SUNCORP

NEWS RELEASE

24 February 2009

SUNCORP CONFIRMS NPAT OF $258 MILLION, CAPITAL POSITION SIGNIFICANTLY STRENGTHENED

- Net profit after tax and Promina acquisition items of $258 million, reflecting challenging external environment.
- Bank profit contribution before tax of $97 million, featuring strong underlying profit growth offset by higher impairment charges.
- General insurance profit contribution before tax of $253 million, affected by major weather events and accounting adjustments.
- Wealth management profit after tax of $135 million, up 31% on prior period.
- Integration on track with synergy realisation ahead of schedule.
- Interim ordinary dividend payment of 20 cents per share, fully franked.
- Institutional capital raising significantly strengthens capital ratios.

As previously indicated in a recent market update, diversified financial services group Suncorp today confirmed a net profit after tax (NPAT) and Promina acquisition items of $258 million for the half year to 31 December 2008.

The result featured solid underlying growth in each of the Group's business lines tempered by the impact of deteriorating economic conditions and major insurance claims events.

Key business line highlights of the half year result were:

- The Bank's profit before tax and bad debts increased by 39% to $448 million. Initiatives to reduce structural and discretionary costs contributed to top line performance and helped offset the effects of a deteriorating external environment and significantly higher bad debt charges.
- General Insurance profit before tax was $253 million, up 47% on the first half last year. Healthy growth was achieved in gross written premiums but major claims events again impacted the result.
- Wealth Management performed well in difficult market conditions, achieving profit after tax of $135 million for the six months to 31 December 2008.

Chairman John Story acknowledged that, while the Group had shown strong underlying earnings growth, shareholders would be disappointed by the headline financial result for the half year. This was despite the fact that it had been achieved in one of the most difficult periods for financial services companies in recent history and reflected the deep dislocations in the financial, as well as the real, economy.

"Like many companies, we have faced numerous external challenges in the financial year to date and we have made a number of difficult short term decisions, such as reducing the half year dividend, which will help insulate the Group and shareholders from the worst impacts of the deteriorating economic environment," he said.

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"The Board is satisfied that Suncorp is now well placed to manage through the current conditions. "The capital raising has given the group a strong balance sheet and our businesses are very focused on cost and risk management."

Mr Story said the Group's capital position had been significantly strengthened by the recent institutional capital raising, with a Tier 1 capital ratio of at least 11.0%, adjusted common equity (ACE) ratio of at least 6.1% and a minimum capital adequacy ratio (CAR) of 12.8%. These ratios would be higher again when the retail component of the capital raising was completed in March.

He also said that, as flagged at its 5 February market update, the Group would pay shareholders an interim dividend of 20 cents per share fully franked.

Chief executive John Mulcahy said the underlying operational performance of each of the business lines in the face of extremely difficult economic and investment market conditions, as well as severe weather events, underscored their quality and potential in more normal circumstances over the longer term.

"Although the headline financial result was disappointing, each of our business lines again achieved strong underlying growth during the half and are competing strongly in their market segments," Mr Mulcahy said.

"Integration, which now moves into its final phase, remains on track and on time from both a financial and cultural perspective."

Outlook

At the macro level, Suncorp expects conditions will remain challenging and economic activity subdued over the short to medium term.

The **Bank** is on track to achieve its full year forecast growth in profit before tax and impairment charges in the high teens. However, a combination of moderating economic growth, higher average funding costs and portfolio realignment and contraction will lead to reduced revenues in the 2009/10 year.

The depth and pace of economic deterioration and the offsetting effect of Government stimulus continue to make forecasting impairment charges extremely difficult. As Suncorp has previously stated, any forecasting of full year bad debt expense at this stage of the economic cycle – whilst informed by thorough review and evaluation – is subject to change.

With this caveat in mind and based on the Group's most recent analysis, its current forecast is that full year bad debt expense for the year to 30 June 2009 will be in the range of 100 - 130 basis points of gross loans, advances and other receivables.

In **General Insurance**, Suncorp expects growth in gross written premiums will be in the previously forecast range of 4% - 6% for the year to 30 June 2009.

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At its 5 February update, the Group indicated it was forecasting a second half ITR in the 10% - 12% range, including integration benefits. This forecast assumed weather events remained within usual allowances and there were no material changes in investment markets (including no further widening of credit spreads across the technical reserves portfolios). In addition, the Group's outlook needs to be subject to no further LAT adjustments over the course of the year.

Since 5 February, the Group has experienced two major claims events in the second half – the tragic Victorian bushfires and widespread flooding across North Queensland.

It is estimated the combined cost of these events to the Group will be approximately $180 million net of reinsurance recoveries and including reinsurance reinstatement premiums and the purchase of additional reinsurance cover.

These events, and any further events over the course of the year, will clearly impact the Group's ITR although, now the aggregate cover program has been triggered, any additional major claims events in the remainder of the financial year will cost the Group a maximum of $10 million per event, up to the limit of the $300 million.

While it is difficult to anticipate with any certainty the full year result for **Wealth Management**, Suncorp continues to target a flat underlying profit after tax for this financial year when compared to the 2007/08 year. However, due to the impacts of the economic slowdown, there is clearly a downside risk this outcome will not be achieved.

The Group's **integration** program remains on track and is expected to generate synergies ahead of the pre-disclosed targets. In addition to the cost benefits being realised through integration, the business is responding to the deteriorating external environment with a further focus on cost management by reducing discretionary spending, removing duplication and accelerating delivery of the integration end-state business model.

The Board's intention is to target a final ordinary **dividend** of 20 cents per share fully franked.

Beyond the current financial year, the Board is targeting a dividend payout ratio of 50% - 60% of cash earnings. Any dividend guidance is subject to achieving forecast profit guidance, the capital requirements of the business, regulatory approvals and general business and economic conditions.

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Teleconference details

Analyst briefing	**10:30am AEDT**
Australia:	1800 148 258
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Conference ID:	8145 5948
Webcast details:	www.suncorpgroup.com.au

Media briefing	**12:30pm AEDT**
Australia:	1800 148 258
International dial-in:	+61 2 8524 6650
Conference ID:	8145 6939

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