ASX announcement

8 May 2019

Suncorp Bank APS330 Update

Suncorp Group (ASX: SUN | ADR: SNMCY) provided its quarterly update as at 31 March 2019, as required under the Australian Prudential Standard 330.

Suncorp's total lending portfolio ended the March quarter at $58.9bn, up 1.0% from March 2018, and down 0.5% from December 2018.

Suncorp Banking and Wealth CEO, David Carter said growth in the business lending portfolios was offset by a $314 million contraction in home lending, amid increased price-driven competition and a continued credit market slowdown.

"Over this time, we have maintained focus on asset quality, managing our margin and supporting the broker channel, including initiatives to improve operational efficiencies.

"We expect home and business lending growth to improve in the quarter ending June 2019, particularly following Suncorp's $3 billion lending pledge to the small business and agribusiness sectors, providing these important market segments access to credit to invest and grow.

"Hardship applications relating to floods in Townsville, contributed to an increase in home loans in arrears. We know from experience with past flood events, that the increase in arrears is temporary, with most customers successfully recovering after approximately six months.

"Additionally, during the quarter, the Bank has provided support to agribusiness customers materially impacted by significant weather events," Mr Carter said.

Mr Carter said the Bank continued to target sustainable business with acceptable margins and risk and maintained a strong balance sheet.

"We remain selective in our target markets and have maintained a high-quality lending portfolio. Our diversified, flexible and stable funding base allowed us to further bolster our balance sheet with the recent completion of an offshore USD senior unsecured transaction of $500 million.

"We expect the ongoing investment in digital enhancements and payment capabilities that improve the banking experience for our customers to continue to deliver at-call deposits growth in the final quarter and beyond," Mr Carter said.

Following payment of the 2019 financial year interim dividend to Suncorp Group, Banking's Common Equity Tier 1 (CET1) ratio of 9.10% reflects a robust capital position, above the target operating range of 8.5% to 9.0%.

Ends

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SUNCORP GROUP LIMITED

SUNCORP BANK

APS 330

FOR THE QUARTER ENDED

31 MARCH 2019

RELEASE DATE: 8 MAY 2019

Suncorp Group Limited
ABN 66 145 290 124

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 2019 (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 8 May 2019. 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 consider the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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

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

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OVERVIEW

The total lending portfolio ended the March quarter at $58.9bn, up 1.0% from March 2018 and down 0.5% from December 2018. The commercial portfolio grew by 0.2% over the quarter to $6.7bn and continues to be well diversified and weighted towards lending facilities less than $5m. The agribusiness portfolio grew by 0.4% to $4.4bn despite significant weather events in some areas during the quarter.

Growth in the business lending portfolios was offset by a $314m contraction in home lending amidst ongoing and intense price-driven competition and a continued slow-down in the credit market. During the March quarter, Banking focused on strengthening broker partnerships, supporting first home buyers and implementing initiatives to improve operational efficiencies. At the end of the quarter, the home lending portfolio was conservatively positioned as follows:

- Owner occupier: 72%, Investor: 28%
- Principal and Interest: 79%, Interest Only 21%
- LVR <80%: 79%, LVR>80%: 21%

Banking continues to remain selective in its target markets, maintaining a high-quality lending portfolio. A net positive impairment recovery of $2m over the quarter was primarily underpinned by improvements in the commercial lending portfolio’s risk profile, following favourable migration across the credit stages as assessed under AASB 9.

Past due loans which are not impaired increased by 2.5% to $537m over the quarter. The increase in arrears was mainly attributable to major weather events, including floods in Townsville and across North-West Queensland that occurred during the quarter. Past experience with flood events suggests the increase in arrears is temporary, with the majority of customers successfully recovering after a period of approximately six months.

On average, the 90 day Bank Bill Swap Rate (BBSW) was 1.95% in the March quarter, compared to 1.97% in the previous quarter. The reduction in BBSW since mid March provided some relief in wholesale funding costs. Suncorp has maintained a measured approach to the management of funding and liquidity risk to support a sustainable funding profile. During the quarter, Banking utilised its diversified, flexible and stable funding base to complete an offshore USD senior unsecured transaction of $500m to further strengthen the balance sheet. Banking’s focus on growing the deposit portfolio continued, with enhanced digital functionality delivered in March. Strong growth in at-call deposits was achieved at a rate materially above system against a retracting deposit market. The Net Stable Funding Ratio (NSFR) was 112% as at 31 March 2019, comfortably above the target of 105%.

Following payment of the 2019 financial year interim dividend to Suncorp Group, Banking’s Common Equity Tier 1 (CET1) ratio of 9.10% reflects a robust capital position, above the target operating range of 8.5% to 9.0%.

OUTLOOK

Suncorp is targeting above system growth in at-call customer deposits in Q4FY19, leveraging the investment in enhanced digital and payment capabilities to improve customer experiences. Despite wholesale funding costs starting to ease, sustained pressure from price-driven mortgage competition is expected to result in a FY19 net interest margin at, or just below, the bottom end of the 1.80% to 1.90% target range.

Total lending growth is expected to improve in Q4FY19 and Suncorp will continue to manage the portfolio mix and target sustainable business with acceptable margins and risk. It is anticipated that the home lending market will be impacted by the continued tightening of serviceability and lending standards across the industry, as well as reducing demand and declining confidence in the property sector. The agribusiness portfolio is expected to benefit from an improvement in agricultural conditions following recent widespread rainfall. In March, Suncorp announced a commitment to lend an additional $3bn to small business and agribusiness customers, ensuring availability of credit to these segments.

Suncorp will continue to maintain a prudent risk appetite, with no material changes anticipated in any segment. Impairment losses are expected to remain below the bottom end of the through-the-cycle operating range of 10 to 20 basis points of gross loans and advances in FY19.

LOANS AND ADVANCES

	Mar-19 $M	Dec-18 $M	Mar-18 $M	Mar-19 vs Dec-18 %	Mar-19 vs Mar-18 %
Housing loans	40,569	40,663	40,929	(0.2)	(0.9)
Securitised housing loans and covered bonds	7,099	7,319	6,372	(3.0)	11.4
Total housing loans	**47,668**	**47,982**	**47,301**	(0.7)	0.8
Consumer loans	**155**	**162**	**251**	(4.3)	(38.2)
Retail loans	**47,823**	**48,144**	**47,552**	**(0.7)**	**0.6**
Commercial (SME)	6,675	6,662	6,300	0.2	6.0
Agribusiness	4,380	4,364	4,453	0.4	(1.6)
Total Business loans	**11,055**	**11,026**	**10,753**	0.3	2.8
Total lending	**58,878**	**59,170**	**58,305**	**(0.5)**	**1.0**
Other lending	4	6	13	(33.3)	(69.2)
Gross loans and advances	**58,882**	**59,176**	**58,318**	(0.5)	1.0
Provision for impairment	**(138)**	**(145)**	**(131)**	**(4.8)**	**5.3**
Total loans and advances	**58,744**	**59,031**	**58,187**	**(0.5)**	**1.0**
Credit-risk weighted assets	**27,561**	**27,584**	**27,259**	**(0.1)**	**1.1**
Geographical breakdown - Total lending					
Queensland	31,228	31,266	30,550	(0.1)	2.2
New South Wales	15,798	15,904	15,533	(0.7)	1.7
Victoria	5,976	6,063	6,119	(1.4)	(2.3)
Western Australia	3,496	3,528	3,662	(0.9)	(4.5)
South Australia and other	2,380	2,409	2,441	(1.2)	(2.5)
Outside of Queensland loans	27,650	27,904	27,755	(0.9)	(0.4)
Total lending	**58,878**	**59,170**	**58,305**	**(0.5)**	**1.0**

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	Quarter Ended			Mar-19	Mar-19
	Mar-19	Dec-18	Mar-18	vs Dec-18	vs Mar-18
	$M	$M	$M	%	%
Collective provision for impairment	(7)	6	(1)	(216.7)	600.0
Specific provision for impairment	3	2	3	50.0	-
Actual net w rite-offs	2	2	-	-	n/a
Impairment losses	**(2)**	**10**	**2**		
Impairment losses to gross loans and advances (annualised)	**0.00%**	**0.02%**	**0.01%**		

IMPAIRED ASSETS

	Quarter Ended			Mar-19	Mar-19
	Mar-19	Dec-18	Mar-18	vs Dec-18	vs Mar-18
	$M	$M	$M	%	%
Retail lending	58	61	49	(4.9)	18.4
Agribusiness lending	37	37	50	-	(26.0)
Commercial/SME lending	65	66	41	(1.5)	58.5
Gross impaired assets	**160**	**164**	**140**	**(2.4)**	**14.3**
Specific provision for impairment	(34)	(34)	(38)	-	(10.5)
Net impaired assets	**126**	**130**	**102**	**(3.1)**	**23.5**

NON-PERFORMING LOANS

	Quarter Ended				
	Mar-19	Dec-18	Mar-18	Mar-19 vs Dec-18	Mar-19 vs Mar-18
	$M	$M	$M	%	%
Gross balances of individually impaired loans					
Gross impaired assets	160	164	140	(2.4)	14.3
Specific provision for impairment	(34)	(34)	(38)	-	(10.5)
Net impaired assets	**126**	**130**	**102**	**(3.1)**	**23.5**
Size of gross individually impaired assets					
Less than one million	43	43	47	-	(8.5)
Greater than one million but less than ten million	102	106	77	(3.8)	32.5
Greater than ten million	15	15	16	-	(6.3)
Gross impaired assets	**160**	**164**	**140**	**(2.4)**	**14.3**
Past due loans not shown as impaired assets	**537**	**524**	**453**	**2.5**	**18.5**
Gross non-performing loans	**697**	**688**	**593**	**1.3**	**17.5**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	164	140	136	17.1	20.6
Recognition of new impaired assets	13	41	22	(68.3)	(40.9)
Increases in previously recognised impaired assets	1	1	1	-	-
Impaired assets written off/sold during the period	(2)	(5)	(1)	(60.0)	100.0
Impaired assets which have been reclassed as performing assets or repaid	(16)	(13)	(18)	23.1	(11.1)
Balance at the end of the period	**160**	**164**	**140**	**(2.4)**	**14.3**

PROVISION FOR IMPAIRMENT

	Mar-19 $M	Dec-18 $M	Mar-18[1] $M	Mar-19 vs Dec-18 %	Mar-19 vs Mar-18 %
Collective provision					
Balance at the beginning of the period	111	105	94	5.7	18.1
Charge against impairment losses	(7)	6	(1)	(216.7)	600.0
Balance at the end of the period	**104**	**111**	**93**	**(6.3)**	**11.8**
Specific provision					
Balance at the beginning of the period	34	38	37	(10.5)	(8.1)
Charge against impairment losses	3	2	3	50.0	-
Impairment provision written off	(2)	(5)	(1)	(60.0)	100.0
Unwind of discount	(1)	(1)	(1)	-	-
Balance at the end of the period	**34**	**34**	**38**	**-**	**(10.5)**
Total provision for impairment - Banking activities	**138**	**145**	**131**	**(4.8)**	**5.3**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	111	103	84	7.8	32.1
Transfer (to) from retained earnings	(11)	8	(1)	(237.5)	1,000.0
Balance at the end of the period	**100**	**111**	**83**	**(9.9)**	**20.5**
Pre-tax equivalent coverage	143	159	119	(10.1)	20.2
Total provision for impairment and equity reserve for credit loss - Banking activities	**281**	**304**	**250**	**(7.6)**	**12.4**

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	**21.3**	**20.7**	**27.1**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.18	0.19	0.16
Specific provision	0.06	0.06	0.07
Total provision	0.24	0.25	0.23
ERCL coverage	0.24	0.27	0.20
Total provision and ERCL coverage	0.48	0.51	0.43

[1] Changes in recognition and measurement resulting from the adoption of AASB 9 Financial Instruments are reflected in all reporting periods from 1 July 2018 onwards. Prior to 1 July 2018, recognition and measurement of provision for impairment is under AASB 139 Financial Instruments: Recognition and Measurement.

GROSS NON-PERFORMING LOANS COVERAGE BY PORTFOLIO

31-Mar-19 (AASB 9)	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage[1] %
Retail lending	486	58	8	37	60	19%
Agribusiness lending	25	37	9	26	11	74%
Commercial/SME lending	26	65	17	41	72	143%
Total	**537**	**160**	**34**	**104**	**143**	**40%**

31-Dec-18 (AASB 9)	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage[1] %
Retail lending	479	61	8	37	66	21%
Agribusiness lending	14	37	10	28	11	96%
Commercial/SME lending	31	66	16	46	82	148%
Total	**524**	**164**	**34**	**111**	**159**	**44%**

[1] Computed as: (ERCL (pre-tax) + Collective provision + Specific provision) / (Past due loans + Impaired assets)

APPENDIX 1 – APS 330 TABLES

- Table 1: Capital disclosure template – not applicable for this reporting period. This table was disclosed in the December 2018 reporting period.
- Table 2: Main features of capital instruments
- Table 3: Capital adequacy
- Table 4: Credit risk
- Table 5: Securitisation exposures
- Table 20: Liquidity Coverage Ratio Disclosure

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 http://www.suncorpgroup.com.au/investors/reports.

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].

[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 Mar-19 $M	Carrying value Dec-18 $M	Avg risk weight Mar-19 %	Risk Weighted Assets Mar-19 $M	Risk Weighted Assets Dec-18 $M
On-balance sheet credit risk-weighted assets					
Cash items	434	369	-	2	-
Claims on Australian and foreign governments	2,411	2,905	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	1,113	1,027	25	277	294
Claims on securitisation exposures	1,021	1,117	20	203	214
Claims secured against eligible residential mortgages	44,176	44,277	37	16,244	16,309
Past due claims	640	629	83	530	518
Other retail assets	210	244	97	203	238
Corporate	9,691	9,632	100	9,680	9,622
Other assets and claims	422	390	100	422	389
Total banking assets	**60,118**	**60,590**		**27,561**	**27,584**

	Notional amount Mar-19 $M	Credit equivalent Mar-19 $M	Avg risk weight Mar-19 %	Risk Weighted Assets Mar-19 $M	Risk Weighted Assets Dec-18 $M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	281	280	70	195	197
Commitments to provide loans and advances	8,541	2,032	63	1,270	1,272
Foreign exchange contracts	5,710	112	24	27	31
Interest rate contracts	52,723	103	42	43	27
Securitisation exposures	4,096	182	20	36	36
CVA capital charge	-	-	-	129	121
Total off-balance sheet positions	**71,351**	**2,709**		**1,700**	**1,684**
Market risk capital charge				90	85
Operational risk capital charge				3,512	3,512
Total off-balance sheet positions				1,700	1,684
Total on-balance sheet credit risk-weighted assets				27,561	27,584
Total assessed risk				**32,863**	**32,865**

Risk-weighted capital ratios	Mar-19 %	Dec-18 %
Common Equity Tier 1	9.10	9.14
Tier 1	10.77	10.81
Tier 2	2.42	2.50
Total risk-weighted capital ratio	**13.19**	**13.32**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 March 2019

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions [5]
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,902	220	4,122	37	25	4,060	9
Construction & development	-	-	-	-	792	261	1,053	6	2	1,045	1
Financial services	494	-	215	904	93	359	2,065	-	-	2,065	-
Hospitality	-	-	-	-	977	61	1,038	26	3	1,009	6
Manufacturing	-	-	-	-	237	31	268	4	1	263	-
Professional services	-	-	-	-	304	18	322	1	4	317	1
Property investment	-	-	-	-	2,695	143	2,838	2	2	2,834	2
Real estate - Mortgage	-	-	-	-	43,676	1,036	44,712	57	448	44,207	8
Personal	-	-	-	-	161	4	165	1	4	160	-
Government/public authorities	-	1,179	-	1,964	2	-	3,145	-	-	3,145	-
Other commercial & industrial [6]	-	-	-	-	2,071	179	2,250	25	14	2,211	7
Total gross credit risk	**494**	**1,179**	**215**	**2,868**	**54,910**	**2,312**	**61,978**	**159**	**503**	**61,316**	**34**
Securitisation exposures [1]	-	-	112	1,021	3,972	70	5,175	1	34	5,140	-
Total including securitisation exposures	**494**	**1,179**	**327**	**3,889**	**58,882**	**2,382**	**67,153**	**160**	**537**	**66,456**	**34**
Impairment provision							(138)	(34)	(31)	(73)	
Total							**67,015**	**126**	**506**	**66,383**	

(1) The securitisation exposures of $3,972 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* 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 *Securitisation*.

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

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent $34 million specific provisions for accounting purposes plus $66 million ineligible collective provision. The ineligible collective provision is split between Past due not impaired > 90 days ($31 million) and Total not past due or impaired ($35 million), in accordance with Expected Credit Loss (ECL) stages under AASB 9 *Financial Instruments*.

(6) Includes a portion of small business loans, with limits below $1 million, that are not classified.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 December 2018

	Receivables due from other Banks [2] $M	Trading Securities $M	Derivatives [3] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [3] $M	Total Credit Risk [4] $M	Gross Impaired Assets $M	Past due not impaired > 90 days $M	Total not past due or impaired $M	Specific Provisions [5] $M
Agribusiness	-	-	-	-	3,862	232	4,094	37	14	4,043	10
Construction & development	-	-	-	-	767	265	1,032	7	5	1,020	1
Financial services	351	-	187	899	99	349	1,885	-	-	1,885	-
Hospitality	-	-	-	-	1,001	71	1,072	27	1	1,044	7
Manufacturing	-	-	-	-	231	24	255	4	1	250	-
Professional services	-	-	-	-	306	18	324	2	1	321	1
Property investment	-	-	-	-	2,676	127	2,803	1	3	2,799	1
Real estate - Mortgage	-	-	-	-	43,799	1,064	44,863	59	441	44,363	8
Personal	-	-	-	-	168	4	172	1	5	166	-
Government/public authorities	-	1,540	-	1,956	-	-	3,496	-	-	3,496	-
Other commercial & industrial [6]	-	-	-	-	2,085	179	2,264	25	19	2,220	6
Total gross credit risk	**351**	**1,540**	**187**	**2,855**	**54,994**	**2,333**	**62,260**	**163**	**490**	**61,607**	**34**
Securitisation exposures [1]	-	-	108	1,117	4,182	73	5,480	1	34	5,445	-
Total including securitisation exposures	**351**	**1,540**	**295**	**3,972**	**59,176**	**2,406**	**67,740**	**164**	**524**	**67,052**	**34**
Impairment provision							(145)	(34)	(33)	(78)	
Total							**67,595**	**130**	**491**	**66,974**	

(1) The securitisation exposures of $4,182 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* 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 *Securitisation*.

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

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent $34 million specific provisions for accounting purposes plus $70 million ineligible collective provision. The ineligible collective provision is split between Past due not impaired > 90 days ($33 million) and Total not past due or impaired ($37 million), in accordance with Expected Credit Loss (ECL) stages under AASB 9 *Financial Instruments*.

(6) Includes a portion of small business loans, with limits below $1 million, that are not classified.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 January to 31 March 2019

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,882	226	4,108
Construction & development	-	-	-	-	780	263	1,043
Financial services	423	-	201	902	96	354	1,976
Hospitality	-	-	-	-	989	66	1,055
Manufacturing	-	-	-	-	234	28	262
Professional services	-	-	-	-	305	18	323
Property investment	-	-	-	-	2,686	135	2,821
Real estate - Mortgage	-	-	-	-	43,738	1,050	44,788
Personal	-	-	-	-	165	4	169
Government/public authorities	-	1,360	-	1,960	1	-	3,321
Other commercial & industrial	-	-	-	-	2,078	179	2,257
Total gross credit risk	**423**	**1,360**	**201**	**2,862**	**54,954**	**2,323**	**62,123**
Securitisation exposures [1]	-	-	110	1,069	4,077	72	5,328
Total including securitisation exposures	**423**	**1,360**	**311**	**3,931**	**59,031**	**2,395**	**67,451**
Impairment provision							(142)
Total							**67,309**

(1) The securitisation exposures of $4,077 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* 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 *Securitisation*.

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

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2018

	Receivables due from other Banks [2] $M	Trading Securities $M	Derivatives [3] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [3] $M	Total Credit Risk [4] $M
Agribusiness	-	-	-	-	3,855	229	4,084
Construction & development	-	-	-	-	769	277	1,046
Financial services	401	-	201	854	93	345	1,894
Hospitality	-	-	-	-	997	76	1,073
Manufacturing	-	-	-	-	232	24	256
Professional services	-	-	-	-	305	19	324
Property investment	-	-	-	-	2,599	131	2,730
Real estate - Mortgage	-	-	-	-	43,661	1,264	44,925
Personal	-	-	-	-	171	4	175
Government/public authorities	-	1,539	-	2,038	-	-	3,577
Other commercial & industrial	-	-	-	-	2,088	185	2,273
Total gross credit risk	**401**	**1,539**	**201**	**2,892**	**54,770**	**2,554**	**62,357**
Securitisation exposures [1]	-	-	95	1,122	4,318	75	5,610
Total including securitisation exposures	**401**	**1,539**	**296**	**4,014**	**59,088**	**2,629**	**67,967**
Impairment provision							(144)
Total							**67,823**

(1) The securitisation exposures of $4,318 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* 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 *Securitisation*.

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

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4B: Credit risk by portfolio as at 31 March 2019

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past due Not Impaired > 90 days	Specific Provisions (2)	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages (1)	49,887	50,116	58	482	8	1
Other retail	165	169	1	4	-	2
Financial services	2,065	1,976	-	-	-	-
Government and public authorities	3,145	3,321	-	-	-	-
Corporate and other claims	11,891	11,869	101	51	26	2
Total	**67,153**	**67,451**	**160**	**537**	**34**	**5**

(1) $5,175 million, $5,328 million, $1 million and $34 million has been included in gross credit risk exposure, average gross exposure, gross impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $34 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $66 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $100 million.

Table 4B: Credit risk by portfolio as at 31 December 2018

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past due Not Impaired > 90 days	Specific Provisions (2)	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages (1)	50,343	50,535	60	475	8	3
Other retail	172	175	1	5	-	-
Financial services	1,885	1,894	-	-	-	-
Government and public authorities	3,496	3,577	-	-	-	-
Corporate and other claims	11,844	11,786	103	44	26	1
Total	**67,740**	**67,967**	**164**	**524**	**34**	**4**

(1) $5,480 million, $5,610 million, $1 million and $34 million has been included in gross credit risk exposure, average gross exposure, gross impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $34 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $70 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $104 million.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Mar-19	Dec-18
	$M	$M
Collective provision for impairment	104	111
Ineligible collective provisions	(66)	(70)
Eligible collective provisions	38	41
Equity reserve for credit losses	100	111
General reserve for credit losses	**138**	**152**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 31 March 2019, there was no securitisation activity (quarter ending 31 December 2018: Nil).

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

	Mar-19	Dec-18
Exposure type	$M	$M
Debt securities	1,021	1,117
Total on-balance sheet securitisation exposures	**1,021**	**1,117**

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

	Mar-19	Dec-18
Exposure type	$M	$M
Liquidity facilities	70	73
Derivative exposures	112	108
Total off-balance sheet securitisation exposures	**182**	**181**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Mar-19 $M	Total Weighted Value (Average) Mar-19 $M	Total Unweighted Value (Average) Dec-18 $M	Total Weighted Value (Average) Dec-18 $M	Total Unweighted Value (Average) Sep-18 $M	Total Weighted Value (Average) Sep-18 $M
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,114		4,265		4,181
Alternative liquid assets (**ALA**)		4,597		4,398		4,399
Cash outflows						-
Retail deposits and deposits from small business customers, of which:	21,660	1,899	21,263	1,851	21,153	1,831
stable deposits	*14,707*	*735*	*14,629*	*731*	*14,478*	*724*
less stable deposits	*6,953*	*1,164*	*6,634*	*1,120*	*6,675*	*1,107*
Unsecured wholesale funding, of which:	4,983	3,663	4,605	3,400	4,651	3,210
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*3,380*	*2,060*	*2,881*	*1,676*	*3,224*	*1,783*
unsecured debt	*1,603*	*1,603*	*1,724*	*1,724*	*1,427*	*1,427*
Secured wholesale funding		9		5	-	7
Additional requirements, of which:	7,895	1,446	7,992	1,400	7,858	1,323
outflows related to derivatives exposures and other collateral requirements	*1,084*	*1,084*	*1,030*	*1,030*	*954*	*954*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*6,811*	*362*	*6,962*	*370*	*6,904*	*369*
Other contractual funding obligations	557	269	781	509	832	570
Other contingent funding obligations	6,658	555	6,911	567	7,764	757
Total cash outflows		**7,841**		**7,732**	-	**7,698**
Cash inflows						
Secured lending (e.g. reverse repos)	317	-	299	-	177	-
Inflows from fully performing exposures	697	410	691	419	665	403
Other cash inflows	566	566	711	711	590	590
Total cash inflows	**1,580**	**976**	**1,701**	**1,130**	**1,432**	**993**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		**8,711**		**8,663**		**8,580**
Total net cash outflows		**6,865**		**6,602**		**6,705**
Liquidity Coverage Ratio (%)		**127**		**131**		**128**

The Liquidity Coverage Ratio (LCR) promotes shorter-term resilience by requiring ADIs to maintain sufficient qualifying HQLA to meet expected net cash outflows under an APRA-prescribed 30 calendar day stress scenario. SML manages its LCR on a daily basis and maintains a buffer over the regulatory minimum of 100%.

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.

Liquid assets included in the LCR comprise HQLA (cash, Australian Semi-government and Commonwealth Government securities) and alternative liquid assets covered by the Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). SML received approval from APRA for a CLF of $4.9 billion for the 2019 calendar year (2018 calendar year: $4.7 billion). Assets eligible for the CLF include senior unsecured bank paper, covered bonds and residential mortgage backed securities that are repo-eligible with the RBA.

The main contributors to net cash outflows were modelled outflows associated with deposits and unsecured wholesale funding, offset by inflows from maturing loans and issuance of term wholesale liabilities. 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.

The daily average LCR was 127% over the March 2019 quarter (131% for the December 2018 quarter). The table provides detailed information of the average LCR for the preceding quarters.

APPENDIX 2 - DEFINITIONS

AASB 9	AASB 9 *Financial Instruments* was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce a forward-looking expected credit loss impairment model, and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. This standard became mandatory for the annual reporting period from 1 July 2018.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Collective provision	A collective provision is established to determine expected credit losses (see also Expected Credit Losses definition below) for loan exposures which are not specifically provisioned, and can be in the performing or non-performing portfolios. For business banking exposures, a ratings-based approach is applied using estimates of probability of default and loss given default, at a customer level. For portfolio managed exposures, the portfolios are split into pools with homogenous risk profiles and pool estimates of probability of default and loss given default are used to calculate the collective provision.
Common Equity Tier 1 (**CET1**)	Common Equity Tier 1 capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total 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.
Expected Credit Losses (**ECL**)	Expected credit losses (ECL) are calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in house prices.
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.
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.
Impaired assets	Impaired assets are those for which the Bank has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. The Bank fully considers the counterparty's capacity to repay and security valuation position before an asset is considered impaired.
Liquidity coverage ratio (**LCR**)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent of a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario.
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.
Specific provision	A specific provision for impairment is recognised where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amount of the loan to determine the specific provision required.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.