

1 May 2018

## Suncorp Bank APS330 Update

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Suncorp Group (ASX: SUN) today provided its quarterly update as at 31 March 2018, as required under Australian Prudential Standard 330.

Total lending grew 0.9% over the quarter, representing a moderation in growth compared to the first half of the financial year and contributing to financial year-to-date growth of 5.4%.

Suncorp Banking and Wealth CEO David Carter said the result reflects its commitment to responsible and sustainable lending practices, as well as its focus on enhancing customer experience to drive growth.

“Moderate growth in the home lending portfolio of \$361 million or 0.8% for the quarter, was achieved through our consistent price and service offerings. We remain comfortably within macro-prudential settings,” Mr Carter said.

“We had a strong focus on growth in the first half to provide some additional flexibility, and we remain on target to deliver at, or above system growth for FY18. The major influences on the quarter include seasonal factors, competition, and a noticeable increase in customers completing property sales.

“We will continue to drive sustainable, profitable growth through increased investment in our digital self-service and payment capabilities to better meet customer needs. This includes the recent introduction of two digital wallets, as well as new self-service security features.

“Growth was also achieved in the business lending portfolio. This was primarily within the commercial and small business portfolios, with agribusiness lending returning to growth post the late summer rainfall experienced across many parts of our market.

“Credit quality remains strong with impairment losses for the quarter of \$2 million, or 1 basis point of gross loans and advances (annualised), which is well below the through-the-cycle operating range of 10 to 20 basis points.

“At a time of intense regulatory, political and community scrutiny, Suncorp remains committed to promoting confidence and stability in the Australian banking system and supporting measures that deliver improved customer outcomes.”

The Bank has maintained its measured approach to managing funding and liquidity risk. In line with the broader industry, wholesale funding costs were impacted by the increase in credit spreads, predominately driven by international factors. The Bank’s long-term funding profile assists in mitigating this increase and supports funding stability over time. Suncorp’s NSFR was estimated at 112% as at 31 March 2018.

Following the payment of the 2018 financial year interim dividend to Suncorp Group, Banking’s Common Equity Tier 1 ratio of 8.80% reflects a sound capital position within the operating range of 8.5% to 9.0%.

Subsequent to the end of the March quarter, Suncorp announced a \$1.25bn Residential Mortgage-backed Security (RMBS) transaction, increasing CET1 by approximately 13 basis points.

**Ends**

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SUNCORP GROUP LIMITED ABN 66 145 290 124

# SUNCORP BANK

## APS 330

for the quarter ended  
31 MARCH 2018

RELEASE DATE: 1 MAY 2018



## Basis of preparation

This document has been prepared by Suncorp Bank to meet the disclosure obligations under the Australian Prudential Regulation Authority (**APRA**) Australian Prudential Standard (**APS**) 330 *Public Disclosure*.

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

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

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

Figures relate to the quarter ended 31 March 2018 (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 1 May 2018. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Suncorp Group and Suncorp Bank or any product or service offered by its entities. It is not intended to be relied upon as advice to investors or potential investors, and does not consider the investment objectives, financial situation or needs of any 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

During the March quarter, Suncorp maintained its commitment to responsible and sustainable lending. Lending growth moderated over the quarter with total lending increasing by \$546 million or 0.9%, contributing to financial year-to-date growth of 5.4%. The home lending portfolio grew by \$361 million, up 0.8%, with intense price competition during the period impacting growth. The portfolio remains comfortably within macroprudential limit settings as Suncorp continues to target conservative market segments, support first home owners and maintain strong broker partnerships to enable further geographic diversification. Growth was also achieved in business lending, primarily within the commercial and small business portfolios. Lending to higher risk market segments, such as inner-city apartment developments, continues to be restricted and closely monitored. The Agribusiness portfolio returned to growth towards the end of the quarter as seasonal repayments moderated.

Suncorp continues to maintain disciplined lending practices with sound credit quality over the quarter. Impairment losses of \$2 million, representing 1 basis point of gross loans and advances (annualised), remained below the expected through-the-cycle operating range of 10 to 20 basis points. Gross impaired assets of \$140 million remained broadly stable over the quarter. Past due loans increased \$42 million to \$453 million over the quarter driven by an expected seasonal increase in retail arrears and two mid to large commercial banking customers moving to past due.

Suncorp has maintained a measured approach to managing funding and liquidity risk ensuring a strong and sustainable funding profile that supports balance sheet growth. Suncorp's wholesale funding costs are being impacted by the increase in credit spreads predominately driven by international factors. Suncorp's long-term funding profile assists in mitigating this increase and supports funding stability over time. Suncorp's Net Stable Funding Ratio (**NSFR**) was estimated to be 112% as at 31 March 2018.

Following payment of the 2018 financial year interim dividend to Suncorp Group, Banking's Common Equity Tier 1 (**CET1**) ratio of 8.80% reflects a sound capital position towards the upper end of the operating range of 8.5% to 9.0%.

## Outlook

Suncorp remains committed to maintaining confidence and stability in the Australian banking system and supports measures that deliver improved outcomes for customers. Suncorp will continue to maintain robust risk management practices, while delivering sustainable profitable growth. Suncorp expects lending growth to remain above system growth for the 2018 financial year, albeit moderating from the 1.75x system growth in housing lending as reported in the first half.

Wholesale funding costs widened significantly over the quarter and remain elevated. Suncorp continues to manage its exposure to changes in interest rates within prescribed risk tolerances, via hedging instruments and customer pricing of loans and deposits. Subsequent to the end of the March quarter Suncorp announced a \$1.25 billion Residential Mortgage-backed Security (**RMBS**) transaction. The transaction is expected to benefit CET1 by approximately 13 basis points. Following this issue Suncorp expects net interest margin to be around the mid-point of the 1.80% to 1.90% target range for the full year.

While the continuing benign credit environment will support ongoing low impairment losses, potential impacts from low wage growth and the inherent volatility in agricultural conditions could impact the level of future impairments, which Suncorp continues to monitor closely. Suncorp continues to prepare for the introduction of Australian Accounting Standards Board (**AASB**) 9 and notes the potential for increased volatility in provisions and impairments, in the short term, as banks move to an expected credit loss provision model.

Suncorp is well placed to accommodate industry-wide prudential changes related to APRA's implementation of Unquestionably Strong capital and Basel III revisions.

## Loans and advances

|                                       | Quarter Ended |               |               | Mar-18     | Mar-18     |
|---------------------------------------|---------------|---------------|---------------|------------|------------|
|                                       | Mar-18        | Dec-17        | Mar-17        | vs Dec-17  | vs Mar-17  |
|                                       | \$M           | \$M           | \$M           | %          | %          |
| Housing loans                         | 40,929        | 40,164        | 37,881        | 1.90       | 8.0        |
| Securitised housing loans and covered | 6,372         | 6,776         | 6,376         | (6.0)      | (0.1)      |
| Total housing loans                   | 47,301        | 46,940        | 44,257        | 0.8        | 6.9        |
| Consumer loans                        | 251           | 250           | 259           | 0.4        | (3.1)      |
| Retail loans                          | 47,552        | 47,190        | 44,516        | 0.8        | 6.8        |
| Commercial (SME)                      | 6,300         | 6,160         | 5,479         | 2.3        | 15.0       |
| Agribusiness                          | 4,453         | 4,409         | 4,346         | 1.0        | 2.5        |
| Total business loans                  | 10,753        | 10,569        | 9,825         | 1.7        | 9.4        |
| <b>Total lending</b>                  | <b>58,305</b> | <b>57,759</b> | <b>54,341</b> | <b>0.9</b> | <b>7.3</b> |
| Other lending                         | 13            | 7             | 11            | 85.7       | 18.2       |
| <b>Gross loans and advances</b>       | <b>58,318</b> | <b>57,766</b> | <b>54,352</b> | <b>1.0</b> | <b>7.3</b> |
| Provision for impairment              | (131)         | (131)         | (148)         | -          | (11.5)     |
| <b>Total loans and advances</b>       | <b>58,187</b> | <b>57,635</b> | <b>54,204</b> | <b>1.0</b> | <b>7.3</b> |
| <b>Credit-risk weighted assets</b>    | <b>27,259</b> | <b>26,935</b> | <b>25,758</b> | <b>1.2</b> | <b>5.8</b> |
| <b>Geographical breakdown</b>         |               |               |               |            |            |
| Queensland                            | 30,550        | 30,170        | 28,869        | 1.3        | 5.8        |
| New South Wales                       | 15,533        | 15,372        | 14,046        | 1.0        | 10.6       |
| Victoria                              | 6,119         | 6,071         | 5,608         | 0.8        | 9.1        |
| Western Australia                     | 3,662         | 3,740         | 3,680         | (2.1)      | (0.5)      |
| South Australia and other             | 2,441         | 2,406         | 2,138         | 1.5        | 14.2       |
| Outside of Queensland loans           | 27,755        | 27,589        | 25,472        | 0.6        | 9.0        |
| <b>Total lending</b>                  | <b>58,305</b> | <b>57,759</b> | <b>54,341</b> | <b>0.9</b> | <b>7.3</b> |

## Impairment losses on loans and advances

|   | Quarter Ended |              |              | Mar-18        | Mar-18      |
|---|---------------|--------------|--------------|---------------|-------------|
|   | Mar-18        | Dec-17       | Mar-17       | vs Dec-17     | vs Mar-17   |
|   | \$M           | \$M          | \$M          | %             | %           |
| Collective provision for impairment                               | (1)           | (3)          | -            | (66.7)        | n/a         |
| Specific provision for impairment                                 | 3             | 9            | 4            | (66.7)        | (25.0)      |
| Actual net write-offs   | -             | 2            | 3            | (100.0)       | (100.0)     |
|   | <b>2</b>      | <b>8</b>     | <b>7</b>     | <b>(75.0)</b> | <b>14.3</b> |
| <b>Impairment losses to gross loans and advances (annualised)</b> | <b>0.01%</b>  | <b>0.05%</b> | <b>0.05%</b> |               |             |

## Impaired assets

|  | Quarter Ended |              |              | Mar-18     | Mar-18        |
|--|---------------|--------------|--------------|------------|---------------|
|  | Mar-18        | Dec-17       | Mar-17       | vs Dec-17  | vs Mar-17     |
|  | \$M           | \$M          | \$M          | %          | %             |
| Retail lending   | 49            | 47           | 30           | 4.3        | 63.3          |
| Agribusiness lending                                     | 50            | 50           | 88           | -          | (43.2)        |
| Commercial/SME lending                                   | 41            | 39           | 51           | 5.1        | (19.6)        |
| <b>Gross impaired assets</b>                             | <b>140</b>    | <b>136</b>   | <b>169</b>   | <b>2.9</b> | <b>(17.2)</b> |
| Specific provision for impairment                        | (38)          | (37)         | (46)         | 2.7        | (17.4)        |
| <b>Net impaired assets</b>                               | <b>102</b>    | <b>99</b>    | <b>123</b>   | <b>3.0</b> | <b>(17.1)</b> |
| <b>Gross impaired assets to gross loans and advances</b> | <b>0.24%</b>  | <b>0.24%</b> | <b>0.37%</b> |            |               |

## Non-performing loans

|   | Quarter Ended |            |                  | Mar-18      | Mar-18        |
|---|---------------|------------|------------------|-------------|---------------|
|   | Mar-18        | Dec-17     | Mar-17 vs Dec-17 | vs Dec-17   | vs Mar-17     |
|   | \$M           | \$M        | \$M              | %           | %             |
| <b>Gross balances of individually impaired loans</b>                        |               |            |                  |             |               |
| Gross impaired assets   | 140           | 136        | 169              | 2.9         | (17.2)        |
| Specific provision for impairment   | (38)          | (37)       | (46)             | 2.7         | (17.4)        |
| <b>Net impaired assets</b>  | <b>102</b>    | <b>99</b>  | <b>123</b>       | <b>3.0</b>  | <b>(17.1)</b> |
| <b>Size of gross individually impaired assets</b>                           |               |            |                  |             |               |
| Less than one million   | 47            | 46         | 30               | 2.2         | 56.7          |
| Greater than one million but less than ten million                          | 77            | 74         | 94               | 4.1         | (18.1)        |
| Greater than ten million  | 16            | 16         | 45               | -           | (64.4)        |
|   | 140           | 136        | 169              | 2.9         | (17.2)        |
| <b>Past due loans not shown as impaired assets</b>                          | <b>453</b>    | <b>411</b> | <b>375</b>       | <b>10.2</b> | <b>20.8</b>   |
| <b>Gross non-performing loans</b>   | <b>593</b>    | <b>547</b> | <b>544</b>       | <b>8.4</b>  | <b>9.0</b>    |
| <b>Analysis of movements in gross individually impaired assets</b>          |               |            |                  |             |               |
| Balance at the beginning of the period                                      | 136           | 163        | 185              | (16.6)      | (26.5)        |
| Recognition of new impaired assets  | 22            | 34         | 10               | (35.3)      | 120.0         |
| Increases in previously recognised impaired assets                          | 1             | 1          | 1                | -           | -             |
| Impaired assets written off/sold during the period                          | (1)           | (14)       | (3)              | (92.9)      | (66.7)        |
| Impaired assets which have been reclassified as performing assets or repaid | (18)          | (48)       | (24)             | (62.5)      | (25.0)        |
| <b>Balance at the end of the period</b>                                     | <b>140</b>    | <b>136</b> | <b>169</b>       | <b>2.9</b>  | <b>(17.2)</b> |



## Gross non-performing loans coverage by portfolio

Mar-18

|                        | Past due<br>loans<br>\$M | Impaired<br>assets<br>\$M | Specific<br>provision<br>\$M | Collective<br>provision<br>\$M | ERCL<br>(pre-tax)<br>equivalent<br>\$M | Total<br>provision<br>and ERCL<br>coverage<br>% |
|------------------------|--------------------------|---------------------------|------------------------------|--------------------------------|--|---|
| Retail lending         | 392                      | 49                        | 10                           | 37                             | 51                                     | 22  |
| Agribusiness lending   | 17                       | 50                        | 16                           | 28                             | 19                                     | 94  |
| Commercial/SME lending | 44                       | 41                        | 12                           | 28                             | 49                                     | 105   |
| <b>Total</b>           | <b>453</b>               | <b>140</b>                | <b>38</b>                    | <b>93</b>                      | <b>119</b>                             | <b>42</b>                                       |

Dec-17

|                        | Past due<br>loans<br>\$M | Impaired<br>assets<br>\$M | Specific<br>provision<br>\$M | Collective<br>provision<br>\$M | ERCL<br>(pre-tax)<br>equivalent<br>\$M | Total<br>provision<br>and ERCL<br>coverage<br>% |
|------------------------|--------------------------|---------------------------|------------------------------|--------------------------------|--|---|
| Retail lending         | 360                      | 47                        | 8                            | 35                             | 51                                     | 23  |
| Agribusiness lending   | 20                       | 50                        | 16                           | 33                             | 19                                     | 97  |
| Commercial/SME lending | 31                       | 39                        | 13                           | 26                             | 50                                     | 127   |
| <b>Total</b>           | <b>411</b>               | <b>136</b>                | <b>37</b>                    | <b>94</b>                      | <b>120</b>                             | <b>46</b>                                       |

## Appendix 1 – APS 330 tables

- Table 1: Capital disclosure template – not applicable for this reporting period. This table will be disclosed in the June 2018 reporting period.
- Table 2: Main features of capital instruments
- Table 3: Capital adequacy
- Table 4: Credit risk
- Table 5: Securitisation exposures

### Table 2: Main features of capital instruments

Attachment B of APS 330 details the continuous disclosure requirements for the main features of all capital instruments included in Suncorp Bank's regulatory capital.

The Suncorp Group's main features of capital instruments are updated on an ongoing basis and are available at <http://www.suncorpgroup.com.au/investors/reports>.

The full terms and conditions of all of Suncorp Group's regulatory capital instruments are available at <http://www.suncorpgroup.com.au/investors/securities><sup>1</sup>.

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<sup>1</sup> 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  |                   | Avg risk weight<br>Mar-18<br>% | Risk Weighted Assets |               |
|--|-----------------|-------------------|--------------------------------|----------------------|---------------|
|  | Mar-18          | Dec-17            |                                | Mar-18               | Dec-17        |
|  | \$M             | \$M               |                                | \$M                  | \$M           |
| <b>On-balance sheet credit risk-weighted assets</b>  |                 |                   |                                |                      |               |
| Cash items   | 463             | 399               | 1                              | 6                    | 1             |
| Claims on Australian and foreign governments   | 2,286           | 2,426             | 0                              | -                    | -             |
| Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks | 1,094           | 1,222             | 21                             | 226                  | 259           |
| Claims on securitisation exposures   | 1,292           | 1,345             | 20                             | 259                  | 268           |
| Claims secured against eligible residential mortgages  | 44,077          | 43,462            | 37                             | 16,315               | 16,109        |
| Past due claims  | 544             | 504               | 84                             | 459                  | 422           |
| Other retail assets  | 348             | 359               | 82                             | 285                  | 295           |
| Corporate  | 9,429           | 9,293             | 100                            | 9,420                | 9,285         |
| Other assets and claims  | 290             | 296               | 100                            | 290                  | 296           |
| <b>Total banking assets</b>  | <b>59,823</b>   | <b>59,306</b>     |                                | <b>27,260</b>        | <b>26,935</b> |
|  |                 |                   |                                |                      |               |
|  | Notional amount | Credit equivalent | Avg risk weight<br>Mar-18<br>% | Risk Weighted Assets |               |
|  | Mar-18          | Mar-18            |                                | Mar-18               | Dec-17        |
|  | \$M             | \$M               |                                | \$M                  | \$M           |
| <b>Off-balance sheet positions</b>   |                 |                   |                                |                      |               |
| Guarantees entered into in the normal course of business   | 264             | 262               | 68                             | 177                  | 188           |
| Commitments to provide loans and advances  | 8,627           | 2,236             | 59                             | 1,311                | 1,652         |
| Foreign exchange contracts   | 5,729           | 101               | 32                             | 32                   | 16            |
| Interest rate contracts  | 53,068          | 91                | 29                             | 26                   | 26            |
| Securitisation exposures   | 3,873           | 207               | 20                             | 41                   | 85            |
| CVA capital charge   | -               | -                 | -                              | 152                  | 117           |
| <b>Total off-balance sheet positions</b>   | <b>71,561</b>   | <b>2,897</b>      |                                | <b>1,739</b>         | <b>2,084</b>  |
|  |                 |                   |                                |                      |               |
| Market risk capital charge   |                 |                   |                                | 130                  | 70            |
| Operational risk capital charge  |                 |                   |                                | 3,441                | 3,441         |
| Total off-balance sheet positions  |                 |                   |                                | 1,739                | 2,084         |
| Total on-balance sheet credit risk-weighted assets   |                 |                   |                                | 27,260               | 26,935        |
| <b>Total assessed risk</b>   |                 |                   |                                | <b>32,570</b>        | <b>32,530</b> |
|  |                 |                   |                                |                      |               |
| <b>Risk-weighted capital ratios</b>  |                 |                   |                                | %                    | %             |
| Common Equity Tier 1   |                 |                   |                                | 8.80                 | 8.96          |
| Tier 1   |                 |                   |                                | 10.49                | 10.65         |
| Tier 2   |                 |                   |                                | 2.76                 | 2.77          |
| <b>Total risk-weighted capital ratio</b>   |                 |                   |                                | <b>13.25</b>         | <b>13.42</b>  |

## Table 4: Credit risk

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

|   | Receivables<br>due from<br>other Banks <sup>(2)</sup> | Trading<br>securities | Derivatives | Investment<br>Securities | Loans and<br>Advances | Off-balance<br>sheet<br>exposures<br>(credit<br>equivalent<br>amount) | Total<br>Credit<br>risk <sup>(4)</sup> | Gross<br>impaired<br>Assets | Past due<br>not<br>impaired<br>> 90 days | Total not<br>past due<br>or<br>impaired | Specific<br>provisions <sup>(5)</sup> |
|---|---|-----------------------|-------------|--------------------------|-----------------------|---|--|-----------------------------|--|---|---------------------------------------|
|   | \$M   | \$M                   | \$M         | \$M                      | \$M                   | \$M   | \$M                                    | \$M                         | \$M                                      | \$M                                     | \$M                                   |
| Agribusiness                                    | -   | -                     | -           | -                        | 3,933                 | 231   | 4,164                                  | 45                          | 17                                       | 4,102                                   | 15                                    |
| Construction & development                      | -   | -                     | -           | -                        | 730                   | 203   | 933                                    | -                           | 1  | 932                                     | -                                     |
| Financial services                              | 542   | -                     | 138         | 704                      | 95                    | 379   | 1,858                                  | -                           | 1  | 1,857                                   | -                                     |
| Hospitality                                     | -   | -                     | -           | -                        | 972                   | 68  | 1,040                                  | 25                          | 1  | 1,014                                   | 5                                     |
| Manufacturing                                   | -   | -                     | -           | -                        | 253                   | 21  | 274                                    | 2                           | 3  | 269                                     | -                                     |
| Professional services                           | -   | -                     | -           | -                        | 273                   | 19  | 292                                    | 4                           | 3  | 285                                     | 3                                     |
| Property investment                             | -   | -                     | -           | -                        | 2,365                 | 182   | 2,547                                  | 5                           | 4  | 2,538                                   | 3                                     |
| Real estate - Mortgage                          | -   | -                     | -           | -                        | 43,559                | 1,400   | 44,959                                 | 41                          | 364                                      | 44,554                                  | 6                                     |
| Personal  | -   | -                     | -           | -                        | 258                   | 5   | 263                                    | -                           | 8  | 255                                     | -                                     |
| Government/public authorities                   | -   | 1,607                 | -           | 2,051                    | -                     | -   | 3,658                                  | -                           | -  | 3,658                                   | -                                     |
| Other commercial & industrial                   | -   | -                     | -           | -                        | 2,142                 | 182   | 2,324                                  | 18                          | 30                                       | 2,276                                   | 6                                     |
| <b>Total gross credit risk</b>                  | <b>542</b>  | <b>1,607</b>          | <b>138</b>  | <b>2,755</b>             | <b>54,580</b>         | <b>2,690</b>  | <b>62,312</b>                          | <b>140</b>                  | <b>432</b>                               | <b>61,740</b>                           | <b>38</b>                             |
| Securitisation exposures <sup>(1)</sup>         | -   | -                     | -           | 1,292                    | 3,739                 | 207   | 5,238                                  | -                           | 21                                       | 5,217                                   | -                                     |
| <b>Total including Securitisation exposures</b> | <b>542</b>  | <b>1,607</b>          | <b>138</b>  | <b>4,047</b>             | <b>58,319</b>         | <b>2,897</b>  | <b>67,550</b>                          | <b>140</b>                  | <b>453</b>                               | <b>66,957</b>                           | <b>38</b>                             |
| Impairment provision                            |   |                       |             |                          |                       |   | (131)                                  | (38)                        | (20)                                     | (73)                                    |                                       |
| <b>TOTAL</b>                                    |   |                       |             |                          |                       |   | <b>67,419</b>                          | <b>102</b>                  | <b>433</b>                               | <b>66,884</b>                           |                                       |

<sup>(1)</sup> The securitisation exposures of \$3,739 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

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

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

<sup>(5)</sup> In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent \$38 million specific provisions for accounting purposes plus \$20 million ineligible collective provision.

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

## Table 4: Credit risk (continued)

Table 4A: Credit risk by gross credit exposure – outstanding as at 31 December 2017

|   | Receivables<br>due from<br>other Banks <sup>(2)</sup> | Trading<br>Securities | Derivatives | Investment<br>Securities | Loans and<br>Advances | Off-balance<br>sheet<br>exposures<br>(credit<br>equivalent<br>amount) | Total<br>Credit<br>Risk <sup>(4)</sup> | Gross<br>Impaired<br>Assets | Past due<br>not<br>impaired<br>> 90 days | Total not<br>past due<br>or<br>impaired | Specific<br>Provisions <sup>(5)</sup> |
|---|---|-----------------------|-------------|--------------------------|-----------------------|---|--|-----------------------------|--|---|---------------------------------------|
|   | \$M   | \$M                   | \$M         | \$M                      | \$M                   | \$M   | \$M                                    | \$M                         | \$M                                      | \$M                                     | \$M                                   |
| Agribusiness                                    | -   | -                     | -           | -                        | 3,876                 | 250   | 4,126                                  | 44                          | 19                                       | 4,063                                   | 15                                    |
| Construction & development                      | -   | -                     | -           | -                        | 719                   | 243   | 962                                    | -                           | -  | 962                                     | -                                     |
| Financial services                              | 470   | -                     | 117         | 905                      | 98                    | 377   | 1,967                                  | -                           | 1  | 1,966                                   | -                                     |
| Hospitality                                     | -   | -                     | -           | -                        | 973                   | 51  | 1,024                                  | 21                          | -  | 1,003                                   | 4                                     |
| Manufacturing                                   | -   | -                     | -           | -                        | 259                   | 22  | 281                                    | 2                           | -  | 279                                     | -                                     |
| Professional services                           | -   | -                     | -           | -                        | 280                   | 21  | 301                                    | 3                           | 3  | 295                                     | 3                                     |
| Property investment                             | -   | -                     | -           | -                        | 2,275                 | 159   | 2,434                                  | 5                           | 2  | 2,427                                   | 3                                     |
| Real estate - Mortgage                          | -   | -                     | -           | -                        | 42,958                | 1,867   | 44,825                                 | 40                          | 338                                      | 44,447                                  | 5                                     |
| Personal  | -   | -                     | -           | -                        | 259                   | 5   | 264                                    | -                           | 7  | 257                                     | -                                     |
| Government/public authorities                   | -   | 1,512                 | -           | 2,326                    | -                     | -   | 3,838                                  | -                           | -  | 3,838                                   | -                                     |
| Other commercial & industrial                   | -   | -                     | -           | -                        | 2,093                 | 300   | 2,393                                  | 21                          | 24                                       | 2,348                                   | 7                                     |
| <b>Total gross credit risk</b>                  | <b>470</b>  | <b>1,512</b>          | <b>117</b>  | <b>3,231</b>             | <b>53,790</b>         | <b>3,295</b>  | <b>62,415</b>                          | <b>136</b>                  | <b>394</b>                               | <b>61,885</b>                           | <b>37</b>                             |
| Securitisation Exposures <sup>(1)</sup>         |   |                       |             | 1,345                    | 3,976                 | 135   | 5,456                                  | -                           | 17                                       | 5,439                                   | -                                     |
| <b>Total including securitisation exposures</b> | <b>470</b>  | <b>1,512</b>          | <b>117</b>  | <b>4,576</b>             | <b>57,766</b>         | <b>3,430</b>  | <b>67,871</b>                          | <b>136</b>                  | <b>411</b>                               | <b>67,324</b>                           | <b>37</b>                             |
| Impairment provision                            |   |                       |             |                          |                       |   | (131)                                  | (37)                        | (19)                                     | (75)                                    |                                       |
| <b>TOTAL</b>                                    |   |                       |             |                          |                       |   | <b>67,740</b>                          | <b>99</b>                   | <b>392</b>                               | <b>67,249</b>                           |                                       |

(1) The securitisation exposures of \$3,976 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

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

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

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent \$37 million specific provisions for accounting purposes plus \$19 million ineligible collective provision.

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

## Table 4: Credit risk (continued)

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

|   | Receivables<br>due from other<br>Banks <sup>(2)</sup> | Trading<br>Securities | Derivatives | Investment<br>Securities | Loans and<br>Advances | Off-balance<br>sheet<br>exposures<br>(credit<br>equivalent<br>amount) | Total Credit<br>Risk<br><sup>(4)</sup> |
|---|---|-----------------------|-------------|--------------------------|-----------------------|---|--|
|   | \$M   | \$M                   | \$M         | \$M                      | \$M                   | \$M   | \$M                                    |
| Agribusiness                                    | -   | -                     | -           | -                        | 3,905                 | 241   | 4,146                                  |
| Construction & development                      | -   | -                     | -           | -                        | 725                   | 223   | 948                                    |
| Financial services                              | 506   | -                     | 128         | 805                      | 97                    | 378   | 1,914                                  |
| Hospitality                                     | -   | -                     | -           | -                        | 973                   | 60  | 1,033                                  |
| Manufacturing                                   | -   | -                     | -           | -                        | 256                   | 22  | 278                                    |
| Professional services                           | -   | -                     | -           | -                        | 277                   | 20  | 297                                    |
| Property investment                             | -   | -                     | -           | -                        | 2,320                 | 170   | 2,490                                  |
| Real estate - Mortgage                          | -   | -                     | -           | -                        | 43,258                | 1,633   | 44,891                                 |
| Personal  | -   | -                     | -           | -                        | 259                   | 5   | 264                                    |
| Government/public authorities                   | -   | 1,560                 | -           | 2,189                    | -                     | -   | 3,749                                  |
| Other commercial & industrial                   | -   | -                     | -           | -                        | 2,118                 | 241   | 2,359                                  |
| <b>Total gross credit risk</b>                  | <b>506</b>  | <b>1,560</b>          | <b>128</b>  | <b>2,994</b>             | <b>54,188</b>         | <b>2,993</b>  | <b>62,369</b>                          |
| Securitisation exposures <sup>(1)</sup>         | -   | -                     | -           | 1,319                    | 3,858                 | 138   | 5,315                                  |
| <b>Total including securitisation exposures</b> | <b>506</b>  | <b>1,560</b>          | <b>128</b>  | <b>4,313</b>             | <b>58,046</b>         | <b>3,131</b>  | <b>67,684</b>                          |
| Impairment provision                            |   |                       |             |                          |                       |   | (131)                                  |
| <b>TOTAL</b>                                    |   |                       |             |                          |                       |   | <b>67,553</b>                          |

<sup>(1)</sup> The securitisation exposures of \$3,858 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

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

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

## Table 4: Credit risk (continued)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 October to 31 December 2017

|   | Receivables<br>due from other<br>Banks <sup>(2)</sup> | Trading<br>Securities | Derivatives | Investment<br>Securities | Loans and<br>Advances | Off-balance<br>sheet<br>exposures<br>(credit<br>equivalent<br>amount) | Total Credit<br>Risk<br><sup>(4)</sup> |
|---|---|-----------------------|-------------|--------------------------|-----------------------|---|--|
|   | \$M   | \$M                   | \$M         | \$M                      | \$M                   | \$M   | \$M                                    |
| Agribusiness                                    | -   | -                     | -           | -                        | 3,888                 | 253   | 4,141                                  |
| Construction & development                      | -   | -                     | -           | -                        | 694                   | 252   | 946                                    |
| Financial services                              | 514   | -                     | 133         | 912                      | 98                    | 378   | 2,035                                  |
| Hospitality                                     | -   | -                     | -           | -                        | 972                   | 54  | 1,026                                  |
| Manufacturing                                   | -   | -                     | -           | -                        | 262                   | 22  | 284                                    |
| Professional services                           | -   | -                     | -           | -                        | 282                   | 20  | 302                                    |
| Property investment                             | -   | -                     | -           | -                        | 2,242                 | 153   | 2,395                                  |
| Real estate - Mortgage                          | -   | -                     | -           | -                        | 42,325                | 2,269   | 44,594                                 |
| Personal  | -   | -                     | -           | -                        | 257                   | 5   | 262                                    |
| Government/public authorities                   | -   | 1,549                 | -           | 2,283                    | -                     | -   | 3,832                                  |
| Other commercial & industrial                   | -   | -                     | -           | -                        | 2,081                 | 241   | 2,322                                  |
| <b>Total gross credit risk</b>                  | <b>514</b>  | <b>1,549</b>          | <b>133</b>  | <b>3,195</b>             | <b>53,101</b>         | <b>3,647</b>  | <b>62,139</b>                          |
| Securitisation Exposures <sup>(1)</sup>         | -   | -                     | -           | 1,363                    | 4,107                 | 116   | 5,586                                  |
| <b>Total including securitisation exposures</b> | <b>514</b>  | <b>1,549</b>          | <b>133</b>  | <b>4,558</b>             | <b>57,208</b>         | <b>3,763</b>  | <b>67,725</b>                          |
| Impairment provision                            |   |                       |             |                          |                       |   | (136)                                  |
| <b>TOTAL</b>                                    |   |                       |             |                          |                       |   | <b>67,589</b>                          |

<sup>(1)</sup> The securitisation exposures of \$4,107 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

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

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

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

## Table 4: Credit risk (continued)

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

|   | Gross<br>Credit Risk<br>Exposure<br>\$M | Average<br>Gross<br>Exposure<br>\$M | Impaired<br>Assets<br>\$M | Past due<br>Not<br>Impaired ><br>90 days<br>\$M | Specific<br>Provisions<br>(2)<br>\$M | Charges for<br>Specific<br>Provisions<br>& Write<br>Offs<br>\$M |
|---|---|-------------------------------------|---------------------------|---|--------------------------------------|---|
| Claims secured against eligible residential mortgages | 50,130                                  | 50,206                              | 41                        | 385   | 6                                    | 3   |
| Other retail  | 263                                     | 264                                 | -                         | 8   | -                                    | -   |
| Financial services                                    | 1,858                                   | 1,914                               | -                         | 1   | -                                    | -   |
| Government and public                                 | 3,658                                   | 3,749                               | -                         | -   | -                                    | -   |
| Corporate and other claims                            | 11,574                                  | 11,551                              | 99                        | 59  | 32                                   | -   |
| <b>Total</b>  | <b>67,483</b>                           | <b>67,684</b>                       | <b>140</b>                | <b>453</b>                                      | <b>38</b>                            | <b>3</b>  |

(1) \$5,171 million, \$5,315 million and \$21 million has been included in gross credit risk exposure, average gross exposure and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) In accordance with APS 220, regulatory specific provisions represent \$38 million specific provisions for accounting purposes plus \$20 million ineligible collective provision.

Table 4B: Credit risk by portfolio as at 31 December 2017

|  | Gross<br>Credit Risk<br>Exposure<br>\$M | Average<br>Gross<br>Exposure<br>\$M | Impaired<br>Assets<br>\$M | Past due<br>Not<br>Impaired ><br>90 days<br>\$M | Specific<br>Provisions<br>(2)<br>\$M | Charges<br>for Specific<br>Provisions<br>& Write<br>Offs<br>\$M |
|--|---|-------------------------------------|---------------------------|---|--------------------------------------|---|
| Claims secured against eligible residential mortgages <sup>(1)</sup> | 50,296                                  | 50,187                              | 40                        | 355   | 5                                    | 4   |
| Other retail   | 264                                     | 262                                 | -                         | 7   | -                                    | -   |
| Financial services   | 1,967                                   | 2,035                               | -                         | 1   | -                                    | -   |
| Government and public  | 3,838                                   | 3,832                               | -                         | -   | -                                    | -   |
| Corporate and other claims   | 11,521                                  | 11,416                              | 96                        | 48  | 32                                   | 7   |
| <b>Total</b>   | <b>67,886</b>                           | <b>67,732</b>                       | <b>136</b>                | <b>411</b>                                      | <b>37</b>                            | <b>11</b>   |

(1) \$5,466 million, \$5,590 million and \$17 million has been included in gross credit risk exposure, average gross exposure and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) In accordance with APS 220, regulatory specific provisions represent \$37 million specific provisions for accounting purposes plus \$19 million ineligible collective provision.

## Table 4: Credit risk (continued)

Table 4C: General reserves for credit losses

|   | Mar-18<br>\$M | Dec-17<br>\$M |
|---|---------------|---------------|
| Collective provision for impairment                       | 93            | 94            |
| Ineligible collective provisions on past due not impaired | (20)          | (19)          |
| Eligible collective provisions                            | 73            | 75            |
| Equity reserve for credit losses                          | 83            | 84            |
| <b>General reserve for credit losses</b>                  | <b>156</b>    | <b>159</b>    |

## Table 5: Securitisation exposures

### Table 5A: Summary of securitisation activity for the period

During the quarter ending 31 March 2018, there was no securitisation activity (quarter ending 31 December 2017: nil).

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

| <b>Exposure type</b>                                   | <b>Mar-18</b> | <b>Dec-17</b> |
|--|---------------|---------------|
|  | <b>\$M</b>    | <b>\$M</b>    |
| Debt securities  | 1,292         | 1,345         |
| <b>Total on-balance sheet securitisation exposures</b> | <b>1,292</b>  | <b>1,345</b>  |

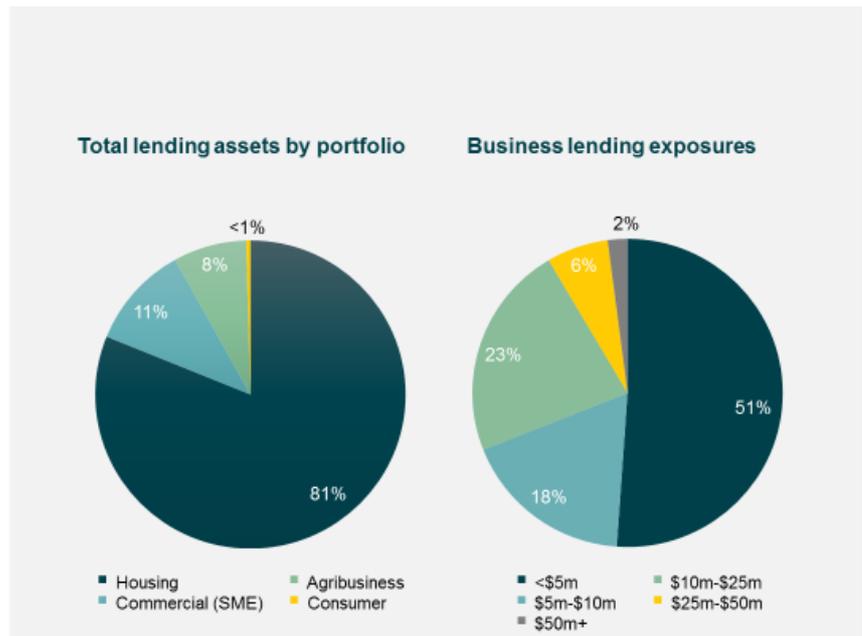
### Table 5B(ii): Aggregate of off-balance sheet securitisation exposures by exposure type

| <b>Exposure type</b>                                    | <b>Mar-18</b> | <b>Dec-17</b> |
|---|---------------|---------------|
|   | <b>\$M</b>    | <b>\$M</b>    |
| Liquidity facilities                                    | 67            | 50            |
| Derivative exposures                                    | 140           | 100           |
| <b>Total off-balance sheet securitisation exposures</b> | <b>207</b>    | <b>150</b>    |

## Appendix 2 – Slide Pack

### Total lending portfolio

- Total lending assets grew \$546 million to \$58.3 billion over the quarter.
- 69% of business lending exposures are less than \$10 million.



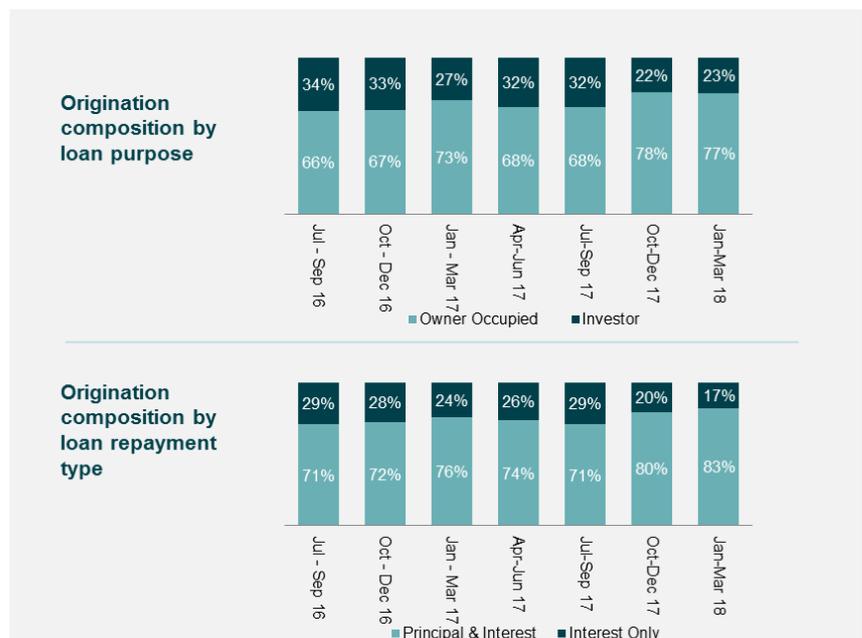
APS330

for the quarter ended 31 March 2018

1

### Home lending portfolio

- Home lending grew \$361 million over the quarter to \$47.3 billion, with a sustained focus on high quality lending.
- 77% of new business home lending during the quarter was to owner occupiers.
- Annual investor lending growth of 6.6%<sup>1</sup> and new business interest-only lending of 17% over the quarter place the Bank within APRA's supervisory measures.



<sup>1</sup>As at 31 March 2018



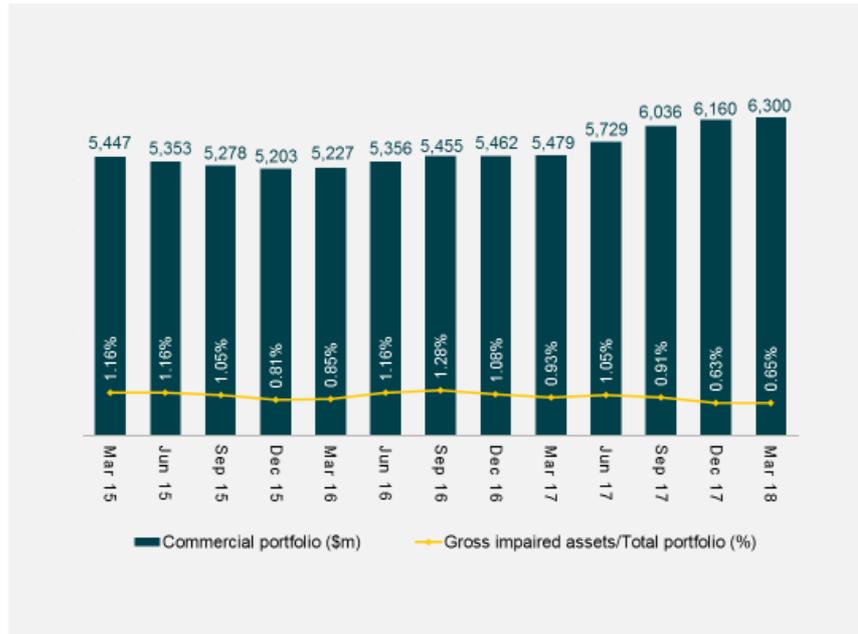
APS330

for the quarter ended 31 March 2018

2

### Commercial (SME) portfolio

- Portfolio growth of \$140 million to \$6.3 billion over the quarter.
- Impaired assets continue to track below historical levels.



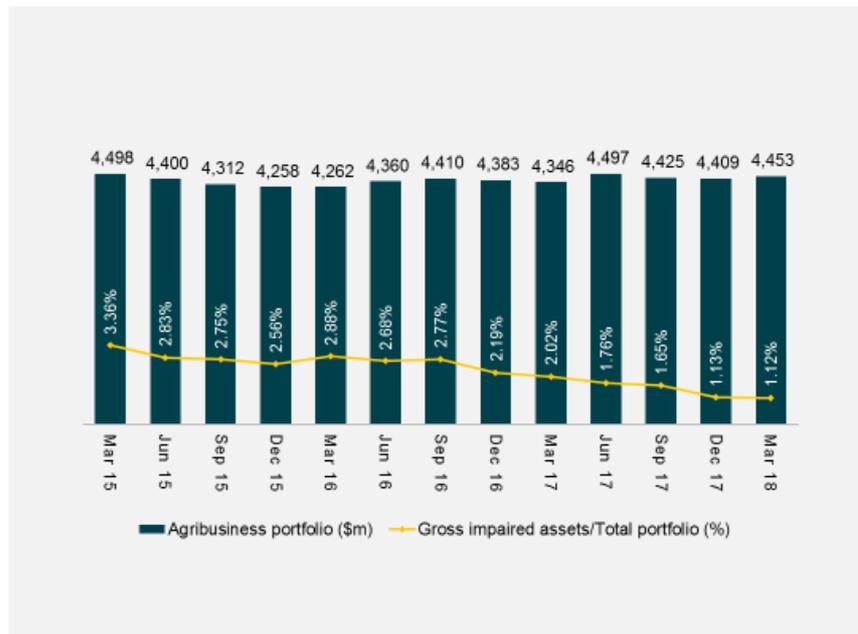
APS330

for the quarter ended 31 March 2018

3

### Agribusiness portfolio

- Portfolio growth of \$44 million to \$4.5 billion over the quarter.
- Impaired assets continue to be low. Recent widespread rainfall in many parts of Qld and NSW has resulted in an optimistic outlook for forthcoming winter crops and pasture regrowth.



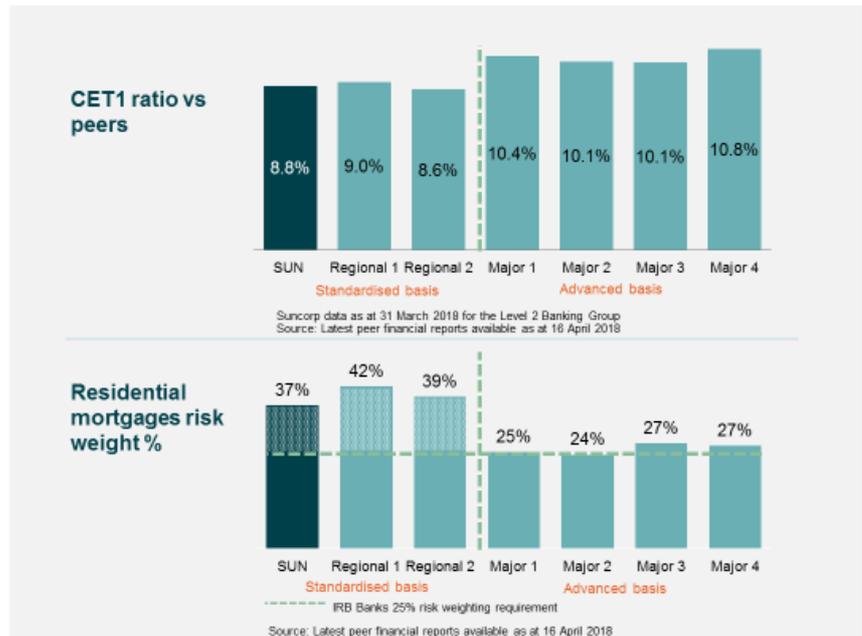
APS330

for the quarter ended 31 March 2018

4

### Capital

- Robust capital levels maintained to support growth.
- Well positioned for Basel III and 'Unquestionably Strong' regulatory changes.



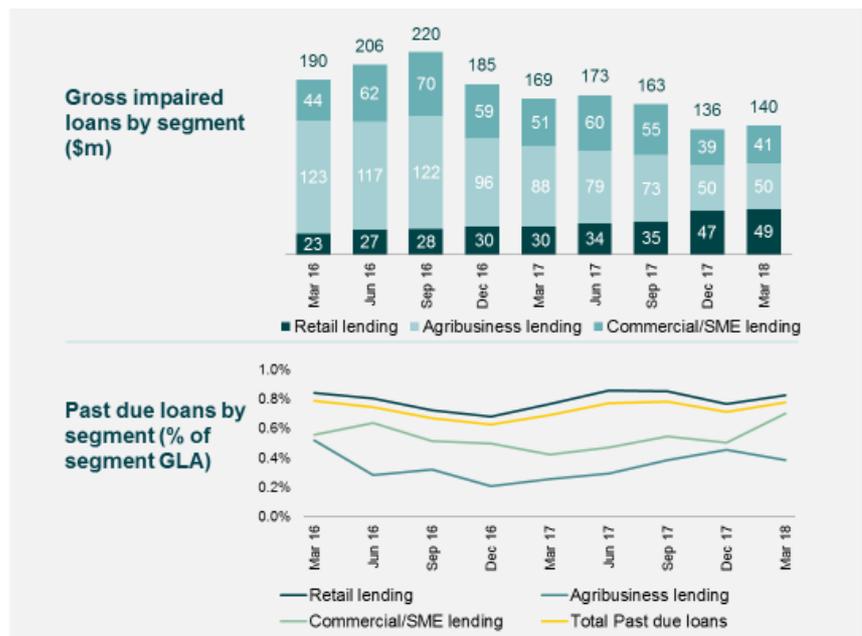
APS330

for the quarter ended 31 March 2018

5

### Credit quality

- Gross impaired assets for agribusiness and commercial/SME lending were stable over the quarter following material reductions in aged impaired exposures over the last 12-18 months.
- Past due loans increased during the quarter from the expected seasonal post-Christmas increase in retail arrears, and two mid to large commercial banking customers moving to past due.



APS330

for the quarter ended 31 March 2018

6

### Credit quality

- Impairment losses remain below peers and the through-the-cycle operating range of 10 to 20 basis points of gross loans & advances.

Source: Latest peer financial reports available



APS330

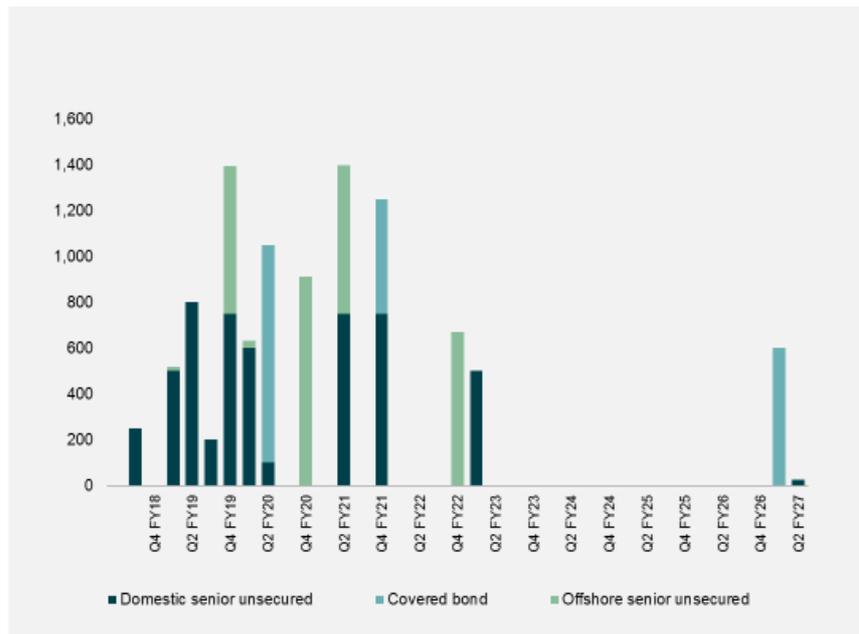
for the quarter ended 31 March 2018

7

### Long-term funding profile (\$m)

- Executed \$4.2 billion in term wholesale issuance over financial year to-date at a weighted average term of 3.3 years. This included issuance under domestic and offshore senior unsecured, covered bond and RMBS programs.
- The weighted average term remaining of Banking's long-term wholesale portfolio is 2.7 years.

Maturity profile shown on a quarterly basis.



APS330

for the quarter ended 31 March 2018

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## 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 capital ( <b>CET1</b> ) 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 ( <b>CVA</b> )      | 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 ( <b>GRCL</b> ) | 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 simulated 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   |