SUNCORP

ASX announcement

9 May 2022

Suncorp Bank APS330 Update

Suncorp (ASX: SUN | ADR: SNMCY) today provided its quarterly update as at 31 March 2022 as required under the Australian Prudential Standard 330.

The update confirms the Bank continues to make strong progress against its strategic priorities, particularly within the home lending portfolio, with $803 million of growth reported in the March quarter. Having returned to above-system growth in February (1.1x system) and March (1.4x system), portfolio momentum continued in April, with over $550 million of growth.

Suncorp Bank CEO, Clive van Horen said the improved growth momentum in home lending reflects continued delivery of a targeted program of work to improve customer and broker experiences.

"Turnaround times have been consistently competitive over the quarter, reflecting improved back-end processes to support the higher lodgement volumes.

Growth momentum also extended to the business lending portfolio which grew $91 million during the March quarter and over $130 million in April.

Mr van Horen said the Bank continued to maintain a high-quality and conservatively positioned lending portfolio. "This is reflected in an impairment expense of just $1 million for the quarter."

At 30 April, 111 customers were receiving hardship assistance following the recent flooding across Queensland and New South Wales. Flood-impacted customer assistance included deferred or reduced payments, conversion of loan to interest only or concessional interest rates.

Authorised for lodgement with the ASX by the Suncorp Audit and Disclosure Committees.

ENDS

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Suncorp Group Limited

ABN 66 145 290 124

Suncorp Bank APS 330: Quarter ended
31 March 2022

Release date 9 May 2022

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 31 March 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 9 May 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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Overview

Suncorp Bank's home lending portfolio growth accelerated through the March quarter, increasing $803 million or 1.7% (6.9% annualised, 7.5% annualised excluding discontinued line of credit products which are in run-down). The momentum in home lending lodgements continued, with total lodgements 21% higher than 2Q22. The increase was driven by consistent competitive offerings and improved turnaround times. February and March 2022 growth was above system, supported by a positive net refinance rate and continued delivery of the targeted program of work to improve customer and broker experiences. The Bank maintains a high-quality and conservatively positioned home lending portfolio, weighted towards owner occupiers, on principal and interest repayments terms and loans with a loan-to-valuation ratio (LVR) below 80%.

Business lending grew $91 million or 0.8% (3.3% annualised). Commercial lending growth of $122m was driven by an increase in frontline banker activity at the end of 2Q22 and into 3Q22, resulting in both existing customer drawdowns and new customer lending. Modest agribusiness growth of $28m was assisted by property purchases in an active market, confidence in the sector due to heightened commodity prices and drawdowns for tax planning ahead of financial year end. The SME contraction of $59m was driven primarily by elevated repayment levels which exceeded new business volumes.

Household deposit growth for the quarter was below system growth levels. The Bank continues to prioritise portfolio margin in favour of market share growth and the portfolio is strategically managed within funding requirements. We continue to grow transaction account balances (by 19.3% annualised) as well as higher margin retail term deposits (by 6.1% annualised) whilst the savings portfolio contracted by 8.1% annualised.

The Bank has continued to focus on increasing its digital enablement and capabilities. The number of digitally active Bank customers increased 7.1% (annualised) through the quarter. The average number of monthly Suncorp App logins per user has continued to grow, increasing to 23.4 by March 2022 (March 2021: 20.5). The Bank completed migration of all mobile banking app customers to the flagship Suncorp app on 8 April and decommissioned the old banking app. At 31 March 2022, 42.5% of personal customers were using the Suncorp app, up from 41.5% at 31 December 2021.

Total impairment charge for the quarter was a net expense of $1 million, equivalent to less than 1 basis point of gross loans and advances (GLA) annualised. This reflects an unchanged collective provision and a small specific provision expense for a mid-sized commercial customer. The collective provision will be reviewed again as part of finalising the 30 June end of financial year position.

Gross impaired assets decreased $12 million over the quarter to $154 million or 26 basis points of GLA. This was mainly driven by a $7 million reduction in gross impaired commercial lending due to repayments from sale of assets and improved valuations on larger groups. A $4 million reduction in gross impaired home lending was underpinned by the strong housing market supporting asset sales by borrowers, coupled with strong clearance rates for properties brought to auction.

Total past due loans not impaired decreased $18 million over the quarter to $347 million or 58 basis points of GLA. This was driven by a $24 million decrease in home lending, attributable to the strong housing market resulting in increased voluntary borrower sales and customers exiting hardship. An $8 million increase in agribusiness past due loans to $25 million was driven by two expired facilities, which both continue to meet the pre-expiry repayment amount and are being managed as part of the Bank's business customer support function.

The number of flood-impacted home lending customers at 30 April in hardship arrangements was 111 (62% QLD, 37% NSW and 1% ACT), representing approximately 16% of total hardship customers. Flood-impacted customer assistance included deferred or reduced payments, conversion of loan to interest only or a concessional interest rates. Business lending flood impacts were minimal.

Construction costs have risen since mid-2021 and with the expected impact of continued supply chain dislocation and recent floods, the Bank is monitoring the construction and development portfolio for stress. The portfolio represents less than 1.4% of total lending exposure, with limited direct exposure to large scale builders. Exposures are well diversified across a large number of borrowers, with only 3 exposures above $10 million, which are well secured.

As at 31 March 2022, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) were 143% and 142% respectively, demonstrating the continued strength of Suncorp's funding and liquidity position. The Bank's Committed Liquidity Facility (CLF) limit is currently $1.5 billion, expected to reduce in $500 million increments in May 2022, September 2022 and January 2023.

The Bank's capital levels remain sound, with a Common Equity Tier 1 ratio of 9.32% (December 2021: 9.90%), above the middle of the target operating range of 9-9.50%. The decline in the quarter reflected growth in credit risk-weighted assets and the interim dividend payment made in February 2022.

Loans and advances

	Mar-22 $M	Dec-21 $M	Mar-21 $M	Mar-22 vs Dec-21 %	Mar-22 vs Mar-21 %
Housing loans - term[1]	43,292	42,334	39,743	2.3	8.9
Housing line of credit	818	872	1,058	(6.2)	(22.7)
Securitised housing loans and covered bonds	3,985	4,086	5,023	(2.5)	(20.7)
Total housing loans	**48,095**	**47,292**	**45,824**	**1.7**	**5.0**
Personal loans	79	93	140	(15.1)	(43.6)
Retail loans	**48,174**	**47,385**	**45,964**	**1.7**	**4.8**
SME[2]	2,657	2,716	2,755	(2.2)	(3.6)
Commercial[2]	4,528	4,406	4,543	2.8	(0.3)
Agribusiness	4,134	4,106	4,142	0.7	(0.2)
Total Business loans	**11,319**	**11,228**	**11,440**	**0.8**	**(1.1)**
Total lending	**59,493**	**58,613**	**57,404**	**1.5**	**3.6**
Provision for impairment	(218)	(219)	(303)	(0.5)	(28.1)
Total loans and advances	**59,275**	**58,394**	**57,101**	**1.5**	**3.8**
Credit-risk weighted assets	**28,250**	**27,797**	**27,454**	**1.6**	**2.9**
Geographical breakdown - Total lending					
Queensland	28,199	28,053	28,059	0.5	0.5
New South Wales	16,685	16,266	15,697	2.6	6.3
Victoria	7,964	7,749	7,288	2.8	9.3
Western Australia	3,843	3,769	3,682	2.0	4.4
South Australia and other	2,802	2,776	2,678	0.9	4.6
Outside of Queensland loans	31,294	30,560	29,345	2.4	6.6
Total lending	**59,493**	**58,613**	**57,404**	**1.5**	**3.6**

[1] The March 2021 comparative period has been restated to include the reclassification of 'Other lending'.
[2] SME Lending has been separated out from Commercial/SME lending. The March 2021 comparatives have been restated.

Impairment losses on loans and advances

	Quarter Ended Mar-22 $M	Dec-21 $M	Mar-21 $M	Mar-22 vs Dec-21 %	Mar-22 vs Mar-21 %
Collective provision for impairment	-	15	-	(100.0)	n/a
Specific provision for impairment	(1)	1	-	(200.0)	n/a
Actual net write-offs	-	(1)	(1)	(100.0)	(100.0)
Impairment releases/(losses)	(1)	15	(1)	(106.7)	-
Impairment releases/(losses) to gross loans and advances	(0.00%)	0.03%	(0.00%)		

Impaired assets and non-performing loans

	Quarter Ended Mar-22 $M	Dec-21 $M	Mar-21 $M	Mar-22 vs Dec-21 %	Mar-22 vs Mar-21 %
Gross balances of individually impaired loans					
Retail lending	42	46	53	(8.7)	(20.8)
Agribusiness lending	13	12	35	8.3	(62.9)
Commercial lending[1]	81	88	94	(8.0)	(13.8)
SME lending[1]	18	20	23	(10.0)	(21.7)
Gross impaired assets	154	166	205	(7.2)	(24.9)
Impairment provision	(52)	(51)	(64)	2.0	(18.8)
Net impaired assets	102	115	141	(11.3)	(27.7)
Impairment provisions as a percentage of gross impaired assets	34%	31%	31%		
Size of gross individually impaired assets					
Less than one million	34	37	41	(8.1)	(17.1)
Greater than one million but less than ten million	76	79	109	(3.8)	(30.3)
Greater than ten million	44	50	55	(12.0)	(20.0)
Gross impaired assets	154	166	205	(7.2)	(24.9)
Past due loans not shown as impaired assets	347	365	599	(4.9)	(42.1)
Gross non-performing loans	501	531	804	(5.6)	(37.7)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	166	169	185	(1.8)	(10.3)
Recognition of new impaired assets	8	20	39	(60.0)	(79.5)
Other movements in impaired assets[2]	(1)	(3)	1	(66.7)	(200.0)
Impaired assets which have been reclassed as performing assets or repaid	(19)	(20)	(20)	(5.0)	(5.0)
Balance at the end of the period	154	166	205	(7.2)	(24.9)

[1] SME Lending has been separated out from Commercial/SME lending. The March 2021 comparatives have been restated.
[2] Net of increases in previously recognised impaired assets and impaired assets written off.

Provision for impairment

	Mar-22 $M	Dec-21 $M	Mar-21 $M	Mar-22 vs Dec-21 %	Mar-22 vs Mar-21 %
Collective provision					
Balance at the beginning of the period	180	195	255	(7.7)	(29.4)
(Release)/charge against impairment losses	-	(15)	-	(100.0)	-
Balance at the end of the period	**180**	**180**	**255**	**-**	**(29.4)**
Specific provision					
Balance at the beginning of the period	39	42	49	(7.1)	(20.4)
Charge/(release) against impairment losses	1	(1)	-	(200.0)	n/a
Impairment provision written off [(1)]	(2)	(2)	(1)	-	100.0
Balance at the end of the period	**38**	**39**	**48**	**(2.6)**	**(20.8)**
Total provision for impairment - Banking activities	**218**	**219**	**303**	**(0.5)**	**(28.1)**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:	%	%	%		
Collective provision	0.30	0.31	0.44		
Specific provision	0.06	0.07	0.08		
Total provision coverage	0.37	0.38	0.52		

(1) Includes other items such as unwind of discount.

Gross non-performing loans coverage by portfolio

	Mar-22 $M	Dec-21 $M	Mar-21 $M	Mar-22 vs Dec-21 %	Mar-22 vs Mar-21 %
Retail Lending					
Past due loans	293	317	512	(7.6)	(42.8)
Impaired assets	42	46	53	(8.7)	(20.8)
Specific provision	8	8	7	-	14.3
Collective provision	9	9	23	-	(60.9)
Total provision coverage [1]	**5.1%**	**4.7%**	**5.3%**	**0.4**	**(0.2)**
Agribusiness Lending					
Past due loans	25	17	37	47.1	(32.4)
Impaired assets	13	12	35	8.3	(62.9)
Specific provision	1	1	8	-	(87.5)
Collective provision	6	6	16	-	(62.5)
Total provision coverage [1]	**18.4%**	**24.1%**	**33.3%**	**(5.7)**	**(14.9)**
Commercial Lending [2]					
Past due loans	14	13	24	7.7	(41.7)
Impaired assets	81	88	94	(8.0)	(13.8)
Specific provision	21	21	21	-	-
Collective provision	19	14	26	35.7	(26.9)
Total provision coverage [1]	**42.1%**	**34.7%**	**39.8%**	**7.5**	**2.3**
SME Lending [2]					
Past due loans	15	18	26	(16.7)	(42.3)
Impaired assets	18	20	23	(10.0)	(21.7)
Specific provision	8	9	12	(11.1)	(33.3)
Collective provision	5	7	6	(28.6)	(16.7)
Total provision coverage [1]	**39.4%**	**42.1%**	**36.7%**	**(2.7)**	**2.7**

[1] Calculated as: (Specific provision + Collective provision Stage 3) / (Past due loans + Impaired assets).
[2] SME lending has been separated out from Commercial/SME lending. All prior period balances have been restated.

Appendix 1 – APS 330 Tables

- Table 1: Capital disclosure template – not applicable for this reporting period. This table was disclosed in the December 2021 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

	Risk Weighted Assets	
	Mar-22 $M	Dec-21 $M
On-balance sheet credit risk-weighted assets		
Claims secured against eligible residential mortgages	17,282	16,943
Other retail assets	79	93
Banks and other ADIs	71	52
Government and public authorities	-	-
Corporate and other claims	9,717	9,691
Securisation exposures	123	135
All other assets and claims	978	883
Total on-balance sheet assets	**28,250**	**27,797**
Off-balance sheet positions		
Non-market related off-balance sheet exposures	1,608	1,512
Market related off-balance sheet exposures	79	86
Securitisation exposures	15	16
Total off-balance sheet positions	**1,702**	**1,614**
Market risk capital charge	141	156
Operational risk capital charge	3,665	3,665
Total on-balance sheet credit risk-weighted assets	28,250	27,797
Total off-balance sheet credit risk-weighted assets	1,702	1,614
Total assessed risk (Total risk-weighted assets)	**33,758**	**33,232**

	Capital Ratios	
	Mar-22 %	Dec-21 %
Common Equity Tier 1	9.32	9.90
Tier 1	12.09	12.71
Tier 2	2.34	2.43
Total risk-weighted capital ratio	**14.43**	**15.14**

Table 4: Credit Risk

Table 4A: Credit risk by gross credit exposure

Exposure Type	Gross Credit Exposure Mar-22 $M	Gross Credit Exposure Dec-21 $M	Average Gross Credit Exposure Mar-22 $M	Average Gross Credit Exposure Dec-21 $M
Receivables due from other Banks [(2)]	4,009	4,004	4,007	3,603
Trading Securities	2,793	2,144	2,468	1,834
Derivatives [(3)]	105	102	104	139
Investment Securities	5,077	3,994	4,536	4,010
Loans and Advances	57,773	56,786	57,281	56,374
Off-balance sheet exposures[(3)]	3,269	2,895	3,081	3,032
Total gross credit risk [(4)]	**73,026**	**69,925**	**71,477**	**68,992**
Securitisation exposures [(1)]	2,417	2,590	2,505	2,701
Total including securitisation exposures	**75,443**	**72,515**	**73,982**	**71,693**
Impairment provision	(218)	(219)	(219)	(228)
Total	**75,225**	**72,296**	**73,763**	**71,465**

Portfolios Subject to the Standardised Approach	Gross Credit Exposure[(6)] Mar-22 $M	Gross Credit Exposure[(6)] Dec-21 $M	Average Gross Credit Exposure[(6)] Mar-22 $M	Average Gross Credit Exposure[(6)] Dec-21 $M
Claims secured against eligible residential mortgages	48,972	47,633	48,302	47,120
Other retail assets	79	93	86	99
Banks and other ADIs	4,607	4,541	4,576	4,363
Government and public authorities	7,706	6,042	6,874	5,614
Corporate and other claims [(5)]	11,662	11,616	11,639	11,796
Total gross credit risk[(4)]	**73,026**	**69,925**	**71,477**	**68,992**
Securitisation exposures [(1)]	2,417	2,590	2,505	2,701
Total including securitisation exposures	**75,443**	**72,515**	**73,982**	**71,693**
Impairment provision	(218)	(219)	(219)	(228)
Total	**75,225**	**72,296**	**73,763**	**71,465**

Notes:

(1) Securitisation exposures for March 2022 include $1,720 million in Loans and advances, $621 million in Investment Securities, $45 million in Derivatives and $31 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

Portfolios Subject to the Standardised Approach	Gross Impaired Assets Mar-22 $M	Past due not impaired > 90 days Mar-22 $M	Specific Provisions[1] Mar-22 $M	Charges for Specific Provisions & Write Offs 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 $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.

Portfolios Subject to the Standardised Approach	Gross Impaired Assets Dec-21 $M	Past due not impaired > 90 days Dec-21 $M	Specific Provisions[1] Dec-21 $M	Charges for Specific Provisions & Write Offs Dec-21 $M
Claims secured against eligible residential mortgages	45	295	8	2
Other retail assets	-	4	-	-
Banks and other ADIs	-	-	-	-
Government and public authorities	-	-	-	-
Corporate and other claims [2]	120	48	31	(2)
Total gross credit risk	**165**	**347**	**39**	**-**
Securitisation exposures	1	18	-	
Total including securitisation exposures	**166**	**365**	**39**	
Impairment provision	(51)	(17)	-	
Total	**115**	**348**	**39**	

[1] The specific provisions of $39 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 $104 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

	Mar-22 $M	Dec-21 $M
Collective provision for impairment	180	180
Ineligible collective provisions	(65)	(65)
Eligible collective provisions	115	115
Equity reserve for credit losses	-	90
General equity reserve[1]	76	-
General reserve for credit losses[2]	191	205

[1] Following the removal of the ERCL requirement in APS 220 Credit Risk Management from 1 January 2022, the general equity reserve has been established consistently with the basis used to determine the prior ERCL, 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 31 March 2022, there was no new securitisation activity undertaken (quarter ending 31 December 2021: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Mar-22	Dec-21	Mar-22	Dec-21
	$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

	Mar-22	Dec-21
Exposure type	$M	$M
Debt securities	621	684
Total on-balance sheet securitisation exposures	621	684

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

	Mar-22	Dec-21
Exposure type	$M	$M
Liquidity facilities	31	32
Derivative exposures	45	47
Total off-balance sheet securitisation exposures	76	79

Table 20: Liquidity Coverage Ratio Disclosure

	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	Total Unweighted Value (Average) Sep-21 $M	Total Weighted Value (Average) Sep-21 $M
Liquid assets, of which:						
High-quality liquid assets (HQLA)		10,066		9,194		6,923
Alternative liquid assets (ALA)		1,235		2,819		3,608
Cash outflows						
Retail deposits and deposits from small business customers, of which:	34,676	3,383	34,032	3,326	32,936	3,204
stable deposits	*21,335*	*1,067*	*20,960*	*1,048*	*20,357*	*1,018*
less stable deposits	*13,341*	*2,316*	*13,072*	*2,278*	*12,579*	*2,186*
Unsecured wholesale funding, of which:	4,548	2,949	3,961	2,423	4,238	2,835
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*3,326*	*1,727*	*3,210*	*1,672*	*2,999*	*1,596*
unsecured debt	*1,222*	*1,222*	*751*	*751*	*1,239*	*1,239*
Secured wholesale funding		45		49		55
Additional requirements, of which:	9,331	1,348	8,964	1,252	8,841	1,332
outflows related to derivatives exposures and other collateral requirements	*920*	*920*	*837*	*837*	*930*	*930*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*8,411*	*428*	*8,127*	*415*	*7,911*	*402*
Other contractual funding obligations	1,066	749	1,130	803	1,178	877
Other contingent funding obligations	5,518	552	5,575	483	5,204	627
Total cash outflows		9,026		8,336		8,930
Cash inflows						
Secured lending (e.g. reverse repos)	-	-	67	-	94	-
Inflows from fully performing exposures	663	347	682	355	611	310
Other cash inflows	753	753	476	476	792	792
Total cash inflows	1,416	1,100	1,225	831	1,497	1,102
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		11,301		12,013		10,531
Total net cash outflows		7,926		7,505		7,828
Liquidity Coverage Ratio (%)		143		160		135
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 (**NCOs**) 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 143% over the March 2022 quarter, compared to an average of 160% over the December 2021 quarter. The decrease in the LCR over the March quarter was due to the lower CLF as of 1 December and a normalisation of the LCR following the reduction. In contrast, the LCR was higher in December in preparation for the CLF reduction on 1 December 2021 combined with the HQLA to NCO minimum of 100% by 31 December 2021. The reduction in the CLF and HQLA to NCO minimum meant that SML had to raise more funding to purchase HQLA throughout the December quarter relative to the March quarter. SML continues to increase holdings of HQLA in preparation for the further stepped reductions of the CLF.

Appendix 2 - Definitions

AASB 9	AASB 9 *Financial Instruments* was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce a forward-looking expected credit loss impairment model, and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. This standard became mandatory for the annual reporting period from 1 July 2018.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Collective provision	A collective provision is established to determine expected credit losses (see also Expected Credit Losses definition below) for loan exposures which are not specifically provisioned and can be in the performing or non-performing portfolios. For business banking exposures, a ratings-based approach is applied using estimates of probability of default and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default are used to calculate the collective provision.
Common Equity Tier 1 (**CET1**)	Common Equity Tier 1 capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total risk weighted assets, as defined by APRA.
Credit value adjustment (**CVA**)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk.
Eligible collective provisions	Primarily represents the collective provision for impairment on loans and advances in Stage 1 (performing and/or newly originated assets). Provisions for loans and advances in Stage 1 are established to provide for expected credit losses (**ECL**) for a period of 12 months. Forward-looking provisions for future, presently unidentified losses are also included within the Eligible collective provision balance.
Expected credit losses (**ECL**)	Expected credit losses (**ECL**) are calculated as the probability of default (**PD**) x loss given default (**LGD**) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in house prices.
Equity reserve for credit losses	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: *Measurement of Capital*.
Impaired assets	Impaired assets are those for which the Bank has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. The Bank fully considers the counterparty's capacity to repay and security valuation position before an asset is considered impaired.
Ineligible collective provisions	Represents the collective provision for impairment on loans and advances in Stage 2 or Stage 3. Stage 2 assets include assets that have experienced a significant increase in credit risk (**SICR**) since origination (under-performing loans). Stage 3 assets within ineligible collective provisions include 'past due but not impaired' and 'impaired assets' (non-performing loans, other than those for which a specific provision is held under AASB 9). Collective provisions for loans and advances in Stage 2 and Stage 3 are established to provide for ECL for the remaining term of the loans and advances (lifetime ECL). Ineligible collective provision is considered as specific provision for regulatory purposes under APS 220 *Credit Quality*.
Liquidity coverage ratio (**LCR**)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent of a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario.
Loan-to-value ratio (**LVR**)	Ratio of a loan to the value of the asset purchased.
Past due loans	Loans outstanding for more than 90 days.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Specific provision	A specific provision for impairment is recognised where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amount of the loan to determine the specific provision required.
Term Funding Facility (**TFF**)	On 19 March 2020, the RBA announced the Term Funding Facility (**TFF**) to support lending to Australian businesses as part of a package of measures to support the Australian economy. Under the TFF, Authorised Deposit-taking Institutions (**ADIs**) can access three-year funding through repurchase agreements at a fixed interest rate 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.