Suncorp Group Limited ABN 66 145 290 124

Suncorp Bank APS 330

as at 30 June 2016

Release date: 4 August 2016

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 June 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 4 August 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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REGULATORY CAPITAL RECONCILIATION

The following table discloses the consolidated balance sheet of SML and its subsidiaries (Suncorp Bank), as published in its audited financial statements, and the balance sheet under the Level 2 regulatory scope of consolidation pursuant to APS 111 *Capital Adequacy: Measurement of Capital*.

Each component of capital reported in *Table 1: Capital Disclosure Template* can be reconciled to the balance sheets below using the reference letters included in both tables.

	BALANCE SHEET PER PUBLISHED REVIEWED FINANCIAL STATEMENTS	ADJUSTMENTS	BALANCE SHEET UNDER REGULATORY SCOPE OF CONSOLIDATION	REFERENCE
	JUN-16 $M	JUN-16 $M	JUN-16 $M	
Assets				
Cash and cash equivalents	1,028	-	1,028	
Receivables due from other banks	552	-	552	
Trading securities	1,497	-	1,497	
Derivatives	675	-	675	
Investment securities	5,225	-	5,225	
Investment in regulatory non-consolidated subsidiaries	-	2	2	(j)
Loans, advances and other receivables	54,134	(2,308)	51,826	
of which: eligible collective provision component of GRCL in tier 2 capital	-	-	*(82)*	(o)
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	-	-	*201*	(f)
of which: costs associated with debt raisings in CET1 regulatory adjustments	-	-	*10*	(g)
Due from subsidiaries	295	-	295	
Deferred tax assets	44	-	44	
of which: arising from temporary differences included in CET1 regulatory adjustments	-	-	*50*	(e)
Other assets	*145*	(23)	*122*	
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	-	-	*2*	(h)
Goodwill and intangible assets	21	-	21	(d)
Total assets	**63,616**	**(2,329)**	**61,287**	
Liabilities				
Payables due to other banks	(332)	-	(332)	
Deposits and short-term borrowings	(45,421)	(12)	(45,433)	
Derivatives	(498)	-	(498)	
Securitisation derivatives in CET1 regulatory adjustments	-	(4)	(4)	(q)
Payables and other liabilities	(481)	4	(477)	
Due to regulatory non-consolidated subsidiaries	-	(30)	(30)	
Securitisation liabilities	(2,544)	2,351	(193)	
of which: securitisation start-up costs in CET1 regulatory adjustments	-	-	*6*	(i)
Debt issues	(9,860)	-	(9,860)	
Total liabilities excluding loan capital	**(59,136)**	**2,309**	**(56,827)**	
Loan capital				
Subordinated notes	(742)	-	(742)	
of which: directly issued qualifying tier 2 instruments	-	-	*(670)*	(m)
of which: directly issued instruments subject to phase out from tier 2	-	-	*(72)*	(n)
Total loan capital	**(742)**	**-**	**(742)**	
Total liabilities	**(59,878)**	**2,309**	**(57,569)**	
Net assets	**3,738**	**(20)**	**3,718**	
Equity				
Share capital	(2,648)	-	(2,648)	(a)
Capital notes	(450)	-	(450)	(k)
Reserves	270	-	270	
of which: equity component of GRCL in tier 2 capital	-	-	*(85)*	(p)
of which: AFS reserve	-	-	*(5)*	(c)
Retained profits	(910)	20	(890)	
of which: included in CET1	-	-	*(522)*	(b)
Total equity	**(3,738)**	**20**	**(3,718)**	

REGULATORY CAPITAL RECONCILIATION (continued)

The Level 2 group for regulatory capital purposes consists of the parent entity, SML, and its eligible subsidiaries.

There are no entities included in the regulatory scope of consolidation which are excluded from the accounting scope of consolidation.

The following legal entities are included in the accounting scope of consolidation but are excluded from the regulatory scope of consolidation:

	TOTAL ASSETS	TOTAL LIABILITIES
	JUN-16	JUN-16
	$	$
SPDEF #2 Pty Ltd	1	-

Principal activity:

The company acts as trustee for Suncorp Property Development Equity Fund #2 Unit Trust.

	JUN-16	JUN-16
	$M	$M
Suncorp Property Development Equity Fund #2 Unit Trust	19	(1)

Principal activity:

The Trust was established by the directors of SPDEF #2 Pty Ltd (the trustee) for the purpose of forming an unincorporated joint venture to develop land for the purpose of reselling as residential housing lots.

	JUN-16	JUN-16
Securitisation special purpose vehicles[1]	$M	$M
Apollo Series 2010-1 Trust	215	(215)
Apollo Series 2011-1 Trust	383	(383)
Apollo Series 2012-1 Trust	372	(372)
Apollo Series 2013-1 Trust	490	(490)
Apollo Series 2015-1 Trust	914	(914)

Principal activity:

The Trusts were established for the purpose of raising funds, via the issue of mortgage backed securities, to fund the purchase of mortgage loans by equitable assignment.

Note

1. The Trusts qualify for regulatory capital relief under APS 120 and are therefore deconsolidated from the Level 2 regulatory group. The assets of the Trusts include the secured loans from SML, representing the outstanding balance of securitised mortgages and accrued interest, as well as cash and other receivables.

Any transfer of funds or regulatory capital within the Level 2 group can occur only after the relevant approvals from management and the Board of each affected entity, in line with the Suncorp Group's capital management policies. Any such transactions must be consistent with the Suncorp Group's capital management strategy objectives to ensure each entity in the Level 2 group has sufficient capital resources to maintain the business and operational requirements, retain sufficient capital to exceed externally imposed capital requirements, and ensure Suncorp Bank's ability to continue as a going concern.

TABLE 1: CAPITAL DISCLOSURE TEMPLATE

The disclosures below are presented using the post 1 January 2018 common disclosure template as, pursuant to APRA guidelines, SML and its eligible subsidiaries is applying, in full, the Basel III regulatory adjustments from 1 January 2013.

		JUN-16	SOURCE IN REGULATORY CAPITAL RECON-CILIATION
		$M	
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	2,648	**(a)**
2	Retained earnings	522	**(b)**
3	Accumulated other comprehensive income (and other reserves)	5	**(c)**
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**3,175**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	21	**(d)**
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit superannuation fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage service rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	*of which: significant investments in the ordinary shares of financial entities*	-	
24	*of which: mortgage servicing rights*	-	
25	*of which: deferred tax assets arising from temporary differences*	-	

TABLE 1: CAPITAL DISCLOSURE TEMPLATE (continued)

		JUN-16	SOURCE IN REGULATORY CAPITAL RECON-CILIATION
		$M	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	274	
26a	*of which: treasury shares*	-	
26b	*of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI*	-	
26c	*of which: deferred fee income*	-	
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*	-	
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*	*50*	**(e)**
26f	*of which: capitalised expenses*	*219*	**(f)+(g)+(h)+(i)**
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA requirements*	-	
26h	*of which: covered bonds in excess of asset cover in pools*	-	
26i	*of which: undercapitalisation of a non-consolidated subsidiary*	-	
26j	*of which: other national specific regulatory adjustments not reported in rows 26a to 26i*	*5*	**(j)-(q)**
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common Equity Tier 1**	**295**	
29	**Common Equity Tier 1 Capital (CET1)**	**2,880**	
	Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	450	**(k)**
31	*of which: classified as equity under applicable accounting standards*	*450*	**(k)**
32	*of which: classified as liabilities under applicable accounting standards*	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	**(l)**
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	*of which: instruments issued by subsidiaries subject to phase out*	-	
36	**Additional Tier 1 Capital before regulatory adjustments**	**450**	
	Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	
41a	*of which: holdings of capital instruments in group members by other group members . on behalf of third parties*	-	
41b	*of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40*	-	
41c	*of which: other national specific regulatory adjustments not reported in rows 41a & 41b*	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**	
44	**Additional Tier 1 capital (AT1)**	**450**	
45	**Tier 1 Capital (T1=CET1+AT1)**	**3,330**	

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TABLE 1: CAPITAL DISCLOSURE TEMPLATE (continued)

		JUN-16	SOURCE IN REGULATORY CAPITAL RECON-CILIATION
		$M	
	Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	670	(m)
47	Directly issued capital instruments subject to phase out from Tier 2	72	(n)
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-	
49	*of which: instruments issued by subsidiaries subject to phase out*	-	
50	Provisions	167	(o)+(p)
51	**Tier 2 Capital before regulatory adjustments**	**909**	
	Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	
56a	*of which: holdings of capital instruments in group members by other group members on behalf of third parties*	-	
56b	*of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55*	-	
56c	*of which: other national specific regulatory adjustments not reported in rows 56a & 56b*	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**909**	
59	**Total capital (TC=T1+T2)**	**4,239**	
60	**Total risk-weighted assets based on APRA standards**	**31,459**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	9.15%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.58%	
63	Total capital (as a percentage of risk-weighted assets)	13.47%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%	
65	*of which: capital conservation buffer requirement*	*2.50%*	
66	*of which: ADI-specific countercyclical buffer requirements*	-	
67	*of which: G-SIB buffer requirement (not applicable)*		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	9.15%	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		
70	National Tier 1 minimum ratio (if different from Basel III minimum)		
71	National total capital minimum ratio (if different from Basel III minimum)		
	Amount below thresholds for deductions (not risk-weighted)		
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	50	(e)

TABLE 1: CAPITAL DISCLOSURE TEMPLATE (continued)

		JUN-16	SOURCE IN REGULATORY CAPITAL RECON-CILIATION
		$M	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	167	**(o)+(p)**
77	Cap on inclusion of provisions in Tier 2 under standardised approach	350	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	n/a	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	n/a	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase out arrangements*	-	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	
82	*Current cap on AT1 instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on T2 instruments subject to phase out arrangements*	*113*	
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	-	

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	
	JUN-16	MAR-16	JUN-16	JUN-16	MAR-16
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	430	382	3	12	2
Claims on Australian and foreign governments	2,572	2,415	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	2,807	3,573	21	597	733
Claims on securitisation exposures	937	935	20	187	187
Claims secured against eligible residential mortgages	42,239	40,740	38	15,962	15,446
Past due claims	549	541	89	487	482
Other retail assets	558	453	85	474	361
Corporate	8,443	8,299	100	8,432	8,281
Other assets and claims	294	271	100	293	269
Total banking assets	**58,829**	**57,609**	**45**	**26,444**	**25,761**

	NOTIONAL AMOUNT	CREDIT EQUIVALENT	AVG RISK WEIGHT	RISK-WEIGHTED ASSETS	
	JUN-16	JUN-16	JUN-16	JUN-16	MAR-16
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	251	249	66	165	166
Commitments to provide loans and advances	8,201	2,261	54	1,220	1,139
Foreign exchange contracts	6,424	114	38	43	48
Interest rate contracts	58,651	94	43	40	43
Securitisation exposures	2,050	31	84	26	31
CVA capital charge	-	-	-	62	77
Total off-balance sheet positions	**75,577**	**2,749**	**57**	**1,556**	**1,504**
Market risk capital charge				108	152
Operational risk capital charge				3,351	3,304
Total off-balance sheet positions				1,556	1,504
Total on-balance sheet credit risk-weighted assets				26,444	25,761
Total assessed risk				**31,459**	**30,721**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	9.15	9.08
Tier 1	10.58	10.54
Tier 2	2.89	3.00
Total risk-weighted capital ratio	**13.47**	**13.54**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 June 2016

	RECEIVABLES DUE FROM OTHER BANKS (2)	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS AND ADVANCES	CREDIT COMMITMENTS (3)	DERIVATIVE INSTRUMENTS (3)	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	-	-	-	3,952	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	-	-	-	376	6	-	382	8	11	363	5
Government/public authorities	-	1,298	2,287	-	-	-	3,585	-	-	3,585	-
Other commercial & industrial	-	-	-	1,695	190	-	1,885	18	29	1,838	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) “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 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 – average gross exposure over period 1 April to 30 June 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	-	-	-	3,906	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	-	-	-	376	7	-	383
Government/public authorities	-	1,176	2,378	-	-	-	3,554
Other commercial & industrial	-	-	-	1,675	160	-	1,835
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) "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 4B: Credit risk by portfolio – 30 June 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 [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 the securitisation exposures.

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 [1]	45,572	45,460	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	**63,572**	**63,189**	**190**	**416**	**54**	**10**

[1] $3,672 million, $3,716 million and $17 million has been included in Gross Credit Risk Exposure, Average Gross Exposure and Past due not impaired > 90 days respectively to include the securitisation exposures.

Table 4C: General reserves for credit losses

	JUN-16	MAR-16
	$M	$M
Collective provision for impairment	108	113
Ineligible collective provisions on Past Due not Impaired	(26)	(26)
Eligible collective provisions	**82**	**87**
Equity reserve for credit losses	85	92
General reserve for credit losses	**167**	**179**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

	EXPOSURES SECURITISED		RECOGNISED GAIN OR (LOSS) ON SALE	
	JUN-16	MAR-16	JUN-16	MAR-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
	JUN-16	MAR-16
Exposure type	$M	$M
Debt securities	937	935
Total on-balance sheet securitisation exposures	**937**	**935**

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

	EXPOSURE	EXPOSURE
	JUN-16	MAR-16
Exposure type	$M	$M
Liquidity facilities [1]	22	26
Derivative exposures [1]	9	11
Total off-balance sheet securitisation exposures	**31**	**37**

[1] For comparative purposes, March exposures are shown on a credit equivalent amount basis (previously reported on a notional basis).

TABLE 18: REMUNERATION DISCLOSURES

Table 18: Remuneration disclosures for the year ended 30 June 2016 will be included with the Group's prudential disclosures for the quarter ended 30 September 2016, in accordance with the requirements of APS 330.

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

		TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
		JUN-16	JUN-16
		$M	$M
	Liquid assets, of which:		
1	High-quality liquid assets (HQLA)		3,983
2	Alternative liquid assets (ALA)		3,729
3	Reserve Bank of New Zealand (RBNZ) securities		-
	Cash outflows		
4	Retail deposits and deposits from small business customers, of which:	18,271	1,520
5	*stable deposits*	*13,870*	*693*
6	*less stable deposits*	*4,401*	*827*
7	Unsecured wholesale funding, of which:	4,771	3,222
8	*operational deposits (all counterparties) and deposits in networks for cooperative*	-	-
9	*non-operational deposits (all counterparties)*	*3,891*	*2,342*
10	*unsecured debt*	*880*	*880*
11	Secured wholesale funding		15
12	Additional requirements, of which	3,503	1,876
13	*outflows related to derivatives exposures and other collateral requirements*	*1,642*	*1,642*
14	*outflows related to loss of funding on debt products*	*133*	*133*
15	*credit and liquidity facilities*	*1,728*	*101*
16	Other contractual funding obligations	1,343	1,013
17	Other contingent funding obligations	8,442	669
18	**Total cash outflows**		**8,315**
	Cash inflows		
19	Secured lending (e.g. reverse repos)	(109)	-
20	Inflows from fully performing exposures	1,313	982
21	Other cash inflows	1,385	1,386
22	**Total cash inflows**	**2,589**	**2,368**
			TOTAL ADJUSTED VALUE
23	**Total liquid assets**		**7,712**
24	**Total net cash outflows**		**5,947**
25	**Liquidity Coverage Ratio (%)**		**130**

The Liquidity Coverage Ratio (LCR) requires sufficient qualifying HQLA to be maintained to meet expected net cash outflows under an APRA-prescribed 30 calendar day stress scenario.

SML holds a diverse portfolio of liquid assets, comprising HQLA (physical cash, Commonwealth Government Securities and Semi-government Securities) as well as other securities including senior unsecured bank debt, covered bonds and Residential Mortgage Backed Securities (RMBS) which are repo eligible with the Reserve Bank of Australia (RBA).

SML has a tiered management limit structure for the LCR to ensure that there is always an adequate buffer to the APRA Prudential Limit of 100% and calculates the LCR position against these limits on a daily basis. The amount of liquid assets held considers the amount needed to meet prudential and internal requirements (including a variety of internal stress scenarios as part of the risk management framework) and a suitable buffer reflecting management's preference.

APRA has allowed locally-incorporated ADI's to establish a Committed Liquidity Facility (CLF) with the RBA. SML received approval from APRA for a CLF of $4.2 billion for the 2016 calendar year ($4.8 billion for the 2015 calendar year). The $3.7 billion disclosed as 'Alternative liquid assets' reflects the required 'open-repo' of internal self-securitised RMBS with the RBA, which is considered a utilisation of the CLF and increases the HQLA.

The net cash outflow is sought to be minimised by targeting funding with lower LCR runoff rates and managing the maturity profile of wholesale liabilities.

SML has been compliant with the LCR prudential requirements at all times since it was introduced in January 2015. The daily average LCR for the quarter ended 30 June 2016 was 130% (in line with daily average LCR for the quarter ended 31 March 2016 of 130%).

An increase in daily average cash outflows over the quarter was largely offset by an increase in daily average cash inflows. The changes are largely explained by an increase in lending growth over the quarter (reflected in an increase in contractual funding obligations, credit and liquidity facilities and inflows from performing exposures) and a normalisation of offshore short term wholesale maturities in the LCR window (reflected in an increase in outflows related to derivative exposures and offset by a corresponding increase in ‘other cash inflows’).

Appendix – 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 (ERCL)	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
General Reserve Credit Loss (GRCL)	The general reserve for credit losses is a reserve that covers credit losses prudently estimated but not certain to arise over the full life of all the individual facilities based on guidance provided by APRA
Liquidity Coverage Ratio (LCR)	Liquid assets divided by the forecast net cash outflows during a 30-day similated severe stressed liquidity scenario
Past due loans	Loans outstanding for more than 90 days
Risk weighted assets (RWA)	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA