Suncorp-Metway Limited and subsidiaries
ABN 66 010 831 722

Consolidated financial report

For the financial year ended 30 June 2023

Contents | Page

Directors' report ... 1
Lead auditor's independence declaration ... 5
Statements of comprehensive income ... 6
Statements of financial position ... 7
Statements of changes in equity ... 8
Statements of cash flows ... 10
Notes to the financial statements ... 11

Overview

1. Reporting entity ... 11
2. Basis of preparation ... 11

Financial performance

3. Segment reporting ... 13
4. Net operating income ... 13
5. Operating expenses ... 14
6. Income tax ... 15

Lending activities

7. Loans and advances ... 16
8. Provision for impairment on financial assets ... 18
9. Commitments ... 23

Funding activities

10. Deposits ... 23
11. Borrowings ... 24

Investing, trading & other banking activities

12. Cash and cash equivalents ... 25
13. Trading and investment securities ... 26
14. Derivative financial instruments ... 26
15. Financial instruments, master netting and transfer of financial assets ... 30

Capital structure

16. Subordinated notes ... 36
17. Share capital ... 36
18. Capital notes ... 37
19. Reserves ... 38
20. Dividends ... 39
21. Group capital management ... 39

Risk management

22. Risk management framework ... 41
23. Credit risk, liquidity risk and market risk ... 42

Other disclosures

24. Notes to the statements of cash flows ... 54
25. Composition of the Company ... 55
26. Key management personnel and other related party disclosures ... 56
27. Auditor's remuneration ... 58
28. Contingent assets and liabilities ... 58
29. Subsequent events ... 60

Directors' declaration ... 61
Independent auditor's report to the shareholder of Suncorp-Metway Limited ... 62

Directors' Report

The directors present their report together with the financial report of the consolidated entity (or **Group**), being Suncorp-Metway Limited (the **Company**) and its subsidiaries for the financial year ended 30 June 2023 and the auditor's report thereon.

Suncorp Group Limited (**SGL**), the Company's ultimate parent entity, is the listed holding company of the Suncorp Group of companies. SGL and its subsidiaries are referred to as the **Suncorp Group** or **Suncorp**.

Terms that are defined appear in bold the first time they are used.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Non-executive

Christine McLoughlin AM (Chairman)	Director since 2015, Chairman since 2018
Sylvia Falzon	Director since 2018
Elmer Funke Kupper	Director since 2020
Ian Hammond	Director since 2018
Sally Herman OAM	Director since 2015
Simon Machell	Director since 2017
Douglas McTaggart	Director since 2012
Lindsay Tanner	Director since 2018
Duncan West	Director since 2021

Executive

Steve Johnston (Group Chief Executive Officer and Managing Director)	Executive Director since 2019

2. Principal activities

The Company is an Authorised Deposit-taking Institution (**ADI**). The principal activities of the Group during the course of the financial year were the provision of banking and related services to retail, commercial, small and medium enterprises and agribusiness customers in Australia.

The Group conducts the Banking operations of the Suncorp Group. There were no significant changes in the nature of the Group's activities during the financial year ended 30 June 2023.

3. Dividends

During the financial year, the Company paid dividends on ordinary shares totalling $135 million (2022: $405 million) and on capital notes totalling $24 million (2022: $22 million).

Since the end of the financial year, the directors have determined a dividend on ordinary shares in respect of the 2023 financial year of an amount up to $110 million, payable on or around 31 August 2023.

Further details of dividends on ordinary shares and capital notes provided for or paid are set out in note 20 to the consolidated financial statements.

4. Operating and financial review

4.1. Overview of the Group

The Group delivered net profit after tax attributable to owners of the Company of $462 million for the financial year ended 30 June 2023 (30 June 2022: $352 million). The result was driven by strong volume growth, improved margins and reduced expenses, offset partly by an increase in net impairment expense on loans and advances.

4.2. Financial position and capital structure

Net assets of the Group are $4,302 million (June 2022: $4,025 million). The increase was a result of total comprehensive income for the period of $436 million, partially offset by dividend payments of $159 million on ordinary shares and capital notes.

The regulatory Common Equity Tier 1 ratio is within the new Basel III target operating range of 10.0% - 10.5% of Risk Weighted Assets (previous target of 9.0% - 9.5%), at 10.39% (June 2022: 9.07%).

The Group's Basel III APS 330 *Public Disclosure* are available at suncorpgroup.com.au/investors/reports.

4.3. Review of principal businesses

Net interest income increased 13.1% to $1,408 million (30 June 2022: $1,245 million) primarily from improved deposit margins, partly offset by the impacts of intense competition for home loans.

Operating expenses decreased 1.0% to $754 million (30 June 2022: $762 million) driven by lower investment spend and the benefits of automation and digitisation, offset by increased operational demands, compliance-related spending, and inflationary pressures.

The net impairment expense on loans and advances of $16 million (30 June 2022: $14 million release) reflects a $10 million increase in the collective provision, a $4 million charge in actual net write-offs driven by a charge associated with a discontinued product, and a $2 million increase in specific provisions. The credit environment deteriorated only slightly over the year as the effects of rapid interest rate increases and heightened inflation begin to impact consumers and businesses.

Loans and advances increased 8.5% to $67,102 million (30 June 2022: $61,856 million). The home lending portfolio grew 9.1% over the financial year, driven by higher new business volumes, faster turnaround times and improved customer experiences. The business lending portfolio increased 5.9% over the financial year, predominantly driven by commercial lending growth across several industries.

Deposits increased 6.9% to $51,434 million (30 June 2022: $48,125 million). At-call savings deposits increased 8.3% to $17,146 million (30 June 2022: $15,832 million) and term deposits increased 25.1% to $14,374 million (30 June 2022: $11,488 million), reflecting increased demand for higher yield deposit products in a rising interest rate environment. At-call transaction deposits decreased 4.3% to $19,914 million (30 June 2022: $20,805 million) over the financial year, driven by migration of balances to higher yielding deposit products, increased cost of living pressures and growth in mortgage offset account balances.

5. Significant changes in the state of affairs

On 18 July 2022, following a comprehensive strategic review, Suncorp Group announced it has signed a share sale and purchase agreement (**SPA**) with Australia and New Zealand Banking Group Limited (**ANZ**) to sell the Company's immediate parent entity, SBGH Limited.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the year.

6. Events subsequent to reporting date

On 4 August 2023, the Australian Competition and Consumer Commission (**ACCC**) announced it would deny authorisation of the planned sale of SBGH Limited to ANZ. On 25 August 2023 ANZ announced it has filed an application for Australian Competition Tribunal (the **Tribunal**) review of the decision by the ACCC not to grant authorisation for ANZ's proposed acquisition of SBGH Limited. In support of ANZ's application, Suncorp Group has made its own application to the Tribunal for a review of the ACCC's decision and will participate fully in its own right throughout the Tribunal process. In addition to the Tribunal's approval, the sale remains subject to the amendment of the *State Financial Institutions and Metway Merger Act 1996 (Qld)* and approval from the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998*. Subject to all approvals being received, Suncorp Group expects the sale to complete by the middle of the 2024 calendar year.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

7. Likely developments

There has been no substantial change in business operations, and no substantial changes are expected in the coming financial year.

8. Environmental regulation

The operations of the Group are not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or any of its states or territories.

The Group has not incurred any liability (including for rectification costs) under any environmental legislation.

Detail on Suncorp Group's activities and initiatives to protect and sustain the environment is available in the *Our approach to climate change* section of the Suncorp Group Limited Annual Report 2022-23.

9. Indemnification and insurance of officers

Indemnification

Under rule 39 of the Constitution for SGL, SGL indemnifies each person who is or has been a director, secretary or officer of the Company (each an officer for the purposes of this section). The indemnity relates to liabilities to the fullest extent permitted by law to another party (other than the Company or a related body corporate) that may arise in connection with the performance of their duties to the Company, except where the liability arises out of conduct involving a lack of good faith. The Constitution stipulates that SGL will meet the full amount of such liabilities, including costs and expenses incurred in defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

Insurance premiums

During the financial year ended 30 June 2023, SGL paid insurance premiums in respect of a Directors' and Officers' Liability insurance contract. The contract insures each person who is or has been a director or officer (as defined in the *Corporations Act 2001*) of the Company against certain liabilities arising in the course of their duties to the Company. The directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

10. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the financial year ended 30 June 2023.

11. Rounding of amounts

The Company is of a kind referred to in *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and, in accordance with that legislative instrument, amounts in the directors' report and financial report have been rounded to the nearest one million dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.

Christine McLoughlin

CHRISTINE MCLOUGHLIN, AM

Chairman

28 August 2023

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

28 August 2023

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Suncorp-Metway Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Suncorp-Metway Limited for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kim Lawry
Partner

Sydney
28 August 2023

Statements of comprehensive income

For the financial year ended 30 June 2023

		Consolidated		Company	
	Note	2023 $M	2022 $M	2023 $M	2022 $M
Interest income	4.1	3,075	1,561	3,067	1,555
Interest expense	4.1	(1,667)	(316)	(1,580)	(291)
Net interest income	4.1	1,408	1,245	1,487	1,264
Other operating income	4.2	23	5	310	389
Total net operating income		1,431	1,250	1,797	1,653
Operating expenses	5	(754)	(762)	(1,132)	(1,164)
Impairment (expense) release on financial assets	8.2	(17)	14	(17)	12
Profit before income tax		660	502	648	501
Income tax expense	6.1	(198)	(150)	(191)	(145)
Profit for the financial year attributable to owners of the Company		462	352	457	356
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss					
Net change in fair value of cash flow hedges	19	(47)	(183)	(47)	(183)
Net change in fair value of investment securities	19	10	(81)	10	(81)
Income tax benefit	19	11	79	11	79
Total other comprehensive loss		(26)	(185)	(26)	(185)
Total comprehensive income for the financial year attributable to owners of the Company		436	167	431	171

The statements of comprehensive income are to be read in conjunction with the accompanying notes.

Statements of financial position

As at 30 June 2023

	Note	Consolidated 2023 $M	Consolidated 2022 $M	Company 2023 $M	Company 2022 $M
Assets					
Cash and cash equivalents	12	2,927	609	2,925	607
Receivables due from other banks		1,788	2,490	1,788	2,490
Trading securities	13	2,218	2,722	2,218	2,722
Derivatives	14	501	579	501	579
Investment securities	13	6,431	5,949	6,431	5,949
Loans and advances	7	67,102	61,856	66,908	61,690
Due from related parties	26.2	165	221	12,597	12,629
Deferred tax assets	6.2	136	127	134	125
Other assets		240	167	222	145
Total assets		81,508	74,720	93,724	86,936
Liabilities					
Payables due to other banks		121	165	121	165
Deposits	10	51,434	48,125	51,444	48,135
Derivatives	14	520	559	520	559
Payables and other liabilities		432	201	510	326
Due to related parties	26.2	90	135	14,924	14,660
Borrowings	11	24,009	20,910	21,350	18,508
Subordinated notes	16	600	600	600	600
Total liabilities		77,206	70,695	89,469	82,953
Net assets		4,302	4,025	4,255	3,983
Equity					
Share capital	17	2,754	2,754	2,754	2,754
Capital notes	18	560	560	560	560
Reserves	19	(82)	(56)	(82)	(56)
Retained profits		1,070	767	1,023	725
Total equity attributable to owners of the Company		4,302	4,025	4,255	3,983

The statements of financial position are to be read in conjunction with the accompanying notes.

Statements of changes in equity

For the financial year ended 30 June 2023

Consolidated	Note	Share capital $M	Capital notes $M	Reserves $M	Retained profits $M	Total equity $M
Balance as at 1 July 2021		2,754	585	(234)	1,205	4,310
Profit for the financial year		-	-	-	352	352
Total other comprehensive loss for the financial year		-	-	(185)	-	(185)
Total comprehensive income for the financial year		-	-	(185)	352	167
Transactions with owners, recorded directly in equity						
Dividends paid	20	-	-	-	(427)	(427)
Transfers	19	-	-	363	(363)	-
Capital notes issued	18	-	350	-	-	350
Capital notes buy back	18	-	(375)	-	-	(375)
Balance as at 30 June 2022		2,754	560	(56)	767	4,025
Profit for the financial year		-	-	-	462	462
Total other comprehensive loss for the financial year		-	-	(26)	-	(26)
Total comprehensive income for the financial year		-	-	(26)	462	436
Transactions with owners, recorded directly in equity						
Dividends paid	20	-	-	-	(159)	(159)
Balance as at 30 June 2023		2,754	560	(82)	1,070	4,302

The statements of changes in equity are to be read in conjunction with the accompanying notes.

Statements of changes in equity

For the financial year ended 30 June 2023

Company	Note	Share capital $M	Capital notes $M	Reserves $M	Retained profits $M	Total equity $M
Balance as at 1 July 2021		2,754	585	138	787	4,264
Profit for the financial year		-	-	-	356	356
Total other comprehensive loss for the financial year		-	-	(185)	-	(185)
Total comprehensive income for the financial year		-	-	(185)	356	171
Transactions with owners, recorded directly in equity						
Dividends paid	20	-	-	-	(427)	(427)
Transfers	19	-	-	(9)	9	-
Capital notes issued	18	-	350	-	-	350
Capital notes buy back	18	-	(375)	-	-	(375)
Balance as at 30 June 2022		2,754	560	(56)	725	3,983
Profit for the financial year		-	-	-	457	457
Total other comprehensive loss for the financial year		-	-	(26)	-	(26)
Total comprehensive income for the financial year		-	-	(26)	457	431
Transactions with owners, recorded directly in equity						
Dividends paid	20	-	-	-	(159)	(159)
Balance as at 30 June 2023		2,754	560	(82)	1,023	4,255

The statements of changes in equity are to be read in conjunction with the accompanying notes.

Statements of cash flows

For the financial year ended 30 June 2023

	Note	Consolidated 2023 $M	Consolidated 2022 $M	Company 2023 $M	Company 2022 $M
Cash flows from operating activities					
Interest received		2,944	1,501	2,935	1,496
Interest paid		(1,411)	(286)	(1,328)	(263)
Fees and other operating income received		178	311	451	678
Dividends received		-	-	11	17
Fees and operating expenses paid		(948)	(845)	(1,396)	(1,208)
Reimbursement to related parties for income tax payments		(215)	(185)	(209)	(183)
Changes in operating assets and liabilities arising from cash flow movements					
Trading securities		505	(1,151)	505	(1,151)
Loans and advances		(5,192)	(4,480)	(5,164)	(4,479)
Due to (from) related parties		12	18	325	382
Deposits		3,309	6,605	3,309	6,435
Net cash (used in)/from operating activities	24.1	(818)	1,488	(561)	1,724
Cash flows from investing activities					
Proceeds from the sale or maturity of investment securities		3,170	3,674	3,170	3,674
Payments for acquisition of investment securities		(3,316)	(5,124)	(3,316)	(5,124)
Net cash used in investing activities		(146)	(1,450)	(146)	(1,450)
Cash flows from financing activities					
Proceeds from borrowings	11.1	20,964	15,763	19,964	14,913
Repayment of borrowings, including transaction costs	11.1	(18,181)	(13,803)	(17,438)	(13,189)
Payments for the redemption of subordinated notes		-	(72)	-	(72)
Proceeds from issue of capital notes		-	350	-	350
Payments for the buy back of capital notes		-	(375)	-	(375)
Dividends paid	20	(159)	(427)	(159)	(427)
Net cash from financing activities		2,624	1,436	2,367	1,200
Net increase in cash and cash equivalents		1,660	1,474	1,660	1,474
Cash and cash equivalents at the beginning of the financial year		2,934	1,460	2,932	1,458
Cash and cash equivalents at the end of the financial year	24.2	4,594	2,934	4,592	2,932

The statements of cash flows are to be read in conjunction with the accompanying notes.

Notes to the financial statements

For the financial year ended 30 June 2023

Overview

Suncorp-Metway Limited (the Company) and its subsidiaries (the Group) provides banking and related services to retail, commercial, small and medium enterprises and agribusiness customers in Australia. The Group conducts the Banking operations of the Suncorp Group.

The financial report is structured to provide prominence to the disclosures that are considered most relevant to the users' understanding of the operations, results and financial position of the Group.

Information in the notes to the financial statements is only included if it is material and relevant to the understanding of the financial statements and results of the Group. Information is considered material and relevant if:

- the amount is significant in size or nature;
- it is essential to understanding the Group's results;
- it is critical in explaining significant changes in the Group's business operations – for example significant business acquisitions or disposals;
- it relates to an aspect of the Group's operations that is important to its future performance; or
- it is required under the relevant reporting and legislative frameworks applied by the Group.

1. Reporting entity

Suncorp-Metway Limited (the **Company**) is a public company domiciled in Australia. Its registered office is at Level 23, 80 Ann Street, Brisbane, Qld, 4000.

The consolidated financial statements for the financial year ended 30 June 2023 comprise the Company and its subsidiaries (the **Group**) and were authorised for issue by the Board of Directors on 28 August 2023.

The Company's immediate parent entity is SBGH Limited and its ultimate parent entity is Suncorp Group Limited (**SGL**). SGL and its subsidiaries are referred to as the **Suncorp Group**.

The Company is an Authorised Deposit-taking Institution (**ADI**).

On 18 July 2022, following a comprehensive strategic review, Suncorp Group announced it has signed a share sale and purchase agreement (**SPA**) with Australia and New Zealand Banking Group Limited (**ANZ**) to sell the Company's immediate parent entity, SBGH Limited. On 4 August 2023, the Australian Competition and Consumer Commission (**ACCC**) announced it would deny authorisation of the planned sale. On 25 August 2023 ANZ announced it has filed an application for Australian Competition Tribunal (the **Tribunal**) review of the decision by the ACCC not to grant authorisation for ANZ's proposed acquisition of SBGH Limited. In support of ANZ's application, Suncorp Group has made its own application to the Tribunal for a review of the ACCC's decision and will participate fully in its own right throughout the Tribunal process. In addition to the Tribunal's approval, the sale remains subject to the amendment of the *State Financial Institutions and Metway Merger Act 1996 (Qld)* and approval from the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998*. Subject to all approvals being received, Suncorp Group expects the sale to complete by the middle of the 2024 calendar year.

2. Basis of preparation

The Company and the Group are for-profit entities and their financial statements have been prepared on the historical cost basis unless the application of fair value measurements is required by relevant accounting standards.

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency and the functional currency of the Group's subsidiaries.

There were no substantial amendments to Australian Accounting Standards adopted during the period that have a material impact on the Group. All accounting policies applied by the Group in this consolidated financial report are the same as those applied in its consolidated financial report for the financial year ended 30 June 2022.

As the Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016, all financial information presented in Australian dollars has been rounded to the nearest one million dollars unless otherwise stated.

The statements of financial position (**SoFP**) are prepared in a liquidity format. In the notes, amounts expected to be recovered or settled no more than 12 months after the reporting date are classified as 'current', otherwise they are classified as 'non-current'.

Where necessary, comparatives have been restated to conform to changes in presentation in the current year.

2.1 Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (**IFRS**) and Interpretations issued by the International Accounting Standards Board.

2.2 Foreign currency

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars (the functional currency of the Group) using the following applicable exchange rates:

Foreign currency	Applicable exchange rate
Transactions	Exchange rate at date of transaction
Monetary assets and liabilities	Exchange rate at reporting date

The resulting foreign exchange gains and losses on monetary items are recognised as revenue or expenses in the financial year in which the exchange rate difference arises with the exception of qualifying cash flow hedges which are deferred to equity reserves and are recognised in other comprehensive income (**OCI**).

2.3 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised.

Significant estimates, judgments and assumptions are discussed in the following notes:

- provisions for impairment on financial assets (refer to note 8.3 and note 23.1)
- valuation of financial instruments carried at fair value (refer to note 15.1)
- contingent liabilities (refer to note 28)

Economic outlook impact on the use of estimates and assumptions

The ongoing uncertainties associated with COVID-19 have moderated, however new risks associated with labour shortages, inflationary pressures, cash rate movements and geopolitical tensions have emerged. While the effects of these risks do not change the areas requiring significant estimation and judgment in the preparation of financial statements, it has resulted in estimation uncertainty and application of further judgment within those identified areas, and where relevant is disclosed in the notes to this financial report. Consistent with previous periods, the most significant area impacted by the economic outlook is the provision for impairment on financial assets which is outlined in note 8.3.

Financial performance

The Group earns its returns from providing a broad range of banking products and services to retail, commercial, small and medium enterprises and agribusiness customers in Australia. The Group incurs costs associated with running the business such as staff, occupancy and technology related expenses.

This section provides details of the main contributors to the Group's returns.

3. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Group Chief Executive Officer and Managing Director and his immediate executive team, representing the Suncorp Group's Chief Operating Decision Maker, in assessing performance and determining the allocation of resources.

As the Group operates in only one segment, being Banking, the consolidated results of the Group are also its segment results for the current and prior periods. Further information with respect to the products offered to customers is disclosed in note 7 and note 10.

The Group operates predominantly in one geographical segment, which is Australia. Revenue from overseas customers is not material to the Group. No single customer amounts to greater than 10% of the Group's income.

The basis of segmentation and basis of measurement of segment results are the same as those applied by the Group in its consolidated financial report for the financial year ended 30 June 2022.

4. Net operating income

4.1 Net interest income

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Interest income				
Cash and cash equivalents	60	-	60	-
Receivables due from other banks	93	2	93	2
Trading securities	60	5	60	5
Investment securities	153	42	153	42
Loans and advances	2,709	1,512	2,701	1,506
Total interest income	3,075	1,561	3,067	1,555
Interest expense				
Deposits	(934)	(131)	(938)	(132)
Derivatives[1]	(60)	19	(60)	19
Borrowings				
at amortised cost	(580)	(185)	(489)	(159)
designated at fair value through profit or loss	(63)	(5)	(63)	(5)
Subordinated notes	(30)	(14)	(30)	(14)
Total interest expense	(1,667)	(316)	(1,580)	(291)
Net interest income	1,408	1,245	1,487	1,264

1 Represents the net interest income/expense from derivative instruments which are utilised to hedge interest rate risk in accordance with the Group's risk management practices.

Accounting policies

Interest income and expense on financial assets or liabilities at amortised cost are recognised in profit or loss using the effective interest method. This includes fees and commission income and expense (e.g. lending fees) that are integral to the effective interest rate on a financial asset or liability.

Interest income and expense on financial assets or liabilities at fair value are recognised in profit or loss when earned or incurred.

4.2 Other operating income

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Banking fee and commission income	159	150	159	150
Banking fee and commission expense	(166)	(148)	(166)	(148)
Net banking fee and commission (expense) income	(7)	2	(7)	2
Net gains or losses on:				
Trading securities at FVTPL[1]	1	(8)	1	(8)
Derivative financial instruments at FVTPL	15	(15)	15	(15)
Financial liabilities at FVTPL	(3)	2	(3)	2
Amount recycled into profit or loss on derecognition of investment securities at FVOCI[2]	6	17	6	17
Securitisation and covered bond income	-	-	234	327
Other fees and commissions	-	-	42	40
Dividend income	-	-	11	17
Other revenue	11	7	11	7
	30	3	317	387
Total other operating income	23	5	310	389

1 Fair value through profit or loss (FVTPL).

2 Fair value through other comprehensive income (FVOCI).

Accounting policies

Non-yield related application and activation lending fees received are recognised as income when the loan is disbursed or the commitment to lend expires.

Banking related fees that represent the recoupment of the costs of providing service, for example maintaining and administering existing facilities, are recognised when the performance obligation is satisfied. Fees can be recognised over time (e.g. annual fees) or at a point in time, when a promised good or service is transferred to a customer (e.g. late payment fees).

Fair value gains and losses from financial assets and liabilities at FVTPL are recognised in the consolidated statements of comprehensive income immediately.

Accumulated fair value gains and losses from investment securities at FVOCI are recycled from reserves to profit or loss when the asset is derecognised (refer Note 13).

Dividends and distribution income are recognised when the right to receive income is established.

5. Operating expenses

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Wages, salaries and other staff costs	414	416	414	416
Occupancy and equipment expenses	46	57	46	57
Information technology and communication	120	106	120	106
Depreciation and amortisation	37	38	37	38
Securitisation and covered bond expenses	-	-	378	404
Other expenses	137	145	137	143
Total operating expenses	754	762	1,132	1,164

Operating expenses such as employee expenses, depreciation and amortisation are incurred directly by Suncorp Group's corporate service subsidiaries and recharged to the Group via an internal allocation methodology.

6. Income tax

6.1 Income tax expense

	Consolidated 2023 $M	Consolidated 2022 $M	Company 2023 $M	Company 2022 $M
Reconciliation of prima facie to actual income tax expense:				
Profit before income tax	660	502	648	501
Prima facie domestic corporate tax rate of 30% (2022: 30%)	198	150	194	150
Tax effect of:				
Intercompany dividend elimination	-	-	(3)	(5)
Total income tax expense on pre-tax profit	198	150	191	145
Effective tax rate	30.0%	30.0%	29.5%	28.9%
Income tax expense recognised in profit consists of:				
Current tax expense				
Current tax movement	196	149	189	145
Total current tax expense	196	149	189	145
Deferred tax expense				
Origination and reversal of temporary differences	2	1	2	-
Total deferred tax expense	2	1	2	-
Total income tax expense	198	150	191	145

6.2 Deferred tax assets and liabilities

Deferred tax assets (**DTA**) and deferred tax liabilities (**DTL**) are attributable to the following:

	Consolidated				Company			
	DTA		DTL		DTA		DTL	
	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M
Financial instruments[1]	69	61	-	-	69	61	-	-
Provision for impairment on financial assets	66	65	-	-	64	63	-	-
Other items	1	1	-	-	1	1	-	-
Deferred tax assets and liabilities	136	127	-	-	134	125	-	-
Set-off of tax	-	-	-	-	-	-	-	-
Net deferred tax assets	136	127	-	-	134	125	-	-

1 Financial instruments include derivatives, trading securities, investment securities and borrowings denominated in a foreign currency.

Movement in deferred tax balances during the financial year:

	Consolidated				Company			
	DTA		DTL		DTA		DTL	
	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M	2023 $M	2022 $M
Balance at the beginning of the financial year	127	49	-	-	125	46	-	-
Movement recognised in profit or loss	(2)	(1)	-	-	(2)	-	-	-
Movement recognised in OCI	11	79	-	-	11	79	-	-
Balance at the end of the financial year	136	127	-	-	134	125	-	-

Accounting policies

Income tax expense comprises current and deferred tax and is recognised in profit or loss except to the extent that it relates to items recognised in OCI. Current tax consists of the expected tax payable on the taxable income for the year, after any adjustments in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences can be utilised. Provisions for taxation require the Group to take into account the impact of uncertain tax positions. For such uncertainties, the Group relies on estimates and assumptions about future events.

Tax consolidation

The Group is a wholly-owned entity in a tax-consolidated group, with SGL as the head entity.

The Company and each of its wholly-owned subsidiaries recognise the current and deferred tax amounts applicable to the transactions undertaken by it, reasonably adjusted for certain intra-group transactions, as if it continued to be a separate tax payer. The head entity recognises the entire tax-consolidated group's current tax liability. Any differences, per subsidiary, between the current tax liability and any tax funding arrangement amounts (see below) are recognised by the head entity as an equity contribution to or distribution from the subsidiary.

The members of the tax-consolidated group have entered into a tax-sharing agreement and a tax funding agreement. Under the tax funding agreement, the Group fully compensates SGL for any current tax payable assumed. The assets and liabilities arising under the tax funding agreement are recognised as Due to/Due from related parties, at call.

Lending activities

The Group provides a broad range of lending products to retail, commercial, small and medium enterprises (SME) and agribusiness customers within Australia. This section provides details of the Group's lending portfolio by customer segment and related impairment provisions. This section also covers the Group's credit commitments.

7. Loans and advances

	Note	Consolidated 2023 $M	Consolidated 2022 $M	Company 2023 $M	Company 2022 $M
Retail loans					
Housing loans		48,076	45,616	48,076	45,616
Securitised housing loans and covered bonds[1]		6,725	4,598	6,725	4,598
Personal loans		36	67	36	67
		54,837	50,281	54,837	50,281
Business loans					
Commercial		5,361	4,884	5,272	4,813
SME		2,633	2,641	2,633	2,641
Agribusiness		4,490	4,267	4,380	4,166
		12,484	11,792	12,285	11,620
Gross loans and advances		67,321	62,073	67,122	61,901
Provision for impairment	8.1	(219)	(217)	(214)	(211)
Net loans and advances		67,102	61,856	66,908	61,690
Current		11,708	11,152	11,697	11,140
Non-current		55,394	50,704	55,211	50,550
Net loans and advances		67,102	61,856	66,908	61,690

1 Excludes internally held notes for repurchase with the Reserve Bank of Australia (RBA). Refer to note 15.3 for further details.

Accounting policies

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Financial assets are classified as amortised cost where cash flows are solely payments of principal and interest (SPPI) and the business model is held-to-collect. Loans and advances are included in this category. They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less any impairment losses.

Modification of contractual cash flows

In cases where borrowers face financial difficulties, the Group may grant a change to the terms and conditions of their loan repayments for a specific period to avoid the customers defaulting on their loan. These changes can include payment deferrals, change in amortisation periods, and temporary change in interest rates. Loans restructured on commercial terms with a significant modification of contractual cash flows are considered a re-origination. In this case, the asset will be derecognised and a new asset will be recognised.

For modifications that do not result in a derecognition, a modification gain or loss will be calculated based on the difference between the present value of the renegotiated or modified contractual cash flows and the gross carrying amount prior to modification. The present value is determined using the loan's original effective interest rate.

Derecognition

Loans and advances are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risk and rewards of ownership.

8. Provision for impairment on financial assets

8.1 Reconciliation of provision for impairment on financial assets

The tables below show the reconciliation of expected credit loss (ECL), specific provision (SP) and gross carrying amount for loans and advances (GLA) for the financial year ended 30 June 2023.

	Collective provision									
	Stage 1		Stage 2		Stage 3		Stage 3 SP		Total	
Consolidated	GLA $M	ECL $M	GLA $M	ECL $M	GLA $M	ECL $M	GLA $M	SP $M	GLA $M	Provision $M
As at 1 July 2021	55,066	93	1,654	50	712	52	131	44	57,563	239
Transfers:										
Transfer to stage 1	531	12	(392)	(8)	(139)	(4)	-	-	-	-
Transfer to stage 2	(447)	(17)	552	19	(101)	(2)	(4)	-	-	-
Transfer to stage 3	(146)	(12)	(80)	(2)	182	3	44	11	-	-
New loans and advances originated	16,541	37	-	-	-	-	-	-	16,541	37
Net increase (release) of ECL/SP	-	(6)	-	16	-	(3)	-	(12)	-	(5)
Loans and advances derecognised	(11,391)	(19)	(398)	(12)	(174)	(17)	(68)	-	(12,031)	(48)
SP written-off	-	-	-	-	-	-	-	(4)	-	(4)
Unwind of discount	-	-	-	-	-	-	-	(2)	-	(2)
As at 1 July 2022	60,154	88	1,336	63	480	29	103	37	62,073	217
Transfers:										
Transfer to stage 1	601	26	(520)	(23)	(77)	(2)	(4)	(1)	-	-
Transfer to stage 2	(889)	(19)	956	21	(59)	(1)	(8)	(1)	-	-
Transfer to stage 3	(174)	(2)	(111)	(6)	242	6	43	2	-	-
New loans and advances originated	18,849	60	-	-	-	-	-	-	18,849	60
Net increase (release) of ECL/SP	-	(35)	-	34	-	7	-	2	-	8
Loans and advances derecognised	(12,962)	(19)	(409)	(18)	(188)	(19)	(42)	-	(13,601)	(56)
SP written-off	-	-	-	-	-	-	-	(6)	-	(6)
Unwind of discount	-	-	-	-	-	-	-	(4)	-	(4)
As at 30 June 2023	65,579	99	1,252	71	398	20	92	29	67,321	219
Provision for impairment on:										
Loans and advances	(84)		(68)		(20)		(29)		(201)	
Commitments & guarantees	(15)		(3)		-		-		(18)	
Net carrying amount as at 30 June 2023	65,480		1,181		378		63		67,102	

Company	Collective provision Stage 1 GLA $M	Stage 1 ECL $M	Stage 2 GLA $M	Stage 2 ECL $M	Stage 3 GLA $M	Stage 3 ECL $M	Stage 3 SP GLA $M	Stage 3 SP SP $M	Total GLA $M	Total Provision $M
As at 1 July 2021	54,909	88	1,642	48	711	51	130	44	57,392	231
Transfers:										
Transfer to stage 1	527	11	(388)	(7)	(139)	(4)	-	-	-	-
Transfer to stage 2	(440)	(17)	545	19	(101)	(2)	(4)	-	-	-
Transfer to stage 3	(145)	(12)	(80)	(2)	181	3	44	11	-	-
New loans and advances originated	16,472	35	-	-	-	-	-	-	16,472	35
Net increase (release) of ECL/SP	-	(2)	-	15	-	(4)	-	(12)	-	(3)
Loans and advances derecognised	(11,329)	(18)	(394)	(12)	(173)	(16)	(67)	-	(11,963)	(46)
SP written-off	-	-	-	-	-	-	-	(4)	-	(4)
Unwind of discount	-	-	-	-	-	-	-	(2)	-	(2)
As at 1 July 2022	59,994	85	1,325	61	479	28	103	37	61,901	211
Transfers:										
Transfer to stage 1	597	25	(517)	(22)	(76)	(2)	(4)	(1)	-	-
Transfer to stage 2	(886)	(20)	953	22	(59)	(1)	(8)	(1)	-	-
Transfer to stage 3	(174)	(2)	(110)	(7)	241	7	43	2	-	-
New loans and advances originated	18,756	57	-	-	-	-	-	-	18,756	57
Net increase (release) of ECL/SP	-	(29)	-	32	-	6	-	2	-	11
Loans and advances derecognised	(12,896)	(19)	(408)	(17)	(189)	(19)	(42)	-	(13,535)	(55)
SP written-off	-	-	-	-	-	-	-	(6)	-	(6)
Unwind of discount	-	-	-	-	-	-	-	(4)	-	(4)
As at 30 June 2023	65,391	97	1,243	69	396	19	92	29	67,122	214
Provision for impairment on:										
Loans and advances	(82)		(66)		(19)		(29)		(196)	
Commitments & guarantees	(15)		(3)		-		-		(18)	
Net carrying amount as at 30 June 2023	65,294		1,174		377		63		66,908	

8.2 Impairment expense (release) on financial assets

	Consolidated 2023 $M	Consolidated 2022 $M	Company 2023 $M	Company 2022 $M
Increase (decrease) in collective provision for impairment[1]	11	(15)	11	(13)
Increase (decrease) in specific provision for impairment	2	(1)	2	(1)
Bad debts written off	5	3	5	3
Bad debts recovered	(1)	(1)	(1)	(1)
Total impairment expense (release) on financial assets	17	(14)	17	(12)

1 Impairment loss above includes $1m of ECL on investment securities and reverse repurchase agreements (2022: $nil).

Accounting policies

By providing loans and advances to customers, the Group is exposed to the risk of customer default. Default occurs when indicators exist that a customer is unable to meet contractual credit obligations to the Group in full, or if the exposure is 90 days past due. Provisions for impairment are recognised to address this risk.

Expected credit loss model

Financial assets that are subject to credit risk are assigned to one of three stages and could be reassigned based on changes in asset quality:

	Asset quality	Provision established to provide for ECL for:
Stage 1	Performing and/or newly originated assets.	A 12-month period.
Stage 2	Have experienced a significant increase in credit risk (**SICR**) since origination.	The remaining term of the asset (**lifetime ECL**).
Stage 3	In default as they are either past due but not impaired or impaired assets.	Lifetime ECL.

The Group has developed the ECL model to estimate the adverse impact on future cash flows for each group of loans with similar credit risk characteristics.

ECL is recorded for all financial assets measured at amortised cost or FVOCI. ECL is 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 the influence of unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example the unemployment rate and changes in property prices.

The economic forecasts underpinning the PD and LGD estimates are reviewed on at least a six-monthly basis, taking into account expert judgment. As at 30 June 2023, management recognised 'out of model' overlays within the ECL where the existing inputs, assumptions and model techniques did not capture all the risk factors relevant to the lending portfolios. Further management overlays have been recognised with respect to specific risks in the Agribusiness portfolio.

Portfolio managed assets in stage 3 (mainly retail lending), will have a collective provision determined by the ECL model. The portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default. Some portfolio managed assets are individually covered by a specific provision.

Most relationship managed assets in stage 3 (mainly business lending) will require a specific provision. If it is determined that a collective provision provides a more appropriate estimate, a ratings-based approach is applied using estimates of probability of default and loss given default, at a customer level.

Loans with similar credit risk characteristics are grouped as follows:

- Retail loans, small business and non-credit risk-rated business loans are grouped by product.
- Credit risk-rated business loans are grouped by industry types, being agribusiness, commercial, property development finance and property investment.

The Business Customer Support and Customer Care teams independently assess the carrying value of impaired loans and factors impacting recoverability. This analysis is reported monthly to the Bank Chief Risk Officer and the Bank Credit Risk Committee.

Significant increase in credit risk

A SICR event occurs if a loan deteriorates on the master rating scale (**MRS**) by a defined number of notches since origination or by going into arrears. Loans with a higher MRS at origination (higher risk) require fewer notch movements to trigger a SICR event than loans with a lower MRS at origination (lower risk). From the perspective of arrears, 30 days past due is always considered stage 2. Exposures for which the MRS subsequently improves to below the SICR threshold will move back to stage 1. Loans restructured on commercial terms with a significant modification of their terms and conditions are considered a re-origination and will be moved into stage 1. The incorporation of forward-looking information (e.g. property prices, unemployment rate) within the ECL is designed to capture SICR events that are not yet reflected in observed data (e.g. arrears) at the exposure level.

Specific provisions

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 amounts of the loan. All factors that have a bearing on the expected future cash flows are considered, including the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgments can change as new information becomes available and work-out strategies evolve. The asset quality of an exposure carrying a specific provision is rated as stage 3.

The Group's policy requires specific provisions to be reviewed at least quarterly, and more regularly as circumstances require. A forecast for specific provision movements is reviewed monthly at a Business Customer Support portfolio level.

Write-offs

A write-off is made when all practical recovery efforts have concluded and all or part of a financial asset is deemed irrecoverable or forgiven. Write-offs reduce the principal amount of a claim and are charged against previously established ECLs.

8.3 Expected credit loss model methodology, estimates and assumptions

Significant estimates, judgments and assumptions

The provision for impairment on financial assets is considered to be a significant accounting estimate and judgment as forecast macroeconomic conditions are a key factor in determining the ECL for loans and advances. The central economic forecast anticipates unemployment increasing from its current very low level over the next two years. The central outlook for residential property prices has improved since 30 June 2022, albeit significant downside risks remain given continued interest rate rises to combat inflation. For commercial property, the FY24 outlook is worse than anticipated at 30 June 2022, with falls expected for the commercial office and retail segments, noting high vacancy rates and higher funding costs are seeing capitalisation rates under pressure. The ECL model calibration reflects the uncertain economic outlook.

Reported expected credit loss

The Group calculates the ECL by considering a distribution of economic outcomes around a central underlying scenario, with the distribution of outcomes reflecting the Group's view of the likelihood of more adverse outcomes.

As the negative impact of an economic downturn on credit losses tends to be greater than the positive impact of an economic upturn, AASB 9 *Financial Instruments* (**AASB 9**) requires the ECL to be a probability weighted outcome based on a range of possible outcomes. Accordingly, the Group determines the collective provision allowing for a distribution of economic outcomes, including more severe downside events.

Key assumptions underpinning the Group's reported ECL of $190 million are presented in the table below. As an example of the downside allowance in the model, there is a 15% probability that house price falls will exceed 20% over FY24/FY25 while the weighted average fall is 8.1%.

	Model assumption %		Weighted average change %
	FY24	FY25	FY24/25
Property prices - residential - weighted average annual change	(10.3)	2.2	(8.1)
Property prices - commercial office - weighted average annual change[1]	(10.4)	0.1	(10.3)
Property prices - rural - weighted average annual change[1]	(5.0)	(0.1)	(5.1)
Unemployment rate[2]	4.4	4.9	n/a

1 Given the significant differing outlook for rural property and commercial office property, separate assumptions were used in the ECL model at 30 June 2023. Exposure to other types of collateral within the business lending portfolio is less significant

2 Unemployment rate reflects the forecast rate as at June 2024 and June 2025. The PD is driven by combinations of variables relevant for each portfolio, such as unemployment and property prices. These combinations form an Economic Cycle indicator for which there is a distribution of outcomes. As such, a weighted unemployment rate is not a direct model input.

Downside sensitivity expected credit loss

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, signifying no single analysis can fully demonstrate the sensitivity of the ECL to fluctuations in macroeconomic variables. As a result of economic uncertainty and the sensitivity to key macroeconomic variables, significant adjustments to the ECL could occur in future periods. To provide an indication of the impact of changes in key macroeconomic variables, a sensitivity analysis is conducted on the following key macroeconomic drivers to which the ECL is sensitive:

– residential and commercial property prices;
– the unemployment rate; and
– a combination of simultaneous adverse movements in the above variables.

The table below indicates how each of the aforementioned drivers would impact the profit (loss) before tax with a corresponding impact on the ECL at reporting date.

	Downside sensitivity	
	Movement in variable	Pre-tax impact Profit (loss) $M
Movement of variables in isolation		
Property prices - residential	Decrease weighted average ~500 bps over 2 years from a fall of 8.1% to 13.1%	(14)
Property prices	Commercial office: Decrease weighted average ~500 bps over 2 years from a fall of 10.3% to 15.3% Rural: Decrease weighted average ~500 bps over 2 years from a fall of 5.1% to 10.1%	(12)
Unemployment rate	Increase ~100 bps over 1 year to 5.4% in FY24	(50)
Movement of variables in combination		
Property prices and unemployment rate all move in combination over the given timeframes	Adverse movements as above	(85)

9. Commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers. Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the probability of default. They are not sold or traded and are not recorded in the SoFP. The Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments. These commitments would be classified as loans and advances in the SoFP on the occurrence of the contingent event.

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts. Credit equivalent amounts are determined in accordance with the capital adequacy guidelines set out by the Australian Prudential Regulation Authority (APRA).

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Notional amounts				
Guarantees entered into in the normal course of business	274	243	274	243
Commitments to provide loans and advances	11,602	11,330	11,643	11,369
	11,876	11,573	11,917	11,612
Credit equivalent amounts				
Guarantees entered into in the normal course of business	274	243	274	243
Commitments to provide loans and advances[1]	5,998	3,388	6,014	3,427
	6,272	3,631	6,288	3,670

1 Reflects Basel III Prudential Capital requirements effective for reporting periods beginning on or after 1 January 2023, resulting in an increase in credit equivalent amounts. The 30 June 2022 comparative numbers have not been restated.

Funding activities

The Group manages liquidity and funding risk to provide a sustainable funding profile and support balance sheet growth. The Group's main sources of funding are customer deposits, wholesale domestic and offshore funding and securitisation.

10. Deposits

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
At-call transactions deposits	19,914	20,805	19,924	20,815
At-call savings deposits	17,146	15,832	17,146	15,832
Term deposits	14,374	11,488	14,374	11,488
Total deposits	51,434	48,125	51,444	48,135
Current	51,070	47,875	51,080	47,885
Non-current	364	250	364	250
Total deposits	51,434	48,125	51,444	48,135

11. Borrowings

	Note	Consolidated 2023 $M	Consolidated 2022 $M	Company 2023 $M	Company 2022 $M
Short-term[1] securities issued in domestic market[2]		5,863	5,319	5,863	5,319
Short-term[1] offshore commercial paper[3]		2,519	1,842	2,519	1,842
Long-term[1] domestic borrowings[2]		6,363	4,414	6,363	4,414
Long-term[1] offshore borrowings[2]		734	711	734	711
Total unsecured borrowings		15,479	12,286	15,479	12,286
Covered bonds[2]	15.3	2,842	2,093	2,842	2,093
Securitisation liabilities[2]	15.3	2,659	2,402	-	-
Term funding facility[2]	15.3	3,029	4,129	3,029	4,129
Total secured borrowings		8,530	8,624	5,871	6,222
Total borrowings		24,009	20,910	21,350	18,508
Current		13,534	10,101	12,894	9,411
Non-current		10,475	10,809	8,456	9,097
Total borrowings		24,009	20,910	21,350	18,508

1 Short-term is defined as original maturity of less than 12 months, and Long-term is defined as original maturity of 12 months or greater.
2 Financial liabilities at amortised cost.
3 Financial liabilities at FVTPL.

The Group has elected to recognise its Short-term offshore commercial paper portfolio at FVTPL on the basis that it is economically hedged by foreign exchange swap agreements. The fair value of foreign exchange swap agreements used as economic hedges of monetary liabilities in foreign currencies as at 30 June 2023 is a $50 million asset (2022: $95 million asset).

The contractual amount payable on financial liabilities designated at FVTPL at maturity is $2,551 million (2022: $1,851 million).

Accounting policies

Financial liabilities at amortised cost

All borrowings held by the Group are initially recognised at fair value, inclusive of any directly attributable costs. Subsequent to initial recognition, all borrowings (except for those designated at FVTPL, outlined below) are measured at amortised cost. Interest incurred is recognised using the effective interest method. The Group's financial liabilities at amortised cost includes “Deposits” (refer to note 10) and “Borrowings” (refer to note 11).

Financial liabilities designated at fair value through profit or loss

The Group designates certain financial liabilities at FVTPL on origination when doing so eliminates or reduces an accounting mismatch.

Subsequent to initial recognition, these liabilities are measured at fair value. Changes in the fair value of the liability are recognised in profit or loss. However, the portion of the change in the fair value of the liability attributable to changes in the Group’s own credit risk is recognised in OCI, with no recycling to profit or loss, unless such treatment would create or enlarge an accounting mismatch in profit or loss.

11.1 Changes in liabilities arising from financing activities

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Balance at beginning of period	20,910	18,746	18,508	16,581
Cash flows				
Proceeds	20,964	15,763	19,964	14,913
Repayments	(18,176)	(13,797)	(17,435)	(13,183)
Transaction costs	(5)	(6)	(3)	(6)
Non-cash changes				
Fair value changes	(4)	(56)	(4)	(56)
Foreign exchange movement	179	180	179	180
Other movements	141	80	141	79
Balance as at end of period	24,009	20,910	21,350	18,508

Investing, trading & other banking activities

The Group holds a number of other assets to support its primary operating activities and effectively manage risk. These include cash and cash equivalents, trading and investment securities and derivative financial instruments. This section outlines the details of these other assets.

This section also covers the Group's methodology for determining the fair value of financial instruments, including information on netting and collateral arrangements.

12. Cash and cash equivalents

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Cash at bank	78	80	76	78
Reverse repurchase agreements maturing in less than three months	2,825	500	2,825	500
Other money market placements	24	29	24	29
Total cash and cash equivalents	2,927	609	2,925	607

Accounting policies

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, highly liquid short-term investments, money at short call, and securities held under reverse repurchase agreements with an original maturity of three months or less. Receivables due from and payables due to other banks are classified as cash equivalents for cash flow purposes.

13. Trading and investment securities

Consolidated and Company	2023 $M	2022 $M
Trading securities		
Financial assets at FVTPL		
Interest-bearing securities:		
Government securities	2,218	2,722
Total trading securities - current	2,218	2,722
Investment securities		
Financial assets at FVOCI		
Interest-bearing securities:		
Government securities, RMBS[1] and investment grade bank paper	6,431	5,949
Current	1,937	1,752
Non-current	4,494	4,197
Total investment securities	6,431	5,949

1 Residential mortgage-backed securities (RMBS).

Accounting policies

The Group determines whether each financial asset's contractual cash flows are SPPI and how the financial asset is managed.

Trading securities

Trading securities include debt securities that the Group acquires for the purpose of selling in the near term or holds as part of a portfolio that is managed together for short term profit making. These securities are therefore classified as FVTPL. They are initially recognised on trade date at fair value, and subsequently measured at fair value on each reporting date with gains and losses taken immediately to profit or loss.

Investment securities

Investment securities include debt securities held as part of the Group's liquidity portfolio. These securities are held-to-collect-and-to-sell and are SPPI. These securities are therefore classified as FVOCI. These are initially recognised on trade date at fair value plus directly attributable transaction costs, and subsequently measured at fair value with gains and losses taken through OCI. On derecognition, the accumulated OCI will be recycled to profit or loss in 'Other operating income'.

14. Derivative financial instruments

	2023		2022	
Consolidated and Company	Asset $M	Liability $M	Asset $M	Liability $M
Derivatives held for trading				
Interest rate	43	31	26	41
Interest rate and foreign exchange	-	-	1	1
Foreign exchange	56	6	98	2
	99	37	125	44
Derivatives designated in hedging relationships				
Interest rate				
Fair value hedge	64	-	62	-
Cash flow hedge	307	483	381	515
Interest rate and foreign exchange				
Fair value and cash flow hedge	31	-	11	-
	402	483	454	515
Total	501	520	579	559

Derivative financial instruments are contracts whose values are derived from one or more underlying prices, benchmarks or other variables. Derivatives are used by the Group to manage interest rate and foreign exchange risk. Derivatives that are classified as "held for trading" are either not designated in a qualifying hedge accounting relationship, acquired or incurred principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit or position taking.

The maturity profile of hedge accounted derivatives is summarised at note 23.2.

Accounting policies

All derivatives are initially recognised at fair value on trade date and transaction costs are recognised in profit or loss as incurred. Derivatives are classified and measured at FVTPL unless they qualify as a hedging instrument in an effective hedge relationship under hedge accounting.

14.1 Derivative financial instruments – hedge accounting

The following table sets out the types of hedge accounting relationships used by the Group.

Type of hedge	Fair value hedge	Cash flow hedge
Objective	To hedge changes in fair value of financial assets and liabilities arising from interest rate risk.	To hedge variability in cash flows from recognised financial assets and liabilities arising from interest rate and foreign currency risk.
Hedged risk	Interest rate risk	Interest rate risk Foreign exchange risk
Hedging instruments	Pay fixed / receive variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Receive fixed / pay variable interest rate swaps Pay fixed / receive variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps
Hedged item	Fixed interest financial assets and fixed interest foreign currency liabilities	Variable interest financial assets and liabilities and fixed interest foreign currency liabilities
Economic relationship test	Matched terms	Matched terms and regression analysis
Hedge effectiveness testing	Cumulative dollar offset Hedge ratio 1:1	Cumulative dollar offset Hedge ratio 1:1
Potential sources of ineffectiveness	Differences between the hedging instrument and hedged item, including: interest curves used for discounting; interest rate reset date or frequency; and changes in credit risk.	Differences between the hedging instrument and hedged item, including: interest rate reset date or frequency; changes in credit risk; and prepayment risk on hedged items.

The following table shows the maturity profile for hedging instruments by notional amount, reported based on their contractual maturity.

	2023				2022			
	Notional				Notional			
Consolidated and Company	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Interest rate risk								
Fair value hedge	65	1,450	500	2,015	35	640	493	1,168
Cash flow hedge	20,638	14,321	160	35,119	15,545	19,304	160	35,009
Interest rate and foreign exchange risk								
Fair value and cash flow hedge	755	-	-	755	-	726	-	726

The table below shows the average executed price or rate of the hedging instrument for interest rate exposures:

	2023	2022
Interest rate swaps:		
AUD average fixed interest rate		
Hedging investment securities	3.28%	2.49%
Hedging loans and advances	2.19%	1.29%
Hedging deposits and borrowings	1.44%	1.37%
Cross currency swaps:		
Average AUD/USD exchange rate	0.7125	0.7125
Average fixed interest rate USD	3.30%	3.30%

The following table shows amounts related to designated hedging instruments, including the fair value changes for the period used as the basis for calculating hedge ineffectiveness.

Consolidated and Company	Carrying amount assets $M	Carrying amount liabilities $M	Gains (losses) on hedging instruments $M	Gains (losses) attributable to hedged risk $M	Hedge ineffectiveness in profit or (loss)[1] $M
2023					
Interest rate risk					
Fair value hedge - interest rate swaps	64	-	2	(2)	-
Cash flow hedge - interest rate swaps	307	483	(42)	42	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	31	-	20	(20)	-
Total	402	483	(20)	20	-
2022					
Interest rate risk					
Fair value hedge - interest rate swaps	62	-	105	(105)	-
Cash flow hedge - interest rate swaps	381	515	(172)	172	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	11	-	16	(16)	-
Total	454	515	(51)	51	-

1 Hedge ineffectiveness is recognised as part of 'Other operating income' in the statements of comprehensive income (SOCI).

The following table shows amounts relating to designated hedged items:

Consolidated and Company	Carrying amount $M	Accumulated fair value hedge adjustments[1] $M	Accumulated balances in reserves[2] $M	Amounts reclassified from reserves to profit or (loss)[3] as: Hedged cash flows will no longer occur $M	Hedged item has affected profit or (loss) $M
2023					
Interest rate risk					
Fair value hedge					
Investment securities	1,894	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	29,571	n/a	(696)	-	-
Deposits & Borrowings	10,528	n/a	506	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Borrowings	734	(20)	-	-	-
2022					
Interest rate risk					
Fair value hedge					
Investment securities	1,136	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	23,275	n/a	(869)	-	-
Deposits & Borrowings	19,913	n/a	729	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Borrowings	711	(14)	(2)	-	-

1 The accumulated amount of fair value hedge adjustments remaining on the SoFP for hedged items that have ceased to be adjusted for hedging gains and losses is $nil (2022: $nil).

2 Balances presented in the table are gross of tax. There is $nil (2022: $nil) remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

3 Amounts reclassified from reserves to profit or loss for hedges that have been terminated are included as part of 'Other operating income' in the SOCI.

Accounting policies

The Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

The International Accounting Standards Board is currently working on a project on dynamic risk management, which will impact hedge accounting for macro hedges. AASB 9 currently provides an option to continue to apply AASB 139 *Financial Instruments: Recognition and Measurement* (**AASB 139**) hedge accounting rules until this project is finalised. The Group continues to apply hedge accounting under AASB 139.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability of cash flows that:

– is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction; and

– could affect profit or loss.

Changes in the fair value associated with the effective portion of a hedging instrument designated as a cash flow hedge are recognised in OCI and accumulated in the hedging reserve within equity as the lesser of the cumulative fair value gain or loss on the hedging instrument and the cumulative change in fair value on the hedged item from the inception of the hedge. Ineffective portions are immediately recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts accumulated in equity are released to profit or loss immediately. In other cases, the cumulative gain or loss previously recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of:

- A recognised asset or liability;
- An unrecognised firm commitment; or
- An identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Where an effective hedge relationship is established, fair value gains or losses on the hedging instrument are recognised in profit or loss. At the same time, changes in fair value of the hedged item attributable to the hedged risk are recognised as a gain or loss in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The hedged item is accounted for under the effective interest method from that point and any accumulated adjustment to the carrying value of the hedged item from when it was effective is released to profit or loss over the period to when the hedged item will mature.

15. Financial instruments, master netting and transfer of financial assets

15.1 Fair value of financial instruments

Fair values are categorised by a three-level hierarchy which identifies the inputs to valuation techniques used to measure fair value:

- Level 1: derived from quoted prices (unadjusted) in active markets for identical financial instruments that the Group can access at the measurement date.
- Level 2: derived from other than quoted prices included within level 1 that are observable for the financial instruments, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.
- Level 3: fair value measurement is not based on observable market data. The valuation techniques include the use of discounted cash flow models.

Financial assets and liabilities measured at fair value categorised by fair value hierarchy

	2023				2022			
Consolidated and Company	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets								
Trading securities	-	2,218	-	2,218	-	2,722	-	2,722
Investment securities	-	6,431	-	6,431	631	5,318	-	5,949
Derivatives	1	500	-	501	2	577	-	579
	1	9,149	-	9,150	633	8,617	-	9,250
Financial liabilities								
Offshore commercial paper[1]	-	2,519	-	2,519	-	1,842	-	1,842
Derivatives	-	520	-	520	1	558	-	559
	-	3,039	-	3,039	1	2,400	-	2,401

1 Designated as financial liabilities at FVTPL. Disclosed within the SoFP category of 'Borrowings'.

There have been no transfers between level 1 and level 2 and no transfers into or out of level 3 during the 2023 and 2022 financial years.

Financial assets and liabilities not measured at fair value

The following table discloses a comparison of carrying value and fair value of financial assets and liabilities that are not measured at fair value after initial recognition, where their carrying value is not a reasonable approximation of fair value.

			Fair value			
Consolidated	Note	Carrying value $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2023						
Financial assets						
Loans and advances	7	67,102	-	-	66,767	66,767
Financial liabilities						
Deposits	10	51,434	-	51,310	-	51,310
Borrowings[1]	11	21,490	-	21,349	-	21,349
Subordinated notes	16	600	-	601	-	601
2022						
Financial assets						
Loans and advances	7	61,856	-	-	61,314	61,314
Financial liabilities						
Deposits	10	48,125	-	47,978	-	47,978
Borrowings[1]	11	19,068	-	18,973	-	18,973
Subordinated notes	16	600	-	604	-	604

1 Borrowings excludes short-term offshore commercial paper which are designated as financial liabilities at FVTPL.

Company	Note	Carrying value $M	Fair value Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2023						
Financial assets						
Loans and advances	7	66,908	-	-	66,579	66,579
Financial liabilities						
Deposits	10	51,444	-	51,320	-	51,320
Borrowings[1]	11	18,831	-	18,686	-	18,686
Subordinated notes	16	600	-	601	-	601
2022						
Financial assets						
Loans and advances	7	61,690	-	-	61,154	61,154
Financial liabilities						
Deposits	10	48,135	-	47,988	-	47,988
Borrowings[1]	11	16,666	-	16,579	-	16,579
Subordinated notes	16	600	-	604	-	604

1 Borrowings excludes short-term offshore commercial paper which are designated as financial liabilities at FVTPL.

Accounting Policies

Financial assets

The carrying value of loans and advances is net of provisions for ECL. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans. The discount rates applied are based on the rates offered by the Group on current products with similar maturity dates.

Financial liabilities

The carrying value for non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months of origination is considered a reasonable estimate of their fair value. Discounted cash flow models are used to calculate the fair value of other term deposits based upon deposit type and related maturities.

The fair value of borrowings and subordinated notes are calculated based on either the quoted market prices at reporting date or, where quoted market prices are not available, a discounted cash flow model using an observable yield curve appropriate to the remaining maturity of the instrument.

15.2 Master netting or similar arrangements

The following table sets out the effect of netting or similar arrangements (**netting**) of financial assets and financial liabilities that are offset in the SoFP, or are subject to enforceable master netting arrangements, irrespective of whether they are offset in the SoFP.

Consolidated and Company	Amounts subject to netting: Gross amounts[1] $M	Amounts subject to netting: Financial instruments $M	Amounts subject to netting: Financial collateral received/ pledged[2] $M	Amounts subject to netting: Net exposure $M	Not subject to netting $M	Total SoFP amount $M
2023						
Financial assets						
Derivatives[3]	499	(414)	(75)	10	2	501
Reverse repurchase agreements	2,825	-	(2,795)	30	-	2,825
Total	3,324	(414)	(2,870)	40	2	3,326
Financial liabilities						
Derivatives[3]	495	(414)	(79)	2	25	520
Repurchase agreements	3,029	-	(3,029)	-	-	3,029
Total	3,524	(414)	(3,108)	2	25	3,549
2022						
Financial assets						
Derivatives[3]	577	(428)	(120)	29	2	579
Reverse repurchase agreements	500	-	(500)	-	-	500
Total	1,077	(428)	(620)	29	2	1,079
Financial liabilities						
Derivatives[3]	537	(428)	(109)	-	22	559
Repurchase agreements	4,376	-	(4,376)	-	-	4,376
Total	4,913	(428)	(4,485)	-	22	4,935

1 Gross amounts subject to netting are represented on the SoFP. No additional offsetting has been applied.

2 For the purpose of this disclosure, financial collateral not set off on the SoFP has been capped by relevant netting agreements so as not to exceed the net amounts of financial assets/liabilities reported on the SoFP, i.e. over collateralisation, where it occurs, is not reflected in the table. As a result, the above collateral balances will not correspond to the balances in note 15.3.

3 Certain derivatives are subject to the International Swaps and Derivative Association (**ISDA**) Master Agreement and other similar master netting arrangements. These arrangements contractually bind the Group and the counterparty to apply close out netting across all outstanding transactions only if either party defaults or other pre-agreed termination events occur. As such, they do not meet the criteria for offsetting in the SoFP. The cash collateral pledged or received is subject to the ISDA Credit Support Annex and other standard industry terms.

15.3 Transfers of financial assets and collateral accepted as security for assets

Transferred financial assets continue to be recognised in the SoFP if the Group is deemed to have retained substantially all the risks and rewards associated with the financial assets transferred. This arises when the Group enters into repurchase agreements and conducts covered bond and securitisation programs.

Repurchase agreements

The Group enters into repurchase agreements involving the sale of interest-bearing securities and simultaneously agrees to buy them back at a pre-agreed price on a future date. In the SoFP, the interest-bearing securities transferred continue to be recognised in 'Loans and advances' because the Group retains the risks and rewards of ownership. The obligation to repurchase is included in 'Borrowings'.

Reverse repurchase agreements

The Group enters into reverse repurchase agreements whereby interest-bearing securities are acquired and simultaneously agrees to sell them back at a pre-agreed price on a future date. In the SoFP, the securities acquired are not recognised because the Group does not acquire the risks and rewards of ownership. The amount receivable on resale is included in 'Cash and cash equivalents' if the original maturity is 90 days or less, otherwise 'Loans and advances' if the original maturity is greater than 90 days.

Covered bonds

The Company conducts a covered bond program whereby it issues covered bonds guaranteed by the Covered Bond Guarantor that are secured over a covered pool of assets consisting of $4,200 million (2022: $2,320 million) of mortgages and cash at call. Eligible mortgages are sold by the Company to a special purpose trust, the Suncorp Covered Bond Trust, which guarantees the covered bonds. The Covered Bond Guarantor can take possession of the cover pool under certain events. In the event of default by the Company, the covered bond holders have claim against both the cover pool assets and the Company. The Company receives the residual income of the Suncorp Covered Bond Trust after all costs of the program have been met. In the SoFP, the eligible mortgages transferred are included in 'Loans and advances' and the covered bonds issued are included in 'Borrowings'.

Term Funding Facility

The Group obtains funding through the facility by entering into repurchase agreements with the RBA. Following repayment of $1,100 million during the year, the funding outstanding as at 30 June 2023 was $3,029 million (2022: $4,129 million), with $nil (2022: $nil) remaining undrawn (refer to note 11). Interest is charged at a fixed rate equivalent to the official cash rate at the time the respective portion of the facility is drawn down and is presented within interest expense (refer to note 4.1). The repurchase agreements entered into under the Term Funding Facility require the Group to pledge eligible collateral which includes self-securitised RMBS. As at 30 June 2023 $4,140 million of RMBS (2022: $5,483 million) were pledged as collateral. In the SoFP, the eligible collateral transferred is included in 'Loans and advances' (note 7).

Securitisation programs

The Company conducts a mortgage securitisation program whereby residential mortgages are packaged and sold to special purpose securitisation trusts known as the Apollo Series Trusts (the **Trusts**). The Trusts fund their purchase of the mortgages by issuing floating-rate pass-through debt securities. The Group receives residual income from the Trusts after all payments to security holders and costs of the program have been met. The Group does not guarantee the capital value or the performance of the securities or the assets of the Trusts, and it does not guarantee the payment of interest or the repayment of principal due on the securities. The mortgages subject to the securitisation program have been pledged as security for the securities issued by the Trusts, and as such, the Group cannot use these assets to settle the liabilities of the Group. The Group is not obliged to support any losses that may be incurred by investors and does not intend to provide such support. In the consolidated SoFP, the mortgages transferred are included in 'Loans and advances' and the securitisation securities issued are included in 'Borrowings'.

The following table sets out the carrying amount of the transferred financial assets and the associated liabilities at the reporting date.

Consolidated	2023 Repurchase agreements $M	2023 Covered bonds $M	2023 Securitisation liabilities[1] $M	2022 Repurchase agreements $M	2022 Covered bonds $M	2022 Securitisation liabilities[1] $M
Carrying amount of transferred financial assets	4,140	4,124	2,601	5,801	2,258	2,340
Carrying amount of associated financial liabilities	3,029	2,842	2,659	4,376	2,093	2,402
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred financial assets	n/a	n/a	2,590	n/a	n/a	2,329
Fair value of associated financial liabilities	n/a	n/a	2,663	n/a	n/a	2,394
Net position			(73)			(65)

1 Securitisation liabilities of the Group comprise RMBS notes issued by the Apollo Series Trusts and are held by external investors. The carrying amount of transferred assets are included as part of 'Loans and advances' in the SoFP.

Company	2023 Repurchase agreements $M	2023 Covered bonds $M	2023 Securitisation liabilities[1] $M	2022 Repurchase agreements $M	2022 Covered bonds $M	2022 Securitisation liabilities[1] $M
Carrying amount of transferred financial assets	4,140	4,124	14,206	5,801	2,258	13,914
Carrying amount of associated financial liabilities	3,029	2,842	14,759	4,376	2,093	14,502
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred financial assets	n/a	n/a	14,140	n/a	n/a	13,837
Fair value of associated financial liabilities	n/a	n/a	13,773	n/a	n/a	14,164
Net position			367			(327)

1 Securitisation liabilities of the Company comprise borrowings from the Apollo Series Trusts, including those which issue only internally held notes for repurchase with central banks. The carrying amount of the internal transferred assets of $11,605 million (2022: $11,574 million) and external transferred assets of $2,601 million (2022: $2,340 million) are included as part of 'Loans and advances' in the SoFP. The carrying amount of associated liabilities is included as part of 'Due to related parties' in the SoFP.

Capital structure

The Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure that there are sufficient capital resources to maintain and grow the business, in accordance with the Group's risk appetite.

The Company's share capital is denominated in Australian dollars. The Group is subject to, and complies with, external capital requirements set and monitored by APRA.

This section provides disclosures on the capital structure of the Group and how it finances its operations and growth using different sources of funds. Details of the Group's approach to capital risk management are disclosed in note 21.

16. Subordinated notes

The following table shows subordinated notes at amortised cost and categorised by type, class and instrument under APRA and Basel III reporting standards. These instruments have been issued by the Company.

Consolidated and Company	2023 $M	2022 $M
Tier 2 subordinated notes		
Basel III fully compliant subordinated notes		
$AUD 600 million Floating Rate Notes	600	600
Total Basel III fully compliant subordinated notes	600	600
Total Tier 2 subordinated notes	600	600
Non-current	600	600
Total subordinated notes	600	600

Consolidated and Company	Margin above 90 day BBSW[1]	Maturity Date	Optional redemption date	Issue date	2023 Number on issue	2022 Number on issue
$AUD 600 million Floating Rate Notes	215 bps	Dec 2028	05 Dec 2023	22 Nov 2018	60,000	60,000

1 Bank Bill Swap Rate (BBSW).

Basel III fully compliant subordinated notes

The subordinated notes pay quarterly, cumulative deferrable interest payments at a floating rate equal to the sum of the 90 day BBSW and the margin.

The issuer has the option to redeem the instruments on the optional redemption date and for certain tax and regulatory events (in each case subject to APRA's prior written approval).

If APRA determines that a non-viability event has occurred in relation to the Company and, where relevant its parent, all (or in some circumstances, some) of the subordinated notes will be immediately converted into the Company's ordinary shares (or, if conversion cannot be effected for any reason within five business days, written off).

The rights of the holder rank in preference to the rights of the Company's shareholders, and capital notes holders and rank equally against all other subordinated note holders.

17. Share capital

Consolidated and Company	2023 No of shares	2023 $M	2022 No of shares	2022 $M
Balance at the beginning of the financial year	282,147,584	2,754	282,147,584	2,754
Balance at the end of the financial year	282,147,584	2,754	282,147,584	2,754

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding-up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds on liquidation.

18. Capital notes

The following table shows capital notes at cost and categorised by type, class and instrument under APRA and Basel III reporting standards. These instruments have been issued by the Company.

		2023		2022	
Consolidated and Company	Margin above 90 day BBSW	Number on issue	$M	Number on issue	$M
Issued on 18 December 2017	365 bps	1,750,000	175	1,750,000	175
Issued on 27 May 2019	365 bps	350,000	35	350,000	35
Issued on 23 September 2021	290 bps	3,500,000	350	3,500,000	350
Balance at the end of the financial year		5,600,000	560	5,600,000	560

	Cents per note	$000	Cents per note	$000
Dividend payments on capital notes				
Issued on 5 May 2017[1]				
September quarter	-	-	73	2,725
December quarter	-	-	72	2,692
March quarter	-	-	72	2,699
June quarter	-	-	75	2,819
Issued on 18 December 2017				
September quarter	98	1,719	65	1,133
December quarter	113	1,982	64	1,119
March quarter	116	2,024	64	1,124
June quarter	132	2,314	67	1,176
Issued on 27 May 2019				
September quarter	98	344	65	227
December quarter	113	396	64	224
March quarter	116	405	64	225
June quarter	132	463	67	235
Issued on 23 September 2021				
September quarter	85	2,965	-	-
December quarter	100	3,507	48	1,664
March quarter	103	3,604	51	1,794
June quarter	119	4,155	54	1,889
Total dividend payments on capital notes		23,878		21,745

1 The $375 million of capital notes issued on 5 May 2017 were bought back through a cash settlement on 17 June 2022.

Capital notes are eligible Additional Tier 1 capital instruments under Basel III. They are fully paid, perpetual, subordinated, unsecured securities and issued to SGL.

Capital notes pay a distribution that are floating rate, discretionary, non-cumulative, and scheduled to be paid quarterly, at the Company's discretion. They are calculated based on the sum of the 90 day BBSW and the margin, adjusted for the corporate tax rate applicable to the ultimate parent entity. If APRA determines that a non-viability event has occurred in relation to the Company, all (or in some circumstances, some) of the instruments will be written off.

In the event of the winding up of the Company, the rights of the holders will rank equally to other capital note holders, and in priority to the rights of the ordinary shareholders only.

19. Reserves

Consolidated	Equity reserve for credit losses $M	General equity reserve $M	Hedging reserve $M	FVOCI reserve $M	Common control reserve $M	Total reserves $M
Balance as at 30 June 2021	85	-	28	25	(372)	(234)
Transfer (to) from retained profits	(85)	76	-	-	372	363
Net change in fair value of financial instrument	-	-	(183)	(81)	-	(264)
Income tax benefit	-	-	55	24	-	79
Balance as at 30 June 2022	-	76	(100)	(32)	-	(56)
Net change in fair value of financial instrument	-	-	(47)	10	-	(37)
Income tax benefit (expense)	-	-	14	(3)	-	11
Balance as at 30 June 2023	-	76	(133)	(25)	-	(82)

Company	Equity reserve for credit losses $M	General equity reserve $M	Hedging reserve $M	FVOCI reserve $M	Common control reserve $M	Total reserves $M
Balance as at 30 June 2021	85	-	28	25	-	138
Transfer (to) from retained profits	(85)	76	-	-	-	(9)
Net change in fair value of financial instrument	-	-	(183)	(81)	-	(264)
Income tax benefit	-	-	55	24	-	79
Balance as at 30 June 2022	-	76	(100)	(32)	-	(56)
Net change in fair value of financial instrument	-	-	(47)	10	-	(37)
Income tax benefit (expense)	-	-	14	(3)	-	11
Balance as at 30 June 2023	-	76	(133)	(25)	-	(82)

Equity reserve for credit losses

The equity reserve for credit losses (**ERCL**) represents the difference between the estimate of credit losses over the full life of all exposures and the Group's collective provisions for impairment, consistent with the requirements of APS 220 *Credit Risk Management* (**APS 220**), which were effective until 1 January 2022.

General equity reserve

Following removal of the ERCL requirement in APS 220 from 1 January 2022, the general equity reserve has been established in its place. The general equity reserve will be maintained at $76 million pending release of further guidance from APRA regarding its future treatment.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Fair value through other comprehensive income reserve

The FVOCI reserve represents the cumulative net change in the fair value of financial assets classified as FVOCI until the asset is derecognised or impaired.

Common control reserve

The common control reserve represents the balance of the loss on disposal of subsidiaries following the Suncorp Group restructure on 7 January 2011. The balance of the common control reserve was released to retained profits during the year ended 30 June 2022.

20. Dividends

Consolidated and Company	Note	2023 Cents per share	2023 $M	2022 Cents per share	2022 $M
Dividend payments on ordinary shares					
2022 final dividend[1] (2022: 2021 final dividend)		-	-	77	216
2023 interim dividend (2022: 2022 interim dividend)		48	135	67	189
Total dividends on ordinary shares			135		405
Total dividends on capital notes	18		24		22
Total dividends			159		427
Dividends not recognised in the SoFP					
Dividends determined since reporting date					
2023 final dividend (2022: 2022 final dividend[1])		39	110	-	-
			110		-

1 The directors determined that a 2022 final dividend would not be paid.

Accounting policies

Dividends on ordinary shares are provided for in the consolidated financial statements once determined, accordingly, the final dividend announced for the current financial year is provided for and paid in the following financial year.

21. Group capital management

As the Company and the Group are entities within the Suncorp Group, they follow the capital management strategy of the Suncorp Group. The capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure that there are sufficient capital resources to protect depositors and funding providers and grow the business, in accordance with the Suncorp Group's risk appetite. The Suncorp Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Suncorp Group as a whole, and each regulated entity, is capitalised to meet internal and external requirements. The Suncorp Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA.

The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Suncorp Group. Capital targets are structured according to risk appetite, the regulatory framework and to APRA's standards for the supervision of conglomerates.

The Company is an ADI and the Company, and its subsidiaries, are subject to APRA's Prudential Standards, which include capital adequacy requirements.

The Group's capital base is expected to be adequate for its size, business mix, complexity and the risk profile of its business and therefore applies a risk-based approach to capital adequacy.

The Group uses the standardised framework for calculating risk weighted assets (**RWA**) which is calculated using credit risk, market risk and operational risk in accordance with APS 110 *Capital Adequacy*.

This RWA is compared with the Common Equity Tier 1, Tier 1 and Total Capital held in the Group to determine the capital adequacy ratios. The capital position and RWA as at the end of the financial year are included in note 21.1. The Group satisfied all externally imposed capital requirements which it is subject to during the current financial year and the prior financial year.

The Group's Basel III APS 330 capital disclosures are made available at the regulatory disclosures section www.suncorpgroup.com.au/investors/reports.

21.1 Capital adequacy

The following table summarises the capital position at the end of the financial year.

	2023 $M	2022 $M
Tier 1 Capital		
Common Equity Tier 1 Capital		
Ordinary share capital	2,754	2,754
Retained profits	1,069	766
Accumulated OCI	(158)	(132)
	3,665	3,388
Regulatory adjustments to Common Equity Tier 1 Capital		
Goodwill	(21)	(21)
Cash-flow hedge reserve	133	100
Deferred tax assets	(79)	(84)
Capitalised expenses	(313)	(225)
Other regulatory adjustments	(9)	(1)
	(289)	(231)
Common Equity Tier 1 Capital	3,376	3,157
Additional Tier 1 Capital		
Eligible hybrid capital	560	560
Total Tier 1 Capital	3,936	3,717
Tier 2 Capital		
APRA general reserve for credit losses	221	202
Eligible hybrid capital	600	600
Total Tier 2 Capital	821	802
Total Capital	4,757	4,519
Total assessed risk weighted assets	32,491	34,797
Risk weighted capital ratios	%	%
Common Equity Tier 1	10.39	9.07
Total Tier 1	12.11	10.68
Total Tier 2	2.53	2.31
Total risk weighted capital ratio	14.64	12.99

Basel III Prudential Capital requirements are effective for reporting periods beginning on or after 1 January 2023, resulting in an increase in capital ratios and capital targets. The 30 June 2022 comparative numbers have not been restated.

Risk management

The Group applies a consistent and integrated approach to enterprise risk management (ERM).

The Group recognises that a strong risk culture, good governance and effective risk management are essential to achieving the Group's strategy and business plan and maintaining the Group's social licence to operate. The Group has systems, policies, processes and people in place to identify, measure, analyse, monitor, report and control or mitigate internal and external sources of material risk.

22. Risk management framework

As the Company and its subsidiaries are entities within the Suncorp Group, the Group follows the Suncorp Group risk management objectives and structure as described below.

The material risks addressed by Suncorp's Enterprise Risk Management Framework (**ERMF**) are defined below.

Material risks	Definition
Strategic risk	Suncorp recognises and defines two types of strategic-level risk: Strategic risk – risks to the viability of Suncorp's business model resulting from adverse changes in the external business environment, with respect to the economy, political landscape, regulation, technology, climate change, customer and social expectations and competitors. Detailed climate change disclosures are included in the Taskforce on Climate-related Financial Disclosures Report, available at www.suncorpgroup.com.au/investors/reports. Strategic execution risk – the risk of failing to achieve strategic business objectives or execution of the business strategy.
Financial risk	Financial risks include Credit, Counterparty and Contagion risk, Market/Investment risk, Liquidity risk and Asset and Liability Management (**ALM**) risk. Credit risk is the risk of default of an obligor to fully meet its obligations in accordance with agreed terms. Counterparty risk is the risk that the other party in an agreement will default/will not meet its contractual obligations in accordance with agreed terms. Contagion risk is the risk that problems impacting one entity within a group may compromise the financial position of other entities within that group. Market risk is the risk of unfavourable changes in foreign exchange rates, interest rates, credit spreads, duration and market volatilities. Liquidity risk is the risk that Suncorp will be unable to service its cash flow obligations today or in the future. ALM risk is the risk of adverse movements in the relative value of assets and liabilities due to changes in market factors (e.g. Interest Rates, Inflation, Foreign Exchange), the variation in repricing profiles or from the different characteristics of the assets and liabilities.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes compliance and legal risk.

The Group is exposed to the following categories of market risk:

Categories of market risk	Definition
Foreign exchange risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest-bearing assets and liabilities from changes in interest rates.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss of current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Further discussions on the application of the Group's risk management practices are presented in note 14 Derivative financial instruments and note 23 Credit risk, liquidity risk and market risk.

23. Credit risk, liquidity risk and market risk

23.1 Credit risk

(a) Credit risk exposures

The Group is exposed to credit risk from conventional lending to customers and receivables from inter-bank, treasury, international trade and capital market activities.

Credit risk is managed on a structured basis with approval decisions being taken within credit approval authorities delegated by the Board. The setting and maintenance of detailed credit policies and standards is undertaken within an independent function under the responsibility of the Chief Risk Officer, Suncorp Bank. The Chief Executive Officer, Suncorp Bank is accountable for exercising delegated credit authority for credit decisions and delivering delegated credit authorities for the completion of first line of defence credit activities, in accordance with Board delegated authorities and credit policies and standards. The Chief Risk Officer, Suncorp Bank is accountable for exercising delegated credit authority (delegated by the Chief Risk Officer, Suncorp Group) for credit decisions and delivering delegated credit authorities for the completion of second line of defence credit activities. The management of Business Banking troublesome and impaired assets is the responsibility of the Business Customer Support team within the Chief Risk Office, with the Chief Executive Officer, Suncorp Bank having accountability for these activities.

Credit risk on loans and advances

Credit risk involves a wide spectrum of customers ranging from individuals to business banking customers and as such credit risk management is divided into two distinct categories: a statistically-managed portfolio and a risk-graded portfolio.

The statistically-managed portfolio covers retail lending and certain SME exposures and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Group's end-to-end automated workflow system that also enforces credit policies and certain business rules. A sample of these exposures are reviewed by the First Line of Defence Lending Quality Assurance function.

The risk-graded portfolio includes commercial, agribusiness and certain SME exposures. Within these portfolios, exposures are individually assessed and an internal risk grade is assigned depending on the discrete analysis of each customer or group of related customers' risk profile. Exposures within this portfolio are subject to annual review or more frequent review, if deemed necessary, including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the relationship manager including regular performance monitoring, reporting and if required, transfer to the Business Customer Support team.

A Credit Hindsight team within the Suncorp Bank Chief Risk Office review and oversight a sample of Business Bank portfolio credit risk decisions. Additionally a Portfolio Quality Review team also within the Suncorp Bank Chief Risk Office is in place to review the acceptance and management of credit risk in accordance with the approved enterprise risk management framework.

Credit risk on derivative financial instruments

The Group manages its exposures to potential credit losses on over-the-counter (**OTC**) derivative contracts through central clearing and by entering into netting arrangements with its derivative counterparties (refer to note 15.2).

The fair value of derivatives recognised in the SoFP represent the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 14.

Credit risk by gross credit exposure

The tables below detail the Group's exposure to credit risk from its financial assets and credit commitments as at the reporting date. No adjustments are made for any collateral held or credit enhancements.

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Reverse repurchase agreements	2,825	500	2,825	500
Receivables due from other banks	1,788	2,490	1,788	2,490
Trading securities	2,218	2,722	2,218	2,722
Derivatives	501	579	501	579
Investment securities	6,431	5,949	6,431	5,949
Loans and advances	67,321	62,073	67,122	61,901
Credit commitments[1]	6,272	3,631	6,288	3,670
Gross credit risk	87,356	77,944	87,173	77,811
Impairment provisions	(219)	(217)	(214)	(211)
Total credit risk	87,137	77,727	86,959	77,600

1 Credit commitments represent the credit equivalent amount of the off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy: Standardised Approach to Credit Risk*.

The tables below detail the Group's exposure to credit risk by credit quality of the loans and advances.

	2023			2022		
Consolidated	Gross credit exposure $M	Impaired assets[1] $M	Past due loans > 90 days[2] $M	Gross credit exposure $M	Impaired assets[1] $M	Past due loans > 90 days[2] $M
Retail	54,837	29	280	50,281	40	264
Commercial	5,361	34	12	4,884	77	18
SME	2,633	14	15	2,641	14	12
Agribusiness	4,490	24	26	4,267	7	33
Gross credit risk	67,321	101	333	62,073	138	327
Impairment provisions	(219)	(31)	(14)	(217)	(46)	(10)
Total credit risk	67,102	70	319	61,856	92	317

1 Excludes non-performing loans that meet additional requirements under the revised APS 220.

2 Loans which are overdue under the contractual terms by 90 days or more. The amount represents the entire contractual balance not just the overdue portion.

Company	2023 Gross credit exposure $M	2023 Impaired assets[1] $M	2023 Past due loans > 90 days[2] $M	2022 Gross credit exposure $M	2022 Impaired assets[1] $M	2022 Past due loans > 90 days[2] $M
Retail	54,837	29	280	50,281	40	264
Commercial	5,272	34	12	4,813	77	18
SME	2,633	14	15	2,641	14	12
Agribusiness	4,380	24	25	4,166	7	33
Gross credit risk	67,122	101	332	61,901	138	327
Impairment provisions	(214)	(31)	(14)	(211)	(46)	(10)
Total credit risk	66,908	70	318	61,690	92	317

1 Excludes non-performing loans that meet additional requirements under the revised APS 220.

2 Loans which are overdue under the contractual terms by 90 days or more. The amount represents the entire contractual balance not just the overdue portion.

(b) Credit quality

The following table provides information regarding the credit quality of loans and advances including restructured loans.

	Consolidated 2023 $M	Consolidated 2022 $M	Company 2023 $M	Company 2022 $M
Performing loans				
Loans and advances[1]	66,869	61,574	66,671	61,402
Provision for impairment	(174)	(161)	(169)	(155)
	66,695	61,413	66,502	61,247
Non-performing loans – not impaired				
Loans and advances - past due[2]	333	327	332	327
Loans and advances with restructured terms[3]	18	34	18	34
Provision for impairment	(14)	(10)	(14)	(10)
	337	351	336	351
Non-performing loans – impaired				
Loans and advances - impaired[4]	101	138	101	138
Provision for impairment	(31)	(46)	(31)	(46)
	70	92	70	92
Total loans and advances	67,102	61,856	66,908	61,690

1 Loans that are not impaired and not past due under the contractual terms by 90 days or more.

2 Loans which are overdue under the contractual terms by 90 days or more where the Group considers that principal and interest plus any associated costs will be recovered in full.

3 Loan facilities whereby the original contractual terms have been modified in a manner that would not be commercially available to other customers in good standing due to the financial difficulties or hardship of the customer. For example, a reduction in principal, interest or other repayments due or an extended maturity date for repayment.

4 Loans classified as impaired, as doubt exists that the full amount of principal and interest will be collected in a timely manner in compliance with agreed terms. Excludes non-performing loans that meet additional requirements under the revised APS 220.

Financial assets that are performing loans can be assessed by reference to the Group's internal credit grade rating scale and are segmented into Strong, Satisfactory and Weak categories. Credit quality is internally assessed using the Group's credit rating system to determine each customer's PD and the associated internal risk rating grade. The rating grades can be aligned to the Standard & Poor's (**S&P**) ratings categories to enable wider comparisons. Internal credit rating assessments reflect several credit risk variables including arrears status, are tailored to the Group's significant customer segments and are undertaken in accordance with Credit Policy and Lending Guidelines.

The analysis below represents the current credit quality of loans and advances. Refer to note 8.2 for the explanation of each stage.

	2023					2022				
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Consolidated	ECL $M	ECL $M	ECL $M	SP $M	Total $M	ECL $M	ECL $M	ECL $M	SP $M	Total $M
Statistically-managed portfolio										
Strong[1]	54,737	-	-	-	54,737	50,814	-	-	-	50,814
Satisfactory[2]	677	517	-	-	1,194	527	432	-	-	959
Weak[3]	-	372	308	-	680	-	318	294	-	612
Impaired	-	-	9	24	33	-	-	20	26	46
Risk-graded portfolio										
Strong[1]	6,085	-	-	-	6,085	4,922	-	-	-	4,922
Satisfactory[2]	4,080	218	-	-	4,298	3,891	305	-	-	4,196
Weak[3]	-	145	81	-	226	-	281	151	-	432
Impaired	-	-	-	68	68	-	-	15	77	92
Gross carrying amount	65,579	1,252	398	92	67,321	60,154	1,336	480	103	62,073
Provision for impairment	(99)	(71)	(20)	(29)	(219)	(88)	(63)	(29)	(37)	(217)
Net carrying amount	65,480	1,181	378	63	67,102	60,066	1,273	451	66	61,856

1 Strong: PD aligns to S&P's rating AAA to BB.
2 Satisfactory: PD aligns to S&P's rating BB- to B.
3 Weak: PD aligns to S&P's rating B- to C.

	2023					2022				
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Company	ECL $M	ECL $M	ECL $M	SP $M	Total $M	ECL $M	ECL $M	ECL $M	SP $M	Total $M
Statistically-managed portfolio										
Strong[1]	54,709	-	-	-	54,709	50,784	-	-	-	50,784
Satisfactory[2]	677	517	-	-	1,194	527	432	-	-	959
Weak[3]	-	372	306	-	678	-	318	294	-	612
Impaired	-	-	9	24	33	-	-	20	26	46
Risk-graded portfolio										
Strong[1]	5,971	-	-	-	5,971	4,838	-	-	-	4,838
Satisfactory[2]	4,034	213	-	-	4,247	3,845	302	-	-	4,147
Weak[3]	-	141	81	-	222	-	273	150	-	423
Impaired	-	-	-	68	68	-	-	15	77	92
Gross carrying amount	65,391	1,243	396	92	67,122	59,994	1,325	479	103	61,901
Provision for impairment	(97)	(69)	(19)	(29)	(214)	(85)	(61)	(28)	(37)	(211)
Net carrying amount	65,294	1,174	377	63	66,908	59,909	1,264	451	66	61,690

1 Strong: PD aligns to S&P's rating AAA to BB.
2 Satisfactory: PD aligns to S&P's rating BB- to B.
3 Weak: PD aligns to S&P's rating B- to C.

Ageing of past due but not impaired financial assets is used by the Group to measure and manage emerging credit risks. A summary of the ageing of past due but not impaired loans and advances is noted below. The balances of financial assets other than loans and advances are all neither past due nor impaired.

	Consolidated Past due but not impaired				Company Past due but not impaired			
	1-29 days $M	30-89 days $M	>=90 days $M	Total $M	1-29 days $M	30-89 days $M	>=90 days $M	Total $M
2023								
Loans and advances								
Retail loans	597	244	280	1,121	597	244	280	1,121
Business loans	104	64	53	221	104	64	52	220
	701	308	333	1,342	701	308	332	1,341
2022								
Loans and advances								
Retail loans	488	178	264	930	488	178	264	930
Business loans	90	59	63	212	90	59	63	212
	578	237	327	1,142	578	237	327	1,142

(c) Collateral management

Collateral is used to mitigate credit risk as the secondary source of repayment in the event the counterparty cannot meet their contractual repayment commitments. The Group evaluates each customer's creditworthiness on a case-by-case basis. The extent of collateral value secured, if deemed necessary by the Group upon extension of credit, is based on management's credit evaluation of the counterparty.

81.5 per cent (2022: 81.0 per cent) of the Group's lending is classified as retail and 99.9 per cent (2022: 99.9 per cent) of that lending is secured by residential property. Residential Lenders Mortgage Insurance is generally required for residential mortgages with a loan-to-value ratio at origination of more than 80% per cent to cover any shortfall in outstanding loan principal and accrued interest. If the borrower is either an employee of the Suncorp Group or an acceptable medical practitioner, then mortgage insurance is only required where the loan-to-value ratio at origination is greater than 90% (subject to loan eligibility criteria). The financial effect of these measures is that remaining credit risk on residential loans is significantly reduced.

For the business banking portfolio, the Group will hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

In the event of ongoing customer default and/or post appropriate customer hardship support and negotiations, the Group may enact possession of security held as collateral against the outstanding claim. Any loan security for residential mortgages is held as mortgagee in possession while the Group seeks to realise its value through the sale of the property. Therefore, the Group does not hold any real estate or other assets acquired through the repossession of collateral. It is the Group's practice to demonstrate high standards of conduct when taking recovery action, and to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

For impaired assets, considerable care is taken to assess the underlying collateral value taking into account the likely method of recovery such as whether the client sells or through a formal insolvency appointment, the time involved and likely costs associated with the strategy. At 30 June 2023 the net impaired loans of $70 million (2022: $92 million) were supported by collateral held against the impaired loans of $80 million (2022: $105 million). Collateral and other credit enhancements held by the Group mitigates the maximum exposure to credit risk.

(d) Concentration of credit risk

Concentration of credit risk is managed by client or counterparty, customer segment and geography. Portfolios are actively monitored and frequently reviewed to identify, assess and protect against unacceptable risk concentrations. The following table details the credit risk by geographical concentration on gross loans and advances.

	Consolidated		Company	
Geographic breakdown	2023 $M	2022 $M	2023 $M	2022 $M
Queensland	30,440	29,195	30,291	29,076
New South Wales	19,381	17,388	19,341	17,345
Victoria	9,842	8,516	9,835	8,509
Western Australia	4,326	4,048	4,325	4,048
South Australia and other	3,332	2,926	3,330	2,923
Gross loans and advances	67,321	62,073	67,122	61,901

Details of the aggregate number of the Group's corporate exposures (including direct and contingent exposures) which individually were greater than five per cent of the Group's capital resources (Tier 1 and Tier 2 capital) are as follows. A concentration risk management framework is in place to monitor exposure levels set at levels which are considered acceptable in line with the Group's lending appetite.

Consolidated and Company	2023 Number	2022 Number
25% and greater	4	4
20% to less than 25%	-	-
15% to less than 20%	2	1
10% to less than 15%	-	2
5% to less than 10%	1	1

23.2 Liquidity risk

Executive management of liquidity and funding risk is delegated to the Bank Asset and Liability Committee (BALCO) which reviews risk measures and limits, endorses and monitors funding and liquidity strategy and ensures stress tests, the contingency funding plan and holdings of high-quality assets are effective and appropriate. Operational management of liquidity risk is delegated to the Balance Sheet Management team within Bank Treasury. Liquidity risk is independently monitored against approved policies on a daily basis by the Data Analytics and Treasury Risk Team. Market and Financial Risk Analytics provide second line of defence oversight of liquidity and funding management activities.

In conjunction with Group policies, the Bank has separate documents and processes to mitigate liquidity and funding risk which are approved by the Board Risk Committee and the Chief Risk Officer, Suncorp Bank, which are also subject to APRA review. These include:

– a liquidity and funding risk appetite statement as well as relevant risk limits;
– a framework that includes control practices, early warning indicators and appropriate management notification structures, including but not limited to: deposit concentration, liquidity coverage ratio, net stable funding ratio and liquidity concentration metrics limits;
– sourcing of retail deposits and long-term debt to provide funding for the majority of the funding portfolio. Funding capacity is monitored and diversity in the funding portfolio is managed with consideration given to product, tenor, geography and customer concentrations; and
– a contingency funding plan that outlines strategies to address liquidity shortfalls in stressed situations.

(a) Maturity analysis

The following tables summarise the maturity profile of the Group's financial liabilities based on the remaining undiscounted contractual obligations. For liquidity risk management purposes, the Group's daily liquidity reporting is largely aligned to contractual maturity except where prescribed differently by APRA or where other methods are considered more appropriate. The Group supplements contractual maturity with other metrics including the liquidity coverage ratio and the net stable funding ratio to manage its liquidity risk.

Derivative liabilities designated in a hedging relationship are included according to their contractual maturity.

Derivative liabilities which are not hedge accounted, or are in an economic hedge, are not included within the following tables as they are frequently settled and/or managed within the short term (refer to note 14).

Consolidated	Carrying amount $M	At call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2023							
Payables due to other banks	121	121	-	-	-	-	121
Deposits	51,434	37,400	6,382	7,957	389	-	52,128
Payables and other liabilities	432	-	432	-	-	-	432
Due to related parties	90	-	90	-	-	-	90
Borrowings	24,009	-	7,286	6,946	11,113	461	25,806
Subordinated notes[1]	600	-	9	610	-	-	619
	76,686	37,521	14,199	15,513	11,502	461	79,196
Derivatives							
Contractual amounts receivable (gross settled)	(754)	-	(175)	(249)	(362)	(11)	(797)
Contractual amounts payable (gross and net settled)	1,237	-	257	456	577	12	1,302
	483	-	82	207	215	1	505
Off-balance sheet positions							
Guarantees entered into in the normal course of business	-	274	-	-	-	-	274
Commitments to provide loans and advances	-	11,602	-	-	-	-	11,602
	-	11,876	-	-	-	-	11,876
2022							
Payables due to other banks	165	165	-	-	-	-	165
Deposits	48,125	36,720	6,293	5,232	260	-	48,505
Payables and other liabilities	201	-	201	-	-	-	201
Due to related parties	135	-	135	-	-	-	135
Borrowings	20,910	-	6,582	3,830	11,368	245	22,025
Subordinated notes[1]	600	-	5	22	616	-	643
	70,136	36,885	13,216	9,084	12,244	245	71,674
Derivatives							
Contractual amounts receivable (gross settled)	(328)	-	(50)	(129)	(159)	(4)	(342)
Contractual amounts payable (gross and net settled)	843	-	52	306	519	7	884
	515	-	2	177	360	3	542
Off-balance sheet positions							
Guarantees entered into in the normal course of business	-	243	-	-	-	-	243
Commitments to provide loans and advances	-	11,330	-	-	-	-	11,330
	-	11,573	-	-	-	-	11,573

1 Cash flows for subordinated notes have been included at their next call date. The total cash flows include both principal and associated future interest payments. Interest is calculated based on liabilities held at reporting date, without taking account of future issuance. Floating rate interest is estimated using estimated forward rates at the reporting date.

Company	Carrying amount $M	At call $M	0 to 3 months $M	3 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2023							
Payables due to other banks	121	121	-	-	-	-	121
Deposits	51,444	37,404	6,382	7,957	389	-	52,132
Payables and other liabilities	510	-	510	-	-	-	510
Due to related parties[1]	14,924	-	2,824	-	-	12,100	14,924
Borrowings	21,350	-	7,074	6,384	9,266	-	22,724
Subordinated notes[2]	600	-	9	610	-	-	619
	88,949	37,525	16,799	14,951	9,655	12,100	91,030
Derivatives							
Contractual amounts receivable (gross settled)	(754)	-	(175)	(249)	(362)	(11)	(797)
Contractual amounts payable (gross and net settled)	1,237	-	257	456	577	12	1,302
	483	-	82	207	215	1	505
Off-balance sheet positions							
Guarantees entered into in the normal course of business	-	274	-	-	-	-	274
Commitments to provide loans and advances	-	11,643	-	-	-	-	11,643
	-	11,917			-	-	11,917
2022							
Payables due to other banks	165	165	-	-	-	-	165
Deposits	48,135	36,728	6,293	5,232	260	-	48,513
Payables and other liabilities	326	-	326	-	-	-	326
Due to related parties[1]	14,660	-	2,560	-	-	12,100	14,660
Borrowings	18,508	-	6,394	3,241	9,685	-	19,320
Subordinated notes[2]	600	-	5	22	616	-	643
	82,394	36,893	15,578	8,495	10,561	12,100	83,627
Derivatives							
Contractual amounts receivable (gross settled)	(328)	-	(50)	(129)	(159)	(4)	(342)
Contractual amounts payable (gross and net settled)	843	-	52	306	519	7	884
	515	-	2	177	360	3	542
Off-balance sheet positions							
Guarantees entered into in the normal course of business	-	243	-	-	-	-	243
Commitments to provide loans and advances	-	11,369	-	-	-	-	11,369
	-	11,612			-	-	11,612

1 Funds raised from securitisation through the Apollo Trusts are on-lent to the Company through intercompany loan agreements.

2 Cash flows for subordinated notes have been included at their next call date. The total cash flows include both principal and associated future interest payments. Interest is calculated based on liabilities held at reporting date, without taking account of future issuance. Floating rate interest is estimated using estimated forward rates at the reporting date.

(b) Composition of funding

Details of the composition of funding used by the Group to raise funds are as follows.

	Note	Consolidated 2023 $M	Consolidated 2022 $M	Company 2023 $M	Company 2022 $M
Customer funding					
Customer deposits					
At-call transactions deposits		19,914	20,805	19,924	20,815
At-call savings deposits		17,146	15,832	17,146	15,832
Term deposits		14,374	11,488	14,374	11,488
Total retail funding		51,434	48,125	51,444	48,135
Wholesale funding					
Domestic funding					
Short-term wholesale[1]		5,863	5,319	5,863	5,319
Long-term wholesale[2]		9,392	8,543	9,392	8,543
Covered bonds		2,842	2,093	2,842	2,093
Subordinated notes		600	600	600	600
Total domestic funding		18,697	16,555	18,697	16,555
Overseas funding					
Short-term wholesale[1]		2,519	1,842	2,519	1,842
Long-term wholesale[2]		734	711	734	711
Total overseas funding		3,253	2,553	3,253	2,553
Total wholesale funding		21,950	19,108	21,950	19,108
Total funding (excluding securitisation)		73,384	67,233	73,394	67,243
Securitisation					
APS 120 qualifying[3]		2,659	2,402	-	-
Total securitisation		2,659	2,402	-	-
Total funding (including securitisation)		76,043	69,635	73,394	67,243
Comprised of the following items on the SoFP					
Deposits	10	51,434	48,125	51,444	48,135
Borrowings	11	24,009	20,910	21,350	18,508
Subordinated notes	16	600	600	600	600
Total funding		76,043	69,635	73,394	67,243

1 Original maturity of less than 12 months.

2 Original maturity of 12 months or greater.

3 The corresponding loans and advances are subject to capital relief under APS 120 *Securitisation*.

23.3 Market risk

The Group is exposed to mainly two sources of market risk, being interest rate and foreign exchange risks. For the purposes of market risk management, these are further broken down into traded and non-traded market risks.

The Group uses value at risk (**VaR**) as one of the key measures of traded market risk and non-traded interest rate risk in the banking book (**IRRBB**). The VaR model is a statistical technique used to measure and quantify the market risk over a specific holding period at a given confidence level. The Group's standard VaR approach for traded and non-traded risk is based on a historical simulation which uses equally weighted market observation from the last two years and eight years respectively. Historical VaR simulation assumes that the distribution of past price returns will reflect future returns.

(a) Traded market risk

The Group trades a range of interest, foreign exchange and derivative products. Income is earned through effective trading within the established risk management framework.

In addition to VaR, traded interest rate and foreign exchange risks are managed using a framework that includes stress-testing, scenario analysis, sensitivity and stop losses. These measures are monitored and reported to the Chief Risk Officer, Suncorp Bank and the BALCO for management oversight.

VaR is modelled at a 99 per cent confidence level over a one-day holding period for trading book positions.

The VaR for the Group's total interest rate and foreign exchange trading activities at the end of the financial year are as follows.

	2023			2022		
Consolidated and Company	Interest rate risk $M	FX risk $M	Combined risk[1] $M	Interest rate risk $M	FX risk $M	Combined risk[1] $M
VaR at the end of the financial year	0.30	0.20	0.41	0.24	0.03	0.25
Average VaR for the financial year	0.27	0.10	0.30	1.20	0.08	1.23

1 VaR for combined risk is the total interest rate risk and foreign exchange risk, taking into account correlations between different positions in both the interest rate and foreign exchange trading portfolios.

(b) Non-traded interest rate risk

Non-traded IRRBB is defined as all on-balance sheet items and off-balance sheet items in the banking portfolio that create an interest rate risk exposure within the Group. The main objective of IRRBB management is to maximise and stabilise net interest income in the long term.

Interest rate risk arises from changes in interest rates that expose the Group to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB and they include:

– repricing risk: resulting from changes in the overall levels of interest rates and the effect this has on the banking book with respect to mismatches in repricing dates.

– yield curve risk: resulting from changes in the relative levels of interest rates at different tenors of the yield curve (that is a change in the slope or shape of the yield curve).

– basis risk: resulting from differences between the actual and expected interest margins on banking book items.

– optionality risk: resulting from the existence of stand-alone or embedded options to the extent that the potential for losses is not included in the measurement of repricing, yield curve or basis risks.

– embedded value risk: resulting from differences in transactions book value compared to mark-to-market fair value due to past interest rate movements.

– spread risk: arises due to the imperfect movement of interest rates for different yield curves within an economy.

(i) IRRBB – Net interest income sensitivity (NIIS)

IRRBB exposures are generated by using underlying reconciled financial position data to generate cash flows using relevant interest rate curves, and a static balance sheet assumption. Contractual cash flows are generated except for products where expected behavioural cash flow modelling is more appropriate, and they are modelled with a profile and at a term that can be statistically supported.

As a measure of shorter-term sensitivity, NIIS measures the sensitivity of the banking book earnings over the next 12 months to instantaneous parallel and non-parallel shocks to the yield curve. NIIS is measured using a two per cent parallel and non-parallel shock to the yield curve to determine the potential adverse change in net interest income in the ensuing 12-month period.

The following table indicates the potential impact to NIIS from an adverse two per cent parallel movement in interest rates on the consolidated SoFP. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Consolidated and Company	2023 $M	2022 $M
Exposure at the end of the financial year	(15)	(45)
Average exposure during the financial year	(34)	(18)

(ii) Present value sensitivity

As a measure of longer-term sensitivity, present value sensitivity measures the sensitivity of the present value of all known future cash flows in the banking book, to instantaneous parallel and non-parallel shocks to the yield curve. All exposures have their known future cash flows present valued from relevant interest rate curves.

The following table indicates the potential impact to economic value from an adverse two per cent parallel movement in interest rates on the consolidated SoFP.

The results are prepared based on the IRRBB framework applicable to the respective financial year.

Consolidated and Company	2023 $M	2022 $M
Exposure at the end of the financial year	(2)	(58)
Average exposure during the financial year	(25)	(54)

(iii) Value at Risk

VaR is modelled at a 99% confidence level over a one-month holding period for IRRBB. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Consolidated and Company	2023 $M	2022 $M
Exposure at the end of the financial year	(9)	(23)
Average exposure during the financial year	(16)	(18)

(c) Non-traded foreign exchange risk

Non-traded foreign exchange risk can arise from having non-Australian dollar items in the banking portfolio, thereby exposing current and future earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management is to minimise the impact on earnings of any such movements. The Group policy is to fully hedge any such exposure and accordingly minimise exposure to the risk. All offshore borrowing facilities arranged as part of the overall funding diversification process have been economically hedged in respect of their potential foreign exchange risk through the use of financial derivatives (refer to note 14).

Other disclosures

This section includes other information about the Group's operations that are disclosed to comply with Australian Accounting Standards and the Corporations Act.

24. Notes to the statements of cash flows

24.1 Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Profit for the financial year	462	352	457	356
Non-cash items				
Impairment expense (release) on financial assets	17	(14)	17	(12)
Change in fair value relating to investing and financing activities	(18)	(4)	(18)	(4)
Other non-cash items	(72)	(29)	(72)	(30)
Change in operating assets and liabilities				
Net movement in tax assets and liabilities	(17)	(35)	(18)	(38)
Decrease (increase) in trading securities	505	(1,151)	505	(1,151)
Increase in loans and advances	(5,192)	(4,480)	(5,164)	(4,479)
Net movement in balances with related parties	30	89	316	446
(Increase) decrease in other assets	(73)	112	(77)	113
Increase in deposits	3,309	6,605	3,309	6,435
Increase in payables and other liabilities	231	43	184	88
Net cash (used in) from operating activities	(818)	1,488	(561)	1,724

24.2 Reconciliation of cash and cash equivalents to the statements of cash flows

	Consolidated		Company	
	2023 $M	2022 $M	2023 $M	2022 $M
Cash and cash equivalents at the end of the financial year in the statements of cash flows is represented by the following line items in the SoFP:				
Cash and cash equivalents	2,927	609	2,925	607
Receivables due from other banks[1]	1,788	2,490	1,788	2,490
Payables due to other banks[2]	(121)	(165)	(121)	(165)
	4,594	2,934	4,592	2,932

1 Includes $132 million (2022: $117 million) of collateral representing credit support to secure the Group's derivative liability position, as part of the standard ISDA agreement and $1,645 million (2022: $2,274 million) of balances with the RBA.

2 Includes $75 million (2022: $120 million) of collateral representing credit support to secure the Group's derivative asset position, as part of the standard ISDA agreement.

25. Composition of the Company

25.1 Material subsidiaries of the Company

Subsidiaries	Class of shares	Country of incorporation	2023 Equity holding %	2022 Equity holding %
APOLLO Series Trusts (various)[1]	Units	Australia	100	100
Suncorp Covered Bond Trust	Units	Australia	100	100
SME Management Pty Limited	Ordinary	Australia	100	100
Suncorp Metway Advances Corporation Pty Ltd	Ordinary	Australia	100	100

1 The Company conducts a loan securitisation program whereby housing mortgage loans are packaged and sold as securities to the wholly owned Apollo Series Trusts. As at 30 June 2023, the Company maintains seven active Trusts (2022: seven).

Accounting policies

The Group's consolidated financial statements are the financial statements of the Company and all its subsidiaries, presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Group which includes companies and trusts. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control commences until the date on which control ceases.

Structured entities (**SE**) are entities created to accomplish a specific and well-defined objective such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. Judgments are applied in determining whether a SE is controlled and consolidated by the Group. A SE is consolidated if the Group is exposed to, or has rights to, variable returns from its involvement with the SE and has the ability to affect those returns through its power over the SE.

The main types of SE established by the Group are securitisation trusts and the Suncorp Covered Bond Trust. The securitisation trusts and the Suncorp Covered Bond Trust are controlled by the Group and are consolidated in the consolidated financial statements.

25.2 Consolidated structured entities

The Group has the following contractual arrangements which require it to provide support to its consolidated structured entities, the Apollo Series Trusts.

Liquidity facility

The Group provides a liquidity facility to the trustee of the trusts. If there is a remaining net liquidity shortfall, the trustee may be able to request an advance under the liquidity facility up to a total aggregate amount equal to the unutilised portion of the liquidity facility limit. Drawings under the liquidity facility will be subject to certain conditions precedent. The maximum amount which can be drawn is $208 million (2022: $207 million).

The amount drawn as of 30 June 2023 is $nil (2022: $nil).

Redraw facility

The Group provides a redraw facility to the trustee of the trusts. If total principal collections for a monthly period are insufficient to fully reimburse the seller for redraws made during that monthly period to the extent the seller is entitled to be reimbursed, the trustee may be able to request an advance from the redraw facility provider under the redraw facility up to a total aggregate amount equal to the unutilised portion of the redraw facility limit. The provision of the redraw facility will be subject to normal credit criteria and a market rate of interest will be charged. Drawings under the redraw facility will be subject to certain conditions precedent. The maximum amount which can be drawn is $75 million (2022: $74 million).

The amount drawn as of 30 June 2023 is $nil (2022: $nil).

26. Key management personnel and other related party disclosures

26.1 Key management personnel disclosures

As a wholly-owned subsidiary of Suncorp Group Limited, key management personnel (**KMP**) disclosures for the Company are consistent with those disclosed by Suncorp Group Limited.

Total compensation for KMP are as follows:

	2023 $000	2022 $000
Short-term employee benefits	17,738	16,852
Long-term employee benefits	208	198
Post-employment benefits	610	563
Share-based payments	3,575	7,148
	22,131	24,761

The ultimate parent entity has determined the compensation of KMP in accordance with their roles within the entire Suncorp Group. Employee service contracts do not include any compensation, including bonuses, specifically related to the role of KMP of the Company and to allocate a figure may in fact be misleading. There is no link between KMP compensation and the financial results of the Company. Therefore, as there is no reasonable basis for allocating a KMP compensation amount to the Company, the entire compensation of the KMP has been disclosed above.

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of the Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as SP, as the balances are considered fully collectable.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to KMP and their related parties are as follows:

	2023		2022	
	Key management personnel $000	Other related parties $000	Key management personnel $000	Other related parties $000
Closing balance	1,394	-	1,213	43
Interest charged	61	-	40	1

26.2 Other related party transactions

	Consolidated 2023 $000	Consolidated 2022 $000	Company 2023 $000	Company 2022 $000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:				
Other operating income				
Subsidiaries	-	-	287,613	383,520
Other related parties	4,518	4,432	4,518	4,432
Interest expense				
Subsidiaries	-	-	3,786	199
Other related parties	30,047	13,888	30,047	13,888
Operating expenses[1]				
Subsidiaries	-	-	378,145	404,562
Other related parties	703,281	727,289	703,281	727,289
Dividends paid				
Parent entity	135,000	405,000	135,000	405,000
Other related parties	23,878	21,745	23,878	21,745
Aggregate amounts receivable from, and payable to, each class of related parties as at the end of the financial year				
Investment securities				
Subsidiaries	-	-	75	25
Due from related parties				
Subsidiaries	-	-	12,432,265	12,408,843
Other related parties	165,062	220,575	165,062	220,575
Deposits				
Subsidiaries	-	-	10,300	10,225
Other related parties	230,530	250,498	230,530	250,498
Due to related parties				
Subsidiaries	-	-	14,834,428	14,525,511
Other related parties	90,001	134,562	90,001	134,562
Subordinated notes				
Other related parties	600,000	600,000	600,000	600,000

1 As set out in note 5, operating expenses such as employee expenses, depreciation and amortisation are incurred directly by Suncorp Group's corporate service subsidiaries and recharged to the Group via an internal allocation methodology.

The Company has a related party relationship with its subsidiaries (refer to note 25), parent entity and other subsidiaries controlled by the Suncorp Group and with its key management personnel (refer to note 26.1).

A number of banking transactions occur between the Company and related parties within the Suncorp Group. These include loans, deposits and foreign currency transactions, upon which fees, commissions and interest may be earned. These transactions occur in the normal course of business and are on terms equivalent with those made on an arm's length basis, except that some short term intercompany advances may be interest free.

Related party loans and advances are disclosed within the SoFP caption 'Due from related parties' and are presented net of intercompany liabilities with the respective related party. All amounts are expected to be fully recoverable. The key terms of the material financing arrangements as at 30 June 2023 are presented in the table below:

Consolidated and Company	Facility $M	Carrying amount $M	Interest rate %	Maturity
Long-term fixed facility[1]	94	55	BBSW 90 + 2.15%	30 Jun 2027
Revolving facility	120	115	BBSW 90 + 2.15%	30 Sep 2023
Total loans and advances to other related parties	214	170		

1 The terms of the Long-term fixed facility require the borrower to make fixed repayments in accordance with the amortisation schedule. Repaid amounts cannot be redrawn by the borrower.

27. Auditor’s remuneration

	Consolidated 2023 $000	Consolidated 2022 $000	Company 2023 $000	Company 2022 $000
KPMG Australia				
Audit and review services				
Audit and review of financial reports	1,128	1,031	1,017	924
	1,128	1,031	1,017	924
Assurance services				
Regulatory assurance services	811	646	811	646
Other assurance services	228	196	57	21
	1,039	842	868	667
In relation to taxation and other services	17	70	17	70
Total Auditor's remuneration	2,184	1,943	1,902	1,661

Fees for services rendered by the Company’s auditor are borne by a related entity within the Suncorp Group.

28. Contingent assets and liabilities

28.1 Contingent assets

Contingent assets are not recognised, but are disclosed in the consolidated financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

There are claims and possible claims made by the Group against external parties. Where considered appropriate, privileged legal advice has been obtained. The Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. The Group is of the opinion that receivables are not required in respect of these matters, as the inflow of future economic benefits is probable but not virtually certain.

28.2 Contingent liabilities

Contingent liabilities are not recognised, but are disclosed in the consolidated financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

There are contingent liabilities facing the Group in respect of the matters below.

Regulatory and internal reviews

Reviews and enquiries from regulators may result in investigation and administrative costs, system changes, litigation, and regulatory enforcement action (and associated legal costs), compensation and/or remediation payments (including interest) or fines. The Group conducts its own internal reviews of its regulatory compliance, which it may disclose to the regulators, which may result in similar costs.

In recent periods, a number of regulators including Australian Securities and Investments Commission (**ASIC**), APRA, ACCC, Australian Transaction Reports and Analysis Centre (**AUSTRAC**) and the Australian Taxation Office conducted reviews and made enquiries with the Group. There were a number of non-compliance instances identified and disclosed by the Group to ASIC, APRA and AUSTRAC.

An assessment of the likely cost to the Group of these matters has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated and the outflow becomes probable, then the amount would be provisioned.

During the year, AUSTRAC issued a Compliance Assessment Report concerning the Company's compliance with its Anti-Money Laundering and Counter-Terrorism Financing (**AML/CTF**) obligations, which included a number of findings and recommendations. Management have incorporated the recommendations into the Financial Crime Compliance Program of Action (**FCC PoA**) and continue to keep AUSTRAC informed of its progress. Management are not aware of any pending enforcement action or liability arising from AUSTRAC's findings.

Customer remediation and complaints

The Group is currently undertaking a number of programs of work to resolve prior issues that have impacted customers. Contingent liabilities may exist in respect of actual or potential claims, compensation payments and/or remediation payments (including interest) identified as part of existing programs of work or as part of future programs responding to regulatory or internal reviews.

The Australian Financial Complaints Authority (**AFCA**) has the power to award compensation within financial limits prescribed by its rules on complaints raised by customers and investigate matters they consider may be 'systemic'. The Group is working through the individual cases that have been referred to AFCA as well as any systemic matters opened by AFCA.

An assessment of the likely cost to the Group of reviews and customer complaints has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated and the outflow becomes probable, then the amount would be provisioned.

Royal Commission

The 2019 report of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (**Report**) set out 76 policy recommendations. The Group has implemented many of the known reforms since the Report and will continue to monitor and respond to any additional legislative and regulatory activity.

Bills have recently passed through the senate and, subject to receiving Royal Assent, will result in the establishment of the Compensation Scheme of Last Resort (**CSLR**) in Australia. The scheme will provide compensation to victims of financial misconduct who have won their cases through AFCA but have not been paid due to the insolvency of the involved financial institution. While the scheme is not related to Group matters, initial financial remediations under this scheme are to be financed via a one-off levy, applicable to the top ten largest, APRA regulated banking and insurance groups in financial year 2021-22. Suncorp Group has made a provision for its share of the one-off levy, however the actual levy imposed could vary from this amount

The Group will be liable for payment of Annual and Special levies which are also proposed under the CSLR bills but given the scope and enforcement date for the industry funded levies the amounts have not been provided for.

Litigation

There are outstanding court proceedings, enquiries, industry reviews, claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, privileged legal advice has been obtained. The Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, likely to have a material effect on its operations or financial position.

An assessment of the likely cost to the Group of these matters has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated and the outflow becomes probable, then the amount would be provisioned.

Other

A non-material subsidiary of the Company acts as the trustee for a trust. In this capacity, the subsidiary is liable for the debts of the trust but is entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trust.

The Company issued a letter of financial support to the directors of Suncorp Metway Advances Corporation Pty Ltd (**SMAC**), a wholly owned subsidiary of the Company. The letter confirmed that necessary financial support will be provided in the event SMAC is unable to meet its financial obligations as and when they fall due. No provision has been recognised in the Company's SoFP for the amount of the financial support provided as the likelihood of SMAC being unable to meet its financial obligations is determined as not being probable.

In the ordinary course of business, the Group enters into various types of investment contracts that can give rise to contingent liabilities. It is not expected that any significant liability will arise from these types of transactions as any losses or gains are offset by corresponding gains or losses on the underlying exposures.

29. Subsequent events

On 4 August 2023, the ACCC announced it would deny authorisation of the planned sale of SBGH Limited to ANZ. On 25 August 2023 ANZ announced it has filed an application for Tribunal review of the decision by the ACCC not to grant authorisation for ANZ's proposed acquisition of SBGH Limited. In support of ANZ's application, Suncorp Group has made its own application to the Tribunal for a review of the ACCC's decision and will participate fully in its own right throughout the Tribunal process. In addition to the Tribunal's approval, the sale remains subject to the amendment of the *State Financial Institutions and Metway Merger Act 1996 (Qld)* and approval from the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998*. Subject to all approvals being received, Suncorp Group expects the sale to complete by the middle of the 2024 calendar year.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' declaration

1. The directors of Suncorp-Metway Limited (the **Company**) declare that in their opinion:
   a. the financial statements and notes set out on pages 6 to 60, are in accordance with the *Corporations Act 2001*, including:
      i. giving a true and fair view of the Company's and the Group's financial position as at 30 June 2023 and of their performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors draw attention to note 2.1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Christine McLoughlin

CHRISTINE MCLOUGHLIN, AM

Chairman

28 August 2023

STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

28 August 2023

Independent Auditor's Report

To the shareholder of Suncorp-Metway Limited

Opinions

We have audited the consolidated ***Financial Report*** of Suncorp-Metway Limited (the Group Financial Report). We have also audited the Financial Report of Suncorp-Metway Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Suncorp-Metway Limited are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's and Company's financial position as at 30 June 2023 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective ***Financial Reports*** of the Group and the Company comprise:

- Statements of financial position as at 30 June 2023;
- Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of Suncorp-Metway Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Suncorp-Metway Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Kim Lawry
Partner

Sydney
28 August 2023