



Suncorp Group Limited

ABN 66 145 290 124

Suncorp Bank APS 330: Quarter ended
30 June 2022

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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 2022 (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 8 August 2022. 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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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-22 \$M	Adjustments Jun-22 \$M	Regulatory Jun-22 \$M
Assets					
Cash and cash equivalents			609	(2)	607
Receivables due from other banks			2,490	-	2,490
Trading securities			2,722	-	2,722
Derivatives			579	-	579
Investment securities			5,949	-	5,949
Investment in regulatory non-consolidated subsidiaries			-	-	-
Loans and advances			61,856	(2,340)	59,516
<i>of which: eligible collective provision component of GRCL in tier 2 capital</i>	(o)		-	-	126
<i>of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments</i>	(f)		-	-	214
Due from related parties			221	-	221
Deferred tax assets			127	-	127
<i>of which: arising from temporary differences included in CET1 regulatory adjustments</i>	(e)		-	-	84
Goodwill	(d)		21	-	21
Other assets			146	(3)	143
Total assets			74,720	(2,345)	72,375
Liabilities					
Payables due to other banks			165	-	165
Deposits and short-term borrowings			48,125	5	48,130
Derivatives			559	-	559
<i>of which: securitisation derivatives in CET1 regulatory adjustments</i>	(i)		-	-	1
Payables and other liabilities			201	(3)	198
Due to related parties			135	-	135
Provisions			-	-	-
Due to regulatory non-consolidated subsidiaries			-	56	56
Securitisation liabilities			2,402	(2,402)	-
<i>of which: securitisation start-up costs in CET1 regulatory adjustments</i>	(h)		-	-	1
Borrowings			18,508	-	18,508
<i>of which: costs associated with debt raisings in CET1 regulatory adjustments</i>	(g)		-	-	10
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			70,695	(2,344)	68,351
Net assets			4,025	(1)	4,024
Equity					
Share capital	(a)		2,754	-	2,754
Capital notes	(j)		560	-	560
Reserves			(56)	-	(56)
<i>of which: equity component of GRCL in tier 2 capital</i>	(m)		-	-	76
<i>of which: FVOCI reserve</i>	(c)		-	-	(32)
<i>of which: cash flow hedge reserve</i>	(n)		-	-	(100)
Retained profits			767	(1)	766
<i>of which: included in CET1</i>	(b)		-	-	766
Total equity attributable to owners of the Company			4,025	(1)	4,024

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-22 \$	Total liabilities Jun-22 \$
SPDEF #2 Pty Ltd	1	-

Principal activity:

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

	Total assets Jun-22 \$M	Total liabilities Jun-22 \$M
Suncorp Property Development Equity Fund #2 Unit Trust	3	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-22 \$M	Total liabilities Jun-22 \$M
Securitisation special purpose vehicles ⁽¹⁾		
Apollo Series 2013-1 Trust	127	127
Apollo Series 2015-1 Trust	225	225
Apollo Series 2017-1 Trust	337	337
Apollo Series 2017-2 Trust	451	451
Apollo Series 2018-1 Trust	414	414
Apollo Series 2022-1 Trust	851	851

⁽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-22 \$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)	766
3	Accumulated other comprehensive income (and other reserves)	(c)+(n)	(132)
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		3,388
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)	(100)
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)		310
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)	84
26f	<i>of which: capitalised expenses</i>	(f)+(g)+(h)	225
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)	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		231
29	Common Equity Tier 1 Capital (CET1)		3,157

	Per Regulatory Capital Reconciliation	Jun-22 \$M
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	560
31	of which: classified as equity under applicable accounting standards (j)	560
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	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	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)	560
45	Tier 1 Capital (T1=CET1+AT1)	3,717
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	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions (m)+(o)	202
51	Tier 2 Capital before regulatory adjustments	802
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)	802
59	Total capital (TC=T1+T2)	4,519
60	Total risk-weighted assets based on APRA standards	34,797

	Per Regulatory Capital Reconciliation	Jun-22 \$M
Capital ratios and buffers		
61 Common Equity Tier 1 (as a percentage of risk-weighted assets)		9.07%
62 Tier 1 (as a percentage of risk-weighted assets)		10.68%
63 Total capital (as a percentage of risk-weighted assets)		12.99%
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 <i>of which: capital conservation buffer requirement</i>		2.50%
66 <i>of which: ADI-specific countercyclical buffer requirements</i>		
67 <i>of which: G-SIB buffer requirement (not applicable)</i>		
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted)		9.07%
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)	84
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)	202
77 Cap on inclusion of provisions in Tier 2 under standardised approach		386
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 <i>Current cap on CET1 instruments subject to phase out arrangements</i>		
81 <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>		
82 <i>Current cap on AT1 instruments subject to phase out arrangements</i>		
83 <i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>		
84 <i>Current cap on T2 instruments subject to phase out arrangements</i>	(l)	-
85 <i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>		

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-22 \$M	Mar-22 \$M
On-balance sheet credit risk-weighted assets		
Claims secured against eligible residential mortgages	17,884	17,282
Other retail assets	67	79
Banks and other ADIs	69	71
Government and public authorities	-	-
Corporate and other claims	10,133	9,717
Securisation exposures	91	123
All other assets and claims	847	978
Total on-balance sheet assets	29,091	28,250
Off-balance sheet positions		
Non-market related off-balance sheet exposures	1,726	1,608
Market related off-balance sheet exposures	83	79
Securisation exposures	14	15
Total off-balance sheet positions	1,823	1,702
Market risk capital charge	155	141
Operational risk capital charge	3,728	3,665
Total on-balance sheet credit risk-weighted assets	29,091	28,250
Total off-balance sheet credit risk-weighted assets	1,823	1,702
Total assessed risk (Total risk-weighted assets)	34,797	33,758
	Capital Ratios	
	Jun-22 %	Mar-22 %
Common Equity Tier 1	9.07	9.32
Tier 1	10.68	12.09
Tier 2	2.31	2.34
Total risk-weighted capital ratio	12.99	14.43

Table 4: Credit Risk

Table 4A: Credit risk by gross credit exposure

Exposure Type	Gross Credit Exposure ⁽⁶⁾		Average Gross Credit Exposure ⁽⁶⁾	
	Jun-22 \$M	Mar-22 \$M	Jun-22 \$M	Mar-22 \$M
Receivables due from other Banks ⁽²⁾	2,490	4,009	3,250	4,007
Trading Securities	2,722	2,793	2,758	2,468
Derivatives ⁽³⁾	128	105	117	104
Investment Securities	5,485	5,077	5,281	4,536
Loans and Advances	59,733	57,773	58,754	57,281
Off-balance sheet exposures ⁽³⁾	3,631	3,269	3,450	3,081
Total gross credit risk⁽⁴⁾	74,189	73,026	73,610	71,477
Securitisation exposures ⁽¹⁾	2,875	2,417	2,647	2,505
Total including securitisation exposures	77,064	75,443	76,257	73,982
Impairment provision	(217)	(218)	(218)	(219)
Total	76,847	75,225	76,039	73,763

Portfolios Subject to the Standardised Approach	Gross Credit Exposure ⁽⁶⁾		Average Gross Credit Exposure ⁽⁶⁾	
	Jun-22 \$M	Mar-22 \$M	Jun-22 \$M	Mar-22 \$M
Claims secured against eligible residential mortgages	50,871	48,972	49,922	48,302
Other retail assets	67	79	73	86
Banks and other ADIs	3,062	4,607	3,835	4,576
Government and public authorities	8,091	7,706	7,899	6,874
Corporate and other claims ⁽⁵⁾	12,098	11,662	11,882	11,639
Total gross credit risk⁽⁴⁾	74,189	73,026	73,611	71,477
Securitisation exposures ⁽¹⁾	2,875	2,417	2,647	2,505
Total including securitisation exposures	77,064	75,443	76,258	73,982
Impairment provision	(217)	(218)	(218)	(219)
Total	76,847	75,225	76,040	73,763

Notes:

⁽¹⁾ Securitisation exposures for June 2022 include \$2,340 million in Loans and advances, \$464 million in Investment Securities, \$32 million in Derivatives and \$39 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*.

⁽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 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.

⁽⁶⁾ Gross credit exposures and Average gross credit exposures reflect on balance sheet exposures and credit equivalent amounts for off balance sheet exposures.

Table 4: Credit Risk (Continued)

Table 4B: Credit risk by portfolio

	Gross Impaired Assets	Past due not impaired > 90 days	Specific Provisions ⁽¹⁾	Charges for Specific Provisions & Write Offs
Portfolios Subject to the Standardised Approach	Jun-22 \$M	Jun-22 \$M	Jun-22 \$M	Jun-22 \$M
Claims secured against eligible residential mortgages	39	247	8	-
Other retail assets	-	4	-	(1)
Banks and other ADIs	-	-	-	-
Government and public authorities	-	-	-	-
Corporate and other claims ⁽²⁾	98	63	29	-
Total gross credit risk	137	314	37	(1)
Securitisation exposures	1	13	-	-
Total including securitisation exposures	138	327	37	
Impairment provision	(46)	(10)	-	-
Total	92	317	37	

⁽¹⁾ The specific provisions of \$37 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of \$54 million which in accordance with APS 220 Credit Quality are regulatory specific provisions. The regulatory specific provisions under APS 220 Credit Quality are \$91 million.

⁽²⁾ Includes SME lending defined as all lending up to up to \$3m Total Business-Related Exposure (TBRE) from the 'SME Comm' CRMF ANZSIC segment. Also includes a portion of small business loans, with limits below \$1 million, that are not classified.

	Gross Impaired Assets	Past due not impaired > 90 days	Specific Provisions ⁽¹⁾	Charges for Specific Provisions & Write Offs
Portfolios Subject to the Standardised Approach	Mar-22 \$M	Mar-22 \$M	Mar-22 \$M	Mar-22 \$M
Claims secured against eligible residential mortgages	42	273	8	1
Other retail assets	-	4	-	-
Banks and other ADIs	-	-	-	-
Government and public authorities	-	-	-	-
Corporate and other claims ⁽²⁾	112	54	30	-
Total gross credit risk	154	331	38	1
Securitisation exposures	-	16	-	-
Total including securitisation exposures	154	347	38	
Impairment provision	(52)	(17)	-	-
Total	102	330	38	

⁽¹⁾ The specific provisions of \$38 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of \$65 million which in accordance with APS 220 Credit Quality are regulatory specific provisions. The regulatory specific provisions under APS 220 Credit Quality are \$103 million.

⁽²⁾ Includes SME lending defined as all lending up to up to \$3 million Total Business-Related Exposure (TBRE) from the 'SME Comm' CRMF ANZSIC segment. Also includes a portion of small business loans, with limits below \$1 million, that are not classified.

Table 4: Credit Risk (Continued)

Table 4C: General reserve for credit losses

	Jun-22 \$M	Mar-22 \$M
Collective provision for impairment	180	180
Ineligible collective provisions	(54)	(65)
Eligible collective provisions	126	115
General equity reserve ⁽¹⁾	76	76
General reserve for credit losses⁽²⁾	202	191

⁽¹⁾ Following removal of the ERCL requirement in prudential standard APS220 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.

⁽²⁾ The general reserve for credit losses amount represents the amount of provisions held against non-defaulted exposures that represent a purely forward-looking amount for future losses that are presently unidentified, per APS 111 *Capital Adequacy: Measurement of Capital*.

Table 5: Securitisation Exposures

Table 5A: Summary of securitisation activity for the period

During the quarter ending 30 June 2022, a new Securitisation Trust, Apollo Series 2022-1 Trust (Apollo 25) was established.

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Jun-22 \$M	Mar-22 \$M	Jun-22 \$M	Mar-22 \$M
Residential mortgages	850	-	-	-
Total exposures securitised during the period	850	-	-	-

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

Exposure type	Jun-22 \$M	Mar-22 \$M
Debt securities	464	621
Total on-balance sheet securitisation exposures	464	621

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

Exposure type	Jun-22 \$M	Mar-22 \$M
Liquidity facilities	39	31
Derivative exposures	32	45
Total off-balance sheet securitisation exposures	71	76

Table 20: Liquidity Coverage Ratio Disclosure

	Total Unweighted Value (Average) Jun-22 \$M	Total Weighted Value (Average) Jun-22 \$M	Total Unweighted Value (Average) Mar-22 \$M	Total Weighted Value (Average) Mar-22 \$M	Total Unweighted Value (Average) Dec-21 \$M	Total Weighted Value (Average) Dec-21 \$M
Liquid assets, of which:						
High-quality liquid assets (HQLA)		10,809		10,066		9,194
Alternative liquid assets (ALA)		897		1,235		2,819
Cash outflows						
Retail deposits and deposits from small business customers, of which:	34,811	3,380	34,676	3,383	34,032	3,326
<i>stable deposits</i>	21,630	1,081	21,335	1,067	20,960	1,048
<i>less stable deposits</i>	13,181	2,299	13,341	2,316	13,072	2,278
Unsecured wholesale funding, of which:	4,726	3,134	4,548	2,949	3,961	2,423
<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	-	-	-	-	-	-
<i>non-operational deposits (all counterparties)</i>	3,340	1,748	3,326	1,727	3,210	1,672
<i>unsecured debt</i>	1,386	1,386	1,222	1,222	751	751
Secured wholesale funding		68		45		49
Additional requirements, of which:	9,723	1,555	9,331	1,348	8,964	1,252
<i>outflows related to derivatives exposures and other collateral requirements</i>	1,120	1,120	920	920	837	837
<i>outflows related to loss of funding on debt products</i>	-	-	-	-	-	-
<i>credit and liquidity facilities</i>	8,603	435	8,411	428	8,127	415
Other contractual funding obligations	1,414	1,125	1,066	749	1,130	803
Other contingent funding obligations	6,162	525	5,518	552	5,575	483
Total cash outflows		9,787		9,026		8,336
Cash inflows						
Secured lending (e.g. reverse repos)	57	-	-	-	67	-
Inflows from fully performing exposures	608	318	663	347	682	355
Other cash inflows	791	791	753	753	476	476
Total cash inflows	1,456	1,109	1,416	1,100	1,225	831
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		11,706		11,301		12,013
Total net cash outflows		8,678		7,926		7,505
Liquidity Coverage Ratio (%)		135		143		160
Number of data points used		62		62		64

The Liquidity Coverage Ratio (**LCR**) promotes shorter-term resilience by requiring ADIs to maintain sufficient qualifying High Quality Liquid Assets (**HQLA**) to meet expected net cash outflows (**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) and alternative liquid assets covered by the Committed Liquidity Facility (**CLF**) with the Reserve Bank of Australia (**RBA**). SML received approval from APRA to reduce the CLF from \$3.9 billion to \$1.5 billion which became effective on 1 December 2021. SML will reduce its CLF to zero by 1 January 2023 in equal sized reductions in line with APRA's guidance.

The daily average LCR was 135% over the June 2022 quarter, compared to an average of 143% over the March 2022 quarter. The CLF decreased over the June quarter as previous elevation in preparation of the CLF reduction unwound. The reduction in the CLF and HQLA to NCO minimum meant that SML had to raise funding to purchase HQLA throughout the March quarter. SML continues to increase holdings of HQLA in preparation for the further stepped reductions of the CLF.

Table 21: Net Stable Funding Ratio Disclosure

	Jun-22					Mar-22				
	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	3,590	-	-	1,160	4,750	3,582	-	-	1,535	5,117
Regulatory capital	3,590	-	-	1,160	4,750	3,582	-	-	1,535	5,117
Other capital instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits and deposits from small business customers	-	38,797	2	-	36,109	-	38,665	2	-	35,974
Stable deposits	-	23,805	-	-	22,615	-	23,471	-	-	22,298
Less stable deposits	-	14,992	2	-	13,494	-	15,194	2	-	13,676
Wholesale funding	-	15,098	3,035	9,361	14,316	-	14,798	1,012	10,343	13,830
Operational deposits	-	-	-	-	-	-	-	-	-	-
Other wholesale funding	-	15,098	3,035	9,361	14,316	-	14,798	1,012	10,343	13,830
Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
Other liabilities	485	15	-	-	-	604	-6	-	-	-
NSFR derivative liabilities	-	-	15	-	-	-	-	-6	-	-
All other liabilities and equity not included in the above categories	485	-	-	-	-	604	-	-	-	-
Total ASF					55,175					54,921
Required Stable Funding (RSF) Item										
Total NSFR (HQLA)					406					387
ALA					640					643
RBNZ securities					-					-
Deposits held at other financial institutions for operational		1	-	-	1		4	-	-	2
Performing loans and securities		2,900	789	50,048	37,173		2,311	930	48,149	35,814
Performing loans to financial institutions secured by Level 1 HQLA		500	-	-	50		-	-	-	-
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		27	-	-	4		-	-	-	-
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:		1,532	700	11,103	10,556		1,434	878	10,540	10,118
With a risk weight of less than or equal to 35% under APS 112		-	-	-	-		-	-	-	-
Performing residential mortgages, of which:		841	89	38,945	26,563		877	52	37,609	25,696
With a risk weight equal to 35% under APS 112		841	89	38,945	26,563		877	52	37,609	25,696
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		-	-	-	-		-	-	-	-
Assets with matching interdependent liabilities		-	-	-	-		-	-	-	-
Other assets:	609	295	7	334	1,139	607	307	10	366	1,177
Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)			1		1			0		-
NSFR derivative assets			14		14			18		18
NSFR derivative liabilities before deduction of variation margin posted			132		26			141		28
All other assets not included in the above categories	609	148	7	334	1,098	607	148	10	366	1,131
Off-balance sheet items			12,224		564			11,842		537
Total RSF					39,923					38,560
Net Stable Funding Ratio (%)					138%					142%

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 NSFR decreased over the June quarter but remained above the typical operating range (from 142% as at March 2022 to 138% at June 2022). This was consistent with growth in RSF (Performing Residential Mortgages) being funded by growth in ASF (Retail Deposits). The CLF combined with growth in mortgages, were the largest factors in the quarterly reduction.

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.
Equity reserve for credit losses	At December 2021, 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 amount represents the amount of provisions held against non-defaulted exposures that represent a purely forward-looking amount for future losses that are presently unidentified, per APS 111 Capital Adequacy: <i>Measurement of Capital</i> .
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.