

BUSINESS BANKING

**Property Finance
Analyst Presentation
December 2003**



Development Finance

- Project finance for real estate developments

Property Investment

- Term finance for investment properties



Development Loans

- 80% of hard cost resulting in exposure ranging between 55% - 65% of end value;
- Flexibility to go to 90% if risk mitigant present (pre-sales, pre-lease, take-out).

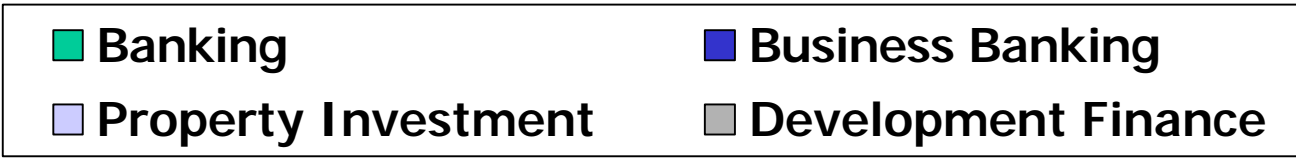
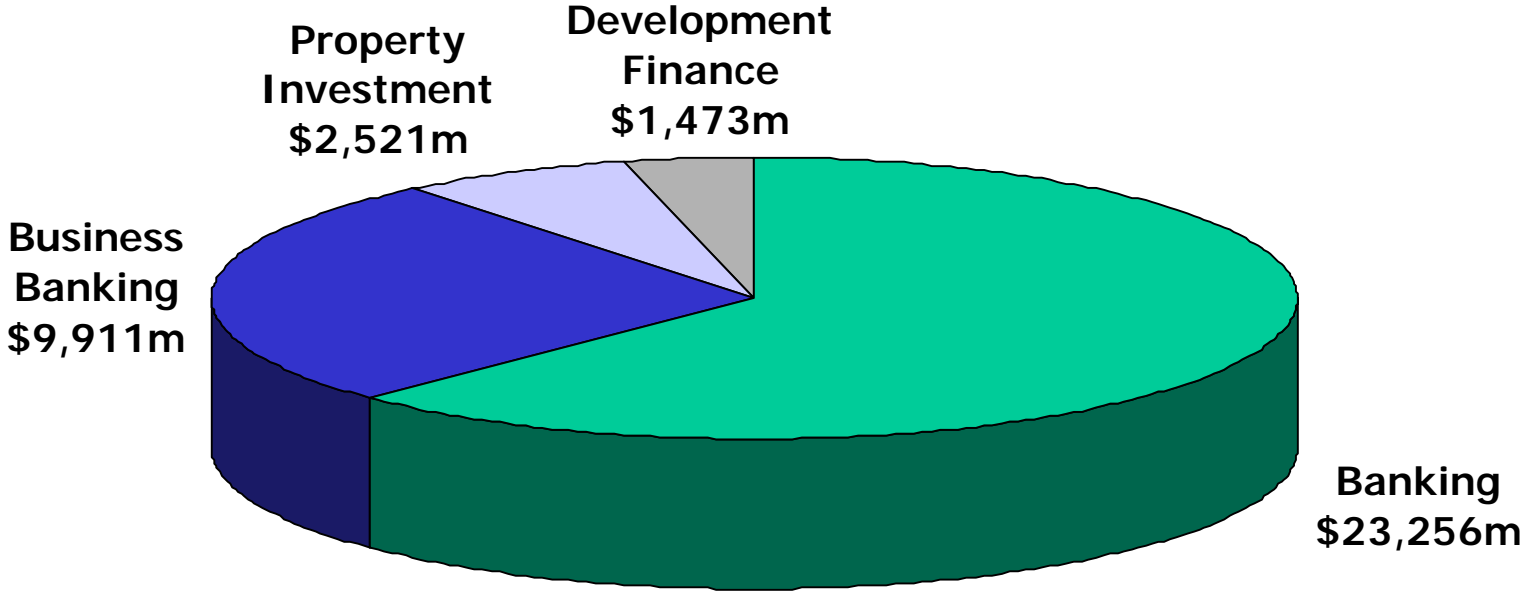
Property Investment Loans

- 70% of valuation with property rental income covering interest exposure 1.5:1 times;
- Flexibility to go to 75% given strong tenant/lease maturity profile and ability/agreement to amortise to 70% within loan term;
- Limited recourse loans to UPT and syndicates to 65% of valuation.



- Establishment fee 0.25% - 0.5% of loan amount;
- Margin over market indicator reflecting our cost of funds plus transfer price;
- Property Investment - margin of 1% - 2% depending on size, term, risk etc;
- Development Finance margin range 2.75%-4.25% depending on risk grade, LVR etc.

Portfolio in Context - June 2003



Portfolio by Location



Receivables as at 30 June 2003:

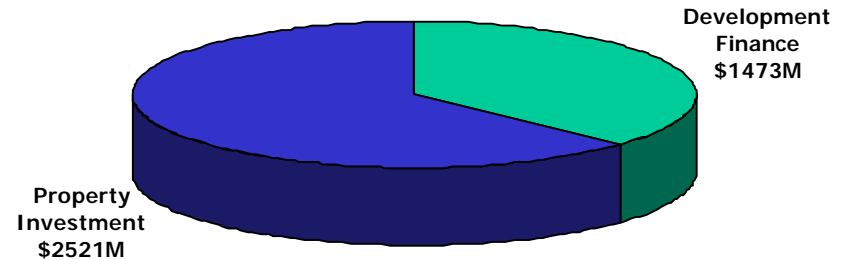
QLD	\$M	%
Development Finance	580	39
Property Investment	1396	55
Total	1976	49
NSW		
Development Finance	621	42
Property Investment	545	22
Total	1166	29
VIC		
Development Finance	220	15
Property Investment	536	21
Total	756	19
WA		
Development Finance	52	4
Property Investment	44	2
Total	96	2
AUSTRALIA		
Development Finance	1473	37
Property Investment	2521	63
Total	3994	100

Portfolio by product - June 2003



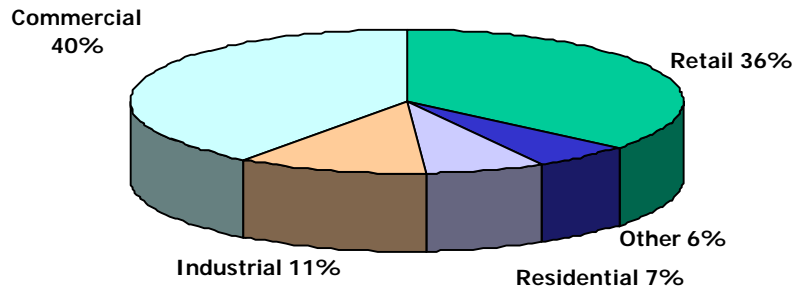
- Residential - land subdivisions, houses, home units, townhouses, villas.

Portfolio \$ Millions



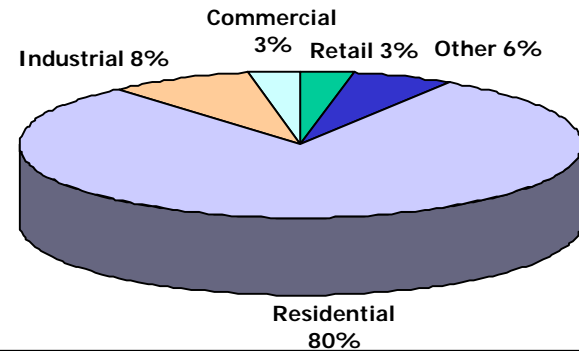
■ Development Finance ■ Property Investment

Property Investment



■ Retail ■ Other ■ Residential ■ Industrial ■ Commercial

Development Finance



■ Retail ■ Other ■ Residential ■ Industrial ■ Commercial

Portfolio Growth



	2001	2002	Δ%	2003	Δ%
QLD	\$M	\$M		\$M	
DF	481	513	7	580	15
PI	1,234	1,321	7	1,396	6
NSW					
DF	404	406	-	621	53
PI	398	459	15	545	19
VIC					
DF	185	208	12	220	6
PI	281	407	45	536	32
WA					
DF	14	32	129	52	63
PI	20	24	20	44	83
AUS					
DF	1,084	1,159	7	1,473	27
PI	1,929	2,211	15	2,521	14

Bad Debt History



	2001 \$M	2002 \$M	2003 \$M
Property Investment			
Receivables	1,929	2,211	2,521
Bad Debt Expense	(0)	(0.2)	3.7
Bad Debt/Receivables	0%	(0.009%)	0.147%
Development Finance			
Receivables	1,084	1,159	1,473
Bad Debt Expense	1.0	0.7	(0.5)
Bad Debt/Receivables	0.092%	0.060%	(0.034%)

Customer Accounts - June 2003



	Number of Clients	Total Receivables	Average Debt per Client
Development Finance	524	\$1,473M	\$2.81M
Property Investment	875	\$2,521M	\$2.88M
Total	1399	\$3,994M	\$2.85M



Professional real estate developers and investors

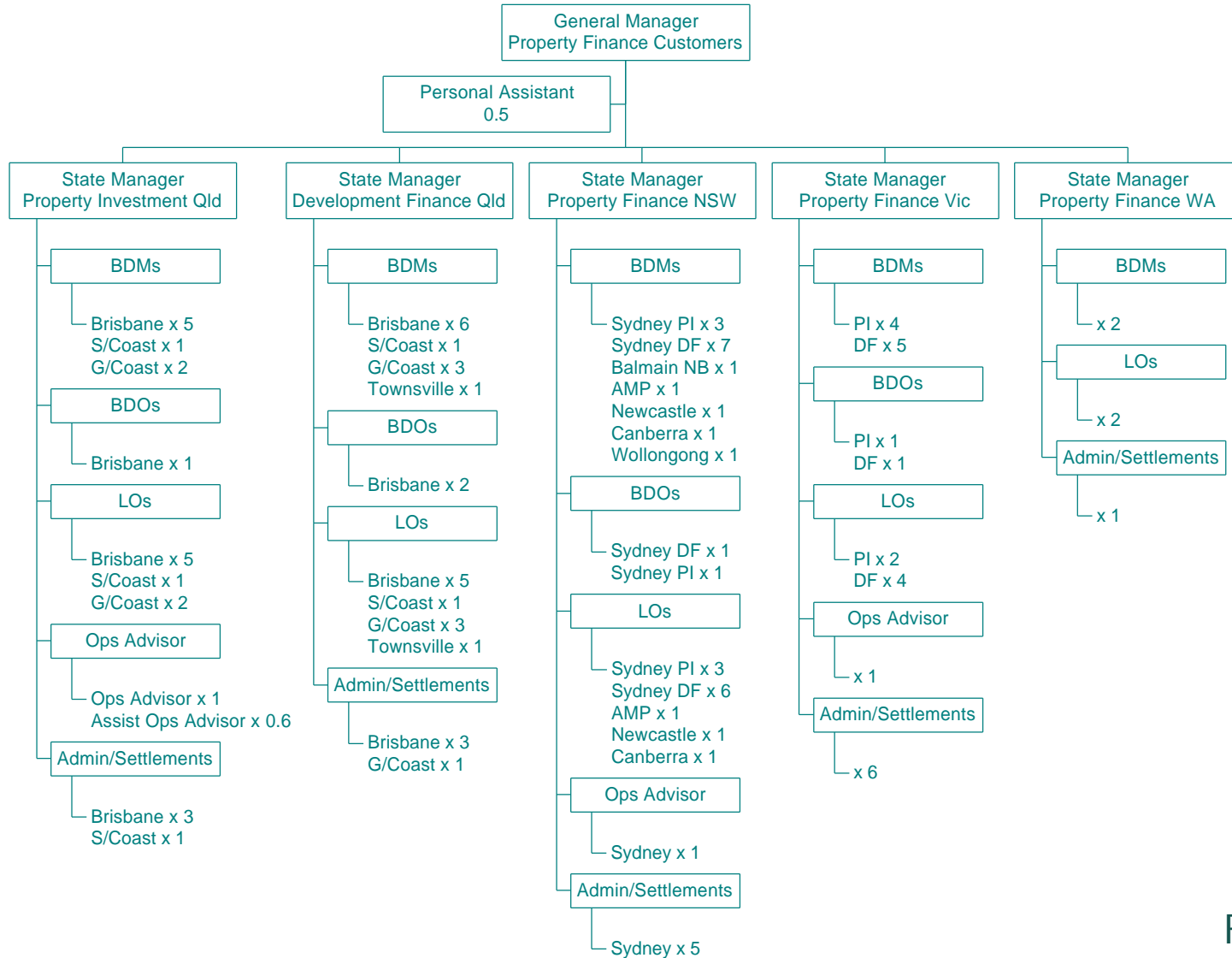
- Prior successful experience in type and scale of project proposed;
- Financial capacity to fund reasonable adverse contingency;
- Exposure limit of \$200 million for a single customer;
- Preferably spread over several projects;
- Most projects requiring loans <\$50 million.

Loan Security



- First real property mortgage security;
- Personal guarantee from project sponsors;
- Tripartite deed with project builder;
- Credit facility deeds;
- Fixed and floating charge over borrowing/project owning entity;
- Common documentation between states.

Organisation Chart December 2003



FTE 120.1

Distribution and Marketing



- Direct sales force 45 property specialist BDMs;
- Target client database;
- Sign boards on sites;
- Industry association membership and sponsorship;
- Client cocktail functions;
- Boardroom luncheons;
- Direct mail to listings of town planning applications prospects from Cordell's;
- Recent alliance with Balmain NB, made possible after the acquisition of the AMP Property Finance loan portfolio.

Competitive Advantage



- Property expertise used to partner clients throughout the project;
 - Lead in time;
 - Working the project up.
- Track record of stability and rational behaviour in both good and bad markets;
- Product delivery - staff make it happen;
 - Decisive at loan application;
 - Formal approval matches indicative terms;
 - Approval turn around times;
 - Sensible loan conditions;
 - Progress payments process - builder paid on time;
 - Prompt plan sealing at project completion.
- Use superior product delivery to save customers time and money;
- Stability/retention of relationship managers.

Risk Mitigation



- Panel of expert consultants engaged in due diligence process (valuers, quantity surveyors, civil and environment engineers, lawyers);
- Confirmation of project feasibility through standard model;
- Quarterly project overview;
- Culture (internal and external) to bring issues out in the open;
- Separation of functions: risk - approvals; operations - compliance;
- Property expertise through specialisation and high staff retention.

Key Challenges



- Real estate markets at mature stage of cycle
 - Particularly residential investment units;
- Increasing interest rates;
- Rises in building costs;
- Sites seen as risky;
- Ensure customers manage cash flows;
- Staff retention, resourcing levels and work life balance.

Key Challenges - Mitigants



Supply of housing just keeping pace with demand:

- Ten year increase in number of households to 2002 - 1.34 million or 22%;
- Ten year increase in housing stock - 1.32 million dwellings or 20%.

Sustained demand for housing:

- Population growth, particularly immigration;
- Falling household size;
- Rising average incomes;
- Relatively low interest rates.