SUNCORP-METWAY LTD

Australian Companies Competing on the Global Playing Field

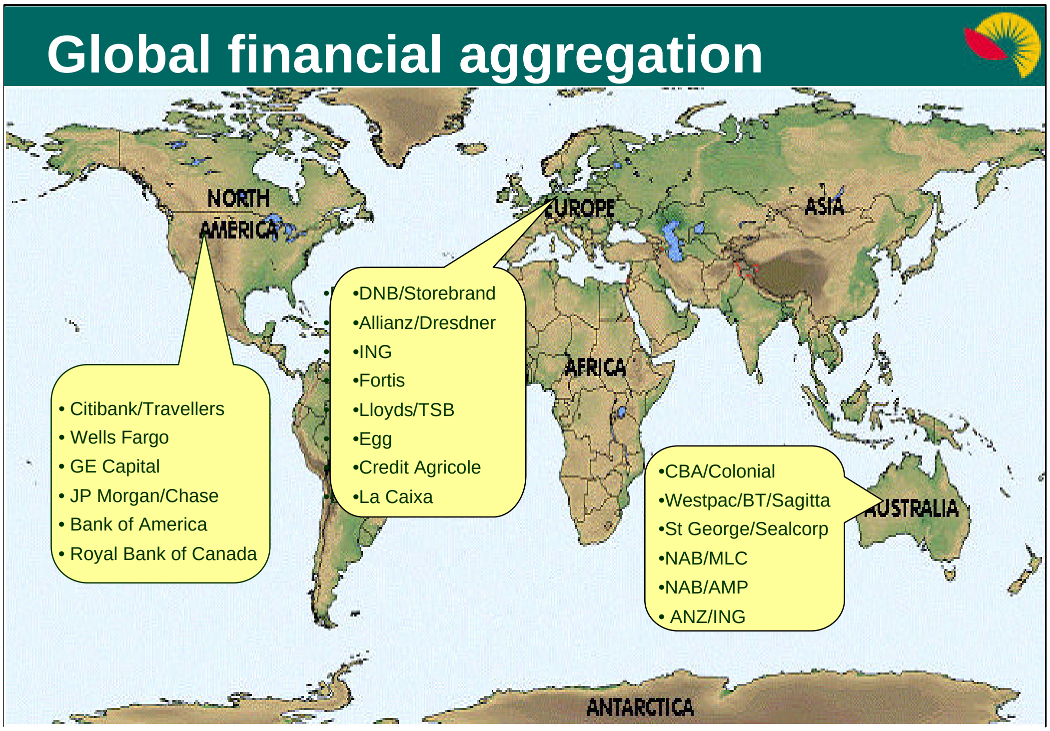
UBS
20 November 2003

Good morning everyone.

It is a pleasure to be here in Sydney today to talk to you about Suncorp. It is especially pleasing because of the fantastic atmosphere in town due to the rugby world cup. You may know that Suncorp and GIO are major sponsors of the world cup, and it has been a tremendous success for us, as well as for the Wallabies. That victory last weekend against the All Blacks was absolutely brilliant, and when it comes to putting on a party, there is no better place than Sydney. So it's great to be in town. Welcome to all our overseas visitors.

As the first speaker this morning, I have the luxury of having a clean canvas to work with. However, the title of this conference is Australian companies competing on the global playing field.

So today I want to talk a little about the global trends that are evident in the financial services industry, the drivers for those phenomenon and how we at Suncorp are, I believe, uniquely positioned to take advantage of those trends.

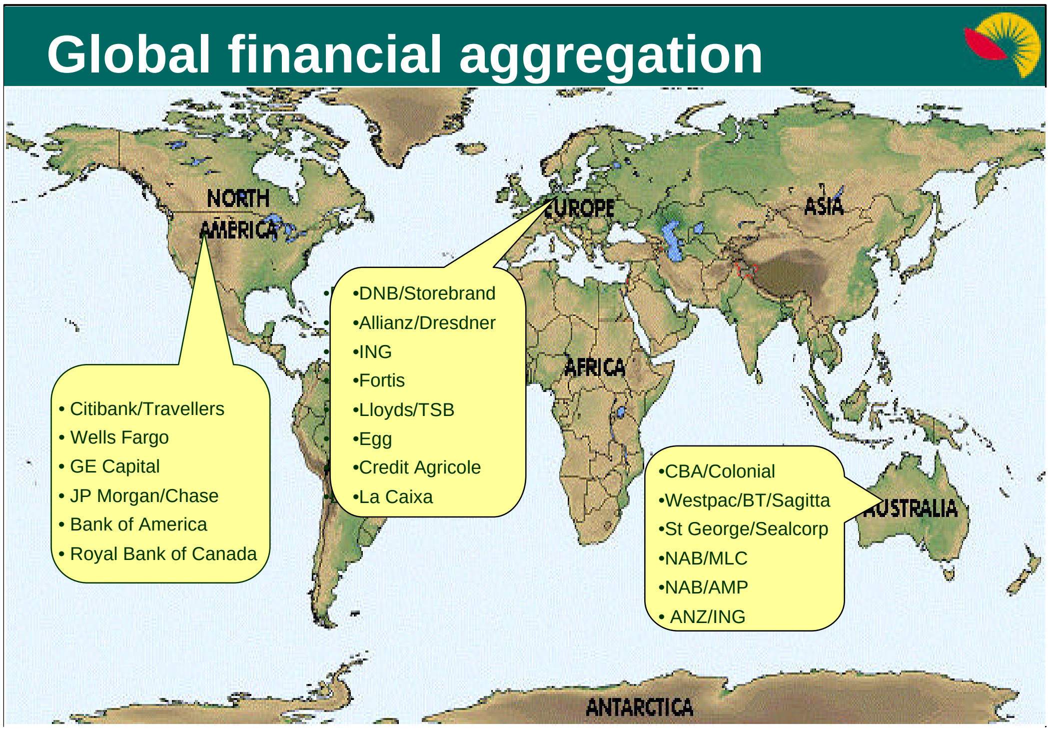


It will come as no surprise to you that perhaps the single most obvious global trend that has occurred in the past 20 years in financial services has been the drive towards financial services convergence.

Since the start of the 1980s we have seen a continual process of mergers and acquisitions in financial services around the globe.

Those mergers and acquisitions have occurred, not just banks taking over banks, but also with banks taking over life insurance and funds management companies in "bancassurance" mergers, as well as with banks merging with general insurance companies, typically called Allfinanz mergers. We also have seen a gradual breaking down of the distinctions between financial services offerings as companies have organised distribution alliances and strategic partnerships of one sort or another, or simply by expanding organically into related markets.

I have listed some examples of recent merger activity on this slide.



In the US, we have seen the creation of diversified financial services groups such as Wells Fargo, GE Capital and of course, Citigroup/Travellers, and the move to increasing convergence was again demonstrated last month, with the merger of Bank of America and Fleet Boston Financial to create the third largest financial services company in the world.

In Europe, the trend towards bancassurance has been even more pronounced, with examples being ING, Fortis, Allianz/Dresdner and Lloyds TSB.

And in Australia,the big four banks now hold more than 54% of funds under management, following a series of acquisitions such as the CBA/Colonial deal, NAB's purchase of MLC, ANZ's joint venture with ING and Westpac's acquisition of BT. An NAB acquisition of AMP would lift that market share to more than 65%.

SO the trend is quite pronounced. But why is it happening?

What is driving aggregation

- **Financial deregulation**
- **Banking businesses under seige**
- **Leveraging customer base**
- **Scale efficiencies and leveraging infrastructure**

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- I think there are four key reasons.
- The first is that over the past two decades, the traditional rules segregating banks and other financial services companies have slowly been scaled back. Whereas once upon a time, banks were banks, insurance companies looked after insurance and life companies stuck to life insurance, those artificial demarcations have been removed in the face of economic realities. For example in the US, the winding back of Glass Steagall has opened the way for further mergers between insurers and banks.
- A second reason is that the traditional businesses that have been the provinces of the banks have increasingly come under attack. Investment companies, including unit trusts and superannuation, have become competitors with banks for funds that traditionally would have gone into bank deposits. And third party orginators and mortgage brokers have moved into the mortgage business, making sharp inroads into bank market shares.
- That flows through into the third point. In the face of increasing competition, banks have come to realise that one of their most important assets is their customers, and the strength of their customer relationships. The relationship between a bank and a customer is unusual. It is continual, requiring constant interaction as people deposit and withdraw funds, it requires trust for people to hand over their funds into a bank's care, and an unusual obligation in the form of mortgages, which typically constitute a consumers largest financial transaction. So it is a real “relationship” that can be developed and leveraged to create more value.
- According to figures from the Boston Consulting Group, today, high performing US banks make an average annual profit of $150 per houshold. But they pay an average of $2,500 in costs to buy a customer relationship, which is double the amount of five years ago.
- MORE ON NEXT PAGE

What is driving aggregation

- **Financial deregulation**
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- To justify such costs, and maintain a reasonable return on assets, the banks have to increase the value of customer relationships by widening their product offerings, selling more products to their customers and leveraging their customer bases.
- And finally, banks and insurance companies in the past have invested substantial capital on developing distribution networks. These have been expensive to maintain, and difficult to justify for the sale of a narrow product line. By introducing new products to the network, financial services companies have been able to increase efficiencies.
- They have also been able to rationalise networks and other back office infrastructure through undertaking mergers which have in turn given them greater scale efficiencies and enabled them to be more competitive in the market place.
- So clearly, there are a number of forces driving financial services aggregation. The immediate outcome has been the acquisition of life insurance companies by banks. Banks previously had been more wary of general insurance, because it was seen as too volatile, and requiring specialist skills. But recent changes to the structure and economics of the insurance industry globally has meant that it is now becoming a much more stable and predictable business, and therefore increasingly attractive to the banks. I would suggest that there are now far fewer impediments to banks acquiring general insurance companies to drive all of the factors I have described above.
- And I think Suncorp has a big headstart on all its competitors in terms of having the capabilities and experience required to operate a diverse financial services conglomerate.

Agenda

- Global trend towards financial aggregation
- **Suncorp's unique business mix and strategy**
  - Regional banking competitive advantage
  - General Insurance structural improvements
  - Wealth Management opportunity
- Delivering synergies
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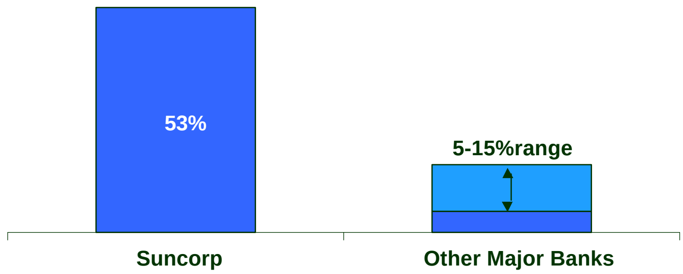
So turning to Suncorp, I would now like to tell you about how we are placed in this evolving market place.

Suncorp's unique mix

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

Non-Banking Profit
(% of profit before tax and goodwill)



Non GI / Wealth Profit

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

From latest published half year accounts

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- A major differentiating factor for our company is the unique nature of our business.

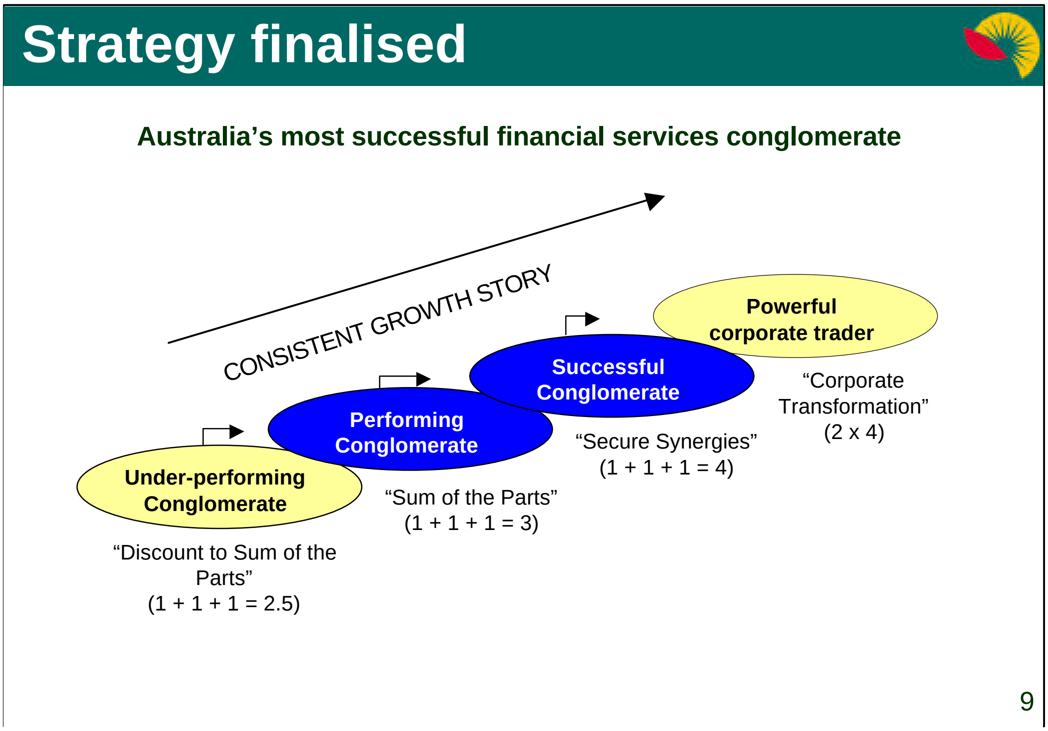
- No other financial services company in Australia is as diversified as Suncorp.

- We earns some 53% of profits from non-banking business, compared to 5-15% for the majors.

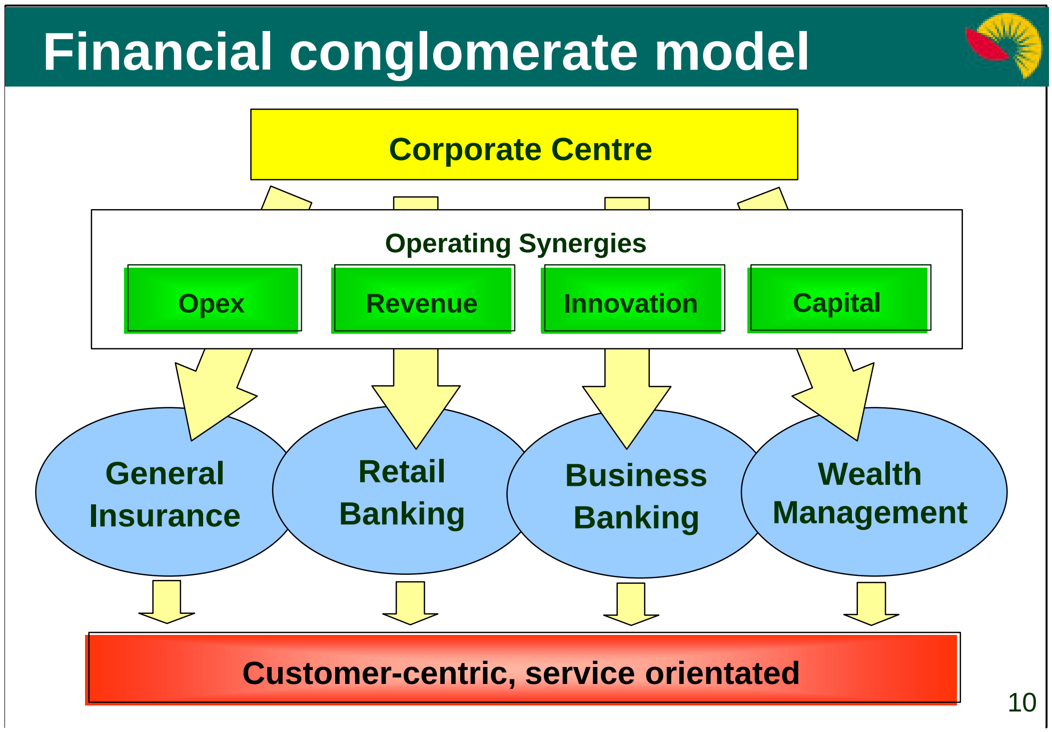
- We also are unusual because of our exposure to general insurance, as well as wealth management and banking.

- Many of our competitors have not had the skills to operate in general insurance, and have therefore missed out on the strong upswing in the segment over the past two years.

- We are therefore rare in the Australian market place in having a diverse business mix, solid market shares and a broad range of skills across three business lines.



- We have taken that strong business base and developed a strategy that taps into the trends evolving in financial services, and which we think will deliver strong returns for shareholders in the future.
- That is our Financial Services Conglomerate strategy. Essentially, it means we aim to retain our three business lines, and operate them as part of the one integrated finnancial services company, thereby delivering additional revenue and cost synergies that will enable us to produce returns which are better than our monoline competitors.
- That means that instead of valuing us at the sum of the parts on a stand alone basis, the market should give us credit for an ability to deliver higher profits.
- That way, we can reach a point where the market will value us at more than the sum of the parts - so 1+ 1+ 1 = 4
- The approach builds on our previous Allfinanz strategy, but with a much sharper focus on business line performance.
- While we have previously been achieving synergy benefits from operating as a financial conglomerate, we haven't been operating our underlying business lines as well as we should, particularly our banking operations.
- That is partly due to a confusing organisational structure that was employed in the past, which was based on a matrix, which involved the business lines being transected by functional lines - distribution, product and operations.
- The result was a lack of accountability for performance.



- We have now implemented a much more streamlined organisational structure.

- Under the new structure, which was put in place earlier this year, we are operating four distinct business lines beneath a focused corporate centre that houses shared services.

- This replaces the previous matrix structure, and clarifies lines of reporting to ensure we have clear responsibility and accountability

- The corporate centre structure allows us to take advantage of a variety of significant synergies in four areas:

- Operating expenses, revenues , innovation and capital.

- It is not a complicated model. It is quite simple and logical. The key to its success lies in ensuring that the business lines are operating at peak levels, and the corporate centre is delivering all of the available synergies and benefits.

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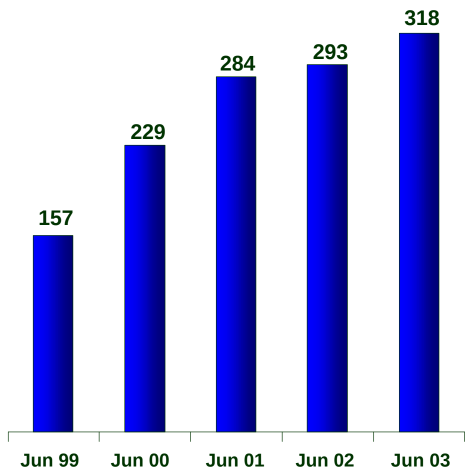
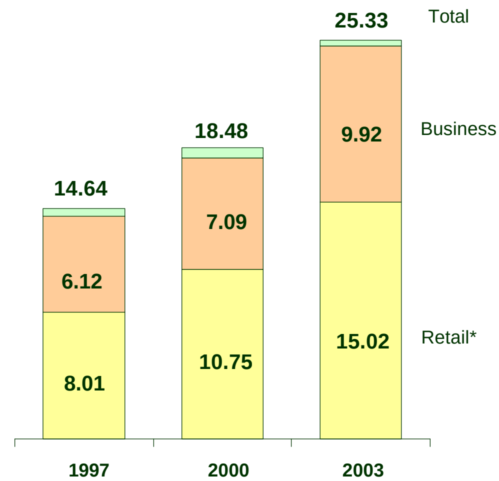
So that is our strategy philosophy, but now I would just like to quickly run through our business units and make a couple of points.

Banking growth

(Profit before tax, $millions)



Loans, advances and other receivables ($billions)



*Includes securitised assets

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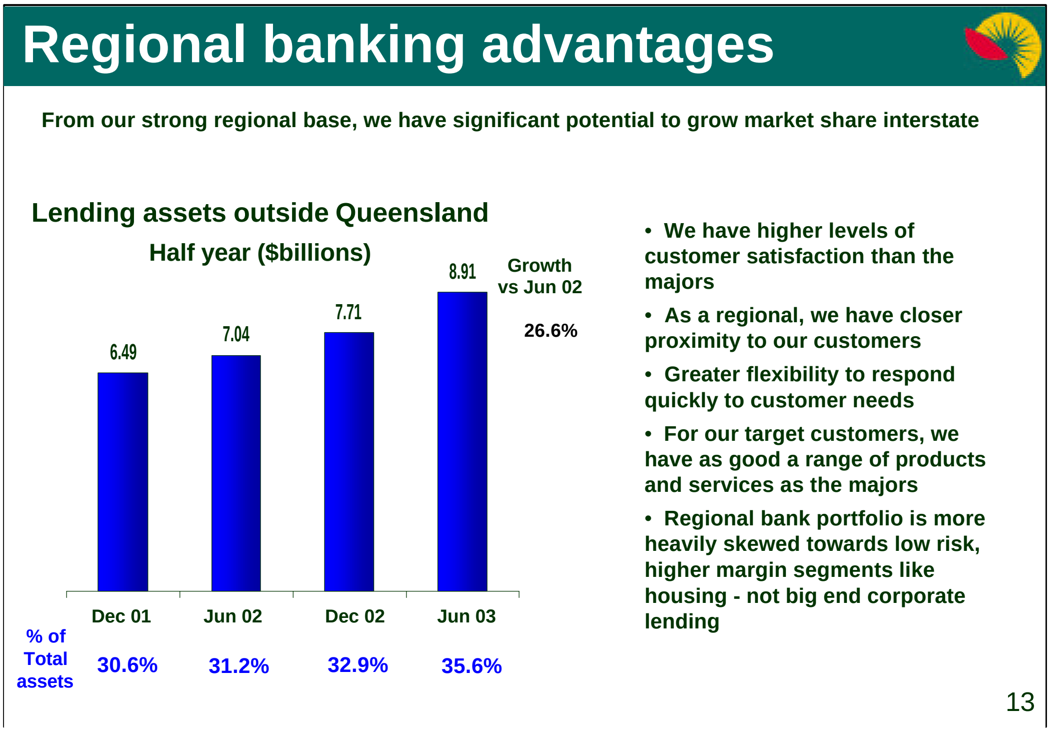
- Our banking division has traditionally been our largest profit contributor, representing close to 50% of profits, and reaching $318 million before tax in June 2003.

- That is equivalent to a very healthy return on equity of 19%.

- We have been able to grow lending strongly since the original merger in 1996, and we have almost doubled our loans and advances since 1997.

- As you can see from the right hand chart, our portfolio is made up of retail and business lending, with the bulk in low risk housing lending, which makes up approximately 60% of the portfolio.

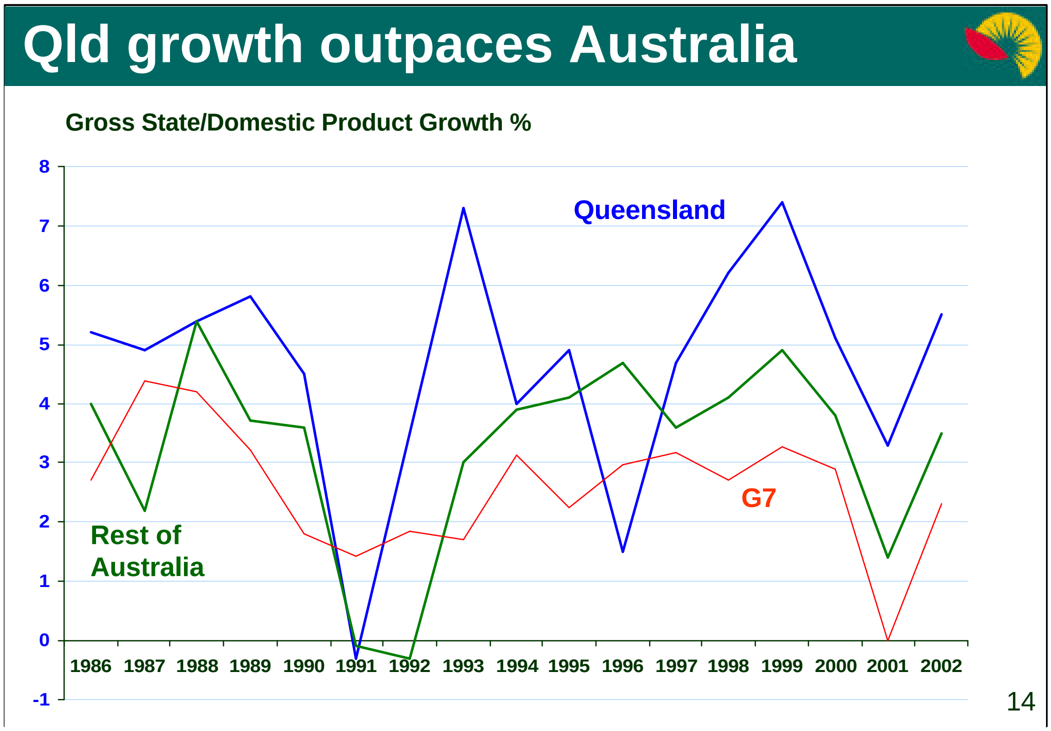


As a regional bank we have significant advantages over our major bank competitors. We are seen as being closer to our customer base, with greater flexibility to respond to customer needs, and higher levels of customer satisfaction. According to Roy Morgan, Suncorp's customer satisfaction ratings are running at approximately 70%, compared with 62% for the majors.

Our potential to take business at the expense of the majors is evident in this slide, which shows how Suncorp has been able to grow its interstate lending significantly in the past few years - that is in areas where we previously have not had a large presence.

Total assets outside Queensland increased by 27% to $8.91 billion in the year to June 03, which is equal to 36% of the portfolio.

Disbursements, or new lending, outside Queensland now makes up 44% of new lending, so we are clearly continuing to diversify our loan book, which reduces our geographic risk and improves our exposure to growth markets. I would like to stress that we have done this in a controlled way, without lowering our margins or credit standards in any way.



- We also have a substantial advantage because we are based in Queensland and have our major exposure in the region, which consistently has demonstrated a capacity to grow faster than the Australian averages.

- Queensland's outperformance has been driven partly by population growth. Queensland's rate of population growth is currently running at about 2.35% per year, which is more than twice the national population growth rate of 1.06%.

- Brisbane is expected to pass Melbourne to become Australia's second largest city by 2020.

- So the bulk of our business is located in the growth region of Australia.

- So as a regional bank, with a significant business presence in Queensland, and good growth rates interstate, we are very well placed to grow more rapidly than our competitors.

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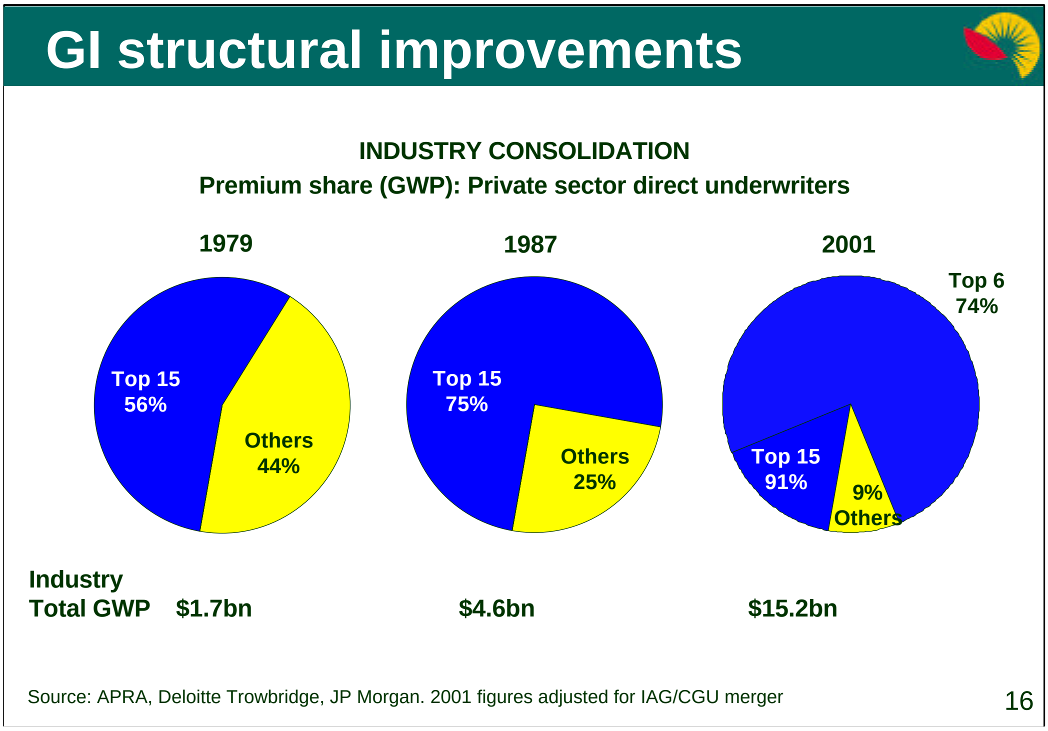
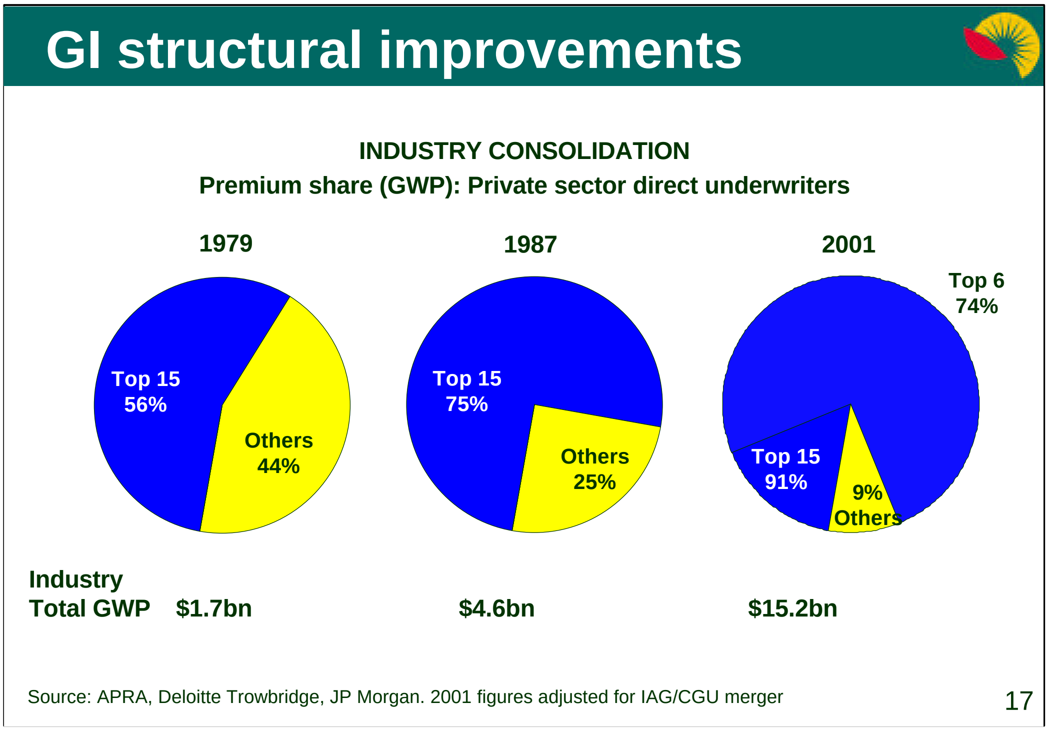
Now looking at general insurance..............



The fundamentals in Australia's general insurance industry have improved dramatically over the past two years. The industry is now the strongest it has been in more than a decade. Moreover, we believe this is a structural and sustainable change to the industry, and the favourable conditions are likely to persist for the foreseeable future.

Firstly there has been a wholesale consoilidation of the market during the past 25 years, as you can see from this slide. Over the past few years we have seen several acquisitions. The top 15 now account for 90% of premium and the top 6 for almost 75% of the market.

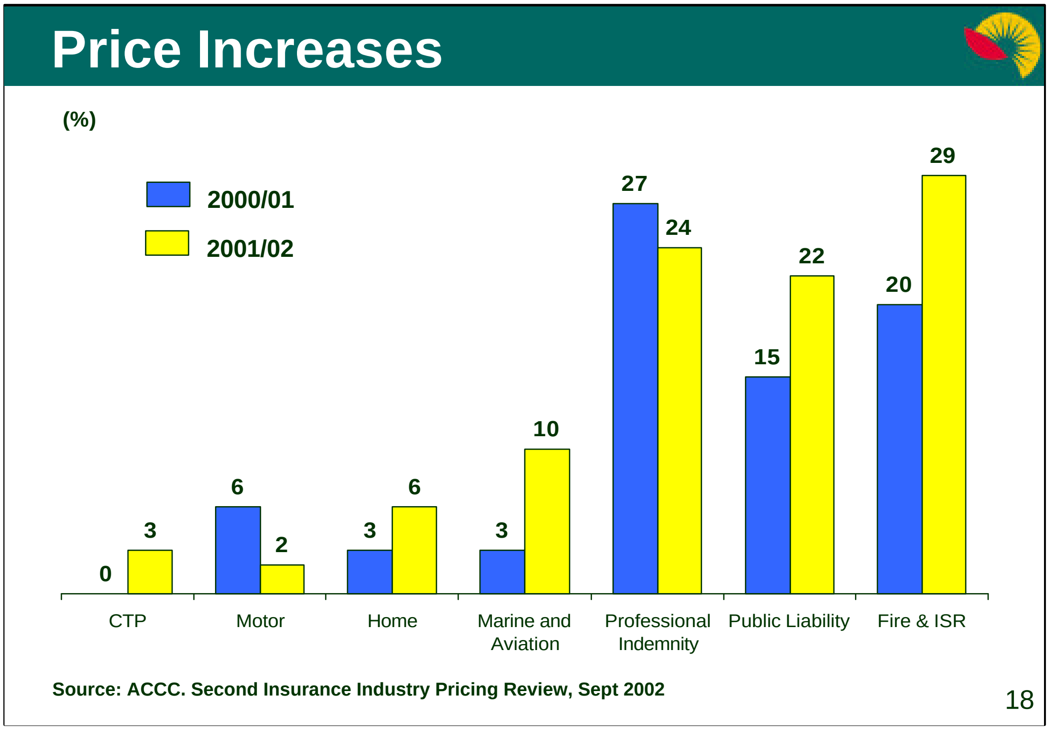
The demise of HIH was a salutary lesson for the industry, consumers and regulators as well. It has been a net positive for the industry because it has heralded a structural shift in prices. Overall industry profitability has improved significantly, and has now reached a point where companies are properly pricing for risk.



An important factor has been the introduction of new APRA prudential requirements, which demand better claims provisioning and better corporate governance. Companies can no longer simply reserve at their central estimate of claims liabilities, as was the case with HIH, but must now achieve a 75% level of sufficiency.

Another important factor in the market today is that four of the five largest insurance companies in Australia are now locally listed, following the demutualisation of NRMA and the listing of Promina. This imposes new pricing disciplines on these companies to ensure that they are providing appropriate returns to shareholders.

And finally, it also is the case that in recent years, insurers have relied on strong equity market returns to bolster their profits. Unfortunately, the bull market has faltered, as you all know, and therefore, companies are much more focused on delivering underwriting profits.



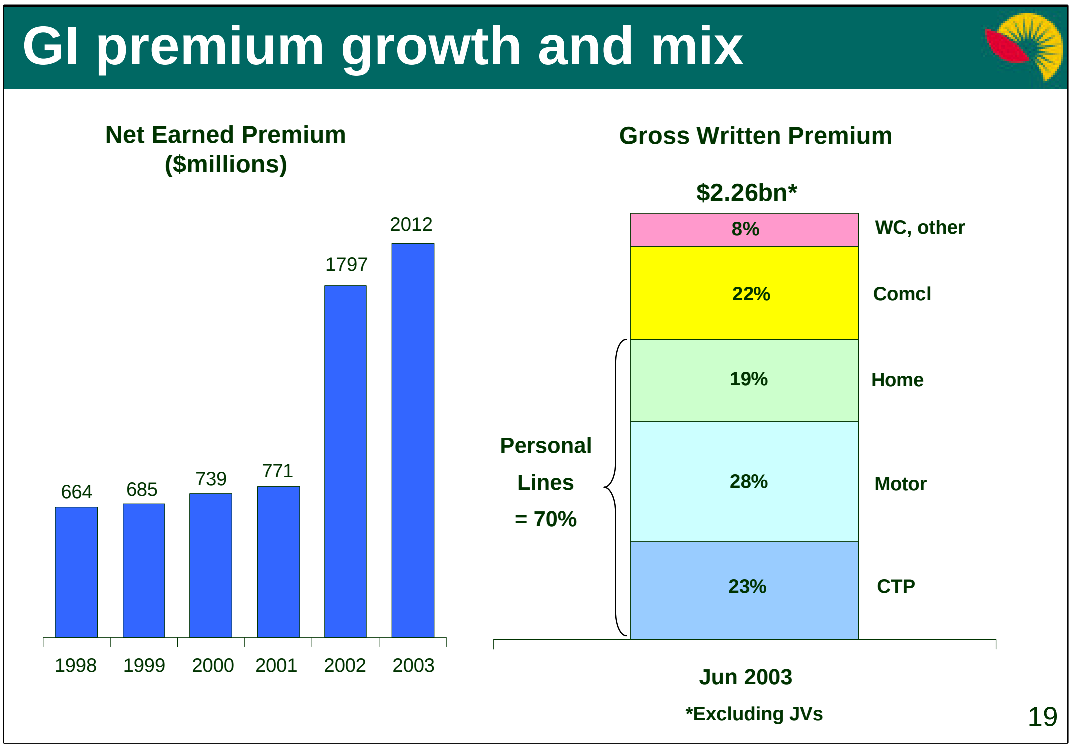
Those factors have combined to deliver a strong adjustment in prices to bring them back into line with the underlying risks.

This slide demonstrates that the largest price increases have been evident in the commercial lines, such as public liability, professional indemnity and Fire and Industrial Special Risks. These are the higher risk segments of the market where insurers have been losing large amounts of money over the past.

In those areas where Suncorp is more represented, such as home and motor, price rises have still been evident, and helped to improve profitability and lift return on equity to more acceptable levels.

Finally, the last trend that has become evident is the improvement in the legislative environment. The significant claims inflation that we have seen in personal injury awards in recent years has finally been sufficiently disturbing to provoke governments to introduce legislation to reform tort law and curb judicial inflation. Hence we have seen the introduction of the Civil Liabilities Act in Queensland, which will rein in personal injury awards, ensure that available funds go to worthy claimants, and help to maintain a robust, healthy insurance environment. The introduction of that Act will go along way towards restoring the profitability of our Queensland CTP business, and ensuring the affordability and security of the CTP scheme for consumers.

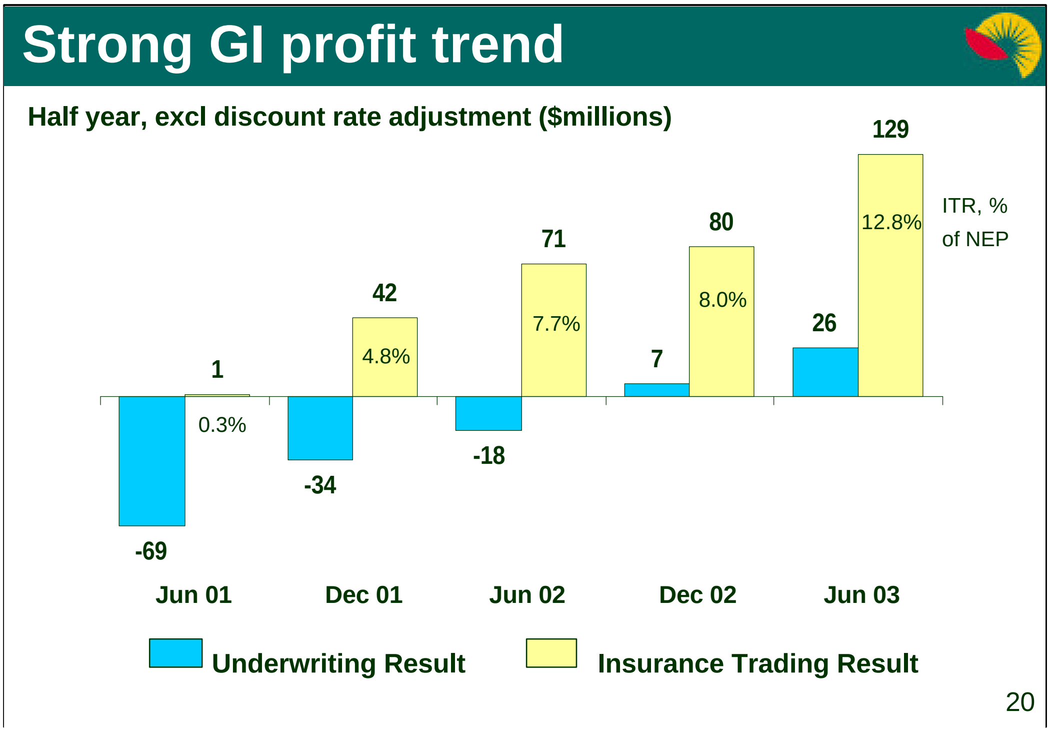
So the general insurance business is in excellent shape.



- Suncorp has a broad mix of business in General Insurance, with 70% in personal lines and 64% in short tail business. You can see from the slide on the right the main categories of business we write, and the bulk of it is just your normal property and casualty insurance. We do not write any reinsurance business and maintain very rigorous risk controls.

- And the chart on the left shows our premium growth, with the big increase in the 2002 year due to the acquisition of GIO.

- We are a conservative company, with strong reserving policies and prudential margins of 25-30%. Altogether, we have some $3.8 billion in outstanding claims reserves, and we maintain a 90% probability of sufficiency, which is amongst the best in the industry.



Our profitability has improved dramatically over the past few years, partly due to the fundamental adjustment in industry pricing, but also because the benefits of the GIO acquisition have begun to flow through to our bottom line.

You can see on this slide that our underwriting profits have been growing consistently, and in the half year to June 2003, we reported an underwriting profit of $26 million.

Our insurance trading result, which includes investment income on the technical provisions we hold to pay claims, and is the best indicator of insurance profitability, rose to $129 million. That is equivalent to 12.8% of premium, and that is the highest margin of any of the major insurers in the Australian market.

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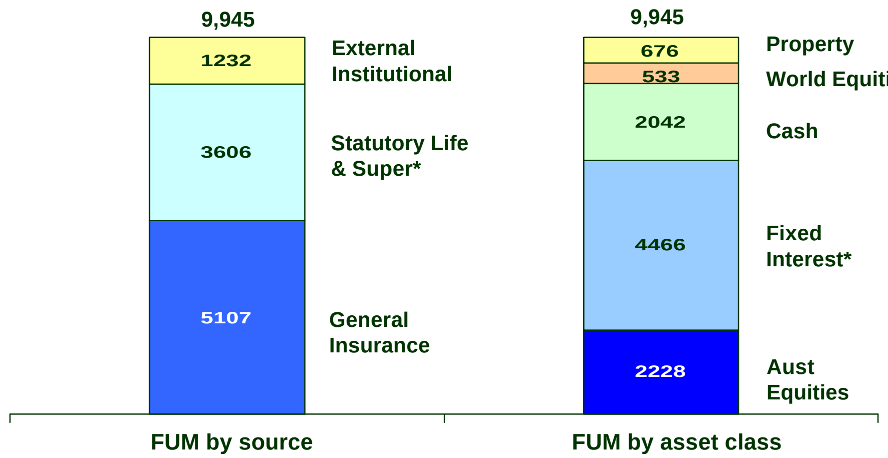
Now looking at wealth management........which is the smallest of our business lines, but arguably having the greatest growth potential.

Wealth Management FUM

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

FUM (June 2003, $millions)



*Includes Retail Unit Trusts

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- Our funds under management are almost $10 billion. Given the nature of our investment stakeholders, we have developed a natural funds management strength in the areas of Australian asset sectors.

- Our investments team has been able to achieve strong results, and in 2003, we outperformed our benchmarks in all asset classes.

- Two of the team's major products (Balanced No 2 Super Fund and Capital Stable No 3 Fund) have now been rated Top 5 performers over the last 1, 3 and 5 year periods, which is an outstanding result, and provides a strong base for increasing FUM when the investment climate improves.

- So it is a good business, which earned $41 million before tax last financial year, and is a worthwhile contributor to the group profitability.

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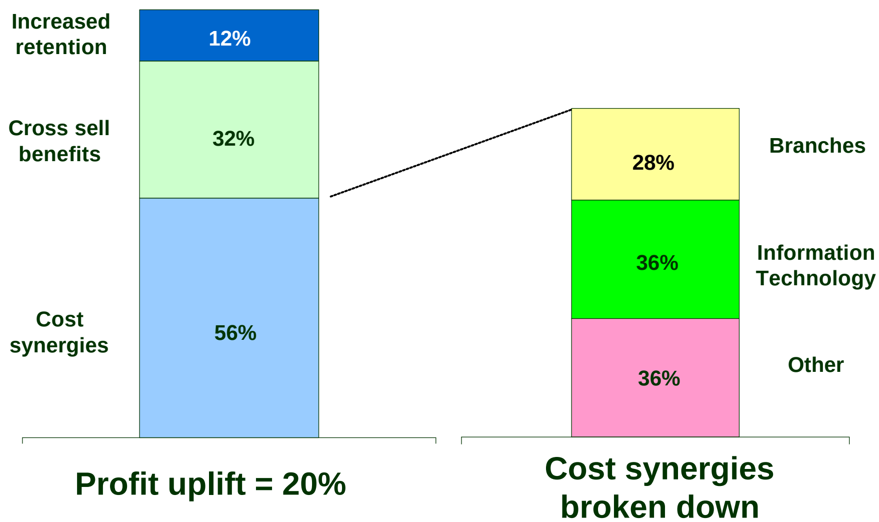
Those are our three main business lines. And by operating them together within the financial services conglomerate, we can derive significant operating synergies.

Benefits of a conglomerate



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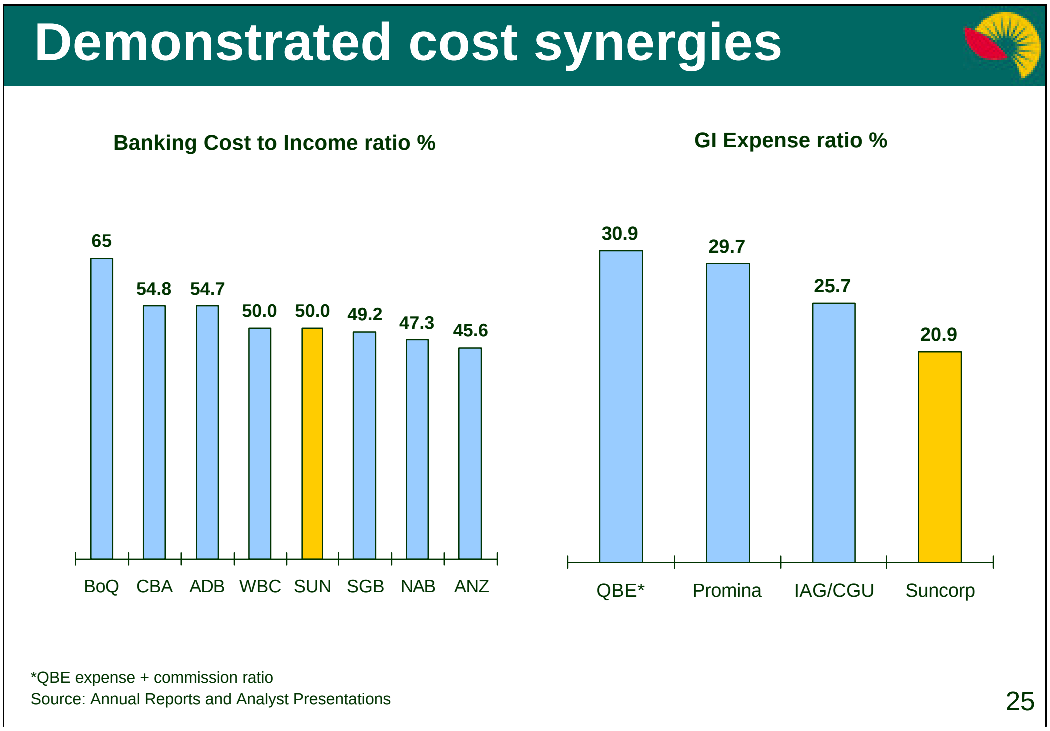
- Late last year an external agency undertook an analysis of Suncorp's Queensland business for the purpose of identifying what synergy benefits there were.
- They determined that in aggregate these synergies drove in excess of a 20% uplift in profit, and that of this profit
  - 56% flowed from cost synergies
  - 32% from cross sell synergies and
  - 12% from incremental retention synergies

- Now, looking at the cost synergies, these are derived from 3 broad areas of cost saving:
  - A rationalised and more leveraged branch network accounts for 28% of the benefit. It means fewer staff and more efficient use of property and utilities.
  - Shared IT infrastructure delivers 36% of the benefit.
  - Sharing other central or overhead costs has delivered 36% of the savings
- Examples of Other Shared Central costs are:
  - Marketing, Finance, HR and other normal corporate overheads.

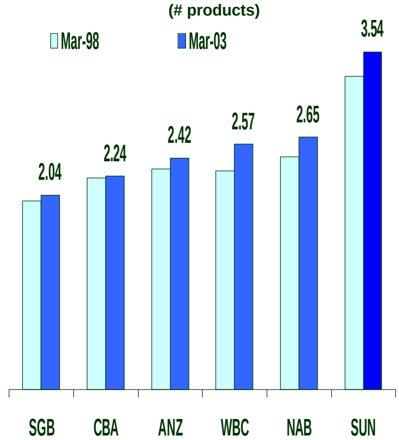


- The cost synergies are clearly evident in our cost ratios.
- In the general insurer, our expense ratio at 20.9% has come down sharply from the 27.2% level at June 01, as we have extracted the benefits of the GIO merger.
- We are clearly the lowest amongst our peers, and while these ratios are affected by business mix, the point is that we are efficient, and competitive with our peers.
- In the bank, our cost to income ratio is at 50%, which is as good as our major bank peers, and much better than most of our smaller regional banking competitors.
- So we think this provides evidence that we are already deriving cost synergies across the business lines. But we also strongly believe that we have further to go in terms of driving down these ratios and other costs across the company.

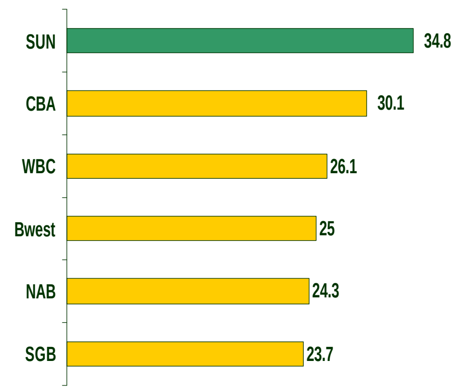
Superior cross sell capability

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

Products per MFI Customer
(# products)



Share of products per customer
June 2003 (%)



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

Roy Morgan Research

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

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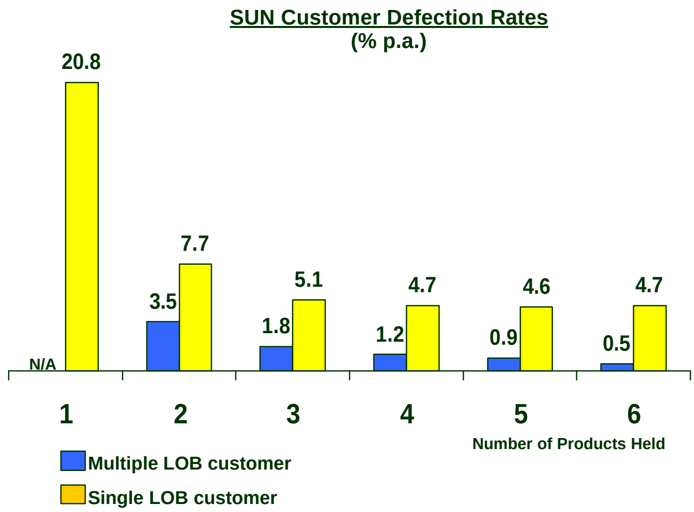
- Because of our broad business mix, we have a major advantage in our ability to drive increased cross sales across the group.

- Since the 1996 merger, we have been continually working to boost our cross sell capabilities.

- We now boast the highest levels of cross sales of any financial institution in Australia, and we are growing that at a faster rate than most of our competitors. We also have the highest share of wallet of our major competitors, reflecting our broad product range.

- Again, cross sell capability is a real competitive advantage. It is much cheaper to sell another product to an existing customer, than it is to acquire a new customer.

Superior customer retention



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

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- Turning now to the last of the synergy benefits that I will refer to here - incremental retention through increased engagement. This accounts for 12% of our profit uplift through synergy benefits.

- As this graphic demonstrates customer defection drops markedly as the number of products a customer holds increases. Whilst customers with only 1 product have on average 20.8% attrition per annum, the attrition drops to ~ 4.6% as customer holdings increase to 4 to 6 products.

- Of greater significance is our experience of the impact on retention of customer holdings across multiple lines of business. Whilst customers with 6 products in a single line of business have an annual attrition rate of 4.7%, customers who hold those 6 products across 2 or more lines of business are markedly less likely to defect with an attrition rate of just 0.5%.

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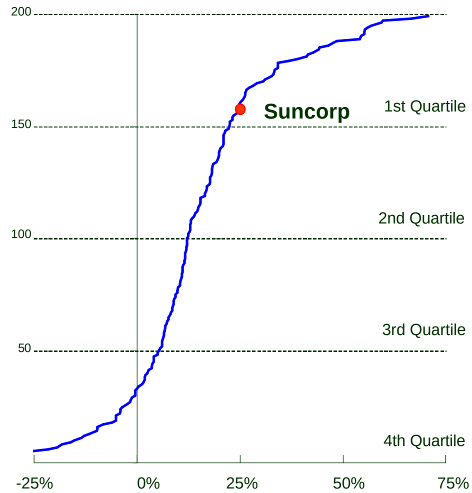
I would now just like to finish with a few words on our outlook for the current year.

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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- At our AGM in November, we reiterated our outlook for the current year. We expect to be able to generate good growth in a number of areas and we have set our financial goals accordingly.
- Firstly, we aim to grow revenues in all business lines faster than system and to maximise the advantage of the conglomerate model through better cross sell ratios than any of our competitors. We are confident of achieving that goal.
- Secondly we want to leverage our Transformation skills in a program of continuous improvement which will deliver consistent productivity gains of between 5% and 10% each year. This will generate the capacity to reinvest in our businesses at an appropriate level whilst still keeping tight control over costs.
- Our aim in banking is to produce consistent high single digit growth rates for profit before tax. While we expect to see some slow down in asset growth for the industry in the current year, following the very strong growth of the past few years, we continue to expect to generate high single digit profit growth in the current year.
- In General Insurance, we expect to be able to achieve a consistent insurance trading result in the range of 10-13%. The important point to understand is that profitability in the general insurance industry in Australia has undergone a structural step up over the past year, and Suncorp is well placed to reap the benefits of that shift.
- In Wealth Management, we expect to see some improvement in profits in the current year as confidence returns to financial markets and investment income and business inflows recover.
- So we are confident of achieving these outcomes, which will deliver a 15% increase in underlying profits, and enable us to continue our track record of being a top quartile company in terms of shareholder returns.
- So on that note, I am happy to take questions

SUNCORP-METWAY LTD

Australian Companies Competing on the Global Playing Field

UBS
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