ASX announcement

10 May 2023

Suncorp Bank APS 330 31 March 2023

Suncorp (ASX: SUN | ADR: SNMCY) today released its Bank quarterly update as at 31 March 2023 as required under the Australian Prudential Standard APS 330. The report is attached.

Authorised for lodgement with the ASX by the Suncorp Audit Committee.

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Suncorp Group Limited

ABN 66 145 290 124

Suncorp Bank APS 330: Quarter ended
31 March 2023

Release date 10 May 2023

Basis of Preparation

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

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

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

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

Figures relate to the quarter ended 31 March 2023 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (ASX).

This document is prepared in accordance with Basel III Prudential Capital requirements effective for reporting periods beginning on or after 1 January 2023. The 31 December 2022 comparative numbers have been restated in this document and prepared in accordance with the Basel III Prudential Capital requirements.

Suncorp announced the sale of Suncorp Bank to Australia and New Zealand Banking Group Limited on 18 July 2022. The sale is subject to regulatory and government approvals with completion targeted in the second half of calendar year 2023. The financial performance of Suncorp Bank will continue to be reported as an ongoing function until completion occurs.

Disclaimer

This report contains general information which is current as at 10 May 2023. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Suncorp Group and Suncorp Bank or any product or service offered by its entities, or intended to be relied upon as advice.

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp Group's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial conditions, capital adequacy, specific provisions and risk management practices at the date of this report and undertakes no obligation to update any forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp Group's control, which may cause actual results to differ materially from those expressed or implied.

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Overview

Suncorp Bank's home lending portfolio growth was below system in the March quarter and moderated to $153 million or 0.3% (1.2% annualised). Home lending growth in the quarter was supported by strong service levels, including lower turnaround times and significantly improved customer and broker experiences. The Bank maintains a high-quality and conservatively positioned home lending portfolio, weighted towards owner occupiers, on principal and interest repayment terms and loans with a loan-to-valuation ratio (LVR) below 80%.

Business lending grew $158 million or 1.3% (5.3% annualised). The agribusiness portfolio grew by $104 million, outperforming seasonal trends, driven by strong settlements offsetting runoff. Commercial lending growth of $80 million was driven by lending to new customers and increases for existing customers, particularly in Queensland. The small and medium enterprise (SME) portfolio contracted $26 million, due to heightened external refinances late in the quarter.

Household deposit growth for the quarter was in line with system growth levels. The Bank continues to prioritise portfolio margin in favour of market share growth and the portfolio is strategically managed within funding requirements. We continue to grow savings account balances (19.9% annualised), as well as higher margin retail term deposits (16% annualised) as customers become increasingly responsive to higher interest products. The transaction portfolio contracted 6.2% (annualised).

The Bank has continued to focus on increasing its digital enablement and capabilities. The number of digitally active Bank customers increased 9.2% (annualised) through the quarter. At 31 March 2023, 45.5% of personal customers were using the Suncorp app, up from 44.4% at 31 December 2022.

A net impairment expense of $1 million for the quarter reflects an unchanged collective provision, minimal write-offs, and a small specific provision release across several home and business lending customers. Gross impaired assets decreased $1 million over the quarter to $98 million or 15 basis points of gross loans and advances (GLA), driven by small decreases across gross impaired home lending, SME and commercial lending. This was offset by an increase of $9 million in agribusiness lending, attributable to one customer impacted by higher operating and input costs.

Total 90+ days past due loans not impaired increased $43 million over the quarter to $324 million or 50 basis points of GLA. This was primarily driven by a $28 million increase within the home lending portfolio, reflecting the impact of interest rate and inflationary pressures.

As at 31 March 2023, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) were 141% and 134% respectively, demonstrating the continued strength of Suncorp's funding and liquidity position. The Bank's capital levels remain sound, with a Common Equity Tier 1 ratio of 10.40% (pro forma Dec 2022: 10.51%), within the newly implemented target operating range of 10.00% to 10.50%, effective 1 January 2023, under APRA's Basel III new capital framework.

Loans and advances

	Mar-23 $M	Dec-22 $M	Mar-22 $M	Mar-23 vs Dec-22 %	Mar-23 vs Mar-22 %
Housing loans - term	47,583	47,251	43,292	0.7	9.9
Housing line of credit	583	623	818	(6.4)	(28.7)
Securitised housing loans and covered bonds	4,832	4,971	3,985	(2.8)	21.3
Total housing loans	**52,998**	52,845	48,095	**0.3**	**10.2**
Personal loans	42	51	79	(17.6)	(46.8)
Retail loans	**53,040**	52,896	48,174	**0.3**	**10.1**
SME	2,620	2,646	2,657	(1.0)	(1.4)
Commercial	5,245	5,165	4,528	1.5	15.8
Agribusiness	4,299	4,195	4,134	2.5	4.0
Total business loans	**12,164**	12,006	11,319	**1.3**	**7.5**
Total lending	**65,204**	64,902	59,493	**0.5**	**9.6**
Provision for impairment	(207)	(211)	(218)	(1.9)	(5.0)
Total loans and advances	**64,997**	64,691	59,275	**0.5**	**9.7**
Geographical breakdown - Total lending					
Queensland	29,742	29,740	28,199	0.0	5.5
New South Wales	18,609	18,365	16,685	1.3	11.5
Victoria	9,396	9,369	7,964	0.3	18.0
Western Australia	4,214	4,242	3,843	(0.7)	9.7
South Australia and other	3,243	3,186	2,802	1.8	15.7
Outside of Queensland loans	35,462	35,162	31,294	0.9	13.3
Total lending	**65,204**	64,902	59,493	**0.5**	**9.6**

Impairment (losses)/releases on loans and advances

	Quarter Ended			Mar-23	Mar-23
	Mar-23	Dec-22	Mar-22	vs Dec-22	vs Mar-22
	$M	$M	$M	%	%
Collective provision for impairment	-	-	-	n/a	n/a
Specific provision for impairment	2	(1)	(1)	(300.0)	(300.0)
Actual net write-offs	(3)	-	-	n/a	n/a
Impairment releases/(losses)	(1)	(1)	(1)	-	-
Impairment releases/(losses) to gross loans and advances	(0.00%)	(0.00%)	(0.00%)		

Impaired assets and 90+ days past due loans

	Quarter Ended			Mar-23	Mar-23
	Mar-23	Dec-22	Mar-22	vs Dec-22	vs Mar-22
	$M	$M	$M	%	%
Gross balances of individually impaired loans					
Retail lending	33	38	42	(13.2)	(21.4)
Agribusiness lending	17	8	13	112.5	30.8
Commercial lending	34	36	81	(5.6)	(58.0)
SME lending	14	17	18	(17.6)	(22.2)
Gross impaired assets	98	99	154	(1.0)	(36.4)
Impairment provision	(29)	(33)	(52)	(12.1)	(44.2)
Net impaired assets	69	66	102	4.5	(32.4)
Impairment provisions expressed as a percentage of gross impaired assets	30%	33%	34%		
Size of gross individually impaired assets					
Less than one million	26	31	34	(16.1)	(23.5)
Greater than one million but less than ten million	59	55	76	7.3	(22.4)
Greater than ten million	13	13	44	-	(70.5)
Gross impaired assets	98	99	154	(1.0)	(36.4)
90+ days past due loans not shown as impaired assets	324	281	347	15.3	(6.6)
Gross non-performing loans[1]	422	380	501	11.1	(15.8)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	99	106	166	(6.6)	(40.4)
Recognition of new impaired assets	11	18	8	(38.9)	37.5
Other movements in impaired assets[2]	-	-	(1)	n/a	(100.0)
Impaired assets which have been reclassed as performing assets or repaid	(12)	(25)	(19)	(52.0)	(36.8)
Balance at the end of the period	98	99	154	(1.0)	(36.4)

[1] Gross non-performing loans in the above table excludes loans that meet additional requirements under the revised APS 220 *Credit Risk Management*.

[2] Net of increases in previously recognised impaired assets and impaired assets written off.

Provision for impairment

	Mar-23 $M	Dec-22 $M	Mar-22 $M	Mar-23 vs Dec-22 %	Mar-23 vs Mar-22 %
Collective provision					
Balance at the beginning of the period	180	180	180	-	-
(Release)/charge against impairment losses	-	-	-	-	-
Balance at the end of the period	180	180	180	-	-
Specific provision					
Balance at the beginning of the period	31	32	39	(3.1)	(20.5)
(Release)/charge against impairment losses	(2)	1	1	(300.0)	(300.0)
Impairment provision written off [1]	(2)	(2)	(2)	-	-
Balance at the end of the period	27	31	38	(12.9)	(28.9)
Total provision for impairment - Banking activities	207	211	218	(1.9)	(5.0)

Provision for impairment expressed as a percentage of gross loans and advances are as follows:	%	%	%
Collective provision	0.28	0.28	0.30
Specific provision	0.04	0.05	0.06
Total provision coverage	0.32	0.33	0.37

[1] Includes immaterial unwind of discount.

Gross non-performing loans coverage by portfolio

	Mar-23 $M	Dec-22 $M	Mar-22 $M	Mar-23 vs Dec-22 %	Mar-23 vs Mar-22 %
Retail Lending					
Past due loans[1]	260	232	293	12.1	(11.3)
Impaired assets	33	38	42	(13.2)	(21.4)
Specific provision	5	7	8	(28.6)	(37.5)
Collective provision[2]	9	10	9	(10.0)	-
Total provision coverage[3]	4.8%	6.3%	5.1%	(1.5)	(0.3)
Agribusiness Lending					
Past due loans[1]	39	29	25	34.5	56.0
Impaired assets	17	8	13	112.5	30.8
Specific provision	3	3	1	-	200.0
Collective provision[2]	6	3	6	100.0	-
Total provision coverage[3]	16.1%	16.2%	18.4%	(0.1)	(2.3)
Commercial Lending					
Past due loans[1]	5	7	14	(28.6)	(64.3)
Impaired assets	34	36	81	(5.6)	(58.0)
Specific provision	14	16	21	(12.5)	(33.3)
Collective provision[2]	1	1	19	-	(94.7)
Total provision coverage[3]	38.5%	39.5%	42.1%	(1.0)	(3.6)
SME Lending					
Past due loans[1]	20	13	15	53.8	33.3
Impaired assets	14	17	18	(17.6)	(22.2)
Specific provision	5	5	8	-	(37.5)
Collective provision[2]	3	3	5	-	(40.0)
Total provision coverage[3]	23.5%	26.7%	39.4%	(3.2)	(15.9)

[1] Excludes loans which are less than 90 days past due.
[2] The collective provision presented in the table above is the provision held for non-performing loans i.e. loans in Stage 3 only.
[3] Calculated as: (Specific provision + Collective provision Stage 3) / (Past due loans + Impaired assets).

Appendix 1 – APS 330 Tables

- Table 1: Capital disclosure template – not applicable for this reporting period. This table was disclosed in the December 2022 reporting period.
- Table 2: Main features of capital instruments
- Table 3: Capital adequacy
- Table 4: Credit risk
- Table 5: Securitisation exposures
- Table 20: Liquidity Coverage Ratio Disclosure

Table 2: Main Features of Capital Instruments

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

The Suncorp Group's main features of capital instruments are updated on an ongoing basis and are available at https://www.suncorpgroup.com.au/investors/regulatory-disclosures-current.

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

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

Table 3: Capital Adequacy

	Risk Weighted Assets	
	Mar-23 $M	Dec-22[1] $M
On-balance sheet credit risk-weighted assets		
Claims secured by residential mortgage	17,827	17,886
Other retail	124	126
Bank	61	71
Government	-	-
Corporates[2]	8,569	8,461
Securisation	38	55
All other exposures	47	64
Total on-balance sheet assets	26,666	26,663
Off-balance sheet exposures		
Non-market related off-balance sheet exposures	2,936	2,865
Market related off-balance sheet exposures	93	72
Securitisation	10	8
Total off-balance sheet exposures	3,039	2,945
Total on-balance sheet assets and off-balance sheet positions	29,705	29,608
Market risk capital charge	145	107
Operational risk capital charge	2,335	2,335
Total risk-weighted assets	32,185	32,050

	Capital Ratios	
	Mar-23 %	Dec-22[1] %
Common Equity Tier 1	10.40	10.51
Tier 1	12.14	12.26
Tier 2	2.51	2.53
Total risk-weighted capital ratio	14.65	14.79

[1] The December 2022 comparative numbers have been restated for the Basel III new capital framework.
[2] Includes commercial property and land acquisition, development, and construction exposures.

Table 4: Credit Risk

Table 4A: Credit risk by gross credit exposure

Exposure Type	Gross Credit Exposure[1] Mar-23 $M	Gross Credit Exposure[1] Dec-22 $M	Average Gross Credit Exposure[1] Mar-23 $M
Receivables[2]	2,857	4,837	3,847
Trading Securities	2,618	1,949	2,284
Derivatives[3]	130	98	114
Investment Securities	5,027	5,086	5,056
Loans and Advances	63,420	62,986	63,203
Off-balance sheet exposures[3]	6,355	6,323	6,339
Total gross credit risk[4]	80,407	81,279	80,843
Securitisation exposures[5]	2,262	2,474	2,368
Total including securitisation exposures	82,669	83,753	83,211
Impairment provision	(207)	(211)	(209)
Total	82,462	83,542	83,002

Portfolios Subject to the Standardised Approach	Gross Credit Exposure[1] Mar-23 $M	Gross Credit Exposure[1] Dec-22 $M	Average Gross Credit Exposure[1] Mar-23 $M
Claims secured by residential mortgage	56,867	56,629	56,748
Other retail assets	153	155	154
Bank	364	294	329
Government	10,176	11,478	10,827
Corporates[6]	12,725	12,515	12,620
All other exposures	122	208	165
Total gross credit risk[4]	80,407	81,279	80,843
Securitisation exposures[5]	2,262	2,474	2,368
Total including securitisation exposures	82,669	83,753	83,211
Impairment provision	(207)	(211)	(209)
Total	82,462	83,542	83,002

Notes:

(1) Gross credit exposures and Average gross credit exposures reflect on balance sheet exposures and credit equivalent amounts for off balance sheet exposures. The December 2022 comparative numbers have been restated for the Basel III new capital framework.

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

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

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

(5) Securitisation exposures for March 2023 include $1,784 million in Loans and advances, $192 million in Investment Securities, $37 million in Derivatives and $249 million in Off-balance sheet exposures. The securitisation exposures for Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

Table 4: Credit Risk (Continued)

Table 4B: Credit risk by portfolio

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

[1] Includes commercial property and land acquisition, development, and construction exposures.

Portfolios Subject to the Standardised Approach	Non-performing loans Dec-22 $M	Specific Provisions Dec-22 $M	Charges for Specific Provisions & Write Offs Dec-22 $M
Claims secured by residential mortgage	456	11	-
Other retail assets	6	1	-
Bank	-	-	-
Government	-	-	-
Corporates[1]	159	19	(1)
All other exposures	-	-	-
Total gross credit risk	621	31	(1)
Securitisation exposures	22	-	
Total including securitisation exposures	643	31	
Impairment provision	(30)	-	
Total	613	31	

[1] Includes commercial property and land acquisition, development, and construction exposures.

Table 4: Credit Risk (Continued)

Table 4C: Provisions eligible for inclusion in Tier 2 capital [1]

	Mar-23 $M	Dec-22 $M
Collective provision for impairment	180	180
Ineligible collective provisions[2]	(50)	(43)
Eligible collective provisions	130	137
General equity reserve[3]	76	76
Provisions eligible for inclusion in Tier 2 capital (Standardised approach)[1]	**206**	**213**

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

[2] Ineligible collective provisions represent the collective provision for impairment on loans and advances in Stage 2 or Stage 3, where loans have experienced significant increase in credit risk (SICR) or are non-performing and a specific provision under AASB 9 has not been raised. Ineligible collective provision is considered as specific provision for regulatory purposes under APS 220 *Credit Risk Management*.

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

Table 5: Securitisation Exposures

Table 5A: Summary of securitisation activity for the period

During the quarter ending 31 March 2023, there was no new securitisation activity undertaken (quarter ending 31 December 2022: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Mar-23	Dec-22	Mar-23	Dec-22
	$M	$M	$M	$M
Residential mortgages	-	-	-	-
Total exposures securitised during the period	-	-	-	-

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

Exposure type	Mar-23 $M	Dec-22 $M
Debt securities	192	276
Total on-balance sheet securitisation exposures	192	276

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

Exposure type	Mar-23 $M	Dec-22 $M
Liquidity facilities	12	12
Derivative exposures	37	27
Total off-balance sheet securitisation exposures	49	39

Table 20: Liquidity Coverage Ratio Disclosure

	Total Unweighted Value (Average) Mar-23 $M	Total Weighted Value (Average) Mar-23 $M	Total Unweighted Value (Average) Dec-22 $M	Total Weighted Value (Average) Dec-22 $M	Total Unweighted Value (Average) Sep-22 $M	Total Weighted Value (Average) Sep-22 $M
Liquid assets, of which:						
High-quality liquid assets (HQLA)		12,608		12,198		11,933
Alternative liquid assets (ALA)		-		252		591
Cash outflows						
Retail deposits and deposits from small business customers, of which:	35,210	3,462	35,236	3,430	35,298	3,444
stable deposits	*22,047*	*1,102*	*22,118*	*1,106*	*22,044*	*1,102*
less stable deposits	*13,163*	*2,360*	*13,118*	*2,324*	*13,254*	*2,342*
Unsecured wholesale funding, of which:	5,226	3,423	5,138	3,265	5,739	3,985
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*3,511*	*1,708*	*3,647*	*1,774*	*3,610*	*1,856*
unsecured debt	*1,715*	*1,715*	*1,491*	*1,491*	*2,129*	*2,129*
Secured wholesale funding		197		94		65
Additional requirements, of which:	9,644	1,343	10,037	1,463	10,122	1,561
outflows related to derivatives exposures and other collateral requirements	*885*	*885*	*997*	*997*	*1,104*	*1,104*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*8,759*	*458*	*9,040*	*466*	*9,018*	*457*
Other contractual funding obligations	1,119	824	1,358	1,045	1,470	1,141
Other contingent funding obligations	6,567	715	6,647	586	6,137	626
Total cash outflows		9,964		9,883		10,822
Cash inflows						
Secured lending (e.g. reverse repos)	1,825	-	749	-	675	-
Inflows from fully performing exposures	630	335	656	344	686	357
Other cash inflows	685	685	729	729	878	878
Total cash inflows	3,140	1,020	2,134	1,073	2,239	1,235
				Total Adjusted Value		Total Adjusted Value
Total liquid assets		12,608		12,450		12,524
Total net cash outflows		8,944		8,810		9,587
Liquidity Coverage Ratio (%)		141		141		131
Number of data points used		63		63		65

The Liquidity Coverage Ratio (LCR) promotes shorter-term resilience by requiring ADIs to maintain sufficient qualifying High Quality Liquid Assets (HQLA) to meet expected net cash outflows (NCO) under an APRA prescribed 30 calendar day stress scenario. SML manages its LCR on a daily basis and maintains a buffer over the regulatory minimum of 100%.

The amount of liquid assets held considers the amount needed to meet prudential and internal requirements (including a variety of internal stress scenarios as part of the risk management framework) and a suitable buffer reflecting management's preference.

Liquid assets included in the LCR comprise HQLA (cash, Australian Semi-Government and Commonwealth Government securities). SML has reduced the Committed Liquidity Facility (CLF) to zero as at 1 January 2023, in line with APRA's guidance and approval.

The daily average LCR was 141% over the March 2023 quarter, unchanged from the December 2022 quarter. Throughout the March quarter, the first Term Funding Facility (TFF) repayment of $604m entered the 30-day NCO window reducing the LCR by ~8%. The effect of this was offset by a combination of funding options including private placements and retail deposit growth.

Appendix 2 - Definitions

AASB 9	AASB 9 *Financial Instruments* was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce a forward-looking expected credit loss impairment model, and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. This standard became mandatory for the annual reporting period from 1 July 2018.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Collective provision	A collective provision is established to determine expected credit losses (see also Expected Credit Losses definition below) for loan exposures which are not specifically provisioned and can be in the performing or non-performing portfolios. For business banking exposures, a ratings-based approach is applied using estimates of probability of default and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default are used to calculate the collective provision.
Common Equity Tier 1 (CET1)	Common Equity Tier 1 capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total risk weighted assets, as defined by APRA.
Credit value adjustment (CVA)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk.
Eligible collective provisions	Primarily represents the collective provision for impairment on loans and advances in Stage 1 (performing and/or newly originated assets). Provisions for loans and advances in Stage 1 are established to provide for expected credit losses (ECL) for a period of 12 months. Forward-looking provisions for future, presently unidentified losses are also included within the Eligible collective provision balance.
Expected credit losses (ECL)	Expected credit losses (ECL) are calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in house prices.
Ineligible collective provisions	Represents the collective provision for impairment on loans and advances in Stage 2 or Stage 3. Stage 2 assets include assets that have experienced a significant increase in credit risk (SICR) since origination (under-performing loans). Stage 3 assets within ineligible collective provisions include 'past due but not impaired' and 'impaired assets' (non-performing loans, other than those for which a specific provision is held under AASB 9). Collective provisions for loans and advances in Stage 2 and Stage 3 are established to provide for ECL for the remaining term of the loans and advances (lifetime ECL). Ineligible collective provision is considered as specific provision for regulatory purposes under APS 220 *Credit Risk Management*.
Liquidity coverage ratio (LCR)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent of a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario.
Loan-to-value ratio (LVR)	Ratio of a loan to the value of the asset purchased.
Non-performing exposure	An exposure that is in default. A default is considered to have occurred with regard to a particular borrower when either, or both, of the events in sub-paragraphs (i) or (ii) have taken place: (i) the ADI considers that the borrower is unlikely to pay its credit obligations to the ADI in full, without recourse by the ADI to actions such as realising available security; (ii) the borrower is 90 days or more past-due on a credit obligation to the ADI or, in the case of subsidiaries in jurisdictions where a different number of days past-due is set for exposures to individuals (i.e. natural persons) or public sector entities by the national regulator, the borrower is past-due by the number of days (or more) specified by that national regulator.
Past due loans	An exposure for which any amount due under a contract (interest, principal, fee or other amount) has not been paid in full at the date when it was due. An exposure is considered past-due from the first day of missed payment.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Specific provision	A specific provision for impairment is recognised where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amount of the loan to determine the specific provision required.
Term Funding Facility (TFF)	On 19 March 2020, the RBA announced the Term Funding Facility (TFF) to support lending to Australian businesses as part of a package of measures to support the Australian economy. Under the TFF, Authorised Deposit-taking Institutions (ADIs) can access three-year funding through repurchase agreements at a fixed interest rate equivalent to the official cash rate at the time of drawdown.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.