



ASX Announcement

07 May 2010

Macquarie Australian Equities Conference Presentation

Attached for immediate release is a copy of a presentation to be made today at the Macquarie Australian Equities Conference by David Foster, CEO Suncorp Bank.

C R Chuter
Corporate Secretary

Macquarie Equities Conference

May 2010

David Foster, CEO
Suncorp Bank

SUNCORP BANK 

Good afternoon and thank you for joining this presentation on the Suncorp Bank.

Yesterday we released our APS 330 update to the market. Many of you joined me for the teleconference where we went into detail about the Pillar 3 numbers and the non-core portfolio. I won't re-visit that in any detail but of course will be happy to address any questions you may have about that at the conclusion of my presentation.

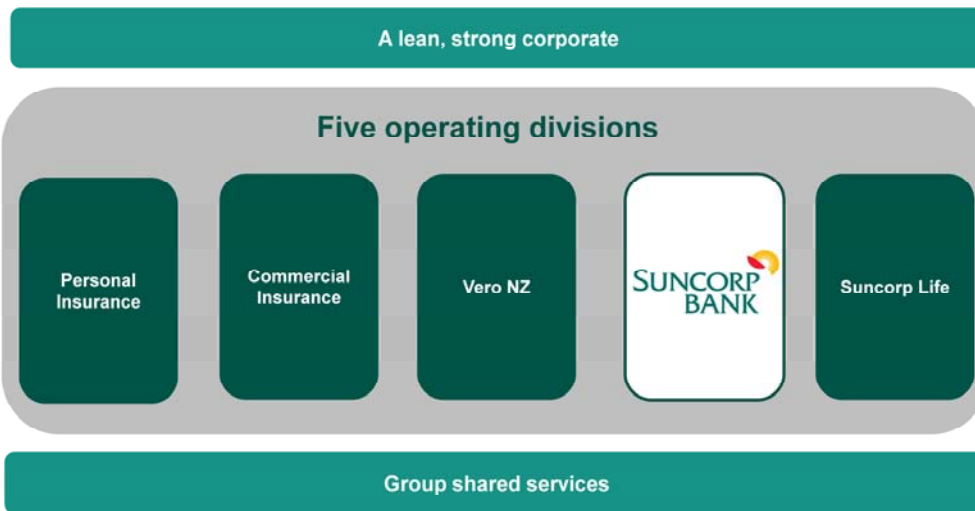
Today I want to talk to you about the vision I have for the Suncorp Bank: why this bank is uniquely positioned in the market; what the opportunity looks like and how we're capturing it; and the progress we're making against our targets.

I'll also talk through what we've achieved in 2009 to lay the right foundation for our Bank. We've achieved a great deal in re-shaping and de-risking the Bank in a very short period of time. We've hit aggressive targets and have structured our Bank to take advantage of an increasingly disenfranchised major bank customer base.

The strategic changes we've made ensure a viable business focussed on profitable growth in what everyone agrees is an essential sector in the banking industry.

So I'd like to focus on the strategy behind that today.

The Suncorp Group



SUNCORP BANK

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The Suncorp Bank occupies a unique position in the market as the largest of the second tier banking sector and the only 'A' rated bank.

But we have another significant advantage. We're part of a top 25 Australian Group.

As Patrick stated yesterday, the Bank is core to Suncorp and benefits from the financial strength of the Group. Banking, Insurance and Life are all core to our strategy. The Insurance division has an enviable market position across Australia and New Zealand, with the Bank and Life divisions supporting the Group as focused, growth businesses.

While each of the five divisions has end to end accountability for outcomes, they each benefit from the other and all generate value and savings from being part of the Group. Significantly, aggregation at a Group level uses scale to drive down costs. Initiatives like the Group Customer Data Program give each division access to sophisticated market and customer data across all brands. At business unit levels, the insurer generates significant capital which in turn can support growth in the bank. And the bank's 'A' credit rating benefits from the financial strength of the Group.

Each of the lines of business leverages the Group assets. One third of Suncorp Insurance customers have a banking relationship; the Bank handles payments for most of the Group and Bank products are distributed through the Asteron platform, to name just a few of the benefits.

The Bank's strategy has been validated and its position within the Group has been confirmed, providing much-needed clarity and certainty.

This has given us the license to actively focus on growing our Bank in 2010 and beyond. We have a great opportunity and we're ready now to take advantage of it.

Unique position

Suncorp Bank is uniquely positioned as the fifth largest bank in Australia

- The largest in the second-tier banking sector and only 'A' rated retail bank
- A 'major' market position in the key growth State of Queensland
- The only regional bank with deep and diversified access to global funding markets
- Extensive balance sheet growth capacity without funding concentration risk
- 70% retail deposit funding ratio
- Strong mortgage book securitisation capacity
- Liquidity ratio in excess of peers
- Strong capital position
- Competitive cost to income ratio leveraging Group scale

Let me run through the reasons why the Suncorp Bank is positioned to capture opportunity in the market; what that opportunity looks like; and how we're going about realising it.

- The Suncorp Bank is unique in the Australian banking sector.
- We are the fifth largest retail bank in Australia.
- We're the leader by a long shot in the second tier banking sector.
- Our two major competitors, BankWest and St George, disappeared into majors. Contrary to the claims they may be making in their advertising, they are no longer regional banks and will increasingly be seen as such.
- We are the only 'A' rated bank; the only regional bank with access to the breadth and depth of global funding markets, which is not accessible to other regionals.
- This gives us significant upside capacity to grow the size of our balance sheet without placing over-reliance on any individual funding market. We would argue we're better placed than the major banks in this regard.
- We have an enviable deposit to lending ratio which has been achieved very quickly, and which reduces our future reliance on wholesale funding.
- We have a sizable mortgage book that can be securitised giving us access to a growing and cost competitive funding base.
- And our capital and liquidity levels are very robust, putting us in a strong position should anticipated regulatory change occur.

In short, we have major advantages over our second-tier banking peers.

Opportunity

Australia wants and needs a strong second-tier banking sector

- 62% of consumers want to bank with a regional bank (Westpac, Dec 2009)
- 550,000 people plan to switch to a regional bank this year (RFI)
- Customers want better service and satisfaction
- Our research demonstrates BankWest and St George customers show higher propensity to switch at their next major financial decisions

And let's be very clear about this second tier sector. It's absolutely vital. Australia wants and needs a solid alternative to keep the big banks honest and offer competitive tension. We're in the box seat and we intend to take advantage of our position to grow our share of the market.

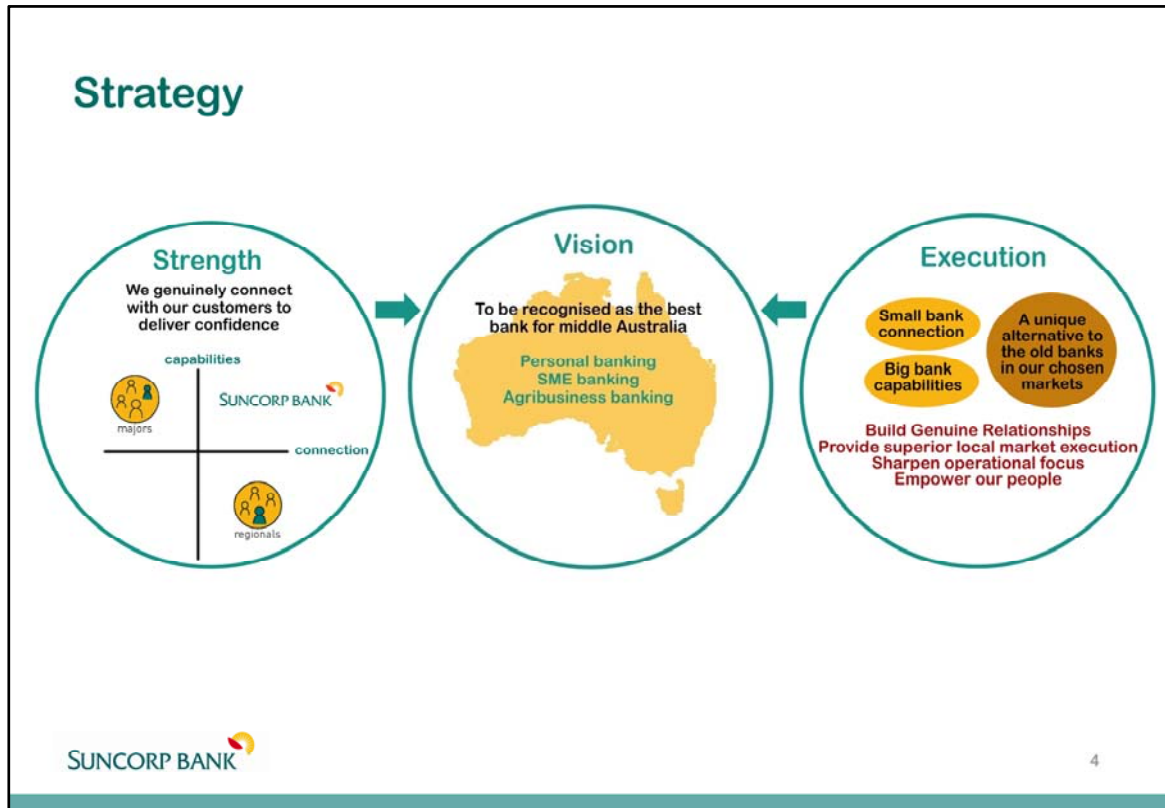
Looking at the size of the prize – well, Westpac's own research provided to the market in December last year demonstrated that 62% of customers want to bank with a regional.

Consolidation has removed our two biggest regional bank competitors from the market and customers of those former regional brands are seeing the difference. The temptation for integration savings by major banks running regional bank brands will be too great to resist over time. Those brands parading as regional banks are being seen for what they are by their customers and the market.

Our research shows that customers of BankWest and St George are more likely than customers of other banks to consider switching at their next major financial decision point.

In WA and NSW we're picking up the disenfranchised customers of former regionals – those people who want to bank with a truly regional bank.

In Australia this year, about one and a half million customers will switch banks. 37% intend to switch to a regional bank. That's 550,000 people looking to move to a regional bank in the next 12 months.



Our strategy is to have the most compelling value proposition for those people looking to choose a regional bank. And that value proposition revolves around something we've always been good at – customer service and satisfaction. We genuinely connect with customers. Majors might have real or perceived capability. And other regionals might have customer connection. But we're owning both - that space where consumers want the capability of big bank and the connection of a small, personal service-oriented bank.

Our vision is to be recognised as the best bank for middle Australia in our chosen areas of personal banking, SME and agribusiness.

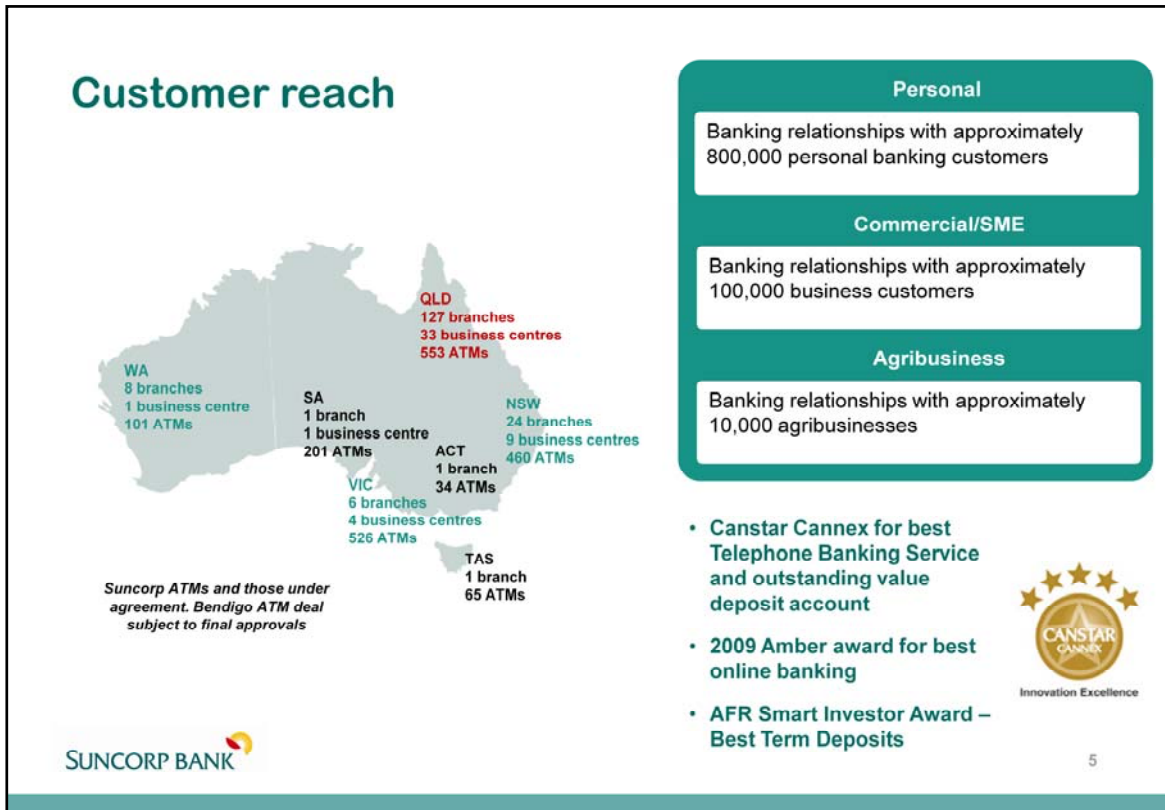
This segment represents more than half the market in terms of number of customers and value.

We will be the main financial institution for our growing customer base – servicing the full banking relationship in our target geographies. The pool of customers looking for a regional bank is there; our service is a key component driving consideration; and our marketing is driving up awareness of our brand and our competitive product set as we move into new markets and expand our footprint and reach.

The opportunity is ripe for us to continue to grow our share of the market that switches banks every year. We're growing our presence in market and offering competitive products that will continue to attract their business. And we'll retain it with customer satisfaction and service levels that are consistently better than the majors.

You can see under Execution a number of strategic capabilities we're building. Within each of these are a raft of initiatives driving growth and the success of our strategy. In a moment I'll run through some of those initiatives which play to: Building genuine relationships; Superior local market execution; Sharpened operational focus; and empowering our people through insight and clarity

But first I'd like to take a look at our current footprint.



In the past 12 months, we've grown our national branch footprint and effectively doubled our ATM network. Our branch network has grown to 168 and we have six branches opening in the next three months in Sydney and Perth and five district banking centres opening in Qld, New South Wales and Victoria by the end of the financial year.

ATM access points grow to 2000 with the signing of a partnership agreement with Bendigo. We are exporting our Queensland success to targeted interstate geographies and teaming this with branch and ATM clusters in markets, as well as local area marketing and promotional activity.

A good example of this strategy is the work we've done in Western Australia, where we now have 8 branches and more than 100 ATM access points for customers in the west. This has enabled us to position well with those customers who are seeking an alternative to the majors and are disenfranchised with former regionals.

Our performance in WA has been strong driven by growth from BankWest/CBA . Similarly, our best performing branch in the country last year was Shellharbour, in the Illawarra - the heartland of St George/Westpac. Customers want a genuine alternative to the majors.

In all of the regions in which we operate we employ a local area model, where the regional manager is empowered to operate his or her business at the local level, with targeted deposit acquisition strategies and MFI market share targets at the local level. Our customer base has grown in our core markets with our more focussed and targeted strategy. We now have banking relationships with more than 900,000 customers.

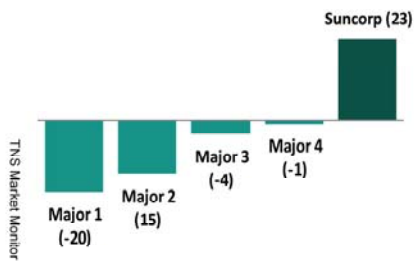
We've demonstrated our big bank capability and our reach by taking out some major national awards for online banking, term deposits and our telephone banking service – beating the majors on these fronts. Importantly, in our home state which has had strong growth historically and will do in the future, we are a major bank – the bank for Queensland.

[2009 AMBER award for Best Online Banking (beating other finalists Westpac Commbank, St George and ANZ)
AFR Smart Investor Blue Ribbon Award for Best Term Deposit (30 to 300 day)
Canstar Cannex for Australia's Best Telephone Banking Service and Outstanding Value Deposit Account]

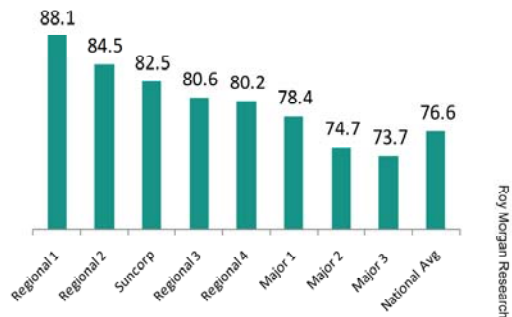
Service proposition

- Customer satisfaction better than the majors
- Top 2 share of wallet nationally
- Continue to build good advocacy: Net Promoter Scores far exceeding majors
- Continue to build retention: 9 out of 10 term deposits are rolled over

Net Promoter Score
6-Month Average Score to March 2010



Banking National MFI Customer Satisfaction
Feb 2010

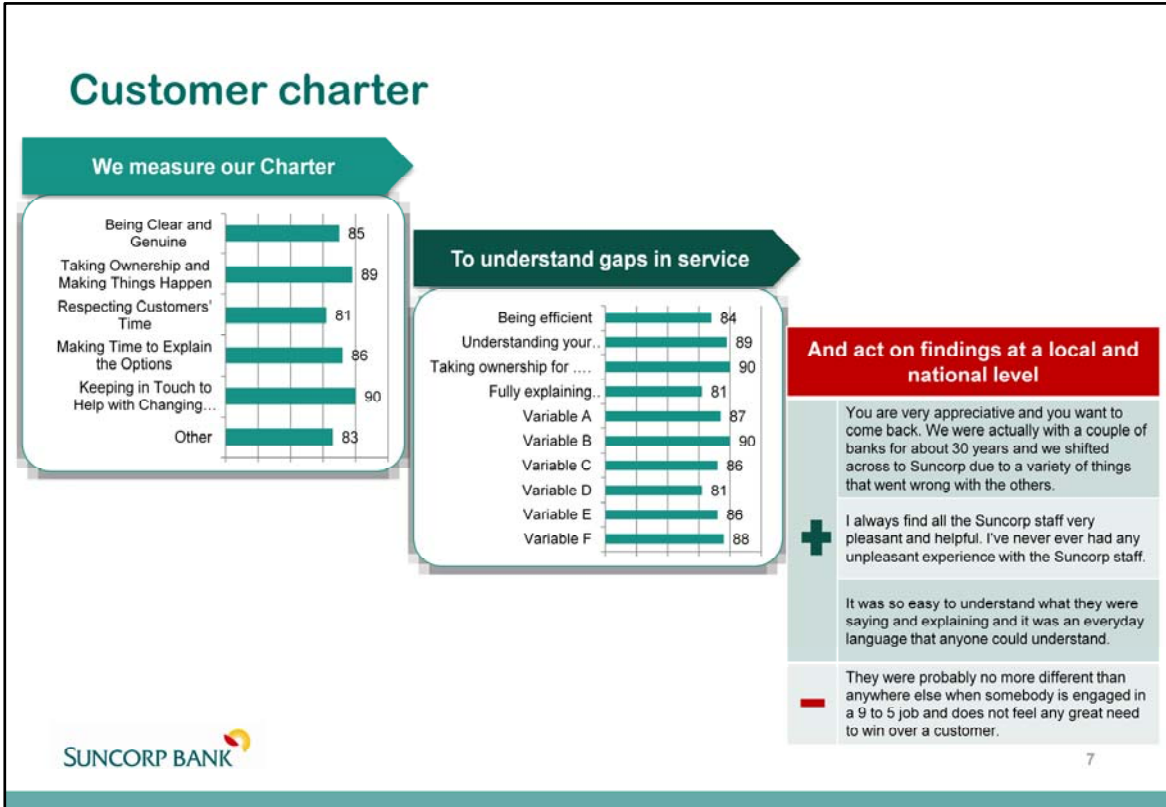


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We have a strong service proposition demonstrated by our net promoter scores, retention and customer satisfaction.

Looking at the Net Promoter Score – which measures advocates minus detractors in the customer base – we're streets ahead of the majors who all have negative scores meaning they have more detractors than advocates. Westpac's presentation to the market on Wednesday outlined the Net Promoter Scores for the majors at around negative 18 using the Roy Morgan metrics. Importantly the Westpac presentation shows its own St George brand was around minus 5.

Our Customer Satisfaction and net promoter scores are important because our research shows consideration of banking brands is driven by service. We've consistently been among the leaders in national MFI satisfaction. We're also number 2 in share of wallet. This points to the Suncorp Bank's success in developing strong, broad banking relationships with its customers.



It's important we maintain our leadership position in service and we're doing this in a very deliberate and integrated way.

Our Customer Charter was launched internally along with our Bank re-brand in May 2009.

We've driven strong internal awareness of how to build and improve service. This is measured and operationalised through a dedicated program involving monthly reporting and feedback to branches and regions. We measure each element of our charter and let our people know how they're performing. Training supports improvement.

This approach gives us real time knowledge of our service performance allowing us to manage this effectively and deal with any emerging issues as they come up.

That sort of immediacy and agility is particular to regional banks. It's what will ensure we continue to lead our competitors.

Initiatives driving growth

- Customer Acquisition
 - driving consideration in key markets
 - expanding footprint
 - retention and MFI
- Delivering our SME proposition
 - launching attractive proposition for new customers
- Simplification
 - partnering with specialist providers
 - streamlining processes and reducing cost
 - productivity gains in processing
- People capability and culture
 - talent management and succession
- Management Information Systems
 - Improving reporting to support local market strategy

I'd like to take a few minutes to talk about our top five priorities for growth. There are a number of initiatives in progress within the five areas of:

1. Customer Acquisition
2. SME proposition
3. Simplification
4. People capability and culture
5. Management Information Systems

Customer acquisition is being driven through service, proposition and increasing points of presence. We're actively growing our footprint in targeted corridors. Site selection is driven by an analytical tool which maps potential new locations against demand, cross sell opportunity and profitability.

Within the SME proposition: we're simplifying our lending processes, providing more points of contact via branches and District Banking Centres, more relationship managers and we're offering a more attractive portfolio of banking products and services for business.

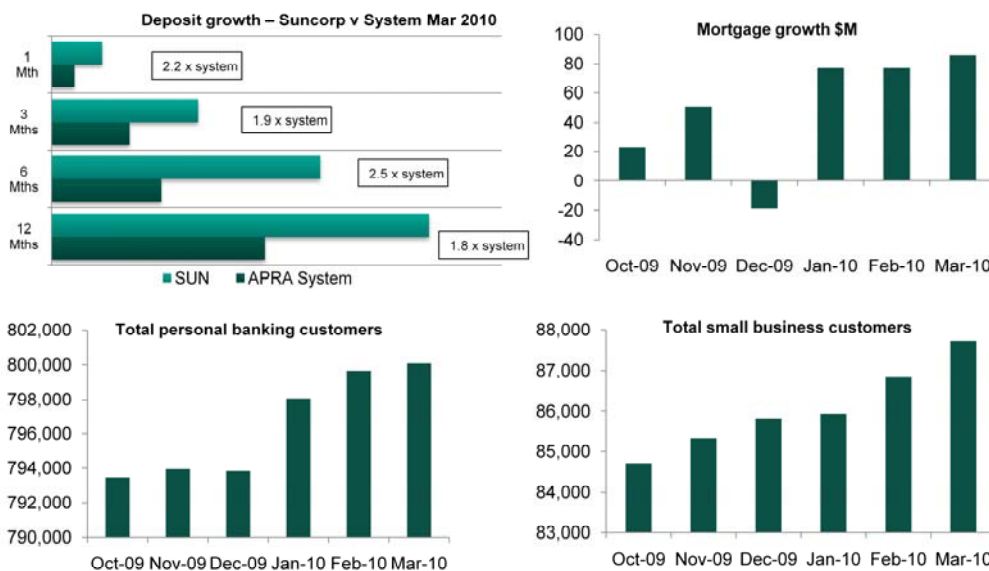
Under Simplification: we have some major productivity initiatives which are driving great improvements in processing. We've almost halved our loan turnaround times and doubled the settled deals per FTE in the past six months.

Building capability through training has been critical following our restructure in 2009. Providing access to more skills-based training has not only improved performance but supported engagement, which remains extremely high in spite of the significant challenges faced in recent years.

Improving the sophistication of our reporting internally and externally has been a focus for the Group. We're implementing improvements to our banking MIS which will help inform business decisions, drive performance management and build capability to support our local market execution strategy.

Progress

- Customer numbers and deposits have grown steadily
- The pipeline for mortgages has grown by more than 50% since January



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- So we delivered necessary change last year to get the house in order. And we've got key projects underpinning our growth. This has given us a solid structure to build on.
- We're focussed on growing the core franchise, not being all things to all people. We're hungry for the right business in personal banking, SME and Agribusiness .
- Deposits have grown strongly in the past year at more than 12% growth against system, which was just over 7%.
- In February alone, we acquired almost 10,000 new EveryDay Basics account customers, 30% of them new to Suncorp
- In mortgages, we've seen sales move steadily upward and the pipeline which really started building after the post-Xmas seasonal downturn is translating into sales. This typically takes a couple of months to move through.
- Customer growth has been good since we went back to market in January which illustrates that consideration is translating through to growth.
- This is consistent with our objective of growing a customer base that has a deep and enduring banking relationships with Suncorp – customers who see us as their main financial institution and grow their complete banking relationship with us.

Targets

The objective is profitable growth and key targets include:

- 1 to 1.3 times system lending growth by December 2010
- By 2013:
 - Grow total customer base to greater than one million
 - Treble number of customers in WA and NSW
 - Double branch footprint in WA and NSW
 - Increase main bank customers by 50%
 - Cost to Income ratio in the mid 40s
- Deliver sustained Return on Equity greater than 15% in the core bank

Our progress is solid and, importantly, we're clear about what we want. We've set targets which we're focussed on achieving.

In the short term we're aiming for 1 to 1.3 times lending growth by December 2010.

In line with the three-year plan - taking us to the end of financial year 13 - we will:

- grow our customer base to more than one million customers
- treble our customers base in WA and NSW; and double our branch footprints in these States to support growth
- we will increase by 50% the number of customers for whom Suncorp is their main bank. This will be achieved by an enhanced customer acquisition model and deepening relationships with existing customers.
- we're targeting a cost to income ratio in the mid 40s
- and a sustained Return on Equity greater than 15% in the core bank subject to any material regulatory change

Notes/Back-up

Customer count Jan 1, 2010

- Personal customers 793K
- Business customers 107K
- WA 16K
- NSW Metro 47K

'core MFI' internal measure = 36%

Strategic scorecard

Our strategy, set in late 2008, is clear, validated and on track



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- The path forward is clear and the journey we've taken in the past 12 months demonstrates a track record for achieving our targets.
- When the retail and business banks came together in September 2008, I was appointed to generate benefits through simplification and consolidation. Within a month, Lehmann Brothers had collapsed creating the need for more comprehensive strategic change. We needed to chart a new course for the Bank as a result of significant and enduring economic and environmental change. And we did that.
- We laid out a clear strategy in late 2008 and we've been steadfast in our approach.
- I stood here last year and made commitments around de-risking, re-shaping and de-leveraging the Bank.
- We executed on a concerted program to do just that. We moved out of high-end Corporate and Property banking and established the non-core portfolio to runoff these assets. We've reduced that portfolio by \$4 billion since it was created.
- We've fully match funded the non-core book and have re-priced these assets accordingly wherever possible
- We've de-leveraged and eliminated funding risk, substantially lengthened the balance sheet and achieved higher levels of liquidity.
- We hit our 70% deposit ratio in quick time, growing the ratio by an absolute amount of 10% in just over 12 months, proving the strength and agility of our core franchise.
- We've established core and non-core operations with clear accountabilities and targets which are being exceeded. Clear risk parameters are embedded in the business.
- We have considerably strengthened our capital ratios
- And we're proactively managing credit quality, expenses and headcount while being very clear about our target business, all of which will underpin profitable and sustainable growth.
- The outcome is a bank with lower risk, reduced volatility and sustainable reliance on wholesale funding. We have access to a broader base of funds than our second-tier competitors with greater capacity for growth and we are strongly positioned as an alternative to the majors. Our cost to income ratio is competitive with majors when adjusted for our weighting to lower risk assets.
- And we're a leader in customer satisfaction.
- We're structurally and financially positioned to grow.

Summary

- Suncorp Bank is leader of the essential second tier banking sector
- Uniquely positioned to take market opportunity
- Aggressive targets were achieved in 2009
- The clear strategy rolled out has laid the platform for growth
- The pipeline is building
- Suncorp Bank will be the best bank for middle Australia

The Suncorp Bank has been on a significant journey in the past 18 months. Our key regional bank competitors were taken out of the market because of major environmental change; change which forced us to adapt very quickly. We put in place a clear strategy and enacted it efficiently. We created the foundation for profitable growth in target markets and in the past three months we've seen the pipeline grow.

This goes hand in hand with investment in our people and culture.

Despite an incredibly challenging 18 months, Suncorp Bank staff have demonstrated their resilience and loyalty, and I thank them for that.

Our people have proven they can genuinely connect with customers and deliver a superior sales and service model.

We have invested in the frontline and re-weighted the staffing mix toward customer-facing roles as part of simplification and streamlining which continues to enhance the customer experience.

We are part of our local communities.

The Suncorp Bank also has loyal customers. While I'm sure there have been times over the past 18 months that their loyalty has been tested, it has not been lost.

By building and broadening MFI relationships we are able to service our customers as a strong alternative to the major banks.

We've made the necessary changes and clearly stated our path forward. We will be the best bank for middle Australia.



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