ASX announcement

3 November 2016

Suncorp Bank APS330 Update

Suncorp Bank today provided its quarterly update on Bank assets, credit quality and capital as at 30 September 2016, as required under Australian Prudential Standard 330.

Suncorp's lending assets remained broadly flat over the quarter at $54.1 billion, as the Bank actively managed volume and margin in a price driven market.

Credit quality remained strong with gross non-performing loans decreasing 4.8% over the quarter to $581 million. Impairment losses of $10 million for the quarter represent an annualised 7 basis points of gross loans and advances, below the Bank's 10 to 20 basis points expected operating range.

Suncorp Banking & Wealth CEO David Carter said the Bank remained committed to driving sustainable growth, while prudently managing risk, liquidity and the funding mix. The Net Stable Funding Ratio (NSFR) was 111% at 30 September.

"We're focused on leveraging the significant investment we have made in our new core banking platform to deliver greater value for our customers," Mr Carter said.

"We're also continuing our discussions with APRA as we progress towards achieving Advanced Accreditation. In the meantime, we are operating as an Advanced Bank, with strong risk management and advanced models in use across the business."

Modest growth in business lending continued during the quarter, with the commercial portfolio increasing 1.8% to $5.5 billion and agribusiness growing 1.1% to $4.4 billion. The home lending portfolio contracted marginally, as the Bank remained focused on sustainable and profitable lending.

Consistent with others in the market the Bank saw a sharp increase in term deposit funding costs following the May RBA rate cut. Whilst some of that pressure has recently abated, average funding costs will be higher than originally expected this half.

The capital position of the Bank is robust with a Common Equity Tier 1 (CET1) ratio of 8.92% as at 30 September 2016, at the upper end of the 8.5% to 9% target.

Ends

For more information contact:

Media:	Alexandra Foley	0419 794 294
Analysts/Investors:	Mark Ley	0411 139 134

Suncorp Group Limited ABN 66 145 290 124

Suncorp Bank APS 330

for the quarter ended 30 September 2016

Release date: 3 November 2016

Table of contents

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 30 September 2016 (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 3 November 2016. 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).

Registered Office

Level 28, 266 George Street,
Brisbane Queensland 4000
Telephone: (07) 3362 1222
www.suncorpgroup.com.au

Investor Relations

Mark Ley
Head of Investor Relations
Telephone: (02) 8121 1221
mark.ley@suncorp.com.au

Overview

Suncorp Bank remains focused on achieving sustainable profitable growth through the acquisition of good quality lending assets, in a low interest rate, low credit growth environment. The benefits of this approach continue to be reflected in the September quarter with another strong credit quality performance.

Total lending assets remained broadly flat over the quarter at $54.1 billion, as the Bank actively manages volume and margin in a price driven market. The Bank has partially mitigated a sharp rise in term deposit pricing since the RBA rate cut in May 2016 through active use of its range of wholesale funding programs. Suncorp Bank is on track to satisfy the most recent APRA guidance on the Net Stable Funding Ratio (NSFR). NSFR at 30 September was approximately 111%.

Gross non-performing loans reduced by $29 million or 4.8% to $581 million. Gross impaired assets increased slightly to $220 million, representing 41 basis points (bps) of gross loans and advances. Impairment losses of $10 million for the quarter represents just 7 bps (annualised) of gross loans and advances, below the Bank's 10 to 20 bps expected operating range. The Bank has conducted detailed analysis of identified higher risk portfolio segments and is confident in the credit quality across its loan exposure portfolio. The Bank has maintained very limited exposure to inner-city apartments and the resources sector.

As expected, the Bank's Common Equity Tier 1 (CET1 ratio) has reduced following the payment of the final FY16 dividend to Suncorp Group Limited. The ratio at 30 September 2016 is 8.92% and remains at the upper end of its target range of 8.50% to 9.00%.

Discussions continue with APRA as part of progressing towards Advanced Accreditation. The Bank is operating as an Advanced Bank, with robust risk management and advanced models in use across the business.

Outlook

Suncorp Bank remains committed to driving sustainable profitable growth and elevating the customer, while prudently managing risk, the balance sheet and funding mix. The Bank is focused on leveraging its significant investments in technology, capability and the Suncorp Marketplace to deepen relationships and deliver more value for the customer.

The Bank expects to continue to grow modestly in its business banking portfolio, with the home lending portfolio expected to return to growth. The Bank continues to focus on both geographic and segment diversification.

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

The industry is currently aligning the treatment of hardship reporting following guidance from APRA. These changes may have some effect on reporting but will not materially impact the risk or loss experience in the Bank. Impairment losses are expected to remain in the lower end of the 10 to 20 bps target operating range.

Loans and advances

	QUARTER ENDED			SEP-16	SEP-16
	SEP-16	JUN-16	SEP-15	vs JUN-16	vs SEP-15
	$M	$M	$M	%	%
Housing loans	37,487	37,704	36,657	(0.6)	2.3
Securitised housing loans and covered bonds	6,435	6,548	6,354	(1.7)	1.3
Total housing loans	43,922	44,252	43,011	(0.7)	2.1
Consumer loans	284	312	365	(9.0)	(22.2)
Retail loans	44,206	44,564	43,376	(0.8)	1.9
Commercial (SME)	5,455	5,356	5,277	1.8	3.4
Agribusiness	4,410	4,360	4,313	1.1	2.2
Total Business loans	9,865	9,716	9,590	1.5	2.9
Total lending	**54,071**	**54,280**	**52,966**	**(0.4)**	**2.1**
Other lending	9	18	12	(50.0)	(25.0)
Gross loans and advances	**54,080**	**54,298**	**52,978**	(0.4)	2.1
Provision for impairment	(164)	(164)	(191)	-	(14.1)
Total loans and advances	**53,916**	**54,134**	**52,787**	(0.4)	2.1
Credit-risk weighted assets	**26,369**	**26,444**	**25,740**	(0.3)	2.4
Geographical breakdown - Total lending					
Queensland	28,926	29,132	28,828	(0.7)	0.3
New South Wales	13,857	13,808	13,231	0.4	4.7
Victoria	5,496	5,499	5,230	(0.1)	5.1
Western Australia	3,714	3,747	3,696	(0.9)	0.5
South Australia and other	2,078	2,094	1,981	(0.8)	4.9
Outside of Queensland loans	25,145	25,148	24,138	(0.0)	4.2
Total lending	**54,071**	**54,280**	**52,966**	**(0.4)**	**2.1**

Retail lending

The home lending portfolio contracted marginally to $43.9 billion. During the quarter, the market was characterised by intense price competition and the Bank concentrated on the optimisation of volume and margin to maintain profitable lending and sustainable lending practices.

The quality of the lending portfolio remained favourable across a range of measures including quantitative serviceability parameters, credit quality and loan to value ratio (LVR), with 80% of new loans having a LVR of 80% or less.

Business lending

Commercial (SME)

The commercial (SME) portfolio increased 1.8% to $5.5 billion during the quarter. The Bank is focused on considered and disciplined growth within its risk appetite and continues to conservatively target growth within selected industry segments. The Bank maintains a very limited exposure to inner-city apartment developments and the resources sector.

Development Finance exposures as at 30 September 2016

	Limits $M
Units & Town Houses	282
Residential Subdivision	127
Retail	27
Other	44
Grand Total	**480**

Agribusiness

The agribusiness portfolio grew 1.1% to $4.4 billion during the quarter. Operating conditions improved for many customers with above average rainfall in regions across Australia. The Bank endeavours to support customers impacted by excessive rainfall or drought, and exercises prudent risk selection. Recent developments in the dairy and poultry industries are monitored with a low gross exposure maintained. The Bank is proud of its long heritage in agribusiness and is focused on maintaining a collaborative customer approach.

Impairment losses on loans and advances

	QUARTER ENDED			SEP-16	SEP-16
	SEP-16 $M	JUN-16 $M	SEP-15 $M	vs JUN-16 %	vs SEP-15 %
Collective provision for impairment	(5)	(5)	-	-	n/a
Specific provision for impairment	11	8	5	37.5	120.0
Actual net write-offs	4	(2)	1	n/a	300.0
Impairment losses	**10**	**1**	**6**	**large**	**66.7**
Impairment losses to gross loans and advances (annualised)	**0.07%**	**0.01%**	**0.04%**		

Impairment losses of $10 million for the quarter, representing 7bps (annualised) of gross loans and advances, continues to trend below the Bank’s through the cycle expected operating range of 10-20bps.

During the quarter, one mid-sized exposure became impaired resulting in an increase in the specific provision.

The Bank is comfortable with the current level of provisioning across all portfolios. Whilst changes in market conditions have the potential to increase bad debt expense in FY17, the Bank expects that impairment losses will be at the lower end of the expected 10 to 20 bps range.

The Bank is confident that its risk review processes allow for early warning indicators of financial distress to be identified and addressed.

Impaired assets

	QUARTER ENDED			SEP-16	SEP-16
	SEP-16	JUN-16	SEP-15	vs JUN-16	vs SEP-15
	$M	$M	$M	%	%
Retail lending	28	27	28	3.7	-
Agribusiness lending	122	117	119	4.3	2.5
Commercial/SME lending	70	62	55	12.9	27.3
Gross impaired assets	220	206	202	6.8	8.9
Specific provision for impairment	(61)	(56)	(65)	8.9	(6.2)
Net impaired assets	**159**	**150**	**137**	**6.0**	**16.1**
Gross impaired assets to gross loans and advances	**0.41%**	**0.38%**	**0.38%**		

Gross impaired assets increased by $14 million to $220 million during the quarter, representing 0.41% of gross loans and advances.

Whilst there is evidence the slowdown in the resource sector has had downstream impacts in some regional centres in Queensland, the impact is limited to a small number of exposures. The increase in the September quarter was driven by one mid-sized Commercial/SME loan with an indirect exposure to the downturn in the Queensland resources sector.

Non-performing loans

	QUARTER ENDED			SEP-16	SEP-16
	SEP-16	JUN-16	SEP-15	vs JUN-16	vs SEP-15
	$M	$M	$M	%	%
Gross balances of individually impaired loans					
Gross impaired assets	220	206	202	6.8	8.9
Specific provision for impairment	(61)	(56)	(65)	8.9	(6.2)
Net impaired assets	**159**	**150**	**137**	**6.0**	**16.1**
Size of gross individually impaired assets					
Less than one million	29	22	21	31.8	38.1
Greater than one million but less than ten million	109	117	110	(6.8)	(0.9)
Greater than ten million	82	67	71	22.4	15.5
	220	**206**	**202**	**6.8**	**8.9**
Past due loans not shown as impaired assets	**361**	**404**	**367**	**(10.6)**	**(1.6)**
Gross non-performing loans	**581**	**610**	**569**	**(4.8)**	**2.1**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	206	190	218	8.4	(5.5)
Recognition of new impaired assets	38	40	23	(5.0)	65.2
Increases in previously recognised impaired assets	2	1	1	100.0	100.0
Impaired assets written off/sold during the period	(4)	(5)	(21)	(20.0)	(81.0)
Impaired assets which have been reclassed as performing assets or repaid	(22)	(20)	(19)	10.0	15.8
Balance at the end of the period	**220**	**206**	**202**	**6.8**	**8.9**

Gross non-performing loans decreased 4.8% over the quarter to $581 million, representing 1.07% of gross loans and advances.

The balance of past due loans that are not impaired decreased by 10.6% to $361 million as at 30 September 2016.

Provision for impairment

	QUARTER ENDED SEP-16 $M	JUN-16 $M	SEP-15 $M	SEP-16 vs JUN-16 %	SEP-16 vs SEP-15 %
Collective provision					
Balance at the beginning of the period	108	113	126	(4.4)	(14.3)
Charge against impairment losses	(5)	(5)	-	-	n/a
Balance at the end of the period	103	108	126	(4.6)	(18.3)
Specific provision					
Balance at the beginning of the period	56	54	82	3.7	(31.7)
Charge against impairment losses	11	8	5	37.5	120.0
Impairment provision written off	(4)	(5)	(21)	(20.0)	(81.0)
Unwind of discount	(2)	(1)	(1)	100.0	100.0
Balance at the end of the period	61	56	65	8.9	(6.2)
Total provision for impairment - Banking activities	**164**	**164**	**191**	-	(14.1)
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	85	92	146	(7.6)	(41.8)
Transfer (to) from retained earnings	1	(7)	(1)	n/a	n/a
Balance at the end of the period	86	85	145	1.2	(40.7)
Pre-tax equivalent coverage	123	121	207	1.7	(40.6)
Total provision for impairment and equity reserve for credit loss - Banking activities	**287**	**285**	**398**	**0.7**	**(27.9)**

	SEP-16 %	JUN-16 %	SEP-15 %
Specific provision for impairment expressed as a percentage of gross impaired assets	**27.7**	**27.2**	**32.2**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.19	0.20	0.24
Specific provision	0.11	0.10	0.12
Total provision	0.30	0.30	0.36
ERCL coverage	0.23	0.22	0.39
Total provision and ERCL coverage	0.53	0.52	0.75

The Bank has maintained a prudent and conservative provision coverage to recognise the fluctuating nature of market conditions. This includes maintaining relevant and appropriate economic and operational overlays.

The specific provision movement quarter on quarter is driven by the previously mentioned mid-sized Commercial/SME exposure greater than $10 million.

Stabilisation of retail lending arrears over the quarter was the main driver of the $5 million decrease in collective provision.

Gross non-performing loans coverage by portfolio

SEP-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	319	28	7	39	48	27.1
Agribusiness lending	14	122	24	37	25	63.2
Commercial/SME lending	28	70	30	27	50	109.2
Total	**361**	**220**	**61**	**103**	**123**	**49.4**

JUN-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	358	27	10	43	47	26.0
Agribusiness lending	12	117	27	36	25	68.2
Commercial/SME lending	34	62	19	29	49	101.0
Total	**404**	**206**	**56**	**108**	**121**	**46.7**

Retail past due loans decreased by $39 million to $319 million over the quarter. The favourable movement follows the embedding of enhancements to the collections system and processes that were disclosed with previous financial results.

During the quarter, the Bank undertook detailed analysis of identified higher risk segments of its retail portfolio. This included regional locations and capital cities experiencing greater impacts from the slowdown in the resources and manufacturing sectors. In addition, the Bank reviewed its agribusiness portfolio in relation to dairy, poultry and cropping sectors.

Appendix 1 – APS 330 tables

- Table 2: Main Features of Capital Instruments
- Table 3: Capital Adequacy
- Table 4: Credit Risk
- Table 5: Securitisation Exposures
- Table 18: Remuneration Disclosures

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	
	SEP-16	JUN-16	SEP-16	SEP-16	JUN-16
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	435	430	-	2	12
Claims on Australian and foreign governments	2,332	2,572	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	2,740	2,807	22	598	597
Claims on securitisation exposures	912	937	20	182	187
Claims secured against eligible residential mortgages	42,206	42,239	38	15,863	15,962
Past due claims	528	549	94	497	487
Other retail assets	412	558	82	339	474
Corporate	8,597	8,443	100	8,581	8,432
Other assets and claims	307	294	100	307	293
Total Banking assets	**58,469**	**58,829**	**45**	**26,369**	**26,444**

	NOTIONAL AMOUNT	CREDIT EQUIVALENT	AVG RISK WEIGHT	RISK-WEIGHTED ASSETS	
	SEP-16	SEP-16	SEP-16	SEP-16	JUN-16
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	252	251	66	165	165
Commitments to provide loans and advances	8,072	1,997	58	1,149	1,220
Foreign exchange contracts	6,202	140	37	52	43
Interest rate contracts	53,279	105	40	42	40
Securitisation exposures	1,920	29	86	25	26
CVA capital charge	-	-	-	74	62
Total off-balance sheet positions	**69,725**	**2,522**	**60**	**1,507**	**1,556**
Market risk capital charge				87	108
Operational risk capital charge				3,351	3,351
Total off-balance sheet positions				1,507	1,556
Total on-balance sheet credit risk-weighted assets				26,369	26,444
Total assessed risk				**31,314**	**31,459**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	8.92	9.15
Tier 1	10.35	10.58
Tier 2	2.90	2.89
Total risk-weighted capital ratio	**13.25**	**13.47**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 September 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	-	-	-	3,972	193	-	4,165	113	13	4,039	19
Construction & development	-	-	-	538	150	-	688	10	-	678	6
Financial services	579	120	2,159	95	231	245	3,429	-	-	3,429	-
Hospitality	-	-	-	914	41	-	955	33	-	922	13
Manufacturing	-	-	-	257	17	-	274	-	-	274	-
Professional services	-	-	-	247	10	-	257	7	2	248	4
Property investment	-	-	-	2,012	81	-	2,093	5	5	2,083	2
Real estate - Mortgage	-	-	-	41,776	1,365	-	43,141	29	300	42,812	4
Personal	-	-	-	288	6	-	294	4	8	282	3
Government/public authorities	-	1,526	2,252	1	-	-	3,779	-	-	3,779	-
Other commercial & industrial	-	-	-	1,825	154	-	1,979	19	22	1,938	10
Total gross credit risk	**579**	**1,646**	**4,411**	**51,925**	**2,248**	**245**	**61,054**	**220**	**350**	**60,484**	**61**
Securitisation Exposures [1]	-	-	912	2,155	21	8	3,096	-	11	3,085	-
Total including Securitisation Exposures	**579**	**1,646**	**5,323**	**54,080**	**2,269**	**253**	**64,150**	**220**	**361**	**63,569**	**61**
Impairment provision							(164)	(61)	(23)	(80)	
TOTAL							**63,986**	**159**	**338**	**63,489**	

(1) The securitisation exposures of $2,155 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 30 June 2016

	RECEIVABLES DUE FROM OTHER BANKS (2)	TRADING SECURITIES	INVESTMENT SECURITIES	(3) LOANS AND ADVANCES	CREDIT COMMITMENTS (4)	DERIVATIVE INSTRUMENTS (4)	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	-	-	-	3,952	187	-	4,139	105	11	4,023	21
Construction & development	-	-	-	528	125	-	653	8	2	643	5
Financial services	552	199	2,001	92	173	208	3,225	-	-	3,225	-
Hospitality	-	-	-	902	36	-	938	21	-	917	3
Manufacturing	-	-	-	278	20	-	298	1	-	297	1
Professional services	-	-	-	252	12	-	264	7	1	256	4
Property investment	-	-	-	1,953	93	-	2,046	14	3	2,029	4
Real estate - Mortgage	-	-	-	41,962	1,668	-	43,630	24	333	43,273	4
Personal	-	-	-	312	6	-	318	8	11	299	5
Government/public authorities	-	1,298	2,287	-	-	-	3,585	-	-	3,585	-
Other commercial & industrial	-	-	-	1,759	190	-	1,949	18	29	1,902	9
Total gross credit risk	**552**	**1,497**	**4,288**	**51,990**	**2,510**	**208**	**61,045**	**206**	**390**	**60,449**	**56**
Securitisation Exposures [1]	-	-	937	2,308	22	9	3,276	-	14	3,262	-
Total including Securitisation Exposures	**552**	**1,497**	**5,225**	**54,298**	**2,532**	**217**	**64,321**	**206**	**404**	**63,711**	**56**
Impairment provision							(164)	(56)	(26)	(82)	
TOTAL							**64,157**	**150**	**378**	**63,629**	

(1) The securitisation exposures of $2,308 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) $64 million was reclassified from "Personal" to "Other commercial & industrial".

(4) "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 July to 30 September 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	-	-	-	3,962	190	-	4,152
Construction & development	-	-	-	533	138	-	671
Financial services	565	159	2,080	94	202	227	3,327
Hospitality	-	-	-	908	39	-	947
Manufacturing	-	-	-	267	19	-	286
Professional services	-	-	-	250	11	-	261
Property investment	-	-	-	1,983	87	-	2,070
Real estate - Mortgage	-	-	-	41,869	1,517	-	43,386
Personal	-	-	-	300	6	-	306
Government/public authorities	-	1,412	2,270	-	-	-	3,682
Other commercial & industrial	-	-	-	1,792	172	-	1,964
Total gross credit risk	**565**	**1,571**	**4,350**	**51,958**	**2,381**	**227**	**61,052**
Securitisation Exposures (1)	-	-	925	2,232	22	9	3,188
Total including Securitisation Exposures	**565**	**1,571**	**5,275**	**54,190**	**2,403**	**236**	**64,240**
Impairment provision							(164)
TOTAL							**64,076**

(1) The securitisation exposures of $2,232 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 April to 30 June 2016

	RECEIVABLES DUE FROM OTHER BANKS (2)	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS AND ADVANCES (3)	CREDIT COMMITMENTS (4)	DERIVATIVE INSTRUMENTS (4)	TOTAL CREDIT RISK
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,906	186	-	4,092
Construction & development	-	-	-	516	126	-	642
Financial services	545	244	2,194	288	187	225	3,683
Hospitality	-	-	-	869	43	-	912
Manufacturing	-	-	-	269	18	-	287
Professional services	-	-	-	238	11	-	249
Property investment	-	-	-	1,982	94	-	2,076
Real estate - Mortgage	-	-	-	41,154	1,612	-	42,766
Personal	-	-	-	344	7	-	351
Government/public authorities	-	1,176	2,378	-	-	-	3,554
Other commercial & industrial	-	-	-	1,707	160	-	1,867
Total gross credit risk	**545**	**1,420**	**4,572**	**51,273**	**2,444**	**225**	**60,479**
Securitisation Exposures [(1)]	-	-	936	2,504	24	10	3,474
Total including Securitisation Exposures	**545**	**1,420**	**5,508**	**53,777**	**2,468**	**235**	**63,953**
Impairment provision							(166)
TOTAL							**63,787**

(1) The securitisation exposures of $2,504 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) $32 million was reclassified from "Personal" to "Other commercial & industrial".

(4) "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 – 30 September 2016

	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	GROSS IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	SPECIFIC PROVISIONS	CHARGES FOR SPECIFIC PROVISIONS & WRITE OFFS
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages (1)	46,237	46,574	29	311	4	1
Other retail	294	306	4	8	3	2
Financial services	3,429	3,327	-	-	-	-
Government and public authorities	3,779	3,682	-	-	-	-
Corporate and other claims	10,411	10,351	187	42	54	12
Total	**64,150**	**64,240**	**220**	**361**	**61**	**15**

(1) $3,096 million, $3,188 million and $11 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 – 30 June 2016

	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	GROSS IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	SPECIFIC PROVISIONS	CHARGES FOR SPECIFIC PROVISIONS & WRITE OFFS
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages (1)	46,906	46,240	24	347	4	3
Other retail	382	383	8	11	5	2
Financial services	3,225	3,683	-	-	-	-
Government and public authorities	3,585	3,554	-	-	-	-
Corporate and other claims	10,223	10,093	174	46	47	1
Total	**64,321**	**63,953**	**206**	**404**	**56**	**6**

(1) $3,276 million, $3,474 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 4C: General reserves for credit losses

	SEP-16	JUN-16
	$M	$M
Collective provision for impairment	103	108
Ineligible collective provisions on past due not impaired	(23)	(26)
Eligible collective provisions	**80**	**82**
Equity reserve for credit losses	86	85
General reserve for credit losses	**166**	**167**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

	EXPOSURES SECURITISED		RECOGNISED GAIN OR (LOSS) ON SALE	
	SEP-16	JUN-16	SEP-16	JUN-16
	$M	$M	$M	$M
Residential mortgages	-	-	-	-
Total exposures securitised during the period	**-**	**-**	**-**	**-**

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

	EXPOSURE	EXPOSURE
	SEP-16	JUN-16
Exposure type	$M	$M
Debt securities	912	937
Total on-balance sheet securitisation exposures	**912**	**937**

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

	EXPOSURE	EXPOSURE
	SEP-16	JUN-16
Exposure type	$M	$M
Liquidity facilities	21	22
Derivative exposures	8	9
Total off-balance sheet securitisation exposures	**29**	**31**

TABLE 18: REMUNERATION DISCLOSURES AS AT 30 JUNE 2016

Basis of preparation

The Remuneration Disclosure has been prepared in accordance with the Australian Prudential Regulation Authority (APRA) Prudential Standard (APS) 330: Public Disclosure, effective as at 30 June 2016.

Remuneration Disclosure overview

This Remuneration Disclosure has been endorsed by the Remuneration Committee and approved by the Board.

The disclosure is structured as follows:

- Section 1: Explains the Suncorp Group Limited (the Group) Remuneration Policy and remuneration practices and outlines the linkages between remuneration and strategic objectives, both financial and non-financial. References are made to the Group's remuneration framework and governance as these define the remuneration arrangements for all employees relating to Suncorp Bank; and
- Section 2: Details the aggregated remuneration data for Senior Managers and Material Risk Taker (MRT) roles relating to Suncorp Bank during the financial year ended 30 June 2016 (FY16).

The table below identifies the definitions considered for the purpose of the Remuneration Disclosure requirements under APS 330.

Reference	Detail	Number of Individuals 2016[1]
Remuneration Disclosure completed on a Level 2 basis	Suncorp Bank is a core function of the Group and is represented by the legal entity Suncorp Metway Limited (SML) and its subsidiaries. SML is an authorised deposit-taking institution and a wholly owned subsidiary of the Group. Therefore this Remuneration Disclosure is completed on a Level 2[2] basis.	N/A
Senior Managers	The Key Management Personnel (KMP) roles (excluding the Non-Executive Directors) for the Group are also KMP for SML and its subsidiaries and are considered Senior Managers for the purpose of this aggregated Remuneration Disclosure. KMP roles are Responsible Persons within the Group's Fit and Proper Policy.	14 individuals (11 roles)
Material Risk-Taker (MRT) roles for Suncorp Bank	On 28 June 2012 the Board approved the Group's definition of 'Material Risk-Taker' to align with the Responsible Persons' definition within the Group's Fit and Proper Policy as it applies to Australia. The Group's definition of Responsible Person as per the Policy is broad and includes managers who make, or participate in making, decisions that affect the whole, or a substantial part, of the business of the APRA Regulated Entity. For the purpose of this report, Executive General Managers (EGMs) and other specified senior roles that meet the definition of	24 individuals (21 roles)[3]

[1] The number of individuals is based on headcount. Where the individual held the disclosed role for a portion of the financial year their remuneration is pro-rated to reflect this in Section 2 of this report.

[2] Under Application Paragraph 3, 'where a locally incorporated ADI is a subsidiary of an authorised non-operating holding company (authorised NOHC), the authorised NOHC must ensure that the requirements under this Prudential Standard are met on a Level 2 basis' (APS 330, August 2015).

[3] In the later part of FY16, the Group transitioned to a new operating model. As a result of the transformation, business units were realigned into customer-focused functions. In the FY15 report, the leadership team and select employees of the Banking Business Unit were disclosed as MRTs in Section 2 of this report. Given the Banking Business Unit no longer exist due to the function realignment, a rigorous review was undertaken on all functional EGM and specified senior roles across the Group to identify those roles that meet the MRT definition in relation to Banking –18 roles under the new operating model have been identified (the remaining three roles pertain to the old operating model and will not be disclosed after FY16).

	Responsible Person in relation to Suncorp Bank are identified as MRT roles.	
All employees	Section 1 details the qualitative disclosure covering all employees of Suncorp Bank.	N/A

Section 1

i. Remuneration governance framework

The Remuneration Committee (Committee) leads remuneration matters at Suncorp. The Committee operates under its own Charter and reports to the Board. The Committee consists of independent Non-Executive Directors, and membership as at 30 June 2016 is as follows[4]:

- Ms Christine McLoughlin (Chairman)
- Mr William Bartlett
- Mr Ewoud Kulk
- Dr Douglas McTaggart
- Dr Zygmunt Switkowski AO (Ex Officio Member)

The Committee met six times during FY16 and fully discharged its responsibilities in accordance with its Charter. The Remuneration Committee's Charter, which the Board reviews annually for appropriateness, was confirmed in June 2015. This Charter is available on the Company's website at suncorpgroup.com.au/about-us/governance.

The Committee fee for FY16 for the Committee chair was $40,000 and for Committee members were $20,000.

The Group's remuneration governance framework, which meets the standards expected by the ASX *Corporate Governance Principles and Recommendations* (3rd Edition) is summarised below.

[4] Ms Christine McLoughlin was appointed Chairman of the Remuneration Committee effective 1 January 2016. Mr William Bartlett ceased to be Chairman of the Remuneration Committee effective 31 December 2015. Dr Douglas McTaggart was appointed as a member of the Remuneration Committee effective 1 January 2016.

Approve

THE BOARD

Reviews, applies judgment and as appropriate, approves the Committee's recommendations

Endorse

AUDIT & RISK COMMITTEES

Endorse recommendations to the Remuneration Committee on clawback of deferred remuneration for the Senior Manager level employees

THE REMUNERATION COMMITTEE

Reviews, applies judgment and, as appropriate, endorses the recommendations made by the CEO & Managing Director and submits for Board approval. In addition, the Committee makes recommendations to the Board on:

- Individual remuneration arrangements, scorecard measures and assessment for the CEO & Managing Director
- Non-executive director remuneration arrangements
- Senior Manager remuneration arrangements for appointments, terminations and clawback of remuneration
- Remuneration Policy and frameworks for all employees

Recommend

CEO & MANAGING DIRECTOR

Makes recommendations to the Remuneration Committee on:

- The Group's annual funding for the corporate incentive and fixed remuneration increases
- Scorecard measures and assessment for direct reports
- Remuneration Policy and frameworks for all employees
- Clawback of deferred remuneration for all employees
- Individual remuneration arrangements for:
  - Senior Managers
  - Persons whose activities, in the Board's opinion, affect the financial soundness of the Group
  - Any other person specified by APRA; and
  - Any other person that the Board determines

EXTERNAL ADVISERS

Provide advice to the Remuneration Committee on:

- Proposed changes to Remuneration Policy, structures and practices
- Legal and regulatory issues that impact on remuneration arrangements
- Benchmarking data and market practice
- Alternatives for STI and LTI plans

Contribute

REMUNERATION OVERSIGHT COMMITTEE

Makes recommendations to the CEO & Managing Director on clawback of deferred remuneration for employees below Senior Manager level

During FY16 the Committee did not engage external advisers to provide remuneration recommendations or act as ‘remuneration consultants’ to the Group as defined in the *Corporations Act 2001*.

ii. Group Remuneration Policy and framework

The Group Remuneration Policy covers all directors and employees of the Group and provides, within the context of the Group’s long-term financial soundness and risk management framework, the:

- reward objectives and principles underpinning remuneration; and
- framework for the governance, structure and operation of remuneration within the Group.

The Group Remuneration Policy was last endorsed by the Committee and approved by the Board in November 2015.

The reward framework is comprised of a mix of fixed and at-risk remuneration.

Fixed remuneration

Fixed remuneration is comprised of base salary, salary sacrificed benefits, and other benefits plus superannuation[5]. Fixed remuneration is aligned to market and is determined based on a range of considerations including role size and complexity along with the individual’s performance, skills and experience.

At-risk remuneration

At-risk components of remuneration must satisfy performance and risk-related requirements. They are explicitly linked to the short-term and long-term performance of the Group and moderated by prudent risk management. These components are subject to clawback in part or whole (See iii).

The target remuneration mix for each role is determined by a number of factors including accountability of the role, level of influence over business function or group results and relevant market practice. Actual remuneration mix is determined on individual, business function and group performance.

Short-term incentives (STI)

Eligible employees participate in one of two types of STI:

- The Corporate Incentive Plan: As the Group’s primary STI plan, it is designed to appropriately reward high performance and to encourage behaviour that supports the long-term financial soundness of the Group.
- Non-Corporate Incentive Plans: Non-Corporate Incentive Plans are developed under exceptional circumstances where market reward practices necessitate a business specific incentive plan. The plans must adhere to the Group Remuneration Policy and standards and are reviewed annually to ensure compliance with the policy and with any regulatory changes.

All employees that participate in STI may have a portion of their incentive deferred for a period of two years, dependent upon the employee’s level and the amount of incentive received. A two year deferral period is considered appropriate to identify, if any, instances of significant adverse outcomes have occurred (refer to iii).

[5] Superannuation is paid at a rate of 9.5% of base remuneration or the maximum contribution base, whichever is the lesser.

Long-term Incentives (LTI)

Eligible participants participate in one of two types of LTI plans:

- Senior Managers and EGMs are eligible to receive performance rights granted under the Group's Equity Incentive Plan (EIP), these are subject to a market-based performance hurdle being met and potential clawback.
- Select MRT roles are eligible to receive restricted shares granted under the Restricted Share Plan (RSP), consistent with comparable roles across the Group. The shares will vest subject to a time based hurdle being met and potential clawback.

The remuneration strategy, which is derived from linking the reward philosophy with business strategy and risk tolerance, ensures that the principles that determine remuneration are focused on driving the performance and behaviours consistent with achieving this objective. The following table demonstrates the link between the reward principles and the remuneration framework:

Objective

Offer rewards that are sufficiently competitive to motivate directors and employees to deliver superior and sustainable returns to shareholders and support alignment with Suncorp Group's strategic priorities

Reward principles

Align reward with sustainable performance

Deliver a competitive advantage

Align effective risk management with reward

Ensure gender pay equality

Balance stakeholder interests

Support Suncorp Group's culture and values (honesty, courage, fairness, respect, caring and trust)

Components of reward

FIXED REMUNERATION

Reflects individual's skills and experience, role scope and regulatory requirements

AT-RISK REMUNERATION

Enables the Board to recognise performance while flexibly maintaining cost base and responding effectively to market and regulatory circumstances. The awards are at risk subject to the achievement of robust performance requirements that also provide an incentive for the delivery of higher levels of performance within our risk appetite

Performance and risk alignment

- Reviewed annually as part of performance assessment
- Increases reflect change in role, individual performance and contribution to Suncorp Group taking into consideration market competitiveness

STI
(CORPORATE INCENTIVE PLAN OR NON-CORPORATE INCENTIVE PLAN)

- Incentivise the achievement of Suncorp Group, functional and individual outcomes
- Deferral and clawback encourage a longer term focus
- The Board's determination of Suncorp Group's Corporate Incentive pool includes consideration of risk management through a variety of financial and non-financial measures

LTI
(EIP or RSP)

- Reward participants for their contribution to the creation of long-term shareholder value by way of equity in the Group
- Subject to performance or time-based hurdles
- The performance hurdle for the EIP is determined by achievement of Relative TSR which is an external, objective and relative performance measure
- Clawback enables the Board to exercise its judgment to reduce LTI if, in the Board's judgment, such an adjustment should occur
- Prohibition on hedging equity instruments that are unvested or subject to restrictions

Performance Assessment

The Balanced Scorecard is adopted to assess performance for all employees of the Group and is one of several initiatives in place to promote a culture of prudent risk-taking in accordance with Group policies and values. To embed a culture of prudent risk-taking, risk based performance measures at all organisational levels are integrated with the Group's risk management framework.

The various performance measures in the Balanced Scorecard are broadly categorised as:

- profit and financial;
- risk;
- people;
- customer; and
- other measures – which includes individual measures.

Both STI plan types measure performance against both financial and non-financial objectives.

Performance outcomes are measured based on a challenging and robust assessment of achievement relative to pre-determined targets. Performance against goals is the basis to calculate incentive payments. Governance protocols include:

- goals are reviewed at least annually to ensure that they are aligned with the business function's strategy;
- funding for the plans is assessed against the achievement of strategic business objectives of the business function to ensure it delivers the long-term strategy; and
- deferral mechanisms are used in accordance with APRA Guidelines and Associated Standards and Group policies.

iii. Remuneration aligns with risk management

A rigorous approach to effective risk management is embedded throughout the Group.

The Enterprise Risk Management Framework (ERMF) lays the foundation for all risk management processes across the Group. The ERMF helps ensure the integration of effective risk management across the organisation and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy).

The Board sets the Risk Appetite for the Group, and has ultimate responsibility for the effectiveness of the Group's risk management practices.

In addition, the Chairman of the Remuneration Committee is a member of the Risk Committee and similarly the Chairman of the Risk Committee is a member of the Remuneration Committee.

The Group's shared values and leader profiles make it clear to all employees the importance of embedding risk into decision-making processes, and risk management into the Group's operations. Business function leaders develop their business strategy and risk tolerance with an understanding of the Group's risk appetite and also what is happening in the market in which the Group operates. Financial returns delivered to the Group are commensurate with the risks the Group is willing to take in pursuit of the achievement of business objectives. Additionally, risk is embedded in the way performance is measured for all employees across Suncorp.

In determining 'at-risk' remuneration, the Board ensures risk management is considered through:

- a separately weighted risk measure in the Group scorecard where the performance of the Group, business function and individuals are assessed by the Risk Committee and measured with reference to how risk is managed;
- individual adherence to risk management policies is assessed to ensure all executives and employees adhere to the ERMF, demonstrating performance that is aligned to expected ethical standards;
- an assessment based on behavioural and cultural measures, which considers compliance with the Group Risk Appetite Statement. This is a significant consideration of overall performance to deliver an organisation-wide focus on prudent management of the risks the Group faces; and
- the application of Remuneration Committee discretion to consider additional factors in the determination of performance outcomes.

In determining performance and remuneration outcomes, the Remuneration Committee considers all factors to demonstrate alignment with the Group's Risk Appetite and adherence to effective risk management practices to ensure the long-term financial soundness of outcomes is determined, before the Board makes its final determination of the overall Corporate Incentive Plan pool.

The table below provides the key risks and the measures for Suncorp Bank which are updated periodically to ensure that they comply with the legislative standards (note: these risks have not changed over the past year):

Key Risks	Key measures	Review of the measures
Financial risks (credit risk, market risk, liquidity risks)	Metrics embedded within Scorecard KPI's include compliance with Board delegated limits for key credit, liquidity and market risk. Other measures used to evaluate Financial risk: • Stress testing, including sensitivity and scenario analysis • Concentrations and large exposures • Funding, cashflow, liquidity	• Compliance with credit risk appetite monitored and reported monthly. Liquidity and market risk limits are monitored continuously and part of monthly reporting.
Operational risks	A number of measures are used to evaluate Operational risk including: • Data Quality Metrics across customer and operational systems • Manager Risk Assessment Ratings and Incident Reporting • Internal and External Audit Findings	• Data Quality Monitoring performed monthly, quarterly and annually • Data Governance and remediation embedded within process control • Manager Risk Assessment Ratings performance is assessed Monthly and Quarterly • Internal and External Audits are performed in accordance with the Annual Audit Program
Compliance risks	A number of measures are used to evaluate Compliance Risk, including: • Internal and External Audit Findings • Incident Management • Banking & Wealth Assurance Program Rating • Scorecard KPI incorporation of acceptable behaviours • Completion of Annual Mandatory Compliance Training Program	• Compliance measures are reviewed on a quarterly and half yearly cycle

Deferral and clawback

Deferred amounts under the Suncorp Corporate Incentive Plan, Non-Corporate Incentive Plans and unvested LTI (from the October 2010 LTI Grant onwards) are subject to potential clawback based on the Board's judgment, as summarised below:

<table>
<tr><td>Purpose</td><td>Clawback enables the Board to adjust performance based remuneration (including deferred STI and unvested LTI) downwards (including to zero) to protect the Group's financial soundness and ability to respond to unforeseen significant issues</td></tr>
<tr><td>Criteria</td><td>The following criteria are considered when determining if clawback should be applied during the deferral period.
Clawback will be applied if prior to the date of payment, it is determined that:
• there was, during the performance year in respect of which the incentive was awarded, a failure to comply with Suncorp's risk management policies and practices;
• the employee was aware of the above mentioned failure, or should reasonably have been aware of that failure, when the incentive was awarded; and
• the matters referred to above, if known at the time, would have resulted in materially different assumptions being applied when determining the incentive to be awarded to the employee.</td></tr>
<tr><td>Approval process</td><td>Senior Managers
The Chief Risk and Legal Officer (CRLO) and Chief Financial Officer (CFO) produce a report on relevant matters to be considered for clawback and release of deferred incentives and unvested LTI awards.The Chairmen of the Remuneration, Risk and Audit Committees verify the report information and confirm that all relevant matters have been considered. Based on this report:
• the CEO & Managing Director makes a recommendation to the Board via the Remuneration Committee, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the Senior Managers; and
• the Chairmen of the Remuneration, Risk and Audit Committees make a recommendation to the Board, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the CEO & Managing Director.
All other employees
A Remuneration Oversight Committee (ROC) comprising the CRLO, CFO and Chief People Experience Officer has been established to provide recommendations to the CEO & Managing Director on matters to be considered for the clawback and release of deferred incentives and equity awards.
The ROC meet quarterly and may recommend the full or partial clawback of any deferred incentive or equity award for relevant employees across the Group.</td></tr>
</table>

The amount deferred varies by level – the more senior the role, the larger the proportion deferred given the greater amount of influence senior roles have to influence the long-term future of the Group.The deferral arrangements by level are summarised as follows:

Level	STI Deferral Proportion
CEO & Managing Director	• 50% of the STI award for the CEO & Managing Director is deferred into cash
Senior Managers	• 35% of the STI award for Senior Managers is deferred into cash
EGMs	• 30% of the STI award for EGMs is deferred into cash
All other employees	• The deferral threshold is the lower of 30% of fixed salary or $100,000 in STI award, of which 40% will be deferred into cash (with a minimum deferral amount of $10,000 before deferral is triggered)

Risk and financial control personnel

Separate performance and remuneration review processes govern remuneration decisions concerning employees working in the areas of risk and financial control.

In these roles, performance measures are set and assessed by leaders within the CRLO and CFO functions, independent of their business function, with oversight from the CRLO or CFO as appropriate.

In addition, employees working in risk roles across the Group typically have a comparatively higher percentage of risk-based measures in their scorecard.

Material Risk-Taker roles

The Board approved definition of MRT roles aligns with the Responsible Persons' definition in the Fit and Proper Policy, as it applies to Australia.

All new appointments for these roles, and changes to remuneration arrangements requires approval by the Board. Within pre-defined parameters, delegated authority has been granted by the Board to the CEO & Managing Director to approve appointments or changes to remuneration and terms of employment.

The Board has final oversight and reviews the remuneration arrangements of all MRT roles on an annual basis.

For the purpose of this report, EGMs and other specified senior roles that meet the definition of Responsible Person in relation to Suncorp Bank are identified as MRT roles.

Section 2: Quantitative disclosure requirements

The table below contains aggregated remuneration details for Senior Managers[6] and MRT as calculated in accordance with Australian Accounting Standards, as required under paragraph (j) of Table 21:

	FY16				FY15			
	Senior Managers		Material Risk-Takers		Senior Managers		Material Risk-Takers	
$000	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration								
Cash-based[7]	11,185	-	4,787	-	10,574	-	3,992	-
Other[8]	1,248	-	356	-	773	-	58	-
Variable remuneration[9]								
Cash-based[10]	4,011	2,783	1,256	561	7,140	4,873	1,158	446
Share linked instruments[11]	-	5,779	-	296	-	5,628	-	336

[6] To be consistent with other disclosures, KMP for SGL (excluding non-executive directors) are considered as Senior Managers for the purpose of APS Remuneration Disclosure requirements.

[7] Represents actual fixed remuneration received, including salary sacrificed benefits and employer superannuation.

[8] Represents non-monetary benefits including airfares and insurances paid on behalf of the employee and the net annual leave and long service leave accrual for the financial year.

[9] Equity-settled performance rights issued as LTI are expensed to the profit or loss based on their fair value at grant date over the financial year from grant date to vesting date. The fair value is assessed using a Monte-Carlo model and reflects the fact that an individual's entitlement to the shares is dependent on relative TSR performance. The values realised in subsequent years may differ to the accounting expense reported, depending on the extent to which the performance hurdles are met.

[10] Cash incentives earned during the financial year. The deferred cash portion awarded includes interest accrued on prior year deferred STI's and is subject to potential clawback during the deferral period.

[11] Refer to the Suncorp Group Limited Annual Report for the financial year ended 30 June 2016 and 30 June 2015 for details regarding employee share plans and associated remuneration strategies to drive long-term strategic behavior.

During FY16 10 Senior Managers and 20 MRT received a variable remuneration award and in FY15 13 Senior Managers and 15 MRT received a variable remuneration award. No guaranteed bonus or sign-on awards were made to the disclosed individuals during FY16.

The table below summarises the termination payments made/granted to Senior Managers and MRT in FY16 and FY15.

	FY16				FY15			
	Senior Managers		Material Risk-Takers		Senior Managers		Material Risk-Takers	
	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000
Termination payments[12]	2	2,207	2	222	-	-	1	721

[12] Termination payments are paid in accordance with contractual commitments.

The following table summarises the requirements under paragraphs (i), (j) and (k) of table 21 for Senior Managers[13] and MRT.

$000	FY16		FY15	
	Senior Managers	Material Risk-Takers	Senior Managers	Material Risk-Takers
Total outstanding deferred remuneration[14]	**40,172**	**5,405**	**48,208**	**2,931**
Cash-based[15]	12,183	2,383	15,241	1,276
Shares and share-linked instruments[16]	27,989	3,022	32,967	1,655
Total paid during the year[17]	**12,595**	**1,147**	**13,161**	**916**
Total reductions due to explicit adjustments[18]	**6,301**	**33**	**0**	**(67)**
Total reductions due to implicit adjustments[19]	**(408)**	**(185)**	**(649)**	**(37)**

[13] To be consistent with other disclosures, KMP for SGL (excluding non-executive directors) are considered as Senior Managers for the purpose of APS Remuneration Disclosure requirements.

[14] Includes the total outstanding deferred cash and equity awards as at 30 June. Outstanding deferred remuneration is exposed to ex post explicit and implicit adjustments. All deferred remuneration outstanding for an employee in the position of Senior Manager or MRT at 30 June has been included, even where that award was earned in a different capacity within the the Group. The deferred balance has been excluded where the Senior Manager or MRT is no longer employed in that capacity at 30 June.

[15] Deferred cash-based remuneration represents the deferred portion of STI's awarded in 2014, 2015 and 2016 financial years (2015: 2013, 2014 and 2015 financial years), together with the interest accrued on outstanding deferral, for all Senior Managers and MRT employed within that capacity as at 30 June. Deferred cash may have been accrued whilst employed in non Senior Manager or MRT positions.

[16] Deferred equity represents the market value as at 30 June, calculated by the number of performance rights or restricted shares granted multiplied by the closing share price as traded on the ASX on 30 June. The balance consists of all offers up to and including 30 June, that are still to vest for Senior Managers and MRT employed in that capacity as at 30 June.

[17] Consists of all deferred cash incentives from prior years and associated interest paid during the financial year, received whilst employed in the capacity of Senior Manager or MRT. The value also includes any deferred equity vested during the financial year.

[18] Represents the market value at grant date of performance rights or restricted shares forfeited during the financial year.

[19] Represents any reduction in the market value at grant date compared to market value at 30 June, for performance rights or restricted shares yet to vest, or reduction in the market value at grant date compared to market value at vesting date during the period. Note increases may have occurred during the period, however, only reductions have been disclosed in accordance with the requirements of APS330.

Appendix 2

Suncorp Bank
Summary

Home lending down 0.7%
Business lending up 1.5%

Impairment losses 7bps annualised to gross loans and advances

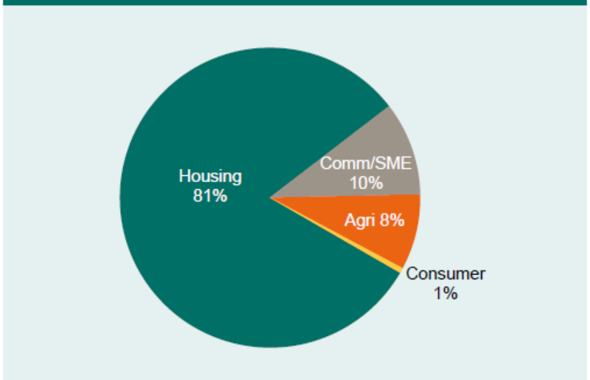
Bank CET1 8.92% is toward the upper end the target range of 8.50%-9.00%

Gross non-performing loans down 4.8% to 107bps of gross loans and advances

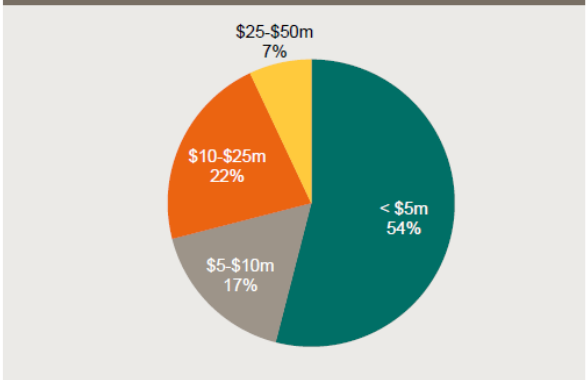
Suncorp Bank
For the quarter ended 30 September 2016

Suncorp Bank lending portfolio
Over 80% mortgage lending

Lending assets $54 billion



71% business lending exposures <$10m

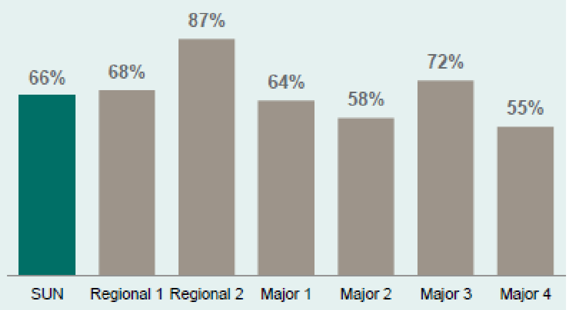


Suncorp Bank
For the quarter ended 30 September 2016

Funding and Liquidity

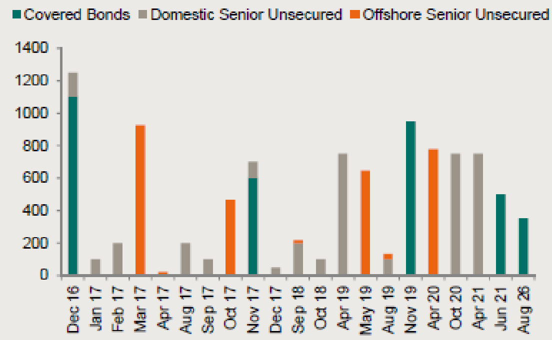
Conservative balance sheet

Deposit to loan ratio



Source: Latest peer financial reports. Major Bank data includes Retail and Business Bank divisions only.

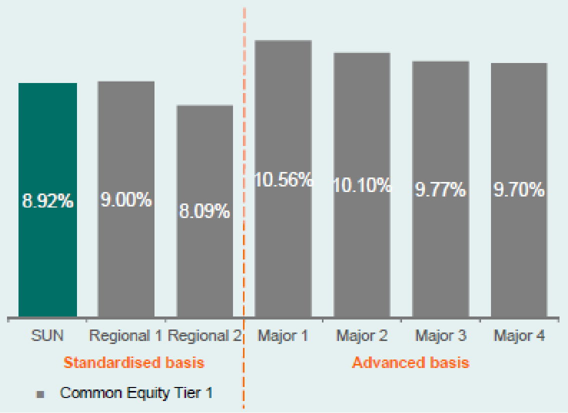
LT funding profile ($m)



Suncorp Bank
For the quarter ended 30 September 2016

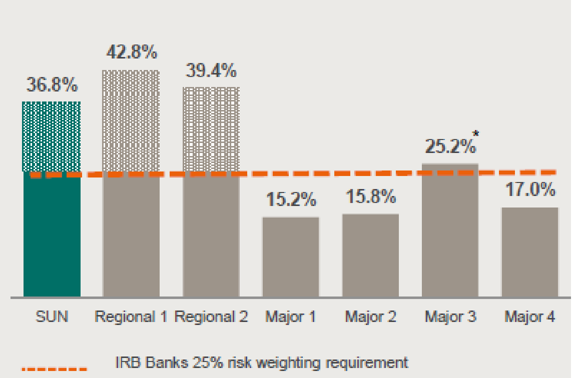
Capital

Capital ratios vs peers



Suncorp data as at 30 September 2016 for the Level 2 Banking Group.
Source: Peer capital data as per latest published results.

Residential mortgages risk weight %



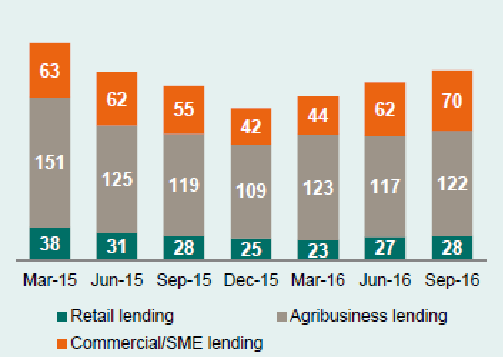
*Result includes the increase for IRB banks to an average of at least 25% from 1 July 2016.
Source: Calculated based on most recent data published by peers.

Suncorp Bank
For the quarter ended 30 September 2016

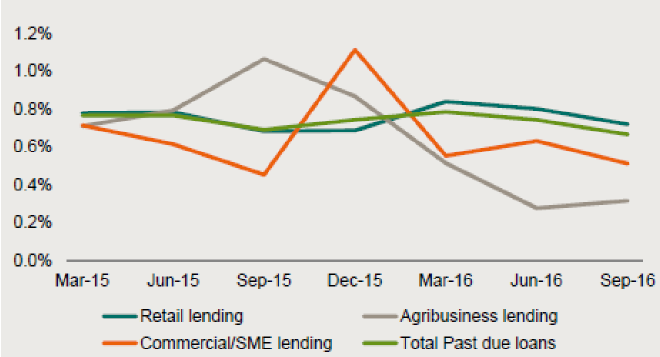
Credit quality

Gross impaired and past due loans

Gross impaired loans by segment ($m)



Past due loans by segment (% of segment GLA)

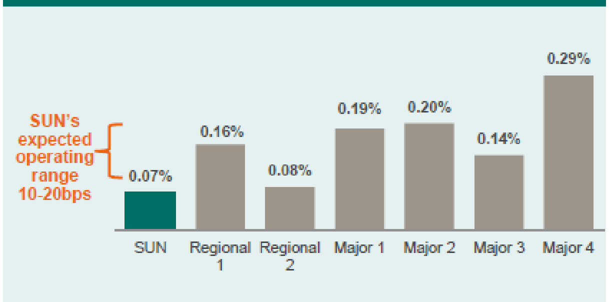


Suncorp Bank
For the quarter ended 30 September 2016

Credit quality

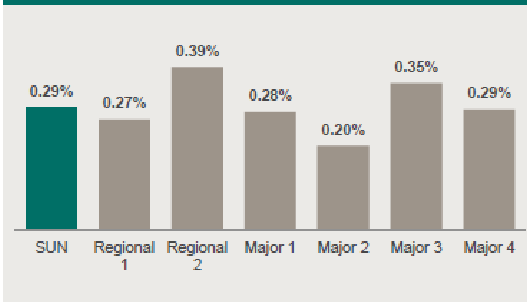
Impairments

Impairment losses to gross loans



Source: Latest peer financial reports.
Major Bank data includes Retail and Business Bank divisions only.

Net impaired loans to gross loans



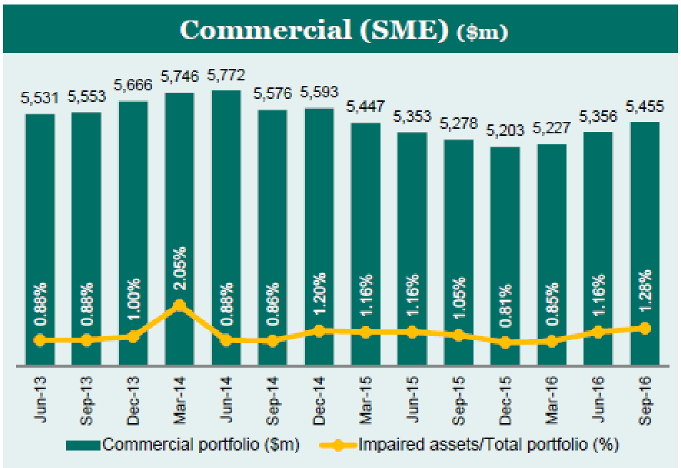
Source: Latest peer financial reports

Suncorp Bank
For the quarter ended 30 September 2016

Risk position

Commercial (SME) asset growth and credit quality

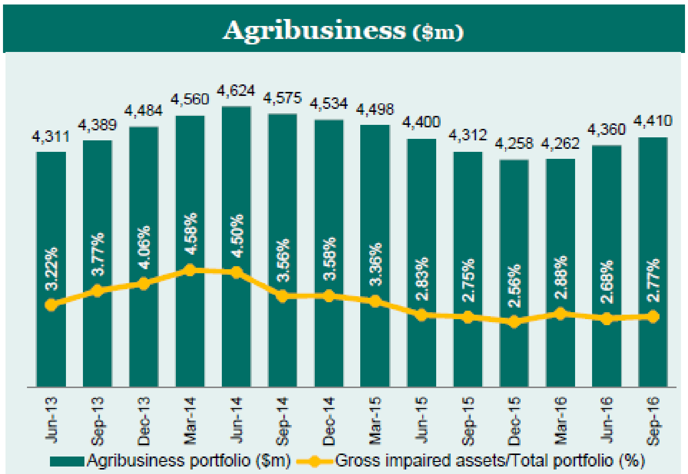
- Portfolio grew 1.8% to $5.46 billion
- The Bank continues to write low-risk, well secured business lending within its target markets
- Overall credit quality continues to track favourably through enhanced risk selection
- 56% of the exposures within the commercial (SME) portfolio are less than $5 million



Risk position

Agribusiness asset growth and credit quality

- Portfolio grew 1.1% to $4.41 billion
- The Bank continues to maintain a strong focus on the credit quality of the agribusiness lending book; exercising care and caution with its approach to risk selection
- 52% 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