



NEWS RELEASE

1 August 2008

SUNCORP MARKET UPDATE

Suncorp today updated the market on its expectations for the Group's full year result to 30 June 2008. The update follows a review of preliminary unaudited financial information and completion of actuarial valuations in the general insurance and life risk businesses.

The Group now expects to be at the top end of the previous profit forecast for its banking business. Guidance has been confirmed for general insurance and reduced for the wealth management business. Integration remains firmly on track and the Group is confident in the projected timing and quantum of synergy benefits.

Chief executive John Mulcahy said that, despite the external challenges which impacted all financial services companies over the past 12 months, the underlying performance of the Group's businesses provided a strong foundation for the upcoming financial year.

"Like all Australian financial services companies, our result for the 2008 financial year has been affected by external factors, including the global credit crunch, volatile equity markets and a succession of severe weather events," Mr Mulcahy said.

"Despite this, we will take numerous positives out of last year – our businesses are in good shape, integration is progressing well and delivering the synergies we targeted, our customer base has grown and satisfaction across all brands continues to improve."

Banking Update

Suncorp's banking business expects to increase full year profits before bad debts, tax and one-off items (\$20 million gain from the sale of the credit card portfolio to Citigroup and \$16 million gain from the Visa initial public offering) by approximately 12%, at the top end of its forecast of 10% to 12%.

Although non-performing loans are expected to increase, the Bank's high levels of security and minimal exposure to unsecured lending means impairment losses, as a proportion of total loans, will continue to be less than the major banks. The full year bad debts expense is expected to be between \$70 million and \$75 million.

Bringing this together, the Bank's contribution after bad debts and before tax for the year to June 2008 is likely to be between \$630 million and \$635 million.

The Bank's funding program remains well on track following the completion of the \$1.15 billion three year domestic issuance, private placements in Australia and Asia, and the establishment of a commercial paper program in the United States.



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As a result, Suncorp ended the year to June 2008 with average balance sheet duration, including sub-debt and hybrids, of around 0.6 of a year, the same level as at the end of June 2007.

General Insurance Update

Following completion of an actuarial review of claims provisions and the full year mark to market of the technical reserves portfolio, as well as the inclusion of additional claims events in the second half of the year, Suncorp expects its insurance trading ratio (ITR) for the full year ending 30 June 2008 to be approximately 10% including integration synergies.

Actuarial review of claims' valuations

The actuarial review of outstanding claims provisions has confirmed that the quantum of central estimate releases has continued to reduce.

The central estimate reserve release for the second half is expected to be approximately \$70 million (H1: \$171 million). In addition there will be a diversification benefit across the portfolio of approximately \$75 million.

Due to stabilisation of claims valuations, Suncorp has decided to adjust its level of sufficiency from 94% to 90%. This will result in a benefit of approximately \$220 million, which will be taken in full in the 2007/08 year.

Mark to Market – Technical Reserves

During the second half of the financial year, the ITR was affected by the mark to market impact of widening credit spreads on the Group's approximately \$7.7 billion technical reserves portfolio, where underlying investments are matched to the expected payouts in the outstanding claims provision. The full year impact will be around \$140 million.

As advised in February 2008, this is purely an accounting and timing issue which will reverse as the investments redeem or as credit spreads contract. There is no question about the quality of these investments, which are largely semi-government and high quality corporate bonds.

Weather Events

Claims costs associated with severe weather events for the full financial year are expected to total around \$415 million, well ahead of the Group's normal full year provisioning of \$200 million.



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The major events for the 2007/08 year included:

Date	Event	A\$ Million
Jul 2007	Floods in New Zealand	20
Oct 2007	Storms in Lismore	60
Dec 2007	Storms in Sydney	170
Dec 2007	Earthquake in New Zealand	5
Dec 2007	Storms in Melbourne	25
Feb 2008	Storms in Mackay	110 ^a
Apr 2008	Wind Storms in Vic/Tas	25
	Total	A\$ 415 million

Mr Mulcahy said that, outside these events, generally wetter weather across eastern Australia contributed to an increase in claims frequency. Additionally, some supply side constraints created by the succession of major events caused an increase in claim costs. However, in recent months, the inflationary impacts of the major events on average claim costs have begun to abate.

Despite these external factors, Suncorp's general insurance brands continued to perform strongly, with recent personal insurance premium increases flowing through in current and future reporting periods.

Reinsurance

Suncorp has confirmed its reinsurance program for the 2008/09 year. As a result of the frequency of major weather events in 2007/08, the Maximum Event Retention (MER) has been reduced to \$150 million, from \$200 million.

Additionally, aggregate cover has been purchased. This provides protection for multiple events that individually may be below the \$150 million level, but collectively total over \$250 million.

Wealth Management Update

Suncorp announced that its Wealth Management business had been significantly impacted by the downturn in investment markets and the increase in discount rates. This will result in underlying profit for 2007/08 being between \$130 million and \$135 million compared to the 2006/07 pro-forma after tax result of \$150 million.

^a Including reinsurance premium reinstatement and net of reinsurance recoveries



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Mr Mulcahy said the primary cause of this disappointing result was the negative investment markets impacting on funds under administration, funds under management and the value of the assets backing the annuity book. New Zealand investment and superannuation returns have also been impacted.

Mr Mulcahy said a simplification of the wealth management business model, processes and products, will position the business to ride out tough market conditions as well as take advantage of any improvement in the industry cycle.

Further investment market impacts

The downturn in equities and fixed interest markets has significantly impacted the Group's result for the year to 30 June 2008.

The loss in the General Insurance Shareholders Funds, a portfolio of around \$2.8 billion, will be around \$235 million for the year to 30 June 2008.

Additionally, the Group's defined benefit superannuation schemes have been negatively impacted by investment markets, and, in accordance with accounting standards, this will result in an expense of around \$35 million for the year to 30 June 2008. This expense will be separately disclosed in the 'Other' heading of the Income Statement.

NPAT/Dividend

Based on all of the above, the unaudited preliminary financial net profit after tax (NPAT) is now expected to be between \$525 million and \$550 million. This includes the impact of Promina acquisition items.

Given the impact of external events on the Group's full year results, the Board has decided that Suncorp's final dividend would remain at 55 cents per share fully franked, taking the full year dividend to 107 cents per share.

Mr Mulcahy also confirmed the dividend reinvestment plan would be fully underwritten to support the Group's capital position and provide it with strategic flexibility in the current financial year.

Outlook

Mr Mulcahy said the outlook for the Group's three businesses for the year ending 30 June 2009 remained positive despite the challenging economic environment.



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In the Bank, Mr Mulcahy forecast high single digit growth in profit before tax and bad debts compared to the 2007/08 result (excluding one-off items). While it is likely the level of non-performing loans will continue to increase in 2008/09, it is anticipated the impairment loss expense will remain within the historical range compared to the major Bank peer group.

In General Insurance, Mr Mulcahy forecast an ITR in the 10% to 12% range, including the benefits of integration. This assumes weather events remain within the Group's normal provisioning and there is no further widening of credit spreads across the Group's technical reserves portfolio. The guidance also assumes no material structural reserve releases.

In Wealth Management, conditions are expected to remain challenging, with the Group forecasting a flat underlying profit result compared to 2007/08.

Based on the Group's outlook, the excellent progress on integration and continuing confidence in the underlying performance of the business, the Board anticipates that the Group's ordinary dividend for the full year to June 2009 will be maintained at 107 cents per share.

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TELECONFERENCE DETAILS

Suncorp will be hosting a combined analyst, investor and media teleconference at 10:00am today.

All Participants will be asked for their full name & Conference ID when joining the Call.

CONFERENCE ID: 57669920

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