



SUNCORP-METWAY LTD

Investor Discussion Pack

October 2003

Disclaimer



The material contained in this presentation is general background information about the Group's activities current at the date of the presentation.

The information is a summary only and does not purport to be complete. Investors or potential investors should not rely upon the information as advice. The information does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

Note, all denominations are in Australian Dollars unless otherwise indicated.



- **Our history and strategic foundations**
- **Divisional profiles**
 - **Banking in profile**
 - **General Insurance in profile**
 - **Wealth Management in profile**
- **What differentiates Suncorp**
- **The financial services conglomerate strategy**
- **Outlook**
- **Questions**

Our history



**Metropolitan
Permanent
Building
Society**

Listed 1988

**QIDC
Business
banking GOE**

**SGIO
Insurance GOE**

Renamed
Suncorp in 1986



**1996 merger
created Suncorp
Metway**



**Acquired
June 2001**

**National
Financial
Services
Conglomerate.
Assets of
\$35 billion**



Banking

Queensland Deposits

Queensland Lending

Australia Assets

General Insurance

Queensland Premiums

Australia Premiums

Wealth Management

Australia FUM

Market Share

Market Position

20%

#1

16%

#3

3%

#6

35%

#1

13%

#3

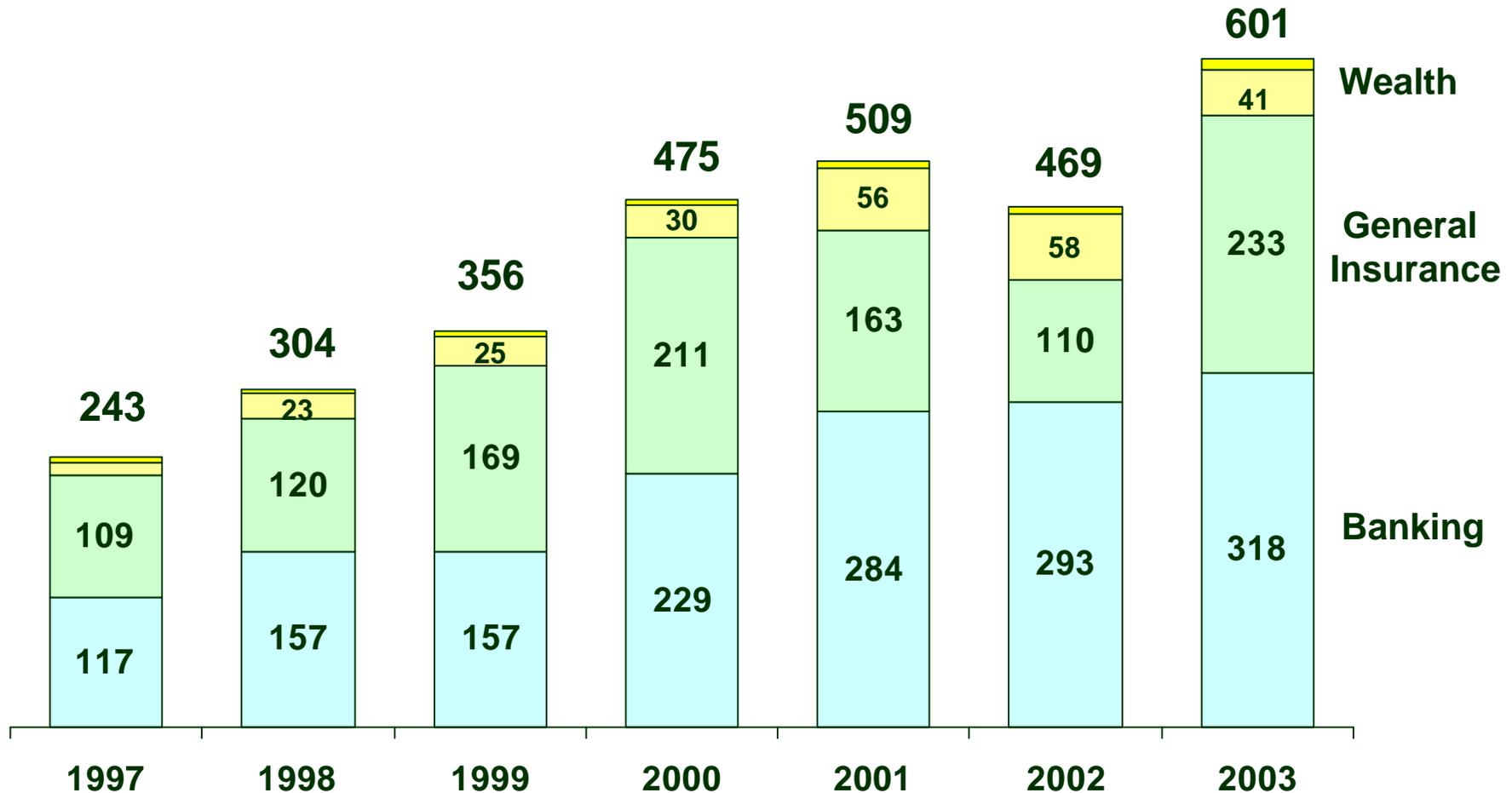
1%

#19

Dramatically increased profitability



Profit before tax, goodwill and abnormal items (\$millions)



Agenda

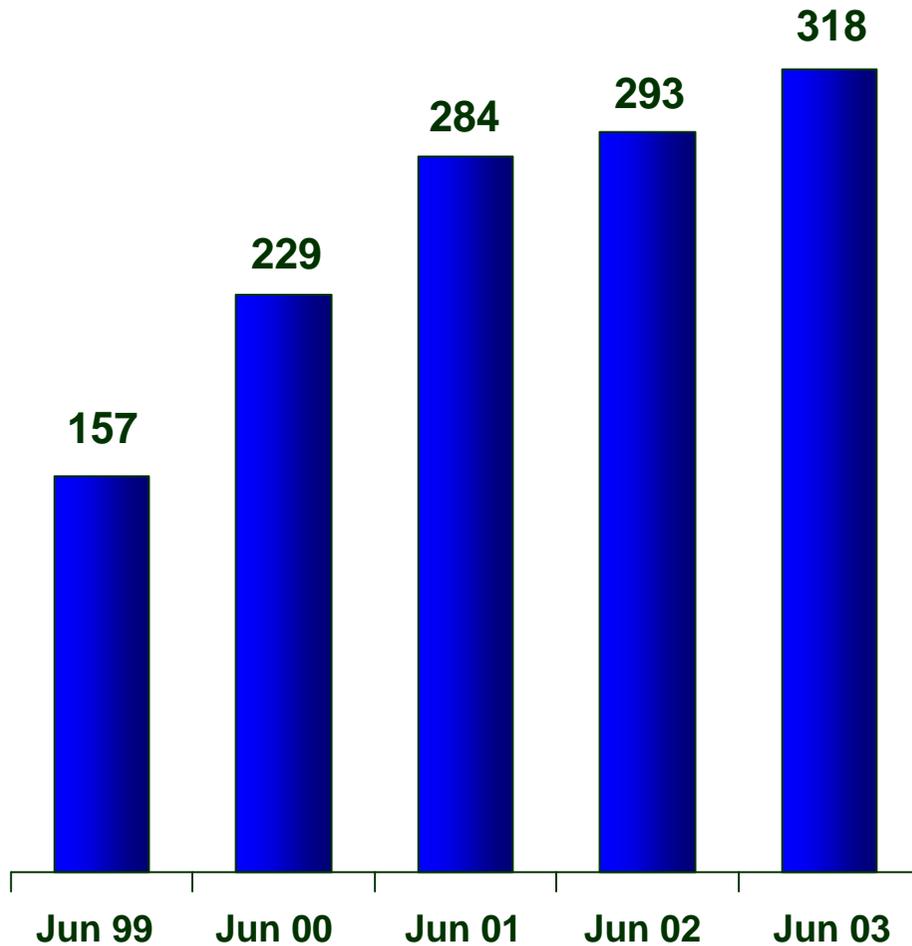


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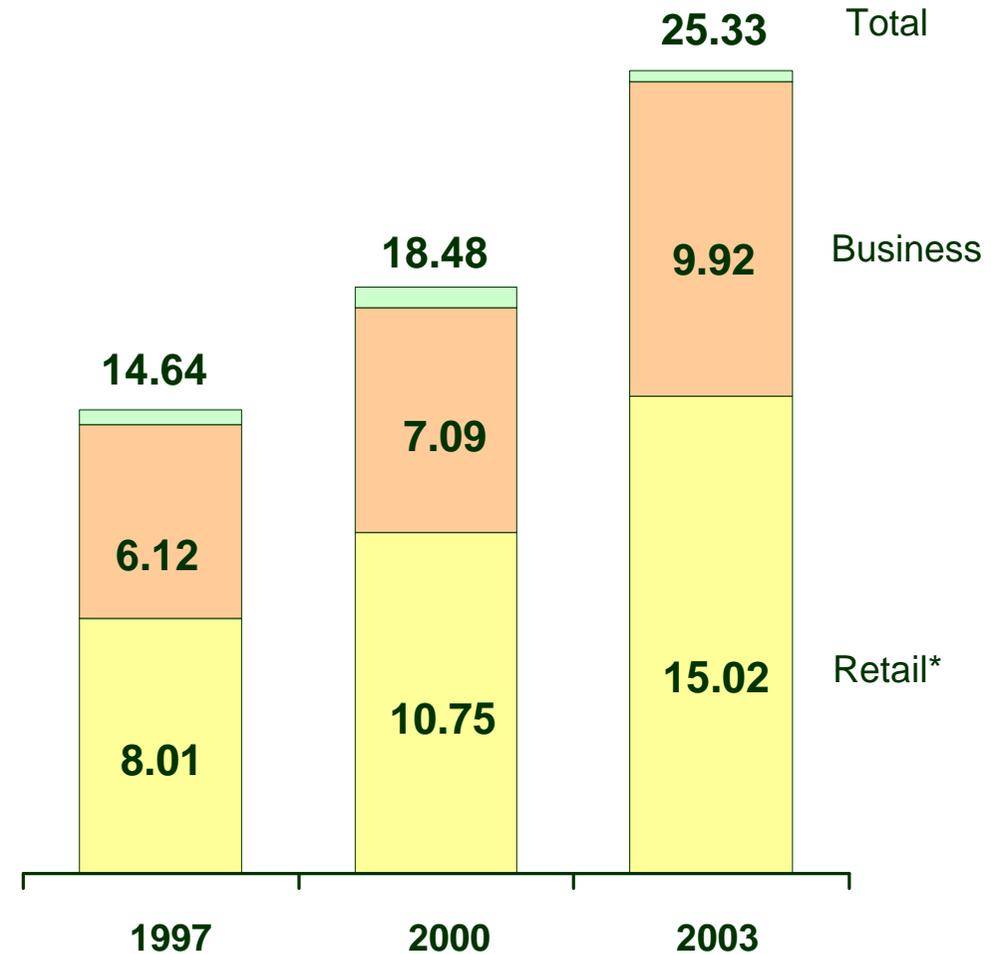
Banking growth



(Profit before tax, \$millions)



Loans, advances and other receivables (\$billions)

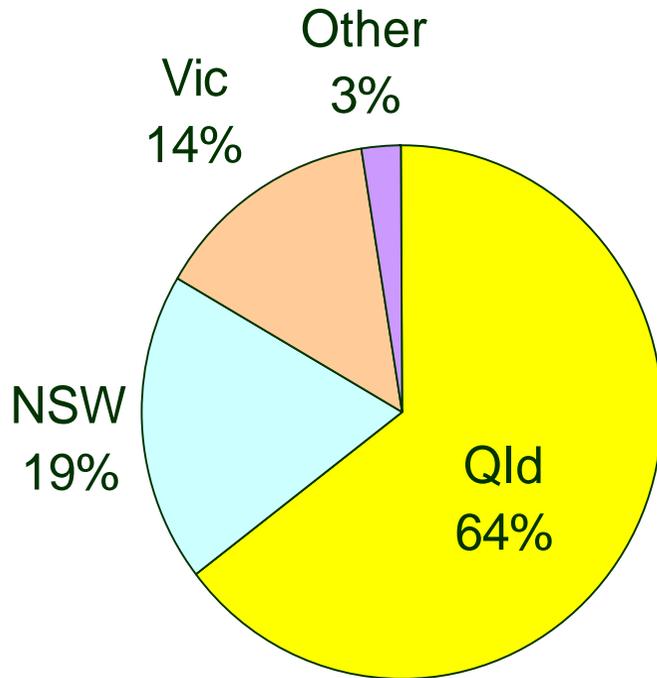


*Includes securitised assets

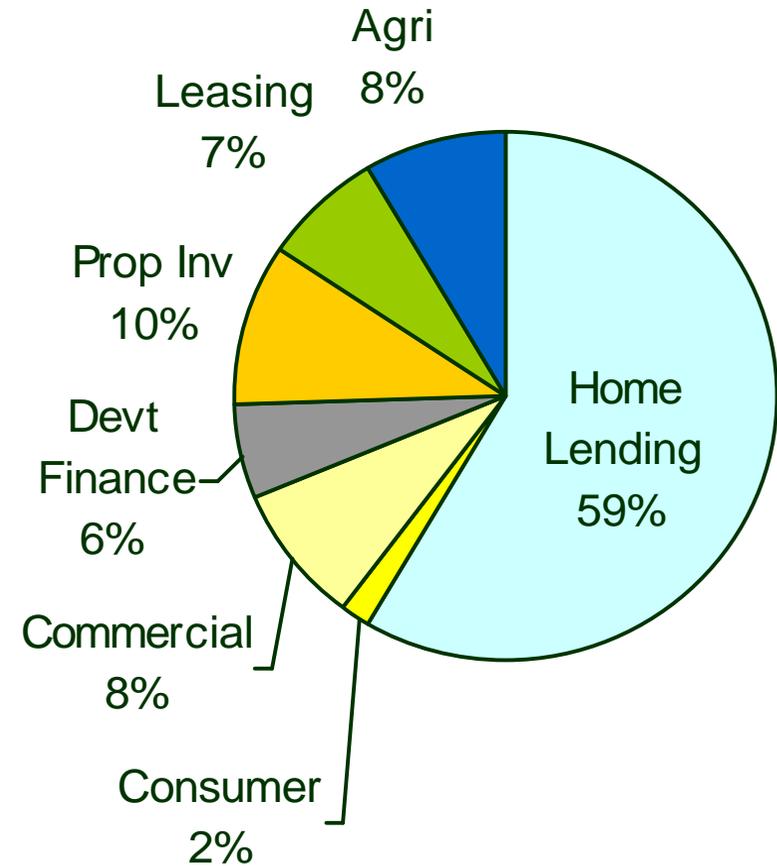
Banking business diversity



Assets by State (%)



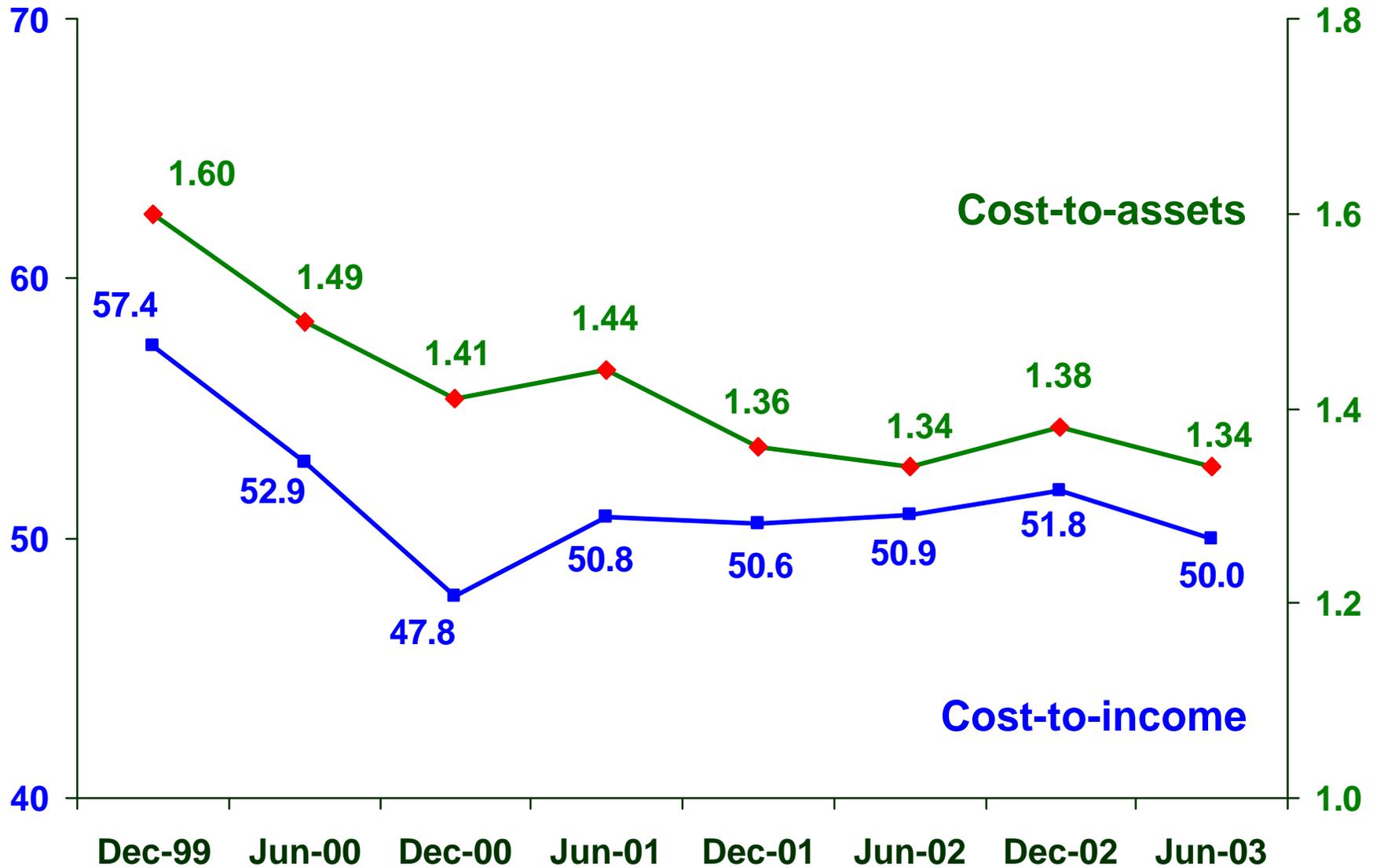
Assets by lending segment (%)



Bank efficiency improved



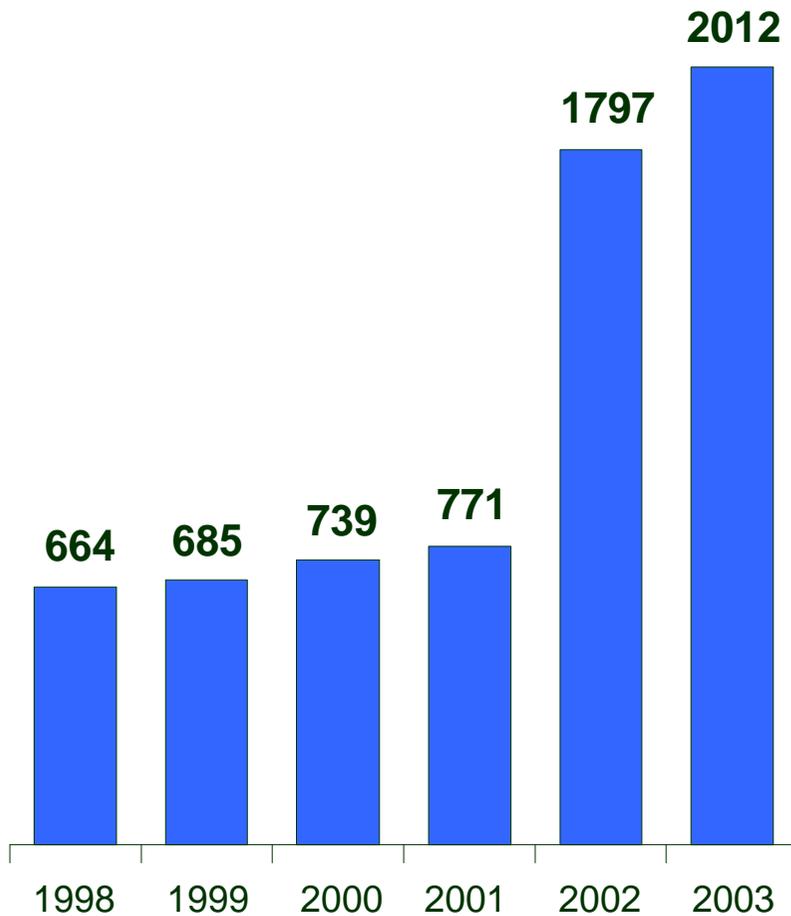
Half year (%)



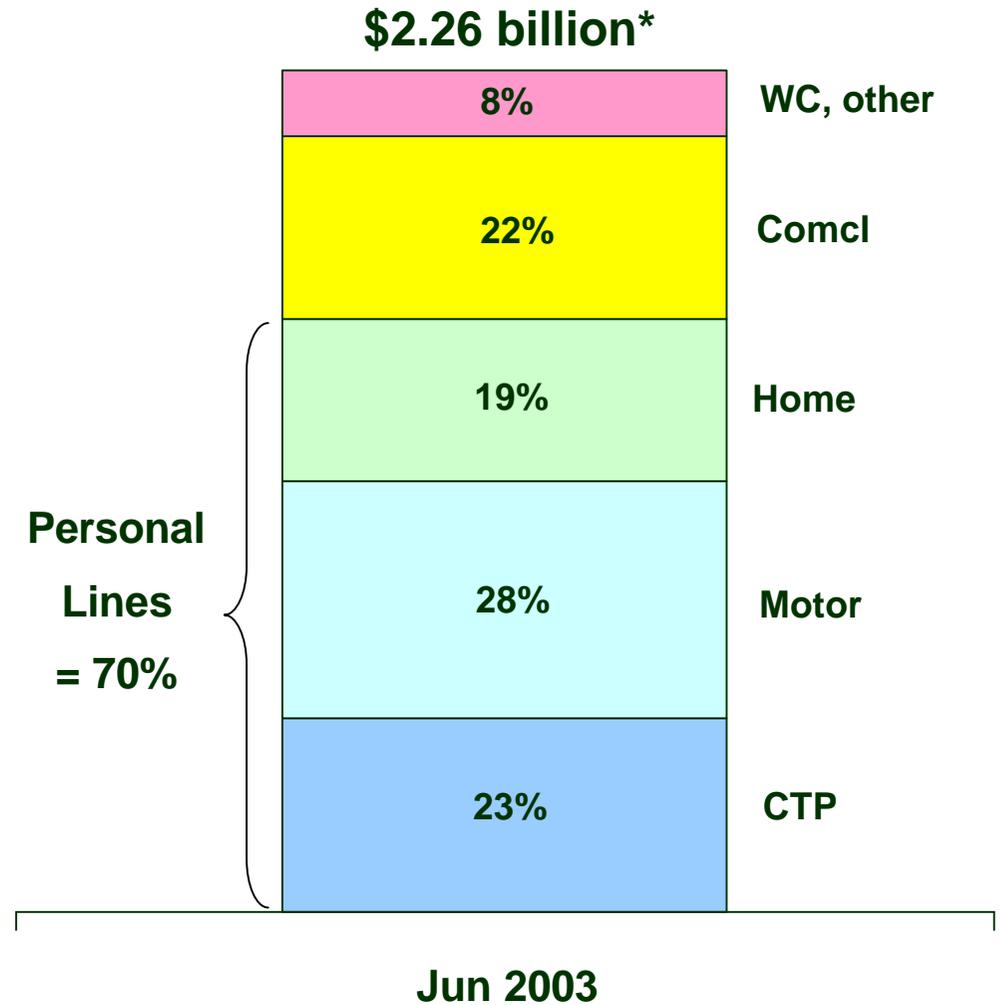
GI premium growth and mix



Net Earned Premium (\$millions)



Gross Written Premium

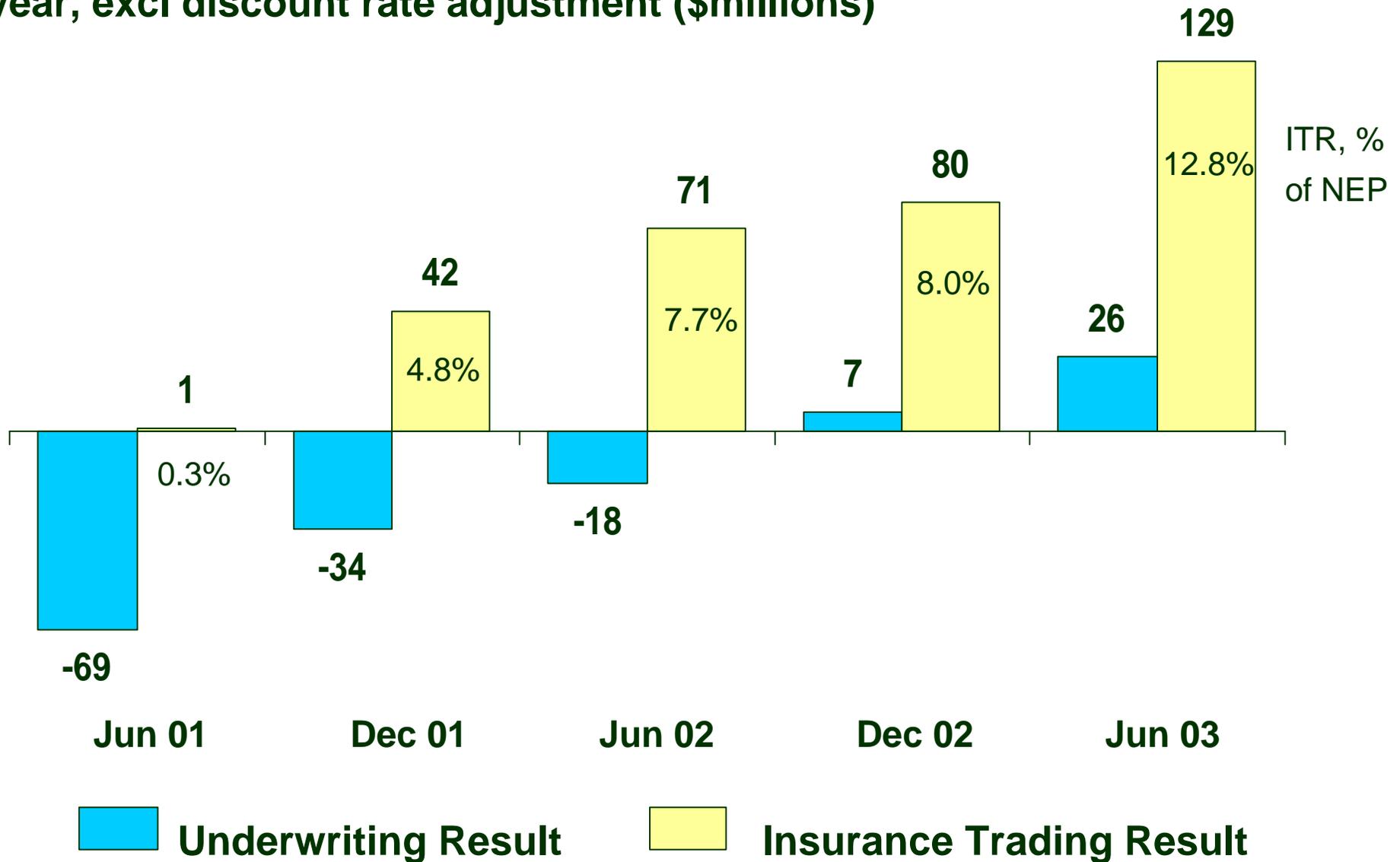


*Excluding JVs

Strong GI profit trend



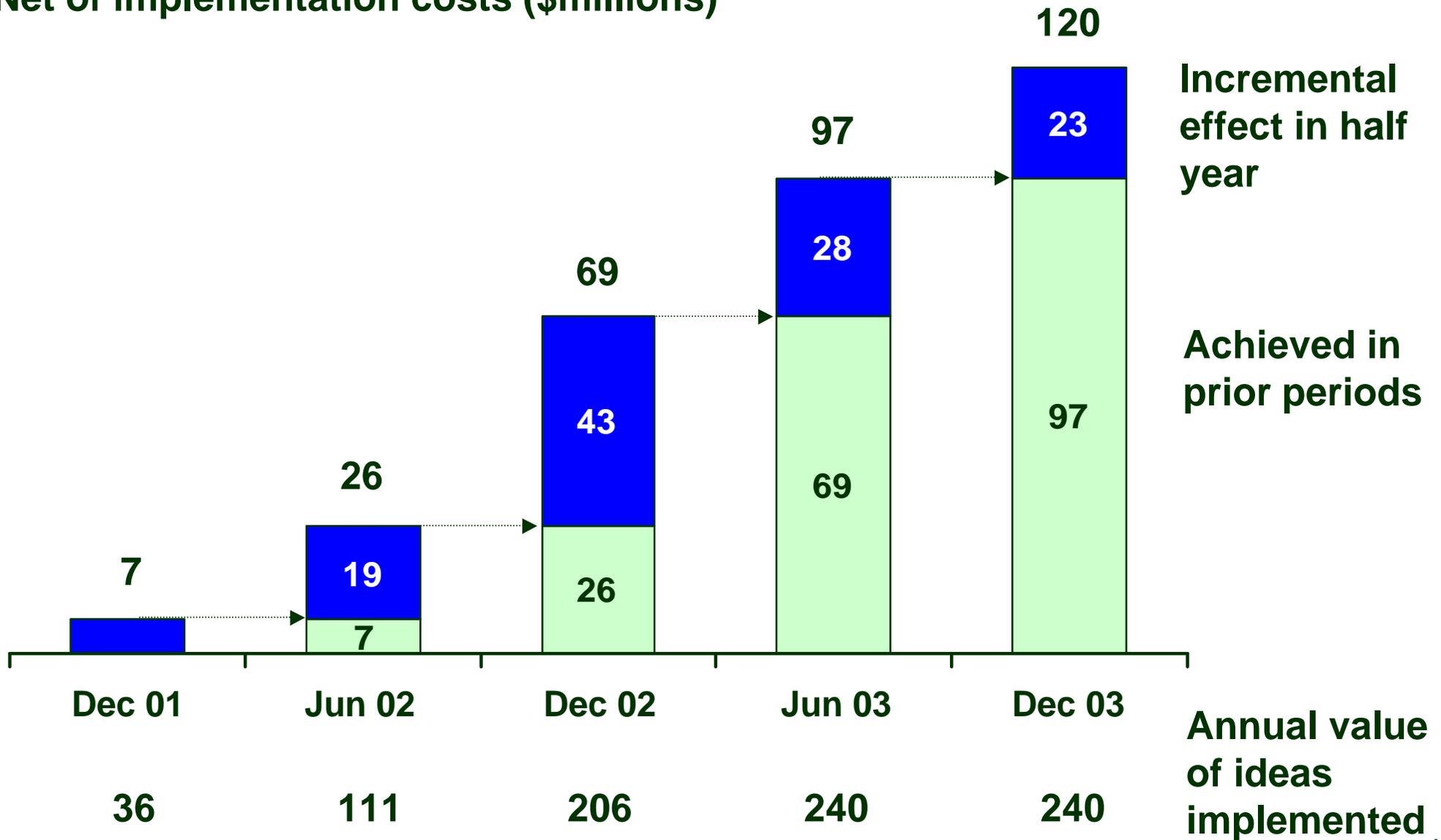
Half year, excl discount rate adjustment (\$millions)



Transformation benefits delivered



Net of implementation costs (\$millions)

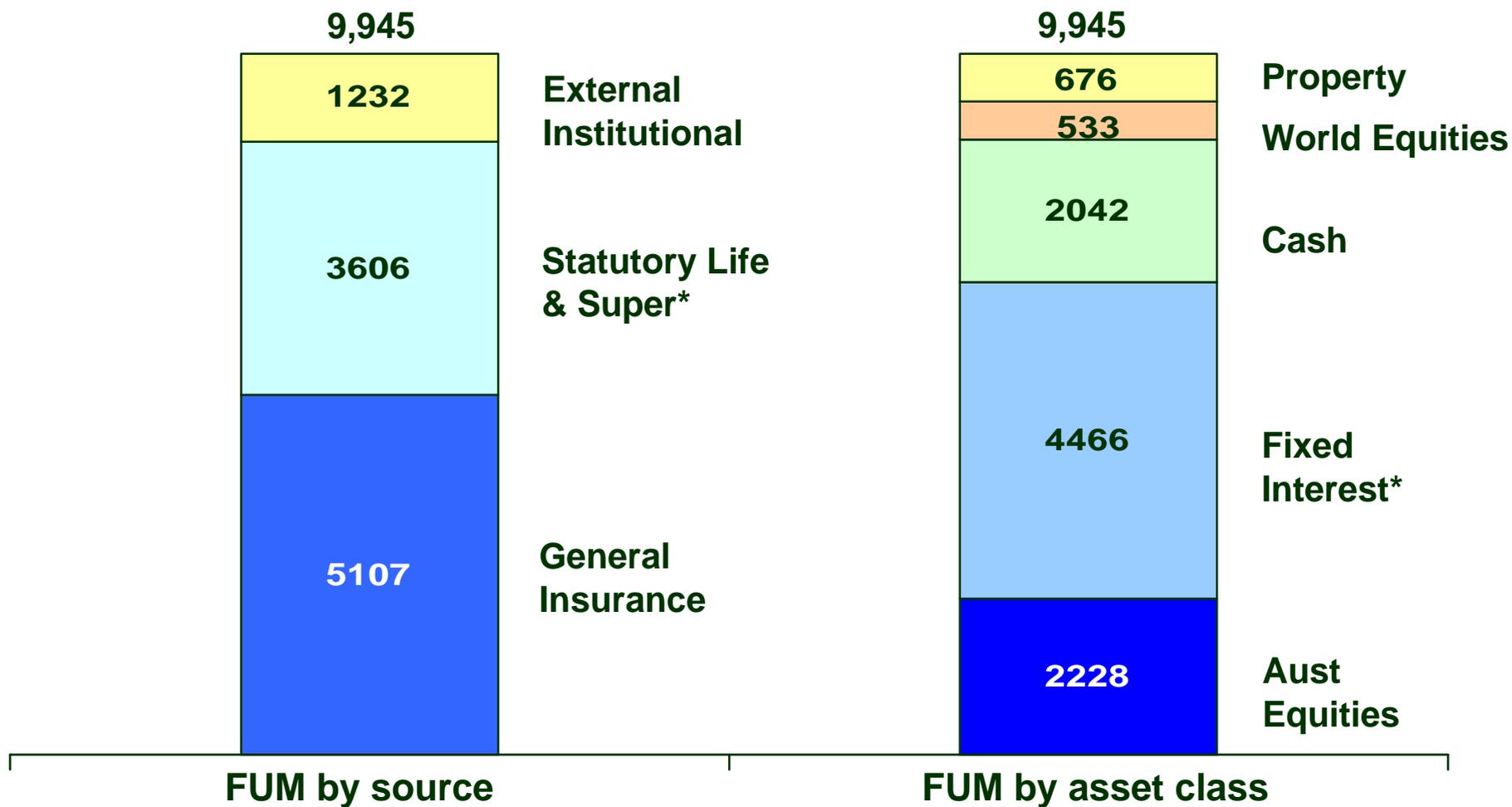


Wealth Management FUM



In funds management, General Insurance provides the business with the necessary critical mass

FUM at June 2003 (\$millions)



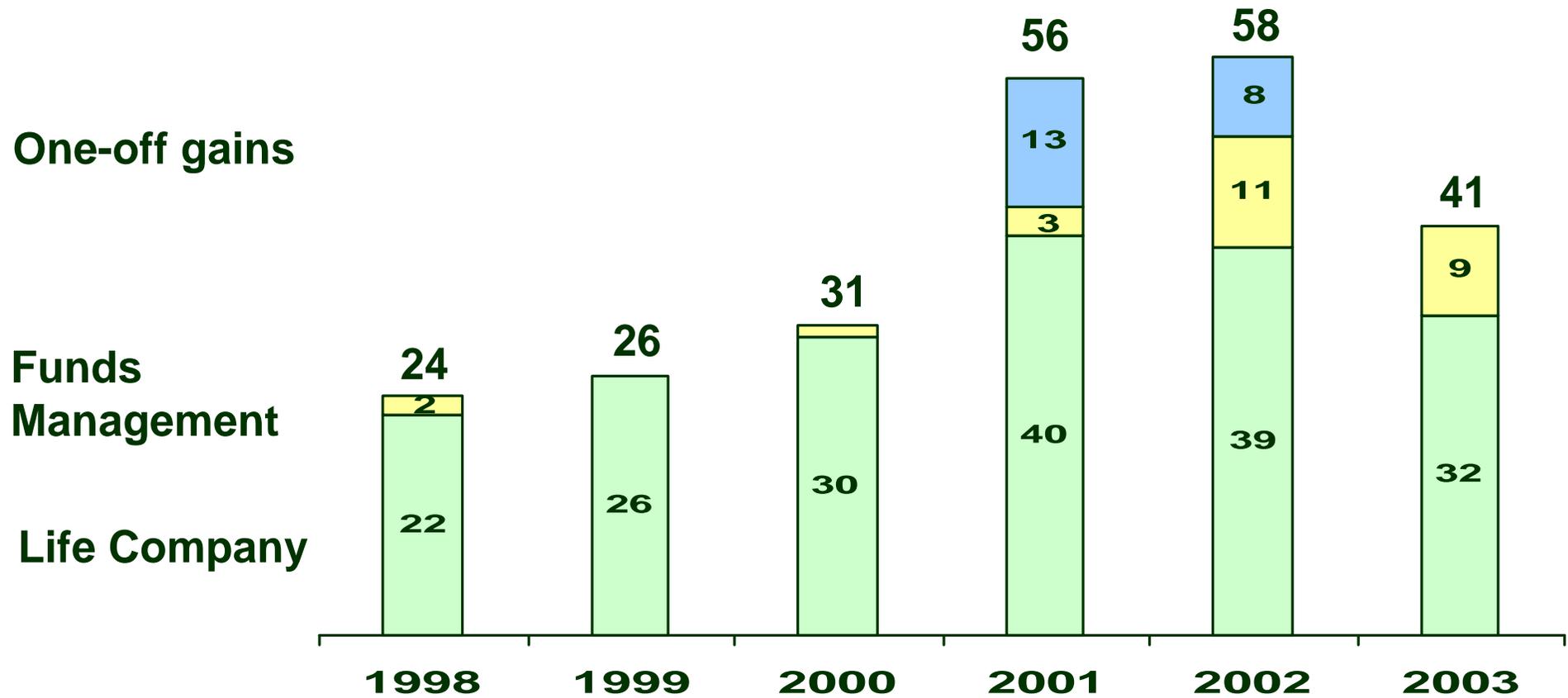
*Includes Retail Unit Trusts

*94% Australian Fixed Interest

Wealth Management profit



(\$millions)



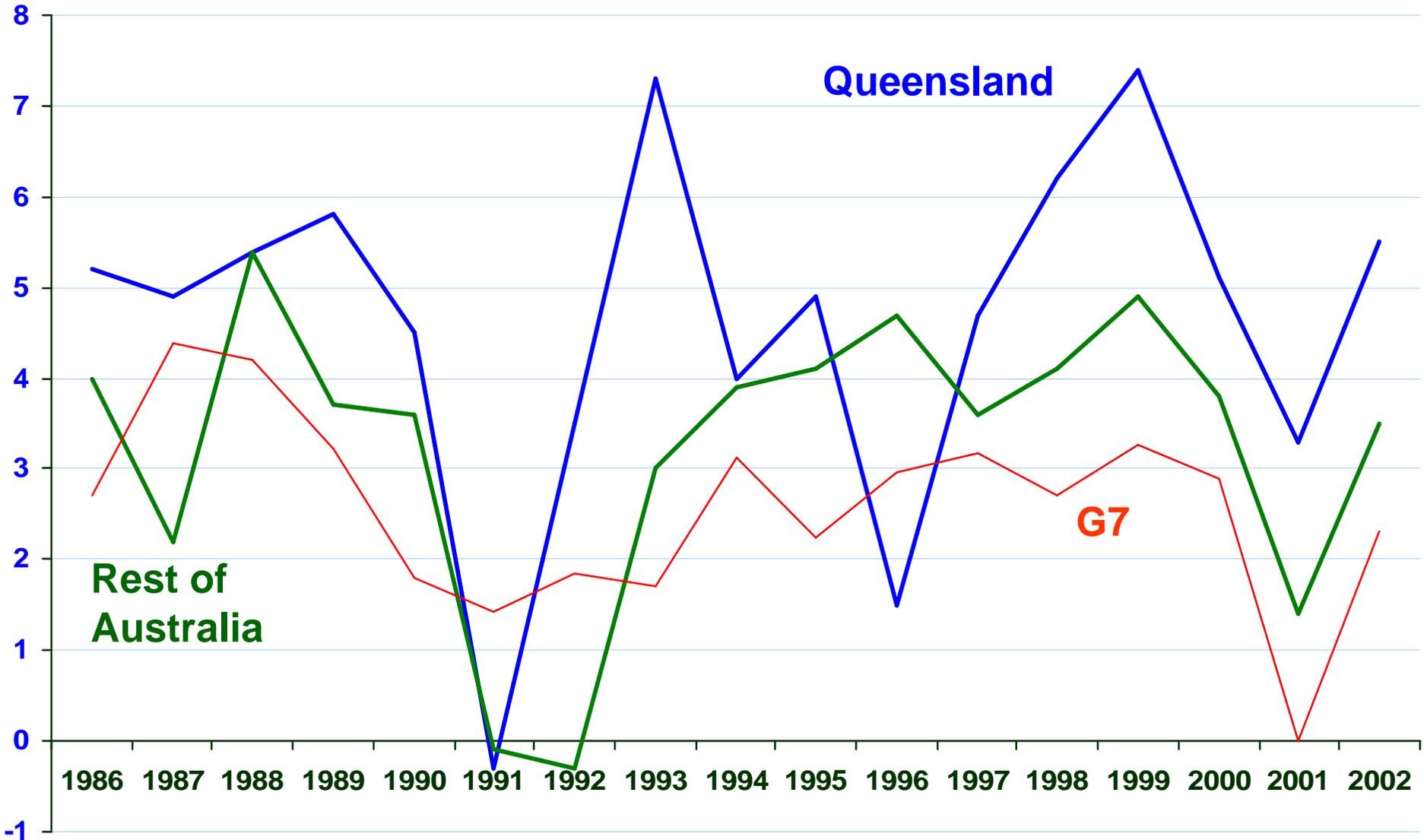


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Qld growth outpaces Australia



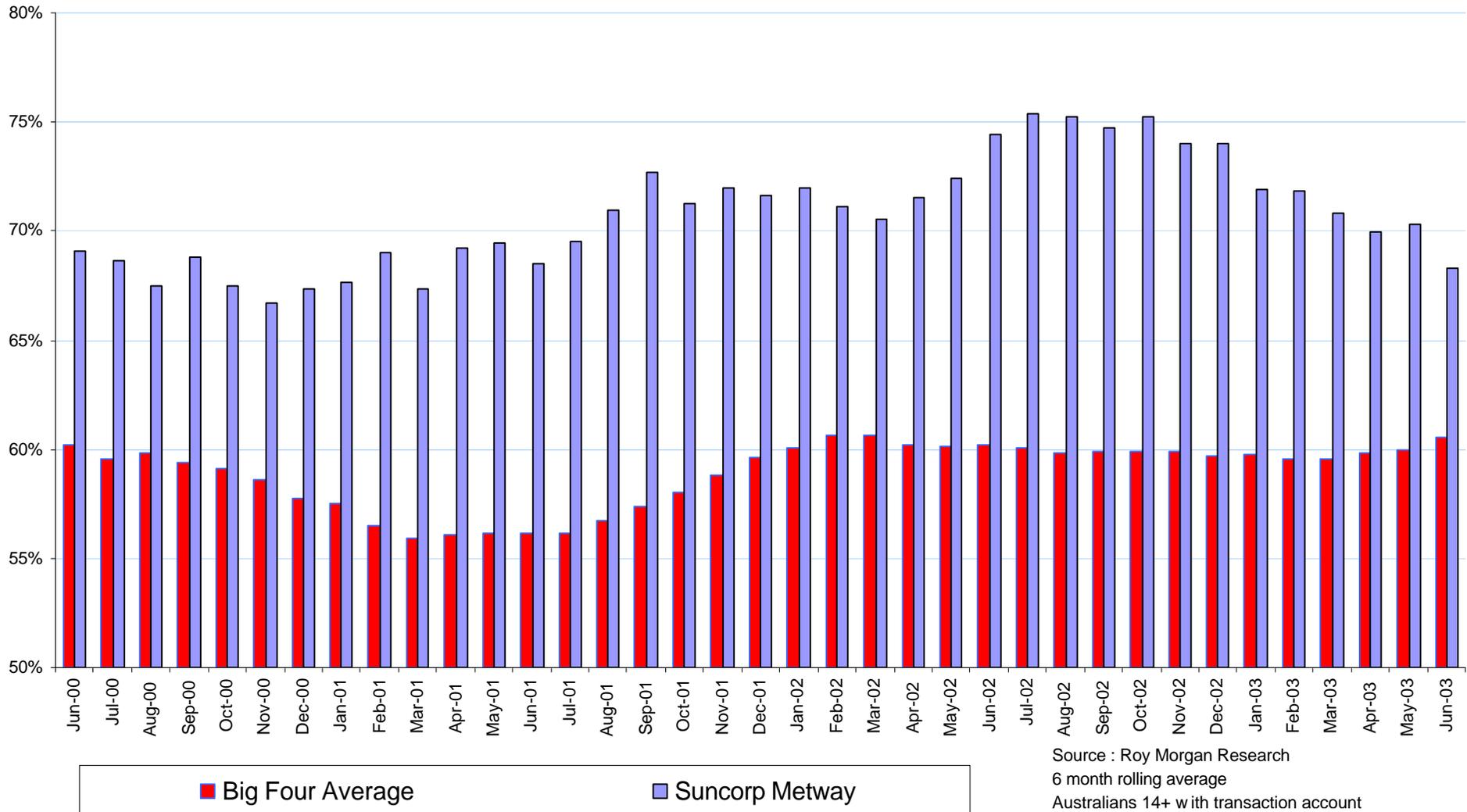
Gross State/Domestic Product Growth %



Customer satisfaction



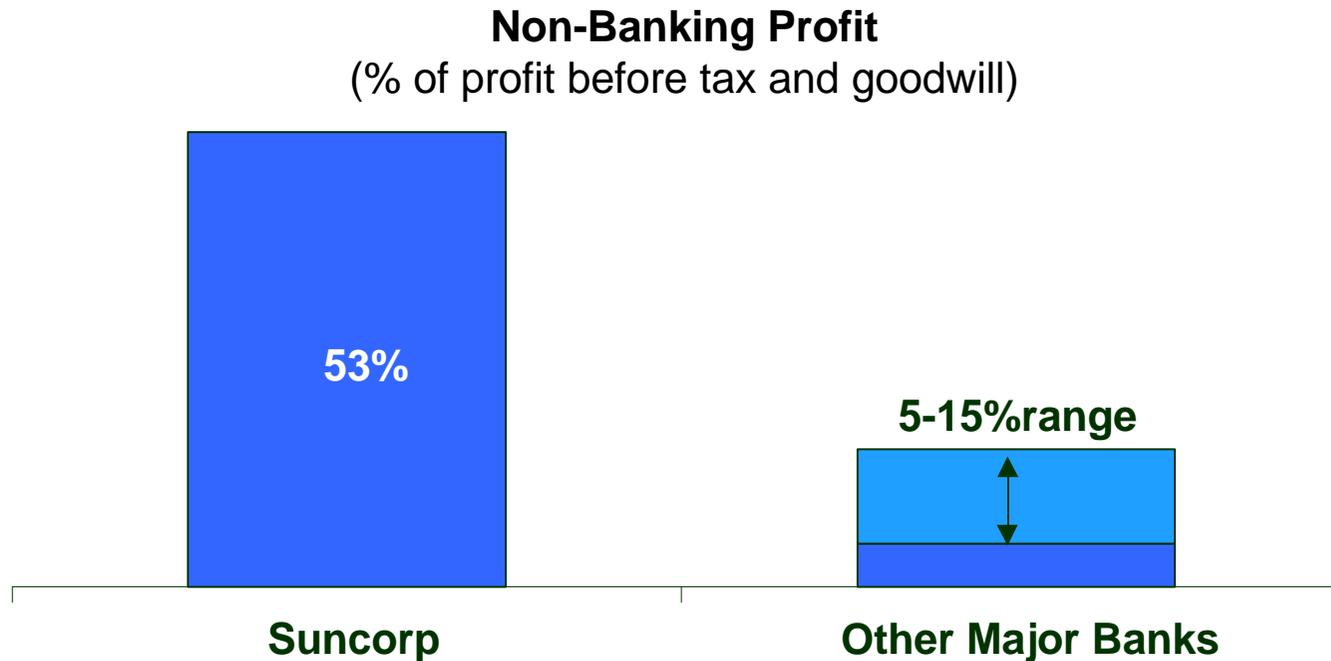
Satisfaction - Suncorp and average big four
Base: respondents with transaction account at institution



Unique business mix



Suncorp is the most diversified of the major financial services companies in Australia – making us distinct as a ‘financial services conglomerate’



Non GI / Wealth Profit

- No other major Australian Insurers have a significant non insurance / wealth business

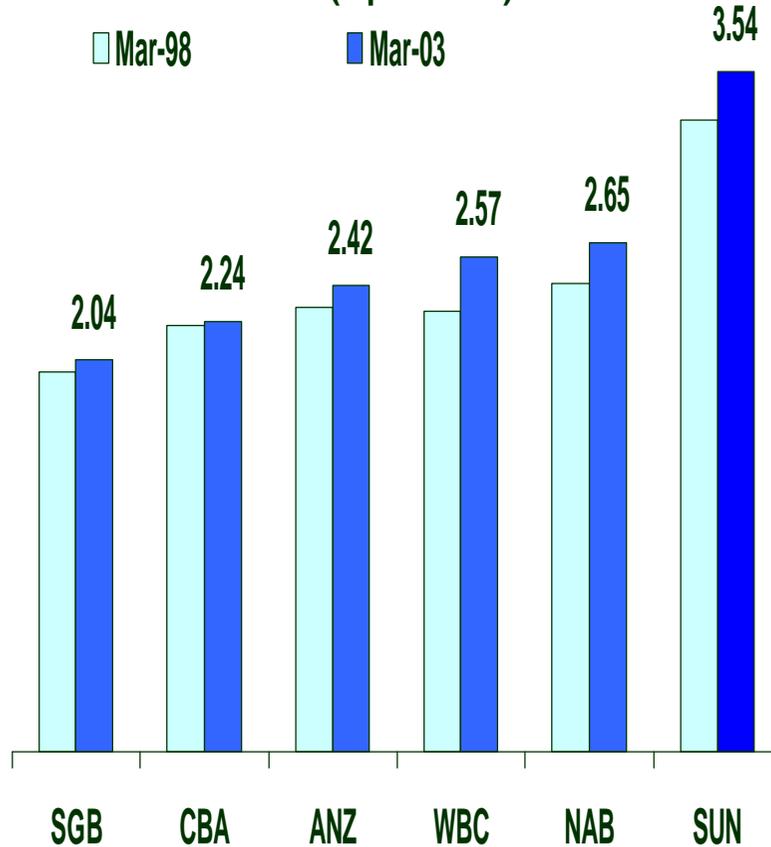
Superior cross sell capability



Suncorp is Australia's leading financial services company in products per customer

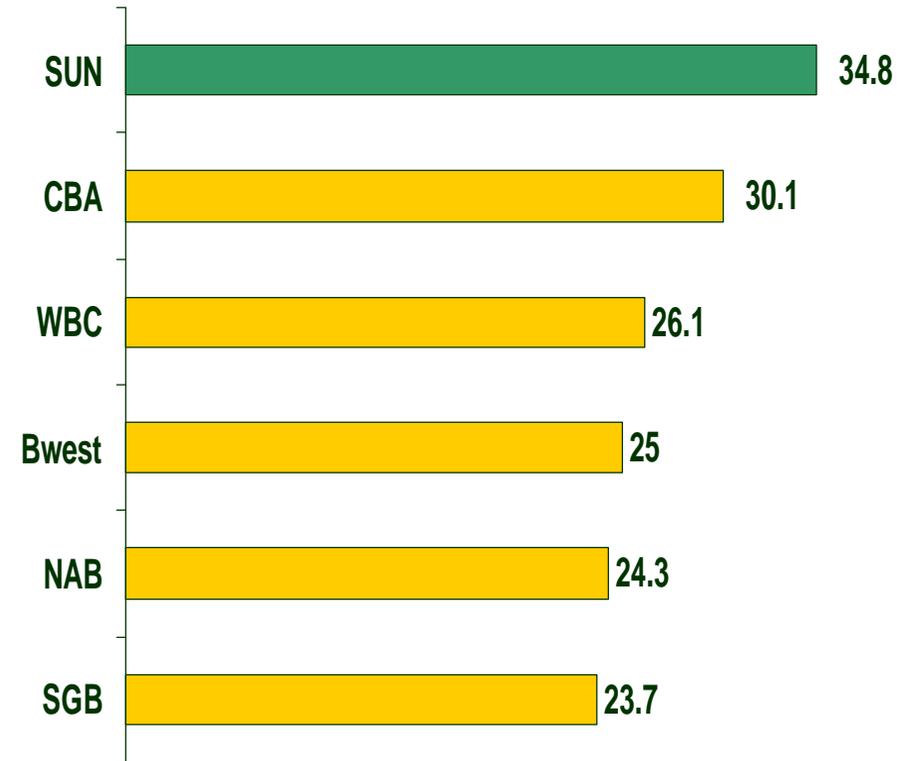
Products per MFI Customer

(# products)



Share of products per customer

June 2003 (%)



Roy Morgan Research

* Customers who nominate SML as main financial institution. 12 month moving average

SGB St George, Advance, Bank SA; WBC Westpac, Bank Melbourne, Challenge, AGC; ANZ ANZ Bank, Town & Country, Esanda; CBA Group Commonwealth Bank, CGH; NAB Group National Australia, Bank of NZ, MLC

Agenda

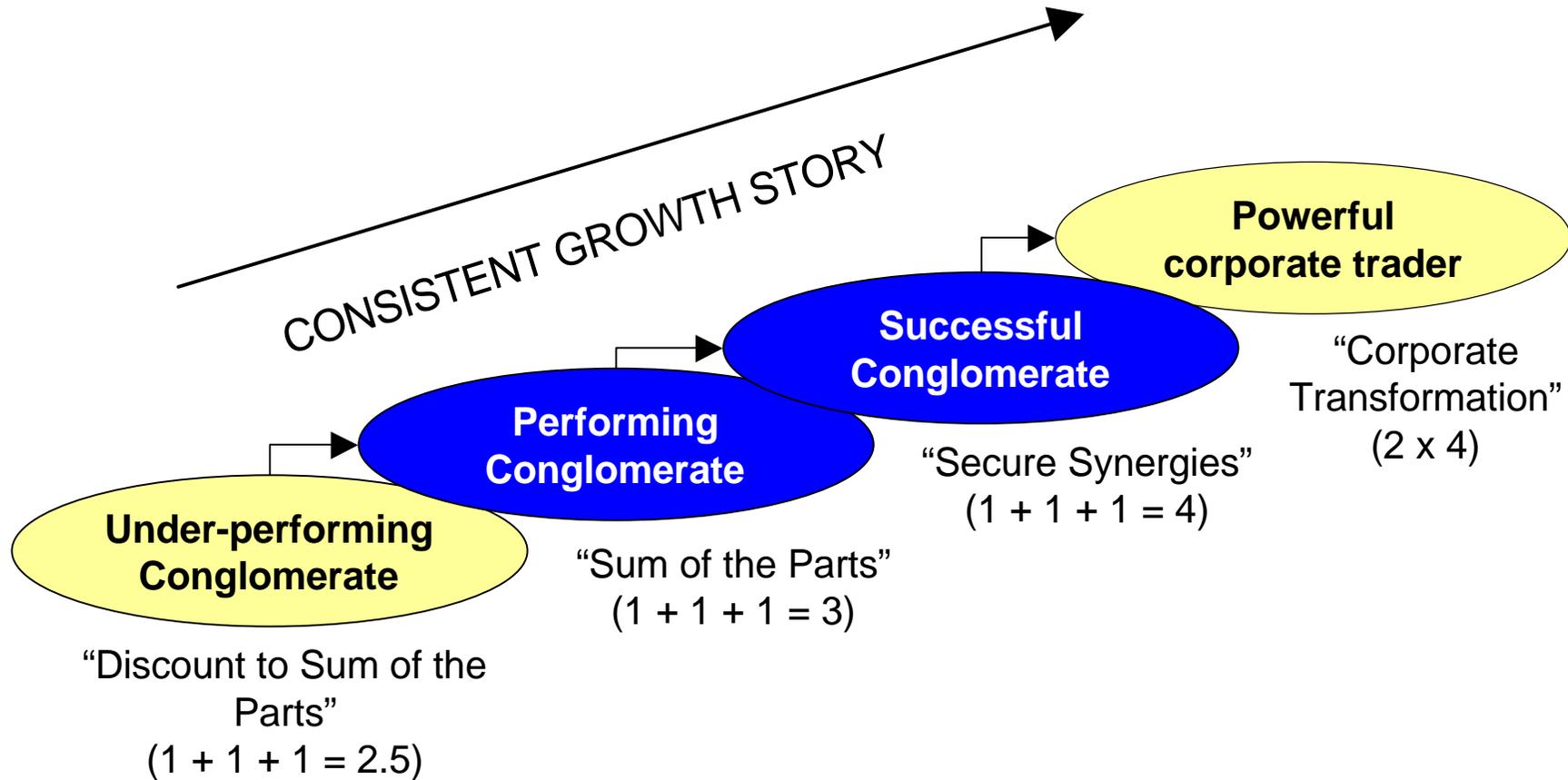


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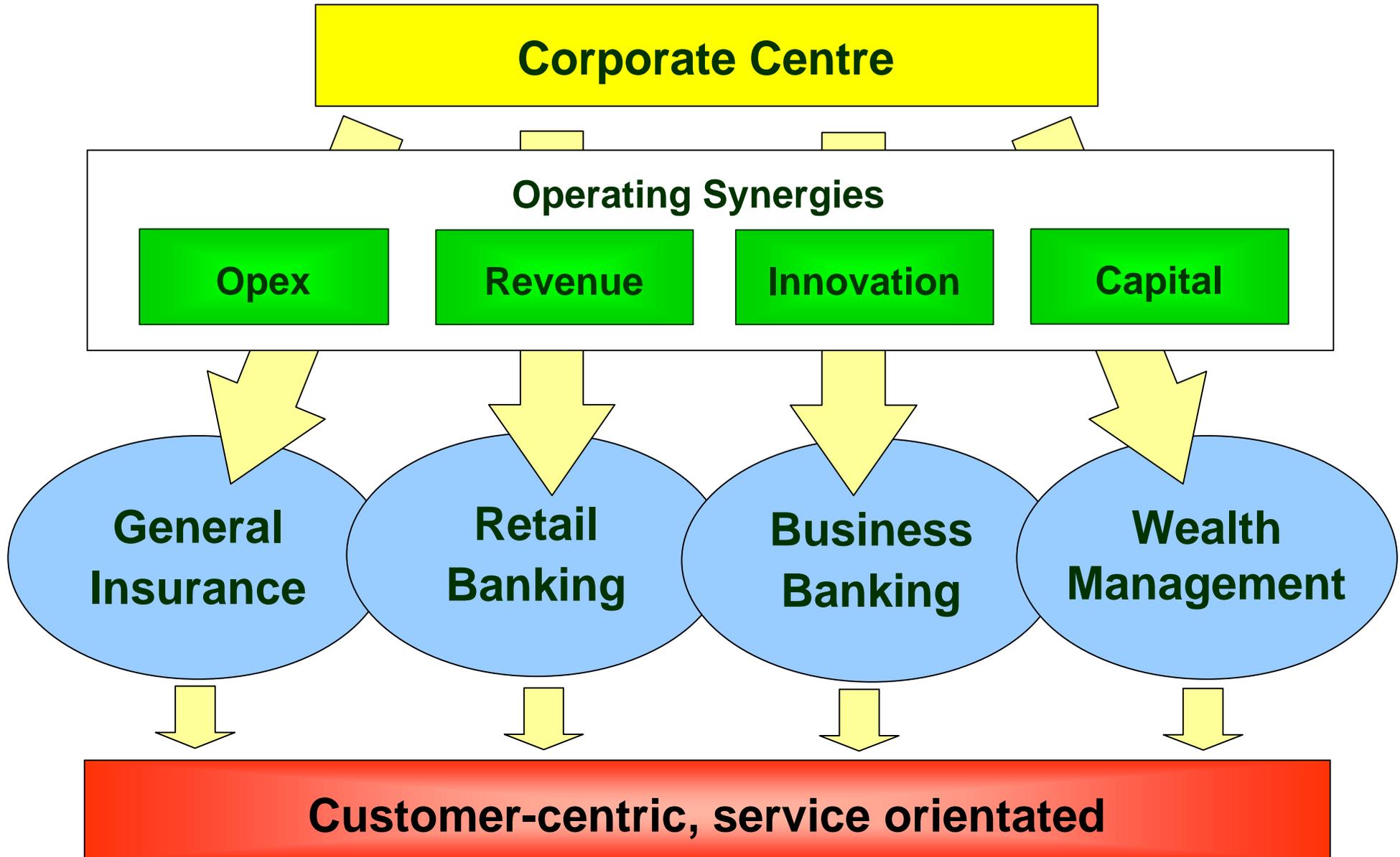
Strategy finalised



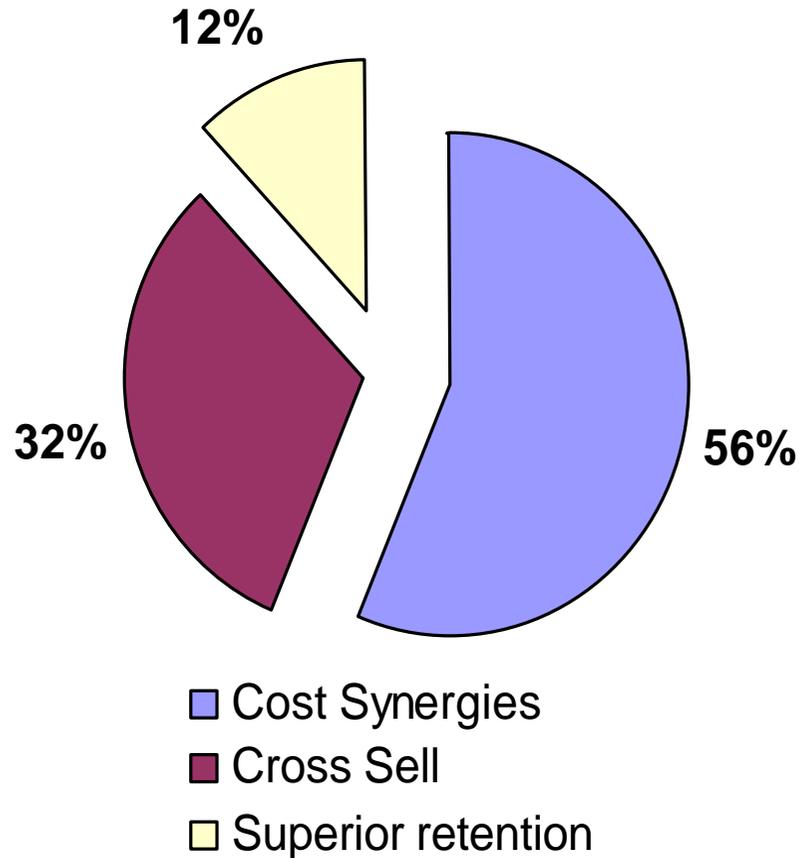
Australia's most successful financial services conglomerate



Financial conglomerate model



Benefits of a conglomerate

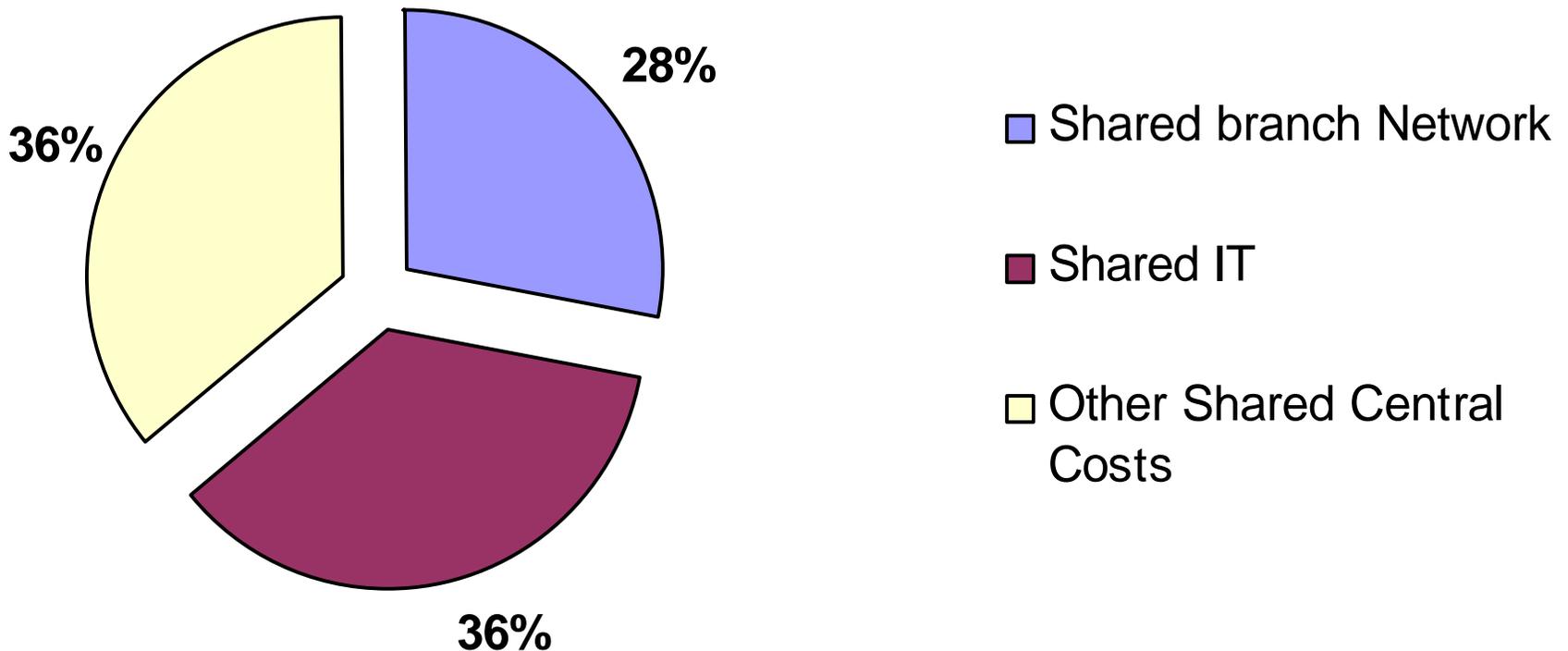


The impact of running multiple business lines in Queensland is a profit uplift in excess of 20%.

Cost synergies broken down



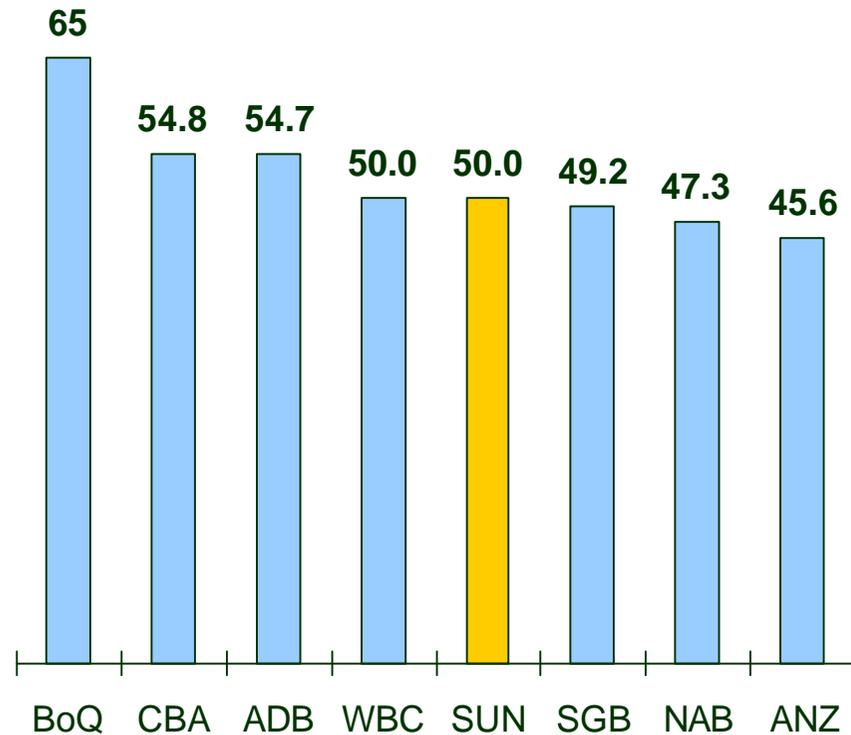
Snapshot for 2002 of the cost synergies of Suncorp's conglomerate model within Queensland



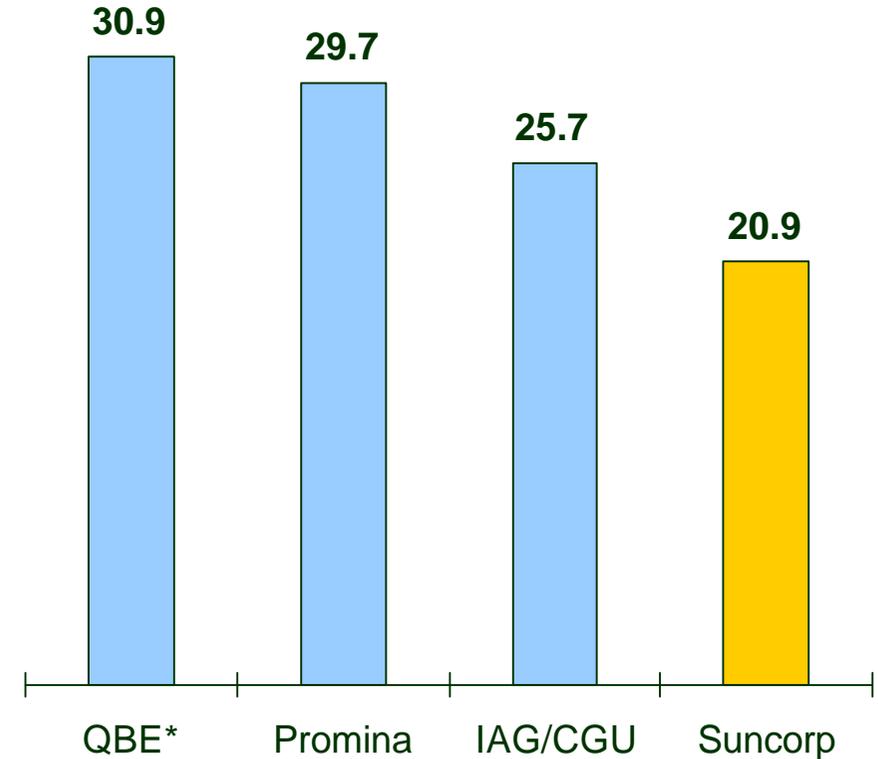
Demonstrated cost synergies



Banking Cost to Income ratio %



GI Expense ratio %



*QBE expense + commission ratio

Source: Annual Reports and Analyst Presentations



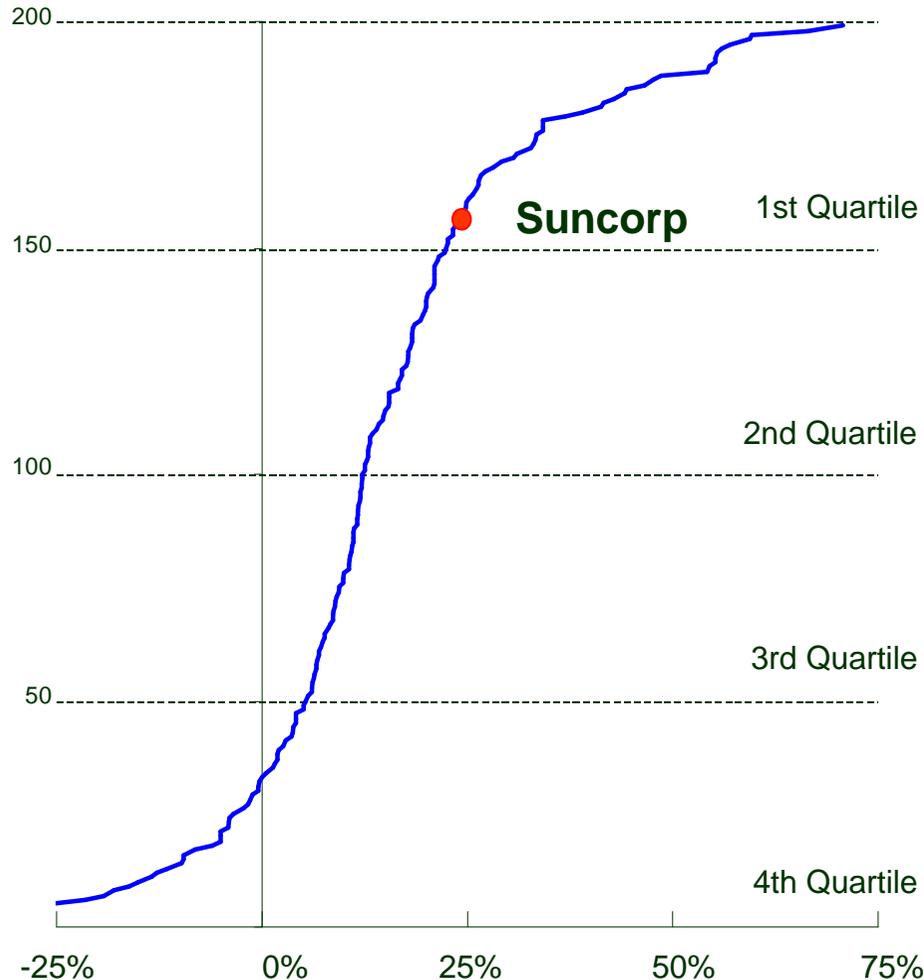
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Repositioned for continued growth



Total Shareholder Return

Five years to June 02. Top 200 Australian Companies⁽¹⁾



- **Grow revenue faster than system**
- **Productivity gains of 5-10%**
- **Banking PBT - high single digit growth**
- **GI ITR maintained 10-13%**
- **High single digit growth in Wealth Management profit**
- **15% underlying profit growth**
- **Top quartile shareholder returns**

Source: Wall Street Journal Shareholder Scoreboard February 2002, LEK Australian Shareholder Scorecard 2002

(1) Top 200 companies by market capitalisation



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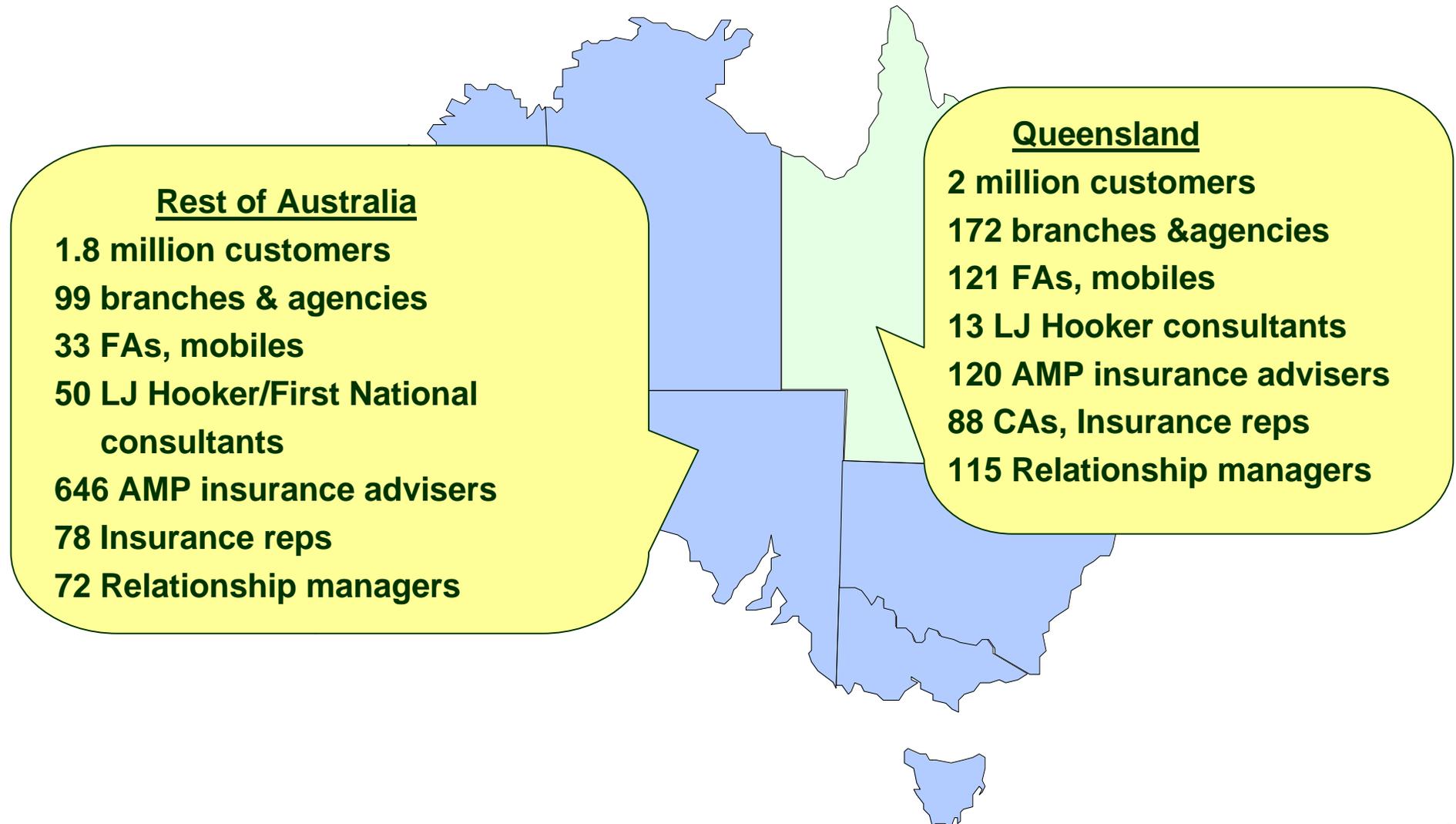


Supplementary information	Slide
Strategy and Group Financial Performance	30
Total Bank Portfolio	33
Retail Banking	42
Business Banking	48
General Insurance	65
Wealth Management	73
Capital Management	76
Cross-sell Capability	82

National distribution network



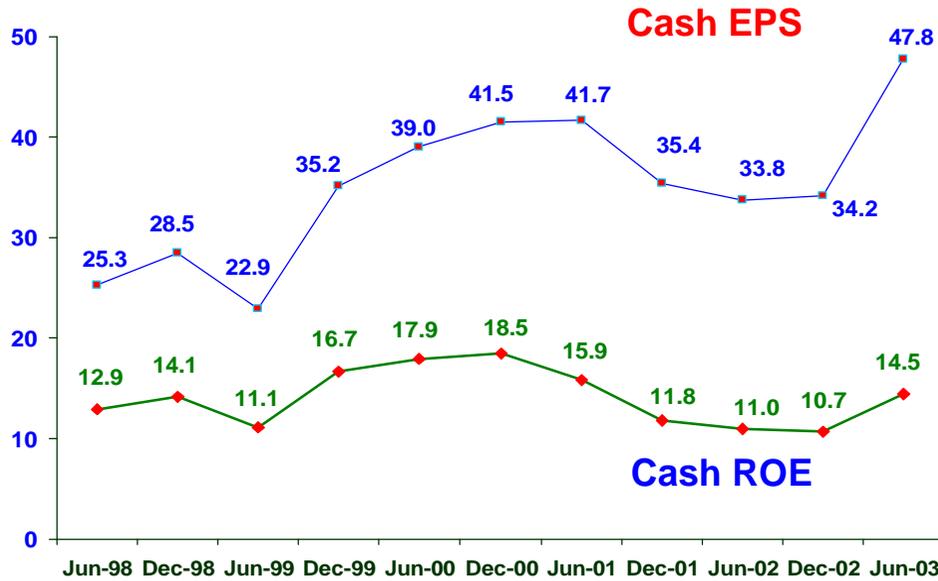
Extensive national distribution footprint provides platform for growth



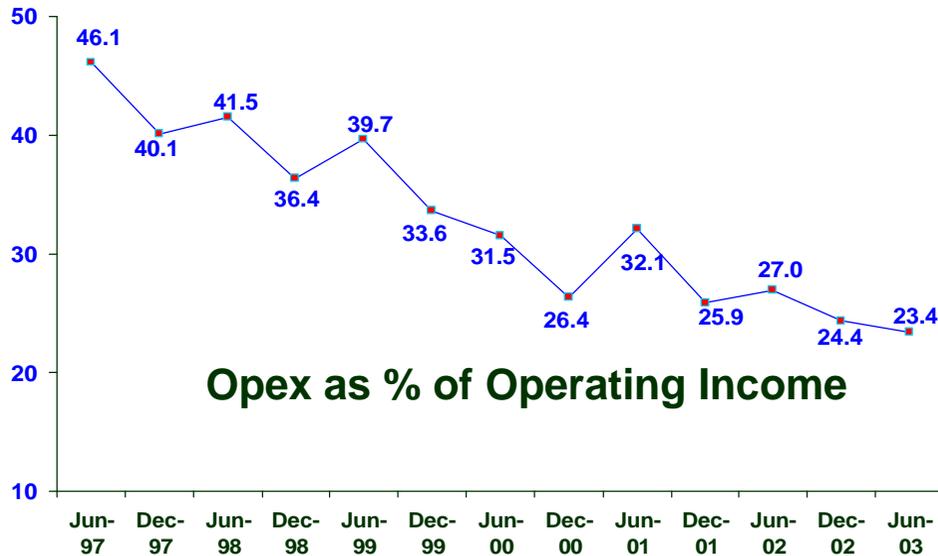
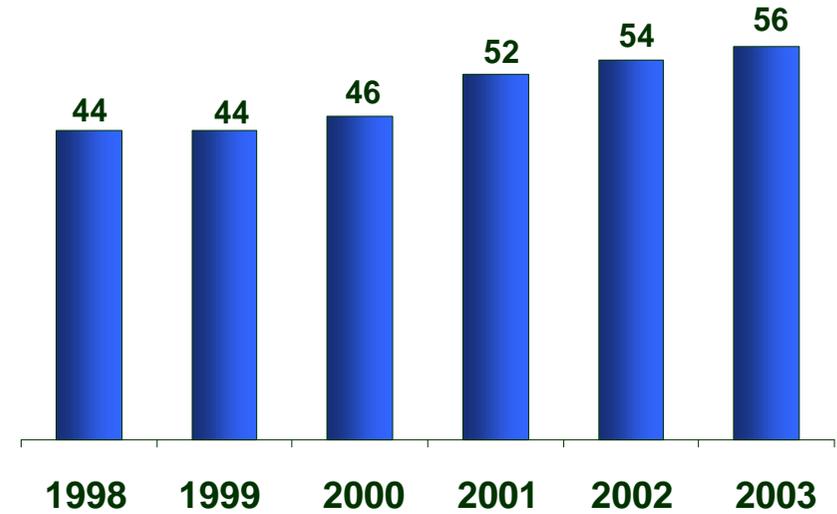
Financial performance



Diluted (cps)



Dividend (cps)



Underlying profit* (\$m)

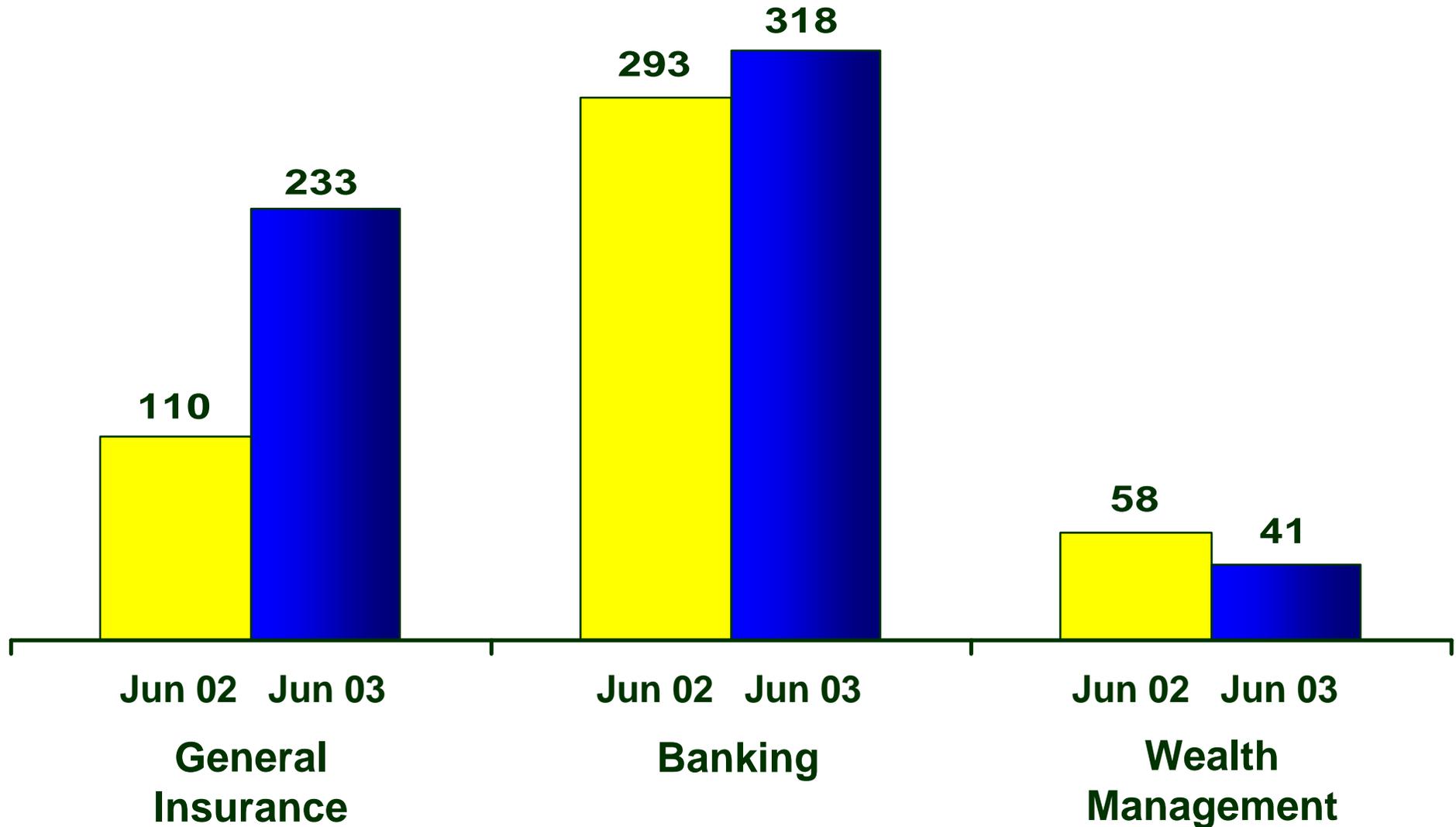


*Before tax, goodwill, inv income on GI shareholders funds

Profit by division



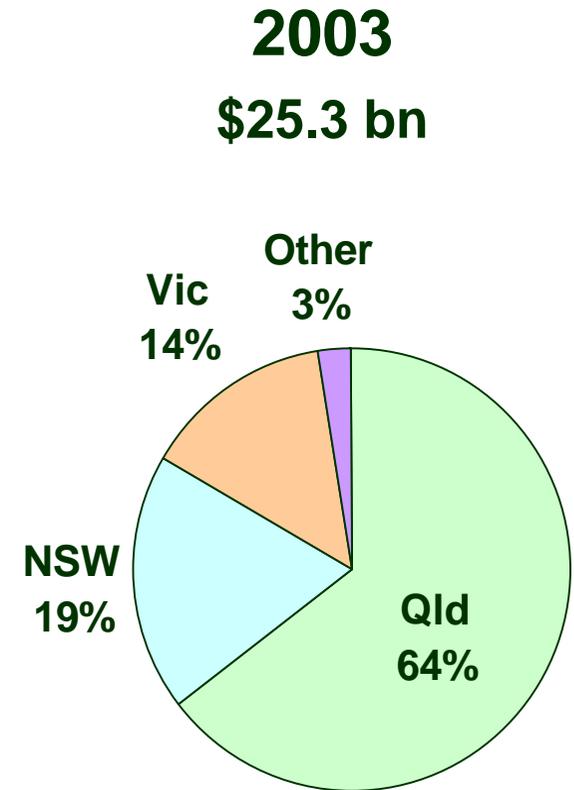
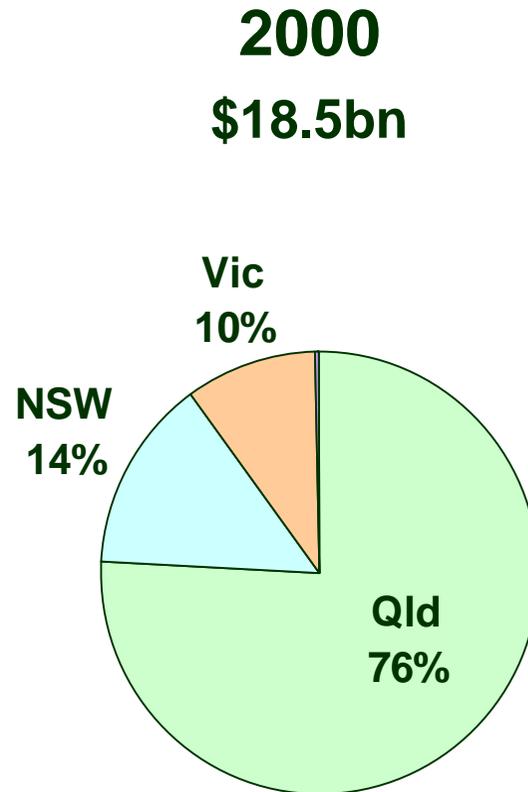
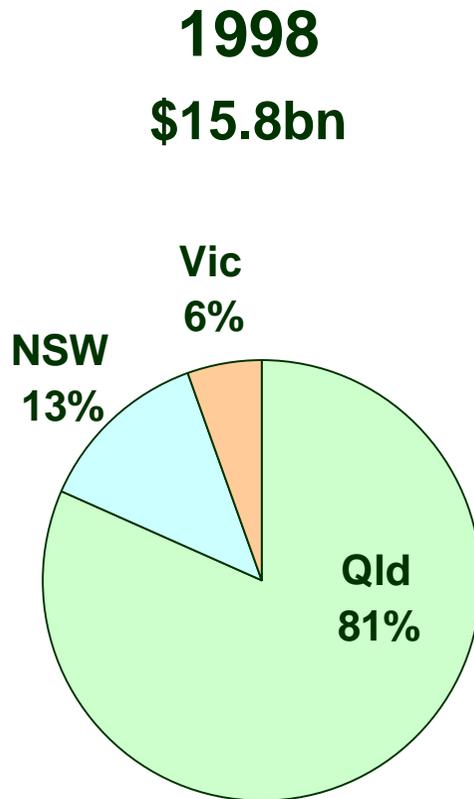
Before goodwill and tax (\$millions)



Geographic diversity increased



Total Bank Assets by State

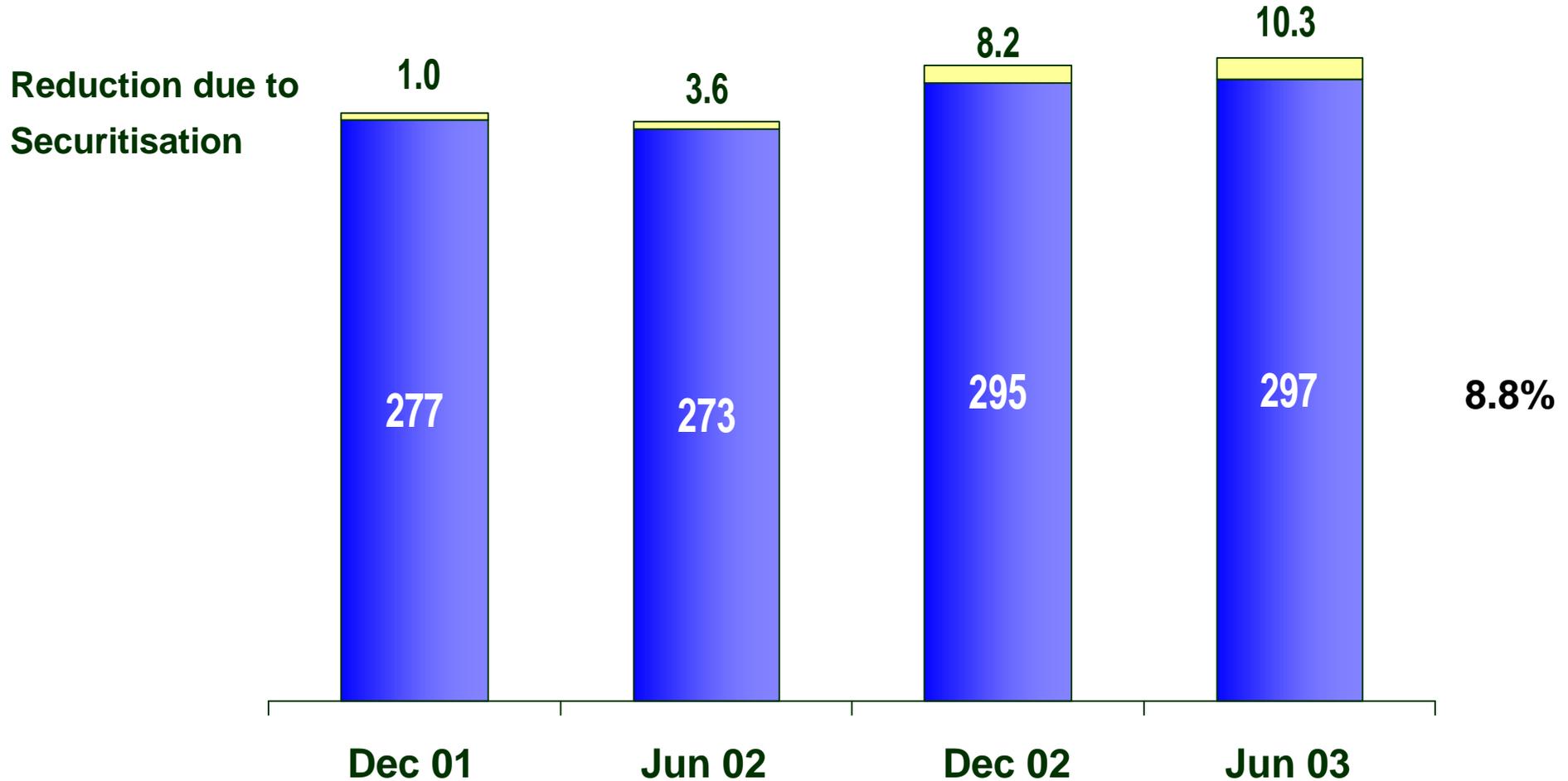


Net Interest Income



Half year (\$millions)

Growth
vs Jun 02



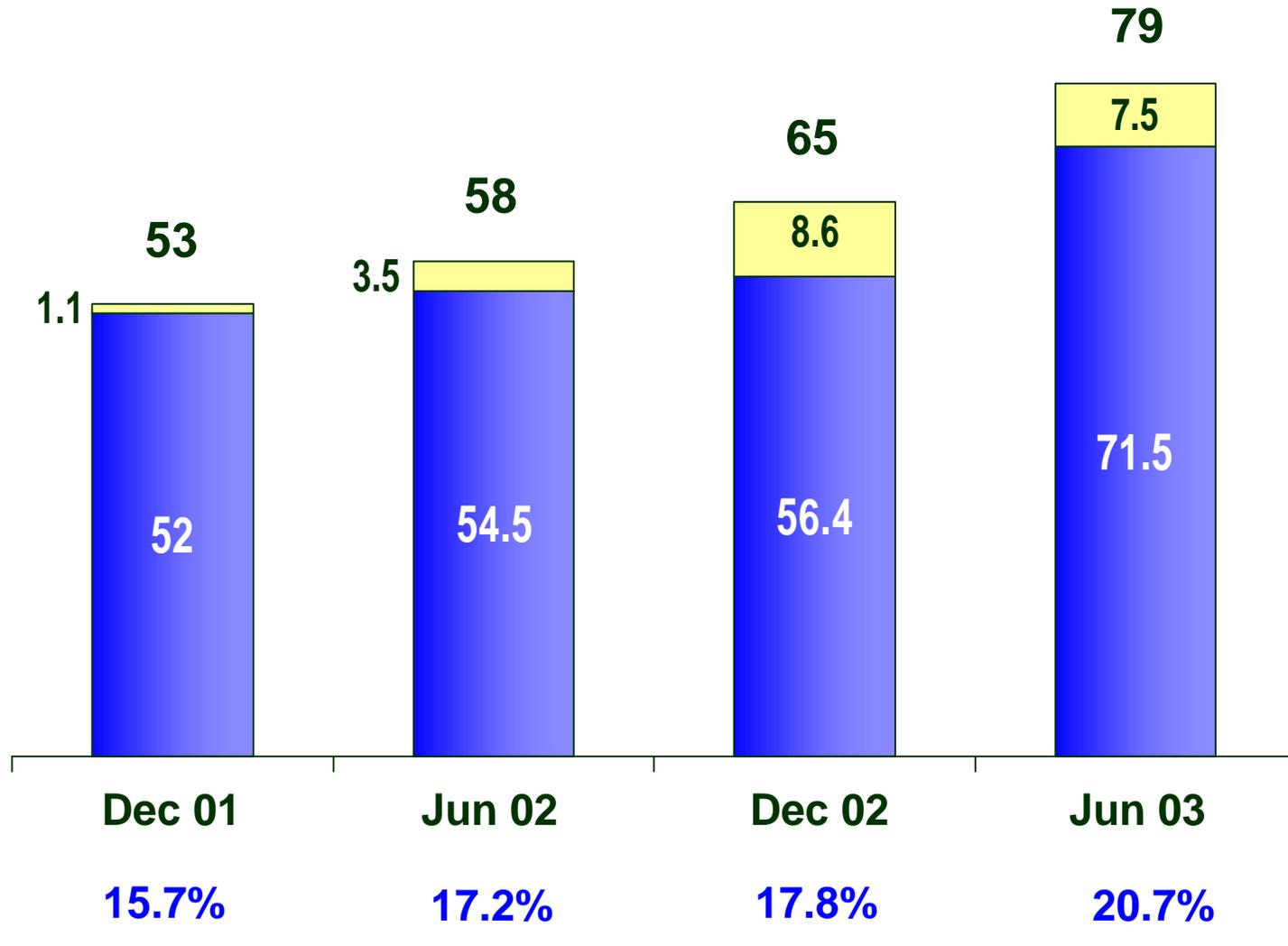
Fee income



Half year (\$millions)

Growth
vs Jun 02
36.2%

Securitisation
benefit



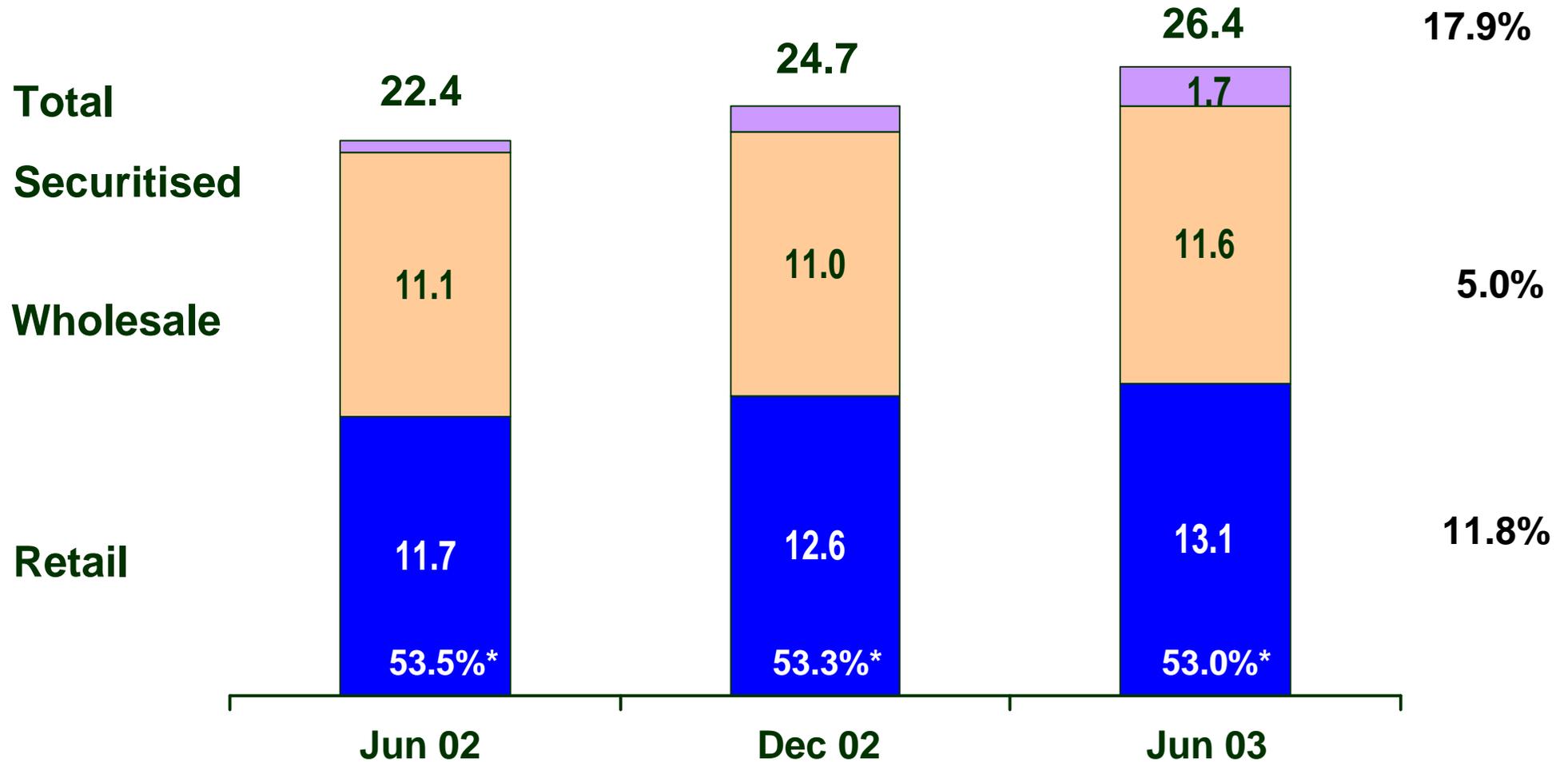
% of Total
Income

Bank funding growth maintained



(\$billions)

Growth vs
Jun 02

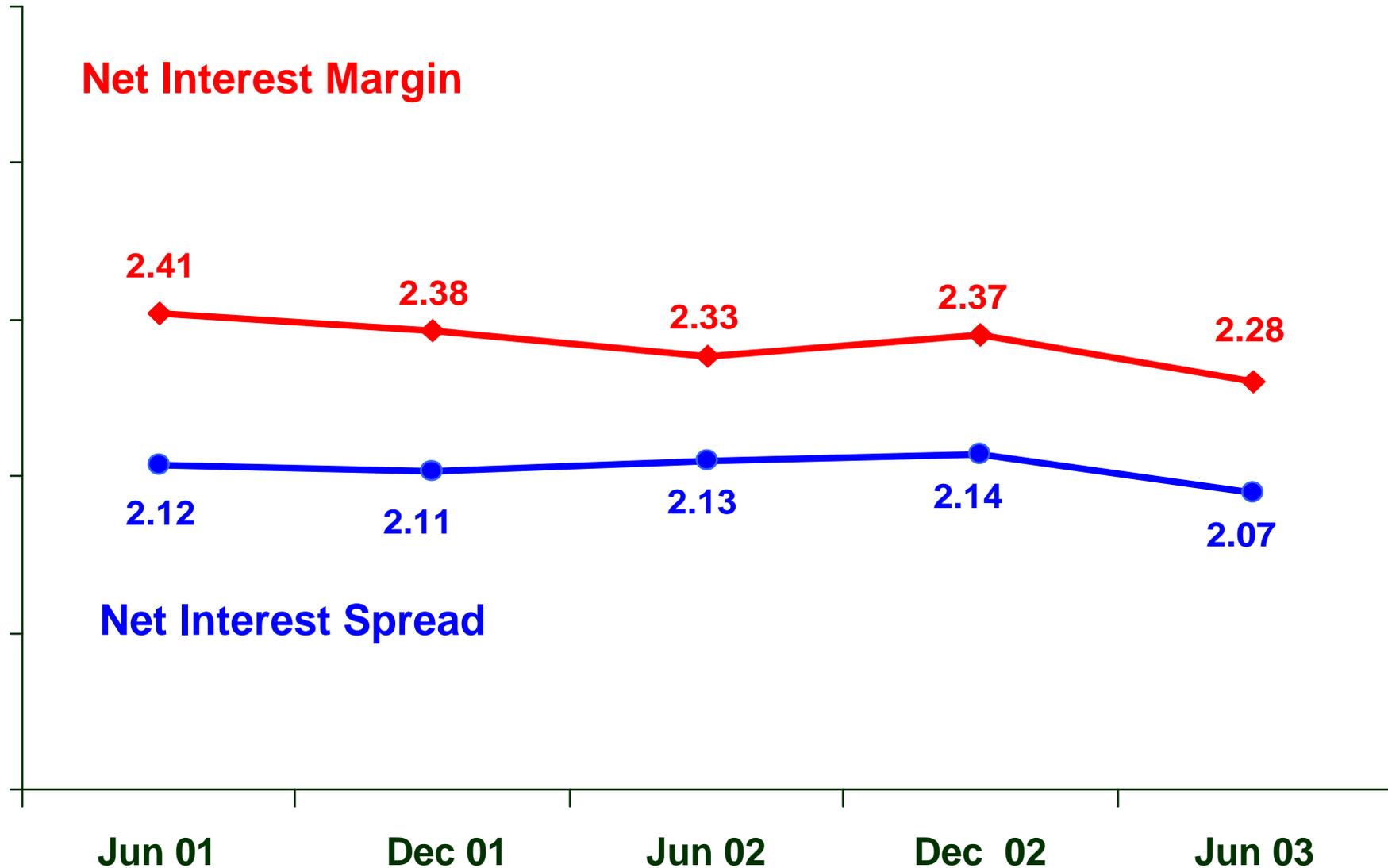


* Percentage of total bank funding, excluding securitisation

Net interest margin & spread



Half year (%)

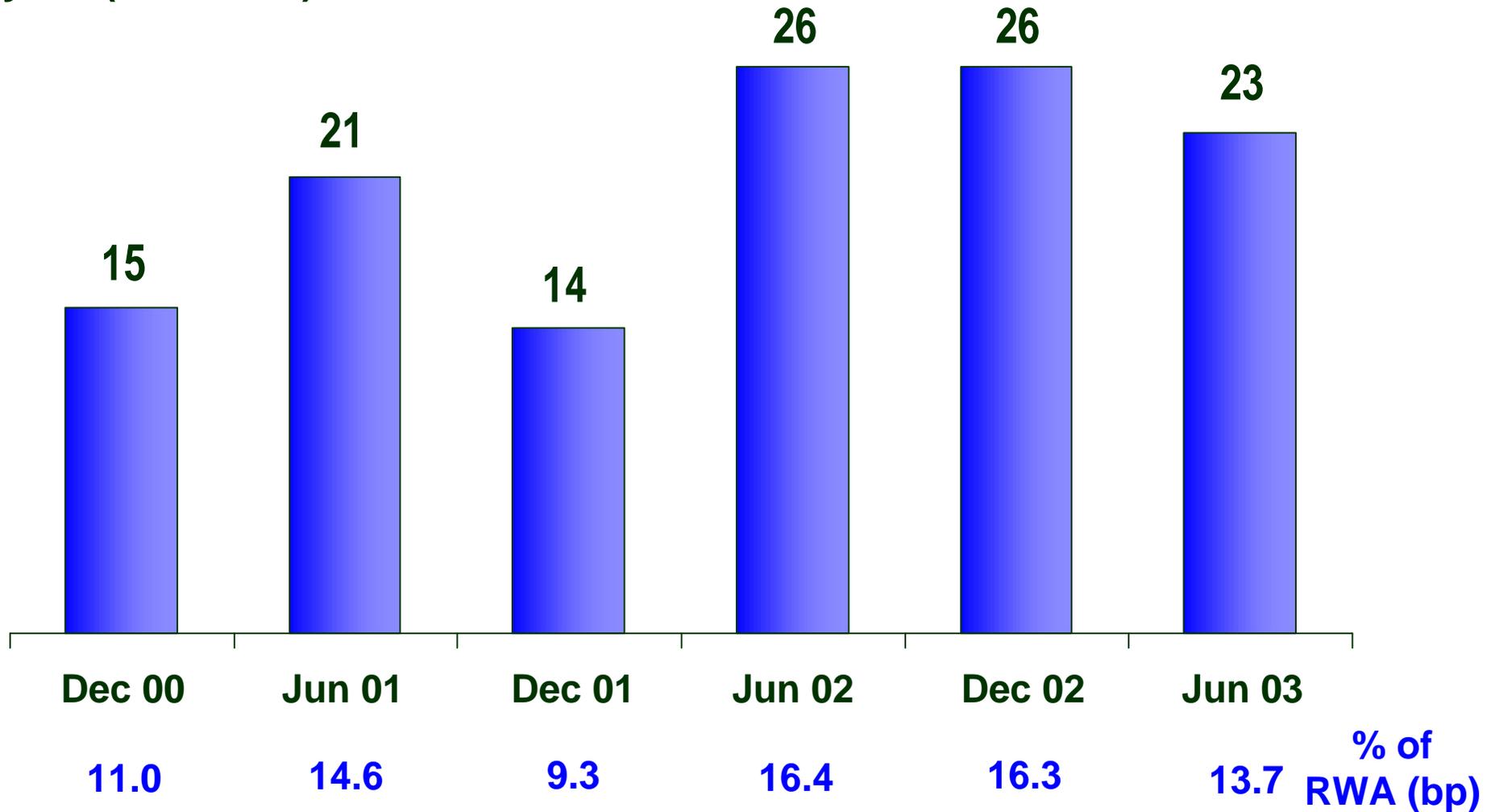


Sound credit quality



Bad debt expense

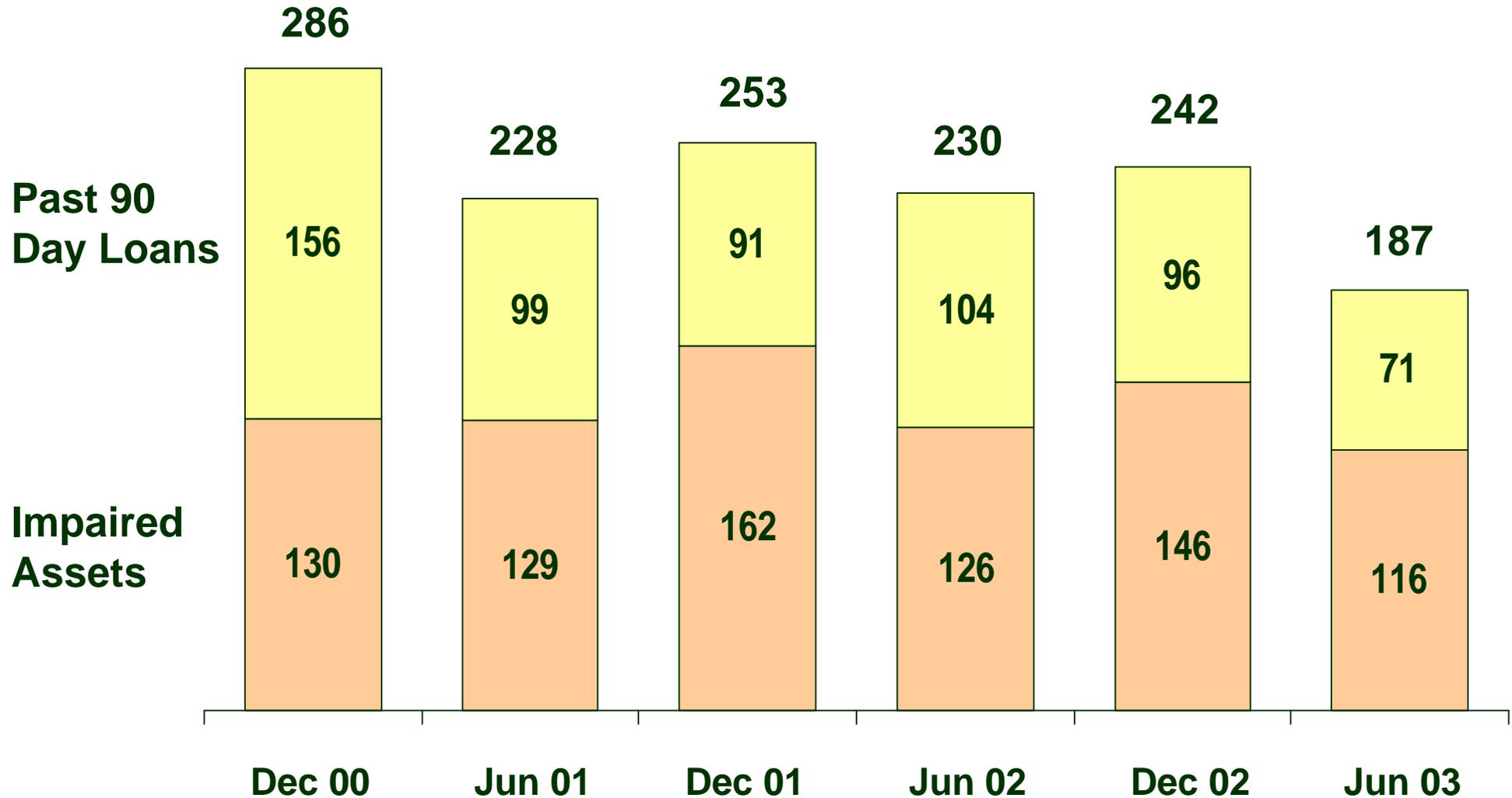
Half year (\$millions)



Arrears declining



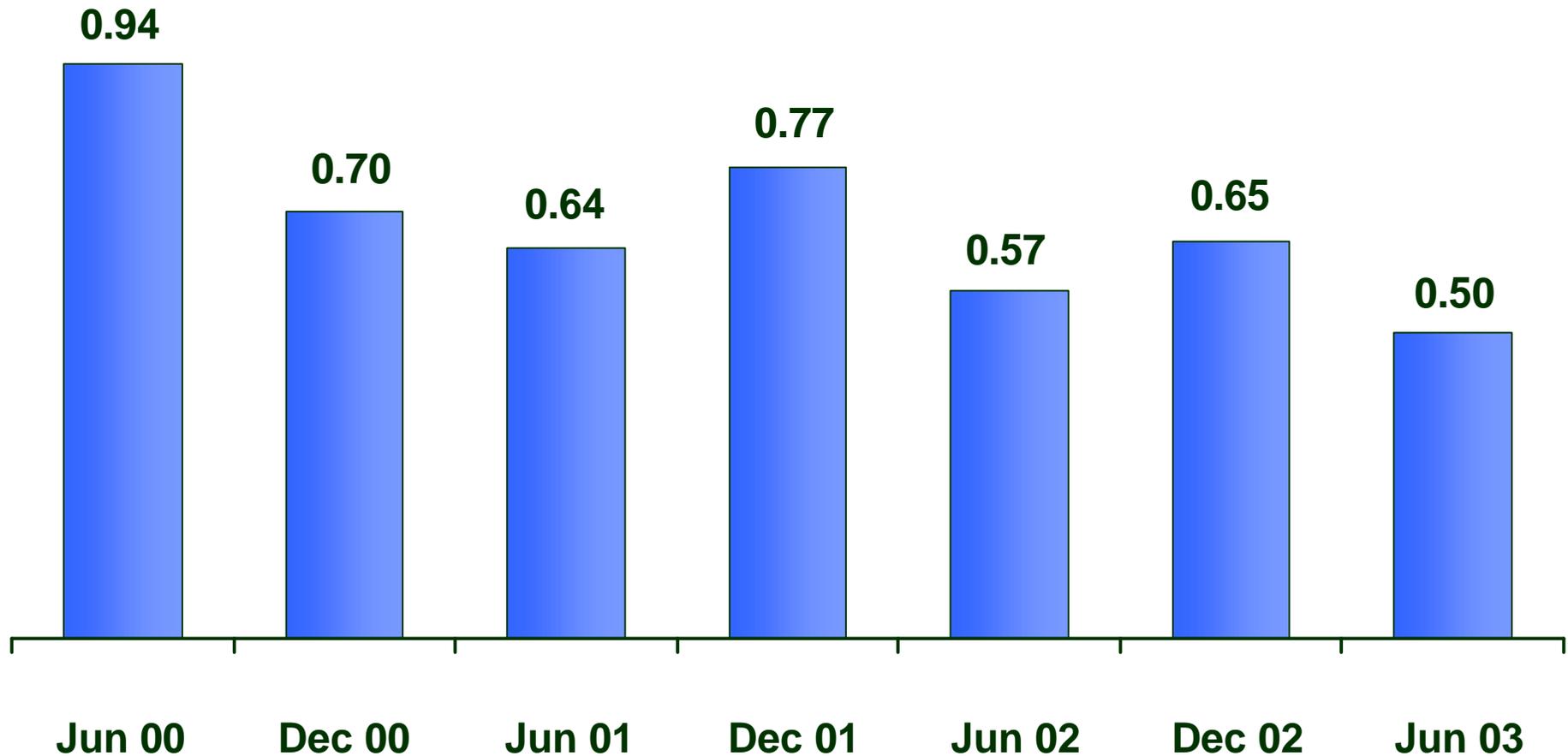
Half year (\$millions)



Impaired assets reducing



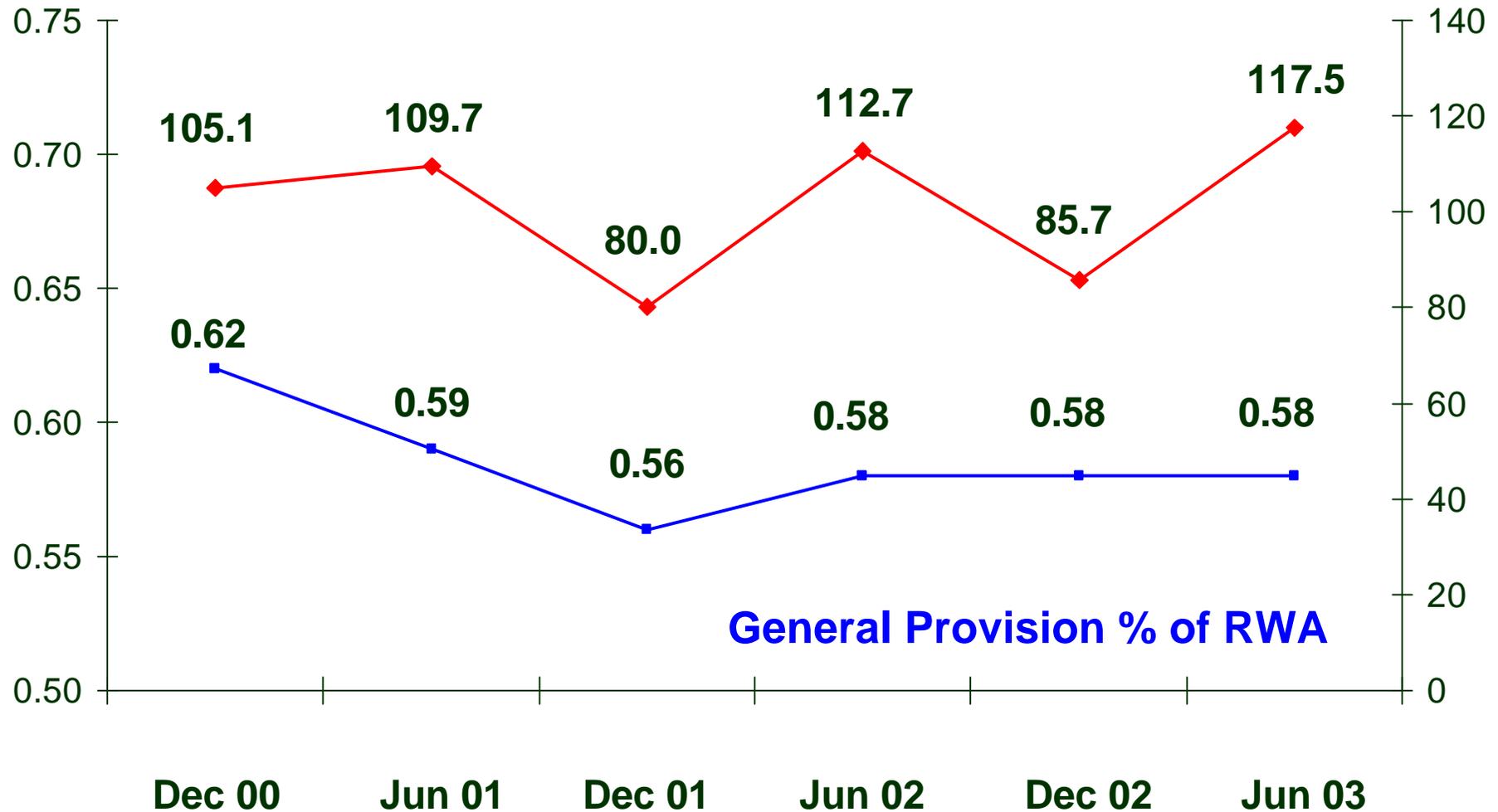
Impaired assets, % of gross loans



Provisioning cover increased



Total Provision, % of Impaired Assets

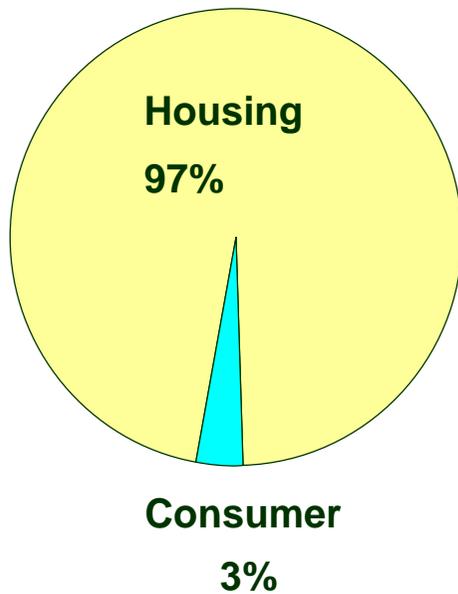


Retail bank portfolio mix

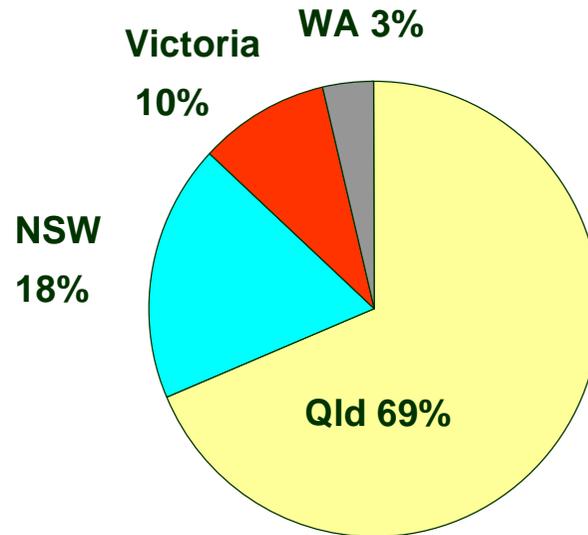


Retail Banking's portfolio is dominated by low risk housing, predominantly in the Queensland market, but with growing presence in other states.

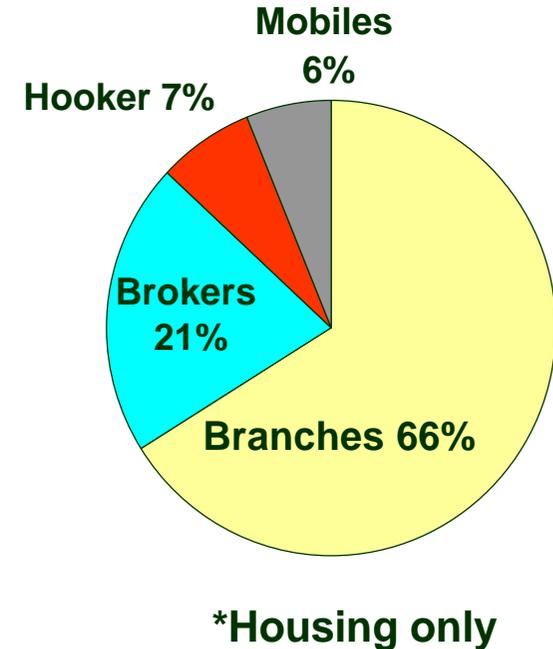
By Segment



By State



By Distribution Channel*

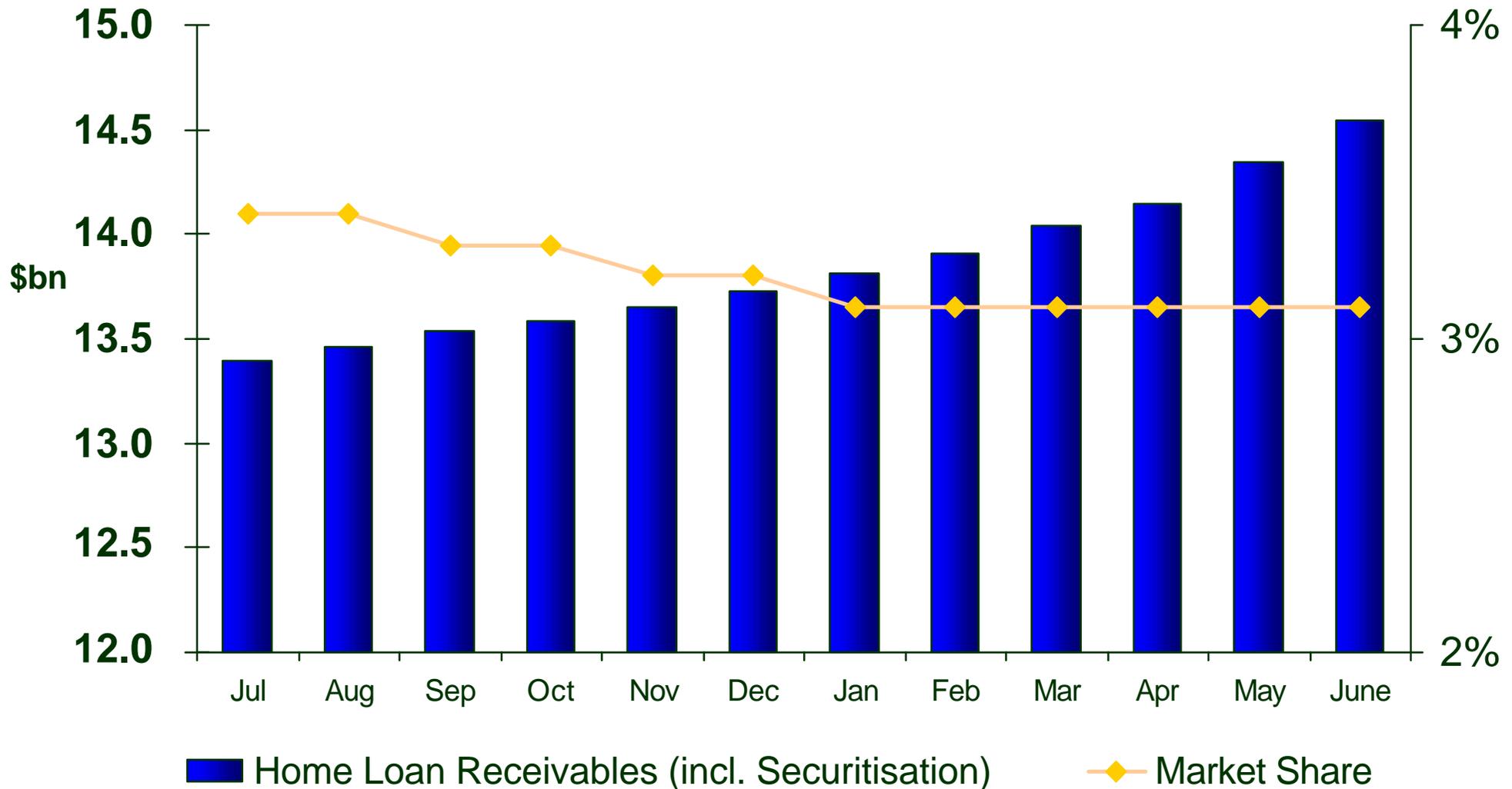


(As at June 2003. Includes securitised assets)

Home lending portfolio



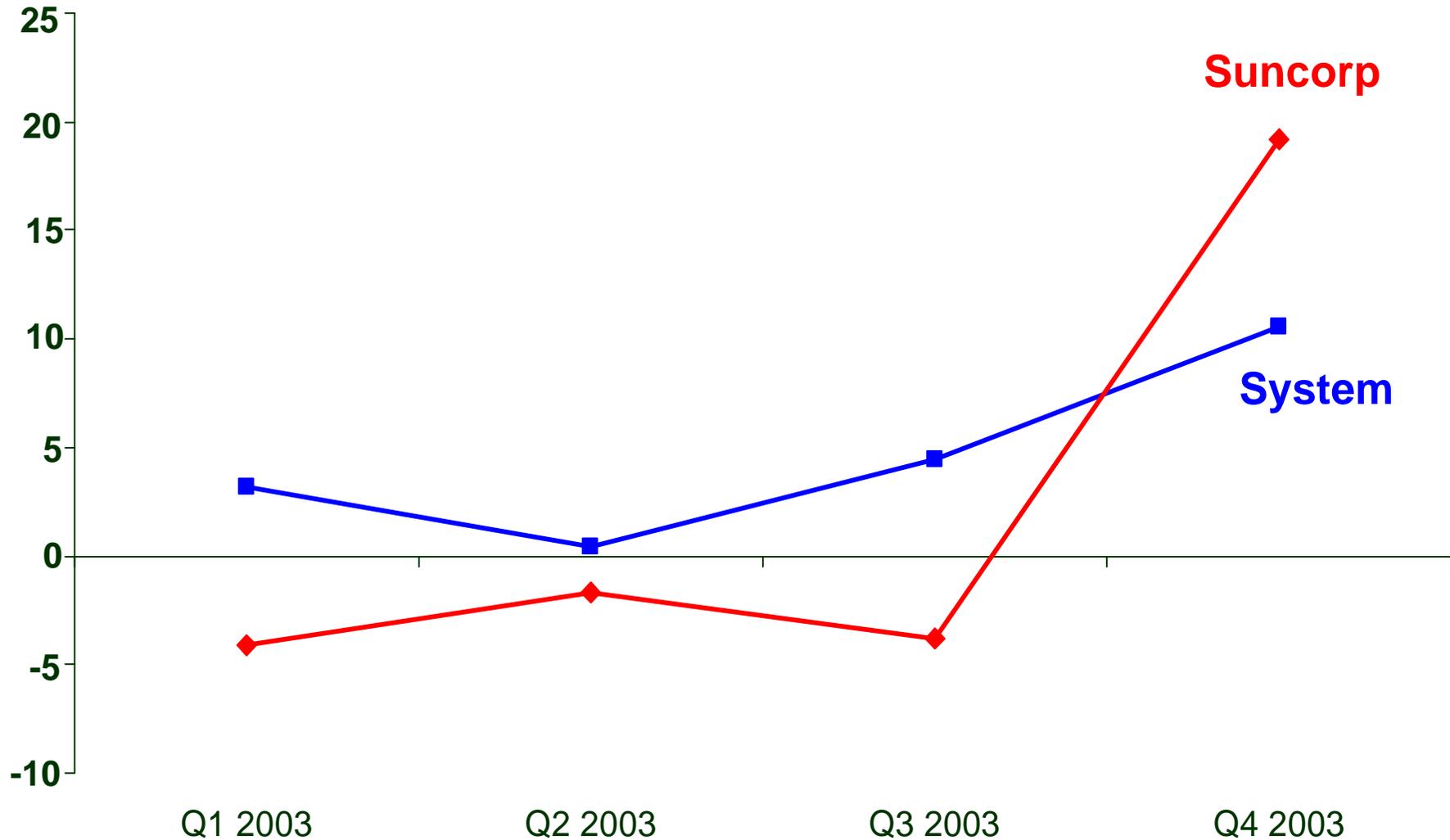
Market share stabilised in the second half



Regaining momentum in home loans



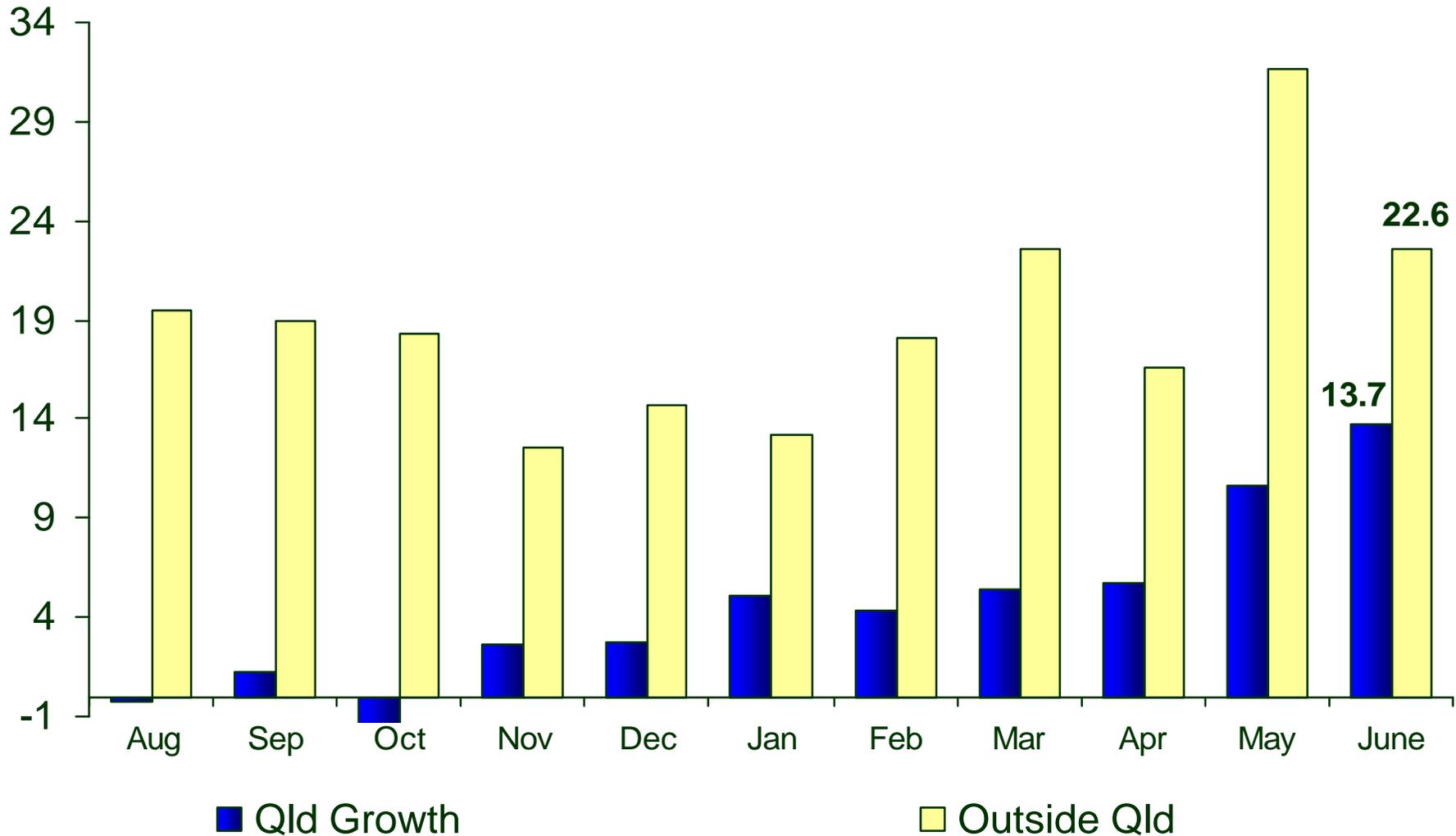
Quarterly change in national disbursements (%)



Home lending growth by state



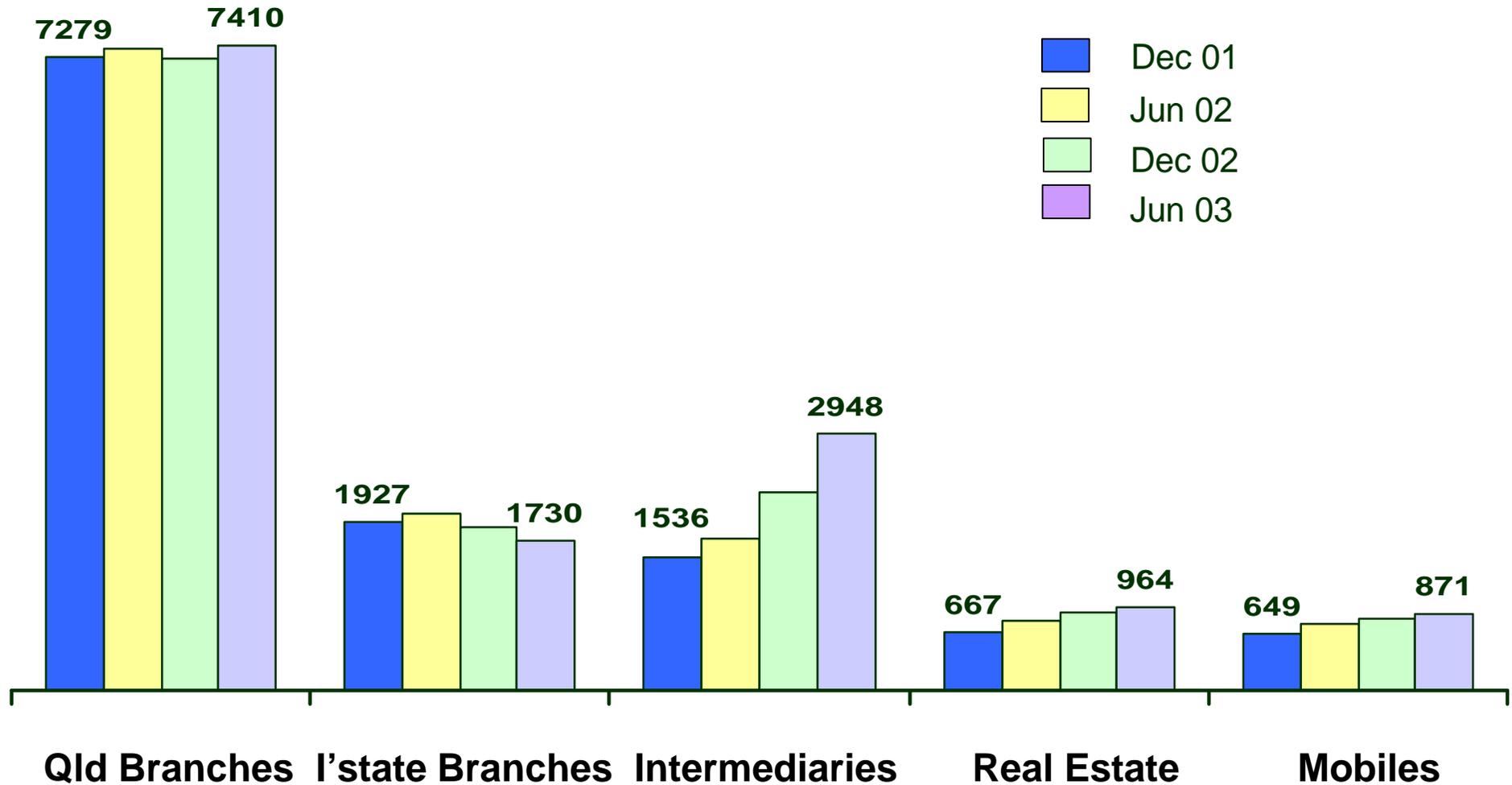
Annual growth in assets (rolling 12 months, %)



Home lending by channel



National (\$millions)





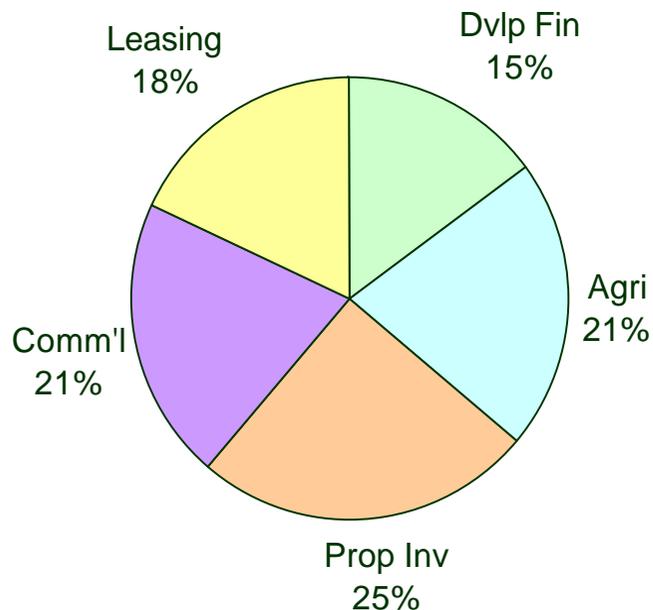
- **Strategy goal:**
 - Most desirable Retail Bank in Queensland and fastest growing in national niches
- **To be achieved through:**
 - Being recognised for top quartile financial performance
 - Flawless processes, and simple easy to use products
 - Great value for money customer service
- **Strategy initiatives:**
 - Simplify and streamline lending process and products
 - Customer retention program and specialised retention team
 - Queensland distribution network restructured to improve accountability
 - Strengthen broker relationships, without compromising credit quality
 - Introduced credit card to complete product offering

Business Bank portfolio diversity

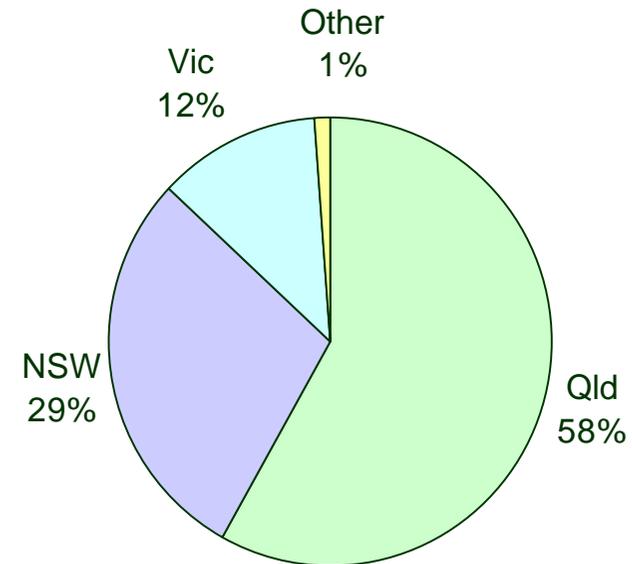


- Portfolio has grown from \$6.8 billion in 1998 to \$9.9 billion in 2003
- Broad business mix, with no one of the five segments having greater than 25% exposure of the portfolio
- Geographic diversity has improved - 58% of business bank assets are based in Queensland in 2003 compared with 66% in 1998

Portfolio Diversity



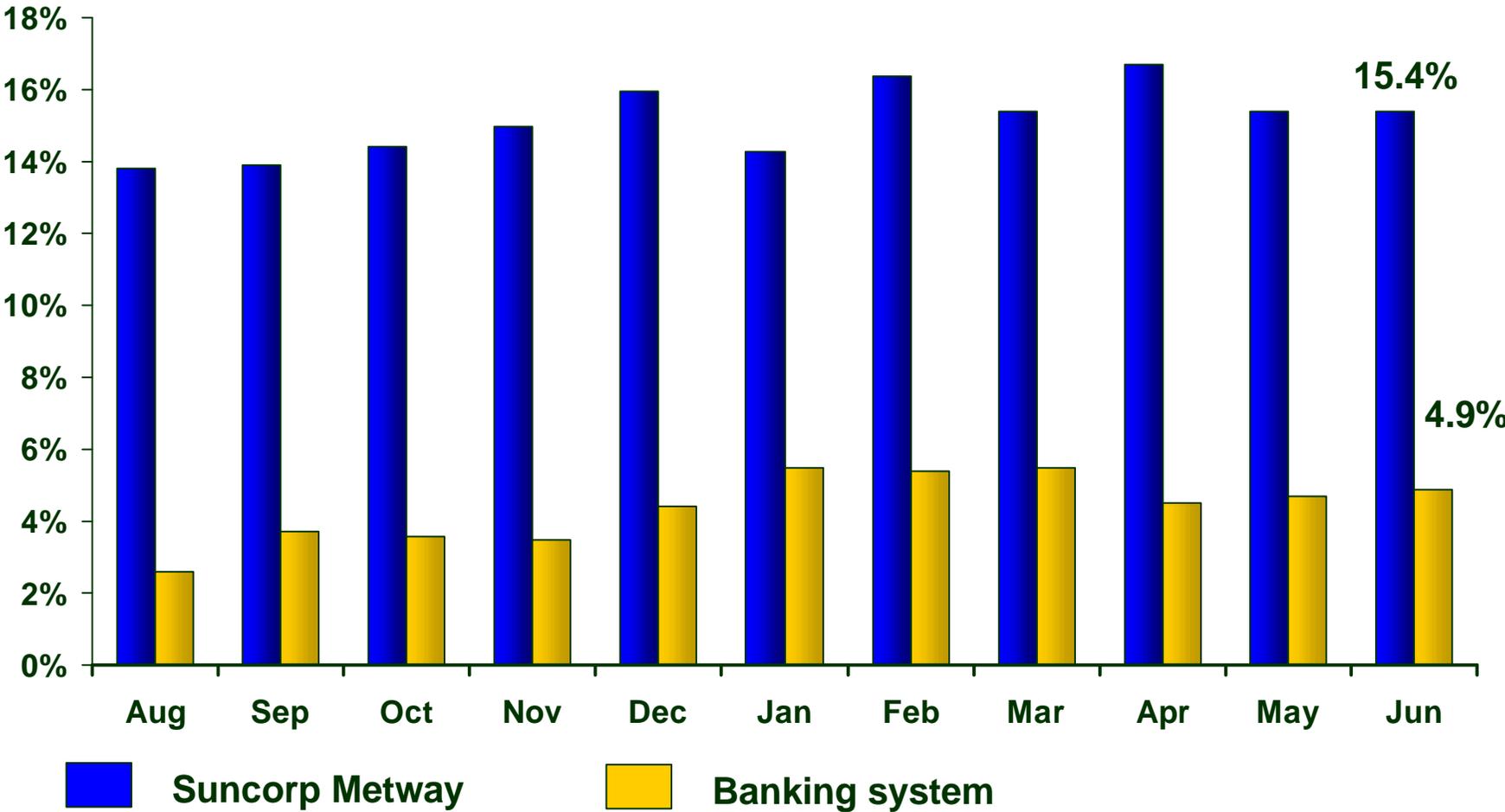
Geographic Diversity



Business lending exceeds system



Annual growth in assets (rolling 12 months, %)

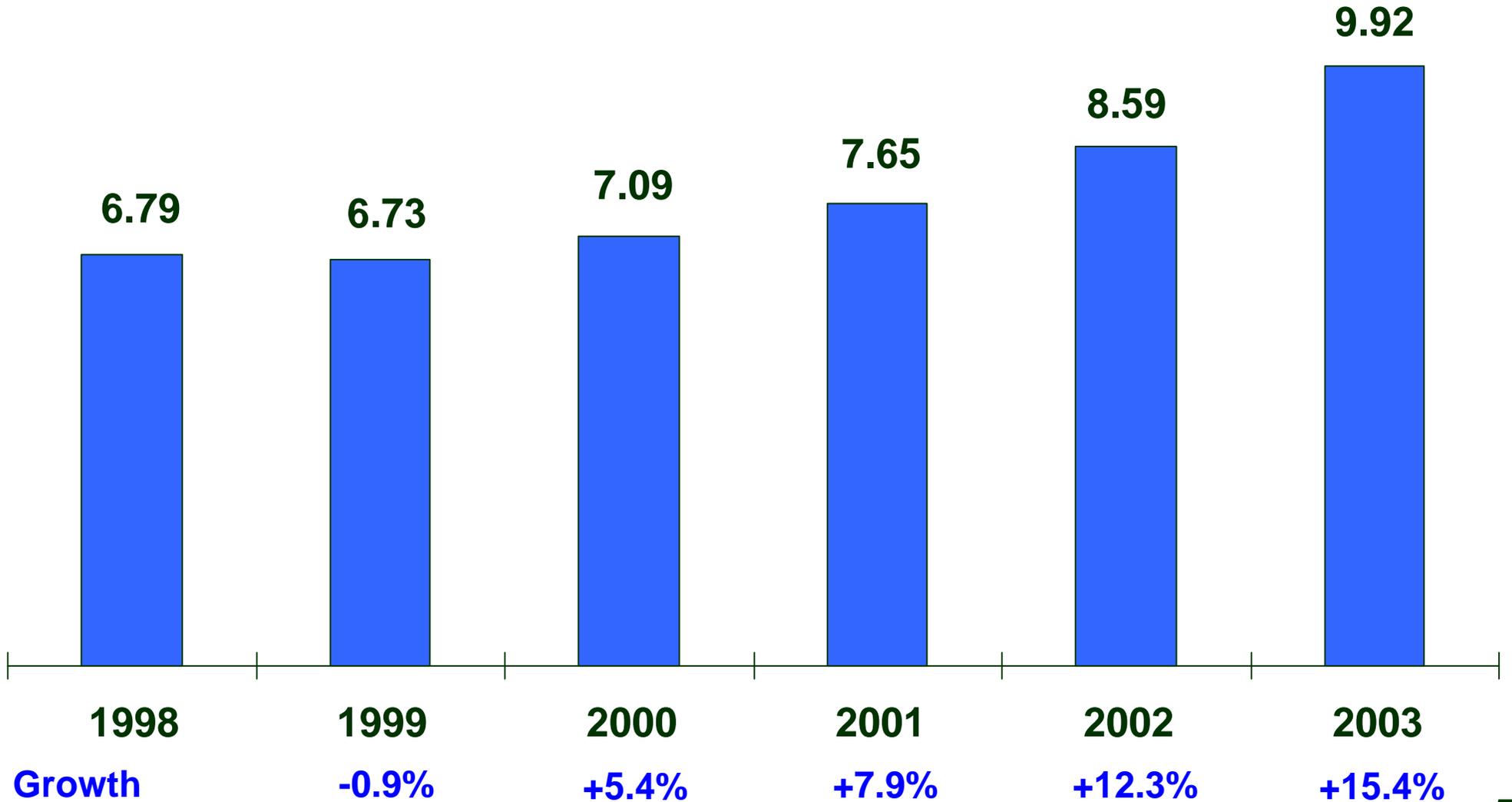


Source: RBA Financial Aggregates, Suncorp

Business Bank growth in assets



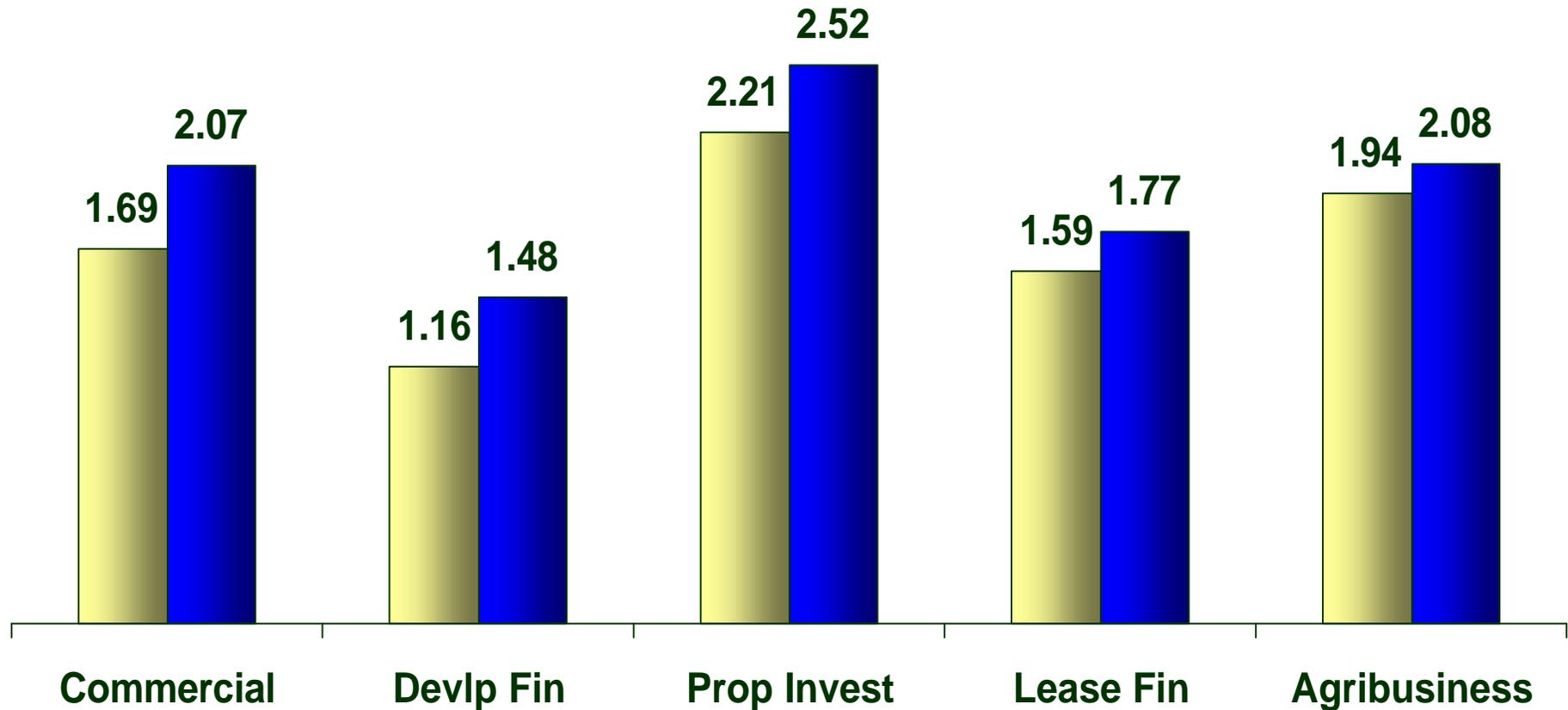
(\$billions)



Business lending by segment



(\$billions)



Growth **22.2%**

27.6%

14.0%

11.5%

7.07%

 June 2002

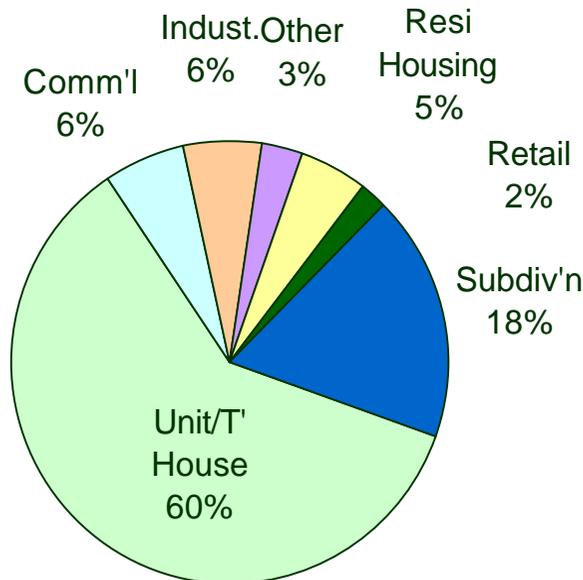
 June 2003

Development Finance

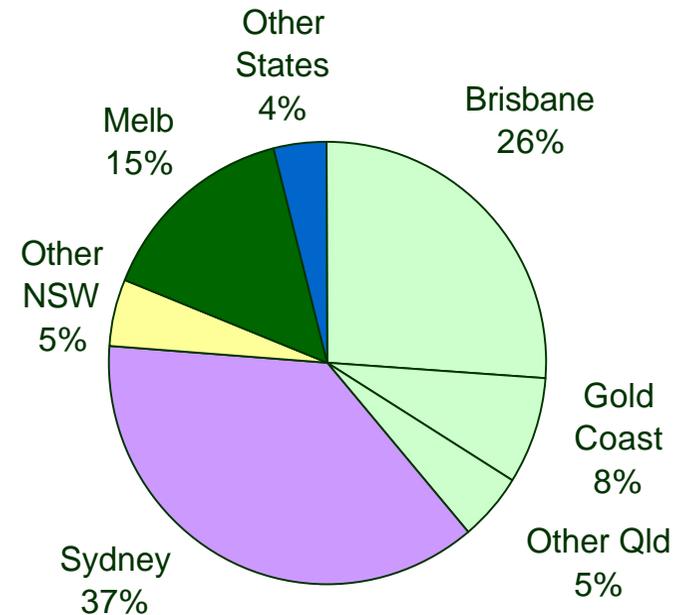


- The Development Finance portfolio represents about 14% or \$1.5 billion of business bank assets
- 83% portfolio assets relate to residential development of land subdivisions, unit developments and housing construction
- The portfolio is well diversified geographically, with 43% of assets in NSW and 39% of assets in Queensland (largely SEQ)

Portfolio Diversity



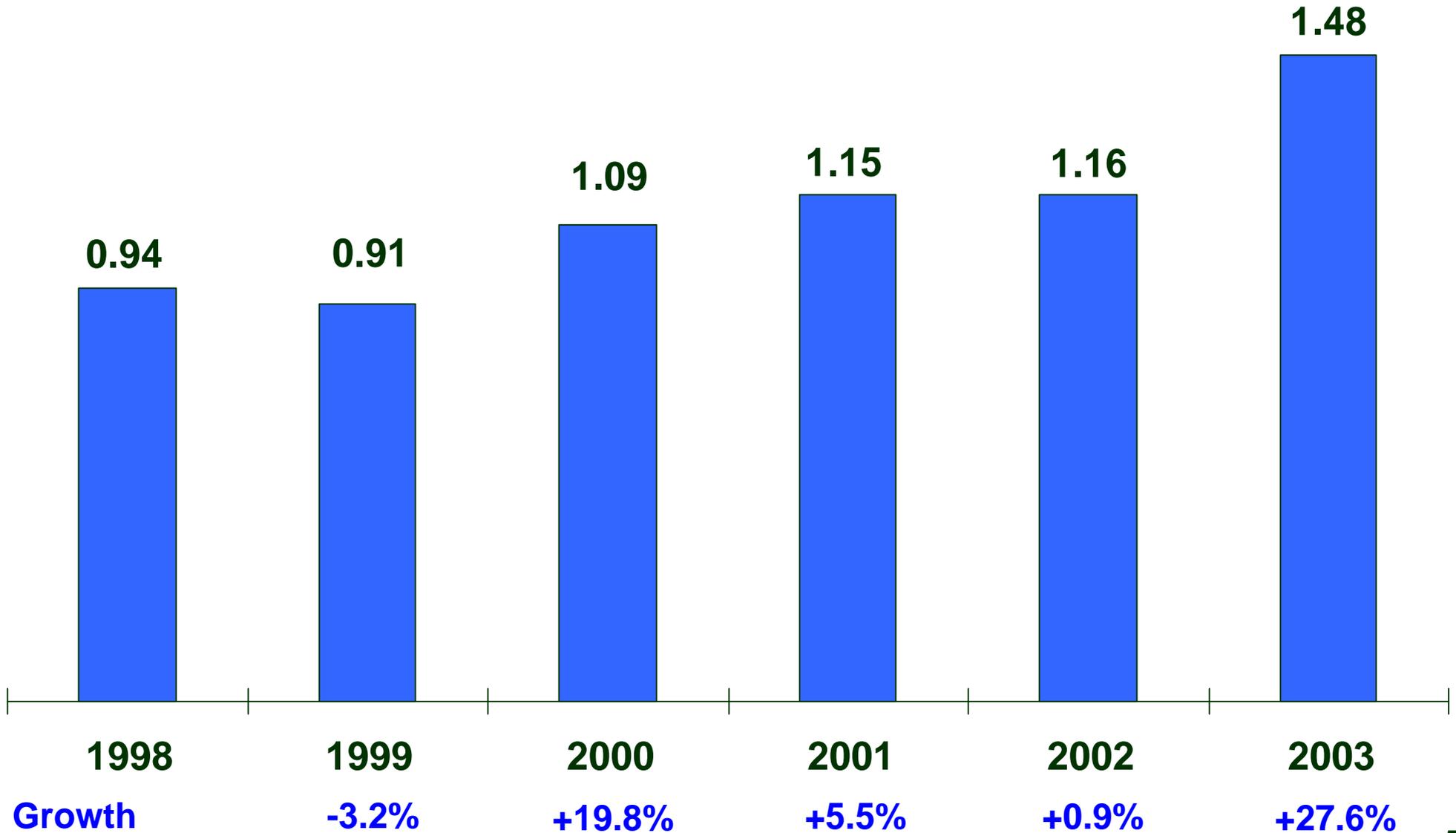
Geographic Diversity



Development Finance asset growth



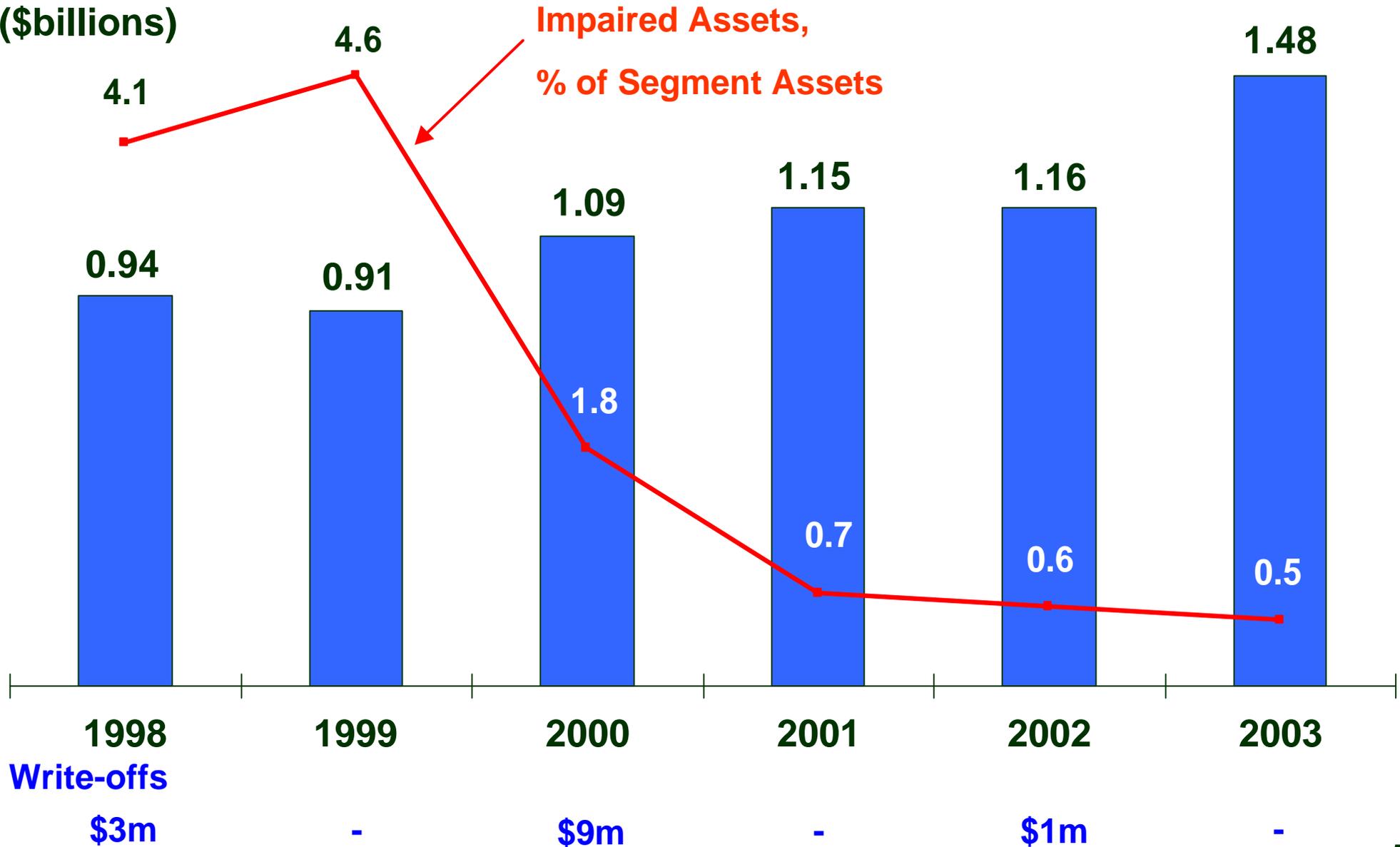
(\$billions)



Development Finance asset growth



(\$billions)



Write-offs



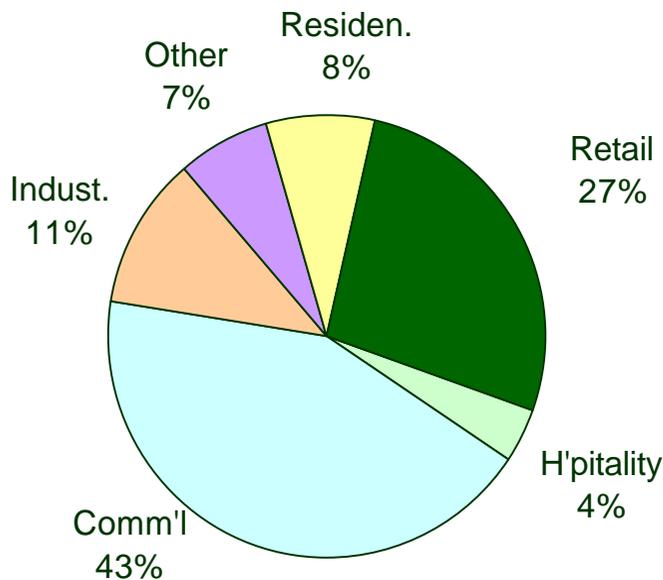
- Minimal “land-banking” funding - must be capable of development approval within 6-9 months
- Only lend to selected, known developers with proven capability. 90% is repeat business
- Builders experienced in size and type of construction
- Lend up to 80% of hard “costs to complete”, not against completed estimated value
- Average LVR 65% on estimated completed value of development
- Client /developer’s equity must be injected before funding commences
- Adequate contingency amount required to be built in to ensure against unforeseen costs
- For larger developments we seek 70% debt cover from pre-sales
- Almost no exposure to CBD developments

Property Investment

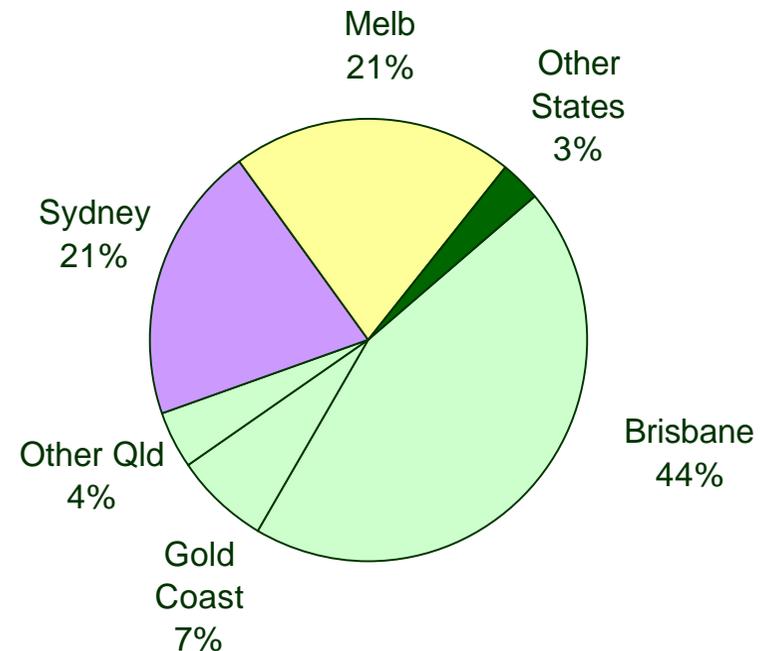


- The Property Investment portfolio represents about 25% or \$2.5 billion of business bank assets
- The portfolio is well diversified, though is weighted toward Commercial property - such as shopping centre developments - at 43% of the portfolio
- The portfolio is well diversified geographically, with 21% of assets in NSW, 21% of assets in Victoria and 55% of assets in Queensland

Portfolio Diversity



Geographic Diversity



Property Investment credit control

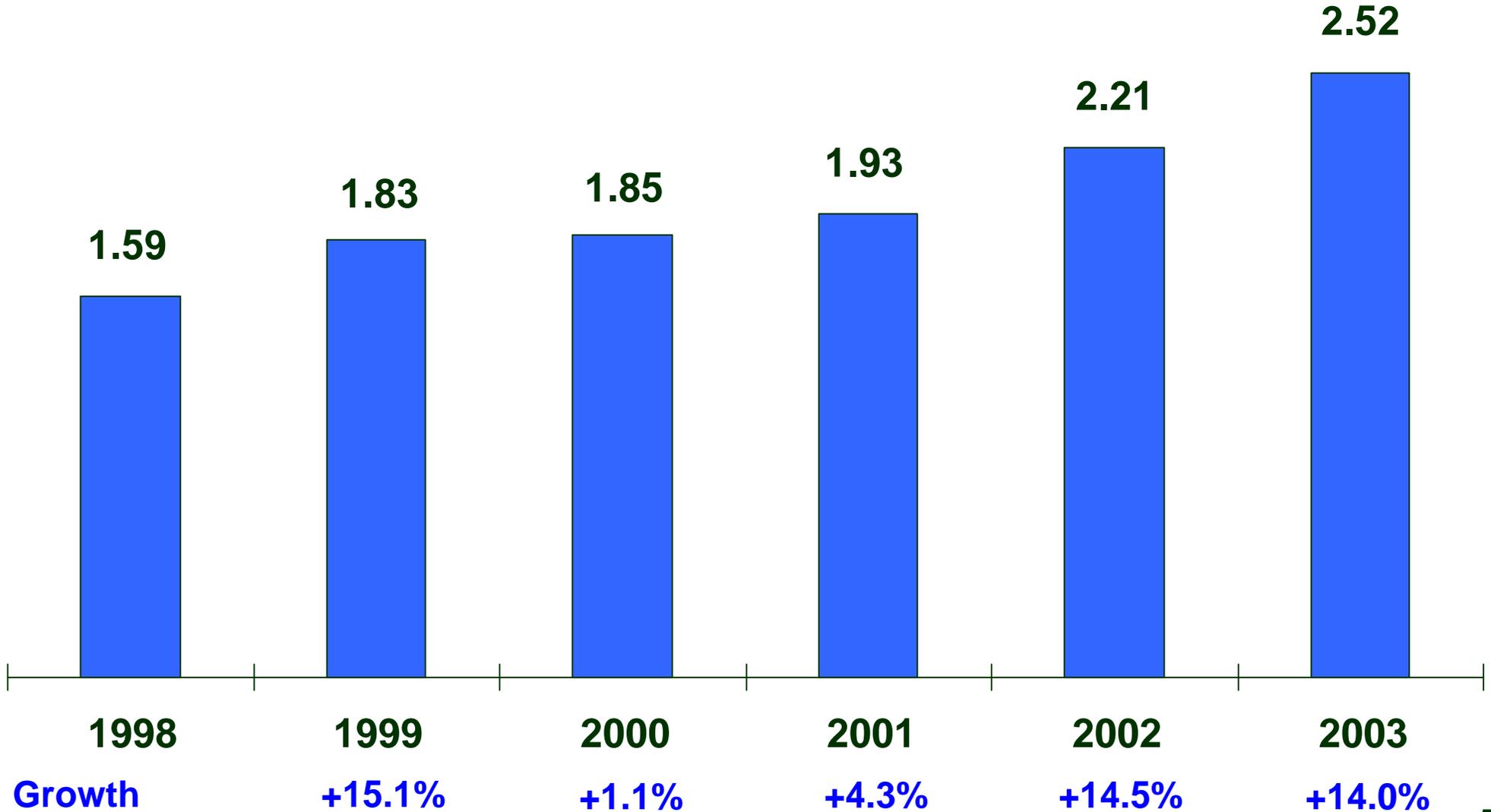


- Property Investment largely relates to commercial property development, including shopping centres, factories and office buildings
- Lower risk portfolio than Development Finance as there is no construction risk attached to the portfolio
- Major risk with portfolio is 'lease up' risk - eg, securing major tenant at shopping centre
- A close watch over tenancy of the asset is therefore maintained
- Average LVR 70%
- 92% of business is proprietary introduced, while 8% is introduced by intermediaries
- There is no difference in credit assessment or requirements for direct or indirect introduced business

Property Investment asset growth



(\$billions)

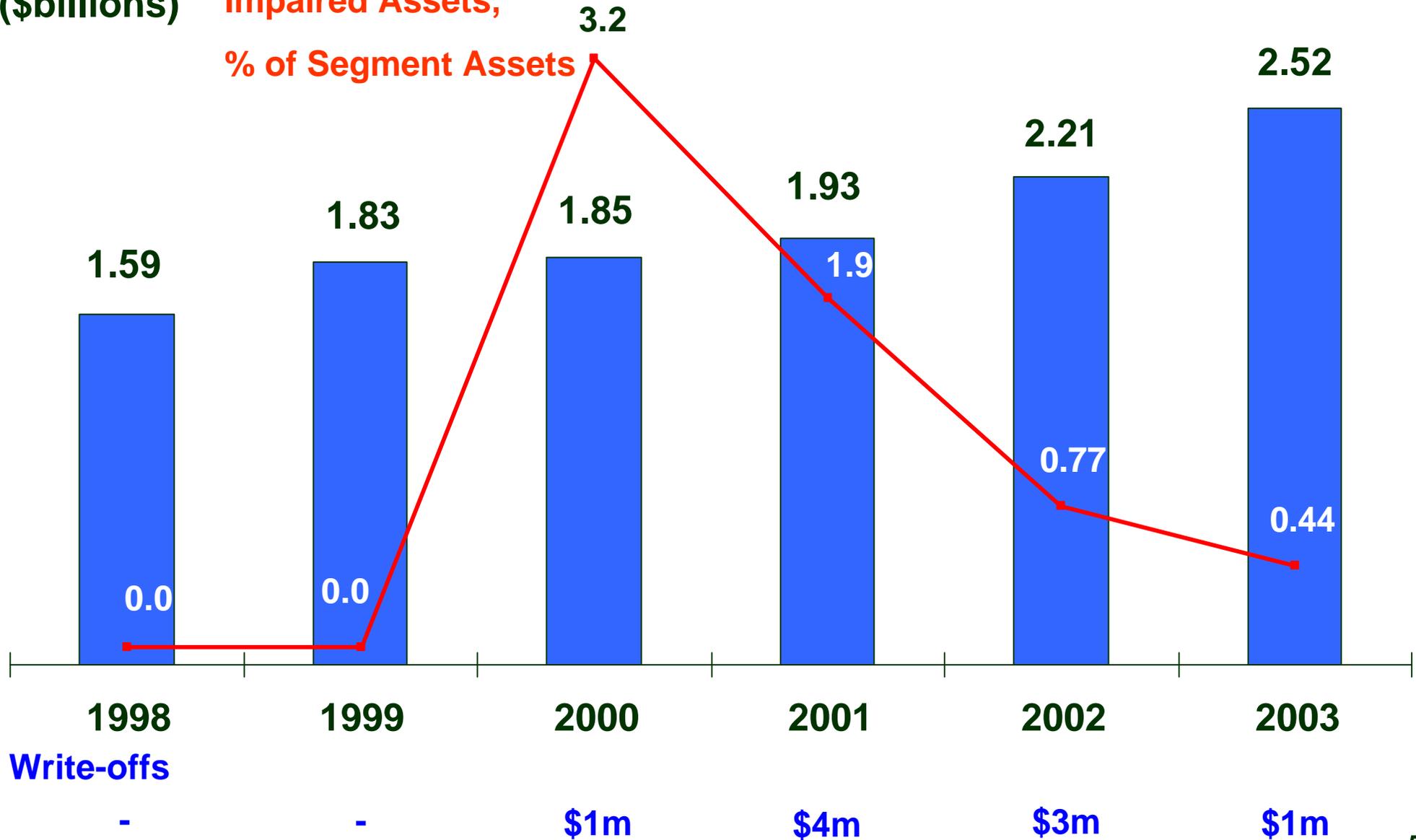


Property Investment asset growth



(\$billions)

Impaired Assets,
% of Segment Assets



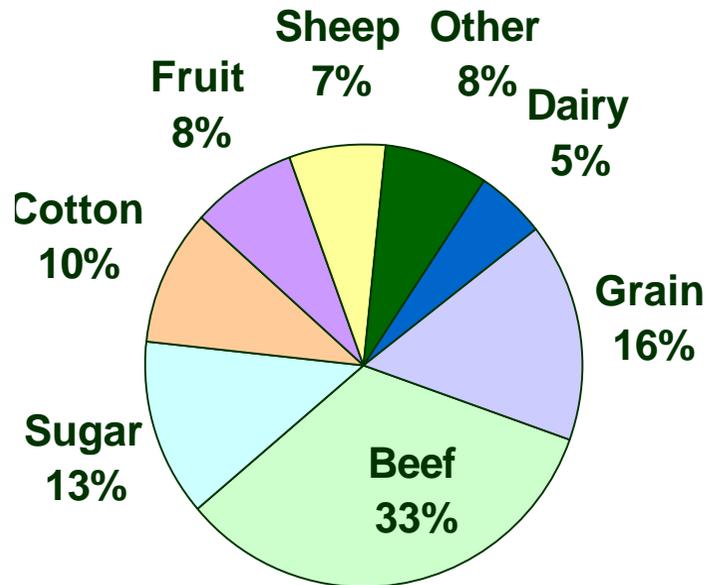
Write-offs

Agribusiness

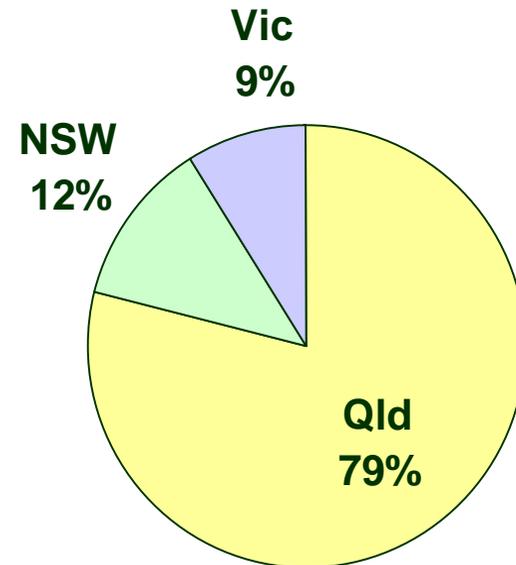


- Agribusiness represents about 21% or \$2.1 billion of business bank assets
- Portfolio is well diversified - 33% of assets are in Beef, 16% Grain, 13% Sugar
- The portfolio is concentrated geographically in Queensland, though a program of geographic diversification is seeing strong growth in NSW and Victoria

Portfolio Diversity



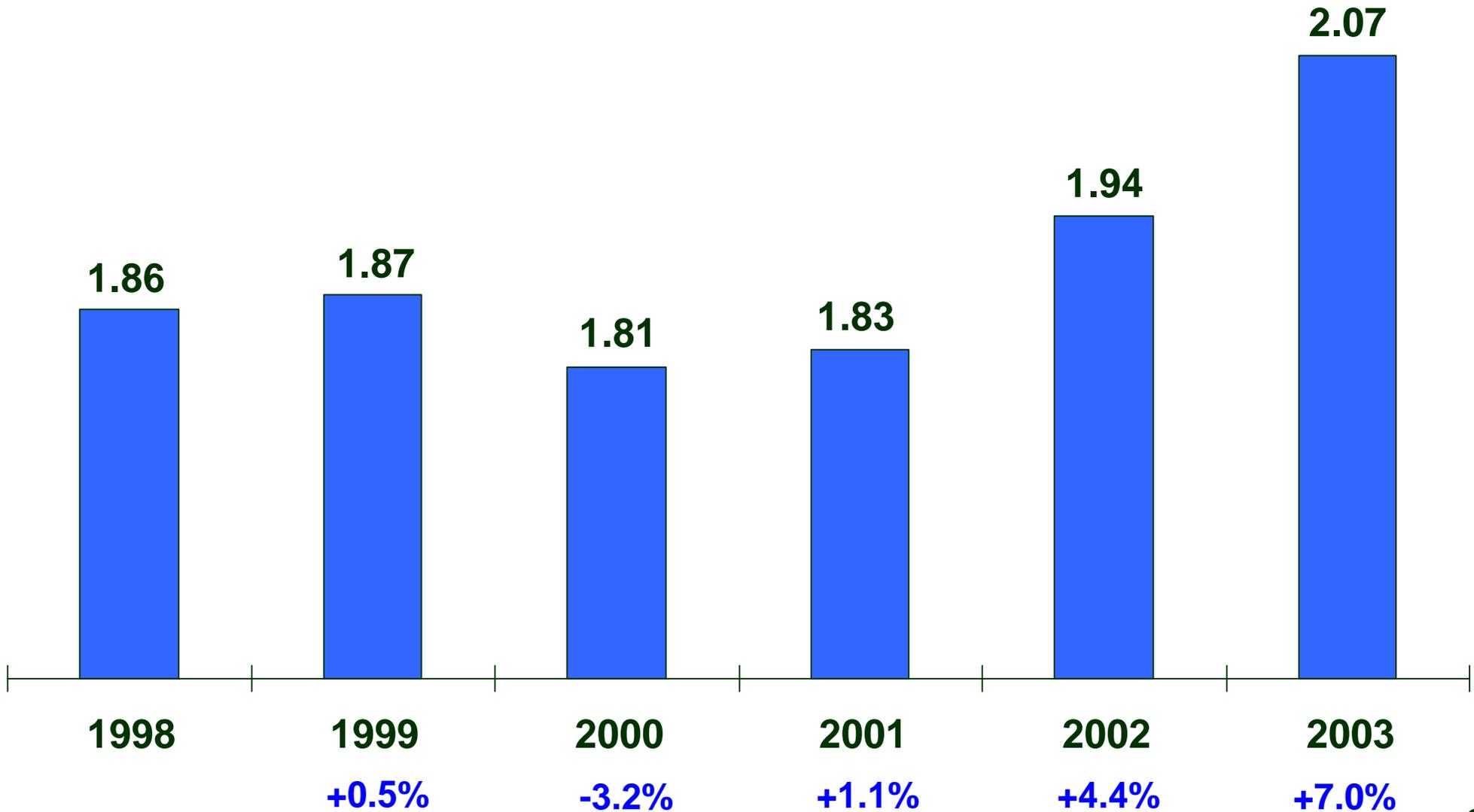
Geographic Diversity



Agribusiness asset growth



(\$billions)

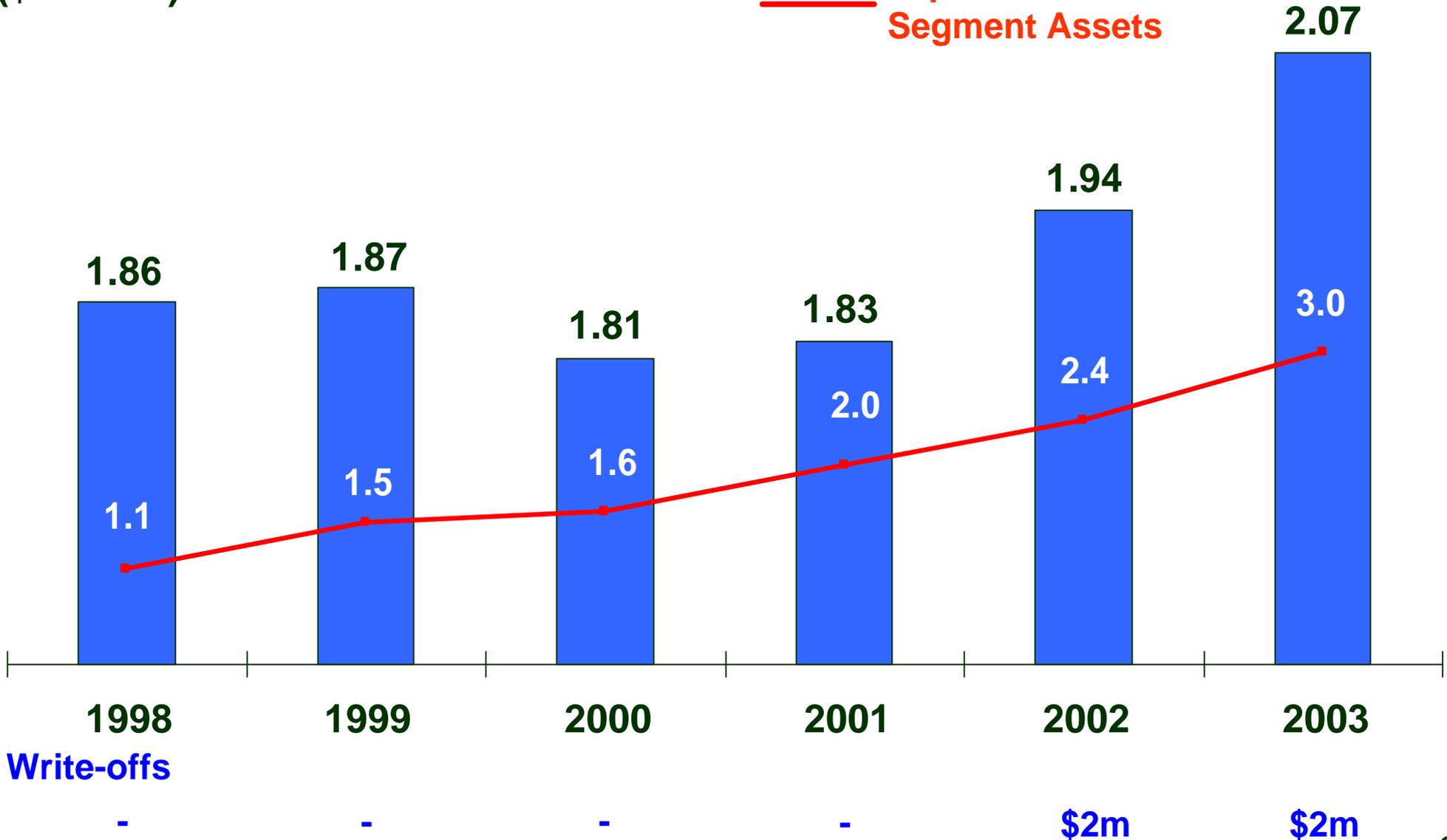


Agribusiness asset growth



(\$billions)

Impaired Assets %
Segment Assets



Write-offs

Agribusiness credit quality



- Impaired assets of \$76 million, specific provisions of \$7 million
- Average Loan to Valuation ratio of 52%
- 100 years experience in agribusiness
- Third drought in 11 years, so most producers who have survived are experienced
- Low levels of debt mean properties are not overstocked or overcropped and are better able to withstand drought
- \$70 million in Farm Deposit Accounts acts as a buffer
- Australia-wide 43,000 farmers (approx 1 in 3), now have average farm deposit accounts of \$48,000 with a total of \$2.06 billion

Business banking strategy



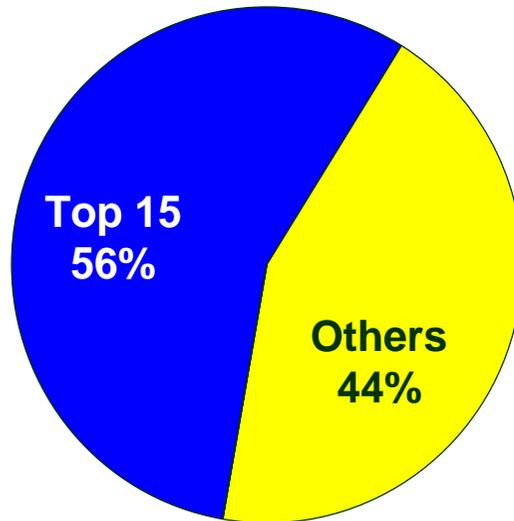
- **Strategy goal:**
 - To be Australia's most desirable Business Bank
- **To be achieved by:**
 - Our efficient and dedicated business banking team
 - A core competency in pricing and product excellence
 - Quality of relationship management in all chosen markets
- **Strategy initiatives:**
 - Rebalance business bank portfolio to reduce weighted exposure to Agribusiness and total Property segments
 - Grow Commercial lending at twice system rate, while growing Agribusiness and total Property portfolio at system rate
 - Selective specialist interstate growth in Victoria and NSW by leveraging specialist knowledge base
 - Strengthen broker strategy and relationship



INDUSTRY CONSOLIDATION

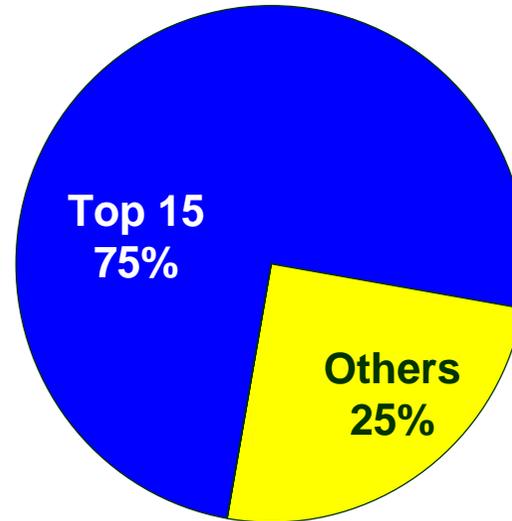
Premium share (GWP): Private sector direct underwriters

1979



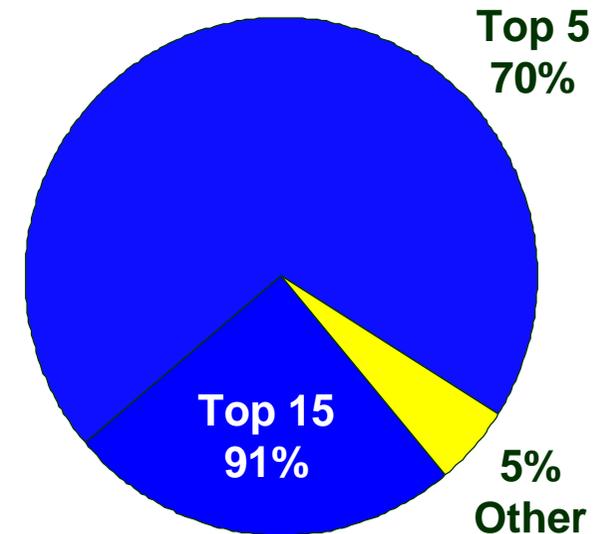
Industry
Total GWP \$1.7bn

1987



\$4.6bn

2002

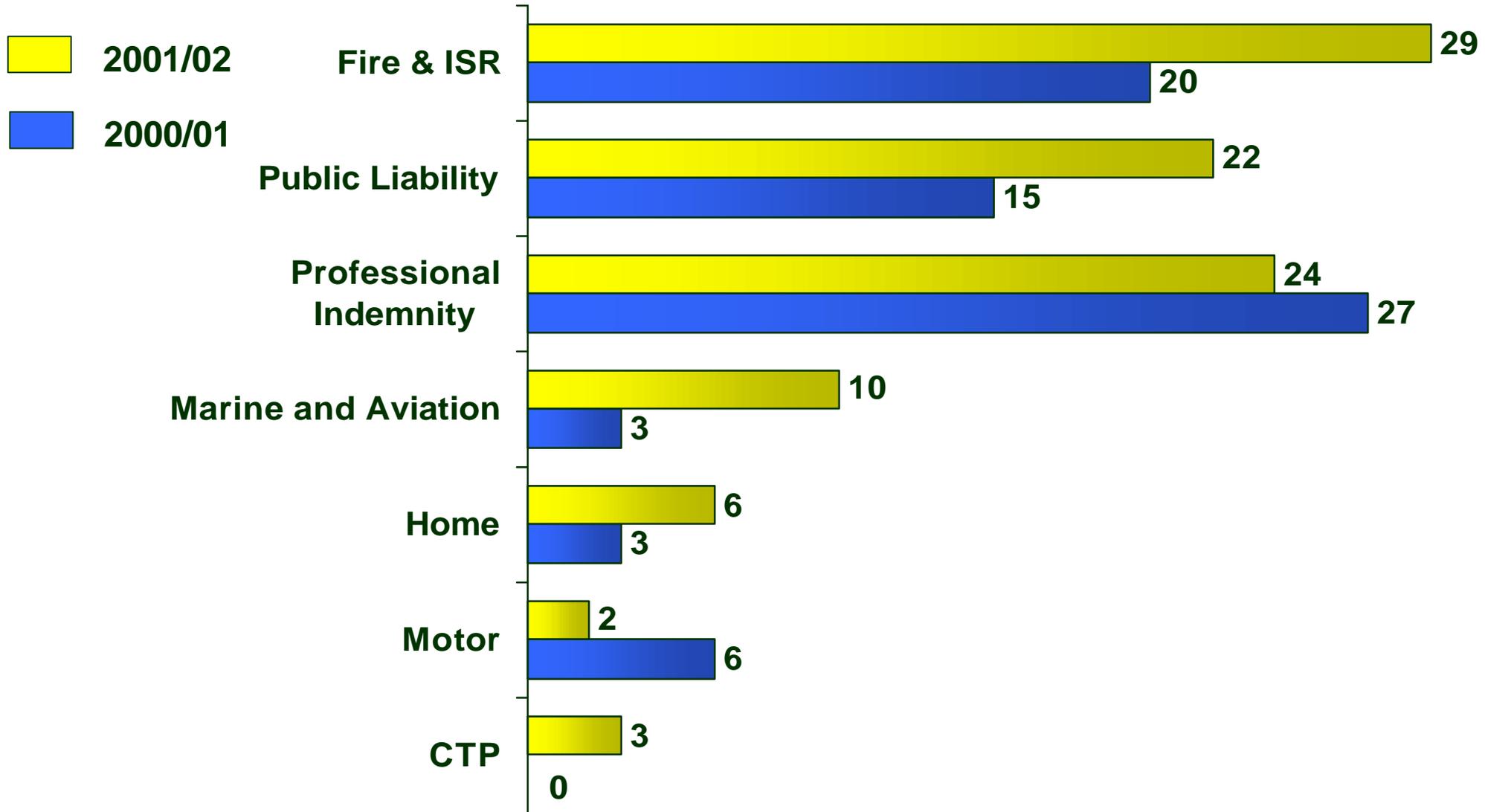


\$18.1bn

Sustained price recovery



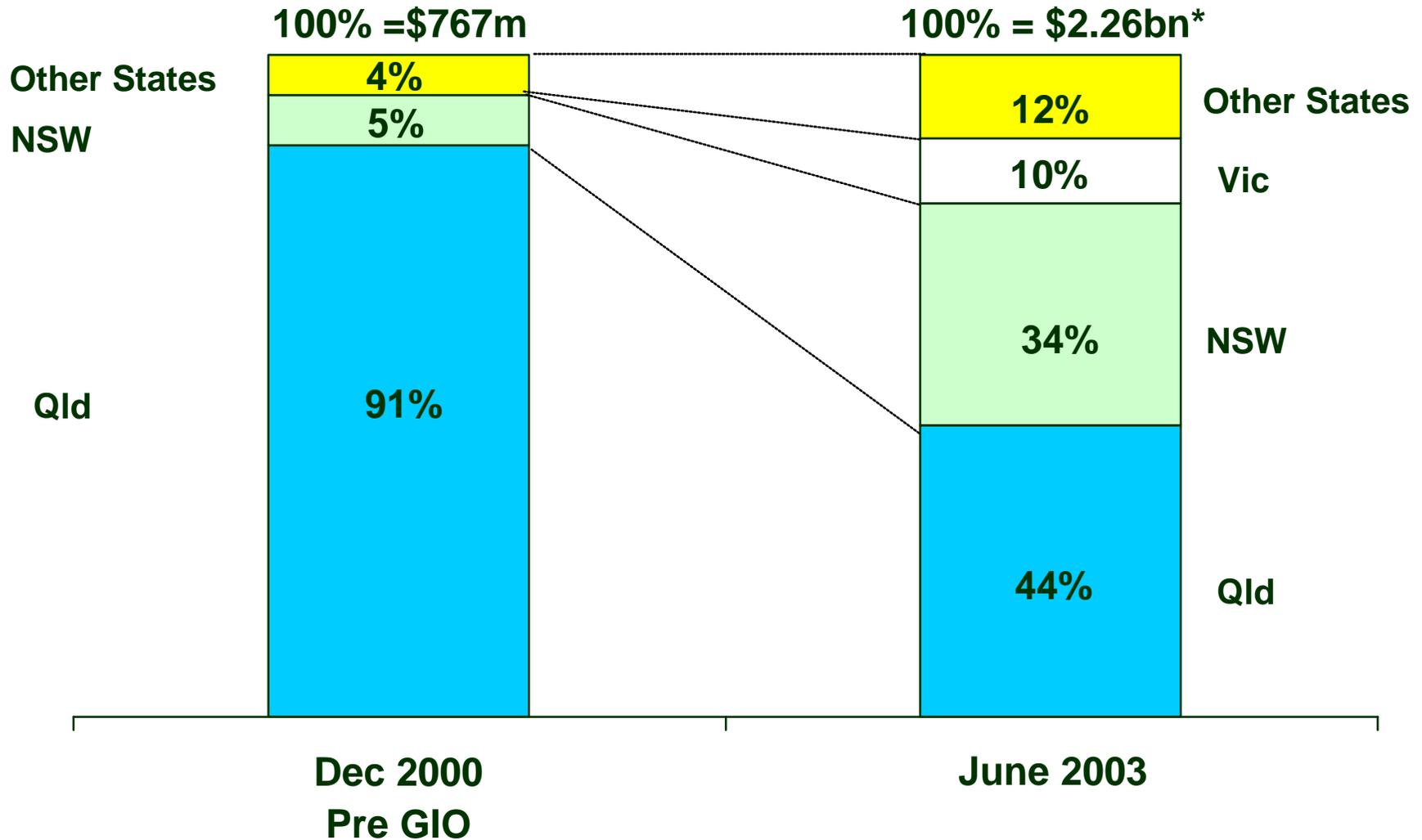
(Annual price increase, %)



Geographic diversity increased



General Insurance Gross Written Premium by State

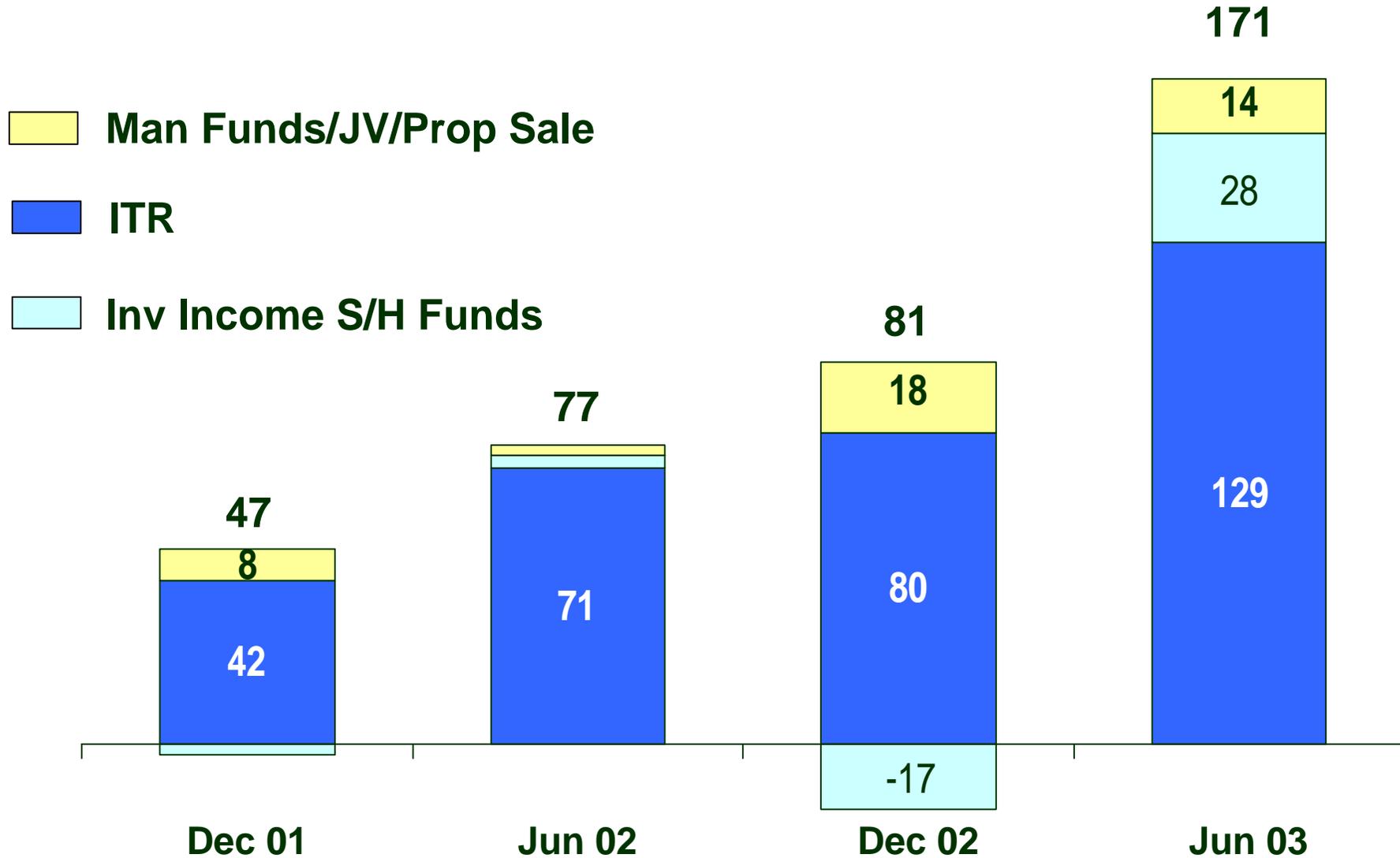


*Excluding JVs

Half yearly profit growth



Profit before tax (Half year, \$millions)

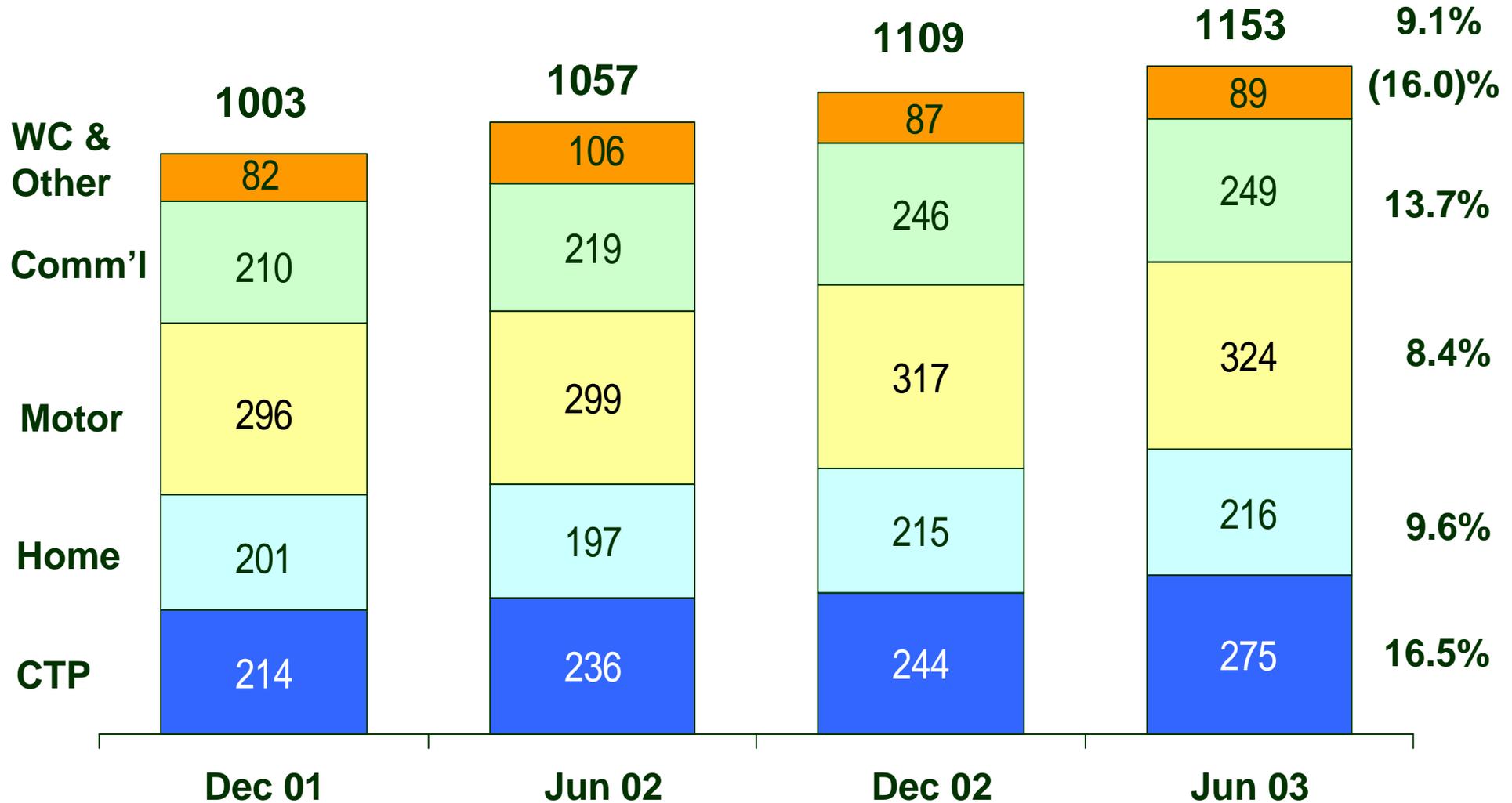


Premium revenue



Gross written premium (\$millions)

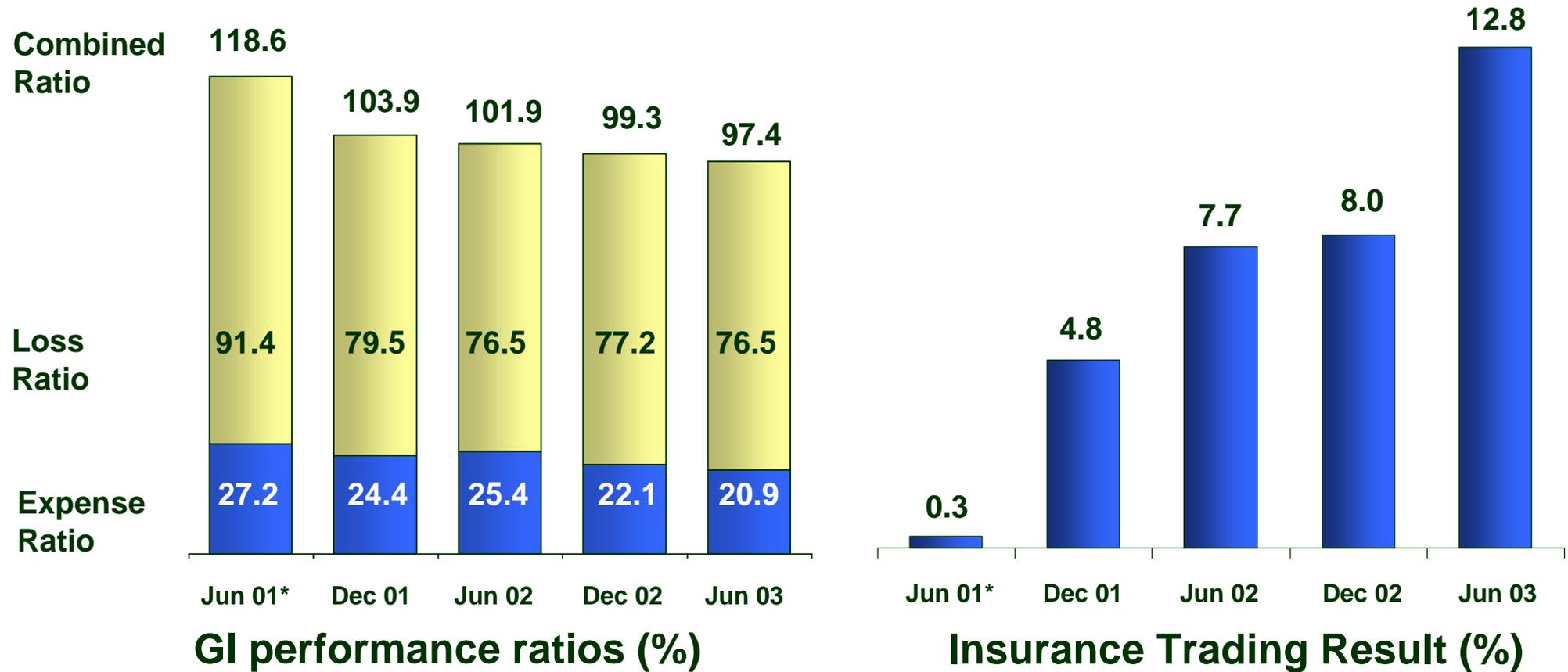
Jun 03 vs
June 02



Improving GI ratios



General Insurance has achieved considerable improvements in management of claims and expenses, delivering underwriting profits and increased ITRs



Excluding Discount Rate Adjustment

*Jun 01 excludes GIO

Source: APRA, GIO, SUN , excluding JVs



- Prices are within a band set quarterly by the regulator (MAIC)
- Prices have generally responded adequately to claims costs
 - But additional pressures on claims costs in the last year
 - The Civil Liabilities Act (December 2002) expected to limit claims costs
 - Regulations proclaimed in September
 - Financial effect not yet clear but normal profit margins expected to be restored
 - Continuing dialogue (insurers, MAIC, Government) on controlling claims costs

General Insurance strategy

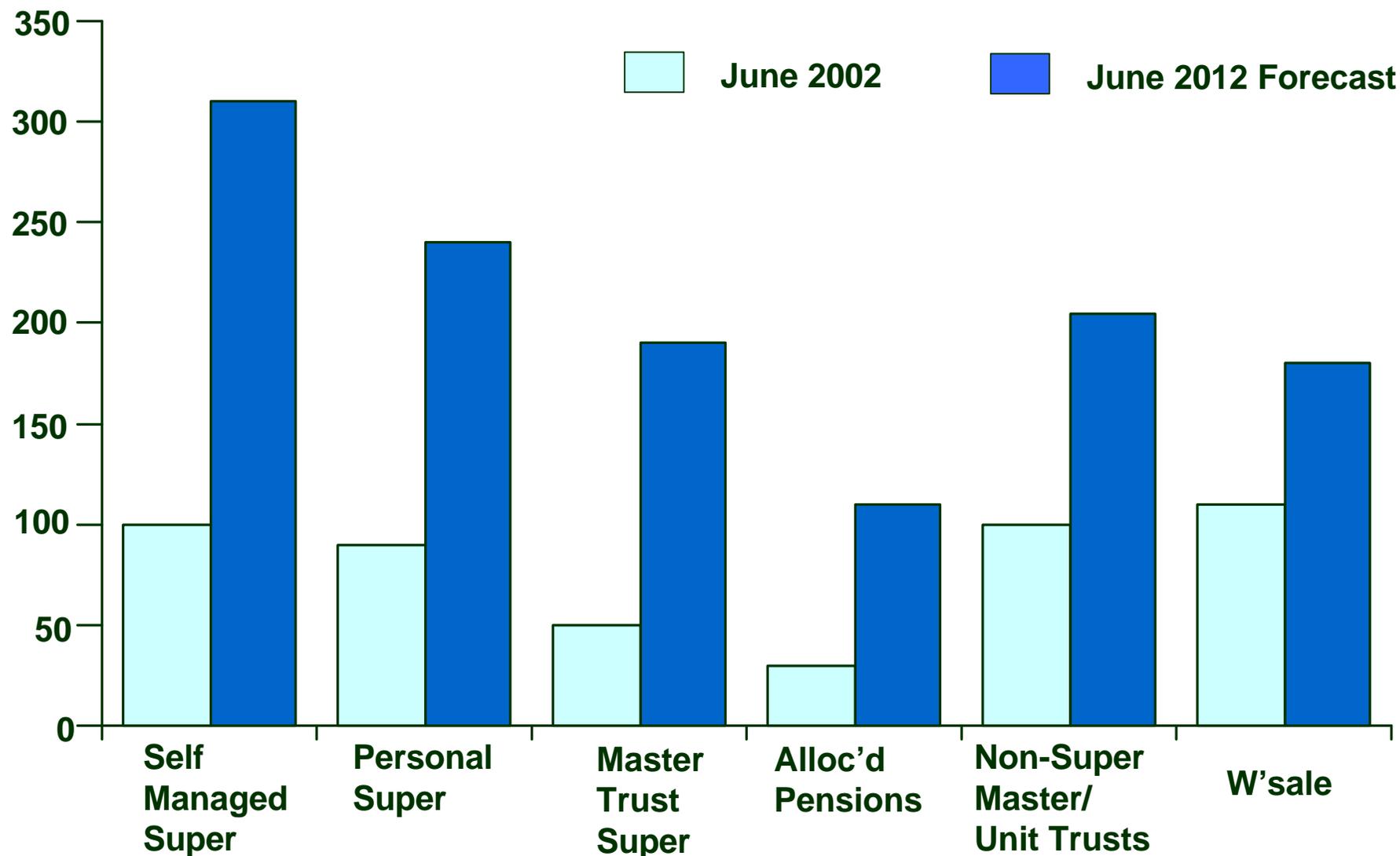


- **Strategy goal:**
 - To be the most desirable General Insurer in Australia, with the best underwriting profits in the industry
- **This will be built on:**
 - Offering customers simple and easy to use products
 - Value prices
 - Defect free processes
 - Committed staff who genuinely focus on the customer
- **Strategy initiatives:**
 - New personal lines pricing engine
 - Leverage GIO brand strength into SME commercial market
 - Extend relationship with broker networks
 - Improve cross sale potential to existing insurance customers

Wealth Management market



Projected size of funds under management (\$bn)



New business sales



Wealth Management (\$millions)

	2002	2003	%
Investment and Super*	665	585	-12.0
Risk	11	11	-
Total	676	596	-11.8

*Includes external product sales

Wealth Management strategy



- **Strategy goal:**
 - To be the most desirable Wealth Manager in our core and selected markets
- **To be achieved by:**
 - Provision of trusted, quality advice
 - Consistently strong investment performance
- **Strategy initiatives:**
 - Customer segmentation program
 - Obtain industry rating
 - Extend distribution network
 - Up-skill of internal advisers
 - Increase leverage of insurance and banking customer base



- **Conservative and flexible capital position to be maintained.**
 - Bank capital adequacy of between 10.0% and 10.5%
 - General Insurance solvency 1.35 - 1.5 times MCR
- **Economic Capital Allocation model to be adopted for internal purposes**

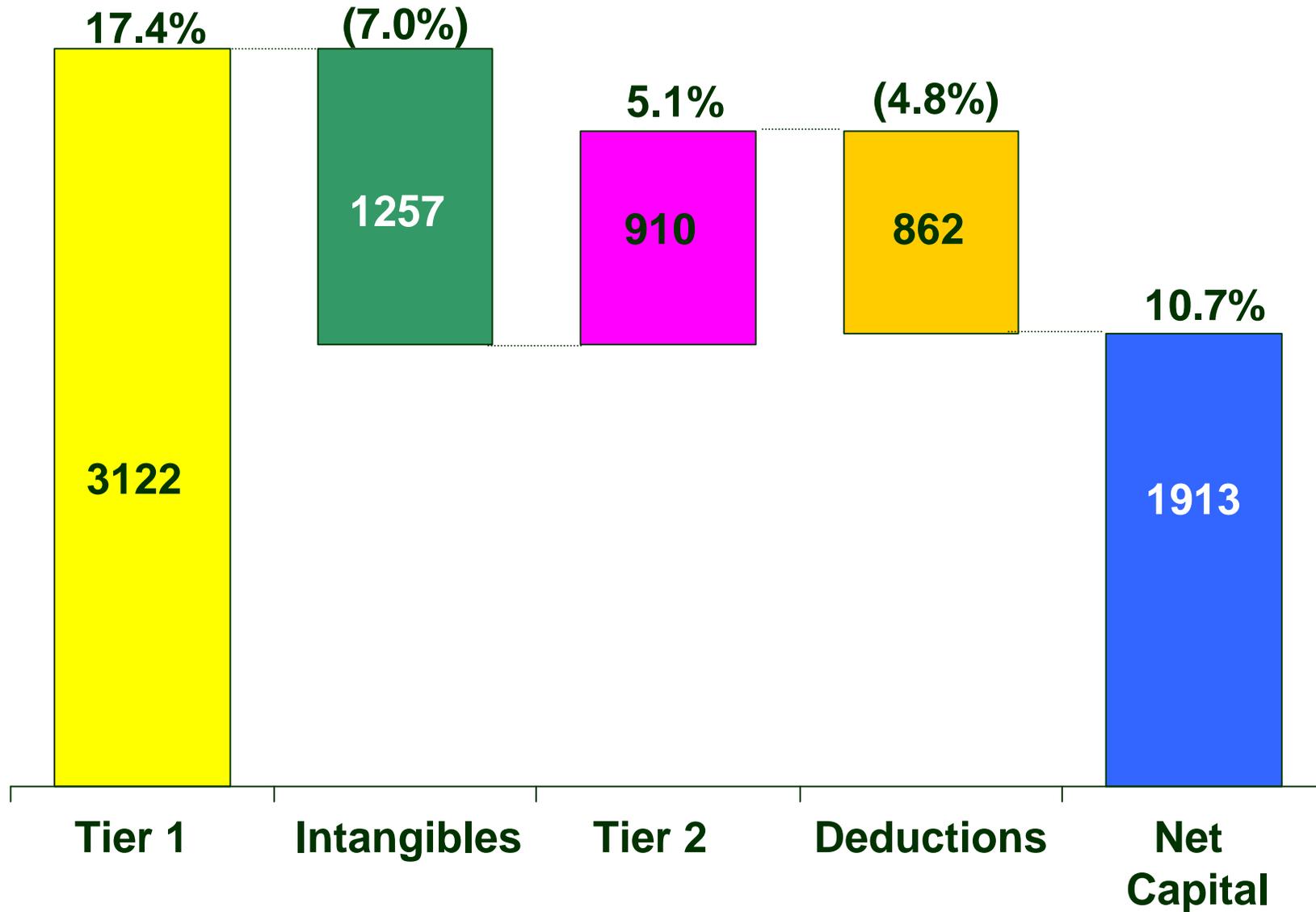


- **Capital ratios maintained in current year due to:**
 - Increased retained earnings
 - Dividend reinvestment plan
 - Securitisation programs to be extended
 - Potential hybrid issues in insurance subsidiary
 - Potential increase in existing pref share issue

Strong capital position - June 2003



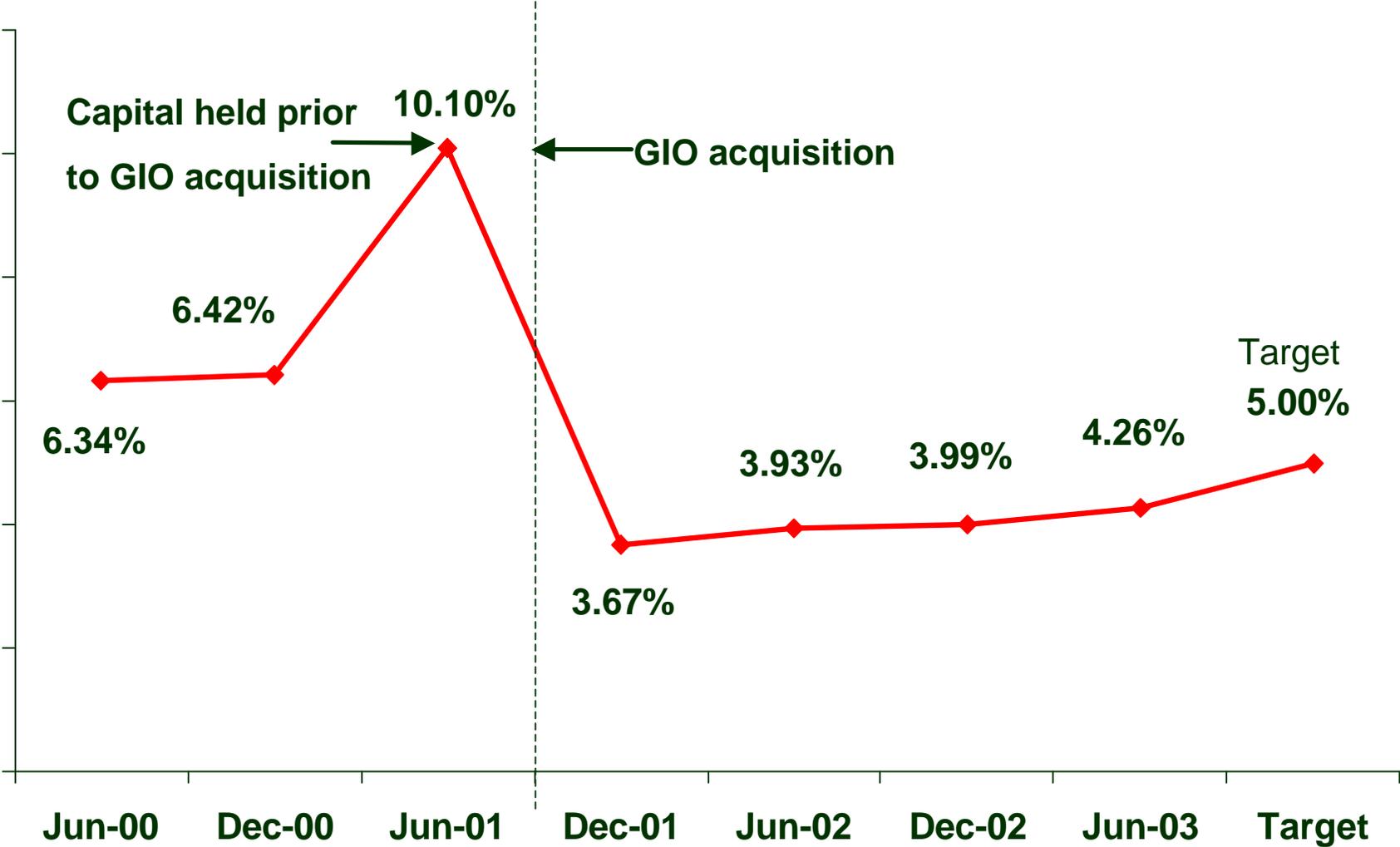
(\$millions)



Bank ACE ratio rising



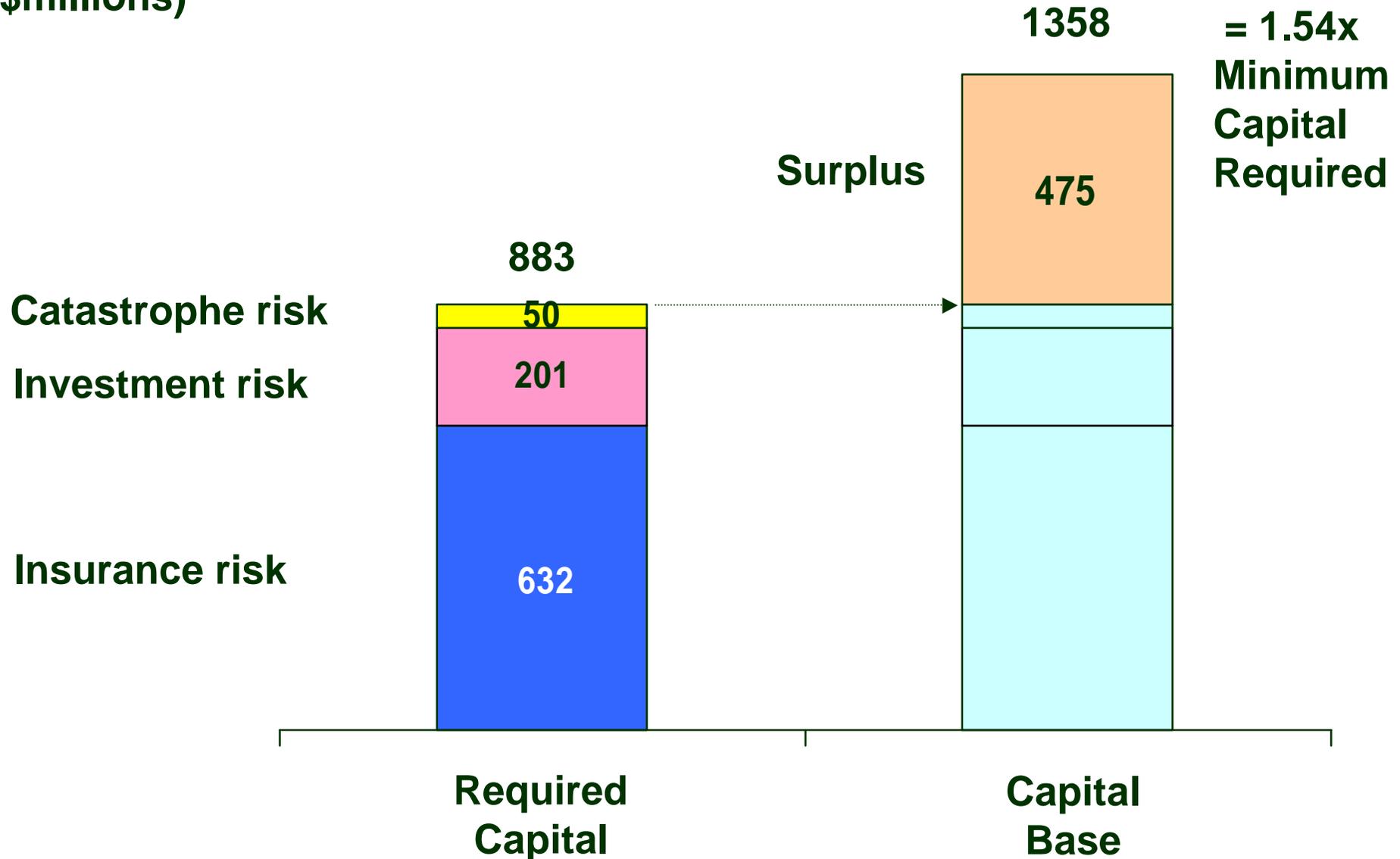
Half year (%)



Prudent solvency position



(\$millions)



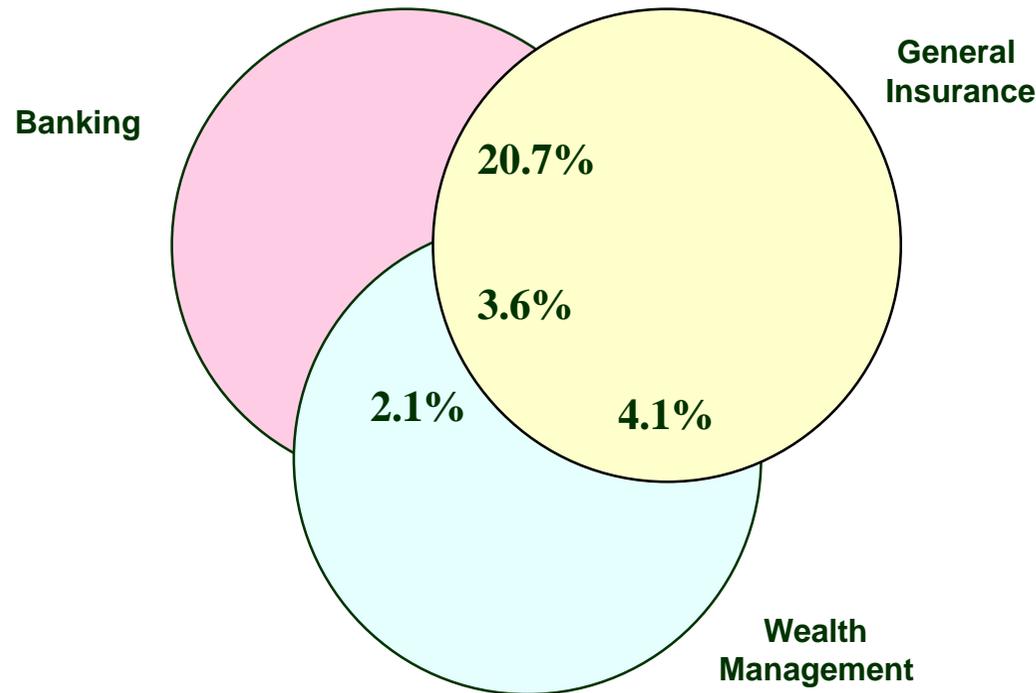


- **Basel expected to be capital neutral for the banking industry**
- **Suncorp to gain some capital relief in housing, offset by increased capital required for operational risk charge**
- **Suncorp aiming to adopt IRB Foundation approach for credit risk, and the Advanced Measurement Approach for operational risk by 2007**
- **Major banks unlikely to gain a competitive advantage from Basel II, and will be forced to bear some costs associated with adopting advanced IRB standards by 2007**

Increasing customer penetration



Suncorp Customer Base: March 2002
(# Households)



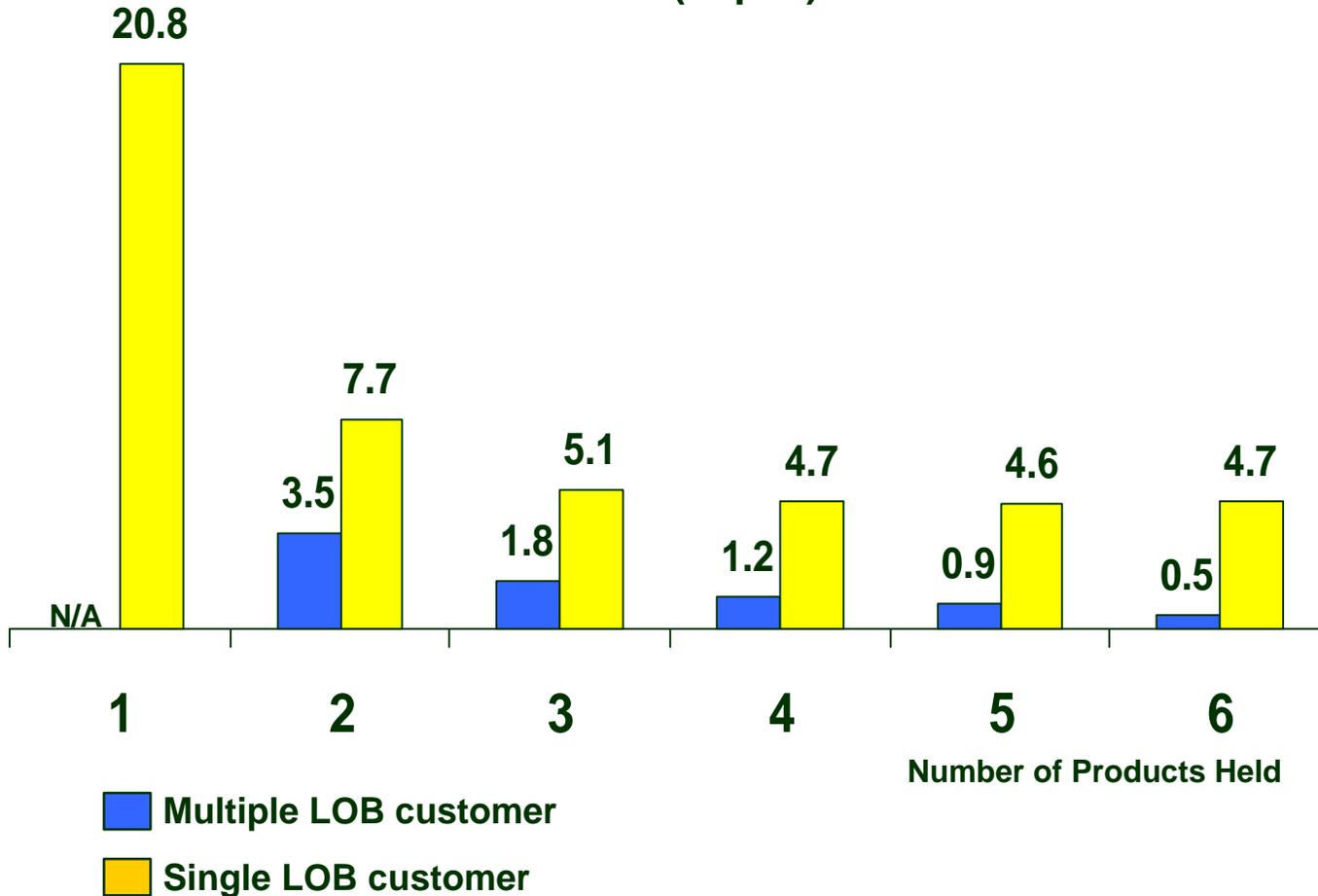
Since its creation in 1996, Suncorp Metway has increased insurance penetration of the banking customer base from 28% of households to 41%

- Note -
- Excludes the GIO customer base
 - Incremental above Suncorp's average penetration of the Queensland Market

Superior customer retention



SUN Customer Defection Rates
(% p.a.)



Cross sales from the conglomerate model are creating a more engaged customer base

- 7,000 households retained p.a.
- Compounded over 3 years, this is contributing substantially to our bottom line.

Defection defined as a customer ceasing relationship with SUN (ie all products sold); Average defection rates across lines of business