.

The full terms and conditions of all of Suncorp Group’s regulatory capital instruments are available at <https://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

	Risk Weighted Assets	
	Jun-23 \$M	Mar-23 \$M
On-balance sheet credit risk-weighted assets		
Claims secured by residential mortgage	18,076	17,827
Other retail	102	124
Bank	26	61
Government	-	-
Corporates ⁽¹⁾	8,689	8,569
Securisation	23	38
All other exposures	141	47
Total on-balance sheet assets	27,057	26,666
Off-balance sheet exposures		
Non-market related off-balance sheet exposures	2,721	2,936
Market related off-balance sheet exposures	51	93
Securisation	9	10
Total off-balance sheet exposures	2,781	3,039
Total on-balance sheet assets and off-balance sheet positions	29,838	29,705
Market risk capital charge	141	145
Operational risk capital charge	2,512	2,335
Total risk-weighted assets	32,491	32,185
	Capital Ratios	
	Jun-23 %	Mar-23 %
Common Equity Tier 1	10.39	10.40
Tier 1	12.11	12.14
Tier 2	2.53	2.51
Total risk-weighted capital ratio	14.64	14.65

⁽¹⁾ Includes commercial property and land acquisition, development and construction exposures.

Table 4: Credit Risk

Table 4A: Credit risk by gross credit exposure

Exposure Type	Gross Credit Exposure ⁽¹⁾		Average Gross Credit Exposure ⁽¹⁾	
	Jun-23	Mar-23	Jun-23	Mar-23
	\$M	\$M	\$M	\$M
Reverse repurchase agreements	2,825	2,371	2,598	2,091
Receivables ⁽²⁾	1,788	2,857	2,323	3,847
Trading Securities	2,218	2,618	2,418	2,284
Derivatives ⁽³⁾	78	130	104	114
Investment Securities	6,317	5,027	5,671	5,056
Loans and Advances	64,719	63,420	64,070	63,203
Off-balance sheet exposures ⁽³⁾	5,990	6,355	6,173	6,339
Total gross credit risk⁽⁴⁾	83,935	82,778	83,357	82,934
Securitisation exposures ⁽⁵⁾	3,044	2,262	2,653	2,368
Total including securitisation exposures	86,979	85,040	86,010	85,302
Impairment provision	(219)	(207)	(213)	(209)
Total	86,760	84,833	85,797	85,093

Portfolios Subject to the Standardised Approach	Gross Credit Exposure ⁽¹⁾		Average Gross Credit Exposure ⁽¹⁾	
	Jun-23	Mar-23	Jun-23	Mar-23
	\$M	\$M	\$M	\$M
Claims secured by residential mortgage	57,652	56,867	57,260	56,748
Other retail assets	128	153	140	154
Bank	2,928	2,735	2,831	2,420
Government	10,146	10,176	10,161	10,827
Corporates ⁽⁶⁾	12,919	12,725	12,823	12,620
All other exposures	162	122	142	165
Total gross credit risk⁽⁴⁾	83,935	82,778	83,357	82,934
Securitisation exposures ⁽⁵⁾	3,044	2,262	2,653	2,368
Total including securitisation exposures	86,979	85,040	86,010	85,302
Impairment provision	(219)	(207)	(213)	(209)
Total	86,760	84,833	85,797	85,093

Notes:

⁽¹⁾ Gross credit exposures and Average gross credit exposures reflect on balance sheet exposures and credit equivalent amounts for off balance sheet exposures.

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

⁽³⁾ Off-balance sheet exposures represent the credit equivalent amount in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

⁽⁴⁾ Total credit risk excludes cash at bank and other money market placements.

⁽⁵⁾ Securitisation exposures for June 2023 include \$2,602 million in Loans and advances, \$114 million in Investment Securities, \$30 million in Derivatives and \$298 million in Off-balance sheet exposures. The securitisation exposures for 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*.

⁽⁶⁾ Includes commercial property and land acquisition, development, and construction exposures.

Table 4: Credit Risk (Continued)

Table 4B: Credit risk by portfolio

	Non-performing loans	Specific Provisions ⁽¹⁾	Charges for Specific Provisions & Write Offs
Portfolios Subject to the Standardised Approach	Jun-23 \$M	Jun-23 \$M	Jun-23 \$M
Claims secured by residential mortgage	464	8	-
Other retail assets	5	2	(2)
Bank	-	-	-
Government	-	-	-
Corporates ⁽²⁾	150	19	(2)
All other exposures	-	-	-
Total gross credit risk	619	29	(4)
Securitisation exposures	17	-	-
Total including securitisation exposures	636	29	
Impairment provision	(27)	-	
Total	609	29	

⁽¹⁾ The specific provisions of \$29 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of \$45 million which in accordance with APS 220 *Credit Risk Management* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Risk Management* are \$74 million.

⁽²⁾ Includes commercial property and land acquisition, development, and construction exposures.

	Non-performing loans	Specific Provisions ⁽¹⁾	Charges for Specific Provisions & Write Offs
Portfolios Subject to the Standardised Approach	Mar-23 \$M	Mar-23 \$M	Mar-23 \$M
Claims secured by residential mortgage	439	9	(1)
Other retail assets	5	1	(2)
Bank	-	-	-
Government	-	-	-
Corporates ⁽²⁾	153	17	2
All other exposures	-	-	-
Total gross credit risk	597	27	(1)
Securitisation exposures	19	-	-
Total including securitisation exposures	616	27	
Impairment provision	(25)	-	
Total	591	27	

⁽¹⁾ The specific provisions of \$27 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of \$50 million which in accordance with APS 220 *Credit Risk Management* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Risk Management* are \$77 million.

⁽²⁾ Includes commercial property and land acquisition, development, and construction exposures.

Table 4: Credit Risk (Continued)

Table 4C: Provisions eligible for inclusion in Tier 2 capital ⁽¹⁾

	Jun-23 \$M	Mar-23 \$M
Collective provision for impairment	190	180
Ineligible collective provisions ⁽²⁾	(45)	(50)
Eligible collective provisions	145	130
General equity reserve ⁽³⁾	76	76
Provisions eligible for inclusion in Tier 2 capital (Standardised approach) ⁽¹⁾	221	206

⁽¹⁾ Provisions held against performing exposures that represent a purely forward-looking amount for future losses that are presently unidentified.

⁽²⁾ Ineligible collective provisions represent the collective provision for impairment on loans and advances in Stage 2 or Stage 3, where loans have experienced significant increase in credit risk (SICR) or are non-performing and a specific provision under AASB 9 has not been raised.

Ineligible collective provision is considered as specific provision for regulatory purposes under APS 220 *Credit Risk Management*.

⁽³⁾ Following removal of the ERCL (equity reserve for credit losses) requirement in APS 220 *Credit Risk Management* from 1 January 2022, the general equity reserve has been established in its place. The general equity reserve will be maintained at this level (\$76 million) pending further consideration of its future treatment.

Table 5: Securitisation Exposures

Table 5A: Summary of securitisation activity for the period

During the quarter ending 30 June 2023, a new Securitisation Trust, Apollo Series 2023-1 Trust (Apollo 26) was established.

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Jun-23 \$M	Mar-23 \$M	Jun-23 \$M	Mar-23 \$M
Residential mortgages	1,000	-	-	-
Total exposures securitised during the period	1,000	-	-	-

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

Exposure type	Jun-23 \$M	Mar-23 \$M
Debt securities	114	192
Total on-balance sheet securitisation exposures	114	192

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

Exposure type	Jun-23 \$M	Mar-23 \$M
Liquidity facilities	16	12
Derivative exposures	30	37
Total off-balance sheet securitisation exposures	46	49

Table 20: Liquidity Coverage Ratio Disclosure

	Total Unweighted Value (Average) Jun-23 \$M	Total Weighted Value (Average) Jun-23 \$M	Total Unweighted Value (Average) Mar-23 \$M	Total Weighted Value (Average) Mar-23 \$M	Total Unweighted Value (Average) Dec-22 \$M	Total Weighted Value (Average) Dec-22 \$M
Liquid assets, of which:						
High-quality liquid assets (HQLA)		12,898		12,608		12,198
Alternative liquid assets (ALA)		-		-		252
Cash outflows						
Retail deposits and deposits from small business customers, of which:	35,422	3,510	35,210	3,462	35,236	3,430
<i>stable deposits</i>	22,250	1,112	22,047	1,102	22,118	1,106
<i>less stable deposits</i>	13,172	2,398	13,163	2,360	13,118	2,324
Unsecured wholesale funding, of which:	5,572	3,573	5,226	3,423	5,138	3,265
<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	-	-	-	-	-	-
<i>non-operational deposits (all counterparties)</i>	3,908	1,909	3,511	1,708	3,647	1,774
<i>unsecured debt</i>	1,664	1,664	1,715	1,715	1,491	1,491
Secured wholesale funding		278		197		94
Additional requirements, of which:	9,466	1,547	9,644	1,343	10,037	1,463
<i>outflows related to derivatives exposures and other collateral requirements</i>	1,108	1,108	885	885	997	997
<i>outflows related to loss of funding on debt products</i>	-	-	-	-	-	-
<i>credit and liquidity facilities</i>	8,358	439	8,759	458	9,040	466
Other contractual funding obligations	1,544	1,279	1,119	824	1,358	1,045
Other contingent funding obligations	6,491	548	6,567	715	6,647	586
Total cash outflows		10,735		9,964		9,883
Cash inflows						
Secured lending (e.g. reverse repos)	2,569	-	1,825	-	749	-
Inflows from fully performing exposures	574	308	630	335	656	344
Other cash inflows	978	978	685	685	729	729
Total cash inflows	4,121	1,286	3,140	1,020	2,134	1,073
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		12,898		12,608		12,450
Total net cash outflows		9,449		8,944		8,810
Liquidity Coverage Ratio (%)		137		141		141
Number of data points used		62		63		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 (**NCO**) 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). SML has reduced the Committed Liquidity Facility (**CLF**) to zero as at 1 January 2023 in line with APRA's guidance and approval.

The daily average LCR was 137% over the June 2023 quarter, slightly lower than the average of 141% over the March quarter. Throughout the June quarter, we repaid \$1.1bn of our Term Funding Facility (**TFF**). The effect of this was offset by the settlement of our \$1bn Senior transaction in May.

Table 21: Net Stable Funding Ratio Disclosure

	Jun-23					Mar-23				
	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	3,886	-	-	350	4,236	3,870	-	-	560	4,430
Regulatory capital	3,886	-	-	350	4,236	3,870	-	-	560	4,430
Other capital instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits and deposits from small business customers	-	40,701	1	-	37,884	-	40,567	1	-	37,748
Stable deposits	-	25,046	-	-	23,794	-	24,742	-	-	23,505
Less stable deposits	-	15,655	1	-	14,090	-	15,825	1	-	14,243
Wholesale funding	-	19,313	3,800	8,566	14,805	-	19,120	1,574	9,833	15,068
Operational deposits	-	-	-	-	-	-	-	-	-	-
Other wholesale funding	-	19,313	3,800	8,566	14,805	-	19,120	1,574	9,833	15,068
Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
Other liabilities	944	573	210	-	105	791	(11)	600	-	300
NSFR derivative liabilities	-	-	(27)	-	-	-	-	(11)	-	-
All other liabilities and equity not included in the above categories	944	600	210	-	105	791	-	600	-	300
Total ASF					57,030					57,546
Required Stable Funding (RSF) Item										
Total NSFR (HQLA)					426					371
ALA					402					553
RBNZ securities					-					-
Deposits held at other financial institutions for operational purposes	3	-	-	-	1	2	-	-	-	1
Performing loans and securities	4,540	963	57,220	-	43,433	4,045	945	54,824	-	40,635
Performing loans to financial institutions secured by Level 1 HQLA	2,825	-	-	-	283	2,371	-	-	-	237
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:	1,196	896	16,502	-	15,041	1,013	877	11,675	-	10,871
With a risk weight of less than or equal to 35% under APS 112	66	5	426	-	313	-	-	-	-	-
Performing residential mortgages, of which:	519	67	40,570	-	27,983	661	68	42,788	-	29,220
With a risk weight equal to 35% under APS 112	519	67	40,570	-	27,983	661	68	42,788	-	29,220
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	148	-	126	-	-	361	-	307
Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
Other assets:	846	270	1	490	1,523	777	217	5	509	1,454
Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	-	-	1	-	1	-	-	1	-	1
NSFR derivative assets	-	-	36	-	36	-	-	41	-	41
NSFR derivative liabilities before deduction of variation margin posted	-	-	105	-	21	-	-	68	-	14
All other assets not included in the above categories	846	128	1	490	1,465	777	107	5	509	1,398
Off-balance sheet items			11,413		537			11,762		553
Total RSF					46,322					43,567
Net Stable Funding Ratio (%)					123%					132%

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 ADI's 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 daily average NSFR was 123% over the June 2023 quarter. The overall NSFR decreased ~8% over the quarter partly as a result of the \$1.1bn TFF repayment decreasing the available stable funding and the industry-wide reclassification of "residential mortgages with a 35% risk weight" to "residential mortgages with a LVR < 80%" which impacted our required stable funding.

Appendix - 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.
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 Risk Management</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.
Non-performing exposure	An exposure that is in default. A default is considered to have occurred with regard to a particular borrower when either, or both, of the events in sub-paragraphs (i) or (ii) have taken place: (i) the ADI considers that the borrower is unlikely to pay its credit obligations to the ADI in full, without recourse by the ADI to actions such as realising available security; (ii) the borrower is 90 days or more past-due on a credit obligation to the ADI or, in the case of subsidiaries in jurisdictions where a different number of days past-due is set for exposures to individuals (i.e. natural persons) or public sector entities by the national regulator, the borrower is past-due by the number of days (or more) specified by that national regulator.
Past due loans	An exposure for which any amount due under a contract (interest, principal, fee or other amount) has not been paid in full at the date when it was due. An exposure is considered past-due from the first day of missed payment.
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.