NEWS RELEASE

26 August 2008

SUNCORP POSTS AFTER TAX PROFIT OF $556 MILLION, UNDERLYING PERFORMANCE SOLID DESPITE CHALLENGING YEAR

KEY POINTS

- Net profit after tax of $556 million, with external factors significantly impacting the bottom line.
- Bank profit before tax up 11.2% to $633 million, despite impacts of credit crunch.
- General insurance profit before tax of $307 million, with good premium growth across short-tail products.
- Wealth management underlying profit down 9.3% to $136 million.
- Integration on track with synergy realisation in line with targets.
- Accelerating delivery of integration end-state business model by merging retail and business banking operations.
- Final ordinary dividend payment of 55 cents per share, fully franked.

Diversified financial services group Suncorp today reported a net profit after tax (NPAT) of $556 million for the full year to 30 June 2008. The result featured solid underlying business performance, which was significantly impacted by volatile investment markets and adverse weather conditions.

Key highlights of the full year result included:

- Bank profit before tax increased by 11.2% to $633 million. The result was at the top end of guidance and featured margin stabilisation in the second half, as well as maintenance of disciplined credit practices.
- General insurance profit before tax of $307 million, significantly down on last year's figure of $835 million after severe weather events and volatile investment markets impacted the bottom line. All insurance brands continued to perform well, achieving good premium growth across short tail products.
- Underlying profit of $136 million for the wealth management business, down 9.3% on the 06/07 pro-forma result.
- $104 million in synergy benefits realised in FY08, on track to achieve upgraded net annual integration synergy estimate of $325 million.

Chairman John Story said that, despite the headline result, Suncorp's underlying business performance had been solid throughout one of the most challenging years in recent history for financial services companies.

"While I understand shareholders will be disappointed by the headline result, management responded well to the external challenges we faced, our business remains fundamentally sound and the outlook for the current financial year is positive," he said.

Mr Story said the Group's underlying business performance last financial year, and its positive outlook for the current financial year, meant it was able to pay shareholders an ordinary final dividend of 55 cents per share, taking the full year ordinary dividend to 107 cents per share, fully franked.

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Chief executive John Mulcahy said Suncorp was well positioned to respond to external market challenges.

"Like most Australian financial services companies, our results for the last financial year were directly and indirectly impacted by external events," Mr Mulcahy said.

"However, underlying business performance and momentum was maintained and we are well placed to ride out any further deterioration in the market, as well as take advantage of any improvement in the industry cycle."

Mr Mulcahy also said the Promina integration remained on track with the Group expecting to achieve its upgraded annualised synergy estimate by June 2010.

"The business made good progress on its integration program, as evidenced by the fact that the synergy realisation run rate is ahead of target, while integration costs remain well managed," he said.

Accelerating delivery of end-state business model

Mr Mulcahy said the Group was prudently managing its way through the current operating environment and was taking the internal and external measures that shareholders and other stakeholders would expect.

"The Group is responding to current market conditions with a renewed focus on cost management by reducing discretionary spending, reducing duplication and looking for ways to reach its integration end-state business model more quickly," he said.

As part of this process, Suncorp has decided to merge its retail and business banking operations. Current retail bank group executive David Foster will lead the combined banking business.

"Merging our banking operations makes sense in the current economic environment and market cycle. This change has been on the radar for some time and the timing is now right. The Promina merger is well advanced and we have the merger team expertise and infrastructure in place to help drive this change," Mr Mulcahy said.

Mr Mulcahy also announced changes to Suncorp's management team after personal insurance group executive Robert Belleville confirmed his intention to retire.

Bernadette Inglis, currently group executive for strategy, people and corporate services, has been appointed group executive for personal insurance. Mr Belleville will work alongside Ms Inglis for a three month transition period before moving to a nine month consultancy role.

In confirming his retirement, Mr Belleville said he had enjoyed the challenges of integrating Suncorp's personal insurance business following the Promina merger.

"Although I have been considering retirement for some time, I agreed to delay my plans to take on the challenge of aligning Suncorp's range of insurance brands. Now that the integration and brand alignment planning is well advanced, I've decided to take a step back from the day to day running of the business," Mr Belleville said.

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"I've worked closely with Bernadette throughout the process of integration – she has an in-depth knowledge of the business and will provide strong leadership in the current environment."

Stuart McDonald, who headed up the business bank, will replace Ms Inglis as group executive for the Group's centre functions. The appointments of Mr Foster, Ms Inglis and Mr McDonald are effective immediately.

Outlook

Mr Mulcahy reiterated the FY09 outlook provided for the Group's three businesses in the market update on 1 August 2008.

For the Bank, this was high single digit growth in profit before tax and bad debts compared to the 2007/08 result (excluding one-off items). While it is likely the level of non-performing loans will increase in 2008/09, the impairment loss expense should continue to be below the levels experienced by our major bank competitors.

In General Insurance, ITR is forecast to be in the 10% to 12% range, including the benefits of integration. This assumes weather events remain within the Group's normal provisioning and there is no further widening of credit spreads across the Group's technical reserves portfolio.

In Wealth Management, conditions are expected to remain challenging, with the Group forecasting a flat underlying profit result compared to 2007/08.

Based on the outlook and continuing good progress on integration, the Board anticipates the Group's ordinary dividend for the full year to June 2009 will be maintained at 107 cents per share.

ENDS

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<u>Teleconference details</u>

Analyst briefing – 10.30am AEST
Australia: 1800 148 258
International Dial In: +61 2 8524 6650
Conference ID: 55138028

Media conference – 1pm AEST
Australia: 1800 148 258
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