SUNCORP GROUP LIMITED

SUNCORP BANK

APS 330

FOR THE QUARTER ENDED 30 JUNE 2019

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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 30 June 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 7 August 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).

Registered office

Level 28, 266 George Street
Brisbane Queensland 4000
suncorpgroup.com.au

Investor Relations

Kelly Hibbins
EGM Investor Relations
0414 609 192
(02) 8121 9208
kelly.hibbins@suncorp.com.au

Jatin Khosla
EM Investor Relations
0439 226 872
(07) 3362 1322
jatin.khosla@suncorp.com.au

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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 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 below in Table 1: Common Disclosures – Composition of Capital can be reconciled to the balance sheets below using the reference letters included in both tables.

	Per table 1 Capital Disclosure	Statutory Jun-19 $M	Adjustments Jun-19 $M	Regulatory Jun-19 $M
Assets				
Cash and cash equivalents		638	-	638
Receivables due from other banks		499	-	499
Trading securities		1,227	-	1,227
Derivatives		593	-	593
Investment securities		3,954	-	3,954
Investment in regulatory non-consolidated subsidiaries		-	-	-
Loans and advances		59,154	(3,769)	55,385
of which: eligible collective provision component of GRCL in tier 2 capital	(o)	-	-	42
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	(f)	-	-	197
of which: costs associated with debt raisings in CET1 regulatory adjustments	(g)	-	-	11
Due from related parties		357	(2)	355
Deferred tax assets		42	-	42
of which: arising from temporary differences included in CET1 regulatory adjustments	(e)	-	-	*39*
Goodwill	(d)	21	-	21
Other assets		170	(10)	160
Total assets		**66,655**	**(3,781)**	**62,874**
Liabilities				
Payables due to other banks		353	-	353
Deposits and short-term borrowings		46,551	16	46,567
Derivatives		409	-	409
of which: securitisation derivatives in CET1 regulatory adjustments	(i)	-	-	1
Payables and other liabilities		424	(5)	419
Due to related parties		14	-	14
Due to regulatory non-consolidated subsidiaries		-	47	47
Securitisation liabilities		3,831	(3,831)	-
of which: securitisation start-up costs in CET1 regulatory adjustments	(h)	-	-	*6*
Debt issues		10,358	-	10,358
Subordinated notes		672	-	672
of which: directly issued qualifying tier 2 instruments	(k)	-	-	*600*
of which: directly issued instruments subject to phase out from tier 2	(l)	-	-	*57*
Total liabilities		**62,612**	**(3,773)**	**58,839**
Net assets		**4,043**	**(8)**	**4,035**
Equity				
Share capital	(a)	2,648	-	2,648
Capital notes	(j)	585	-	585
Reserves		(259)	-	(259)
of which: equity component of GRCL in tier 2 capital	(m)	-	-	*104*
of which: FVOCI reserve	(c)	-	-	*14*
of which: cash flow hedge reserve	(n)	-	-	*(6)*
Retained profits		1,069	(8)	1,061
of which: included in CET1	(b)	-	-	*690*
Total equity attributable to owners of the Company		**4,043**	**(8)**	**4,035**

REGULATORY CAPITAL RECONCILIATION (CONTINUED)

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

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

	Total assets Jun-19 $	Total liabilities Jun-19 $
SPDEF #2 Pty Ltd	1	-

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

	Total assets Jun-19 $M	Total liabilities Jun-19 $M
Suncorp Property Development Equity Fund #2 Unit Trust	8	0

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.

	Total assets Jun-19 $M	Total liabilities Jun-19 $M
Securitisation special purpose vehicles (1)		
Apollo Series 2010-1 Trust	112	112
Apollo Series 2011-1 Trust	185	185
Apollo Series 2012-1 Trust	192	192
Apollo Series 2013-1 Trust	255	255
Apollo Series 2015-1 Trust	453	453
Apollo Series 2017-1 Trust	703	703
Apollo Series 2017-2 Trust	987	987
Apollo Series 2018-1 Trust	948	948

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.

(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 July 2018 common disclosure template as, pursuant to APRA guidelines, SML and its eligible subsidiaries are applying, in full, the Basel III regulatory adjustments from 1 January 2013.

		Per Regulatory Capital Reconciliation	Jun-19 $M
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities)	(a)	2,648
2	Retained earnings	(b)	690
3	Accumulated other comprehensive income (and other reserves)	(c)+(n)	8
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**		**3,346**
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	(d)	21
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	(n)	(6)
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*		
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)		254
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*	(e)	39
26f	*of which: capitalised expenses*	(f)+(g)+(h)	214
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*	(i)	1
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**		**269**
29	**Common Equity Tier 1 Capital (CET1)**		**3,077**

		Per Regulatory Capital Reconciliation	Jun-19 $M
	Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments		585
31	*of which: classified as equity under applicable accounting standards*	(j)	585
32	*of which: classified as liabilities under applicable accounting standards*		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
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**		**585**
	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 and 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)**		**585**
45	**Tier 1 Capital (T1=CET1+AT1)**		**3,662**
	Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	(k)	600
47	Directly issued capital instruments subject to phase out from Tier 2	(l)	57
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	(m)+(o)	146
51	**Tier 2 Capital before regulatory adjustments**		**803**
	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 and 56b*		
57	**Total regulatory adjustments to Tier 2 capital**		**-**
58	**Tier 2 capital (T2)**		**803**
59	**Total capital (TC=T1+T2)**		**4,465**
60	**Total risk-weighted assets based on APRA standards**		**33,253**

		Per Regulatory Capital Reconciliation	Jun-19 $M
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)		*9.25%*
62	Tier 1 (as a percentage of risk-weighted assets)		*11.01%*
63	Total capital (as a percentage of risk-weighted assets)		*13.43%*
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)		*9.25%*
	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)	(e)	39
	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)	(m)+(o)	146
77	Cap on inclusion of provisions in Tier 2 under standardised approach		370
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	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*	(l)	57
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 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 Jun-19 $M	Carrying value Mar-19 $M	Avg risk weight Jun-19 %	Risk Weighted Assets Jun-19 $M	Risk Weighted Assets Mar-19 $M
On-balance sheet credit risk-weighted assets					
Cash items	405	434	-	2	2
Claims on Australian and foreign governments	2,357	2,411	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	966	1,113	31	297	277
Claims on securitisation exposures	1,213	1,021	20	242	203
Claims secured against eligible residential mortgages	44,512	44,176	37	16,356	16,244
Past due claims	639	640	83	528	530
Other retail assets	229	210	97	222	203
Corporate	9,945	9,691	100	9,935	9,680
Other assets and claims	386	422	100	386	422
Total banking assets	**60,652**	**60,118**		**27,968**	**27,561**

	Notional amount Jun-19 $M	Credit equivalent Jun-19 $M	Avg risk weight Jun-19 %	Risk Weighted Assets Jun-19 $M	Risk Weighted Assets Mar-19 $M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	276	276	69	191	195
Commitments to provide loans and advances	8,576	2,150	59	1,259	1,270
Foreign exchange contracts	5,927	110	22	24	27
Interest rate contracts	52,623	99	47	47	43
Securitisation exposures	3,696	152	20	30	36
CVA capital charge	-	-	-	114	129
Total off-balance sheet positions	**71,098**	**2,787**		**1,665**	**1,700**

	Jun-19 $M	Mar-19 $M
Market risk capital charge	90	90
Operational risk capital charge	3,530	3,512
Total off-balance sheet positions	1,665	1,700
Total on-balance sheet credit risk-weighted assets	27,968	27,561
Total assessed risk	**33,253**	**32,863**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	9.25	9.10
Tier 1	11.01	10.77
Tier 2	2.42	2.42
Total risk-weighted capital ratio	**13.43**	**13.19**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 June 2019

	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	-	-	-	-	4,022	191	4,213	32	36	4,145	7
Construction & development	-	-	-	-	888	207	1,095	6	2	1,087	2
Financial services	499	-	209	774	87	342	1,911	-	-	1,911	-
Hospitality	-	-	-	-	972	66	1,038	26	-	1,012	7
Manufacturing	-	-	-	-	261	27	288	4	1	283	-
Professional services	-	-	-	-	310	18	328	1	2	325	1
Property investment	-	-	-	-	2,774	130	2,904	2	2	2,900	2
Real estate - Mortgage	-	-	-	-	44,024	1,254	45,278	54	453	44,771	8
Personal	-	-	-	-	154	4	158	-	3	155	-
Government/public authorities	-	1,227	-	1,967	-	-	3,194	-	-	3,194	-
Other commercial & industrial [6]	-	-	-	-	2,035	187	2,222	19	15	2,188	4
Total gross credit risk	**499**	**1,227**	**209**	**2,741**	**55,527**	**2,426**	**62,629**	**144**	**514**	**61,971**	**31**
Securitisation exposures [1]	-	-	85	1,213	3,769	67	5,134	2	37	5,095	-
Total including securitisation exposures	**499**	**1,227**	**294**	**3,954**	**59,296**	**2,493**	**67,763**	**146**	**551**	**67,066**	**31**
Impairment provision							(142)	(31)	(32)	(79)	
Total							**67,621**	**115**	**519**	**66,987**	

(1) The securitisation exposures of $3,769 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: Standardised Approach to Credit Risk*.

(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 $31 million specific provisions for accounting purposes plus $69 million ineligible collective provision. The ineligible collective provision is split between Past due not impaired > 90 days ($32 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 – outstanding as at 31 March 2019

	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	-	-	-	-	3,902	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: Standardised Approach to Credit Risk*.

(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 – average gross exposure over period 1 April to 30 June 2019

	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	-	-	-	-	3,962	206	4,168
Construction & development	-	-	-	-	840	234	1,074
Financial services	497	-	212	839	90	351	1,989
Hospitality	-	-	-	-	975	64	1,039
Manufacturing	-	-	-	-	249	29	278
Professional services	-	-	-	-	307	18	325
Property investment	-	-	-	-	2,735	137	2,872
Real estate - Mortgage	-	-	-	-	43,850	1,145	44,995
Personal	-	-	-	-	158	4	162
Government/public authorities	-	1,203	-	1,966	1	-	3,170
Other commercial & industrial (5)	-	-	-	-	2,053	183	2,236
Total gross credit risk	**497**	**1,203**	**212**	**2,805**	**55,220**	**2,371**	**62,308**
Securitisation exposures (1)	-	-	99	1,117	3,871	69	5,156
Total including securitisation exposures	**497**	**1,203**	**311**	**3,922**	**59,091**	**2,440**	**67,464**
Impairment provision							(140)
Total							**67,324**

(1) The securitisation exposures of $3,871 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: Standardised Approach to Credit Risk*.

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

(5) 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 [5]	-	-	-	-	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: Standardised Approach to Credit Risk*.

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

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

TABLE 4: CREDIT RISK (CONTINUED)

Table 4B: Credit risk by portfolio as at 30 June 2019

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions [(2)] $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [(1)]	50,412	50,151	56	490	8	2
Other retail	158	162	-	3	-	1
Financial services	1,911	1,989	-	-	-	-
Government and public authorities	3,194	3,170	-	-	-	-
Corporate and other claims	12,088	11,992	90	58	23	(2)
Total	**67,763**	**67,464**	**146**	**551**	**31**	**1**

(1) $5,134 million, $5,156 million, $2 million and $37 million has been included in gross credit risk exposure, average gross exposure, impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $31 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $69 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 March 2019

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions [(2)] $M	Charges for Specific Provisions & Write Offs $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, 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 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Jun-19 $M	Mar-19 $M
Collective provision for impairment	111	104
Ineligible collective provisions	(69)	(66)
Eligible collective provisions	42	38
Equity reserve for credit losses	104	100
General reserve for credit losses	**146**	**138**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 30 June 2019, there was no new securitisation activity undertaken (quarter ending 31 March 2019: Nil).

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	Jun-19	Mar-19	Jun-19	Mar-19
	$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

	Jun-19	Mar-19
Exposure type	$M	$M
Debt securities	1,213	1,021
Total on-balance sheet securitisation exposures	**1,213**	**1,021**

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

	Jun-19	Mar-19
Exposure type	$M	$M
Liquidity facilities	67	70
Derivative exposures	85	112
Total off-balance sheet securitisation exposures	**152**	**182**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Jun-19 $M	Total Weighted Value (Average) Jun-19 $M	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
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,303		4,114		4,265
Alternative liquid assets (**ALA**)		4,597		4,597		4,398
Cash outflows						
Retail deposits and deposits from small business customers, of which:	22,390	1,981	21,660	1,899	21,263	1,851
stable deposits	*15,062*	*753*	*14,707*	*735*	*14,629*	*731*
less stable deposits	*7,328*	*1,228*	*6,953*	*1,164*	*6,634*	*1,120*
Unsecured wholesale funding, of which:	5,083	3,675	4,983	3,663	4,605	3,400
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*3,369*	*1,961*	*3,380*	*2,060*	*2,881*	*1,676*
unsecured debt	*1,714*	*1,714*	*1,603*	*1,603*	*1,724*	*1,724*
Secured wholesale funding		4		9		5
Additional requirements, of which:	7,934	1,553	7,895	1,446	7,992	1,400
outflows related to derivatives exposures and other collateral requirements	*1,199*	*1,199*	*1,084*	*1,084*	*1,030*	*1,030*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*6,735*	*354*	*6,811*	*362*	*6,962*	*370*
Other contractual funding obligations	751	441	557	269	781	509
Other contingent funding obligations	7,195	598	6,658	555	6,911	567
Total cash outflows		**8,252**		**7,841**		**7,732**
Cash inflows						
Secured lending (e.g. reverse repos)	566	-	317	-	299	-
Inflows from fully performing exposures	693	383	697	410	691	419
Other cash inflows	803	803	566	566	711	711
Total cash inflows	**2,062**	**1,186**	**1,580**	**976**	**1,701**	**1,130**
				Total Adjusted Value		Total Adjusted Value
Total liquid assets		**8,900**		**8,711**		**8,663**
Total net cash outflows		**7,066**		**6,865**		**6,602**
Liquidity Coverage Ratio (%)		**126**		**127**		**131**

The Liquidity Coverage Ratio (LCR) promotes shorter-term resilience by requiring ADIs to maintain sufficient qualifying High Quality Liquid Assets (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 126% over the June 2019 quarter (127% for the March 2019 quarter). There was an increase in average net cash outflows, primarily driven by the maturity profile of term wholesale liabilities and an increase in obligations related to lending growth. The high-quality liquid assets held over the quarter increased, in line with the higher net cash outflow.

TABLE 21: NET STABLE FUNDING RATIO DISCLOSURE

	Jun-19 Unweighted value by residual maturity				Jun-19	Mar-19 Unweighted value by residual maturity				Mar-19
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available Stable Funding (ASF) Item										
Capital	3,549	-	-	1,185	**4,734**	3,466	-	-	1,150	**4,616**
Regulatory capital	*3,549*	-	-	*1,185*	*4,734*	*3,466*	-	-	*1,150*	*4,616*
Other capital instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits and deposits from small business customers	-	28,937	1	-	**26,953**	-	28,470	1	-	**26,527**
Stable deposits	-	*18,182*	-	-	*17,273*	-	*18,037*	-	-	*17,136*
Less stable deposits	-	*10,755*	*1*	-	*9,680*	-	*10,433*	*1*	-	*9,391*
Wholesale funding	-	18,084	2,153	7,358	**12,164**	-	18,119	2,463	7,184	**11,947**
Operational deposits	-	-	-	-	-	-	-	-	-	-
Other wholesale funding	-	*18,084*	*2,153*	*7,358*	*12,164*	-	*18,119*	*2,463*	*7,184*	*11,947*
Liabilities with matching interdependent assets		-	-	-	**-**		-	-	-	-
Other liabilities	820	10	-	-	**-**	634	11	-	-	-
NSFR derivative liabilities			*10*					*11*		
All other liabilities and equity not included in the above categories	*820*	-	-	-	-	*634*	-	-	-	-
Total ASF					**43,851**					**43,090**
Required Stable Funding (RSF) Item										
Total NSFR (HQLA)					**160**					**158**
ALA					**490**					**490**
RBNZ securities					**-**					**-**
Deposits held at other financial institutions for operational purposes		27	-	-	**14**		5	-	-	**3**
Performing loans and securities		3,253	813	48,248	**36,586**		3,314	654	47,740	**36,132**
Performing loans to financial institutions secured by Level 1 HQLA		*492*	-	-	*49*		*510*	-	-	*51*
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		*63*	-	-	*9*		*123*	-	-	*18*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:		*1,195*	*759*	*11,617*	*10,903*		*1,151*	*611*	*11,625*	*10,817*
With a risk weight of less than or equal to 35% under APS 112		-	-	-	-		-	-	-	-
Performing residential mortgages, of which:		*1,503*	*54*	*36,307*	*25,350*		*1,530*	*43*	*36,015*	*25,161*
With a risk weight equal to 35% under APS 112		*1,503*	*54*	*36,307*	*25,350*		*1,530*	*43*	*36,015*	*25,161*
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		-	-	*324*	*275*		-	-	*100*	*85*
Assets with matching interdependent liabilities		-	-	-	**-**		-	-	-	**-**
Other assets:	622	222	2	559	**1,318**	648	236	3	550	**1,369**
Physical traded commodities, including gold	-				-	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)			-		-			*1*		1
NSFR derivative assets			-		-			*25*		25
NSFR derivative liabilities before deduction of variation margin posted			*107*		*21*			*85*		*17*
All other assets not included in the above categories	*622*	*115*	*2*	*559*	*1,297*	*648*	*125*	*3*	*550*	*1,326*
Off-balance sheet items			9,623		**451**			9,588		**453**
Total RSF					**39,019**					**38,605**
Net Stable Funding Ratio (%)					**112%**					**112%**

The Net Stable Funding Ratio (NSFR) promotes longer-term funding resilience by requiring ADIs to fund their activities with sufficiently stable sources of funding on an ongoing basis.

The NSFR requires that an ADI has sufficient Available Stable Funding (ASF), the portion of capital and liabilities expected to be a reliable source of funds over a one-year time frame, to cover its Required Stable Funding (RSF), which is based on the liquidity characteristics and residual maturities of an ADIs assets and off-balance sheet exposures. SML manages its NSFR on a daily basis and maintains a buffer over the regulatory minimum of 100%.

The NSFR was 112% at 30 June 2019 (112% as at 31 December 2018). The ratio remained relatively stable over the half, as an increase in loans was funded by an increase in retail and small business customer deposits.

APPENDIX - 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.