ASX announcement

One Company Many Brands

10 November 2014

SUNCORP BANK IMPROVES MARGIN, CREDIT QUALITY AND CAPITAL IN THE SEPTEMBER QUARTER

Suncorp today provided an update on Bank assets, credit quality and capital as at 30 September 2014, as required under Australian Prudential Standard 330.

Suncorp Bank has responded to an increasingly competitive mortgage lending market by focusing on credit quality and the net interest margin. Both have improved significantly over the quarter with impaired loans down 15.6% and the net interest margin increasing to the top of the target range of 1.75% to 1.85%. In addition, common equity tier one has increased to 8.7% at 30 September 2014.

Total lending reduced 0.9% over the quarter due to prudent and targeted mortgage lending in a low-rate environment, lower system growth in Suncorp Bank’s target segments, the planned exit of a large commercial exposure and ongoing customer deleveraging.The Bank expects to return to growth in the December quarter.

Suncorp Bank CEO John Nesbitt said: “Suncorp has had a strong focus on strengthening risk management in line with the Basel II Advanced Accreditation program. We have been successful in the September quarter in improving the quality and diversification of our lending assets. Importantly, we have a strong pipeline of profitable, low-risk lending that has re-positioned Suncorp Bank for growth in the December quarter.”

Impairment losses reduced to $20 million or 16 basis points of gross loans, within the target range of 10 to 20 basis points. Impaired assets reduced 15.6% to $281 million and past-due loans reduced 3.6% to $423 million. A conservative approach to provisioning resulted in an increase in the total provision coverage against impaired assets to 79.7% from 67.9%.

Mr Nesbitt said Suncorp maintained a prudent approach to credit quality given the challenging external environment.

“It was pleasing to see a significant reduction in impaired assets but given the ongoing drought across much of Queensland, Suncorp has maintained the additional drought overlay introduced in June,” he said.

“Suncorp Bank has also made good progress over the quarter in its other key project, the Banking Platform Replacement Program. This is on track to deliver benefits in the 2017 financial year.”

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Suncorp Group Limited ABN 66 145 290 124

Suncorp Bank APS330

for the quarter ended 30 September 2014

Release date: 10 November 2014

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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 Capital Adequacy: Public Disclosure of Prudential Information.

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.

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 September 2014 (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 10 November 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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Overview

Suncorp Bank's September quarter results delivered improved returns as a result of a focus on improved risk management and an optimal funding profile following the repayment of the last tranche of expensive legacy Non-core Bank funding.

The Bank prioritised margin and credit quality over growth in an intensely competitive mortgage market. Suncorp's key target markets of low loan to valuation ratio (LVR) owner-occupied lending were subdued and, particularly in Queensland, customer de-leveraging continued.

A short term consequence in the September quarter was a reduction in lending assets. Retail lending reduced 0.5% to $39.2 billion. Business lending reduced 2.4% or $257 million, primarily due to the exit of a large commercial Queensland exposure.

Credit quality improved on all key metrics during the September quarter. Impairment losses reduced to $20 million or 16 basis points (bps) (annualised) of gross loans and advances. Gross impaired assets decreased 15.6% to $281 million, representing just 0.6% of gross loans and advances. The Bank is conservatively provisioned and has maintained the drought overlay introduced in the June quarter.

The Bank's Net Interest Margin (NIM) has increased to the top of its target range of 1.75% to 1.85% during the September quarter. This was a result of an improvement in the deposit mix and a reduction in the cost of term funding.

In conjunction with improved margin and credit quality, the Bank has taken the opportunity during this period of low growth to further improve the diversification and composition of its funding. In September, the Bank successfully issued £250 million in a three-year floating rate note into the European market. Additionally, in October, the Bank issued $950 million in a five-year covered bond transaction at 70 bps over 90 day BBSW.

In addition, the capital position of the Bank has been improved with the Common Equity Tier 1 (CET1) ratio increasing to 8.70% at 30 September 2014.

Outlook

The completion of a number of key growth initiatives is showing success, with the pipeline for new lending in the Bank's chosen segments improving significantly in September and October. This will see the Bank return to growth in the December quarter.

In the short-term, the moderation in funding costs will result in the Bank's NIM remaining at the top of the target range of 1.75% to 1.85%. Impairment losses should be in the range of 10 to 20 bps of gross loans and the Cost to Income ratio should be around 53% in the 2015 financial year.

Delivery of the Bank's Platform Replacement Program (Project Ignite) and Basel II Advanced Accreditation programs remain key focuses. Both programs are on-track and will significantly change the way in which the Bank conducts business. They will enhance the Bank's ability to meet the changing needs of customers within a robust risk management framework.

Despite an improvement in credit quality over the September quarter, the Agribusiness segment is still subject to widespread drought conditions and reduced property values. The provisioning overlay added in June 2014 remains on balance sheet and will be maintained into the December quarter.

Operating targets over the medium term remain unchanged. These are:

- NIM of 1.75% to 1.85% underpinned by pricing discipline;
- disciplined cost management and ongoing investment in strategic programs to drive the Cost to Income ratio towards 50% (53% in the 2015 financial year);
- sustainable lending growth of 1 to 1.3 times system through measured expansion in housing and business markets supported by positive conversion of new customers to 'connected customers';
- retail Deposit to Lending ratio of 60% to 70% supported by the Bank's ability to leverage its A+/A1 credit rating to raise diverse wholesale funding; and
- return on CET1 of 12% to 15%.

Loans, advances and other receivables

	SEP-14	JUN-14	SEP-13	SEP-14 vs JUN-14	SEP-14 vs SEP-13
	$M	$M	$M	%	%
Housing loans	32,777	32,540	30,134	0.7	8.8
Securitised and covered bond housing loans	6,039	6,461	7,441	(6.5)	(18.8)
Total housing loans	38,816	39,001	37,575	(0.5)	3.3
Consumer loans	413	431	452	(4.2)	(8.6)
Retail loans	39,229	39,432	38,027	(0.5)	3.2
Commercial (SME)	5,576	5,772	5,553	(3.4)	0.4
Agribusiness	4,575	4,624	4,389	(1.1)	4.2
Total retail and business lending	**49,380**	**49,828**	**47,969**	**(0.9)**	**2.9**
Corporate and property	116	128	395	(9.4)	(70.6)
Total lending	**49,496**	**49,956**	**48,364**	**(0.9)**	**2.3**
Other receivables	41	51	99	(19.6)	(58.6)
Gross banking loans, advances and other receivables	49,537	50,007	48,463	(0.9)	2.2
Provision for impairment	(224)	(226)	(239)	(0.9)	(6.3)
Loans, advances and other receivables	**49,313**	**49,781**	**48,224**	**(0.9)**	**2.3**
Credit risk weighted assets	**25,625**	**25,903**	**24,944**	**(1.1)**	**2.7**
Geographical breakdown - Total lending					
Queensland	28,362	28,748	28,257	(1.3)	0.4
New South Wales	11,958	12,095	11,320	(1.1)	5.6
Victoria	4,470	4,436	4,286	0.8	4.3
Western Australia	3,134	3,139	3,080	(0.2)	1.8
South Australia and other	1,572	1,538	1,421	2.2	10.6
Outside of Queensland loans	21,134	21,208	20,107	(0.3)	5.1
Total lending	**49,496**	**49,956**	**48,364**	**(0.9)**	**2.3**

Retail Lending

The retail lending portfolio contracted 0.5% to $39.2 billion during the September 2014 quarter. The Bank remains focused on improving the quality of the book by concentrating on the origination of sub-80% LVR loans, driving better quality business and more optimal use of capital.

Business Lending

Commercial (SME)

The Bank's SME portfolio contracted $196 million or 3.4% to $5.6 billion. This was primarily due to the planned exit of a large exposure which was deemed outside the Bank's core service proposition. Subdued market conditions and heightened competitor activity both remain headwinds to near term growth. Notwithstanding this, the Bank will continue to pursue diversified growth within target market segments.

Agribusiness

The Agribusiness portfolio decreased 1.1% to $4.6 billion during the quarter. Growth moderated against the prior quarter in line with long term seasonality. Ongoing drought in key regions provides a challenging near term outlook and the Bank remains focused on appropriate risk selection in the current environment.

Impairment losses on loans and advances

	QUARTER ENDED			SEP-14	SEP-14
	SEP-14	JUN-14	MAR-14	vs JUN-14	vs MAR-14
	$M	$M	$M	%	%
Collective provision for impairment	2	13	10	(84.6)	(80.0)
Specific provision for impairment	18	35	21	(48.6)	(14.3)
Actual net write-offs	-	1	(1)	(100.0)	(100.0)
	20	**49**	**30**	**(59.2)**	**(33.3)**
Impairment losses to gross loans and advances (annualised)	**0.16%**	**0.39%**	**0.24%**		
Impairment losses to risk weighted assets (annualised)	**0.31%**	**0.76%**	**0.47%**		

Impairment losses of $20 million or 16bps (annualised) of gross loans and advances were within the Bank's target operating range of 10bps to 20bps.

The reduction in both the specific provision and collective provision charge reflect improvements in credit quality across the Bank's lending portfolio.

Impairment losses are expected to remain at current levels given the challenging operating environment and ongoing economic uncertainty.

	SEP-14 $M	JUN-14 $M	MAR-14 $M	SEP-14 vs JUN-14 %	SEP-14 vs MAR-14 %
Individually impaired loans					
Gross impaired assets	281	333	485	(15.6)	(42.1)
Specific provision for impairment	(102)	(106)	(112)	(3.8)	(8.9)
Net impaired assets	179	227	373	(21.1)	(52.0)
Size of gross individually impaired assets					
Less than one million	25	22	32	13.6	(21.9)
Greater than one million but less than ten million	160	183	226	(12.6)	(29.2)
Greater than ten million	96	128	227	(25.0)	(57.7)
	281	333	485	(15.6)	(42.1)
Past due loans not shown as impaired assets	423	439	478	(3.6)	(11.5)
Gross non-performing loans	704	772	963	(8.8)	(26.9)
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	333	485	416	(31.3)	(20.0)
Recognition of new impaired assets	26	45	148	(41.8)	(82.4)
Increases in previously recognised impaired assets	2	1	3	57.7	(33.3)
Impaired assets written off/sold during the period	(19)	(37)	(18)	(48.6)	5.6
Impaired assets which have been reclassed as performing assets or repaid	(61)	(161)	(64)	(62.1)	(4.7)
Balance at the end of the period	**281**	**333**	**485**	**(15.7)**	**(42.1)**

	SEP-14 $M	JUN-14 $M	MAR-14 $M	SEP-14 vs JUN-14 %	SEP-14 vs MAR-14 %
Gross balances of individually impaired loans					
Retail lending	28	26	35	7.7	(20.0)
Agribusiness lending	163	208	210	(21.6)	(22.4)
Commercial/SME lending	48	51	117	(5.9)	(59.0)
Corporate and property	42	48	123	(12.5)	(65.9)
Gross impaired assets	281	333	485	(15.6)	(42.1)
Specific provision for impairment	(102)	(106)	(112)	(3.8)	(8.9)
Net impaired assets	179	227	373	(21.1)	(52.0)

Impaired assets

Gross impaired assets decreased $52 million or 15.6% to $281 million. Agribusiness impaired assets declined $45 million to $163 million, representing 3.6% of the portfolio. The reduction in impaired Agribusiness loans was driven by the final resolution of eight exposures. Impaired balances in the commercial (SME) and home lending portfolios reduced $3 million and $4 million respectively.

The number of impaired loan accounts remains relatively low despite the prolonged drought impacting the agribusiness sector. The Bank continues to closely monitor emerging issues on an individual exposure basis.

Past due loans (not shown as impaired)

Past due loans not shown as impaired decreased $16 million or 3.6% to $423 million. The result was driven by $45 million reduction in housing past due volumes to $313 million. This represents just 0.81% of the housing portfolio. Balances increased for agribusiness due to the ongoing drought conditions, whilst SME overdrafts contributed to a small increase in the Commercial (SME) portfolio.

Provision for impairment

	SEP-14	JUN-14	MAR-14	SEP-14 vs JUN-14	SEP-14 vs MAR-14
	$M	$M	$M	%	%
Collective provision					
Balance at the beginning of the period	120	107	97	12.1	23.7
Charge against contribution to profit	2	13	10	(84.6)	(80.0)
Balance at the end of the period	122	120	107	1.7	14.0
Specific provision					
Balance at the beginning of the period	106	112	113	(5.4)	(6.2)
Charge against impairment losses	18	35	21	(48.6)	(14.3)
Write-off of impaired assets	(19)	(37)	(18)	(48.6)	5.6
Unwind of interest	(3)	(4)	(4)	(25.0)	(25.0)
Balance at the end of the period	102	106	112	(3.8)	(8.9)
Total provision for impairment - Banking activities	224	226	219	(0.9)	2.3
Equity reserve for credit loss					
Balance at the beginning of the period	151	116	125	30.2	20.8
Transfer to retained earnings	(2)	35	(9)	(105.7)	(77.8)
Balance at the end of the period	149	151	116	(1.3)	28.4
Pre-tax equivalent coverage	213	216	166	(1.4)	28.5
Total provision for impairment and equity reserve for credit loss - Banking activities	437	442	385	(1.1)	13.6

	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:			
Collective provision	43.4	36.0	22.1
Specific provision	36.3	31.8	23.1
Total provision	79.7	67.9	45.2
Equity reserve for credit loss coverage	75.8	64.9	34.2
Total provision and equity reserve for credit loss coverage	155.5	132.7	79.3

Total provision coverage increased to 156% of gross impaired assets. Provision coverage remains conservative and includes the additional drought overlay introduced in June 2014.

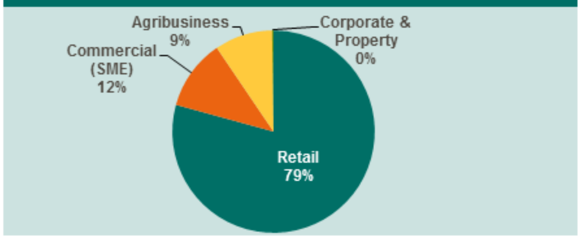
Sep-14	Past due loans	Impaired assets	Specific provision	Collective provision	Equity reserve for credit loss (pre-tax equivalent)	Total provision coverage to gross non-performing loans
	$M	$M	$M	$M	$M	%
Retail lending	321	28	6	31	59	27.5
Agribusiness lending	41	163	58	49	78	90.7
Commercial/SME lending	61	48	17	38	71	115.6
Corporate and property	-	42	21	4	5	71.4
Total	423	281	102	122	213	62.1

Appendix 1 – Suncorp Bank updated slide information

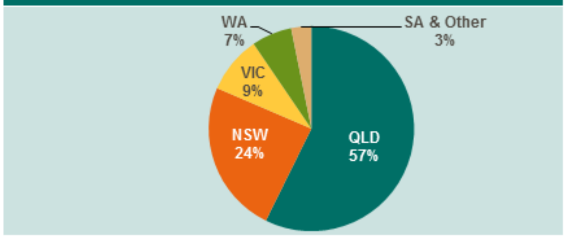
Suncorp Bank overview
Lending portfolio

- Subdued lending growth a consequence of focus on diversification and quality
- Total lending down 0.9% to $49.5 billion
- Improved funding mix and moderation of funding costs
- Net Interest Margin at the top of the target range of 1.75% to 1.85%
- Impairment losses $20 million, 16bps (annualised) of gross loans and advances

Lending assets by segment



Lending assets by geography



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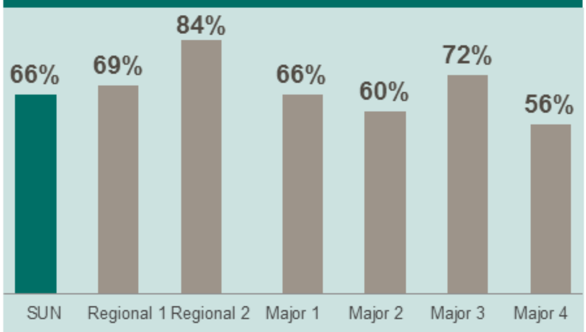
Suncorp Group Limited
Bank APS330 for the quarter ended 30 September 2014

One Company Many Brands

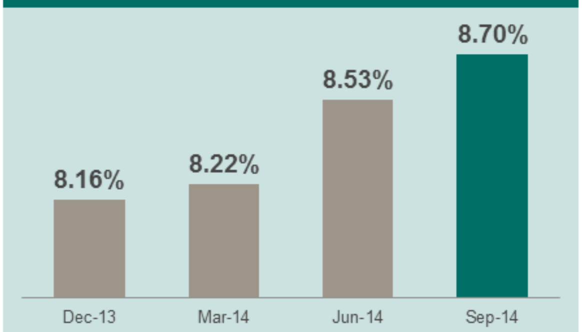
Funding & Capital
Conservative balance sheet

- Asset growth supported by a conservative and well diversified capital and liability portfolio
- High quality, stable retail deposits fund 66% of lending assets

Deposit to lending ratio



Capital (CET1 ratio)



Source: Company reports for full year 2014. Regional bank data is reported group ratios and majors data retail and business division only.

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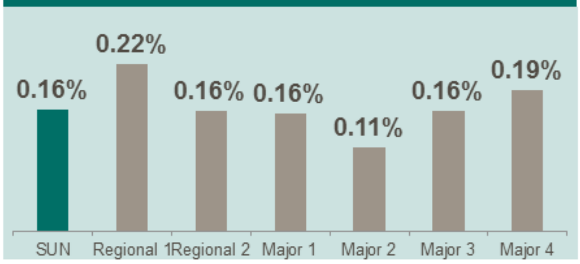
Suncorp Group Limited
Bank APS330 for the quarter ended 30 September 2014

One Company Many Brands

Credit Quality
Impairment losses and gross loans

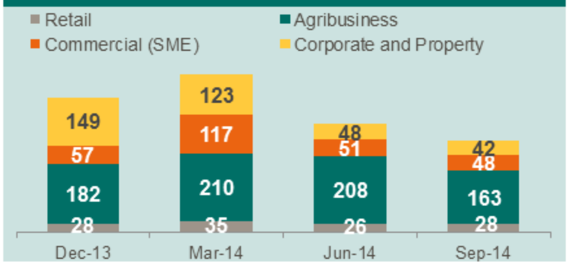
- Impairment losses are 16bps of gross loans and advances consistent with industry peers
- Gross impaired assets decreased 15.6% to $281 million, driven by a decline in Agribusiness impaireds
- Gross non-performing loans decreased 8.8% to $704 million

Impairment losses to gross loans



Source: Latest peer financial reports

Gross impaired loans by segment



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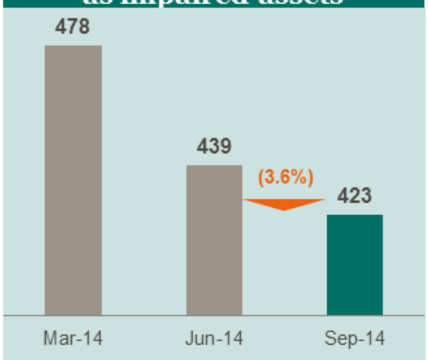
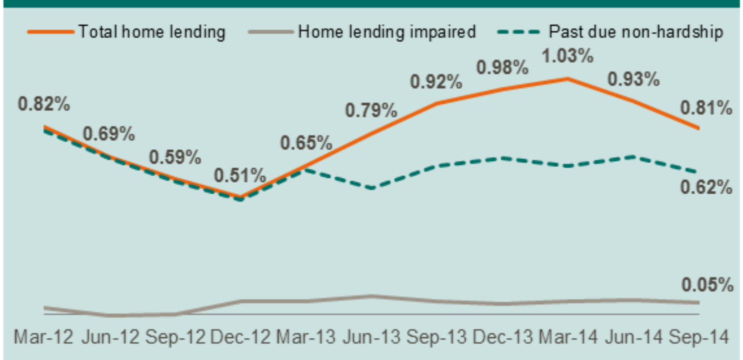
Credit Quality
Past due loans

- Total past due loans declined $16 million or 3.6% to $423 million
- Retail past due experience continues to improve, down $45 million

Past due loans not shown as impaired assets



Past due home loans (% gross home loans)



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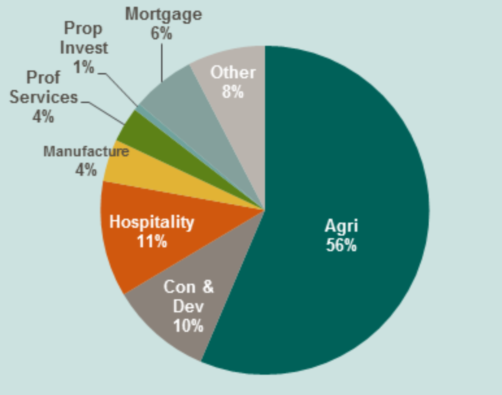
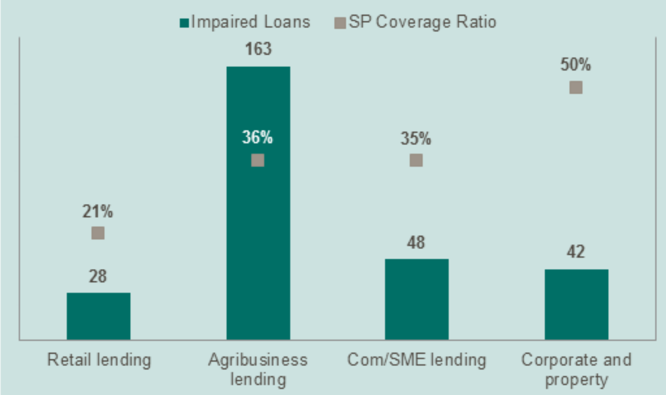
Credit Quality
Gross impaired loans by portfolio & sector

Impaired loans by sector



Provision coverage by portfolio



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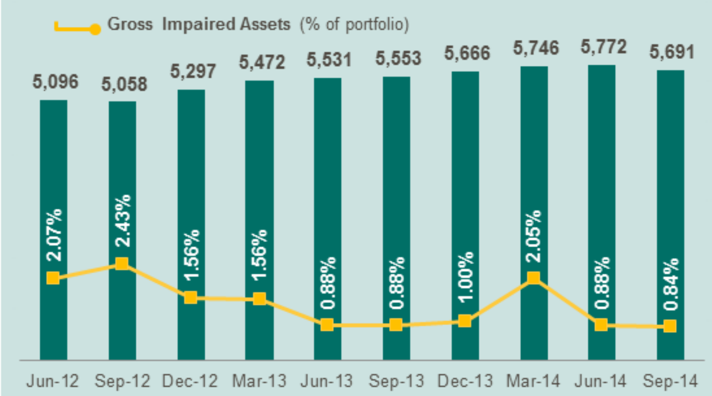
Suncorp Group Limited
Bank APS330 for the quarter ended 30 September 2014

One Company Many Brands SUNCORP GROUP

Credit Quality
Commercial (SME) portfolio

- Commercial (SME) portfolio contracted 3.4% to $5.6 billion
- Credit quality is within risk tolerances with impaired assets declining 5.9%
- The Bank continues to write low-risk, well secured business lending within its target market
- Average loan size is circa $500,000

Commercial portfolio



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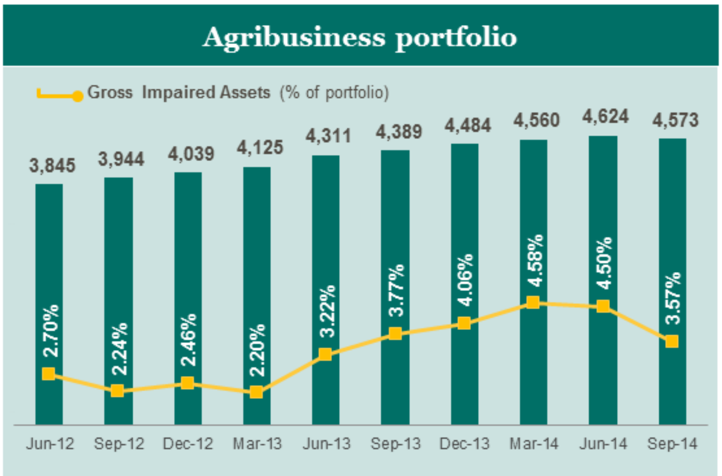
Suncorp Group Limited
Bank APS330 for the quarter ended 30 September 2014

One Company Many Brands SUNCORP GROUP

Credit Quality
Agribusiness portfolio

- Agribusiness portfolio contracted 1.1% to $4.6 billion
- Impaired assets declined 21.6%
- 64% of the Agribusiness portfolio is located in QLD and 28% NSW
- Drought conditions in Queensland and Northern NSW continue to impact real estate prices



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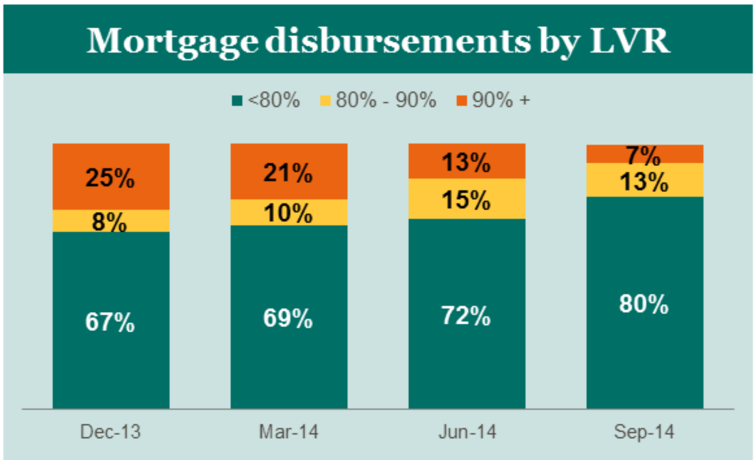
Housing loans
Improved LVR mix

- Steady improvement in home lending portfolio quality
- LVR mix has shifted notably toward sub-80% lending
- 80% of disbursements in September quarter were at or below 80% LVR
- >90% LVR lending has reduced to 7% of total mortgage disbursements



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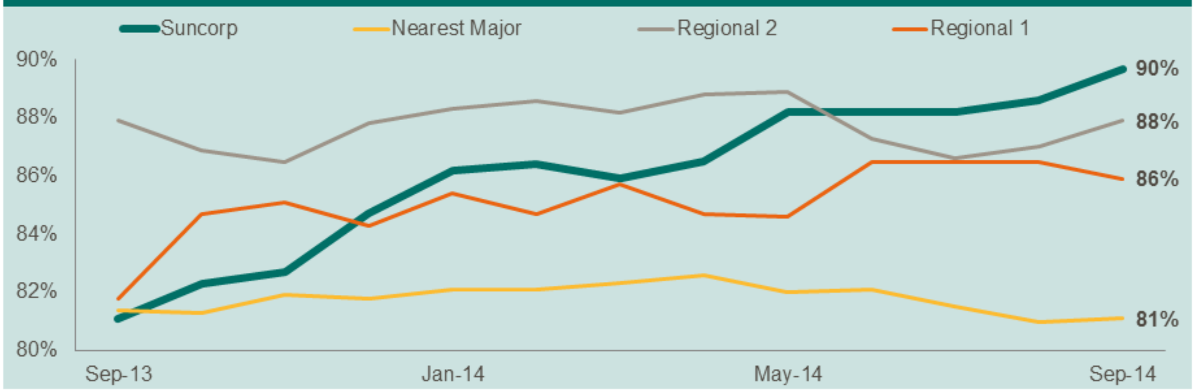
Suncorp Bank
Improved risk culture & Advanced Basel program

- The Bank has focused considerably on building a sustainable risk culture across all aspects of operations through:
  - Strategy and organisation design
  - Building capabilities in people
  - Consistent process and systems
  - Improved focus and oversight on data
  - Clear accountability and reinforcement
- Program Ignite and Advanced Basel remain key strategic priorities for the Bank. Focus remains on investment and development of risk management, capital modelling and stress testing capabilities
- These programs are core enablers to optimise the business and better manage risks

Suncorp Bank
Leading customer satisfaction

Suncorp personal customer satisfaction at 90%



Source: Roy Morgan National Satisfaction data October 2014

Outlook
Medium term focus

Key targets

- NIM **1.75%** to **1.85%**
- Retail deposit to lending ratio **60%** to **70%**
- Disciplined cost management driving **cost to income ratio** towards **50%**
- Sustainable lending growth of **1** to **1.3** times system

Australia's leading regional bank

- Basel II **advanced accreditation**
- New banking platform – Project **Ignite**
- **A+/A1** credit rating
- Excellent customer **satisfaction**

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Appendix 2 - APS 330 tables

TABLE 3: CAPITAL ADEQUACY

	CARRYING VALUE		AVG RISK WEIGHT	RISK-WEIGHTED ASSETS	
	SEP-14	JUN-14	SEP-14	SEP-14	JUN-14
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash Items	684	723	0	3	2
Claims on Australian and foreign Governments	2,261	1,733	-	0	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	4,710	4,162	21	984	891
Claims on securitisation exposures	1,153	1,208	20	231	242
Claims secured against eligible residential mortgages	36,522	36,494	40	14,450	14,553
Past due claims	624	673	96	601	631
Other retail assets	573	568	81	466	458
Corporate	8,752	8,961	100	8,734	8,942
Other assets and claims	159	186	98	156	184
Total Banking assets[1]	55,438	54,708	46	25,625	25,903

(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	
	SEP-14	SEP-14	SEP-14	SEP-14	JUN-14
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	302	299	70	210	208
Commitments to provide loans and advances	7,291	1,770	55	970	975
Foreign exchange contracts	6,199	282	26	73	56
Interest rate contracts	61,849	150	55	82	93
Securitisation exposures	3,006	38	87	33	36
CVA capital charge	-	-	-	141	128
Total off-balance sheet positions	78,646	2,539	59	1,509	1,496
Market risk capital charge				221	333
Operational risk capital charge				3,265	3,265
Total on-balance sheet credit risk-weighted assets				25,625	25,903
Total Assessed Risk				30,620	30,997
Risk-weighted capital ratios				%	%
Common Equity Tier 1				8.70	8.53
Tier 1				10.18	9.99
Tier 2				3.20	3.15
Total risk-weighted capital ratio				13.38	13.14

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 September 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	-	-	-	4,245	200	-	4,445	155	25	4,265	48
Construction & development	-	-	-	668	168	-	836	29	5	802	11
Financial services	676	1,499	5,672	248	188	432	8,715	-	-	8,715	-
Hospitality	-	-	-	1,091	46	-	1,137	33	1	1,103	14
Manufacturing	-	-	-	398	29	-	427	12	15	400	10
Professional services	-	-	-	279	10	-	289	10	1	278	2
Property investment	-	-	-	1,405	78	-	1,483	2	15	1,466	-
Real estate - Mortgage	-	-	-	35,935	1,226	-	37,161	18	313	36,830	4
Personal	-	-	-	413	11	-	424	-	8	416	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	2,099	113	-	2,212	22	40	2,150	13
Total gross credit risk	**676**	**1,499**	**5,672**	**46,782**	**2,069**	**432**	**57,130**	**281**	**423**	**56,426**	**102**
Securitisation Exposures [1]	-	-	1,153	2,883	28	10	4,074	-	-	4,074	-
Total including Securitisation Exposures	**676**	**1,499**	**6,825**	**49,665**	**2,097**	**442**	**61,204**	**281**	**423**	**60,500**	**102**
Impairment provision							(224)	(102)	(31)	(91)	
TOTAL							**60,980**	**179**	**392**	**60,409**	

(1) The securitisation exposures of $2,883 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 30 June 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	-	-	-	4,269	172	-	4,441	197	8	4,236	50
Construction & development	-	-	-	606	142	-	748	36	4	708	12
Financial services	927	1,593	5,292	341	187	358	8,698	-	-	8,698	-
Hospitality	-	-	-	1,002	60	-	1,062	29	-	1,033	11
Manufacturing	-	-	-	364	24	-	388	11	15	362	10
Professional services	-	-	-	258	10	-	268	5	2	261	2
Property investment	-	-	-	1,995	81	-	2,076	12	14	2,050	9
Real estate - Mortgage	-	-	-	35,844	1,237	-	37,081	22	358	36,701	4
Personal	-	-	-	431	10	-	441	-	8	433	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	1,939	109	-	2,048	21	30	1,997	8
Total gross credit risk	**927**	**1,593**	**5,292**	**47,050**	**2,032**	**358**	**57,252**	**333**	**439**	**56,480**	**106**
Securitisation Exposures (1)	-	-	1,208	3,103	30	12	4,353	-	-	4,353	-
Total including Securitisation Exposures	**927**	**1,593**	**6,500**	**50,153**	**2,062**	**370**	**61,605**	**333**	**439**	**60,833**	**106**
Impairment provision							(226)	(106)	(34)	(86)	
TOTAL							**61,379**	**227**	**405**	**60,747**	

(1) The securitisation exposures of $3,103 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 July to 30 September 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	-	-	-	4,257	186	-	4,443	176	17	4,250	48
Construction & development	-	-	-	637	155	-	792	33	5	754	11
Financial services	802	1,546	5,482	294	187	395	8,706	-	-	8,706	-
Hospitality	-	-	-	1,047	53	-	1,100	31	1	1,068	13
Manufacturing	-	-	-	381	27	-	408	12	15	381	10
Professional services	-	-	-	269	10	-	279	8	2	269	2
Property investment	-	-	-	1,700	80	-	1,780	7	15	1,758	5
Real estate - Mortgage	-	-	-	35,890	1,232	-	37,122	20	336	36,766	4
Personal	-	-	-	422	11	-	433	-	8	425	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	2,019	111	-	2,130	22	35	2,073	11
Total gross credit risk	**802**	**1,546**	**5,482**	**46,917**	**2,052**	**395**	**57,194**	**309**	**434**	**56,451**	**104**
Securitisation Exposures [(1)]	-	-	1,181	2,993	29	11	4,214	-	-	4,214	-
Total including Securitisation Exposures	**802**	**1,546**	**6,663**	**49,910**	**2,081**	**406**	**61,408**	**309**	**434**	**60,665**	**104**
Impairment provision							(226)	(104)	(33)	(89)	
TOTAL							**61,182**	**205**	**401**	**60,576**	

(1) The securitisation exposures of $2,993 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 April to 30 June 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	-	-	-	4,228	175	-	4,403	199	9	4,195	46
Construction & development	-	-	-	625	147	-	772	47	10	715	13
Financial services	868	1,603	5,204	330	187	328	8,520	-	-	8,520	-
Hospitality	-	-	-	996	52	-	1,048	32	-	1,016	12
Manufacturing	-	-	-	378	21	-	399	20	15	364	9
Professional services	-	-	-	260	11	-	271	6	2	263	2
Property investment	-	-	-	2,007	84	-	2,091	42	14	2,035	10
Real estate - Mortgage	-	-	-	35,578	1,267	-	36,845	25	376	36,444	5
Personal	-	-	-	439	11	-	450	-	9	441	-
Government/public authorities	-	-	-	1	-	-	1	-	-	1	-
Other commercial & industrial	-	-	-	1,959	117	-	2,076	41	26	2,009	11
Total gross credit risk	**868**	**1,603**	**5,204**	**46,801**	**2,072**	**328**	**56,876**	**412**	**461**	**56,003**	**108**
Securitisation Exposures (1)	-	-	1,269	3,231	32	13	4,545	-	-	4,545	-
Total including Securitisation Exposures	**868**	**1,603**	**6,473**	**50,032**	**2,104**	**341**	**61,421**	**412**	**461**	**60,548**	**108**
Impairment provision							(223)	(109)	(39)	(75)	
TOTAL							**61,198**	**303**	**422**	**60,473**	

(1) The securitisation exposures of $3,231 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 4B: Credit risk by portfolio – 30 September 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	37,161	37,122	18	313	4	1	-
Other retail	424	433	-	8	-	2	-
Financial services	8,715	8,706	-	-	-	-	-
Government and public authorities	1	1	-	-	-	-	-
Corporate and other claims	10,829	10,932	263	102	98	15	-
Total	57,130	57,194	281	423	102	18	-

Table 4B: Credit risk by portfolio – 30 June 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	37,081	36,845	22	358	4	1	-
Other retail	441	450	-	8	-	2	-
Financial services	8,698	8,520	-	-	-	-	-
Government and public authorities	1	1	-	-	-	-	-
Corporate and other claims	11,031	11,060	311	73	102	33	-
Total	57,252	56,876	333	439	106	36	-

Table 4C: General reserves for credit losses

	SEP-14	JUN-14
	$M	$M
Collective provision for impairment	122	120
Ineligible Collective Provisions on Past Due not Impaired	(31)	(34)
Eligible Collective Provisions	91	86
Equity Reserve for credit losses	149	151
General Reserve for Credit losses	240	237

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

	EXPOSURES SECURITISED		RECOGNISED GAIN OR (LOSS) ON SALE	
	SEP-14	JUN-14	SEP-14	JUN-14
	$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
	SEP-14	JUN-14
Exposure type	$M	$M
Debt securities	1,153	1,208
Total on-balance sheet securitisation exposures	1,153	1,208

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

	PRINCIPAL OR NOTIONAL EXPOSURE	PRINCIPAL OR NOTIONAL EXPOSURE
	SEP-14	JUN-14
Exposure type	$M	$M
Liquidity facilities	56	60
Derivative exposures	2,950	3,180
Total off-balance sheet securitisation exposures	3,006	3,240

Appendix 3 – Definitions

Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA
Common Equity Tier 1	Common Equity Tier 1 includes ordinary shareholder equity and retained profits less tier 1 and tier 2 regulatory deductions
Common equity tier 1 ratio	Common Equity tier 1 divided by total assessed risk
Deposit to loan ratio	Total retail deposits divided by total loans and advances, excluding other receivables
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provisions for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
Gross non-performing loans	Gross impaired assets plus past due loans
Impairment losses to gross loans and advances	Impairment losses on loans and advances divided by gross banking loans, advances and other receivables
Impairment losses to risk weighted assets	Impairment losses on loans and advances divided by risk weighted assets
Past due	Loans outstanding for more than 90 days
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Total assessed risk	Risk weighted assets, off balance sheet positions and market risk capital charge and operational risk charge, as defined by APRA