Suncorp-Metway Ltd

Chris Skilton ~ Chief Financial Officer

UBS Investment Conference
May 2006

Good afternoon.

I'm delighted to be here,
and to have the opportunity to speak to you about Suncorp.

Today, I'd like to give you a quick overview of who we are,
briefly re-cap our first half results which were presented in February,
give you a sense of trading conditions into the second half,
including an update on the impacts of Cyclone Larry, and
conclude by bringing this all together by updating the outlook
for the year end.

So, let me start by briefly describing just who Suncorp is.

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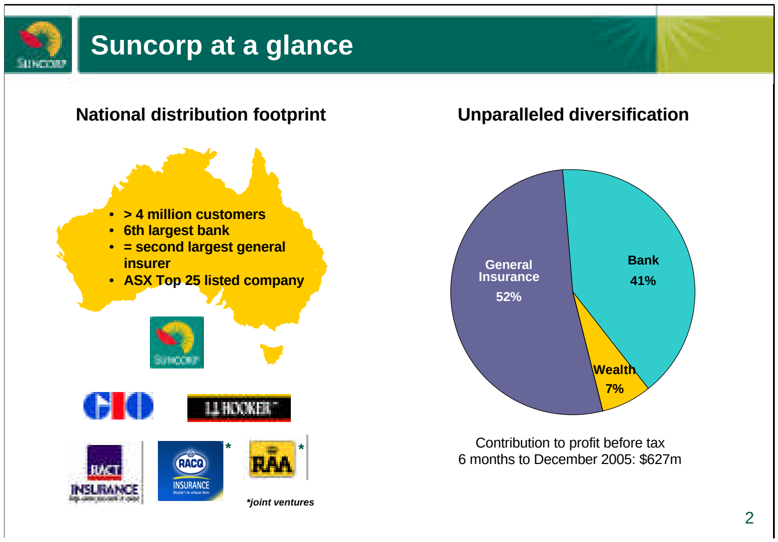

Suncorp is a top 25 Australian company,
capitalised at approximately $11 billion
with operations in every state.
We employ more than 8,700 people,
and service more than 4.3 million customers

Suncorp also owns the national real estate franchise, LJ Hooker,
the Tasmanian based, RACTI insurance business
and has 50% interests in the insurance businesses
of Queensland's RACQI and South Australia's RAAI.

In 2003, Suncorp successfully completed the integration of
GIO Australia, which was a NSW based general insurer.

Putting all of that together,
Suncorp has grown to be Australia's sixth largest bank
with more than $40 billion in assets,
and now with over $2.5 billion in annual premiums, equal second
when it comes to Australia's domestic insurance providers.
Our Wealth Management business completes the product offering
and has around $12 billion in funds under management.

This set of businesses gives us an extensive product set to offer to our customer base and an unparalleled degree of diversification.

In the half year to December 2005,
over 50% of our pre-tax profits were derived from General Insurance
41% from Banking
and around 7% from Wealth Management.

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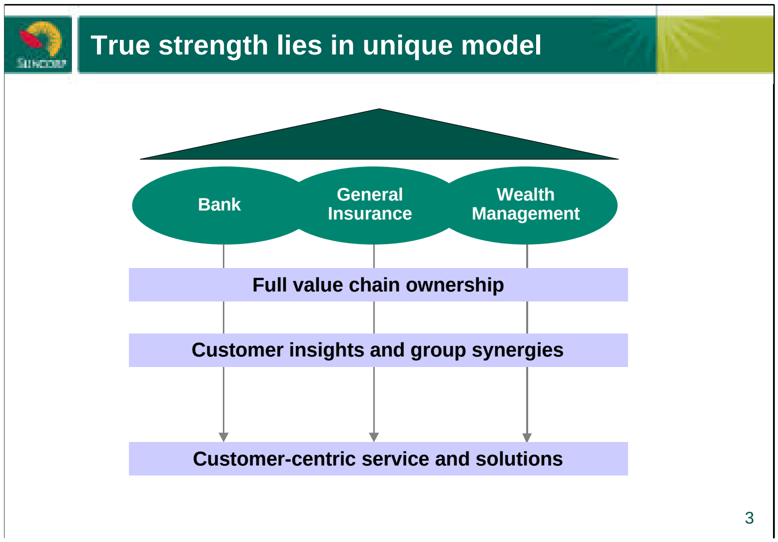

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This is different from our competitors in that they consist of mono-line General Insurers, or Banks, which have fairly substantial Wealth Management expertise, but only minor General Insurance capability.

What differentiates us
is our **full ownership position**
throughout the manufacturing and distribution value chain
of the three businesses,
all under one roof.

Owning all three businesses
gives us exposure to more events in a customer's lifecycle
and a broader window of information to understand their needs.

Put simply,
we know more about our customers,
we get more opportunity to do business with them
and we are able to draw on our understanding of their requirements
to **offer integrated solutions**.

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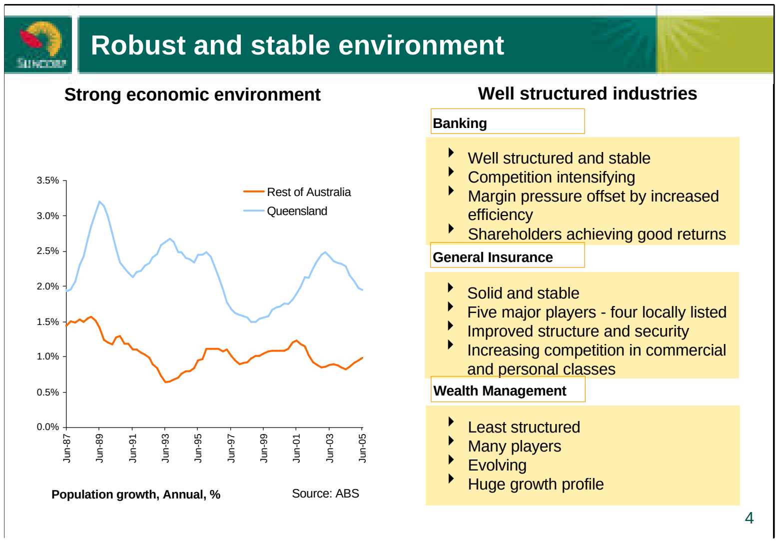

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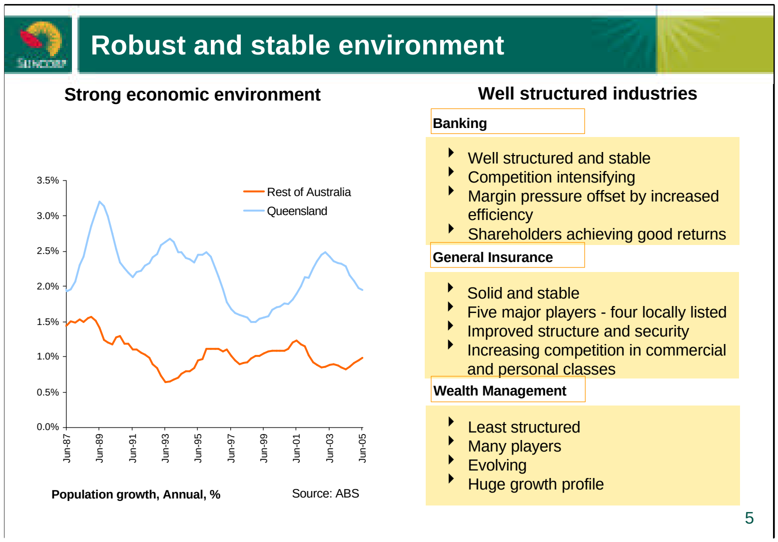
We also operate within a robust and stable macro environment.

The Australian economy continues to perform strongly
having experienced 13 consecutive years of GDP growth.
And within the state of Queensland,
where we have about 50% of our business
the economic conditions continue to be even more positive,
with state growth exceeding National Gross Domestic Product,
driven primarily by Queensland's population growth which is approximately double the rest of Australia.

The stability of the industries in which we operate is also vitally important.

The Australian **Banking** sector is well structured and stable and operates rationally, however, there is no question that competition has intensified over the last 9 months particularly as foreign institutions try to carve out increased market share.
While this has put increasing pressure on margins it is relevant to note that when this has happened at other times during the past decade the Banking sector has generally maintained high ROE's by responding to margin compression with increased levels of efficiency.



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In **General Insurance**,
the fundamentals of the industry have improved dramatically over the past few years.
Industry consolidation,
the fact that there are no longer any mutuals,
and new prudential requirements
have resulted in a return to industry profitability,
with ROE's in the high teens or early 20's now being consistently generated.
However, given these relatively robust returns competition is also increasing particularly in the commercial segment. Like banking we expect the industry to seek to maintain ROE's and margins through achieving greater efficiency, particularly in managing claims costs.

And the **Wealth Management** sector
although the least developed industry in the Australian financial services industry has a strong growth profile due mainly to compulsory superannuation requirements in Australia.

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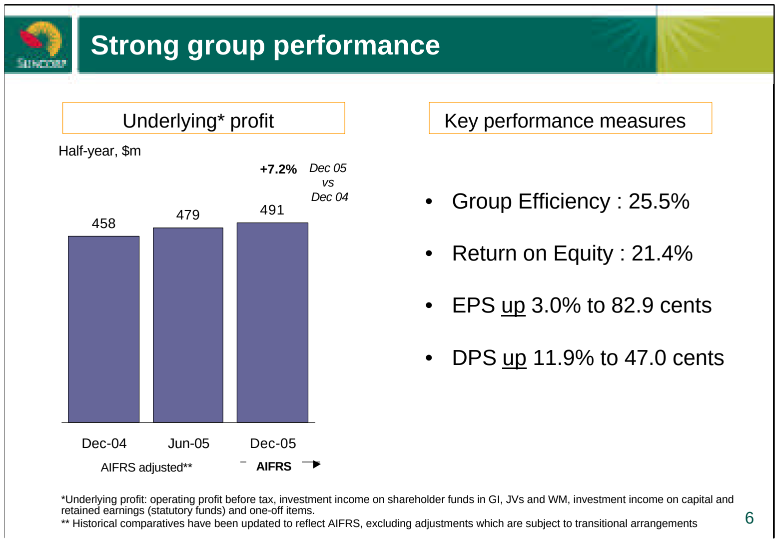

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So, having set that context, let me re-cap our half-year results which we reported in late February.

In reporting these results, we applied the new Australian equivalent to International Financial Reporting Standards (AIFRS) for the first time.

While this has meant significant changes
to the way we calculate and report our financial information,
it's important to note that the adoption of AIFRS
did not have a material impact on the underlying profit in the first half, or prior halves.

In this presentation we have used like for like comparisons. There is obviously a lot more detailed information in our results presentation which can be accessed on our web site for those who are interested.

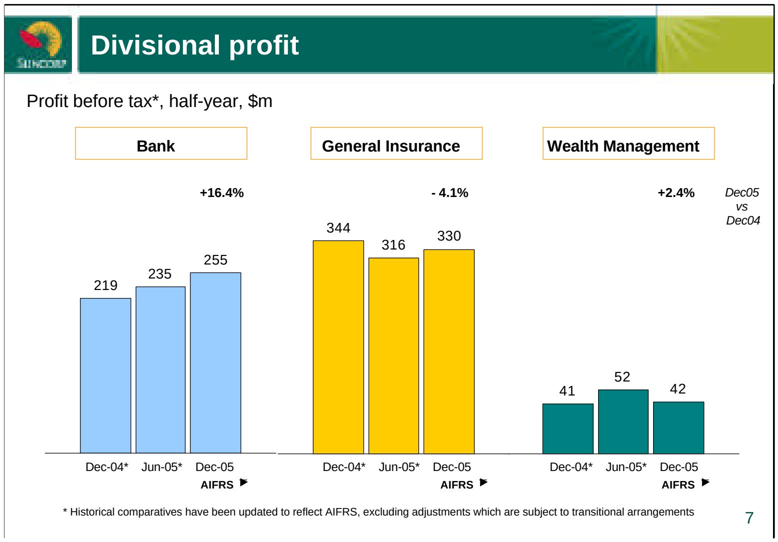
Our Underlying profit ,
which excludes one-off gains
and returns on shareholder funds in both GI and Wealth Management,
was up by 7.2% to a record $491 million for the half-year.

You can also see here that our key performance ratios remain in good shape.

Our Group efficiency ratio
which is operating costs as a proportion of operating revenue
is a very competitive 25.5% for the half year.

Return on Equity is 21.4%
and Earnings per Share is up 3.0% to 82.9 cents per share.

The strength of the result allowed us to declare an interim ordinary dividend
of 47 cents per share, fully franked which is up 12% on the prior December half year.



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This slide provides a high level summary of the performance of each of our three key divisions.

The **Banking** division reported a 16.4% uplift in profit before tax to $255 million for the half year.

In **General Insurance,**
profitability was robust at $330 million for the half-year, which was marginally down on the prior corresponding period but up on the last half.

And **Wealth Management** contributed profit of $42 million.

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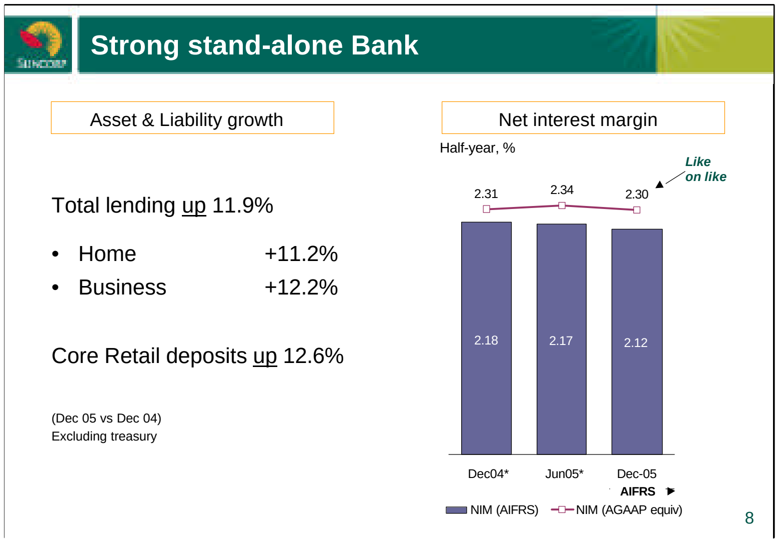


Let me now provide a little more detail around each of the divisional results and -- where relevant -- give you an update on trading conditions and trends into the second half.

First to the **Bank**:

On the asset side of the book, at the half year, our performance was strong, with total lending up 11.9% despite a tightening market and intense competition across all categories of lending.

While this result was slightly below system for the half, the majority of downward pressure occurred in the intermediary channel where competition and price pressures were at their greatest.

Our direct distribution franchise, predominantly located in our home state of Queensland, continues to perform strongly and remains a key differentiator in this environment.

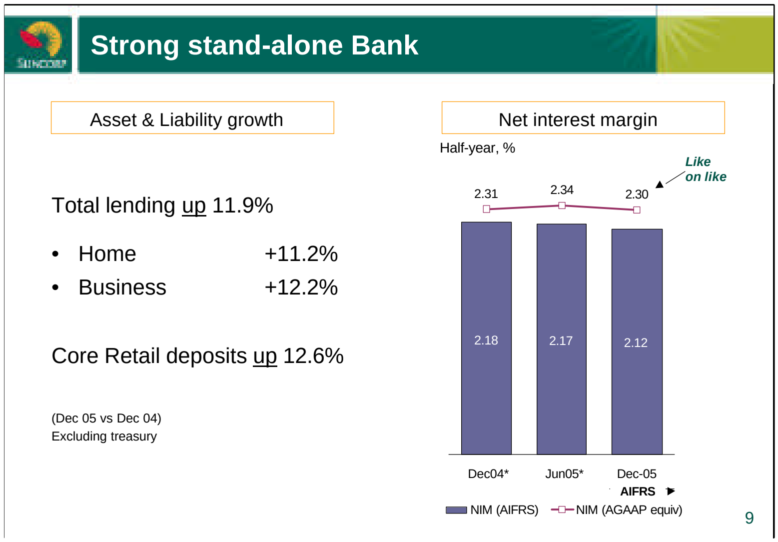
The intensity of competition evident in the first half has shown little sign of abating and is likely to be a feature through to the end of the second half, and beyond.

Our approach and strategy in these conditions is to focus on total revenue and profitable growth by proactively balancing the price and volume mix of the book.

While growth may have been less than market, our margin performance was among the best in the industry as you can see from the slide with just 1bp compression in the 12 months to December 05.

A combination of these factors resulted in total income for the Bank increasing by 10% over the prior corresponding period.

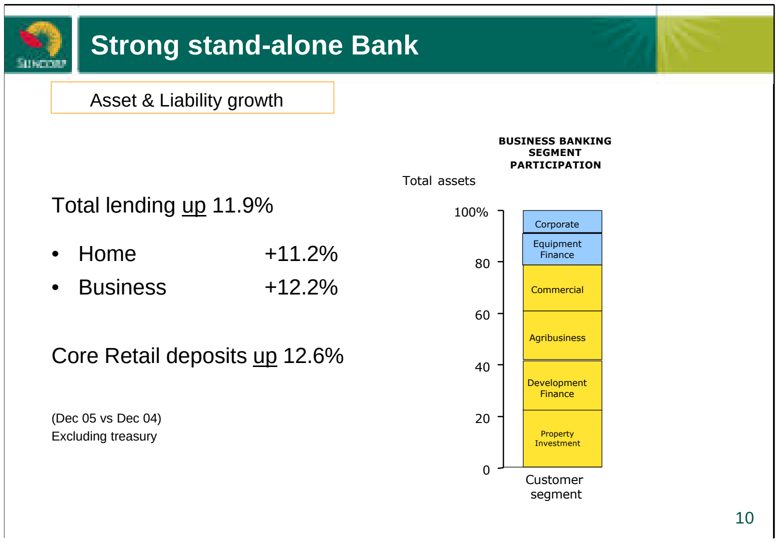
In fact our margin management over the last 4 years has been first class with contraction of just 8bp compared to an average of the majors of approximately 40bp.



If you look at our retail operations.

In the first half our **Home** lending book grew 11.2% to $19.6 billion.
At the half year we pointed out that while this was below system we had improving growth momentum moving into the second half -- the result of targetted product offers implemented in November and December. This positive momentum has continued to build through the early months of the second half with the March APRA data indicating SUN's home lending growth tracking back towards system.

This positive improvement indicates to us that it is likely we will exit this financial year at or above system in Home lending.



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In the **Business** portfolio, lending increased by 11.2% to $16.1 billion at the first half which was slightly below market rates.

However, this portfolio is made up of 6 major business lines and there are different dynamics in each of the businesses.

Development Finance primarily comprises residential apartment developments and land subdivisions in suburban metropolitan areas. We are now experiencing the long expected slowdown in this segment as a result of the property market having peaked some 18 months ago. However, our exposure to the more buoyant South East Queensland markets puts us in a better position than most of our competitors.

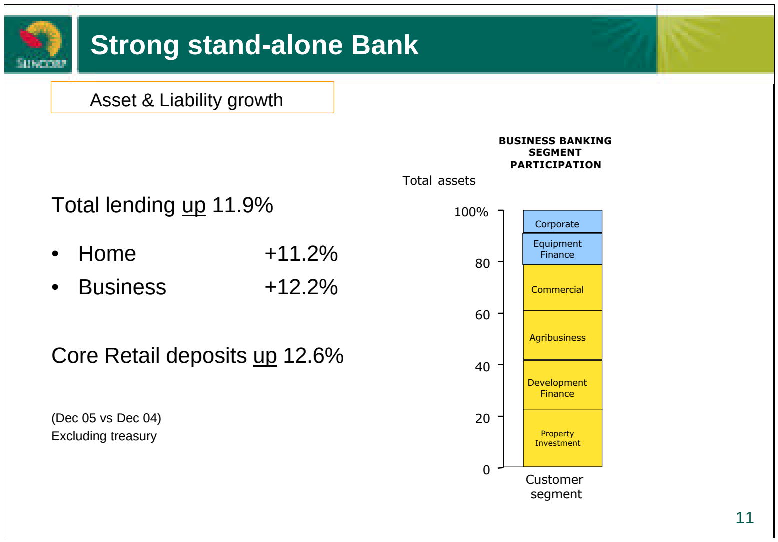
Property Investment includes assets such as shopping centres, commercial offices and industrial warehouses and excludes construction projects. Lending growth in this line is largely influenced by the property cycle with receivables growing in Queensland and WA and lagging in NSW and Victoria.

Commercial lending is lending to small to medium enterprises, where the step up in competition has been most evident, predominantly in the intermediary channel.

The Corporate segment is lending to customers with turnover of between $10m and $100m and continues to grow strongly, albeit off a lower base than other business lines.

Equipment Finance which focuses on low risk, high volume equipment and vehicle leasing on the eastern seaboard of Australia is exhibiting a steady growth profile.

And finally, **Agribusiness is** a portfolio area of expertise built up over more than 100 years of working with Australia's primary producers. Lending patterns here are are also closely tied to the property cycle with the majority of lending secured against the value of real estate.



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In aggregate, growth across the business portfolio continues to be sluggish into the second half, predominantly as a result of the slowdown in property development and increased competition in the intermediary channel, particularly targeted at the SME market.

We have, however, responded to this latter issue with a range of initiatives designed to stimulate growth.

While these initiatives are showing promising early results, the extended lead time required in commercial markets means we are unlikely to return to system growth rates in our business portfolio until during the 06/07 year.

On the liabilities side of the book, retail deposits grew faster than system at the half year, up 12.6% to $13.6 billion and continue to perform strongly through the early months of the second half.

This performance is one of the reasons behind our strong margin outcome.

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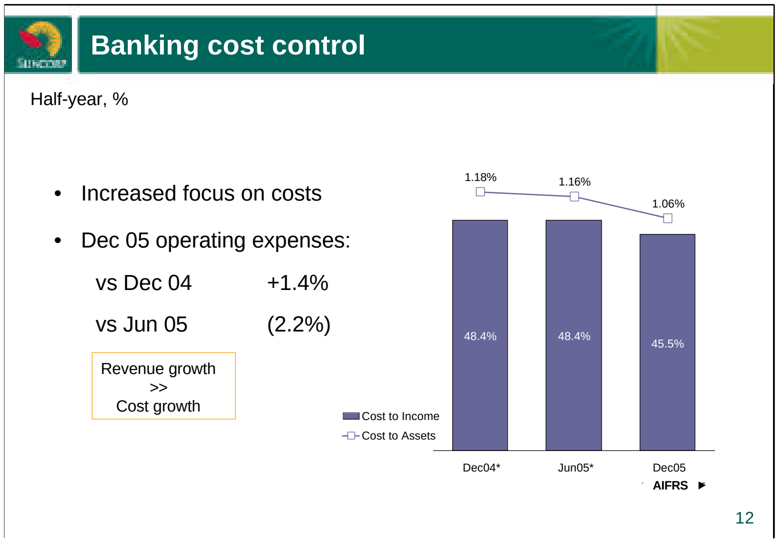
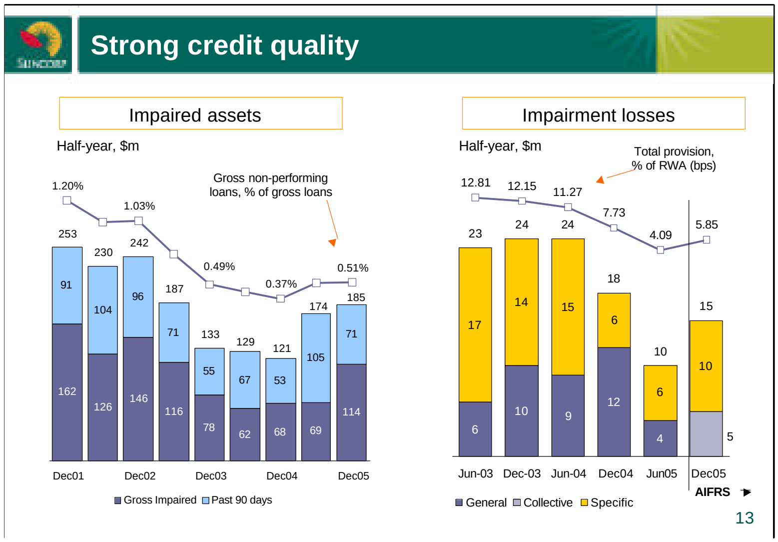


We also continue to manage **cost growth** in the Bank.
At the half year we reported operating expenses increasing by just 1.4% over the prior corresponding half and our cost to income ratio improved to 45.5% which is extremely competitive, especially given our size.

There are a couple of general points to make about our cost performance in the bank.

• The first is that it would be unrealistic to expect this absolute level of cost growth to be sustainable. Indeed, it is likely that cost growth for the second half will be greater than it was for the first half.
• The second, and most important, is that cost containment does not come at the expense of appropriately investing in the franchise -- which we continue to do in a deliberate and measured way, thus avoiding major fluctuations at the cost line.

So, while the absolute levels of expense growth achieved in the first half may not be achieved in each subsequent reporting period, you should expect costs in the bank to continue to be well managed.



This slide highlights the strength of credit quality across our book.

While reporting an uplift in gross non performing loans at the half year it is important to note that absolute levels remain low on an historic basis with total non-performing loans equivalent to just 0.51% of gross loans, advances and other receivables.

Indeed, our observation in February that the business credit cycle had reached a floor at the December 04 half has, in our view, since been reinforced by the most recent reporting of our major banking peers. While we see no catalyst for a major deterioration in credit quality in the short to medium term, equally we do not expect non-performing loans to return to the absolute historically low levels of December 04.

At the half year, concerns were raised about the apparent kick up in impaired assets, most particularly a $30 million upward movement relating exclusively to a small number of property development loans in NSW and Victoria. It is important to consider this movement in the context of gross loans in this sector totalling more than $3.5 billion and the relatively high levels of securities that are held.

It is also worth noting that a resultant $3 million increase in the specific provision again emphasises the relative high level of security we hold against these loans.

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So that is the bank story

Asset growth building through the second half,
albeit with some margin compression
Continuing strong liability growth,
costs under control
and robust credit quality.

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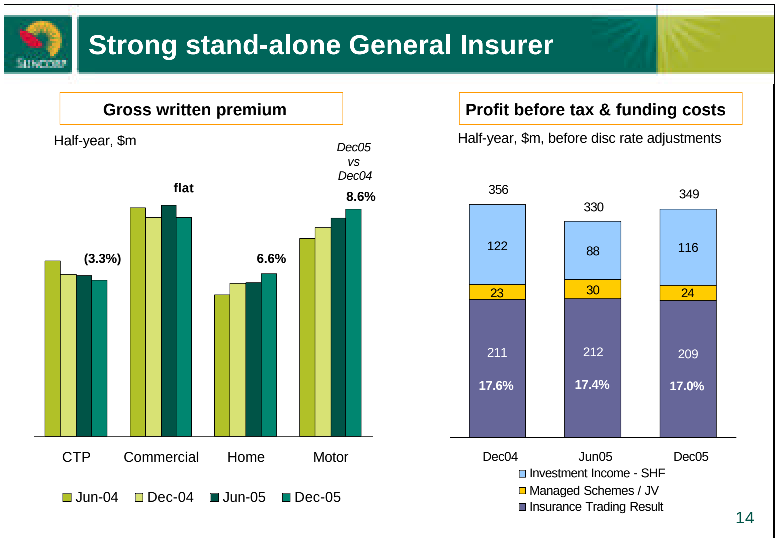

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Moving now to General Insurance. At the half year we achieved strong premium growth, with total Gross Written Premium increasing 2.8% to $1.3 billion.

Compulsory Third Party GWP, which is personal injury cover for motor vehicle injuries, declined by 3.3%.
This is largely explained by continued reductions in premium rates
flowing from legislative reforms restricting the size of damage payouts.

In fact this was a very good result as price reductions of 6% were offset by volume increases of 2.3%.

Excluding CTP, total GWP growth for the half year was 4.5%.

Our portfolio can be classified into two types of business. What we call **short tail** which consists of home, motor and some commercial product and **long tail** which is primarily personal injury liability from our workers compensation, CTP and public liability books. The claims experience of the former emerges very quickly whereas on the long tail side it takes an average of 5 years.

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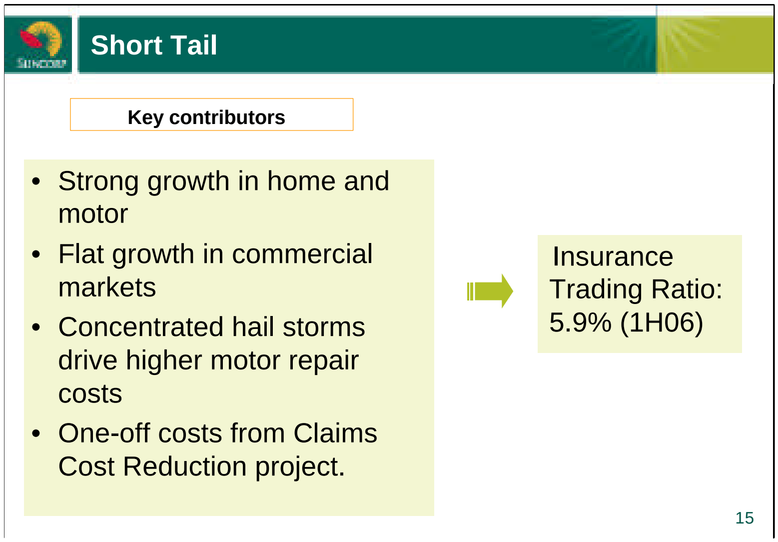

If we look at short tail first.

At the half we reported an insurance trading ratio in short tail classes of 5.9%. This was made up of:

• Strong growth in our Home and Motor portfolios in Queensland, supplemented by increased momentum in the GIO business, which is primarily based in NSW and Victoria.
• Flat GWP growth in commercial classes as we strategically held prices to maintain profitability in a softening market.
• Higher than expected average motor repair costs arising from concentrated hail storm activity, and
• One off costs associated with the claims cost reduction program.

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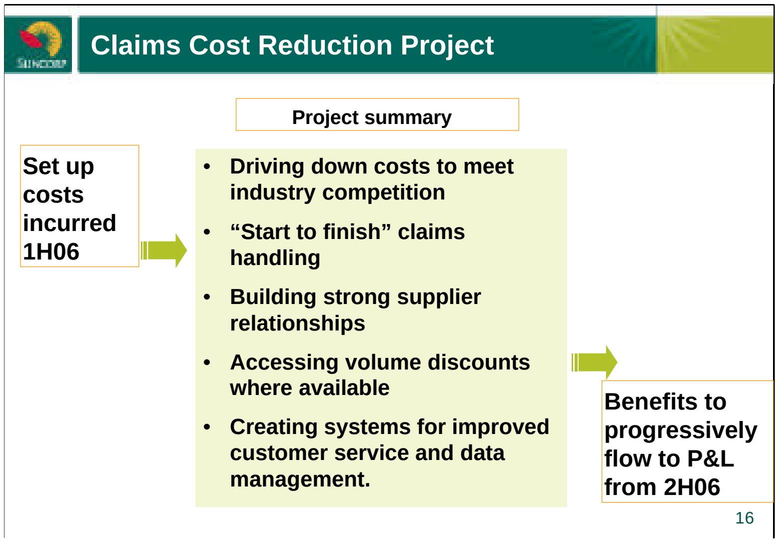

The claims cost reduction project will substantially re-engineer our claims handling processes and result in significant supply chain and productivity savings.

More specifically we expect savings will be achieved through:

- triaging claims more effectively
- “start to finish” claims handling
- building strong supplier relationships and achieving volume discounts wherever possible, and
- creating systems for improved customer service and data management.

While the project added set-up expense in the last half we will begin to see some of its benefits flow through to the P&L in this half, with the full benefits realised in the 07/08 year.

So, to conclude the discussion on our short tail business. We expect competitive trends across short tail classes to remain broadly in line with those reported at the half year while noting that price-based competition in personal lines, particularly motor insurance, is becoming more evident.

Despite this, we still expect to improve our short tail margin in the second half of the year, excluding of course the impacts of Cyclone Larry.

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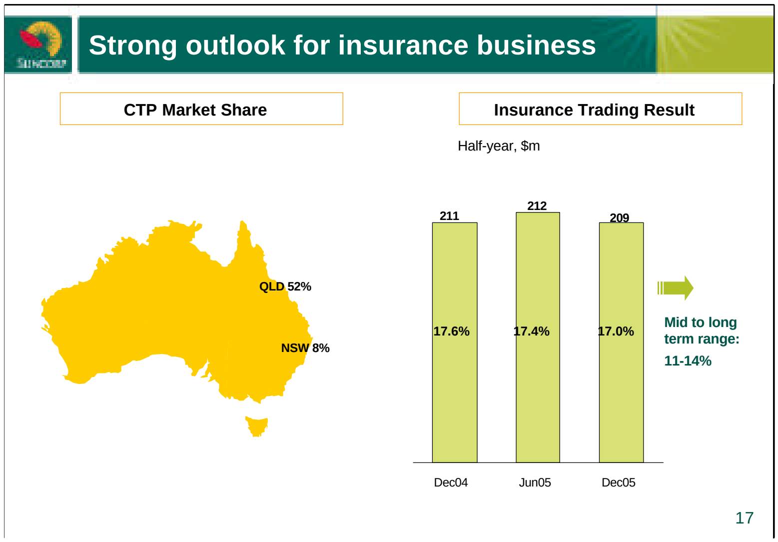

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In long tail classes we continue to maintain our dominant position in Queensland with approximately 52% of the CTP market as well as growing our CTP market share in NSW.

The nature of reserving and accounting for this business is quite complex.

We have one of the strongest reserving policies, and hence balance sheets, in the industry. However, a consequence of this is that our current year profit is always impacted negatively by what we call **new business strain**, which was approximately $80 million in the last half.

This is balanced to some extent by the release of excess provisions from claims actually settled or as estimates for future claims are revised downwards. This factor contributed $135 million on a gross basis to our first half profits.

As I said, this is a complex area and the market often struggles in trying to estimate what is a normalised sustainable margin.

The best way to answer that, without getting into all the moving parts, is that we believe that in the medium to long term we can sustain an ITR of between 11% and 14%.

However, in the short term an improvement in the short tail ITR, together with continued material releases from the long tail reserves, albeit not necessarily at the same level as the last two years, leads us to believe that:

1. The ITR for the second half of this financial year should still be within the range of 11% - 14% despite incurring costs in the region of $85 million in respect of Cyclone Larry, and

2. For 06/07 the ITR should be above its long term range, ie greater than 14%, assuming of course weather events are within normal expected patterns.

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So in summary for General Insurance,
the business is in good shape, despite increasing competition across all classes.
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Which brings me to Cyclone Larry.

Many of you will be aware that Cyclone Larry impacted a number of communities in north and far-north Queensland on March 20 this year.

While this is clearly a major insurable event for the company, it is well within the experience of reinsurance models, the last Cyclone of this size to impact Australia being 16 years ago.Suncorp has moved quickly to support its customers impacted by this event and has placed a priority on expediting the claims process.

So while this event presents a major logistics and supply challenge we also see it as an opportunity to build our brand as we competently manage the complexities of the repair and rebuilding effort.

An inevitable consequence of a major event such as this is the interruption to some of our group synergy initiatives as resources were prioritised around supporting our customers in the aftermath of the cyclone.

So let me update some of the claims data that we have previously advised the market in Australia.

As I speak, there have been approximately 6,500 home, motor and contents claims arising from the event. Our continued analysis of these claims gives us increasing confidence in our April estimate of the net cost of the event, after re-insurance recoveries, being in the $80 - $85 million range.

As we have previously pointed out, our re-insurance provisions are jointly shared with RACQI, our 50:50 joint venture partner, hence the estimated net exposure being less than our $100 million single event retention limit. I should also add that in respect of our banking operations, we do not expect to see any material increase in impaired assets or deterioration in the quality of the loan book as a result of the event.

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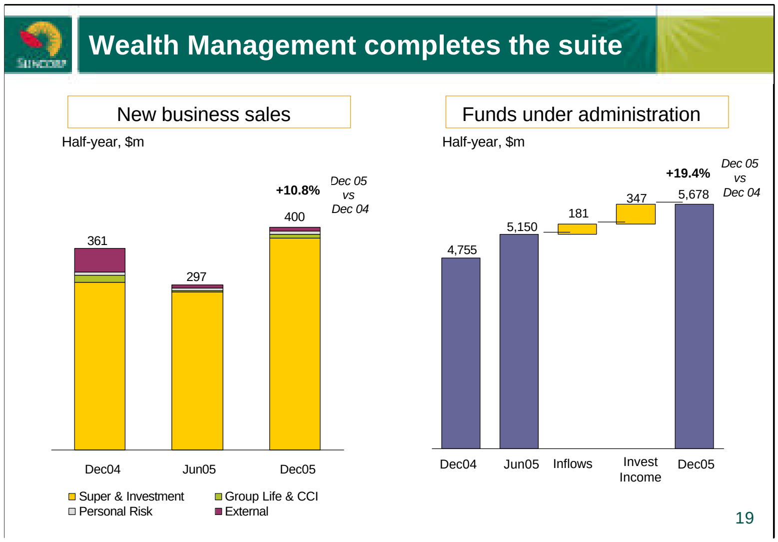

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Moving now to **Wealth Management** which, although the smallest of our three businesses, is strategically a very important part of the company.

The chart on the left shows new business sales in the Life Company
which at the half year were up strongly by 10.8%,
to $400 million for the half year.

This was driven by strong sales of Suncorp branded super and investment products.

The chart on the right shows the continued improvement
in Funds Under Administration,
up 19.4% to $5.7 billion at December.

This benefited from the favourable investment environment,
but also from strong net inflows,
which improved 27% to $181 million for the half year.

Funds under Management,
which includes the funds invested on behalf of our Insurance business,
totalled $12.3 billion at December 2005.

Changes to capital position
AIFRS / APRA developments

Capital Base	Dec-05 Actual	Software Asset deductions	General Provn & the GRCL	Other IFRS Adjustments	Dec-05 Adjusted
Ordinary share capital	2,946.3				2,946.3
Retained earnings	709.4		-75.0	-22.8	611.6
Tier one deductions	-1,396.7	-63.0		-10.0	-1,469.7
Fundamental tier one	2,258.9				2,088.1
Reset preference shares	244.4			5.6	250.0
Net tier one	2,503.3				2,338.1
Upper tier two	295.5		8.0	-7.8	295.7
Lower tier two	835.3				835.3
Net tier two	1,130.8				1,131.0
Capital deductions	-868.0				-868.0
Capital base	2,766.1				2,601.1
Risk-weighted exposures	25,625.7	-63.0	-67.0		25,495.7
Capital adequacy ratio	**10.79%**				**10.20%**
Adjusted common equity	1,394.9				1,224.1
ACE ratio	**5.44%**				**4.80%**

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Having looked at the profitability of the business, I would now like to turn to the capital position of Suncorp and our outlook on that front.

The first column in this slide shows the banking group's actual capital position as at 31st December 2005.

APRA has been active in reviewing its capital requirements and regulations, particularly in relation to the adoption of AIFRS.

We now know that software assets, which are shown on the balance sheet as an intangible asset under AIFRS, will be deducted from tier one capital from 1st July 2006. The first set of adjusted figures show the impact of this additional capital deduction.

The AIFRS shift from a general provision for doubtful debts to a collective provision will also have a capital impact. APRA has stated that it requires a General Reserve for Credit Losses (GRCL). This is a reserve for prudential reporting purposes only and it will be measured against 0.5% of risk-weighted assets. APRA has also stated that the collective provision will be only partially eligible for inclusion in the GRCL.

Changes to capital position AIFRS / APRA developments

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As you can see, our regulatory capital remains above our target after making these adjustments, however the ACE ratio is below our previously stated target of 5%. We have been in discussion with S&P who have confirmed they do not expect changes to the ACE ratio as a result of any accounting changes (from AIFRS) to affect their assessment of the strength of a company, unless of course it provides material new information or results in changed business behaviours.

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Capital capacity

Capital – target ranges	Target	Adjusted	Surplus $m
Capital adequacy ratio	10% - 10.5%	10.20%	51.5
ACE ratio	4.5% - 5%	4.80%	76.8
GI MCR cover	1.6 times	1.69 times	91.9
Capital structure ratios	**Limit**	**Adjusted**	**Capacity $m**
Innovation hybrid T1/Net T1	15%	10.69%	100.7
Residual T1/NetT1	25%	10.69%	334.6
Lower T2/Net T1	50%	35.73%	333.8
Net T2/Net T1	100%	48.37%	1,207.1
GI Residual T1/Net T1	25%	0.00%	388.5
GI Lower T2/Net T1	50%	12.90%	576.7

Capacity across all capital categories provides flexibility for future initiatives

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We therefore have adjusted our ACE target minimum to 4.5%. This is important as it is ACE rather than regulatory capital that, at present, is the defining variable in our capital strategy. This is highlighted in the table set out on this slide that summarises our capacity against the various regulatory and credit measures.

Whilst the surplus CapAd would appear less than ACE surplus, you can see that there is plenty of room to move in repatriating surplus regulatory capital from the General Insurer to the Bank. Further, there is the ability to raise residual Tier 1 or Tier 2 capital in the General Insurer and effectively repatriate Tier 1 capital and ACE in the Bank.

The internal capital structure ratios are all well within the allowances, and give us the flexibility to consider a wide range of capital transactions. Unlike some of our peers, we even have capacity for further innovative capital transactions, rather than being overweight in this area under the proposed APRA regulations.

These figures are all based on the actual December 2005 capital adequacy as disclosed in our half-year results statement. Growth in retained earnings since December will increase the Tier 1 and ACE capital base; and a substantial securitisation programme in early May has offset growth in our risk-weighted assets.

We are therefore in a position to progress the next phase of our capital management strategy following last year's special dividend. Whilst the quantum and nature of the transactions are yet to be finalised, we anticipate returning some capital either by way of off-market buy back or special dividend, or a combination of both in the latter part of this calender year or first quarter next year.

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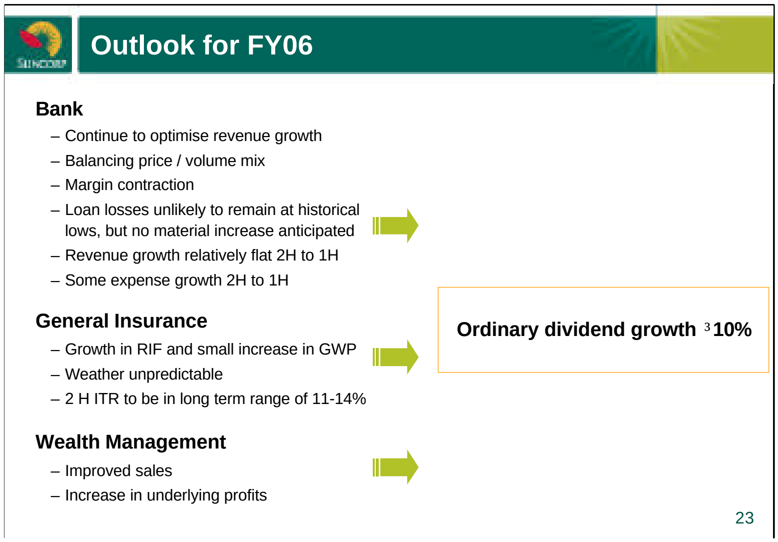

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Before concluding today, I want to take a minute to update our thoughts on the outlook.

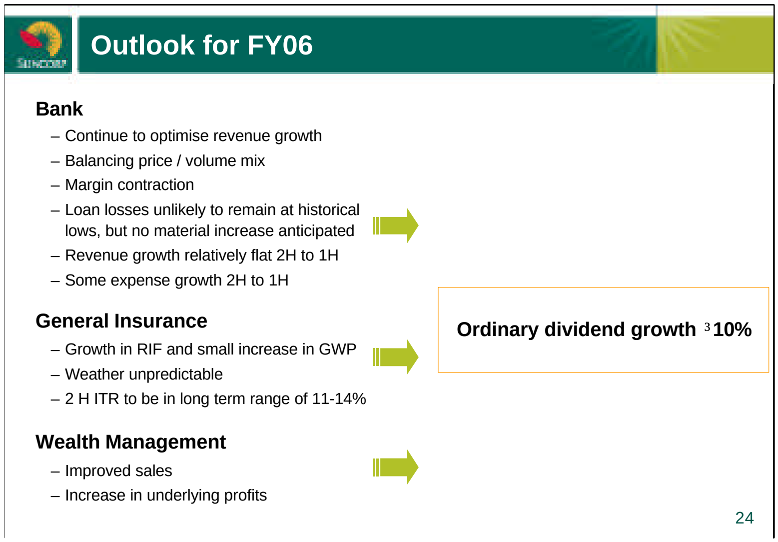
From our perspective, general macro economic conditions in Australia remain sound.

Despite a spike in fuel prices and a recent 25bp interest rate rise, the national economy is strong, inflation remains within the Reserve Bank target range, albeit at the top end, and unemployment is at historic 30 year lows. The Queensland economy, where we have about 50% of our business, continues to perform above the national average on many key measures and will remain buoyant as the State embarks on a significant infrastructure building program, and population growth remains above the national average.

In Banking, we continue to optimise total revenue growth by balancing the price and volume mix.

We expect that we will enter the next financial year at or above market growth in Home lending. However the longer lead time for initiatives to take effect in commercial markets, combined with continued sluggishness in the property development portfolio, mean we would not expect our business lending portfolio to return to market growth rates until sometime in the 06/07 year.

As we pointed out at the half year we will see some margin contraction in the second half. This, combined with the fact that there are fewer days in the second half than the first, means that revenue growth in the Bank -- while comparable to our peers on a year on year basis -- will be relatively flat second half to first half. In addition, we would expect to see some expense growth relative to the first half. Credit quality remains strong.



For General Insurance, we will continue to grow risks in force and despite our exposure to the CTP market, which represents around 20% of our GWP and has declining premiums, we still expect to report a small increase in GWP, year on year.

As mentioned earlier, we anticipate an improvement in our ITR for short tail classes combined with a continuing strong result for the long tail book which means that, notwithstanding the impact of Cyclone Larry, we expect to end up with an ITR for the second half consistent with our medium to long term target of 11% - 14%.

In Wealth Management, we expect our sales momentum to continue and lead to an increase in underlying profits for the year.

And, finally, but importantly for shareholders, we reconfirm our expectation of dividend growth of at least 10% for the year – excluding last year's special dividend.

[next slide]

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So to summarise:

Suncorp has three very strong businesses.

Together, they form a unique portfolio,
providing an extensive national distribution footprint as a platform for growth and a complete product set to offer our customer base.

While the markets we operate in have become decidedly more competitive, we believe this will play out in a rational manner, with product innovation and packaging at the forefront on the revenue side and continued tight management of the expense line.

In these times there will be increased volatility in market share movements, particularly as businesses derive short term benefits from product leadership or through exposure to strong growth in industry sectors such as resources.

Over the medium to long term, however, we believe the fundamentals of our business and our dominant position in the growth state of Queensland will lead to strong revenue and underlying earnings growth across the group.

Thank you.