



# ASX Announcement

16 November 2010

## **SUNCORP TYNDALL AND BANK APS 330 PRESENTATION**

Suncorp-Metway Limited today released a brief presentation to accompany its announcements regarding the divestment of Tyndall Investments and the Bank APS 330 quarterly disclosures.

The presentation and APS 330 tables are attached.

A market teleconference relating to these announcements will be held at 10:00am AEDT (9:00am Brisbane). Details are:

Dial-in (Australia):	1800 885 612
Dial-in (international):	+61 2 8314 8650
Conference ID:	25645251

**Ends**

**For more information:**

Media – Jamin Smith, 0409 170 035  
Analysts/Investors – Mark Ley, 0411 139 134



*One Company. Many Brands*

**Suncorp update**  
 including Bank APS330 for the September quarter 2010  
 16 November 2010

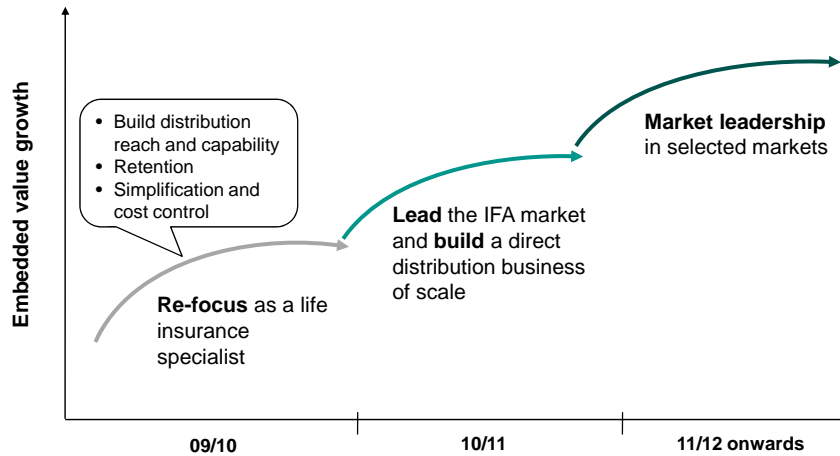


Strategic priorities		
	2009/10	2010/11
<input checked="" type="checkbox"/> Stabilisation	<input checked="" type="checkbox"/> Core Bank – restore confidence <input checked="" type="checkbox"/> Non-core – run off / match fund	<input checked="" type="checkbox"/> Bank credit rating upgrade
<input checked="" type="checkbox"/> Balance Sheet	<input checked="" type="checkbox"/> Strengthen provisioning <input checked="" type="checkbox"/> Conservative dividend	<input type="checkbox"/> Capital management plan
<input checked="" type="checkbox"/> Executive Team	<input checked="" type="checkbox"/> Appoint new executive team	
<input type="checkbox"/> Simplification	<input checked="" type="checkbox"/> Divest – LJ Hooker / JV's	<input type="checkbox"/> One team project <input type="checkbox"/> Execute NOHC <input checked="" type="checkbox"/> Divest Asset Mgt
<input type="checkbox"/> Plan for growth	<input checked="" type="checkbox"/> Present growth plans to market <input checked="" type="checkbox"/> Implement strategic plans	<input type="checkbox"/> Execute growth plans
<b>One company. Many brands</b>		

## Suncorp Life focus



In June 2009, we stated our intention to re-focus as a life insurance specialist with three key strategies



3

## Sale and strategic partnership achieves key objectives



While consistent with Suncorp's overall strategic imperatives of simplification and focus, the transaction addresses a broad range of specific objectives, including:

- Securing a strong partner for the management of Suncorp funds. Nikko Asset Management offers a highly experienced team, a demonstrated track record and broader international capabilities.
- Strong financial returns for Suncorp shareholders while preserving investment flexibility.
- Minimising business disruption and identifying a strong partner who would continue to grow and develop the business and its investment capabilities and its people.
- Sale is expected to complete in early 2011.

4

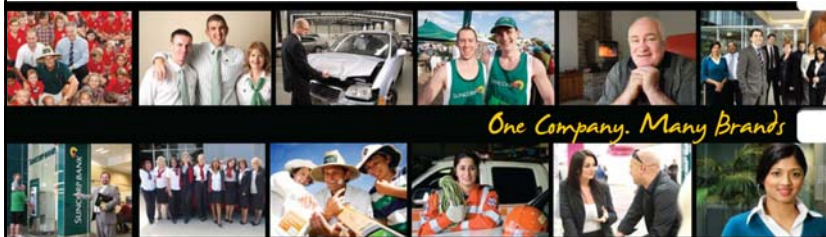
## Total potential value package



Strong financial returns for Suncorp shareholders comprising:

- Total potential value package of up to \$128.5m including \$80m up front as consideration to Suncorp.
- Additional unconditional access payment.
- Potential option payment if Suncorp agrees to extend the revenue commitment.
- Total potential package represents a normalized sale multiple of 12.6x FY10 earnings.
- Suncorp has provided a revenue commitment for 3 years.

5



APS 330  
September 2010  
David Foster, CEO Suncorp Bank



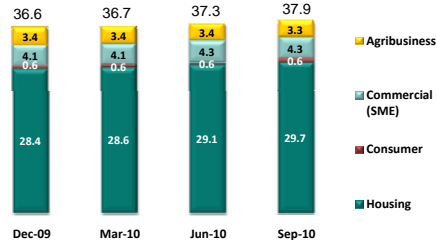
## Core deposits and lending assets



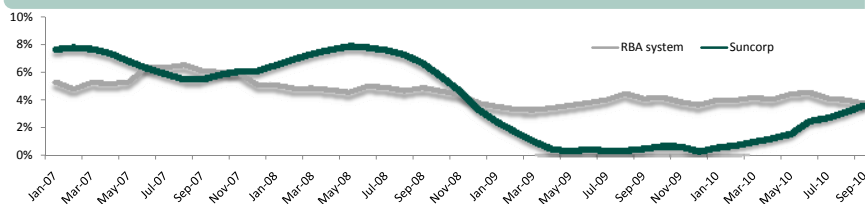
### Summary

- Deposit growth moderated as funding targets reached
- Deposit to loan ratio at 71.7% and above funding target
- Returning to system growth levels in home lending

### Core lending assets, A\$b



### Suncorp historical mortgage growth v RBA system (6 month rolling)

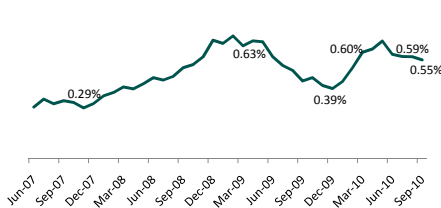


7

## Core bank credit quality



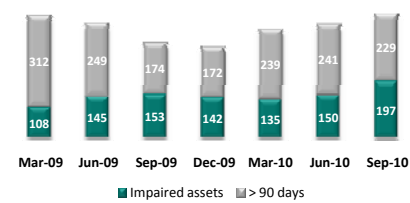
### Total retail arrears to gross loans (past 90 days due)



### Impairment losses on loans and advances

A\$m	Q1 FY11
Collective provision charge	(7)
Specific provision charge	20
Actual net write-offs	(1)
<b>Impairment loss</b>	<b>12</b>
<b>Impairment loss to credit RWA (annualised)</b>	<b>0.21</b>

### Core gross non-performing loans trends, A\$m



### Summary

- Four secured accounts (2 x agribusiness and 2 x SME) of less than \$20m each moved to impaired status.
- Given the low value of core impaired assets, the first quarter movement is accentuated
- The migration to impaired status is reflected in the movement from collective to specific provisions.

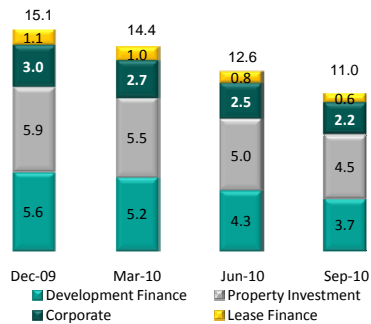
8

## Non-core assets

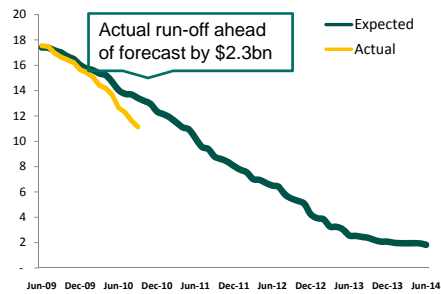


- Run-off of \$1.5 billion for the quarter, with run off of \$6.4 billion since June 2009, ahead of initial target by \$2.3 billion
- Total facility limits have been reduced by over \$2.3 billion year to date, with reductions since June 2009 of \$9.4 billion
- Seeing positive signs in the market for both refinancing and asset sales

Non-core assets, A\$b



Forecast run-off, A\$b

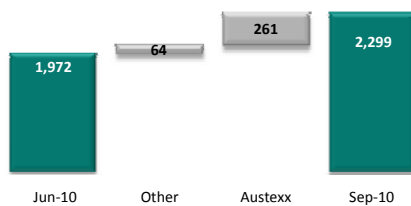


9

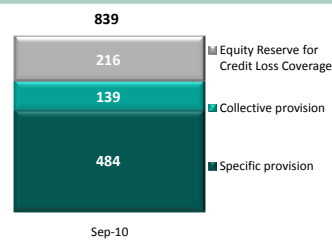
## Non-core bank credit quality



Impaired asset movements, \$m



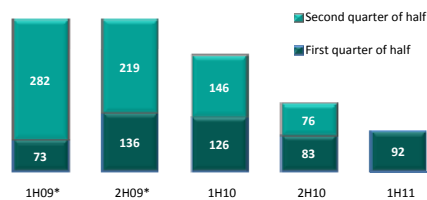
Provisions, A\$m



Impairment losses on loans and advances

A\$m	Q1 FY11
Collective provision charge	3
Specific provision charge	82
Actual net write-offs	7
<b>Impairment loss</b>	<b>92</b>

Impairment loss trend, A\$m



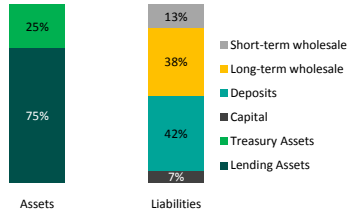
\* Reporting periods prior to core / non-core reporting split.  
Total Bank charges are materially non-core

10

# Bank funding and liquidity



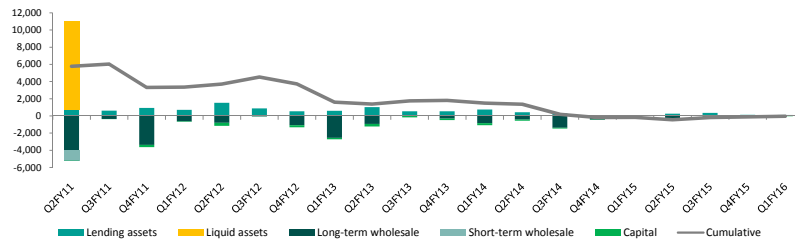
## Funding Composition: Total bank



## Summary

- Continue to be match-funded
- Well placed to meet maturity requirements
- Recent rating upgrade to A+ will improve funding flexibility
- Continue to take advantage of opportunities in the market as they emerge.

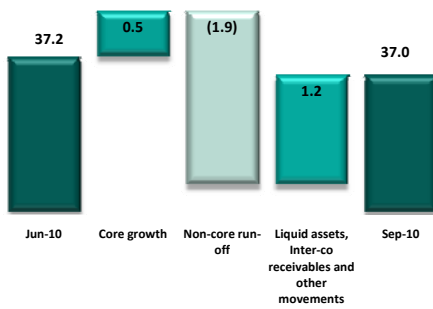
## Non-core portfolio: funding maturity profile (2011 – 2016), A\$m



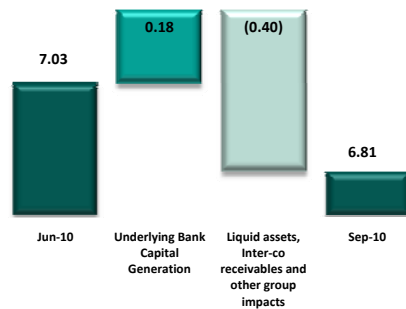
# Capital



## Movement in risk weighted assets, A\$bn



## Movement in AFT1 ratio



## Comment

- Capital ratios remain strong following on-market acquisition of DRP shares, redemption of \$220 million in Tier 2 subordinated debt and various one-off impacts
- Underlying internal bank capital generation of 18 bps of AFT1 offset by one-off and group impacts
- General Insurance group capital position remains strong with the MCR ratio remaining well above internal and regulatory targets.

## Financial impacts of the Tyndall transaction



Transaction will result in an increase in Suncorp's net tangible asset backing and further improve the groups strengthening capital position:

- All unconditional consideration<sup>(1)</sup> will be recognised at completion.
- An additional \$30m at the end of year 3 (should the option be exercised by Suncorp).
- The unconditional consideration is greater than Tyndall Investments' contribution to the Suncorp Life Embedded Value.
- The unconditional consideration is also greater than the net tangible assets relating to this business.
- As a result of a write down of allocated goodwill of \$85m, the current year reported loss on sale after tax is expected to be approximately \$30m.
- However, if the option is exercised this would result in an additional \$21m<sup>(2)</sup> profit after tax in year 3.

1. Total unconditional value to Suncorp is \$80m upfront cash consideration and an access payment of \$5m paid over four years.

2. Subject to variation (up or down) based on variances in revenue paid by Suncorp to Nikko Asset Management compared to estimate revenue.

## Questions



To ask a question, when instructed, please press  
'\*1' on your telephone keypad



## Disclaimer

This presentation contains general information which is current as at 16 November 2010. 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).

## Appendix



### Background on Nikko Asset Management

Nikko Asset Management is a leading Pan-Asian investment manager with over \$120bn in funds under management

- Independent focused investment management company
- Third largest mutual fund management company in Japan
- Headquartered in Tokyo and owned by TSX listed Sumitomo
- Strong senior leadership and investment management teams with significant international experience
- Balance sheet strength facilitating expansion through establishment of local presence in core Asian / Oceania markets
- Australia / New Zealand a core plank of broader Pan-Asian strategy

## Provision for impairment

	Q1 as at Sep-10		
	Core \$M	Non-Core \$M	Total \$M
<b>Collective Provision</b>			
Balance at the beginning of the period - 1 July 2010	65	136	201
Charge against contribution to profit	(7)	3	(4)
<i>Balance at the end of the period</i>	58	139	197
<b>Specific provision</b>			
Balance at the beginning of the period - 1 July 2010	37	434	471
Charge against impairment losses	20	82	102
Used against write-off	(7)	2	(5)
Charge against interest income	(2)	(34)	(36)
<i>Balance at the end of the period</i>	48	484	532
<b>Total provision for impairment - Banking Activities</b>	<b>106</b>	<b>623</b>	<b>729</b>
<b>Equity reserve for credit loss</b>			
Balance at the beginning of the period - 1 July 2010	84	142	226
Transfer to/from retained earnings	7	9	16
<i>Balance at the end of the period</i>	91	151	242
Pre-tax equivalent coverage	130	216	346
<b>Total provision for impairment and equity reserve for credit loss coverage - Banking Activities</b>	<b>236</b>	<b>839</b>	<b>1075</b>
<b>Provision for impairment expressed as a percentage of gross impaired assets are as follows:</b>			
Collective Provision	29.5%	6.0%	7.9%
Specific Provision	24.4%	21.1%	21.3%
Total Provision	53.9%	27.1%	29.2%
Equity reserve for credit loss coverage	65.7%	9.4%	13.9%
Total provision and equity reserve for credit loss coverage	119.6%	36.5%	43.0%

## Impaired Assets

	Q1 as at Sep-10		
	Core \$M	Non-Core \$M	Total \$M
<b>Gross balances of individually impaired loans</b>	197	2299	2496
Specific provisions for impairment	(48)	(484)	(532)
<b>Net individually impaired loan</b>	149	1815	1964
<b>Past due loans not shown as impaired</b>	229	88	317
<b>Gross non performing loans</b>	426	2387	2813
Gross individually impaired assets as a percentage of gross loans	0.52%	20.01%	5.06%
Gross non performing loans as a percentage of gross loans	1.13%	20.77%	5.70%
Gross individually impaired assets as a percentage of impairment provisions and ERCL coverage	83.61%	274.10%	232.13%
Impairment Provisions and ERCL coverage as a percentage of credit risk weighted assets	1.09%	7.09%	3.22%

## Impairment losses on loans and advances

	Q1 to Sep-10		
	Core \$M	Non-Core \$M	Total \$M
Collective provision for impairment	(7)	3	(4)
Specific provision for impairment	20	82	102
Actual net write offs	(1)	7	6
<b>Total</b>	<b>12</b>	<b>92</b>	<b>104</b>
Impairment charge to credit RWA - Period annualised	0.21%	3.11%	1.25%

# SUNCORP-METWAY LTD

## APS 330 DISCLOSURE : TABLE 16 CAPITAL ADEQUACY

### 30 SEPTEMBER 2010

	Risk Weighted Balance 30-Sep-2010 \$m
<b>On-Balance Sheet Risk Weighted Assets</b>	
Cash items	24
Claims on Australian and foreign governments	3
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	1,275
Claims on securitisation exposures	233
Claims secured against eligible residential mortgages	11,048
Past due claims	3,033
Other retail assets	1,103
Corporate	14,247
Other assets and claims	786
<b>Total Banking assets</b>	<b>31,752</b>
<b>Off balance sheet positions</b>	
Guarantees entered into in the normal course of Business	188
Commitments to provide loans and advances	1,075
Capital commitments	6
Foreign exchange contracts	128
Interest rate contracts	157
Securitisation exposures	46
<b>Total off balance sheet positions</b>	<b>1,600</b>
<b>Total Credit Risk capital charge</b>	<b>33,352</b>
<b>Market risk capital charge</b>	539
<b>Operational risk capital charge</b>	3,106
<b>Total risk weighted assets</b>	<b>36,997</b>
<b>Risk weighted capital ratios</b>	<b>%</b>
Tier 1	13.103%
Total risk weighted capital ratios	13.923%

**SUNCORP-METWAY LTD**  
**APS 330 DISCLOSURE : TABLE 17 CREDIT RISK**  
**30 SEPTEMBER 2010**

**Table 17A: CREDIT RISK BY GROSS CREDIT EXPOSURE - OUTSTANDING AS AT 30 SEPTEMBER 2010**

30-Sep-2010	Receivables due from other banks \$m	Trading securities \$m	Investment securities \$m	Loans, advances and other receivables \$m	Credit commitments \$m	Derivative instruments \$m	Total Credit Risk \$m	Impaired assets \$m	Past Due not Impaired > 90days \$m	Total not past due or impaired \$m	Specific Provisions \$m
Agribusiness	-	-	-	3,209	23	-	3,232	224	16	2,992	63
Construction and development	-	-	-	3,953	201	-	4,154	1,325	58	2,771	314
Financial services	130	7,208	4,465	3,418	-	742	15,963	-	-	15,963	-
Hospitality	-	-	-	1,234	-	-	1,234	106	-	1,128	27
Manufacturing	-	-	-	642	-	-	642	11	13	618	7
Professional services	-	-	-	427	-	-	427	9	3	415	2
Property investment	-	-	-	5,380	-	-	5,380	735	32	4,613	89
Real estate - Mortgage	-	-	-	26,561	1,823	-	28,384	16	162	28,206	7
Personal	-	-	-	564	-	-	564	-	4	560	-
Government and public authorities	-	-	-	4	-	-	4	-	-	4	-
Other commercial and industrial	-	-	-	2,811	162	-	2,973	70	29	2,874	23
<b>Total gross credit risk</b>	<b>130</b>	<b>7,208</b>	<b>4,465</b>	<b>48,203</b>	<b>2,209</b>	<b>742</b>	<b>62,957</b>	<b>2,496</b>	<b>317</b>	<b>60,144</b>	<b>532</b>
Securitisation Exposures	-	24	1,068	3,239	39	14	4,384	-	-	4,384	-
<b>Total including securitisation exposures</b>	<b>130</b>	<b>7,232</b>	<b>5,533</b>	<b>51,442</b>	<b>2,248</b>	<b>756</b>	<b>67,341</b>	<b>2,496</b>	<b>317</b>	<b>64,528</b>	<b>532</b>
Impairment provision	-	-	-	-	-	-	(729)	(532)	(44)	(153)	-
<b>TOTAL</b>							<b>66,612</b>	<b>1,964</b>	<b>273</b>	<b>64,375</b>	<b>532</b>

**Table 17A: CREDIT RISK BY GROSS CREDIT EXPOSURE - AVERAGE GROSS EXPOSURE OVER PERIOD - 01 JULY 2010 to 30 SEPTEMBER 2010**

30-Sep-2010	Receivables due from other banks \$m	Trading securities \$m	Investment securities \$m	Loans, advances and other receivables \$m	Credit commitments \$m	Derivative instruments \$m	Total Credit Risk \$m	Impaired assets \$m	Past Due not Impaired > 90days \$m	Total not past due or impaired \$m	Specific Provisions \$m
Agribusiness	-	-	-	3,229	23	-	3,252	214	19	3,019	60
Construction and development	-	-	-	4,155	218	-	4,373	1,315	74	2,984	299
Financial services	181	7,720	3,534	3,041	-	768	15,244	-	-	15,244	-
Hospitality	-	-	-	1,193	-	-	1,193	97	-	1,096	27
Manufacturing	-	-	-	677	-	-	677	12	7	658	6
Professional services	-	-	-	434	-	-	434	10	3	421	2
Property investment	-	-	-	5,830	-	-	5,830	572	23	5,235	78
Real estate - Mortgage	-	-	-	26,204	1,845	-	28,049	18	166	27,865	7
Personal	-	-	-	567	-	-	567	-	7	560	-
Government and public authorities	-	-	-	5	-	-	5	-	-	5	-
Other commercial and industrial	-	-	-	2,948	204	-	3,152	70	33	3,049	23
<b>Total gross credit risk</b>	<b>181</b>	<b>7,720</b>	<b>3,534</b>	<b>48,283</b>	<b>2,290</b>	<b>768</b>	<b>62,776</b>	<b>2,308</b>	<b>332</b>	<b>60,136</b>	<b>502</b>
Securitisation Exposures	-	12	792	3,351	39	16	4,210	-	-	4,210	-
<b>Total including securitisation exposures</b>	<b>181</b>	<b>7,732</b>	<b>4,326</b>	<b>51,634</b>	<b>2,329</b>	<b>784</b>	<b>66,986</b>	<b>2,308</b>	<b>332</b>	<b>64,346</b>	<b>502</b>
Impairment provision	-	-	-	-	-	-	(701)	(502)	(37)	(162)	-
<b>TOTAL</b>							<b>66,285</b>	<b>1,806</b>	<b>295</b>	<b>64,184</b>	<b>502</b>

**Table 17B: CREDIT RISK BY PORTFOLIO**

30-Sep-2010	Gross Credit Risk Exposure \$m	Average Gross Exposure \$m	Impaired assets \$m	Past Due not Impaired > 90days \$m	Specific Provisions \$m	Charges for Specific Provisions & Write-offs \$m
Claims secured against eligible residential mortgages	28,384	28,049	16	162	7	2
Other retail	564	567	-	4	-	1
Financial services	15,963	15,244	-	-	-	-
Government and public authorities	4	5	-	-	-	-
Corporate and other claims	18,042	18,911	2,480	151	525	106
<b>Total</b>	<b>62,957</b>	<b>62,776</b>	<b>2,496</b>	<b>317</b>	<b>532</b>	<b>109</b>

**Table 17C: GENERAL RESERVES FOR CREDIT LOSSES**

30-Sep-2010	\$m
Collective provision for impairment	197
Ineligible CP on Past Due not Impaired	(44)
<b>Eligible Collective Provisions</b>	<b>153</b>
FITB relating to collective provision	(46)
Equity Reserve for credit losses	242
<b>General Reserve for Credit losses</b>	<b>349</b>