SUNCORP METWAY

GIO Integration update
11 Dec 2001

Briefing Outline

- Introduction (S.Jones)
- GIO Overview (S.Jones)
- Profile of GI Lines of Business (D.Wilkie)
  - Home and Motor
  - Compulsory Third Party (CTP)
  - Workers Compensation
  - Self Insurance Solutions (SIS)
  - SME Commercial
  - Reinsurance and Provisioning
- Solvency and Investment Management - (C. Skilton)
- GI Transformation Program (S.Jones)
- Group Outlook (S.Jones)

Acquisition Status

- **GIO acquisition settled on Sept 28.**
- **JVs proceeding subject to regulatory approval (APRA, Treasury, MAIC)**
- **Integration of GIO and SUN to use the Transformation process applied in SUN's original three way merger.**
- **12,000+ ideas generated, 650+ at final approval stage.**
- **Detailed implementation planning now underway**
- **Main ideas and themes announced to staff**
- **Ideas implemented over 18 months, beginning January**
- **Phase 0 "early wins" worth $36 million, already in place.**

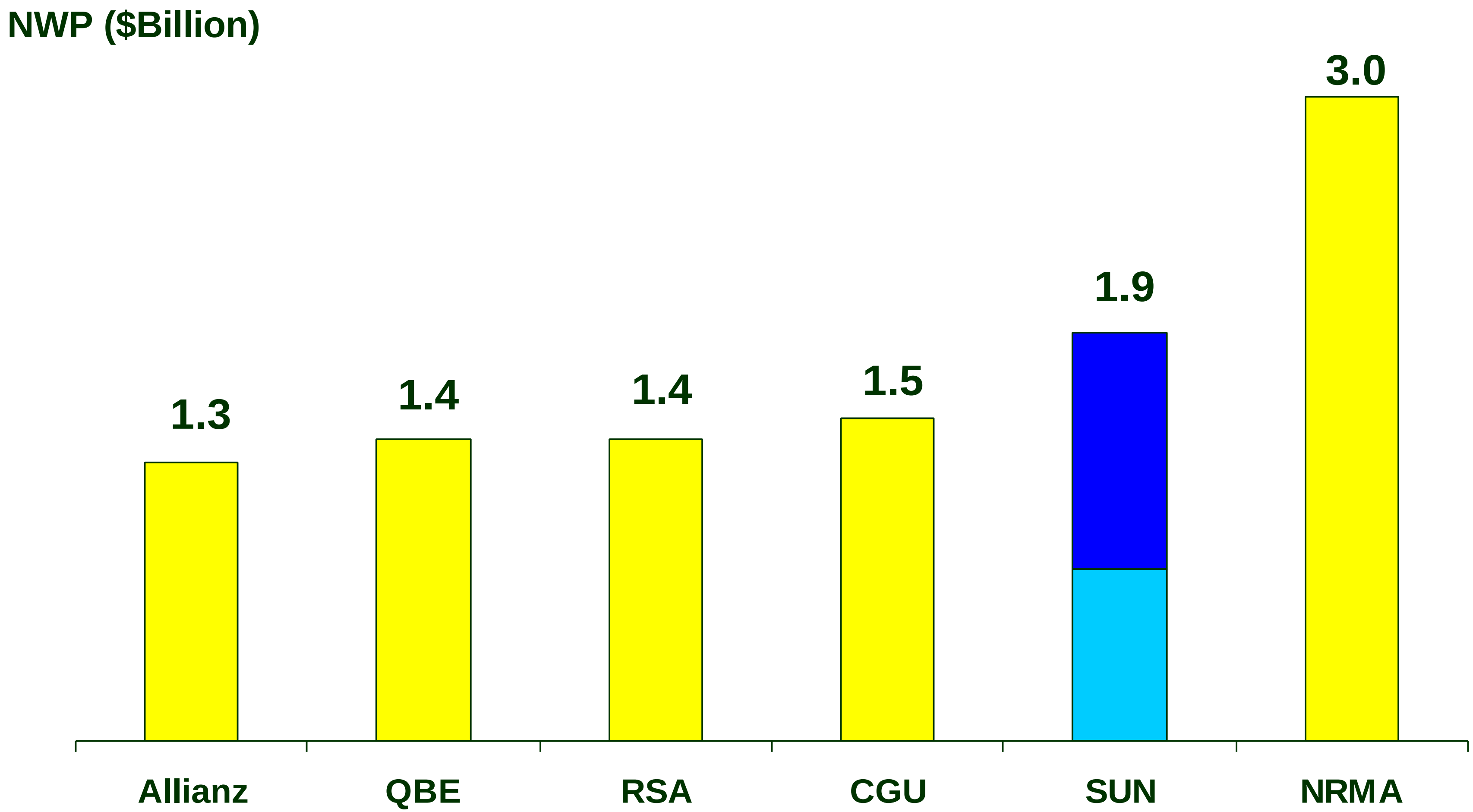
Acquisition Rationale

- **Attractive financial investment**
- **Platform for interstate growth in GI, then Allfinanz**

  - Franchise of 1.4 million customers

  - 38 branches
- **Secures scale and a leading position in consolidating industry**
- **Adds product lines: WC & SIS**
- **Improved industry structure**
- **Diversifies product and geographic risk**

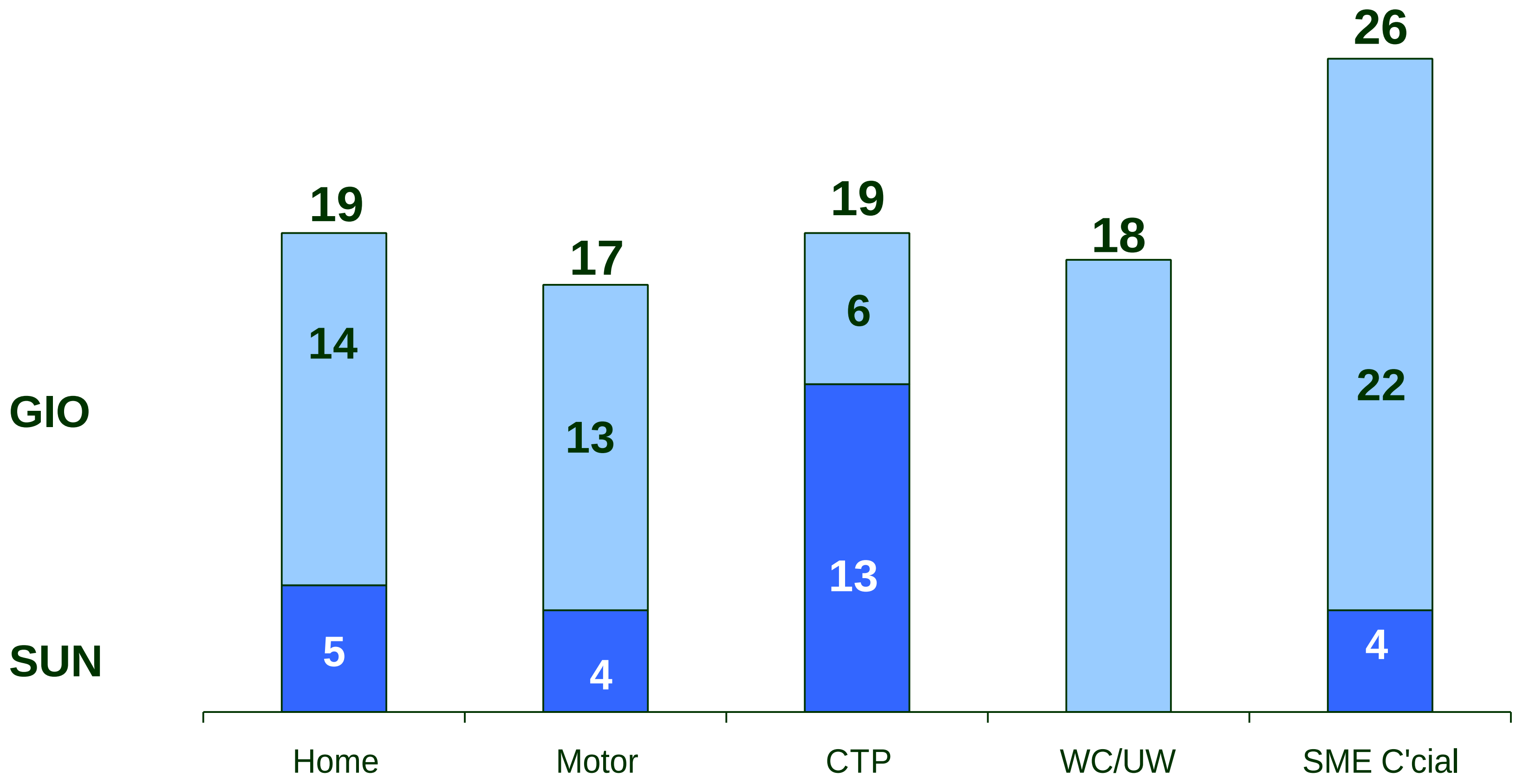
Quantum leap in scale



Source: KPMG, APRA. 2000 figures adjusted for 2001 transactions.
Figures exclude joint venture business.

Major market shares

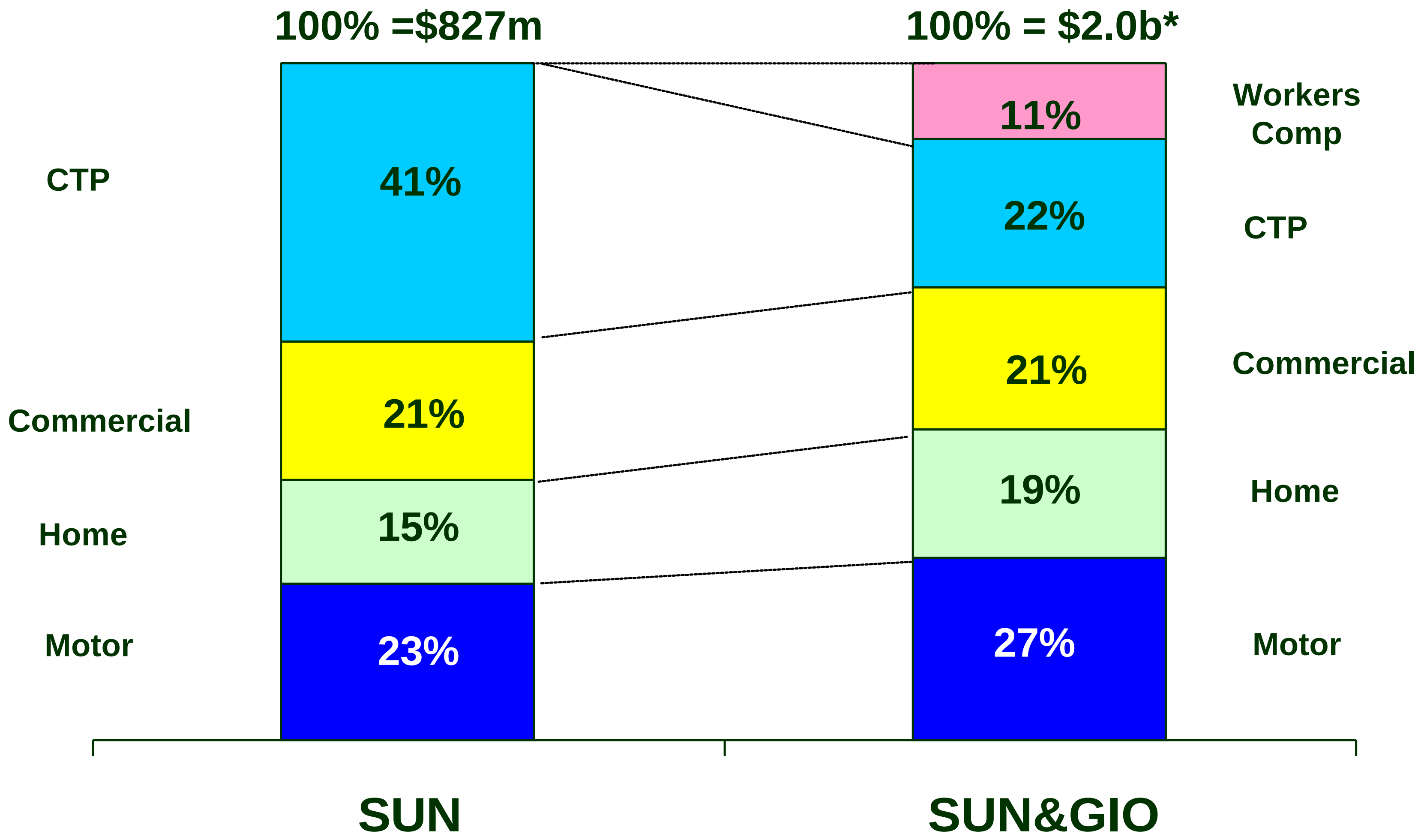
Combined SUN/GIO national market shares %



Source: Roy Morgan, APRA, AMP/GIO, 1999 **Figures exclude JVs**

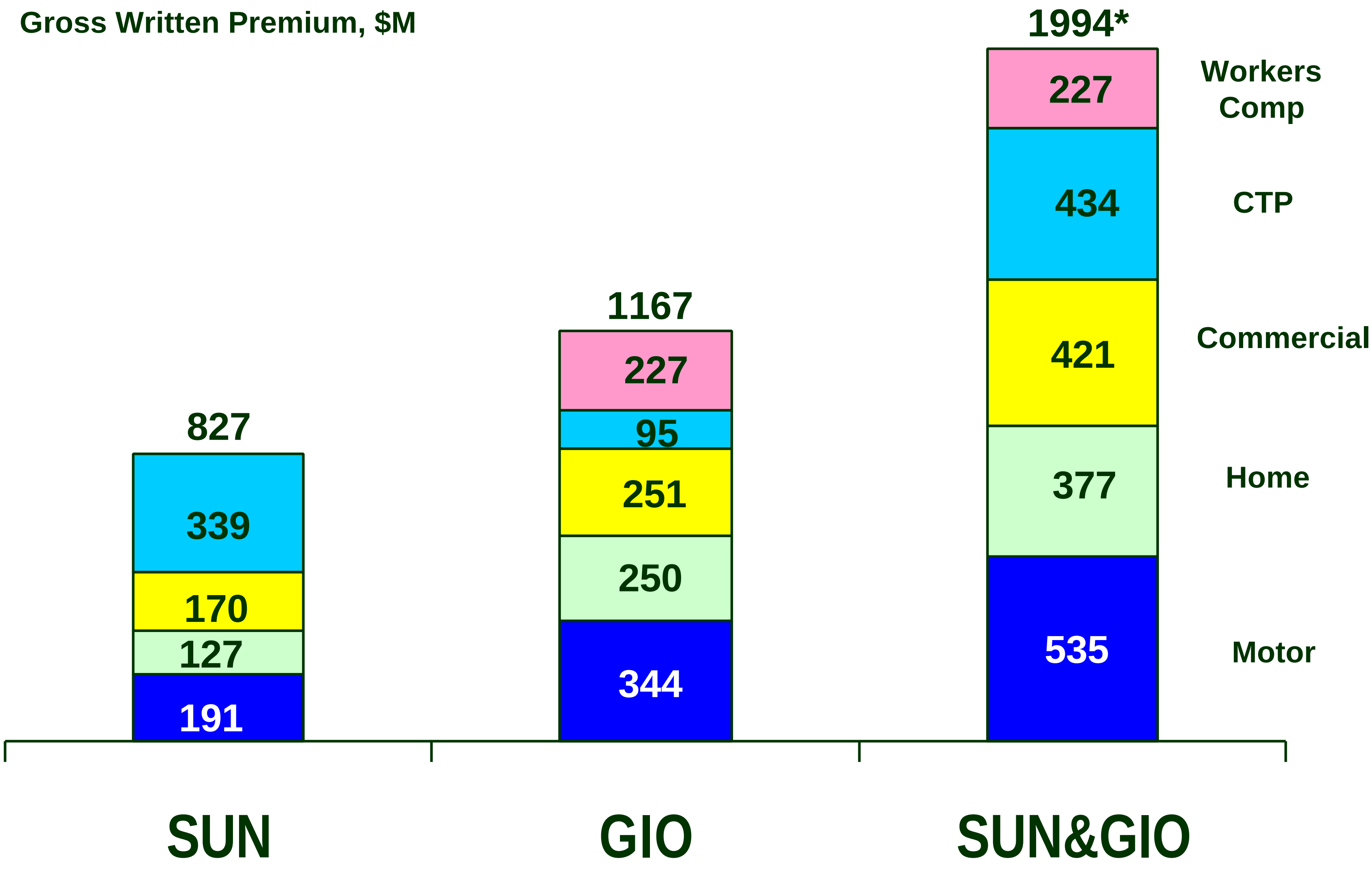
Product Diversification

% of Gross Written Premium



Jun 01 * Excluding JVs

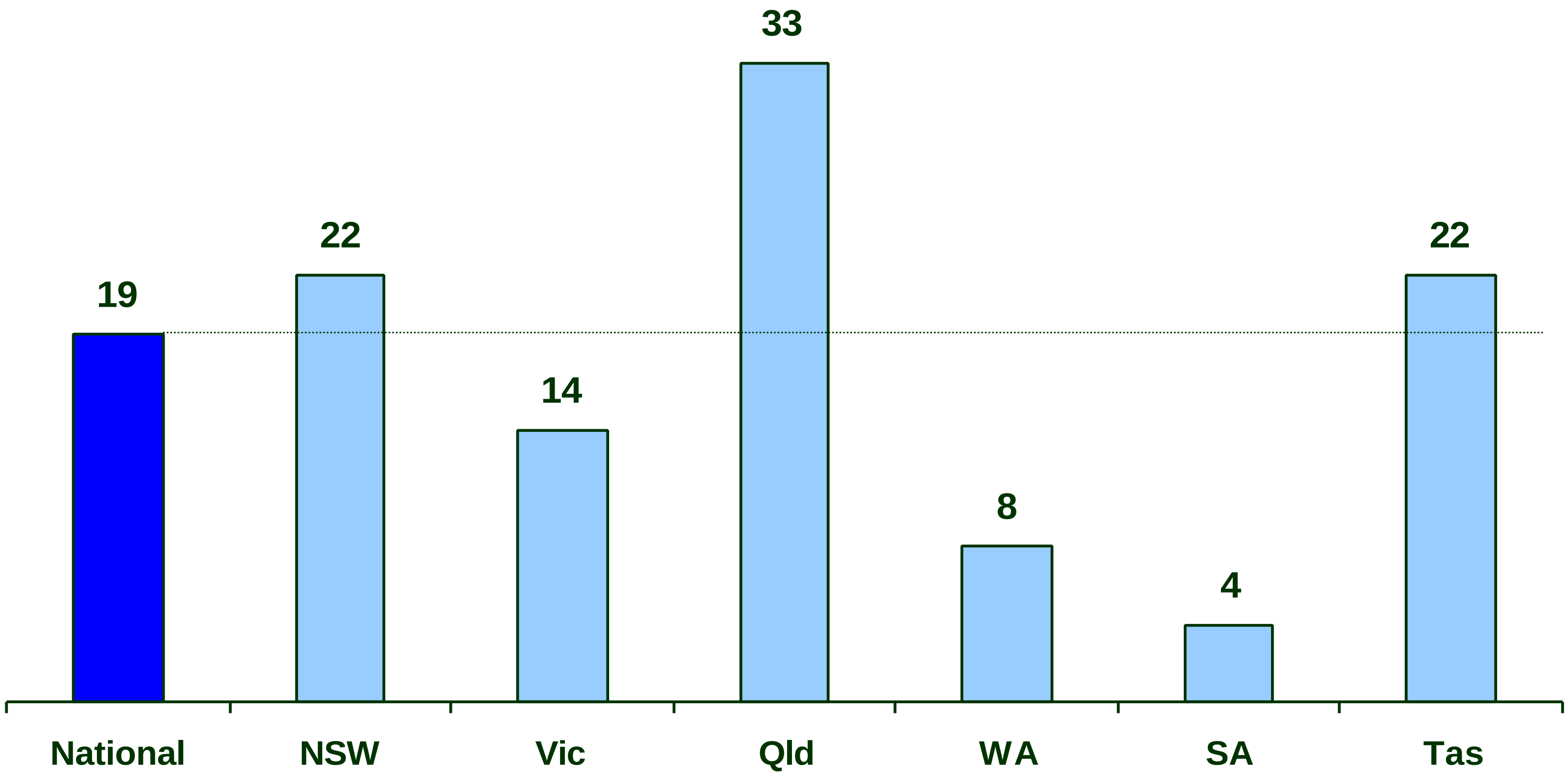
Total premium income



Jun 01 * Excluding JVs

Home

Market share (%)



Source: Roy Morgan Jan - Mar 2001. Includes SUN, GIO, AMP. Excludes JV's

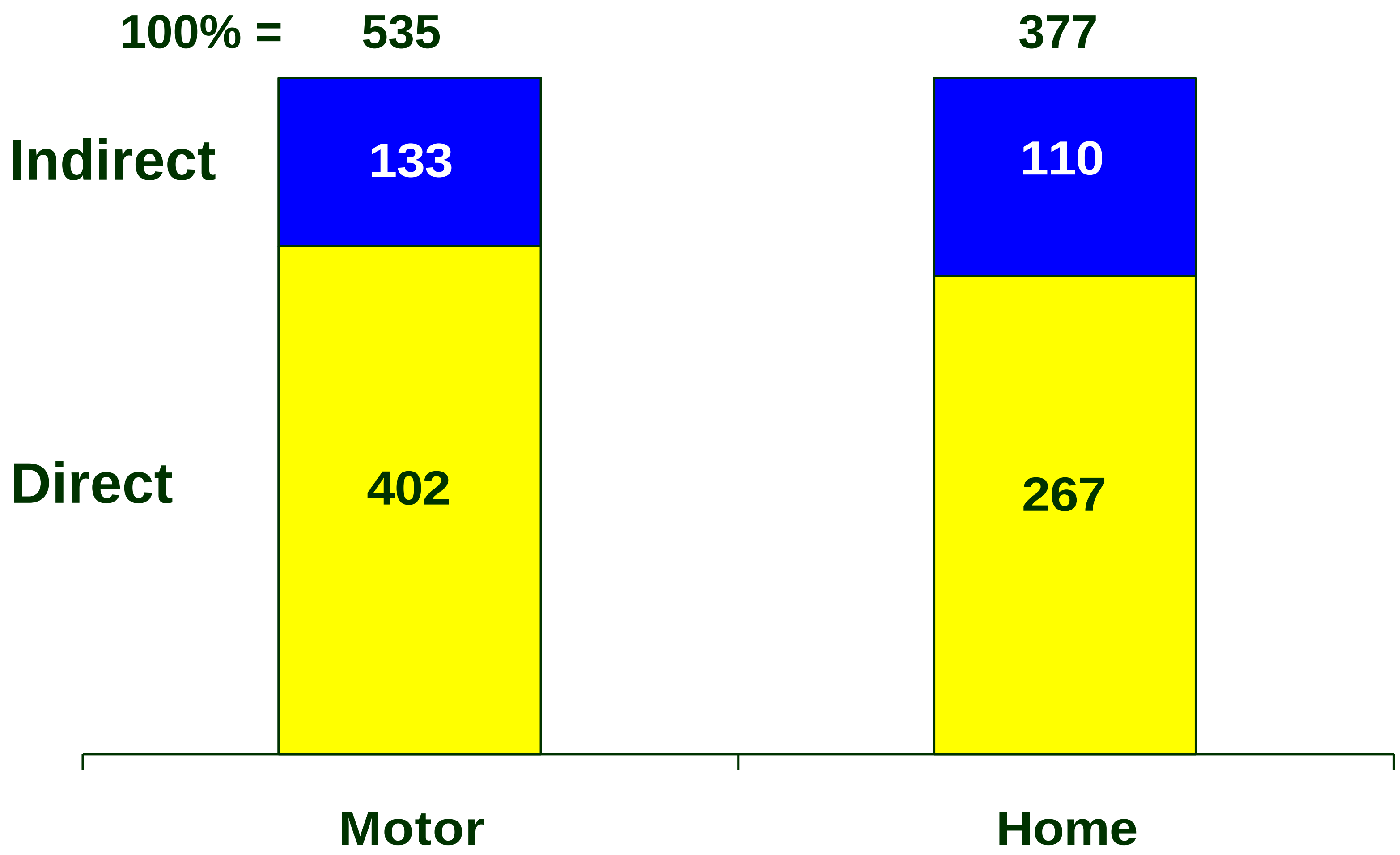
Motor

Market share (%)

Source: Roy Morgan Jan - Mar 2001. Includes SUN, GIO, AMP. Excludes JV's

Home and Motor Distribution

GWP, $Millions



Home and Motor Initiatives

- Rates increasing by 5-10% in both classes
- Reinsurance costs being passed through
- Leveraging three brands - Suncorp Metway, GIO, AMP
- Improvements to operations:
  - Claims costs
  - Operating expenses
  - Better use of data for pricing and risk selection

Compulsory Third Party (CTP)

- Government mandated personal injury cover for people involved in motor vehicle accidents
- Premium linked to motor vehicle registration
- SUN/GIO net earned premium of $440 million
- #2 nationally

Qld CTP Scheme

- SUN NEP of $350 million. 54% market share, #1
- Partial price deregulation from Oct 00
- Each participating insurer is licensed.
- MAIC sets price bands to ensure scheme is fully funded. Insurers lodge prices quarterly.
- Single price per insurer for each class of vehicle
- Stable, well funded scheme, low cost for consumers

NSW CTP Scheme

- GIO NEP $86 million. Market share 7%, #5
- Prices not restricted, but requiring govt approval
- Each participating insurer is licensed.
- Insurers can vary prices within each class of vehicle to suit marketing and business strategy
- Scheme stabilizing after period of instability
- Profitability acceptable

CTP Initiatives

- Opportunities for targetted growth in NSW
- Transfer best practices between portfolios
- Settle claims more quickly through improved claims management
- Consolidate legal services
- Automate claim processing where possible

Workers Compensation (WC)

- GIO founded in 1926 as specialist workers comp insurer. SUN not previously in workers comp.
- WC is Government mandated in every State
- Two components to the business - underwritten and managed funds.
- GIO had in-force premium equivalent of $1.2 billion for the year to June 01 - equal largest in Australia
- 166,000 customers - largest customer base in Australia for workers compensation

Underwritten WC Business

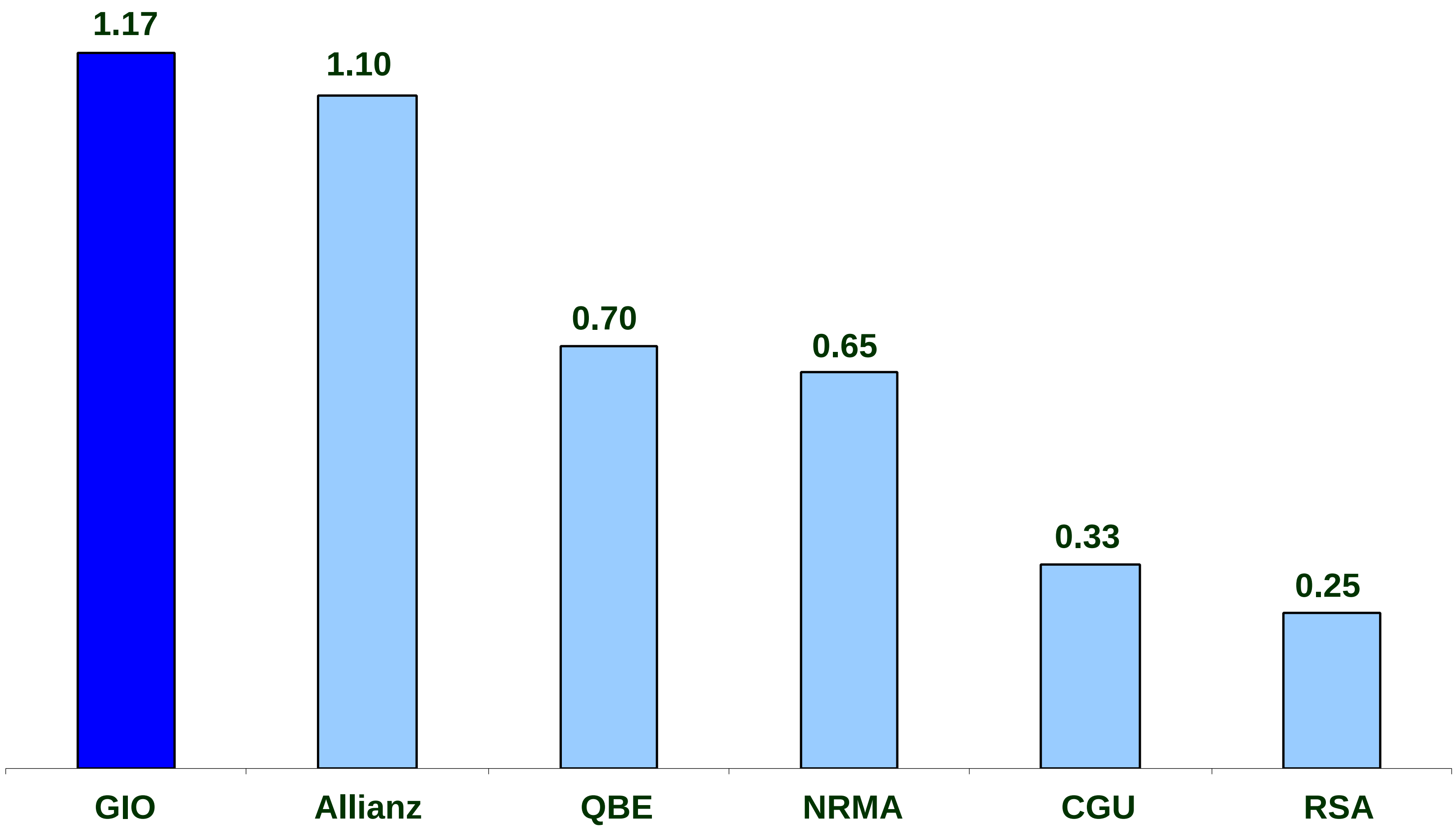
- GIO underwrites the insurance risk.
- GIO operates in schemes in WA (23% market share), ACT (27%) and Tasmania (11%)
- GWP of $141.5 million for the year to Dec 2000
- Strong profitability, good return on capital

Managed Fund WC Business

- GIO manages insurance business for a fee from WorkCover
- Government underwrites insurance risk and sets price.
- Employers chose their insurer based on service and marketing.
- GIO operates in NSW (market share 22%), Victoria (16%)
- GIO holds major contract for NSW Treasury Managed Fund.
- Total fee income of $86 million for the year to Dec 2000.
- In-force premium equivalent of approx $1 billion, incl TMF.
- Strong cashflow, low volatility, margin management business that uses minimal capital.

Market position*

Total WC Premium Revenue and Premium Equivalent, $B



*** Best estimate, based on available public information. Figures adjusted for managed fund equivalent**

WC Distribution

- Underwritten states (WA, Tas, ACT) distribution is mainly via brokers
- Managed Fund States, mainly direct
  - Branches
  - Call centres
  - Business Insurance Reps

Workers Comp Initiatives

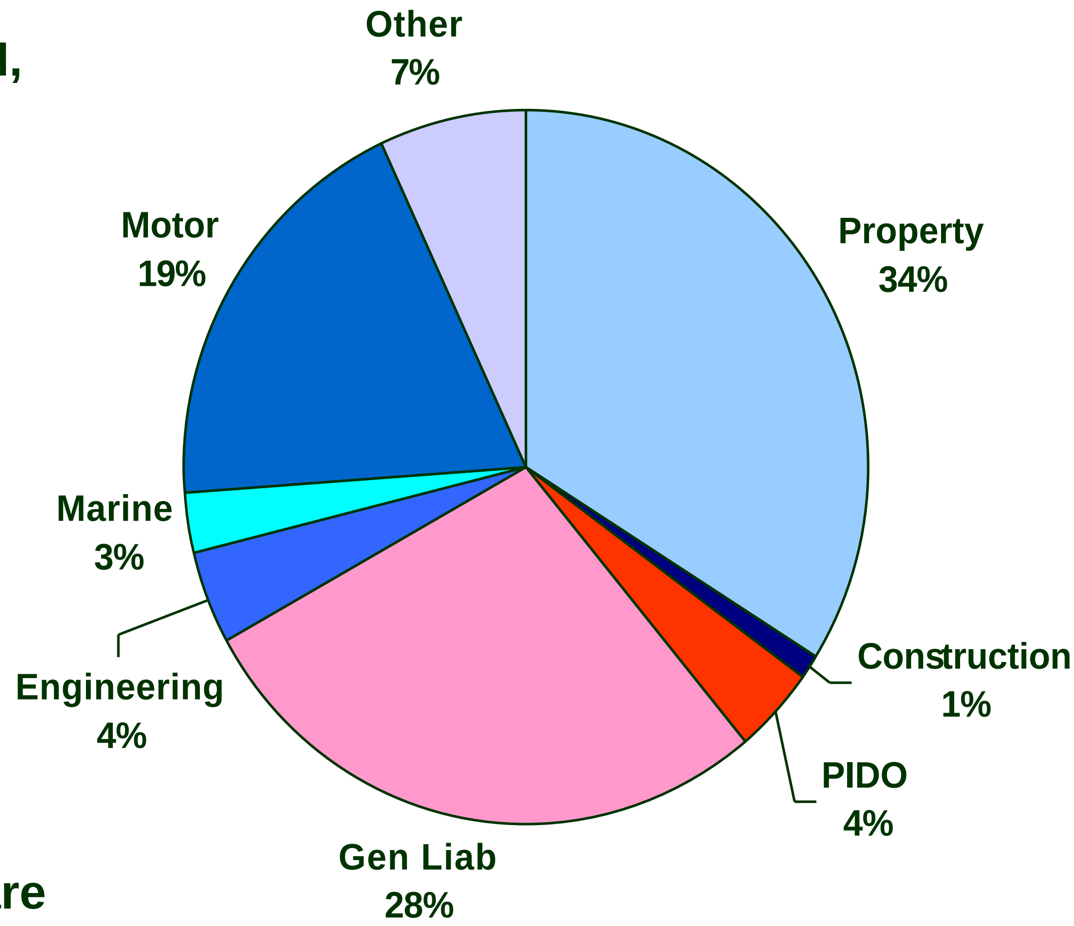
- Lifting performance levels earns higher fees and share of incentives
- Improve claim file management
- Improve transaction payment processing
- Streamline client interaction
- Restructure along functional, rather than state lines

Self Insurance Solutions

- Provides insurance administration and management services to self-insured public and private sector customers
- Fee-based remuneration
- Annual Premium equivalent $800m. Fees exceed $52m pa
- Customers include State and Federal Governments, and large corporates.
- Uses no risk capital, minimal operational capital.
- Consistent profit returns, growth sector of market

SME Commercial Lines

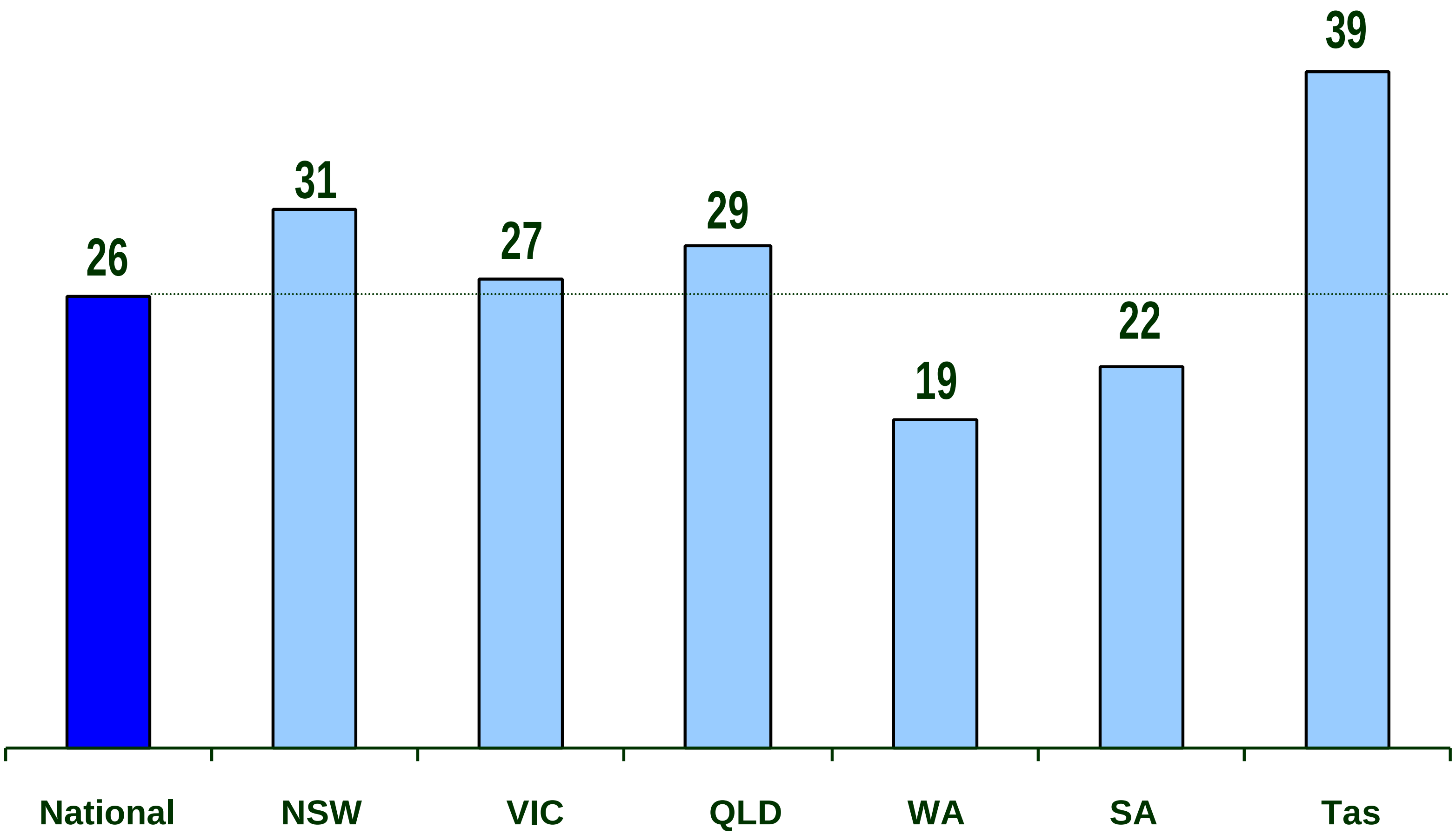
- GWP of $421m, incl $170m SUN, and $251m GIO
- SME customers, not large corporates
- Products typically sold as bundled packages, eg. Business, Farm & Trade.
- 2/3 short tail
- Some specialist product lines are written such as PIDO, Commercial Motor & Marine



Portfolio Mix

Market Share By State

Commercial Lines market shares for Small to Medium Enterprise business (%)*



*** SME business is the target market for Commercial Lines**

SME Commercial Distribution

- Approx 40% of GWP written via brokers

- Remaining 60% through “own” channels:
  - 130 Business Insurance Reps (GIO salaried staff)
  - 110 SUN insurance consultants, corporate agents
  - 1200 AMP financial planners and agents

SME Commercial Initiatives

- Focus on profitability more than growth.
- Rates being increased to take advantage of current market conditions and to ensure prices adequately cover risk and provide appropriate profit margins.
- Scale provides volume of data to further enhance pricing expertise and leverage to drive down expenses
- We will manufacture “simple” Commercial products, avoiding the more volatile classes
- We will exit “marginal” lines of Commercial insurance that do not achieve acceptable returns

Reinsurance

- Extensive catastrophe reinsurance programs in place.
- SUN property exposure limit of $5 million per event, with total cover of $450 million. Total reinsurance program cost $51 million.
- GIO property exposure limit of $20 million per event, with total cover of $1.1 billion. Total reinsurance program costs $89 million.
- Reinsurance costs expected to increase by at least 40% from July next year. Some savings from aggregation of SUN and GIO portfolios expected.

Provisioning

- Conservative provisioning policy
- Combined confidence interval in excess of 90%
- Investment mandate structured to immunize the provision for outstanding claims from interest rate movements.

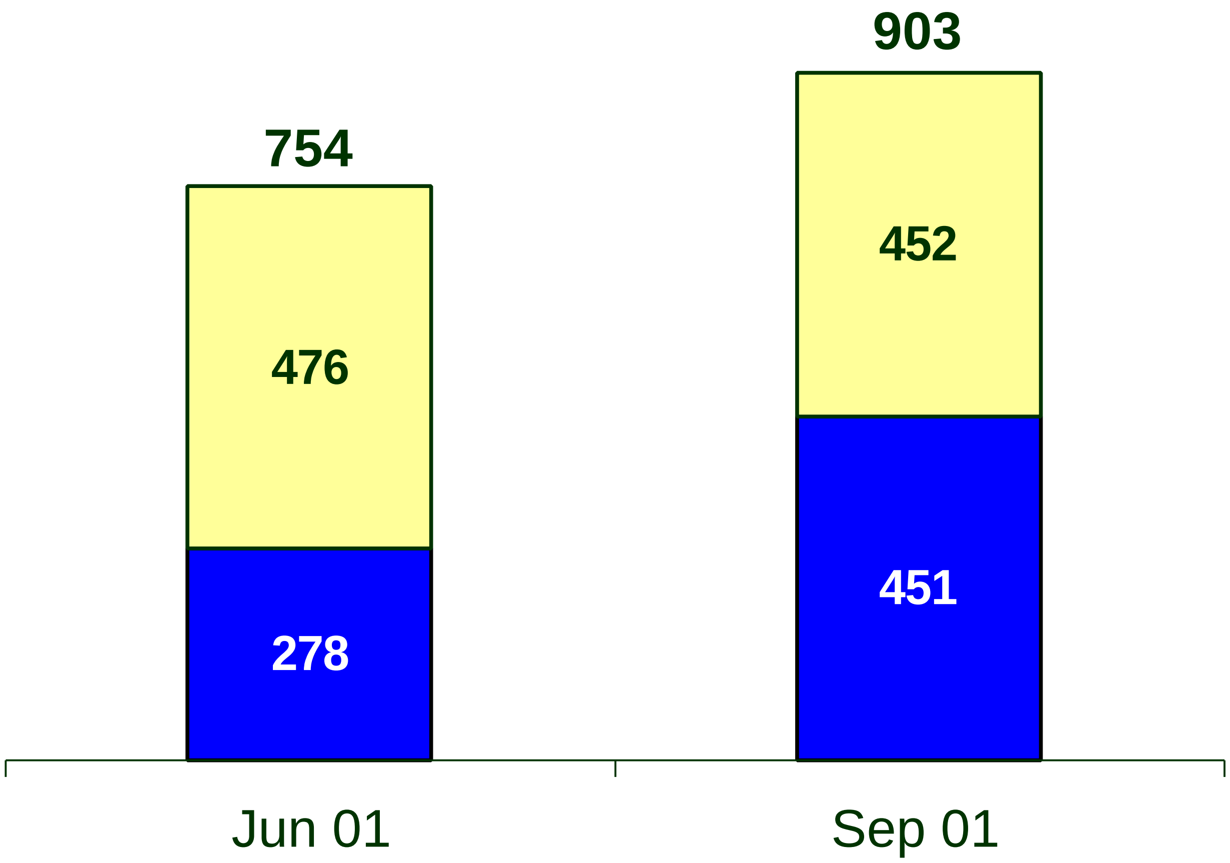
Solvency

($ Millions, current APRA standard)

Net Assets

Solvency Surplus

Minimum Capital



Coverage multiple	**2.71**	**2.0**

Solvency (draft standard)

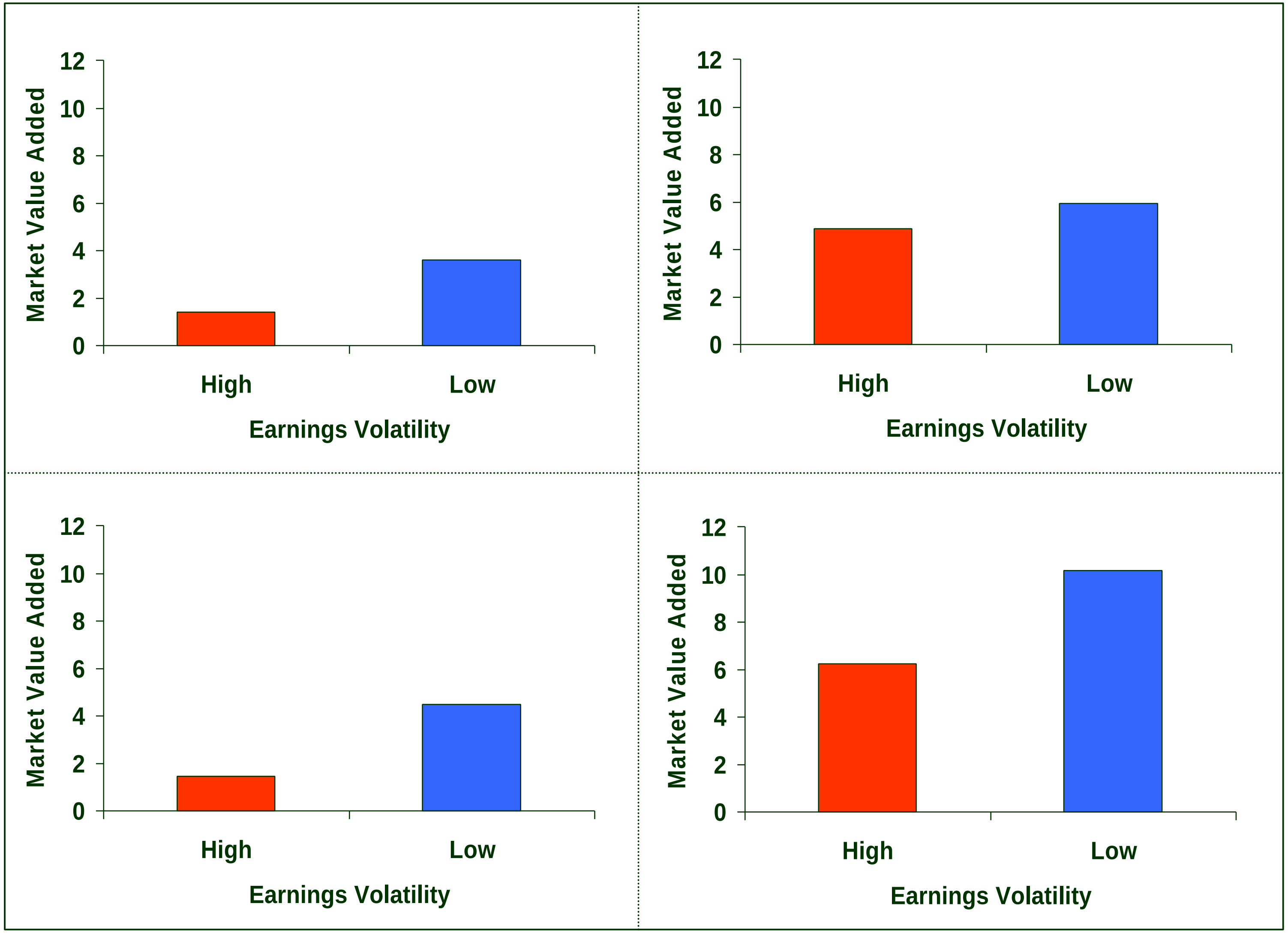
($ Millions)

	Consol
Capital Base	1152
Required Capital	
- Insurance Risk	520
- Investment Risk	214
- Catastrophe Risk	25
- Derivative Risk	1
Total	760
Excess Capital	391
Coverage (1152 / 760)	1.51

Low volatility creates value

Low Return Companies

High Return Companies



Low Earnings Growth Companies

High Earnings Growth Companies

Source: Tillinghast - Towers Perrin

Exposure to equities

($Millions)

	GIO	SUN	Total
Shareholder funds	123	626	749
Prudential margins	0	177	177
Life co (S/holder fund)	0	17	17
	123	820	943

Change to Investment Mandate

- Under previous mandate, half of prudential margins could be invested in equities.
- New mandate: Prudential Margin to be fully invested in fixed interest instruments
- This will provide better immunisation of interest rate induced changes in claims liabilities
- Will reduce long term earnings of prudential margins but also reduce volatility of ITR.
- Leading to enhanced shareholder value
- S/holder funds to be fully invested in risk assets

Transformation timeline

7 Sep — **Step 1: Idea Development**

- 200 brain-storming sessions
- 12,677 ideas

5 Oct — **Step 2: Consensus Building**

- 671 potential 'GO' ideas

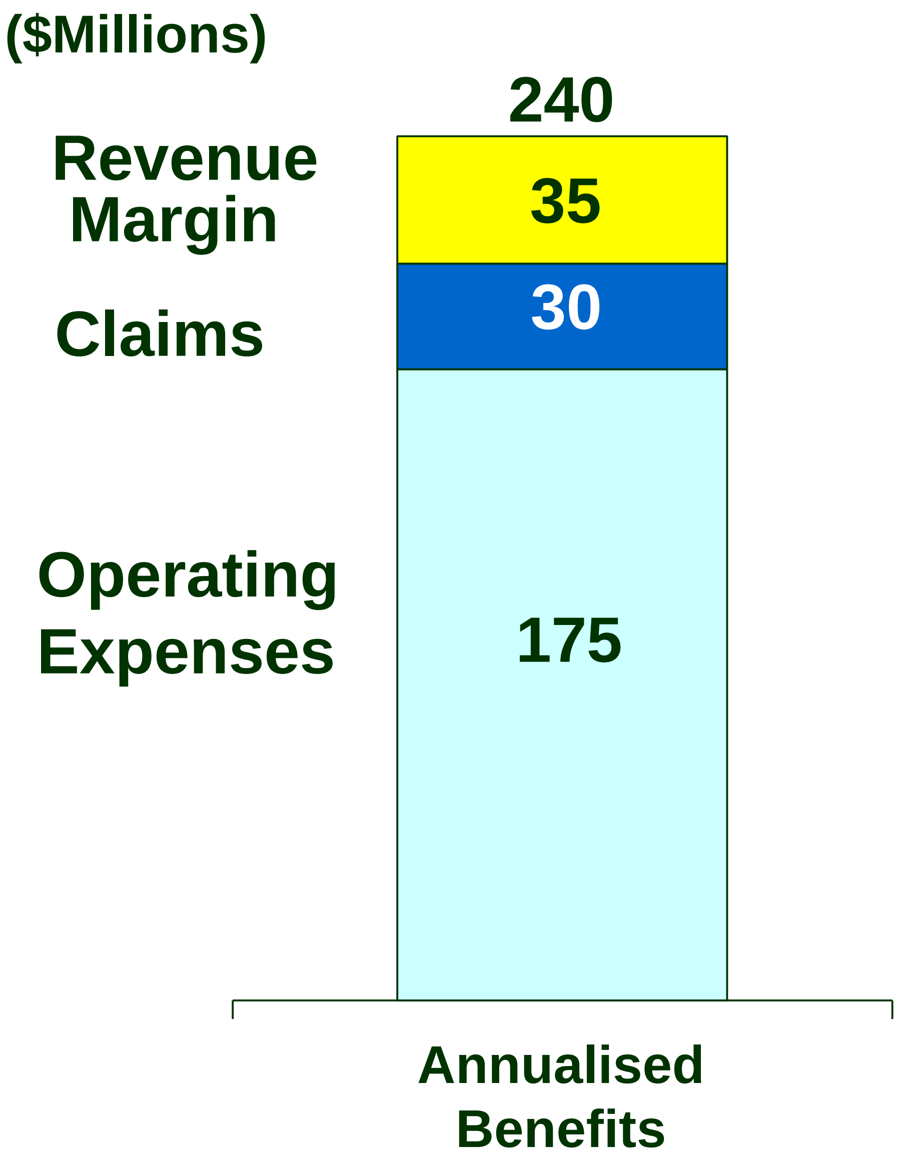
4 Dec — **Step 3: Planning for Implementation** — **21 Dec**

- Planning how to implement ideas
- Choosing sequence and timing of ideas
- IT planning
- Confirm 'Go' ideas

15 Jan → **Step 4: Implementation**

- Projects implemented by the line managers
  - Process Changes
  - Systems development
  - Premises Relocations
  - Staff Selection
  - Staff training
  - etc.

Synergies



- Implemented over 18 months beginning January
- Ideas worth $36m already implemented
- Schedule for remaining ideas TBA following implementation planning
- Some savings will be reinvested in growth initiatives
- Savings estimates based on current volumes. Effect of growth and inflation on opex not included

Transformation savings

- Insourcing support services ex AMP: Finance, HR, Investments, Group Services
- Insourcing and integrating IT - mainframe and midrange
- Telecommunications - extending SUN arrangements across group
- Pricing - improved pricing practices, based on actuarial assessment

Transformation savings, cont'

- Centralise claims processing
- Centralise Teleclaims in Qld
- Cut claims costs - improved fraud detection

  - improved recoveries

  - improved payment controls
- Workers Comp - modernize antiquated admin

Transformation savings, cont’

- GI related positions reduced from 5700 to 4600 over 18 months
- Approximately 600 redundancies expected
- All care being taken to maximise re-deployment & minimise redundancies

Transformation example

Restructure branch distribution network

- Currently have 38 GIO branches and 7 SunMet branches ex-Qld
  - move processing activities to operations centres
  - move telephone servicing to call centres
  - refocus on sales
  - add retail and SME banking capabilities
  - add financial advisors for Wealth Creation products
  - close 5 unviable locations
- Creates 40 Allfinanz sales and service centres, growing total network to 213
- Results to be monitored closely as model for future growth

Branding for 2002

- **GIO retained for GI outside Qld**
- **Branches ex-Qld to be co-signed, restructured as Allfinanz sales centres**
- **Suncorp Metway brand used for Banking and Wealth Management products**
- **Brands to be merged post 2002**

Integration costs

	Initial	Updated
Restructuring Provision	129	100
Integration Expenses	31	60*
	160	160

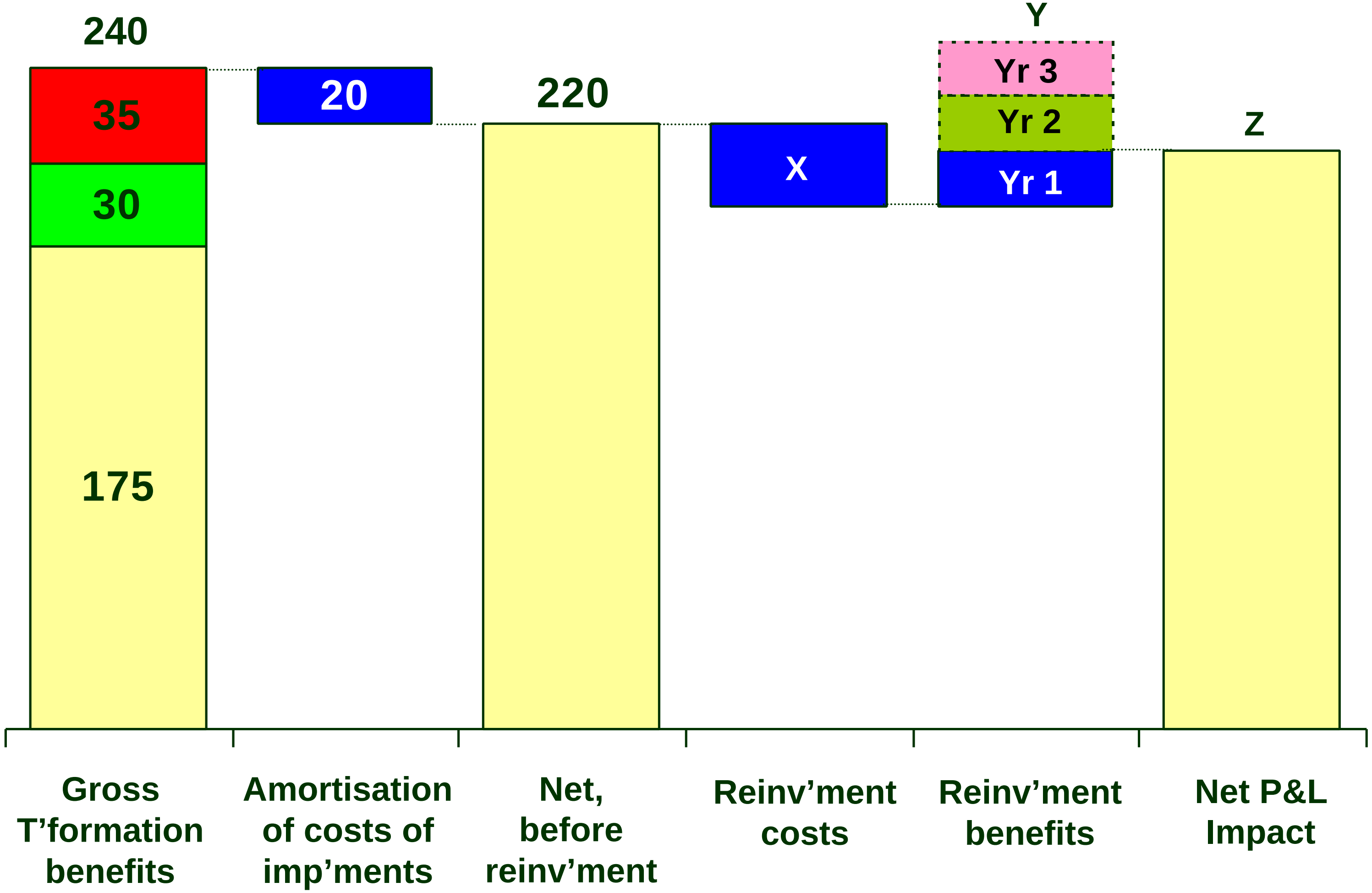
* NB: Restructuring provision is amortised over 20 years. Integration expenses are written off in the appropriate period incurred or amortised over an appropriate period, eg. 2-3 years

Financial Impact

- **ROE of the acquisition in Yr 3 will increase from 14+% to 18+%**
- **Goodwill amortisation charge increases by $50m pa.**

Illustrative P&L Impact

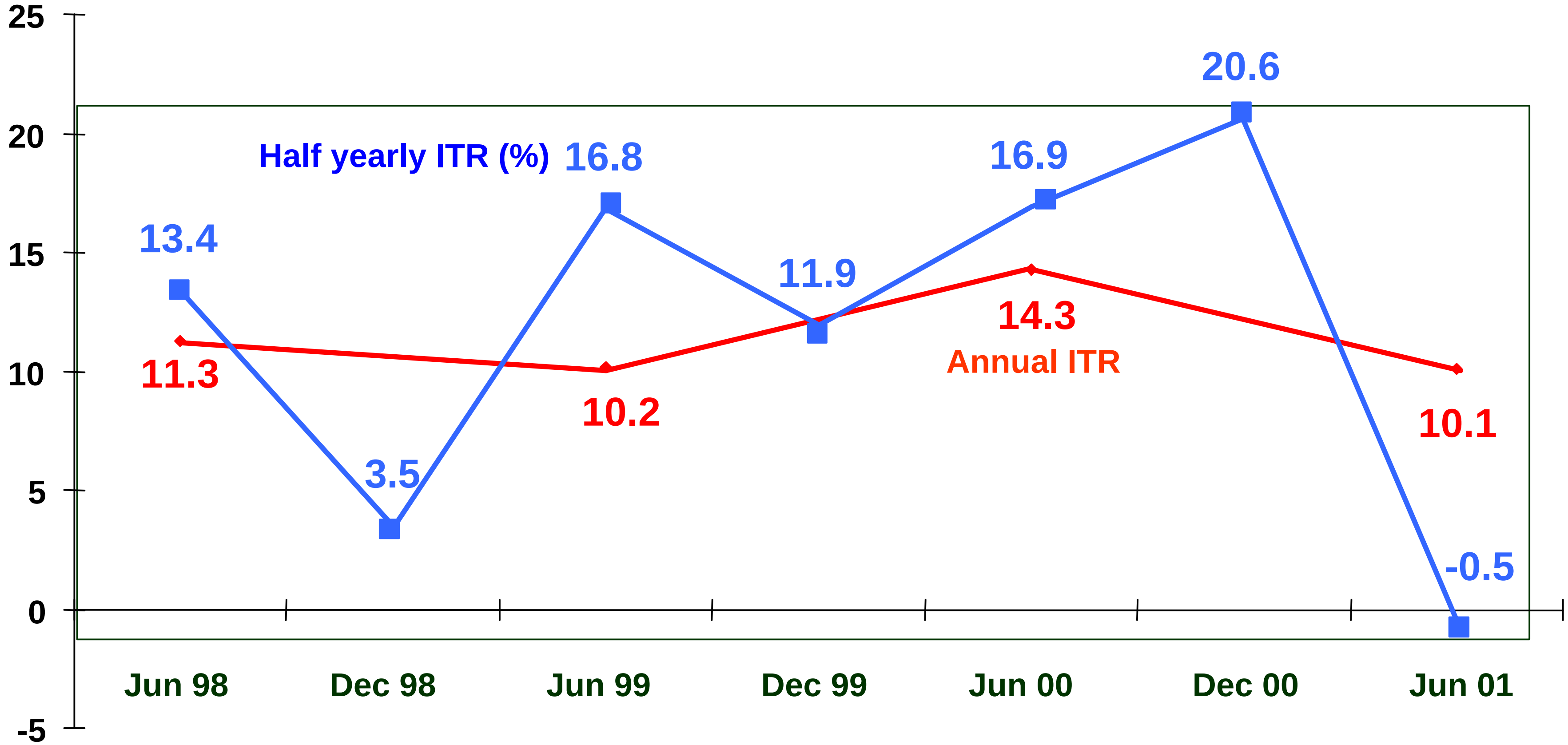
($ Millions. Not a forecast)



GIO Summary

- Acquired business provides solid platform for growth and improved profitability
- Progressing well with GIO integration, $36m of improvements made
- Substantially greater synergies will be achieved
- Acquisition will provide return of 18+% consistent with historic group result

ITR volatility



Group Outlook

- Banking volumes slowing, but remaining healthy
- Margins maintained in first half, but downward pressure in second half
- Sound credit quality. Bad debts consistent with last year
- Increase in Wealth Management contribution (excluding one-off benefit last year of $13m)
- GI margin (excl GIO) at lower end of long term range of between 10-14%. Greater consistency between halves than last year, subject to satisfactory claims experience
- GI premium rates hardening.
- Goodwill charge increased to $60m from $10m currently
- ROE dilution until GIO synergy benefits realised
- GIO synergy benefits beginning to emerge in second half of the year. Full impact in 2003/04.