3 May 2016

Suncorp Bank APS330 Update

Suncorp Bank today provided its quarterly update on Bank assets, credit quality and capital as at 31 March 2016, as required under Australian Prudential Standard 330.

Suncorp Bank's lending assets remained broadly flat over the quarter at $52.9 billion as the Bank maintained a disciplined approach in a very competitive pricing environment.

Impairment losses decreased to $4 million, representing an annualised rate of just 3 basis points of gross loans and advances. The low result has benefited from a combination of one-off improvements and better asset quality in the Agribusiness and Commercial/SME portfolios.

Implementation of the new loan collections system has resulted in a temporary increase in retail past due loans, with gross non-performing loans increasing to $606 million. The Bank expects this position to normalise over coming months.

Suncorp Bank CEO, John Nesbitt, said the ongoing reduction in impairment losses reflected the benefits of the investment in risk management capability, culture and technology in operating under the Basel II Advanced Accreditation Program.

"The Bank's Advanced Accreditation Program has materially improved risk selection and business performance. We are not seeing any material impact on credit quality from the geographic regions impacted by the mining slowdown or the recent high profile corporate collapses, however we continue to actively assess our exposures," Mr Nesbitt said.

"Changes to our systems, which resulted in the increase in gross non-performing loans in the retail portfolio, were successfully remediated during the quarter. Our targeted analysis of the portfolio leaves us confident the underlying performance of the home loan portfolio remains sound."

Retail lending was flat at $43.4 billion, with 87% of new loans written at an 80% or less loan-to-value ratio. A successful home lending campaign launched in March 2016 is expected to drive growth over the fourth quarter with the Bank targeting annual growth in its retail lending portfolio of between 1 and 1.3 times system.

"The business lending portfolios returned to modest growth with the Bank focused on quality lending and risk selection," Mr Nesbitt said.

The capital position of the Bank remained strong with Common Equity Tier 1 (CET1) ratio increasing to 9.08%, slightly above the 8.50% to 9.00% target range.

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Suncorp Group Limited ABN 66 145 290 124

Suncorp Bank APS 330

for the quarter ended 31 March 2016

Release date: 3 May 2016

One Company
Many Brands

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 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 May 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).

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Suncorp Bank

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Overview

The Bank continues to demonstrate strong capital and credit quality performance.

The Bank remains focused on acquiring quality lending assets in a low-interest rate, low credit growth environment and continues to pursue diversified, high quality growth in its target market segments.

Total lending assets remained broadly flat over the quarter across both retail and business lending at $52.9 billion. The Bank has maintained conservative serviceability criteria and a disciplined approach to all lending, in a market that has been challenged by very competitive pricing. A return to growth is expected over the fourth quarter, underpinned by a successful home lending campaign launched in March 2016.

Gross impaired assets of $190 million, representing 36 basis points (bps) of gross loans and advances, are low relative to historical performance and favourable to peers. Provision coverage remains appropriate given the improved credit quality of lending assets. Impairment losses of $4 million for the quarter represents 3 bps (annualised) of gross loans and advances, significantly favourable to the Bank's 10 to 20 bps expected operating range.

A focus on better quality assets and a decline in the number of distressed agribusiness and commercial exposures has reduced the level of collective provisioning. Existing management overlays within the collective provision have been retained.

As disclosed in half year reporting as at 31 December 2015, implementation of the new collections system caused a temporary increase in home loan arrears, the residual impact of which is evident in an increase in past due home loans for the quarter. This outcome is in line with management expectations and the Bank is confident there is no material change to the underlying performance of the portfolio. An overlay continues to be held as a contingency for retail lending while the Bank embeds changes to systems and processes.

The Bank's capital Common Equity Tier 1 (CET1) ratio is 9.08%, slightly above the 8.50% to 9.00% target range.

Focus remains on progressing Basel II Advanced Accreditation and there is ongoing engagement with APRA regarding the program. The Bank is operating as an Advanced Bank with strong operational risk management as well as models in use across the business. The Bank's enhanced risk and capital management is improving decision making and the benefits of these capabilities continue to be realised through improved risk selection and business performance.

Outlook

The Bank continues to prudently manage the balance sheet and invest in strong risk management processes.

The Bank has limited exposure to high risk personal lending and commercial property exposures, with focus on high quality new lending to be maintained.

The rate of exposures becoming impaired is low and continues to track below historic levels. However, challenging weather and economic conditions support a continued conservative provisioning stance.

The Bank will continue to actively assess exposures on an individual and portfolio basis and close attention is paid to industries which are impacted by external economic and commodity price conditions.

Loans and advances

	QUARTER ENDED			MAR-16	MAR-16
	MAR-16	DEC-15	MAR-15	vs DEC-15	vs MAR-15
	$M	$M	$M	%	%
Housing loans	36,750	36,691	34,188	0.2	7.5
Securitised and covered bond housing loans	6,290	6,355	7,438	(1.0)	(15.4)
Total housing loans	43,040	43,046	41,626	0.0	3.4
Consumer loans	331	345	391	(4.1)	(15.3)
Retail loans	43,371	43,391	42,017	0.0	3.2
Commercial (SME)	5,227	5,203	5,447	0.5	(4.0)
Agribusiness	4,262	4,258	4,498	0.1	(5.2)
Total Business lending	9,489	9,461	9,945	0.3	(4.6)
Total lending	**52,860**	**52,852**	**51,962**	**0.0**	**1.7**
Other receivables	11	-	26	n/a	(57.7)
Gross banking loans and advances	**52,871**	**52,852**	**51,988**	**0.0**	**1.7**
Provision for impairment	(167)	(179)	(231)	(6.7)	(27.7)
Net loans and advances	**52,704**	**52,673**	**51,757**	**0.1**	**1.8**
Credit risk weighted assets	**25,761**	**25,613**	**25,553**	**0.6**	**0.8**
Geographical breakdown - Total lending					
Queensland	28,701	28,735	28,777	(0.1)	(0.3)
New South Wales	13,171	13,162	12,862	0.1	2.4
Victoria	5,305	5,295	5,047	0.2	5.1
Western Australia	3,652	3,660	3,455	(0.2)	5.7
South Australia and other	2,031	2,000	1,821	1.6	11.5
Outside of Queensland	24,159	24,117	23,185	0.2	4.2
Total lending	**52,860**	**52,852**	**51,962**	**0.0**	**1.7**

Retail lending

The home lending portfolio remained flat over the quarter. Mortgage portfolio asset quality continues to improve with a focus on responsible lending by ensuring robust serviceability exists across new loans. 87% of new loans written during the quarter had a loan to valuation ratio (LVR) of 80% or less.

Maintaining a strong relationship with intermediaries enables the Bank to achieve portfolio diversification outside of its traditional Queensland market.

Business lending

Commercial (SME)

The commercial (SME) portfolio increased 0.5% to $5.23 billion during the quarter. This market remains highly competitive in terms of pricing and loan conditions. Risk selection is enhanced by the advanced risk modelling capabilities and ongoing training programs to enhance risk awareness.

Agribusiness

The agribusiness portfolio was stable this quarter. Rainfall was widespread across Queensland but was of varying quantities and effectiveness. In addition, the Eastern seaboard of NSW and Victoria received favourable rainfall which extended into Central NSW. Ongoing drought conditions remain across Central Western Queensland and Northern NSW and the Bank continues to exercise care and caution with its approach to risk selection.

Impairment losses on loans and advances

	QUARTER ENDED			MAR-16	MAR-16
	MAR-16	DEC-15	SEP-15	vs DEC-15	vs SEP-15
	$M	$M	$M	%	%
Collective provision for impairment	(6)	(7)	-	(14.3)	n/a
Specific provision for impairment	8	11	5	(27.3)	60.0
Net write-offs	2	1	1	100.0	100.0
Total impairment losses	**4**	**5**	**6**	**(20.0)**	**(33.3)**
Impairment losses to gross loans and advances (annualised)	**0.03%**	**0.04%**	**0.04%**		

Impairment losses of $4 million for the quarter, representing 3 bps (annualised) of gross loans and advances, is below the Bank's normal operating range but consistent with performance over the last 12 months.

Impairment losses were limited to a small number of individual exposures across portfolio segments. The Bank continues to be active in assessing exposures in geographic regions impacted by the mining slow down and recent high profile corporate collapses. The Bank is comfortable with the current level of provisioning for these regions.

Recent performance has benefited from the impact of Advanced Basel modelling and a focus on exiting higher risk exposures. Over the medium term the Bank expects to operate at the lower end of the range of 10 to 20 bps of gross loans and advances.

Impaired assets

	QUARTER ENDED			MAR-16	MAR-16
	MAR-16	DEC-15	SEP-15	vs DEC-15	vs SEP-15
	$M	$M	$M	%	%
Retail lending	23	25	28	(8.0)	(17.9)
Agribusiness lending	123	109	119	12.8	3.4
Commercial/SME lending	44	42	55	4.8	(20.0)
Gross impaired assets	190	176	202	8.0	(5.9)
Specific provision for impairment	(54)	(60)	(65)	(10.0)	(16.9)
Net impaired assets	136	116	137	17.2	(0.7)
Gross impaired assets to gross loans and advances	**0.36%**	**0.33%**	**0.38%**		

Gross impaired assets increased 8% to $190 million during the quarter, representing 0.36% of gross loans and advances.

While the drought persists in many areas of QLD and NSW, pressure has eased for a number of the non-performing agribusiness exposures as a result of solid commodity prices assisting borrower’s cash flow. Nevertheless, one mid-sized agribusiness exposure moved from collective to specific provision during the quarter and this accounts for the majority of the quarter-on-quarter increase.

Non-performing loans

	QUARTER ENDED			MAR-16	MAR-16
	MAR-16	DEC-15	SEP-15	vs DEC-15	vs SEP-15
	$M	$M	$M	%	%
Gross balances of individually impaired loans					
Gross impaired assets	190	176	202	8.0	(5.9)
Specific provision for impairment	(54)	(60)	(65)	(10.0)	(16.9)
Net impaired assets	**136**	**116**	**137**	**17.2**	**(0.7)**
Size of gross individually impaired assets					
Less than one million	19	20	21	(5.0)	(9.5)
Greater than one million but less than ten million	104	100	110	4.0	(5.5)
Greater than ten million	67	56	71	19.6	(5.6)
Total gross impaired assets	**190**	**176**	**202**	**8.0**	**(5.9)**
Past due loans not shown as impaired assets	**416**	**381**	**367**	**9.2**	**13.4**
Gross non-performing loans	**606**	**557**	**569**	**8.8**	**6.5**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	176	202	218	(12.9)	(19.3)
Recognition of new impaired assets	46	25	23	84.0	100.0
Increases in previously recognised impaired assets	3	1	1	200.0	200.0
Impaired assets written off/sold during the period	(13)	(14)	(21)	(7.1)	(38.1)
Impaired assets which have been reclassed as performing assets or repaid	(22)	(38)	(19)	(42.1)	15.8
Balance at the end of the period	**190**	**176**	**202**	**8.0**	**(5.9)**

Gross non-performing loans increased 8.8% to $606 million, representing 1.1% of gross loans and advances.

Net impaired assets increased by $20 million to $136 million over the quarter. An increase in gross impaired assets was driven by three new mid-sized exposures, including one agribusiness exposure greater than $10 million. Additional specific provisions booked during the period were offset by amounts written off, including two commercial exposures that accounted for a large proportion of the total.

The impacts of implementing the new loan collections system late in 2015 have, as expected, resulted in past due loans not shown as impaired assets increasing 9.2% to $416 million over the quarter, primarily within the home loan portfolio. System remediation activities were completed during the quarter and underlying trends remain sound, with new arrears returning to trend.

Impaired assets reclassed as repaid comprised a large number of individually small amounts, together with one agribusiness exposure which accounted for 30% of the total amount of $22 million.

Provision for impairment

	QUARTER ENDED			MAR-16	MAR-16
	MAR-16	DEC-15	SEP-15	vs DEC-15	vs SEP-15
	$M	$M	$M	%	%
Collective provision					
Balance at the beginning of the period	119	126	126	(5.6)	(5.6)
Charge against contribution to profit	(6)	(7)	-	(14.3)	n/a
Balance at the end of the period	113	119	126	(5.0)	(10.3)
Specific provision					
Balance at the beginning of the period	60	65	82	(7.7)	(26.8)
Charge against impairment losses	8	11	5	(27.3)	60.0
Write-off of impaired assets	(13)	(14)	(21)	(7.1)	(38.1)
Unwind of interest	(1)	(2)	(1)	(50.0)	-
Balance at the end of the period	54	60	65	(10.0)	(16.9)
Total provision for impairment	**167**	**179**	**191**	**(6.7)**	**(12.6)**
Equity reserve for credit loss					
Balance at the beginning of the period	96	145	146	(33.8)	(34.2)
Transfer to retained earnings	(4)	(49)	(1)	(91.8)	300.0
Balance at the end of the period	92	96	145	(4.2)	(36.6)
Pre-tax equivalent coverage	131	137	207	(4.4)	(36.7)
Total provision for impairment and equity reserve for credit loss	**298**	**316**	**398**	**(5.7)**	**(25.1)**

	%	%	%
Specific provision expressed as a percentage of gross impaired assets	**28.4**	**34.1**	**32.2**
Provision for impairment expressed as a percentage of gross loans and advances			
Collective provision	0.22	0.23	0.24
Specific provision	0.10	0.11	0.12
Total provision	0.32	0.34	0.36
Equity reserve for credit loss coverage	0.25	0.26	0.39
Total provision and equity reserve for credit loss coverage	0.57	0.60	0.75

Provision coverage remains conservative and includes an $8 million drought overlay originally introduced in June 2014, and a retail lending and collections system implementation overlay of $2.5 million.

The Bank maintains a prudent outlook to provisioning with challenging weather and economic conditions supporting this approach.

Gross non-performing loans coverage by portfolio

MAR-16	Past due loans	Impaired assets	Specific provision	Collective provision	Equity reserve for credit loss (pre-tax equivalent)	Total provision coverage to gross non-performing loans
	$M	$M	$M	$M	$M	%
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**

DEC-15	Past due loans	Impaired assets	Specific provision	Collective provision	Equity reserve for credit loss (pre-tax equivalent)	Total provision coverage to gross non-performing loans
	$M	$M	$M	$M	$M	%
Retail lending	305	25	8	37	69	34.5
Agribusiness lending	40	109	22	44	19	57.0
Commercial/SME lending	36	42	30	38	49	150.0
Total	**381**	**176**	**60**	**119**	**137**	**56.7**

Retail past due loans increased by $60 million to $365 million over the quarter, driven by the changes relating to the lending and collections system and processes, which were implemented in late 2015 and disclosed with financial results as at 31 December 2015.

Delays in contacting customers experiencing early stage arrears resulted in home loan arrears increasing following the reporting date. A residual portion of these arrears have now progressed to being past due loans, as expected. Early stage arrears have now improved, again as expected.

The Bank has also undertaken detailed analysis by different segments of the portfolio, for example, mining, agricultural and areas affected by recent high profile corporate collapses. As a result, the Bank is confident there has been no material change to underlying arrears performance. An overlay continues to be held as a contingency whilst the Bank progresses systems implementation.

The decrease in past due loans for Agribusiness lending reflects stronger commodity prices which have favourably assisted some customers. The movement in impaired assets is well collateralised, resulting in minimal requirements for specific provision.

Regular reviews are conducted of all non-performing loans for evidence of impairment or loss. Additional work has been undertaken to ensure all exposures are assessed against recent, relevant, and objective data including valuations and time expected for resolution to ensure any requirement for a specific provision is accurate.

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 2: MAIN FEATURES OF CAPITAL INSTRUMENTS

Attachment B of APS330 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 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-16	DEC-15	MAR-16	MAR-16	DEC-15
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	382	495	1	2	5
Claims on Australian and foreign governments	2,415	2,314	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	3,573	3,044	21	733	627
Claims on securitisation exposures	935	848	20	187	170
Claims secured against eligible residential mortgages	40,740	40,595	38	15,446	15,455
Past due claims	541	493	89	482	452
Other retail assets	453	454	80	361	361
Corporate	8,299	8,310	100	8,281	8,295
Other assets and claims	271	250	99	269	248
Total Banking assets	**57,609**	**56,803**	**45**	**25,761**	**25,613**

	NOTIONAL AMOUNT	CREDIT EQUIVALENT	AVG RISK WEIGHT	RISK-WEIGHTED ASSETS	
	MAR-16	MAR-16	MAR-16	MAR-16	DEC-15
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	252	251	66	166	177
Commitments to provide loans and advances	8,036	2,120	54	1,139	1,099
Foreign exchange contracts	6,295	140	34	48	50
Interest rate contracts	52,031	101	43	43	40
Securitisation exposures	2,436	37	84	31	33
CVA capital charge	-	-	-	77	87
Total off-balance sheet positions	**69,050**	**2,649**	**57**	**1,504**	**1,486**

	MAR-16	DEC-15
Market risk capital charge	152	136
Operational risk capital charge	3,304	3,304
Total off-balance sheet positions	1,504	1,486
Total on-balance sheet credit risk-weighted assets	25,761	25,613
Total assessed risk	**30,721**	**30,539**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	9.08	9.41
Tier 1	10.54	10.88
Tier 2	3.00	3.05
Total risk-weighted capital ratio	**13.54**	**13.93**

TABLE 4: CREDIT RISK

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

	RECEIVABLES DUE FROM OTHER BANKS (2)	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS AND ADVANCES (3)	CREDIT COMMITMENTS (4)	DERIVATIVE INSTRUMENTS (4)	TOTAL CREDIT RISK	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	-	-	-	3,860	184	-	4,044	113	14	3,917	23
Construction & development	-	-	-	504	126	-	630	1	2	627	-
Financial services	537	289	2,386	484	200	241	4,137	-	-	4,137	-
Hospitality	-	-	-	836	50	-	886	10	2	874	1
Manufacturing	-	-	-	260	15	-	275	1	2	272	1
Professional services	-	-	-	224	10	-	234	7	1	226	4
Property investment	-	-	-	2,011	95	-	2,106	16	1	2,089	4
Real estate - Mortgage	-	-	-	40,345	1,555	-	41,900	15	338	41,547	4
Personal	-	-	-	375	7	-	382	8	10	364	5
Government/public authorities	-	1,053	2,469	-	-	-	3,522	-	-	3,522	-
Other commercial & industrial	-	-	-	1,655	129	-	1,784	19	29	1,736	12
Total gross credit risk	**537**	**1,342**	**4,855**	**50,554**	**2,371**	**241**	**59,900**	**190**	**399**	**59,311**	**54**
Securitisation Exposures (1)	-	-	935	2,700	26	11	3,672	-	17	3,655	-
Total including Securitisation Exposures	**537**	**1,342**	**5,790**	**53,254**	**2,397**	**252**	**63,572**	**190**	**416**	**62,966**	**54**
Impairment provision							(167)	(54)	(26)	(87)	
TOTAL							**63,405**	**136**	**390**	**62,879**	

(1) The securitisation exposures of $2,700 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) Total loans and advances include receivables due from related parties.

(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 – outstanding as at 31 December 2015

	RECEIVABLES DUE FROM OTHER BANKS (2)	TRADING SECURITIES (3)	INVESTMENT SECURITIES (3)	LOANS AND ADVANCES (4)	CREDIT COMMITMENTS (5)	DERIVATIVE INSTRUMENTS (5)	TOTAL CREDIT RISK	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	-	-	-	3,827	202	-	4,029	103	28	3,898	21
Construction & development	-	-	-	480	124	-	604	1	-	603	1
Financial services	464	149	2,308	375	231	279	3,806	-	-	3,806	-
Hospitality	-	-	-	870	33	-	903	12	5	886	6
Manufacturing	-	-	-	263	16	-	279	2	2	275	1
Professional services	-	-	-	238	9	-	247	9	1	237	9
Property investment	-	-	-	1,977	88	-	2,065	4	12	2,049	4
Real estate - Mortgage	-	-	-	40,174	1,413	-	41,587	17	281	41,289	3
Personal	-	-	-	345	8	-	353	8	8	337	5
Government/public authorities	-	970	2,364	-	-	-	3,334	-	-	3,334	-
Other commercial & industrial	-	-	-	1,699	127	-	1,826	20	29	1,777	10
Total gross credit risk	**464**	**1,119**	**4,672**	**50,248**	**2,251**	**279**	**59,033**	**176**	**366**	**58,491**	**60**
Securitisation Exposures [1]	-	-	848	2,872	28	11	3,759	-	15	3,744	-
Total including Securitisation Exposures	**464**	**1,119**	**5,520**	**53,120**	**2,279**	**290**	**62,792**	**176**	**381**	**62,235**	**60**
Impairment provision							(179)	(60)	(26)	(93)	
TOTAL							**62,613**	**116**	**355**	**62,142**	

[1] The securitisation exposures of $2,872 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] $970 million has been reclassified from 'Financial Services' to 'Government/public authorities'.

[4] $2,364 million has been reclassified from 'Financial Services' to 'Government/public authorities'.

[5] Total loans and advances include receivables due from related parties.

[6] "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 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	-	-	-	3,844	193	-	4,037
Construction & development	-	-	-	492	125	-	617
Financial services	501	219	2,347	430	216	260	3,973
Hospitality	-	-	-	853	42	-	895
Manufacturing	-	-	-	262	16	-	278
Professional services	-	-	-	231	10	-	241
Property investment	-	-	-	1,994	92	-	2,086
Real estate - Mortgage	-	-	-	40,260	1,484	-	41,744
Personal	-	-	-	360	8	-	368
Government/public authorities	-	1,012	2,417	-	-	-	3,429
Other commercial & industrial	-	-	-	1,677	128	-	1,805
Total gross credit risk	**501**	**1,231**	**4,764**	**50,403**	**2,314**	**260**	**59,473**
Securitisation Exposures (1)	-	-	892	2,786	27	11	3,716
Total including Securitisation Exposures	**501**	**1,231**	**5,656**	**53,189**	**2,341**	**271**	**63,189**
Impairment provision							(173)
TOTAL							**63,016**

(1) The securitisation exposures of $2,786 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) Total loans and advances include receivables due from related parties.

(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 October to 31 December 2015

	RECEIVABLES DUE FROM OTHER BANKS (2)	TRADING SECURITIES (3)	INVESTMENT SECURITIES (4)	LOANS AND ADVANCES (5)	CREDIT COMMITMENTS (6)	DERIVATIVE INSTRUMENTS (6)	TOTAL CREDIT RISK
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,868	192	-	4,060
Construction & development	-	-	-	480	125	-	605
Financial services	542	751	2,459	363	200	326	4,641
Hospitality	-	-	-	885	33	-	918
Manufacturing	-	-	-	270	18	-	288
Professional services	-	-	-	234	10	-	244
Property investment	-	-	-	1,980	83	-	2,063
Real estate - Mortgage	-	-	-	40,064	1,510	-	41,574
Personal	-	-	-	355	8	-	363
Government/public authorities	-	763	2,463	-	-	-	3,226
Other commercial & industrial	-	-	-	1,702	118	-	1,820
Total gross credit risk	**542**	**1,514**	**4,922**	**50,201**	**2,297**	**326**	**59,802**
Securitisation Exposures [(1)]	-	-	902	2,971	29	12	3,914
Total including Securitisation Exposures	**542**	**1,514**	**5,824**	**53,172**	**2,326**	**338**	**63,716**
Impairment provision							(186)
TOTAL							**63,530**

(1) The securitisation exposures of $2,971 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) $763 million has been reclassified from ‘Financial Services’ to ‘Government/public authorities’

(4) $2,463 million has been reclassified from ‘Financial Services’ to ‘Government/public authorities’

(5) Total loans and advances include receivables due from related parties.

(6) “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 2016

	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	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	41,900	41,744	15	355	4	2
Other retail	382	368	8	10	5	1
Financial services	4,137	3,973	-	-	-	-
Government and public authorities	3,522	3,429	-	-	-	-
Corporate and other claims	9,959	9,959	167	51	45	7
Total	**59,900**	**59,473**	**190**	**416**	**54**	**10**

Table 4B: Credit risk by portfolio – 31 December 2015

	GROSS CREDIT RISK EXPOSURE (1)	AVERAGE GROSS EXPOSURE (2)	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	41,587	41,574	17	296	3	-
Other retail	353	363	8	8	5	5
Financial services	3,806	4,641	-	-	-	-
Government and public authorities	3,334	3,226	-	-	-	-
Corporate and other claims	9,953	9,998	151	77	52	6
Total	**59,033**	**59,802**	**176**	**381**	**60**	**11**

(1) $3,334 million has been reclassified from ‘Financial Services’ to ‘Government and public authorities’.

(2) $3,226 million has been reclassified from ‘Financial Services’ to ‘Government and public authorities’.

Table 4C: General reserves for credit losses

	MAR-16	DEC-15
	$M	$M
Collective provision for impairment	113	119
Ineligible collective provisions on past due not impaired	(26)	(26)
Eligible collective provisions	**87**	**93**
Equity reserve for credit losses	92	96
General reserve for credit losses	**179**	**189**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

	EXPOSURES SECURITISED		RECOGNISED GAIN OR (LOSS) ON SALE	
	MAR-16	DEC-15	MAR-16	DEC-15
	$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
	MAR-16	DEC-15
Exposure type	$M	$M
Debt securities	935	848
Total on-balance sheet securitisation exposures	**935**	**848**

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

	PRINCIPAL OR NOTIONAL EXPOSURE	PRINCIPAL OR NOTIONAL EXPOSURE
	MAR-16	DEC-15
Exposure type	$M	$M
Liquidity facilities	53	55
Derivative exposures	2,383	2,537
Total off-balance sheet securitisation exposures	**2,436**	**2,592**

Appendix 2 – Suncorp Bank updated slide information

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1

Suncorp Bank

Summary

Home and business lending **flat**

Impairment losses 3bps annualised to gross loans and advances

Bank CET1 9.08**%** slightly above the 8.50%-9.00% target range

Gross Impaired assets normalising to 0.36% of gross loans and advances

Suncorp Bank
For the quarter ended 31 March 2016

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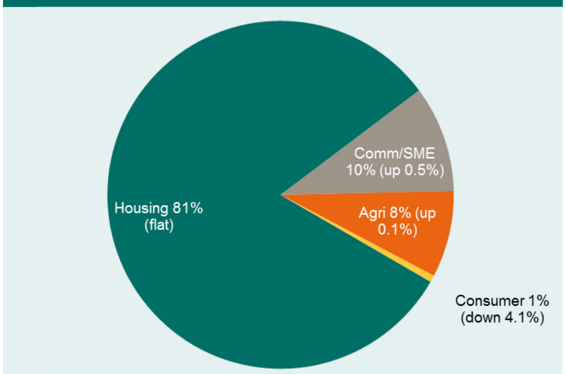
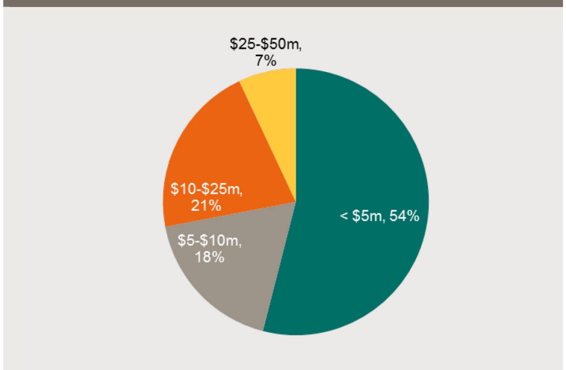
Suncorp Bank lending portfolio

Over 80% mortgage lending

Lending assets $53 billion



72% business lending exposures <$10m



Suncorp Bank
For the quarter ended 31 March 2016

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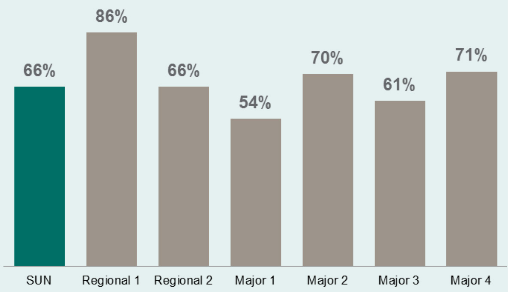
Funding and Liquidity

Conservative balance sheet

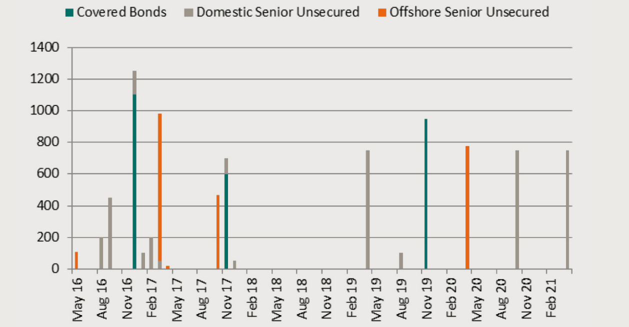
One Company Many Brands SUNCORP GROUP

Deposit to loan ratio



Source: Regional Bank data includes company reports for 1H16 Results. Major Bank data includes Retail and Business Bank divisions only peer company reports for FY15, and 1H16 where available. For the Majors, the deposit to loan ratio is calculated as retail deposits/gross loans and receivables from divisions mention above.

LT funding profile ($m)



Note: The chart above includes a 5 year $750m domestic senior unsecured transaction completed in April 2016.

Suncorp Bank
For the quarter ended 31 March 2016

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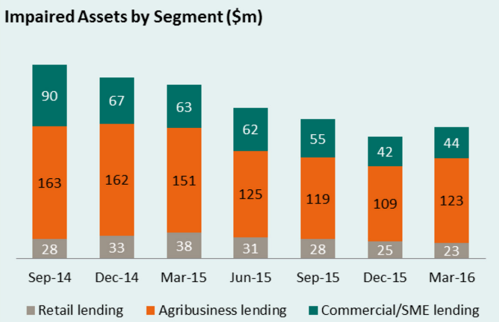
Credit quality

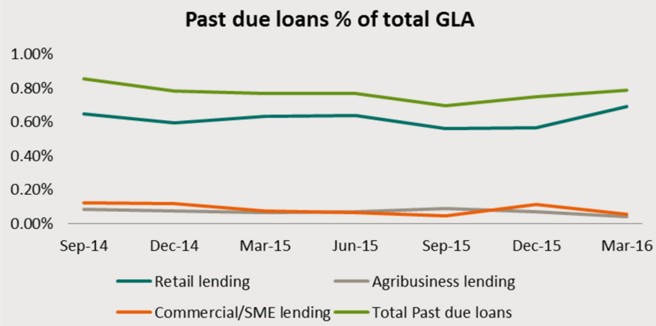
Gross impaired and past due loans

One Company Many Brands SUNCORP GROUP

Gross impaired loans by segment ($m)



Past due loans by segment (% gross loans and advances)

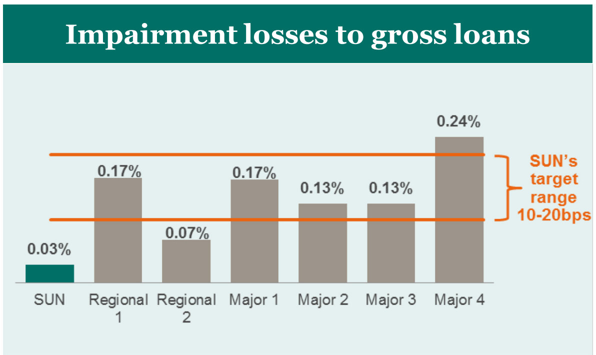


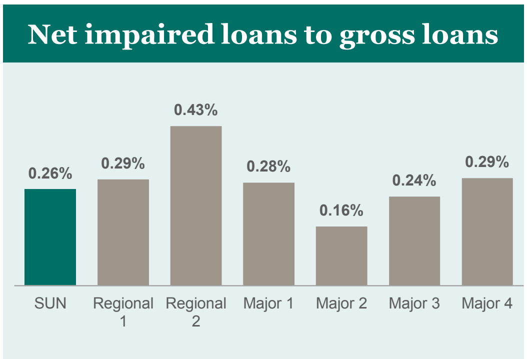
Note: The underlying trend in retail past due loans shows no material change to business performance and any increase is as management expected, a result of implementing the new collections system

Suncorp Bank
For the quarter ended 31 March 2016

Credit quality

Impairments



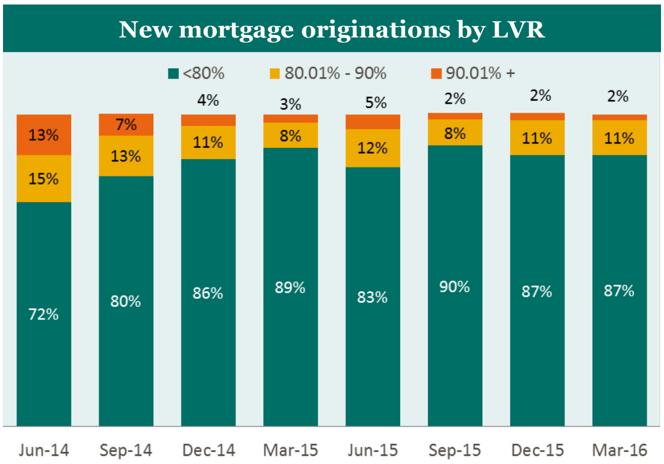


Source: Latest peer financial reports

Risk position

Improved LVR mix

- » Continued improvement in quality of new home lending
- » Risk quality of new business continues to be favourable
- » Portfolio LVR mix continues to shift toward sub-80% lending
- » Conservative serviceability criteria maintained



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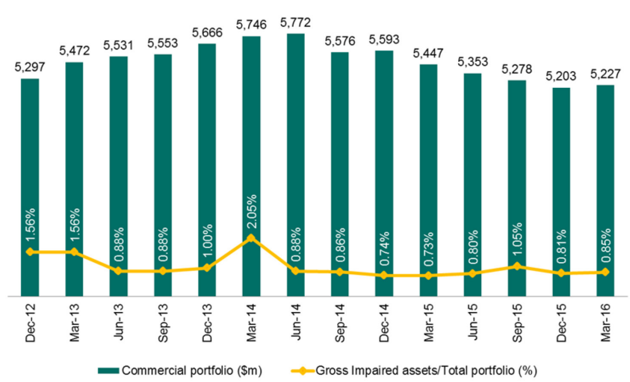
Risk position

One Company Many Brands SUNCORP GROUP

Commercial (SME) asset growth and credit quality

- Portfolio grew 0.5% to $5.23 billion
- Gross impaired assets have declined by 62.5% since Mar 2014; quarterly movement increased slightly by $2.1m
- 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
- 55% of the portfolio consists of customer groups with an average exposure of less than $5 million

Commercial (SME) ($m)



Suncorp Bank
For the quarter ended 31 March 2016

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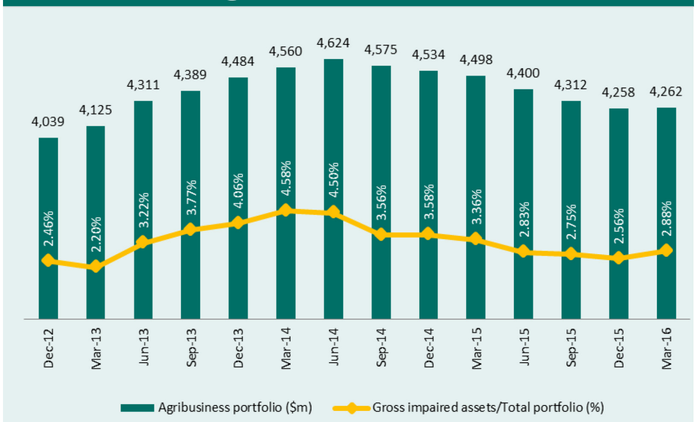
Risk position

One Company Many Brands SUNCORP GROUP

Agribusiness asset growth and credit quality

- Portfolio grew 0.1% to $4.26 billion
- Credit quality continues to track favourably with gross impaired assets year on year declining by 18.7%; quarterly movement increased by $13.8m
- 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
- 50% of the portfolio consists of customer groups with an average exposure of less than $5 million

Agribusiness ($m)



Suncorp Bank
For the quarter ended 31 March 2016

Appendix 3 – Definitions

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 risk weighted assets, as defined by APRA
Credit Value Adjustment (CVA)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk
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
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