Half year results 2009
24 February 2009
SUNCORP

Thanks Steve, and thank you all for taking the time to attend in person here in Sydney, or via the webcast and teleconference.

The result is in line with the market update provided on the 5th of February but today we can of course go into more detail on the group's underlying operations.

As we have announced today this will be my last results briefing as CEO
so I'd also like to reflect briefly on what we have achieved over the last six years
and how those achievements position Suncorp for the medium to long term
irrespective of the impact of the extraordinary combination of events
we have confronted in recent years

Profit Overview

A$m	Dec-08
Banking	97
General Insurance	253
Wealth Management	115
LJ Hooker & Other	17
Profit before tax & Promina acquisition items	**482**
Amortisation of Promina acquisition items	(122)
Integration costs	(85)
Tax	(16)
Minority interests	(1)
Net profit after tax & minority interests	**258**

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So, to the first slide and you can see that the Group has delivered Net Profit After Tax of $258 million for the half year. This is down 33% on the prior year reflecting a significant increase in impairment charges in the bank as the economy has declined rapidly. In **GI** the result has been impacted by major weather events and unavoidable mark to market movements on the investment portfolio.

Profit before tax and the Promina Acquisition items at $482 million is down some 22% on the prior year.

Based on the deteriorating external environment, and the need to maintain sufficient capital buffers, the Board has reduced the ordinary interim dividend to 20 cents per share, fully franked.

To the high level divisional results now and in the Bank profit contribution before tax was $97 million. This result reflects strong underlying profits offset by significantly increased impairment charges which we discussed at some length on February 5.

On the positive side the **Bank** has benefited from a number of favourable revenue trends in the half. The work that has been undertaken to reduce structural and discretionary costs has also contributed to its top line performance and helped offset the effects of the deteriorating external environment on bad debt charges.

In **wealth**, profit contribution after tax which remains the best way to analyse the performance of the business is up 31% to $135 million. This reflects a continuing strong performance from the Life Risk business in particular.

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

So, from my perspective, the results for the half to December 2008 continue an all too familiar and frustrating theme that is: strong underlying performance marred largely by external events.

I say frustrating because in addition to coming at a massive financial cost to our business and therefore our shareholders right now the impact of the external events has tended to divert attention away from what has really been achieved by Suncorp people across the business.

We have created a strong regional banking entity one that is much stronger than it was in 2003. We have created one of the country's leading general insurers and transformed the industry in the process. We have begun to build a strong wealth management business.

Today Suncorp shareholders and employees can be optimistic about the Group's resilience - our ability to compete and withstand the current global financial uncertainties. It could easily have been different. Many other financial institutions have failed or been taken-over.

In 2003, as a functionally organised business Suncorp's metrics were not those of an organisation with a positive outlook. Housing loan growth was less than half system. There were major product gaps and poor staff morale. The business did not have a clear strategic direction… or convincing equity proposition for the long term.

We immediately established a leadership framework…. Employee satisfaction scorecards and customer service indices.

We underpinned everything with a value system that focussed on
trust, caring, honesty, fairness, courage and respect.

By 2006, Suncorp's home lending growth had grown to 1.35 times system while deposits grew at 1.24 times system. ROE was 21.4% and annualised TSR was 28.7%.

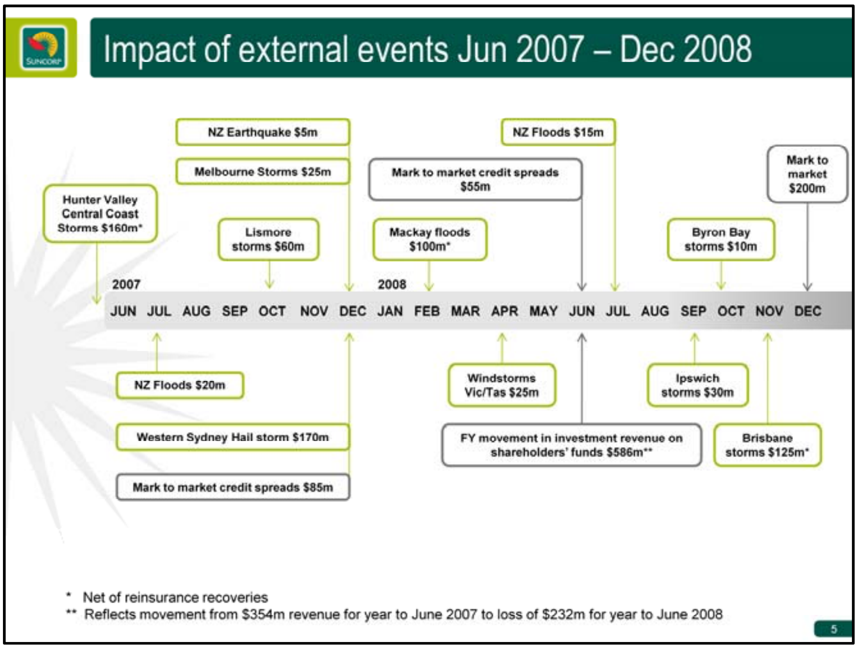
We became a product innovator. Staff turnover dropped… engagement leapt…. and productivity improved significantly. Customer satisfaction as measured by Roy Morgan improved to 77.4% from 68.4%. Suncorp finally had a much clearer short to medium term outlook.

The next task was to look further to the future.

The full integration of GIO and the acquisition and integration of Promina have been transformational for Suncorp. In that regard they have provided a strong competitive position for our Company for the long term

Those acquisitions created for Suncorp the potential for a leadership position in Australian General Insurance. There have been clear scale efficiencies.

The businesses are sharing IP in claims management and pricing and we are using multi brands to segment customers and to leverage the excellent customer metrics already in place in some of the brands. The GI engine room that we have created is a high quality machine that will generate substantial excess capital for the group and a lot of value for shareholders over the long term.



However, no matter how successful this has been it cannot be expected to offset completely the unprecedented external impacts which cumulatively total approximately $1.5 billion over the three half year reporting periods since the Promina acquisition was completed.

That short-term experience should not obscure our success in creating a resilient competitor with longer term potential of the GI business for our shareholders.

The GI business is not the only business impacted by external events. In late 2007 it became clear that the global credit crunch was unlikely to abate quickly.

Accordingly the Suncorp team across the board set about increasing the pace of integration… focussing on expense control …. and prioritising investments.

This commitment saw significant cost targets set into performance criteria and the outcomes are reflected in this reporting period and will extend even further in future reporting periods.

The world economic conditions have and will continue to impact nearly every business worldwide. It means that many business models will need to change and evolve with the credit and economic conditions unlikely to return to those seen in the years leading up to the end of the 06/07 financial year.

The Suncorp team is well prepared to withstand these harsh conditions. Today Suncorp has the scale, the structure, a deep leadership group, and a corporate culture that will enable it to grow rather than struggle in the future.

The next phase of growth for Suncorp can be built on the reinforced foundations laid by the commitment of all Suncorp employees over the past 10 years.

I am sure that the company will not forget those fundamentals as it deals with the challenges all companies face in the short term.

With the review and planning work of the EXCO team completed in the last few weeks… I believe that it is now timely for me to step aside.

This will allow a well prepared… and very capable EXCO team… with guidance from the Chairman and Chris as acting CEO… to manage a smooth transition to a new CEO to lead Suncorp through the next phase of its growth.

I would like to thank all of those employees who have worked extremely hard and given me so much support during my tenure.

I encourage the Board, EXCO and the whole Suncorp team…. to continue to live the important underpinning values that have made our culture so strong.

I wish you all good luck, all the best, and hope that our paths will again cross.

Chris… over to you now for a more detailed look at the accounts… and our immediate outlook…

Thank you John and good morning everybody.

Before I kick off I would make the point that in my presentation today I will be trying to keep my comments at a reasonably high level. As you are aware we provided a comprehensive market update and presentation concurrent with our capital raising earlier this month.

So, instead of repeating the points we made in that presentation, I will try and give you a better sense of some of the key business drivers affecting the result and deal specifically with some of the questions that emerged from the February 5 update.

As always there is a significant amount of commentary and detailed analysis contained in the analyst pack and associated material released to the market this morning.

Banking overview

A$m	Dec-08 half	vs Dec-07 half %
Net interest income	608	25.6
Non-interest income	134	59.5
Total income	**742**	**30.6**
Operating expenses	(294)	20.0
Profit before tax and impairment losses	**448**	**38.7**
Impairment losses on loans and advances	(355)	large
Profit on sale of VISA Inc shares	4	n/a
Profit before tax	**97**	**(68.4)**

- Strong growth in net interest income as asset growth and favourable cash to bill spreads have boosted profitability.
- Margins maintained as additional funding costs passed on.
- Underlying expense trend favourable but impacted by around $25m in restructuring costs.
- Impairment losses significantly impacted by conservative approach to deteriorating economic conditions.

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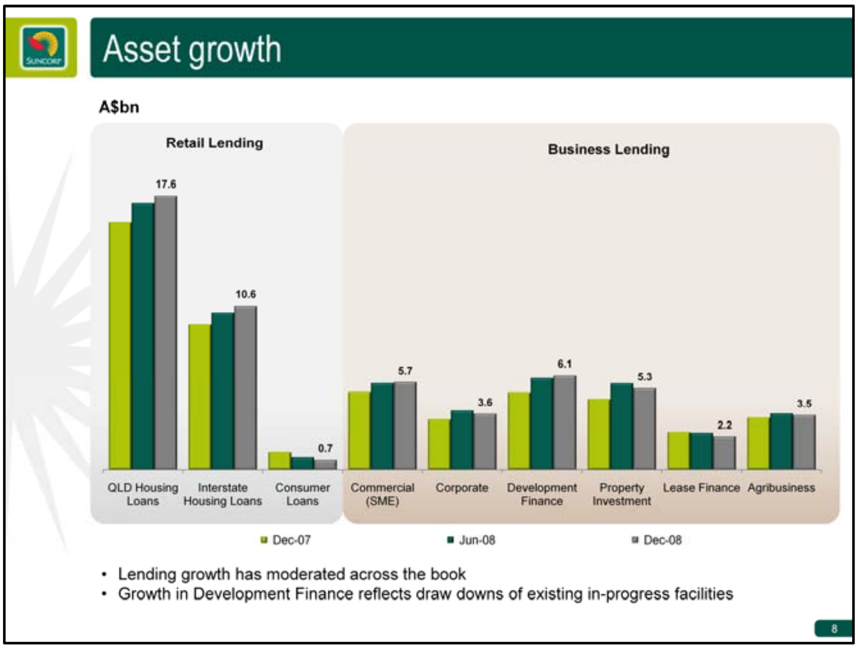
So, starting with the Bank, underlying profit was very strong, with profit before tax and bad debts of $448 million, an increase of 38.7% on the prior period.

The overall Bank result featured strong income growth, which has been largely driven by three factors:

- Firstly, the higher average asset balances, that resulted from strong lending growth across the 2007/08 year, has flowed through the income line in this half.
- Secondly, the bank bill to cash rate narrowed appreciably during the period as the market anticipated, and at times moved ahead of, official interest rate decreases.
- The third factor is the accounting treatment of short term hedges which has had a positive effect on income in the first half. As I outlined on February 5, we do not apply hedge accounting to all short term hedges. Consequently, there is a difference in the treatment of those transactions, in that they are marked to market and taken to the P&L immediately whilst the underlying position being hedged is accounted for on an accruals basis. Now, this is effectively a timing difference with the mark to market gains on the short term hedges falling into non-interest income in the first half with the contraction in margin associated with the hedged position impacting net interest income, predominantly in the second half. This has effectively brought forward income of approximately $38 million.

At the expense line, $25 million in one off restructuring costs associated with the merger of the retail and business banks have been absorbed in the first half. As a result of these one off items, headline operating expenses were up 20% on the prior corresponding period. However, you will note that they are flat with the prior period and if the $25 million was excluded were actually down by 8%. Consequently the trajectory into the second half is very positive.

And, finally, as you are well aware, impairment losses have risen significantly during the half and this has offset the strong top line performance just discussed.



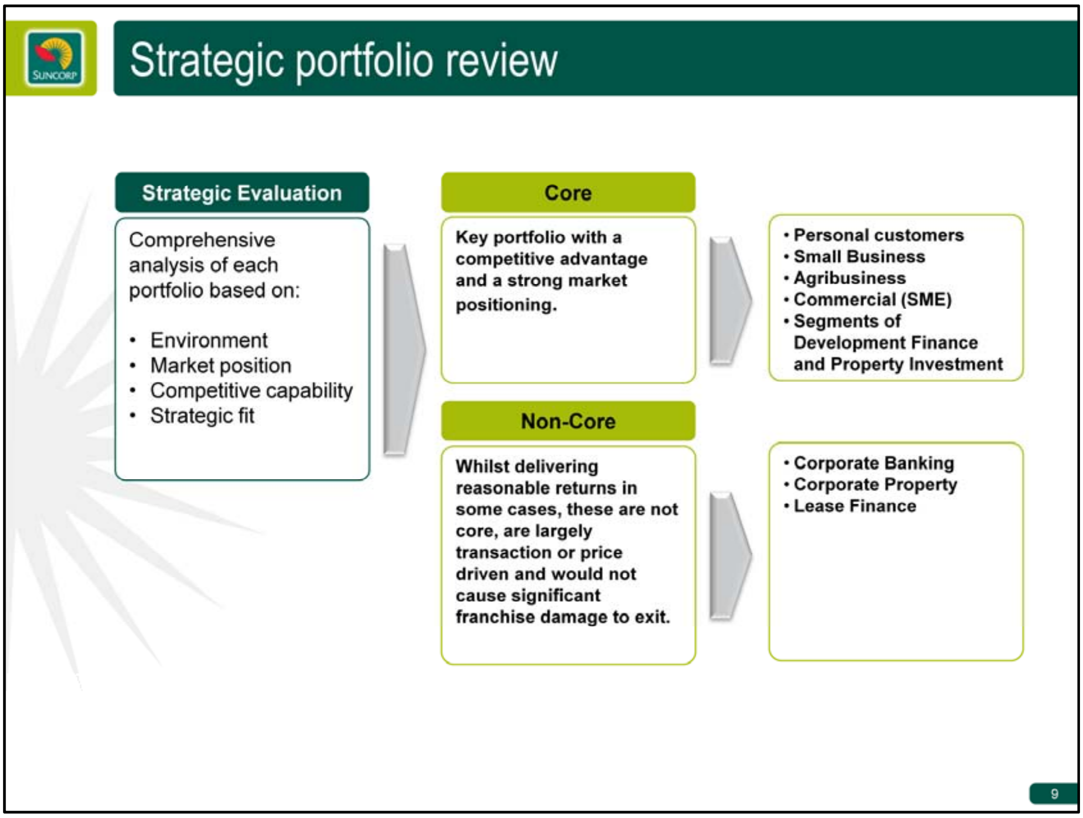
To asset growth now and gross banking loans, advances and other receivables were up 10.9% on the December 2007 balance. It is important to point out here that this, to a very great extent, reflects the strong receivables growth achieved in the half year to June 08. As we have pointed out on a number of occasions, growth since then has moderated significantly across all portfolios to the point where we now anticipate that the June 09 balance of gross loans, advances and other receivables will be roughly in line with balances recorded in June 08.

Home loan receivables, including securitised assets grew 11.5% when compared to December 2007, ahead of market growth of 8.5% (as measured by the RBA). The Bank continued to maintain strong growth in its core Queensland market while growing additional presence in the New South Wales and Western Australian markets.

Consumer lending decreased by 41.4% to $694 million primarily because of the sale of the credit card portfolio in February 2008. If you exclude this, consumer lending in fact decreased by 26.6%. This is because margin lending balances have continued to reduce in line with extreme volatility in equity markets, while tighter economic conditions have resulted in slower growth in personal lending.

Business Lending increased by 11.2% over the last 12 months. However, as I pointed out previously, the Bank has responded to deteriorating economic conditions by reducing its lending exposures over the six months to December 2008. This has seen business lending reduce by 2.2% to $26.4 billion over the six months to December 08.

You will see that the Development Finance portfolio grew by 21.8% for the full year and 2.9% over the six months to December 2008. This again reflects draw downs of existing in-progress facilities. The Bank is also working closely with developers advising them, when appropriate, to delay new projects until such time as stock levels have reduced. Sales of new financing have obviously slowed significantly as developers remain cautious in light of the current economic environment. This trend is consistent with our risk appetite in this market at this stage of the cycle.



Given the paradigm shift in banking to a new funding and risk environment the Bank has recently completed a strategic review to better position itself for the future. This involved a comprehensive analysis of each portfolio based on:

- The market environment
- Suncorp's position in that market
- The Bank's competitive capability; and
- The strategic fit

It resulted in the Bank being able to categorise its lending book as either core or non-core.

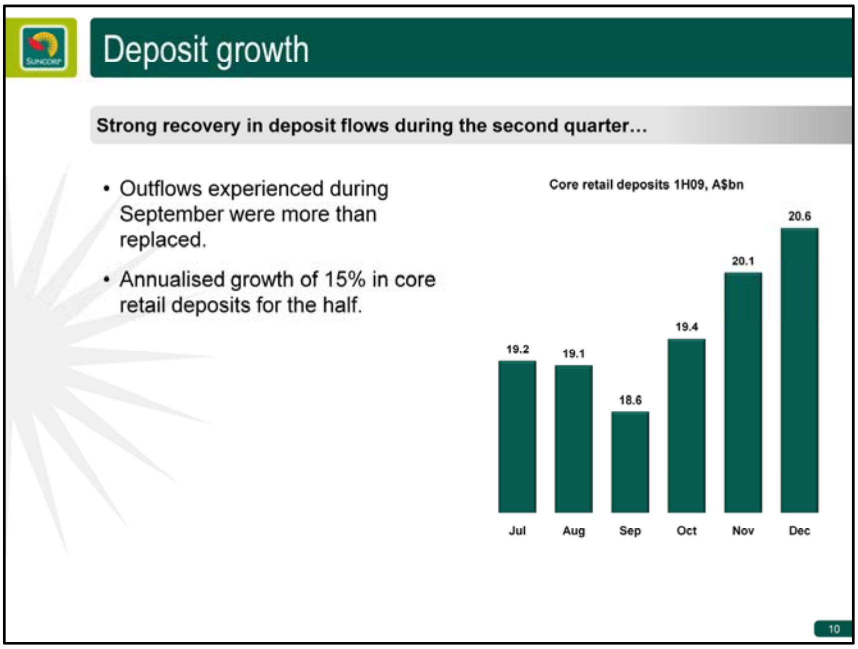
The core portfolios are defined as those in which Suncorp has a competitive advantage and a strong market position. These are Suncorp's traditional core businesses of personal customers, small business, agribusiness, commercial (or SME) banking, traditional middle market development finance and property investment.

Non-core portfolios are those that are largely transaction driven, not relationship based and while they may have delivered reasonable returns in the past are no longer viable given the new capital and funding dynamics. Accordingly , the Bank has ceased lending to new customers in the non-core businesses of corporate banking, corporate property and lease finance and will work with existing customers to reduce outstanding receivables balances on these portfolios over time.

This focus on the higher value relationship-based lending portfolios, together with a focus on deposit gathering in both retail and business markets, is designed to increase the Bank's proportion of retail funding, in turn reducing reliance on wholesale funding and position the Bank for the inevitable expiry of the Government guarantee. In parallel, the Bank has commenced a significant lengthening of its wholesale funding liability book, further improving liquidity, and I'll discuss this is in greater detail shortly.

Now I need to make the point that the speed at which these non-core portfolios will run-off will depend on a variety of factors not the least of which will include the natural amortisation profile of the respective books and the refinancing capacity of the market. This makes it very difficult for us to answer your obvious questions about the shape of the balance sheet in the out years.

While we have established a dedicated unit within the Bank to manage the run-off process, our pragmatic view is that in the near term the ability for us to make significant inroads into the non-core portfolios will be limited. However, in the short term you will see us take a number of steps to support and grow our core franchise with the objective being to develop deeper relationships with our customer base, thereby capturing a greater share of their deposits.



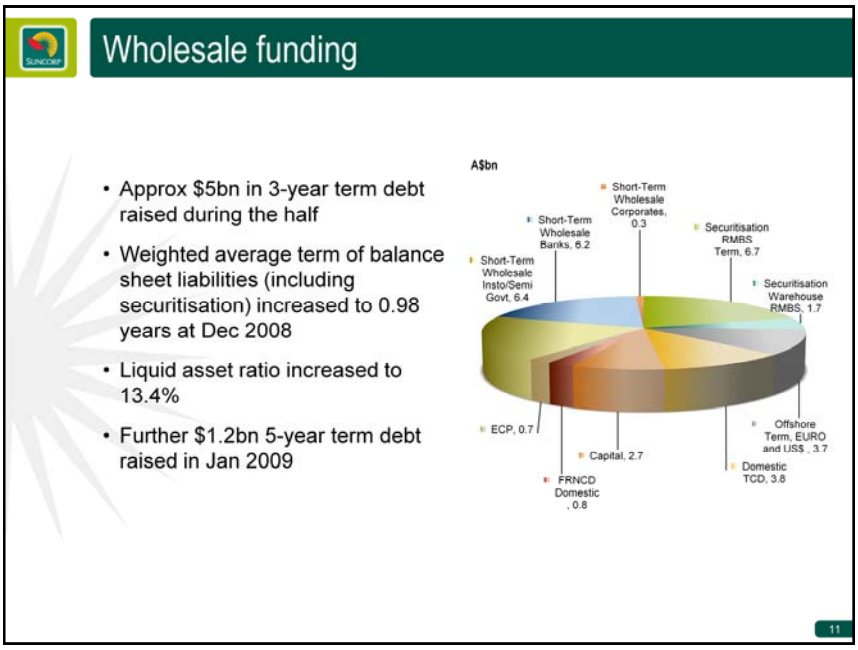
To deposits now and Core Retail deposits (net of treasury) increased 17.6% over the prior corresponding period to $20.6 billion.

As you know the period has seen extreme volatility in financial markets culminating in September, with domestic investors responding to a perceived flight to quality and shifting deposit funds from regional banks and credit unions to AA-rated banks.

The Government's deposit guarantee announced in October underpinned a level of confidence in ADI's generally and the subsequent deposit growth more than replaced the outflows experienced prior to that.

Despite volatile financial markets, the Bank continued to grow core transaction account balances, through the acquisition of new customers both in Queensland and interstate.

The Bank has also continued to refine its term deposit products and has remained competitive despite a falling interest rate environment.



To wholesale funding now, and again, the market dynamics are well known.

You will recall we entered the half with a requirement to raise between $3 billion to $3.5 billion in order to satisfy term maturities and fund projected asset growth for the 08/09 year.

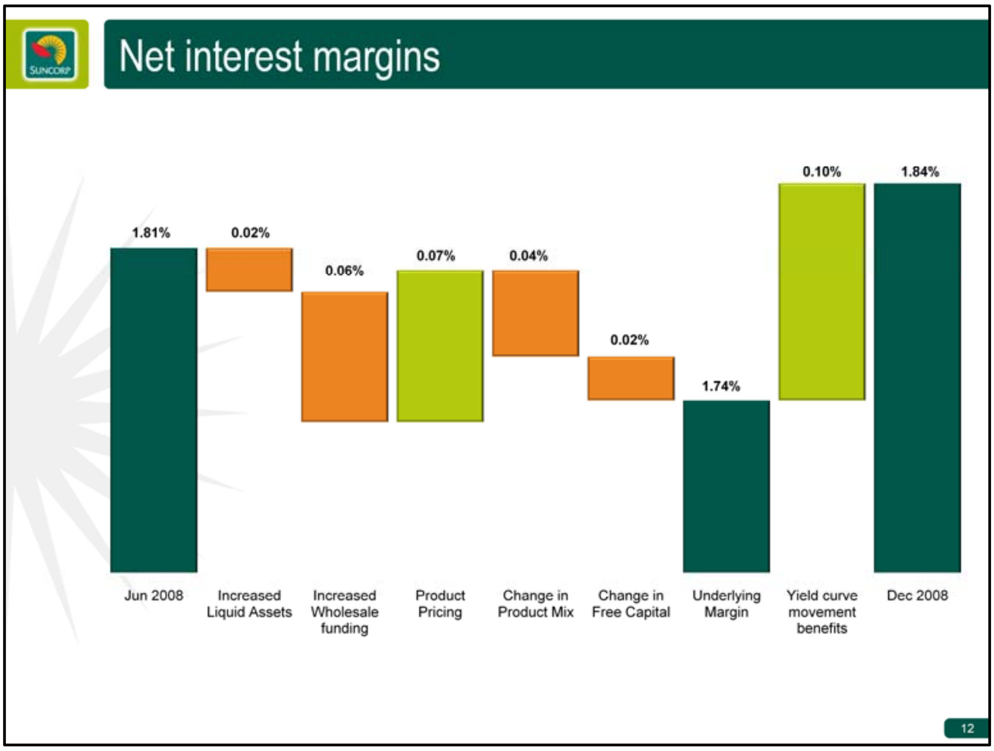
Despite the challenges inherent in funding markets both domestically and abroad, we did manage to raise approximately $5 billion of three year equivalent term debt over the six month period and this has had a very positive effect on our weighted average term of balance sheet liabilities. At December 31, the weighted average term grew to 0.98 years compared to 0.69 years at 30 June, 2008.

This does not take account the A$1.2 billion Sterling 5 years benchmark transaction finalised in January 2008 which was topped up by another A$450m on Feb 18.

Over the next few months we will look at opportunities to further strengthen the balance sheet by potentially accessing the US$, Swiss Franc and Samurai markets offshore, as well as the domestic market. The term funding raised in the next four months could be in the order of $3 billion subject to market conditions and is expected to be used for refinancing and reducing exposure to short term NCD's.

The good news is also that the ECP market has begun to reopen and has provided good support for us in early 2009, particularly in Euro, with investor appetite for both guaranteed and non-guaranteed paper in a range of maturities. While the guarantee has attracted new investors it has also increased investor confidence in non-guaranteed paper.

Liquidity has also been maintained at very conservative levels with a liquid asset ratio of 13.4% at December 2008. The ratio presently exceeds 16% and when you take into account RMBS Repo capability the Group's total liquidity improves to just under 25%, further underlining the buffers that have been built in.

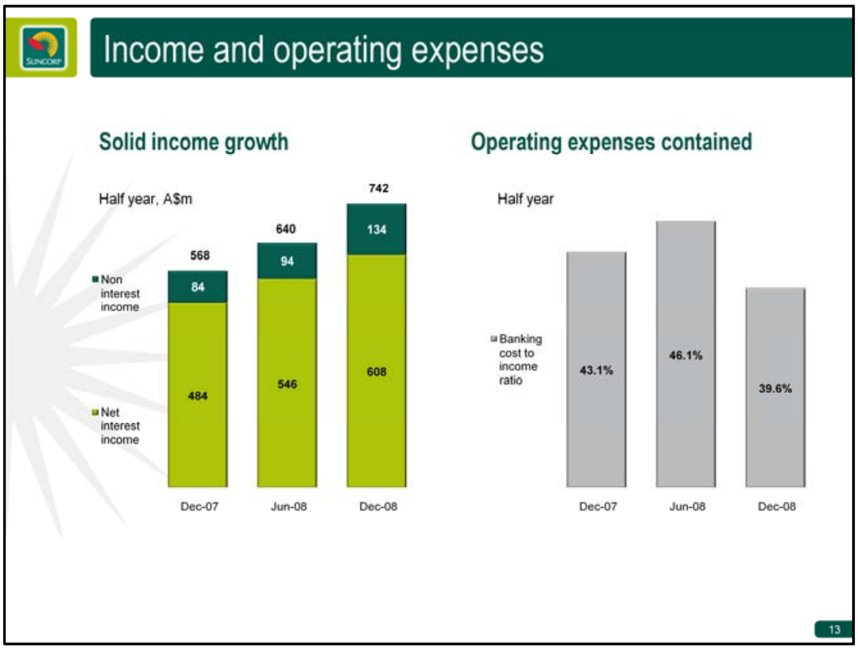


To NIM now and you can see that this is the waterfall slide we provided in our February 5 update. So I won't go through the material in detail again.

But I would restate the key drivers and how they may play out in the second half.

- First, you can see the effect of increased wholesale funding costs on margins. And while we continue to do a good job in managing our short and long term funding requirements, the continued roll through of higher funding costs, combined with the overall lengthening of the wholesale liability book, will result in an increasing drag on margins into the second half and beyond.
- Offsetting this to some extent will be the ability of the Bank to increase risk margins on its business lending products and, at the macro level, the steps all Banks have taken to ensure retail home lending interest rates properly reflect overall funding costs, rather than the official Reserve Bank cash rate alone.
- The Bank will also continue to see shifts in its asset and liability mix as customers move from fixed rate housing loans to variable in the falling interest rate environment and as growth in higher priced business banking loans reduces and is replaced with lower margin retail loans.

And finally, I would again make the point that the tail winds that benefited the first half margin such as the contraction in cash to bank bill spreads, the timing difference associated with hedge accounting, and the contribution from Treasury are unlikely to be repeated in the second half.



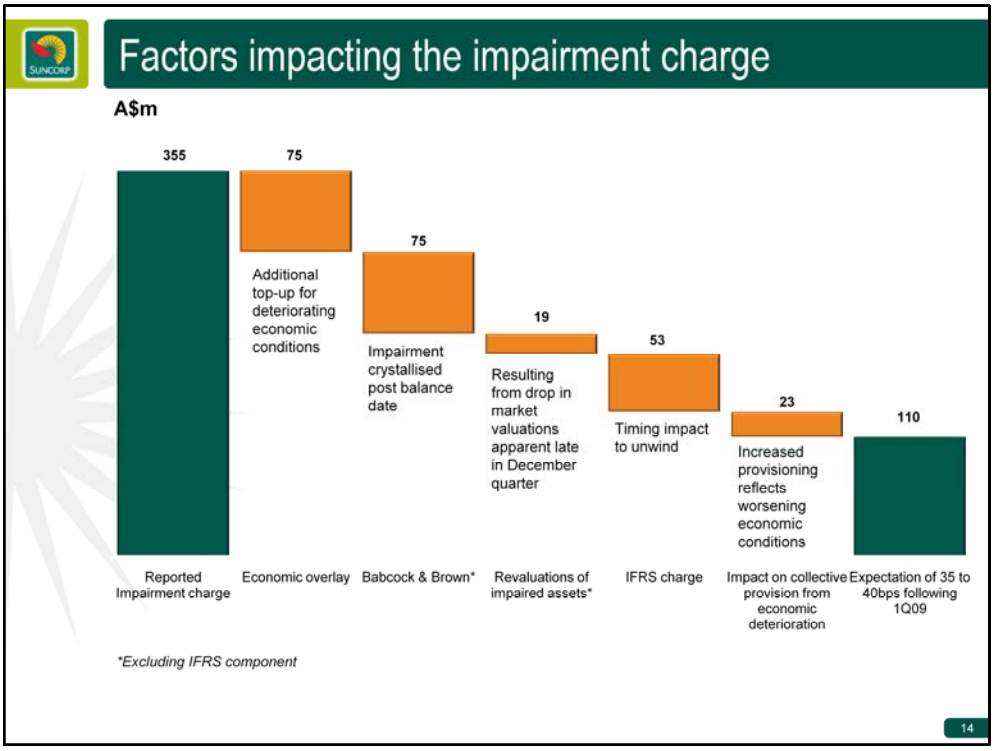
Consequently the increase in net interest income, which rose 25.6% on the prior corresponding period to $608 million, was driven by the strong growth in average lending balances, combined with the increase in margins I have just discussed.

Non Interest income increased by 59.5% to $134 million which to a large extent reflects the hedging issues I referred to earlier in the presentation.

Net banking fee income fell 2.6% to $75 million however. After taking into account the reduction in fees following the sale of the credit card portfolio, banking fee income actually rose 5.6% on the prior corresponding period.

On the expense side, costs have been restrained across all areas in line with the Bank's efficiency program despite additional expenditure continuing to be experienced through the depreciation and amortisation of capitalised compliance software costs for Basel II and Anti-Money Laundering compliance.

As a result the cost to income ratio for the six months to 31 December 2008 was 39.6%, down from 43.1% for the prior comparative period – again, an outstanding result for a bank of our size.



Finally, now to impairments and given the detail we worked through on February 5, I am again going to limit my comments to the high level.

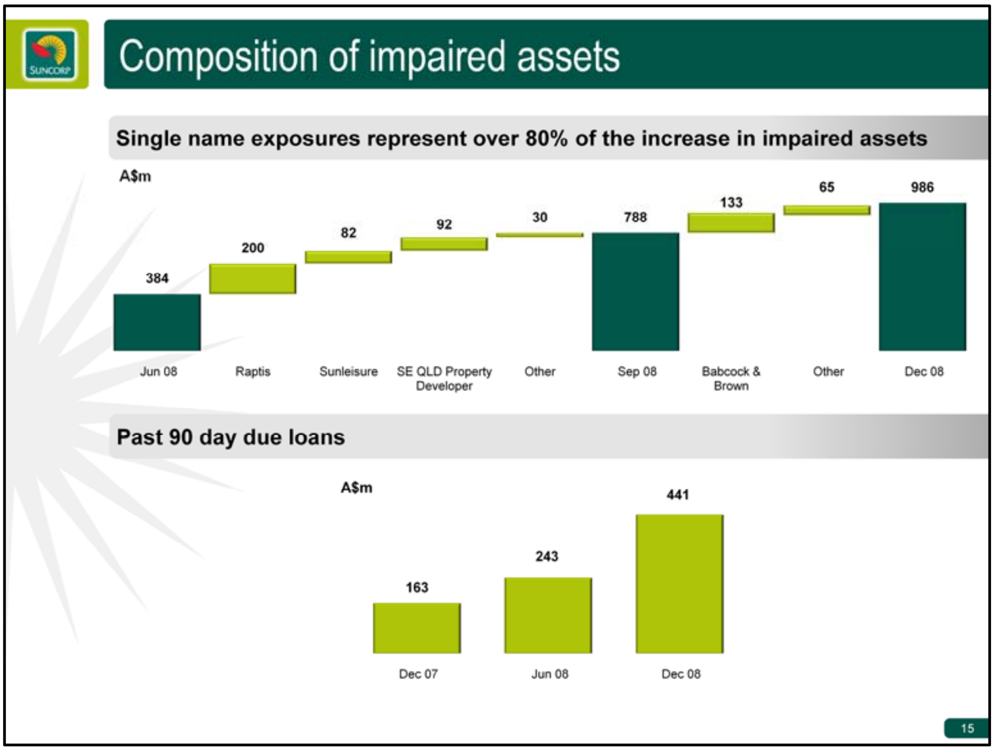
While I would stress that I am not in any way denying the significance of the headline impairment charge for the half, I would again make the point that there have been a number of lumpy items that have impacted the bad debt expense in this period. This is particularly relevant in the context of explaining the variation between the guidance we provided to the market in November and the numbers we are reporting today.

Again, I would call out the $75 million specific provision against Babcock and Brown, the $75 million collective provision economic overlay and the $53 million attributable to IFRS as items that were not contemplated in our November estimates. There is no denying though that the underlying bad debt position reflects the deteriorating outlook for the domestic and global economies over the past three months. But the point that I would like to make is that excluding the lumpy items I have called out, the deterioration across our book – is not inconsistent – directionally - with that reported by most of our peers.

The current forecast is that full year bad debt expense for the year to 30 June 2009 will be in the range of 100 – 130bps of gross loans, advances and other receivables.

I do, however, need to stress the usual caveat that forecasting bad debt expense at this point of the cycle is extremely difficult and subject to many variables.

Despite the extensive work that we have done in reviewing our positions in many portfolios – file by file in property exposures, for example – we can say no more than this is our best estimate.



This slide summarises the build up of impaired assets, most particularly the contribution of single name exposures to the increase. On the slide we have also included the past 90 days data.

Again, this ground was well covered at the February update.

General Insurance overview

A$m	Six months to Dec 08
Gross written premium	3,343
Net earned premium	2,988
Net incurred claims	(2,755)
Operating expenses	(839)
Investment income – technical reserves	764
Insurance Trading Result	**158**
Investment income – shareholders' funds	154
Other	6
Capital funding	(65)
Profit before tax	**253**

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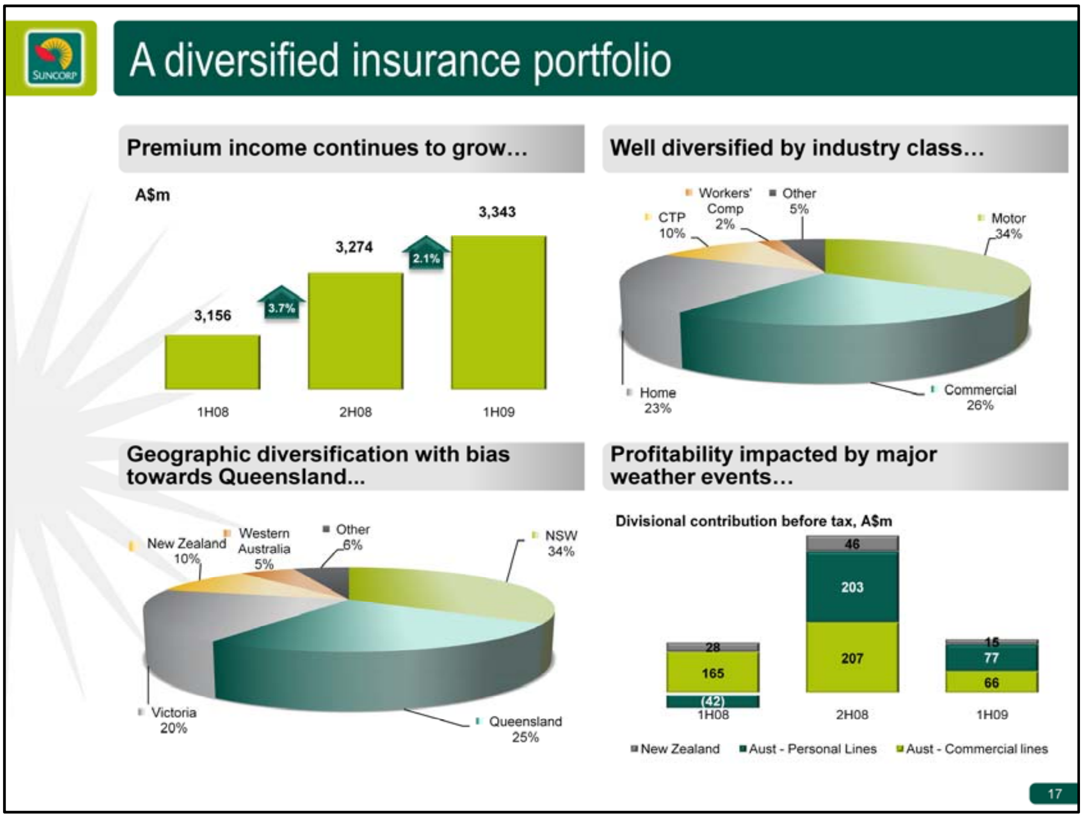
So moving on to GI –

During the 5 February announcement, I spent a bit of time talking about the more significant factors that have impacted the Insurance Trading result in the December half, particularly, GWP, claims costs and the impact of discount rates and credit spreads on the technical reserves income. So, again I will only touch on the high points.

The headline Insurance Trading Result of $158 million represents a margin on Net earned Premium of about 5.3%. While this is well below our guidance, the variance can broadly be explained by the weather events beyond our normal allowances as well as the impact of widening credit spreads across the technical reserves portfolio and an unexpected release from long tail provisions due to a change in AWE assumptions.

However, I should stress that this should not be construed as a formal attempt to normalise our results. There are many other influences at play such as:

-A deficit on the liability adequacy test;
-Higher than expected attritional natural hazard events of less than $5million';
-Higher than expected underlying yield on technical reserves due to switching from government and semi-government bonds into higher yielding domestic bank paper; and
- positive mark to market impact of duration mismatch.



In this next slide I have updated some key GI metrics taking into account the results for the current half year.

You can see that premium income continues to grow and that the business remain extremely well diversified by industry class and by geography. The New Zealand business continues to produce strong returns although, like the Australian business, it has been impacted by more volatile weather and natural hazards.

Gross written premium

A$m

Product	1H09 GWP	1H09 v 1H08	Factors
Motor	1,139	4.4%	Strong premium increases offset by higher excesses and reduced new vehicle sales
Commercial	873	9.3%	Hardening markets
Home	761	8.7%	Premium increases following weather events
CTP	347	3.9%	Significant premium increases anticipated in 2009
Other	149	4.9%	Travel premiums increasing
Workers' Compensation	74	(17.8%)	Reduced Workers' Compensation premiums
Total	**3,343**	**5.9%**	**Strong result**

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To GWP and we are now definitely seeing the benefits of price increases in the premium lines as we continue to attempt to restore profitability by focussing on price rather than volume.

Overall, GWP increased by 5.9% to $3.3 billion with all brands contributing strongly.

Briefly focussing on the three largest portfolios and in **Motor**, premium increased by 4.4% or 4.8% when you adjust for the change of ownership in RACTi. At the headline level the overall strategy of pursuing growth through higher premium rates has been successful - although the extent of growth invariably varies according to brand and geography. As forecast we have begun to see customers looking to adjust their risk by taking higher policy excesses and while this does have an impact on growth, it will have a positive effect on claims costs in future periods. Volumes have also been impacted by slowing new vehicle sales.

Home GWP increased by 8.7% or 9.3% if you adjust for RACTi. Again, as in the motor portfolio, we have focussed on restoring profitability with the growth attributable to higher average written premium. There has been some softness in new business volumes but renewals have held up well which is an encouraging sign for the personal lines business given the extent of price increases across the portfolio.

As in previous results presentations I would call out the **commercial** portfolio for special mention with premium income increasing an impressive 9.3%. The strength of the result was evident across both direct and intermediated business and in retained and new business.

In the long tail classes, particularly CTP, we would expect premiums to increase in response to falling yields in investment markets.

Natural hazard events during 1H09

Natural Hazard – Major Events	Financial Impact ($Am)+	Contribution to 2008/09 aggregate cover
New Zealand – July	15	5
Ipswich – September	30	20
Gold Coast / Byron – October	10	-
South East Queensland – 16-21 November	125*	105#
Total	**180**	**130^**

Small events and natural hazard claims	
Claims exceeding long-run allowances	**50**

+Total financial impact may vary as preliminary estimates are verified by actual data.
** Net of reinsurance recoveries.*
 # Based on two events with a $10m deductible each.
^Claims costs for each event over $10m apply towards aggregate cover deductible of $25m. Accordingly, in the six months to 30 June 2009, after the first $120m ($250 - $130m) of claims over the $10m per event threshold, claims costs of up to $300m can be recovered under the aggregate cover reinsurance policy.

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This slide illustrates the net impact of the various storms and natural hazard events, greater than $5 million. It assumes that our base case for the November SEQ reinsurance recoveries occurs. As you can see we are assuming that the net cost of the SEQ storms is $125million based on the reinsurance treatment agreed with the vast majority of the insurers on our catastrophe program.

Another item that I have highlighted is one that we referred to in our full year results presentation last year, namely small natural hazard claims. These are events that fall within the less than $5 million category. For the half year to December these costs were $50 million ahead of the normal, usually consistent, attrition levels.

Major weather events updated – year to date

Event	Financial Impact ($Am)+	Contribution to 2008/09 aggregate cover^
New Zealand – July 2008	15	5
Ipswich – September 2008	30	20
Gold Coast / Byron – October 2008	10	-
South East Queensland – November 2008	125*	105#
Victorian Bushfires – February 2009	150*	140
North Queensland Floods – February 2009	30	20
Total costs net of catastrophe reinsurance	**360**	**290**
Less aggregate reinsurance deductible		(250)
Aggregate reinsurance recovery	**(40)**	← **40^**
Total costs net of all reinsurance	**320**	

+Total financial impact may vary as preliminary estimates are verified by actual data.
** Net of reinsurance recoveries. Excluding reinstatement premium.*
 # Based on two events with $10m deductible.
^Claims costs for each event over $10m apply towards aggregate cover deductible of $250m. Accordingly, in the year to date, there are approximately $290m in claims (above the $10m per event threshold), therefore, $40m can be recovered under the aggregate cover reinsurance policy. A maximum of $300m can be claimed under the aggregate cover and, accordingly, around $260m can be applied to future major events to 30 June 2009.

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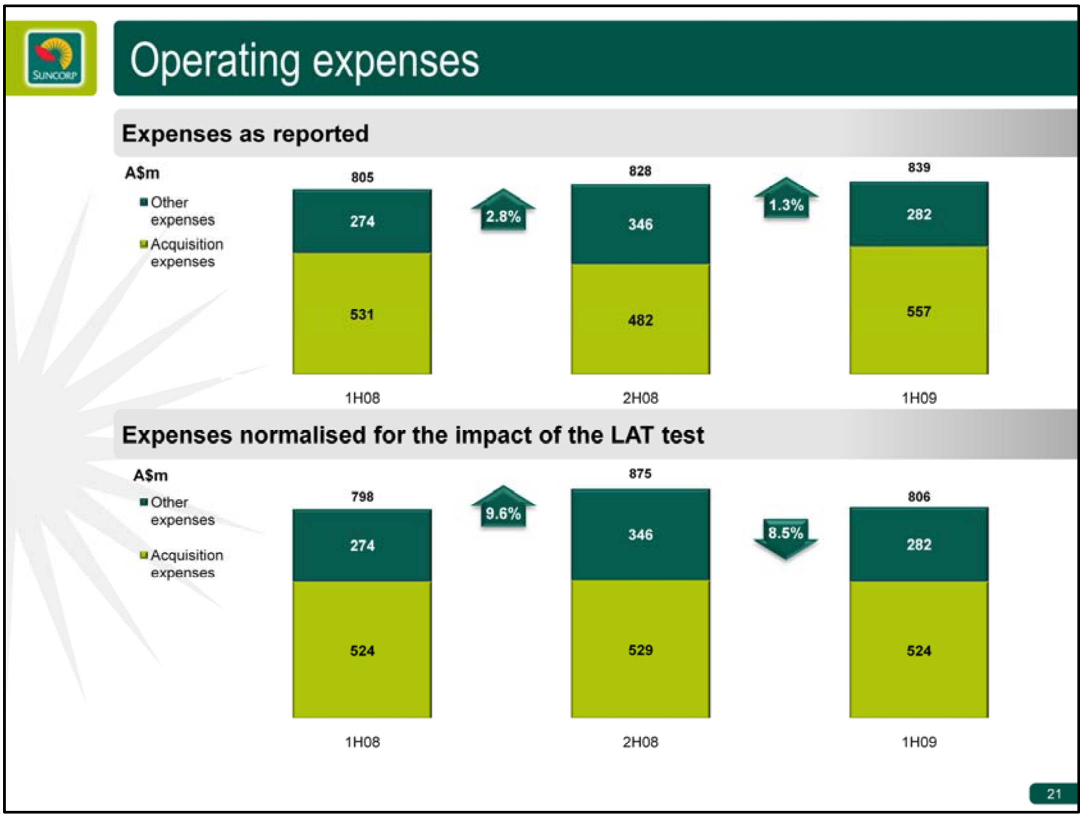
I've updated the slide we presented on February 5 and included the recent tragic bushfires in Victoria and the North Queensland floods.

As you can see, we expect the bushfires to exceed the $150m deductible in our catastrophe program. This will involve us paying a reinstatement premium. The first reinstatement is free but we've already used that following the SEQ storms. We have also chosen to purchase additional reinsurance cover which, in effect, will allow us to further reinstate the catastrophe program in the event we were to have another $150 million plus event.

Now, assuming the NQ flooding costs are around $30 m which is a preliminary estimate, you can see from this slide that our total costs net of catastrophe recoveries are $360m, and, reducing this by the first $10m for each event, around $290m will be applied to the aggregate cover. As this is over the $250m limit, we can recover $40m and will have $260m of the total $300m available under the aggregate cover still to be claimed for other events up to 30 June.

Now the caveat I would apply here is that the final cost outcome of all the events we have listed on this slide may change as preliminary estimates are verified by actual data. Therefore the actual recoveries may differ.

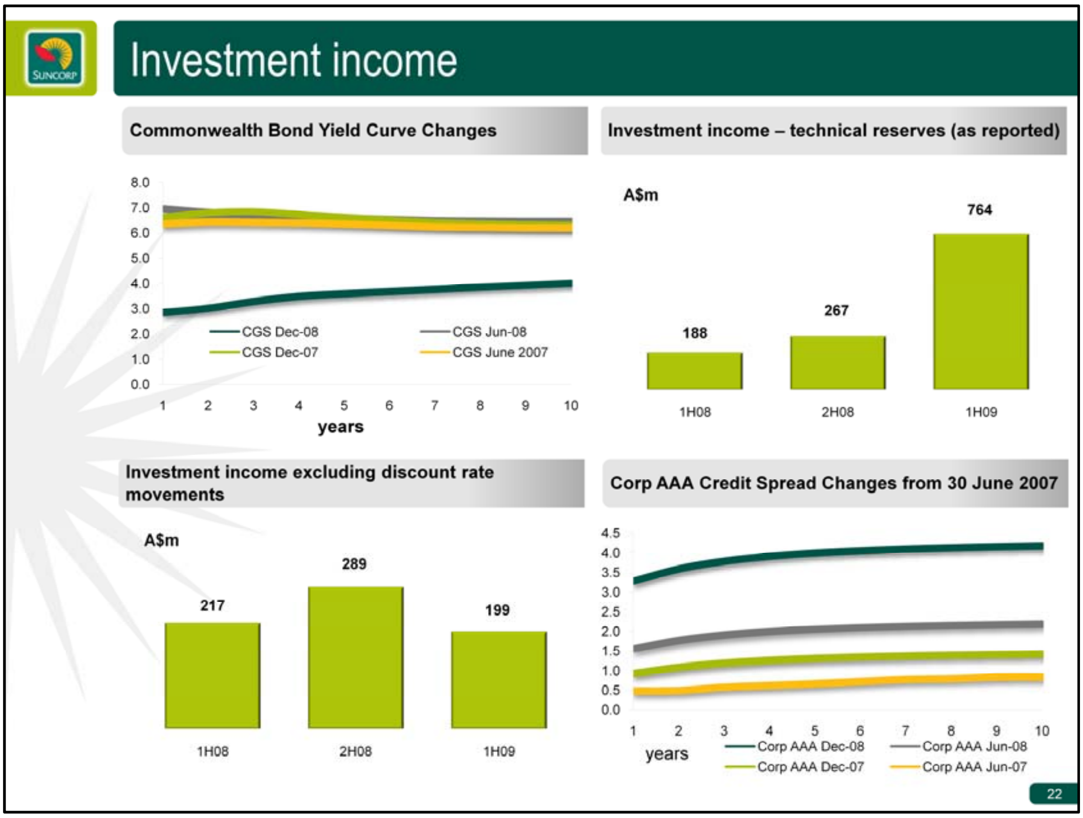
So, the upshot of all of this is that we remain well protected against more major weather events for the next four months, although clearly there are factors that could continue to impact the ITR in the second half, outside of the aggregate cover protection.
The first of these is the number of major events that occur – hence the number of times we need to absorb the first $10 million of claims costs;
Secondly, despite the catastrophe cover, there is still a possibility of exceeding the top end of the aggregate program.
Thirdly, there may be events that fall in the $5 million to $10 million category
-and finally, there is the extent to which in the second half the recent incidence of small event and natural hazard claims exceeds our long-run allowances.



On expenses, our headline numbers have increased slightly, with total expenses in General Insurance up 1.3% on June 2008 and 4.2% on the prior corresponding period.

However, if we adjust for the movements in the Liability Adequacy Test, the increase on the prior corresponding period is only around 1% and there is a fall of about 8.5% on the June 2008 half. These numbers do bounce around a little from half to half but the trend is clearly, at least as a percentage of premium income, declining.

This again confirms the benefits that are beginning to flow through from the integration program that I'll talk about in a moment.



Finally, as mentioned on 5 February, I would like to call out the effect that movements in credit spreads and the yield curve have had on our technical reserves.
The top chart shows how discount rates have fallen as at December 31 2008 compared to previous half year results. This had a impact on both the claims expense and investment income because the assets and liabilities are generally matched, but not absolutely, for duration, and as you can see, our reported investment income on technical reserves increased to $764 million for the half.

However, the second chart removes the impact of the discount rate change and illustrates the spread between the AAA corporate yield curve and the Commonwealth Government yield curve. This reduced investment income to $199 million, considerably less than prior periods. The prior periods were also impacted by the movement in credit spreads, but not to the extent of the estimated $200 million in the current half.

There are a number of other, less significant factors behind the investment result such as duration and FUM mismatches as well as higher than expected yield as we switched from Government and Semi-Government bonds into higher yielding domestic bank paper.

Again I would stress the fact this is a timing difference which will reverse either by spreads moving in, as they have begun to in January, or as the underlying security matures, but I should also add that with the significant movement down in the yield curve over the last six months, the underlying yield on the portfolio will begin to reduce significantly in the second half and into 2009/10.

Wealth Management overview

A$m	HY Ended Dec 08	HY Ended Jun 08	HY Ended Dec 07
Life Risk	42	40	38
Funds Management	26	22	47
Total wealth management underlying profit after tax	**68**	**62**	**85**
Annuities market adjustments	(34)	(11)	0
Life risk policy liability discount rate changes	126	(4)	(6)
Net investment income on shareholder assets	(25)	(39)	24
Profit contribution after tax	**135**	**8**	**103**

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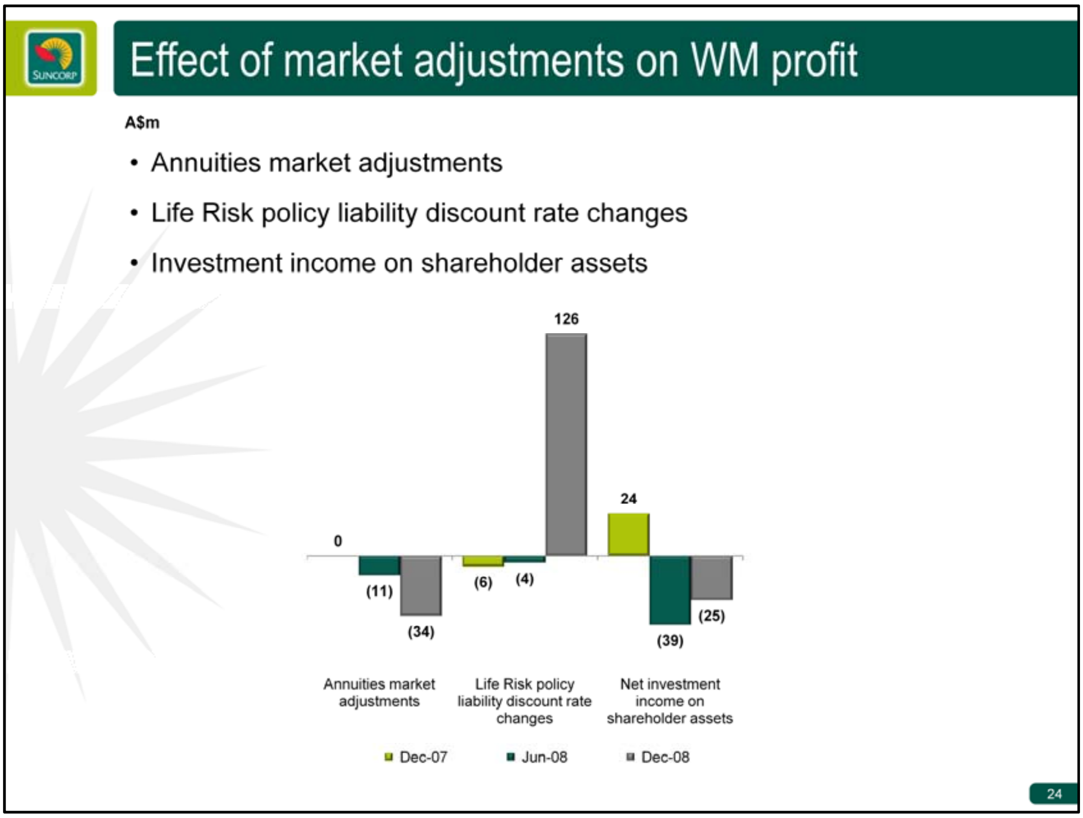
To Wealth Management and I'm going to be extremely brief here. The contribution after tax is a strong $135 million. This has been achieved with good life risk sales and strong expense management offset by falling funds under management which has restricted fee income.

In terms, of investment markets, the impact of discount rate changes on Life Risk DAC has more than offset the impact of falling equity markets and hence the result is perhaps stronger than some people would be expecting so let's have a closer look at the effects of the below the line adjustments on the wealth management profit.

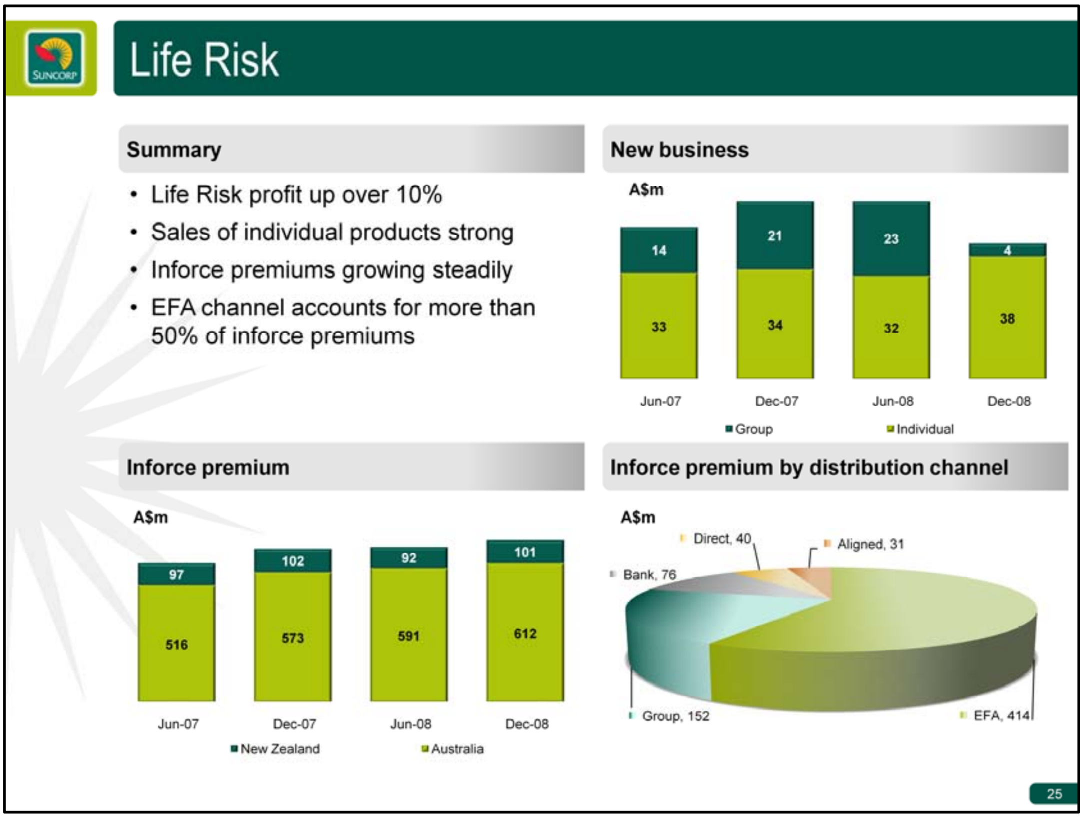


In order to promote further understanding of that profit, we have chosen to break out some of the market adjustment figures.

Firstly, **Annuities market adjustments** – A decrease in risk free rates, used to discount future policy liabilities, increased the present value of those liabilities. At the same time the value of investment assets, used to back policy liabilities, declined with investment markets. The combined effect was to produce a loss. Previously these impacts were reported as part of underlying profit.

Secondly, the **Life risk policy liability discount rate changes** – When accounting for life risk policies, an asset is established for the recovery of acquisition costs from future premiums. This recovery is discounted to present value at a risk free rate. The reduction in discount rates therefore increases this asset and the increase is taken to the P&L.

Finally, **investment income on shareholder assets**, incurred a loss of $25 million this half.



SWM has moved to take advantage of the current favourable environment for the Life Risk business. Positive experience deviations also contributed to a Life Risk underlying profit after tax of $42m - an increase of $4m on PCP.
This reflects growth in Inforce Premium, positive claims experience and a small amount of capitalised loss recapture.

Individual claims experience was very favourable for Term, Trauma and TPD, offset by unfavourable experience for Disability Income.

Group claims experience was highly favourable with excellent results for Death and TPD.

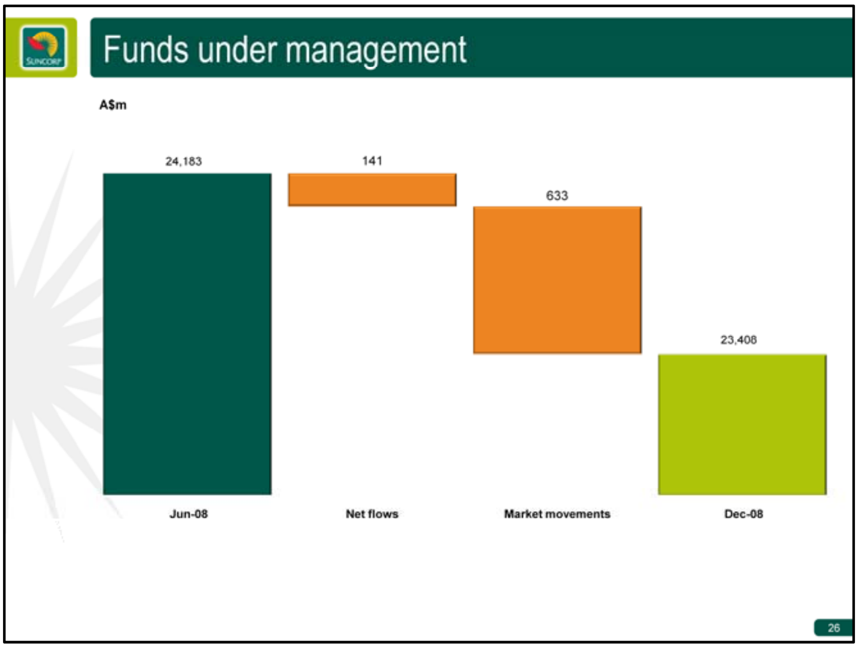
Modest persistency losses were incurred across the Individual risk portfolio.

When looking at inforce premium, all categories performed well, with Trauma up over 12.2% on the prior comparative period. Overall, inforce annual premiums on risk products increased 5.6% to $713 million.

Overall, new business sales were down 23.6% on the prior comparative period, however, if we exclude Group Life, which was distorted by a one-off premium rate increase for a major client last financial year, new business growth was strong, up 11.8%

In terms of reach, part of the business's strategy is to drive value from its various distribution channels. It has been focussed on, and will continue to focus on, driving growth of Life Risk sales through its various channels. In particular the External Financial Advisor (EFA) network, and through the Suncorp Bank branches.

Also, over the half, Wealth Management engaged in specific activities aimed at increasing adviser engagement. These activities have included a national roadshow for more than 500 financial advisers, and a Business Leaders forum targeted at the top 100 Life Risk advisers in Australia. These activities have resulted in both more advisers writing our Lifeguard product and an increase in average premium written.

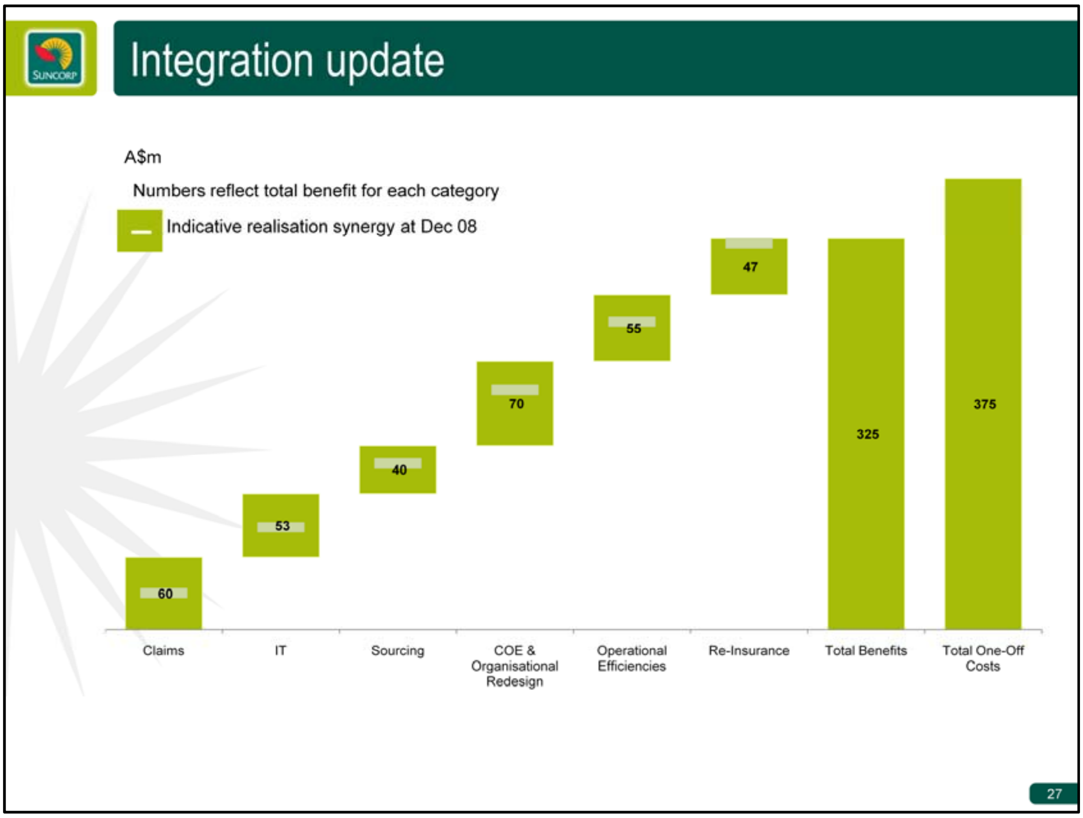


Not unexpectedly, fees earned for managing and administering client assets fell as the value of the assets on which the fees are levied declined through both market movements and outflows. The ASX 200 has fallen 29% this financial year or, 41% on PCP.

Funds under Administration of $12.4 billion was adversely impacted by net outflows of $340 million. These outflows were heavily impacted by the Government Bank Deposit Guarantee and, as a result, approximately 35-40% of withdrawals flowed to the bank from our closely aligned Suncorp products.

Asset Management, comprised of Tyndall and Suncorp Investment Management, has funds under management of $23.4 billion, a decrease of 13.7% on the prior comparative period. Positive net fund flows of $465 million achieved by the Tyndall brand in the external retail and institutional markets was otherwise offset by redemptions from internal channels. Net funds outflow was $141 million.

As has been the case in the rest of the Group, the impact of adverse market conditions has been mitigated by expense curtailment activities. As the year unfolded in 2008, SWM anticipated worsening market conditions, and early in the first quarter introduced a series of measures to reduce discretionary expenditure. This has helped offset revenue impacts from lower funds under management and administration.



Turning now to Integration, as mentioned earlier, our program remains on track and we continue to achieve synergies ahead of our targets. In this half year, across the organisation, synergy savings contributed $125 million to the net profit before tax, and after integration costs, the net profit after tax increased $28 million. This is the first time that synergies have exceeded costs and, as the exit run rate continues to increase and the integration costs reduce, we expect that this will continue to improve the bottom line result.

The full year 08/09 benefit, after integration costs and tax is expected to be $97 million, and this will increase to approximately $210 million in 2009/10. Over 80% of these benefits flow through to the General Insurance bottom line, with around 10% of the benefits going to the banking and wealth management divisions.

Capital position now secured….

Interim dividend of 20 cents per share fully franked to be paid on 1 April 2009

	Jun 08	Dec 08	Pro-forma post capital raising	Target
Bank Capital Adequacy Ratio	10.44%	10.67%	12.8% – 13.6%	11.5% – 12.0%
Tier 1 Capital	8.04%	8.83%	11.0% – 11.8%	9.0% – 9.5%
ACE Ratio	4.58%	3.89%	6.1% – 6.8%	4.5% – 5.0%
GI MCR (times)	1.66	1.73		1.54

Bank Capital Adequacy

Tier 1 Capital

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Finally, to capital and at 31 December 2008 our CAR was relatively strong at 10.67% and our Tier 1 was also relatively strong at 8.83%. On the other hand the ACE ratio, was below target at 3.89%.

The capital raising that we announced on 5 February will significantly increase these ratios. The Institutional Placement and Entitlement Offer have now been successfully completed and the Retail Entitlement Offer closes on 13 March.

Depending on the take-up of the Retail Entitlement Offer, our CAR will increase to 12.8% as a minimum, and will be possibly as high as 13.6%.

Similarly, our Tier 1 capital ratio on a pro-forma basis will be between 11.0% and 11.8% which is above our industry peers.

The ACE will also significantly increase to between 6.1% and 6.8%, well above our long term target range of 4.5% to 5.0%.

In the General Insurer, we have completed our legal entity restructure which has allowed us to access previously trapped capital within the GI group.

During the half, however, the increased capital required to meet assets and liabilities, both of which increased due to the fall in discount rates, has meant that excess capital in GI hasn't been distributed to the Bank. The GI MCR, at 1.73, is however, above our target of 1.54.

To outlook now and in the interests of time I will only touch on the key points. I would, however, encourage you to read the full outlook statement in the analyst pack as it has all the detail you need.

In the **Bank**, we are on track to achieve our 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 Bank's expense line will continue to benefit from the structural changes implemented during the first half and ongoing tight controls over discretionary spending.
As I mentioned earlier, any forecasting of full year bad debt expense at this stage of the economic cycle – whilst informed by thorough review and evaluation – has to be subject to change.
With this caveat in mind and based on the Group's most recent analysis, the current forecast is that full year bad debt expense for the year to 30 June 2009, including the provision for Babcock & Brown and the additional economic overlay, will be in the range of 100 – 130bps of gross loans, advances and other receivables.

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

As you know, on February 5 we indicated that we were forecasting a second half ITR in the 10% - 12% range, including integration benefits. This forecast assumed weather events remained within the Group's usual allowance and that there were no material changes in investment markets including no further widening of credit spreads across the technical reserves portfolios.

In addition to those caveats, the GI outlook needs to be subject to no further LAT adjustments over the course of the year.

As we stand here today the Group has experienced two major claims events since February 5 - namely the tragic Victorian bushfires and widespread flooding across North Queensland. Together these events are estimated to cost the Group approximately $180 million net of reinsurance recoveries and including reinsurance reinstatement premiums and the purchase of additional reinsurance cover.

It's clear that these events, and any further events over the course of the year, will impact the Group's ITR, although now that the Group's 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 $300 million limit. I talked through the effect that natural hazard events could have on the ITR earlier in the presentation.

In addition to natural hazards, the significant reduction in the yield curve is beginning to have an impact on underlying yield in the technical reserves profit.

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 ongoing volatility in the market, there is clearly a downside risk that this outcome will not be achieved.

The Board's intention is to continue 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% to 60% of cash earnings.
Any dividend guidance is, of course, subject to the usual caveats.

Thank you to both John and Chris.

Before we conclude today I thought it important that I provide you with an update of the process we are employing and the progress we have made towards selecting the new Suncorp CEO.

As John has already mentioned, we have agreed that he will be leaving the company on March 2. This follows our assessment that the Group Executive team has in place the necessary processes to competently manage their line businesses through the transition phase. Again, I take the opportunity to thank John for his substantial contribution and to wish him and his family well for the future.

Chris Skilton has agreed to serve as Acting CEO until the appointment of the new CEO and, beyond that, through to the appointment and transition of the new Group CFO. This will provide the necessary stability and continuity through what are certain to be challenging times. Once these transition processes are complete Chris will also leave Suncorp.

These changes pave the way for a significant refreshment at the senior levels of the company. John has been with Suncorp for 6 years and Chris for 8 – long stints in such demanding roles. Now is an appropriate juncture for change and an infusion of new ideas.

In terms of a successor for John, we have engaged executive recruitment firm, Russell Reynolds to review internal candidates and conduct an exhaustive global search. That process is well underway and the Board has recently been updated on progress.

There has been some debate and discussion in the market about the necessary attributes of the incoming Suncorp CEO, particularly the requisite level of general insurance expertise. This view is one that the Board has heard loud and clear. But at this point in the process I do not believe it is in our best interests to limit the pool of likely candidates by being unduly prescriptive about their attributes and experiences.

The fact is the Suncorp that will be led by the new CEO will be one that has three businesses – a bank, a wealth manager and of course a general insurer. Each business will have its own particular challenges and opportunities requiring the attention of the CEO. The Board's expectation is that the new CEO will be equipped to support and review each of our business lines from an operational perspective as well as providing the necessary strategic overlay at the Group level. This, by definition, will dictate a significant depth of experience in financial services and a broad array of competencies. In my mind it would not be in the best interests of our shareholders if we were to compromise what we know to be the key requirements of the CEO, in order to fit a view of what the business may or may not look like at some time in the future.

As always with these appointments, the timeline is difficult to predict. While our processes are moving at pace, in the event the new CEO is external to the company, their starting date is likely to be dictated by their availability and current employment.

Today is also an opportunity for me to thank our shareholders for their support during the recent institutional component of our capital raising. By virtue of the success of this raising, Suncorp has capital ratio's consistent with, or ahead of, its peers and well ahead of APRA agreed minimums. This, along with the work that John and the team have done in improving the resilience of the organisation, provides a very solid foundation for the company to approach the next stage of its development.

Thanks and I'll now hand over to Steve to moderate questions.

Agenda

- Introduction & overview – John Mulcahy
- Divisional performance – Chris Skilton
  - Banking
  - General Insurance
  - Wealth Management
  - Capital
  - Group Outlook
- CEO Transition – John Story
- **Questions**

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