



SUNCORP METWAY LTD

Acquisition of AMP's Australian GI Interests

15 June 2001

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Briefing Outline

- **Steve Jones, CEO**
 - **Business being acquired**
 - **Rationale**
 - **Integration approach**
- **Daniel Wilkie, CFO**
 - **Structure**
 - **Funding**
 - **Financial Impact**
- **Questions and Answers**



Business being acquired

- **AMP's wholly-owned Australian GI business**
 - **GWP & other income of \$1.2b in FY 2000**
- **Lines of business include:**
 - **Home**
 - **Commercial**
 - **Motor**
 - **Workers Comp (u/w & fee)**
 - **CTP**
 - **Self Insurance (fee)**
- **Consideration of approximately \$1.24 billion (\$850 million plus net admissible assets at completion) and 15.15m cash settled options exercisable at \$16.38.**
- **Effective 1 July with settlement by 30 Sept**

Business being acquired

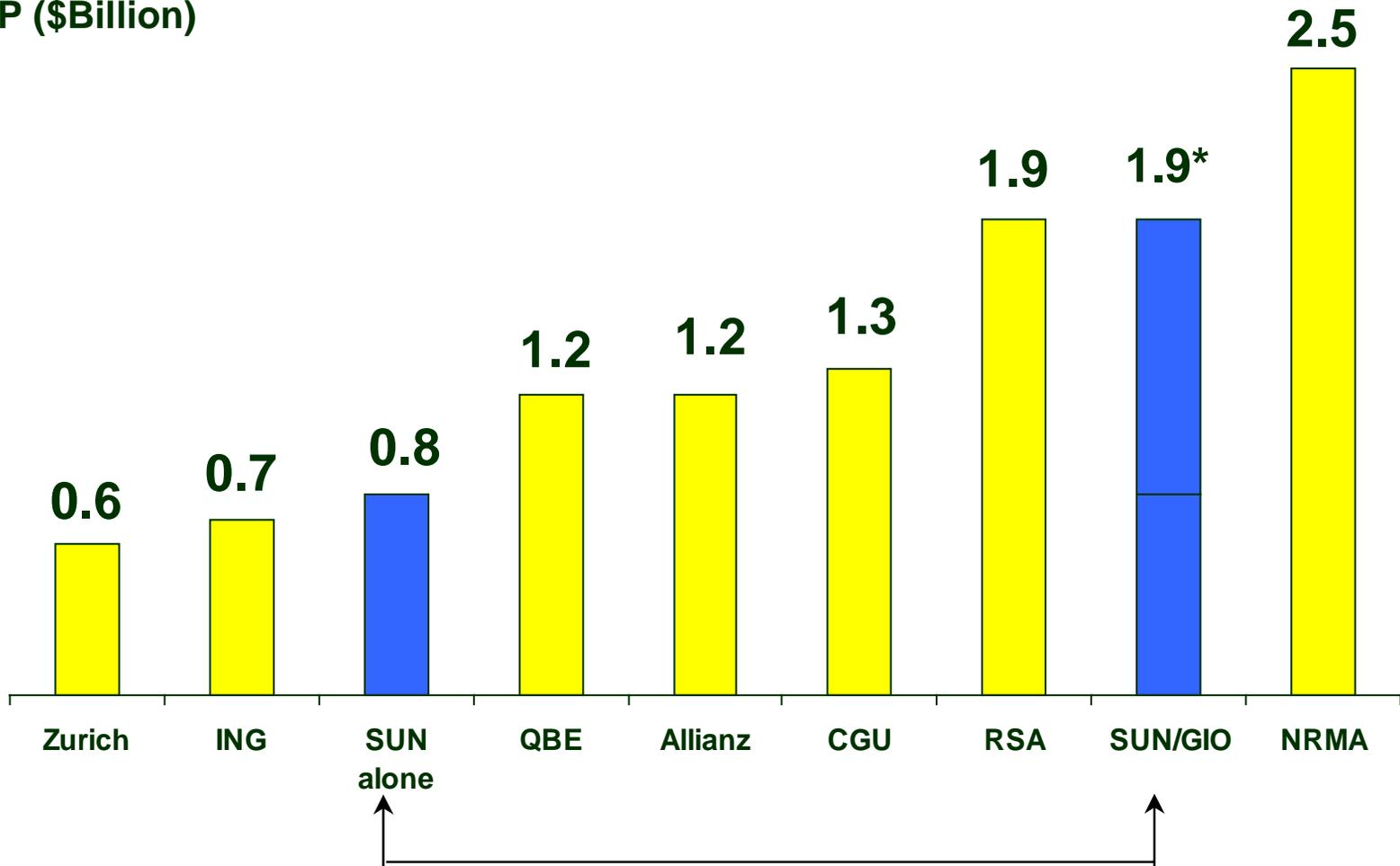


GWP (Full Year 2000, A\$M)	AMP GIO	SUN	Combined
Home	288	119	407
Domestic Motor	328	165	493
CTP	85	343	428
Commercial Lines	248	140	388
Workers Comp (underwritten)	141	0	141
Total premium	1090	766	1856
Fee Income			
Workers Comp	74	0	74
SIS	34	0	34
Total fee income	108	0	108
Total revenue	1198	766	1964

Quantum leap in scale



GWP (\$Billion)



Source: APRA, latest available, December 1999 figures. The figures exclude HIH premium revenues which have been redistributed. Figures exclude joint venture business



Related Opportunities

- **SUN to supply GI products for AMP customer base**
- **AMP/GIO 50% interests in motoring club joint ventures**
 - **Qld (\$79m GWP) & South Australia (\$22m GWP)**
- **JV business subject to due diligence and approval of JV partners and regulators**
- **Investigating opportunities for distribution of AMP product to SUN customers**



Shareholder Returns

- **Value for shareholders - ROE of acquisition expected to be 14%+ in Yr 3**
- **Cash EPS neutral in Yr 1, +4% in Yr 2, +8% in Yr 3 (relative to market consensus forecasts)**
- **Primary drivers are operating & claims costs \$80m+ pre-tax savings by Yr 3 on combined cost base**
- **Projected GWP growth broadly 5% p.a.**

Figures exclude motoring club joint venture business



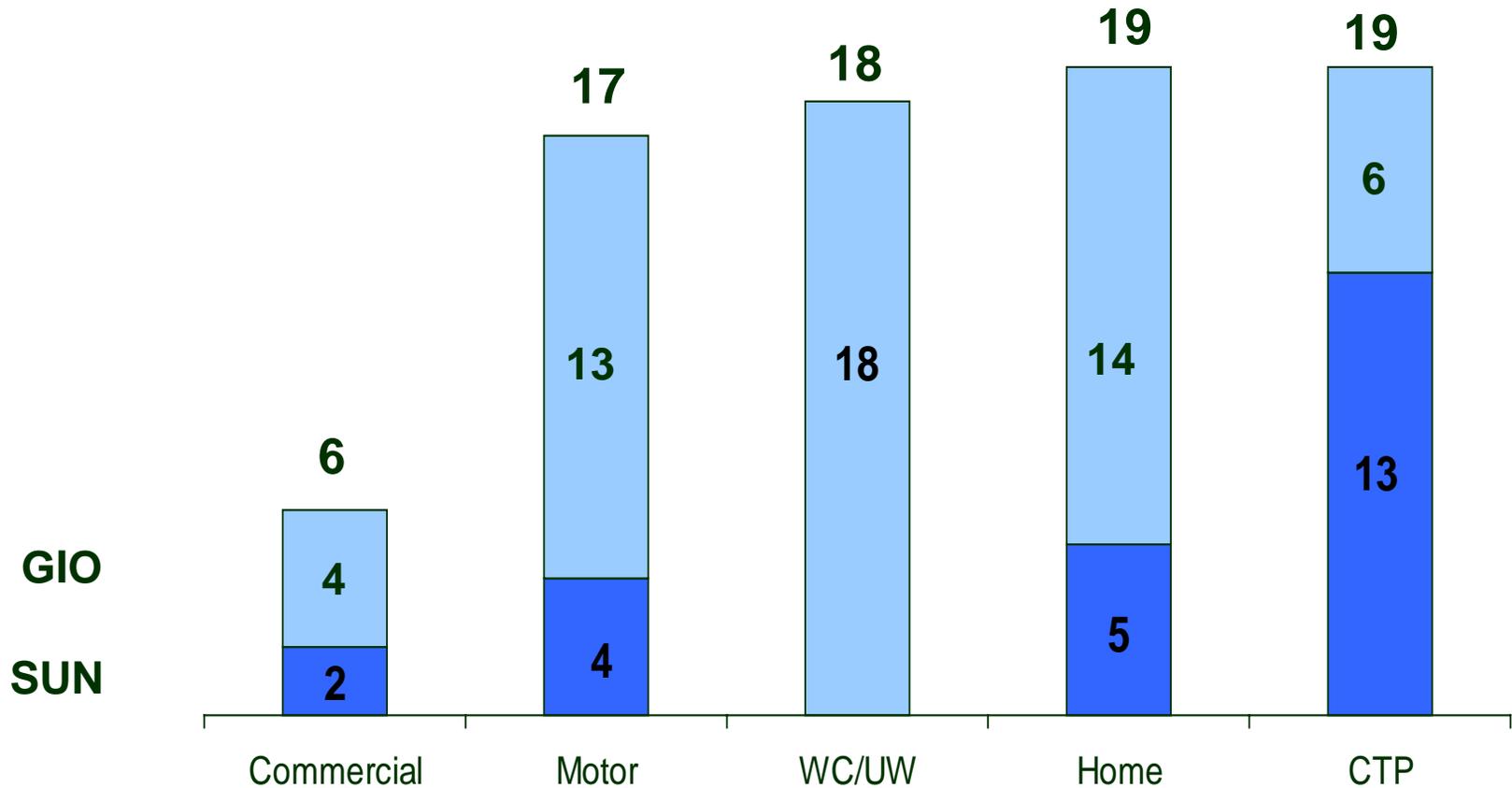
Strategic Rationale

- **National platform for growth in GI & Allfinanz**
 - strong brand and customer franchise
 - established distribution network outside Qld
- **Scale - SUN moves from 7th to equal 2nd largest player**
- **Efficiencies for both existing & acquired operations**
- **Increases diversification in geography and lines of business, reducing risk to investors**
- **Positive outlook for GI industry**

Major market shares



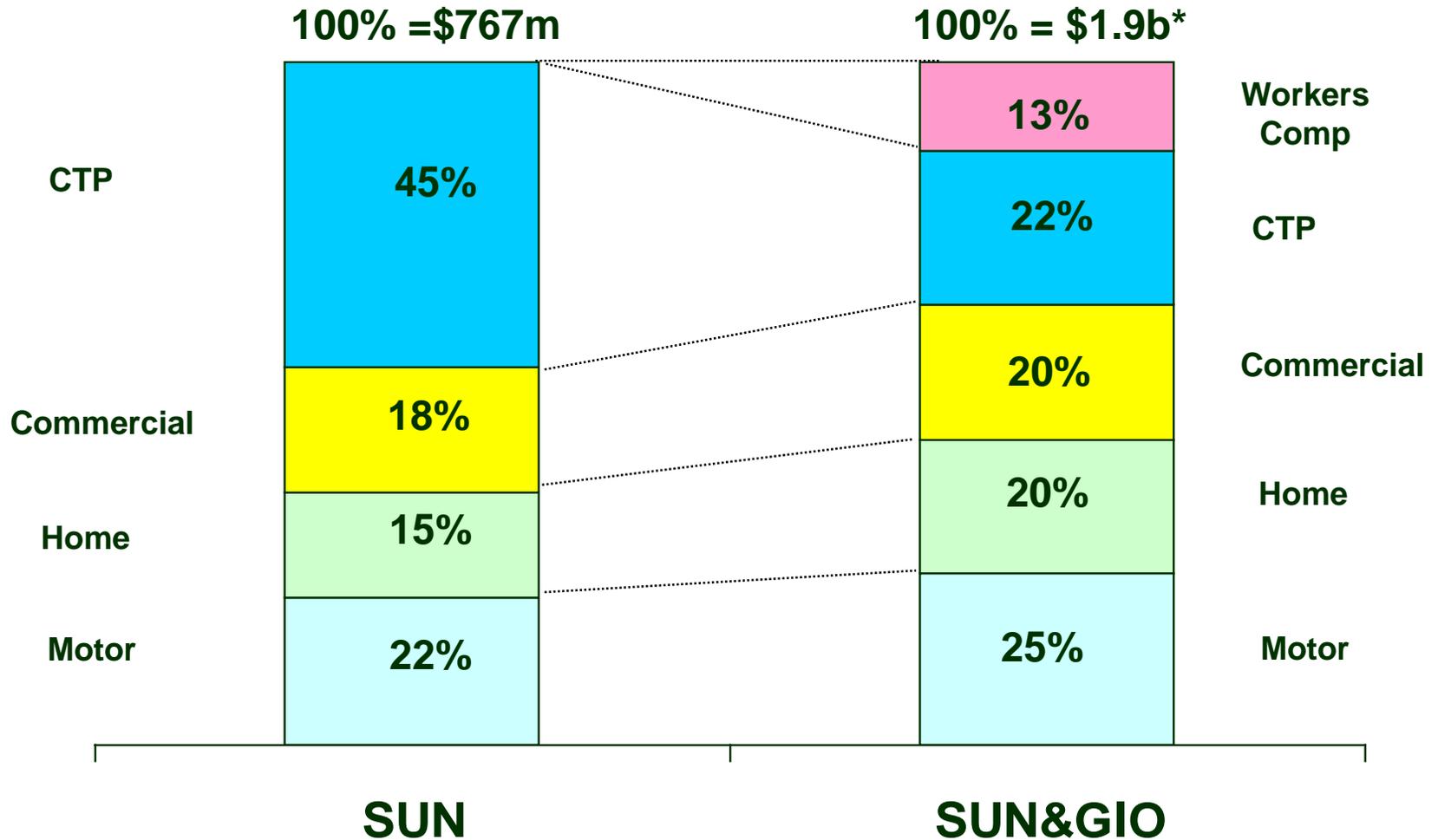
Combined SUN/GIO national market shares %





Product Diversification

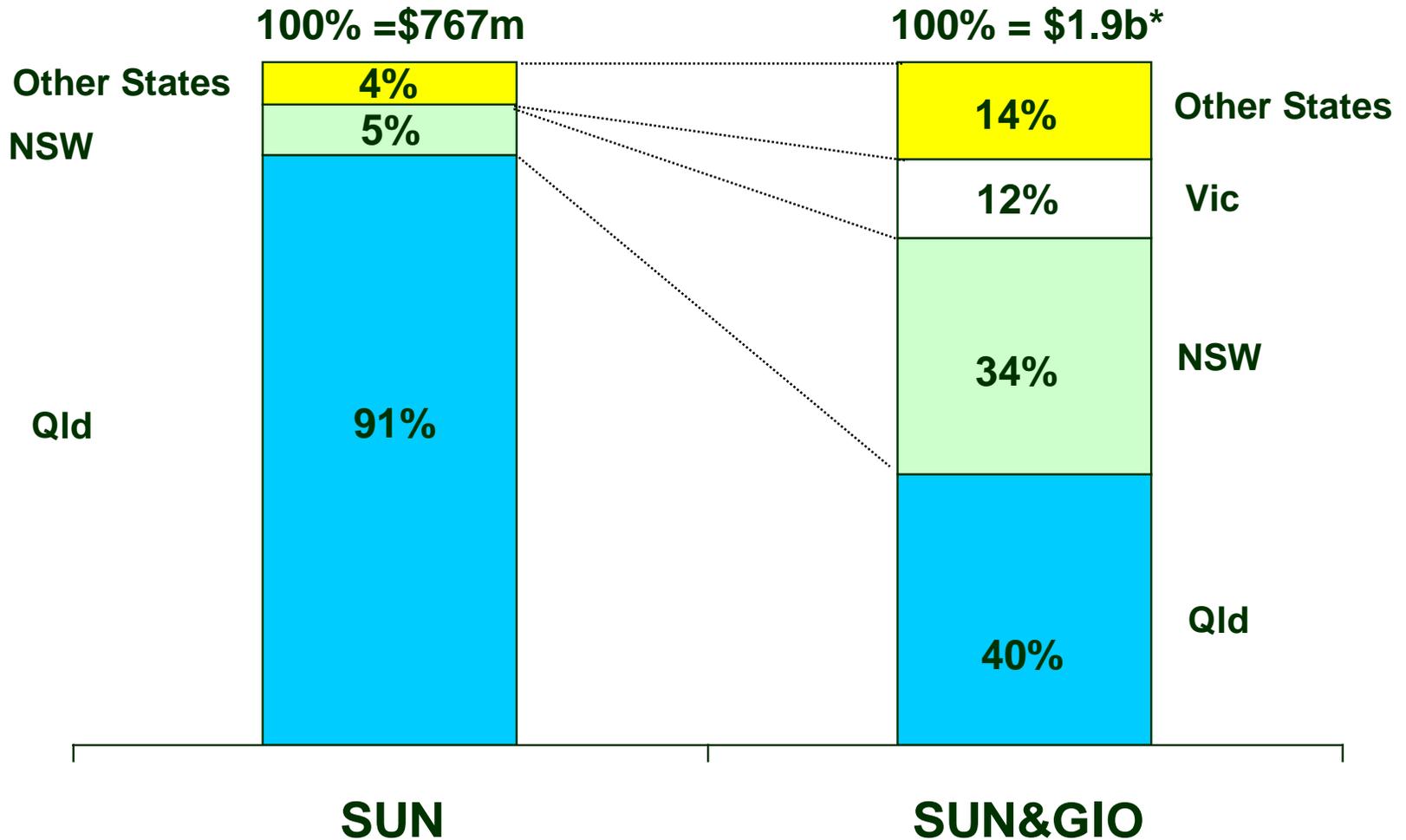
Gross Written Premium





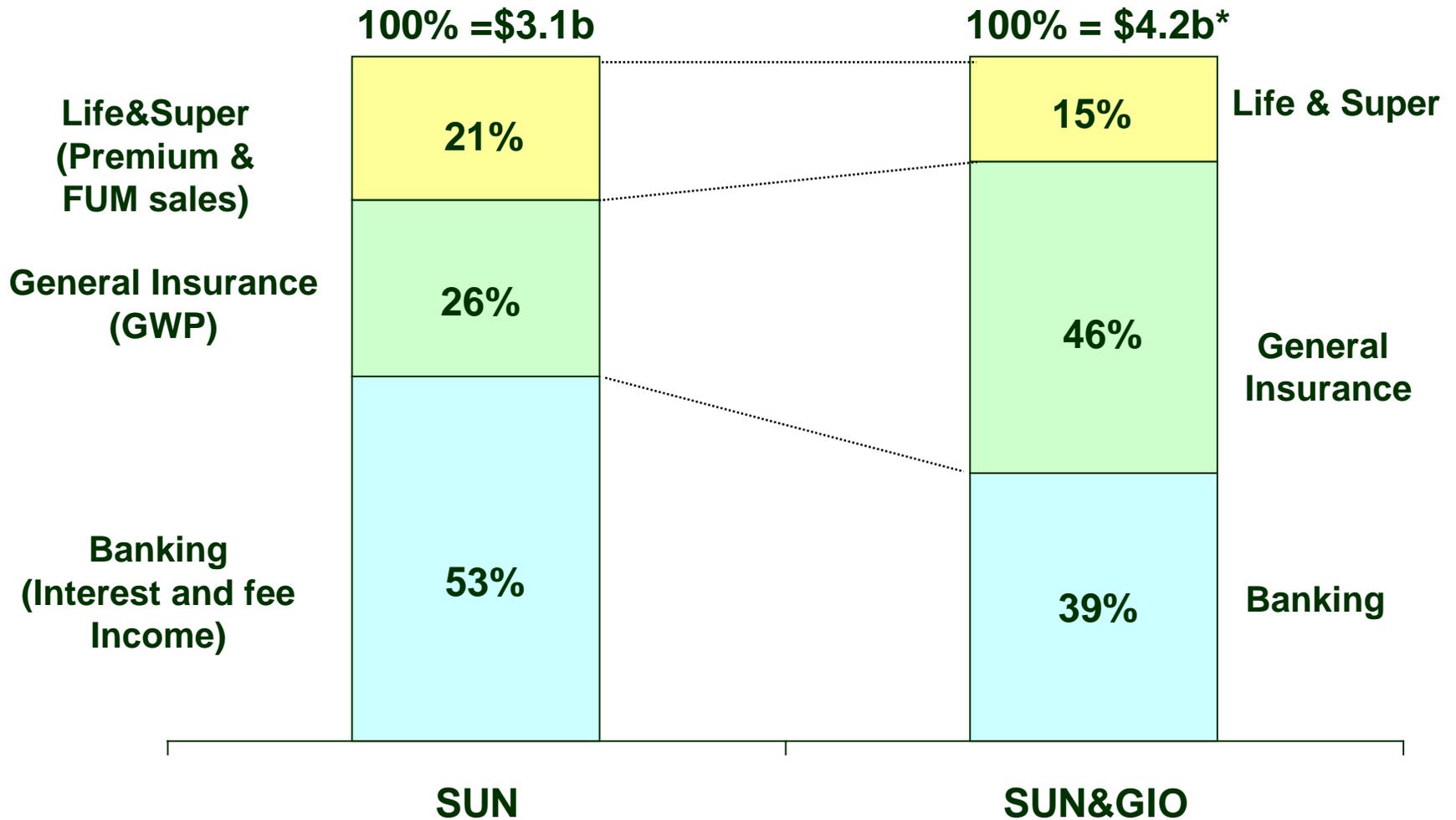
Geographic Diversification

Gross Written Premium





Group Revenue Mix

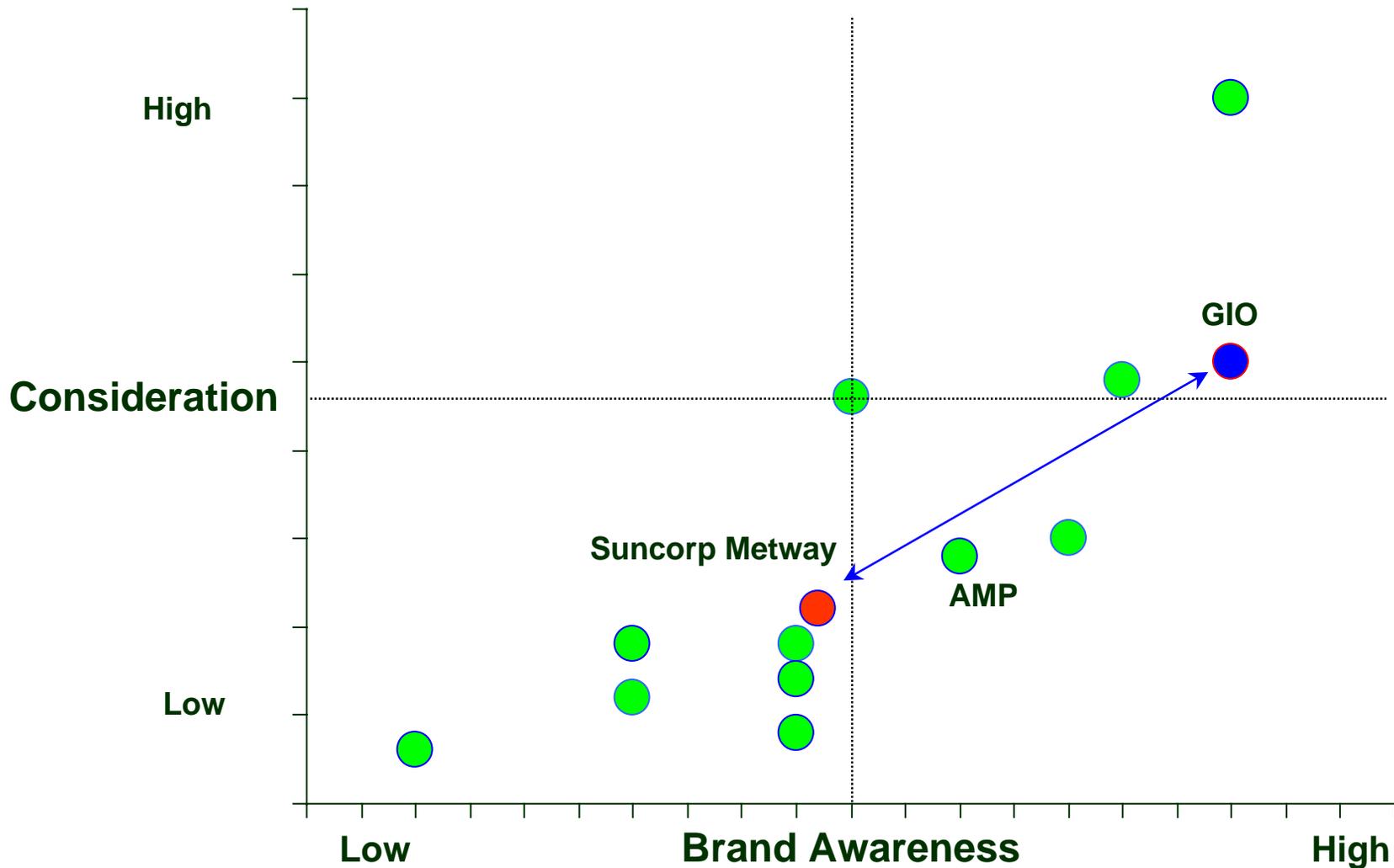




National Platform for Growth

- **1.4 million retail GIO customers and 300k business customers**
- **43 GIO branches, including 28 in NSW**
- **300+ Call Centre staff**
- **145 GIO Business Insurance Reps**
- **425 general insurance brokers**
- **200 GIO Agencies**
- **Wholesaler to 1300 AMP Financial planners**

Strong Brand Awareness



Source: Millward Brown in 2000. NSW, Vic, Qld General Insurance survey



Integration Approach

- Retain and build GIO brand
- Daniel Wilkie becomes GGM General Insurance
- Use proven “Transformation” integration approach
- Led by Peter Johnstone, leader of SUN’s merger
- Teams of staff generate improvement ideas
- Quarterly implementation from November
- Progress reporting as per SUN’s original merger
- Estimated total integration costs of approximately \$160 million, of which \$129 million is included in restructure provision



Group-wide Synergies

- **Cost synergies spread over combined cost base**
 - **approximately 30% sourced from SUN**
- **Key areas of savings:**
 - **Claims costs, procurement and claims handling**
 - **HR and allocated overhead**
 - **Systems integration**
 - **Investment management**
 - **Reduced distribution expenses**
- **IT, support service and distribution savings total approximately 80% of estimated synergies**
- **No revenue synergies assumed**



Relevant Track Record

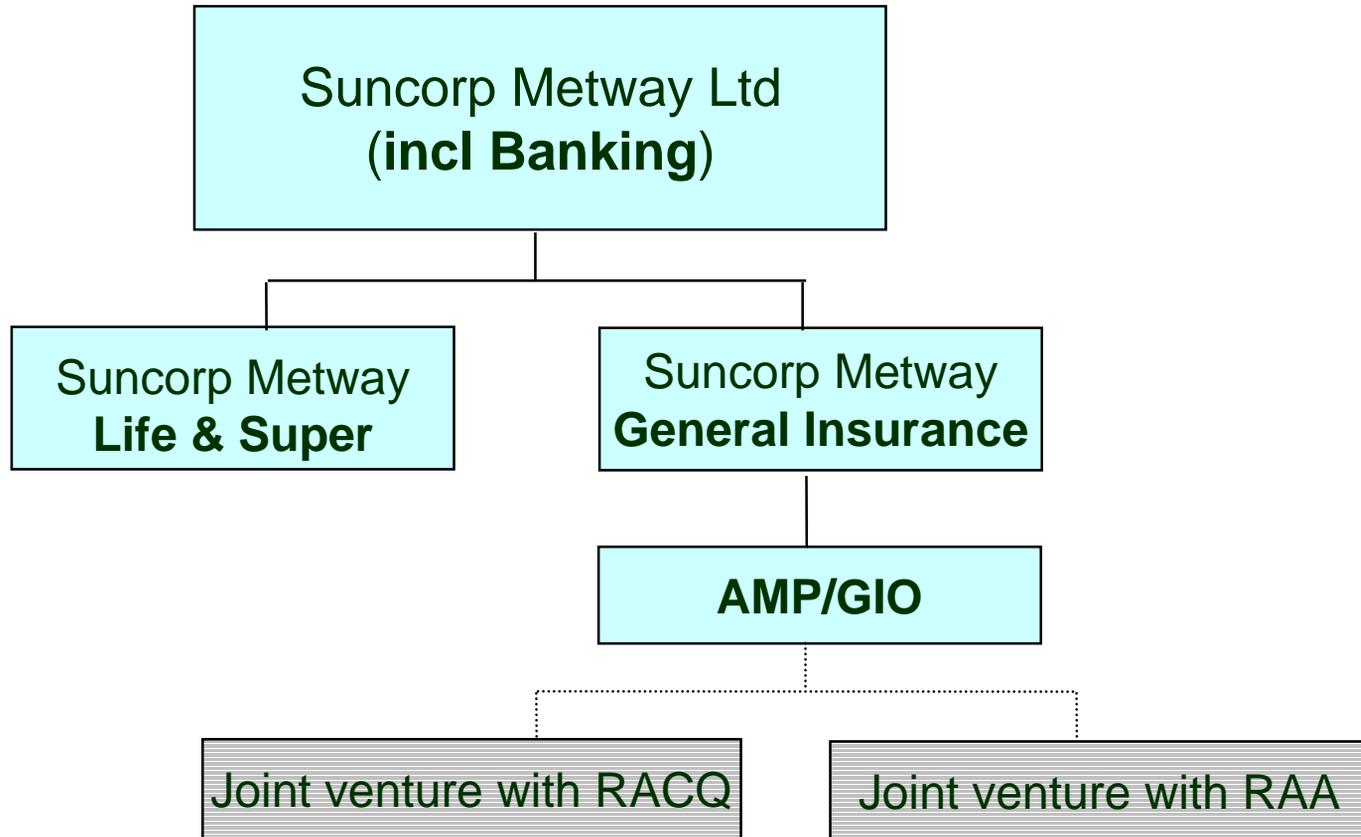
- **Cost efficiency: GI expense ratio and bank cost to assets ratio among the lowest in Australia**
- **Cross sell: 3.4 products per Main Financial Institution customer vs 2.6 for nearest competitor**
- **Proven merger integration expertise**
 - **delivered better than projected synergies for complex 3-way merger within stated timeframe**
- **Consistent, prudent capital management**



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Corporate Structure





Acquisition Funding

		\$million
Tier One	Ordinary shares to AMP	250
	Ordinary shares to institutions	550
	Hybrid equity	200
Tier Two	Subordinated debt (\$125m taken up by AMP)	<u>250</u>
		<u>1,250</u>

- JV acquisition and integration costs funded from internal resources



Balance Sheet impact

	SME	AMP/GIO	Proforma Consolidated at 31.12.00
	31.12.00	31.12.00	31.12.00
	\$m	\$m	\$m
Assets			
Investment securities	5,648	1,589	7,237
Loans, advances and other receivables	18,855	425	19,234
Goodwill	159	865	1,163
Other Assets	3,042	302	3,330
	27,704	3,181	30,964
Liabilities			
Deposits and short term borrowings	15,645		15,645
Oustanding claims and unearned premium	2,222	1,729	3,951
Life insurance policy liabilities	2,384		2,384
Policyholder retained profits	285		285
Bonds, notes and long term borrowings	3,485	521	3,455
Subordinated notes	539		789
Other Liabilities	1,131	182	1,442
	25,691	2,432	27,951
Net Assets	2,013	749	3,013



Balance Sheet impact (cont')

	SME	AMP/GIO	Proforma Consolidated at 31.12.00
	31.12.00	31.12.00	31.12.00
	\$m	\$m	\$m
Capital			
Ordinary shares ¹	1,517	749	2,317
Other capital instruments ¹			200
Reserves	22		22
Retained profits	468	0	468
Outside equity interests	6		6
	2,013	749	3,013
Total Assets	27,704	3,181	30,964
¹ Adjusted to reflect the conversion of capital notes in July - August			

GIO Proforma Profit & Loss



	December Year End
(\$ Millions)	2000
Gross Written Premium	1,090
Net Earned Premium (NEP)	950
Underwriting Result (1)	(47)
Investment Income on Technical Reserves	85
Insurance Trading Result (ITR)	38
Tax on ITR (at 30%)	(11)
Underlying Profit/(Loss) on ITR	26
Investment Income on Shareholder Capital	43
Tax on Investment Income from Shareholder Capital (at 24%)	(10)
Profit/(Loss) After Tax	59
NPAT of Managed Funds/SIS	17
Net Profit After Tax (2)	76

Source: AMP/GIO

(1) Net claims expense and operating expenses not shown separately as AMP's allocation of certain items is not comparable with that of SUN.

(2) Excludes JVs and one-off costs.



Group Capital Adequacy

(percentages)

	Current	Post Acquisition
BIS-defined Tier One Ratio	8.5	10.6
Tier One Ratio (net of intangibles)	10.1	16.2
Total Capital Ratio (net of deductions)	10.8	10.5
Hybrid Equity, % of Tier One	0	7.3
GI solvency	279	230

NB: Post acquisition ratios are proforma for acquisition financing

Summary



- **Excellent strategic fit**
- **Substantial value for shareholders**
- **Strong leadership team in place**
- **Proven integration approach**
- **Strong capital position maintained**
- **Thorough due diligence completed**