

## NEWS RELEASE

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### **Suncorp Full Year Earnings Update**

Banking and insurance group Suncorp today reconfirmed that it expects underlying\* profit growth in the mid-20 percent range for the full year to June 2004.

Chief Executive Officer John Mulcahy said the company's performance to date was in line with management's expectations.

"We gave clear earnings guidance to the market at our interim results presentation, and I am happy to report that the financial performance in the second half has been travelling according to plan," he said.

"We have made significant operational improvements across the group, and the benefits of those initiatives will be reflected in the full year results, due to be released in August.

"At this point, and assuming no unusual events, we remain confident that underlying profit should increase by at least 25%," he said.

This excludes a \$30 million pre-tax profit from the sale of the group's interest in Cashcard, which was finalised in March, and will be treated as a significant item in the profit and loss account.

#### **Banking**

Total asset growth continues to exceed system, driven by robust business lending and improved housing lending.

Housing lending is now consistently achieving system growth rates or better on a monthly basis. The improvement in home lending is due to a combination of increased sales through proprietary and third party distribution channels, and higher retention rates.

Business lending continues to exceed system growth rates due to healthy lending in small business and property segments. However, as expected, growth has slowed from the exceptionally strong levels seen in the first half.

Following a contraction in the first six months of the year, net interest margins have stabilised, assisted by, amongst other things, adjustments to business mix and improved deposit spreads.

Fee income growth has been constrained by reductions in interchange fees, increased commissions to third party originators and improved home loan retention, which has reduced break fee income.

<sup>1</sup> \* before goodwill, tax, one-offs and investment income on general insurance shareholders funds

Expense management is highly disciplined, and overall credit quality remains very sound, despite some signs of weakness in segments of the agribusiness portfolio.

We therefore continue to expect that banking profit before tax will increase by a percentage in the mid-teens.

#### General Insurance

Conditions in general insurance remain favourable. Healthy competition is evident, however there are no signs of irrational pricing in the markets in which we operate. We continue to price our products in accordance with risk.

Claims experience in the Queensland Compulsory Third Party portfolio is emerging in line with our expectations, with the Civil Liabilities Act having a positive impact on personal injury claims costs.

Assuming no unusual claims events or movements in actuarial valuations, we would expect the Insurance Trading Result for the full year to be at the top end of the 10-13% range indicated in February.

Less buoyant equity markets in the second half are expected to lead to reduced investment income on shareholders funds in the six months to June.

#### Wealth Management

Wealth Management profits in the second half are expected to be lower than the first half, principally due to reduced investment returns. While gross retail sales remain subdued, net retail inflows are expected to show an improvement compared with the first half.

We remain confident of reporting an annual increase in profits of more than 30%.

#### Group

The effective tax rate, as a proportion of profit before goodwill (excluding life insurance policyholders interests), is expected to be between 28% and 29%, with the ultimate net profit outcome obviously dependent on investment returns at balance date.

"We remain pleased with progress to date," said Mr Mulcahy. "The results compare favourably with our peers in the marketplace, reflecting the benefits of the group's integrated financial services strategy. We look forward to providing the full financial results in August," he said.

#### ***For further information:***

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