ASX announcement

One Company Many Brands

27 May 2014

SUNCORP GROUP UPDATE AND BANK APS330

Key Points

- Suncorp Life review of assumptions expected to result in approximately $500 million non-cash write-down of intangible assets
- No impact on the Group's cash earnings or dividends and a minimal impact of $27 million on the capital surplus
- Suncorp Life underlying profit after tax expected to be between $75 million and $85 million in FY14
- General Insurance natural hazard claims $75 million lower than expected between 1 January 2014 and 30 April 2014
- General Insurance Insurance Trading Ratio (ITR) well ahead of the 'meet or beat' 12% target on both an underlying and reported basis
- Suncorp Bank total lending increased 1.1% over the March quarter to $49.7 billion
- Impairment losses of $30 million for the March quarter, 24 basis points (bps) of gross loans
- Group growth targets reduced to between 4% and 6% (from 7% and 9%) for the 2015 financial year to reflect current market conditions including the lower natural hazard environment in Australia and an expected reduction in reinsurance premiums
- Suncorp Group continues to target a Return on Equity (ROE) of at least 10% in FY15

Suncorp Group today updated the market on a review of its key assumptions for Suncorp Life and provided the APS330 disclosure in line with Suncorp Bank's quarterly reporting requirements. The Group also provided a high level update of the performance of its General Insurance business.

Suncorp Life

Suncorp has determined to materially revise claims and lapse assumptions in its Life Insurance business as part of its financial results for the year ended 30 June 2014.

The revised assumptions reflect the culmination of a detailed review of the business taking account of current industry trends and Suncorp's more recent experience. In light of the revised assumptions, the Group has reassessed the carrying value of intangibles and goodwill associated with the Life business. The effect of this revision is expected to be as follows:

- Write-down of goodwill and other intangible assets by approximately $350 million after tax; and
- Loss recognition on some products and other reserving adjustments to policy liabilities of approximately $150 million after tax.

At the interim result in February 2014, Suncorp flagged the need to keep assumptions under review given the highly uncertain nature of operating conditions in the industry and the increasingly pressing need for fundamental industry reform. While the write-down will have an impact on reported NPAT for the 2014 financial year, as a non-cash item, it will have no impact on the Group's cash earnings or dividends and a minimal impact of $27 million on the Group's excess capital position.

Group CEO Patrick Snowball said the changed assumptions recognised the industry headwinds and deteriorating situation. The changes ensure that Suncorp is valuing Life Insurance assets and planned margins on more forward-looking assumptions rather than the historical average basis that has generally been used by the life insurance industry.

"The structural and cyclical life insurance issues have now been recognised by most life insurance companies and reinsurers, however, we are frustrated that industry change is not occurring at a more rapid pace. This is continuing to impact Suncorp Life earnings and the potential for further deterioration needs to be reflected in

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our assumptions. We believe our revised approach to setting forward-looking assumptions acknowledges the structural challenges appropriately," he said.

"The Suncorp Life business has a clear strategy in place to address the industry challenges and I'm confident in our ability to execute this plan."

Suncorp Life expects to report an underlying profit after tax of between $75 million and $85 million for the 2014 financial year.

General Insurance

A relatively benign weather environment in Australia has resulted in General Insurance natural hazard claims being approximately $75 million below allowance for the first four months of the 2014 calendar year. For the financial year to 30 April 2014, natural hazard claims are approximately $25 million below the year to date allowance.

The General Insurance business is well progressed in the renewal of its reinsurance program for the 2015 financial year. Suncorp expects to take advantage of favourable reinsurance market conditions and is likely to renew its main catastrophe program to a limit of approximately $6 billion at a discount to the 2014 financial year program.

The Commercial Insurance business continues to focus on the management of long-tail claims with initiatives beginning to positively influence duration and average claims size. As a result, the Group expects to report prior year releases of between 1.5% and 2% of net earned premium for the 2014 financial year.

The business continues to balance price and volume growth in order to optimise margin and support the long-term health of the franchise. Lower natural hazard claims and expected reductions in reinsurance costs will impact on average written premium growth in both the 2014 and 2015 financial years. The reported and underlying ITR are currently well above the target of 12%.

"The General Insurance businesses are delivering strong returns and are benefitting from the Simplification program and supply chain initiatives such as SMART, Q-PLUS and the recently established joint venture partnership for parts procurement," Mr Snowball said.

Suncorp Bank APS330

Suncorp Bank also provided an update on credit quality and capital as at 31 March 2014, as required under Australian Prudential Standard 330 (APS330).

Growth in the Bank's core markets of home, agribusiness and small business lending was 1.1% for the quarter, in line with system.

Suncorp Bank CEO John Nesbitt said the Bank continued to strengthen risk management with a focus on Basel II Advanced Accreditation and ongoing market conditions.

"We have been particularly focused on the sub-80% Loan to Value Ratio (LVR) housing market through both our branch and broker distribution networks," Mr Nesbitt said.

Continued run-off of residual Non-core funding, improved deposit pricing and favourable wholesale funding markets have contributed to a significant improvement in the Bank's net interest margin (NIM), which is currently operating within the 1.75% to 1.85% target NIM range.

Impaired assets increased to $485 million. During the March quarter, the Bank had one large Agribusiness and two Commercial exposures, totalling $78 million, move to impaired status. These exposures are adequately provisioned and the largest of these exposures is likely to be resolved by 30 June 2014.

Mr Nesbitt said impairment losses of $30 million for the quarter reflected the impacts of the prolonged drought across the Agribusiness portfolio.

"The expected wet season failed to eventuate for many of our Agri customers, particularly in North West Queensland," he said.

"With the drier winter months approaching we have decided to take additional provisions in the form of a drought overlay. This prudent approach will provide additional balance sheet protection in the event the drought worsens into next year."

As a result of the drought overlay, the Bank expects to report a fourth quarter impairment charge of between $35 million and $50 million, resulting in impairment losses to gross loans for the full year of between 23bps and 27bps. Suncorp Bank expects impairment losses for the 2015 financial year to be within the target range of 10bps to 20bps of gross loans and advances.

Suncorp Group capital, dividend and FY15 targets

Mr Snowball said Suncorp's commitment to its integrated financial services model – 'One Company. Many Brands' – would continue to deliver value to shareholders and customers.

"The upcoming Suncorp Investor Day will again demonstrate the value of the diversified operating model which maximises the benefits of the Group's strategic assets of Cost, Customer, Capital and Culture.These '4C' strategic assets are key to the Group delivering its FY15 targets," he said.

Given the favourable natural hazard environment, the likely reduction in reinsurance costs and the Bank's cautious approach to credit in the current market, the Group has revised its growth target for the 2015 financial year to between 4% to 6% (from 7% to 9% previously).

The Group will continue to target an ROE of at least 10% for the 2015 financial year.

Simplification benefits continue to be realised in line with the Group's previous expectation of $225 million in the 2015 financial year and $265 million in the 2016 financial year.

The General Insurance business is expected to report an underlying ITR well in excess of the targeted 12%.

The Group has also reaffirmed its commitment to target a dividend payout ratio of 60% to 80% of cash earnings. The write-down of Suncorp Life intangible assets is a non-cash item that will not impact Suncorp's capacity to pay its final 2014 dividend.

Suncorp's pro-forma capital position at 31 December 2013, after making adjustments for the Suncorp Life write-down, is $1,112 million above CET1 targets. Therefore, subject to appropriate regulatory approvals, the Group expects to be in a position to announce further capital management initiatives in conjunction with the release of its 2014 financial results on 13 August 2014.

Ends

A teleconference will be held at 10.30am. Details are:

Australia dial-in:	1800 801 825
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Conference ID:	8607008

For more information contact:

Media:	Michelle Barry on 0402 892 789
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Suncorp Group Limited ABN 66 145 290 124

Suncorp Group update
and
Suncorp Bank APS330 for the quarter ended 31 March 2014

Release date: 27 May 2014

One Company
Many Brands

Basis of preparation

This document has been prepared by Suncorp to provide a Group update and to meet the disclosure obligations under the Australian Prudential Regulation Authority (APRA) Australian Prudential Standard (APS) 330 Capital Adequacy: Public Disclosure of Prudential Information.

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.

Suncorp Group update

The Suncorp Group information contains limited financial information and does not purport to provide a detailed financial update.

Suncorp Bank APS330

Suncorp Bank is represented by Suncorp-Metway Limited and its subsidiaries. Suncorp-Metway Limited is an authorised deposit-taking institution and a wholly owned subsidiary of Suncorp Group Limited. Suncorp Group is represented by Suncorp Group Limited and its subsidiaries.

Figures relate to the quarter ended 31 March 2014 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (ASX).

Suncorp's financial results for the year to 30 June 2014 will be released on 13 August 2014.

Disclaimer

This report contains general information which is current as at 27 May 2014. 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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Group

Suncorp Group update

This update outlines Suncorp Life's review of key assumptions in response to industry deterioration and is released in conjunction with the Suncorp Bank Australian Prudential Standard 330 quarterly reporting disclosure.

Suncorp Life has determined to materially revise claims and lapse assumptions in preparing the financial results for the year ended 30 June 2014. This revision is due to the continued deterioration in operating conditions in the life insurance industry and the completion of a detailed review of the business taking account of current industry trends and Suncorp's more recent experience. Life insurance industry recovery is underway, although this is expected to take some time given the long tail nature of the business.

In light of these revised assumptions, the Group has reassessed the carrying value of intangibles and goodwill associated with the Life business.

The effect of these revised assumptions is expected to be a $500 million non-cash write-down as follows:

- Write-down of goodwill and other intangible assets by approximately $350 million after tax; and
- Loss recognition on some products and other reserving adjustments to policy liabilities of approximately $150 million after tax.

At the interim result in February 2014, Suncorp flagged the need to keep assumptions under review given the highly uncertain nature of operating conditions in the industry and the increasingly pressing need for fundamental industry reform.

The write-down of goodwill, other intangible assets and policy liabilities will have an impact on the Group's reported net profit after tax (NPAT) for the 2014 financial year. However, as a non-cash item, it will not impact policyholder interests, cash earnings or dividends and will have a minimal impact of $27 million on the Group's excess capital position. Suncorp Life expects to report an underlying profit after tax of between $75 million and $85 million for the 2014 financial year.

Further Suncorp Life information is detailed on page 8.

Suncorp Bank's APS 330 as at 31 March 2014, provides an update on credit quality and capital as required under APS 330 regulatory requirements.

Growth in the Bank's core markets of home, agribusiness and commercial (SME) lending was 1.1% for the March quarter, in line with system lending growth. In the context of ongoing market conditions and the Bank's focus on Basel II Advanced Accreditation, risk management has been strengthened. Specifically, the Bank is targeting the sub-80% Loan to Value Ratio (LVR) housing market and continuing its strategy of geographic diversification.

Gross impaired assets increased by 16.6% due to challenging drought conditions for the Agribusiness portfolio and some individual commercial/SME accounts. Past due loans increased by 7.4% due to seasonality and hardship volumes. Gross non-performing loans remain less than 2% of the total Bank lending portfolio.

The deposit to lending ratio remains well within the target range at 66%, the Common Equity Tier One ratio (CET1) increased to 8.22% and the Bank continues to hold strong levels of physical and contingent liquidity.

Suncorp Bank's APS 330 is detailed on page 13.

General Insurance has experienced a relatively benign weather environment in Australia resulting in natural hazard claims being approximately $75 million below allowance for the first four months of the 2014 calendar year. For the financial year to 30 April 2014, natural hazard claims are approximately $25 million below the allowance.

The General Insurance business is well progressed in the renewal of its reinsurance program for the 2015 financial year. Suncorp expects to take advantage of favourable reinsurance market conditions and is likely to renew its main catastrophe program to a limit of approximately $6 billion at a discount to the 2014 financial year program.

The Commercial Insurance business continues to focus on the management of long-tail claims with initiatives beginning to positively influence duration and average claims size. As a result, the Group expects to report prior year releases of between 1.5% and 2% of net earned premium for the 2014 financial year.

The Group's General Insurance business continues to balance price and volume growth in order to maximise margin and support the long-term health of the franchise. Lower natural hazard claims and expected reductions in reinsurance costs will impact on average written premium growth in both the 2014 and 2015 financial years.

The General Insurance business is currently well ahead of its target to 'meet or beat' a 12% ITR on both an underlying and reported basis.

Suncorp Group remains committed to the 'One Company. Many Brands' business model and will continue to extract the benefits of the Group's strategic assets, known as the 4C's - Cost, Capital, Customer and Culture. Suncorp continues to target a return on equity of at least 10% for the 2015 financial year.

Given the favourable natural hazard environment in Australia, the likely reduction in reinsurance costs and the Bank's cautious approach to credit in the current market, the Group has revised its growth target for the 2015 financial year to between 4% and 6% (from 7% to 9% previously).

Suncorp Group's capital position remains strong. This capital strength was demonstrated by the Group's excess capital position being $1,135 million above CET1 target capital at 31 December 2013. The Group's capital position is only minimally impacted ($27 million) by the Suncorp Life write-downs as goodwill, intangible assets and deferred acquisition costs are excluded from the capital excess position.

Pro-forma consolidated financial statements and capital positions based on 31 December 2013 accounts are shown below. These tables have been updated to include:

- Suncorp Life changes as outlined above;
- Suncorp's issue of $400 million of Convertible Preference Shares (SUNPE) that was completed on 6 May (including issuance costs of $8 million);
- Suncorp's buy-back of Floating Rate Perpetual Notes (SBKHB) that is due to be completed on 6 June. The pro-forma tables assume that there will be a 50% ($85 million) take-up of the voluntary offer.

Based on these pro-forma tables, Suncorp's total capital is approximately $1.5 billion above operating targets, with CET1 capital being over $1.1 billion above operating targets.

Suncorp remains committed to returning capital to shareholders that is surplus to the operational requirements of the business. Suncorp's dividend policy is to target a payout ratio of 60% to 80% of cash earnings.

Suncorp's detailed financial results for the full year ended 30 June 2014 will be released on 13 August 2014.

Group

Pro-forma consolidated statement of financial position at 31 December 2013

	SUNCORP GROUP TOTAL DEC-13 $M	SUNCORP LIFE PRO FORMA ADJUSTMENTS DEC-13 $M	SUNCORP GROUP CONVERTIBLE PREFERENCE SHARES DEC-13 $M	SUNCORP BANK UNSECURED PERPETUAL FLOATING RATE SUBORDINATE NOTES DEC-13 $M	PRO FORMA SUNCORP GROUP TOTAL DEC-13 $M
Assets					
Cash and cash equivalents	1,064		392	(68)	1,388
Receivables due from other banks	790				790
Trading securities	2,129				2,129
Derivatives	425				425
Investment securities	26,588				26,588
Banking loans, advances and other receivables	49,074				49,074
General Insurance assets	6,562				6,562
Life assets	584				584
Property, plant and equipment	228				228
Deferred tax assets	20	60			80
Other assets	476				476
Goodwill and intangible assets	6,138	(413)			5,725
Total assets	94,078	(353)	392	(68)	94,049
Liabilities					
Payables due to other banks	186				186
Deposits and short-term borrowings	44,192				44,192
Derivatives	554				554
Payables and other liabilities	1,635				1,635
Current tax liabilities	111	(3)		5	113
General Insurance liabilities	14,330				14,330
Life liabilities	6,161	210			6,371
Deferred tax liability	39	(64)			(25)
Securitisation liabilities	4,245				4,245
Debt issues	6,412				6,412
Subordinated notes	1,671			(85)	1,586
Preference shares	550		392		942
Total liabilities	80,086	143	392	(80)	80,541
Net assets	**13,992**	**(496)**	**0**	**12**	**13,508**
Equity					
Share capital	12,675				12,675
Reserves	151				151
Retained profits	1,154	(496)		12	670
Total equity attributable to owners of Suncorp	13,980	(496)	0	12	13,496
Non-controlling interests	12				12
Total equity	**13,992**	**(496)**	**0**	**12**	**13,508**

Please refer to page 11 for further details on Suncorp Life proforma adjustments.

Pro-forma capital position at 31 December 2013 (post the interim dividend)

	SUNCORP GROUP TOTAL DEC-13 $M	SUNCORP LIFE PRO FORMA ADJUSTMENTS DEC-13 $M	SUNCORP GROUP CONVERTIBLE PREFERENCE SHARES DEC-13 $M	SUNCORP BANK UNSECURED PERPETUAL FLOATING RATE SUBORDINATE NOTES DEC-13 $M	PRO FORMA SUNCORP GROUP TOTAL DEC-13 $M
Common Equity Tier 1 capital	6,536	(7)	(8)	12	6,533
Additional Tier 1 capital	560		400		960
Tier 2 capital	1,770			(85)	1,685
Total capital base	**8,866**	**(7)**	**392**	**(73)**	**9,178**
Target CET 1	5,401	20			**5,421**
Group Excess to CET1 Target	1,135	(27)	(8)	12	**1,112**
Target capital base	7,609	20			**7,629**
Group Excess to Target	1,257	(27)	392	(73)	**1,549**

Note: The Suncorp Life impacts are broadly capital neutral as the adjustments are to inadmissible assets (DAC, intangibles, goodwill and deferred tax assets). The increase of $20 million to the Life Prescribed Capital Amount (PCA) is due to the strengthening of claims assumptions which increases the prudential margins under the insurance risk charge.

Life

Overview

The outlook for the life insurance industry has been very uncertain for some time, with deteriorating lapse and claims experience across the industry, to which Suncorp Life has not been immune.

There is collective acknowledgment from insurers, re-insurers, regulators and government on the challenges the life insurance industry faces. Many participants have reported losses and changes to assumptions to reflect the adverse experience over the past three years. Suncorp has been transparent on the challenges and active in consideration of assumptions over this period.

More recently there has been a range of responses to pricing and product structures, making it now clear a recovery is underway to a more sustainable footing. However, this recovery will take time due to life insurance being a long tail business and ongoing obligations to existing in-force customers.

Suncorp Life's first half results reported negative experience relative to long term assumptions and flagged that assumptions would be reviewed again at the full year:

"The rapid pace of change and high degree of economic and industry uncertainty make the setting of key assumptions extremely challenging. In this result, Life has again adjusted its lapse assumptions to take account of more recent experience. Suncorp will review assumptions again at the full year in light of industry and strategic developments."

This negative experience has continued into the second half of the 2014 financial year, mainly in the Australia Independent Financial Advice (IFA) business. In addition, a review has been completed, taking into account the broader industry outlook.

Management is focused on optimising the value of the business and has a clear strategy in place to further address the challenges.

Assumption changes

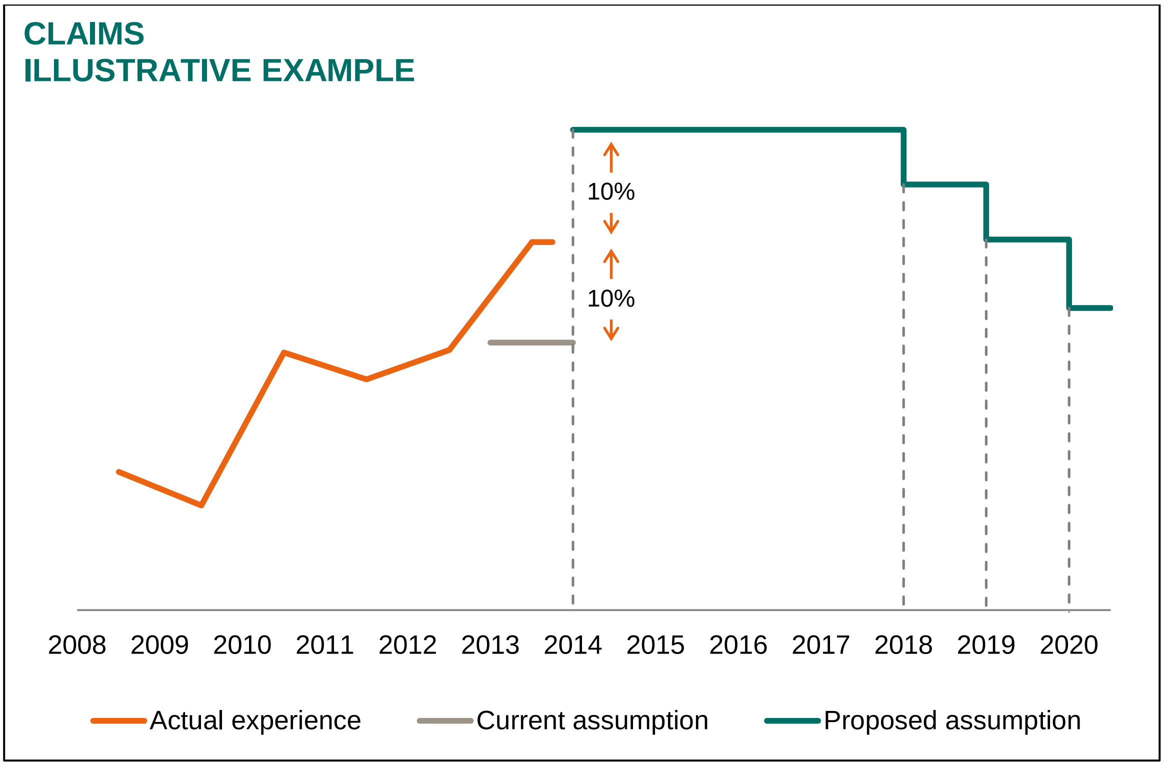
In this context, Suncorp has made a decision to reset the long term assumptions for the Life business.

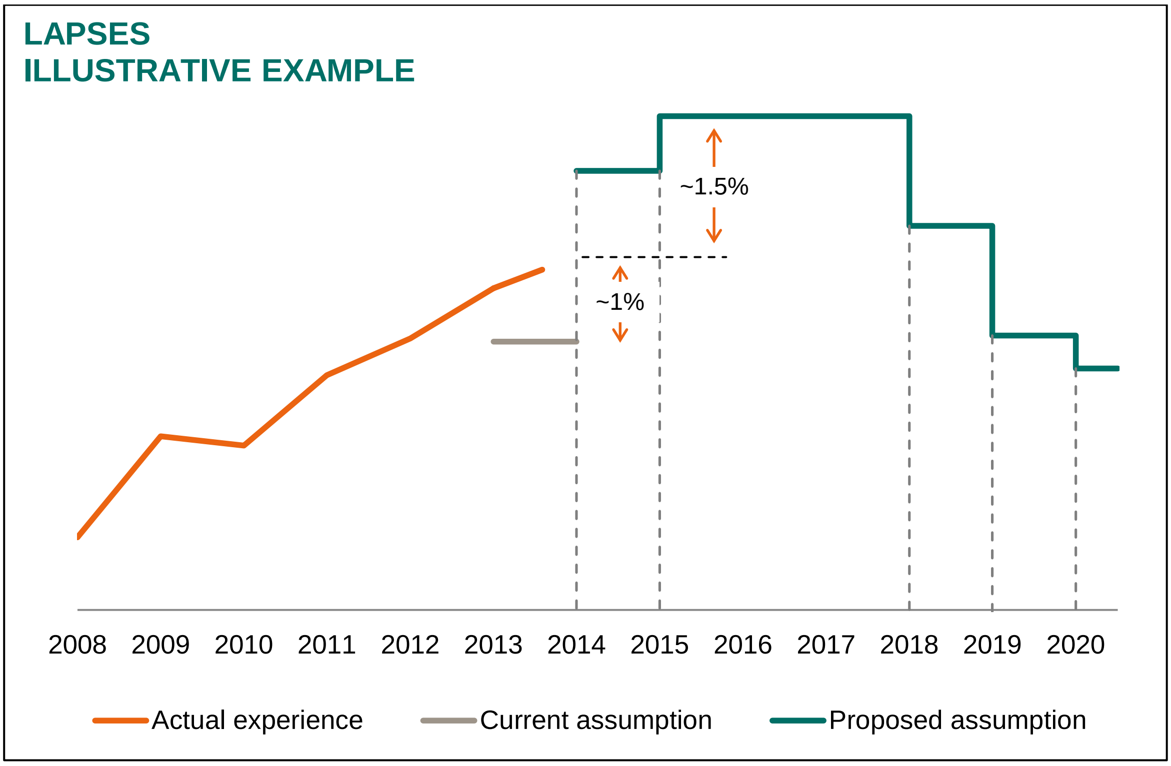
It has been deemed appropriate to reconsider the traditional industry practice for assumptions setting of using "historical averages" to a more forward looking basis. The use of historical averages has contributed to ongoing adverse experience for Life as conditions have steadily worsened with changing customer and industry dynamics.

This change in approach explicitly reflects the time Suncorp Life believes it will take for the industry to work through the structural challenges (product design, premium structures and IFA remuneration) and recognises the potential for dislocation as the industry transitions and then recovers in the medium term.

Set out below are illustrative examples of the rebasing of claims and lapse assumptions, reflecting:

- Short term assumption strengthening reflects industry experience and impact of industry remediation actions; and
- Recovery to longer term assumptions due to a combination of industry and Suncorp Life initiatives.


CLAIMS
ILLUSTRATIVE EXAMPLE
10%
10%
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Actual experience
Current assumption
Proposed assumption


LAPSES
ILLUSTRATIVE EXAMPLE
~1.5%
~1%
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Actual experience
Current assumption
Proposed assumption

Life

Claims management actions

Done

- Aligned Life and GI claims management
- Claims management culture more outcome focused and less administrative
- Improved case load and specialist long-term case manager resourcing
- Introduced in-house specialist medical staff to assess complex claims
- Targeted repricing (legacy Income Protection and Group disability)
- Tightened rules around automatic acceptance and removal of rate guarantee at renewal for several

Doing

- Optimising claims management with LEAN principles and enhanced metrics
- Early intervention and improved return to work outcomes with rehab providers
- Further alignment across Suncorp personal injury and workers compensation

Next

- Claims system upgrade to improve customer responsiveness and efficiency
- Single provider management servicing all personal injury lines across the Group to deliver scale benefits and best practice

Lapse retention management actions

Done

- Suncorp's lapse rate ~ 1- 2 percentage points lower than industry average over several years
- Enhanced customer contact based on customer segmentation modelling (more than 20,000 customer contacts/month)
- Proactive discussion with individual IFAs on lapse behaviour
- Leveraging Super Rugby sponsorship with ticketing campaign for high value customers

Doing

- Expanding retention activities on a test and learn basis
- Peak period staffing in Customer Retention Team
- Expanding customer loyalty program
- Revamping customer communications (e.g. tax statements and renewal letters) to demonstrate policy value
- Quick wins e.g. facility to re-debit customer bank accounts where initial payment fails

Next

- Roll-out of the Adviser Value proposition – to promote value over volume
- Introducing more flexible product benefit and premium structures
- Leveraging the Group's General Insurance Pricing Engine (GIPE) for more granular risk based pricing

Impact

The reset assumptions are expected to impact the financial result for the year ended 30 June 2014 as follows:

- A Suncorp Group non-cash write-down of approximately $500 million, comprising of:
  - Write-down of goodwill and other intangible assets by approximately $350 million after tax
  - Loss recognition on some products and other reserving adjustments to policy liabilities of approximately $150 million after tax
- Embedded Value is expected to be approximately $1.7 billion at 30 June 2014; and
- Minimal impact of $27 million on the capital position or of Suncorp Life and the Group as the balance sheet adjustments are predominantly to “inadmissible assets”.

Item	Adjustment (pre-tax) $m	Steps to rebasing the Life balance sheet
Policy liabilities	(210)	Review policy liability assumptions which result in some products going into loss recognition and a write-down of DAC.
Goodwill and intangible assets	(413)	Assessment of carrying value of intangibles, resulting in an impairment reflecting the outlook and revised assumptions. This will lead to a lower amortisation charge in future years.
		Goodwill written down to reflect the reduction in the net assets from above and the reduction of the business valuation.
Deferred tax	127	No tax relief for goodwill write-down.
Balance sheet	(496)	Reduction to net assets.
Capital reconciliation		
Policy liability adjustment	140	Inadmissible: Loss recognition net of deferred tax excluded as it relates to DAC.
Goodwill and intangible assets	349	Inadmissible: Goodwill and intangibles excluded from capital. Balance is net of deferred tax.
CET1 impact	(7)	Small reduction to CET1 driven by Incurred But Not Reported (IBNR) adjustments.
PCA	(20)	Driven by the strengthening of claims assumptions which increases the prudential margins under the insurance risk charge.

Life has four key lines of business – IFA Australia, Direct Australia (Direct), Superannuation Australia and New Zealand. The impact of the assumption changes is largely in the IFA Australia business, with only nominal adjustments across the other business lines, including New Zealand.

The 2014 financial year guidance for Suncorp Life is an underlying profit after tax of between $75 million and $85 million.

The re-set of the assumptions, including the strengthening announced for the six months to 31 December 2013, will reduce planned margins, however, the underlying profit for 2015 financial year is expected to be marginally higher than the 2014 financial year guidance.

Life

Customer impact

Suncorp Life's strategy centers on putting the customer at the forefront. The re-setting of the assumptions has no adverse impact on customers.

Outlook

Suncorp Life is executing against its strategic agenda and managing the areas within its control. As a result of the detailed review, the Life business model has been comprehensively reorganised around the customer and the expense base has been adjusted to reflect the short term industry outlook. In addition the capital position has been significantly enhanced with the release of $535 million in the past year.

Suncorp Life is also delivering on a number of key initiatives to address the structural challenges:

- Customer
  - Customer at the forefront - providing an uplifting service to our customers and leveraging LEAN
  - Industrialising retention activities and broadening the range of customer contacts
  - Applying a customer outcome focus to claims and integrating learnings from General Insurance
- Product
  - Targeted repricing to address product economics for on-sale Term, Income Protection (IP) and Trauma products
  - Simplifying product structures and providing more flexible premium structures
  - Leveraging the Group's General Insurance Pricing Engine (GIPE) to implement more granular risk-based pricing
- Distribution
  - Roll-out of the Adviser Value proposition premised on value over volume and providing a tiered service level to IFA segments
  - Driving down the cost of acquisition through changed commission mix and increased automation (e.g. electronic applications)
  - Bringing Direct manufacturing in house and continuing to grow the Direct customer base (currently around 90,000 customers)

Whilst there remains a need for industry wide action to address the challenges, Suncorp Life is confident in delivering against its committed course of action.

Suncorp Bank

Overview

System credit growth remained subdued during the third quarter, significantly below long term historical averages. Growth in the Bank's core retail and business segments grew in line with system, reflecting a cautious approach to credit in a challenging environment.

Suncorp Bank has continued to strengthen its risk management in line with the Basel II Advanced Accreditation initiative and ongoing market conditions. This has encompassed revised risk selection and a review of the quality of the Bank's balance sheet. Focus on credit quality has been enhanced, including changes to underwriting standards. Specifically, the Bank is targeting the sub-80% LVR housing market and continuing its strategy of geographic diversification.

Lending growth is supported by a diversified funding strategy with the Bank having access to a range of stable retail and wholesale funding markets. The deposit to lending ratio remains well within the target range at 66%, the Common Equity Tier One ratio (CET1) increased to 8.22% and the Bank continues to hold strong levels of physical and contingent liquidity.

The Bank's impaired asset volumes increased to $485 million. During the quarter, the Bank had one Agribusiness and two Commercial exposures, totalling $78 million, move to impaired status. These exposures are adequately provisioned and the largest is likely to be resolved by 30 June 2014.

Drought overlay

Conditions remain challenging, particularly given the impact of the prolonged drought on the Agribusiness portfolio. The Bank will take a prudent approach to provisioning in the June quarter given the expectation of continued drought conditions into the 2015 financial year. Accordingly it expects to report a fourth quarter impairment charge of between $35 million and $50 million. This would result in total impairment losses to gross loans for the 2014 financial year of between 23bps and 27bps. Suncorp Bank expects impairment losses for the 2015 financial year to be within the target range of 10bps to 20bps of gross loans and advances.

Bank

Loans, advances and other receivables

	MAR-14	DEC-13	MAR-13	MAR-14 vs DEC-13	MAR-14 vs MAR-13
	$M	$M	$M	%	%
Housing loans	32,017	31,329	29,714	2.2	7.8
Securitised housing loans	6,688	6,955	6,916	(3.8)	(3.3)
Total housing loans	38,705	38,284	36,630	1.1	5.7
Consumer loans	446	452	472	(1.3)	(5.5)
Retail loans	39,151	38,736	37,102	1.1	5.5
Commercial (SME)	5,746	5,666	5,472	1.4	5.0
Agribusiness	4,560	4,484	4,125	1.7	10.5
Total retail and business lending	**49,457**	**48,886**	**46,699**	**1.2**	**5.9**
Corporate and property	247	298	2,983	(17.1)	(91.7)
Total lending	**49,704**	**49,184**	**49,682**	**1.1**	**0.0**
Other receivables	50	100	75	(50.0)	(33.3)
Gross banking loans, advances and other receivables	49,754	49,284	49,757	1.0	(0.0)
Provision for impairment	(219)	(210)	(418)	4.3	(47.6)
Loans, advances and other receivables	**49,535**	**49,074**	**49,339**	**0.9**	**0.4**
Credit risk weighted assets	**25,979**	**25,407**	**28,536**	**2.3**	**(9.0)**
Geographical breakdown - Total lending					
Queensland	28,632	28,448	28,974	0.6	(1.2)
New South Wales	12,021	11,777	11,675	2.1	3.0
Victoria	4,393	4,372	4,563	0.5	(3.7)
Western Australia	3,153	3,119	3,120	1.1	1.1
South Australia and other	1,505	1,468	1,350	2.5	11.5
Outside of Queensland loans	21,072	20,736	20,708	1.6	1.8
Total lending	**49,704**	**49,184**	**49,682**	**1.1**	**0.0**

Retail lending

The retail lending portfolio grew 1.1% to $39.2 billion (including securitised assets). Growth is in line with system which is growing well below long term trends.

The focus on improving credit quality is reflected in lower disbursements in the home lending portfolio as the Bank targets the below 80% LVR market. Geographic diversification continues through a now well-established interstate footprint and intermediated offerings.

The consumer lending portfolio, comprising personal loans and margin lending, decreased 1.3%. Higher repayment rates associated with ongoing consumer deleveraging continue to impact this portfolio.

Business lending

Commercial (SME)

The Bank's SME portfolio increased to $5.8 billion, up 1.4%. Growth was broad based across various industries. Portfolio geographic diversification continues with the strategic move to drive interstate SME lending.

Agribusiness

The Agribusiness portfolio increased to $4.6 billion, up 1.7% over the quarter. Growth has moderated as the Bank takes a measured approach to risk selection in the current environment. The Bank has a long heritage in Agribusiness and remains committed to this segment.

Corporate and property

The corporate and property portfolio reduced by $51 million to $247 million, with runoff in both the performing and impaired portfolios.

Impairment losses on loans and advances

	QUARTER ENDED			MAR-14	MAR-14
	MAR-14	DEC-13	SEP-13	vs DEC-13	vs SEP-13
	$M	$M	$M	%	%
Collective provision for impairment	10	4	(9)	150.0	(211.1)
Specific provision for impairment	21	22	26	(4.5)	(19.2)
Actual net write-offs	(1)	1	1	(200.0)	(200.0)
	30	**27**	**18**	**11.1**	**66.7**
Impairment losses to gross loans and advances (annualised)	**0.24%**	**0.22%**	**0.15%**		
Impairment losses to risk weighted assets (annualised)	**0.47%**	**0.42%**	**0.29%**		

Impairment losses were $30 million.

The $10 million increase in the collective provision is driven by a seasonal increase in home lending past dues and growth in the Commercial book. Overall the impairment losses of 24 bps of gross loans and advances are above the Bank's target range of 10bps to 20bps.

Ongoing drought conditions and a subdued rural property market have heightened stress across the Agribusiness segment. With indicators suggesting continued pressure over the near term, the level of provision coverage will be boosted by a prudent drought overlay in the fourth quarter.

Bank

	MAR-14 $M	DEC-13 $M	SEP-13 $M	MAR-14 vs DEC-13 %	MAR-14 vs SEP-13 %
Gross balances of individually impaired loans					
with specific provisions set aside	369	335	407	10.1	(9.3)
without specific provisions set aside	116	81	60	43.2	93.3
Gross impaired assets	485	416	467	16.6	3.9
Specific provision for impairment	(112)	(113)	(146)	(0.9)	(23.3)
Net impaired assets	373	303	321	23.1	16.2
Size of gross individually impaired assets					
Less than one million	32	34	35	(5.9)	(8.6)
Greater than one million but less than ten million	226	204	228	10.8	(0.9)
Greater than ten million	227	178	204	27.5	11.3
	485	416	467	16.6	3.9
Past due loans not shown as impaired assets	478	445	442	7.4	8.1
Gross non-performing loans	963	861	909	11.8	5.9
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	416	467	506	(10.9)	(17.8)
Recognition of new impaired assets	148	39	74	279.5	100.0
Increases in previously recognised impaired assets	3	(1)	2	(400.0)	50.0
Impaired assets written off/sold during the period	(18)	(51)	(73)	(64.7)	(75.3)
Impaired assets which have been reclassed as performing assets or repaid	(64)	(38)	(42)	68.4	52.4
Balance at the end of the period	**485**	**416**	**467**	**16.6**	**3.9**

	MAR-14 $M	DEC-13 $M	SEP-13 $M	MAR-14 vs DEC-13 %	MAR-14 vs SEP-13 %
Gross balances of individually impaired loans					
Retail lending	35	28	36	25.0	(2.8)
Agribusiness lending	210	182	166	15.4	26.5
Commercial/SME lending	117	57	50	105.3	134.0
Corporate and property	123	149	215	(17.4)	(42.9)
Gross impaired assets	485	416	467	16.6	3.8
Specific provision for impairment	(112)	(113)	(146)	(0.9)	(23.3)
Net impaired assets	373	303	321	23.1	16.1

Impaired assets

Gross impaired assets increased $69 million or 16.6%, with one Agribusiness and two Commercial exposures totalling $78 million moving to impaired status. Despite the increase, gross impaired assets represent less than 1% of the total lending portfolio.

The overall number of impaired accounts remains relatively low. Drought conditions in North West Queensland are a contributing factor in relation to the increase in Agribusiness impaired assets.

The largest impaired Commercial exposure is likely to be resolved by 30 June 2014.

Past due loans (not shown as impaired)

Past due loans increased by $33 million or 7.4%, driven by seasonality and an increase in hardship volumes.

Past due loans reported at 31 March 2014 include loans that are now meeting regular repayment requirements and will ultimately return to performing status. At 31 March, there are $45 million of loans that have met payment requirements for longer than three months and will be reclassified during the June quarter. Whilst past due loans remain at the high end of the Bank's historical performance, the Bank's level of impairments in housing loans remains low.

Provision for impairment

	MAR-14	DEC-13	SEP-13	MAR-14 vs DEC-13	MAR-14 vs SEP-13
	$M	$M	$M	%	%
Collective provision					
Balance at the beginning of the period	97	93	102	4.3	(4.9)
Charge against contribution to profit	10	4	(9)	150.0	(211.1)
Balance at the end of the period	107	97	93	10.3	15.1
Specific provision					
Balance at the beginning of the period	113	146	198	(22.6)	(42.9)
Charge against impairment losses	21	22	26	(4.5)	(19.2)
Write-off of impaired assets	(18)	(51)	(73)	(64.7)	(75.3)
Unwind of interest	(4)	(4)	(5)	-	(20.0)
Balance at the end of the period	112	113	146	(0.9)	(23.3)
Total provision for impairment - Banking activities	219	210	239	4.3	(8.4)
Equity reserve for credit loss					
Balance at the beginning of the period	125	125	131	-	(4.6)
Transfer to retained earnings	(9)	-	(6)	n/a	50.0
Balance at the end of the period	116	125	125	(7.2)	(7.2)
Pre-tax equivalent coverage	166	179	179	(7.4)	(7.4)
Total provision for impairment and equity reserve for credit loss - Banking activities	385	389	418	(1.1)	(8.0)

	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	22.1	23.3	19.9
Specific provision	23.1	27.2	31.3
Total provision	45.2	50.5	51.2
Equity reserve for credit loss coverage	34.2	43.0	38.2
Total provision and equity reserve for credit loss coverage	79.3	93.5	89.4

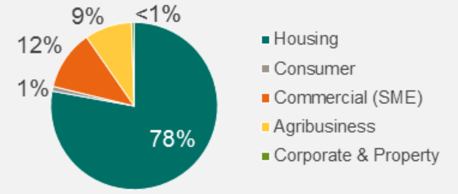
Appendix 1 Suncorp Bank updated slide information

Suncorp Bank overview

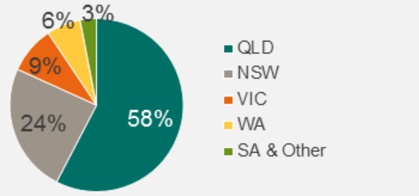
Summary

- Strengthened risk management with revised risk selection driving alignment of strategy and risk appetite
- Home lending growth of 1.1% with focus on sub 80% LVR loans
- Agribusiness growth of 1.7%, across QLD and interstate markets
- Commercial (SME) portfolio growth of 1.4%
- Corporate and property portfolio run-off of $51 million
- Impairment losses $30 million, 24bps to gross loans and advances

Lending assets $49.2 billion

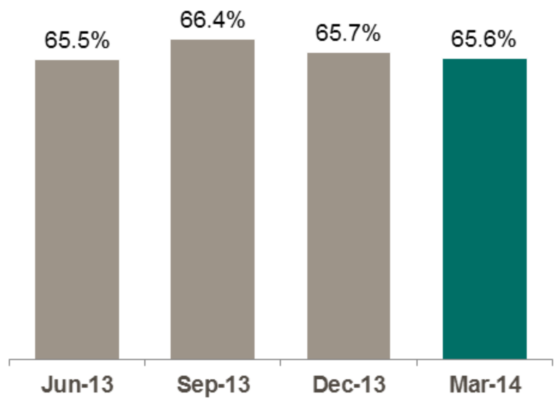


Lending assets by geography

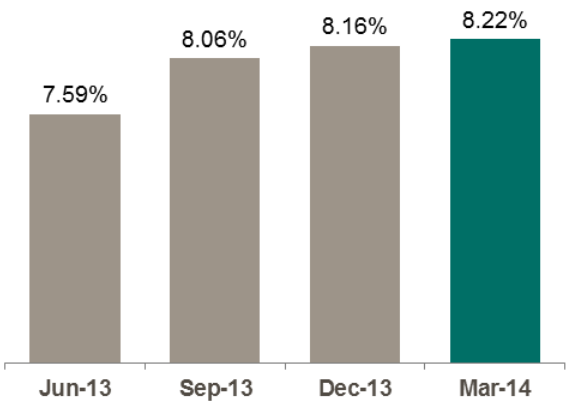


Funding and Capital

Deposit to lending ratio

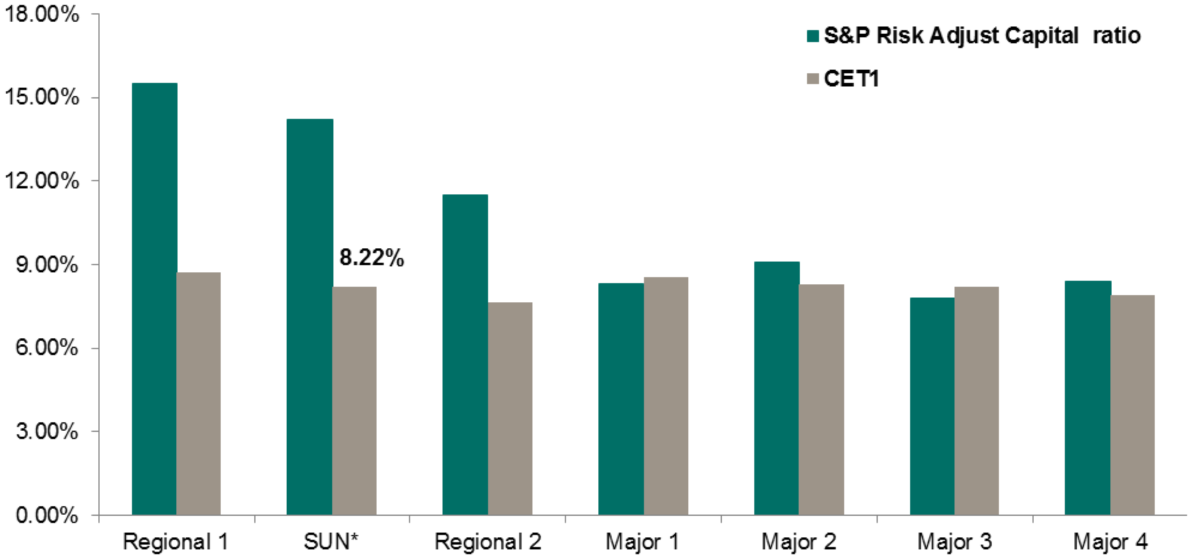


Capital (CET1 ratio)



Capital

Strong capital position for the Bank and the Group



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Suncorp Group Limited
Quarterly update 27 May 2014

*Suncorp Bank's estimates of RACF ratio as at September 2013
Source: Latest company reports for Regional and Major banks and S&P credit reports

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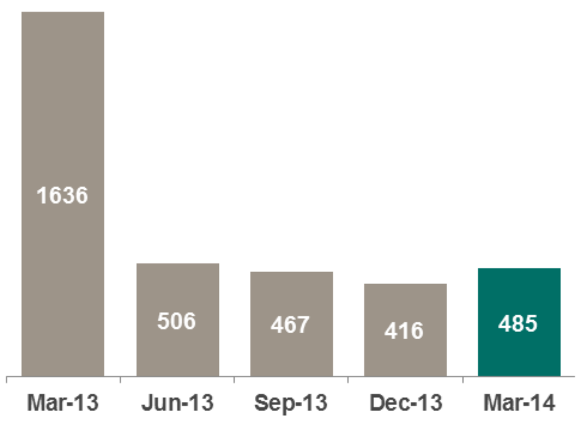
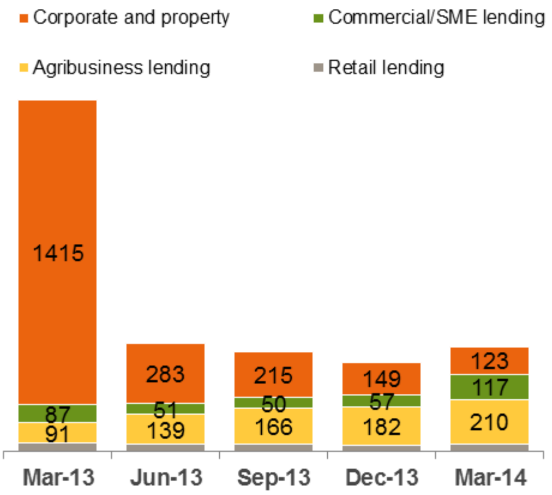
Credit Quality

Impaired assets

Gross impaired assets ($m)



Impaired assets by segment ($m)



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Suncorp Group Limited
Quarterly update 27 May 2014

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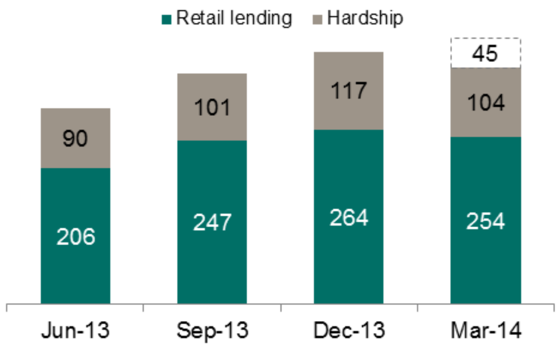
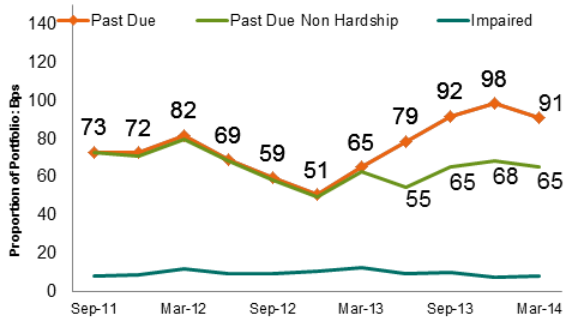
Credit Quality

Past due Retail lending

Retail lending past due loans ($m)



Retail lending past due loans (bps)



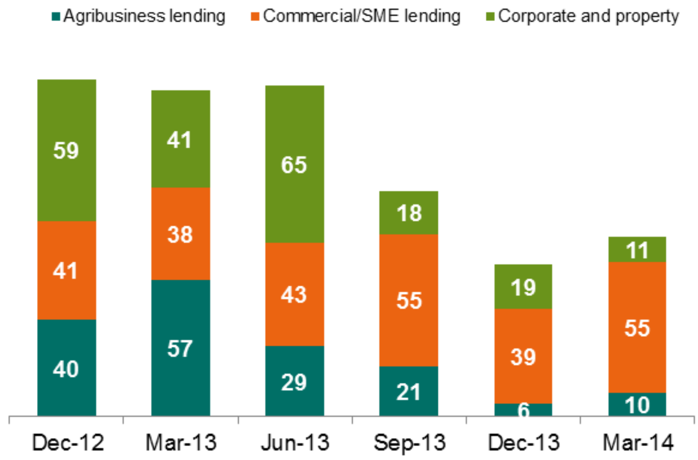
- Increase in home lending past due driven by a conservative approach to the treatment of hardship loans
- At 31 March 2014, there are $45 million of loans that have met the repayment requirements for longer than three months and will be reclassified as performing during the June quarter.

Credit Quality

Past due Business lending

- Past due loans in the Agribusiness & Commercial portfolios increased slightly over the quarter
- Commercial/SME past dues increased $16m to $55m
- Agribusiness past dues increased by $4m to $10m
- Corporate and Property past dues decreased by $8m

Business lending past due loans by segment ($m)



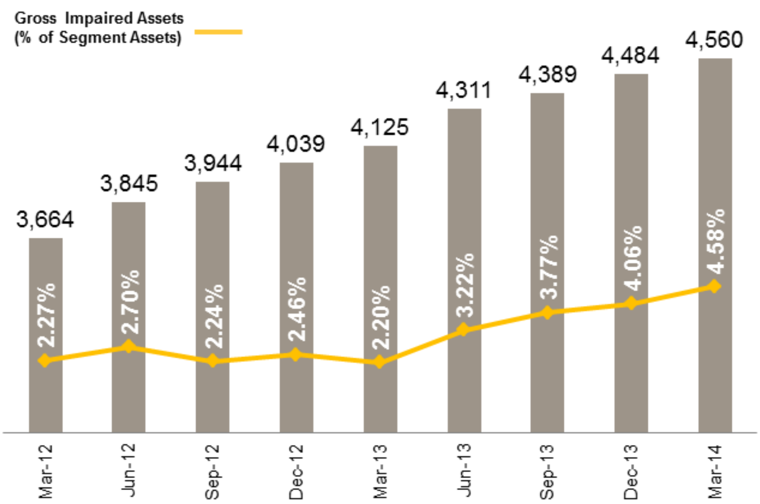
Agribusiness

Asset growth and credit quality

Outlook

- The rural sector outlook is mixed with weather related conditions and a depressed rural property market weighing on industry performance
- Recent rainfall in QLD and NSW supports an improving outlook for Grain & Mixed Farming crops
- Beef producing regions remain drought affected

Total lending and impaired %



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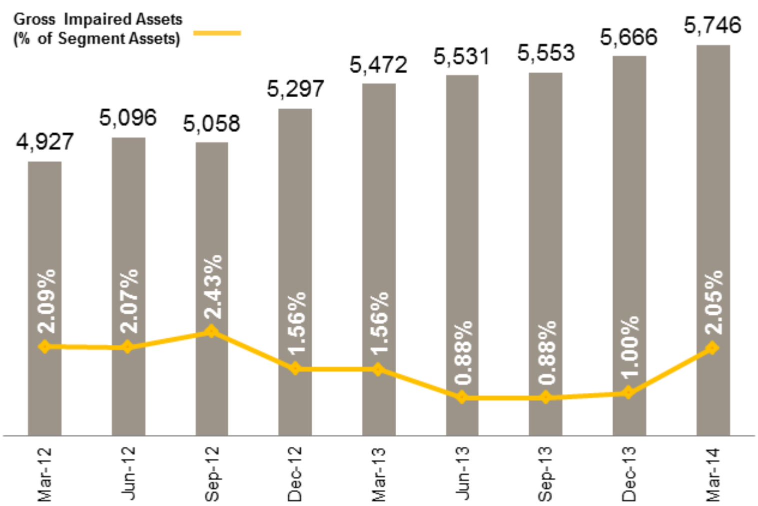
Commercial (SME)

Asset growth and credit quality

Outlook

- Business conditions remain subdued and forward indicators suggest an unchanged near-term outlook

Total lending and impaired %



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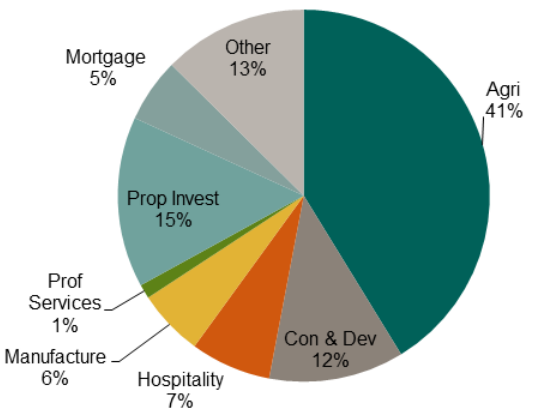
Suncorp Group Limited
Quarterly update 27 May 2014

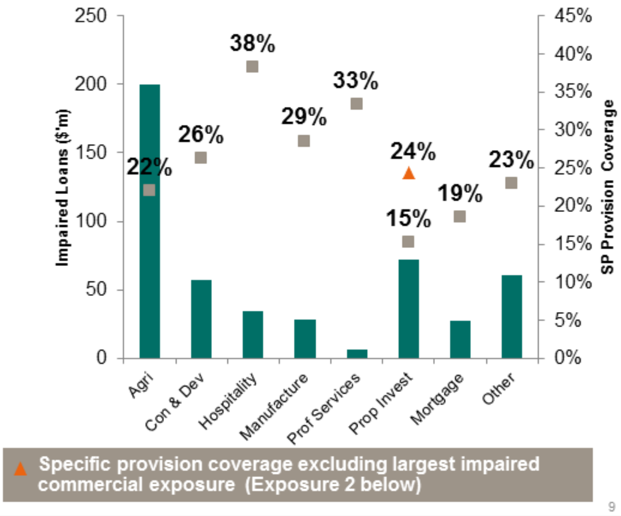
One Company Many Brands SUNCORP GROUP

Credit Quality

Gross impaired loans by sector

Impaired loans by sector	Specific provision coverage by sector





Credit Quality

Impairment coverage ratio

- The rise in impaired assets was due to three exposures across the Agribusiness and Commercial portfolios moving into impaired status.
- Recent valuations are such that only a small level of provisioning is required. This dilutes the specific provision coverage ratio to 23.1% at 31 March 2014.
- The Bank expects to exit Exposure 2 by 30 June 2014, along with other smaller impaired exposures, with no extra provision required.
- The Commercial portfolio remains well secured and diversified across segment and geography.

New impaired exposures	Segment	Total ($m)	Provision ($m)	Coverage
Exposure 1	Agribusiness	27.9	2.5	9.0%
Exposure 2	Commercial	38.3	2.8	7.3%
Exposure 3	Commercial	11.8	0.9	7.6%

Outlook for FY15

Key targets

Lending growth	1-1.3 x system	On track
Net Interest Margin	1.75% – 1.85%	> 1.75%
Cost to Income ratio	Less than 53%	On track
Deposit to Lending ratio	60% - 70%	Maintained

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Suncorp Group Limited
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Appendix 2 Suncorp Bank APS 330 tables

TABLE 3: CAPITAL ADEQUACY

	CARRYING VALUE		AVG RISK WEIGHT	RISK-WEIGHTED ASSETS	
	MAR-14	DEC-13	MAR-14	MAR-14	DEC-13
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash Items	597	619	0	2	-
Claims on Australian and foreign Governments	1,989	1,418	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	4,937	4,771	21	1,017	1,003
Claims on securitisation exposures	1,330	1,445	20	266	289
Claims secured against eligible residential mortgages	35,952	35,482	40	14,355	13,981
Past due claims	823	668	102	837	665
Other retail assets	573	630	81	463	520
Corporate	8,862	8,621	100	8,836	8,601
Other assets and claims	209	351	97	203	348
Total Banking assets[1]	55,272	54,005	47	25,979	25,407

(1) Total Banking assets differ from Banking segment assets due to the adoption of APRA classification of intangible assets, deferred tax, incorporation of trading book in the market risk capital charge and general reserve for credit losses for capital adequacy purposes.

	NOTIONAL AMOUNT	CREDIT EQUIVALENT	AVG RISK WEIGHT	RISK-WEIGHTED ASSETS	
	MAR-14	MAR-14	MAR-14	MAR-14	DEC-13
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	299	297	71	210	228
Commitments to provide loans and advances	7,180	1,809	58	1,057	1,115
Foreign exchange contracts	5,882	119	35	42	61
Interest rate contracts	52,055	179	49	88	84
Securitisation exposures	3,505	47	85	40	43
CVA capital charge	-	-	-	120	142
Total off-balance sheet positions	68,921	2,451	64	1,557	1,673
Market risk capital charge				333	370
Operational risk capital charge				3,275	3,275
Total on-balance sheet credit risk-weighted assets				25,979	25,407
Total Assessed Risk				31,144	30,725
Risk-weighted capital ratios				%	%
Common Equity Tier 1				8.22	8.16
Tier 1				9.66	9.63
Tier 2				3.21	3.34
Total risk-weighted capital ratio				12.87	12.97

Appendices

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 March 2014

	RECEIVABLES DUE FROM OTHER BANKS (4)	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES (3)	CREDIT COMMITMENTS (2)	DERIVATIVE INSTRUMENTS (2)	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	-	-	-	4,186	178	-	4,364	200	10	4,154	44
Construction & development	-	-	-	644	152	-	796	57	15	724	15
Financial services	809	1,613	5,116	320	187	298	8,343	-	-	8,343	-
Hospitality	-	-	-	989	43	-	1,032	34	-	998	13
Manufacturing	-	-	-	391	18	-	409	28	14	367	8
Professional services	-	-	-	261	11	-	272	6	1	265	2
Property investment	-	-	-	2,019	86	-	2,105	72	14	2,019	11
Real estate - Mortgage	-	-	-	35,312	1,296	-	36,608	27	394	36,187	5
Personal	-	-	-	446	11	-	457	-	9	448	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	1,979	124	-	2,103	61	21	2,021	14
Total gross credit risk	**809**	**1,613**	**5,116**	**46,548**	**2,106**	**298**	**56,490**	**485**	**478**	**55,527**	**112**
Securitisation Exposures (1)	-	-	1,330	3,359	34	13	4,736	-	-	4,736	-
Total including Securitisation Exposures	**809**	**1,613**	**6,446**	**49,907**	**2,140**	**311**	**61,226**	**485**	**478**	**60,263**	**112**
Impairment provision							(219)	(112)	(44)	(63)	
TOTAL							**61,007**	**373**	**434**	**60,200**	

(1) The securitisation exposures of $3,359 million included under "Loans advances and other receivables" 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) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112.

(3) Total loans, advances and other receivables include receivables due from related parties.

(4) Receivables due from other Banks include collateral deposits provided to derivative counterparties.

TABLE 4: CREDIT RISK (continued)

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 December 2013

	RECEIVABLES DUE FROM OTHER BANKS (4)	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES (3)	CREDIT COMMITMENTS (2)	DERIVATIVE INSTRUMENTS (2)	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	-	-	-	4,115	176	-	4,291	168	6	4,117	41
Construction & development	-	-	-	643	142	-	785	70	21	694	20
Financial services	790	2,129	5,207	519	169	384	9,198	-	-	9,198	-
Hospitality	-	-	-	1,014	42	-	1,056	40	-	1,016	12
Manufacturing	-	-	-	402	19	-	421	27	2	392	8
Professional services	-	-	-	262	10	-	272	4	5	263	2
Property investment	-	-	-	1,988	76	-	2,064	21	2	2,041	8
Real estate - Mortgage	-	-	-	34,637	1,440	-	36,077	22	373	35,682	5
Personal	-	-	-	452	11	-	463	-	9	454	-
Government/public authorities	-	-	-	2	-	-	2	-	-	2	-
Other commercial & industrial	-	-	-	1,955	139	-	2,094	64	27	2,003	17
Total gross credit risk	**790**	**2,129**	**5,207**	**45,989**	**2,224**	**384**	**56,723**	**416**	**445**	**55,862**	**113**
Securitisation Exposures (1)	-	-	1,445	3,656	36	15	5,152	-	-	5,152	-
Total including Securitisation Exposures	**790**	**2,129**	**6,652**	**49,645**	**2,260**	**399**	**61,875**	**416**	**445**	**61,014**	**113**
Impairment provision							(210)	(113)	(35)	(62)	
TOTAL							**61,665**	**303**	**410**	**60,952**	

(1) The securitisation exposures of $3,656 million included under "Loans advances and other receivables" 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) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112.

(3) Total loans, advances and other receivables include receivables due from related parties.

(4) Receivables due from other Banks include collateral deposits provided to derivative counterparties.

TABLE 4: CREDIT RISK (continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 January to 31 March 2014

	RECEIVABLES DUE FROM OTHER BANKS (4)	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES (3)	CREDIT COMMITMENTS (2)	DERIVATIVE INSTRUMENTS (2)	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	-	-	-	4,151	177	-	4,328	184	8	4,136	42
Construction & development	-	-	-	644	147	-	791	64	18	709	17
Financial services	800	1,871	5,162	420	178	341	8,772	-	-	8,772	-
Hospitality	-	-	-	1,002	43	-	1,045	37	-	1,008	13
Manufacturing	-	-	-	397	19	-	416	28	8	380	8
Professional services	-	-	-	262	11	-	273	5	3	265	2
Property investment	-	-	-	2,004	81	-	2,085	47	8	2,030	10
Real estate - Mortgage	-	-	-	34,975	1,368	-	36,343	25	384	35,934	5
Personal	-	-	-	449	11	-	460	-	9	451	-
Government/public authorities	-	-	-	2	-	-	2	-	-	2	-
Other commercial & industrial	-	-	-	1,967	132	-	2,099	63	24	2,012	16
Total gross credit risk	**800**	**1,871**	**5,162**	**46,273**	**2,167**	**341**	**56,614**	**453**	**462**	**55,699**	**113**
Securitisation Exposures (1)	-	-	1,388	3,508	35	14	4,945	-	-	4,945	-
Total including Securitisation Exposures	**800**	**1,871**	**6,550**	**49,781**	**2,202**	**355**	**61,559**	**453**	**462**	**60,644**	**113**
Impairment provision							(215)	(113)	(39)	(63)	
TOTAL							**61,344**	**340**	**423**	**60,581**	

(1) The securitisation exposures of $3,508 million included under "Loans advances and other receivables" 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) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112.

(3) Total loans, advances and other receivables include receivables due from related parties.

(4) Receivables due from other Banks include collateral deposits provided to derivative counterparties.

TABLE 4: CREDIT RISK (continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2013

	RECEIVABLES DUE FROM OTHER BANKS (4)	TRADING SECURITIES	INVESTMENT SECURITIES	LOANS, ADVANCES AND OTHER RECEIVABLES (3)	CREDIT COMMITMENTS (2)	DERIVATIVE INSTRUMENTS (2)	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	-	-	-	4,050	186	-	4,236	159	13	4,064	35
Construction & development	-	-	-	672	124	-	796	88	16	692	26
Financial services	713	2,267	5,132	552	169	403	9,236	-	-	9,236	-
Hospitality	-	-	-	1,015	43	-	1,058	45	-	1,013	16
Manufacturing	-	-	-	400	21	-	421	20	10	391	6
Professional services	-	-	-	260	11	-	271	4	5	262	2
Property investment	-	-	-	1,980	67	-	2,047	30	7	2,010	19
Real estate - Mortgage	-	-	-	34,147	1,459	-	35,606	26	357	35,223	6
Personal	-	-	-	453	11	-	464	-	9	455	-
Government/public authorities	-	-	-	2	-	-	2	-	-	2	-
Other commercial & industrial	-	-	-	1,935	138	-	2,073	72	28	1,973	20
Total gross credit risk	**713**	**2,267**	**5,132**	**45,466**	**2,229**	**403**	**56,210**	**444**	**445**	**55,321**	**130**
Securitisation Exposures (1)	-	-	1,481	3,787	41	16	5,325	-	-	5,325	-
Total including Securitisation Exposures	**713**	**2,267**	**6,613**	**49,253**	**2,270**	**419**	**61,535**	**444**	**445**	**60,646**	**130**
Impairment provision							(225)	(130)	(33)	(62)	
TOTAL							**61,310**	**314**	**412**	**60,584**	

(1) The securitisation exposures of $3,787 million included under "Loans advances and other receivables" 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) "Credit commitments" and "Derivative instruments" represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112.

(3) Total loans, advances and other receivables include receivables due from related parties.

(4) Receivables due from other Banks include collateral deposits provided to derivative counterparties.

Appendices

TABLE 4: CREDIT RISK (continued)

Table 4B: Credit risk by portfolio – 31 March 2014

	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	SPECIFIC PROVISIONS	CHARGES FOR SPECIFIC PROVISIONS & WRITE OFFS	LOSSES ON DISPOSAL OF LOANS AND ADVANCES
	$M	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages	36,608	36,343	27	394	5	2	-
Other retail	457	460	-	9	-	1	-
Financial services	8,343	8,772	-	-	-	-	-
Government and public authorities	1	2	-	-	-	-	-
Corporate and other claims	11,081	11,037	458	75	107	17	-
Total	56,490	56,614	485	478	112	20	-

Table 4B: Credit risk by portfolio – 31 December 2013

	GROSS CREDIT RISK EXPOSURE	AVERAGE GROSS EXPOSURE	IMPAIRED ASSETS	PAST DUE NOT IMPAIRED > 90 DAYS	SPECIFIC PROVISIONS	CHARGES FOR SPECIFIC PROVISIONS & WRITE OFFS	LOSSES ON DISPOSAL OF LOANS AND ADVANCES
	$M	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages	36,077	35,606	22	373	5	2	-
Other retail	463	464	-	9	-	1	-
Financial services	9,198	9,236	-	-	-	-	-
Government and public authorities	2	2	-	-	-	-	-
Corporate and other claims	10,983	10,902	394	63	108	20	8
Total	56,723	56,210	416	445	113	23	8

Table 4C: General reserves for credit losses

	MAR-14	DEC-13
	$M	$M
Collective provision for impairment	107	97
Ineligible Collective Provisions on Past Due not Impaired	(44)	(35)
Eligible Collective Provisions	63	62
Equity Reserve for credit losses	116	125
General Reserve for Credit losses	179	187

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

	EXPOSURES SECURITISED		RECOGNISED GAIN OR (LOSS) ON SALE	
	MAR-14	DEC-13	MAR-14	DEC-13
	$M	$M	$M	$M
Residential mortgages	-	-	-	-
Total exposures securitised during the period	-	-	-	-

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

	EXPOSURE	EXPOSURE
	MAR-14	DEC-13
Exposure type	$M	$M
Debt securities	1,330	1,445
Total on-balance sheet securitisation exposures	1,330	1,445

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

	PRINCIPAL OR NOTIONAL EXPOSURE	PRINCIPAL OR NOTIONAL EXPOSURE
	MAR-14	DEC-13
Exposure type	$M	$M
Liquidity facilities	67	72
Derivative exposures	3,438	3,699
Total off-balance sheet securitisation exposures	3,505	3,771