

Suncorp-Metway Limited and subsidiaries

ABN 66 010 831 722

Consolidated financial report

For the financial year ended 30 June 2022

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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 2022 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	Director since 2015
Simon Machell	Director since 2017
Douglas McTaggart	Director since 2012
Lindsay Tanner	Director since 2018
Duncan West	Appointed September 2021

Executive

Steve Johnston (Group Chief Executive Officer and Managing Director)	Executive Director since 2019
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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 2022.

3. Dividends

During the financial year, the Company paid dividends on ordinary shares totalling \$405 million (2021: \$171 million) and on capital notes totalling \$22 million (2021: \$16 million).

The directors have determined that a 2022 final dividend will not be paid.

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 \$352 million for the financial year ended 30 June 2022 (30 June 2021: \$403 million). The result was driven by strong volume growth, partly offset by higher strategic investment spend and reduced operating income from margin compression.

4.2. Financial position and capital structure

Net assets of the Group are \$4,025 million (June 2021: \$4,310 million). The reduction was a result of dividend payments of \$427 million on ordinary shares and capital notes and the buy-back of \$375 million in capital notes from SGL, partially offset by the issuance of \$350 million in capital notes to SGL and total comprehensive income for the period of \$167 million.

The regulatory Common Equity Tier 1 ratio continued to be within the target operating range of 9.0% - 9.5% of Risk Weighted Assets, at 9.07% (June 2021: 10.06%).

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 0.2% to \$1,245 million (30 June 2021: \$1,242 million). This was driven by higher lending balances, mostly offset by a contraction in net interest margin due to compression in fixed rate margins, higher fixed rate lending mix and increased liquid assets.

Operating expenses increased 0.7% to \$762 million (30 June 2021: \$757 million), primarily due to increased strategic investment and personnel costs to support volume growth, partly offset by branch optimisation benefits.

The net impairment release on loans and advances of \$14 million (30 June 2021: \$49 million) was driven by a \$15 million reduction in the collective provision at the half year due to improvement in economic conditions and strong property markets, compared with conditions at 30 June 2021. The collective provision remains prudently calculated.

Loans and advances increased 7.9% to \$61,856 million (30 June 2021: \$57,324 million). The home lending portfolio grew 9.0% over the financial year, driven by higher new business volumes, improved customer experiences and faster turnaround times. The business lending portfolio increased 3.7% over the financial year, predominantly driven by commercial lending growth on the back of a buoyant property market.

Deposits increased 15.9% to \$48,125 million (30 June 2021: \$41,520 million). At-call transaction deposits grew 20.6% to \$20,805 million (30 June 2021: \$17,248 million) over the financial year, driven by continued growth in transaction accounts and mortgage offset balances supported by customer-focused initiatives including zero account-keeping fees, competitive rates, campaigns, and ongoing development of digital banking functionality. At-call savings deposits decreased 2.2% to \$15,832 million (30 June 2021: \$16,180 million) and term deposits increased 42.0% to \$11,488 million (30 June 2021: \$8,092 million). The mix between these portfolios continues to be optimised as market rate movements created improved conditions for term deposit funding.

5. Significant changes in the state of affairs

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

Following a comprehensive strategic review, the Suncorp Group announced on 18 July 2022 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. The sale is subject to regulatory approvals from the Federal Treasurer and the Australian Competition and Consumer Commission, and both Suncorp Group and ANZ will engage with the Queensland Government in relation to the *State Financial Institutions and Metway Merger Act 1996 (Qld)*. The sale is expected to be completed approximately 12 months after signing of the SPA.

6. Events subsequent to reporting date

The announcement of the sale of SBGH Limited to ANZ was made subsequent to the reporting date on 18 July 2022, as outlined above. The sale does not impact the measurement of the assets and liabilities of the Company or the Group.

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 Sustainable Business section of the Suncorp Group Limited Annual Report 2021-22.

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 2022, 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 2022.

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, AM

Chairman



STEVE JOHNSTON

Group Chief Executive Officer and Managing Director

29 August 2022



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 2022 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

A handwritten signature in black ink that reads 'Scott Guse'.

Scott Guse
Partner

Brisbane
29 August 2022

Statements of comprehensive income

For the financial year ended 30 June 2022

	Note	Consolidated		Company	
		2022 \$M	2021 \$M	2022 \$M	2021 \$M
Interest income	4.1	1,561	1,711	1,555	1,704
Interest expense	4.1	(316)	(469)	(291)	(436)
Net interest income	4.1	1,245	1,242	1,264	1,268
Other operating income	4.2	5	42	389	529
Total net operating income		1,250	1,284	1,653	1,797
Operating expenses	5	(762)	(757)	(1,164)	(1,272)
Impairment release on financial assets	8.2	14	49	12	47
Profit before income tax		502	576	501	572
Income tax expense	6.1	(150)	(173)	(145)	(170)
Profit for the financial year attributable to owners of the Company		352	403	356	402
Other comprehensive (loss) income					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Net change in fair value of cash flow hedges	19	(183)	6	(183)	6
Net change in fair value of investment securities	19	(81)	23	(81)	23
Income tax benefit (expense)	19	79	(9)	79	(9)
Total other comprehensive (loss) income		(185)	20	(185)	20
Total comprehensive income for the financial year attributable to owners of the Company		167	423	171	422

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

Statements of financial position

As at 30 June 2022

	Note	Consolidated		Company	
		2022 \$M	2021 \$M	2022 \$M	2021 \$M
Assets					
Cash and cash equivalents	12	609	68	607	66
Receivables due from other banks		2,490	1,495	2,490	1,495
Trading securities	13	2,722	1,579	2,722	1,579
Derivatives	14	579	310	579	310
Investment securities	13	5,949	4,538	5,949	4,538
Loans and advances	7	61,856	57,324	61,690	57,161
Due from related parties	26.2	221	223	12,629	12,732
Deferred tax assets	6.2	127	49	125	46
Other assets		167	279	145	258
Total assets		74,720	65,865	86,936	78,185
Liabilities					
Payables due to other banks		165	103	165	103
Deposits	10	48,125	41,520	48,135	41,700
Derivatives	14	559	272	559	272
Payables and other liabilities		201	158	326	238
Due to related parties	26.2	135	84	14,660	14,355
Borrowings	11	20,910	18,746	18,508	16,581
Subordinated notes	16	600	672	600	672
Total liabilities		70,695	61,555	82,953	73,921
Net assets		4,025	4,310	3,983	4,264
Equity					
Share capital	17	2,754	2,754	2,754	2,754
Capital notes	18	560	585	560	585
Reserves	19	(56)	(234)	(56)	138
Retained profits		767	1,205	725	787
Total equity attributable to owners of the Company		4,025	4,310	3,983	4,264

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 2022

Consolidated	Note	Share capital \$M	Capital notes \$M	Reserves \$M	Retained profits \$M	Total equity \$M
Balance as at 1 July 2020		2,754	585	(258)	993	4,074
Profit for the financial year		-	-	-	403	403
Total other comprehensive income for the financial year		-	-	20	-	20
Total comprehensive income for the financial year		-	-	20	403	423
<i>Transactions with owners, recorded directly in equity</i>						
Dividends paid	20	-	-	-	(187)	(187)
Transfers	19	-	-	4	(4)	-
Balance as at 30 June 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
<i>Transactions with owners, recorded directly in equity</i>						
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

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 2022

Company	Note	Share capital \$M	Capital notes \$M	Reserves \$M	Retained profits \$M	Total equity \$M
Balance as at 1 July 2020		2,754	585	114	576	4,029
Profit for the financial year		-	-	-	402	402
Total other comprehensive income for the financial year		-	-	20	-	20
Total comprehensive income for the financial year		-	-	20	402	422
<i>Transactions with owners, recorded directly in equity</i>						
Dividends paid	20	-	-	-	(187)	(187)
Transfers	19	-	-	4	(4)	-
Balance as at 30 June 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
<i>Transactions with owners, recorded directly in equity</i>						
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

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 2022

	Note	Consolidated		Company	
		2022	2021	2022	2021
		\$M	\$M	\$M	\$M
Cash flows from operating activities					
Interest received		1,501	1,713	1,496	1,706
Interest paid		(286)	(536)	(263)	(503)
Fees and other operating income received		311	86	678	564
Dividends and trust distributions received		-	-	17	8
Fees and operating expenses paid		(845)	(925)	(1,208)	(1,432)
Reimbursement to related parties for income tax payments		(185)	(158)	(183)	(149)
<i>Changes in operating assets and liabilities arising from cash flow movements</i>					
Trading securities		(1,151)	(119)	(1,151)	(119)
Loans and advances		(4,480)	441	(4,479)	442
Due to (from) related parties		18	27	382	(931)
Deposits		6,605	1,573	6,435	1,733
Net cash from operating activities	24.1	1,488	2,102	1,724	1,319
Cash flows from investing activities					
Proceeds from the sale or maturity of investment securities		3,016	2,643	3,016	2,643
Payments for acquisition of investment securities		(4,466)	(2,417)	(4,466)	(2,417)
Net cash (used in) from investing activities		(1,450)	226	(1,450)	226
Cash flows from financing activities					
Proceeds from borrowings	11.1	9,515	9,503	8,665	9,503
Repayment of borrowings, including transaction costs	11.1	(7,555)	(10,669)	(6,941)	(9,887)
Payments for the redemption of subordinated notes	16	(72)	-	(72)	-
Proceeds from issue of capital notes	18	350	-	350	-
Payments for the buy back of capital notes	18	(375)	-	(375)	-
Dividends paid	20	(427)	(187)	(427)	(187)
Net cash from (used in) financing activities		1,436	(1,353)	1,200	(571)
Net increase in cash and cash equivalents		1,474	975	1,474	974
Cash and cash equivalents at the beginning of the financial year		1,460	485	1,458	484
Cash and cash equivalents at the end of the financial year	24.2	2,934	1,460	2,932	1,458

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 2022

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; and
- 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 2022 comprise the Company and its subsidiaries (the Group) and were authorised for issue by the Board of Directors on 29 August 2022.

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).

Following a comprehensive strategic review, the Suncorp Group announced on 18 July 2022 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. The sale is subject to regulatory approvals from the Federal Treasurer and the Australian Competition and Consumer Commission, and both Suncorp Group and ANZ will engage with the Queensland Government in relation to the *State Financial Institutions and Metway Merger Act 1996 (Qld)*. The sale is expected to be completed approximately 12 months after signing of the SPA. The sale does not impact the measurement of the assets and liabilities of the Company or the Group.

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 2021.

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)

COVID-19 impact on the use of estimates and assumptions

Given the ongoing economic uncertainties from COVID-19, the Group has continued to monitor its financial reporting procedures and governance practices surrounding the preparation of the consolidated financial statements. While the effects of COVID-19 do not change the areas requiring significant estimation and judgment in the preparation of consolidated 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 COVID-19 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.

The Group operates predominantly in one geographical segment, which is Australia. Revenue from overseas customers is not material to the Group.

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 2021.

4. Net operating income

4.1 Net interest income

	Consolidated		Company	
	2022	2021	2022	2021
	\$M	\$M	\$M	\$M
Interest income				
Receivables due from other banks	2	-	2	-
Trading securities	5	3	5	3
Investment securities	42	65	42	65
Loans and advances	1,512	1,643	1,506	1,636
Total interest income	1,561	1,711	1,555	1,704
Interest expense				
Deposits	(131)	(213)	(132)	(214)
Derivatives ¹	19	(26)	19	(26)
Borrowings				
at amortised cost	(185)	(212)	(159)	(178)
designated at fair value through profit or loss	(5)	(4)	(5)	(4)
Subordinated notes	(14)	(14)	(14)	(14)
Total interest expense	(316)	(469)	(291)	(436)
Net interest income	1,245	1,242	1,264	1,268

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	
	2022	2021	2022	2021
	\$M	\$M	\$M	\$M
Banking fee and commission income	150	160	150	160
Banking fee and commission expense	(148)	(146)	(148)	(146)
Net banking fee and commission income	2	14	2	14
Net gains or losses on:				
Trading securities at FVTPL ¹	(8)	-	(8)	-
Derivative financial instruments at FVTPL	(15)	(3)	(15)	(3)
Financial liabilities at FVTPL	2	1	2	1
Amount recycled into profit or loss on derecognition of investment securities at FVOCI ²	17	23	17	23
Securitisation and covered bond income	-	-	327	437
Other fees and commissions	-	-	40	42
Dividend income	-	-	17	8
Other revenue	7	7	7	7
	3	28	387	515
Total other operating income	5	42	389	529

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.

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

5. Operating expenses

	Consolidated		Company	
	2022	2021	2022	2021
	\$M	\$M	\$M	\$M
Wages, salaries and other staff costs	416	390	416	390
Occupancy and equipment expenses	57	70	57	70
Information technology and communication	106	108	106	108
Depreciation and amortisation	38	50	38	50
Securitisation and covered bond expenses	-	-	404	515
Other expenses	145	139	143	139
Total operating expenses	762	757	1,164	1,272

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		Company	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Reconciliation of prima facie to actual income tax expense:				
Profit before income tax	502	576	501	572
Prima facie domestic corporate tax rate of 30% (2021: 30%)	150	173	150	172
Tax effect of:				
Intercompany dividend elimination	-	-	(5)	(2)
Total income tax expense on pre-tax profit	150	173	145	170
Effective tax rate	30.0%	30.0%	28.9%	29.7%
Income tax expense recognised in profit consists of:				
Current tax expense (benefit)				
Current tax movement	149	156	145	154
Adjustments for prior financial years	-	(3)	-	(3)
Total current tax expense	149	153	145	151
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	1	17	-	16
Adjustments for prior financial years	-	3	-	3
Total deferred tax expense	1	20	-	19
Total income tax expense	150	173	145	170

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	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Financial instruments	61	-	-	22	61	-	-	22
Provision for impairment on financial assets	65	72	-	-	63	68	-	-
Other items	1	-	-	1	1	-	-	-
Deferred tax assets and liabilities	127	72	-	23	125	68	-	22
Set-off of tax	-	(23)	-	(23)	-	(22)	-	(22)
Net deferred tax assets	127	49	-	-	125	46	-	-

Movement in deferred tax balances during the financial year:

	Consolidated				Company			
	DTA		DTL		DTA		DTL	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Balance at the beginning of the financial year	49	78	-	-	46	74	-	-
Movement recognised in profit or loss	(24)	(21)	23	(1)	(23)	(20)	23	(1)
Movement recognised in OCI	79	-	-	9	79	-	-	9
Reclassifications	23	(8)	(23)	(8)	23	(8)	(23)	(8)
Balance at the end of the financial year	127	49	-	-	125	46	-	-

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 equity or 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 Suncorp Group Limited 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 the Suncorp Group for any current tax payable assumed. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, 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		Company	
		2022 \$M	2021 \$M	2022 \$M	2021 \$M
Retail loans					
Housing loans		45,616	41,697	45,616	41,697
Securitised housing loans and covered bonds ¹		4,598	4,374	4,598	4,374
Personal loans		67	122	67	122
		50,281	46,193	50,281	46,193
Business loans					
Commercial ²		4,884	4,404	4,813	4,322
SME ²		2,641	2,738	2,641	2,738
Agribusiness		4,267	4,228	4,166	4,139
		11,792	11,370	11,620	11,199
Other lending					
Gross loans and advances		62,073	57,563	61,901	57,392
Provision for impairment	8	(217)	(239)	(211)	(231)
Net loans and advances		61,856	57,324	61,690	57,161
Current		11,152	11,467	11,140	11,455
Non-current		50,704	45,857	50,550	45,706
Net loans and advances		61,856	57,324	61,690	57,161

1 Excludes internally held notes for repurchase with central banks. Refer to note 15.3 for further details.

2 SME lending has been separated out from Commercial (SME) lending. The 2021 comparatives have been restated.

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 2022.

Consolidated	Collective provision								Total	
	Stage 1		Stage 2		Stage 3		Stage 3 SP		GLA	Provision
	GLA \$M	ECL \$M	GLA \$M	ECL \$M	GLA \$M	ECL \$M	GLA \$M	SP \$M		
As at 1 July 2020	55,076	124	2,023	74	793	57	132	46	58,024	301
Transfers:										
Transfer to stage 1	1,049	34	(918)	(27)	(131)	(7)	-	-	-	-
Transfer to stage 2	(904)	(10)	1,076	20	(170)	(9)	(2)	(1)	-	-
Transfer to stage 3	(319)	(2)	(120)	(8)	399	4	40	6	-	-
New loans and advances originated	11,082	34	-	-	-	-	-	-	11,082	34
Net increase (release) of ECL/SP	-	(62)	-	8	-	21	-	5	-	(28)
Loans and advances derecognised	(10,918)	(25)	(407)	(17)	(179)	(14)	(39)	-	(11,543)	(56)
SP written-off	-	-	-	-	-	-	-	(9)	-	(9)
Unwind of discount	-	-	-	-	-	-	-	(3)	-	(3)
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 30 June 2022	60,154	88	1,336	63	480	29	103	37	62,073	217
Provision for impairment on:										
Loans and advances	(78)		(60)		(29)		(37)		(204)	
Commitments & guarantees	(10)		(3)		-		-		(13)	
Net carrying amount as at 30 June 2022	60,066		1,273		451		66		61,856	

Company	Collective provision									
	Stage 1		Stage 2		Stage 3		Stage 3 SP		Total	
	GLA \$M	ECL \$M	GLA \$M	ECL \$M	GLA \$M	ECL \$M	GLA \$M	SP \$M	GLA \$M	Provision \$M
As at 1 July 2020	54,921	117	2,010	72	791	56	132	46	57,854	291
Transfers:										
Transfer to stage 1	1,045	33	(914)	(26)	(131)	(7)	-	-	-	-
Transfer to stage 2	(894)	(9)	1,066	19	(170)	(9)	(2)	(1)	-	-
Transfer to stage 3	(318)	(2)	(119)	(8)	398	4	39	6	-	-
New loans and advances originated	11,007	30	-	-	-	-	-	-	11,007	30
Net increase (release) of ECL/SP	-	(57)	-	7	-	20	-	5	-	(25)
Loans and advances derecognised	(10,852)	(24)	(401)	(16)	(177)	(13)	(39)	-	(11,469)	(53)
SP written-off	-	-	-	-	-	-	-	(9)	-	(9)
Unwind of discount	-	-	-	-	-	-	-	(3)	-	(3)
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 30 June 2022	59,994	85	1,325	61	479	28	103	37	61,901	211
Provision for impairment on:										
Loans and advances	(75)		(58)		(28)		(37)		(198)	
Commitments & guarantees	(10)		(3)		-		-		(13)	
Net carrying amount as at 30 June 2022	59,909		1,264		451		66		61,690	

8.2 Impairment release on financial assets

	Consolidated		Company	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Decrease in collective provision for impairment	(15)	(60)	(13)	(58)
(Decrease) increase in specific provision for impairment	(1)	10	(1)	10
Bad debts written off	3	2	3	2
Bad debts recovered	(1)	(1)	(1)	(1)
Total impairment release on financial assets	(14)	(49)	(12)	(47)

The collective provision release of \$15 million (2021: \$60 million) was driven by improvement in economic conditions and strong property markets, compared with conditions at 30 June 2021. However, the forecast economic outlook contains downside risks and accordingly the extent of downside allowance within model assumptions has been strengthened. Refer note 8.3 for further detail.

Accounting policies

By providing loans and advances to customers, the Group is exposed to credit risk. Accordingly, there will be instances where the Group will not receive the full amount owed, hence provisions for impairment are recognised.

Expected credit loss model

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, and are approved by the Bank's Asset and Liability Committee (**BALCO**). Management may hold 'out of model' overlays within the ECL to capture risks not deemed to be sufficiently reflected in the ECL 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.

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 the industry types, being agribusiness, commercial, property development finance and property investment.

The independent Business Customer Support and Collections teams provide the Chief Risk Officer, Suncorp Bank and the Bank Credit Risk Committee with analysis of the carrying value of impaired loans and factors impacting recoverability.

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 within the ECL includes a mechanism to allocate a proportion of portfolio exposure to stage 2, based on the macroeconomic outlook and is designed to capture SICR events that are not yet reflected in observed data 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 the specific provisions that are above internal thresholds to be reviewed at least quarterly, and more regularly as circumstances require.

Write-offs

A write-off is made when all practical recovery efforts have concluded and all or part of a financial asset is deemed unrecoverable 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. Key economic indicators such as residential property prices and unemployment improved as the Australian and global economies recovered from the initial significant impacts of COVID-19. However, central banks are now responding to significant inflation pressures by tightening monetary policy and this will slow demand in economies. As the tightening of monetary policy is still in the early stages there is considerable uncertainty about the economic outlook. Nevertheless, a correction in residential property prices is likely, particularly given the large rise in prices over the past two years, and assuming some rise in the unemployment rate, albeit from current exceptionally low levels.

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, if the Group determines collective provision only on the ECL under the central scenario, or based on a limited number of discrete scenarios, it might maintain a level of collective provision that does not appropriately reflect the range of potential outcomes, including more severe downside events. To address this, AASB 9 *Financial Instruments* (**AASB 9**) requires the ECL to be the probability weighted ECL outcome calculated for a range of possible outcomes.

Given the Group's view of likely economic outcomes, the PD and LGD distributions around the central scenario incorporate increased weighting to downside outcomes. As an example of the downside allowance in the model, although the central scenario sees residential property prices falling by 8.1% over FY23/FY24, the weighted average fall is 14.7% and there is a 14% probability that property price falls will exceed 25%. Similarly, for national commercial property prices, the ECL calculation reflects a weighted average fall of 6.4% over FY23/FY24 and a 12% probability of falls in excess of 25% over the next two years.

Key assumptions are presented in the table below.

	Weighted average model assumption %		Weighted average change %
	FY 23	FY 24	FY23/24
Property prices - residential - annual change	(11.5)	(3.6)	(14.7)
Property prices - commercial - annual change	(1.8)	(4.7)	(6.4)
Unemployment rate ¹	3.8	4.4	n/a

¹ Unemployment rate reflects the rate as at June 2023 and June 2024. 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.

In determining the reported ECL of \$180 million as at 30 June 2022, a distribution of outcomes around the central scenario is adopted for both PD and LGD, taking into consideration observed and anticipated variability in economic outcomes and collateral values.

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
<i>Movement of variables in isolation</i>		
Property prices - residential	Decrease weighted average ~600 bps over 2 years from a fall of 14.7% to 20.7%	(15)
Property prices - commercial	Decrease weighted average ~600 bps over 2 years from a fall of 6.4% to 12.4%	(13)
Unemployment rate	Increase ~100 bps over 1 year to 4.8%	(10)
<i>Movement of variables in combination</i>		
Property prices - residential and commercial, and unemployment rate all move in combination over the given timeframes	Adverse movements as above	(42)

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 determined in accordance with the capital adequacy guidelines set out by the Australian Prudential Regulation Authority (APRA).

	Consolidated		Company	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Notional amounts				
Guarantees entered into in the normal course of business	243	292	243	292
Commitments to provide loans and advances	11,330	10,247	11,369	10,284
	11,573	10,539	11,612	10,576
Credit equivalent amounts				
Guarantees entered into in the normal course of business	243	292	243	292
Commitments to provide loans and advances	3,388	2,889	3,427	2,926
	3,631	3,181	3,670	3,218

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	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
At-call transactions deposits	20,805	17,248	20,815	17,428
At-call savings deposits	15,832	16,180	15,832	16,180
Term deposits	11,488	8,092	11,488	8,092
Total deposits	48,125	41,520	48,135	41,700
Current	47,875	41,255	47,885	41,435
Non-current	250	265	250	265
Total deposits	48,125	41,520	48,135	41,700

11. Borrowings

	Note	Consolidated		Company	
		2022 \$M	2021 \$M	2022 \$M	2021 \$M
Short-term ¹ securities issued in domestic market ²		5,319	4,011	5,319	4,011
Short-term ¹ offshore commercial paper ³		1,842	1,763	1,842	1,763
Long-term ¹ domestic borrowings ²		4,414	3,217	4,414	3,217
Long-term ¹ offshore borrowings ²		711	1,370	711	1,370
Total unsecured borrowings		12,286	10,361	12,286	10,361
Covered bonds ²	15.3	2,093	2,091	2,093	2,091
Securitisation liabilities ²	15.3	2,402	2,165	-	-
Term funding facility ²	15.3	4,129	4,129	4,129	4,129
Total secured borrowings		8,624	8,385	6,222	6,220
Total borrowings		20,910	18,746	18,508	16,581
Current		9,411	7,147	9,411	7,147
Non-current		11,499	11,599	9,097	9,434
Total borrowings		20,910	18,746	18,508	16,581

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.

Short-term securities issued in domestic market outstanding at 30 June 2022 of \$247 million (2021: \$301 million) have been obtained under repurchase agreements with the Reserve Bank of Australia (RBA).

The Group has elected to recognise its Short-term offshore commercial paper portfolio at FVTPL on the basis that it is economically hedged by forward foreign exchange contracts. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies as at 30 June 2022 is a \$95 million asset (2021: \$49 million asset).

The contractual amount payable on financial liabilities designated at FVTPL at maturity is \$1,842 million (2021: \$1,763 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	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Balance at beginning of period	18,746	20,129	16,581	17,184
Cash flows				
Proceeds	9,515	9,503	8,665	9,503
Repayments	(7,549)	(10,667)	(6,935)	(9,885)
Transaction costs	(6)	(2)	(6)	(2)
Non-cash changes				
Fair value changes	(56)	(36)	(56)	(36)
Foreign exchange movement	180	(202)	180	(202)
Other movements	80	21	79	19
Balance as at end of period	20,910	18,746	18,508	16,581

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	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Cash at bank	80	65	78	63
Reverse repurchase agreements maturing in less than three months	500	-	500	-
Other money market placements	29	3	29	3
Total cash and cash equivalents	609	68	607	66

Accounting policies

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, balances with the RBA, 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

	2022	2021
	\$M	\$M
Consolidated and Company		
Trading securities		
<i>Financial assets at FVTPL</i>		
Interest-bearing securities:		
Government securities, bank bills and other securities - current	2,722	1,579
Investment securities		
<i>Financial assets at FVOCI</i>		
Interest-bearing securities:		
Government securities, RMBS ¹ and investment grade bank paper	5,949	4,538
Current	1,752	480
Non-current	4,197	4,058
Total investment securities	5,949	4,538

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 (regular, but not frequent sales) and SPPI. These securities are therefore classified as FVOCI. These are initially recognised 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

	2022		2021	
	Asset \$M	Liability \$M	Asset \$M	Liability \$M
Consolidated and Company				
Interest rate				
Non-hedge accounting	26	41	21	23
Hedge accounting	443	515	235	240
	469	556	256	263
Interest rate and foreign exchange				
Non-hedge accounting	1	1	1	-
Hedge accounting	11	-	3	8
	12	1	4	8
Foreign exchange				
Non-hedge accounting	98	2	50	1
	98	2	50	1
Total derivative exposures				
Non-hedge accounting	125	44	72	24
Hedge accounting	454	515	238	248
	579	559	310	272

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. Non-hedge accounting derivatives are those derivatives that are classified as “held for trading” which 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. Hedge accounting derivatives are those derivatives that are designated in a qualifying hedge accounting relationship.

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 / pay 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 liabilities	Variable interest financial assets and 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.

	2022				2021			
	0 to 12 months	Notional		Total	0 to 12 months	Notional		Total
Consolidated and Company	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Interest rate risk								
Fair value hedge	35	640	493	1,168	35	125	455	615
Cash flow hedge	15,545	19,304	160	35,009	11,793	25,769	625	38,187
Interest rate and foreign exchange risk								
Fair value and cash flow hedge	-	726	-	726	665	665	-	1,330

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

	2022	2021
Interest rate swaps:		
AUD average fixed interest rate		
Hedging investment securities	2.49%	2.47%
Hedging loans and advances	1.29%	1.14%
Hedging deposits and borrowings	1.37%	1.10%
Cross currency swaps:		
Average AUD/USD exchange rate	0.7125	0.7288
Average fixed interest rate USD	2.65%	2.99%

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.

	Carrying amount assets	Carrying amount liabilities	Gains (losses) on hedging instruments	Gains (losses) attributable to hedged risk	Hedge ineffectiveness in profit or (loss) ¹
Consolidated and Company	\$M	\$M	\$M	\$M	\$M
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	-
2021					
Interest rate risk					
Fair value hedge - interest rate swaps	2	45	53	(53)	-
Cash flow hedge - interest rate swaps	233	195	12	(12)	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	3	8	(264)	264	-
Total	238	248	(199)	199	-

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

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
2022					
Interest rate risk					
<i>Fair value hedge</i>					
Investment securities	1,136	-	n/a	n/a	n/a
<i>Cash flow hedge</i>					
Loans and advances	23,275	n/a	(869)	-	-
Deposits & Borrowings	19,913	n/a	729	-	-
Interest rate and foreign exchange risk					
<i>Fair value and cash flow hedge</i>					
Borrowings	711	(14)	(2)	-	-
2021					
Interest rate risk					
<i>Fair value hedge</i>					
Investment securities	674	-	n/a	n/a	n/a
<i>Cash flow hedge</i>					
Loans and advances	24,368	n/a	296	-	-
Deposits & Borrowings	25,750	n/a	(248)	-	-
Interest rate and foreign exchange risk					
<i>Fair value and cash flow hedge</i>					
Borrowings	1,370	42	(8)	-	-

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 (2021: \$nil).

2 Balances presented in the table are gross of tax. There is \$nil (2021: \$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

Consolidated and Company	2022				2021			
	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	-	2,722	-	2,722	-	1,579	-	1,579
Investment securities	631	5,318	-	5,949	-	4,538	-	4,538
Derivatives	2	577	-	579	1	309	-	310
	633	8,617	-	9,250	1	6,426	-	6,427
Financial liabilities								
Offshore commercial paper ¹	-	1,842	-	1,842	-	1,763	-	1,763
Derivatives	1	558	-	559	-	272	-	272
	1	2,400	-	2,401	-	2,035	-	2,035

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 2022 and 2021 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.

Consolidated	Note	Carrying value \$M	Fair value			Total \$M
			Level 1 \$M	Level 2 \$M	Level 3 \$M	
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	-	18,966	-	18,966
Subordinated notes	16	600	-	604	-	604
2021						
Financial assets						
Loans and advances	7	57,324	-	-	57,341	57,341
Financial liabilities						
Deposits	10	41,520	-	41,546	-	41,546
Borrowings ¹	11	16,983	-	17,187	-	17,187
Subordinated notes	16	672	-	688	-	688

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

Company	Note	Carrying value \$M	Fair value			Total \$M
			Level 1 \$M	Level 2 \$M	Level 3 \$M	
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	-	16,572	-	16,572
Subordinated notes	16	600	-	604	-	604
2021						
Financial assets						
Loans and advances	7	57,161	-	-	57,178	57,178
Financial liabilities						
Deposits	10	41,700	-	41,727	-	41,727
Borrowings ¹	11	14,818	-	14,998	-	14,998
Subordinated notes	16	672	-	688	-	688

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 included in deposits is considered a reasonable estimate of their fair value. Discounted cash flow models are used to calculate the fair value of other term deposits included in 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	Financial instruments \$M	Financial collateral received/ pledged ² \$M	Net exposure \$M	Not subject to netting \$M	Total SoFP amount \$M
2022						
Financial assets						
Derivatives ³	577	(428)	(120)	29	2	579
Reverse repurchase agreements ³	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
2021						
Financial assets						
Derivatives ³	294	(214)	(62)	18	16	310
Total	294	(214)	(62)	18	16	310
Financial liabilities						
Derivatives ³	270	(214)	(56)	-	2	272
Repurchase agreements	4,430	-	(4,430)	-	-	4,430
Total	4,700	(214)	(4,486)	-	2	4,702

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 'Trading securities', 'Investment securities' and '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 \$2,320 million (2021: \$2,260 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. At 30 June 2022 the Group has drawn down \$4,129 million (2021: \$4,129 million) of the facility, with \$nil (2021: \$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 2022 \$5,483 million of RMBS (2021: \$5,409 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	2022			2021		
	Repurchase agreements \$M	Covered bonds \$M	Securitisation liabilities ¹ \$M	Repurchase agreements \$M	Covered bonds \$M	Securitisation liabilities ¹ \$M
Carrying amount of transferred financial assets	5,801	2,258	2,340	5,805	2,248	2,126
Carrying amount of associated financial liabilities	4,376	2,093	2,402	4,430	2,091	2,165
<i>For those liabilities that have recourse only to the transferred assets:</i>						
Fair value of transferred financial assets	n/a	n/a	2,329	n/a	n/a	2,128
Fair value of associated financial liabilities	n/a	n/a	2,394	n/a	n/a	2,189
Net position			(65)			(61)

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	2022			2021		
	Repurchase agreements \$M	Covered bonds \$M	Securitisation liabilities ¹ \$M	Repurchase agreements \$M	Covered bonds \$M	Securitisation liabilities ¹ \$M
Carrying amount of transferred financial assets	5,801	2,258	13,914	5,805	2,248	13,720
Carrying amount of associated financial liabilities	4,376	2,093	14,502	4,430	2,091	14,265
<i>For those liabilities that have recourse only to the transferred assets:</i>						
Fair value of transferred financial assets	n/a	n/a	13,837	n/a	n/a	13,738
Fair value of associated financial liabilities	n/a	n/a	14,164	n/a	n/a	13,959
Net position			(327)			(221)

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 \$11,574 million (2021: \$11,594 million) and external transferred assets of \$2,340 million (2021: \$2,126 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.

	2022	2021
	\$M	\$M
Consolidated and Company		
Tier 2 subordinated notes		
<i>Basel III fully compliant subordinated notes</i>		
\$AUD 600 million Floating Rate Notes	600	600
Total Basel III fully compliant subordinated notes	600	600
<i>Basel III transitional subordinated notes</i>		
\$AUD 72 million Floating Rate Notes ¹	-	72
Total Basel III transitional subordinated notes	-	72
Total Tier 2 subordinated notes	600	672
Current	-	72
Non-current	600	600
Total subordinated notes	600	672

¹ The subordinated notes were redeemed on the early redemption date of 28 July 2021. There was no gain or loss recognised by the Company on redemption.

	Margin above 90 day BBSW ¹	Maturity Date	Optional redemption date	Issue date	2022 Number on issue	2021 Number on issue
Consolidated and Company						
\$AUD 600 million Floating Rate Notes	215 bps	5 Dec 2028	5 Dec 2023	22 Nov 2018	60,000	60,000
\$AUD 72 million Floating Rate Notes	75 bps	n/a	n/a	17 Dec 1998	-	715,383

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	2022		2021	
	No of shares	\$M	No of shares	\$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.

Consolidated and Company	Margin above 90 day BBSW	2022		2021	
		Number on issue	\$M	Number on issue	\$M
Issued on 5 May 2017 ¹	410 bps	-	-	3,750,000	375
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	-	-
Balance at the end of the financial year		5,600,000	560	5,850,000	585

Dividend payments on capital notes	Cents per note		Cents per note	
	\$000	\$000	\$000	\$000
<i>Issued on 5 May 2017</i>				
September quarter	73	2,725	74	2,779
December quarter	72	2,692	73	2,742
March quarter	72	2,699	71	2,663
June quarter	75	2,819	73	2,736
<i>Issued on 18 December 2017</i>				
September quarter	65	1,133	66	1,158
December quarter	64	1,119	65	1,142
March quarter	64	1,124	63	1,107
June quarter	67	1,176	65	1,138
<i>Issued on 27 May 2019</i>				
September quarter	65	227	66	232
December quarter	64	224	65	228
March quarter	64	225	63	221
June quarter	67	235	65	228
<i>Issued on 23 September 2021</i>				
December quarter	48	1,664	-	-
March quarter	51	1,794	-	-
June quarter	54	1,889	-	-
Total dividend payments on capital notes		21,745		16,374

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 losses¹	General equity reserve¹	Hedging reserve	FVOCI reserve	Common control reserve²	Total reserves
	\$M	\$M	\$M	\$M	\$M	\$M
Balance as at 1 July 2020	81	-	24	9	(372)	(258)
Transfer from retained profits	4	-	-	-	-	4
Net change in fair value of financial instrument	-	-	6	23	-	29
Income tax expense	-	-	(2)	(7)	-	(9)
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)

Company	Equity reserve for credit losses¹	General equity reserve¹	Hedging reserve	FVOCI reserve	Common control reserve	Total reserves
	\$M	\$M	\$M	\$M	\$M	\$M
Balance as at 1 July 2020	81	-	24	9	-	114
Transfer from retained profits	4	-	-	-	-	4
Net change in fair value of financial instrument	-	-	6	23	-	29
Income tax expense	-	-	(2)	(7)	-	(9)
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)

1 The general equity reserve replaces the equity reserve for credit losses (ERCL) established under APS 220 *Credit Risk Management (APS 220)*. The ERCL requirement under APS 220 was removed effective 1 January 2022.

2 The balance of the common control reserve was released to retained profits during the current financial year.

Equity reserve for credit losses

The equity reserve for credit losses 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, 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 further consideration of 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 current financial year.

20. Dividends

Consolidated and Company	Note	2022		2021	
		Cents per share	\$M	Cents per share	\$M
Dividend payments on ordinary shares					
2021 final dividend (2021: 2020 final dividend)		77	216	-	-
2022 interim dividend (2021: 2021 interim dividend)		67	189	61	171
Total dividends on ordinary shares			405		171
Total dividends on capital notes	18		22		16
Total dividends			427		187
Dividends not recognised in the SoFP					
<i>Dividends determined since reporting date</i>					
2022 final dividend ¹ (2021: 2021 final dividend)		-	-	77	216
			-		216

¹ The directors have determined that a 2022 final dividend will 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.

	2022 \$M	2021 \$M
Tier 1 Capital		
Common Equity Tier 1 Capital		
Ordinary share capital	2,754	2,754
Retained profits	766	829
Accumulated OCI	(132)	53
	3,388	3,636
Regulatory adjustments to Common Equity Tier 1 Capital		
Goodwill	(21)	(21)
Cash-flow hedge reserve	100	(28)
Deferred tax assets	(84)	(61)
Capitalised expenses	(225)	(176)
Other regulatory adjustments	(1)	(1)
	(231)	(287)
Common Equity Tier 1 Capital	3,157	3,349
Additional Tier 1 Capital		
Eligible hybrid capital	560	585
Total Tier 1 Capital	3,717	3,934
Tier 2 Capital		
APRA general reserve for credit losses	202	199
Eligible hybrid capital	600	600
Ineligible hybrid capital ¹	-	19
Total Tier 2 Capital	802	818
Total Capital	4,519	4,752
Total assessed risk weighted assets	34,797	33,284
Risk weighted capital ratios	%	%
Common Equity Tier 1	9.07	10.06
Total Tier 1	10.68	11.82
Total Tier 2	2.31	2.46
Total risk weighted capital ratio	12.99	14.28

¹ Tier 2 instruments subject to the transitional arrangements outlined in APS 111 Capital Adequacy Attachment L. The Tier 2 instruments were redeemed on 28 July 2021 (refer to note 16).

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

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	<p>Suncorp recognises and defines two types of strategic-level risk:</p> <p>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 on page 32 of the Suncorp Group Annual Report which is available at www.suncorpgroup.com.au/investors/reports.</p> <p>Strategic execution risk – the risk of failing to achieve strategic business objectives or execution of the business strategy.</p>
Financial risk	<p>Financial risks include Credit, Counterparty and Contagion risk, Market/Investment risk, Liquidity risk and Asset and Liability Management (ALM) risk.</p> <p>Credit risk is the risk of default of an obligor to fully meet its obligations in accordance with agreed terms.</p> <p>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.</p> <p>Market/Investment risk is the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, duration, commodity prices, and market volatilities.</p> <p>Liquidity risk is the risk that Suncorp will be unable to service its cash flow obligations today or in the future.</p> <p>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.</p>
Operational risk	<p>The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes compliance and legal risk.</p>

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 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 large institutions 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. These exposures are generally not reviewed individually unless arrears occur when all collections and recovery actions are managed by a centralised team.

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 Portfolio Quality Review team 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	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Receivables due from other banks	2,490	1,495	2,490	1,495
Trading securities	2,722	1,579	2,722	1,579
Derivatives	579	310	579	310
Investment securities	5,949	4,538	5,949	4,538
Loans and advances	62,073	57,563	61,901	57,392
Credit commitments ¹	3,631	3,181	3,670	3,218
Gross credit risk	77,444	68,666	77,311	68,532
Impairment provisions	(217)	(239)	(211)	(231)
Total credit risk	77,227	68,427	77,100	68,301

¹ Credit commitments represent the credit equivalent amount of Company's 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.

	2022			2021		
	Gross credit exposure \$M	Impaired assets \$M	Past due loans > 90 days ¹ \$M	Gross credit exposure \$M	Impaired assets \$M	Past due loans > 90 days ¹ \$M
Consolidated						
Retail	50,281	40	264	46,193	47	474
Commercial	4,884	77	18	4,404	90	21
SME	2,641	14	12	2,738	18	23
Agribusiness	4,267	7	33	4,228	25	32
Gross credit risk	62,073	138	327	57,563	180	550
Impairment provisions	(217)	(46)	(10)	(239)	(59)	(36)
Total credit risk	61,856	92	317	57,324	121	514

	2022			2021		
	Gross credit exposure \$M	Impaired assets \$M	Past due loans > 90 days ¹ \$M	Gross credit exposure \$M	Impaired assets \$M	Past due loans > 90 days ¹ \$M
Company						
Retail	50,281	40	264	46,193	47	474
Commercial	4,813	77	18	4,322	90	21
SME	2,641	14	12	2,738	17	23
Agribusiness	4,166	7	33	4,139	25	32
Gross credit risk	61,901	138	327	57,392	179	550
Impairment provisions	(211)	(46)	(10)	(231)	(59)	(36)
Total credit risk	61,690	92	317	57,161	120	514

¹ 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		Company	
	2022	2021	2022	2021
	\$M	\$M	\$M	\$M
<i>Performing loans</i>				
Loans and advances ¹	61,574	56,811	61,402	56,641
Provision for impairment	(161)	(144)	(155)	(136)
	61,413	56,667	61,247	56,505
<i>Non-performing loans - not impaired</i>				
Loans and advances - past due ²	327	550	327	550
Loans and advances with restructured terms ³	34	22	34	22
Provision for impairment	(10)	(36)	(10)	(36)
	351	536	351	536
<i>Non-performing loans - impaired</i>				
Loans and advances - impaired ⁴	138	180	138	179
Provision for impairment	(46)	(59)	(46)	(59)
	92	121	92	120
Total loans and advances	61,856	57,324	61,690	57,161

1 Loans that are not impaired and not past due by more than 90 days.

2 Loans that are past due for greater than 90 days 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.

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 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.

Consolidated	2022					2021				
	Stage 1	Stage 2	Stage 3		Total	Stage 1	Stage 2	Stage 3		Total
	ECL \$M	ECL \$M	ECL \$M	SP \$M		ECL \$M	ECL \$M	ECL \$M	SP \$M	
<i>Statistically-managed portfolio</i>										
Strong ¹	50,814	-	-	-	50,814	46,219	-	-	-	46,219
Satisfactory ²	527	432	-	-	959	798	381	-	-	1,179
Weak ³	-	318	294	-	612	-	407	491	-	898
Impaired	-	-	20	26	46	-	-	21	35	56
<i>Risk-graded portfolio</i>										
Strong ¹	4,922	-	-	-	4,922	4,009	-	-	-	4,009
Satisfactory ²	3,891	305	-	-	4,196	4,040	459	-	-	4,499
Weak ³	-	281	151	-	432	-	407	172	-	579
Impaired	-	-	15	77	92	-	-	28	96	124
Gross carrying amount	60,154	1,336	480	103	62,073	55,066	1,654	712	131	57,563
Provision for impairment	(88)	(63)	(29)	(37)	(217)	(93)	(50)	(52)	(44)	(239)
Net carrying amount	60,066	1,273	451	66	61,856	54,973	1,604	660	87	57,324

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.

Company	2022					2021				
	Stage 1	Stage 2	Stage 3		Total	Stage 1	Stage 2	Stage 3		Total
	ECL \$M	ECL \$M	ECL \$M	SP \$M		ECL \$M	ECL \$M	ECL \$M	SP \$M	
<i>Statistically-managed portfolio</i>										
Strong ¹	50,784	-	-	-	50,784	46,186	-	-	-	46,186
Satisfactory ²	527	432	-	-	959	799	382	-	-	1,181
Weak ³	-	318	294	-	612	-	408	491	-	899
Impaired	-	-	20	26	46	-	-	21	34	55
<i>Risk-graded portfolio</i>										
Strong ¹	4,838	-	-	-	4,838	3,942	-	-	-	3,942
Satisfactory ²	3,845	302	-	-	4,147	3,982	452	-	-	4,434
Weak ³	-	273	150	-	423	-	400	171	-	571
Impaired	-	-	15	77	92	-	-	28	96	124
Gross carrying amount	59,994	1,325	479	103	61,901	54,909	1,642	711	130	57,392
Provision for impairment	(85)	(61)	(28)	(37)	(211)	(88)	(48)	(51)	(44)	(231)
Net carrying amount	59,909	1,264	451	66	61,690	54,821	1,594	660	86	57,161

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				Company			
	Past due but not impaired				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
2022								
<i>Loans and advances</i>								
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
2021								
<i>Loans and advances</i>								
Retail loans	424	245	474	1,143	424	245	474	1,143
Business loans	40	25	76	141	40	25	76	141
	464	270	550	1,284	464	270	550	1,284

(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.

More than 81.0 per cent (2021: 80.2 per cent) of the Group's lending is classified as retail and 99.9 per cent (2021: 99.7 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. 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 2022 the net impaired loans of \$92 million (2021: \$121 million) were supported by collateral held against the impaired loans of \$105 million (2021: \$150 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, industry sector 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.

Geographic breakdown	Consolidated		Company	
	2022	2021	2022	2021
	\$M	\$M	\$M	\$M
Queensland	29,195	28,020	29,076	27,904
New South Wales	17,388	15,771	17,345	15,726
Victoria	8,516	7,393	8,509	7,386
Western Australia	4,048	3,686	4,048	3,686
South Australia and other	2,926	2,693	2,923	2,690
Gross loans and advances	62,073	57,563	61,901	57,392

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	2022	2021
	Number	Number
25% and greater	4	-
20% to less than 25%	-	2
15% to less than 20%	1	2
10% to less than 15%	2	2
5% to less than 10%	1	2

23.2 Liquidity risk

Executive management of liquidity and funding risk is delegated to the 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.

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

Contractual maturities for non-hedge accounted derivative liabilities are not included within the following tables as they are frequently settled and 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
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	-	6,525	3,692	10,863	245	21,325
Subordinated notes ¹	600	-	6	18	610	-	634
	70,136	36,885	13,160	8,942	11,733	245	70,965
<i>Derivatives</i>							
Contractual amounts receivable (gross settled)	(328)	-	(5)	(69)	(254)	(15)	(343)
Contractual amounts payable (gross and net settled)	843	-	10	109	732	20	871
	515	-	5	40	478	5	528
<i>Off-balance sheet positions</i>							
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
2021							
Payables due to other banks	103	103	-	-	-	-	103
Deposits	41,520	33,323	4,531	3,485	273	-	41,612
Payables and other liabilities	158	-	158	-	-	-	158
Due to related parties	84	-	84	-	-	-	84
Borrowings	18,746	-	3,762	4,146	10,561	764	19,233
Subordinated notes ¹	672	-	75	10	624	-	709
	61,283	33,426	8,610	7,641	11,458	764	61,899
<i>Derivatives</i>							
Contractual amounts receivable (gross settled)	(919)	-	(4)	(42)	(868)	(17)	(931)
Contractual amounts payable (gross and net settled)	1,167	-	41	130	988	20	1,179
	248	-	37	88	120	3	248
<i>Off-balance sheet positions</i>							
Guarantees entered into in the normal course of business	-	292	-	-	-	-	292
Commitments to provide loans and advances	-	10,247	-	-	-	-	10,247
	-	10,539	-	-	-	-	10,539

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
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	-	6,337	3,103	9,180	-	18,620
Subordinated notes ²	600	-	6	18	610	-	634
	82,394	36,893	15,522	8,353	10,050	12,100	82,918
<i>Derivatives</i>							
Contractual amounts receivable (gross settled)	(328)	-	(5)	(69)	(254)	(15)	(343)
Contractual amounts payable (gross and net settled)	843	-	10	109	732	20	871
	515	-	5	40	478	5	528
<i>Off-balance sheet positions</i>							
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
2021							
Payables due to other banks	103	103	-	-	-	-	103
Deposits	41,700	33,502	4,531	3,485	273	-	41,791
Payables and other liabilities	238	-	238	-	-	-	238
Due to related parties ¹	14,355	-	2,255	-	-	12,100	14,355
Borrowings	16,581	-	3,613	3,645	9,081	635	16,974
Subordinated notes ²	672	-	75	10	624	-	709
	73,649	33,605	10,712	7,140	9,978	12,735	74,170
<i>Derivatives</i>							
Contractual amounts receivable (gross settled)	(919)	-	(4)	(42)	(868)	(17)	(931)
Contractual amounts payable (gross and net settled)	1,167	-	41	130	988	20	1,179
	248	-	37	88	120	3	248
<i>Off-balance sheet positions</i>							
Guarantees entered into in the normal course of business	-	292	-	-	-	-	292
Commitments to provide loans and advances	-	10,284	-	-	-	-	10,284
	-	10,576	-	-	-	-	10,576

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		Company	
		2022	2021	2022	2021
		\$M	\$M	\$M	\$M
Customer funding					
<i>Customer deposits</i>					
At-call transactions deposits		20,805	17,248	20,815	17,428
At-call savings deposits		15,832	16,180	15,832	16,180
Term deposits		11,488	8,092	11,488	8,092
Total retail funding		48,125	41,520	48,135	41,700
Wholesale funding					
<i>Domestic funding</i>					
Short-term wholesale ¹		5,319	4,011	5,319	4,011
Long-term wholesale ²		8,543	7,346	8,543	7,346
Covered bonds		2,093	2,091	2,093	2,091
Subordinated notes		600	672	600	672
Total domestic funding		16,555	14,120	16,555	14,120
<i>Overseas funding</i>					
Short-term wholesale ¹		1,842	1,763	1,842	1,763
Long-term wholesale ²		711	1,370	711	1,370
Total overseas funding		2,553	3,133	2,553	3,133
Total wholesale funding		19,108	17,253	19,108	17,253
Total funding (excluding securitisation)		67,233	58,773	67,243	58,953
Securitisation					
APS 120 qualifying ³		2,402	2,165	-	-
Total securitisation		2,402	2,165	-	-
Total funding (including securitisation)		69,635	60,938	67,243	58,953
Comprised of the following items on the SoFP					
Deposits	10	48,125	41,520	48,135	41,700
Borrowings	11	20,910	18,746	18,508	16,581
Subordinated notes	16	600	672	600	672
Total funding		69,635	60,938	67,243	58,953

1 Original maturity of less than 12 months.

2 Original maturity of 12 months or greater.

3 Qualifies for 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 on-balance sheet interest, foreign exchange and off-balance sheet 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.

	2022			2021		
	Interest rate risk \$M	FX risk \$M	Combined risk ¹ \$M	Interest rate risk \$M	FX risk \$M	Combined risk ¹ \$M
Consolidated and Company						
VaR at the end of the financial year	0.24	0.03	0.25	0.41	0.18	0.48
Average VaR for the financial year	1.20	0.08	1.23	0.31	0.12	0.31

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 downwards 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	2022 \$M	2021 \$M
Exposure at the end of the financial year	(45)	(7)
Average exposure during the financial year	(18)	(12)

(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 downwards 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	2022 \$M	2021 \$M
Exposure at the end of the financial year	(58)	(69)
Average exposure during the financial year	(54)	(34)

(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	2022 \$M	2021 \$M
Exposure at the end of the financial year	(23)	(19)
Average exposure during the financial year	(18)	(15)

(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	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
Profit for the financial year	352	403	356	402
Non-cash items				
Impairment release on financial assets	(14)	(49)	(12)	(47)
Change in fair value relating to investing and financing activities	(4)	(21)	(4)	(21)
Other non-cash items	(29)	9	(30)	7
Change in operating assets and liabilities				
Net movement in tax assets and liabilities	(35)	15	(38)	21
Increase in trading securities	(1,151)	(119)	(1,151)	(119)
(Increase) decrease in loans and advances	(4,480)	441	(4,479)	442
Net movement in balances with related parties	89	16	446	(942)
Decrease (increase) in other assets	112	(107)	113	(108)
Increase in deposits	6,605	1,573	6,435	1,733
Increase (decrease) in payables and other liabilities	43	(59)	88	(49)
Net cash from operating activities	1,488	2,102	1,724	1,319

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

	Consolidated		Company	
	2022 \$M	2021 \$M	2022 \$M	2021 \$M
<i>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:</i>				
Cash and cash equivalents	609	68	607	66
Receivables due from other banks ¹	2,490	1,495	2,490	1,495
Payables due to other banks ²	(165)	(103)	(165)	(103)
	2,934	1,460	2,932	1,458

1 Includes \$120 million (2021: \$78 million) of collateral representing credit support to secure the Group's derivative liability position, as part of the standard ISDA agreement.

2 Includes \$117 million (2021: \$62 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	2022 2021 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 2022, the Company maintains seven active Trusts (2021: 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. Critical 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 \$207 million (2021: \$207 million).

The amount drawn as of 30 June 2022 is \$nil (2021: \$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 redrows 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 \$74 million (2021: \$72 million).

The amount drawn as of 30 June 2022 is \$nil (2021: \$nil).

26. Key management personnel and 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:

	2022 \$000	2021 \$000
Short-term employee benefits	16,852	15,521
Long-term employee benefits	198	141
Post-employment benefits	563	508
Share-based payments	7,148	5,938
Termination benefits	-	1,888
	24,761	23,996

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:

	2022		2021	
	Key management personnel \$000	Other related parties \$000	Key management personnel \$000	Other related parties \$000
Closing balance	1,213	43	856	404
Interest charged	40	1	11	15

26.2 Other related party transactions

	Consolidated		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:				
Other operating income				
Subsidiaries	-	-	383,520	487,148
Other related parties	4,432	4,432	4,432	4,432
Interest expense				
Subsidiaries	-	-	199	681
Other related parties	13,888	14,497	13,888	14,497
Operating expenses ¹				
Subsidiaries	-	-	404,562	515,428
Other related parties	727,289	724,136	727,289	724,136
Dividends paid				
Parent entity	405,000	171,000	405,000	171,000
Other related parties	21,744	16,374	21,744	16,374
Aggregate amounts receivable from, and payable to, each class of related parties as at the end of the financial year				
Investment securities				
Subsidiaries	-	-	25	25
Due from related parties				
Subsidiaries	-	-	12,408,843	12,509,199
Other related parties	220,575	222,812	220,575	222,812
Deposits				
Subsidiaries	-	-	10,225	181,047
Other related parties	250,498	319,668	250,498	319,668
Due to related parties				
Subsidiaries	-	-	14,525,511	14,271,002
Other related parties	134,562	84,127	134,562	84,127
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'. All amounts are expected to be fully recoverable. The key terms of the material financing arrangements as at 30 June 2022 are presented in the table below:

Consolidated and Company	Facility \$M	Carrying amount \$M	Interest rate %	Maturity
Long-term fixed facility ¹	94	67	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	182		

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. Auditors' remuneration

	Consolidated		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
KPMG Australia				
Audit and review services				
Audit and review of financial reports	1,031	1,077	924	971
	1,031	1,077	924	971
Assurance services				
Regulatory assurance services	646	568	646	568
Other assurance services	196	142	21	19
	842	710	667	587
In relation to taxation and other services	70	-	70	-
Total Auditors' remuneration	1,943	1,787	1,661	1,558

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. The Group is of the opinion that the outcome and total costs arising from these matters remain uncertain at this time and as such the matters have not been provided for.

Regulatory and internal reviews

Reviews and enquiries from regulators may result in investigation costs, administrative costs, legal costs, system changes and compensation and/or remediation payments (including interest) or fines. The Group conducts 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 ASIC, APRA, Australian Competition and Consumer Commission, 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.

AUSTRAC has completed a Compliance Assessment concerning the Company's compliance with Anti-Money Laundering and Counter-Terrorism Financing (**AML/CTF**) obligations. The assessment was focused on non-individual customer Applicable Customer Identification Procedures (**ACIP**), Enhanced Customer Due Diligence (**ECDD**) processes, Governance and other matters. AUSTRAC's findings and recommendations are detailed in their Compliance Assessment Report provided on 28 July 2022 and will be incorporated into the Company's Financial Crime Compliance Program of Action (**FCC PoA**).

The Group is currently subject to ASIC's Institutional Supervision Program. The most recent review related to Internal Dispute Resolution and Breach and Incident Management processes. An action plan is in place to address ASIC's findings. Further reviews under the program are possible in the future.

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.

Customer remediation and complaints

The Group is currently undertaking a number of programs of work to resolve prior issues that in some cases 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 also investigate matters they consider may be 'systemic'. The Group is working through the individual cases that have been referred to 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. In the period since the Report, a number of items have been actioned by Government, although in some cases the changes have not yet been legislated and applied in full. The Group has implemented many of the known reforms and continues to monitor and respond to any additional legislative and regulatory activity. The recent Federal Government change may result in revisiting of the recommendation for further legislative change.

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

Following a comprehensive strategic review, the Suncorp Group announced on 18 July 2022 it has signed a share sale and purchase agreement with ANZ to sell the Company's immediate parent entity, SBGH Limited. The sale is subject to regulatory approvals from the Federal Treasurer and the Australian Competition and Consumer Commission, and both Suncorp Group and ANZ will engage with the Queensland Government in relation to the *State Financial Institutions and Metway Merger Act 1996 (Qld)*. The sale is expected to be completed approximately 12 months after signing of the SPA. The sale does not impact the measurement of the assets and liabilities of the Company or the Group.

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 2022 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, AM

Chairman

29 August 2022



STEVE JOHNSTON

Group Chief Executive Officer and Managing Director



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 2022 and of its 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 2022;
- 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 audit 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 audit 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 audit 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 Report 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 audit 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 audit, 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; and
- 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 audit 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 opinion.

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 audit 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

Scott Guse
Partner

Brisbane
29 August 2022