



ASX Announcement

24 November 2009

SUNCORP MARKET UPDATE AND APS 330 DISCLOSURES

Suncorp-Metway Limited today released a brief market update and its APS 330 disclosures.

The presentation and APS 330 tables are attached.

There will be a teleconference hosted by Group Chief Executive Officer, Patrick Snowball, this morning at 10.00am AEDT / 9.00am AEST.

Teleconference details

Participants will be asked for their full name and conference ID when joining the call

Australia: 1800 148 258
International: +61 2 8524 6650
Conference ID: 4218 8901

ENDS

For more information please contact:

Analysts / investor contact:

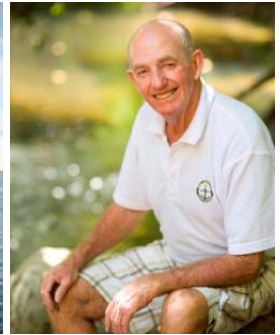
Mark Ley +61 (0)7 3835 5639 / +61 (0)411 139 134

Media contact:

Jamin Smith +61 (0)409 170 035

Ron Burke +61 (0)419 334 452

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Suncorp Market Update (including APS 330)

24 November 2009



Agenda



1. CEO Update – Phase 1 '*getting to know the business*'
1 September – 28 October
 - Extensive consultation
 - Review findings consolidated
2. Bank core & non-core update
 - Strong core regional bank
 - Non-core within expectations
3. CEO Update – Phase 2 '*strategic building blocks*'
29 October – 24 February
 - Business model agreed and adopted
 - Key appointments finalised
 - GI restructure underway
 - Key projects launched
4. Business lines update
5. Questions

Phase 1: Incoming Group CEO review



September 1 – October 28

“Getting to know the business”

Internal Stakeholder Consultation

Suncorp Board
Joint venture partners
Executive teams and Suncorp employees across all levels and business locations including Brisbane, Sydney, Melbourne and Auckland

External Stakeholder Consultation

Regulators – APRA, ACCC, RBA,
State and Federal Governments,
Rating Agencies,
Institutional investors,
analysts and retail shareholders,
Customers and consumers

Objective feedback

Fast tracked review assisted by UK experts with operational expertise in Banking, GI, People, Actuarial and Technology

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Phase 1: Findings



- **The underlying business is sound**
 - *There are no transformational needs*
- **We have great people**
 - *But there has been an imbalance between specialists and generalists*
- **We need to improve our long-term financial planning**
 - *Crisis management has understandably created a short term focus*
- **Integration met financial targets**
 - *But further benefits are available*
- **The organisation is overly complex – a legacy of multiple acquisitions.**
 - *Multiple GI systems and views on pricing, multiple employing entities, multiple financial systems*
- **Business Technology is a real asset**
 - *A modern inventory of systems and on-the-shelf technology is available for deployment*
- **Multibrand is the right strategy**
 - *We can out-compete large incumbent and smaller new market entrants but the group currently lacks a number of essential tools required to optimise this strategy*

Phase 1: The Bank was a key focus of the review



The Bank review covered:

- **The strategy:** Is the core/non-core split correct?
- **Execution capability:** Do we have the right people capability to drive the core franchise and run-off non-core?
- **Franchise strength:** Is the franchise robust enough to support the strategy and withstand a step-change in the competitive environment?
- **Regulatory and Government responses:** How do we respond to possible short and medium term policy responses - particularly competition law, prescribed capital requirements and liquidity policies?

Phase 1: Bank review findings



- **The de-risking strategy is sound**
 - *The team is on top of the core/non-core split.*
- **The Bank's funding position is secure**
 - *While continued vigilance is necessary, absent any major external shocks, the non-core should run-off in an orderly manner.*
- **The Bank franchise has held up well**
 - *There are significant reserves of support, particularly in Queensland, but continued speculation about Bank sale has the potential to threaten our strategy.*
- **A unique competitive opportunity will emerge**
 - *As conditions stabilise retail customers will increasingly look to the non-major alternatives. As the largest and highest rated, non-major Suncorp is best placed to meet this need.*
- **Funding markets are stabilising**
 - *Reliance on the Government guarantee will reduce and spreads will contract although not to pre-crisis levels.*

Agenda



1. CEO Update – Phase 1 '*getting to know the business*'

1 September – 28 October

- ✓ Extensive consultation
- ✓ Review findings consolidated

2. Bank core & non-core update

Strong core regional bank

Non-core within expectations

3. CEO Update – Phase 2 '*strategic building blocks*'

29 October – 24 February

Business model agreed and adopted

Key appointments finalised

GI restructure underway

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Bank strategic positioning



- Elimination of funding risk, lengthened balance sheet and higher levels of liquidity in place for both core and non-core
- Separate core and non-core operations, management teams
- Appropriate capital levels to support both businesses

Core

Non-core

Focus

- Capitalise on market opportunity
- Customer service focus
- Manage lending to deposit growth
- Streamline and simplify
- Stick to what we do best

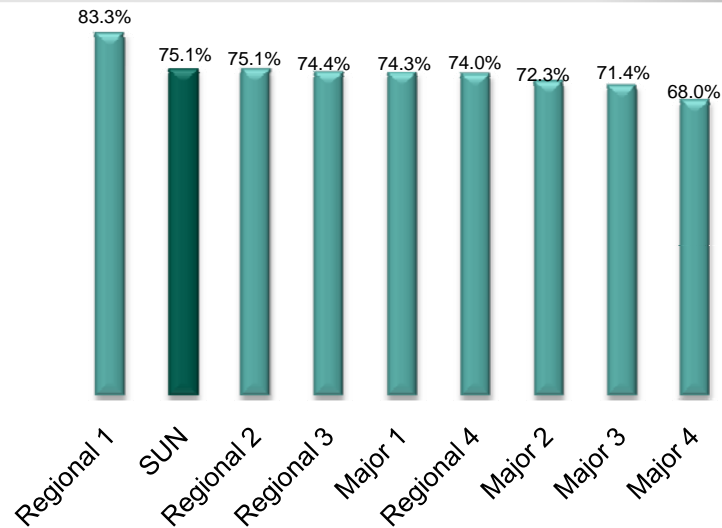
Focus

- Orderly run off of assets
- Opportunities for disposals
- Management of non performing accounts
- Cost extraction

Core bank opportunity

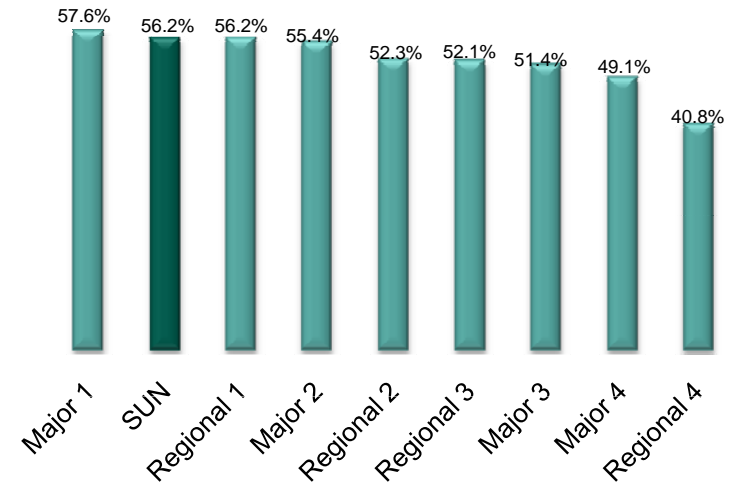


Banking national customer satisfaction, September 2009



6 month moving average
Source: Roy Morgan Research Pty Ltd

Banking national share of wallet, September 2009



12 month moving average
Source: Roy Morgan Research Pty Ltd

Bank re-brand

**Capability
of a big bank.
Personal touch
of a small one.**

Now that's bright banking.

When you're with Suncorp Bank, you're with the 5th largest bank in Australia. Yes, we know it's an in-between sort of number, but we believe that's a good thing. It means we're able to offer you the capability of a big bank, convenience of plenty of ATMs and branches, but also the attention and care you might enjoy from a smaller bank. Now doesn't that sound like a great position to be in?

Call 13 11 55
www.suncorp.com.au
Visit your local branch



*Suncorp is Australia's 5th largest bank. Banking products are issued by Suncorp - Money USABN 00 010 431 722

Opportunity

- Regional consolidation has opened up new opportunities
- Strong customer satisfaction will be a key differentiator
- Refreshed brand is resonating with consumers

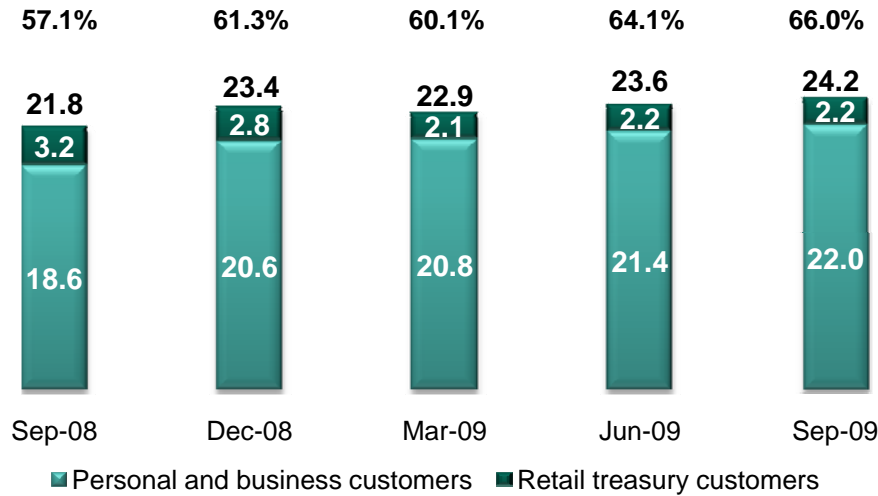
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Core bank: deposits and lending assets

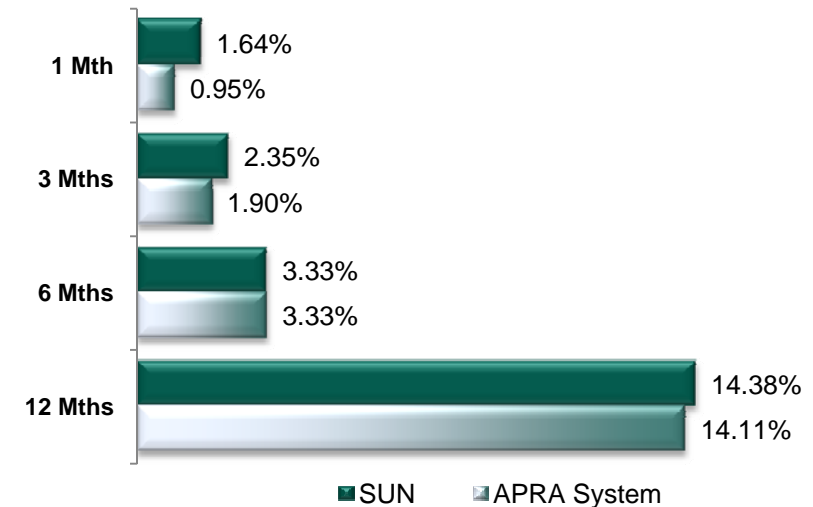


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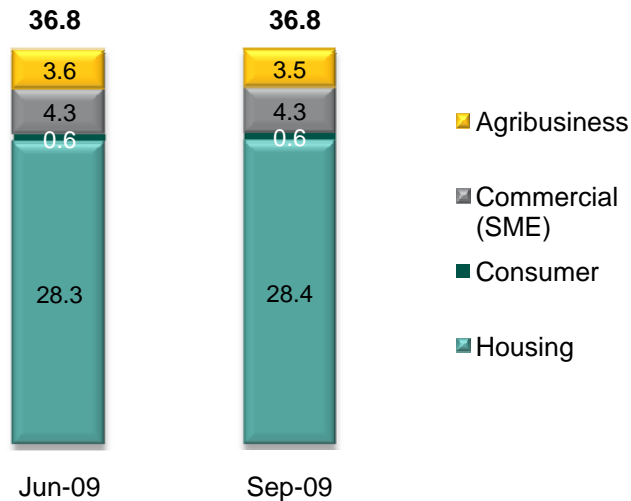
Retail deposits (A\$b) and deposit to loan ratio (%)



Total deposits growth, September 2009



Core lending assets, A\$b



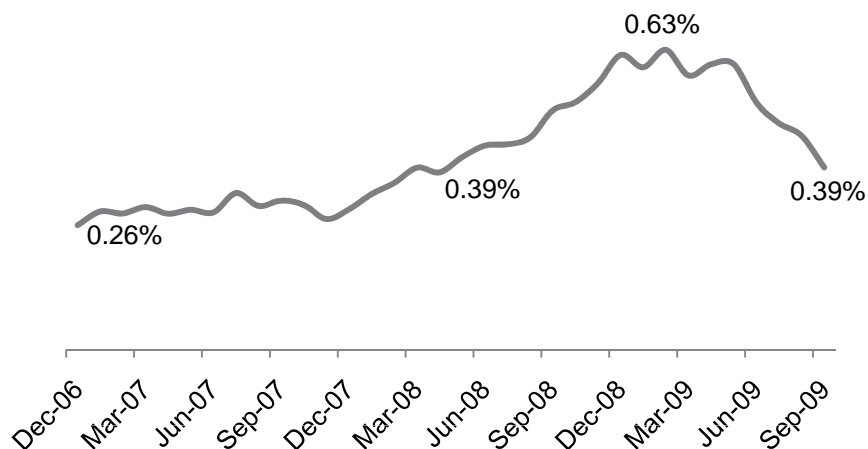
Summary

- Progressing well towards target upper end of 60-70% deposit to loan mix
- Deposit growth ahead of system
- Lending continues to be carefully managed to deposits and is focused on direct channel

Core bank: credit quality



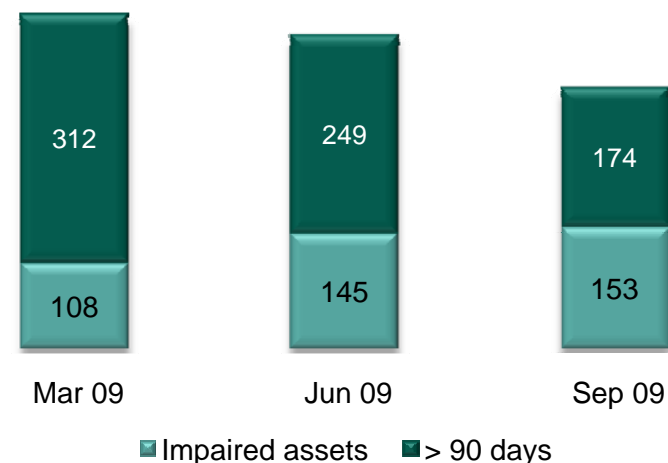
Total retail arrears (past 90 days due)



Bad and doubtful debt expense

	Jun 09 Qtr	Sep 09 Qtr
Collective provision charge	\$2m	(\$1m)
Specific provision charge	\$10m	\$4m
Actual net write-offs	\$6m	\$6m
Impairment loss	\$18m	\$9m
Impairment charge to credit RWA	38 bp	18 bp

Core GNPL trends, \$m



Summary

- Credit quality of core portfolio remains strong, with no credit cards and limited unsecured lending
- Retail arrears at same level as June 2008 and improving
- Lower arrears in Commercial/SME and Agribusiness
- Positive trends reflected in lower bad and doubtful debt charge
- Coverage of credit provisions and reserves remains in excess of 100% of impaired assets

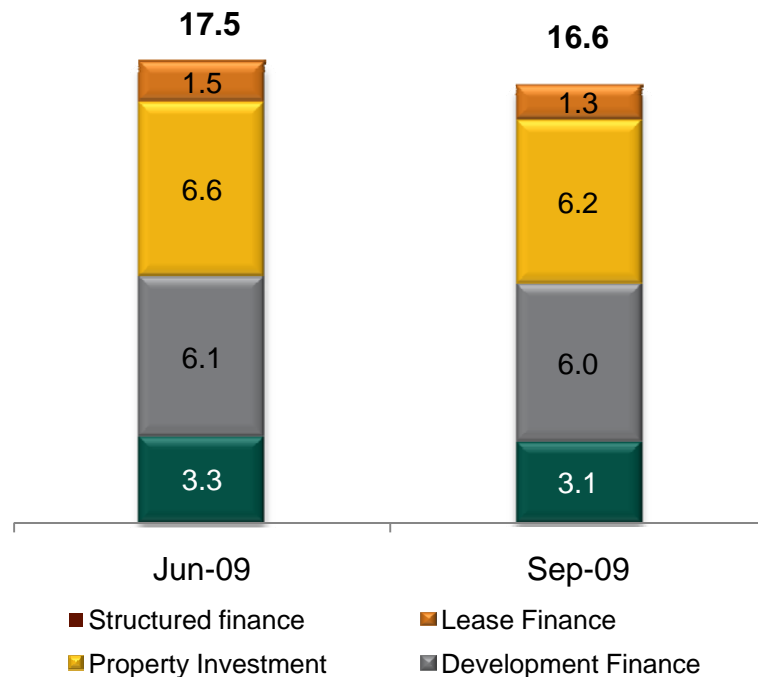
Non-core bank: assets



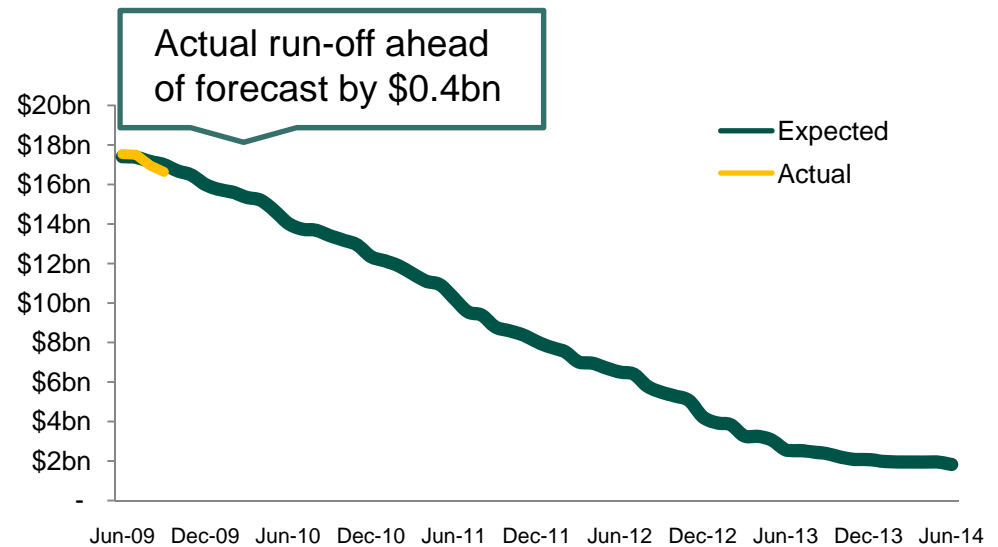
Summary

- Run off of \$0.9bn ahead of forecast by \$0.4bn during the quarter.
- Total facility limits have been reduced by over \$1.4bn
- Seeing positive signs in the market regarding opportunities for divestment

Non-core assets, \$b



Forecast run-off, \$b



Note: June 09 restated with \$1.5bn Commercial (SME) appropriately reallocated to Property Investment and Corporate.

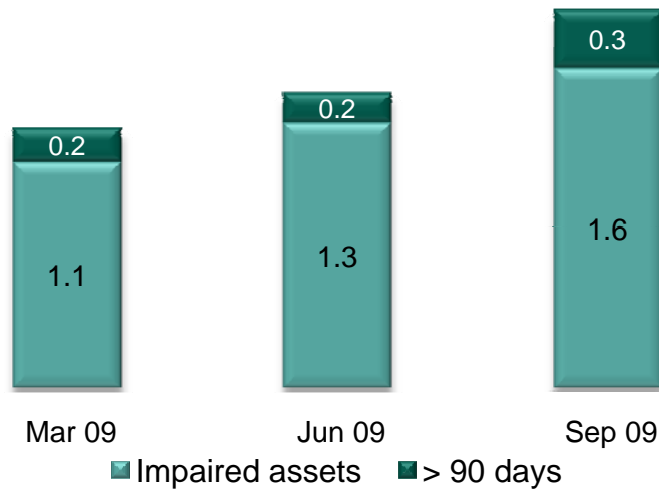
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Non-core bank: credit quality

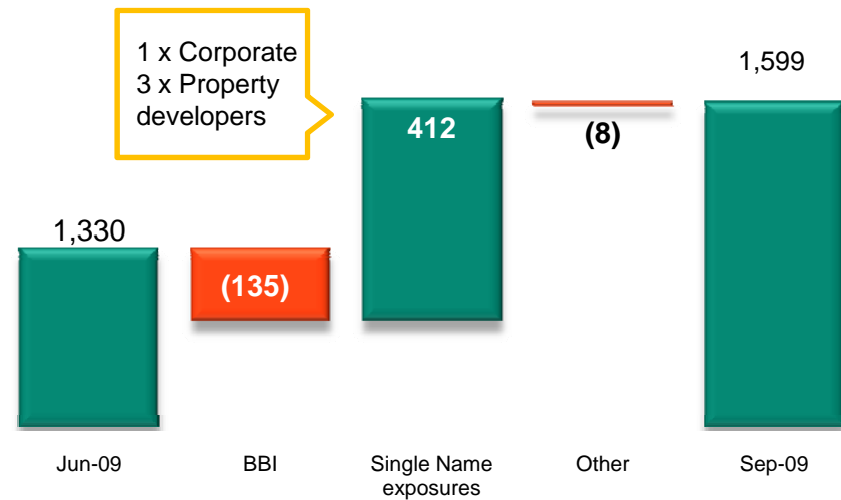


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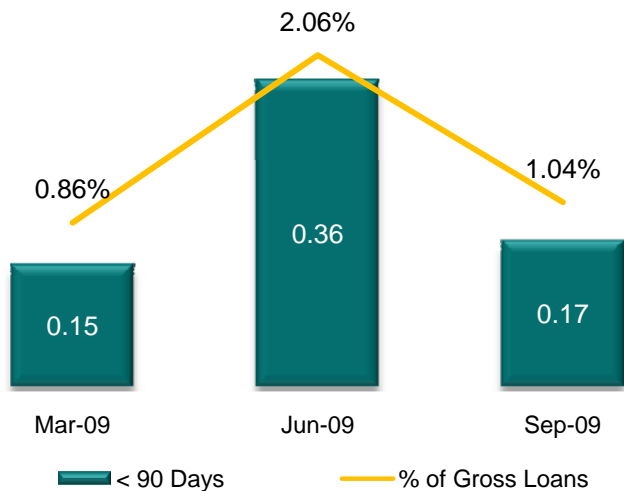
Non-core GNPL trends, \$b



Impaired asset movements, \$m



Non-core < 90 day arrears – not impaired, \$b



Summary

- Continuing to see improvement in arrears levels and limited new watchlist accounts
- Impaired assets increased with four new single name exposures totalling \$412m transferred from watchlist
- Signs that macro conditions improving but remain cautious

Non-core bank: bad and doubtful debts expense



	Jun 09 Qtr	Sep 09 Qtr
Collective provision charge	(\$5m)	\$7m
Specific provision charge	\$183m	
- BBI write-off		(\$98m)
- Single name impaired assets		\$89m
- Other movements		\$16m
Actual net write-offs (including BBI write-off)	\$22m	\$112m
Impairment loss	\$200m	\$126m
Impairment charge to credit RWA (bps)	414bp	282bps

Sep 09 Quarter Summary

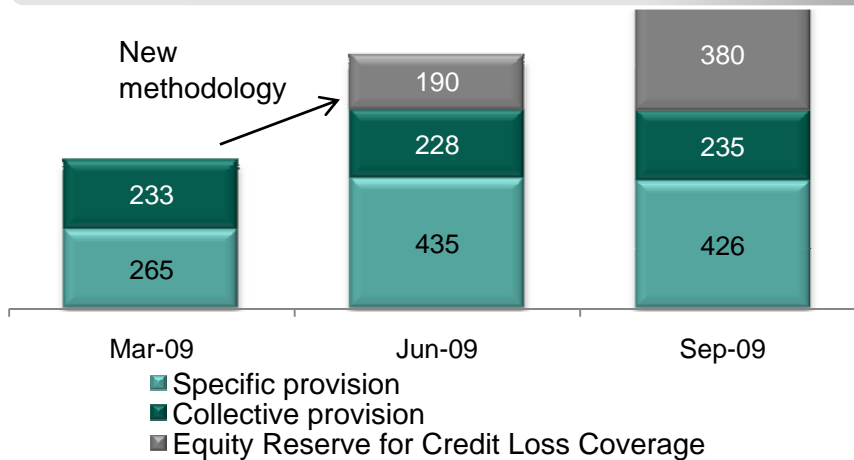
- Bad and doubtful debt charge in line with expectations
- Stable collective provision with reducing arrears and no significant new watch list accounts
- Sale of BBI syndicated loan to third party realised reduction in specific provision and crystallised write off

Non-core bank: impairment coverage



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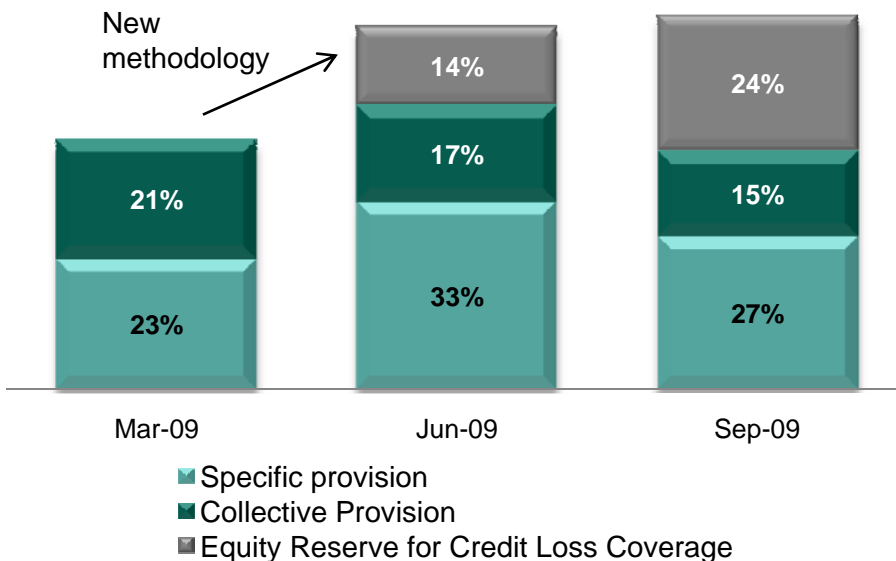
Provision, \$m



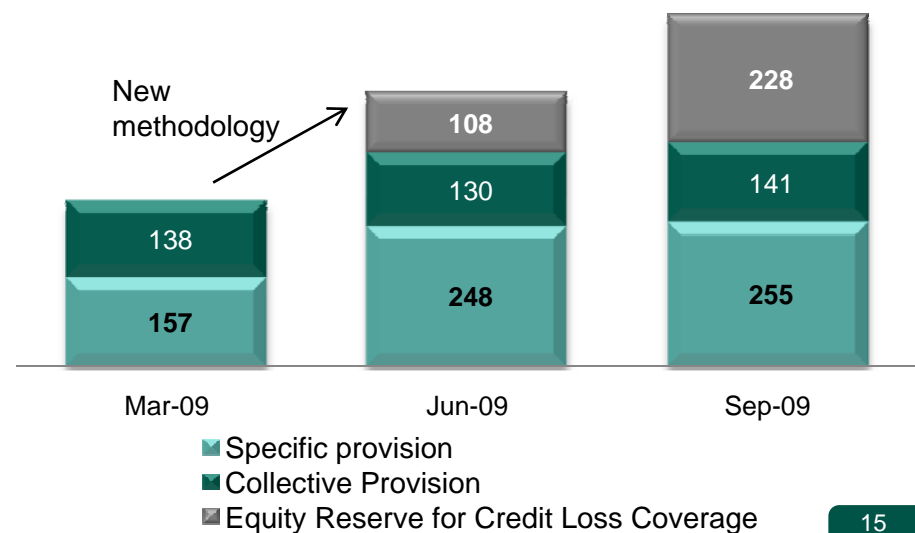
Summary

- Provisioning levels were flat quarter on quarter but were impacted by churn in impaired assets
- Reductions in provisions to impaired assets coverage with the disposal of syndicated Babcock & Brown International facility offset by increase in ERCL
- New ERCL methodology reinforces strong credit loss coverage

Provision coverage to impaired assets, %



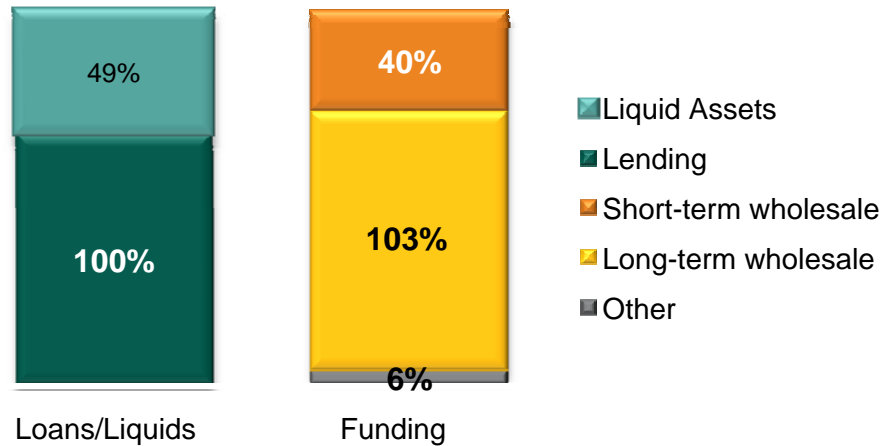
Provisions to Gross Loans, Adv and Other Rec, bps



Non-core bank: funding



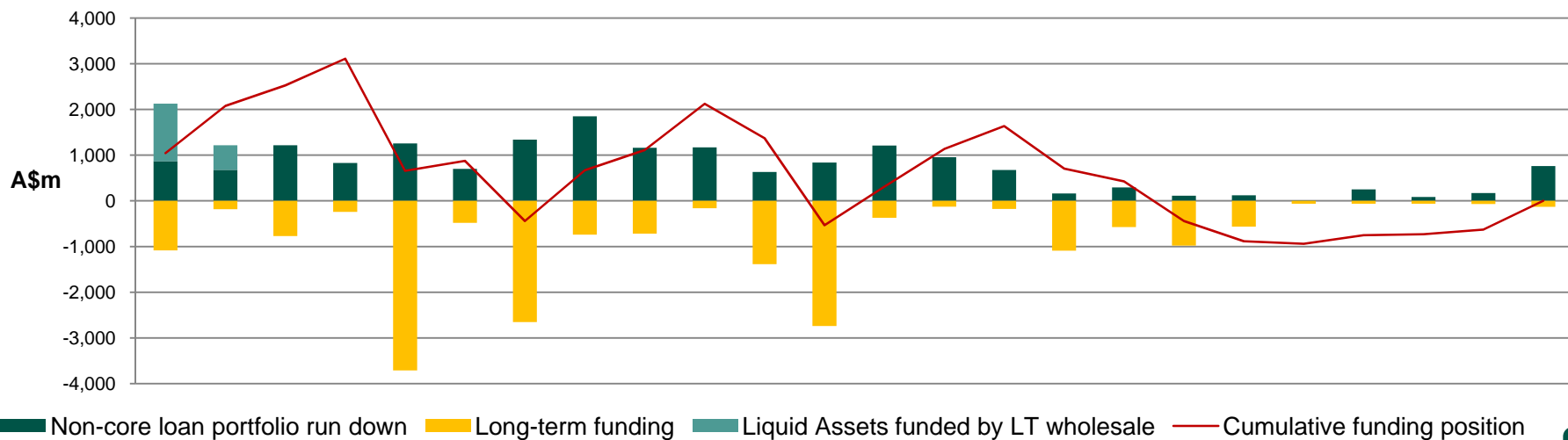
Funding composition at 30 September 2009



Summary

- Since 1 July, we have raised \$2.9 billion in long-term funding including a \$500m+ unguaranteed transaction
- Long-term wholesale funding represents 103% of lending
- Non-core funding almost entirely derisked

Non-core portfolio: funding maturity profile (2009 – 2016)



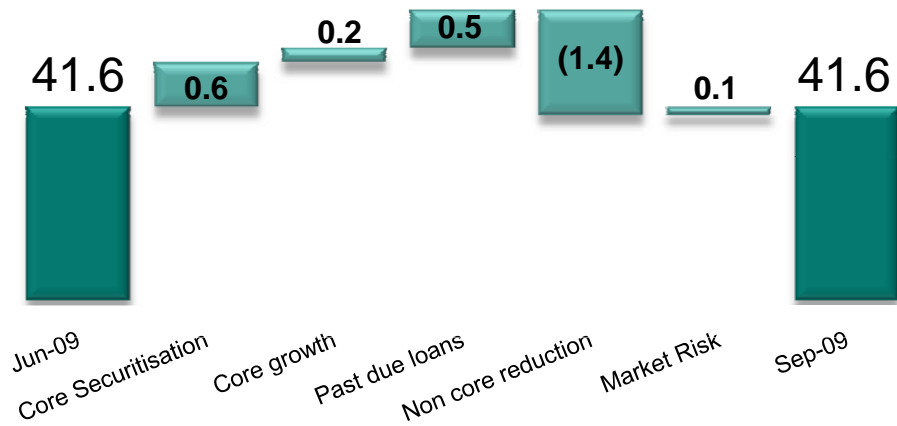
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Bank capital

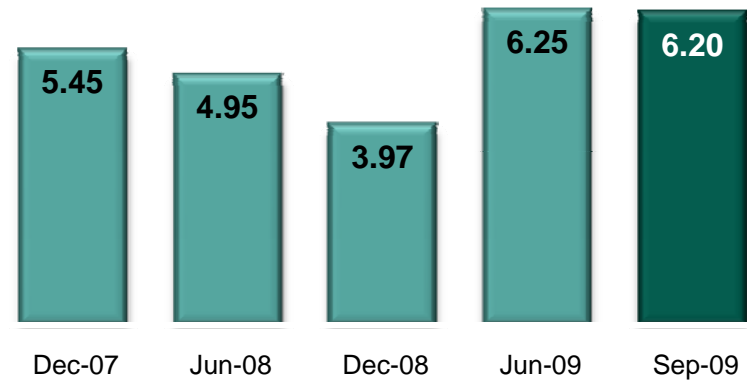


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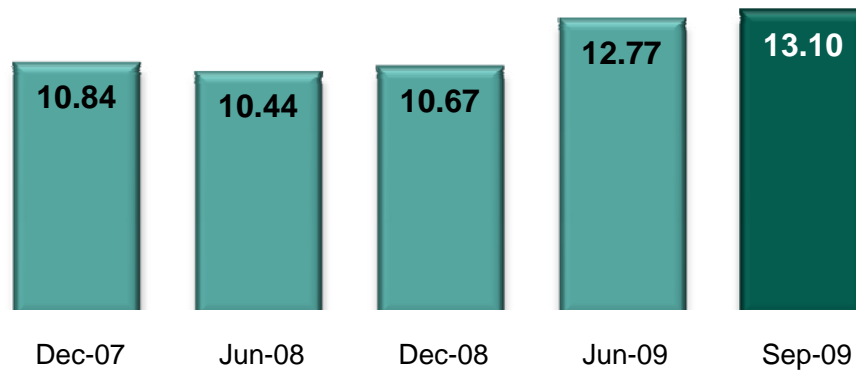
Movement in risk weighted assets (\$bn)



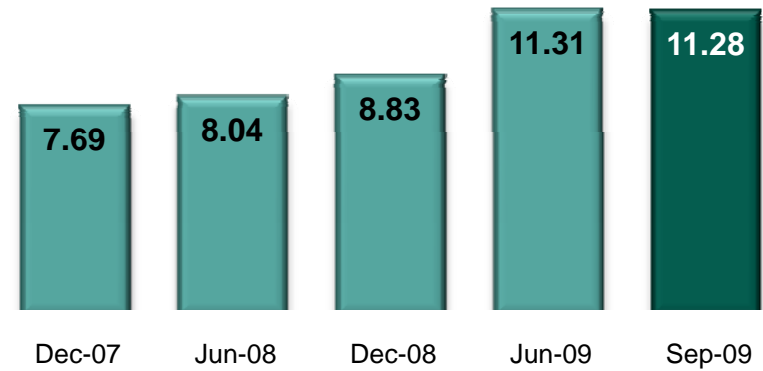
ACE



Bank Capital Adequacy



Tier 1 Capital



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Business model and group structure



A lean, strong corporate

Five operating divisions

**Personal
Insurance**

**Commercial
Insurance**

Vero NZ

Suncorp Bank

Suncorp Life

Group shared services

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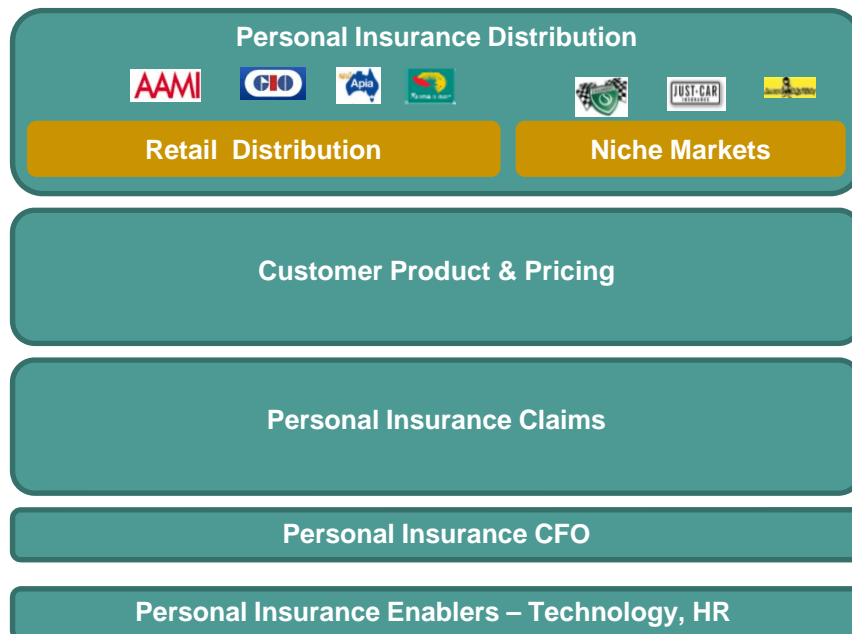
General Insurance Business Model Changes



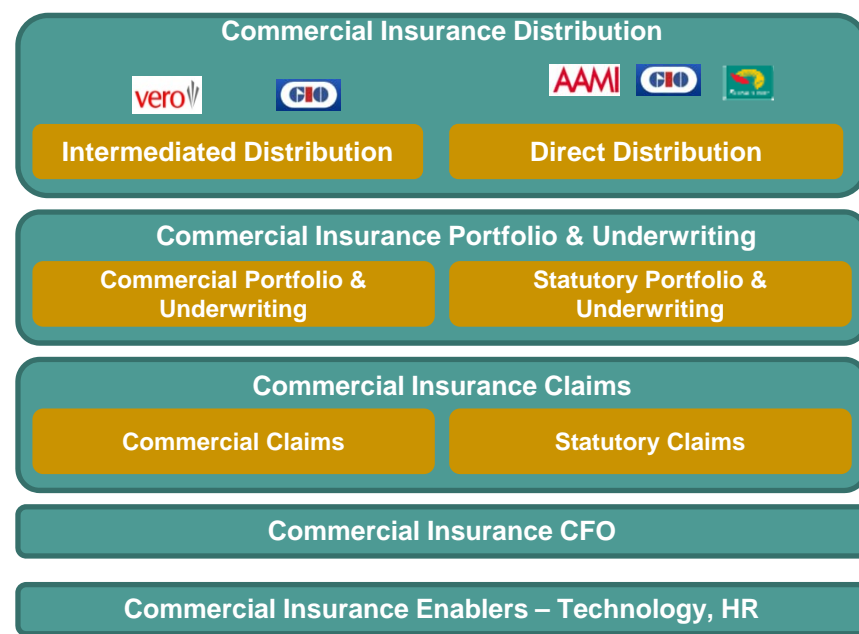
Core Design Principles

- Clearer positioning of our core general insurance functions (product, pricing & underwriting, distribution, claims and support)
- Improved customer value propositions through shared best practice and optimising our complimentary brands, channels and products
- Greater alignment between the Personal and Commercial Insurance business models
- Leverage scale, further streamlining operations, reducing complexity and removing duplication and driving towards common technology platforms

Personal Insurance Model

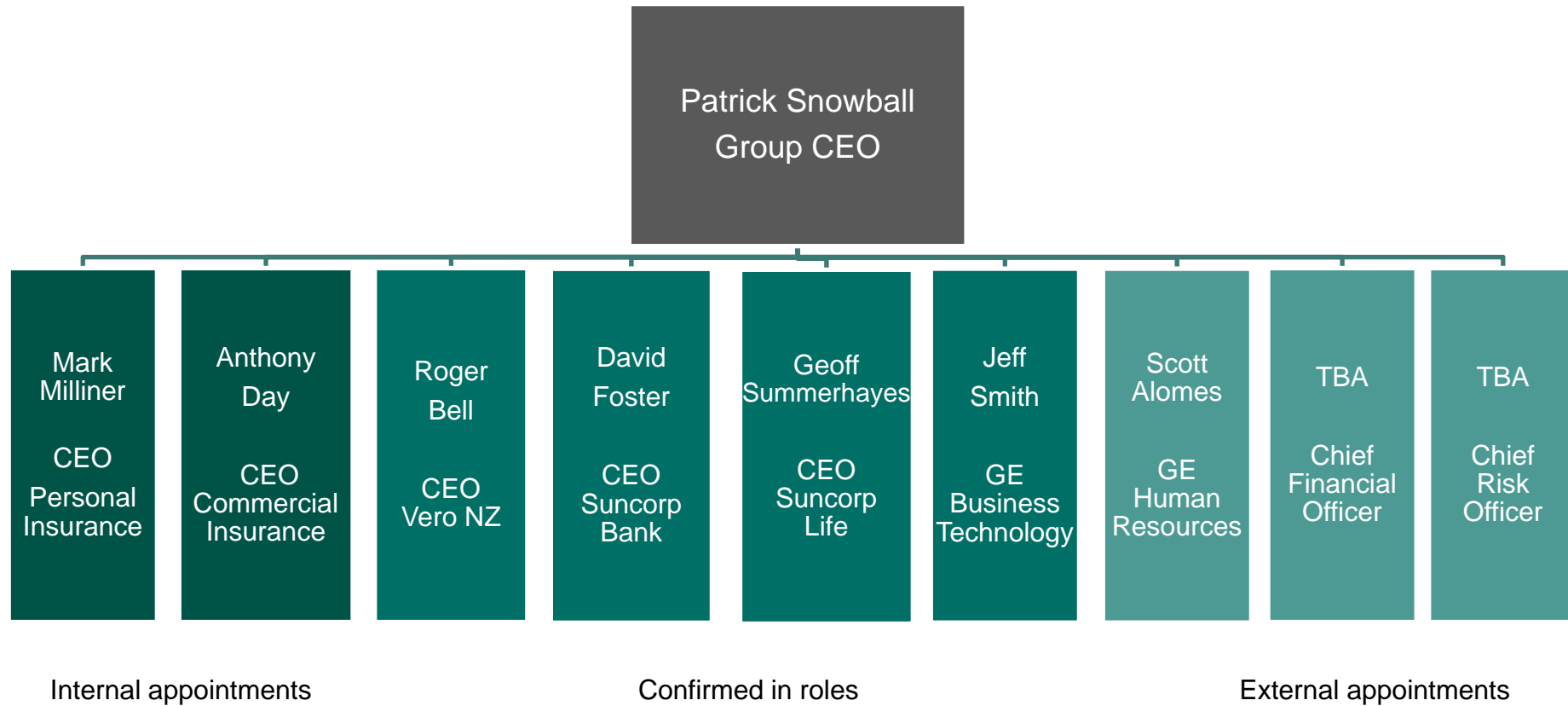


Commercial Insurance Model



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Executive management team



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Strategic building blocks



A single view of...

People

A single and consistent view of our employees

Customers

One view of customers across our businesses

Processes

A single claims, policy and pricing system across General Insurance

Financials

A consistent and flexible approach to our financial management systems

Key projects underway - further update February 2010

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General Insurance



- **Premium Income**

- Solid aggregate GWP growth offset to some degree by exiting unprofitable lines that contributed \$110 million to GWP in the 1H09 result.

- **Claims expense**

- Operating conditions have been favourable with natural hazard claims marginally behind our expectations. Attritional losses also favourable.
- Reserve releases likely to be below previous periods which benefited from reserving assumptions adjustments due to favourable experience and the reduction in wage inflation

- **Investment income**

- Credit spreads have narrowed year to date providing mark to market gains

Solid start assisted by generally favourable weather and stable credit markets

- **Core**

- Continued focus on deposit gathering
- Margins are likely to be stable
- Asset quality remains pristine given global economic conditions

- **Non-core**

- Funding has been de-risked
- Margins have reduced
- Bad debt profile has stabilised but continues to be impacted by weakness in corporate property values and single name exposures

Profit impacted by increased funding costs and bad debt cycle

- **Life Risk**
 - Operating in a growing life risk market
 - Pressure on lapse rates and disability claims, with negative experience compared to last year
- **Funds Management**
 - Flat year-on-year investment sales
 - Planned profit is reduced in 09/10 due to flow on effects of the GFC on the participating book
- **Market adjustments**
 - Favourable YTD, but continues to be volatile

Volatile investment markets will continue to impact profitability

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Disclaimer



This report contains general information which is current as at 24 November 2009. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to Suncorp-Metway Limited or any product or service offered by the Suncorp Group. It is not intended to be relied upon as advice to investors or potential investors, and 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.

This report should be read in conjunction with all other information concerning Suncorp-Metway Limited filed with the Australian Securities Exchange.

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'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's control, which may cause actual results to differ materially from those expressed or implied. Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to stock exchange disclosure requirements).

Questions?



Provision for impairment

	As at Sep-09			As at Jun-09		
	Core	Non-Core	Total	Core	Non-Core	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Collective Provision						
Balance at the beginning of the period	54	228	282	52	233	285
Charge against contribution to profit for the quarter	(1)	7	6	2	(5)	(3)
<i>Balance at the end of the period</i>	53	235	288	54	228	282
Specific provision						
Balance at the beginning of the period	42	435	477	35	265	300
Charge against impairment losses	4	7	11	10	183	193
Charge against interest income for the quarter	(1)	(17)	(18)	(3)	(13)	(16)
<i>Balance at the end of the period</i>	45	425	470	42	435	477
Total provision for impairment	98	660	758	96	663	759
Equity reserve for credit loss						
Balance at the beginning of the period	62	133	195	33	-	33
Transfer to/from retained earnings for the quarter	(11)	133	122	29	133	162
<i>Balance at the end of the period</i>	51	266	317	62	133	195
Pre-tax equivalent coverage	73	380	453	89	190	279
Total provision for impairment and equity reserve for credit loss coverage	171	1,040	1,211	185	853	1,038
Provision for impairment expressed as a percentage of gross impaired assets are as follows:	%	%	%	%	%	%
Collective Provision	34.7	14.7	16.4	37.2	17.1	19.1
Specific Provision	29.4	26.6	26.8	29.0	32.7	32.4
Total Provision	64.2	41.3	43.3	66.2	49.9	51.5
Equity reserve for credit loss coverage	47.7	23.8	25.8	61.4	14.3	18.9
Total provision and equity reserve for credit loss coverage	111.9	65.1	69.1	127.6	64.2	70.4

Impaired Assets

	As at Sep-09			As at Jun-09		
	Core	Non-Core	Total	Core	Non-Core	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Gross balances of individually impaired loans	153	1,599	1,752	145	1,329	1,474
Specific provision for impairment	(45)	(425)	(470)	(42)	(435)	(477)
Net individually impaired loans	108	1,174	1,282	103	894	997
Past due loans not shown as impaired assets	174	293	467	249	200	449
Gross non performing loans	327	1,892	2,219	394	1,529	1,923
Gross individually impaired assets as a percentage of gross loans	0.42	9.61	3.28	0.38	7.58	2.66
Gross non performing loans as a percentage of gross loans	0.89	11.37	4.15	1.04	8.72	3.47
Gross individually impaired assets as a percentage of impairment provisions and ERCL coverage	89.39	153.73	144.65	78.38	155.80	142.00
Impairment provisions and ERCL coverage as a percentage of credit risk weighted assets	0.84	5.82	3.17	0.98	4.41	2.71

Impairment losses on loans and advances

	Quarter ended Sep-09			Quarter ended Jun-09		
	Core	Non-Core	Total	Core	Non-Core	Total
	\$M	\$M	\$M	\$M	\$M	\$M
Collective provision for impairment	(1)	7	6	2	(5)	(3)
Specific provision for impairment	4	7	11	10	183	193
Actual net write offs	6	112	118	6	22	28
Total	9	126	135	18	200	218
Impairment charge to credit RWA (annualised)	0.18	2.82	1.41	0.38	4.14	2.28

SUNCORP-METWAY LTD
APS 330 DISCLOSURE : TABLE 16 CAPITAL ADEQUACY
30 SEPTEMBER 2009

	Risk Weighted Balance 30-Sep-09 \$m
On-Balance Sheet Risk Weighted Assets	
Cash items	38
Claims on Australian and foreign governments	2
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	830
Claims on securitisation exposures	20
Claims secured against eligible residential mortgages	10,349
Past due claims	2,705
Other retail assets	1,444
Corporate	20,362
Other assets and claims	615
Total Banking assets	36,365
Off balance sheet positions	
Guarantees entered into in the normal course of Business	162
Commitments to provide loans and advances	1,107
Capital commitments	11
Foreign exchange contracts	142
Interest rate contracts	157
Securitisation exposures	291
Total off balance sheet positions	1,870
Total Credit Risk capital charge	38,235
Market risk capital charge	555
Operational risk capital charge	2,861
Total risk weighted assets	41,650
Risk weighted capital ratios	
	%
Tier 1	11.277%
Total risk weighted capital ratios	13.099%

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SUNCORP-METWAY LTD
APS 330 DISCLOSURE : TABLE 17 CREDIT RISK

Table 17A: CREDIT RISK BY GROSS CREDIT EXPOSURE - OUTSTANDING AS AT 30 SEP 09

30-Sep-09	Receivables due from other banks	Trading securities	Investment securities	Loans, advances and other receivables	Credit commitments	Derivative instruments	Total Credit Risk	Impaired assets	Past Due not Impaired < 90days	Past Due not Impaired > 90days	Total not past due or impaired	Specific Provisions
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Agribusiness	-	-	-	3,392	21	-	3,413	197	19	27	3,170	65
Construction and development	-	-	-	6,350	174	-	6,524	1,059	142	237	5,087	250
Financial services	192	6,888	3,548	2,658	157	1,225	14,668	0	1	1	14,665	-
Hospitality	-	-	-	1,624	-	-	1,624	116	8	7	1,493	15
Manufacturing	-	-	-	865	-	-	865	19	6	10	830	10
Professional services	-	-	-	589	-	-	589	8	7	5	569	3
Property investment	-	-	-	6,710	-	-	6,710	264	21	15	6,410	95
Real estate - Mortgage	-	-	-	25,434	1,132	-	26,566	29	877	109	25,550	13
Personal	-	-	-	594	-	-	594	-	20	2	572	-
Government and public authorities	-	-	-	7	-	-	7	-	-	-	7	-
Other commercial and industrial	-	-	-	4,006	472	-	4,478	60	99	53	4,265	19
Total gross credit risk	192	6,888	3,548	52,229	1,956	1,225	66,037	1,752	1,200	466	62,619	470
Eligible securitised loans	-	-	-	3,097	-	-	3,097	-	-	-	3,097	-
Total including eligible securitised loans	192	6,888	3,548	55,326	1,956	1,225	69,135	1,752	1,200	466	65,716	470
Impairment provision	-	-	-	-	-	-	(758)	(470)	-	(213)	(75)	-
TOTAL							68,377	1,282	1,200	254	65,641	470

Table 17A: CREDIT RISK BY GROSS CREDIT EXPOSURE - AVERAGE GROSS EXPOSURE OVER PERIOD - 01 JUL 09 to 30 SEP 09

30-Sep-09	Receivables due from other banks	Trading securities	Investment securities	Loans, advances and other receivables	Credit commitments	Derivative instruments	Total Credit Risk	Impaired assets	Past Due not Impaired < 90days	Past Due not Impaired > 90days	Total not past due or impaired	Specific Provisions
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Agribusiness	-	-	-	3,464	20	-	3,483	135	16	31	3,300	39
Construction and development	-	-	-	6,463	220	-	6,683	931	217	193	5,342	237
Financial services	155	6,791	3,740	2,368	181	1,142	14,377	0	0	1	14,375	-
Hospitality	-	-	-	1,683	-	-	1,683	95	31	17	1,540	14
Manufacturing	-	-	-	885	-	-	885	20	9	6	849	9
Professional services	-	-	-	622	-	-	622	76	9	5	532	59
Property investment	-	-	-	7,067	-	-	7,067	266	19	19	6,762	82
Real estate - Mortgage	-	-	-	24,564	1,093	-	25,657	30	934	134	24,560	11
Personal	-	-	-	602	-	-	602	-	20	4	578	-
Government and public authorities	-	-	-	8	-	-	8	-	-	-	8	-
Other commercial and industrial	-	-	-	3,695	622	-	4,317	59	89	48	4,121	22
Total gross credit risk	155	6,791	3,740	51,419	2,135	1,142	65,382	1,613	1,344	458	61,968	474
Eligible securitised loans	-	-	-	3,933	-	-	3,933	-	-	-	3,933	-
Total including eligible securitised loans	155	6,791	3,740	55,352	2,135	1,142	69,315	1,613	1,344	458	65,901	474
Impairment provision	-	-	-	-	-	-	(758)	(474)	-	(210)	(75)	-
TOTAL							68,557	1,139	1,344	248	65,826	474

Table 17B: CREDIT RISK BY PORTFOLIO

30-Sep-09	Gross Credit Risk Exposure	Average Gross Exposure	Impaired assets	Past Due not Impaired < 90days	Past Due not Impaired > 90days	Specific Provisions	Charges for Specific Provisions & Write offs
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Claims secured against eligible residential mortgages	26,566	25,657	29	877	109	13	2
Other retail	594	602	-	20	2	-	4
Financial services	14,668	14,377	0	1	1	-	-
Government and public authorities	7	8	-	-	-	-	-
Corporate and other claims	24,203	24,738	1,722	302	354	457	123
Total	66,037	65,382	1,752	1,200	466	470	129

Table 17C: GENERAL RESERVES FOR CREDIT LOSSES

30-Sep-09	\$m
Collective provision for impairment	288
FITB relating to collective provision	-87
Equity reserve for credit losses	317
General Reserve for Credit losses	518