

# Market update

5 February 2009





# Disclaimer

This report contains general information which is current at 5 February 2009.

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Any statements made concerning future performance, earnings or financial position are indicative only, based on current information. Future performance can be affected by various risks, unknown factors and matters beyond the control of the Suncorp Group.

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# Agenda

- Introduction & overview – John Mulcahy
- Divisional performance – Chris Skilton
  - Banking
  - General Insurance
  - Wealth Management
  - Capital
- Group outlook – John Mulcahy
- Questions

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# Profit overview

Unaudited, preliminary financial performance for the six months to 31 December 2008

\$m	Six months to Dec-08
Banking	90 – 100
General Insurance	240 – 260
Wealth Management	100 – 120
LJ Hooker and other	10 – 30
<b>Profit before tax &amp; Promina acquisition items*</b>	<b>470 – 500</b>
Amortisation of Promina intangible assets	(120 – 125)
Integration costs	(80 – 90)
Tax	(10 – 30)
<b>Net profit after tax &amp; minority interests**</b>	<b>250 – 270</b>

\* Group profit before tax and Promina acquisition items will be in the range of \$410 million to \$440 million if Suncorp's reinsurance position is not accepted by all reinsurers.

\*\*Net profit after tax, Promina acquisition items and minority interest is expected to be in the range of \$210 million to \$230 million if Suncorp's reinsurance position is not accepted by all reinsurers.

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# Banking overview

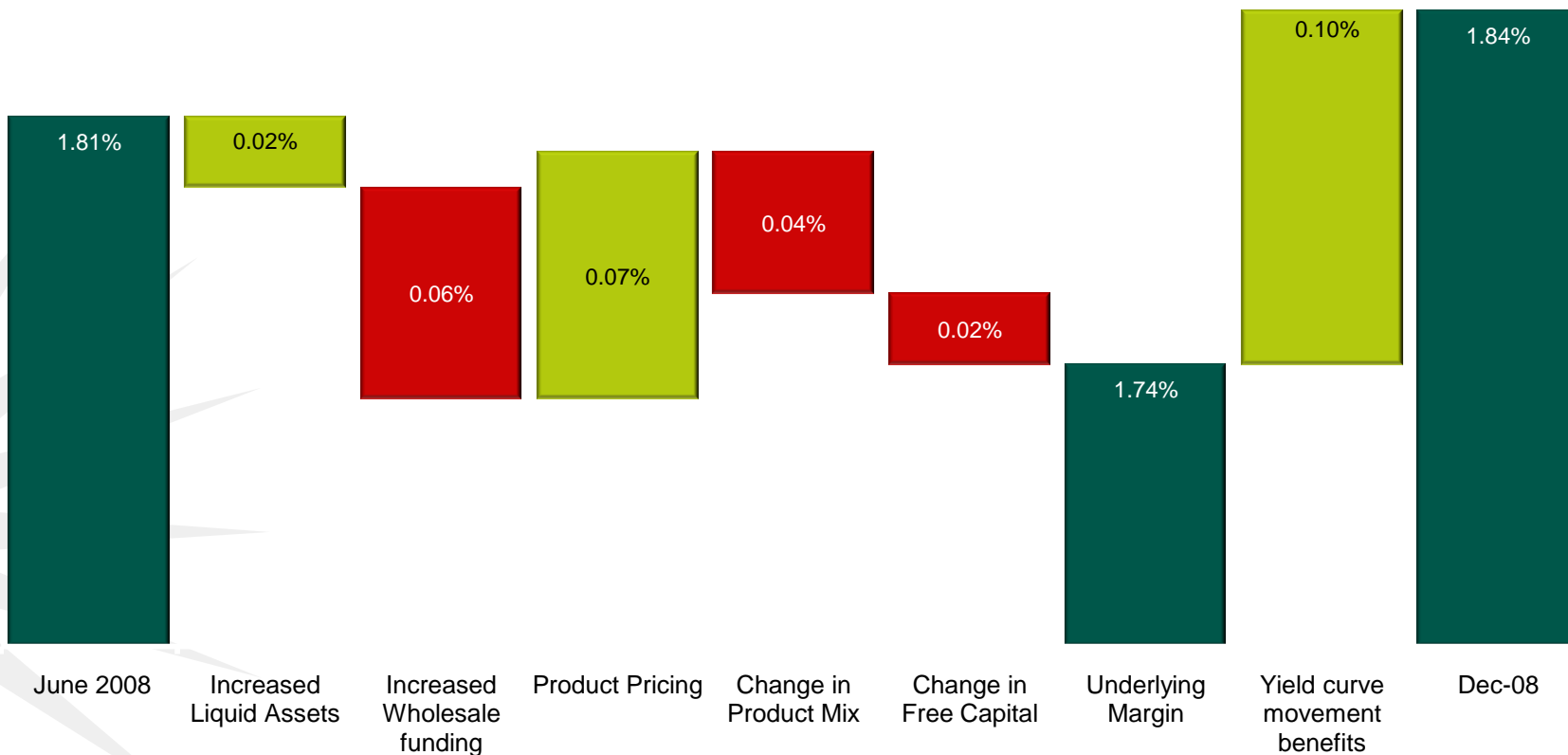
\$m	Six months to Dec-08
Net interest income	600 - 620
Fee income	135 -140
Operating expenses	(290) - (300)
<b>Profit before tax &amp; bad debts</b>	<b>445-455</b>
Bad debts	(355)
<b>Profit before tax</b>	<b>90-100</b>

- Strong growth in net interest income as asset growth and favourable cash to bill spreads have boosted profitability.
- Margins maintained as additional funding costs passed on.
- Underlying expense trend favourable but impacted by around \$25 million in restructuring costs following the decision to focus on core operations.
- Bad debts significantly impacted by conservative approach to deteriorating economic conditions.

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# Margin and expenses



**Net interest margin has benefited from yield curve movements**

**Expenses flat on June 2008 but include \$25m in one-off restructuring costs.**

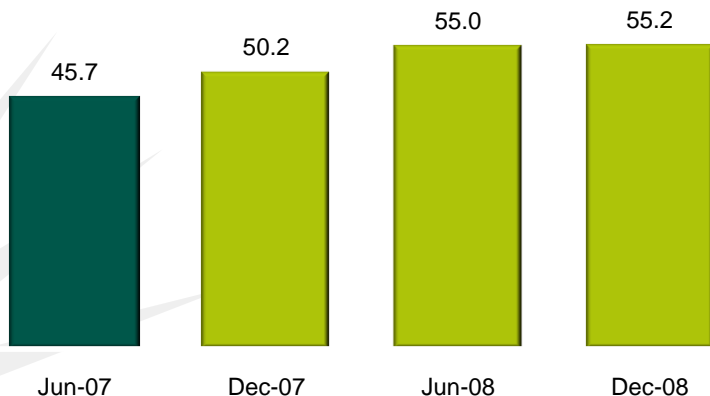
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# Lending & funding

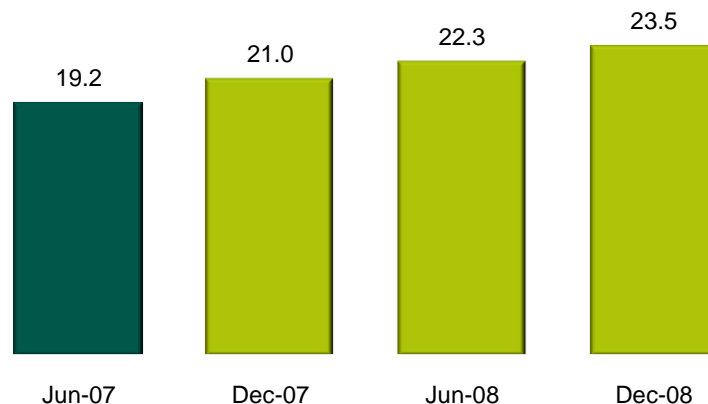
## Lending growth moderating...

Loans, advances and other receivables, \$bn

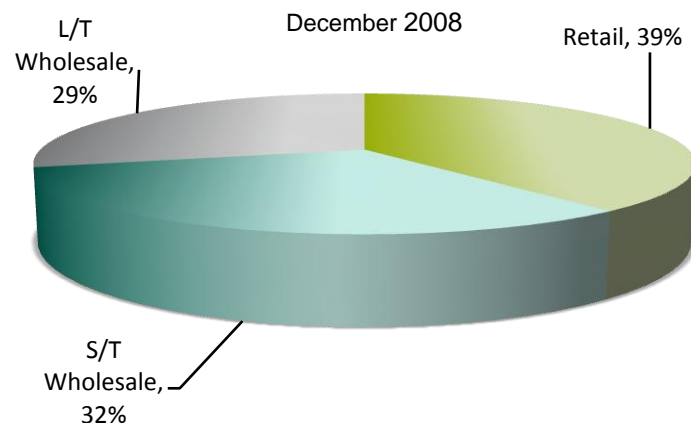
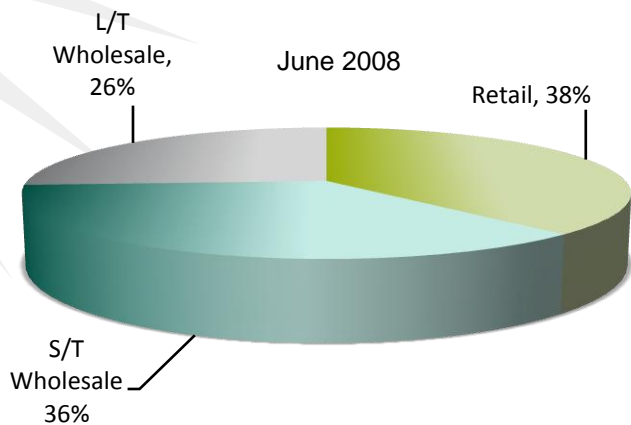


## Strong momentum in deposit gathering...

Total retail funding, \$bn



## Strengthened balance sheet position....



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# Impairment charge

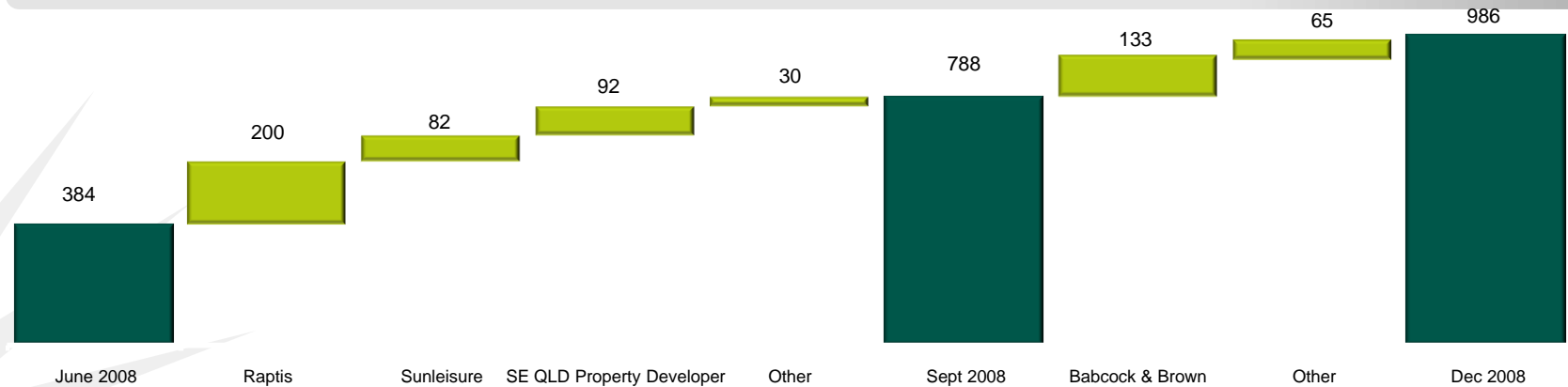
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Six months to Dec 2008	\$m	Comment
Babcock & Brown specific provision (pre-IFRS)	75	Impairment crystallised post balance date
Previously identified single name exposures	15	Includes Raptis, SunLeisure and private SEQ developer as identified in the September quarter
IFRS present value impact	53	Timing impact to unwind against future net interest income
Recent revaluations	19	Resulting from drop in market valuations apparent late in December quarter
Other	15	
<b>Total increase in specific provision</b>	<b>177</b>	
Increase in underlying collective provision	96	Reflecting increased watch list balances enhanced by portfolio credit review process
Economic Overlay	75	Additional top-up for deteriorating economic conditions
<b>Total increase in collective provision</b>	<b>171</b>	
<b>Net write-offs/(recoveries)</b>	<b>7</b>	
<b>Total impairment charge</b>	<b>355</b>	



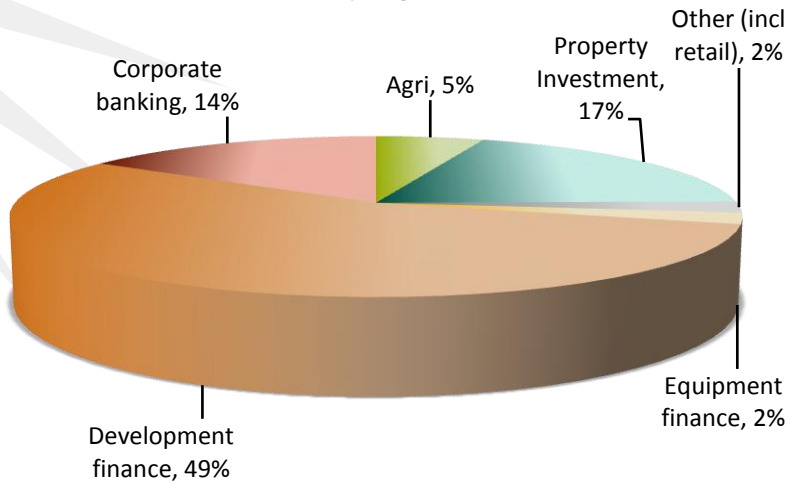
# Composition of impaired assets

Single name exposure represent over 80% of the increase in impaired assets



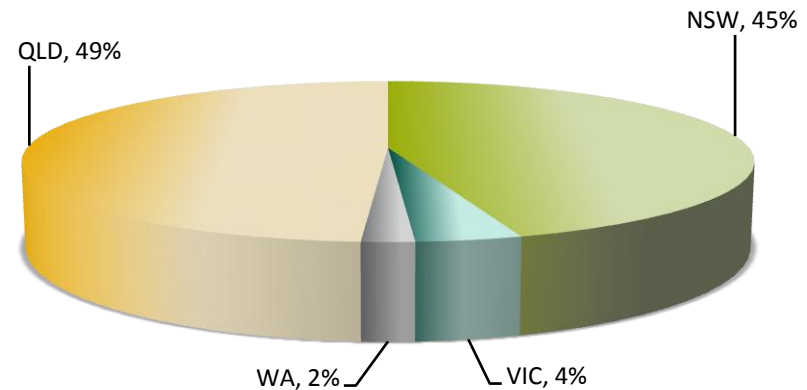
Development Finance continues to be large contributor

Impaired assets by segment, at Dec 2008



NSW economy continues to show signs of stress ...

Impaired assets by state, at Dec 2008

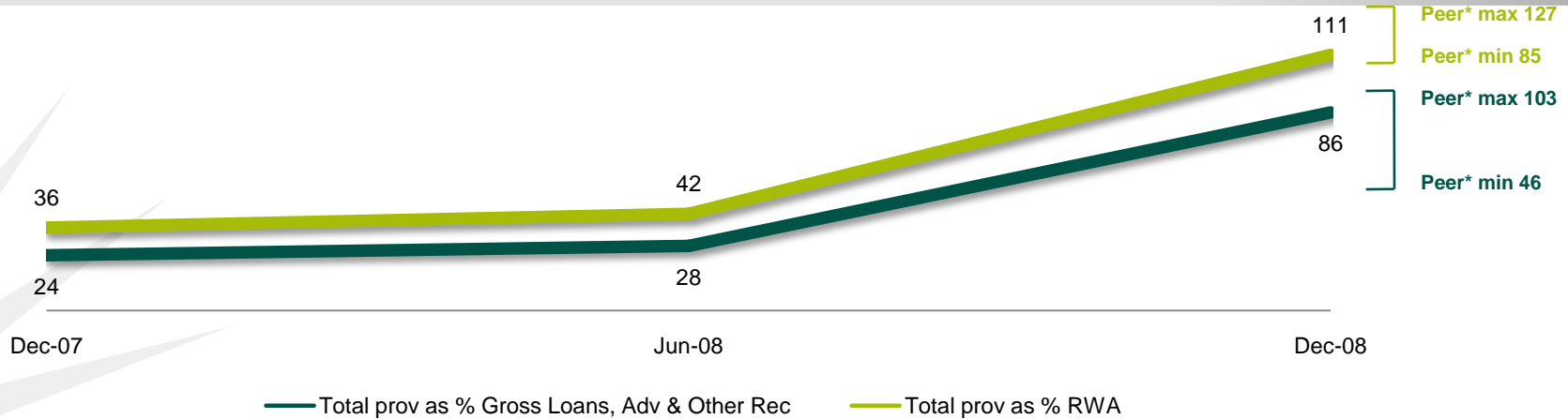


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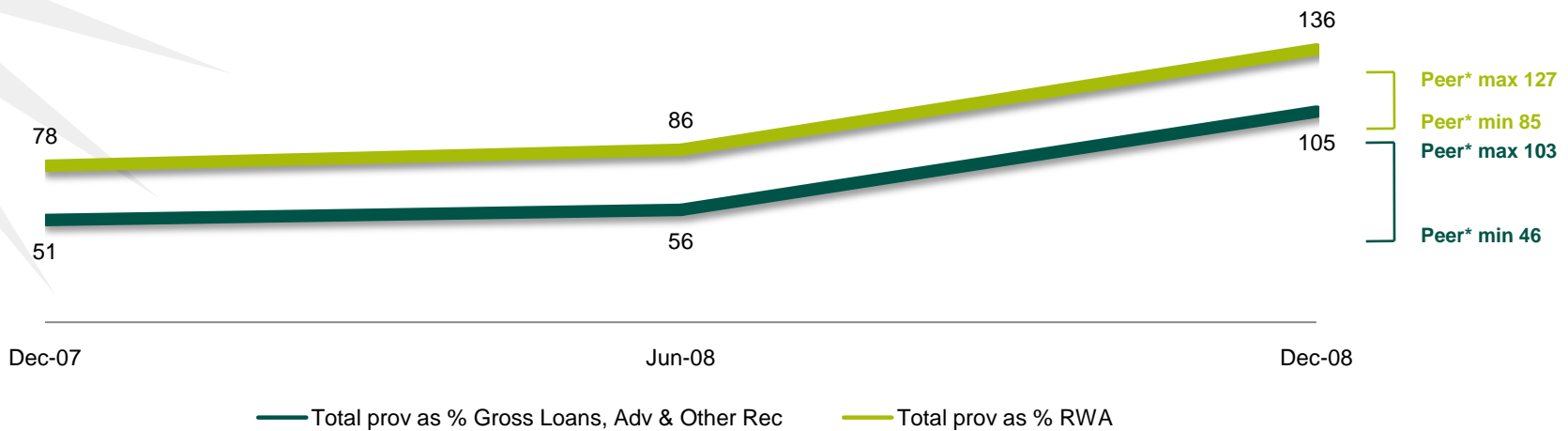


# Provisions coverage

## Total provisions at top end of peer range



## ... and exceed peers including the GRCL

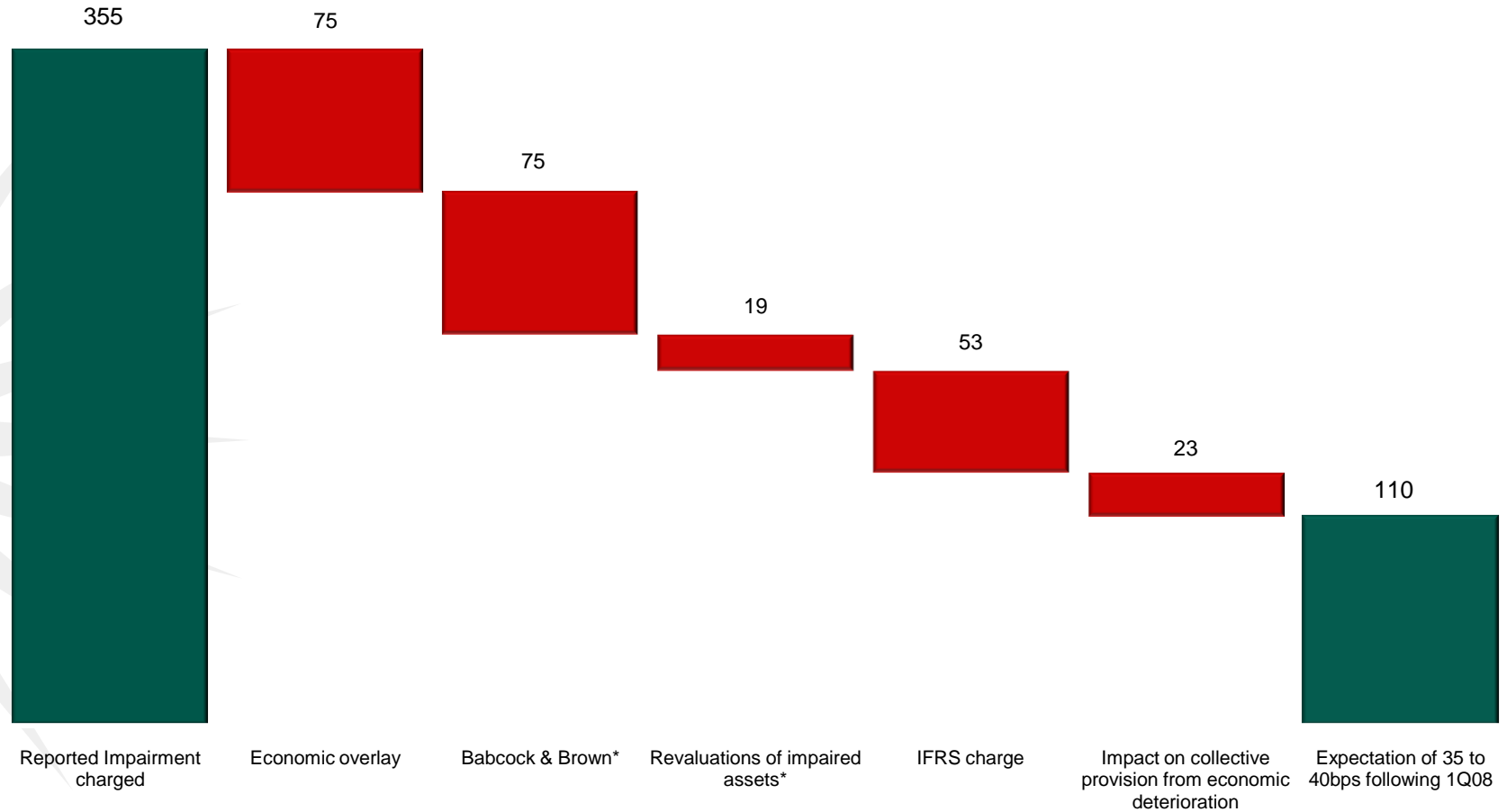


•Peer date is from latest publicly released information  
RWA calculation not consistent across ADI's as majors use advanced IRB models

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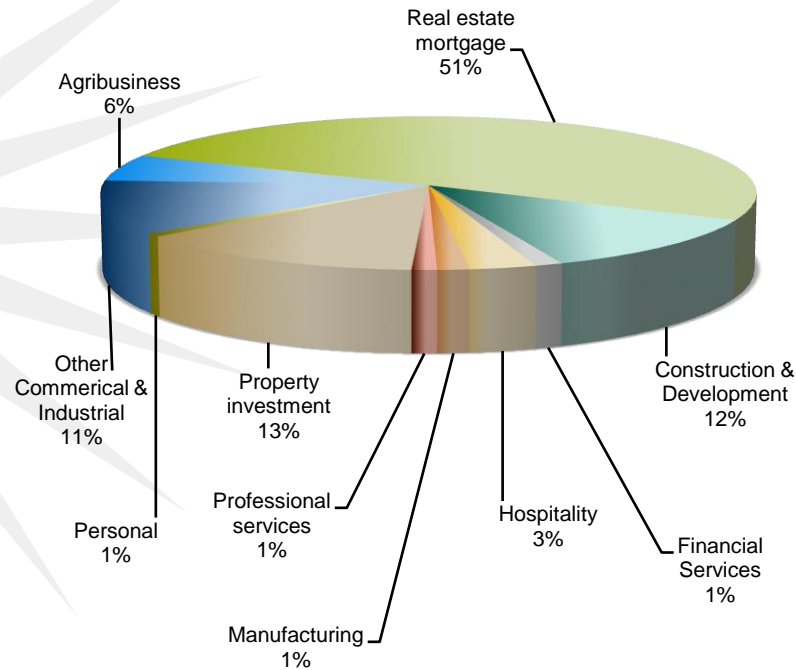
# Factors impacting the impairment charge



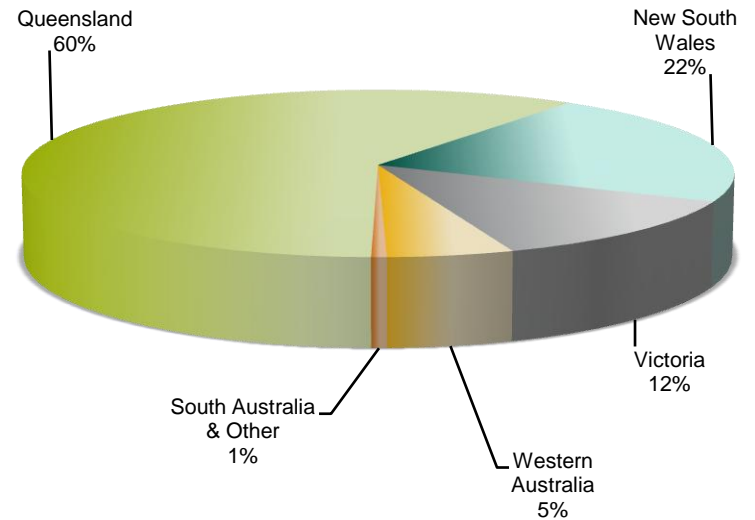
•Excluding IFRS component

# Composition of total loan portfolio

## Lending Segments



## Geographical Breakdown



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# General Insurance overview

A \$m	Six months to Dec-08
<b>Gross Written Premium</b>	<b>3,250 – 3,350</b>
Net Earned Premium	2,950 -3,000
Net incurred claims	(2,150) – (2,200)
Operating expenses	(830)-(860)
Investment income – technical reserves	170 - 200
<b>Insurance Trading Result</b>	<b>150 -160</b>
Investment income – shareholders funds	130 - 160
Other	0 -10
Capital funding	(60) – (70)
<b>Profit before tax</b>	<b>240 - 260</b>

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# Gross Written Premium and operating expenses

Product	Approximate 1H09 GWP	1H09 v 1H08	Factors
Motor	\$1.1 billion	4%	Strong premium increases offset by higher excesses and reduced new vehicle sales
Commercial	\$870 million	9%	Hardening markets
Home	\$760 million	9%	Premium increases following weather events
CTP	\$350 million	4%	Significant premium increases anticipated in 2009
Other	\$220 million	-5%	Reduced Workers' Compensation premiums
<b>Total</b>	<b>\$3.3 billion</b>	<b>5.9%</b>	<b>Strong result</b>

Operating expenses have been contained and integration synergies are ahead of schedule

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# Major weather events

Event	Financial impact (A\$ million)	Contribution to 2008/09 aggregate cover
New Zealand – July	15	5
Ipswich – September	30	20
Gold Coast/Byron – October	10	-
South East Queensland – 16-21 Nov	<u>125*</u>	<u>105#</u>
Total	180	130^
Suncorp provision for major weather events	<u>(120)</u>	
Excess claims cost over budgeted allowance	<u>60</u>	

\* *Net of reinsurance recoveries. This could increase to \$185 million if the minimum agreed reinsurance position is applied.*

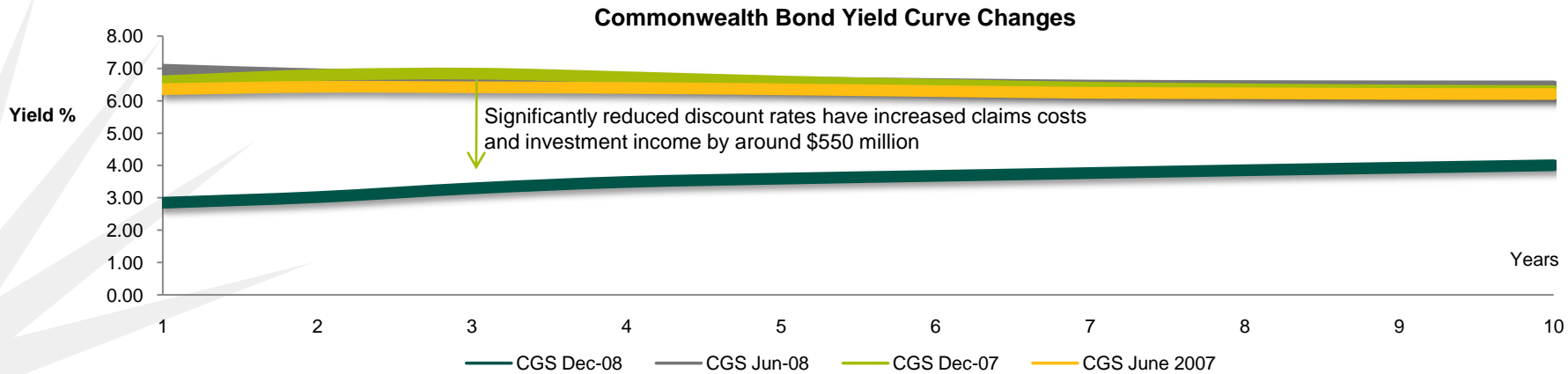
# *Based on two-events with a \$10 million deductible each.*

^ *Claims costs for each event over \$10m apply towards aggregate cover deductible of \$250 million. Accordingly, in the six months to 30 June 2009, after the first \$120 (\$250 - \$130) million of claims over the \$10m per event threshold, claims costs of up to \$300 million can be recovered under the aggregate cover reinsurance policy.*

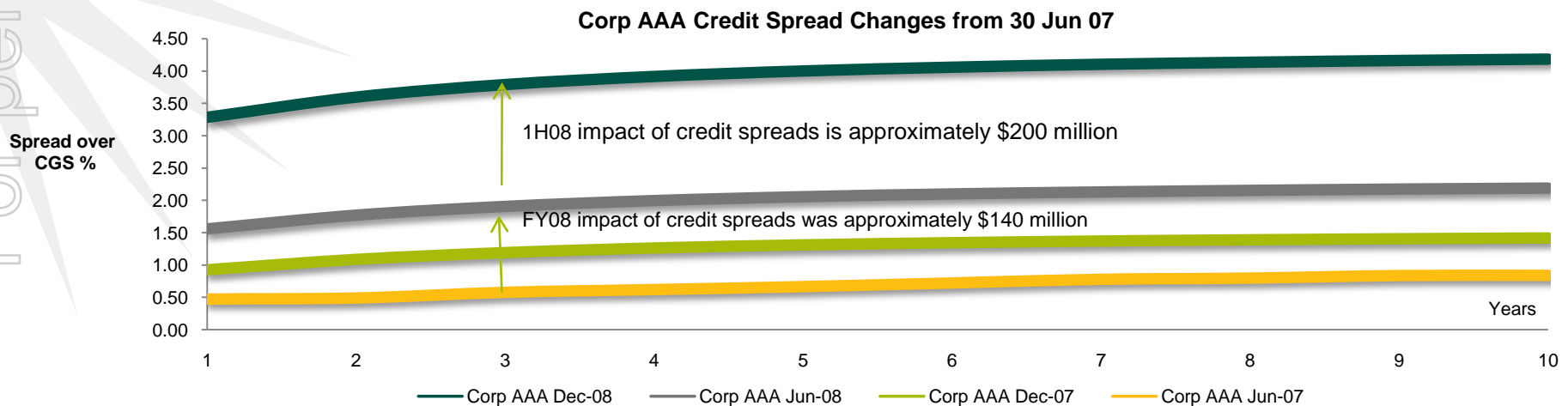


# Volatile fixed interest markets have impacted 1H09

Discount rates have fallen dramatically.....increasing the outstanding claims provision and the value of fixed interest securities



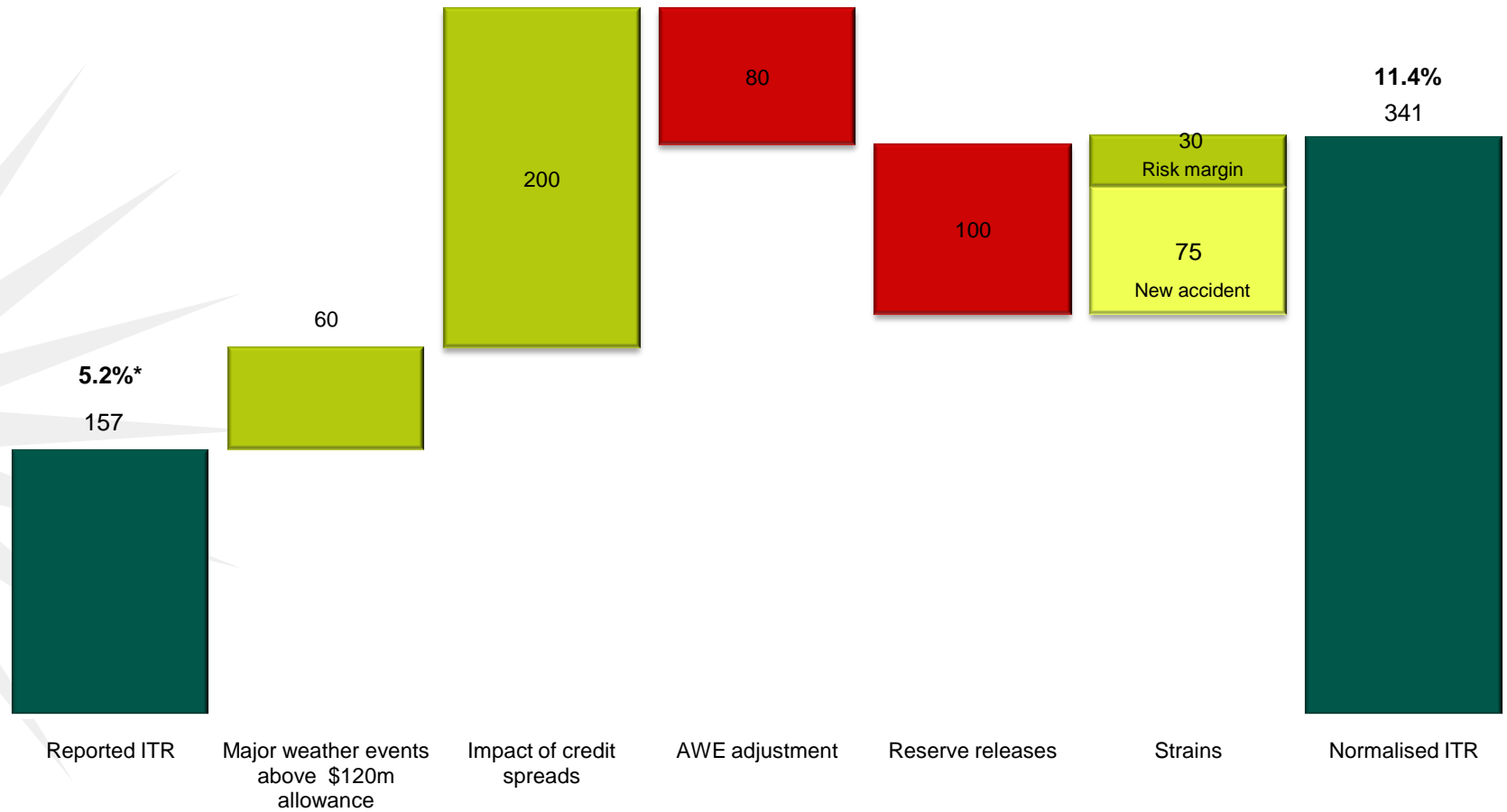
.....but the value of fixed interest securities has also been reduced by around \$200 million by increased credit spreads







# Factors impacting the Insurance Trading Result



**\*Based on \$3.0 billion NEP**

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# Wealth Management overview

\$m	HY Ended Dec-08	HY Ended Jun-08	HY Ended Dec-07
Life Risk	40-45	40	38
Funds Management	20-25	22	48
<b>Total wealth management underlying profit after tax</b>	<b>60-70</b>	<b>61</b>	<b>86</b>
Annuities market adjustments	(30) – (35)	(10)	(1)
Life risk policy liability discount rate changes	120 -130	(2)	0
Net investment income on shareholder assets	(25) – (30)	(41)	18
<b>Profit contribution after tax</b>	<b>125-150</b>	<b>8</b>	<b>103</b>

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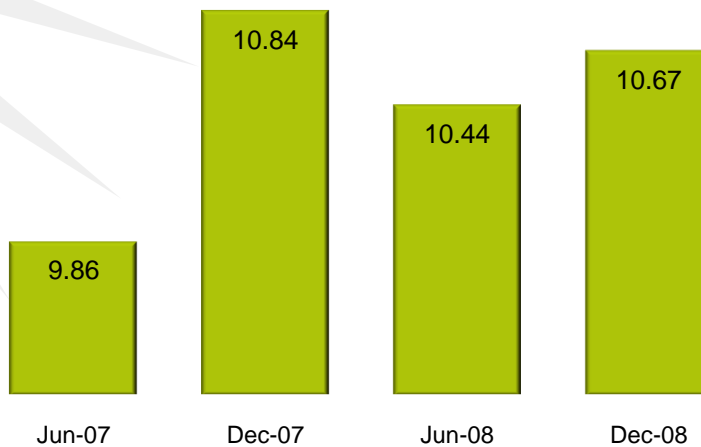


# Capital position

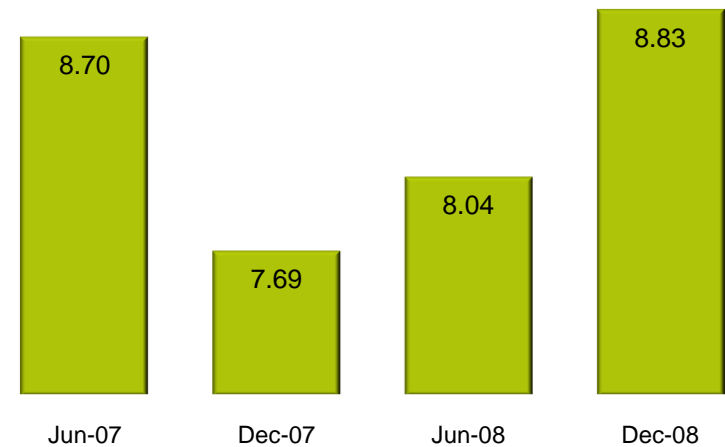
Based on 20 cents per share dividend and unaudited results as outlined

	30 June 2008	31 Dec 2008	Target
Bank Capital Adequacy Ratio	10.44%	10.67%	11.5% - 12.0%
Tier 1 Capital	8.04%	8.83%	9.0% - 9.5%
ACE ratio	4.58%	3.89%	4.5% - 5.0%

Bank Capital Adequacy



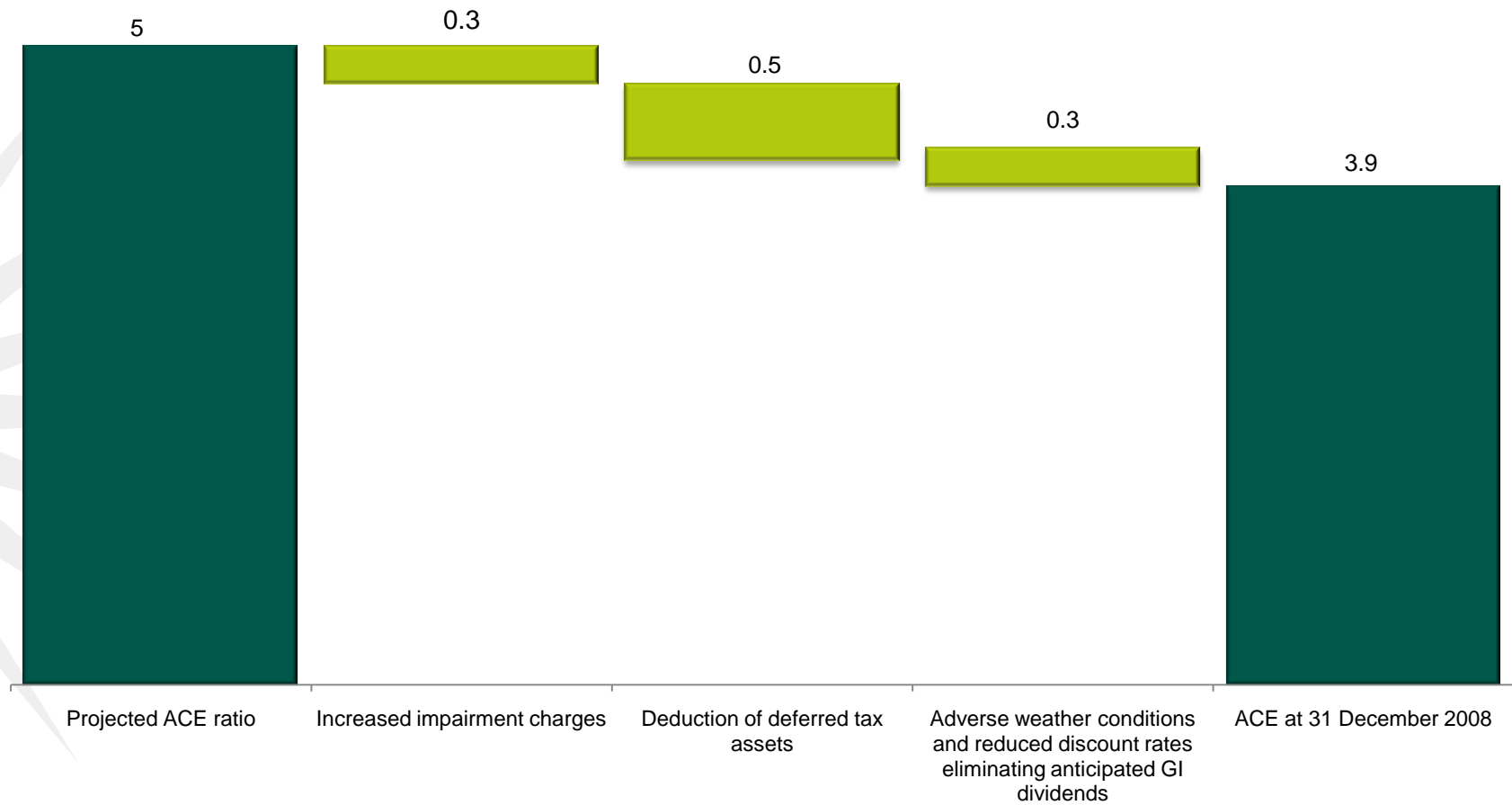
Tier 1 Capital



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# Factors Affecting the ACE Ratio at 31 December 2008





# Outlook

## Bank

PBT&BD growth in high teens  
Conservative provisioning of  
impaired assets

## General Insurance

GWP 4% - 6%  
ITR 10% - 12% for 2H09



## Wealth Management

Underlying profit flat

## Capital

Well above targets and  
conservatively placed in  
anticipation of economic  
deterioration

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