SUNCORP GROUP LIMITED
ABN 66 145 290 124
RELEASE DATE
4 AUGUST 2016

Debt Investor Update FY16

Covered Bond

CREATE A BETTER TODAY

Suncorp Debt Investor Update

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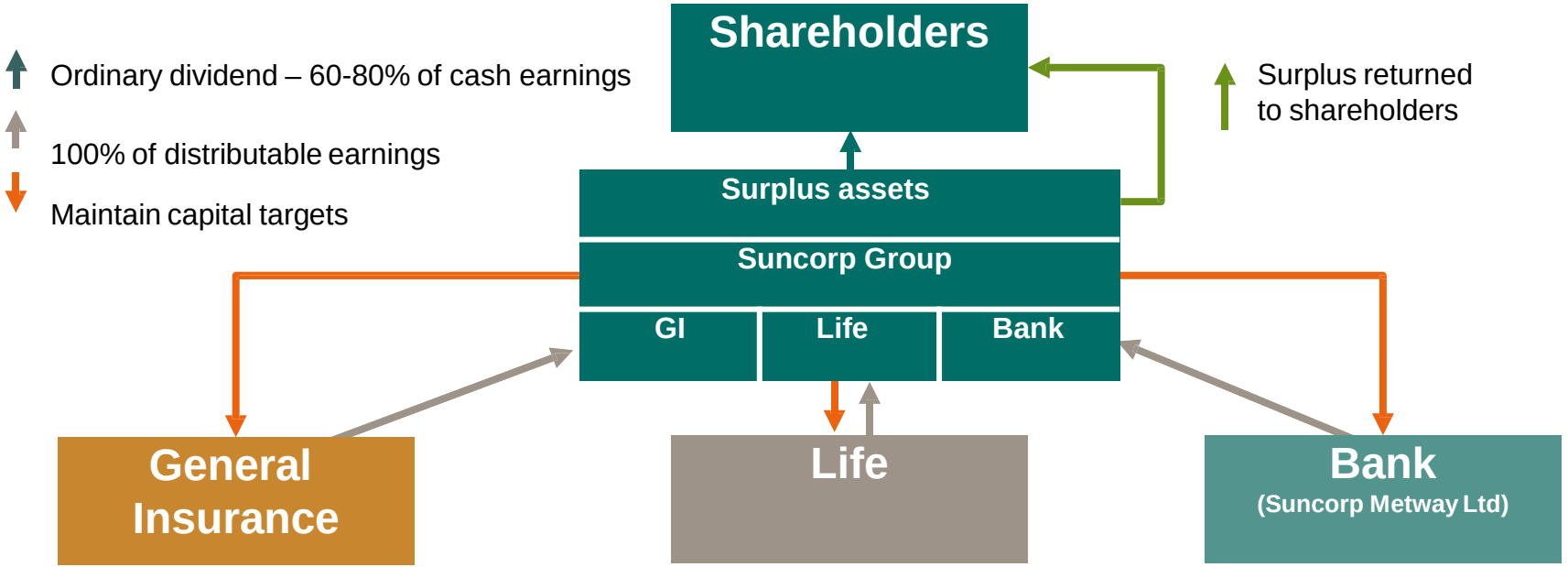
Suncorp Group

Leading financial services brands in Australia and New Zealand

- Top 20 ASX listed company
- $16 billion market capitalisation at 30 June 2016
- $96 billion in group assets
- 13,500 employees in Australia and New Zealand
- Approximately 9 million customers
- End-to-end ownership of brands

Group Capital Structure



- Suncorp Metway Ltd is the entity that issues senior debt instruments on behalf of the Bank
- AAI Limited and SIF Limited are the entities that typically issue sub-debt instruments on behalf of General Insurance
- Suncorp Group Limited is typically the entity that issues Basel III compliant CPS and T2 sub-debt

Group Financial Results

“Creating value for our customers”

FY16 Suncorp Group Result Overview

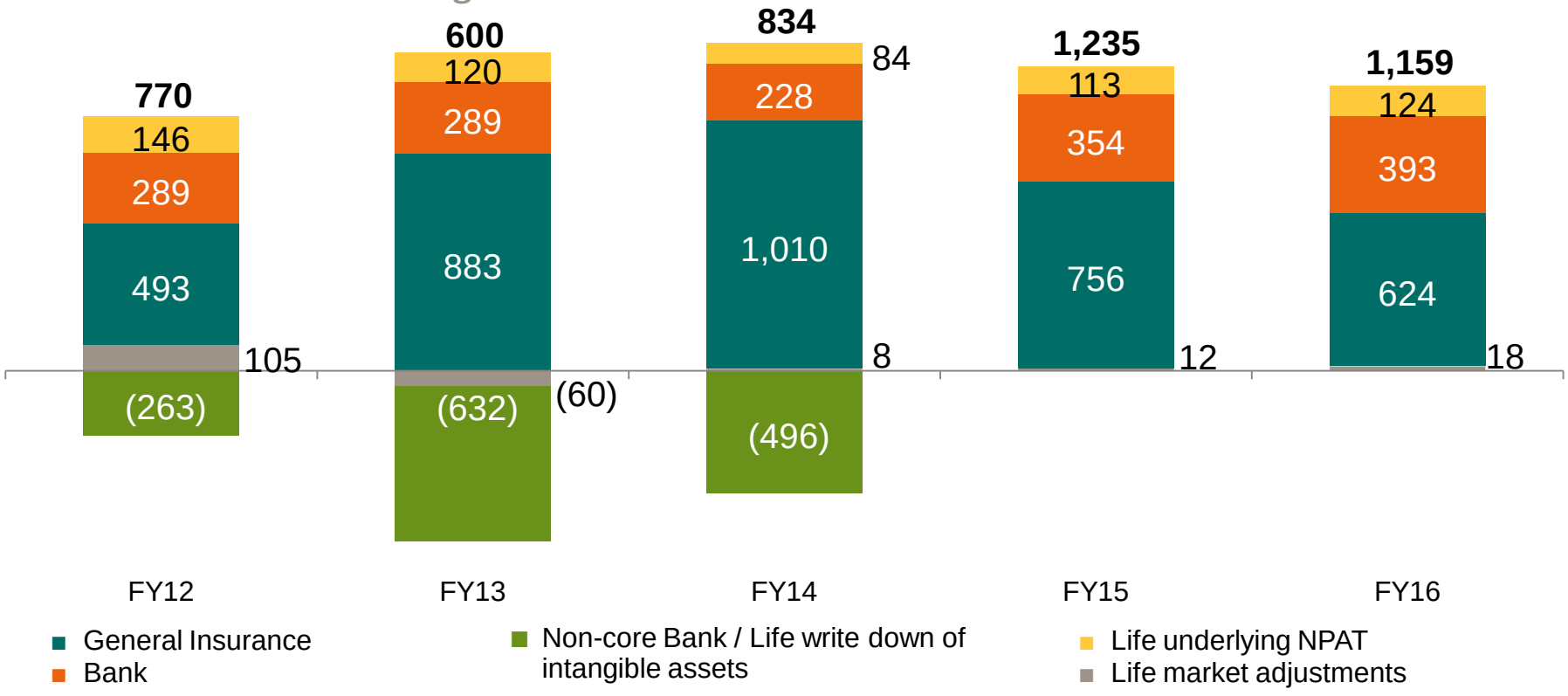
Diversified business model provides earnings stability

	FY16 ($m)	FY15 ($m)
General Insurance	624	756
Bank	393	354
Suncorp Life	142	125
Business Lines NPAT	**1,159**	**1,235**
Other[(1)]	(70)	(44)
Cash earnings	**1,089**	**1,191**
Acquisition amortisation	(51)	(58)
Reported NPAT	**1,038**	**1,133**
Ordinary dividend (per share fully franked)	68 cents	76 cents

(1) Includes investment income and interest expense for capital held at the Group level, consolidation adjustments, Tyndall disposal, non-controlling interests, transaction costs, and operating model restructuring costs.

Suncorp Group business line NPAT ($m)

Diversification of earnings



General Insurance

Positive underwriting result, impacted by volatility in investment markets

	FY16 ($m)	FY15 ($m)	Change (%)
GWP	9,031	8,872	1.8
Net earned premium	7,938	7,865	0.9
Net incurred claims	(5,661)	(5,587)	1.3
Operating expenses	(1,749)	(1,783)	(1.9)
Underwriting result	528	495	6.7
Investment income - insurance funds	254	399	(36.3)
Insurance trading result	782	894	(12.5)
Investment income - shareholder funds	101	163	(38.0)
Managed schemes, JVs and funding costs	(8)	3	n/a
Income tax	(251)	(304)	(17.4)
NPAT	**624**	**756**	**(17.5)**

Key highlights

- GWP growth across all business units resulting in solid underlying growth
- Underlying ITR of 10.6%
- Operating expenses ratio of 22.0%
- Impacted by lower investment returns and MTM adjustments
- Reserve releases of $347m or 4.4% of NEP

Suncorp Bank

Another period of strong profitability

	FY16 ($m)	FY15 ($m)	Change (%)
Net interest income	1,129	1,103	2.4
Net non-interest income	88	107	(17.8)
Total income	1,217	1,210	0.6
Total operating expenses	(639)	(646)	(1.1)
Profit before impairment losses on loans and advances	578	564	2.5
Impairment losses on loans and advances	(16)	(58)	(72.4)
Bank profit before tax	562	506	11.1
Income tax	(169)	(152)	11.2
NPAT	**393**	**354**	**11.0**

Key highlights

- 4.5% total lending growth
- NIM increased to 1.86%
- Cost to income ratio reduced to 52.5%
- Impairment losses reduced to 3 bps of gross loans and advances
- Core banking platform now in place

Suncorp Life

Improvement due to $21 million of positive claims and lapse experience

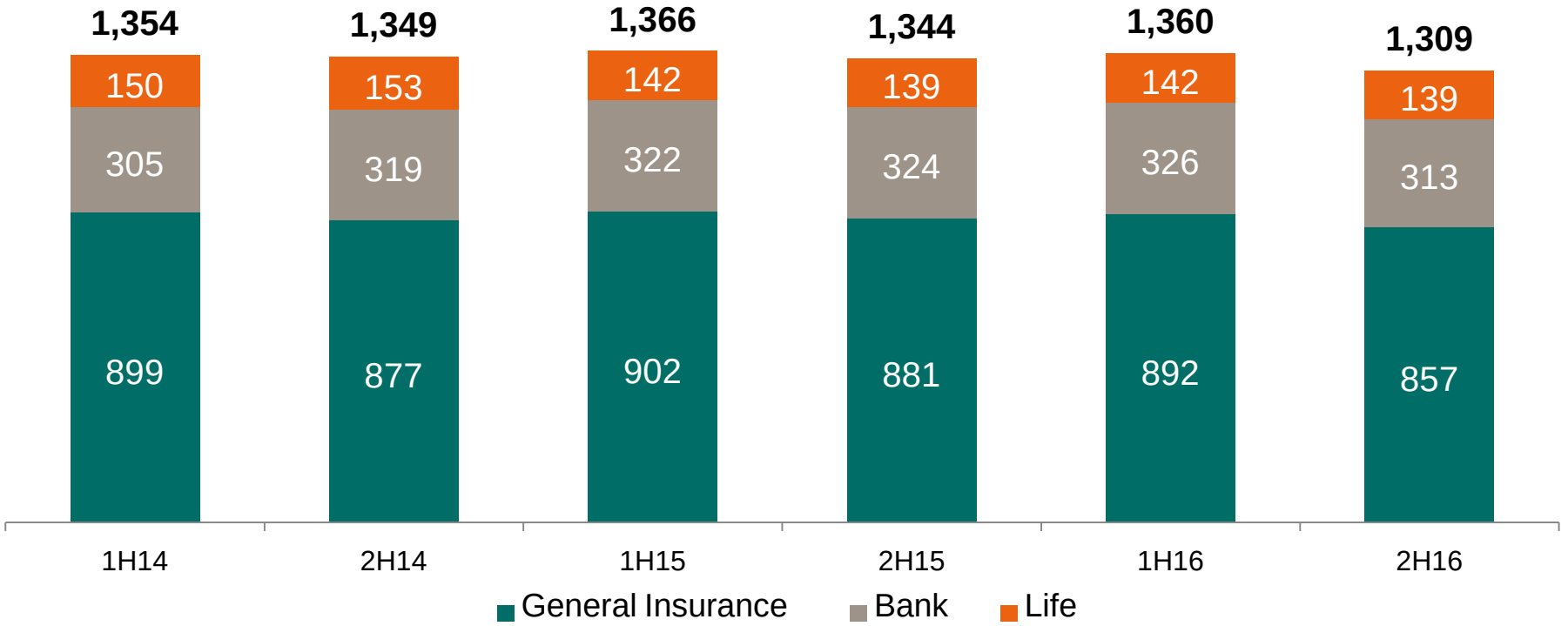
	FY16 ($m)	FY15 ($m)	Change (%)
Planned profit margin release	45	38	18.4
Claims experience	6	8	(25.0)
Lapse experience	15	7	114.3
Other experience	(10)	(8)	25.0
Underlying investment income	31	31	-
Superannuation	37	37	-
Total Life underlying profit after tax	124	113	9.7
Market adjustments	18	12	50.0
NPAT	**142**	**125**	**13.6**

Key highlights

- In-force premium growth and benefits of repricing
- Sustainable growth as in-force premiums increased to $1.0 billion, with focus on value over volume
- Two successive years of positive claims and lapse experience

Group Operating expenses ($m)

Stable over time



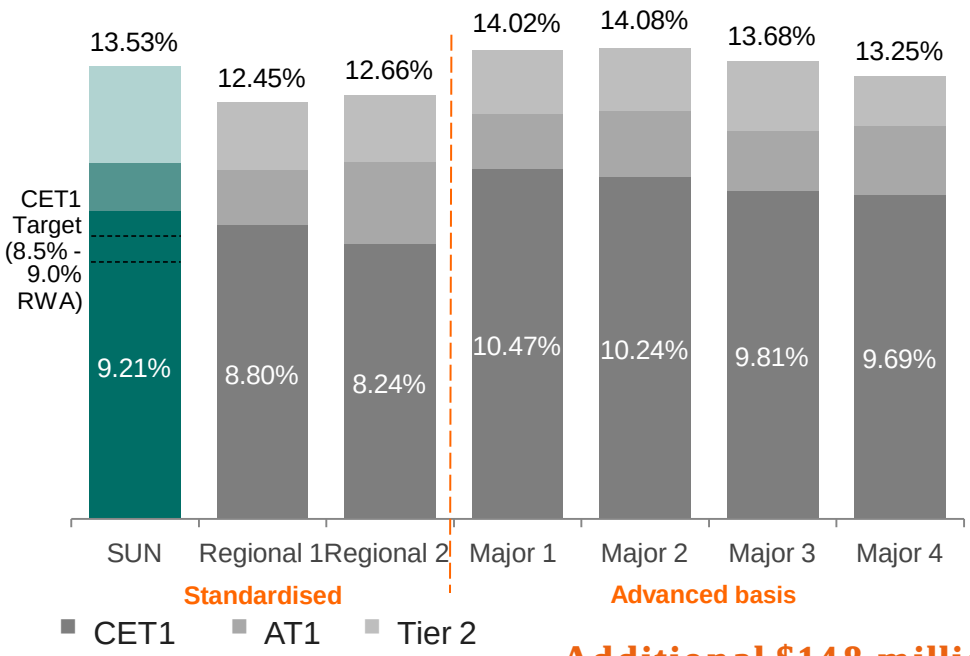
Capital

“Creating value for our customers”

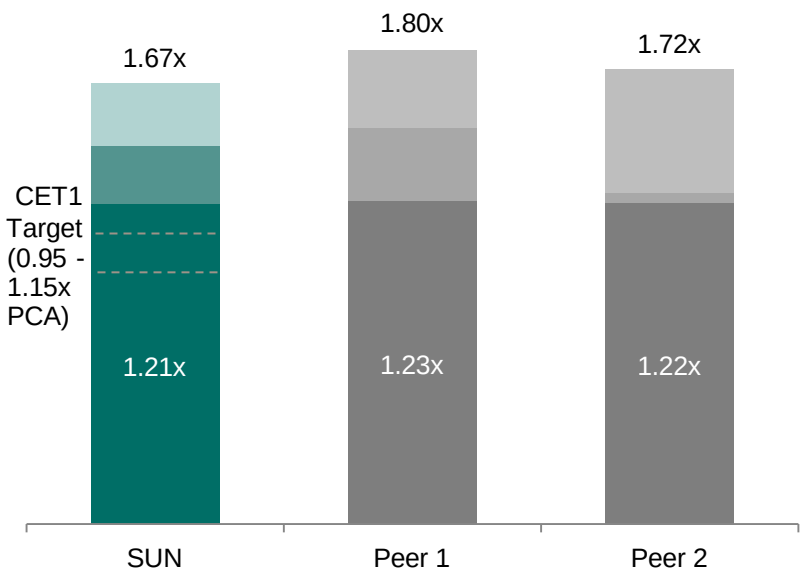
Capital Position

Strong Bank and General Insurance capital ratios compared to targets and peers

Bank capital ratios



General Insurance capital ratios



Additional $148 million capital held at Suncorp Group level

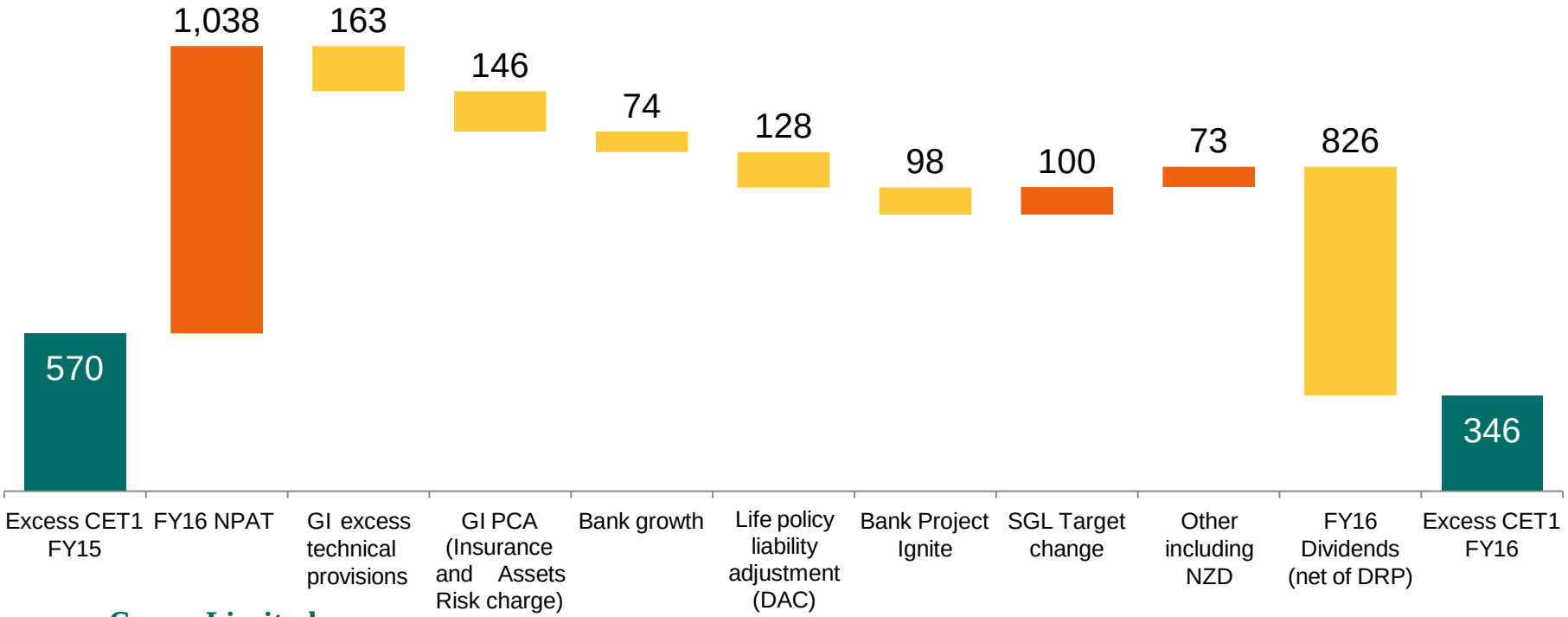
Source: Latest published company reports

Capital Position

	GI [2]	Bank [2]	Life	SGL, Corp Services & Consol	FY16 Total	FY15 Total
CET1	2,827	2,896	467	148	6,338	6,629
CET1 Target	2,445	2,753	357	(3)	5,552	5,416
Excess to CET1 Target (pre div)	382	143	110	151	786	1,213
Group Dividend [3]					(440)	(643)
Group Excess to CET1 Target (ex div)					346	570
CET1 Coverage Ratio [1]	1.21x	9.21%	1.80x		8,860	9,176
Total Capital	3,890	4,255	567	148		
Total Target Capital	3,492	3,854	419	(22)	7,743	7,555
Excess to Target (pre div)	398	401	148	170	1,117	1,621
Group Dividend [3]					(440)	(643)
Group Excess to Target (ex div)					677	978
Capital Coverage Ratio [1]	1.67x	13.53%	2.18x			

[1] Capital ratios are expressed as coverage of the PCA for General Insurance and Life, and as a percentage of Risk Weighted Assets for the Bank.
[2] The Bank and General Insurance targets are shown as the midpoint of the target operating ranges.
[3] Group dividend net of expected shares issued under the Dividend Reinvestment Plan.

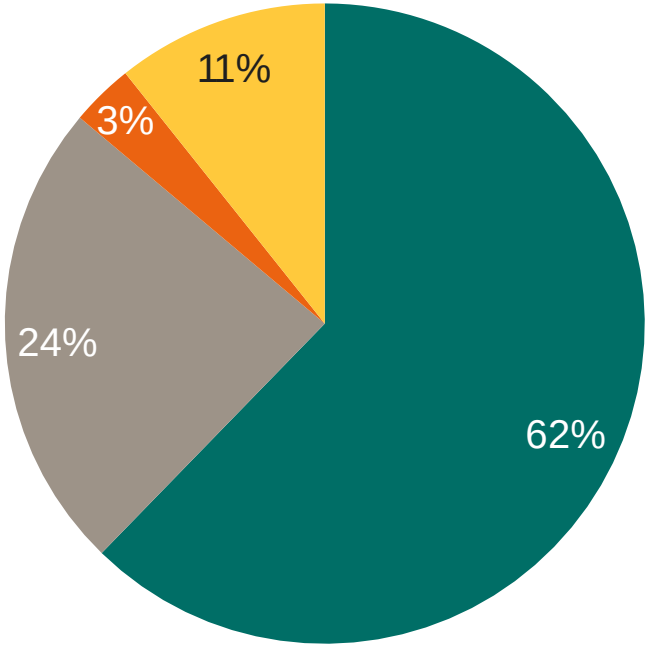
CET1 Capital Base - FY16 movements ($m)



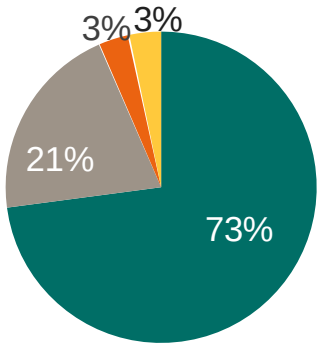
Group Risk Based Capital

Capital volatility by key risk type

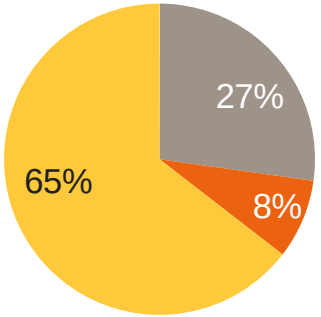
Suncorp Group



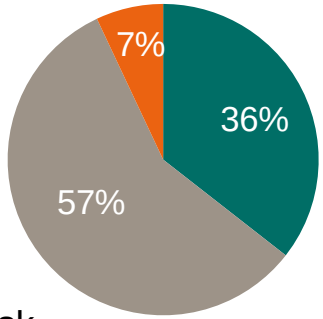
GI



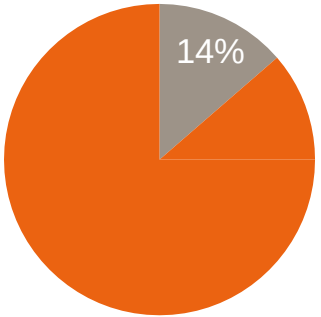
Bank



Life



Corporate



- Insurance Risk
- Market Risk
- Operational Risk
- Counterparty Credit Risk

Capital Instruments

Outstanding at 30 June 2016

	Semi-annual coupon rate / margin above 90 day BBSW	Optional Call / Exchange Date	Issue Date	30 JUNE 2016				Total Balance	Regulatory Capital
				GI	Bank	Life	SGL		
				$M	$M	$M	$M	$M	$M
AAIL Subordinated Debt*	330 bps	Nov 2020	Nov 2015	225	-	-	-	225	225
AAIL Subordinated Debt	6.75%	Oct 2016	Oct 2006	101	-	-	-	101	108
AAIL Subordinated Debt	-	June 2017	Oct 2007	229	-	-	-	229	220
SGL Subordinated Debt	285 bps	Nov 2018	May 2013	-	670	100	-	770	770
SML FRCN	75 bps	Perpetual	Dec 1998	-	72	-	-	72	72
Total subordinated debt				**555**	**742**	**100**	**-**	**1,397**	**1,395**
SGL CPS2	465 bps	Dec 2017	Nov 2012	110	450	-	-	560	560
SGL CPS3	340 bps	June 2020	May 2014	400	-	-	-	400	400
Total Additional Tier 1 Capital				**510**	**450**	**-**	**-**	**960**	**960**
Total				**1,065**	**1,192**	**100**	**-**	**2,357**	**2,355**

* Additional information is available in appendix 3 of the Analyst Pack.
During the 2015/16 financial year, AAI Limited issued $225 million of Tier 2 capital in the form of subordinated debt. Suncorp will continue to monitor similar opportunities across markets.

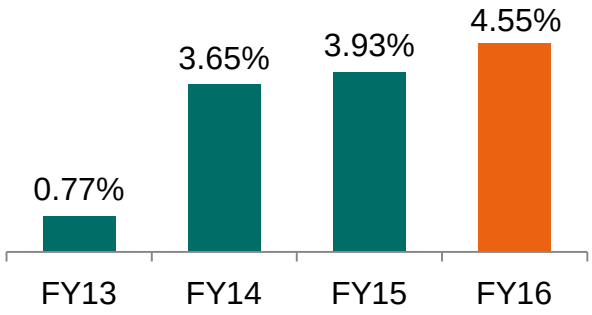
Suncorp Bank

“Creating value for our customers”

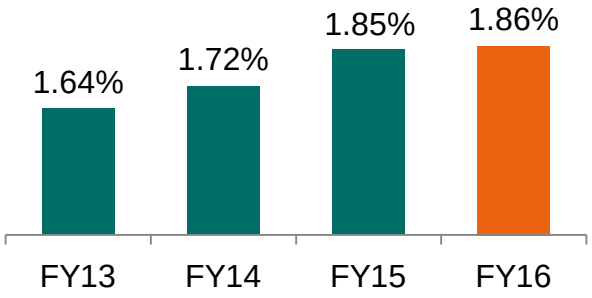
Suncorp Bank

Key ratios

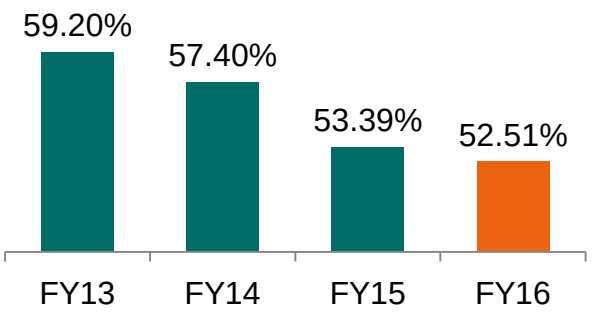
Lending growth (annualised)



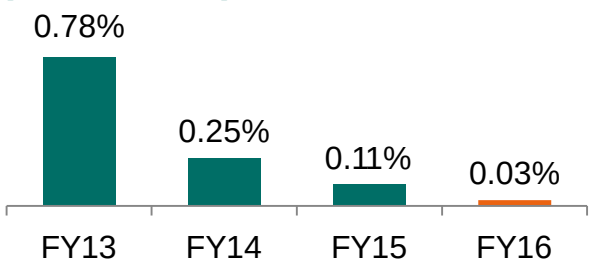
Net interest margin (interest-earning assets)



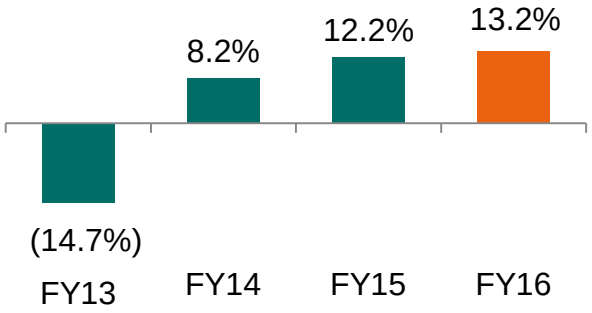
Cost to income ratio



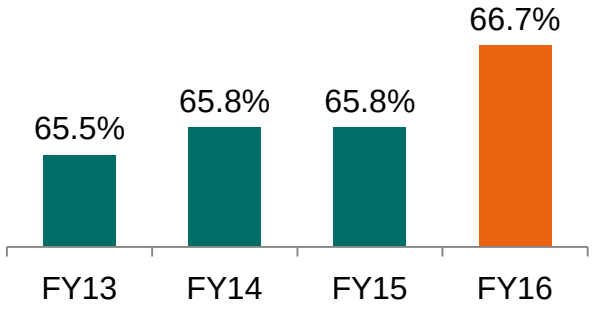
Impairment losses to gross loans and advances (annualised)



Return on Common Equity Tier 1



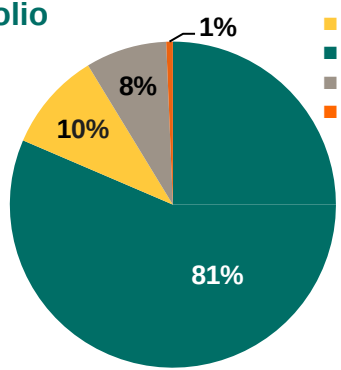
Deposit to loan ratio



Suncorp Bank

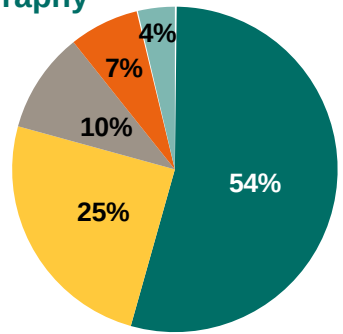
Total lending assets $54.3 billion

Portfolio



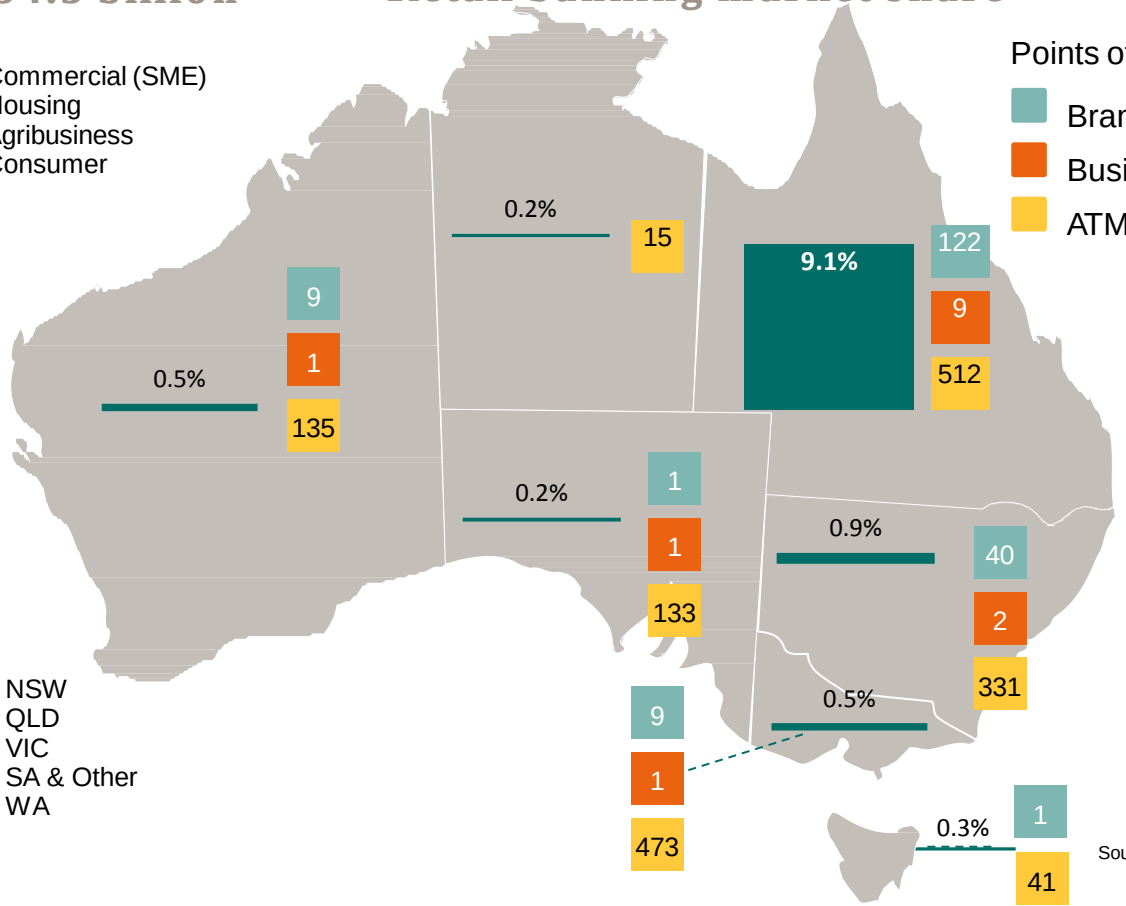
- Commercial (SME)
- Housing
- Agribusiness
- Consumer

Geography



- NSW
- QLD
- VIC
- SA & Other
- WA

Retail banking market share

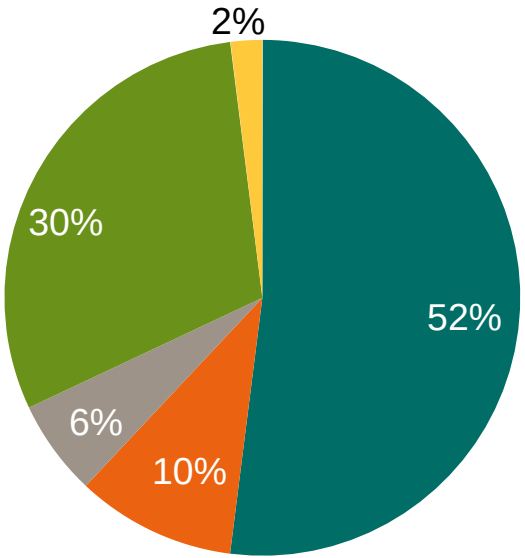


Source: Roy Morgan

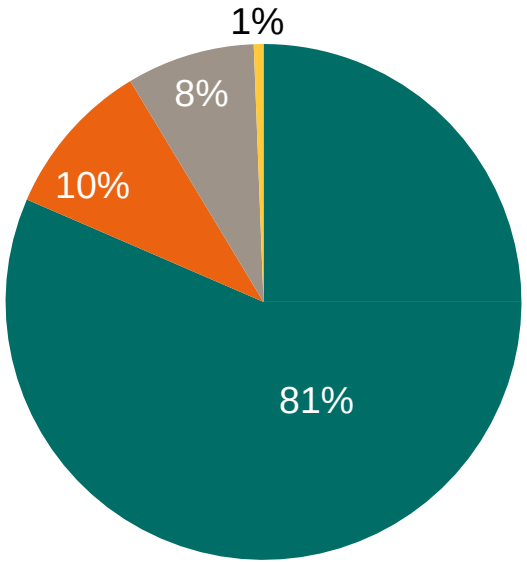
Suncorp Bank

Evolution of the lending portfolio

FY09 lending portfolio
$54.4 billion



FY16 lending portfolio
$54.3 billion



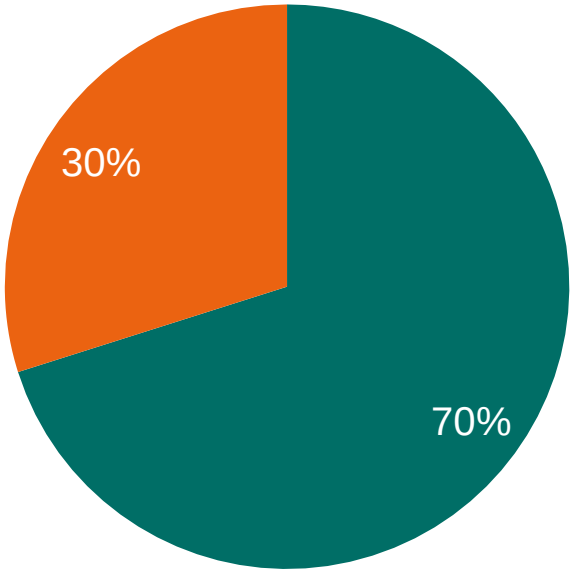
- Housing
- Commercial (SME)
- Agribusiness
- Corporate & Property
- Other

	FY09	FY16
Exposures over $50m	121	1
Margin	1.68%	1.86%
Impaired assets	$1,474m	$150m
Impairment losses	$710m	$16m

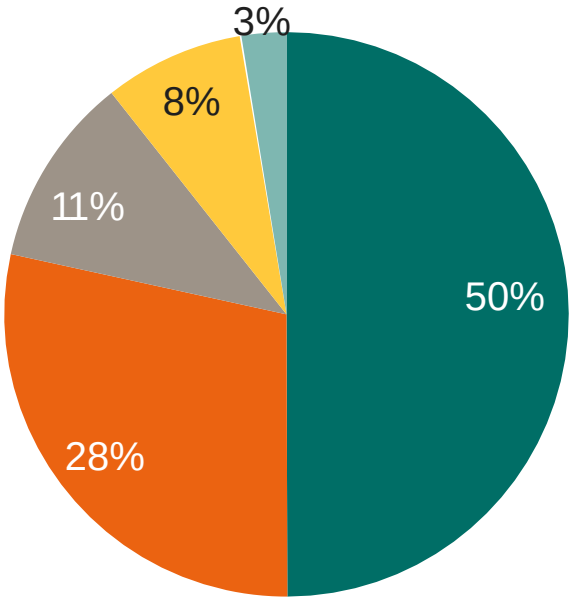
Suncorp Bank

Home lending assets $44.3 billion

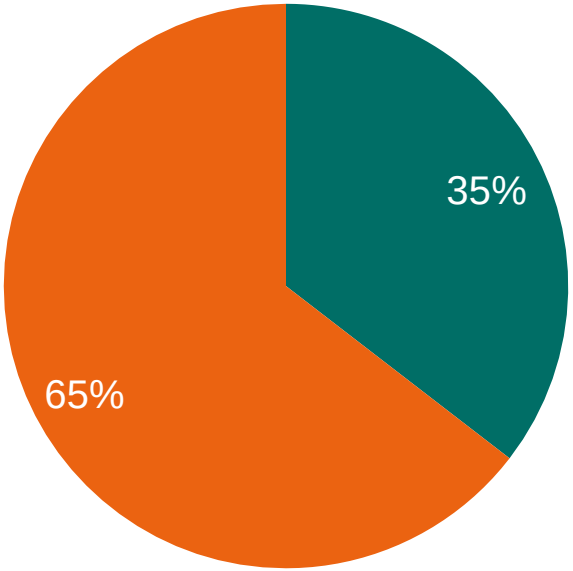
Portfolio by borrower type



Portfolio by geography



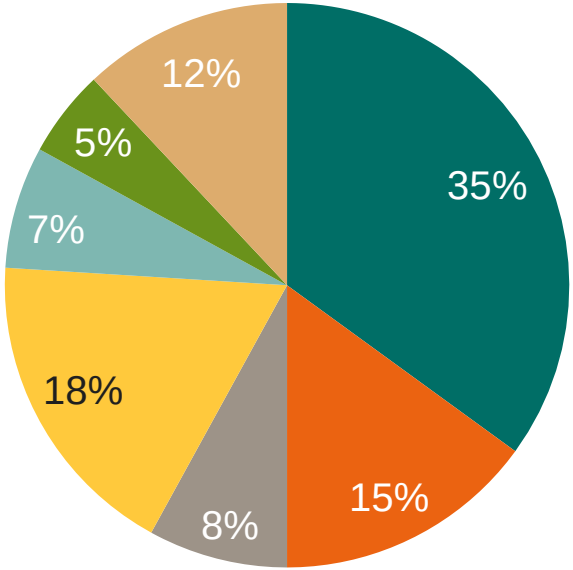
Portfolio by channel



Suncorp Bank

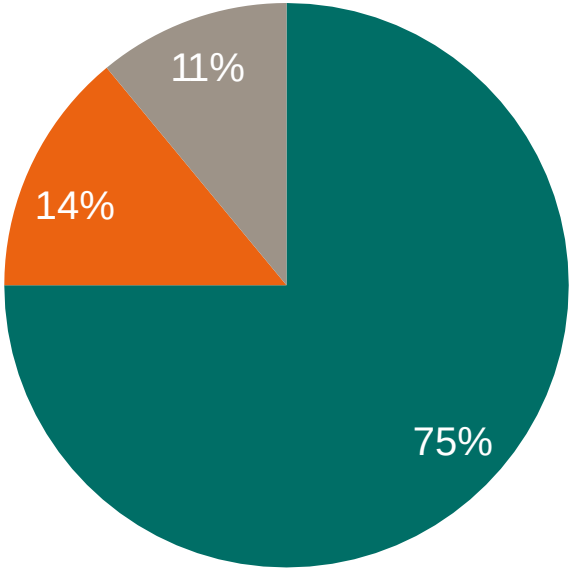
Commercial (SME) assets $5.4 billion

Portfolio by industry



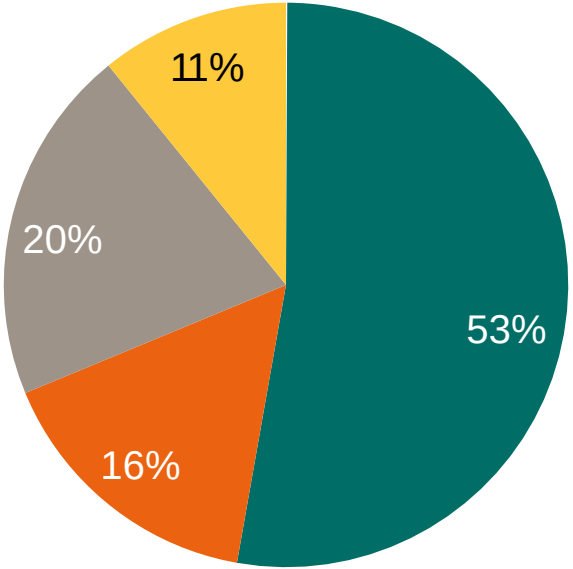
- Property investment
- Hospitality & accommodation
- Construction & development
- Manufacturing & mining
- Services (including professional services)
- Retail
- Other

Portfolio by geography



- Queensland
- New South Wales
- Other

Portfolio by exposure size

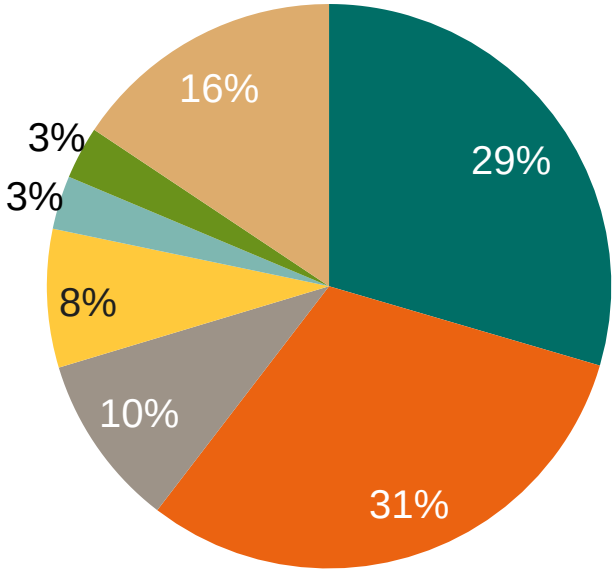


- < $5 million
- $5-$10 million
- $10-$25 million
- $25-$50 million

Suncorp Bank

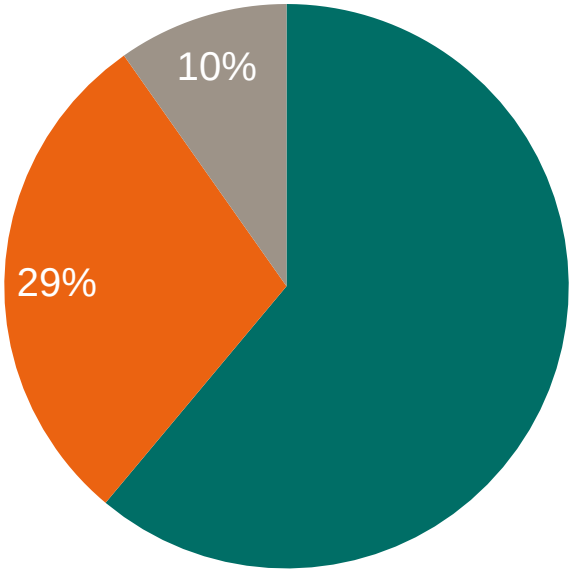
Agribusiness assets $4.4 billion

Portfolio by industry



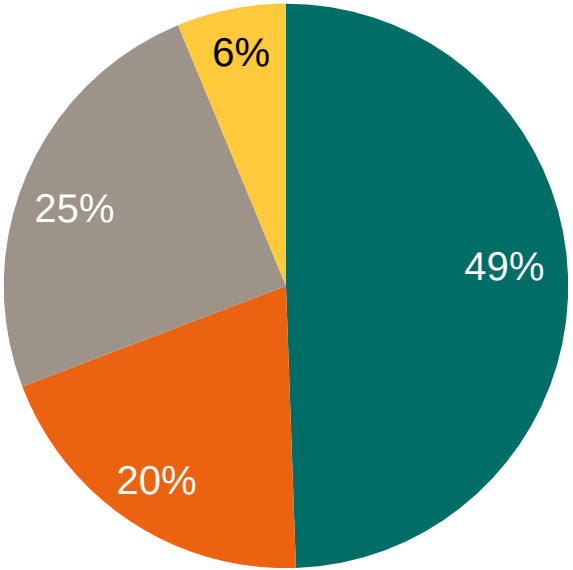
- Beef
- Grain & mixed farming
- Sheep & mixed livestock
- Cotton
- Sugar
- Fruit
- Other

Portfolio by geography



- Queensland
- New South Wales
- Other

Portfolio by exposure size

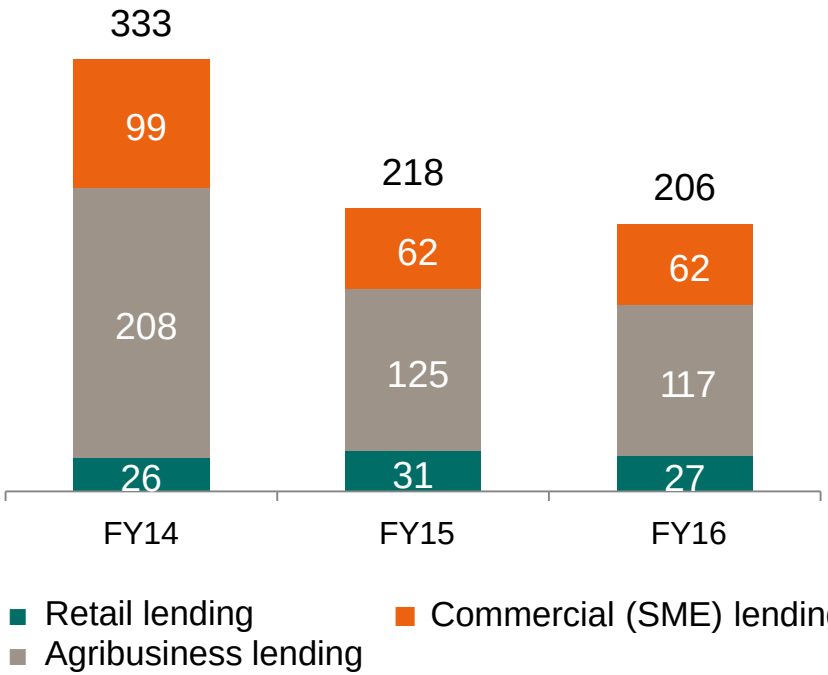


- < $5 million
- $5-$10 million
- $10-$25 million
- $25-$50 million

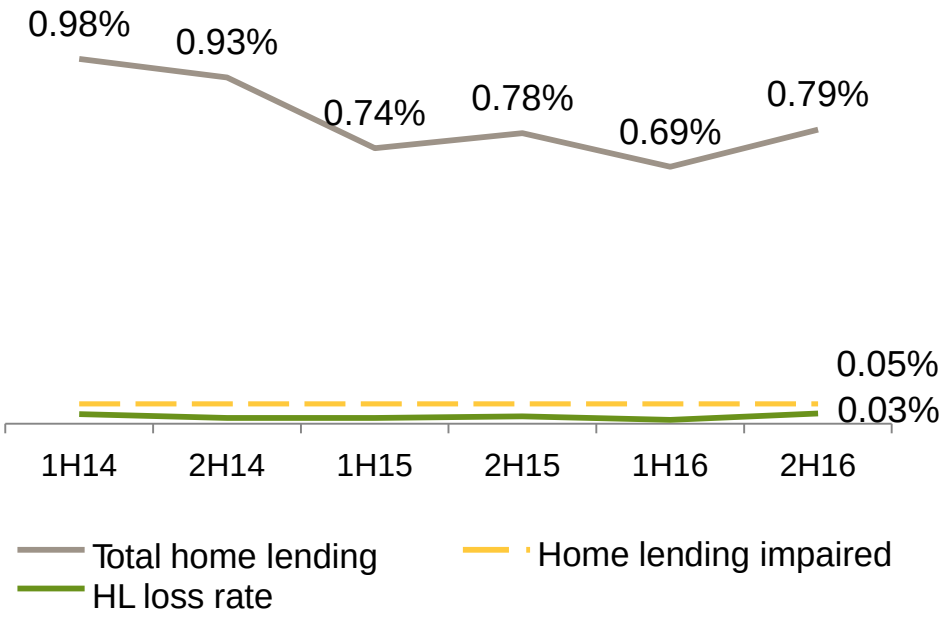
Suncorp Bank

Credit quality – gross impaired and past due loans

Gross impaired loans by segment ($m)



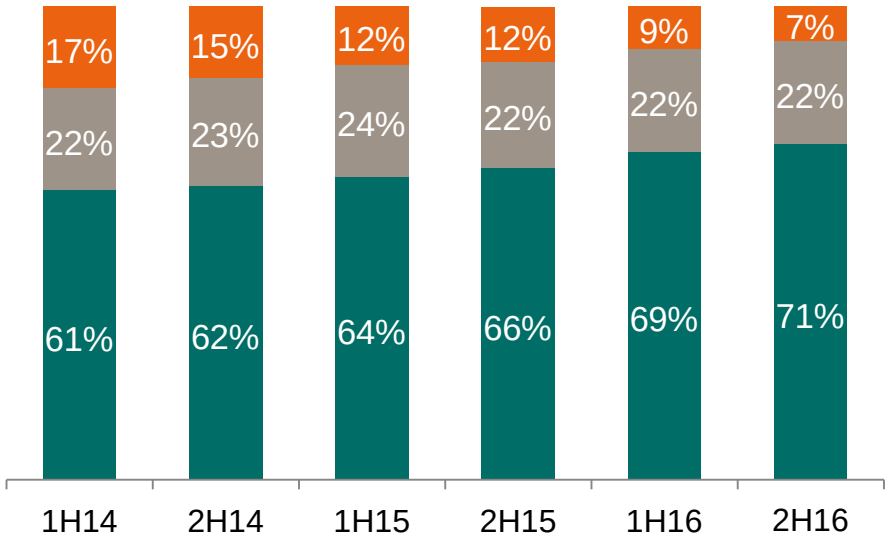
Past due home loans (% gross home loans)



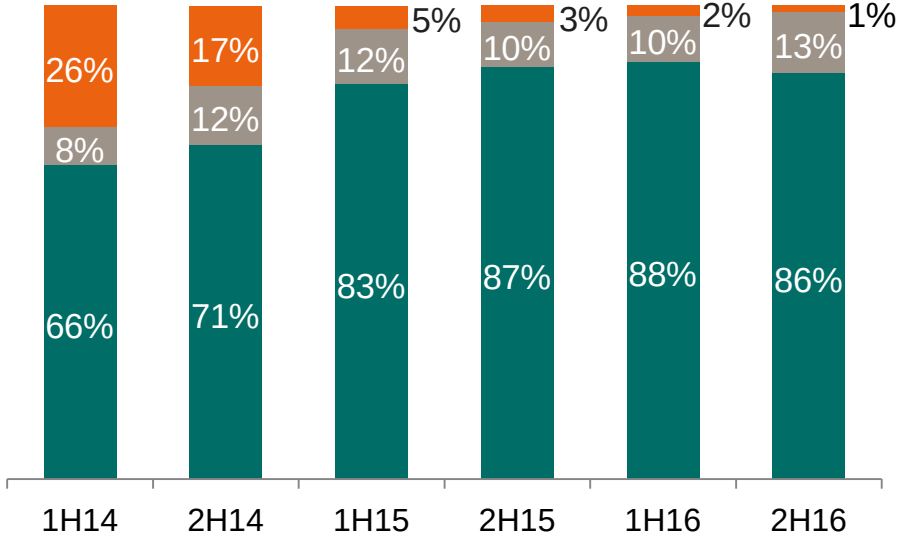
Suncorp Bank

Home lending assets $44.3 billion

Home lending assets by LVR



Home lending new business by LVR

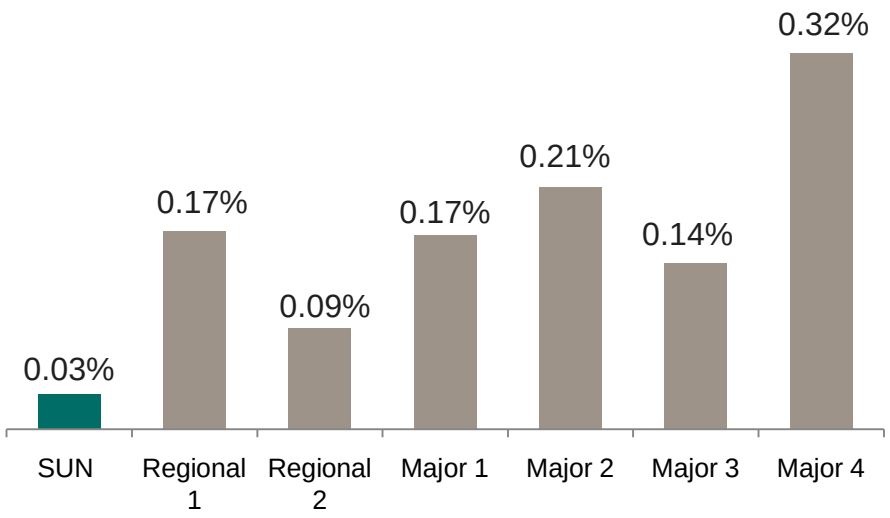


0 - 80%
80.01 % - 90%
90.01% +

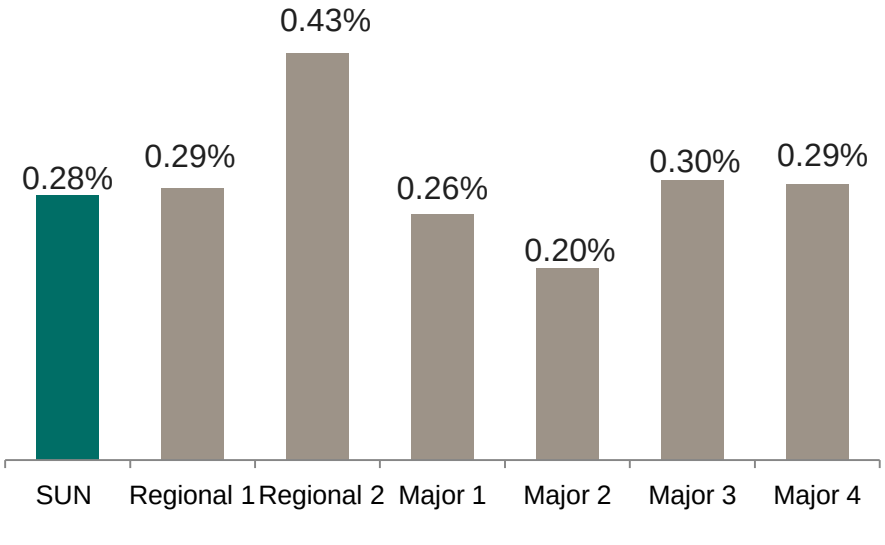
Suncorp Bank

Credit quality - impairments

Impairment losses to gross loans



Net impaired loans to gross loans

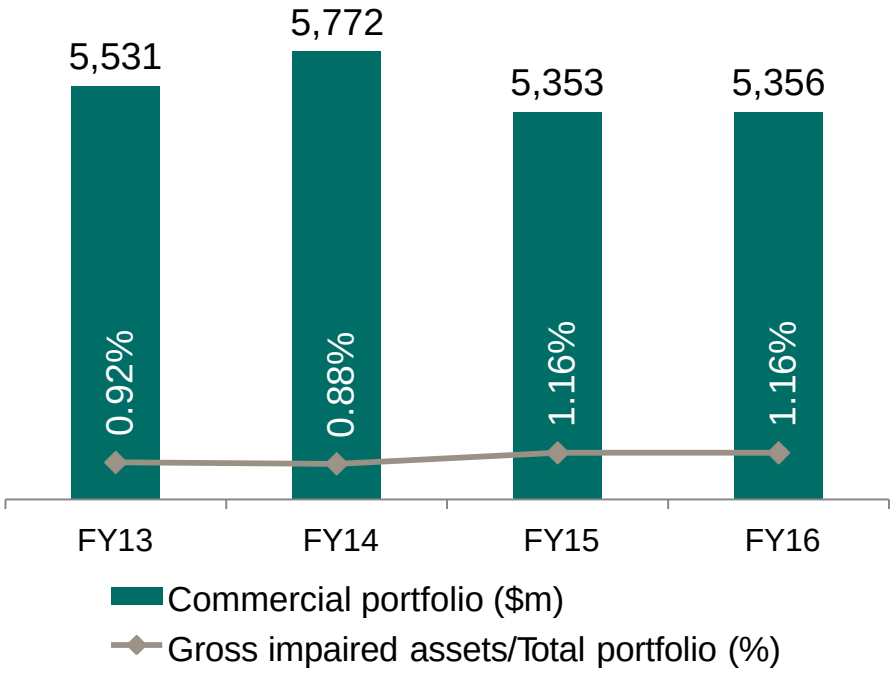


Source: Latest peer financial reports

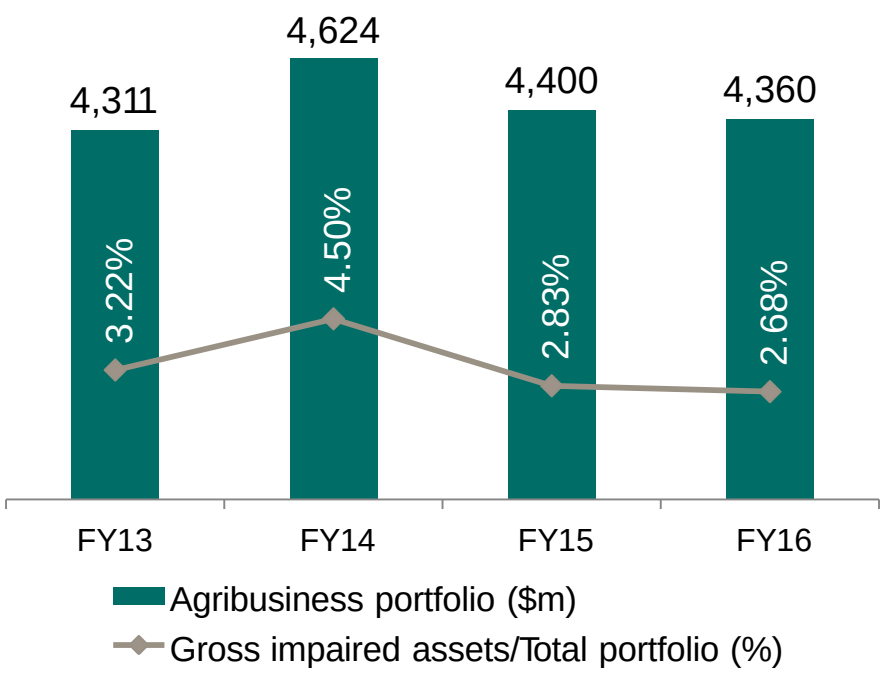
Suncorp Bank

Asset growth and credit quality

Commercial (SME) portfolio

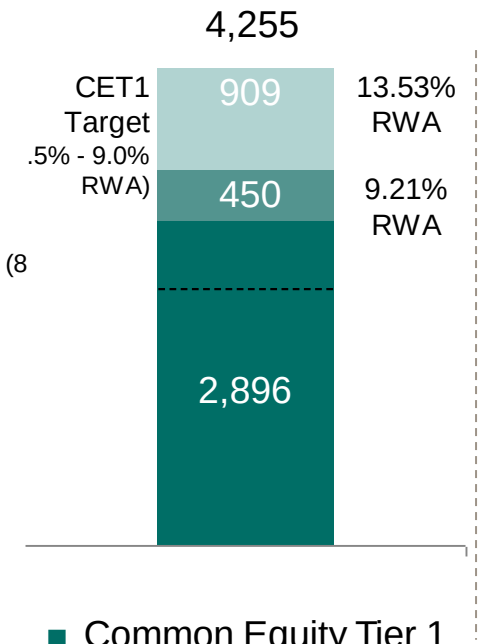


Agribusiness portfolio



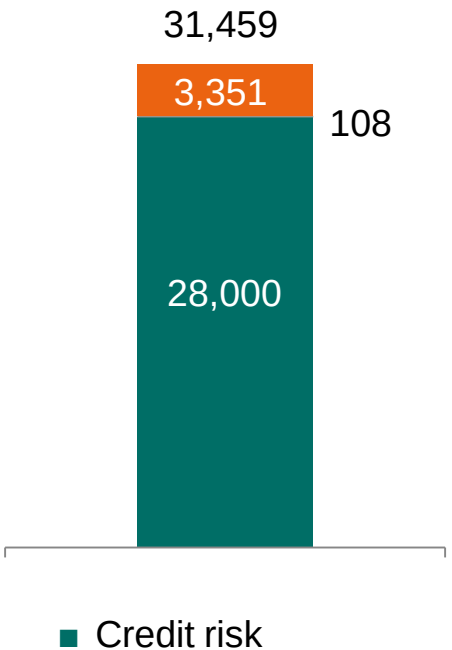
Suncorp Bank Capital

Total capital



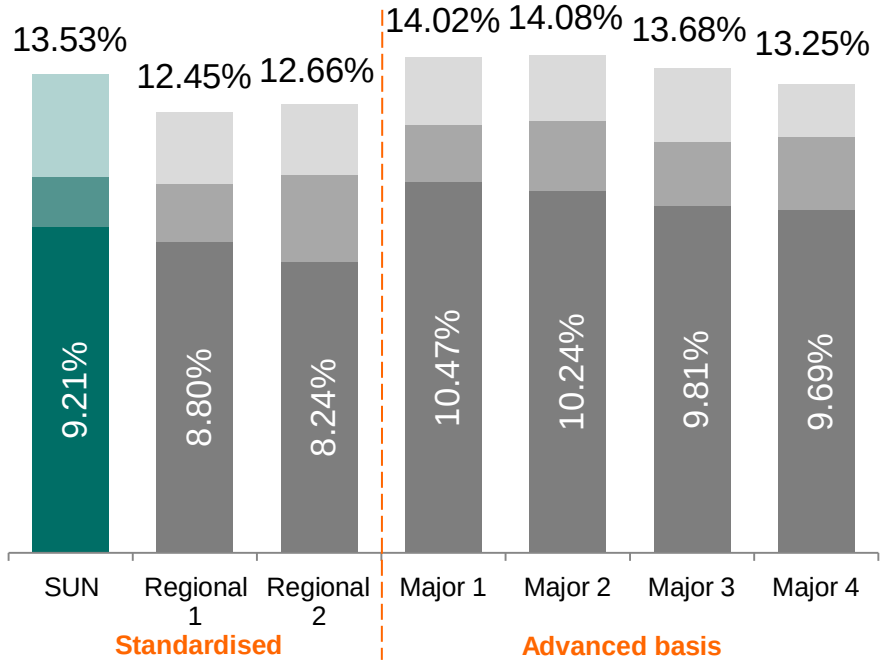
- Common Equity Tier 1
- Additional Tier 1
- Tier 2

Risk weighted assets



- Credit risk
- Market risk
- Operational risk

Capital ratios vs Peers



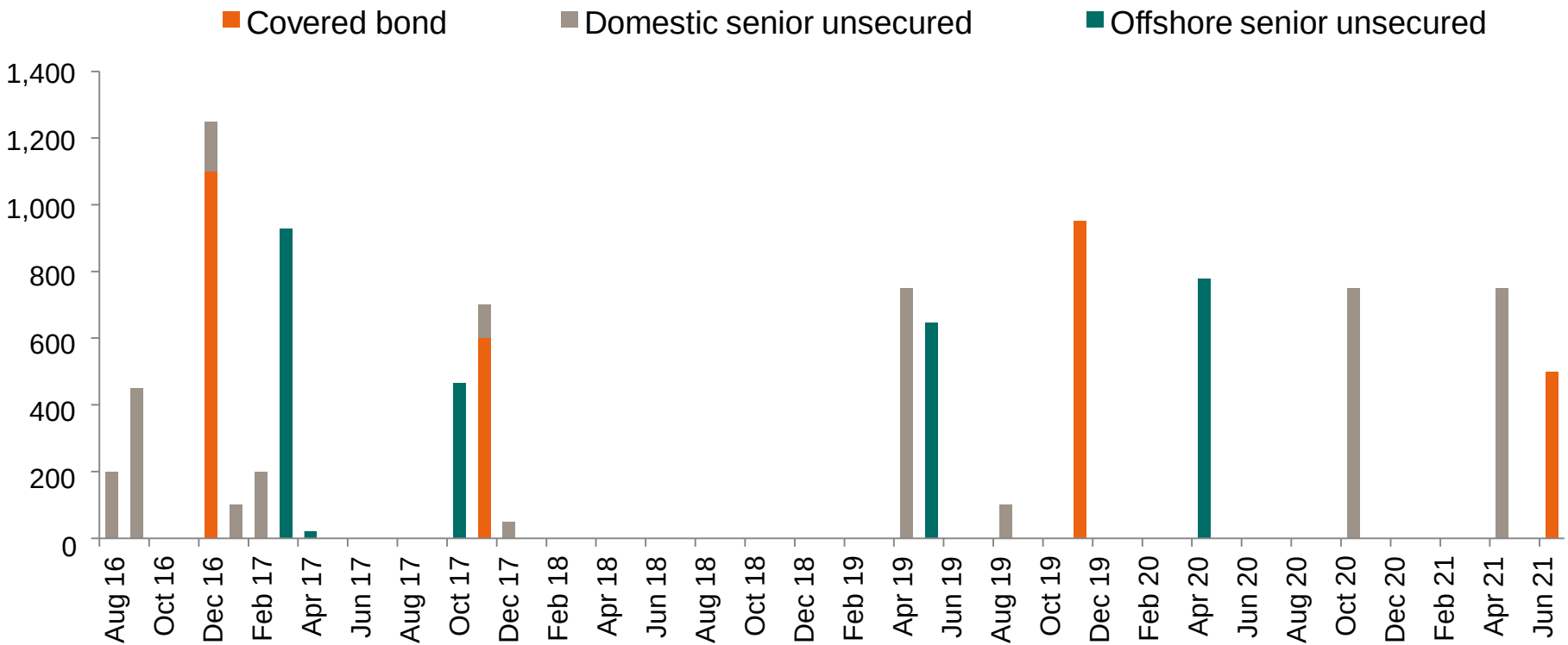
- Common Equity Tier 1
- Additional Tier 1
- Tier 2

Funding & Liquidity

“Creating value for our customers”

Suncorp Bank

Long-term funding profile ($m)



Suncorp Bank

Ratings and Benchmark Transactions

- Strong Bank issuer credit rating of A+/A1/A+ creates genuine competitive advantage to other regional banks
- Suncorp Bank has issued in A$, US$, EUR, GBP, JPY & Asian currencies with all funds swapped into A$
- Modest term funding requirements for FY16/17

Ratings Agency	Short Term	Long Term
Standard & Poors	A-1	A+ (stable)
Fitch	F1	A+ (stable)
Moodys	P-1	A1 (stable)

Issue Date	Amount	Tenor
Covered Bond		
Jun 2016	A$500m	5yr FRN
Oct 2014	A$950m	5yr FRN/5yr Fixed
Nov 2012	A$600m	5yr Fixed
Jun 2012	A$1.1bn	4.5yr Fixed
Senior Unsecured (Benchmark)		
May 2016	US$500m	3yr Fixed
Apr 2016	A$750m	5yr FRN/Fixed
Oct 2015	A$750m	5yr FRN/Fixed
Apr 2015	US$600m	5yr Fixed
Sep 2014	GBP250m	3yr FRN
Apr 2014	A$750m	5yr FRN
Mar 2014	US$850m	3yr FRN/Fixed
RMBS		
Mar 2015	A$1.25bn	4yrs Weighted Average
May 2013	A$1.15bn	4yrs Weighted Average

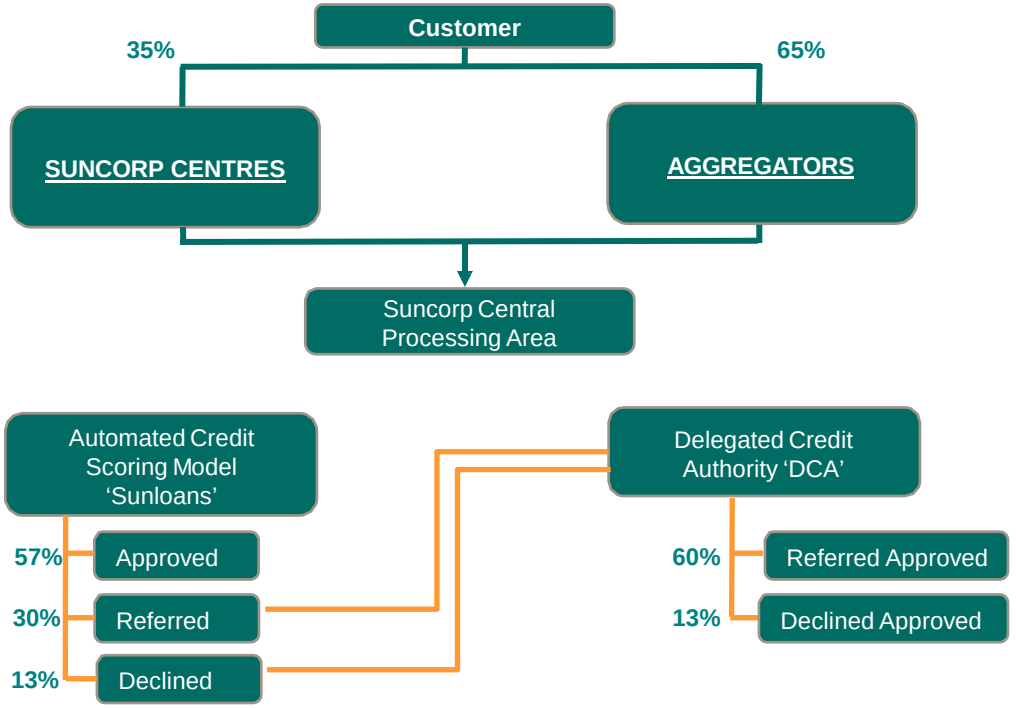
Mortgage Origination

“Creating value for our customers”

Suncorp Bank Mortgage Portfolio

Home Loan Underwriting Process

- Suncorp has a custom built origination system called Sunloans
- This system has an automated decision engine model (scorecard) which reflects the Bank's risk strategy and underwriting criteria
- Underwriting that is not approved via the scorecard is completed by accredited Suncorp staff under a Delegated Credit Authority approved by the Chief Risk Officer *
- Aggregators/ Brokers have no approval authority
- Post approval, audits are performed regularly by the hindsight review team and QBE LMI for LMI loans



* Delegated by the Chief Risk Officer to Executive Manager Credit Oversight and Assurance for Delegated Credit Authority below Banking Credit.

Suncorp Bank Mortgage Portfolio

Underwriting criteria & valuation requirements

Underwriting Criteria

Overview:

- Underwriting criteria is built into Suncorp's automated Credit Scoring Model –
- Credit Bureau reports required for all borrowers. Where report is not satisfactory, loan is referred via the scorecard to a higher approval authority for decision
- Delegated Credit Authorities are held in the Banking Credit team and selected Lending Staff who are achieving benchmark results in Compliance

Serviceability:

- Customer serviceability determined via an assessment of affordability using the greater of the "floor" rate (5 year BBSW average for the previous quarter + 3% buffer + an overlay of 171bps) or the actual Customer product rate + 2%
- Confirmation and stability of employment investigated and appropriate income details required
- To verify loan affordability, Minimum Household Living Expenses are aligned with income. These allowances are updated quarterly and align with recognised indices

Acceptable loan security:

- Parameters establish acceptable security types, acceptable geographic locations, maximum LVR and maximum loan amounts for particular locations
- For fully verified loans, maximum LVR (inclusive of LMI fee) is capped at 95% LVR, with maximum LVR for Interest Only and Investor loans capped at 90%
- All loans are supported by registered 1st mortgage with full recourse to the borrower

Valuation Requirements

Overview:

- All valuations are undertaken by Accredited Panel Valuers appointed by Suncorp
- Suncorp utilises approx. 120 valuers nationwide
- Independent valuations undertaken for approx. 85% of loans on Suncorp's balance sheet

Valuations are required:

- Loans with LVR > 70% *(subject to the purpose & loan amount)*
- For metro properties if loan amount > $500,000 **
- For non metro properties if loan amount > $300,000 **
- Suncorp valuations are processed via the valuation management system (VMS), which is a fully automated system supplied by Core Logic that links the Bank to the Valuation firms – the selection of a valuer is random and controlled by the system.
- Credit Policy and valuation rules are applied via the valuation decision maker (VDM), which determines the type of valuation to be used for a particular scenario
- Lenders / Banking Credit can override the system and request a full valuation.

*** If the LVR is <= 80% and the loan amount is < $1M, a valuation may not be required if the contract of sale is acceptable and the Bank can validate same***

Panel valuers are individually accredited based on:

- Industry qualifications
- Current professional development certificates
- Minimum $1m professional indemnity insurance cover
- Approval by Suncorp Banking Credit and LMI sign off

Suncorp Bank Mortgage Portfolio

Mortgage brokers

Broker Accreditation Requirements	Overview of Mortgage Brokers
Formal accreditation process: • Must have ASIC issued Australian Credit License or be appointed as a Credit Representative by a license holder • Must be a member of an approved Aggregator group • Must be a member of the Mortgage and Finance Association of Australia or Finance Brokers Association of Australia (MFAA or FBAA) • Cannot be registered without full industry accreditation (e.g. National Consumer Credit Protection (NCCP) training) • Ongoing training requirements also need to be achieved	**Broker responsibilities:** • Act as intermediaries between the borrower and Suncorp in the initial phase of mortgage origination • Act solely as originators of loan applications and have no authority to perform any part of the loan assessment, approval or servicing • Validation of employment and income data conducted by Suncorp staff
Experience and training (administered by Aggregators): • Must have a minimum of 2 years industry experience • Must be a member of the Mortgage and Finance Association of Australia or Finance Brokers Association of Australia (MFAA or FBAA) and be personally identified (e.g. 100-point check) • Have a Certificate IV in Mortgage Lending • Subject to clear Australian Federal Police checks • Must hold Professional Indemnity Insurance	**An annual review process is performed by Channel Management on Aggregator relationships and includes:** • The quality/quantity of mortgage applications • Percentage of Suncorp business and arrears • Portfolio trends compared to industry averages • Changes in ownership • Fraudulent and suspicious activity

Suncorp Bank Mortgage Portfolio

Comprehensive arrears management

Customer Contact Strategy (Collections)

Day 1 – Day 60

- System generated arrears notice sent on Day 7
- After Day 7 continuous contact via predictive dialler
- Aim to elicit "Promise to Pay"
- 14 full-time Officers dedicated to covering outbound calls
- 5 full-time Officers dedicated to covering inbound calls
- Default Notice / Notice to Exercise Power of Sale 30 days
- Staff target 80-85 contacts per person per day

Mitigation Strategy (Recoveries)

Day 60 – Day 90

- Customer transferred to Late Collections Team (5 staff)
- Notice to Quit issued
- Strict adherence to NCC Guidelines
- Approval of Hardship Cases on application basis
- QBE LMI send arrears report at 60 days

Legal Process and Asset Realisation (Repossessions)

90 + Days

- Lodge Statement of Claim with Supreme Court
- File Writ of Possession
- Judgement and execute warrant for vacant possession
- Obtain valuation, recommend real estate agent and complete any capital works as required
- Repossessions Team focus on loss mitigation strategy (5 staff)
- Auction and sale of property
- LMI claim made for any shortfall

Covered Bond

“Creating value for our customers”

Australian Covered Bond Legislation

Priority	• Bondholders have priority against a cover pool of financial assets • APRA has no direction making powers over assets held by the SPV for the benefit of the covered bondholders and service providers
Timing	• Covered Bond issuances previously prohibited by Banking Act and Regulator • Legislation was passed on 13 October 2011 to amend Banking Act and enable Australian banks to issue covered bonds
Structure	• Covered bond issuance only permitted in accordance with the legislative framework • Segregation of cover assets against a cover pool of financial assets • Legal certainty for the segregation of the cover pool in the event of bankruptcy of the issuing ADI
Cover Pool	• Eligible cover assets include cover pool assets with maturity less than 100 days (limited to 15%), Australian government or semi-government bonds, residential or commercial mortgage loans (separate programmes expected for each loan class), and derivatives • Minimum level of over-collateralisation of 3% (programmes also to include an asset coverage test) • Value only provided up to 80% LVR for residential loans and 60% for commercial loans • Senior ranking voluntary over-collateralisation is excluded
Issuance limits	• Covered bond issuance not permitted if cover assets exceeds 8% of ADI's Australian assets • Capital neutral for ADI if the cover pool is less than 8% of ADI's Australian assets • Implies potential combined covered bond issuance of circa A$130bn by four major ADIs • Implies potential covered bond issuance of circa A$4bn by Suncorp

Suncorp Covered Bond Programme

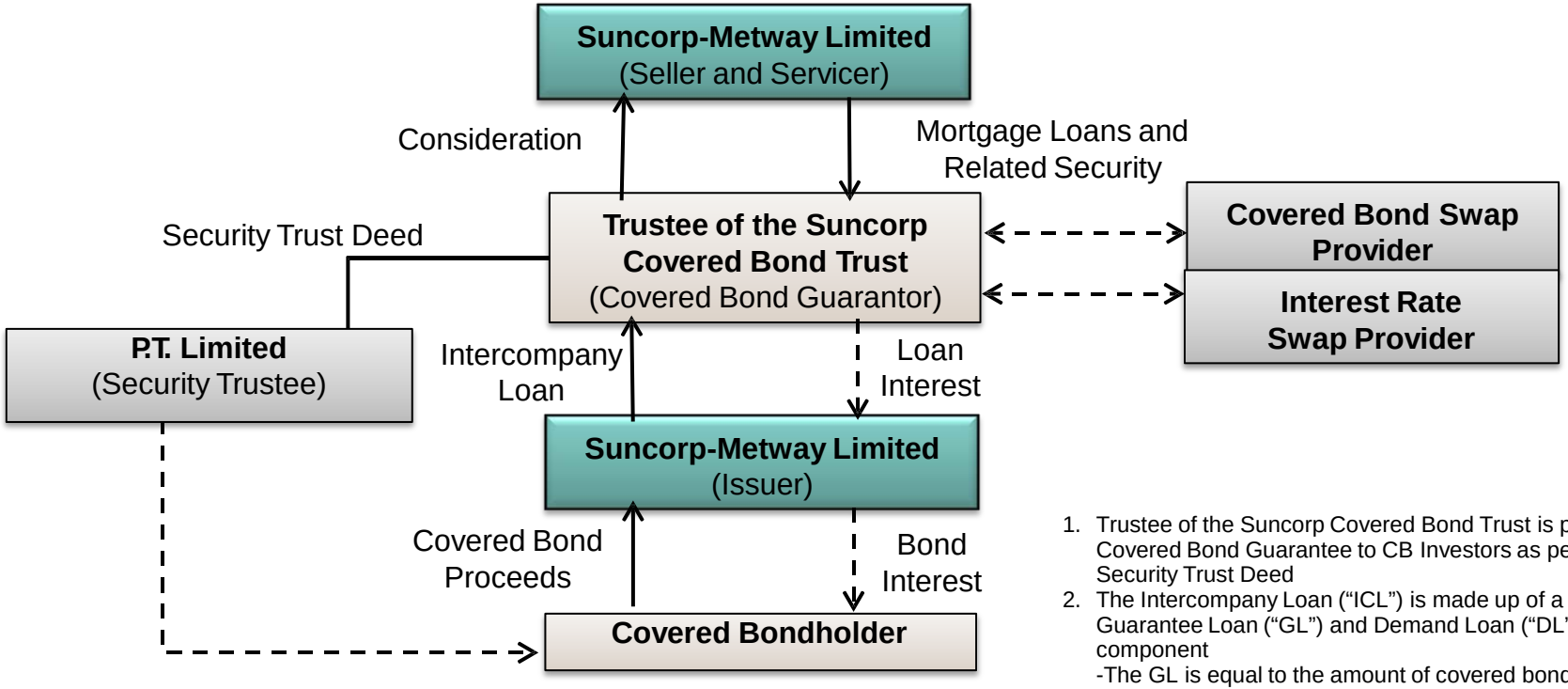
Programme Summary	
Issuer	Suncorp-Metway Limited
Issuer Rating	Fitch: F1 / A+ Moody's: P-1 / A1
Covered Bond Rating	Fitch: AAA Moody's: Aaa
Programme Limit	US$5.0 billion
Total Covered Bonds Outstanding	A$3.15 billion (of which $1.1billion maturing Dec 2016)
Maturity Options	Soft Bullet (Extended Due for Payment Date)
Covered Bond Guarantor	Perpetual Corporate Trust Limited as trustee of the Covered Bond
Covered Bond Guarantee	▪ The CBG has agreed to pay an amount equal to the Guaranteed Amounts in respect of the covered bonds when the same shall become Due for Payment and which has otherwise been unpaid by the Issuer ▪ Obligations of the CBG under the guarantee constitute direct and unconditional obligations ▪ Recourse to the CBG is limited to the secured assets
LVR Cap in Asset Coverage Test	80%
Asset Percentage	Subject to rating agency requirements, programme max 95%
Collateral	Australian Prime Residential Mortgages
Governing Law	New South Wales, Australia

Suncorp Covered Bond Programme

- Covered Bond Legislation enabled October 2011
- Issuance permissible by APRA under legislation pending prudential standards during 2012
- Cover assets separation via special purpose vehicle
- Maximum issuance capped at 8% of Suncorp ADI assets in Australia
- Independent cover pool monitor and Trustee
- SUN cover pool will closely resemble APOLLO RMBS which reflects conservative lending standards
- Given precedence set by majors, SUN will look to replicate structural features wherever possible to ease investor due diligence process
- Programme documentation completed with first A$ covered bond in June 2012, subsequently in Nov 2012, October 2014 and June 2016
- Modest programme size of US$5bn

Indicative Cover Pool	(at 31 July 2016)
Size	A$3.753bn
Number of Loans	16,838
Average Loan Size (A$)	$222,901.88
Maximum Loan Size (A$)	$1,866,836
Weighted Average Current LVR	69.02%
Weighted Average Seasoning	66 months
Owner Occupied / Investment	77.54% / 22.46%
Metro / Non Metro	62.77% / 37.23%
Fixed rate Loans	14.08%
Interest Only Loans	15.87%
Arrears >30 days by current balance	0.52%
Fully Verified Loans	100.00%
Over Collateralisation Level	27.0%
Expected Rating	Aaa/ AAA
Rating Agency Providers	Moody's / Fitch
Indexation Provider	APM

Covered Bond Structure



1. Trustee of the Suncorp Covered Bond Trust is providing Covered Bond Guarantee to CB Investors as per Security Trust Deed
2. The Intercompany Loan ("ICL") is made up of a Guarantee Loan ("GL") and Demand Loan ("DL") component
   -The GL is equal to the amount of covered bonds outstanding plus the required over-collateralisation amount
   - The DL is equal to any voluntary over-collateralisation in excess of the GL amount

Programme Highlights

Structure	Full recourse to a highly rated financial institution (Suncorp, A+/A1/A+) and security over a portfolio of first ranking Australian mortgages.
Over-Collateralisation	Prior to a Notice to Pay, the Asset Coverage Test is performed on each Calculation Date to ensure there are sufficient assets to support the outstanding Covered Bonds. After a Notice to Pay, the Amortisation Test is similarly performed on each Calculation Date.
Security	Mortgages are legally transferred, by true sale, to the bankruptcy remote Covered Bond Guarantor to ensure Covered Bondholder has priority claim over the cover pool at issuer insolvency.
Asset Monitor	KPMG has been appointed to monitor the calculation of the Asset Coverage Test and the Amortisation Test on at least an annual basis.
Hedging	Interest Rate Swaps and Covered Bond Swaps are used to hedge any exposure of the Covered Bond Guarantor to interest rate and currency risks.

Structural Enhancements

Over-Collateralisation	• Prior to a Notice to Pay, the Asset Coverage Test is performed on the Determination Date to ensure sufficient assets to support the value of outstanding covered bonds • After a Notice to Pay, the Amortisation Test is performed on each Determination Date to ensure sufficient cash to pay any maturing bonds
Indexation	• The nominal value of assets in the collateral pool will be adjusted to reflect changes in house prices, by postcode, using a reliable and widely used measure such as APM (Australian Property Monitors) • The Asset Coverage Test (ACT) and Amortisation Test incorporate the use of the Indexed Valuation for each property • The ACT provides for 100% of any declines in the indexed property market values and 85% of any gains in the indexed property market values • Housing Loans in arrears by more than 90 days receive zero value
Interest Rate Swap	• This swap hedges interest flows on the cover pool for a spread over 1 month BBSW + margin to cover the payment obligations of the Trust, including interest on the Intercompany Loan & Demand Loan and expenses of the trust • Swaps will be provided by SUNCORP and will be required to post collateral, obtain guarantees or be replaced if specified rating triggers occur
Covered Bond Swap	• Where covered bonds are issued in a currency and / or interest basis different to the Interest Rate Swap, the Covered Bond Guarantor will enter into a Forward Starting (or Non-Forward Starting) Covered Bond Swap • Swaps will be provided by SUNCORP (or a third party for offshore issuance) and will be required to post collateral, obtain guarantees or be replaced if specified rating triggers occur

Ratings Triggers

If any of the following occur

Pre Maturity Test	Moody's : below P1 Fitch : below F1+	Not applicable as Suncorp will issue Soft Bullet Covered Bonds. In the event that Suncorp issued Hard Bullets the following Pre-Maturity test would apply. The Pre-Maturity Ledger must be funded by the A$ Equivalent of the Required Redemption Amount for the Hard Bullet Covered Bonds maturing within the next 12 months. Failure to remedy a breach of the Pre-Maturity Test within the required timeframe will cause an Issuer Event of Default to occur.
Reserve Fund	Moody's : below P-1 Fitch : below F1	An amount equal to A$ equivalent of three months' interest and expenses must be credited to the Reserve Fund.
Swap Collateralisation & Replacement	Fitch : below F1 / A	Swaps must be cash-collateralised (one way CSA) within 14 calendar days of a ratings trigger event. Suncorp Bank must replace itself as a swap counterparty if Suncorp Bank's Fitch rating falls below F2 / BBB+.
	Moody's : below P-1 / A2	Swaps must be cash-collateralised (one way CSA) within 30 calendar days of a ratings trigger event. Suncorp Bank must replace itself as a swap counterparty if Suncorp Bank's Moody's rating falls below P-2 / A3.
Transfer Trust Bank Account	Moody's : below P-1 Fitch : below F1 / A	The Covered Bond Guarantor must transfer it's bank account from Suncorp Bank to a third party.
Servicer Downgrade	Moody's : below P-1 Fitch : below F1 / A	Suncorp Bank will be required to transfer all collections to the GIC account within 2 local business days (and must replace itself as Servicer if Suncorp's ratings falls below Baa3 / BBB-).

Asset Coverage Test (ACT)

- Tested on each Calculation Date prior to the service of a Notice to Pay
- The ACT is designed to protect Covered Bondholders by ensuring that the value of cover pool assets is greater than the AUD equivalent of outstanding covered bonds
- If an Asset Coverage Test Breach Notice has been served and not deemed to be revoked by the Bond Trustee as of the Test Date following service of an Asset Coverage Test Breach Notice, then an Issuer Event of Default will occur

Asset Coverage Test =

Adjusted Aggregate Loan Amount will be the lower of:

a) the sum of the LTV Adjusted Outstanding Principal Balance of each Mortgage Loan, which shall be the lower of:

i. actual Outstanding Principal Balance of the relevant Mortgage Loan; and

ii. the aggregate of the Indexed Valuation of each Property relating to that Mortgage Loan, multiplied by M, where M=0.8 for each Mortgage Loan that is not a Defaulted Loan and M=0 for each Defaulted Loan

less the aggregate sum of Mortgage Loans in breach of Reps and Warranties

+

b) the sum of the Asset Percentage Adjusted Outstanding Principal Balance of each Mortgage Loan, which shall be the lower of:

i. actual Outstanding Principal Balance of the relevant Mortgage Loan; and

ii. Valuation of each Property relating to that Mortgage Loan multiplied by N, where N=0.8 for each Mortgage Loan that is not a Defaulted Loan and N=0 for each Defaulted Loan

The result being multiplied by the **Asset Percentage**

less the aggregate sum of Mortgage Loans in breach of Reps and Warranties

−

≥ **Outstanding Covered Bonds (A$ equiv.)**

+ **Substitute Assets & Authorised Investments** + **Principal Receipts**

WA remaining maturity of all Covered Bonds outstanding X **Principal Amount of all Covered Bonds outstanding** X **Negative Carry Factor (zero whilst IRS in place)**

IRS means Interest Returns Swap

Amortisation Test

- Tested monthly on each Calculation Date following the service of a Notice to Pay
- The Amortisation Test is designed to test whether the assets of the Covered Bond Guarantor available to meet its obligations under the Covered Bond Guarantee have fallen to a level where Covered Bondholders may not be repaid
- A failure of the Amortisation Test will constitute a CBG Event of Default and prompt an acceleration of the covered bonds

Amortisation Test

=

The sum of the **Amortisation Test Outstanding Principal Balance** of each Mortgage Loan, shall be the lower of:

i.the actual Outstanding Principal Balance of the relevant Mortgage Loan; and

ii.the aggregate of the Indexed Valuation of each Property relating to the Mortgage Loan, multiplied by M, where M=0.8 for each Mortgage Loan that is not a Defaulted Loan and M=0 for each Defaulted Loan

less the aggregate sum of Mortgage Loans in breach of Reps and Warranties

≥

Outstanding Covered Bonds (A$ equiv.)

−

Cash in the GI Account + Substitute Assets & Authorised Investments

WA remaining maturity of all Covered Bonds outstanding x **Principal Amount of all Covered Bonds outstanding** x **Negative Carry Factor (zero whilst IRS in place)**

ABS Suite

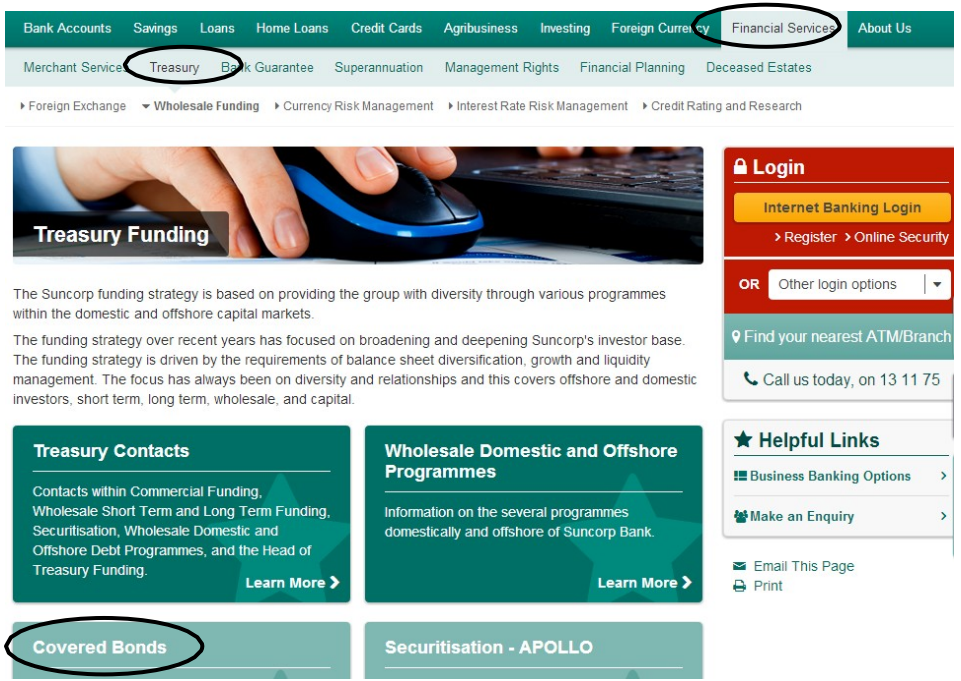
A stand alone system which identifies all securitised mortgages for APOLLO Trusts and Covered Bond Trust. All transactions established under the Master Trust Deeds are structured in the system.

Import Data	• All relevant data from Suncorp Lending and Origination Systems imported to ABS Suite as well as uploading other relevant data to the system such as LMI policy details, Hardship Applications, APM Data for indexation to ensure ABS Suite has all information required
Pool Selection	• Create Pools using Account, Collateral and Group Level Data. Finalise Pools for new Trusts and Substitutions to On-Balance Sheet transactions & Covered Bond
Collateral Servicing	• Includes Loan Level calculations, aggregation, stratification for cash flow and reporting purposes and also performs relevant tests such as the Asset Coverage Test for Covered Bonds
Investor Reporting & Accounting	• ABS Suite generates all Investor Reports and Trust Accounting Journals

Investor Reporting

All reports will be available under the Suncorp Bank webpage, under Treasury Funding then select Covered Bonds.

http://www.suncorpbank.com.au/financial-services/treasury/wholesale-funding



Contacts

Simon Lewis	Executive Manager - Funding, IRRM & FX Sales	simon.lewis@suncorp.com.au	+61 7 3362 4037
Andrew Power	Senior Manager - Wholesale Term Funding	andrew.power@suncorp.com.au	+61 7 3362 4016
Maddalena Gowing	Senior Manager - Securitisation & Covered Bonds	maddalena.gowing@suncorp.com.au	+61 7 3362 4038
Adam Parry	Senior Manager - Institutional Funding	adam.parry@suncorp.com.au	+61 7 3362 4031
Katie Taylor-Groth	Institutional Funding	katie.taylor-groth@suncorp.com.au	+61 7 3362 4049

Important disclaimer

This report contains general information which is current as at 04 August 2016. It is information given in summary form and does not purport to be complete.

Please note all references are in Australian Dollars ($) unless otherwise disclosed.

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This report should be read in conjunction with all other information concerning Suncorp filed with the Australian Securities Exchange (ASX).

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