Suncorp-Metway Ltd

2006 Annual Results

1 September 2006

Agenda

- Introduction & Overview - CEO John Mulcahy
- Divisional performance - CFO Chris Skilton
  - Banking
  - General Insurance
  - Wealth Management
- Capital Management - CFO Chris Skilton
- Strategy update and summary - CEO John Mulcahy
- Outlook - CEO John Mulcahy
- Questions

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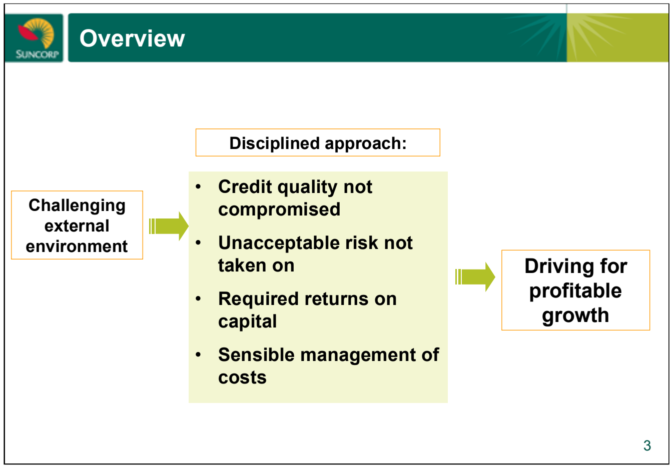
The agenda today will be similar to our previous results presentations.

We will start with an introduction and overview from our CEO, John Mulcahy.

John will then hand over to our CFO Chris Skilton who will provide a more detailed analysis of our divisional results as well as provide detail around capital.

John will then return and provide an update on strategy and summarise our outlook for the year to June 07.



Most of you will have had an opportunity to see the results already this morning.

It is in our view a strong result -- achieved amidst the backdrop of a challenging external environment.

Since we last met in February, we have seen the reported results of our competitors underscore the challenges we all face in delivering at the bottom line in an environment where competition is driving down margins and squeezing returns.

Evident in each of our competitor's reports is also the stark reality that there is no universal response to the challenges arising from increasing competition in our industry. And nor should there be.

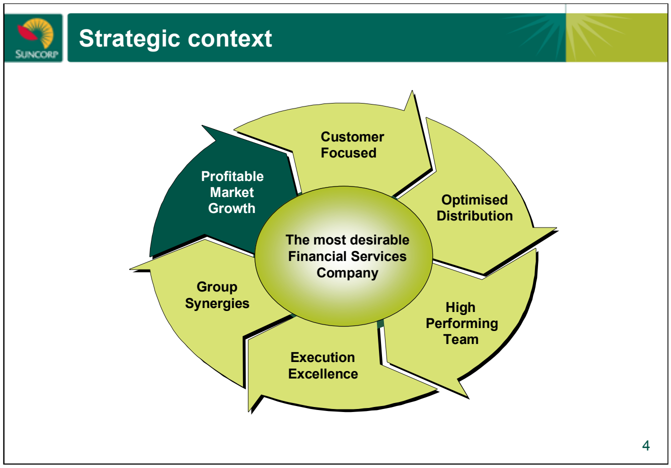
If there is a word that best describes our approach and strategy in this environment it is "discipline".

So you will hear both Chris and I refer to that repeatedly throughout the presentation today and as we move around the analyst and investment community over the next couple of weeks.

Because from our perspective…

- we have maintained our **discipline** around credit quality and appetite for risk.
- we have been **disciplined** around the returns we expect on our capital investments.
- we are **disciplined** about cost management
- we don't write business that doesn't have an appropriate return on equity.

And, at the bottom line, we drive for **profitable growth**.



Indeed, achieving profitable growth is at the very heart of our strategy.

Many of you will be familiar with our six strategic levers, all of which are now deeply embedded in the day to day operation of Suncorp's business.

As competition has intensified, it is our **strategy** that has guided our responses and sharpened our focus around what we need to do to drive the business over the medium to long term.

Without a strategy to guide us we become hostage to the volatilities inherent in our industries and we would, by definition, respond in a knee-jerk manner.

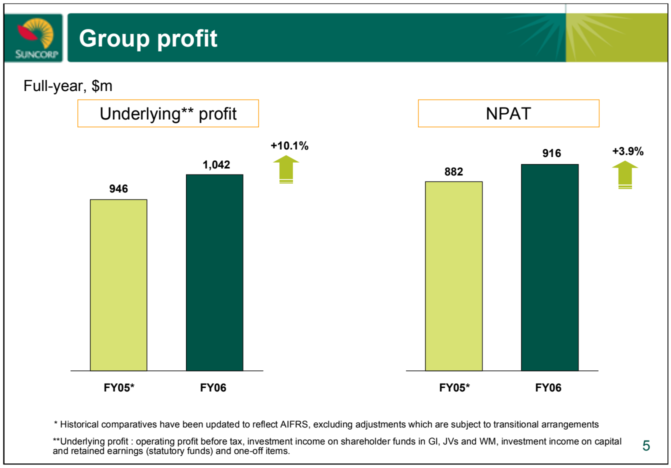
We don't resile from our strategy of driving this business to achieve sustainable, long term results, despite the criticism we may receive from time to time as market share movements become more volatile or as competitors derive short term benefits from price leadership or exposure to growth sectors.

We believe the fundamentals of our business, coupled with the way in which our people have embraced our strategy, will continue to drive strong earnings growth across the Group. As it has in this result.

Now, this is not to suggest there haven't been issues and challenges along the way. There have been.

In our Business Bank, we have confronted the inevitable downturn in the property market and the effect this has on our substantial development finance portfolio.
And, of course, we've also had Cyclone Larry to test our resolve.
But where challenges have arisen, they have been acknowledged, and plans have been put in place to deal with them.

So with that as context let me move to an overview of the result.

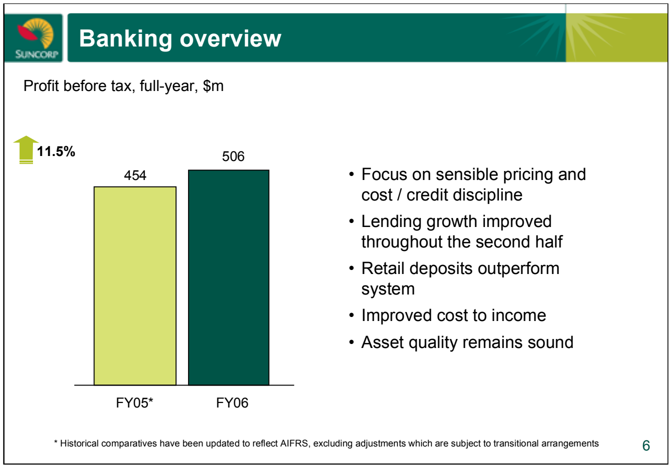


As you can see from this slide, underlying profit, which excludes goodwill, one off gains and earnings on shareholder funds in both GI and Wealth Management, has grown by 10.1% in the year to June 30 -- to a record $1.042 billion.

Putting this in context, the underlying profit achieved in 1997, the first year of operation for the merged Suncorp-Metway, was approximately $130 million.

So, it is with a sense of achievement and pride that we reach this milestone as we approach the 10th anniversary of our formation.

To the right hand side of the slide you will see our Net Profit After Tax has risen to $916 million, an increase of 3.9% on the June 05 result.



Turning now to the results in each of our three divisions.

The **Banking** division reported an 11.5% uplift in profit before tax to $506 million for the full year --
an outcome that compares favourably with the results of our banking peer group.

While there are many factors at play here, the strength of this bottom line result ultimately reflects our disciplined response to a competitive market.

During the year the Bank's focus has been on driving profitable growth through segmentation, product innovation, packaging, and competitive pricing, together with cost and credit discipline.

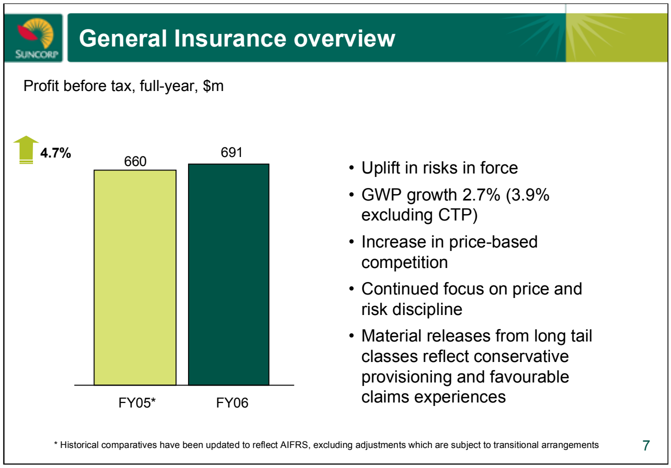
As forecast, margins have contracted in the second half
as lending volumes have built -- but continue to compare favourably with our peers.

Lending growth, while slightly below system for the period,
has been progressively building through the second half.

In line with our May guidance we have exited the full year with Home lending back to system and with strong growth in our business lending portfolios.

Retail deposits continue to outperform system despite intense competition.

We continue to improve our bank efficiency and our asset quality remains sound.



In **General Insurance,** profitability is strong,
at $691 million for the full year, driven by an uplift in risks in force, material releases from our long tail classes and the first realised benefits of our claims cost reduction project.

While reported GWP growth was 2.7%, you will note that it has again been impacted by the company's sizeable Compulsory Third Party portfolio which, while profitable overall, continues to have declining premiums as customers benefit from the tort law reforms.

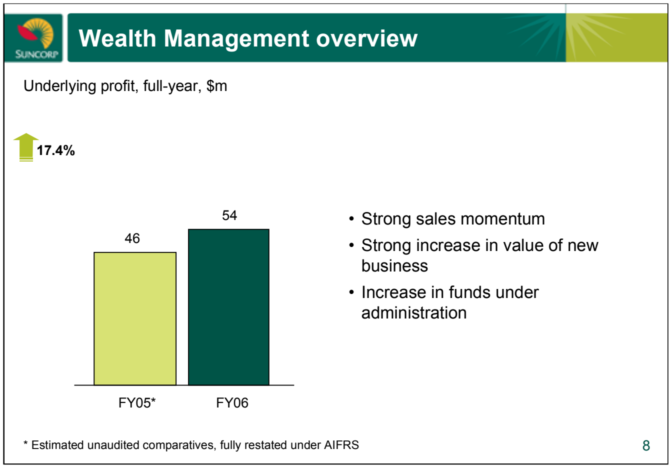
Excluding CTP, GWP increased by 3.9% for the full year.

While competition in all classes remains strong,
as we noted in May,
the past 6 months has seen evidence of an increase in price-based competition, particularly in commercial and motor lines.

Here, as in banking, our focus remains on driving profitable growth
and maintaining discipline around price and risk, while at the same time
seeking efficiencies in the management of claims processes.

Evidence of the success of this strategy can be seen in our short tail trading result, which has improved to 12.6% in the second half, excluding the impacts of Cyclone Larry.

The conservative nature of our provisioning, combined with continuing favourable claims experiences, has again resulted in releases from our long tail book,
which offset the effects of new business strains on current year profit flows.

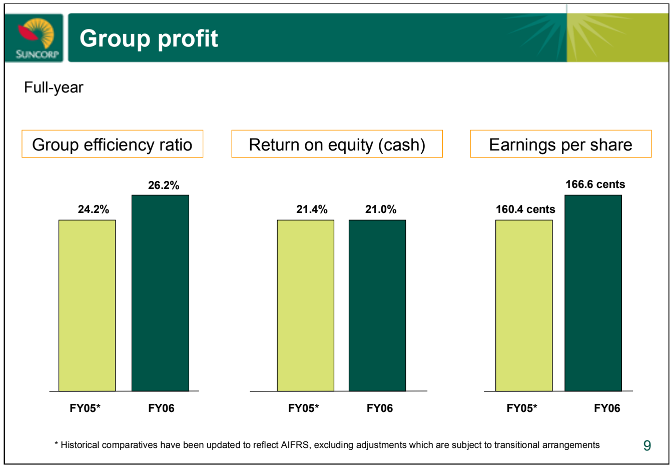


And finally,
Wealth Management has contributed profit before tax of $81 million for the year.

Underlying profit in the Wealth business, which excludes one off payments and the impact of investment earnings, increased by 17.4% to $54 million, on an AIFRS comparable basis.

Strong sales momentum continues to be a feature of the wealth portfolio, increasing by 18.8% to $782 million.

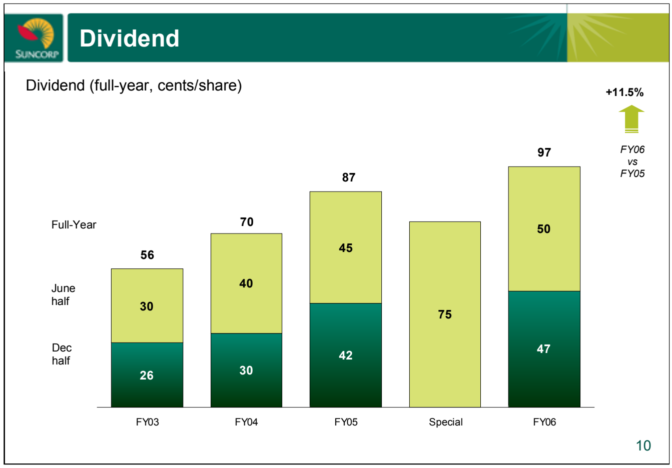
Funds under administration increased by 19.8% to $6.2 billion while Funds under Management totalled $13.0 billion, increasing by 9.3% over the year.



Turning now to our key performance ratios and you can see that they remain in great shape.

Our group efficiency ratio, which is operating costs as a proportion of operating revenue is a very competitive 26.2% for the full year.

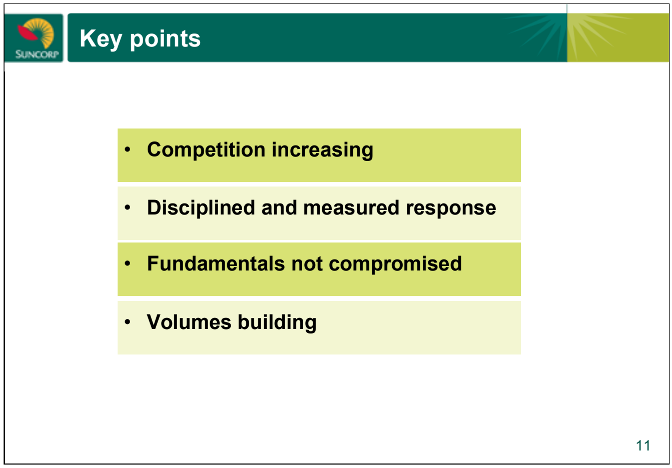
Cash ROE is 21.0%, on par with the previous June, while Earnings per Share was up 3.9% to 166.6 cents per share.



The Board's continued confidence in the underlying performance of our business has allowed us to declare a final, fully franked ordinary dividend
of 50 cents, bringing the full year ordinary dividend to 97 cents, an increase of 11.5% over the previous year.

And, further underlining the Board's confidence in the future of the company,
a capital management initiative is being considered for the December quarter
with a preference for a share buy back.

This would be accompanied by subordinated debt transactions in the General Insurer and Bank, and an issue of a hybrid instrument by the Bank.



So,
before I hand over to Chris let me particularly emphasise a few key points.

The **first** is that competition has stepped up - we all know that.

The **second** is that we have responded in a measured and disciplined way
and our bottom line performance demonstrates our success.

The **third** is that our fundamentals, particularly around credit and risk, have not been compromised.

And **fourthly**, we have responded to the growth challenge with a range of initiatives that have built volumes in a sustainable and profitable way.

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Let me pick up on something John said in his introductory comments.

What we have sought to do since our last result is to provide an honest assessment of the performance of the company, and keep the market informed of our strategies and plans through the second half.

That is why we were first to market in disclosing the expected costs associated with Cyclone Larry and why, in May, I provided a comprehensive update on performance and trends across the business, including a revised outlook.

As you know, we also took the opportunity in early August, as actuarial valuations were finalised, to provide you with some further year-end earnings guidance.

So throughout this presentation you will hear me reconcile many of the year end outcomes with statements made either in our first half outlook or in our subsequent disclosures during the last six months.

Let me now run through the divisional results in more detail.

Banking profit

Full-year, $m

	Jun 05 *	Jun 06	Δ%
Net Interest Income	786	848	+ 7.9
Non Interest Income	148	149	0.7
Total Income	**934**	**997**	**+6.7**
Operating Expenses	(452)	(460)	1.8
Profit before Tax and Bad Debts	**482**	**537**	**+11.4**
Bad Debts	(28)	(31)	10.7
Contribution before Tax	**454**	**506**	**+ 11.5**

AIFRS impact

* Historical comparatives have been updated to reflect AIFRS, excluding adjustments which are subject to transitional arrangements

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Starting with the Bank, which delivered another good performance, lifting profit by 11.5% to $506 million for the full year.

Asset growth, while below system for the year in aggregate, importantly has strong momentum moving into the new financial year.

The focus on managing the price and volume mix of the book resulted in total revenue increasing by a respectable 6.7% for the full year.

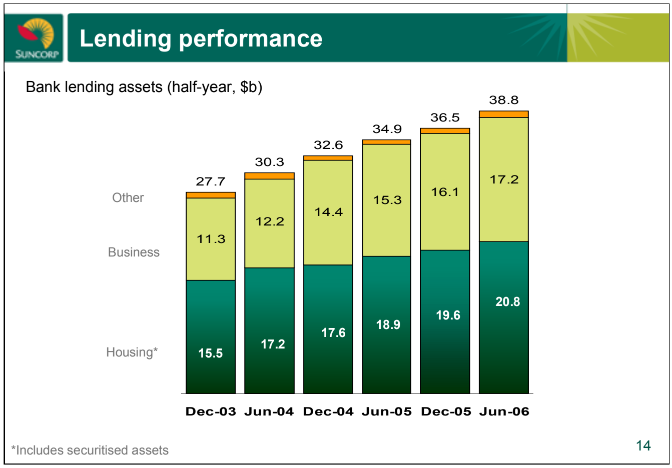
As I flagged in May, revenue growth in the second half was relatively flat, up 1.4% on the first half – a combination of fewer days in the half and margin contraction, much of which can be attributed to a range of new product offerings in the market, particularly in deposits.

Retail deposit growth continues to track above system, in the face of strong competitive pressures.

Despite a modest increase in costs in the second half, discipline around expense growth remains a major contributor to the bottom line result with operating expenses for the full year increasing by just 1.8%.

With revenue growth outstripping expense growth for the full year, the Bank's cost to income ratio improved to a very competitive 46.1% for the full year, especially given our size relative to the majors.

Loan loss charges remain low, and credit quality remains strong.



So, first to lending and you can see from this high level summary the continued strong growth that has been achieved in each of our portfolios.

In the **Home** portfolio, lending receivables, including securitised assets were up by 10.3% to $20.8 billion at June 30.

Consumer receivables, while still a relatively small part of the overall book, grew strongly, up 27% on June 05.

And **business** lending increased by 12% to $17.2 billion as the long expected downturn in the property cycle took effect and as competition intensified, particularly in the broker-introduced, SME market.

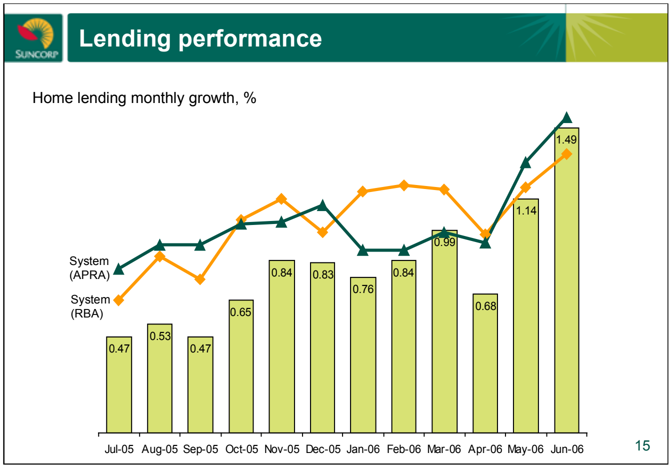
Putting all of this together, at 30 June 2006, total assets, including securitised assets, reached $38.8 billion, an increase of 11.2% on the prior year.

You will recall that our first half Banking performance saw some softening of lending volumes in the face of increasing competition and changing patterns of credit formation.

While volumes in the first half may have fallen away somewhat, a strong first-half margin performance and tight control of discretionary spending contributed to an outstanding improvement in total banking income.

But as we moved through the first half and into the second, it became clear that the new competitive landscape had become entrenched and that market share losses were not sustainable over the medium to long term. Accordingly, we put in place a number of product and pricing initiatives designed to profitably build volumes during the second half.

As I move through our lending portfolio I will reference some of these initiatives, noting the impact they have had on volumes through the second half and beyond.



Let me start with the **Home** portfolio and this slide graphs our monthly lending growth compared to both RBA and APRA system data.

Excluding the month of April you can see that there has been a gradual build-up in lending volumes through the second half.

As foreshadowed in our May presentation, we have exited the year with lending growth at system in the Home portfolio and with good momentum moving into the new year.

So, what has turned this around?

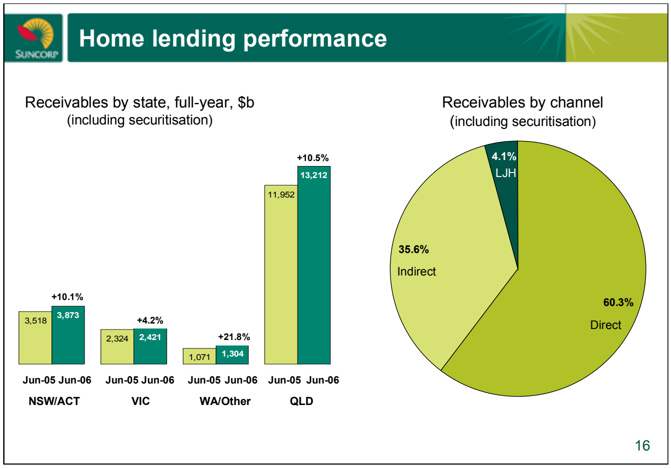
Firstly, where we needed to, we adjusted our pricing in order to take account of the new competitive landscape.

But price is not the only lever. There are also simple product innovations, like allowing customers to aggregate multiple products in order to achieve volume discounts.

We also sharpened our focus around the broker market, concentrating on improving service and turn-around times for priority brokers -- part of our *Champions Club* initiative.

We have, in addition, better leveraged our 100% ownership of the LJ Hooker business, improving sales originating from that channel by over 67% during the year.

And, we have also developed a range of new products which have clearly improved our competitive position in the market.



Looking deeper into our **Home** lending portfolio you can see from this slide that we have achieved solid receivables growth in our home state of Queensland.

Growth continues to be strong in Western Australia, as we expand our footprint in that buoyant economy while growth in other states has been more patchy in line with the poorer economic performance in these geographies.

To the right of the slide and you can see the break down of the home lending book by channel.

As you are aware, the vast majority of growth outside of our home state of Queensland is achieved through the indirect channel, which continues to play a major part in our strategy of optimising our distribution network.

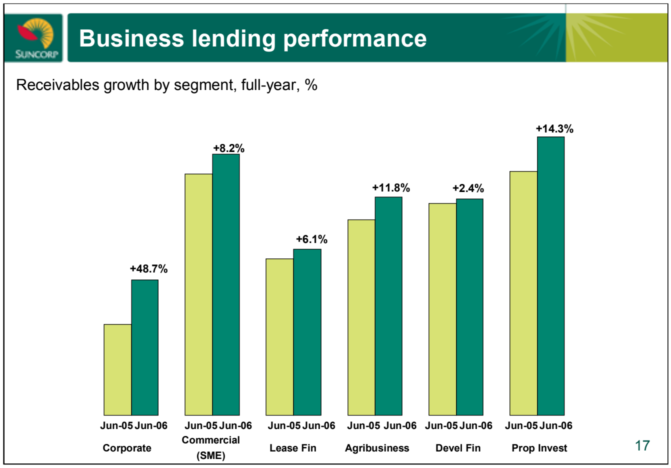
Indeed, much of the volatility in mortgage lending volumes apparent through the course of the year has occurred through the intermediary channel as competitors have attacked a more price sensitive pool of customers in order to quickly build lending volumes.

We, too, have been active in this channel, particularly in the second half, with broker introduced loans playing a big part in our improved lending growth.

Underpinning this has been our direct channel, which has performed solidly throughout the course of the year.

Managing the growth achieved through proprietary and broker introduced channels is another of the fine balances required to achieve profitable bottom line growth.

The net outcome of this is that assets through our direct channels now account for just over 60% of our total home lending book, a split which we are very comfortable with.



To Business lending now and growth has been strongest in Queensland and has again been underpinned by the strength of the direct distribution franchise.
Breaking the book down by class of business:

Starting with **Development Finance**, where growth has certainly eased in line with the expected slowdown in the residential property market -- up by 2.4% to $2.9 billion in the year to June 30. As most of you would be aware this portfolio turns over approximately every 24 months, which while positive from a credit perspective, means you have to pedal extremely hard just to replace natural run off, let alone grow. While it is too early to predict a sustained recovery in the property market, our weight of exposure to the buoyant Queensland economy will mean we are well placed to capture any early upswing.

The **Property Investment** portfolio which includes assets such as shopping centres, commercial offices and warehouses but excludes construction projects, grew strongly by 14.3% to $3.7 billion for the year.

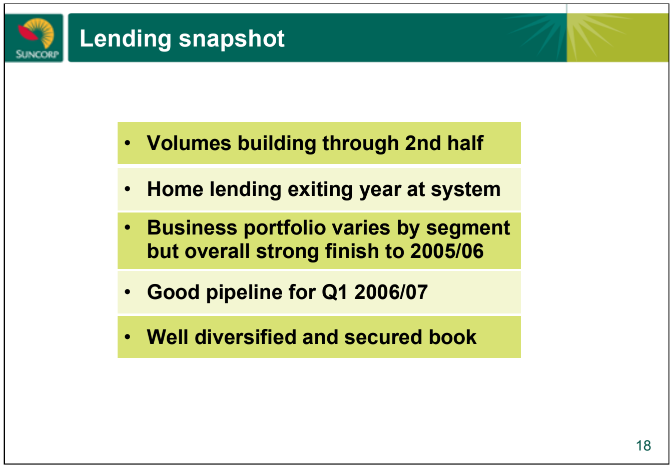
Commercial lending continues to be the focus of intense competitive activity particularly in the sub $2 million market, as lenders switch their attention from a cooling housing market to a SME sector deriving the downstream benefits of growth in resource and infrastructure related industries. While lending in Queensland has been supported by our direct distribution franchise, volumes through intermediary channels in NSW and Victoria have been soft. Growth in this portfolio was up by 8.2% to $3.5 billion for the year.

As in housing, a number of initiatives have been put in place to build growth in this portfolio. While there is evidence that these are beginning to have an impact, a longer lead time suggests it is likely that the full effects will not be realised until part way into the 06/07 year.

Our **Corporate** lending book continues to be boosted by the growth of major business in Queensland, and grew strongly by 48.7% to $1.8 billion in the year to June. We continue to identify profitable niche segments and have recently appointed a specialist infrastructure team in order to leverage our expertise in this high growth area.

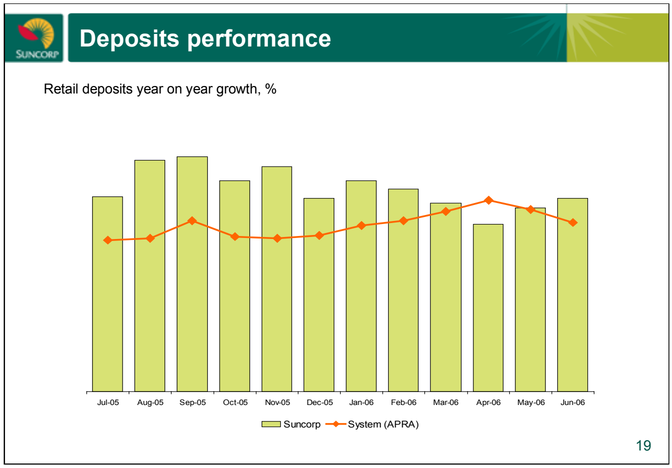
Lease Finance, which focuses on low risk, high volume equipment and vehicle leasing, grew by 6.1% to $2.2 billion.

And, finally, **Agribusiness,** where receivables grew by 11.8% to $2.9 billion over the period, on the back of favourable trading conditions and rising commodity prices especially in sugar, cotton, grain and beef industries.



So, the lending snapshot is:

- Lending volumes building through the second half.
- The Home portfolio exiting the year at system combined with strong lodgements in July and August
- Different dynamics at play across business portfolios but again a strong exit from 05/06…And a good pipeline developing in the first quarter of this year
- And in aggregate, a lending book that continues to be well diversified by both product and geography, and is strongly secured.

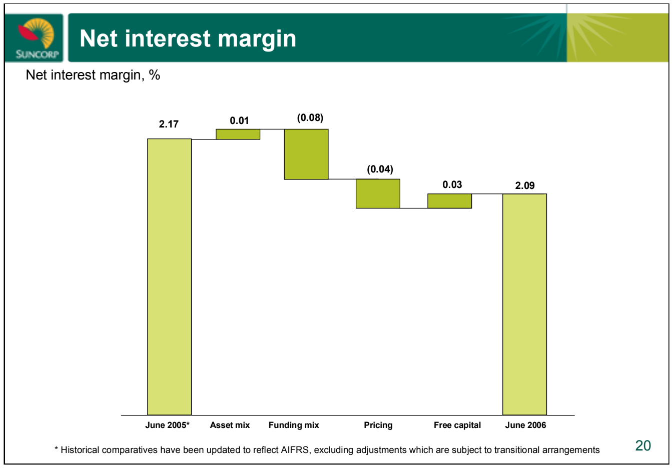


Turning now to funding and the slide shows retail funding compared to APRA system growth rates.

Core retail deposits, net of Treasury, grew by 11.5% for the year to $14.1 billion

This is an outstanding result when one takes into account the strength of competition, particularly in the segment of high interest bearing deposit accounts.

Investment deposits also grew strongly, up by 18.1%.



If we now turn to interest margin.

Our net interest margin was 2.09% for the year to June 2006, which is down 8 basis points on June 2005.

The waterfall chart provides a summary of margin movements, net of yield changes, and assists in identifying the key factors contributing to the outcome.

As you can see the main negative impact was from the deposit side of the book, with 8 basis points contraction coming from a change in mix, and 4 basis points from pricing.

Offsetting this is a positive 1 basis point from asset mix and 3 basis points from higher levels of free capital.

As we have previously stated, the Bank's superior management of margin has seen the margin gap between Suncorp and the Majors close appreciably over the past five years.

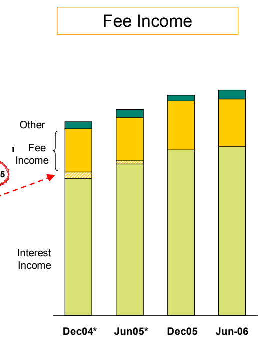
While we expect to remain very competitive in this regard, our ability to significantly outperform on margins, relative to the Majors, will certainly be more difficult going forward.

Fee income

Half-year, $m

6mths to:	Dec04*	Jun05*	Dec05	Jun06
'Like on Like'	**58**	**58**	**65**	**64**
Lending Establishment Fee adjustments				
- Revenue	21	18	-	-
- Expense	(12)	(14)	-	-
Net Banking Fee Income (AIFRS)	**67**	**62**	**65**	**64**

+11.2% FY06 vs FY05



* Historical comparatives have been updated to reflect AIFRS, excluding adjustments which are subject to transitional arrangements

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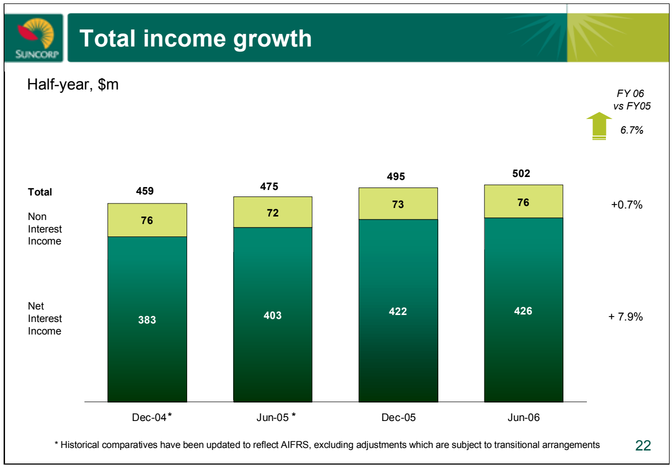
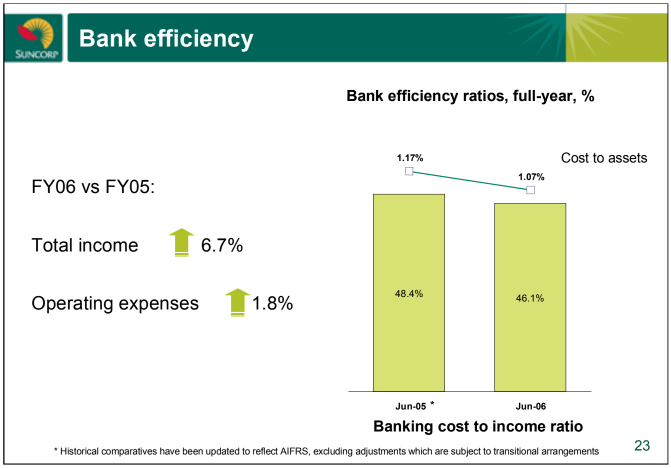
To fee income now and obviously net fee income has been impacted by the adoption of AIFRS, which now requires loan establishment fee revenue and expenses to be included in net interest income from 1 July 2005.

The important point is that on a like-on-like basis banking fee revenue increased by 11.2% to $129 million for the year and that this movement is primarily attributable to a rise in core transaction fees and other net lending fees during the period.



So, putting all these components together, the full year has seen us effectively manage the portfolio in order to optimise total revenue.

While lending margins and volumes may have fluctuated between the first and second halves the net result is that we produced a very respectable 6.7% increase in total income for the full year.

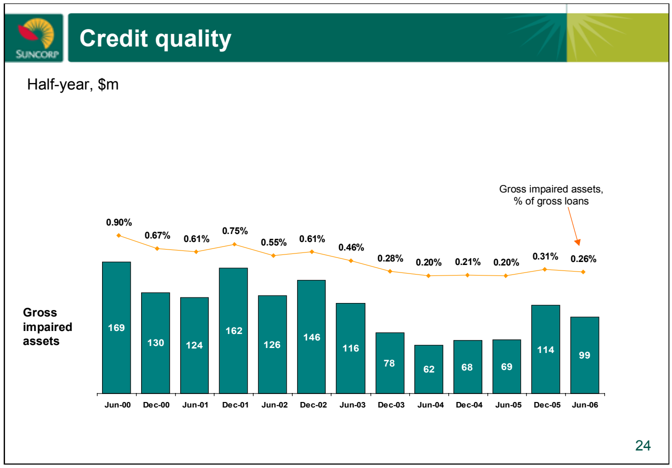


Turning now to expenses and, as I flagged in May, we saw a moderate uplift in costs during the second half, however for the year as a whole, operating expense increases were limited to a very competitive 1.8%.

This was obviously significantly less than revenue growth, resulting in another reduction in our cost to income ratio to 46%, which given our size relative to the majors, is an excellent result and really does demonstrate one of the tangible benefits of our conglomerate model.

Our cost to asset ratio, which is one of the better measures of efficiency, has also improved by approximately 10%, from 1.17% to 1.07%.

I would also like to stress, as I have done in the past, that we tend to have a fairly consistent reinvestment spend from year to year, so we are not achieving that level of efficiency through cutting back or deferring investments in the future.

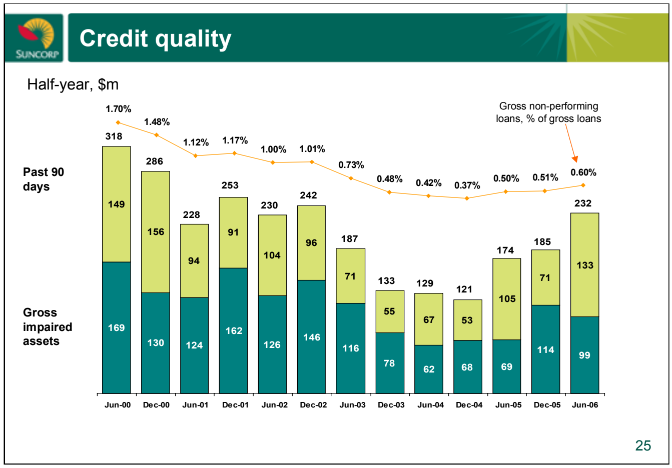


Moving now to credit quality and this slide shows that at June 30 gross impaired assets represented just 0.26% of gross loans, advances and other receivables, further underlining the strength of credit quality across our book.

You will recall we reported a slight uplift in gross impaired assets at the first half, largely caused by a small number of development projects in New South Wales migrating into the non performing category.

Gross impaired assets originating from the Construction and Development sector continue to be the main contributor to total gross impaired assets at $41 million, down slightly on December 05.

But I would like to stress that, in absolute terms, this is a very low number and represents just 1.2% of total loans in that sector and should not be construed as a problem.



Now, to past 90 days due loans.

…and you can see that there has been an increase to $133m in that category.

This has largely been caused by a small number of large, secured business loans, originating from New South Wales and Victoria, entering this category during the fourth quarter.

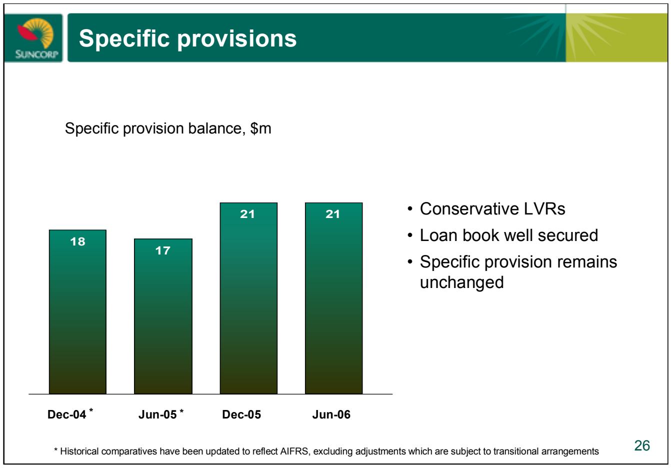
I again point out that we don't see this in the context of a widespread deterioration in credit quality. Indeed, as I said at the half year presentation, it was clear that the NPL levels which we observed in December 04 were at an unsustainably low level and that a trend upwards was inevitable.

In our view, the most likely scenario is that while NPL's may still trend upward from what are still very low levels, this does not necessarily mean that they will ultimately revert to historic norms based on the last 30 years of data.

There are a number of reasons why I say that:

The first is that the fundamentals of the Australian economy remain strong.
Secondly, the oversight of the economy by the RBA is undoubtedly much stronger than it was ten years ago, which has reduced the potential amplitude of the interest rate cycle.
Thirdly, the balance sheets of Corporate Australia are much less geared, than say, 15 years ago.
And, finally, the risk management techniques of financial institutions are much more sophisticated today than they were in the past.

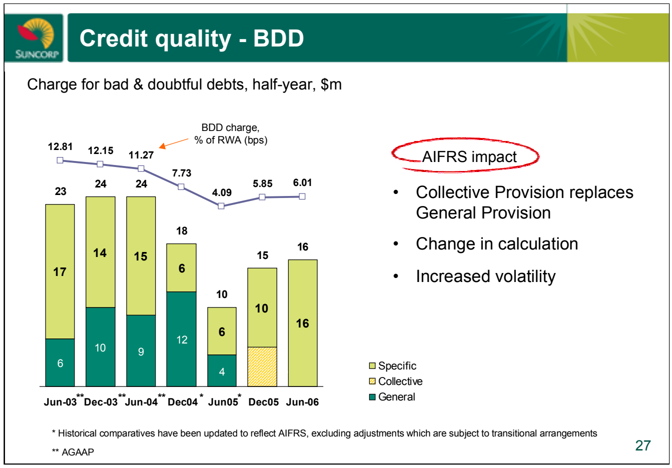
Therefore, in this area, the past may not be the best precursor of the future!



As we have said previously, a relatively high proportion of the company's loan book is secured by hard assets such as property, with conservative LVRs.

Therefore, we have a lower propensity for NPLs resulting in actual losses than some of our competitors with larger unsecured exposures.

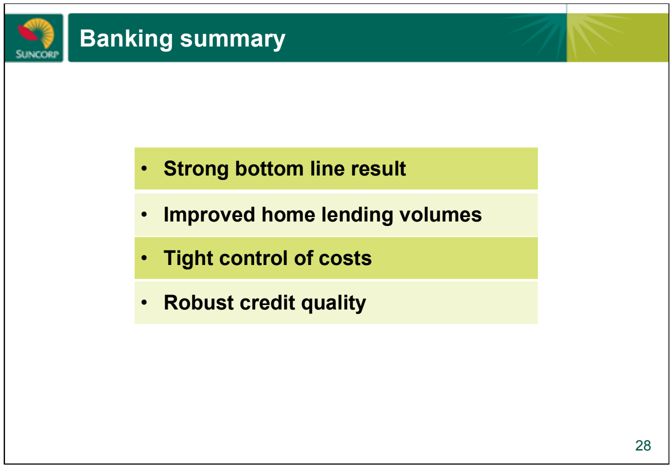
This is reflected in the fact that the specific provision of $21 million at June 2006, remains unchanged from December 05, and represents a very modest 8 basis points of risk weighted assets.



The charge for bad and doubtful debts of $31 million for the full year was up slightly from $28 million in the prior year.

Expressed as a percentage of risk weighted assets, the charge for bad and doubtful debts equates to just 6 basis points, further highlighting underlying credit quality of the book and the high levels of security held.

And finally, total provisions of $124 million represent 46 basis points of risk weighted assets and is equivalent at the current run rate to four years of write offs, which is a very robust coverage ratio.



So, that’s the Bank story:

A strong bottom line result with…

- a very solid total revenue outcome
- improving momentum in volumes in the last quarter
- tight control of costs whilst re-investing in the future, and
- continuing robust credit quality

General Insurance profit

Full-year, $m

	Jun 05*	Jun 06	Δ%
Gross Written Premium	**2,542**	**2,611**	+ 2.7
Net Earned Premium	2,420	2,456	+ 1.5
Net Incurred Claims	(1,710)	(1,709)	(0.1)
Operating Expenses	(521)	(583)	+ 11.9
Investment Income – Technical Provisions	244	310	27.0
Insurance Trading Result	**433**	**474**	**+ 9.5**
Other Insurance Income	53	51	(3.8)
Investment Income – Shareholder Funds	200	203	+1.5
Contribution before tax & GIO funding	**686**	**728**	**+ 6.1**
Subordinated Debt Expense	(26)	(37)	+ 42.3
Contribution before tax	**660**	**691**	**+ 4.7**

* Historical comparatives have been updated to reflect AIFRS, excluding adjustments which are subject to transitional arrangements

Excluding discount rate adjustment

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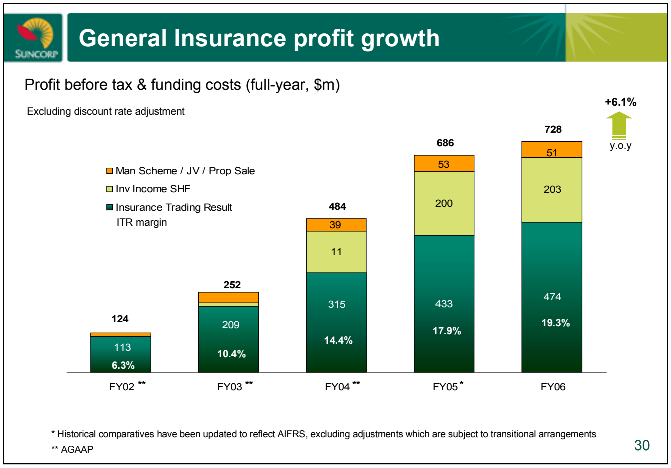
Turning now to General Insurance

The strong profitability of this business continues to be a feature with a profit before tax contribution of $691 million for the full year.

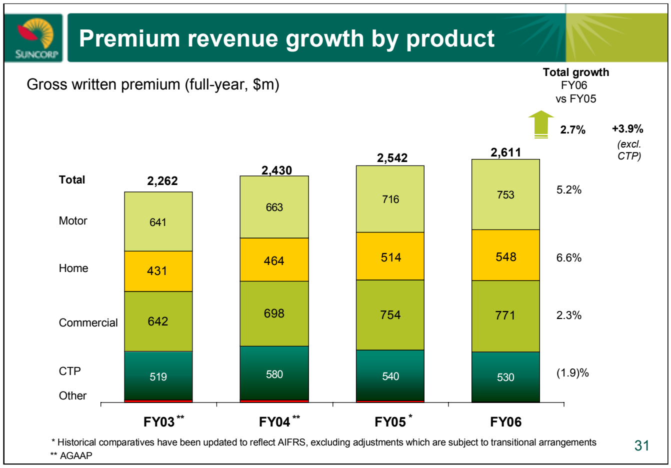
The key P& L drivers are:

- GWP growth of 2.7% driven by a combination of risks in force growth offset by declining premium rates in CTP and commercial lines;
- Conservative provisioning combined with continuing favourable claims experience in long tail classes enabling appropriate releases to the P&L.
- Cyclone Larry costs of $80 million net of reinsurance, and
- An improved short tail result in the second half, excluding Cyclone Larry.



All of this comes together in a full year ITR of $474 million, which equates to a record trading margin of 19.3% on NEP.

Beyond the ITR, the other major contributors to profit were investment income on shareholder funds at $203 million and managed scheme income and JV contributions which together contributed $51 million for the year.



Looking now at premium.

Total GWP increased by 2.7% to $2.6 billion for the full year.

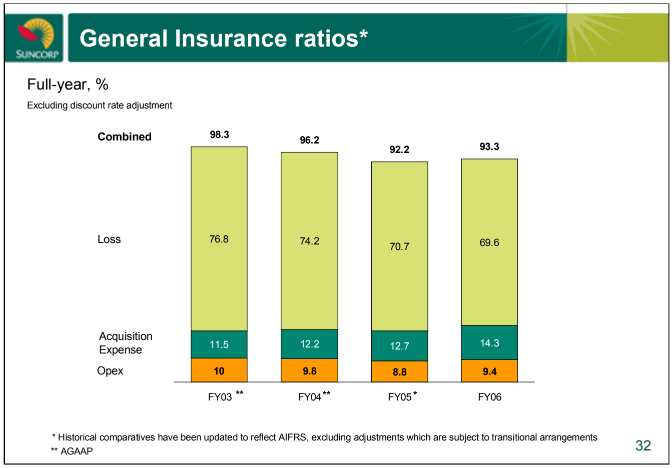
On this slide you can see the breakdown of GWP by product and I would make the following observations:
The first is that in **CTP**, you can see that GWP has reduced by 1.9% overall as consumers continue to benefit from premium reductions -- with average premium rates in Queensland and NSW declining by 3% over the year. This is entirely appropriate and a consequence of legislative changes limiting the frequency and extent of damages payouts. The key point to make here is that while premiums are coming down, we continue to have good RIF growth, meaning we have largely maintained our market share in Queensland (at 52%) and grown in NSW (8%) despite concerted efforts by our competitors to gain customers, particularly in our home state.

Excluding CTP, GWP growth was 3.9% for the full year.

In **commercial** lines, GWP grew by 2.3% to $771 million for the full year, which in the current environment should be seen as a very good result. We continue to maintain our technical pricing while our relative underexposure to the top end of the commercial insurance market has continued to protect us to some extent from some of the more extreme discounting. Offsetting softness in commercial property classes has been some premium growth in workers compensation, with higher in force wages, particularly on renewal business.

Moving to **Home** and you can see that this portfolio continues to grow strongly, up 6.6% with a combination of RIF growth and modest premium increases. A key point to bring out here is that the Home portfolio continues to benefit from the cross-sell opportunity that exists as customers originate a mortgage through our Retail Bank.

And finally to **Motor**, where you will recall in May we flagged a significant increase in price-led competition. Although growth for the year was robust at 5.2%, there was a drop off in the second half. Again, as in the Bank, you will see us respond to this in a disciplined way, taking into account price, risk and the need to grow the portfolio profitably.

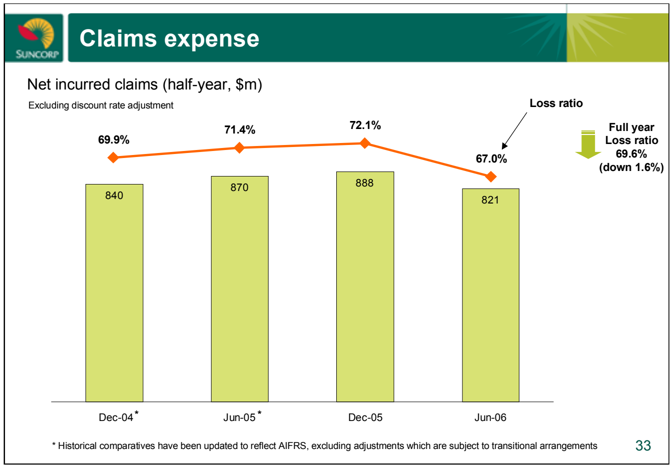


Turning now to our main insurance ratios and as usual these figures are presented before the impact of discount rate adjustments.

Firstly, looking at expenses, our total expense ratio for the full year increased to 23.7% due to growth in total operating expenses. The majority of this uplift occurred in acquisition costs, with the acquisition expense ratio increasing to 14.3%.

The increase above volume and inflation growth relates to lower deferral of acquisition costs, increased marketing and the AIFRS liability adequacy adjustment.

Importantly, growth in costs is directly linked to business growth rather than overheads.

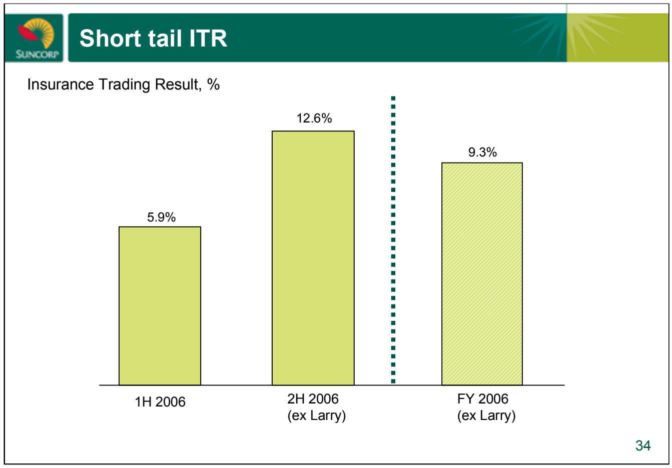


Turning now to claims expense -- again before the impact of discount rate movements.

Net incurred claims for the full year to June 30 were on par with the prior year. This, combined with a 1.5% lift in NEP resulted in a 1.6% improvement in the loss ratio to 69.6% for the full year.

As I have pointed out previously there are a number of dynamics at work when we discuss the claims expense line.

Perhaps the best way of considering this is to split the book along short tail and long tail lines given that the claims experience of the former emerges very quickly whereas on the long tail side it takes an average of 5 years.



So to **short tail** first and storm activity had a significant impact, most particularly in the second half, due to Cyclone Larry which cost $80 million net of re-insurance recoveries.

Excluding Cyclone Larry, storm costs for the second half totalled $34 million, down on $68 million in the first half and, Larry aside, storm costs for the year were more in line with longer term expectations.

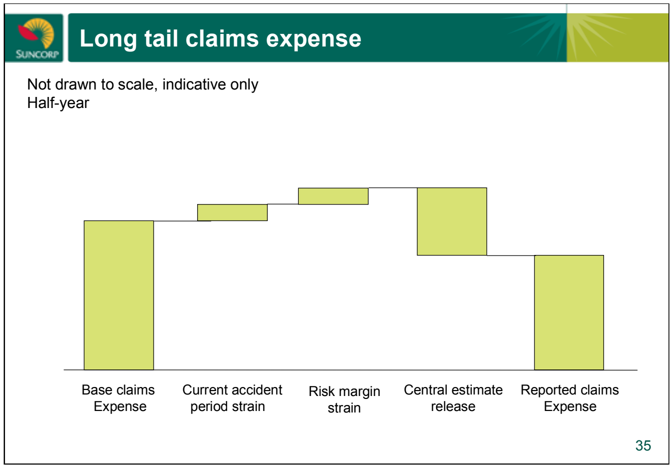
Underlying claims experience in Home was generally favourable across new and renewal business, and we expect Motor and Home to improve as the benefits of the claims cost reduction program begin flowing through more substantially in 06/07.

As we have previously flagged to the market, we remain confident that our end to end focus on the supply chain will provide material benefits to the P&L with the full impact being felt in the 07/08 financial year.

Commercial lines working losses reverted to a more longer term trend line from last year's unusually favourable experience, and generally, commercial large losses were higher than expected.

So rolling up the short tail story and you can see that our full year ITR, excluding Cyclone Larry, is 9.3%. The second half ITR was much stronger than the first, at 12.6%, excluding Larry. However, the somewhat lumpy nature of larger claims and other volatile aspects of claims expense, such as unpredictable weather patterns, means the ITR for the year as a whole will always be a better measure of underlying performance than any discreet six month period.

Therefore, we would caution against interpreting our second half ITR to be sustainable over the longer term. Over the medium term we continue to target a short tail ITR in the 8% to 10% range.



Let me now address claims expense in **long tail** classes which is also the most challenging part of the presentation. First, we continue to see favourable trends in underlying claims frequency and settlement experience with little evidence of superimposed inflation, and these positive trends have flowed through to valuations and resulted in prior year central estimate releases in the second half of $223 million -- bringing full year releases to $337 million.

I have previously noted that the reported claims expense is also influenced by what we call **current accident period strain**, or new business strain. Put simply, this is the difference between the pricing of premiums and the valuation basis adopted in the financial statements.
Some of you may ask why there is a difference.

Well, simply put, the valuation actuaries generally want to see evidence of a sustained trend, rather than just relying upon the most recent data, before changing valuation parameters. Therefore, valuation movements tend to lag actual experience.
Whereas pricing on the other hand is much more forward looking and much more reliance is put on most recent data. Therefore, in an environment of improving claims experience, as we are clearly in today, the valuation basis is usually more conservative than the pricing basis and the difference can be quite material.

In our case, for the full year to June, this current accident period strain, on a net central estimate basis was $80 million, of which $41 million was in the second half.

In addition, the provision for outstanding claims in the financial statements contains a risk margin on top of the central estimate. As risk margins are not allowed for in pricing, profits on current year new business is also being deferred by the risk margin relating to that business. Offsetting this is the risk margin released from claims settled during the year and provision releases. The combination of these three elements is called the net risk margin strain, which was $53 million for the full year, of which $36 million was in the second half.

So we come to the two questions on your mind – how do we assess the value of the current year's performance for the general insurance business as a whole, and how long can we expect the non-structural components of these releases to last?
Given the understandable focus this received at the half year, and to assist you with the first question, we have provided additional information and commentary in the results document around what is a very complex matter.

ITR adjustment

	$m	$m
Insurance Trading Result		474
Releases at central estimate	(337)	
Add back superimposed inflation (assumed to be sustainable)	82	(255)
		219
Add strains on current year profits		
Net risk margin strain	53	
Current accident period strain	80	133
ITR excluding strains		352
Add back Cyclone Larry		80
ITR excluding strains, Cyclone Larry and superimposed inflation		432

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I emphasise that this is not a process of us attempting to normalise our profits. Rather it is an attempt to assist your understanding of the impact of the material components of the long tail claims expense that I have just referred to.

In this slide, we start with our reported Insurance Trading Result of $474 million which is a margin of 19.3%.

We obviously recognise the effect of Legislative changes on claims experience and the finite nature of that profit stream. So the first adjustment is one that many make, that is to reverse the releases from the result.

The question then is how much of these releases are sustainable as opposed to structural. Again, the answer is not simple but I have pointed out in the past that to the extent that superimposed inflation that is assumed in the pricing and valuation models does not actually occur, it will contribute around $80 million per annum to the ITR.

That has been the case this year and, equally, we see no evidence of it breaking out in the medium term. Consequently on the slide we have added back $82 million of the release as being sustainable.

Moving down the table and as I noted on the previous slide, there are strains on our reported results from the new business written in the current accident period and net movements in risk margins. These, in effect, represent the deferral of profits to future years. When assessing the value created this year, the current accident period strain and net risk margin strain should be taken into account.

There is also a clear correlation to the size of releases as clearly the bigger the deferral in the first place, the bigger the expected future release.

ITR adjustment

	$m	$m
Insurance Trading Result		474
Releases at central estimate	(337)	
Add back superimposed inflation (assumed to be sustainable)	82	(255)
		219
Add strains on current year profits		
Net risk margin strain	53	
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ITR excluding strains		352
Add back Cyclone Larry		80
ITR excluding strains, Cyclone Larry and superimposed inflation		432

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And finally, we exclude the impacts of Cyclone Larry on the short tail business.

Again I emphasise that this is not providing you with a comprehensive template to normalise our results. It is merely detailing some of the key components of the ITR and how they interact.

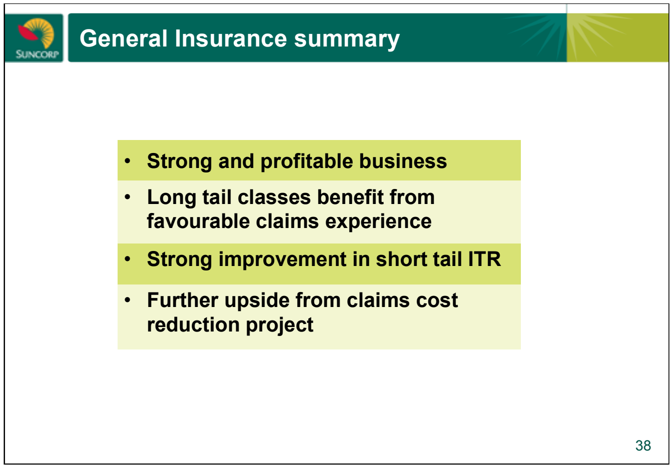
The above analysis also assumes we retain the present level of confidence in the provisions for claims. We presently hold a risk margin with a level of sufficiency of approximately 94%. Our target level of sufficiency is approximately 90%. As I have stated in the past, when we have sufficient actual claims experience to reduce the uncertainties regarding the extent and sustainability of the tort reform benefits, we will likely release the risk margins in excess of that target. The dollar impact would be approximately $170 million.

This leads me to the second question - How long can we expect the non-structural components of these releases to last?

As I have just explained, valuations are currently lagging most recent experience. Therefore, assuming that experience holds and doesn't deteriorate, there will be further releases as the two bases move closer. The ultimate size of future releases is also dependant on whether there is any further improvement in claims size or frequency and if so, how much. The simple and truthful answer to that question is: we don't know.

But, the best way to consider the sustainability question is at the ITR line, and our expectation is that, assuming no major weather events, we believe we can achieve an ITR above our long term 11 - 14% range for at least the next two years.

Indeed, in our outlook statement we anticipate, based on further material releases, although not necessarily at the same level as the current year, that full year ITR for both fiscal 07 and fiscal 08 to be in the range of 16% - 19%.



So, in summary for GI, we have:

- a strong and profitable business
- benefiting from conservative provisioning and favourable claims experiences in long tail classes
- a strong improvement in the ITR in short tail for the second half despite increasing competition
- and further upside benefits from claims management efficiencies.

Wealth Management profit

Reconciliation of underlying profit to contribution to profit before tax
Full-year, $m

	Jun 05*	Jun 06	△%
Contribution to profit before tax	98	81	(17.3)
Less investment earnings:			
Life Company	(29)	(23)	(20.7)
Funds Management	(6)	(6)	-
	(35)	(29)	(17.1)
One-off items	(17)	2	(111.8)
	(52)	(27)	(48.1)
Underlying profit before tax	**46**	**54**	**+ 17.4**

* Estimated unaudited comparatives, fully restated under AIFRS

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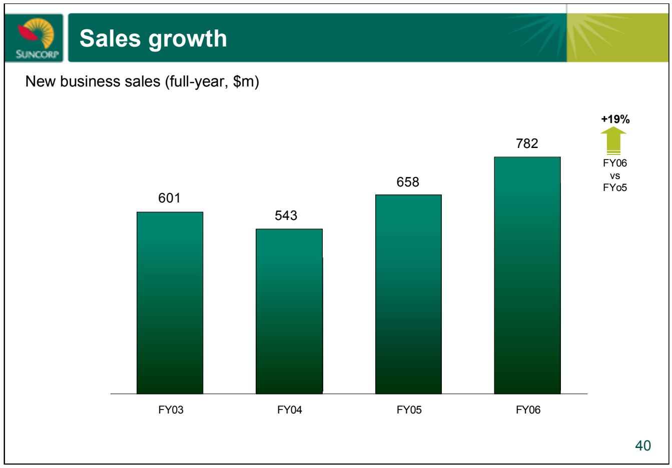
Turning now to Wealth Management,
If we look at underlying profit, which excludes one-off items and investment income on shareholder funds, and gives is a better measure of core performance,
then profit for the period was $54 million.

In order to show a true like-on-like position we have estimated the full AIFRS impact in terms of prior year comparatives.

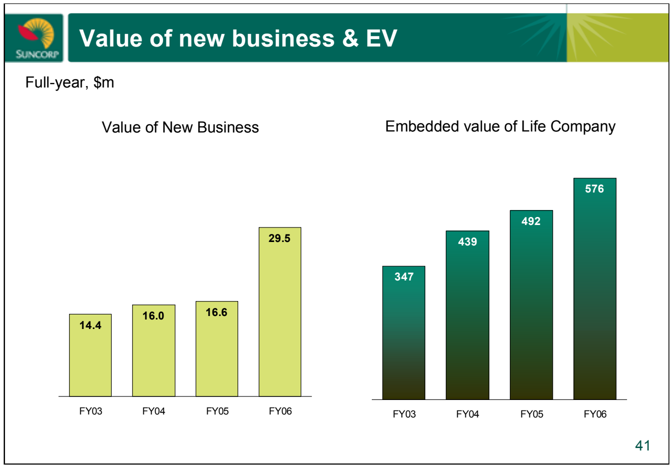
After restating prior years, the underlying profit of $54 million is up 17.4% from $46m for the year to June 05.
This increase was driven by higher planned profit, improved experience profit and increased fee revenue.



New business sales were up strongly by 18.8%,
to $782 million for the year,
largely driven by strong Suncorp branded super and investment product sales.

Collectively, sales of these products grew 26% to $734 million.

The momentum was supported by continued positive sentiment in the equity markets, as well as the abolition of the superannuation surcharge.



On the **left** of this slide you can see the strong improvement in the value of new business, which was up 78% to $29.5 million, compared to the prior June.

This was mainly due to increased volume of higher margin Suncorp product sales,
improved retention levels and movement to a risk free discount rate for risk and annuity business under AIFRS.

The chart on the **right** shows the Embedded value of the Life Company
which increased by 17% to $576 million for the year to June 2006.
This is mainly due to an increase in embedded value of the Statutory Funds arising from strong investment performance, good retention and increased future investment earnings assumptions.

Agenda

- Introduction & Overview - CEO John Mulcahy
- Divisional performance - CFO Chris Skilton
  – Banking
  – General Insurance
  – Wealth Management
- Capital Management - CFO Chris Skilton
- Strategy update and summary - CEO John Mulcahy
- Outlook - CEO John Mulcahy
- Questions

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Let me now turn to capital.

Capital position

Half-year

	30 Jun 2005*	31 Dec 2005	30 Jun 2006	1 July 06 Adjusted	Target	Surplus $m
General Insurance MCR coverage	1.88x	1.69x	1.79x	1.79x	1.6x	
Bank Capital Adequacy ratio	11.51%	10.79%	12.31%	11.90%	10%-10.5%	373
Bank ACE	6.85%	5.44%	6.07%	5.59%	4.5%-5%	155
Franking credits						366

Strong regulatory capital position means ACE remains the critical factor in short/medium term capital planning.

* Historical comparatives have been updated to reflect AIFRS, excluding adjustments which are subject to transitional arrangements

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And you can see from this slide that our capital position at 30 June remains very healthy, with all our key ratios within, or above, their respective target ranges
and above regulatory minimums.

In the bank, the capital adequacy ratio is at 12.31%, and ACE at 6.07%.
The General Insurance MCR is at 1.79 times coverage
and we maintain strong capital reserves in the Life Company.

Obviously the fall from June 05 is as a result of the payment of the special dividend of 75 cents to shareholders in October 2005.

However, as you are well aware our capital position, will be further affected by changes initiated by APRA which took effect on 1 July 2006.

APRA adoption of AIFRS

Effective 1 July 2006

Treatment	Impact on CAR
Part eligibility of Collective Provision for inclusion in "General Reserve for Credit Losses"	- 29 bps
Software assets (intangible asset) deducted from Tier 1 capital	- 24 bps
Other impacts	+ 12 bps
Expected total impact	41 bps drop in Bank CAR at 1 July 2006

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These changes primarily revolve around a move by APRA to adopt IFRS based capital reporting for the Bank from 1 July 06, where the treatment of some balance sheet items will have an impact on our regulatory capital position.

Firstly - APRA has required a change in treatment of the **Collective Provision**, which will result in only part of the collective provision being eligible for inclusion in APRA's "General Reserve for Credit Losses". This has an impact of 29 basis points.

Secondly, the Group's **Software Assets**, which under IFRS were reclassified as Intangible assets, will be required to be deducted from Tier 1 Capital from 1 July 06.
This will negatively impact our CAR by 24 basis points.

There will also be some **other impacts**, which I wont go through in detail but which in aggregate resulted in a 12 basis point increase in the CAR.

Capital position

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Strong regulatory capital position means ACE remains the critical factor in short/medium term capital planning.

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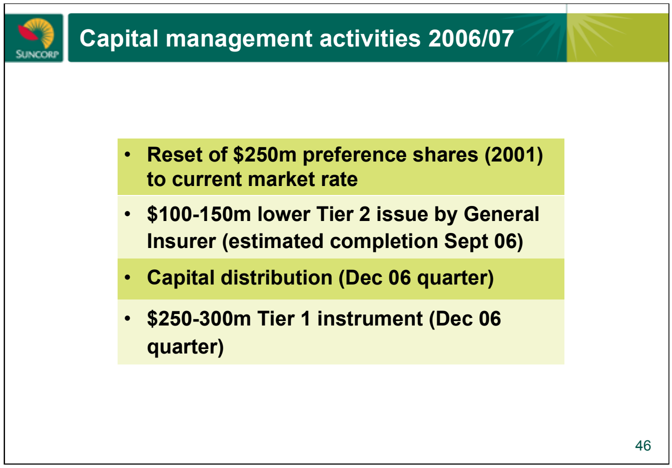
So putting that all together, the net impact of these regulatory changes will result in a 41 basis point drop in our Capital Adequacy ratio at 1 July 2006. Even so, the CAR and ACE ratio will still remain well above our minimum targets.



Moving now to the capital program for the 2006/07 year and as you know the limiter for a capital return is the ACE ratio, which currently stands at $155 million above the 5% top end of our target range.

Our intention to exchange our reset preference shares with ordinary shares (which we have already announced) will have the effect of creating another $105 million in ACE.

It is also our intention to raise sub-debt in the Bank and insurer, thereby allowing the insurer to pay a special dividend to the Bank, creating a further $100 million in ACE.

This puts us in a strong position to initiate a capital distribution in the December quarter and our preferred approach is for this to occur through a buy-back.

To support this transaction and in order to fund future growth, we propose to issue a $250 - $300 million hybrid instrument, also during the December quarter.

In order to meet this timetable we will be making a more formal announcement within the next two months.

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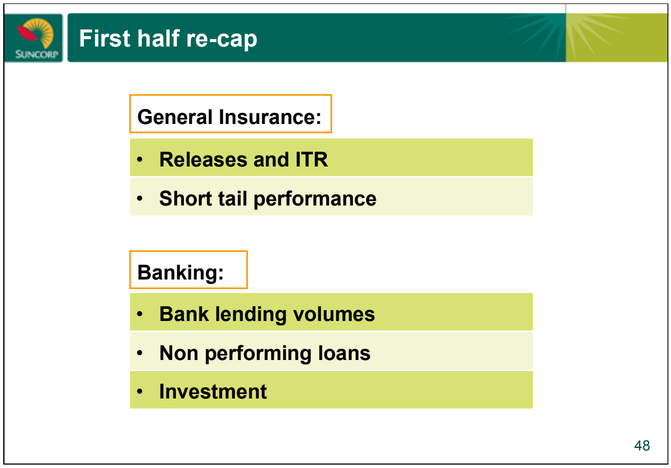
Before I move on to strategy and outlook,
I’d briefly like to re-cap and cover off the issues raised by the market at our interim result in February.



At the half, market commentators highlighted some specific areas in our performance that I trust we have addressed today.

I hope that the level of disclosure that Chris has provided around the various moving parts in the long tail business has gone some of the way to providing you with confidence about the underlying strength of our general insurance business.

In short tail classes, which were also a concern at the half, you have see that the ITR has improved to 12.6% in the second half, excluding of course the impacts of Cyclone Larry.

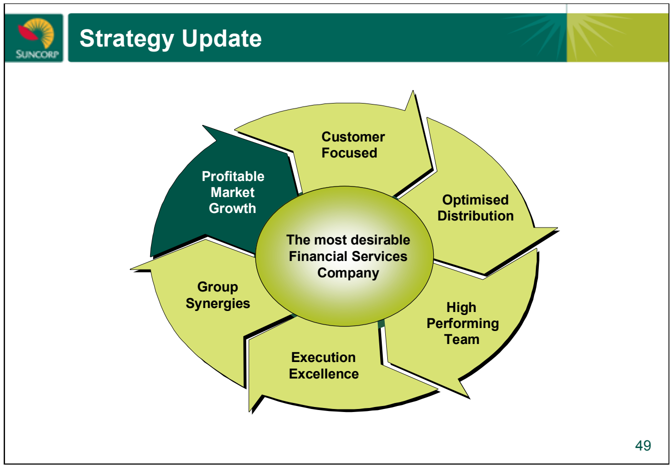
In Banking, we have clearly responded to concerns about growth, with volumes growing through the second half and showing good momentum into the new financial year.

While past 90 day loans have increased, Chris has been able to demonstrate that our credit quality remains sound and that this movement does not point to any widespread deterioration.

In the past, we have also been questioned about appropriate investment in our banking franchise.

As Chris mentioned, we take a very deliberate and disciplined approach to our investment and thus avoid dramatic peaks and troughs.
Over the past twelve months we have invested significantly in a number of areas including training, technology, product development, branch optimisation and improvements in our Internet banking capabilities.

At the Group level we continue to invest in our workplace change and desktop programs. While there has been moderate cost growth in the second half it continues to be well managed.

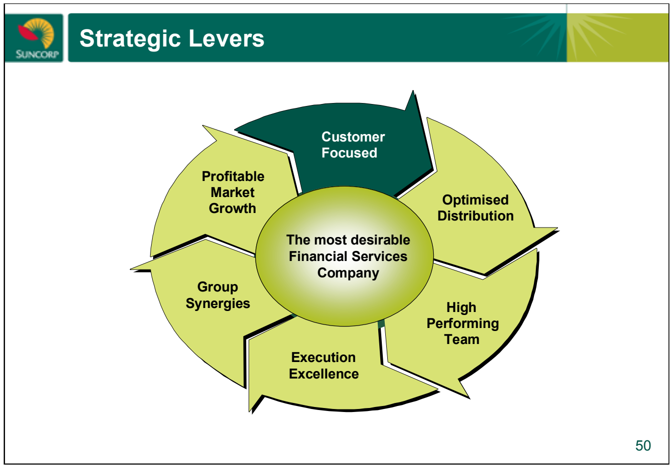


Turning now to Suncorp's strategy….

At the outset, I would point out that Suncorp's strategy is about much more than cross sell.

Cross sell certainly comprises *one* component of our strategy but I'd like to take a moment to remind you of our six strategic levers and talk about the progress Suncorp has made over the past year.

As I stated earlier, delivering *profitable* market growth remains a corner stone of our strategy.



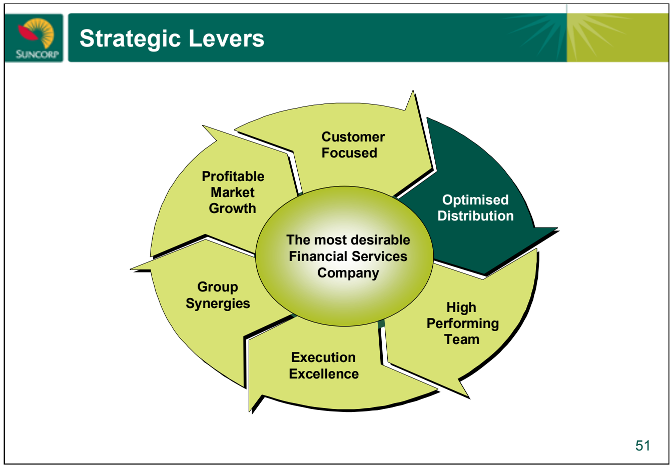
Customer focus - that's service AND solutions, remains critical for Suncorp.

We have invested heavily in customer based design training and customer service programs, especially in our Retail network - and are seeing benefits. We continue to maintain a gap, in terms of customer satisfaction, over the majors, but we can't be complacent for a minute.

Improving customer service remains a key priority right across our business.

As is the design of effective customer solutions - based on Suncorp's unique insights into their needs, together with targeted, integrated product offerings - *not* untargeted cross sell.

Our customer focus will continue to differentiate Suncorp in an increasingly crowded market.

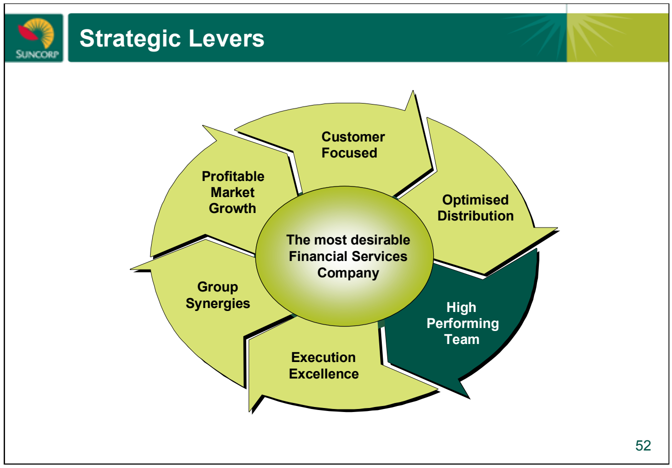


We have already touched on our distribution channels, and the dynamic manner in which we drive growth through direct and indirect.

In addition to this, we continue to build our network of ATMs ensuring we are available where our customers want to do business with us. We continue to expand and improve our Internet Banking facilities with Suncorp's Internet banking customers growing by 19% over the last financial year while Internet transactions volumes have grown by 48%.

A primary area of focus in 2006/07 will be improving our call centres. This includes reducing call wait times and call transfers. Embedding the inFocus sales and service culture in GI will be critical to this.

Finally, we continue to derive value from our LJ Hooker franchise, with new home loan sales via this channel growing by 67% over the year.



We have put in place a number of initiatives focused on developing **high performing teams**.

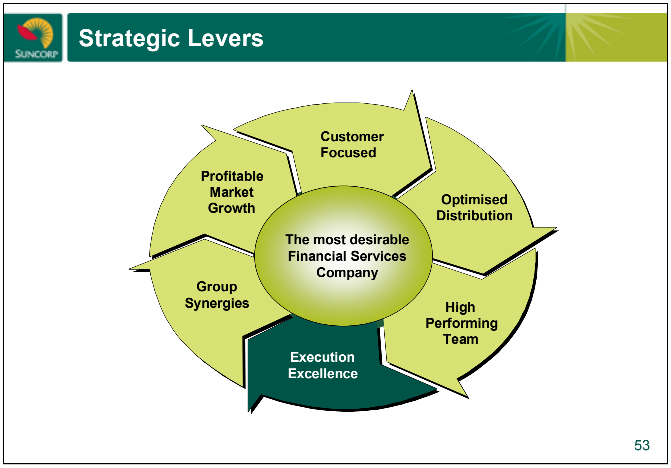
In a tighter labour market, we're focusing on "growing our own" with training and development programs, and more flexible working arrangements designed to attract older workers and part-time workers back to the workplace.

In May this year, we restructured our senior executive team, and they're here in the audience today. The restructure ensures we are better aligned for growth
and that we capture all the synergies available from like business areas or customer bases.

Since introducing the Gallup survey to Suncorp in 2002,
we have seen almost a 20% improvement in our employee engagement score.

In 2006, our Retail banking area reached the 80th percentile, largely due to our focus on, and investment in, people initiatives.

We are now in the process of leveraging our people strategy from Retail
into our General Insurance business.



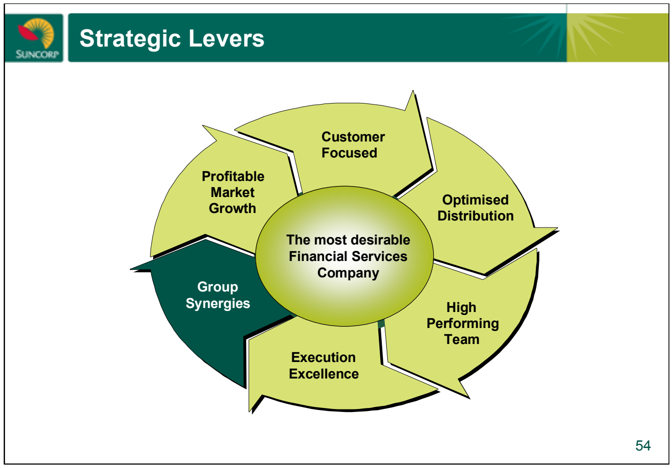
We continue to streamline our processes and systems to achieve **execution excellence**.

An example of this is the common methodologies used across the entire Group in our strategic planning and initiative tracking.

We have streamlined and centralised our sourcing and procurement and other central services which has allowed us to be more efficient and provide better service to our *internal* customers.

And we have continued the roll out of our Workplace Change and desktop programs designed to provide stimulating and collaborative workspaces for our people,
as well as the technology for them to do their jobs as productively as possible.

Earlier this year, we completed the upgrade of our Pitt Street business centre in Sydney.
In 2006 we expect to take up residence in the new Brisbane Square Building as well as Suncorp Place in George Street, Sydney which will prominently showcase the Suncorp brand in the CBD and help foster a collaborative culture across the organisation.



Finally, we continue to derive value from group synergies - both cost and revenue.

As we have already discussed, our group efficiency ratio is a very competitive 26.2% for the full year. We continue to take a disciplined approach to investment and cost containment - carefully prioritising to ensure maximum returns.

On the revenue synergy side - it is now standard practice to provide bundled solutions such as home insurance with mortgages, car insurance with car loans and consumer credit insurance with personal loans.

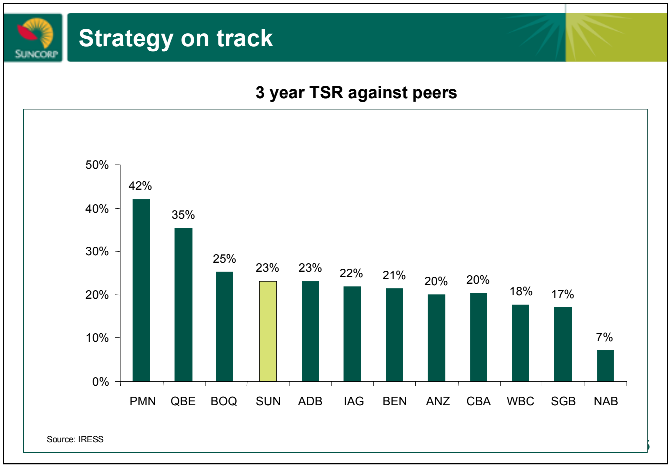
With our full ownership position, this can be done seamlessly in one place, by one staff member. During the year, we achieved an increase in products per customer of over 9% from our X-fire intermediary customer pilot.

Our sales of Business Banking products into the GIO commercial customer base exceeded expectations, creating a significant pipeline, and that pilot has now moved into market.

The GI/Retail call centre pilot was achieving good conversion rates before it was halted temporarily to allow us to respond appropriately to our customers affected by Cyclone Larry. This pilot has just re-started and is again showing positive early signs.

Over the next year, we will use our customer based design principles and our enhanced customer insights to prototype other models to provide more targeted solutions for specific customer segments.

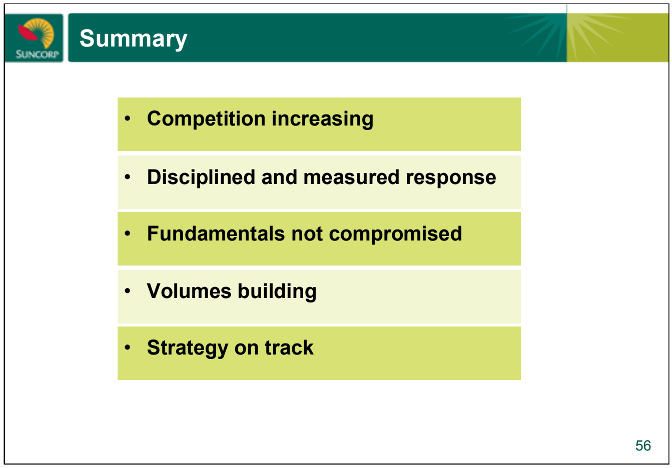
So, while cross sell is an important component of our strategy, it is but **one** component. Fundamental to our strategy is the operation of three strong lines of business, and continued profitable market growth.
Overall, we continue to make good progress against each of our key strategic levers.



The strength of our strategy can be demonstrated by reference to our performance against our peers since its inception.

As you can see by this chart, we have outperformed many of our competitors in terms of TSR over the last three years.

So, we maintain that our strategy is firmly on track and serving the organisation very well.



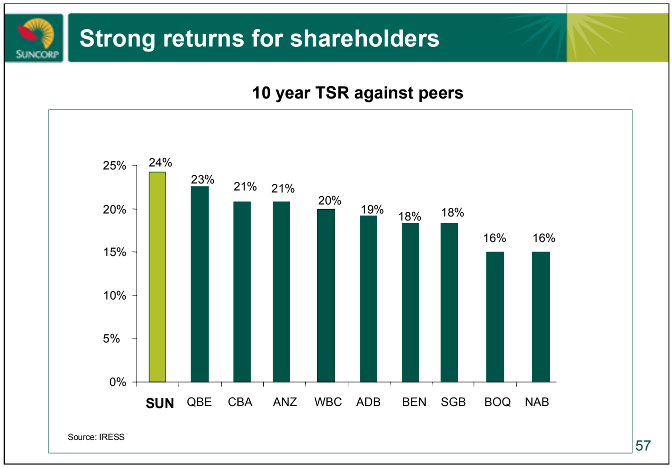
Just to summarise….

Suncorp has delivered a strong result in a highly competitive environment.

We have taken a disciplined and measured approach - focusing on profitable growth and not compromising the fundamentals.

Where we faced challenges, we have responded appropriately and continue on our positive trajectory.

Our strategy is on track and serving us well.



This year marks the 10th anniversary of the merger of Suncorp, QIDC and Metway Bank.

Over that period, Suncorp has had a record of delivering strong returns to its shareholders.

And we have everything in place to continue to do so over the next 10 years
and beyond.

Agenda

- Introduction & Overview - CEO John Mulcahy
- Divisional performance - CFO Chris Skilton
  - Banking
  - General Insurance
  - Wealth Management
- Capital Management - CFO Chris Skilton
- Strategy update and summary - CEO John Mulcahy
- Outlook
- Questions

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But looking to the more immediate future,
I'd now like to turn to the Outlook…

Outlook

Bank

- Continue balancing price / volume mix
- Cost control
- No trigger for material loan losses
- Grow banking profit by approx. 10%

General Insurance

- Continued CTP premium reduction
- Benefits from claims cost reduction program to continue
- Continued material long tail releases
- ITR of 16-19% for 06/07 and 07/08, ex major weather events

Wealth Management

- Improved sales and customer retention
- Increase of approx. 10% in underlying profit

Group

- Good growth momentum
- Strong operating performance
- Ordinary dividend growth ≥10%

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At the macro level, the economy continues to be sound despite increasing inflationary pressures. While interest rate increases to date have had only a limited effect on credit formation, it is likely that future increases, if there are any, will impact on lending growth, particularly in mortgage lending. We expect that competition will remain strong across all businesses and geographies, as the economy and growth slow.

In **Banking** we will continue to balance the price and volume mix in order to maximise total income, while at the same time keeping costs under tight control.
Assuming no major changes in underlying market conditions we would expect to grow banking profit before tax and bad debts by approximately 10% for the year.
While the level of non-performing loans may trend back towards the norm, from their historic lows of 2004/05, we see nothing on the near term horizon that will trigger a material increase in loan loss expense.

In **General Insurance**, we expect premiums in CTP and other personal injury classes to continue to reduce, with further benefits of tort law reforms to become evident and be passed on to customers. This will have the effect of offsetting modest growth in other areas of the portfolio and result in relatively flat GWP growth for the year.
With respect to claims expense, we continue to target significant claims cost efficiencies in both short and long tail classes through our claims cost reduction project. While we anticipate the potential size of long tail releases will moderate over time as premium prices realign with underlying valuation parameters, we anticipate that they will make a material contribution to the P&L account at least until the end of June 08.
Taking all these factors into account we expect that for the years ending June 2007 and June 2008 our full-year ITR will be in the 16% - 19% range, excluding any major weather event, well above our medium to long term range of 11% - 14%.

In **Wealth Management**
we anticipate continued growth in Funds under Administration through increased sales and strong customer retention. On an underlying basis, which excludes investment returns on shareholder funds, we anticipate achieving profit growth of approximately 10% in the wealth management business.
While we do not expect equity markets will continue to deliver the high returns achieved over the past 3 years, we expect another strong operating performance at the **Group** level that will allow us to achieve ordinary dividend growth of at least 10% for the year.

SUNCORP

Suncorp-Metway Ltd

2006 Annual Results

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