SUNCORP GROUP LIMITED

SUNCORP BANK

APS 330

FOR THE QUARTER ENDED 31 DECEMBER 2018

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SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

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

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

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

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

Figures relate to the quarter ended 31 December 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 14 February 2019. It is information given in summary form and does not purport to be complete.

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

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

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

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REGULATORY CAPITAL RECONCILIATION

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

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

	Per table 1 Capital Disclosure	Statutory Dec-18 $M	Adjustments Dec-18 $M	Regulatory Dec-18 $M
Assets				
Cash and cash equivalents		1,124	(2)	1,122
Receivables due from other banks		351	-	351
Trading securities		1,540	-	1,540
Derivatives		381	-	381
Investment securities		3,972	-	3,972
Investment in regulatory non-consolidated subsidiaries	(i)	-	-	-
Loans and advances		59,031	(4,182)	54,849
of which: eligible collective provision component of GRCL in tier 2 capital	(o)	-	-	41
of which: loan and lease origination fees and commissions paid to mortgage originators and brokers in CET1 regulatory adjustments	(f)	-	-	211
of which: costs associated with debt raisings in CET1 regulatory adjustments	(g)	-	-	13
Due from related parties		370	-	370
Deferred tax assets		47	-	47
of which: arising from temporary differences included in CET1 regulatory adjustments	(e)	-	-	*42*
Goodwill	(d)	21	-	21
Other assets		163	(31)	132
Total assets		**67,000**	**(4,215)**	**62,785**
Liabilities				
Payables due to other banks		273	-	273
Deposits and short-term borrowings		46,633	(5)	46,628
Derivatives		173	-	173
Payables and other liabilities		340	(7)	333
Due to related parties		73	-	73
Due to regulatory non-consolidated subsidiaries		-	67	67
Securitisation liabilities		4,278	(4,263)	15
of which: securitisation start-up costs in CET1 regulatory adjustments	(h)	-	-	*7*
Debt issues		10,602	-	10,602
Subordinated notes		672	-	672
of which: directly issued qualifying tier 2 instruments	(k)	-	-	*600*
of which: directly issued instruments subject to phase out from tier 2	(l)	-	-	*72*
Total liabilities		**63,044**	**(4,208)**	**58,836**
Net assets		**3,956**	**(7)**	**3,949**
Equity				
Share capital	(a)	2,648	-	2,648
Capital notes	(j)	550	-	550
Reserves		(267)	-	(267)
of which: equity component of GRCL in tier 2 capital	(m)	-	-	*111*
of which: FVOCI reserve	(c)	-	-	*7*
of which: cash flow hedge reserve	(n)	-	-	*(13)*
Retained profits		1,025	(7)	1,018
of which: included in CET1	(b)	-	-	*645*
Total equity attributable to owners of the Company		**3,956**	**(7)**	**3,949**

REGULATORY CAPITAL RECONCILIATION (CONTINUED)

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

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

	Total assets Dec-18 $	Total liabilities Dec-18 $
SPDEF #2 Pty Ltd	1	-

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

	Total assets Dec-18 $M	Total liabilities Dec-18 $M
Suncorp Property Development Equity Fund #2 Unit Trust	8	0

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

	Total assets Dec-18 $M	Total liabilities Dec-18 $M
Securitisation special purpose vehicles (1)		
Apollo Series 2010-1 Trust	123	123
Apollo Series 2011-1 Trust	203	203
Apollo Series 2012-1 Trust	210	210
Apollo Series 2013-1 Trust	279	279
Apollo Series 2015-1 Trust	501	501
Apollo Series 2017-1 Trust	783	783
Apollo Series 2017-2 Trust	1,104	1,104
Apollo Series 2018-1 Trust	1,067	1,067

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

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

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

TABLE 1: CAPITAL DISCLOSURE TEMPLATE

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

		Per Regulatory Capital Reconciliation	Dec-18 $M
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities)	(a)	2,648
2	Retained earnings	(b)	645
3	Accumulated other comprehensive income (and other reserves)	(c)+(n)	(5)
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**		**3,287**
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	(d)	21
9	Other intangibles other than mortgage servicing rights (net of related tax liability)		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
11	Cash-flow hedge reserve	(n)	(13)
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		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage service rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	*of which: significant investments in the ordinary shares of financial entities*		
24	*of which: mortgage servicing rights*		
25	*of which: deferred tax assets arising from temporary differences*		
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)		274
26a	*of which: treasury shares*		
26b	*of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI*		
26c	*of which: deferred fee income*		
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*		
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*	(e)	42
26f	*of which: capitalised expenses*	(f)+(g)+(h)	231
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA requirements*	(i)	-
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*		1
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common Equity Tier 1**		**283**
29	**Common Equity Tier 1 Capital (CET1)**		**3,004**

		Per Regulatory Capital Reconciliation	Dec-18 $M
	Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments		550
31	*of which: classified as equity under applicable accounting standards*	(j)	550
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**		**550**
	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*		
41b	*of which: investments in the capital of financial institutions that are outside the scope*		
41c	*of which: other national specific regulatory adjustments not reported in rows 41a &*		
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)**		**550**
45	**Tier 1 Capital (T1=CET1+AT1)**		**3,554**
	Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	(k)	600
47	Directly issued capital instruments subject to phase out from Tier 2	(l)	72
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)		
49	*of which: instruments issued by subsidiaries subject to phase out*		
50	Provisions	(m)+(o)	152
51	**Tier 2 Capital before regulatory adjustments**		**824**
	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)**		**824**
59	**Total capital (TC=T1+T2)**		**4,378**
60	**Total risk-weighted assets based on APRA standards**		**32,865**

		Per Regulatory Capital Reconciliation	Dec-18 $M
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)		*9.14%*
62	Tier 1 (as a percentage of risk-weighted assets)		*10.81%*
63	Total capital (as a percentage of risk-weighted assets)		*13.32%*
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)		*9.14%*
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		
70	National Tier 1 minimum ratio (if different from Basel III minimum)		
71	National total capital minimum ratio (if different from Basel III minimum)		
	Amount below thresholds for deductions (not risk-weighted)		
72	Non-significant investments in the capital of other financial entities		
73	Significant investments in the ordinary shares of financial entities		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	(e)	42
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	(m)+(o)	152
77	Cap on inclusion of provisions in Tier 2 under standardised approach		366
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase out arrangements*		
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
82	*Current cap on AT1 instruments subject to phase out arrangements*		
83	*Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)*		
84	*Current cap on T2 instruments subject to phase out arrangements*		76
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*		

TABLE 2: MAIN FEATURES OF CAPITAL INSTRUMENTS

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

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

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

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

TABLE 3: CAPITAL ADEQUACY

	Carrying value		Avg risk weight	Risk Weighted Assets	
	Dec-18	Sep-18	Dec-18	Dec-18	Sep-18
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	369	447	-	-	12
Claims on Australian and foreign governments	2,905	2,656	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	1,027	987	29	294	268
Claims on securitisation exposures	1,117	1,127	19	214	222
Claims secured against eligible residential mortgages	44,277	43,950	37	16,309	16,219
Past due claims	629	632	82	518	508
Other retail assets	244	270	98	238	263
Corporate	9,632	9,463	100	9,622	9,451
Other assets and claims	390	405	100	389	405
Total banking assets	**60,590**	**59,937**		**27,584**	**27,348**

	Notional amount	Credit equivalent	Avg risk weight	Risk Weighted Assets	
	Dec-18	Dec-18	Dec-18	Dec-18	Sep-18
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	283	283	70	197	195
Commitments to provide loans and advances	8,582	2,049	62	1,272	1,474
Foreign exchange contracts	5,585	116	27	31	34
Interest rate contracts	50,255	71	38	27	23
Securitisation exposures	4,333	181	20	36	32
CVA capital charge	-	-	-	121	117
Total off-balance sheet positions	**69,038**	**2,700**		**1,684**	**1,875**

	Dec-18	Sep-18
Market risk capital charge	85	101
Operational risk capital charge	3,512	3,473
Total off-balance sheet positions	1,684	1,875
Total on-balance sheet credit risk-weighted assets	27,584	27,348
Total assessed risk	**32,865**	**32,797**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	9.14	8.89
Tier 1	10.81	10.56
Tier 2	2.50	2.71
Total risk-weighted capital ratio	**13.32**	**13.28**

TABLE 4: CREDIT RISK

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

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions [5]
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,862	232	4,094	37	14	4,043	10
Construction & development	-	-	-	-	767	265	1,032	7	5	1,020	1
Financial services	351	-	187	899	99	349	1,885	-	-	1,885	-
Hospitality	-	-	-	-	1,001	71	1,072	27	1	1,044	7
Manufacturing	-	-	-	-	231	24	255	4	1	250	-
Professional services	-	-	-	-	306	18	324	2	1	321	1
Property investment	-	-	-	-	2,676	127	2,803	1	3	2,799	1
Real estate - Mortgage	-	-	-	-	43,799	1,064	44,863	59	441	44,363	8
Personal	-	-	-	-	168	4	172	1	5	166	-
Government/public authorities	-	1,540	-	1,956	-	-	3,496	-	-	3,496	-
Other commercial & industrial [6]	-	-	-	-	2,085	179	2,264	25	19	2,220	6
Total gross credit risk	**351**	**1,540**	**187**	**2,855**	**54,994**	**2,333**	**62,260**	**163**	**490**	**61,607**	**34**
Securitisation exposures [1]	-	-	108	1,117	4,182	73	5,480	1	34	5,445	-
Total including securitisation exposures	**351**	**1,540**	**295**	**3,972**	**59,176**	**2,406**	**67,740**	**164**	**524**	**67,052**	**34**
Impairment provision							(145)	(34)	(33)	(78)	
Total							**67,595**	**130**	**491**	**66,974**	

(1) The securitisation exposures of $4,182 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 $34 million specific provisions for accounting purposes plus $70 million ineligible collective provision. The ineligible collective provision is split between Past due not impaired > 90 days ($33 million) and Total not past due or impaired ($37 million), in accordance with Expected Credit Loss (ECL) stages under AASB 9 *Financial Instruments*.

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

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 September 2018

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions [5]
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,848	225	4,073	37	20	4,016	13
Construction & development	-	-	-	-	770	288	1,058	3	2	1,053	1
Financial services	451	-	214	809	87	341	1,902	-	-	1,902	-
Hospitality	-	-	-	-	993	80	1,073	27	1	1,045	7
Manufacturing	-	-	-	-	233	24	257	3	2	252	-
Professional services	-	-	-	-	303	19	322	1	2	319	1
Property investment	-	-	-	-	2,521	134	2,655	2	2	2,651	2
Real estate - Mortgage	-	-	-	-	43,522	1,464	44,986	40	472	44,474	8
Personal	-	-	-	-	174	4	178	-	5	173	-
Government/public authorities	-	1,538	-	2,120	-	-	3,658	-	-	3,658	-
Other commercial & industrial [6]	-	-	-	-	2,090	190	2,280	26	14	2,240	6
Total gross credit risk	**451**	**1,538**	**214**	**2,929**	**54,541**	**2,769**	**62,442**	**139**	**520**	**61,783**	**38**
Securitisation exposures [1]	-	-	82	1,127	4,454	77	5,740	1	34	5,705	-
Total including securitisation exposures	**451**	**1,538**	**296**	**4,056**	**58,995**	**2,846**	**68,182**	**140**	**554**	**67,488**	**38**
Impairment provision							(143)	(38)	(25)	(80)	
Total							**68,039**	**102**	**529**	**67,408**	

(1) The securitisation exposures of $4,454 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 $38 million specific provisions for accounting purposes plus $60 million ineligible collective provision. . The ineligible collective provision is split between Past due not impaired > 90 days ($25 million) and Total not past due or impaired ($35 million), in accordance with Expected Credit Loss (ECL) stages under AASB 9 *Financial Instruments*. The collective provision reported under Past due not impaired > 90 days was originally reported as $60 million in the September 2018 APS 330. This number has been updated to reflect the ECL stages.

(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 October to 31 December 2018

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,855	229	4,084
Construction & development	-	-	-	-	769	277	1,046
Financial services	401	-	201	854	93	345	1,894
Hospitality	-	-	-	-	997	76	1,073
Manufacturing	-	-	-	-	232	24	256
Professional services	-	-	-	-	305	19	324
Property investment	-	-	-	-	2,599	131	2,730
Real estate - Mortgage	-	-	-	-	43,661	1,264	44,925
Personal	-	-	-	-	171	4	175
Government/public authorities	-	1,539	-	2,038	-	-	3,577
Other commercial & industrial	-	-	-	-	2,088	185	2,273
Total gross credit risk	**401**	**1,539**	**201**	**2,892**	**54,770**	**2,554**	**62,357**
Securitisation exposures [1]	-	-	95	1,122	4,318	75	5,610
Total including securitisation exposures	**401**	**1,539**	**296**	**4,014**	**59,088**	**2,629**	**67,967**
Impairment provision							(144)
Total							**67,823**

[1] The securitisation exposures of $4,318 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.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 July to 30 September 2018

	Receivables due from other Banks [(2)]	Trading Securities	Derivatives [(3)]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [(3)]	Total Credit Risk [(4)]
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,931	211	4,142
Construction & development	-	-	-	-	751	270	1,021
Financial services	463	-	208	750	90	257	1,768
Hospitality	-	-	-	-	990	88	1,078
Manufacturing	-	-	-	-	234	24	258
Professional services	-	-	-	-	291	18	309
Property investment	-	-	-	-	2,485	128	2,613
Real estate - Mortgage	-	-	-	-	43,202	1,474	44,676
Personal	-	-	-	-	178	5	183
Government/public authorities	-	1,589	-	2,123	-	-	3,712
Other commercial & industrial	-	-	-	-	2,121	199	2,320
Total gross credit risk	**463**	**1,589**	**208**	**2,873**	**54,273**	**2,674**	**62,080**
Securitisation exposures [(1)]	-	-	91	1,185	4,591	80	5,947
Total including securitisation exposures	**463**	**1,589**	**299**	**4,058**	**58,864**	**2,754**	**68,027**
Impairment provision							(137)
Total							**67,890**

(1) The securitisation exposures of $4,591 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.

TABLE 4: CREDIT RISK (CONTINUED)

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

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past due Not Impaired > 90 days	Specific Provisions (2)	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages (1)	50,343	50,535	60	475	8	3
Other retail	172	175	1	5	-	-
Financial services	1,885	1,894	-	-	-	-
Government and public authorities	3,496	3,577	-	-	-	-
Corporate and other claims	11,844	11,786	103	44	26	1
Total	**67,740**	**67,967**	**164**	**524**	**34**	**4**

(1) $5,480 million, $5,610 million, $1 million and $34 million has been included in gross credit risk exposure, average gross exposure, gross impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $34 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $70 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $104 million.

Table 4B: Credit risk by portfolio as at 30 September 2018

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past due Not Impaired > 90 days	Specific Provisions (2)	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages (1)	50,726	50,623	41	506	8	2
Other retail	178	183	-	5	-	1
Financial services	1,902	1,768	-	-	-	-
Government and public authorities	3,658	3,712	-	-	-	-
Corporate and other claims	11,718	11,741	99	43	30	-
Total	**68,182**	**68,027**	**140**	**554**	**38**	**3**

(1) $5,740 million, $5,947 million, $1 million and $34 million has been included in gross credit risk exposure, average gross exposure, gross impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $38 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $60 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $98 million.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Dec-18 $M	Sep-18 $M
Collective provision for impairment	111	105
Ineligible collective provisions	(70)	(60)
Eligible collective provisions	41	45
Equity reserve for credit losses	111	103
General reserve for credit losses	**152**	**148**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 31 December 2018, there was no securitisation activity (quarter ending 30 September 2018: Nil).

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

	Dec-18	Sep-18
Exposure type	$M	$M
Debt securities	1,117	1,127
Total on-balance sheet securitisation exposures	**1,117**	**1,127**

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

	Dec-18	Sep-18
Exposure type	$M	$M
Liquidity facilities	73	77
Derivative exposures	108	82
Total off-balance sheet securitisation exposures	**181**	**159**

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Dec-18 $M	Total Weighted Value (Average) Dec-18 $M	Total Unweighted Value (Average) Sep-18 $M	Total Weighted Value (Average) Sep-18 $M	Total Unweighted Value (Average) Jun-18 $M	Total Weighted Value (Average) Jun-18 $M
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,265		4,181		4,306
Alternative liquid assets (**ALA**)		4,398		4,399		4,400
Cash outflows				-		-
Retail deposits and deposits from small business customers, of which:	21,263	1,851	21,153	1,831	20,820	1,810
stable deposits	*14,629*	*731*	*14,478*	*724*	*14,245*	*712*
less stable deposits	*6,634*	*1,120*	*6,675*	*1,107*	*6,575*	*1,098*
Unsecured wholesale funding, of which:	4,605	3,400	4,651	3,210	4,764	3,407
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*2,881*	*1,676*	*3,224*	*1,783*	*3,128*	*1,771*
unsecured debt	*1,724*	*1,724*	*1,427*	*1,427*	*1,636*	*1,636*
Secured wholesale funding		5	-	7	-	4
Additional requirements, of which:	7,992	1,400	7,858	1,323	8,049	1,654
outflows related to derivatives exposures and other collateral requirements	*1,030*	*1,030*	*954*	*954*	*1,298*	*1,298*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*6,962*	*370*	*6,904*	*369*	*6,751*	*356*
Other contractual funding obligations	781	509	832	570	774	503
Other contingent funding obligations	6,911	567	7,764	757	8,321	654
Total cash outflows		**7,732**	-	**7,698**	-	**8,032**
Cash inflows						
Secured lending (e.g. reverse repos)	299	-	177	-	252	-
Inflows from fully performing exposures	691	419	665	403	800	529
Other cash inflows	711	711	590	590	617	617
Total cash inflows	**1,701**	**1,130**	**1,432**	**993**	**1,669**	**1,146**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		**8,663**		**8,580**		**8,705**
Total net cash outflows		**6,602**		**6,705**		**6,886**
Liquidity Coverage Ratio (%)		**131**		**128**		**126**

The Liquidity Coverage Ratio (**LCR**) promotes shorter-term resilience by requiring ADIs to maintain sufficient qualifying High Quality Liquid Assets (**HQLA**) to meet expected net cash outflows under an APRA-prescribed 30 calendar day stress scenario. SML manages its LCR on a daily basis and maintains a buffer over the regulatory minimum of 100%.

The amount of liquid assets held considers the amount needed to meet prudential and internal requirements (including a variety of internal stress scenarios as part of the risk management framework) and a suitable buffer reflecting management's preference.

Liquid assets included in the LCR comprise HQLA (cash, Australian Semi-government and Commonwealth Government securities) and alternative liquid assets covered by the Committed Liquidity Facility (**CLF**) with the Reserve Bank of Australia (**RBA**). SML received approval from APRA for a CLF of $4.9 billion for the 2019 calendar year (2018 calendar year: $4.7 billion). Assets eligible for the CLF include senior unsecured bank paper, covered bonds and residential mortgage backed securities that are repo-eligible with the RBA.

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

The daily average LCR was 131% over the December 2018 quarter (128% for the September 2018 quarter). There was a decrease in average net cash outflows, driven by an increase in cash inflows from wholesale funding transactions, and an increase in high-quality liquid assets.

TABLE 21: NET STABLE FUNDING RATIO DISCLOSURE

	Dec-18 Unweighted value by residual maturity					Sep-18 Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available Stable Funding (ASF) Item										
Capital	3,510	-	-	1,150	4,660	3,406	670	-	550	3,956
Regulatory capital	*3,510*	-	-	*1,150*	*4,660*	*3,406*	*670*	-	*550*	*3,956*
Other capital instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits and deposits from small business customers	-	28,338	1	-	26,411	-	27,733	2	0	25,859
Stable deposits	-	*18,104*	-	-	*17,199*	-	*17,944*	-	-	*17,047*
Less stable deposits	-	*10,234*	*1*	-	*9,212*	-	*9,789*	*2*	*0*	*8,812*
Wholesale funding	-	19,113	2,448	7,084	12,337	-	18,234	3,013	7,280	12,891
Operational deposits	-	-	-	-	-	-	-	-	-	-
Other wholesale funding	-	*19,113*	*2,448*	*7,084*	*12,337*	-	*18,234*	*3,013*	*7,280*	*12,891*
Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
Other liabilities	750	7	-	-	-	771	8	-	-	-
NSFR derivative liabilities				*7*					*8*	
All other liabilities and equity not included in the above categories	750		-	-	-	771		-	-	-
Total ASF					**43,408**					**42,706**
Required Stable Funding (RSF) Item										
Total NSFR (HQLA)					175					183
ALA					470					470
RBNZ securities					-					-
Deposits held at other financial institutions for operational purposes	-	-	-	-	-	-	-	-	-	-
Performing loans and securities	-	3,676	629	48,186	36,459	-	3,358	643	47,571	36,037
Performing loans to financial institutions secured by Level 1 HQLA	-	*976*	-	-	*98*	-	*550*	-	-	*55*
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	*71*	-	-	*11*	-	*132*	-	-	*20*
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:	-	*1,078*	*575*	*11,894*	*10,991*	-	*1,083*	*572*	*11,843*	*10,951*
With a risk weight of less than or equal to 35% under APS 112	-	-	-	-	-	-	-	-	-	-
Performing residential mortgages, of which:	-	*1,551*	*54*	*36,292*	*25,359*	-	*1,593*	*72*	*35,593*	*24,896*
With a risk weight equal to 35% under APS 112	-	*1,551*	*54*	*36,292*	*25,359*	-	*1,593*	*72*	*35,593*	*24,896*
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-	-	-	-	*136*	*115*
Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
Other assets:	663	182	1	547	1,350	670	196	5	559	1,386
Physical traded commodities, including gold	-				-	-				-
Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)			*1*		*1*			*1*		*1*
NSFR derivative assets			*8*		*8*			*29*		*29*
NSFR derivative liabilities before deduction of variation margin posted			*53*		*11*			*54*		*11*
All other assets not included in the above categories	*663*	*120*	*1*	*547*	*1,330*	*670*	*112*	*5*	*559*	*1,346*
Off-balance sheet items			9,649		456			10,072		474
Total RSF					**38,910**					**38,550**
Net Stable Funding Ratio (%)					**112%**					**111%**

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

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

The NSFR was 112% at 31 December 2018 (111% as at 30 September 2018). The increase in the ratio over the quarter was driven by growth in stable customer deposits and the refinancing of a Tier 2 capital instrument.

APPENDIX - DEFINITIONS

AASB 9	AASB 9 *Financial Instruments* was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce a forward-looking expected credit loss impairment model, and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. This standard became mandatory for the annual reporting period from 1 July 2018.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Common Equity Tier 1 (**CET1**)	Common Equity Tier 1 capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total risk weighted assets, as defined by APRA.
Credit value adjustment (**CVA**)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk.
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 (**LCR**)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent of a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario.
Past due loans	Loans outstanding for more than 90 days.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.