SUNCORP GROUP LIMITED ABN 66 145 290 124

SUNCORP BANK APS330

as at 31 DECEMBER 2016

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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 *Public Disclosure*.

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

Other than statutory information required by a regulator (including APRA), all financial information is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars and have been rounded to the nearest million.

This document has not been audited nor reviewed in accordance with Australian Auditing Standards. It should be read in conjunction with Suncorp Group's consolidated annual and interim financial reports which have been either audited or reviewed in accordance with Australian Auditing Standards.

Figures relate to the quarter ended 31 December 2016 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (ASX).

Disclaimer

This report contains general information which is current as at 9 February 2017. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Suncorp Group and Suncorp Bank or any product or service offered by its entities. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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

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

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Regulatory Capital Reconciliation

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

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

	Balance Sheet per published reviewed Financial Statements DEC-16 $M	Adjustments DEC-16 $M	Balance Sheet under Regulatory Scope of Consolidation DEC-16 $M	Reference
Assets				
Cash and cash equivalents	1,323	-	1,323	
Receivables due from other banks	473	-	473	
Trading securities	1,597	-	1,597	
Derivatives	729	-	729	
Investment securities	5,304	-	5,304	
Investment in regulatory non-consolidated subsidiaries	-	1	1	**(j)**
Loans, advances and other receivables	54,047	(2,008)	52,039	
of which: eligible collective provision component of GRCL in tier 2 capital	-	-	*(80)*	**(o)**
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	-	-	*204*	**(f)**
of which: costs associated with debt raisings in CET1 regulatory adjustments	-	-	*11*	**(g)**
Due from related parties	332	-	332	
Deferred tax assets	48	-	48	
of which: arising from temporary differences included in CET1 regulatory adjustments	-	-	*53*	**(e)**
Other assets	185	(22)	163	
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	-	-	*2*	**(h)**
Goodwill and intangible assets	22	-	22	**(d)**
TOTAL ASSETS	**64,060**	**(2,029)**	**62,031**	
Liabilities				
Payables due to other banks	(512)	-	(512)	
Deposits and short-term borrowings	(46,477)	(13)	(46,490)	
Derivatives	(377)	-	(377)	
Securitisation derivatives in CET1 regulatory adjustments	-	(4)	(4)	**(q)**
Payables and other liabilities	(366)	4	(362)	
Due to related parties	(61)	-	(61)	
Due to regulatory non-consolidated subsidiaries	-	(33)	(33)	
Securitisation liabilities	(2,204)	2,055	(149)	
of which: securitisation start-up costs in CET1 regulatory adjustments	-	-	*4*	**(i)**
Debt issues	(9,585)	-	(9,585)	
Total liabilities excluding loan capital	**(59,582)**	**2,009**	**(57,573)**	
Loan capital				
Subordinated notes	(742)	-	(742)	
of which: directly issued qualifying tier 2 instruments	-	-	*(670)*	**(m)**
of which: directly issued instruments subject to phase out from tier 2	-	-	*(72)*	**(n)**
Total loan capital	**(742)**	**-**	**(742)**	
TOTAL LIABILITIES	**(60,324)**	**2,009**	**(58,315)**	
NET ASSETS	**3,736**	**(20)**	**3,716**	
Equity				
Share capital	(2,648)	-	(2,648)	**(a)**
Capital notes	(450)	-	(450)	**(k)**
Reserves	290	-	290	
of which: equity component of GRCL in tier 2 capital	-	-	*(85)*	**(p)**
of which: AFS reserve	-	-	*(10)*	**(c)**
of which: cash flow hedge reserve	-	-	*13*	**(r)**
Retained profits	(928)	20	(908)	
of which: included in CET1	-	-	*(540)*	**(b)**
TOTAL EQUITY	**(3,736)**	**20**	**(3,716)**	

Regulatory Capital Reconciliation (continued)

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

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

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

	Total Assets DEC-16 $	Total Liabilities DEC-16 $
SPDEF #2 Pty Ltd	1	-

Principal activity:

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

	DEC-16 $M	DEC-16 $M
Suncorp Property Development Equity Fund #2 Unit Trust	18	(1)

Principal activity:

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

Securitisation special purpose vehicles[1]	DEC-16 $M	DEC-16 $M
Apollo Series 2010-1 Trust	188	(188)
Apollo Series 2011-1 Trust	332	(332)
Apollo Series 2012-1 Trust	329	(329)
Apollo Series 2013-1 Trust	428	(428)
Apollo Series 2015-1 Trust	798	(798)

Principal activity:

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

Note

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

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

Table 1: Capital Disclosure Template

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

		DEC-16 $M	Source in Regulatory Capital Reconciliation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	2,648	**(a)**
2	Retained earnings	540	**(b)**
3	Accumulated other comprehensive income (and other reserves)	(3)	**(c)+(r)**
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**3,185**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	22	**(d)**
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	(13)	**(r)**
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit superannuation fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage service rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	*of which: significant investments in the ordinary shares of financial entities*	-	
24	*of which: mortgage servicing rights*	-	
25	*of which: deferred tax assets arising from temporary differences*	-	

Table 1: Capital Disclosure Template (continued)

		DEC-16 $M	Source in Regulatory Capital Reconciliation
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	279	
26a	*of which: treasury shares*	-	
26b	*of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI*	-	
26c	*of which: deferred fee income*	-	
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*	-	
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*	*53*	**(e)**
26f	*of which: capitalised expenses*	*221*	**(f)+(g)+(h)+(i)**
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA requirements*	-	
26h	*of which: covered bonds in excess of asset cover in pools*	-	
26i	*of which: undercapitalisation of a non-consolidated subsidiary*	-	
26j	*of which: other national specific regulatory adjustments not reported in rows 26a to 26i*	*5*	**(j)-(q)**
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common Equity Tier 1**	**288**	
29	**Common Equity Tier 1 Capital (CET1)**	**2,897**	
	Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	450	**(k)**
31	*of which: classified as equity under applicable accounting standards*	*450*	**(k)**
32	*of which: classified as liabilities under applicable accounting standards*	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	*of which: instruments issued by subsidiaries subject to phase out*	-	
36	**Additional Tier 1 Capital before regulatory adjustments**	**450**	
	Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	
41a	*of which: holdings of capital instruments in group members by other group members . on behalf of third parties*	-	
41b	*of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40*	-	
41c	*of which: other national specific regulatory adjustments not reported in rows 41a & 41b*	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**	
44	**Additional Tier 1 capital (AT1)**	**450**	
45	**Tier 1 Capital (T1=CET1+AT1)**	**3,347**	

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Table 1: Capital Disclosure Template (continued)

		DEC-16 $M	Source in Regulatory Capital Reconciliation
	Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	670	**(m)**
47	Directly issued capital instruments subject to phase out from Tier 2	72	**(n)**
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-	
49	*of which: instruments issued by subsidiaries subject to phase out*	-	
50	Provisions	165	**(o)+(p)**
51	**Tier 2 Capital before regulatory adjustments**	**907**	
	Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	
56a	*of which: holdings of capital instruments in group members by other group members on behalf of third parties*	-	
56b	*of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55*	-	
56c	*of which: other national specific regulatory adjustments not reported in rows 56a & 56b*	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**907**	
59	**Total capital (TC=T1+T2)**	**4,254**	
60	**Total risk-weighted assets based on APRA standards**	**31,675**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	9.15%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.57%	
63	Total capital (as a percentage of risk-weighted assets)	13.43%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%	
65	*of which: capital conservation buffer requirement*	*2.50%*	
66	*of which: ADI-specific countercyclical buffer requirements*	-	
67	*of which: G-SIB buffer requirement (not applicable)*		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	9.15%	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		
70	National Tier 1 minimum ratio (if different from Basel III minimum)		
71	National total capital minimum ratio (if different from Basel III minimum)		
	Amount below thresholds for deductions (not risk-weighted)		
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	53	**(e)**

Table 1: Capital Disclosure Template (continued)

		DEC-16 $M	Source in Regulatory Capital Reconciliation
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	165	**(o)+(p)**
77	Cap on inclusion of provisions in Tier 2 under standardised approach	352	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	n/a	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	n/a	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase out arrangements*	-	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	
82	*Current cap on AT1 instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on T2 instruments subject to phase out arrangements*	*113*	
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	-	

Table 2: Main Features of Capital Instruments

Attachment B of APS330 details the continuous disclosure requirements for the main features of all capital instruments included in Suncorp Bank's regulatory capital.

The Suncorp Group's main features of capital instruments are updated on an ongoing basis and are available at www.suncorpgroup.com.au/investors/regulatory-disclosures.

The full terms and conditions of all of Suncorp Group's regulatory capital instruments are available at www.suncorpgroup.com.au/investors/securities [1].

Note

1. The published full terms and conditions represent the comparable capital instruments issued by Suncorp Group Limited to external investors. The terms of these instruments may differ slightly to those instruments issued by the regulatory Level 2 group.

Table 3: Capital Adequacy

	CARRYING VALUE DEC-16 $M	SEP-16 $M	AVG RISK WEIGHT DEC-16 %	RISK-WEIGHTED ASSETS DEC-16 $M	SEP-16 $M
On-balance sheet credit risk-weighted assets					
Cash items	424	435	-	-	2
Claims on Australian and foreign governments	2,951	2,332	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	2,671	2,740	22	593	598
Claims on securitisation exposures	1,094	912	20	219	182
Claims secured against eligible residential mortgages	42,541	42,206	37	15,942	15,863
Past due claims	480	528	94	452	497
Other retail assets	380	412	81	308	339
Corporate	8,620	8,597	100	8,610	8,581
Other assets and claims	337	307	99	335	307
Total banking assets	**59,498**	**58,469**	**44**	**26,459**	**26,369**

	NOTIONAL AMOUNT DEC-16 $M	CREDIT EQUIVALENT DEC-16 $M	AVG RISK WEIGHT DEC-16 %	RISK-WEIGHTED ASSETS DEC-16 $M	SEP-16 $M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	255	254	67	169	165
Commitments to provide loans and advances	8,654	2,462	55	1,344	1,149
Foreign exchange contracts	6,817	173	35	60	52
Interest rate contracts	50,205	78	35	27	42
Securitisation exposures	1,791	58	67	39	25
CVA capital charge	-	-	-	88	74
Total off-balance sheet positions	**67,722**	**3,025**	**57**	**1,727**	**1,507**

	DEC-16 $M	SEP-16 $M
Market risk capital charge	98	87
Operational risk capital charge	3,391	3,351
Total off-balance sheet positions	1,727	1,507
Total on-balance sheet credit risk-weighted assets	26,459	26,369
Total assessed risk	**31,675**	**31,314**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	9.15	8.92
Tier 1	10.57	10.35
Tier 2	2.86	2.90
Total risk-weighted capital ratio	**13.43**	**13.25**

Table 4: Credit Risk

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 December 2016

	Receivables due from other Banks (2)	Trading Securities	Investment Securities	Loans and Advances	Credit Commitments (3)	Derivative Instruments (3)	Total Credit Risk	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,933	222	-	4,155	84	9	4,062	12
Construction & development	-	-	-	521	126	-	647	4	1	642	1
Financial services	473	70	1,985	92	240	251	3,111	-	-	3,111	-
Hospitality	-	-	-	903	51	-	954	31	-	923	14
Manufacturing	-	-	-	250	19	-	269	-	-	269	-
Professional services	-	-	-	239	10	-	249	6	1	242	4
Property investment	-	-	-	2,043	97	-	2,140	8	4	2,128	3
Real estate - Mortgage	-	-	-	42,069	1,784	-	43,853	32	282	43,539	5
Personal	-	-	-	272	5	-	277	2	7	268	1
Government/public authorities	-	1,527	2,225	1	-	-	3,753	-	-	3,753	-
Other commercial & industrial	-	-	-	1,864	162	-	2,026	18	21	1,987	6
Total gross credit risk	473	1,597	4,210	52,187	2,716	251	61,434	185	325	60,924	46
Securitisation exposures [1]	-	-	1,094	2,008	20	38	3,160	-	13	3,147	-
Total including Securitisation exposures	473	1,597	5,304	54,195	2,736	289	64,594	185	338	64,071	46
Impairment provision							(148)	(46)	(22)	(80)	
TOTAL							**64,446**	**139**	**316**	**63,991**	

(1) The securitisation exposures of $2,008 million included under “Loans and advances” qualify for regulatory capital relief under APS 120 and therefore do not contribute to the Bank’s Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120.

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

(3) “Credit commitments” and “Derivative instruments” represent the credit equivalent amount of the Bank’s off-balance sheet exposures calculated in accordance with APS 112.

Table 4: Credit Risk (continued)

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

	Receivables due from other Banks (2)	Trading Securities	Investment Securities	Loans and Advances	Credit Commitments (3)	Derivative Instruments (3)	Total Credit Risk	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,972	193	-	4,165	113	13	4,039	19
Construction & development	-	-	-	538	150	-	688	10	-	678	6
Financial services	579	120	2,159	95	231	245	3,429	-	-	3,429	-
Hospitality	-	-	-	914	41	-	955	33	-	922	13
Manufacturing	-	-	-	257	17	-	274	-	-	274	-
Professional services	-	-	-	247	10	-	257	7	2	248	4
Property investment	-	-	-	2,012	81	-	2,093	5	5	2,083	2
Real estate - Mortgage	-	-	-	41,776	1,365	-	43,141	29	300	42,812	4
Personal	-	-	-	288	6	-	294	4	8	282	3
Government/public authorities	-	1,526	2,252	1	-	-	3,779	-	-	3,779	-
Other commercial & industrial	-	-	-	1,825	154	-	1,979	19	22	1,938	10
Total gross credit risk	**579**	**1,646**	**4,411**	**51,925**	**2,248**	**245**	**61,054**	**220**	**350**	**60,484**	**61**
Securitisation Exposures (1)	-	-	912	2,155	21	8	3,096	-	11	3,085	-
Total including Securitisation Exposures	**579**	**1,646**	**5,323**	**54,080**	**2,269**	**253**	**64,150**	**220**	**361**	**63,569**	**61**
Impairment provision							(164)	(61)	(23)	(80)	
TOTAL							**63,986**	**159**	**338**	**63,489**	

(1) The securitisation exposures of $2,155 million included under “Loans and advances” qualify for regulatory capital relief under APS 120 and therefore do not contribute to the Bank’s Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120.

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

(3) “Credit commitments” and “Derivative instruments” represent the credit equivalent amount of the Bank’s off-balance sheet exposures calculated in accordance with APS 112.

Table 4: Credit Risk (continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2016

	Receivables due from other Banks (2)	Trading Securities	Investment Securities	Loans and Advances	Credit Commitments (3)	Derivative Instruments (3)	Total Credit Risk
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,953	208	-	4,161
Construction & development	-	-	-	530	138	-	668
Financial services	526	95	2,072	94	236	248	3,271
Hospitality	-	-	-	909	46	-	955
Manufacturing	-	-	-	254	18	-	272
Professional services	-	-	-	243	10	-	253
Property investment	-	-	-	2,028	89	-	2,117
Real estate - Mortgage	-	-	-	41,923	1,575	-	43,498
Personal	-	-	-	280	6	-	286
Government/public authorities	-	1,527	2,239	1	-	-	3,767
Other commercial & industrial	-	-	-	1,845	158	-	2,003
Total gross credit risk	526	1,622	4,311	52,060	2,484	248	61,251
Securitisation exposures (1)	-	-	1,003	2,082	21	23	3,129
Total including Securitisation exposures	526	1,622	5,314	54,142	2,505	271	64,380
Impairment provision							(156)
TOTAL							**64,224**

(1) The securitisation exposures of $2,082 million included under “Loans and advances” qualify for regulatory capital relief under APS 120 and therefore do not contribute to the Bank’s Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120.

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

(3) “Credit commitments” and “Derivative instruments” represent the credit equivalent amount of the Bank’s off-balance sheet exposures calculated in accordance with APS 112.

Table 4: Credit Risk (continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 July to 30 September 2016

	Receivables due from other Banks (2)	Trading Securities	Investment Securities	Loans and Advances	Credit Commitments (3)	Derivative Instruments (3)	Total Credit Risk
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	3,962	190	-	4,152
Construction & development	-	-	-	533	138	-	671
Financial services	565	159	2,080	94	202	227	3,327
Hospitality	-	-	-	908	39	-	947
Manufacturing	-	-	-	267	19	-	286
Professional services	-	-	-	250	11	-	261
Property investment	-	-	-	1,983	87	-	2,070
Real estate - Mortgage	-	-	-	41,869	1,517	-	43,386
Personal	-	-	-	300	6	-	306
Government/public authorities	-	1,412	2,270	-	-	-	3,682
Other commercial & industrial	-	-	-	1,792	172	-	1,964
Total gross credit risk	**565**	**1,571**	**4,350**	**51,958**	**2,381**	**227**	**61,052**
Securitisation Exposures (1)	-	-	925	2,232	22	9	3,188
Total including Securitisation Exposures	**565**	**1,571**	**5,275**	**54,190**	**2,403**	**236**	**64,240**
Impairment provision							(164)
TOTAL							**64,076**

(1) The securitisation exposures of $2,232 million included under “Loans and advances” qualify for regulatory capital relief under APS 120 and therefore do not contribute to the Bank’s Total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120.

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

(3) “Credit commitments” and “Derivative instruments” represent the credit equivalent amount of the Bank’s off-balance sheet exposures calculated in accordance with APS 112.

Table 4: Credit Risk (continued)

Table 4B: Credit risk by portfolio – 31 December 2016

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [1]	47,013	46,627	32	295	5	3
Other retail	277	286	2	7	1	-
Financial services	3,111	3,271	-	-	-	-
Government and public authorities	3,753	3,767	-	-	-	-
Corporate and other claims	10,440	10,429	151	36	40	(10)
Total	64,594	64,380	185	338	46	(7)

[1] $3,160 million, $3,129 million and $13 million has been included in Gross Credit Risk Exposure, Average Gross Exposure and Past due not impaired > 90 days respectively to include securitisation exposures.

Table 4B: Credit risk by portfolio – 30 September 2016

	Gross Credit Risk Exposure $M	Average Gross Exposure $M	Impaired Assets $M	Past Due Not Impaired > 90 days $M	Specific Provisions $M	Charges for Specific Provisions & Write Offs $M
Claims secured against eligible residential mortgages [1]	46,237	46,574	29	311	4	1
Other retail	294	306	4	8	3	2
Financial services	3,429	3,327	-	-	-	-
Government and public authorities	3,779	3,682	-	-	-	-
Corporate and other claims	10,411	10,351	187	42	54	12
Total	64,150	64,240	220	361	61	15

[1] $3,096 million, $3,188 million and $11 million has been included in Gross Credit Risk Exposure, Average Gross Exposure and Past due not impaired > 90 days respectively to include securitisation exposures.

Table 4C: General reserves for credit losses

	DEC-16 $M	SEP-16 $M
Collective provision for impairment	102	103
Ineligible collective provisions on Past Due not Impaired	(22)	(23)
Eligible collective provisions	80	80
Equity reserve for credit losses	85	86
General reserve for credit losses	**165**	**166**

Table 5: Securitisation Exposures

Table 5A: Summary of securitisation activity for the period

	Exposures Securitised		Recognised Gain or (Loss) on Sale	
	DEC-16	SEP-16	DEC-16	SEP-16
	$M	$M	$M	$M
Residential mortgages	-	-	-	-
Total exposures securitised during the period	**-**	**-**	**-**	**-**

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

	DEC-16	SEP-16
Exposure type	$M	$M
Debt securities	1,094	912
Total on-balance sheet securitisation exposures	**1,094**	**912**

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

	DEC-16	SEP-16
Exposure type	$M	$M
Liquidity facilities	20	21
Derivative exposures	38	8
Total off-balance sheet securitisation exposures	**58**	**29**

Table 20: Liquidity Coverage Ratio Disclosure

		Total Unweighted Value (Average) DEC-16 $M	Total Weighted Value (Average) DEC-16 $M
	Liquid assets, of which:		
1	High-quality liquid assets (HQLA)		4,677
2	Alternative liquid assets (ALA)		3,896
3	Reserve Bank of New Zealand (RBNZ) securities		-
	Cash outflows		
4	Retail deposits and deposits from small business customers, of which:	19,127	1,492
5	*stable deposits*	*14,808*	*740*
6	*less stable deposits*	*4,319*	*752*
7	Unsecured wholesale funding, of which:	4,396	2,794
8	*operational deposits (all counterparties) and deposits in networks for cooperative*	-	-
9	*non-operational deposits (all counterparties)*	*3,952*	*2,350*
10	*unsecured debt*	*444*	*444*
11	Secured wholesale funding		384
12	Additional requirements, of which	2,860	1,414
13	*outflows related to derivatives exposures and other collateral requirements*	*1,271*	*1,271*
14	*outflows related to loss of funding on debt products*	*52*	*52*
15	*credit and liquidity facilities*	*1,536*	*91*
16	Other contractual funding obligations	1,216	912
17	Other contingent funding obligations	10,696	812
18	**Total cash outflows**		**7,808**
	Cash inflows		
19	Secured lending (e.g. reverse repos)	(482)	-
20	Inflows from fully performing exposures	937	633
21	Other cash inflows	732	732
22	**Total cash inflows**	**1,187**	**1,365**
			Total Adjusted Value
23	**Total liquid assets**		**8,573**
24	**Total net cash outflows**		**6,443**
25	**Liquidity Coverage Ratio (%)**		**133**

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

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

APRA allows locally-incorporated ADI's to establish a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). SML received approval from APRA for a CLF of $3.8 billion for the 2017 calendar year (2016 calendar year: $4.2 billion). The $3.9 billion disclosed as 'Alternative liquid assets' excludes the 'open-repo' of internal self-securitised Residential Mortgage Backed Securities (RMBS) with the RBA, which is considered a utilisation of the CLF and increases the HQLA.

The main contributors to net cash outflows were modelled outflows associated with deposits and unsecured wholesale funding, offset by inflows from maturing loans. The net cash outflow is sought to be minimised by targeting funding with lower LCR runoff rates and managing the maturity profile of wholesale liabilities.

The daily average LCR for the quarter ended 31 December 2016 was 133.1% (in line with daily average LCR for the quarter ended 30 September 2016 of 132.9%). The increase in daily average cash outflows over the quarter was primarily driven by the maturity profile of domestic wholesale liabilities (including $1.1 billion covered bond in December) and an increase in obligations related to lending growth. This was partly offset by lower offshore short term wholesale maturities, with the decision to minimise maturities around US money market reforms. The high-quality liquid assets held over the quarter increased, in line with higher net cash outflow and in anticipation of the lower CLF.

Appendix – Definitions

Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA
Common Equity Tier 1	Common Equity Tier 1 Capital (CET1) comprises accounting equity plus adjustments for intangible assets and regulatory reserves
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by risk weighted assets, as defined by APRA
Credit Value Adjustment (CVA)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA
General Reserve Credit Loss (GRCL)	The general reserve for credit losses is a reserve that covers credit losses prudently estimated but not certain to arise over the full life of all the individual facilities based on guidance provided by APRA
Liquidity coverage ratio	Liquid assets divided by the forecast net cash outflows during a 30-day similated severe stressed liquidity scenario
Past due loans	Loans outstanding for more than 90 days
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA