SUNCORP

ASX announcement

22 May 2017

Suncorp Bank APS330 Update

Suncorp Bank today provided its quarterly update on Bank assets, credit quality and capital as at 31 March 2017, as required under Australian Prudential Standard 330.

The home lending portfolio grew modestly over the quarter, reflecting challenging market conditions.

Suncorp Banking and Wealth CEO David Carter said the Bank continued to focus on targeted segments of the market, prioritising risk selection and quality, and was well positioned in its standing relative to regulatory changes.

“We responded early to signals by the regulators to improve our position in relation to changes to macro-prudential settings, particularly APRA’s interest-only and investor lending,” Mr Carter said.

“We have been deliberate in shaping the portfolio through our focus on risk selection and expect modest growth in home and business lending as our competitors align to more conservative positions.”

Business lending growth was flat, with strong new business volumes offset by repayments from successfully completed property developments and favourable conditions for agribusiness customers leading to repayment of loans.

Credit quality across Suncorp Bank’s business loan portfolio remains sound, with very little exposure to the higher risk lending segments of inner-city apartments and businesses affected by the resources industry slowdown.

The benefits of prudent risk management are reflected in the continued strong credit quality performance over the quarter, with impairment losses of $7 million, or 5 basis points of gross loans and advances (annualised).

The Bank’s funding strength was demonstrated during the quarter through the successful pricing of a $1.25 billion Residential Mortgage-Backed Security (RMBS) and an increase in the Net Stable Funding Ratio (NSFR) position, closing at 109%.

Following the payment of the interim FY17 dividend to Suncorp Group Limited, the Bank’s Common Equity Tier 1 (CET 1) ratio continues to be strong at 9.19% and remains above the target range of 8.5% to 9.0%.

Suncorp is also in the process of determining the impacts on the business, following several announcements in the Federal Budget impacting the financial services sector.

“Australia has a strong banking system and Suncorp supports the principles of the Financial Services Inquiry to achieve competitive neutrality,” Mr Carter said.

“The Treasurer announced two measures that have the potential to support competitive neutrality – the Bank levy and the harmonisation of supervision of the ADI and non-ADI sector.

“These measures have the potential to further improve the effectiveness of the macro prudential settings that have recently been introduced and will go some way to realising a more level playing field.”

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SUNCORP GROUP LIMITED ABN 66 145 290 124

SUNCORP BANK
APS 330

for the quarter ended 31 March 2017

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Basis of preparation

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

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

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

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

Figures relate to the quarter ended 31 March 2017 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (ASX).

Disclaimer

This report contains general information which is current as at 22 May 2017. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Suncorp Group and Suncorp Bank or any product or service offered by its entities. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp Group's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp Group's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp Group and Suncorp Bank undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

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Overview

Suncorp Bank has maintained responsible and sustainable lending practices in an operating environment experiencing ongoing economic, political and regulatory pressures. The Bank recognises the destruction caused by Cyclone Debbie in Queensland and Northern New South Wales and is focused on supporting customers through this difficult period.

The home lending portfolio grew modestly over the quarter, reflecting challenging market conditions. The Bank continued to focus on targeted segments of the market, prioritising risk selection and quality.

Business lending growth was flat, with strong new business volumes offset by repayments from successfully completed property developments and favourable conditions for agribusiness customers leading to repayment of loans. Credit quality across Suncorp Bank's business loan portfolio remains sound, with a very small exposure to the higher risk lending segments of inner-city apartments and resources, with only a small number of businesses affected by downstream impacts from the resources industry slowdown.

Advanced risk management practices and models are continuously being enhanced across the Bank's portfolios. The benefits of prudent risk management are reflected in the continued strong credit quality performance over the quarter. Impairment losses of $7 million or 5 basis points of gross loans and advances (annualised) remained below the expected operating range of 10 to 20 basis points and compares favourably to peers. Changes to operational processes relating to hardship were implemented, effective 1 January 2017, following guidance by APRA. There is no change to the risk profile of mortgages as a result of the operational changes, however, the impact of an increase in arrears reported are within the Bank's expectations.

The Bank's funding strength was demonstrated during the quarter through the successful pricing of a $1.25 billion Residential Mortgage-Backed Security (RMBS) and an increase in the Net Stable Funding Ratio (NSFR) position, closing at 109%.

Following the payment of the interim FY17 dividend to Suncorp Group, the Bank's Common Equity Tier 1 ratio (CET1 ratio) continues to be strong at 9.19% and remains above the target range of 8.50% to 9.00%.

Outlook

A conservative approach to lending has positioned the Bank favourably within macro-prudential settings, including APRA's interest-only and investor lending supervisory measures. Suncorp Bank has an opportunity to benefit from changes in competitor offerings as they align to more conservative settings and expects modest growth in both home lending and business lending portfolios.

The Bank will ensure appropriate returns on risk, supported by a continued focus on geographic and segment diversification. The Bank intends on maintaining its high credit quality standards and expects to benefit from continued low impairment losses.

The Bank maintains close engagement with customers to better understand and meet their needs, while also strengthening its core business through sustainable balance sheet growth, robust risk management, and ongoing process improvement. The Bank will continue to leverage and benefit from its significant investments in technology and capability over future periods.

Balance sheet growth is also supported through a sustainable and diversified funding base including growth across the stable deposit base (both at-call and term deposits), compliance with regulatory guidance on NSFR and liquidity metrics, and continuing efforts to lengthen the duration of wholesale funding.

The Bank will maintain its disciplined approach to monitoring and assessing the influence of weather conditions, industry wide impacts and changing macroeconomic conditions.

Loans and advances

	Quarter Ended Mar-17 $M	Dec-16 $M	Mar-16 $M	Mar-17 vs Dec-16 %	Mar-17 vs Mar-16 %
Housing loans	37,881	38,743	36,750	(2.2)	3.1
Securitised housing loans and covered bonds	6,376	5,332	6,290	19.6	1.4
Total housing loans	44,257	44,075	43,040	0.4	2.8
Consumer loans	259	268	331	(3.4)	(21.8)
Retail loans	44,516	44,343	43,371	0.4	2.6
Commercial (SME)	5,479	5,462	5,227	0.3	4.8
Agribusiness	4,346	4,383	4,262	(0.8)	2.0
Total Business loans	9,825	9,845	9,489	(0.2)	3.5
Total lending	**54,341**	**54,188**	**52,860**	**0.3**	**2.8**
Other lending	11	7	11	57.1	-
Gross loans and advances	54,352	54,195	52,871	0.3	2.8
Provision for impairment	(148)	(148)	(167)	-	(11.4)
Total loans and advances	**54,204**	**54,047**	**52,704**	**0.3**	**2.8**
Credit-risk weighted assets	**25,758**	**26,459**	**25,761**	**(2.6)**	**(0.0)**
Geographical breakdown - Total lending					
Queensland	28,869	28,935	28,701	(0.2)	0.6
New South Wales	14,046	13,925	13,171	0.9	6.6
Victoria	5,608	5,532	5,305	1.4	5.7
Western Australia	3,680	3,707	3,652	(0.7)	0.8
South Australia and other	2,138	2,089	2,031	2.3	5.3
Outside of Queensland loans	25,472	25,253	24,159	0.9	5.4
Total lending	**54,341**	**54,188**	**52,860**	**0.3**	**2.8**

Retail lending

The home lending portfolio grew over the quarter, with total housing loans closing at $44.3 billion. Suncorp Bank continues to optimise volume and margin to maintain profitable and sustainable lending practices. Targeted customer offerings are integral to the Bank's growth strategy, with a strong focus on processing and turnaround efficiencies.

The Bank maintained a high quality lending portfolio as measured by serviceability, credit quality and loan to value ratios. Credit quality remained a priority with an increased focus on lending with strong credit attributes and a higher proportion of business on principal and interest terms. The Bank is well placed against current macro-prudential settings and has an opportunity to benefit as competitors adjust their customer offerings.

Business lending

Commercial (SME)

The commercial (SME) portfolio experienced moderate growth of 0.3% to $5.5 billion during the quarter. The Bank remains focused on considered and disciplined growth within its risk appetite and continues to conservatively target growth within selected industry segments. Lending to inner-city apartment developments and customers affected by downstream impacts from the resources industry slowdown is low, well controlled and closely monitored. The Bank's exposure to inner-city development finance reduced during the quarter to approximately $129 million, or 1.3% of the total business lending portfolio, as projects reached completion resulting in repayment of Bank debt. Projects that were completed over the past quarter have evidenced very low rates of buyers failing to settle. The Bank typically avoids projects with significant reliance on pre-sale to foreign investors and continues to focus on lending to developers with a strong track record in markets that are well understood by the Bank.

Agribusiness

The agribusiness portfolio contracted 0.8% to $4.3 billion during the quarter due to seasonal factors, as customers experienced favourable harvests and reduced their loan balances which was a positive development for the segment following several years of drought affected debt buildup. A clear risk appetite continues to guide decisions around new business, with the Bank pursuing diversified growth across regions and industries, targeting family operated farms and businesses.

Weather events

To date, there has been limited overall impact on the Bank from Cyclone Debbie and related weather events. The Bank is working with a small number of retail customers experiencing difficulty through the hardship process and is assisting a limited number of impacted business customers. Suncorp Bank is focused on supporting impacted customers and regions through financial relief packages and is anticipating an increase in hardship, home lending arrears, and impaired assets over the next quarter. The Bank recognises that some geographic areas have benefitted from the rainfall associated with the event which will positively impact farming activities in coming months.

Impairment losses on loans and advances

	QUARTER ENDED MAR-17 $M	DEC-16 $M	MAR-16 $M	MAR-17 vs DEC-16 %	MAR-17 vs MAR-16 %
Collective provision for impairment	-	(1)	(6)	(100.0)	(100.0)
Specific provision for impairment	4	(11)	8	n/a	(50.0)
Actual net write-offs	3	3	2	-	50.0
	7	**(9)**	**4**	**n/a**	**n/a**
Impairment losses to gross loans and advances (annualised)	**0.05%**	**-0.07%**	**0.03%**		

Impairment losses of $7 million represents 5 basis points (annualised) of gross loans and advances, below the expected operating range of 10 to 20 basis points.

The Bank considers that the current level of provisioning is appropriate including holding relevant and appropriate economic and operational overlays that will be re-evaluated at the end of the financial year.

Write offs for the quarter remained low and reflected the finalisation of files in both the Business and Retail Recovery portfolios.

Impaired assets

	Quarter Ended Mar-17 $M	Dec-16 $M	Mar-16 $M	Mar-17 vs Dec-16 %	Mar-17 vs Mar-16 %
Retail lending	30	30	23	-	30.4
Agribusiness lending	88	96	123	(8.3)	(28.5)
Commercial/SME lending	51	59	44	(13.6)	15.9
Gross impaired assets	169	185	190	(8.6)	(11.1)
Specific provision for impairment	(46)	(46)	(54)	-	(14.8)
Net impaired assets	**123**	**139**	**136**	**(11.5)**	**(9.6)**
Gross impaired assets to gross loans and advances	**0.31%**	**0.34%**	**0.36%**		

Gross impaired assets decreased to $169 million, representing 31 basis points of gross loans and advances.

Retail lending impaired assets remained flat, and Commercial impairments reduced as improved trading and asset sales allowed for debt reduction and a return to performing status for a small number of files.

The continuing improvement in Agribusiness impairments was driven by favourable operating conditions with above average rainfall across most parts of Australia, strong commodity prices for legumes and beef, and a lower Australian Dollar.

Non-performing loans

	Quarter Ended			Mar-17	Mar-17
	Mar-17	Dec-16	Mar-16	vs Dec-16	vs Mar-16
	$M	$M	$M	%	%
Gross balances of individually impaired loans					
Gross impaired assets	169	185	190	(8.6)	(11.1)
Specific provision for impairment	(46)	(46)	(54)	-	(14.8)
Net impaired assets	123	139	136	(11.5)	(9.6)
Size of gross individually impaired assets					
Less than one million	30	26	19	15.4	57.9
Greater than one million but less than ten million	94	102	104	(7.8)	(9.6)
Greater than ten million	45	57	67	(21.1)	(32.8)
	169	185	190	(8.6)	(11.1)
Past due loans not shown as impaired assets	375	338	416	10.9	(9.9)
Gross non-performing loans	544	523	606	4.0	(10.2)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	185	220	176	(15.9)	5.1
Recognition of new impaired assets	10	17	46	(41.2)	(78.3)
Increases in previously recognised impaired assets	1	1	3	-	(66.7)
Impaired assets written off/sold during the period	(3)	(3)	(13)	-	(76.9)
Impaired assets which have been reclassed as performing assets or repaid	(24)	(50)	(22)	(52.0)	9.1
Balance at the end of the period	**169**	**185**	**190**	**(8.6)**	**(11.1)**

Gross non-performing loans increased 4.0% over the quarter to $544 million, representing 100 basis points of gross loans and advances.

Past due loans that are not impaired increased 10.9% to $375 million for the quarter. This mainly related to higher home lending arrears, arising from seasonality and the change in hardship operational processes effective from January 2017, as previously indicated.

Provision for impairment

	QUARTER ENDED			MAR-17	MAR-17
	MAR-17	DEC-16	MAR-16	vs DEC-16	vs MAR-16
	$M	$M	$M	%	%
Collective provision					
Balance at the beginning of the period	102	103	119	(1.0)	(14.3)
Charge against impairment losses	-	(1)	(6)	(100.0)	(100.0)
Balance at the end of the period	102	102	113	-	(9.7)
Specific provision					
Balance at the beginning of the period	46	61	60	(24.6)	(23.3)
Charge against impairment losses	4	(11)	8	n/a	(50.0)
Impairment provision written off	(3)	(3)	(13)	-	(76.9)
Unwind of discount	(1)	(1)	(1)	-	-
Balance at the end of the period	46	46	54	-	(14.8)
Total provision for impairment - Banking activities	148	148	167	-	(11.4)
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	85	86	96	(1.2)	(11.5)
Transfer (to) from retained earnings	(5)	(1)	(4)	400.0	25.0
Balance at the end of the period	80	85	92	(5.9)	(13.0)
Pre-tax equivalent coverage	114	121	131	(5.8)	(13.0)
Total provision for impairment and equity reserve for credit loss - Banking activities	262	269	298	(2.6)	(12.1)

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	27.2	24.9	28.4
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.19	0.19	0.22
Specific provision	0.08	0.08	0.10
Total provision	0.27	0.27	0.32
ERCL coverage	0.21	0.23	0.25
Total provision and ERCL coverage	0.48	0.50	0.57

ERCL coverage was 48 basis points of gross loans and advances.

Gross non-performing loans coverage by portfolio

Mar-17	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage %
Retail lending	341	30	8	40	48	26%
Agribusiness lending	11	88	15	34	19	69%
Commercial/SME lending	23	51	23	28	47	132%
Total	**375**	**169**	**46**	**102**	**114**	**48%**

Dec-16	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage %
Retail lending	302	30	7	40	51	30%
Agribusiness lending	9	96	16	36	22	70%
Commercial/SME lending	27	59	23	26	48	113%
Total	**338**	**185**	**46**	**102**	**121**	**51%**

Mar-16	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage %
Retail lending	365	23	9	40	65	29.4
Agribusiness lending	22	123	25	39	20	57.9
Commercial/SME lending	29	44	20	34	46	137.0
Total	**416**	**190**	**54**	**113**	**131**	**49.2**

Retail lending past due loans grew by $39 million (12.9%) to $341 million over the quarter, predominantly in Queensland, which accounts for 50% of the Bank's portfolio, and Western Australia, with increases of $24.9 million (19%) and $11.6 million (23%) respectively. Hardship relief cases accounted for $28 million, or approximately 72% of the total increase in past due loans.

The Bank continues to conduct regular reviews of all non-performing loans, assessed against recent, relevant and objective data, to identify any material deterioration driving the requirement for impairment or a specific provision.

Appendix 1 – APS 330 tables

- Table 1: Capital Disclosure Template – not applicable
- Table 2: Main Features of Capital Instruments
- Table 3: Capital Adequacy
- Table 4: Credit Risk
- Table 5: Securitisation Exposures

Table 2: Main Features of Capital Instruments

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

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

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

Note

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

Table 3: Capital Adequacy

	CARRYING VALUE		AVG RISK WEIGHT	RISK-WEIGHTED ASSETS	
	Mar-17	Dec-16	Mar-17	Mar-17	Dec-16
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	421	424	1	5	-
Claims on Australian and foreign governments	2,850	2,951	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	1,699	2,671	22	367	593
Claims on securitisation exposures	1,153	1,094	20	231	219
Claims secured against eligible residential mortgages	41,619	42,541	37	15,552	15,942
Past due claims	503	480	90	451	452
Other retail assets	357	380	80	285	308
Corporate	8,604	8,620	100	8,593	8,610
Other assets and claims	274	337	100	274	335
Total banking assets	**57,480**	**59,498**	**45**	**25,758**	**26,459**

	NOTIONAL AMOUNT	CREDIT EQUIVALENT	AVG RISK WEIGHT	RISK-WEIGHTED ASSETS	
	Mar-17	Mar-17	Mar-17	Mar-17	Dec-16
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	260	257	67	172	169
Commitments to provide loans and advances	8,420	2,208	60	1,328	1,344
Foreign exchange contracts	5,369	126	43	54	60
Interest rate contracts	51,085	93	33	31	27
Securitisation exposures	3,196	98	65	64	39
CVA capital charge	-	-	-	108	88
Total off-balance sheet positions	**68,330**	**2,782**	**63**	**1,757**	**1,727**

	Mar-17	Dec-16
Market risk capital charge	122	98
Operational risk capital charge	3,391	3,391
Total off-balance sheet positions	1,757	1,727
Total on-balance sheet credit risk-weighted assets	25,758	26,459
Total assessed risk	**31,028**	**31,675**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	9.19	9.15
Tier 1	10.64	10.57
Tier 2	2.91	2.86
Total risk-weighted capital ratio	**13.55**	**13.43**

TABLE 4: Credit Risk

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 March 2017

	Receivables due from other Banks (2)	Trading Securities	Investment Securities	Loans and Advances	Credit Commitments (3)	Derivative Instruments (3)	Total Credit Risk	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,824	271	-	4,095	80	6	4,009	12
Construction & development	-	-	-	529	176	-	705	3	1	701	1
Financial services	550	-	1,089	103	249	219	2,210	-	-	2,210	-
Hospitality	-	-	-	951	68	-	1,019	32	-	987	15
Manufacturing	-	-	-	264	19	-	283	-	-	283	-
Professional services	-	-	-	264	15	-	279	6	1	272	4
Property investment	-	-	-	1,907	130	-	2,037	6	2	2,029	3
Real estate - Mortgage	-	-	-	41,152	1,374	-	42,526	30	321	42,175	5
Personal	-	-	-	263	5	-	268	2	6	260	2
Government/public authorities	-	1,518	2,373	-	-	-	3,891	-	-	3,891	-
Other commercial & industrial	-	-	-	1,992	158	-	2,150	10	24	2,116	4
Total gross credit risk	550	1,518	3,462	51,249	2,465	219	59,463	169	361	58,933	46
Securitisation exposures (1)	-	-	1,153	3,103	30	68	4,354	-	14	4,340	-
Total including Securitisation exposures	550	1,518	4,615	54,352	2,495	287	63,817	169	375	63,273	46
Impairment provision							(148)	(46)	(22)	(80)	
TOTAL							**63,669**	**123**	**353**	**63,193**	

(1) The securitisation exposures of $3,103 million included under “Loans and advances” qualify for regulatory capital relief under APS 120 and therefore do not contribute to the Bank’s Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120.

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

(3) “Credit commitments” and “Derivative instruments” represent the credit equivalent amount of the Bank’s off-balance sheet exposures calculated in accordance with APS 112.

TABLE 4: Credit Risk (continued)

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 December 2016

	Receivables due from other Banks (2)	Trading Securities	Investment Securities	Loans and Advances	Credit Commitments (3)	Derivative Instruments (3)	Total Credit Risk	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,933	222	-	4,155	84	9	4,062	12
Construction & development	-	-	-	521	126	-	647	4	1	642	1
Financial services	473	70	1,985	92	240	251	3,111	-	-	3,111	-
Hospitality	-	-	-	903	51	-	954	31	-	923	14
Manufacturing	-	-	-	250	19	-	269	-	-	269	-
Professional services	-	-	-	239	10	-	249	6	1	242	4
Property investment	-	-	-	2,043	97	-	2,140	8	4	2,128	3
Real estate - Mortgage	-	-	-	42,069	1,784	-	43,853	32	282	43,539	5
Personal	-	-	-	272	5	-	277	2	7	268	1
Government/public authorities	-	1,527	2,225	1	-	-	3,753	-	-	3,753	-
Other commercial & industrial	-	-	-	1,864	162	-	2,026	18	21	1,987	6
Total gross credit risk	**473**	**1,597**	**4,210**	**52,187**	**2,716**	**251**	**61,434**	**185**	**325**	**60,924**	**46**
Securitisation Exposures [1]	-	-	1,094	2,008	20	38	3,160	-	13	3,147	-
Total including Securitisation Exposures	**473**	**1,597**	**5,304**	**54,195**	**2,736**	**289**	**64,594**	**185**	**338**	**64,071**	**46**
Impairment provision							(148)	(46)	(22)	(80)	
TOTAL							**64,446**	**139**	**316**	**63,991**	

(1) The securitisation exposures of $2,008 million included under "Loans and advances" qualify for regulatory capital relief under APS 120 and therefore do not contribute to the Bank's Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120.

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

(3) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112.

TABLE 4: Credit Risk (continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 January to 31 March 2017

	Receivables due from other Banks (2)	Trading Securities	Investment Securities	Loans and Advances	Credit Commitments (3)	Derivative Instruments (3)	Total Credit Risk
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,879	247	-	4,126
Construction & development	-	-	-	525	151	-	676
Financial services	512	35	1,537	98	245	235	2,662
Hospitality	-	-	-	927	60	-	987
Manufacturing	-	-	-	257	19	-	276
Professional services	-	-	-	252	13	-	265
Property investment	-	-	-	1,975	114	-	2,089
Real estate - Mortgage	-	-	-	41,611	1,579	-	43,190
Personal	-	-	-	268	5	-	273
Government/public authorities	-	1,523	2,299	1	-	-	3,823
Other commercial & industrial	-	-	-	1,928	160	-	2,088
Total gross credit risk	512	1,558	3,836	51,721	2,593	235	60,455
Securitisation exposures (1)	-	-	1,124	2,556	25	53	3,758
Total including Securitisation exposures	512	1,558	4,960	54,277	2,618	288	64,213
Impairment provision							(148)
TOTAL							**64,065**

(1) The securitisation exposures of $2,556 million included under “Loans and advances” qualify for regulatory capital relief under APS 120 and therefore do not contribute to the Bank’s Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120.

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

(3) “Credit commitments” and “Derivative instruments” represent the credit equivalent amount of the Bank’s off-balance sheet exposures calculated in accordance with APS 112.

TABLE 4: Credit Risk (continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2016

	Receivables due from other Banks (2)	Trading Securities	Investment Securities	Loans and Advances	Credit Commitments (3)	Derivative Instruments (3)	Total Credit Risk
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,953	208	-	4,161
Construction & development	-	-	-	530	138	-	668
Financial services	526	95	2,072	94	236	248	3,271
Hospitality	-	-	-	909	46	-	955
Manufacturing	-	-	-	254	18	-	272
Professional services	-	-	-	243	10	-	253
Property investment	-	-	-	2,028	89	-	2,117
Real estate - Mortgage	-	-	-	41,923	1,575	-	43,498
Personal	-	-	-	280	6	-	286
Government/public authorities	-	1,527	2,239	1	-	-	3,767
Other commercial & industrial	-	-	-	1,845	158	-	2,003
Total gross credit risk	**526**	**1,622**	**4,311**	**52,060**	**2,484**	**248**	**61,251**
Securitisation Exposures (1)	-	-	1,003	2,082	21	23	3,129
Total including Securitisation Exposures	**526**	**1,622**	**5,314**	**54,142**	**2,505**	**271**	**64,380**
Impairment provision							(156)
TOTAL							**64,224**

(1) The securitisation exposures of $2,082 million included under "Loans and advances" qualify for regulatory capital relief under APS 120 and therefore do not contribute to the Bank's Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120.

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

(3) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112.

TABLE 4: Credit Risk (continued)

Table 4B: Credit risk by portfolio – 31 March 2017

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [1]	46,880	46,948	30	335	5	2
Other retail	268	273	2	6	2	3
Financial services	2,210	2,662	-	-	-	-
Government and public authorities	3,891	3,823	-	-	-	-
Corporate and other claims	10,568	10,507	137	34	39	1
Total	63,817	64,213	169	375	46	6

[1] $4,354 million, $3,758 million and $14 million has been included in Gross Credit Risk Exposure, Average Gross Exposure and Past due not impaired > 90 days respectively to include securitisation exposures.

Table 4B: Credit risk by portfolio – 31 December 2016

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [1]	47,013	46,627	32	295	5	3
Other retail	277	286	2	7	1	-
Financial services	3,111	3,271	-	-	-	-
Government and public authorities	3,753	3,767	-	-	-	-
Corporate and other claims	10,440	10,429	151	36	40	(10)
Total	64,594	64,380	185	338	46	(7)

[1] $3,160 million, $3,129 million and $13 million has been included in Gross Credit Risk Exposure, Average Gross Exposure and Past due not impaired > 90 days respectively to include securitisation exposures.

Table 4C: General reserves for credit losses

	Mar-17 $M	Dec-16 $M
Collective provision for impairment	102	102
Ineligible collective provisions on Past Due not Impaired	(22)	(22)
Eligible collective provisions	80	80
Equity reserve for credit losses	80	85
General reserve for credit losses	**160**	**165**

TABLE 5: Securitisation Exposures

Table 5A: Summary of securitisation activity for the period

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Mar-17	Dec-16	Mar-17	Dec-16
	$M	$M	$M	$M
Residential mortgages	1,250	-	-	-
Total exposures securitised during the period	**1,250**	**-**	**-**	**-**

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

	Mar-17	Dec-16
Exposure type	$M	$M
Debt securities	1,153	1,094
Total on-balance sheet securitisation exposures	**1,153**	**1,094**

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

	Mar-17	Dec-16
Exposure type	$M	$M
Liquidity facilities	30	20
Derivative exposures	68	38
Total off-balance sheet securitisation exposures	**98**	**58**

Appendix 2

Total lending portfolio

- Total lending assets of $54.3 billion
- 72% of business lending exposures <$10 million
- Well placed within APRA's investor and interest only supervisory measures

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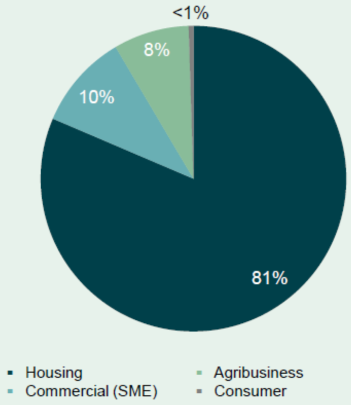
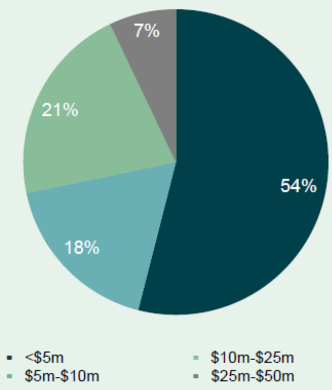
Total lending assets by portfolio



Business lending exposures

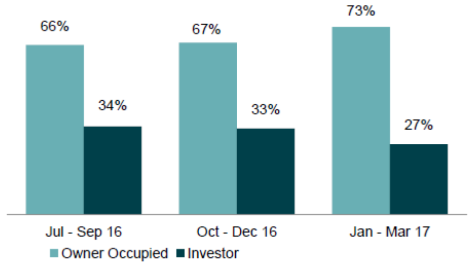


For The Quarter Ended 31 March 2017 SUNCORP BANK 1

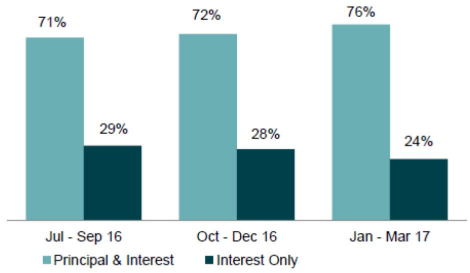
Home lending portfolio

- Continued focus on a high quality lending portfolio including serviceability, credit quality and loan to value ratios
- Home lending portfolio balance split of 70% owner occupied vs 30% investor
- Investor year-on-year lending growth of 7.1% well within APRA's supervisory measure of 10%

Origination composition by loan purpose



Origination composition by loan repayment type



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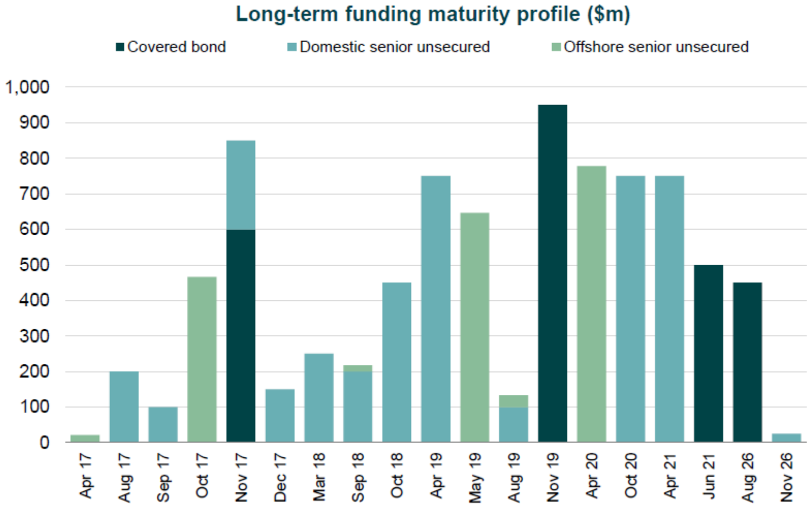
For The Quarter Ended 31 March 2017 SUNCORP BANK 2

Wholesale funding

- Successfully launched a $1.25 billion Residential Mortgage Backed Security (RMBS) transaction
- From 1 July 2016 to 31 March 2017, issued $3.2 billion long term wholesale funding with a weighted average term of 3.9 years
- Continued focus on lengthening the duration of wholesale liabilities



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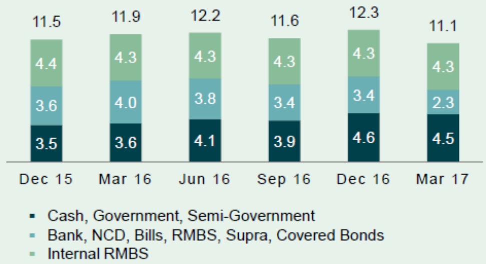
For The Quarter Ended 31 March 2017 SUNCORP BANK 3

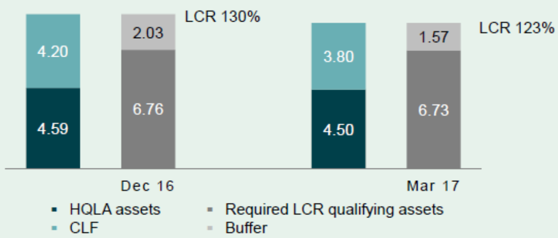
Liquid assets and Liquidity Coverage Ratio (LCR)

- LCR 123% at 31 March 2017
- Committed Liquidity Facility reduced to $3.8 billion on 1 January 2017
- Net Stable Funding Ratio (NSFR) of 109%

Components of liquid assets ($b)



Components of LCR* ($b)



* based off AUD LCR

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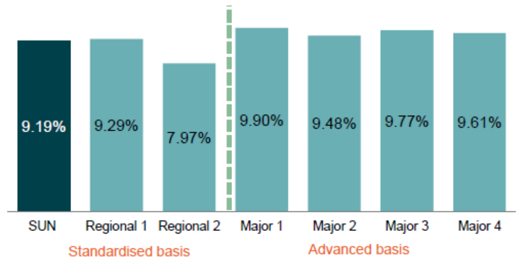
For The Quarter Ended 31 March 2017 SUNCORP BANK 4

Capital

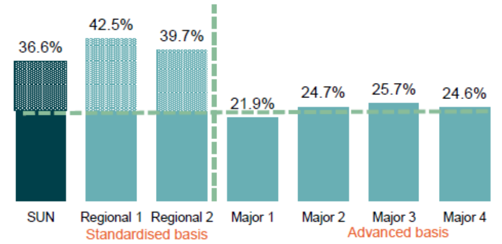
- Strong capital levels maintained to support growth in the Bank
- Well positioned for regulatory change

CET1 ratio vs peers



Suncorp data as at 31 March 2017 for the Level 2 Banking Group
Source: Latest peer financial reports available as at 15 April 2017

Residential mortgages risk weight %



Source: Latest peer financial reports available as at 15 April 2017

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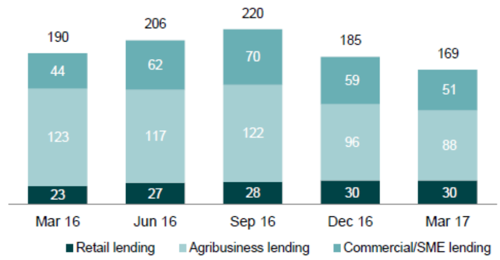
For The Quarter Ended 31 March 2017 SUNCORP BANK 5

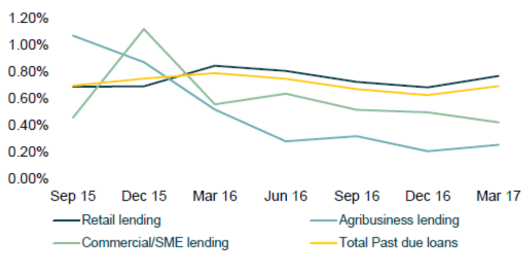
Credit quality

- Improvement in gross impaired loans
- Continued decline in agribusiness gross impaired assets
- Increase in retail lending past due loans predominantly in Queensland and Western Australia

Gross impaired loans by segment ($m)



Past due loans by segment (% of segment GLA)



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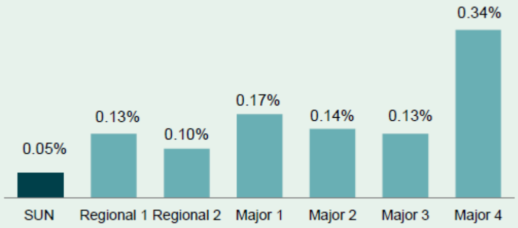
For The Quarter Ended 31 March 2017 SUNCORP BANK 6

Credit quality

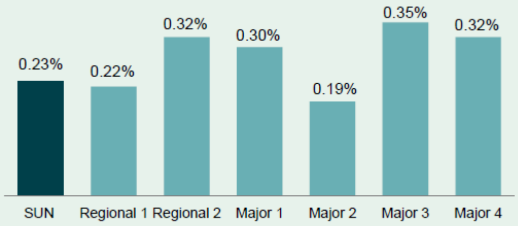
- Continued strong performance of impairment losses against peers and expected operating range of 10 to 20 basis points
- Further reduction in impaired assets driven by business banking

Impairment losses to gross loans



Source: Latest peer financial reports available as at 15 April 2017

Net impaired loans to gross loans



Source: Latest peer financial reports available as at 15 April 2017

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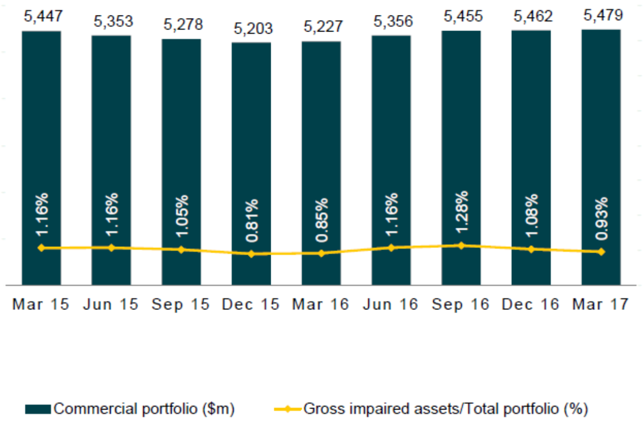
Commercial (SME) portfolio

- Portfolio grew 0.3% to $5.5 billion
- The Bank continues to write well secured business lending within risk appetite, and targeted industry sectors
- Overall credit quality continues to track favourably through enhanced risk selection
- 56% of the exposures within the commercial (SME) portfolio are less than $5 million



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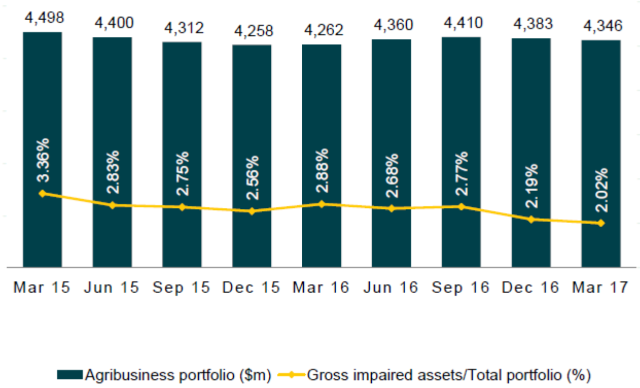
Agribusiness portfolio

- Portfolio contracted 0.8% to $4.3 billion during the quarter
- The Bank continues to maintain a strong focus on the credit quality of the agribusiness lending book
- Operating conditions have improved for some customers, with quality rainfall, strong commodity prices for legumes and beef, and a lower Australian dollar
- 51% of the exposures within the agribusiness portfolio are less than $5 million



Appendix 3 – Definitions

ADI	Authorised Deposit-taking Institution
APRA	Australian Prudential Regulatory Authority
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA
Common Equity Tier 1	Common Equity Tier 1 Capital (CET1) comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total assessed risk
Credit Value Adjustment (CVA)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Gross non-performing loans	Gross impaired assets plus past due loans
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross banking loans, advances and other receivables
Net Stable Funding Ratio (NSFR)	NSFR is a measure announced as part of the Basel III liquidity reforms that will apply from January 2018. The ratio establishes a minimum acceptable amount of stable funding (the portion of those types and amounts of equity and liability financing expected to be reliable sources of funds over a one-year time horizon under conditions of extended stress) based on the liquidity characteristics of an ADI’s assets and activities over a one-year horizon.
Past due loans	Loans outstanding for more than 90 days
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Total assessed risk	Bank credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA