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Announcement of Consolidated Financial Results

for the half year ended 31 December 2008

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Suncorp-Metway Ltd and controlled entities ABN 66 010 831 722

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Basis of preparation

The results use the Australian equivalent to International Financial Reporting Standards (AIFRS). All figures have been quoted in Australian dollars unless otherwise denoted and have been rounded to the nearest million.

Change in accounting policy for defined benefit superannuation plans

The Group recognises all actuarial gains and losses arising from defined benefit superannuation plans directly in equity. In the consolidated financial statements for periods beginning before 1 July 2008, the Group recognised actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in the income statement. This change in accounting policy has been made to enable the consolidated financial statements of the Group to be more comparable to industry peers and better represent the Group's underlying financial performance.

The change in accounting policy was applied retrospectively in accordance with the accounting standards, and comparatives have been restated. The change in accounting policy had the following impact:

	HALF YEAR ENDED		
	DEC-08 $M	JUN-08 $M	DEC-07 $M
Decrease in operating expenses	(38)	(35)	(3)
Increase in profit for the period	27	25	2
Decrease in income and expense recognised directly in equity	(27)	(25)	(2)
Increase in basic earnings per share (cents)	2.8	2.6	0.2

Disclaimer

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's current views at the date of this report and is subject to known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied. Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to stock exchange disclosure requirements). The information is also not financial product advice. Investors should seek appropriate advice on their own objectives, financial situation and needs.

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Suncorp-Metway Ltd Half Year Results 31 December 2008

Highlights

- Strong underlying business performance adversely impacted by increased impairment charges and weather events ahead of normal allowances
- Net profit after tax (NPAT) of $258 million
- Bank contribution before tax and bad debts up 38.7% to $448 million
- Bank contribution before tax of $97 million
- General Insurance contribution before tax of $253 million
- Wealth Management after tax profit up 31.1% to $135 million
- Cash earnings per share of 41.2 cents
- Interim ordinary dividend at 20 cents per share fully franked
- Integration on track with synergies of $125 million realised

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Review of consolidated operations

Except where otherwise stated, all figures relate to the half year to 31 December 2008. Comparatives are for the half year ended 31 December 2007.

Review of operations

The six months to 31 December 2008 have continued to be extremely challenging as Australian financial services organisations, and the broader Australian community, experience the flow-on effects of global credit market volatility.

Suncorp's financial result was a reported net profit after tax (NPAT) of $258 million, down 32.8% on the prior corresponding period. Profit before tax and Promina acquisition items reduced by 22.1% to $482 million.

Following the deteriorating external environment, the Board has resolved to increase capital buffers within the Group and has reduced the interim ordinary dividend to 20 cents per share fully franked.

Cash earnings per share were 41.2 cents.

The **Banking** division performed solidly on an underlying basis, growing profit before tax and impairment losses to $448 million, up 38.7% on the prior comparative period. The result featured measured lending growth, a strong increase in deposits, improved net interest margins and a focus on cost control. Offsetting this strong performance was an increase in provisions for bad and doubtful debts. This includes an increase in specific provisions for previously identified exposures as well as a provision for Babcock & Brown and an increase in the collective provision including a $75 million allowance as an economic overlay to reflect ongoing economic deterioration.

The **General Insurance** operations reported profit before tax of $253 million. All brands have continued to perform well despite the effects of multiple weather events, with solid premium growth across both short and long tail products. Outside of the events, more volatile weather has contributed to increased claims frequency. The general insurance result was also impacted by significant movements in discount rates and credit spreads. The widening of credit spreads produced a negative movement in the 'mark to market' of fixed interest securities of around $200 million. Offsetting this, the slowing economic conditions have resulted in a reduction in assumptions around wage inflation, contributing an additional release of around $86 million.

Wealth Management contributed profit after tax of $135 million, up 31.1%. This result was significantly impacted by Life Risk policy liability discount rate changes which contributed $126 million. Continued investment market volatility and outflows due to the Government bank deposit guarantee negatively affected funds under administration, funds under management and sales of investment products. Life Risk sales, especially sales of policies targeted at individuals, performed well.

The business made good progress on its **Integration** program with synergy benefits realised ahead of schedule.

Operational highlights

The major operational highlights for the half year were:

In **Banking**, profit before tax and impairment losses for the six months to 31 December 2008 was $448 million, an increase of 38.7% on the December 2007 half.

Net interest income increased by 25.6% over the prior comparative period, reflecting higher net interest margins resulting from pricing adjustments applied to higher average receivables balances.

Home loan receivables (including securitised assets) grew 11.5% to $28.2 billion, business lending receivables increased by 11.2% to $26.4 billion and consumer lending reduced by 41.4% to $694 million following the sale of the credit card portfolio in February 2008.

A focus on deposit gathering, particularly from business customers, increased total retail funding to $23.5 billion at 31 December 2008, an increase of 12.0% over December 2007 and 5.5% over June 2008.

Suncorp raised approximately $5 billion of three-year equivalent term debt over the six months to 31 December 2008, well above the previously forecast $3.0 to $3.5 billion required to fund asset growth and satisfy term maturities for the 2008/09 financial year.

Suncorp's margins improved as the Bank passed on additional funding costs and repriced for risk to reflect market conditions. Net interest margin for the six months to 31 December 2008 was 1.84%, up 3 basis points on the six months to June 2008 and 8 basis points when compared with the December 2007 half. The margin was also

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favourably impacted by the fall in the spread of the bank bill swap rate (BBSW) over the cash rate.

During the half year, the Bank completed a major program to further improve cost management through the consolidation of the Retail and Business Banking areas into a single organisation. This restructuring resulted in a one-off cost of $25 million in the December 2008 half, with benefits to flow through to the cost line from the second half of 2008/09. The Bank also focused efforts on controlling discretionary expenditure.

The Bank's first half bad debt expense rose to $355 million. This includes a charge of $184 million for increased specific provisions and write-offs and a total increase of $171 million in the collective provision.

The Group's specific provision increase included a $79 million provision for Babcock & Brown, where Suncorp is one of 25 members in the consortium of lenders. Specific provisions were also increased for previously identified exposures, including Raptis, Sunleisure and a south-east Queensland property developer, as a result of ongoing reviews of property valuations, which became apparent in December and into the New Year.

The Group increased its collective provision by $171 million. This included $96 million to reflect increased watch list balances following an ongoing portfolio credit review process. In addition, a $75 million allowance was included in the collective provision as an economic overlay to reflect ongoing economic deterioration. Ignoring the economic overlay, the bad and doubtful debt charges in the first half were 50 basis points of gross loans and advances.

As a result of the additional provisioning, the ratio of total impairment provisions (excluding the general reserve for credit losses) to total loans has increased to 86 basis points from 28 basis points in June 2008. In the six months to 31 December 2008, impaired assets increased to $986 million from $356 million. $133 million of this increase was attributable to Babcock & Brown.

During the December 2008 half, the Bank undertook a strategic review of the portfolio to position the business in the new funding and risk environment. Suncorp will focus on its traditional core businesses of personal customers, small business, agribusiness, commercial (SME) banking and segments of development finance and property investment. 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 and reduce reliance on wholesale funding.

In **General Insurance**, pre-tax profit was $253 million for the half year. Both the heritage Suncorp and Promina general insurance businesses maintained positive momentum throughout the period.

The insurance trading result (ITR) was $158 million, or 5.3% of net earned premium, reflecting a number of major external events occurring during the half. These events together cost $180 million, well ahead of Suncorp's usual allowance for natural hazards.

Gross written premium increased by 5.9% on the prior comparative period with strong premium growth in home (8.7%), personal motor (4.4%) and commercial (9.3%) portfolios. Premium increases introduced following recent severe weather activity have not resulted in any significant increase in customer attrition, although some customers are responding to the slowing economy and premium increases by raising their excesses. The commercial lines premium increase demonstrates the hardening of pricing in both short and long tail classes.

The half year has continued the recent phenomenon of more volatile weather conditions producing claims costs above our normal allowances. In the six-month period, major events caused claims of around $180 million, net of reinsurance.

In long tail classes, as previously identified, the structural central estimate releases that have supported profitability in prior years have expired. During the half year, the central estimate release from the outstanding claims provision has been largely offset by current accident period and risk margins strains. However, consistent with widespread forecasts for a slowing Australian economy in the coming years, Suncorp has reduced its assumption for wage inflation to 4.0% from 4.5%. This resulted in a benefit of around $86 million.

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Investment returns on technical reserves have continued to be adversely affected by the mark to market impact of widening credit spreads. The Group has over $8 billion in its technical reserves portfolio, where underlying investments are matched, as far as possible, to the expected payouts in the outstanding claims provision. These are quality investments, largely semi-government and highly-rated corporate bonds that have no significant default risk; however, the credit spread movement has reduced investment returns by around $200 million.

During the six months to 31 December 2008, discount rates reduced dramatically. As a result of these changes, the valuation of outstanding claims increased by approximately $550 million with a corresponding notional increase in the capital value of matched fixed interest investments.

The General Insurance shareholders' funds, which eliminated exposure to equity investments during the first quarter of 2008/09, generated a return of $154 million.

The **Wealth Management** division reported profit after tax of $135 million for the half year to December 2008. Underlying profit, which excludes annuities market adjustments, life risk policy liability discount rate changes and net investment income on shareholder assets, decreased 20.0% to $68 million.

Life Risk underlying profit was $42 million, up 10.5% due to positive experience deviations and expense management. Total Life Risk new business was down 23.6%. New business increased in all categories with the exception of Group Life where new business fell due to a one-off premium rate increase for a major client in the prior comparative period. Excluding Group Life, new business sales were up 11.8%.

In funds management, underlying profit after tax for the half year was $26 million – a decrease of 44.7%. This result was significantly impacted by both the Government bank deposit guarantee and negative investment markets that have reduced funds under management and impacted investment sales.

The fundamentals of the business remain sound. Due to the current economic climate, Suncorp Wealth Management has implemented its simplified business model to support the strategy of the business. This includes concentrating on Life Risk and extracting value from the Suncorp customer base, as well as a continued focus on expense management.

Responding to a changing global environment

The Group and Business Units have responded to the challenging environment. The Group responses have reflected the nature of the challenges and have resulted in improved underlying performance year-to-date. Examples of actions undertaken include:

- Cost Management – the Group has actively managed the cost base through a focus on optimising the Integration program to fast track synergies; reductions in discretionary spend through a thrift program; and acceleration towards the Integration end state business model. Examples of acceleration include combining the retail and business bank, simplifying the management structure, removal of areas of duplication and reducing external recruitment to prepare the organisation for a deteriorating environment.
- De-risking the Business – significant steps have been undertaken to de-risk the business including shifting the general insurance shareholder funds invested in equities to fixed interest; adjusting our reinsurance coverage to further mitigate the risks of large-scale insurance losses from both weather events and a high volume of smaller events; a strategic asset review of the Bank portfolio and a subsequent reshaping of the portfolio away from non-core portfolios and focusing on self-funding.
- Reducing exposure to short term funding markets - a focus on deposit gathering and greater long term funding, including an RMBS transaction with the General Insurer, has reduced exposure to volatile short term offshore markets.
- Building a Customer Advantage – the development of our capabilities in the customer space has been accelerated including extending our brand portfolio management capabilities; developing a single view of customers across all brands; and building capability in customer-based design.
- Simplifying the Business – a strong focus on simplifying the business has been pursued through activities such as a legal entity restructure to streamline capital flows and exiting non-core portfolios. Examples of action on non-core portfolios in the past twelve months include the divestment of the credit card portfolio in banking and the exit from active participation in portfolios such as accident and health in New Zealand and equipment finance in the Bank.

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Integration

Suncorp has now reached the half-way point of its three-year journey towards Integration.

Integration is delivering improved performance to the Group through:

- implementation of the new business model without impacting on the customer experience
- demonstration of enhanced capabilities in customer-facing businesses and support infrastructure
- value for shareholders through on-time realisation of synergies.

The Group continues to make good progress with Integration, with benefits currently exceeding financial targets.

The plan

The Group continues to follow the robust plan which was laid out following completion of the merger and has maintained its disciplined approach to governance and tracking.

PHASE 1 Settling in phase	PHASE 2 Design phase	PHASE 3 Implementation phase
May – July 2007	**July – November 2007**	**December 2007 onward**
▪ Business model design ▪ Executive appointments ▪ Formation of Integration team	▪ Implementation of business model ▪ Design of Integration initiatives ▪ Due diligence	▪ Implementation of prioritised initiatives ▪ Strong governance and oversight ▪ Synergy benefits realisation

The Implementation Phase commenced in December 2007 and despite the distraction of unprecedented external events throughout 2008, Suncorp has made good progress and is currently ahead of its targets.

Business Units have taken ownership of their own portfolios of initiatives and have managed performance and delivery against their own targets. The appropriate governance and control processes are in place to ensure transparency and momentum with each major initiative being carefully managed through steering committees sponsored by Group Executives. In addition, the Integration Business Unit continues to work closely with Group Finance, to maintain the robust tracking, verification and reporting framework.

Approximately half of the initiatives have already been completed. While the bulk of the remaining activity is expected to be completed by the end of the 2008/09 financial year, the Implementation will run until June 2010.

Transaction economics

On 26 August 2008, Suncorp confirmed its estimates for net annual synergies and one-off implementation costs at $325 million and $375 million respectively. Since that announcement, the Group has reviewed the portfolio of initiatives in response to the current economic environment. The program has now accelerated the realisation of synergies through a range of changes, including:

- implementation of some new initiatives to deliver additional benefits
- expediting some existing initiatives so that benefits can be realised earlier than expected
- deferral/cancellation of some ‘low value’ initiatives to minimise the impact of one-off implementation costs of new initiatives.

The Group remains confident in its ability to deliver the annual synergy benefits of $325 million per annum, while one-off implementation costs remain at $375 million. The latest revision of the transaction economics means that Suncorp expects to achieve $281 million of synergies on an annualised basis by the end of 2009, well ahead of pre-merger expectations.

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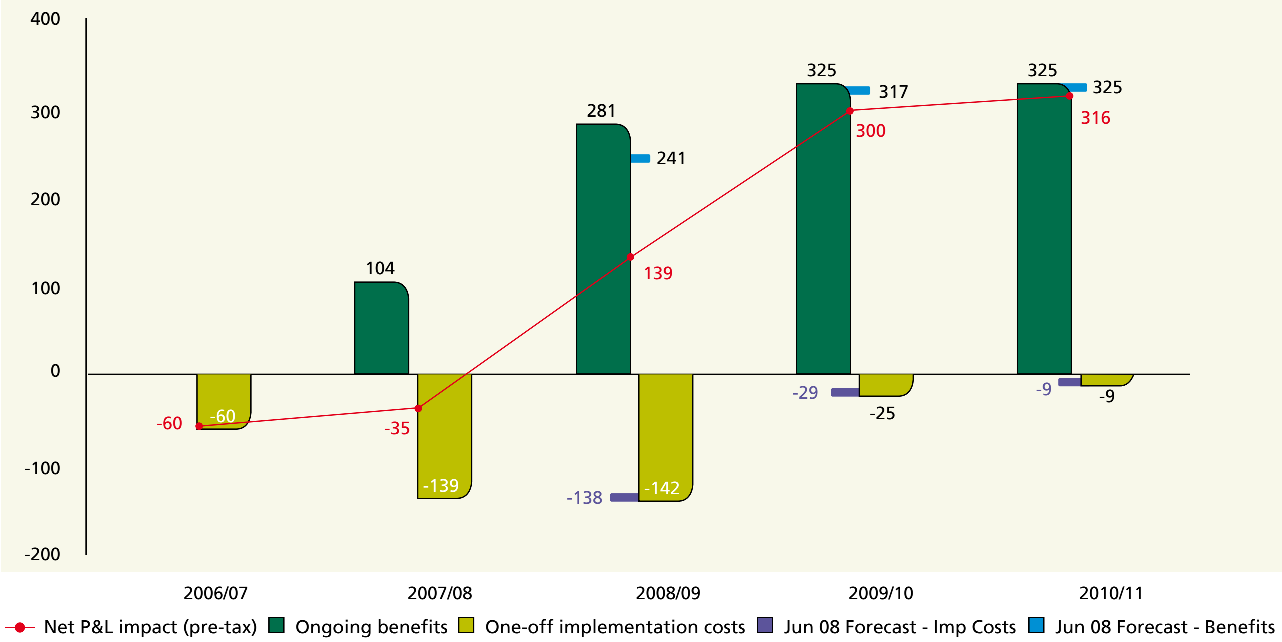
Integration costs and benefits
P&L view, $M



The diagram above provides an updated view of the timing profile of synergy benefits and one-off implementation costs. It presents a P&L view of the portfolio and shows how the benefits are being delivered and that costs to date have been lower than estimated.

For the six months to 31 December 2008, the P&L synergy benefit was $125 million, marginally above the expectation. Integration costs of $85 million were in line with forecast.

The table below provides further detail about how the benefits and costs flow through to the P&L over the life of the Integration.

	FULL YEAR JUN-08 $M	HALF YEAR DEC-08 $M	HALF YEAR JUN-09 $M	FULL YEAR JUN 09 $M	FULL YEAR JUN-10 $M	FULL YEAR JUN-11 $M
Banking						
Operating Expenses	6	11	14	25	28	28
Banking Contribution Before Tax	6	11	14	25	28	28
General Insurance						
Net Earned Premium	41	20	21	41	41	41
Net Incurred Claims	13	22	23	45	60	60
Operating Expenses	39	60	82	142	162	162
GI Contribution Before Tax	93	102	126	228	263	263
Wealth Management	5	12	16	28	34	34
Net Profit Before Tax	104	125	156	281	325	325
Integration Costs	(139)	(85)	(57)	(142)	(25)	(9)
Income Tax	11	(12)	(30)	(42)	(90)	(95)
Total Contribution	(24)	28	69	97	210	221

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Outlook

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

In the **Bank**, it is expected that reduced economic activity, combined with a strategy of refocusing on higher value relationship portfolios and actively running off non-core portfolios, will result in the balance of gross loans, advances and other receivables at June 2009 being roughly the same as at June 2008. Beyond that, the pace of balance sheet contraction will be determined by the extent of refinancing opportunities available across the industry.

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 Bank's expenses will continue to benefit from the structural changes implemented during the first half and ongoing tight controls over discretionary spending.

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, 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.

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.

The Group had indicated that it was 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, the Group's outlook needs to be subject to no further LAT adjustments over the course of the year.

At the time this report was prepared the Group had already experienced two major claims events for the half year - 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.

These events, and any further events over the course of the year, will clearly 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 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 that 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 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% to 60% of cash earnings.

Any dividend guidance is subject to achieving forecast profit guidance, meeting the capital requirements of the business, regulatory approvals and general business and economic conditions.

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Capital raising

On 5 February 2009, the Group announced equity raisings to deliver a minimum of $955 million additional capital, comprising:

- an accelerated, non-renounceable institutional entitlement offer
- an institutional placement
- a non-renounceable entitlement offer allowing shareholders to subscribe for 1 new share for every 5 existing ordinary shares at an issue price of $4.50.

Additionally, the dividend reinvestment plan will be underwritten to a maximum of $100 million. This is only exercised if the Retail Entitlement Offer is less than $100 million and the maximum underwriting of $100 million reduces with the take-up of the Retail Entitlement Offer.

The institutional component was completed on 6 February 2009 with approximately $390 million raised through the placement of approximately 86.7 million shares and approximately $467 million through the issue of approximately 103.7 million shares from the entitlement offer. The retail offer, opening on 16 February 2009 and closing on 13 March 2009, can potentially raise up to $443 million.

All new shares issued will be fully paid and rank equally with existing Suncorp shares on issue, except that they will not be eligible for an interim dividend declared in respect of the period to 31 December 2008.

Contribution to profit by division for the half year ended 31 December 2008

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Banking					
Net interest income	608	546	484	11.4	25.6
Non-interest income	134	94	84	42.6	59.5
Total income	742	640	568	15.9	30.6
Operating expenses	(294)	(295)	(245)	(0.3)	20.0
Contribution before impairment losses and tax	448	345	323	29.9	38.7
Impairment losses on loans and advances	(355)	(55)	(16)	large	large
One-off non-recurring items	4	36	-	(88.9)	n/a
Contribution before tax	97	326	307	(70.2)	(68.4)
General Insurance					
Gross written premium	3,343	3,274	3,156	2.1	5.9
Net earned premium	2,988	2,921	2,945	2.3	1.5
Net incurred claims	(2,755)	(1,904)	(2,177)	44.7	26.6
Operating expenses	(839)	(828)	(805)	1.3	4.2
Investment income – insurance funds	764	267	188	186.1	306.4
Insurance trading result	158	456	151	(65.4)	4.6
Managed schemes net income	16	13	34	23.1	(52.9)
Joint venture and other income	(10)	(2)	19	(400.0)	(152.6)
Investment income – shareholder funds	154	(260)	28	159.2	450.0
Contribution before tax and capital funding	318	207	232	53.6	37.1
Capital funding	(65)	(72)	(60)	(9.7)	8.3
Contribution before tax	253	135	172	87.4	47.1
Contribution from Wealth Management before tax (1)	115	(95)	125	221.1	(8.0)
Other (2)					
Contribution from LJ Hooker	3	6	8	(50.0)	(62.5)
Consolidation adjustments (3)	14	14	7	-	100.0
Contribution before tax	17	20	15	(15.0)	13.3
Profit before tax and Promina acquisition items	482	386	619	24.9	(22.1)
Amortisation of Promina acquisition intangible assets	(122)	(181)	(180)	(32.6)	(32.2)
Deferred acquisition cost adjustment on consolidation (4)	-	53	108	(100.0)	(100.0)
Integration costs	(85)	(85)	(54)	-	57.4
	275	173	493	59.0	(44.2)
Income tax	(16)	29	(107)	(155.2)	(85.0)
Profit before minority interests	**259**	**202**	**386**	**28.2**	**(32.9)**
Minority interests	(1)	(3)	(2)	(66.7)	(50.0)
Net profit after minority interests	**258**	**199**	**384**	**29.6**	**(32.8)**

(1) The contribution from Wealth Management result is grossed up for income tax expense paid by the life insurance companies on behalf of policyholders in accordance with Australian Accounting Standards. As a consequence, the results presented here are not comparable across periods. In addition this result does not take into account minority interests.

(2) The "Other" contribution for the half years ended 31 December 2007 and 30 June 2008 have been restated due to the change in accounting policy for defined benefit superannuation plans.

(3) Represents elimination of Group transactions including:

- Treasury shares – Certain managed schemes controlled by Wealth Management own shares ('treasury shares') in Suncorp-Metway Ltd. These shares are recorded at fair value in the schemes' accounts and at cost at the Group level. The treasury share adjustment is $5 million (30 June 2008: $7 million: 31 December 2007: $14 million).
- Wealth Management deferred acquisition costs ('DAC') – within Suncorp Wealth Management, DAC incorporates charges from other lines of business. From a Group viewpoint, these costs must be expensed as they are not incremental to the Group.
- Transactions between Banking and General Insurance, including profit or loss on the fair value movements of Banking securities held by General Insurance.

(4) On recognition of the fair value of Promina assets and liabilities, the deferred acquisition costs in Promina's balance sheet cannot be recognised as an asset. Therefore the amortisation of DAC in Promina's books at the date of acquisition is reversed at the Group level.

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	DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Balance Sheet					
Assets					
Cash and liquid assets	1,295	1,003	1,237	29.1	4.7
Receivables due from other banks	68	263	4	(74.1)	large
Trading securities	8,336	5,685	7,842	46.6	6.3
Investment securities	18,687	19,136	20,305	(2.3)	(8.0)
Loans, advances and other receivables	57,194	57,343	51,860	(0.3)	10.3
Reinsurance and other recoveries	1,616	1,382	1,329	16.9	21.6
Deferred insurance assets	717	688	560	4.2	28.0
Assets classified as held for sale	56	151	151	(62.9)	(62.9)
Investments in associates and joint ventures	155	264	290	(41.3)	(46.6)
Property, plant and equipment	338	350	324	(3.4)	4.3
Deferred tax assets	94	-	-	n/a	n/a
Investment property	175	171	145	2.3	20.7
Other assets	1,592	643	493	147.6	222.9
Goodwill and intangible assets	6,971	7,090	7,278	(1.7)	(4.2)
Total assets	97,294	94,169	91,818	3.3	6.0
Liabilities					
Deposits and short-term borrowings	48,436	45,300	42,375	6.9	14.3
Payables due to other banks	24	45	43	(46.7)	(44.2)
Bank acceptances	121	865	759	(86.0)	(84.1)
Payables and other liabilities	1,815	2,332	1,906	(22.2)	(4.8)
Current tax liabilities	5	9	9	(44.4)	(44.4)
Employee benefit obligations	305	250	185	22.0	64.9
Unearned premiums and unexpired risk liabilities	3,367	3,263	3,186	3.2	5.7
Outstanding claims liabilities	7,856	7,140	7,404	10.0	6.1
Gross policy liabilities	5,782	6,793	7,717	(14.9)	(25.1)
Unvested policy owner benefits	341	314	322	8.6	5.9
Deferred tax liabilities	-	174	378	(100.0)	(100.0)
Managed funds units on issue	527	813	1,248	(35.2)	(57.8)
Securitisation liabilities	6,593	6,409	7,566	2.9	(12.9)
Bonds, notes and long-term borrowings	6,136	4,595	3,265	33.5	87.9
Total liabilities excluding loan capital	81,308	78,302	76,363	3.8	6.5
Loan capital					
Subordinated notes	2,824	2,638	2,926	7.1	(3.5)
Preference shares	863	863	144	-	499.3
Total loan capital	3,687	3,501	3,070	5.3	20.1
Total liabilities	84,995	81,803	79,433	3.9	7.0
Net assets	**12,299**	**12,366**	**12,385**	**(0.5)**	**(0.7)**
Equity					
Share capital	11,307	10,799	10,467	4.7	8.0
Reserves	(202)	209	247	(196.7)	(181.8)
Retained profits	1,187	1,352	1,668	(12.2)	(28.8)
Total parent entity interest	12,292	12,360	12,382	(0.6)	(0.7)
Minority interests	7	6	3	16.7	133.3
Total equity	**12,299**	**12,366**	**12,385**	**(0.5)**	**(0.7)**

The consolidated Balance Sheet includes the assets and liabilities of the statutory funds of the Group's life insurance businesses which are subject to restrictions under the *Life Insurance Act 1995*.

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Ratios and statistics
for the half year ended 31 December 2008

		HALF YEAR ENDED DEC-08	JUN-08	DEC-07	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Performance ratios						
Earnings per share [1]	(cents)	26.4	21.2	41.6	24.5	(36.5)
Cash earnings per share [1]	(cents)	41.2	37.1	51.2	11.1	(19.5)
Return on average shareholders' equity	(%)	4.2	3.2	6.2	31.3	(32.3)
Cash return on average shareholders' equity	(%)	6.5	5.6	7.6	16.1	(14.5)
Return on average total assets	(%)	0.54	0.43	0.86	25.6	(37.2)
Insurance trading ratio	(%)	5.3	15.6	5.1	(66.0)	3.9
Shareholder summary						
Dividend per ordinary share	(cents)	20.0	55.0	52.0	(63.6)	(61.5)
Payout ratio	(%)	78.0	262.7	125.3	(70.3)	(37.7)
Weighted average number of shares	(million)	978.2	937.6	922.4	4.3	6.0
Number of shares at end of period	(million)	1,006.2	950.5	925.0	5.9	8.8
Net tangible asset backing per share	($)	5.29	5.54	5.52	(4.5)	(4.2)
Share price at end of period	($)	8.40	13.04	16.92	(35.6)	(50.4)
Productivity						
Banking cost to income ratio	(%)	39.6	46.1	43.1	(14.1)	(8.1)
General Insurance expense ratio	(%)	28.0	28.3	27.3	(1.1)	2.6
Financial position						
Total assets	($ million)	97,294	94,169	91,818	3.3	6.0
Capital						
Bank capital adequacy ratio – Total	(%)	10.67	10.44	10.84	2.2	(1.6)
Bank capital adequacy ratio – Tier 1	(%)	8.83	8.04	7.69	9.8	14.8
Bank Adjusted Common Equity ratio	(%)	3.89	4.58	5.07	(15.1)	(23.3)
Bank Adjusted Total Equity ratio	(%)	5.18	6.09	5.94	(14.9)	(12.8)
General Insurance minimum capital ratio coverage	(times)	1.73	1.66	1.97	4.2	(12.2)

(1) Earnings per share and cash earnings per share for the half years ended 31 December 2007 and 30 June 2008 have been restated due to the change in accounting policy for defined benefit superannuation plans.

Refer Appendix 4 for definitions.
Refer Appendix 5 for details of earnings per share and return on average shareholders' equity calculations.

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Group Capital

Group capital is calculated in accordance with APRA guidelines. Regulatory capital will differ from statutory capital due to the inclusion of some liabilities such as preference shares and subordinated notes, and the deduction of intangible assets such as goodwill and software assets.

In the half year to 31 December 2008, the Group's forecast capital position has been significantly impacted by the combination of a number of factors, namely:

- the ongoing turmoil in the debt and equity markets has had a negative impact on profits, therefore reducing internally generated capital in both the Bank and General Insurer.
- market appetite for securitised assets remains low, thereby reducing the organisation's ability to recycle capital through this mechanism.
- increased provisioning for bad and doubtful debts.

To provide capital flexibility into the future, the Group:

- has undertaken an institutional equity placement of $390 million
- has undertaken an institutional entitlement offer, which raised $467 million
- is undertaking a retail entitlement offer which will potentially raise a maximum of $443 million
- has entered into an agreement to underwrite the DRP participation on the interim dividend for up to $100 million. The value of underwriting will be reduced dollar for dollar for funds raised under the retail entitlement offer.

Group capital position

The Group's capital policy is to hold capital surplus to operating requirements in the Bank, it being the holding company of the Group.

At 31 December 2008, the Bank had a Capital Adequacy Ratio of 10.67%, below the recently revised target range of 11.5% – 12.0%, and a Tier 1 Ratio of 8.83%, below the recently revised target range of 9.0% – 9.5%.

At 31 December 2008, the minimum capital ratio (MCR) of the consolidated domestic general insurance group was 1.73 times, after adjusting for exposures to unregulated entities in the Promina Group, above the target benchmark of 1.54 times.

The general insurance legal entity restructure was successfully completed during the December half. The general insurance capital requirements increased significantly during the half as discount rates fell, resulting in an increase to both the outstanding claims provision and the valuation of fixed interest investments. The benefits of the restructure have not been distributed to the Bank but have been utilised to meet this increased capital requirement and the expected losses from the Victorian bushfires and North Queensland floods.

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Group capital table

The Group has three distinct business lines with different regulatory requirements for capital. The corporate structure of the Group has the Bank as the holding company for subsidiaries operating the General Insurance, Wealth Management and other businesses. To assist in understanding the regulatory capital position within the Group the following table (including consolidation entries) demonstrates the distribution of capital.

	AS AT 31 DECEMBER 2008					
	BANKING	GENERAL INSUR-ANCE [3]	WEALTH MANAGE-MENT	OTHER	CONSOL-IDATION	TOTAL
	$M	$M	$M	$M	$M	$M
Tier 1						
Ordinary share capital	11,411	-	-	-	-	11,411
Subsidiary share capital (eliminated upon consolidation)	-	3,189	613	144	(3,946)	-
Reserves	-	12	-	-	-	12
Retained profits [1]	1,010	566	892	(28)	(771)	1,669
Preference shares	879	-	-	-	-	879
Insurance liabilities in excess of liability valuation	-	274	-	-	-	274
Less goodwill, brands	(7,816)	(1,202)	(15)	-	2,256	(6,777)
Less software assets	(74)	-	(5)	-	(115)	(194)
Less deductible capitalised expenses	(73)	-	-	-	-	(73)
Less deferred tax asset	(259)	(39)	(108)	-	312	(94)
Less other required deductions [4]	(3)	(247)	-	-	244	(6)
Less tier 1 deductions for investments in subsidiaries, capital support	(1,258)	-	-	-	1,258	-
Total tier 1 capital	3,817	2,553	1,377	116	(762)	7,101
Tier 2						
APRA general reserve for credit losses	198	-	-	-	-	198
Subordinated notes	1,854	985	-	-	-	2,839
Less tier 2 deductions for investments in subsidiaries, capital support	(1,257)	-	-	-	1,257	-
Total tier 2 capital	795	985	-	-	1,257	3,037
Total capital base	**4,612**	**3,538**	**1,377**	**116**	**495**	**10,138**
Target capital base [2]	4,969	3,038	1,193	17	(5)	9,212
Excess/(deficiency)	**(357)**	**500**	**184**	**99**	**500**	**926**
Target core capital base	4,105	2,025	1,193	17	(5)	7,335
Excess/(deficiency) core capital	**(288)**	**528**	**184**	**99**	**(757)**	**(234)**

[1] For Banking and General Insurance, this represents the APRA calculation of retained profits. APRA requires accrual of expected dividends in the Bank and General Insurance current year profits. To allow for consistency across the Group expected dividends are also included for Wealth Management and Other businesses.

[2] APRA requires regulated entities to have internal capital targets. For the Banking business the capital target is a capital adequacy ratio percentage. The target capital for the General Insurance business is based on a multiple of the various MCR components. The Wealth Management business capital target is an amalgamation of target capital for Statutory Funds, minimum capital required for Shareholder Funds and net tangible asset requirements for investment management entities. The target capital for entities within the Other businesses are based upon their actual capital base.

[3] The General Insurance group includes licensed entities regulated by APRA plus the New Zealand general insurance operations. Other entities within the statutory General Insurance reporting group are included in the Other businesses in this table.

[4] Other required deductions include surpluses in defined benefit superannuation funds and internal funding transactions of a capital nature.

Group capital table continued

	AS AT 31 DECEMBER 2008					
	BANKING $M	GENERAL INSURANCE $M	WEALTH MANAGEMENT $M	OTHER $M	CONSOLIDATION [1] $M	TOTAL $M
Reconciliation of total capital base to net assets						
Net assets	12,126	3,702	1,013	(405)	(4,137)	12,299
Difference relating to APRA definition of retained profits	45	65	492	(120)	-	482
Equity items not eligible for inclusion in capital for APRA purposes						
Reserves (post AIFRS)	195	-	-	677	(629)	243
Minority interests	-	-	-	(20)	17	(3)
Additional items allowable for capital for APRA purposes						
Preference shares	879	-	-	-	-	879
Subordinated notes	1,854	985	-	-	-	2,839
Technical provisions in excess of liability valuation	-	274	-	-	-	274
Holdings of own shares	88	-	-	(18)	35	105
Collective provision (partial)	164	-	-	-	-	164
Other items, adjustments	1	-	-	2	(3)	-
Deductions from capital for APRA purposes						
Goodwill [2], brands	(7,816)	(1,202)	(15)	-	2,256	(6,777)
Software assets	(74)	-	(5)	-	(115)	(194)
Deductible capitalised expenses	(73)	-	-	-	-	(73)
Deferred tax asset	(259)	(39)	(108)	-	312	(94)
Other assets excluded from regulatory capital	(3)	(247)	-	-	244	(6)
Funding of capital and guarantees by Bank holding company	(2,515)	-	-	-	2,515	-
Total capital base	**4,612**	**3,538**	**1,377**	**116**	**495**	**10,138**

[1] Consolidation mainly represents the Bank's investments in non-banking subsidiaries and amortisation of goodwill.

[2] APRA requires the intangible component of the book value of investments in non-banking subsidiaries to be deducted from Tier 1 capital. As it relates to non-banking subsidiaries, it is not amortised at the Banking level. Amortisation and impairment testing occurs within General Insurance and when the entire Group is consolidated. The total intangible deduction from Group capital in the table above of $6,777 million represents the total amortised balance of goodwill and brands etc for the Group.

	BANKING $M	GENERAL INSURANCE $M	WEALTH MANAGEMENT $M	OTHER $M	CONSOLIDATION $M	TOTAL $M
Reconciliation of APRA retained profits to reported retained profits						
Reported retained profits	965	501	400	92	(771)	1,187
Retained profits of entities not consolidated for APRA purposes	(4)	(199)	-	203	-	-
Expected group dividend net of DRP	(131)	-	-	-	-	(131)
Expected intragroup dividends	180	(180)	-	-	-	-
Adjustments for pre-acquisition earnings	-	336	492	(321)	-	507
Other differences in retained profits for APRA purposes	-	108	-	(2)	-	106
	45	65	492	(120)	-	482
APRA retained profits	**1,010**	**566**	**892**	**(28)**	**(771)**	**1,669**

Group

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Banking capital adequacy

	DEC-08 $M	JUN-08 $M	DEC-07 $M
Consolidated banking capital			
Tier 1			
Fundamental Tier 1			
Ordinary share capital	11,411	10,882	10,562
Reserves	-	5	2
Retained profits	1,010	676	926
	12,421	11,563	11,490
Residual Tier 1			
Reset preference shares	144	144	144
Convertible preference shares	735	735	-
Residual Tier 1 transferred to Upper Tier 2	-	(22)	-
	879	857	144
Tier 1 deductions			
Goodwill and other intangibles arising on acquisition	(7,816)	(7,798)	(7,744)
Software assets	(74)	(86)	(86)
Other intangible assets	(73)	(67)	(52)
Deferred tax asset	(259)	(22)	-
Other Tier 1 deductions	(3)	(2)	-
Tier 1 deductions for investments in subsidiaries, capital support	(1,258)	(1,015)	(992)
	(9,483)	(8,990)	(8,874)
Total Tier 1 capital	3,817	3,430	2,760
Tier 2			
Upper Tier 2			
APRA general reserve for credit losses	198	197	177
Perpetual subordinated notes	170	170	170
Residual Tier 1 transferred to Upper Tier 2	-	22	-
	368	389	347
Lower Tier 2			
Subordinated notes	1,684	1,649	1,777
	1,684	1,649	1,777
Tier 2 deductions			
Tier 2 deductions for investments in subsidiaries, capital support	(1,257)	(1,015)	(991)
	(1,257)	(1,015)	(991)
Total Tier 2 capital	795	1,023	1,133
Capital base	**4,612**	**4,453**	**3,893**
Total assessed risk	**43,206**	**42,650**	**35,900**
Risk weighted capital ratio	**10.67%**	**10.44%**	**10.84%**

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	DEC-08 $M	JUN-08 $M	DEC-07 $M
Banking capital adequacy continued			
Reconciliation of deduction for investments in subsidiaries			
Investment securities	10,331	9,821	9,706
Less securities held by entities not consolidated for APRA purposes	(27)	(19)	(6)
Less intangible component deducted from Tier 1 capital – non-banking subsidiaries	(7,794)	(7,777)	(7,722)
Deduction for net tangible investments in subsidiaries	2,510	2,025	1,978
Capital support provided to subsidiaries	5	5	5
Capital deduction for investments in subsidiaries, capital support	2,515	2,030	1,983
50% deduction from Tier 1 capital	(1,258)	(1,015)	(992)
50% deduction from Tier 2 capital	(1,257)	(1,015)	(991)
Deductions for investments in subsidiaries, capital support	**(2,515)**	**(2,030)**	**(1,983)**
Retained profits movement			
Retained profits opening for the half year	676	926	1,046
Add Banking profit after tax for the half year	23	168	199
Less profit after tax of entities not consolidated for APRA purposes	(1)	(1)	2
Add/(less) APRA adjustments	127	(11)	(19)
Less dividend expense/accrual	(203)	(526)	(484)
Add/(less) estimated change in dividend reinvestment plan	(60)	10	(6)
Add dividends from non-banking subsidiaries	448	110	188
Retained profits closing for the half year	**1,010**	**676**	**926**
Reconciliation of banking deduction for intangible assets to group intangible assets			
Deduction for banking subsidiaries intangible assets	22	21	22
Deduction for non-banking entities intangible assets	7,794	7,777	7,722
Banking deduction for intangible assets	7,816	7,798	7,744
APRA adjustments	-	-	66
Goodwill reflected in investments in associates	(39)	(39)	(39)
Amortisation of non-banking goodwill	(890)	(763)	(590)
Software assets [1]	74	86	86
Intangible assets not deducted from capital	10	8	11
Group intangible assets	**6,971**	**7,090**	**7,278**

(1) This amount represents the Banking group capital deduction for software assets. Software assets held elsewhere in the Group are included in the capital deduction for goodwill, brands etc.

Banking capital adequacy continued

	CARRYING VALUE DEC-08 $M	CARRYING VALUE JUN-08 $M	CARRYING VALUE DEC-07 $M	AVERAGE RISK WEIGHTS DEC-08	RISK WEIGHTED BALANCE DEC-08 $M	RISK WEIGHTED BALANCE JUN-08 $M	RISK WEIGHTED BALANCE DEC-07 $M
Risk weighted assets							
Assets							
Cash items	188	365	541	2%	3	35	2
Claims on Australian and foreign governments	1,613	260	63	0%	3	1	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	2,713	581	163	20%	548	119	33
Claims secured against eligible residential mortgages	26,153	23,162	19,678	44%	11,566	9,996	9,839
Past due claims	1,123	511	-	137%	1,534	696	-
Other assets and claims	23,587	26,175	23,273	98%	23,224	25,700	23,306
Total Banking assets [(1)]	**55,377**	**51,054**	**43,718**		**36,878**	**36,547**	**33,180**

	NOTIONAL AMOUNT DEC-08 $M	CREDIT EQUIV-ALENT DEC-08 $M	AVERAGE RISK WEIGHTS DEC-08	RISK WEIGHTED BALANCE DEC-08 $M	RISK WEIGHTED BALANCE JUN-08 $M	RISK WEIGHTED BALANCE DEC-07 $M
Off balance sheet positions						
Guarantees entered into in the normal course of business	389	227	92%	208	186	184
Commitments to provide loans and advances	8,504	2,735	70%	1,926	2,273	1,755
Capital commitments	21	21	100%	21	96	31
Foreign exchange contracts	9,071	773	25%	190	91	78
Interest rate contracts	64,930	467	66%	307	136	123
Total off balance sheet positions	**82,915**	**4,223**		2,652	2,782	2,171
Market risk capital charge				998	597	549
Operational risk capital charge				2,678	2,724	-
Total risk weighted assets				36,878	36,547	33,180
Total assessed risk				**43,206**	**42,650**	**35,900**
Risk weighted capital ratios				%	%	%
Tier 1				8.83	8.04	7.69
Tier 2				1.84	2.40	3.15
Total risk weighted capital ratios				**10.67**	**10.44**	**10.84**

(1) Total Banking assets differ from Banking segment assets due to the adoption of the APRA classification of intangible assets, deferred taxation, incorporation of the trading book in the market risk capital charge and general reserve for credit losses for capital adequacy purposes.

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	DEC-08 $M	JUN-08 $M	DEC-07 $M
Adjusted Common Equity – consolidated Bank			
Fundamental Tier 1	12,421	11,563	11,490
DRP underwriting	-	394	194
Tier 1 deductions	(9,483)	(8,990)	(8,874)
Tier 2 deductions for investments in subsidiaries, capital support	(1,257)	(1,015)	(991)
Adjusted Common Equity	**1,681**	**1,952**	**1,819**
Total assessed risk	43,206	42,650	35,900
	%	%	%
Adjusted Common Equity ratio	**3.89**	**4.58**	**5.07**

	DEC-08 $M	JUN-08 $M	DEC-07 $M
Adjusted Total Equity – consolidated Bank			
Adjusted Common Equity	1,681	1,952	1,819
Eligible Hybrids	555	644	314
Adjusted Total Equity	**2,236**	**2,596**	**2,133**
Total assessed risk	43,206	42,650	35,900
	%	%	%
Adjusted Total Equity ratio	**5.18**	**6.09**	**5.94**

General Insurance Minimum Capital Requirement

The minimum capital requirement (MCR) for General Insurance is calculated by assessing the risks inherent in the business, which comprise:

- the risk that the liability for outstanding claims is not sufficient to meet the obligations to policyholders arising from losses incurred up to the reporting date (outstanding claims risk)
- the risk that the unearned premium liability is insufficient to meet the obligations to policyholders arising from losses incurred after the reporting date on existing policies (premium liabilities risk)
- the risk that the value of assets is diminished (investment risk)
- the risk of a catastrophe giving rise to major claims losses up to the retention amount under existing reinsurance arrangements (catastrophe risk).

These risks are quantified to determine the minimum capital required under the APRA prudential standards. This requirement is compared with the capital held in the General Insurance companies. Any provisions for outstanding claims and insurance risk in excess of the amount required to provide a level of sufficiency at 75% is classified as capital.

	DOMESTIC GI GROUP [1]			GI GROUP [2]		
	DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 $M	JUN-08 $M	DEC-07 $M
General Insurance Minimum Capital Requirement continued						
Tier 1						
Ordinary share capital	3,050	2,085	2,085	3,189	2,216	2,216
Reserves	12	6	-	12	6	-
Retained profits	376	1,075	1,341	566	1,252	1,518
Insurance liabilities in excess of liability valuation	327	289	414	392	336	462
Less: Tax effect of excess insurance liabilities	(98)	(87)	(124)	(118)	(101)	(139)
	3,667	3,368	3,716	4,041	3,709	4,057
Less:						
Goodwill and other intangible assets	(1,118)	(1,010)	(1,018)	(1,202)	(1,087)	(1,094)
Other Tier 1 deductions	(286)	(350)	(27)	(286)	(350)	(27)
Total deductions from Tier 1 capital	(1,404)	(1,360)	(1,045)	(1,488)	(1,437)	(1,121)
Total Tier 1 capital	**2,263**	**2,008**	**2,671**	**2,553**	**2,272**	**2,936**
Tier 2						
Subordinated notes	985	940	980	985	940	980
APRA capital base	**3,248**	**2,948**	**3,651**	**3,538**	**3,212**	**3,916**
Outstanding claims risk capital charge	815	755	744	833	771	760
Premium liabilities risk capital charge	406	410	375	438	441	406
Total insurance risk capital charge	1,221	1,165	1,119	1,271	1,212	1,166
Investment risk capital charge	511	591	633	551	622	664
Catastrophe risk capital charge	150	150	200	150	150	200
APRA approved adjustments	-	(126)	(100)	-	(126)	(100)
Total minimum capital requirement (MCR)	**1,882**	**1,780**	**1,852**	**1,972**	**1,858**	**1,930**
MCR coverage ratio (times)	**1.73**	**1.66**	**1.97**	**1.79**	**1.73**	**2.03**

[1] Domestic GI Group – Suncorp General Insurance Consolidated Group (Australia only)
[2] GI Group – Sum of MCR for the Domestic GI Group and Vero NZ

	DOMESTIC GI GROUP			GI GROUP		
	DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 $M	JUN-08 $M	DEC-07 $M
Retained profits movement						
Retained profits opening for the half year	1,075	1,341	1,347	1,252	1,518	1,524
Add General Insurance profit after tax for the half year	185	95	120	185	130	108
Less profit after tax of entities not consolidated for APRA purposes	(14)	(39)	(27)	(2)	(39)	(27)
Less retained losses of new consolidated entities	-	(2)	(5)	-	(2)	(5)
Add/(less) APRA adjustments	(420)	55	96	(419)	47	108
Less dividends paid/received	(450)	(375)	(190)	(450)	(402)	(190)
Retained profits closing for the half year	**376**	**1,075**	**1,341**	**566**	**1,252**	**1,518**

Group credit ratings

The Group's credit ratings remained steady during the year to December 2008 with Standard and Poor's long-term counterparty credit rating at 'A+', Moody's rating at 'Aa3' stable and Fitch's rating at 'A+'.

In January 2009, Standard and Poor's reduced the long-term counterparty credit rating for the Bank to 'A' with a stable outlook. Other ratings were not impacted and the ratings for general insurance and wealth management subsidiaries remained at 'A+' with a stable outlook.

In February 2009, Fitch Ratings affirmed the 'A+' rating for Suncorp-Metway Limited and Suncorp Metway Insurance Limited, however, due to deteriorating economic conditions, Suncorp-Metway Limited has been placed on 'negative outlook'.

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Dividends

The interim dividend of 20 cents per share is fully franked and due to be paid on 1 April 2009. The period date for determining entitlements to the dividends is 5 March 2009.

	HALF YEAR ENDED		
	DEC-08 $M	JUN-08 $M	DEC-07 $M
Franking credits			
Franking credits available for subsequent financial years based on a tax rate of 30% after proposed dividend	**407**	**442**	**478**

Income tax

	DEC-08 $M	JUN-08 $M	DEC-07 $M
Profit before income tax expense	275	173	493
Income tax using the domestic corporation tax rate of 30%	83	52	148
Effect of tax rates in foreign jurisdictions	-	2	1
Increase/(decrease) in income tax expense due to:			
Non-deductible expenses	13	(1)	8
Imputation gross-up on dividends received	3	2	7
Statutory funds	(61)	(70)	(13)
Income tax offsets and credits	(10)	(8)	(24)
Tax incentives not recognised in the Income Statement	-	(1)	-
Amortisation of intangible assets on acquisition	(5)	4	3
Other	(9)	(6)	(12)
	14	(26)	118
Over/(under) provision in prior year	2	(3)	(11)
Income tax expense/(benefit) on pre-tax net profit	**16**	**(29)**	**107**
Effective tax rate	**5.8%**	**(16.8)%**	**21.7%**
Income tax expense/(benefit) by segment			
Banking	37	98	92
General Insurance	69	34	29
Wealth Management	(21)	(104)	21
Other	(69)	(57)	(35)
Total income tax expense/(benefit)	**16**	**(29)**	**107**

The Group's consolidated effective tax rate for the six months ended 31 December 2008 was 5.8% (for the six months ended 30 June 2008: negative 16.8%; for the six months ended 31 December 2007: 21.7%). The effective tax rate for the six months ended 31 December 2008 is significantly different to the last two reporting periods due to the interaction of relatively large income tax adjustments with lower Group operating profits.

Income tax expense adjustments have arisen from:

- a prior year income tax credit of $7 million arising from the Group's 2008 research and development claim
- the write back of a deferred tax liability of $9 million for amortising identified intangibles associated with a Group joint venture interest which was disposed of in the current interim reporting period. Deferred tax balances were established for these identified intangibles at the date of acquisition pursuant to AASB 112 *Income Taxes*
- the statutory fund adjustment of $61 million. Accounting standards require that the tax credit from a reduction in net market values of policyholder assets be recognised as part of the Group's income tax expense, whereas the net profit before tax of the Group includes a partially offsetting release of policyholder liabilities. Consequently, the tax credit is disproportionate relative to the net profit before tax. The reverse (a tax expense charge) is required in periods where the market values of policyholder assets increase
- non-deductible distributions from Converting Preference Shares issued in June 2008 ($8 million) in addition to the non-deductible distributions from the remaining Reset Preference Shares ($1 million).

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Segment information – Banking

Market Overview

The past 18 months has been a period of extreme turbulence, not only for the Australian banking sector, but for financial services companies around the globe. The revelation of non-performing sub-prime loans in the United States had an immediate effect on global credit markets, restricting funding opportunities and significantly increasing the cost of debt.

The Government's deposit guarantee has underpinned a level of confidence in all Authorised Deposit-Taking Institutions (ADIs) and supported the deposit gathering process. The implementation of this guarantee has seen increased inflows to deposit accounts, sufficient to replace the outflows experienced earlier in the half year.

In the Australian macro-economic environment, banks face challenges associated with weakening consumer and business confidence and reduced levels of economic activity. Activity has been subdued as households and businesses look to reduce borrowings and defer purchases and investments.

Recent reductions in official interest rates together with Federal Government stimulus initiatives are expected to improve consumer and business confidence although weakened activity levels are expected to continue for some time.

Suncorp's strategy in this environment has been to:

- bias new lending to existing customers in our core portfolios, seeking at all times to protect the brand and support the investment in the branch network
- continually adjust rates to appropriately reflect cost of funds and risk metrics
- improve the Bank's deposit gathering capability by adjusting the KPIs of front-line staff to reflect deposit rather than asset growth targets
- further diversify the Bank's wholesale funding sources from both a term and geographic perspective
- improve the profitability of the indirect channel by adjusting commissions based on the quality of business introduced
- continue to improve the variable cost base of the Bank by partnering with globally recognised suppliers for back-of-house processing.

Profit overview

Profit before tax, bad debts and one-off items increased by 38.7% to $448 million reflecting repricing activities across the lending portfolio, higher average asset balances and tight cost control.

The Bank reported a contribution before tax of $97 million, a decrease of 68.4% over the prior corresponding period. Economic conditions continued to deteriorate during the period, resulting in an increase in impairment losses. In addition, the Bank has been prudent in the establishment of an economic overlay to its provisioning levels.

Strong growth in net interest income was recorded in the first half, compensating for higher wholesale funding costs and higher bad debt charges.

The timing difference in the form of gains on short-term hedges benefited the first half by $38 million. This will unwind, predominantly in the second half, to the net interest expense line.

Net interest margin for the half increased by 8 basis points over the previous December half as the Bank benefited from higher risk premiums across all products and favourable yield curve movements, offsetting increased funding costs. Suncorp, like most financial institutions, has decoupled the variable lending rate from the Reserve Bank's cash rate, which has allowed the Bank to recover some of the increased costs of wholesale funding.

Operating expenses grew 20% on the December 2007 half year but remained flat when compared with the half year to June 2008. The Bank completed a restructuring program during the half year, combining the retail and business operations, in the process incurring $25 million in one-off restructuring costs. The Bank expects to realise the full benefits of the restructure in the second half of 2008/09 and beyond. The cost to income ratio further reduced to 39.6%.

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	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Profit contribution – Banking					
Net interest income					
Interest revenue	2,693	2,533	2,126	6.3	26.7
Interest expense	(2,085)	(1,987)	(1,642)	4.9	27.0
	608	546	484	11.4	25.6
Net banking fee income					
Banking fee and commission revenue	128	118	121	8.5	5.8
Banking fee and commission expense	(53)	(47)	(44)	12.8	20.5
	75	71	77	5.6	(2.6)
Other operating revenue					
Net profit on financial instruments	54	18	4	200.0	large
Other income	5	5	3	-	66.7
	59	23	7	156.5	large
Non-interest income	134	94	84	42.6	59.5
Total income from Banking activities	742	640	568	15.9	30.6
Operating expenses					
Staff expenses	(174)	(179)	(160)	(2.8)	8.8
Occupancy expenses	(22)	(23)	(18)	(4.3)	22.2
Computer and depreciation expenses	(37)	(29)	(26)	27.6	42.3
Communication expenses	(16)	(16)	(13)	-	23.1
Advertising and promotion expenses	(12)	(20)	(11)	(40.0)	9.1
Other operating expenses [1]	(33)	(28)	(17)	17.9	94.1
	(294)	(295)	(245)	(0.3)	20.0
Contribution to profit from Banking activities before impairment losses on loans and advances	448	345	323	29.9	38.7
Impairment losses on loans and advances	(355)	(55)	(16)	large	large
Contribution to profit before tax from normal business activities	**93**	**290**	**307**	**(67.9)**	**(69.7)**
One-off non-recurring items					
Net profit from credit card portfolio sale	-	20	-	(100.0)	n/a
Net profit from sale and recognition of fair value of VISA Inc shares	4	16	-	(75.0)	n/a
Contribution to profit before tax from Banking activities	**97**	**326**	**307**	**(70.2)**	**(68.4)**
Return on equity (%)	**4.7**	**16.2**	**15.0**	**(71.0)**	**(68.7)**

[1] Other operating expenses are made up primarily of financial, legal, motor vehicle, travel and accommodation expenses.

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Balance sheet – Banking

	DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Assets					
Cash and liquid assets	298	225	432	32.4	(31.0)
Receivables due from other banks	68	263	4	(74.1)	large
Trading securities	8,336	5,685	7,842	46.6	6.3
Investment securities [1]	13,267	11,075	9,706	19.8	36.7
Bank acceptances from customers	121	865	759	(86.0)	(84.1)
Loans, advances and other receivables [2]	55,215	54,963	49,461	0.5	11.6
Property, plant and equipment	267	271	256	(1.5)	4.3
Current tax assets	24	34	3	(29.4)	large
Deferred tax assets	259	27	-	large	n/a
Other assets [3]	1,522	944	556	61.2	178.7
Intangible assets	96	108	108	(11.1)	(11.1)
Total assets	79,473	74,460	69,127	6.7	15.0
Liabilities					
Deposits and short-term borrowings	48,945	46,572	40,783	5.1	20.0
Payables due to other banks	24	45	43	(46.7)	(44.2)
Bank acceptances	121	865	759	(86.0)	(84.1)
Payables and other liabilities [4]	969	1,448	718	(33.1)	35.0
Employee benefit obligations	181	161	102	12.4	77.5
Due to controlled entities	69	-	-	n/a	n/a
Deferred tax liabilities	-	-	3	n/a	(100.0)
Securitisation liabilities	8,379	6,416	7,575	30.6	10.6
Bonds, notes and long-term borrowings	5,956	4,472	5,209	33.2	14.3
Subordinated notes	1,839	1,699	1,945	8.2	(5.4)
Preference shares	864	863	144	0.1	500.0
Total liabilities	67,347	62,541	57,281	7.7	17.6
Net assets	**12,126**	**11,919**	**11,846**	**1.7**	**2.4**

(1) Includes the Group's investment in Promina of $7.9 billion.

(2) Includes securitised home loan balances of $8.4 billion (30 June 2008 $6.4 billion: 31 December 2007 $7.3 billion).

(3) Other assets is mainly made up of accrued interest, prepayments and unrealised gains on derivative hedging positions.

(4) Includes unrealised losses on derivative hedging positions relating to cross currency swaps for offshore borrowings. Movements in the hedging positions are fully offset by movements in the underlying offshore borrowings.

Banking ratios and statistics

	HALF YEAR ENDED DEC-08 %	JUN-08 %	DEC-07 %	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Cost to income ratio	39.6	46.1	43.1	(14.1)	(8.1)
Cost to average total banking assets ratio	0.76	0.84	0.74	(9.5)	2.7
Capital adequacy ratio	10.67	10.44	10.84	2.2	(1.6)
Return on average risk weighted assets ratio	0.37	1.32	1.36	(72.0)	(72.8)
Net interest margin [1]	1.84	1.81	1.76	1.7	4.5
Net interest spread	1.53	1.44	1.43	6.3	7.0

(1) Refer table on page 34 for analysis

Banking

	DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Asset growth					
Housing loans	19,762	20,876	17,963	(5.3)	10.0
Securitised housing loans	8,405	6,371	7,302	31.9	15.1
Total housing loans	28,167	27,247	25,265	3.4	11.5
Consumer loans	694	863	1,185	(19.6)	(41.4)
Retail loans	28,861	28,110	26,450	2.7	9.1
Commercial (SMEs)	5,654	5,588	5,036	1.2	12.3
Corporate	3,626	3,828	3,267	(5.3)	11.0
Development finance	6,089	5,915	5,000	2.9	21.8
Property investment	5,271	5,573	4,566	(5.4)	15.4
Lease finance	2,177	2,419	2,468	(10.0)	(11.8)
Agribusiness	3,547	3,645	3,379	(2.7)	5.0
Business loans	26,364	26,968	23,716	(2.2)	11.2
Structured finance	4	5	5	(20.0)	(20.0)
Other receivables [1]	588	899	168	(34.6)	250.0
Gross banking loans, advances and other receivables	55,817	55,982	50,339	(0.3)	10.9
Provision for impairment	(481)	(154)	(119)	212.3	304.2
Loans, advances and other receivables	**55,336**	**55,828**	**50,220**	**(0.9)**	**10.2**
Risk weighted assets	**36,878**	**36,547**	**33,180**	**0.9**	**11.1**
Geographical breakdown – gross banking loans, advances and other receivables					
Queensland	33,301	34,110	30,974	(2.4)	7.5
New South Wales	12,301	12,082	10,794	1.8	14.0
Victoria	6,940	6,701	5,815	3.6	19.3
Western Australia	2,919	2,757	2,455	5.9	18.9
South Australia and other	356	332	301	7.2	18.3
Outside of Queensland loans	22,516	21,872	19,365	2.9	16.3
Gross banking loans, advances and other receivables	**55,817**	**55,982**	**50,339**	**(0.3)**	**10.9**

[1] Other receivables are made up primarily of trade finance and foreign exchange advances.

Gross banking loans, advances and other receivables, including securitised assets, remained flat at $55.8 billion compared with 30 June 2008.

Lending conditions deteriorated significantly during the half as continuing volatility in financial markets both domestically and globally, together with the prospect of a recession, dampened demand.

Housing lending has been subdued as households look to reduce borrowings and defer new purchases; however, Suncorp has been able to continue to grow above system over the past 12 months because of the Group's presence in key markets and geographies.

The tighter credit market has also continued the trend of consumer and small business customers moving from non-bank lenders back to traditional lenders.

As anticipated, the challenging economic environment has seen business lending reduce significantly. Large corporate customers have begun to de-leverage their balances sheets while Development Finance and Property Investment customers have delayed commencement of new development projects. Commercial (SME) and Agribusiness customers are also taking a cautious approach to additional debt.

While recent and proposed economic stimulus packages are expected to steady consumer and business confidence, expectations are that the cautious approach to taking on additional debt will continue for some time across all levels of the economy.

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	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Personal lending					
Housing loans by State					
Queensland	17,602	17,119	15,916	2.8	10.6
New South Wales	5,285	5,046	4,625	4.7	14.3
Victoria	2,945	2,865	2,717	2.8	8.4
Western Australia	2,037	1,922	1,717	6.0	18.6
South Australia	215	213	212	0.9	1.4
ACT	53	53	53	-	-
Tasmania	30	29	25	3.4	20.0
Outside of Queensland	10,565	10,128	9,349	4.3	13.0
Total	**28,167**	**27,247**	**25,265**	**3.4**	**11.5**

Housing lending

Home loan receivables, including securitised assets, grew 11.5% when compared with December 2007, ahead of market growth of 8.5% (as measured by the RBA).

The Bank continued to maintain strong growth in its traditional Queensland market while growing additional presence in the New South Wales and Western Australian markets.

In the current economic climate personal customers remained cautious; however, the Bank still achieved above system growth. In a falling interest rate environment the trend away from fixed to variable loans continues.

Growth in the direct distribution channel was solid with Queensland and Western Australia growing 6.8% and 14.9% respectively. The intermediary channel remains a key distribution avenue for the Bank; however, growth is now starting to moderate.

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Consumer loans by purpose					
Personal loans	397	390	370	1.8	7.3
Overdrafts	4	7	5	(42.9)	(20.0)
Credit cards	8	10	235	(20.0)	(96.6)
Margin lending	285	456	575	(37.5)	(50.4)
Total	**694**	**863**	**1,185**	**(19.6)**	**(41.4)**

Consumer lending

Consumer lending decreased by 41.4% to $694 million. Excluding the impact of the sale of the credit card portfolio in February 2008, consumer lending decreased 26.6%.

Margin lending balances have continued to reduce in line with extreme volatility in equity markets as consumers pay down margin lending facilities.

Tighter economic conditions have resulted in consumers reducing discretionary expenditure which has resulted in slower growth in personal lending.

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Business lending

A breakdown of business lending by state is shown below:

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Business loans by State					
Queensland	14,466	15,275	13,786	(5.3)	4.9
New South Wales	6,982	6,949	6,061	0.5	15.2
Victoria	3,982	3,823	3,075	4.2	29.5
Western Australia	880	833	733	5.6	20.1
South Australia	54	88	61	(38.6)	(11.5)
Outside of Queensland	11,898	11,693	9,930	1.8	19.8
Total	**26,364**	**26,968**	**23,716**	**(2.2)**	**11.2**

Business lending

Business lending increased by 11.2% over the last 12 months, exceeding industry growth. The Bank has responded to domestic economic conditions by reducing its lending exposures over the six months to December 2008, with business lending reducing 2.2% to $26.4 billion.

Commercial (SME)

The Commercial (SME) portfolio grew by 1.2% when compared with the 30 June 2008 balance and this segment remains a key market for the Bank.

As expected, there was a slowdown in new business during the December 2008 half as volatile economic conditions translated into weaker consumer confidence. While customers are taking a cautious approach to increasing debt levels, growth levels remain appropriate. Sales activity continues to remain subdued with moderate growth levels forecast.

Growth in Queensland remains steady while strong growth was experienced in New South Wales as the bank increased its SME capabilities interstate.

Corporate lending

Corporate lending comprises customers with turnover in excess of $10 million. The Bank has chosen to reduce its exposure to larger corporate customers, with the receivables balance contracting 5.3% to $3.6 billion over the six months to December 2008.

Suncorp's exposures in the corporate lending sector continue to remain strongly secured.

Development Finance

The Development Finance portfolio grew 2.9% over the six months to December 2008 although growth was limited to draw downs of existing in-progress facilities.

The Bank has worked closely with developers advising them to delay new projects until such time as stock levels have reduced to appropriate levels. Sales of new financing have slowed as developers remain cautious in light of the current economic environment.

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Business lending continued

Property investment

The Property investment portfolio contracted 5.4% over the six months to 31 December 2008 as investors looked to reduce debt and increase coverage levels.

Property investment includes assets such as shopping centres, commercial offices and industrial warehouses, and excludes construction projects which are classified as Development Finance.

While Suncorp remains a respected participant in this sector, the Bank has reduced its exposure levels to property investment in response to slowing economic conditions and changing property values.

Lease finance

In line with the Bank's strategic decision to reduce receivables balances in non-core lending segments, the leasing finance portfolio reduced by 10.0% over the six months to 31 December 2008.

The leasing finance portfolio is expected to continue to reduce over coming periods as new sales are not expected to replace contractual run down of the portfolio.

Agribusiness

The Agribusiness portfolio achieved moderate growth of 5.0% when compared with December 2007 but reduced 2.7% when compared with the June 2008 balance.

Agribusiness customers continue to face difficult trading conditions. Long periods of drought and recent northern Queensland flooding, combined with periods of high fuel prices and volatile crop and fertiliser prices, have made trading conditions difficult. Like most business sectors, agribusiness customers have taken the opportunity to reduce debt levels.

As difficult trading conditions begin to abate across the sector, new business sales are showing some improvement with prospects increasing in Queensland and regional New South Wales.

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Funding and deposits

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Retail funding					
Australian retail deposits					
Transaction	5,964	5,625	5,635	6.0	5.8
Investment	4,236	4,344	4,615	(2.5)	(8.2)
Term	10,409	8,945	7,280	16.4	43.0
Core retail deposits	20,609	18,914	17,530	9.0	17.6
Retail treasury	2,873	3,343	3,445	(14.1)	(16.6)
Total retail funding	23,482	22,257	20,975	5.5	12.0
Wholesale funding					
Domestic funding sources					
Senior wholesale funding	26,143	19,712	17,812	32.6	46.8
Subordinated notes	701	681	681	2.9	2.9
Preference shares	144	144	144	-	-
Convertible Preference Shares	720	719	-	0.1	n/a
	27,708	21,256	18,637	30.4	48.7
Overseas funding sources [1]					
Euro commercial paper	772	4,574	2,919	(83.1)	(73.6)
Euro medium-term note	4,504	4,501	4,286	0.1	5.1
Subordinated notes	1,138	1,018	1,264	11.8	(10.0)
	6,414	10,093	8,469	(36.5)	(24.3)
Total wholesale funding	34,122	31,349	27,106	8.8	25.9
Total funding (excluding securitisation)	**57,604**	**53,606**	**48,081**	**7.5**	**19.8**
Securitised funding					
Australian dollar wholesale [2]	6,680	4,590	5,300	45.5	26.0
Foreign currency wholesale [1]	1,699	1,826	2,275	(7.0)	(25.3)
Total securitised funding	8,379	6,416	7,575	30.6	10.6
Total funding (including securitisation)	**65,983**	**60,022**	**55,656**	**9.9**	**18.6**
Total funding is represented on the balance sheet by:					
Deposits and short-term borrowings [3]	48,945	46,572	40,783	5.1	20.0
Securitisation liabilities	8,379	6,416	7,575	30.6	10.6
Bonds, notes and long-term borrowings	5,956	4,472	5,209	33.2	14.3
Subordinated notes	1,839	1,699	1,945	8.2	(5.4)
Preference shares	864	863	144	0.1	500.0
Total	**65,983**	**60,022**	**55,656**	**9.9**	**18.6**
Retail funding as a percentage of total funding (excluding securitisation) [4]	**41%**	**42%**	**44%**	**(2.4)**	**(6.8)**

(1) Foreign currency borrowings are hedged back into Australian dollars.
(2) Some Australian dollar borrowings are held offshore.
(3) Includes term issuance that is presently within one year to maturity.
(4) For the purposes of calculating the percentage of retail funding, securitised liabilities have been excluded given securitised assets are match funded with these liabilities.

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Funding and deposits continued

Retail funding

Core retail deposits (net of treasury) increased 17.6% over the prior comparative period to $20.6 billion.

The period has been one of extreme volatility in financial markets with the failure of a number of foreign banks and, during early September in particular, domestic investors shifting deposit funds from regional banks and credit unions to AA-rated banks.

The Government's deposit guarantee underpinned a level of confidence in ADIs generally and the subsequent deposit growth more than replaced the outflows experienced in early September.

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 continued to offer competitive term deposit products, despite falling interest rates, with balances growing 43% when compared with December 2007.

Wholesale funding

The Bank, like all financial institutions, experienced a volatile six months as credit markets, both short- and long-term, froze following the sub prime lending crisis and the bankruptcy of Lehman Bros. Despite this, the Group has strengthened its long-term funding position.

Suncorp raised approximately $5 billion of three-year equivalent term debt over the six months to 31 December 2008, well above the previously forecast $3.0 – $3.5 billion required to fund asset growth and satisfy term maturities for the 2008/09 financial year.

As a result of these initiatives, the weighted average term of balance sheet liabilities (including securitisation) increased to 0.98 years at 31 December 2008, compared with 0.69 years at 30 June 2008.

Additionally, Suncorp has a conservative liquidity policy to provide additional balance sheet flexibility. Liquidity (not including RMBS repo capacity) was maintained at conservative levels, increasing to $8.3 billion at 31 December 2008 (a liquid asset ratio of 13.4%) from $7.5 billion at 30 June 2008 (a liquid asset ratio of 12.5%). Taking into account RMBS repo capability, the Group's total liquidity improves to 21.4% at 31 December 2008.

In January 2009, the Bank raised $1.2 billion in a five-year benchmark transaction and will continue to seek opportunities to further strengthen the balance sheet by raising term debt.

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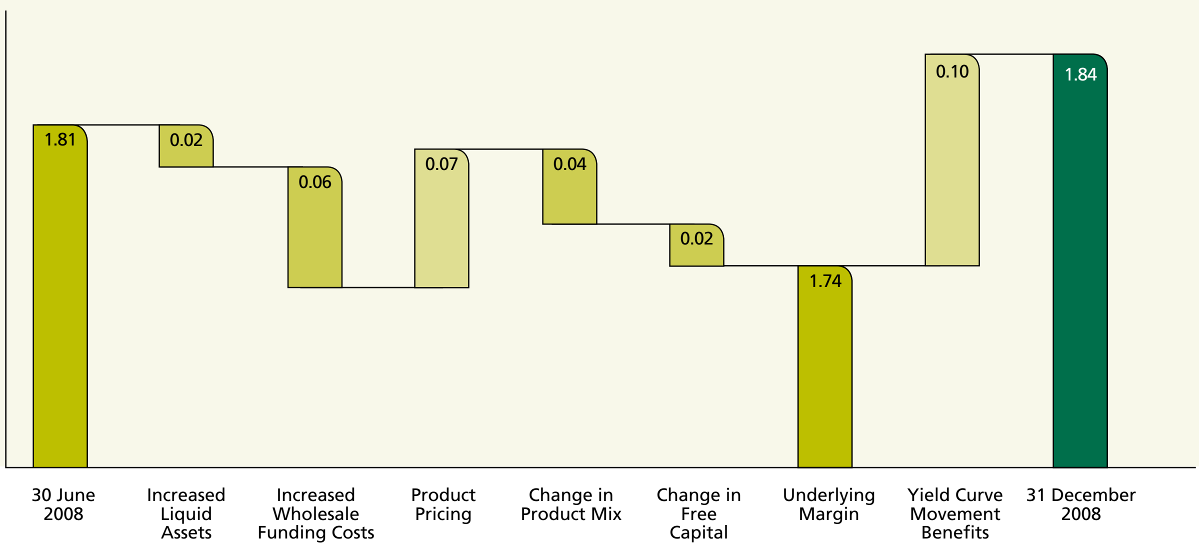
	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Profit commentary					
Net interest income					
Bank loans and funding	614	554	484	10.8	26.9
Securitised loans and funding	22	(5)	2	large	large
	636	549	486	15.8	30.9
Net establishment fees and acquisition costs	1	2	-	(50.0)	n/a
Preference shares	(29)	(5)	(2)	480.0	large
	608	**546**	**484**	**11.4**	**25.6**

	HALF YEAR ENDED DEC-08 %	JUN-08 %	DEC-07 %	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Net interest margin					
Bank loans and funding	2.10	2.07	2.05	1.4	2.4
Securitised loans and funding	(0.17)	(0.25)	(0.28)	(32.0)	(39.3)
	1.93	1.82	1.77	6.0	9.0
Net establishment fees and acquisition costs	-	0.01	-	(100.0)	n/a
Preference shares	(0.09)	(0.02)	(0.01)	350.0	large
	1.84	**1.81**	**1.76**	**1.7**	**4.5**

Net interest income rose 25.6% on the prior comparative period to $608 million, driven by strong growth in average lending balances, repricing of the asset book and favourable yield curve movements offsetting higher wholesale funding costs.

Net interest margin for the six months to 31 December 2008 was 1.84%, up 3 basis points for the half and 8 basis points when compared with the December 2007 half. The table illustrates the composition of the 3 basis point increase:

Change in net interest margin
%



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Net interest income continued

Throughout the period of volatile economic conditions the Bank has continued to add to liquid asset holdings in excess of the minimums required. This increase in volume of liquid holdings has reduced the margin by 2 basis points.

The period saw a sharp increase in domestic and international wholesale funding costs for all banks. Suncorp has carefully managed its wholesale funding requirements through the careful placement of short-term debt and undertaking key rollovers of long-term debt. Overall the Bank was able to increase the weighted average term of its wholesale liability book to 0.98 years from 0.69 at 30 June 2008. The impact of higher wholesale debt costs as well as the lengthening of the wholesale liability book has reduced margins by 6 basis points,

Rising funding costs predominately across the wholesale funding markets have seen the Bank actively look to increase risk premiums on asset products. During the period, the Bank was able to increase risk margins on business lending products. In addition there has continued to be a decoupling of retail home lending interest rates away from the official Reserve Bank cash rate. This decoupling has allowed the Bank to recover some of the increased costs of wholesale funding. The repricing activities of the Bank have favourably impacted margins by 7 basis points for the period.

Suncorp has continued to see a shift in its asset and liability mix over the period, reducing margins by 4 basis points. On the asset side the Bank continues to see a shift away from fixed rate housing loans to variable in the falling interest rate environment. In addition, the growth in higher priced business banking loans has reduced and has been replaced with lower margin retail loans. On the liability side, retail customers took advantage of the falling interest rate environment to lock in term deposits prior to reductions in official rates.

The impact of free capital also generated a 2 basis point reduction in net interest margin.

During the period the Bank was a beneficiary of the falling interest rate environment as the yield curve continued to show an inverted shape. As a result the Bank was able to reprice its wholesale liability book off the BBSW90 benchmark while repricing its assets in line with the official cash rate or BBSW30 benchmark. The average pricing differential between the two benchmarks contributed to a gain of 10 basis points for the period.

Net banking fee income

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Net banking fee income					
Lending fee revenue	47	40	42	17.5	11.9
Lending fee expense	(25)	(23)	(20)	8.7	25.0
Net lending fees	22	17	22	29.4	-
Transaction fees	53	51	52	3.9	1.9
Interchange fees	-	3	3	(100.0)	(100.0)
	75	**71**	**77**	**5.6**	**(2.6)**

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

The Bank continues to increase lending fee revenues through higher business lending balances and facilities together with an increase in retail customers.

Other operating revenue

Other operating revenue increased to $59 million from $7 million for the prior corresponding period.

In order to protect itself from higher short-term wholesale funding costs, the Bank undertook hedging arrangements using derivative products. As these products were used to hedge against funding of less than 12 months, the Bank has not applied hedge accounting arrangements. These mark-to-market gains of $38 million have been recognised in the half, although these will reverse to the interest expense line predominantly in the second half.

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Operating expenses

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Staff expenses	(174)	(179)	(160)	(2.8)	8.8
Occupancy expenses	(22)	(23)	(18)	(4.3)	22.2
Computer and depreciation expenses	(37)	(29)	(26)	27.6	42.3
Communication expenses	(16)	(16)	(13)	-	23.1
Advertising and promotion expenses	(12)	(20)	(11)	(40.0)	9.1
Other operating expenses [(1)]	(33)	(28)	(17)	17.9	94.1
	(294)	**(295)**	**(245)**	**(0.3)**	**20.0**

[(1)] Other operating expenses are made up primarily of financial, legal, motor vehicle, travel and accommodation expenses.

Operating expenses increased 20% when compared with the December 2007 half but remained steady when compared with the June 2008 half.

During the period the Bank undertook a significant restructuring program, combining the Retail and Business banking divisions which resulted in efficiencies through the streamlining operations and removal of duplication.

As a result of the restructure the Bank has incurred one-off restructuring costs of $25 million with the full benefits expected to be realised in the second half of 2008/09 and beyond.

Costs have remained restrained across all areas in line with the Bank's efficiency program. Additional expenditure continues to be experienced through the depreciation and amortisation of capitalised compliance software costs for Basel II and Anti-Money Laundering compliance.

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.

Impairment losses on loans and advances

Impairment losses were $355 million for the period. Impairment losses have increased due to the general deterioration of conditions across the economy as well as the impact of a few large single name exposures. Due to the continuing deterioration of the domestic economy, the Bank has included a prudent economic overlay of $75 million in the collective provision for the period. Total impairment losses were 127 basis points of gross loans and advances.

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Impairment losses on loans and advances					
Collective provision for impairment	171	(2)	(13)	large	large
Specific provision for impairment	174	42	15	314.3	large
Bad debts written off	11	17	16	(35.3)	(31.3)
Bad debts recovered	(1)	(2)	(2)	(50.0)	(50.0)
	355	**55**	**16**	**large**	**large**

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Impairment losses on loans and advances continued

The impairment losses have been impacted by several large corporate and property exposures. Over the period, falling property prices and the failure of a few large corporates have led to impaired assets and subsequent action being taken to realise security values. Continuing deterioration in economic conditions and a general lack of business confidence has seen security values fall sharply resulting in impairment losses.

Impairment losses on loans and advances rose to $355 million. This includes a charge of $184 million for increased specific provisions and write-offs and a total increase of $171 million in the collective provision.

The Group's specific provision increase included a $79 million provision for Babcock & Brown, where Suncorp is one of 25 members in the consortium of lenders.

Specific provisions were also increased for previously identified exposures, including Raptis, Sunleisure and a south-east Queensland property developer, as a result of ongoing reviews of property valuations, which became apparent in December and into the New Year.

The Group increased its collective provision by $171 million. This included $96 million to reflect increased watch list balances following an ongoing portfolio credit review process.

In addition, a $75 million allowance was included in the collective provision as an economic overlay to reflect ongoing economic deterioration.

Ignoring the economic overlay, the bad debt write-offs in the first half were 50 basis points of gross loans and advances.

Impaired assets

Total non-performing loans have increased to $1.4 billion. This represents 2.56% of gross loans, advances and other receivables. Gross impaired assets have increased to $986 million, representing 1.77% of gross loans, advances and other receivables.

Gross impaired assets have been increased by $630 million during the period; $507 million of which is due to four single name exposures requiring specific impairment charges. The four large single name exposures have come from the Property Investment and Development Finance portfolio in addition to one large syndicated corporate exposure.

The softer property market and fewer investors have seen impaired assets in the Development Finance and Property sectors increase to $480 million and $163 million respectively. In April the Bank established a dedicated portfolio credit review team to review and assess the potential impact of market conditions on the property and development finance portfolio. This team conducted an account by account review of all Property Investment and Development Finance accounts to identify key sensitivity points and potential triggers for possible impairment. The processes utilised during the review process have continued across the entire property portfolio to ensure any potential impairments are captured early.

All geographical regions have shown signs of stress with the largest increases stemming from the New South Wales development finance portfolio. Slower sales rates and general property investment weakness across the New South Wales market have resulted in higher impaired asset balances and increased provisioning requirements.

Difficult trading conditions for corporate, commercial SME and agribusiness customers have begun to show in increases in non-performing loans and arrears levels. Notwithstanding this, facilities remain well secured over physical property with low levels of expected loss.

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	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Impaired assets continued					
Gross balances of impaired loans					
with specific provisions set aside	874	314	149	178.3	486.6
without specific provisions set aside	112	42	42	166.7	166.7
Gross impaired assets	986	356	191	177.0	416.2
Specific provision for impairment	(230)	(74)	(37)	210.8	large
Net impaired assets	756	282	154	168.1	390.9
Size of gross impaired assets					
Less than one million	27	24	25	12.5	8.0
Greater than one million but less than ten million	187	123	85	52.0	120.0
Greater than ten million	772	209	81	269.4	large
	986	356	191	177.0	416.2
Past due loans not shown as impaired assets					
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognised in the contribution to profit. The value of past due loans is	441	243	163	81.5	170.6
Gross non-performing loans	1,427	599	354	138.2	303.1
Interest income on impaired assets recognised in the contribution to profit					
Net interest charged and recognised as revenue in the contribution to profit during the half year was	1	3	2	(66.7)	(50.00)
Analysis of movements in gross impaired assets					
Balance at the beginning of the half year	356	191	157	86.4	126.8
Recognition of new impaired assets and increases in previously recognised impaired assets	667	204	64	227.0	large
Impaired assets written off during the half year	(3)	(10)	(6)	(70.0)	(50.0)
Impaired assets which have been restated as performing assets or repaid	(34)	(29)	(24)	17.2	41.7
Balance at the end of the half year	**986**	**356**	**191**	**177.0**	**416.2**
	%	%	%		
Gross impaired assets as a percentage of gross loans, advances and other receivables	1.77	0.64	0.38	176.6	365.8
Gross non-performing loans as a percentage of gross loans, advances and other receivables	2.56	1.07	0.70	139.3	265.7

Impaired assets continued

Industry breakdown is shown below based on the source of credit risk whereas the asset growth table on page 28 is based on the nature of the loan.

Industry breakdown of impaired assets and specific provisions as at 31 December 2008 are as follows:

	HALF YEAR ENDED DEC-08			HALF YEAR ENDED JUN-08			HALF YEAR ENDED DEC-07		
	GROSS LOANS $M	IMPAIRED ASSETS $M	SPECIFIC PRO-VISION $M	GROSS LOANS $M	IMPAIRED ASSETS $M	SPECIFIC PRO-VISION $M	GROSS LOANS $M	IMPAIRED ASSETS $M	SPECIFIC PRO-VISION $M
Agribusiness	3,607	49	10	3,706	12	1	3,485	8	1
Construction and development	6,507	459	78	6,154	240	58	5,504	142	29
Financial services	1,676	-	-	1,910	-	-	1,140	-	-
Hospitality	1,772	38	-	1,730	4	1	1,634	3	1
Manufacturing	966	5	4	928	2	-	856	3	1
Professional services	766	3	-	851	1	-	1,402	4	-
Property investment	7,714	236	25	7,515	64	5	5,726	7	-
Real estate mortgage	28,471	24	5	27,608	9	2	25,584	9	2
Personal	694	-	-	864	-	-	1,185	1	-
Government and public authorities	9	-	-	8	-	-	6	-	-
Other commercial and industrial	3,635	172	108	4,708	24	7	3,817	14	3
	55,817	**986**	**230**	**55,982**	**356**	**74**	**50,339**	**191**	**37**

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	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Provision for impairment					
Collective provision					
Balance at the beginning of the period	80	82	95	(2.4)	(15.8)
Charge against contribution to profit	171	(2)	(13)	large	large
Balance at the end of the period	251	80	82	213.8	206.1
Specific provision					
Balance at the beginning of the period	74	37	25	100.0	196.0
Charge against impairment losses	174	42	15	314.3	large
Discount unwind	(18)	(5)	(3)	260.0	500.0
Balance at the end of the period	230	74	37	210.8	large
Total provision for impairment – Banking activities	481	154	119	212.3	304.2
General reserve for credit loss					
Balance at the beginning of the period	160	139	119	15.1	34.5
Transfer (to)/from retained earnings	(127)	21	20	large	large
Balance at the end of the period	33	160	139	(79.4)	(76.3)
Total provision for impairment and general reserve for credit loss – Banking activities	514	314	258	63.7	99.2
	%	%	%		
Provision for impairment expressed as a percentage of gross impaired assets are as follows:					
Collective provision	25.5	22.5	42.9	13.3	(40.6)
Specific provision	23.3	20.8	19.4	12.0	20.1
Total provision	48.8	43.3	62.3	12.7	(21.7)
General reserve for credit loss	3.3	44.9	72.8	(92.7)	(95.5)
Total provision and general reserve for credit loss	52.1	88.2	135.1	(40.9)	(61.4)

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	HALF YEAR ENDED DEC-08			HALF YEAR ENDED JUN-08		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Average banking assets and liabilities						
Assets						
Interest earning assets						
Trading securities	9,140	339	7.36	7,721	294	7.66
Gross loans, advances and other receivables	55,433	2,326	8.32	51,868	2,213	8.58
Other interest earning assets	912	28	6.09	1,017	26	5.14
Total interest earning assets	65,485	2,693	8.16	60,606	2,533	8.40
Non-interest earning assets						
Other assets	10,801			10,596		
Total non-interest earning assets	10,801			10,596		
Total assets	**76,286**			**71,202**		
Liabilities						
Interest bearing liabilities						
Deposits and short-term borrowings	48,624	1,643	6.70	45,830	1,548	6.80
Securitisation liabilities	7,514	273	7.21	7,020	274	7.85
Bonds, notes and long-term borrowings	4,364	98	4.45	3,168	110	6.92
Subordinated notes [(1)]	1,107	42	7.53	1,214	50	8.28
Preference shares [(1)]	810	29	7.10	156	5	6.45
Total interest bearing liabilities	62,419	2,085	6.63	57,388	1,987	6.96
Non-interest bearing liabilities						
Other liabilities	2,107			2,185		
Total non-interest bearing liabilities	2,107			2,185		
Total liabilities	**64,526**			**59,573**		
Net assets	**11,760**			**11,629**		
Analysis of interest margin and spread						
Interest earning assets	65,485	2,693	8.16	60,606	2,533	8.40
Interest bearing liabilities	62,419	2,085	6.63	57,388	1,987	6.96
Net interest spread			1.53			1.44
Net interest margin	65,485	608	1.84	60,606	546	1.81

(1) Excludes the subordinated debt and preference shares notionally allocated to General Insurance as share of capital funding and the associated interest cost charged to General Insurance.

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	HALF YEAR ENDED DEC-07 AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Average banking assets and liabilities continued			
Assets			
Interest earning assets			
Trading securities	6,760	231	6.78
Gross loans, advances and other receivables	46,788	1,865	7.91
Other interest earning assets	1,155	30	5.15
Total interest earning assets	54,703	2,126	7.71
Non-interest earning assets			
Other assets	10,642		
Total non-interest earning assets	10,642		
Total assets	**65,345**		
Liabilities			
Interest bearing liabilities			
Deposits and short-term borrowings	39,399	1,221	6.15
Securitisation liabilities	7,981	282	7.01
Bonds, notes and long-term borrowings	3,402	100	5.83
Subordinated notes (1)	987	37	7.44
Preference shares (1)	75	2	5.29
Total interest bearing liabilities	51,844	1,642	6.28
Non-interest bearing liabilities			
Other liabilities	1,863		
Total non-interest bearing liabilities	1,863		
Total liabilities	53,707		
Net assets	**11,638**		
Analysis of interest margin and spread			
Interest earning assets	54,703	2,126	7.71
Interest bearing liabilities	51,844	1,642	6.28
Net interest spread			1.43
Net interest margin	54,703	484	1.76

(1) Excludes the subordinated debt and preference shares notionally allocated to General Insurance as share of capital funding and the associated interest cost charged to General Insurance.

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Changes in net interest income: volume and rate analysis

The table below allocates changes in net interest income between changes in volume and changes in rate over three half years. Volume variances have been calculated by multiplying the average of the half years' average interest rates by the movement in average asset and liability balances. Rate variances have been calculated by multiplying the average asset and liability balances by the change in average interest rates, and includes any differences arising from different numbers of days in the periods.

	HALF YEAR DEC-08 vs JUN-08 CHANGES DUE TO:			HALF YEAR JUN-08 vs DEC-07 CHANGES DUE TO:			HALF YEAR DEC-07 vs JUN-07 CHANGES DUE TO:		
	VOLUME $M	RATE $M	TOTAL $M	VOLUME $M	RATE $M	TOTAL $M	VOLUME $M	RATE $M	TOTAL $M
Interest earning assets									
Trading securities	54	(9)	45	34	29	63	78	14	92
Gross loans, advances and other receivables	152	(39)	113	209	139	348	167	85	252
Other interest earning assets	(3)	5	2	(4)	-	(4)	1	(1)	-
Change in interest income	203	(43)	160	239	168	407	246	98	344
Interest bearing liabilities									
Deposits and short-term borrowings	95	(1)	94	207	120	327	207	83	290
Securitisation liabilities	19	(20)	(1)	(36)	28	(8)	33	21	54
Bonds, notes and long-term borrowings	34	(45)	(11)	(6)	16	10	(41)	5	(36)
Subordinated notes	(4)	(4)	(8)	9	4	13	5	3	8
Preference shares	22	2	24	2	1	3	-	-	-
Change in interest expense	166	(68)	98	176	169	345	204	112	316
Change in net interest income	**37**	**25**	**62**	**63**	**(1)**	**62**	**42**	**(14)**	**28**

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Segment information – General Insurance

Basis of preparation

Note that all financial information in this section includes the impact of discount rate movements and shows fire service levies on a gross basis.

Profit overview

General Insurance recorded a pre-tax profit of $253 million for the six months to 31 December 2008. The result featured the impacts of weather events and volatile fixed interest markets.

The ITR was $158 million for the period, representing an insurance trading ratio of 5.3%.

Major weather events, net of reinsurance, totalled $180 million. These events, and smaller natural hazard events, are significantly above the Group's normal allowances and have reduced the profitability of the personal lines businesses.

Gross written premium increased 5.9% to $3.3 billion as premium rates in the home and motor classes were increased in response to weather event losses. The home and personal motor portfolios achieved growth of 8.7% and 4.4% respectively.

In CTP, average premium rates increased in both Queensland and New South Wales resulting in an overall 3.9% increase in premium income. Suncorp has retained its position as the leading provider of CTP insurance in Queensland with only a marginal decline in market share.

Commercial insurance products grew gross written premium by 9.3%. This strong result was due to a combination of volume growth and rate increases in some classes. Technical pricing disciplines remain sound, consistent with the Insurance Trading Ratio of 10.4% for the Australian Commercial Insurance lines for the half year.

Net incurred claims increased 26.6% to $2.8 billion, primarily due to the impact of falling discount rates and major weather events. Australian long tail central estimate releases totalling $151 million for the half year have been offset by risk margin strains of $5 million and current accident period strains of $64 million. Included in these figures is the benefit in claims expense of $86 million which has arisen from a reduction in assumptions around wage inflation.

Total operating expenses increased by 4.2% to $839 million, primarily due to significant movement in interest rates which impacted the liability adequacy test, resulting in an additional expense of $33 million. Offsetting this impact, integration benefits have continued to flow through to the underwriting costs expense.

Investment income on insurance provisions increased to $764 million, reflecting the reduction in discount rates but offset by the negative mark to market impact of fluctuations on fixed income securities of approximately $200 million.

Investment returns on shareholder funds increased to $154 million following the reduction in discount rates. During the first three months of the period, the General Insurance shareholders' funds sold its equities exposures of approximately $1 billion. The sell down was completed at an average ASX 200 index level of around 4945.

Impacting on the bottom line profit result is a significant reduction in income from joint ventures, primarily due to weather events, reduced investment income and managed schemes which had reduced 'prior period fees' in the period to December 2008.

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Profit contribution – General Insurance

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Gross written premium	3,343	3,274	3,156	2.1	5.9
Gross unearned premium movement	(91)	(108)	(15)	(15.7)	large
Gross earned premium	3,252	3,166	3,141	2.7	3.5
Outwards reinsurance expense	(264)	(245)	(196)	7.8	34.7
Net earned premium	2,988	2,921	2,945	2.3	1.5
Net incurred claims					
Claims expense	(3,185)	(2,471)	(2,619)	28.9	21.6
Reinsurance and other recoveries revenue	430	567	442	(24.2)	(2.7)
	(2,755)	(1,904)	(2,177)	44.7	26.6
Total operating expenses					
Acquisition expenses	(557)	(482)	(531)	15.6	4.9
Other underwriting expenses	(282)	(346)	(274)	(18.5)	2.9
	(839)	(828)	(805)	1.3	4.2
Underwriting result	(606)	189	(37)	(420.6)	large
Investment income – insurance funds	764	267	188	186.1	306.4
Insurance trading result	158	456	151	(65.4)	4.6
Managed schemes net contribution	16	13	34	23.1	(52.9)
Joint venture and other income	(10)	(2)	19	(400.0)	(152.6)
General Insurance operational earnings	164	467	204	(64.9)	(19.6)
Investment income – Shareholders' Funds	154	(260)	28	159.2	450.0
Contribution to profit from General Insurance activities before tax and capital funding	318	207	232	53.6	37.1
Capital funding [1]	(65)	(72)	(60)	(9.7)	8.3
Contribution to profit from General Insurance activities before tax	**253**	**135**	**172**	**87.4**	**47.1**

[1] Includes interest expense on subordinated notes and preference shares allocated to General Insurance as described in Appendix 5.

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Balance sheet – General Insurance

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Assets					
Cash and liquid assets	540	639	154	(15.5)	250.6
Investment securities	10,831	10,054	10,725	7.7	1.0
Investment property	175	171	284	2.3	(38.4)
Investments in associates and joint ventures	156	267	282	(41.6)	(44.7)
Reinsurance and other recoveries – outstanding claims	1,278	1,213	1,077	5.4	18.7
Other receivables	2,228	2,185	2,465	2.0	(9.6)
Deferred insurance assets	694	646	589	7.4	17.8
Deferred tax assets	19	107	12	(82.2)	58.3
Other assets	176	315	217	(44.1)	(18.9)
Intangible assets	1,199	1,083	1,090	10.7	10.0
Total assets	17,296	16,680	16,895	3.7	2.4
Liabilities					
Interest bearing and non-interest bearing liabilities	681	832	925	(18.1)	(26.4)
Payables	674	750	720	(10.1)	(6.4)
Outstanding claims liabilities (1)	7,729	7,094	7,272	9.0	6.3
Unearned premium liabilities (1)	3,366	3,263	3,184	3.2	5.7
Subordinated notes	985	940	980	4.8	0.5
Total liabilities	13,435	12,879	13,081	4.3	2.7
Net assets	**3,861**	**3,801**	**3,814**	**1.6**	**1.2**

(1) Reconciling items such as timing differences and premium debtors arise between insurance liabilities and investment assets.

General Insurance ratios

	HALF YEAR ENDED DEC-08 %	JUN-08 %	DEC-07 %	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Acquisition expenses ratio	18.6	16.5	18.0	12.7	3.3
Other underwriting expenses ratio	9.4	11.8	9.3	(20.3)	1.1
Total operating expenses ratio	28.0	28.3	27.3	(1.1)	2.6
Loss ratio	92.2	65.2	73.9	41.4	24.8
Combined operating ratio	120.2	93.5	101.2	28.6	18.8
Insurance trading ratio	5.3	15.6	5.1	(66.0)	3.9

Gross written premium

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Gross written premium by product					
Compulsory third party (CTP)	347	340	334	2.1	3.9
Home	761	691	700	10.1	8.7
Motor	1,139	1,115	1,091	2.2	4.4
Commercial	873	809	799	7.9	9.3
Workers' Compensation	74	143	90	(48.3)	(17.8)
Other	149	176	142	(15.3)	4.9
	3,343	**3,274**	**3,156**	**2.1**	**5.9**

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Gross written premium by geography					
Queensland	847	783	768	8.2	10.3
New South Wales	1,132	1,132	1,082	-	4.6
Victoria	668	618	616	8.1	8.4
Western Australia	181	227	189	(20.3)	(4.2)
South Australia	93	92	87	1.1	6.9
Tasmania	51	53	55	(3.8)	(7.3)
Other	40	46	30	(13.0)	33.3
Total Australia	3,012	2,951	2,827	2.1	6.5
New Zealand	331	323	329	2.5	0.6
Total	**3,343**	**3,274**	**3,156**	**2.1**	**5.9**

Home

Home Insurance premium income increased 8.7% to $761 million. The underlying premium growth increases further to 9.3% if prior period figures are adjusted for the change in ownership of RACTI to a joint venture.

This growth is largely attributable to increases in average written premiums and was well in excess of estimated market growth.

Customer renewal levels remained strong at over 90%, while some softness in new business volumes was evident relative to December 2007. In particular, growth in internet-based distribution was strong. Overall, Suncorp maintained its number one market share position in Queensland.

By brand, GWP growth was high in all three of the key direct mass market brands of Suncorp (13%), AAMI (11%) and GIO (10%). All other brands delivered premium growth.

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Gross written premium continued

Motor

Motor insurance premium income increased 4.4% to $1,139 million. The underlying premium growth increased further to 4.8% if prior period figures are adjusted for the change in ownership of RACTI to a joint venture.

This growth can be largely attributed to increases in average written premiums, delivering on our stated objective of pursuing overall growth through higher premium rates rather than volume growth.

Customer renewal levels remained stable at 86%, while new business volumes were comparable to the prior corresponding period. As with Home, growth in internet-based distribution was strong. Overall, Suncorp maintained its number one market share position in Queensland.

By brand, GWP growth was high in the key direct mass market brand AAMI (6%), along with other niche brands such as APIA (5%), Shannons (11%) and Vero (8%). The Suncorp and GIO brand premiums, while consistent with the prior corresponding period, did experience some loss of market share. The success of the strategy to restore portfolio profitability has enabled us to pursue higher growth into 2009 in those segments where profitable opportunities exist.

Impacting GWP growth has been the recent development of risk sharing by customers through uptake of higher policy excesses. This is expected to continue as the economic climate continues to deteriorate. Future period claim ratios are expected to improve in response to this.

Compulsory Third Party (CTP)

CTP premium income increased 3.9% to $347 million.

In Queensland, average premium rates increased by around 7% resulting in an increase in income of approximately $13 million. Average premium rates were impacted by the MAIC ceiling price increases – $14 (5%) increase for the July 2008 quarter and a $13 increase (4.5%) for the October 2008 quarter.

Suncorp continues to be the leading CTP insurance provider in Queensland. Over the year there has been a slight reduction in the risks in force and correspondingly a marginal decline in market share. New business continues to be impacted by the reduction in credit financing, decline in industry car sales, general economic slowdown and an increase in stamp duty.

In New South Wales, risks in force and market share have declined slightly over the year. NSW insurers increased the headline rate by approximately $30 (10%) effective July 2008.

Commercial Insurance

Commercial Insurance premium income increased 9.3% to $873 million.

Despite difficult economic conditions and a competitive market, Australian Commercial Insurance premium income grew by 7.0% for the six months to December 2008. The strong sales result was due to high retention, the launch of new products and a targeted focus on broker business.

Premium rates have been increased to more accurately reflect underlying risk, contributing to increased profit growth. Prices are beginning to demonstrate signs of hardening. Market share continues to be maintained in a difficult economic climate. In the Broker market, the Group is leveraging Vero, the strong intermediate brand.

The SME non-packaged business performed well with strong results in the Motor and Property portfolios resulting from premium retention and new business sales for Fleet policies, coupled with increases in both volume and average premium in the Property business.

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Gross written premium continued

The Corporate and Specialty portfolio, excluding Warranty, showed solid growth due to Global's retention and new business wins, one-off project business wins within Construction and Engineering, infrastructure new business for Profin and the launch of new products.

Retention has remained strong across the majority of the portfolio and policy numbers have remained stable, apart from the Warranty book where market conditions are being adversely impacted by the weak home building environment.

Workers' Compensation

Workers' Compensation premium income reduced by 17.8% to $74 million.

Suncorp underwrites Workers' Compensation in Western Australia, ACT and Tasmania. Additionally, the Group has successfully entered the Northern Territory market on 30 June 2008 with first half GWP of around $2 million.

Overall, we are still seeing a year-on-year reduction in market rates as favourable claims experience continues to be recognised. For example, the latest Gazetted West Australian reduction of 14% continues to flow through the SME market. GWP growth has also been negatively impacted by lower new business strike rates as a consequence of soft markets with competitors chasing uneconomic business.

Other Premium Income

Other premium income includes travel insurance and miscellaneous personal lines such as deposit power and rental bond insurance. Premiums on these classes increased slightly to $149 million from the prior corresponding period.

Reinsurance

Outward reinsurance expense

Outward reinsurance expense for the period was $264 million. The increase from the prior corresponding period was due to the reduction in the Group's property catastrophe retention from $200 million to $150 million, plus the purchase of an aggregate catastrophe reinsurance cover which protects the Group against losses from multiple major events.

The property catastrophe treaty is the largest element of the Group's reinsurance program which covers home, motor and commercial property accounts against major catastrophes such as windstorm, hail, bushfire and earthquake. The Group's joint venture partners participate in the treaty, allowing economies of scale and a degree of leverage in buying power.

In addition, the Group purchased an aggregate catastrophe reinsurance cover where events with claim losses above $10 million can be aggregated into a retention until the aggregated retention of $250 million is exceeded. The treaty has $300 million capacity.

Reinsurance expense has also increased due to greater utilisation of surplus reinsurance treaty by commercial insurance and facultative reinsurance costs in respect of infrastructure business.

Reinsurance security was maintained for the 2009 financial year program with over 88% of long tail business and 78% short tail business protected by reinsurers rated 'A+' or better.

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Reinsurance continued

For the year to 30 June 2009, the following retentions (before tax) will apply to the core general insurance business.

Reinsurance retentions	SINGLE RISK RETENTION DEC-08 $M	EVENT RISK RETENTION DEC-08 $M
Property	10	150[1]
General liability	10	10
Global liability	10	10
Workers' Compensation	10	10
CTP	10	10
Motor	10	150[1]
Home owners' warranty	5	5
Professional Indemnity	5	5
Travel & Personal Accident	5	5
Marine	10	10

[1] Retention prior to operation of aggregate cover. After the aggregate deductible of $250 million is exhausted, retention is $10 million per event.

Claims expense

Short tail claims expense

Short tail claims have reduced 1.7% to $1,702 million in the six months to 31 December 2008. Despite this reduction, the total costs of major weather events were well in excess of the Group's allowance for natural hazards of $120 million. Major weather events in the six months were:

DATE	EVENT	$M
Jul 2008	New Zealand	15
Sept 2008	Ipswich	30
Oct 2008	Gold Coast/Byron	10
Nov 2008	South-east Queensland	125[2]
	Total	**180**

[2] Net of reinsurance recoveries. At the time of writing, one reinsurer has expressed disagreement with the reinsurance treatment adopted by Suncorp in respect of the SEQ storms (and a further reinsurer is yet to determine their position). Given the major events subsequent to 31 December 2008, the Group has now fully eroded the $250 million aggregate deductible on the property catastrophe aggregate excess of loss cover and the reinsurance recoveries outcome in respect of the SEQ storms is unaffected by the outcome of negotiations with the dissenting reinsurer.

Outside these events, more volatile weather across eastern Australia contributed to an increase in natural hazard claims. The inflationary impacts of the recent major events on average claim costs has continued to abate as slowing economic conditions have reduced supply constraints.

In commercial classes, claims experience was negatively impacted by weather events and increased frequency of large loss claims.

Long tail claims expense

Long tail claims have increased by 136.6% to $1,053 million. Key factors impacting long tail claims expenses have been:

- the impact of reduced discount rates of approximately $550 million
- the reduction in expected wage inflation from 4.5% to 4.0% resulting in a release of $86 million.

The valuation of outstanding claims at December 2008 resulted in a half year central estimate release of $151 million in respect of Australian long tail business. The largest part of this release came from the reduction in expected wage inflation from 4.5% to 4.0%, noting that this assumption is over the approximate seven year runoff of the reserves. This change reflects the deteriorating economic situation and lower inflation expectations for the coming years.

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Claims expense continued

The following issues impact the central estimate reserves:

1. **Current accident period strain** occurs because the business adopts a more conservative claim reserving basis for the purposes of preparing its financial statements than its premium pricing basis. In the half year to 31 December 2008 the current accident period strain was $64 million, on a net central estimate basis.
2. **Net risk margin strain** is the additional risk margin provided on the current accident period referred to above, less the risk margin released from claims settled during the year as well as prior period releases and adjusted for the change in the yield curve. This was a net strain of just $5m for the half, reflecting the Group's unchanged approach to setting risk margins.
3. **Superimposed inflation** is the allowance for claims costs inflating at a rate greater than the average weekly earnings index. There is evidence of superimposed inflation emerging in some classes of business following several years of highly favourable claims experience post tort-law reform. If superimposed inflation were not to occur this would result in a release of approximately $70 million for the half.

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Outstanding claims

This table shows the gross and net outstanding claim liabilities and their movement over time. The net outstanding claim liabilities are shown split between the net central estimate, the discount on net central estimate and the (90th percentile, discounted) risk margin components. The net outstanding claims liabilities are also shown by major class of insurance business.

Outstanding claims provisions over time	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Gross outstanding claims liabilities	7,729	7,094	7,272	9.0	6.3
Reinsurance and other recoveries	(1,278)	(1,213)	(1,077)	5.4	18.7
Net outstanding claims liabilities	**6,451**	**5,881**	**6,195**	**9.7**	**4.1**
Expected future claims payments and claims handling expenses	6,175	6,197	6,480	(0.4)	(4.7)
Discount to present value	(726)	(1,209)	(1,476)	(40.0)	(50.8)
Risk margin	1,002	893	1,191	12.2	(15.9)
Net outstanding claims liabilities	**6,451**	**5,881**	**6,195**	**9.7**	**4.1**
Personal					
Australia					
CTP	3,189	2,936	3,028	8.6	5.3
Short tail and other	780	723	841	7.9	(7.3)
New Zealand	50	46	52	8.7	(3.8)
Commercial					
Australia					
Liability and Workers' Compensation	1,790	1,610	1,670	11.2	7.2
Short tail and other	513	448	452	14.5	13.5
New Zealand	129	118	152	9.3	(15.1)
Total	**6,451**	**5,881**	**6,195**	**9.7**	**4.1**

Outstanding claims provisions breakdown

This table shows the net outstanding claims reserves split between the net central estimate (discounted) and the risk margin (90th percentile, discounted), broken down by class of business. It also shows the change in net central estimate by class of business valuations.

	ACTUAL $M	NET CENTRAL ESTIMATE (DISCOUNTED) $M	RISK MARGIN (90TH PERCENTILE, DISCOUNTED) $M	CHANGE IN NET CENTRAL ESTIMATE [(1)] $M
Personal				
Australia				
CTP	3,189	2,749	440	(82)
Short tail and other	780	708	72	29
New Zealand	50	44	6	(2)
Commercial				
Australia				
Liability and Workers' Compensation	1,790	1,414	376	(85)
Short tail and other	513	432	81	5
New Zealand	129	102	27	(11)
Total	**6,451**	**5,449**	**1,002**	**(146)**

(1) This column is equal to the opening net central estimate for outstanding claims, less payments and claims handling expenses, plus investment income earned on the net central estimate, less the closing net central estimate (before the impact of change in interest rates) for outstanding claims incurred before the opening balance sheet date.
A negative sign implies that there has been a release from outstanding reserves.

Claims development table

This table demonstrates that the claims development trends have been favourable in all accident years compared with the initial reserving estimates.

The first row shows the estimated undiscounted ultimate claims by accident year. Reading down the columns, each successive number shows the ultimate cost by accident year estimated one year later. For example, the current estimate of ultimate claims costs for the 2005 year ($890 million) is 24% lower than estimated at the end of the 2005 accident year ($1,175 million).

The remainder of the table then reconciles the undiscounted long tail reserves to the 31 December 2008 provisions booked. This requires allowance for discounting, reserves for short tail classes, claims handling expenses, risk margin etc.

This table demonstrates that the claims development trends have been favourable in all accident years compared with the initial reserving estimates. This favourable outcome is largely a result of the general absence of superimposed inflation and the ongoing benefits from tort law reforms, together with the Group's generally cautious reserving basis.

				ACCIDENT YEAR				
	PRIOR $M	2004 $M	2005 $M	2006 $M	2007 $M	2008 $M	2009[1] $M	TOTAL $M
Consolidated								
Estimate of ultimate claims cost								
At end of accident year		1,047	1,175	1,211	1,247	1,292	667	
One year later		1,061	1,065	1,121	1,181	1,224		
Two years later		925	939	1,039	1,123			
Three years later		834	900	1,014				
Four years later		763	890					
Five years later		752						
Current estimate of cumulative claims cost		752	890	1,014	1,123	1,224	667	
Cumulative payments		(522)	(508)	(390)	(249)	(113)	(17)	
Outstanding claims – undiscounted	985	230	382	624	874	1,111	650	4,856
Discount	(221)	(25)	(39)	(62)	(94)	(138)	(89)	(668)
Deferred premium	-	-	-	-	-	-	(8)	(8)
Outstanding claims – long tail	764	205	343	562	780	973	553	4,180
Outstanding claims – short tail and other portfolios								981
Claims handling expense								288
Risk margin								1,002
Total net outstanding claims liabilities								6,451
Reinsurance and other recoveries on outstanding claims liabilities								1,278
Total gross outstanding claims								**7,729**

[1] The most recent period includes information up to 31 December 2008 only. All other periods are for the 12 months to 30 June.

Operating expenses

Total operating expenses have increased 4.2% to $839 million for the half year to 31 December 2008. The Total Operating Expenses Ratio has increased from 27.3% to 28.0%.

Acquisition costs have increased 4.9% over the half year to $557 million which includes a liability adequacy deficiency adjustment of $33 million and the impact of expense reallocation from other underwriting expenses of $5 million. Excluding the liability adequacy deficiency which resulted from the sharp fall in interest rates, acquisition costs decreased by 1.2% due to full-time employee reductions and tight control of discretionary expenses. Commissions have reduced particularly in the Travel portfolio (a portfolio with high commission rates) which has been impacted by the global financial crisis. The acquisition expenses ratio has increased to 18.6% from 18.0%, however, excluding LAT deficiency, it reduced to 17.5%.

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Operating expenses continued

Other underwriting expenses have increased 2.9% to $282 million from $274 million. Other underwriting expenses ratio has marginally increased to 9.4% from 9.3%.

Managed schemes

Net profit from the managed scheme business was $16 million, down from $34 million in the prior corresponding period.

This result included $3 million in 'prior period fees' compared with $20 million of 'prior period fees' in the prior corresponding period. Excluding the impact of the prior period fees, net profit has decreased marginally from $14 million to $13 million driven by strong underlying performance from the NSW Treasury Managed Fund (TMF) offset by a small reduction in market share in NSW WorkCover.

Joint venture and other income

The Group participates in insurance joint ventures with motoring clubs in Queensland, South Australia and Tasmania.

The 'joint venture and other' contribution for the half year to December 2008 was a loss of $10 million, compared with a profit of $19 million in the prior corresponding period. This result is primarily due to lower investment returns and the impact of the south-east Queensland storms in November 2008.

On 23 July 2008, the Group announced the sale of its 50% share of the RAC Insurance (RACI) business. RACI contributed $3 million to the joint venture income for the full year to June 2008 and $1 million for the half year to December 2008.

Investment income on insurance funds

The Australian General Insurance legal entity restructure was completed in December 2008. The Australian General Insurance technical reserve portfolios of the five legal entities are now managed against a uniform benchmark allocation of 60% credit, 5% inflation, 8% government and 27% semi government bonds. The credit ratings of these investments are outlined on page 57.

Investment income on insurance provisions increased 306.4% to $764 million. Excluding the impact of the risk-free discount rate movement, as shown in Appendix 2, the investment income reduced 8.3% to $199 million.

The portfolio has been impacted by the falling forward rate yield curve and the Reserve Bank official rate reductions, reversing six years of monetary policy tightening, to reduce the official cash rate to a low of 3.25%. The impact of these movements is estimated to be around $550 million.

The portfolios were negatively impacted by widening credit spreads reducing the investment income by an estimated $200 million. The impact of these movements is purely an accounting and timing issue and will reverse as these investments redeem or as credit spreads contract, however, it should be noted that underlying yields will reduce significantly.

Investment income on shareholders' funds

Investment income on shareholders' funds increased 450% to $154 million. Australian domestic and international equities were sold in the quarter to 30 September 2008 to reduce the capital charge and the impact of financial market volatility. This portfolio now transitioned to a benchmark weight of 95% fixed interest and 5% listed property portfolios.

Income derived from cash and fixed interest was up compared to the last half year due to significant mark to market gains as a result of interest rate reductions. Performance returns achieved on domestic and international equities, and the domestic fixed interest portfolios, are outlined below:

Shareholder fund performance

	DEC-08 BENCHMARK RETURN %	DEC-08 ACTUAL RETURN %	JUN-08 BENCHMARK RETURN %	JUN-08 ACTUAL RETURN %	DEC-07 BENCHMARK RETURN %	DEC-07 ACTUAL RETURN %
Performance returns						
Shareholders' Funds:						
Fixed Interest – Domestic	11.05	10.67	2.83	2.93	2.18	1.83
Equities – Domestic	(0.66)	(0.29)	(16.14)	(18.89)	3.00	2.65
Equities – International	3.57	8.38	(18.50)	(16.88)	(3.69)	(2.31)

The shareholders' funds were managed in separate portfolios. To assist in presenting the combined performance of the funds, a simple weighted average return has been calculated. The consolidated returns presented may not be the same had the shareholders' funds been held in, and measured as, a single portfolio.

As noted above, the Australian domestic and international equities portfolios were sold in the quarter to 30 September 2008.

General Insurance

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Allocation of investments – General Insurance

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Allocation of investments held against:					
Insurance funds					
Cash and short-term deposits	351	1,002	1,038	(65.0)	(66.2)
Interest bearing securities	7,810	6,625	6,588	17.9	18.5
Australian equities	-	2	7	(100.0)	(100.0)
Property and other	5	194	158	(97.4)	(96.8)
	8,166	**7,823**	**7,791**	**4.4**	**4.8**
Shareholders' Funds					
Cash and short-term deposits	304	583	248	(47.9)	22.6
Interest bearing securities	2,383	1,069	1,200	122.9	98.6
Australian equities	-	1,019	1,143	(100.0)	(100.0)
Overseas equities [(1)]	52	183	141	(71.6)	(63.1)
Property and other	327	181	107	80.7	205.6
	3,066	**3,035**	**2,839**	**1.0**	**8.0**

[(1)] Refers to investments held by the New Zealand entities.

	HALF YEAR ENDED DEC-08 %	JUN-08 %	DEC-07 %	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Allocation of investments held against:					
Insurance funds					
Cash and short-term deposits	4	13	13	(69.2)	(69.2)
Interest bearing securities	96	85	85	12.9	12.9
Property and other	-	2	2	(100.0)	(100.0)
	100	**100**	**100**	**-**	**-**
Shareholders' Funds					
Cash and short-term deposits	10	19	8	(47.4)	25.0
Interest bearing securities	78	35	42	122.9	85.7
Australian equities	-	34	40	(100.0)	(100.0)
Overseas equities	2	6	5	(66.7)	(60.0)
Property and other	10	6	5	66.7	100.0
	100	**100**	**100**	**-**	**-**

The investment funds are managed by the Group's investment managers. The totals above are different to the cash and investment balances in the General Insurance balance sheet on page 47, because of the different classification of items such as operating cash and accrued interest. Reconciling items such as timing differences and premium debtors arise between insurance provisions and associated investment assets. The balance of the Shareholders' Funds shown above excludes non-investment market assets such as goodwill relating to the acquisition of GIO and the investments in joint ventures.

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Allocation of investment income – General Insurance

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Investment income on insurance funds					
Cash and short-term deposits	12	27	32	(55.6)	(62.5)
Interest bearing securities	746	210	126	255.2	492.1
Property and other	6	30	30	(80.0)	(80.0)
Total	**764**	**267**	**188**	**186.1**	**306.4**
Investment income on Shareholders' Funds					
Cash and short-term deposits	4	7	7	(42.9)	(42.9)
Interest bearing securities	136	20	10	large	large
Australian equities	10	(241)	20	(104.1)	(50.0)
Overseas equities	11	(25)	(2)	(144.0)	large
Property	4	(12)	2	(133.3)	100.0
Other revenue	3	8	7	(62.5)	(57.1)
Other expenses	(14)	(17)	(16)	(17.6)	(12.5)
Total	**154**	**(260)**	**28**	**(159.2)**	**450.0**
Total investment income	**918**	**7**	**216**	**large**	**325.0**

Credit risk exposure – fixed interest investments

The General Insurance fixed interest portfolios are restricted to investment grade securities to ensure there is adequate capital protection of the assets under all market conditions.

AVERAGE	SUNCORP HALF YEAR ENDED DEC-08 %	JUN-08 %	DEC-07 %	PROMINA HALF YEAR ENDED DEC-08 %	JUN-08 %	DEC-07 %
AAA	62.0	52.3	48.7	65.0	54.1	64.3
AA	22.8	24.4	21.0	24.6	34.7	27.1
A	13.4	20.9	27.6	7.9	8.4	5.8
BBB	1.8	2.4	2.7	2.5	2.8	2.8
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Profit contribution – Commercial Lines Australia					
Gross written premium	776	799	725	(2.9)	7.0
Net earned premium	635	630	627	0.8	1.3
Net claims incurred	(651)	(289)	(305)	125.2	113.4
Acquisition expenses	(128)	(106)	(129)	20.8	(0.8)
Other underwriting expenses	(95)	(106)	(90)	(10.4)	5.6
Total operating expenses	(223)	(212)	(219)	5.2	1.8
Underwriting result	(239)	129	103	(285.3)	(332.0)
Investment income – insurance funds	305	78	62	291.0	391.9
Insurance trading result	66	207	165	(68.1)	(60.0)
	%	%	%		
Ratios					
Acquisition expenses ratio	20.2	16.8	20.6	20.2	(1.9)
Other underwriting expenses ratio	15.0	16.8	14.4	(10.7)	4.2
Total operating expenses ratio	35.2	33.6	35.0	4.8	0.6
Loss ratio	102.5	45.9	48.6	123.3	110.9
Combined operating ratio	137.7	79.5	83.6	73.2	64.7
Insurance trading ratio	10.4	32.9	26.3	(68.4)	(60.5)

Market overview

The Australian commercial insurance market result demonstrates the early signs of market hardening with premium increases of around 10% in classes such as Commercial Motor and SME. These increases are likely to continue as a result of recent weather losses, increased claims costs, lower investment income and higher reinsurance costs.

Workers' Compensation underwritten markets continue to be in a very soft cycle; however, there are some early signs of the market bottoming out as our competitors have indicated the need to increase premium rates.

Economic downturn has the potential to impact the long-term portfolio profitability through lower volumes in new business and renewals.

Insurance Trading Result (ITR)

Commercial lines reported an ITR of $66 million for the half year, equal to an ITR ratio of 10.4%. The main components of the result were:

- the loss ratio increased to 102.5% from 48.6% in the December 2007 half, driven by:
  - the movement in discount rates which has unfavourably impacted the loss ratio by 41.0%
  - the valuation of outstanding claims at December 2008 resulted in a half year long tail central estimate release of $69 million, down from the $90 million in the prior corresponding period
  - the impact of major weather events and storm activity
  - increased frequency of large losses in commercial property and new business strain in the liability book.
- the total operating expenses ratio has remained stable period on period due to strict expense management.

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	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Profit contribution – Personal Lines Australia					
Gross written premium	2,235	2,152	2,102	3.9	6.3
Net earned premium	2,071	1,994	2,016	3.9	2.7
Net claims incurred	(1,913)	(1,453)	(1,676)	31.7	14.1
Acquisition expenses	(369)	(310)	(339)	19.0	8.8
Other underwriting expenses	(154)	(210)	(159)	(26.7)	(3.1)
Total operating expenses	(523)	(520)	(498)	0.6	5.0
Underwriting result	(365)	21	(158)	large	131.0
Investment income – insurance funds	442	182	116	142.9	281.0
Insurance trading result	77	203	(42)	(62.1)	(283.3)
	%	%	%	%	%
Ratios					
Acquisition expenses ratio	17.8	15.5	16.8	14.8	6.0
Other underwriting expenses ratio	7.4	10.5	7.9	(29.5)	(6.3)
Total operating expenses ratio	25.2	26.0	24.7	(3.1)	2.0
Loss ratio	92.4	72.9	83.1	26.7	11.2
Combined operating ratio	117.6	98.9	107.8	18.9	9.1
Insurance trading ratio	3.7	10.2	(2.1)	(63.7)	(276.2)

Market overview

Australian personal lines have experienced significant premium increases throughout 2008 following several years of volatile weather events. Severe storms in South-east Queensland in November 2008 have continued this trend. Additionally, smaller weather events below Suncorp's $5 million reporting threshold have contributed to a disappointing financial result. Claims inflation, which was a concern in recent reporting periods, has abated due to the slowing economic conditions.

In Queensland CTP, Suncorp is currently filed at the regulator's ceiling price. The regulator's actuaries have confirmed evidence of increasing claims size and superimposed inflation. During both the July 2008 and October 2008 quarters, the regulator has raised the class 1 ceiling by $14 and $13 respectively. In New South Wales CTP, industry prices increased marginally during the year while, in July 2008, the headline rate was increased by approximately $30 to take account of rising claims costs and to restore profitability to the scheme. Premium increases in both Queensland and NSW CTP are expected into 2009 to restore profitability as a result of falling discount rates.

Insurance Trading Result (ITR)

Personal lines reported an ITR of $77 million for the half year. This represents an ITR ratio of 3.7% and key features included:

- higher average premium rates in Home and Motor, generating improved underlying claims ratios
- major weather events (costing greater than $5 million each) resulted in claims of $157 million, significantly in excess of the budgeted amounts. This included the South-east Queensland November storm event, currently assumed to have cost a net $118 million
- other natural hazard losses (costing less than $5 million) exceeded long-run average amounts by around $50 million
- after normalising for natural hazard, Home and Motor classes delivered within the range of market ITR% guidance
- the Cover more Travel Insurance was an overall drag on portfolio profitability delivering a loss of $12 million. In response, significant premium rate increases have been implemented
- significant improvement in expense structures for the Home and Motor classes, reflecting benefits from Integration and other ongoing cost initiatives.

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Profit contribution – New Zealand

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Gross written premium	331	323	329	2.5	0.6
Net earned premium	283	297	302	(4.7)	(6.3)
Net claims incurred	(191)	(162)	(196)	17.9	(2.6)
Acquisition expenses	(61)	(66)	(63)	(7.6)	(3.2)
Other underwriting expenses	(33)	(30)	(25)	10.0	32.0
Total operating expenses	(94)	(96)	(88)	(2.1)	6.8
Underwriting result	(2)	39	18	(105.1)	(111.1)
Investment income – insurance funds	17	7	10	142.9	70.0
Insurance trading result	15	46	28	(67.4)	(46.4)
	%	%	%		
Ratios					
Acquisition expenses ratio	21.6	22.2	20.9	(2.7)	3.3
Other underwriting expenses ratio	11.7	10.1	8.3	15.8	41.0
Total operating expenses ratio	33.3	32.3	29.2	3.1	14.0
Loss ratio	67.5	54.5	64.9	23.9	4.0
Combined operating ratio	100.8	86.8	94.1	16.1	7.1
Insurance trading ratio	5.3	15.5	9.3	(65.8)	(43.0)

Market overview

The New Zealand operations have produced a satisfactory result for the half year to December 2008 despite a very competitive market and two large weather events.

The positive premium growth reflects underlying growth in the core commercial and personal lines. The soft commercial market is starting to show signs of hardening while market players are increasing personal lines prices. Suncorp's emphasis has remained firmly on the retention of good business at acceptable terms to drive profitability ahead of growth. This growth has been offset by large reductions in premium income in portfolios such as motor vehicle warranty and travel insurance that have been negatively impacted by reductions in consumer spending as a result of the financial crisis.

Insurance Trading Result (ITR)

New Zealand reported an ITR of $15 million for the half year to December 2008, equal to an ITR ratio of 5.3%. The main components impacting the ITR were:

- Gross Written Premium increased by 0.6% to $331 million. In NZ$ terms, GWP growth in commercial lines was 5.7% and personal lines 2.4%. In A$ terms, following the fall in the NZ$, GWP growth was 2.0% for commercial lines and negative 1.2% for personal lines
- severe storms in July 2008 cost around A$15 million
- the overall loss ratio has increased to 67.5% primarily due to the impact of the July storms and a reduction in releases from long tail provisions
- overall total operating expenses ratio is 33.3%, which was higher than in previous periods. This has been impacted by subdued growth and one-off expenditure on development projects; however, the expense ratio is expected to reduce in the future
- investment income from insurance funds was $17 million, considerably higher than in previous periods due to the impact of falling market interest rates.

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Profit contribution – short tail and long tail					
Short tail					
Gross written premium	2,653	2,537	2,480	4.6	7.0
Net earned premium	2,323	2,247	2,247	3.4	3.4
Net claims incurred	(1,702)	(1,602)	(1,732)	6.2	(1.7)
Acquisition expenses	(428)	(420)	(415)	1.9	3.1
Other underwriting expenses	(236)	(258)	(207)	(8.5)	14.0
Total operating expenses	(664)	(678)	(622)	(2.1)	6.8
Underwriting result	(43)	(33)	(107)	30.3	(59.8)
Investment income – insurance funds	90	81	58	11.1	55.2
Insurance trading result	47	48	(49)	(2.1)	(195.9)
	%	%	%		
Ratios					
Acquisition expenses ratio	18.4	18.7	18.5	(1.6)	(0.5)
Other underwriting expenses ratio	10.2	11.5	9.2	(11.3)	10.9
Total operating expenses ratio	28.6	30.2	27.7	(5.3)	3.2
Loss ratio	73.3	71.3	77.1	2.8	(4.9)
Combined operating ratio	101.9	101.5	104.8	0.4	(2.8)
Insurance trading ratio	2.0	2.1	(2.2)	(4.8)	(190.9)

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Long tail					
Gross written premium	690	737	676	(6.4)	2.1
Net earned premium	665	674	698	(1.3)	(4.7)
Net claims incurred	(1,053)	(302)	(445)	248.7	136.6
Acquisition expenses	(129)	(62)	(116)	108.1	11.2
Other underwriting expenses	(46)	(88)	(67)	(47.7)	(31.3)
Total operating expenses	(175)	(150)	(183)	16.7	(4.4)
Underwriting result	(563)	222	70	(353.6)	large
Investment income – insurance funds	674	186	130	262.4	418.5
Insurance trading result	111	408	200	(72.8)	(44.5)
	%	%	%		
Ratios					
Acquisition expenses ratio	19.4	9.2	16.6	110.9	16.9
Other underwriting expenses ratio	6.9	13.1	9.6	(47.3)	(28.1)
Total operating expenses ratio	26.3	22.3	26.2	17.9	0.4
Loss ratio	158.3	44.8	63.8	253.3	148.1
Combined operating ratio	184.6	67.1	90.0	175.1	105.1
Insurance trading ratio	16.7	60.5	28.7	(72.4)	(41.8)

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Segment information – Wealth Management

Profit overview

Suncorp Wealth Management (SWM) is a trans-Tasman life risk, superannuation and investment and asset management business. It distributes its products through intermediated adviser channels, both aligned and external, direct and via the Suncorp customer base.

SWM's strategy is to continue to grow its position as a Life Risk specialist and to maximise the potential of distribution via the Suncorp customer base.

Net profit after tax was $135 million, up 31.1% on the prior comparative period. This result was significantly impacted by Life Risk policy liability discount rate changes which contributed $126 million to the result. Offsetting this were losses on annuities market adjustments of $34 million and investment losses of $25 million. Underlying profit after tax was $68 million.

Key points from the half year to 31 December 2008 are:

Life Risk

- Life Risk profit was $42 million, up 10.5% on the prior comparative period
- individual Life Risk, excluding Group, new business of $38 million was up 11.8%, total Life Risk new business of $42 million was down 23.6%
- Life Risk inforce premium of $713 million was up 5.6%.

Funds Management

- Funds Management profit of $26 million was down 44.7%
- Funds under Management of $23.4 billion were down 13.7% on the prior comparative period and down 3.2% since June 2008
- net outflows of $141 million for the half year.

Business drivers

- refocused strategy on Life Risk and opportunities for growth through the Suncorp customer base
- implemented simplified business model to support strategy
- focus on expense management and improved operational efficiencies helped to offset the impact of difficult economic conditions.

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 helped offset revenue impacts from lower funds under management and administration.

SWM also expanded its reach into the Suncorp customer base by committing additional dedicated resources. As a result, Life Risk sales in the Bank Planner channel and through Suncorp Corporate Agents performed well. SWM's key product lines of Lifeguard®[1] and Family Protect[2] contributed to the growth in sales for Term and TPD of 23.1%.

Industry recognition is an important part of SWM's customer offering and can have a material effect on future sales performance. In Life Risk both the Australian and New Zealand businesses have been recognised for product and service. In Funds Management the Tyndall brand consistently receives industry recognition, with its fixed interest and Australian equities capabilities highlighted.

(1) Lifeguard® – the term life, TPD, Trauma and income protection product suite.
(2) Family Protect – the term life product cross sold in Suncorp channels.

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Profit contribution – Wealth Management					
Operating margins after tax for the half year ended 31 December 2008 excluding Life Insurance policy owners' interests					
Life Risk					
Planned profit margins	34	34	33	-	3.0
Experience profits	6	7	2	(14.3)	200.0
Recapture of losses	2	(1)	3	300.0	(33.3)
Life Risk	42	40	38	5.0	10.5
Funds Management	26	22	47	18.2	(44.7)
Total Wealth Management underlying profit after tax	68	62	85	9.7	(20.0)
Annuities Market Adjustments	(34)	(11)	-	209.1	n/a
Life Risk policy liability discount rate changes	126	(4)	(6)	large	large
Net investment income/(loss) on shareholder assets	(25)	(39)	24	35.9	(204.2)
Net profit after tax and minority interests	**135**	**8**	**103**	**large**	**31.1**

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M
Profit contribution from Wealth Management before tax	115	(95)	125
Policyholder and shareholder income tax expense (1)	21	104	(21)
Net profit after tax and before minority interests	136	9	104
Minority interests	(1)	(1)	(1)
Net profit after tax and minority interests	**135**	**8**	**103**

(1) Income tax expense includes tax payable on behalf of Life insurance policyholders, mostly related to superannuation contributions and surcharge taxes. The effective income tax rate does not resemble the corporate tax rate.

Market Adjustments

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.

Life Risk Policy Liability Discount Rate Changes

Risk free rates are also used to discount Life Risk policy liabilities. Due to deferred acquisition costs there are net negative policy liabilities (an asset). As discount rates have decreased dramatically the value of this asset has increased leading to a gain.

In the life insurance industry, acquisition costs in respect of life insurance contracts are usually recognised as expenses in the reporting period in which they are incurred. This is generally offset by identifying a portion of the planned margins included in policy liabilities as relating to the recovery of acquisition costs.

Investment income on shareholder assets

Adverse investment market performance led to a loss on investment income on shareholder assets.

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Market environment

The external environment is characterised by volatility, with Suncorp's closing balances for funds under management 13.7% below the prior comparative period and discount rates falling around 300 basis points for the period.

Within that scenario there still exists an environment of:

- mandatory savings in Australia, and a move towards that state in New Zealand
- a growing life insurance market and profit pool
- an increasing recognition of under-insurance
- recognition of the value of good financial advice.

SWM expects financial markets will continue to be heavily influenced by economic conditions over the next half. In particular, market participants will be looking for signs that the significant monetary and fiscal stimulus that has been provided to the global economy is gaining traction. In this regard, consensus estimates point to a gradual return to growth in the US at the end of 2009. Meanwhile, locally, there are indications that lower interest rates and government budget measures have benefited the retail and housing sectors. Nevertheless, significant uncertainty remains around the domestic economy, with the labour market outlook a key source of concern.

Within this uncertain environment, SWM is growing its position as a Life Risk specialist, realising the potential in the Suncorp customer base. It will continue to 'focus on the basics' of customer and adviser relationships and retention, simplification of products and processes, and cost control.

This will include:

- growth of Life Risk sales in the External Financial Adviser (EFA) channel
- growth in Life Risk sales in the wider Group and especially the Bank channel
- improving service and product offer in Group Risk
- expansion of the Direct Life Risk offer
- simplifying and refreshing the Superannuation and Investment (S&I) product range
- ongoing tight cost and claims management control.

	HALF YEAR ENDED DEC-08 AUS $M	DEC-08 NZ $M	DEC-08 TOTAL $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Life Risk							
Life Risk underlying profit after tax comprises:							
Planned profit margin release	23	11	34	34	33	-	3.0
Experience deviations							
Mortality	5	(1)	4	5	3	20.0	33.3
Morbidity	(3)	-	(3)	2	(3)	(250.0)	-
Other	5	-	5	-	2	n/a	150.0
Total experience deviations	7	(1)	6	7	2	(14.3)	200.0
Recapture of losses	2	-	2	(1)	3	(300.0)	(33.3)
Life Risk underlying profit after tax	**32**	**10**	**42**	**40**	**38**	**5.0**	**10.5**

SWM has moved to take advantage of the current favourable environment for the Life Risk business. Underlying profit after tax of $42 million was up 10.5% on the prior comparative period. This reflects growth in inforce premium, positive claims experience and a small amount of capitalised loss recapture.

Individual claims experience was favourable for Term, Trauma and TPD, offset by unfavourable experience for Disability Income. Group claims experience was favourable for Death and TPD. Modest persistency losses were incurred across the individual risk portfolio.

	HALF YEAR ENDED DEC-08 AUS $M	DEC-08 NZ $M	DEC-08 TOTAL $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Life Risk annual premium[1]							
Life Risk in force							
Term and TPD	213	50	263	246	243	6.9	8.2
Trauma	88	13	101	93	90	8.6	12.2
Disability income	158	17	175	172	173	1.7	1.2
Group	149	1	150	148	144	1.4	4.2
Other	4	20	24	24	25	-	(4.0)
Total	**612**	**101**	**713**	**683**	**675**	**4.4**	**5.6**

[1] Annual premiums reflect the balance at the end of the period, ie 31 December 2008.

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.

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	HALF YEAR ENDED						
	DEC-08 AUS $M	DEC-08 NZ $M	DEC-08 TOTAL $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Life Risk new business							
Term and TPD	12	4	16	12	13	33.3	23.1
Trauma	6	1	7	6	6	16.7	16.7
Disability income	6	1	7	6	7	16.7	-
Group	4	-	4	23	21	(82.6)	(81.0)
Other	7	1	8	8	8	-	-
Total	**35**	**7**	**42**	**55**	**55**	**(23.6)**	**(23.6)**

Overall, new business sales were down 23.6% on the prior comparative period. Excluding Group, 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%.

SWM's key product lines of Lifeguard® and Family Protect contributed to the growth in sales for Term and TPD of 23.1%. Sales of Trauma products were up 16.7%.

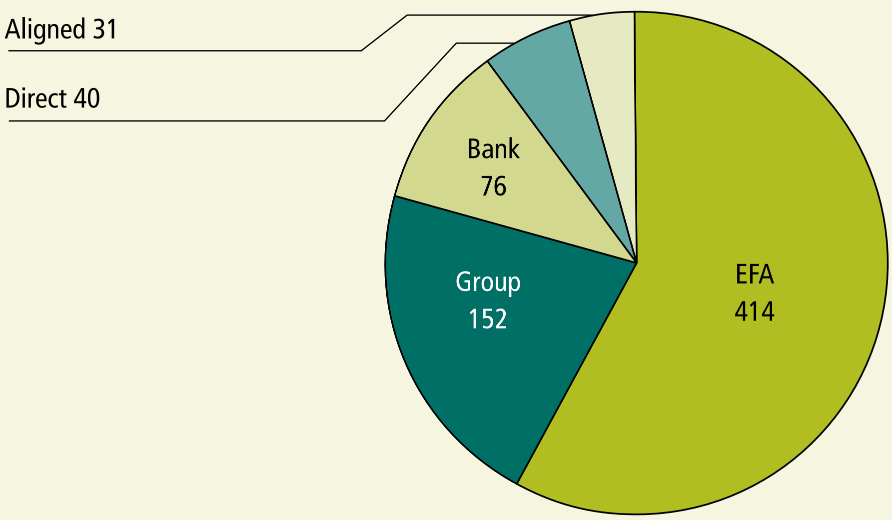
In Australia, Lifeguard®, SWM's multi-award-winning product suite, was launched via the Suncorp Financial Planners and Advisers channel and through Corporate Agents, resulting in increased Life Risk sales.

SWM launched its online underwriting technology, Lifeguard® EQ. Take-up rates are above target for both External Financial Advisers (EFA) and Suncorp Financial Planners and Advisers. The business is also introducing electronic applications and underwriting in New Zealand, exploiting trans-Tasman opportunities.

Over the half, SWM 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 Lifeguard® and an increase in average premium written.

Inforce Premium by distribution channel

$ Millions



Aligned: Licensees of Suncorp Wealth Management ie Guardian Financial Planning, Cameron Walshe, Standard Pacific.

EFA: External Financial Advisers ie. self-employed advisers not licensed by Suncorp.

Direct: Suncorp brands eg, GIO, Suncorp, but excluding Suncorp Bank.

Bank: Suncorp Bank

Group: a wholesale product offer sold through internal platform and through Business-to-Business sales.

Part of SWM's strategy is to focus on driving value from its various distribution channels. As at 31 December 2008, SWM's $713 million of inforce premiums are allocated as per the distribution channels above.

	HALF YEAR ENDED						
	DEC-08 AUS $M	DEC-08 NZ $M	DEC-08 TOTAL $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Funds management							
Funds Management underlying profit margin comprises:							
Retail investment	23	3	26	27	39	(3.7)	(33.3)
Distribution	(5)	-	(5)	(10)	-	50.0	n/a
Asset management	5	-	5	5	8	-	(37.5)
Total underlying profit after tax	**23**	**3**	**26**	**22**	**47**	**18.2**	**(44.7)**

The Funds Management division saw a drop in underlying profit after tax of 44.7% to $26 million. The result reflects reduced asset fee income and Distribution losses.

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 fell 29% over the half.

Distribution was impacted by adverse market conditions which curtailed new business sales.

The impact of adverse market conditions has been mitigated by expense curtailment activities.

	HALF YEAR ENDED						
	DEC-08 AUS $M	DEC-08 NZ $M	DEC-08 TOTAL $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Funds management position							
Funds under administration							
Opening balance at start of period	9,880	4,550	14,430	16,631	16,492	(13.2)	(12.5)
Net inflows/(outflows)	(251)	(89)	(340)	(31)	(126)	large	169.8
Investment income and other	(1,253)	(392)	(1,645)	(2,170)	265	(24.2)	large
Balance at end of period	**8,376**	**4,069**	**12,445**	**14,430**	**16,631**	**(13.8)**	**(25.2)**
Funds under supervision							
Opening balance at start of period	-	27,502	27,502	31,796	31,793	(13.5)	(13.5)
Investment income and other	-	2,284	2,284	(4,294)	3	(153.2)	large
Balance at end of period	**-**	**29,786**	**29,786**	**27,502**	**31,796**	**8.3**	**(6.3)**
Funds under management							
Opening balance at start of period	21,383	2,800	24,183	27,111	27,026	(10.8)	(10.5)
Net inflows/(outflows)	(104)	(37)	(141)	(1,178)	(516)	(88.0)	(72.7)
Investment income and other	(788)	154	(634)	(1,750)	601	(63.8)	(205.5)
Balance at end of period	**20,491**	**2,917**	**23,408**	**24,183**	**27,111**	**(3.2)**	**(13.7)**

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	HALF YEAR ENDED DEC-08 AUS $M	DEC-08 NZ $M	DEC-08 TOTAL $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Funds under management							
General insurance	10,454	385	10,839	10,126	10,376	7.0	4.5
Life companies	5,802	873	6,675	7,584	8,872	(12.0)	(24.8)
External	4,235	1,659	5,894	6,473	7,863	(8.9)	(25.0)
Total funds under management	20,491	2,917	23,408	24,183	27,111	(3.2)	(13.7)

Retail Superannuation and Investments experienced a challenging environment with equity markets falling 29% over the half. Funds under Administration of $12.4 billion were 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. During December 2008, outflows stabilised.

In response to this environment, Super and Investments relaunched the Suncorp Cash Fund on its Easy Super platform as a pure cash stategy including underlying term deposit protection, covered by the Government bank deposit guarantee.

Integration initiatives in SWM Superannuation and Investments were fast-tracked, and have delivered planned synergy benefits faster than anticipated. A focus on expense management has also been a mitigating factor on the impact of reduced funds under management.

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.

	HALF YEAR ENDED DEC-08 AUS $M	DEC-08 NZ $M	DEC-08 TOTAL $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Retail investment new business							
Superannuation	118	13	131	130	258	0.8	(49.2)
Pensions	112	-	112	127	339	(11.8)	(67.0)
Investment	14	4	18	36	64	(50.0)	(71.9)
Total retail investment	**244**	**17**	**261**	**293**	**661**	**(10.9)**	**(60.5)**

Total retail investment sales were 60.5% lower at $261 million. All categories saw sales decrease substantially over the half. The Government bank deposit guarantee and generally volatile market conditions have negatively influenced consumer sentiment.

In this environment, the Tyndall branded Australian Share Income Fund (TASIF) was launched mid-November 2008 to provide a tax-effective income stream for investors, with the additional attraction of long-term capital growth.

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	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Allocation of investments – Wealth Management					
Portfolio allocation of investments					
Statutory funds (1)					
Equities	3,246	3,949	5,470	(17.8)	(40.7)
Interest bearing securities	3,276	3,209	3,082	2.1	6.3
Property	263	385	405	(31.7)	(35.1)
Other	326	492	514	(33.7)	(36.6)
Total statutory funds	**7,111**	**8,035**	**9,471**	**(11.5)**	**(24.9)**
Shareholder assets (2)					
Equities	115	115	229	-	(49.8)
Interest bearing securities	274	242	188	13.2	45.7
Property	14	22	33	(36.4)	(57.6)
Other	47	56	64	(16.1)	(26.6)
Total shareholder assets	**450**	**435**	**514**	**3.4**	**(12.5)**

(1) Statutory funds allocation includes shareholder net assets.
(2) Includes all shareholder assets above policy liabilities in statutory funds, shareholder funds and Wealth Management entities.

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Appendix 1 – Consolidated income statement for the half year ended 31 December 2008

This consolidated income statement presents revenue and expense categories that are reported for statutory purposes.

	HALF YEAR ENDED				
	DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Revenue					
Banking interest revenue	2,673	2,578	2,118	3.7	26.2
Banking interest expense	(2,050)	(2,032)	(1,634)	0.9	25.5
	623	546	484	14.1	28.7
Banking fee and commission revenue	128	118	121	8.5	5.8
Banking fee and commission expense	(53)	(46)	(44)	15.2	20.5
General insurance premium revenue (1)	3,256	3,175	3,141	2.6	3.7
Life insurance premium revenue	363	341	357	6.5	1.7
Reinsurance and other recoveries revenue	554	654	508	(15.3)	9.1
General insurance investment revenue	888	56	248	large	258.1
Life insurance investment (loss)/revenue	(700)	(961)	118	(27.2)	large
Other revenue (2)	314	291	304	7.9	3.3
	5,373	4,174	5,237	28.7	2.6
Expenses					
Operating expenses (1)	(1,709)	(1,719)	(1,627)	(0.6)	5.0
General insurance claims expense	(3,227)	(2,486)	(2,614)	29.8	23.5
Life insurance claims expense	(223)	(199)	(212)	12.1	5.2
Outwards reinsurance premium expense	(349)	(330)	(289)	5.8	20.8
Decrease in net policy liabilities	926	733	123	26.3	large
Increase/(decrease) in unvested policy owner benefits	(27)	6	(80)	large	(66.3)
Outside beneficial interests	(70)	151	22	(146.4)	(418.2)
Non-banking interest expense	(54)	(101)	(63)	(46.5)	(14.3)
	(4,733)	(3,945)	(4,740)	20.0	(0.1)
Share of profits/(losses) of associates and joint ventures	(10)	(1)	12	large	(183.3)
Profit before impairment losses on loans and advances and tax	630	228	509	176.3	23.8
Impairment losses on loans and advances	(355)	(55)	(16)	large	large
Profit before tax	275	173	493	59.0	(44.2)
Income tax (expense)/benefit	(16)	29	(107)	(155.2)	(85.0)
Profit for the year	**259**	**202**	**386**	**28.2**	**(32.9)**
Attributable to:					
Equity holders of the Company	258	199	384	29.6	(32.8)
Minority interests	1	3	2	(66.7)	(50.0)
Profit for the period	**259**	**202**	**386**	**28.2**	**(32.9)**

(1) Net of General Insurance statutory fees and charges included in income and expenses in the Consolidated Interim Financial Report.
(2) Other operating revenue is primarily made up of Wealth Management profit, dividend revenue, property income, trust distributions and royalty income.

Appendix 2 – Profit contribution – General Insurance excluding the impact of discount rate movements and excluding FSL
For the half year ended 31 December 2008

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Gross written premiums [(1)]	3,228	3,181	3,060	1.5	5.5
Gross unearned premium movement	(77)	(108)	(10)	(28.7)	large
Gross earned premiums	3,151	3,073	3,050	2.5	3.3
Outward reinsurance expense	(264)	(245)	(196)	7.8	34.7
Net earned premium	2,887	2,828	2,854	2.1	1.2
Net incurred claims					
Claims expense	(2,620)	(2,493)	(2,648)	5.1	(1.1)
Reinsurance and other recoveries revenue	430	567	442	(24.2)	(2.7)
	(2,190)	(1,926)	(2,206)	13.7	(0.7)
Total operating expenses					
Acquisition expenses [(2)]	(557)	(482)	(531)	15.6	4.9
Other underwriting expenses	(181)	(253)	(183)	(28.5)	(1.1)
	(738)	(735)	(714)	0.4	3.4
Underwriting result	(41)	167	(66)	(124.6)	(37.9)
Investment income – insurance funds	199	289	217	(31.1)	(8.3)
Insurance trading result	158	456	151	(65.4)	4.6
Managed schemes net contribution	16	13	34	23.1	(52.9)
Joint venture and other income	(10)	(2)	19	(400.0)	(152.6)
General Insurance operational earnings	164	467	204	(64.9)	(19.6)
Investment revenue – Shareholders' Funds	154	(260)	28	159.2	450.0
Contribution to profit from General Insurance activities before tax and capital funding	318	207	232	53.6	37.1
Capital funding [(3)]	(65)	(72)	(60)	(9.7)	8.3
Contribution to profit from General Insurance activities before tax	**253**	**135**	**172**	**87.4**	**47.1**

(1) Net of Fire Service Levies (FSL) of $114 million (30 June 2008: $93 million; 31 December 2007: $96 million).
(2) Net of certain statutory fees and charges included in income and expenses in the Consolidated Interim Financial Report.
(3) Includes interest expense on subordinated notes and preference shares allocated to General Insurance as described in Appendix 5.

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Appendix 3 – Operating expenses

This table presents further details on the Group's expenses disclosed in the consolidated income statement in Appendix 1.

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M	DEC-08 vs JUN-08 %	DEC-08 vs DEC-07 %
Operating expenses					
Staff expenses	803	691	830	16.2	(3.3)
Total staff expenses	803	691	830	16.2	(3.3)
Equipment and occupancy expenses					
Depreciation:					
Buildings	1	-	1	n/a	-
Plant and equipment	39	41	28	(4.9)	39.3
Leasehold improvements	12	10	9	20.0	33.3
Loss on disposal of property, plant and equipment	1	6	1	(83.3)	-
Operating lease rentals	75	86	62	(12.8)	21.0
Other	22	18	16	22.2	37.5
Total equipment and occupancy expenses	150	161	117	(6.8)	28.2
Other expenses					
Hardware, software and data line expenses	49	79	47	(38.0)	4.3
Advertising and promotion expenses	83	108	87	(23.1)	(4.6)
Office supplies, postage and printing	49	33	57	48.5	(14.0)
Amortisation:					
Trade names	12	12	12	-	-
Consumer relationships	64	119	118	(46.2)	(45.8)
Outstanding claims liability intangible	14	18	18	(22.2)	(22.2)
Franchise agreements	3	2	-	50.0	n/a
Software	44	39	47	12.8	(6.4)
Acquisition costs – insurance activities	270	306	90	(11.8)	200.0
Financial expenses	83	111	90	(25.2)	(7.8)
Other	85	40	114	112.5	(25.4)
Total other expenses	756	867	680	(12.8)	11.2
Total operating expenses	**1,709**	**1,719**	**1,627**	**(0.6)**	**5.0**

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Appendix 4 – Definitions

Adjusted common equity	Tier 1 equity less preference share capital less the tangible component of investment in subsidiaries.
Adjusted common equity ratio	Adjusted common equity divided by total assessed risk, as defined by APRA.
Adjusted total equity	Adjusted common equity plus eligible hybrid instruments up to 33% of adjusted common equity.
Adjusted total equity ratio	Adjusted total equity divided by total assessed risk, as defined by APRA.
Basic shares	Ordinary shares on issue.
Basis points (bps)	A "basis point" is 1/100th of a percentage point.
Cash earnings per share	Adjusts the earnings per share ratio by adding back Promina acquisition items to profit.
Cash return on average shareholders' equity	Adjusts the return on average shareholders' equity by adding back Promina acquisition items after tax to profit.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Combined operating ratio	The percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business.
Cost to average total Banking assets ratio	Operating expenses of the Banking business divided by average total Banking assets as shown in the average Banking balance sheet. The ratio is annualised for half years.
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities.
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods.
Diluted shares	Comprises ordinary shares, partly-paid shares, non-participating shares and outstanding options. Preference shares are not dilutive for the purpose of the earnings per share ratios as they cannot convert to ordinary shares until September 2011 and their dividends exceed the basic earnings per share. Weighted average shares are calculated in accordance with accounting standard AASB 133 Earnings per Share and excludes treasury shares and options where the exercise price exceeds the market price.
Effective tax rate	Income tax expense divided by operating profit before tax.

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Appendix 4 – Definitions continued

Earnings per share	Basic earnings per share is calculated by dividing profit after tax for the period by the weighted average number of ordinary shares of the Company outstanding during the period. Diluted earnings per share is based on weighted average diluted shares. Both the basic and diluted weighted average number of ordinary shares are adjusted for treasury shares. Calculated in accordance with accounting standard AASB 133 Earnings per Share.
Expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing the General Insurance business.
Fire service levies (FSL)	The expense relating to the amount levied on policyholders by insurance companies as part of premiums payable on policies with a fire risk component, which is established to cover the corresponding fire brigade charge which the Group will eventually have to pay.
Funds under administration	Funds where Asteron and New Zealand Guardian Trust receive a fee for the administration of an asset portfolio.
Funds under management	Funds where Suncorp Investment Management or Tyndall has been appointed as the investment manager for both internal Group funds and external funds.
Funds under supervision	Funds where New Zealand Guardian Trust receives a fee for acting as a custodian or for providing corporate trustee services.
General Insurance – Commercial	Commercial products consist of commercial motor, aviation, home owners' warranty, marine, construction and engineering, property, liability, professional indemnity, industrial special risk, corporate property, motor dealers and workers' compensation.
General Insurance – Personal	Personal products consist of home, personal motor, compulsory third party, travel, consumer credit, deposit power, loan protection, and rental bond.
Gross non-performing loans	Gross impaired assets plus past due loans.
Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium.
Life insurance policy owners' interests	Amounts due to an entity or person who owns an insurance policy. This need not be the insured. This is distinct from shareholders' interests. Policy owners' interests are excluded from the Wealth Management section of the Analysts Pack.
Life risk inforce annual premiums	Total annualised statistical premiums for all business inforce at the disclosure date (including new business written during the period.)
Life risk new business annual premiums	Total annualised statistical premiums for policies issued during the reporting period.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities.
Net interest margin	Net interest income divided by average interest earning assets.

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Appendix 4 – Definitions continued

Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
Net tangible asset backing	Shareholders' equity attributable to members of the Company less intangibles divided by ordinary shares at the end of the period adjusted for treasury shares. In determining the number of ordinary shares at the end of the period, partly-paid shares are taken into account by assuming that the unpaid amount is paid.
Payout ratio	Ordinary shares at the end of the period multiplied by ordinary dividend per share for the period divided by operating profit after tax. Ordinary shares are adjusted for treasury shares.
Return on average risk weighted assets	Banking operating profit after tax (based on assumed tax rate of 30%) divided by average risk weighted assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years.
Return on average total assets	Operating profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years.
Return on average shareholders' equity	Operating profit after tax divided by adjusted average ordinary shareholders' equity. Averages are based on beginning and end of period balances. The ratio is annualised for half years.
Return on equity – Banking	Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting investment in non-banking subsidiaries and adding the notional reallocation to reflect the Bank's calculated share of Group subordinated notes and preference shares. Averages are based on beginning and end of period balances. The ratio is annualised for half years.
Return on equity – General Insurance	Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting outside equity interests and deducting the notional reallocation to reflect the General Insurer's calculated share of Group subordinated notes and preference shares. Averages are based on beginning and end of period balances. The ratio is annualised for half years.
Return on equity – Wealth Management	Operating profit after tax divided by average shareholders' equity. Averages are based on beginning and end of period balances. The ratio is annualised for half years.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Total assessed risk	Risk weighted assets, off balance sheet positions, market risk and operational risk capital charge.
Wealth Management	Life insurance and superannuation administration services, funds management, financial planning and funds administration.

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Appendix 5 – Ratio calculations

Earnings per share

	HALF YEAR ENDED DEC-08 NO. OF SHARES	JUN-08 NO. OF SHARES	DEC-07 NO. OF SHARES
Denominator			
Weighted average number of shares			
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	978,169,956	937,578,960	922,417,974
Numerator			
Earnings			
Earnings used in calculating earnings per share	258	199	384

Return on average shareholders' equity

	HALF YEAR ENDED DEC-08 $M	JUN-08 $M	DEC-07 $M
Denominator			
Adjusted average shareholders' equity			
Opening total equity	12,366	12,385	12,391
Less minority interests	(6)	(3)	(1)
Opening adjusted equity	12,360	12,382	12,390
Closing total equity	12,299	12,366	12,385
Less minority interests	(7)	(6)	(3)
Closing adjusted equity	12,292	12,360	12,382
Average adjusted equity	**12,326**	**12,371**	**12,386**

Numerator

Earnings

Earnings for return on average shareholders' equity is as per "earnings per share" information above.

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Appendix 5 – Ratio calculations continued

Group allocation of capital for diluted return on average shareholders' equity calculations

The following table reconciles the equity base per the balance sheet of each business line to the Group equity. In addition, it shows the adjustments made to the equity base for the purposes of the diluted return on equity calculations and the net profit which is the numerator for the calculation.

	AS AT 31 DECEMBER 2008					
	BANKING $M	GENERAL INSURANCE $M	WEALTH MANAGEMENT $M	OTHER $M	CONSOLIDATION $M	TOTAL $M
Reconciliation of net profit after tax for diluted return on average shareholders' equity calculations						
Profit before tax	97	253	115	17	(207)	275
Less tax expense	(37)	(69)	21	(5)	74	(16)
Net profit	60	184	136	12	(133)	259
Reconciliation of average adjusted equity for diluted return on average shareholders' equity calculations						
Opening adjusted equity June 2008:						
Opening total equity	11,919	3,011	838	406	(3,808)	12,366
Adjustment for investment in subsidiaries	(9,821)	-	-	-	9,821	-
Notional reallocation of subordinated notes and preference shares (1)	793	(793)	-	-	-	-
Adjusted opening equity	2,891	2,218	838	406	6,013	12,366
Closing adjusted equity December 2008:						
Closing total equity	12,126	3,702	1,013	(405)	(4,137)	12,299
Adjustment for investment in subsidiaries	(10,331)	-	-	-	10,331	-
Notional reallocation of subordinated notes and preference shares (1)	793	(793)	-	-	-	-
Adjusted closing equity	2,588	2,909	1,013	(405)	6,194	12,299
Adjusted average equity	2,740	2,564	926	1	6,104	12,333
	%	%	%	%	%	%
Annualised diluted return on average shareholders' equity	**4.3**	**14.2**	**29.1**	**n/a**	**n/a**	**4.2**
June 2008						
Subordinated notes and preference shares on issue	2,561	940	-	-	-	3,501
Add back currency revaluations and mark to market	149	88	-	-	-	237
Notional reallocation of subordinated notes and preference shares	(793)	793	-	-	-	-
Balance used for allocation of servicing charge	**1,917**	**1,821**	**-**	**-**	**-**	**3,738**
December 2008						
Opening balance subordinated notes and preference shares	2,561	940	-	-	-	3,501
Subordinated notes issued	-	-	-	-	-	-
Subordinated notes redeemed	-	-	-	-	-	-
Change in book value	140	46	-	-	-	186
Closing balance subordinated notes and preference shares	2,701	986	-	-	-	3,687
Add back currency revaluations and mark to market	9	42	-	-	-	51
Notional reallocation of subordinated notes	(793)	793	-	-	-	-
Balance used for calculation of capital funding	1,917	1,821	-	-	-	3,738

(1) The Group notionally allocates subordinated notes and preference shares classified as debt between Banking and General Insurance based on their relative shares of Group regulatory capital. This results in a notional allocation from the Bank to General Insurance as the Bank physically carries all preference shares and the subordinated notes of the Group except for $985 million in General Insurance. The notional allocation adjusts the "free capital" of the business lines. The capital funding expense shown in General Insurance for the current half year reflects its calculated share of Group subordinated notes and preference shares.

Appendix 6 – Details of share capital

	HALF YEAR ENDED DEC-08	JUN-08	DEC-07
Ordinary shares each fully paid			
Number at the end of the period	1,013,349,641	955,528,255	931,078,475
Dividend declared for the period (cents per share)	20	55	52
Reset Preference shares (classified as liability) each fully paid			
Number at the end of the period	1,440,628	1,440,628	1,440,628
Dividend declared for the period ($ per share) [1]	2.55	2.53	2.55
Convertible Preference shares (classified as liability) each fully paid			
Number at the end of the period	7,350,000	7,350,000	-
Dividend declared for the period ($ per share) [1]	3.85	-	-
Non-participating shares fully paid			
Number at the end of the period	-	2,000	2,000

(1) Classified as interest expense.

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Appendix 7 – 2009 Key dates [1]

Ordinary shares (SUN)

Half year results and interim dividend announcement	**24 February**
Ex dividend date [2]	27 February
Record date	5 March
Dividend payment	1 April
Full year results and final dividend announcement	**25 August**
Ex dividend date [2]	28 August
Record date	3 September
Dividend payment	1 October
Annual General Meeting	**28 October**

Floating Rate Capital Notes (SUNHB)

Ex interest date [2]	10 February
Record date	16 February
Interest payment	3 March
Ex interest date [2]	11 May
Record date	15 May
Interest payment	1 June
Ex interest date [2]	11 August
Record date	17 August
Interest payment	1 September
Ex interest date [2]	10 November
Record date	16 November
Interest payment	1 December

Reset Preference Shares (SUNPA)

Ex dividend date [2]	27 February
Record date	5 March
Dividend payment	16 March
Ex dividend date [2]	28 August
Record date	3 September
Dividend payment	14 September

Convertible Preference Shares (SUNPB)

Ex dividend date [2]	27 February
Record date	5 March
Dividend payment	16 March
Ex dividend date [2]	28 May
Record date	3 June
Dividend payment	15 June
Ex dividend date [2]	28 August
Record date	3 September
Dividend payment	14 September
Ex dividend date [2]	26 November
Record date	2 December
Dividend payment	14 December

[1] Dates may be subject to change.
[2] Subject to ASX confirmation.