



ASX ANNOUNCEMENT

27 May 2009

SUNCORP APS 330 AND LEGAL ENTITY RESTRUCTURE UPDATE

Suncorp today provided details of its banking credit quality and capital position for the three months to 31 March 2009 as part of its regular Basel II disclosure requirements. It also updated the market on initiatives to simplify the Group's legal entity structure.

Basel II banking tables

The impairment loss for the three months to 31 March 2009 was \$136 million. Impaired assets increased to \$1,241 million (\$986 million at 31 December 2008).

Acting chief executive Chris Skilton said the Australian banking sector had continued to be impacted by the deteriorating economy and declining property values.

"Like all Australian banks, Suncorp was impacted by worsening economic conditions and falling property values during the quarter. While we believe our full year bad debts will be contained at the top end of previous guidance, given the downside risk associated with ongoing economic uncertainty, we think it is prudent to adjust our full year bad debt charge guidance to the range of 125 to 145 basis points of total loans," he said.

Suncorp's robust capital position strengthened further during the quarter with the capital adequacy ratio increasing to 13.24% and the Tier 1 ratio increasing to 11.39%.

Suncorp Group legal entity restructure

Since completing the Promina transaction, Suncorp has undertaken a phased approach to simplifying the Group's structure.

The first phase of Suncorp's legal entity restructure (LER) was completed in December 2008 allowing access to Vero Insurance Limited capital. The second phase of the LER, aligning all general insurance and wealth management subsidiaries, is on track to be completed on 1 July 2009.

As part of the final phase of the LER process, the Board has approved further investigation into the possibility of establishing a non-operating holding company (NOHC) as the listed entity owning the banking, general insurance and wealth management subsidiaries.

While the Board believes a NOHC structure has the potential to deliver greater transparency of the operating businesses and allocation of capital within the Group, a number of structural and regulatory issues have to be addressed before deciding whether to put a NOHC proposal through a shareholder approval process.



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A critical factor in the investigation into a NOHC structure is maintaining the current credit ratings for each of the Group's key operating entities. Preliminary analysis conducted to date has suggested this outcome is achievable.

A further update on the feasibility of a NOHC structure is expected during the September quarter of 2009.

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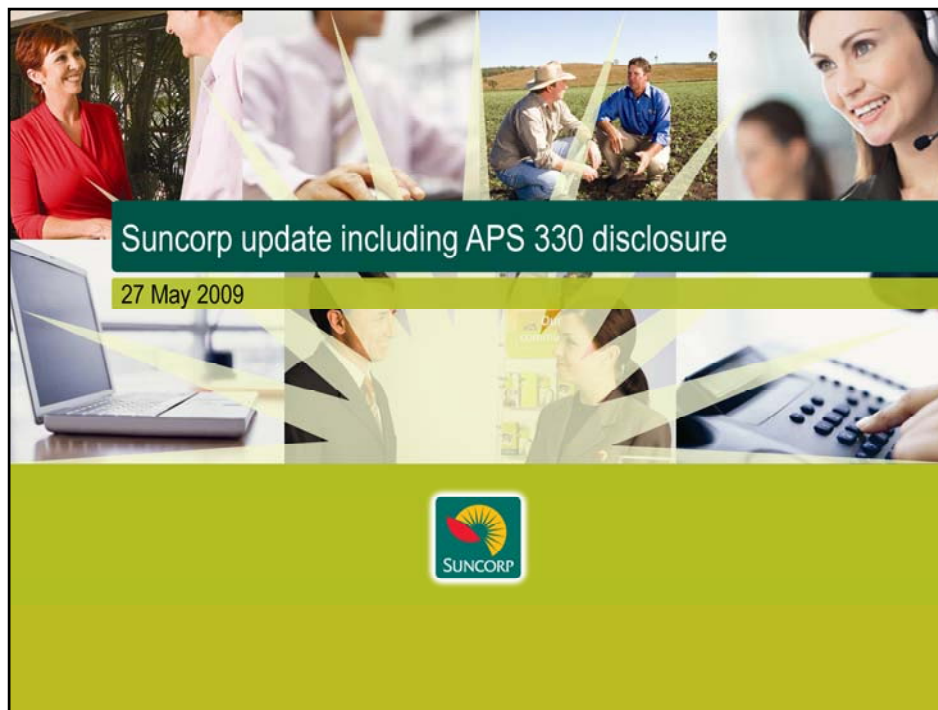
Jamin Smith – 07 3835 5183

Market presentation and teleconference

The Basel II tables and a market presentation have also been provided to the market. A teleconference for investors, analysts and media will be held at 9:30am AEST, details are as follows:

Dial in numbers: 1800 148 258 (Australia)
 0800 667 018 (New Zealand)
 +61 2 8524 6650 (international)

Conference ID: 11889995

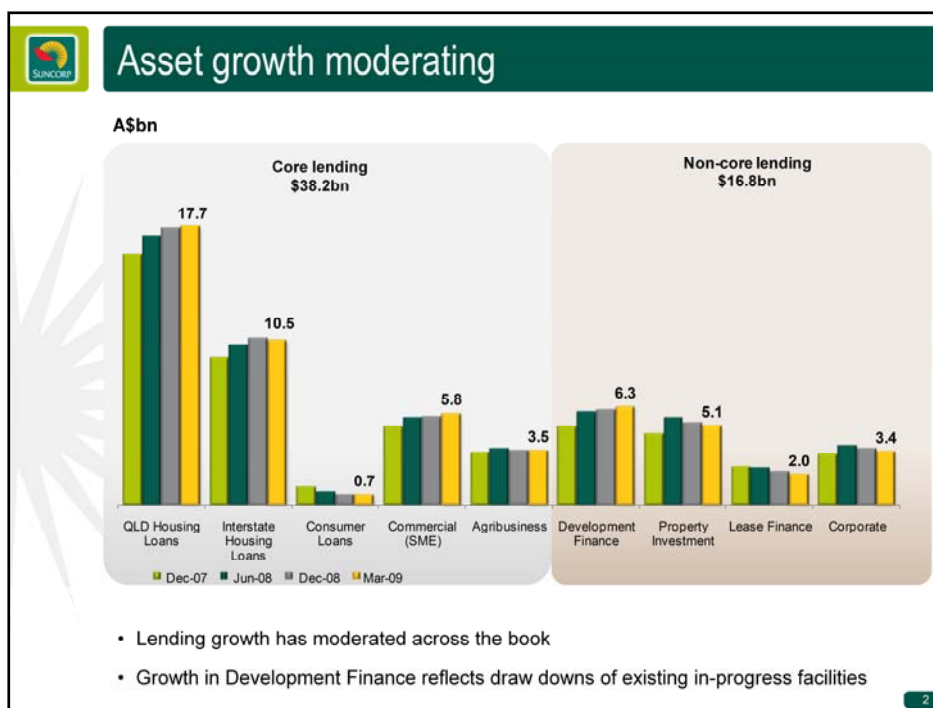


Chris Skilton: Good morning and thank you for joining us. With me I have David Foster, GE Banking and Clayton Herbert, Acting CFO.

As you are aware, we are required as part of our Basel II Pillar 3 reporting to update the market on credit quality and capital issues on a quarterly basis. Given the interest around this, we have provided some additional information, over and above the required tables that are attached. I'll talk to these slides and will provide an opportunity to ask questions at the end of the presentation.

I'll also provide a brief update on the progress of our legal entity restructure.

I would make the point that David Foster recently presented at an investor conference and provided a detailed strategic update around the bank and our de-risking strategies. I won't be going over those issues again, however we are happy to take questions on that subject.

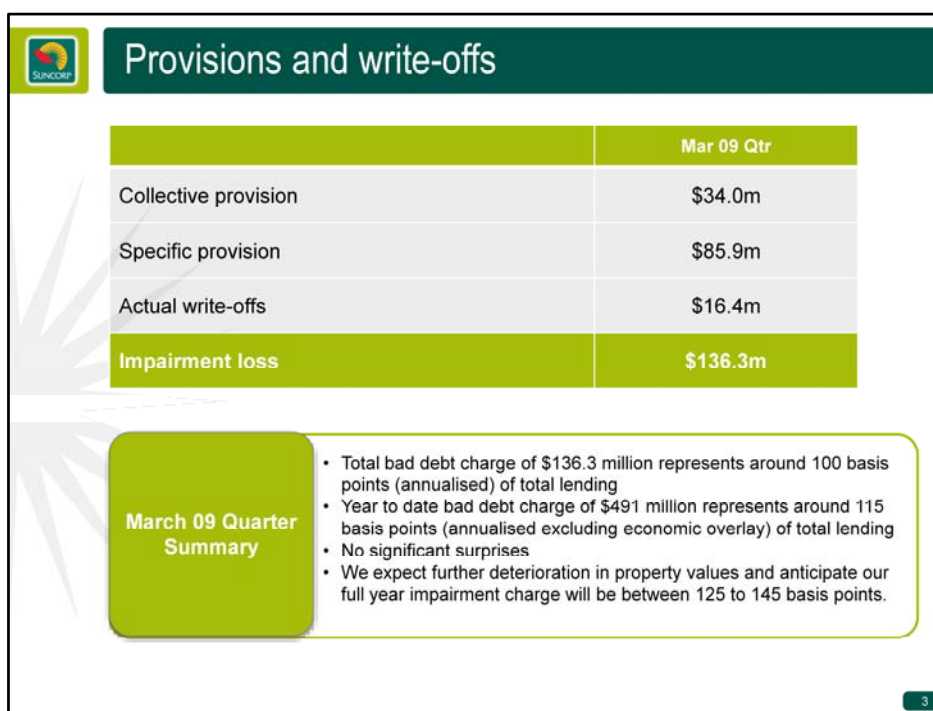


One of the slides that David did provide in his presentation was the March 31 breakdown of our asset mix. This is included again on slide 2.

In total, Suncorp has \$55 billion of total loans, with \$38.2 billion in core lending and \$16.8 billion in non-core run-off.

One of the points that David made, and it is important to restate, is that there will continue to be draw-downs against our non-core development finance portfolio and in fact the portfolio marginally increased in the last quarter to March 31.

While it is obviously difficult to accurately predict the level of repayments, drawdowns and refinancing activity in aggregate, we do believe the size of the non-core portfolio in general and the development finance book, in particular, are at their peak and will now begin to amortise and the balance reduce.



Moving to slide 3 and our impairment loss, the total charge of \$136 million for the quarter brings our actual year to date impairment charge to \$491 million, which includes the \$75 million economic overlay we took in the first half.

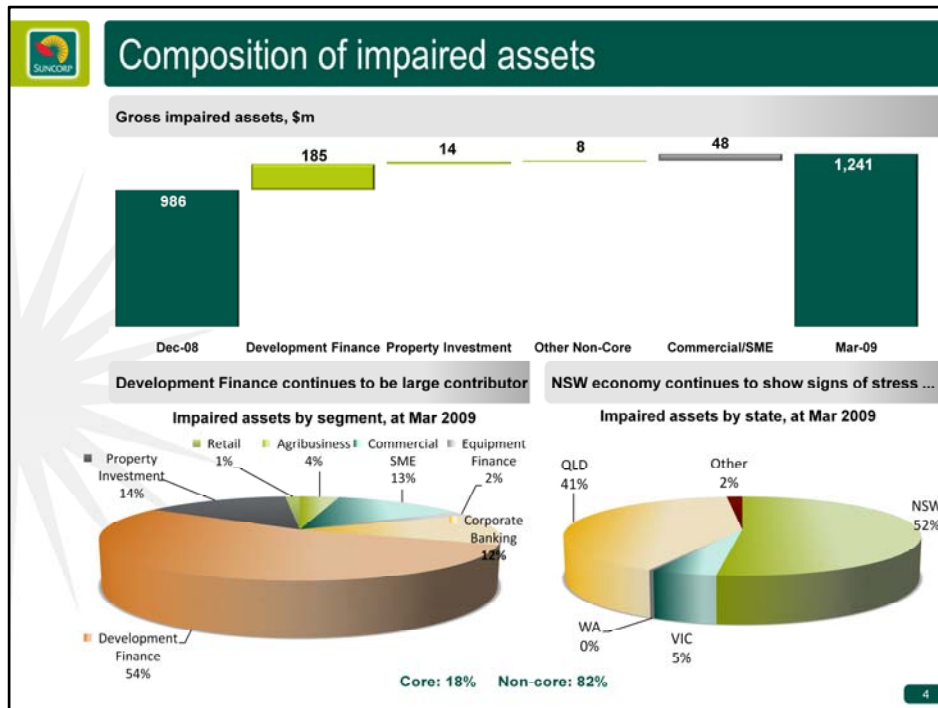
This represents 115 basis points of total lending on an annualised basis, assuming you don't annualise the economic overlay.

So, pleasingly, what we have seen through Q3 and into Q4 has largely been in line with our expectation following the detailed review of our loan book -- with provisioning levels being largely driven by reduced valuations on existing impaired assets, as opposed to new impaired accounts.

But I must make the important point that, in accordance with our normal practice, we will be obtaining a number of revised valuations during June, and this, along with the continued economic deterioration, leads us to the view that our full year bad debt charge is likely to be at top end of our current 100 – 130 basis points guidance.

However, given the uncertain economic outlook it would be foolish of me not to acknowledge there has to be some downside risk to this outlook. We therefore feel it is appropriate to adjust our full year bad debt guidance to 125 – 145 basis points in order to reflect that risk.

Even though we are just five weeks from the end of this reporting period, I must stress that the usual guidance caveats must apply. That is - there can be no guarantee that we won't be impacted by an unexpected large exposure or that a combination of other factors, either domestic or global, will be beyond reasonable predictions.



To impaired assets now on slide 4.

I've updated the waterfall chart of impaired assets to show the contribution from each of the core and non-core portfolios.

I would make the point again that we haven't experienced the large single name impairments that impacted us in the first two quarters of the year.

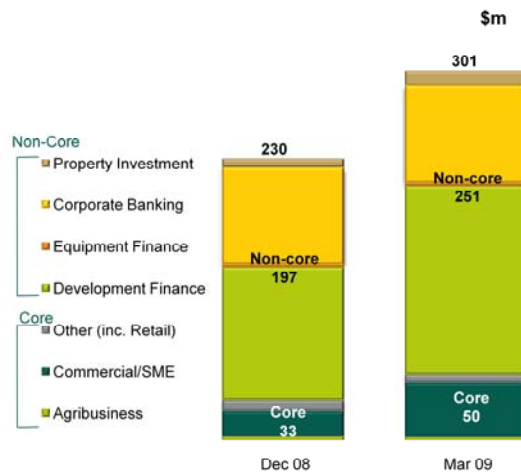
We have seen an increase in smaller accounts and this has primarily contributed to the \$255 million increase.

Of the impaired asset balance, 82% are in our non-core book with the majority continuing to be in NSW.

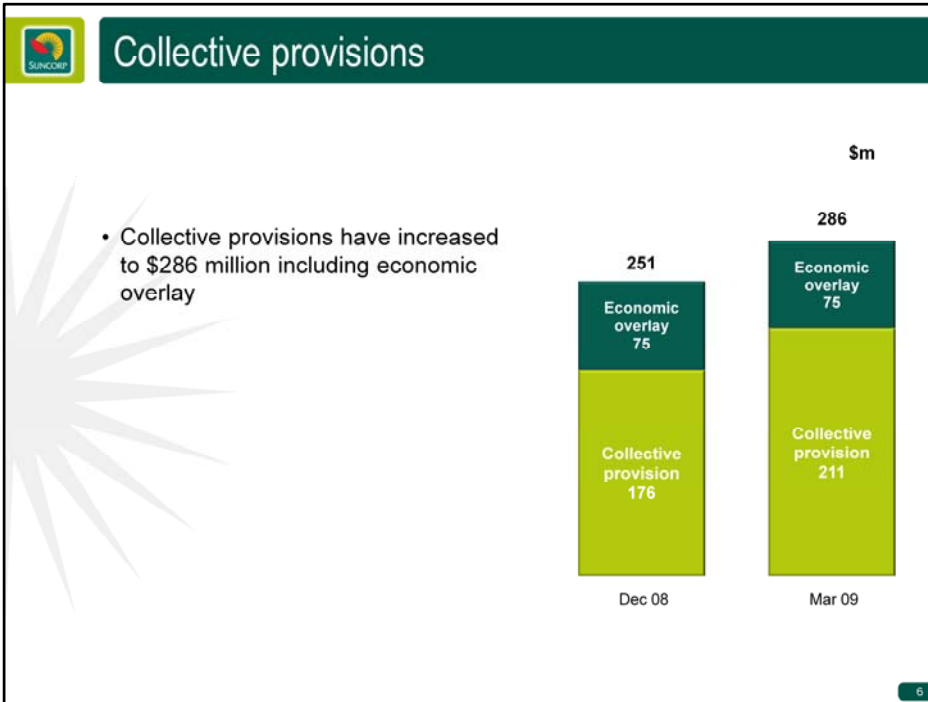


Specific provisions

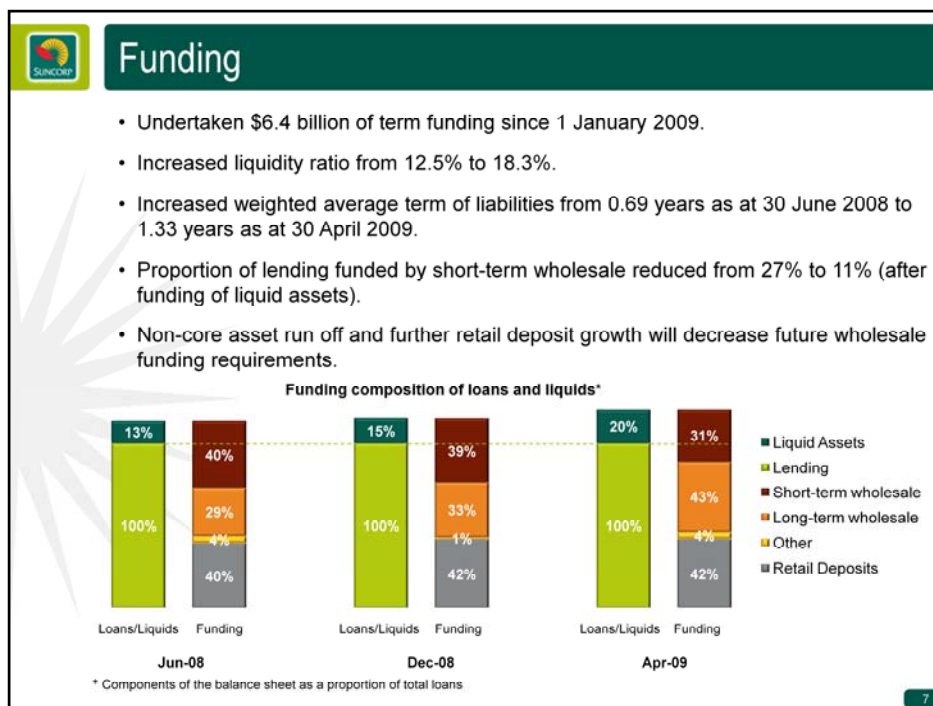
- Specific provisions have increased to \$301 million with the increase primarily in Development Finance.
- Specific provisions at 31 March 2009 are predominantly non-core (83%).



Specific provisions have increased to \$301 million and I think it's worth pointing out that over 80% of the specific provision relates to the non-core book, primarily in the Development Finance and Corporate segments.



To the Collective Provisions now and this has increased to \$286 million which includes the \$75 million economic overlay booked in the first half.



Now to funding and the significant de-risking activity we have undertaken in lengthening our balance sheet, which of course is aligned to our decision to identify non-core lending and place it into run-off.

As you'll know, we have increased our liquid assets ratio from 12.5% to 18.3% through to the end of April. We have completed approximately six and a half billion of term funding since January and have lengthened the weighted average term of liabilities from 0.69 years to 1.33 years during this financial year. We have significantly reduced our reliance on short-term wholesale funding with the balance, net of liquid assets, now at 11% of lending, which is down from 27% at the start of the year.

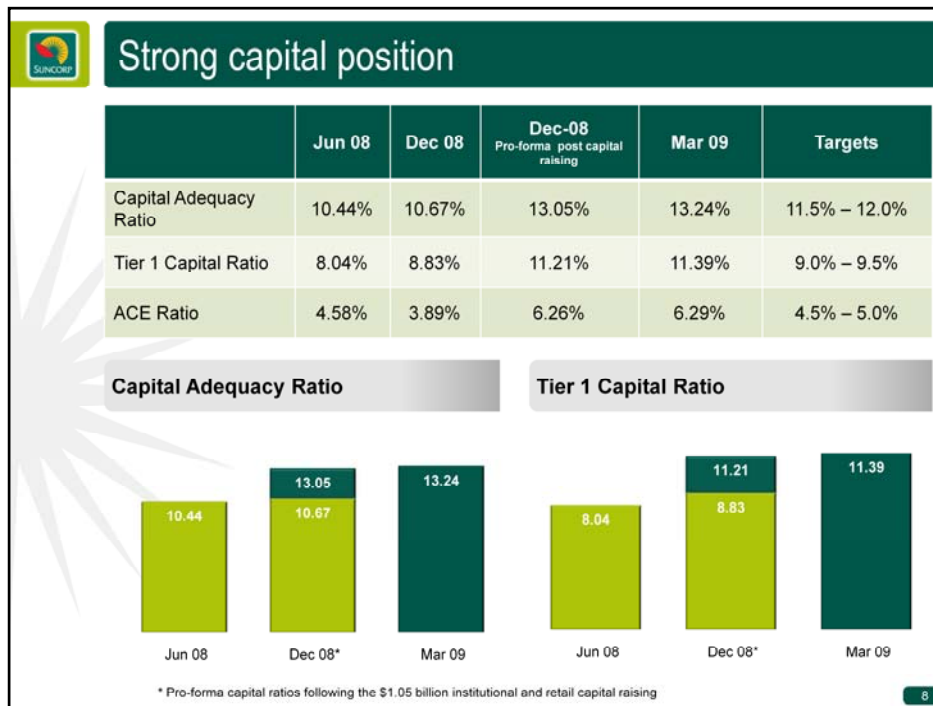
There is no doubt that funding markets are continuing to thaw as debt markets sentiment improves and confidence in the global financial system is slowly restored. But investors obviously remain extremely cautious and wary of future shocks.

The Government guarantee has provided good access to global liquidity and this mechanism is being widely used by all Australian banks. Unfortunately, for the regional banks, debt investors are differentiating between AAA rated Government guaranteed paper issued by major banks and AAA rated Government guaranteed paper issued by regionals such as ourselves. When coupled with the differentiated fee scale applied by the Government, this puts sub AA rated issuers at a distinct disadvantage.

This funding disadvantage will be further compounded as AA rated Banks raise non-guaranteed funding at lower all up cost than guaranteed issuance, as they have done from domestic sources and, more recently, from offshore markets.

This, and our de-risking strategy, will obviously have an impact on margins in the second half of 2009 and I want to reinforce our guidance of an increase in banking profit before tax and bad debts in the 'high teens'. I would like to emphasise again that the base for calculating that guidance does not include the non-recurring gains on the sale of the credit card portfolio and the VISA shares that were booked in 2007/08 (ie the base is \$668 million)

It has been suggested that the recent capital raising will improve margins in the second half, however, the benefit of the \$1 billion raising will be more than offset by the additional costs we are paying for long-term wholesale funds and the interest not brought to account on non-performing loans.



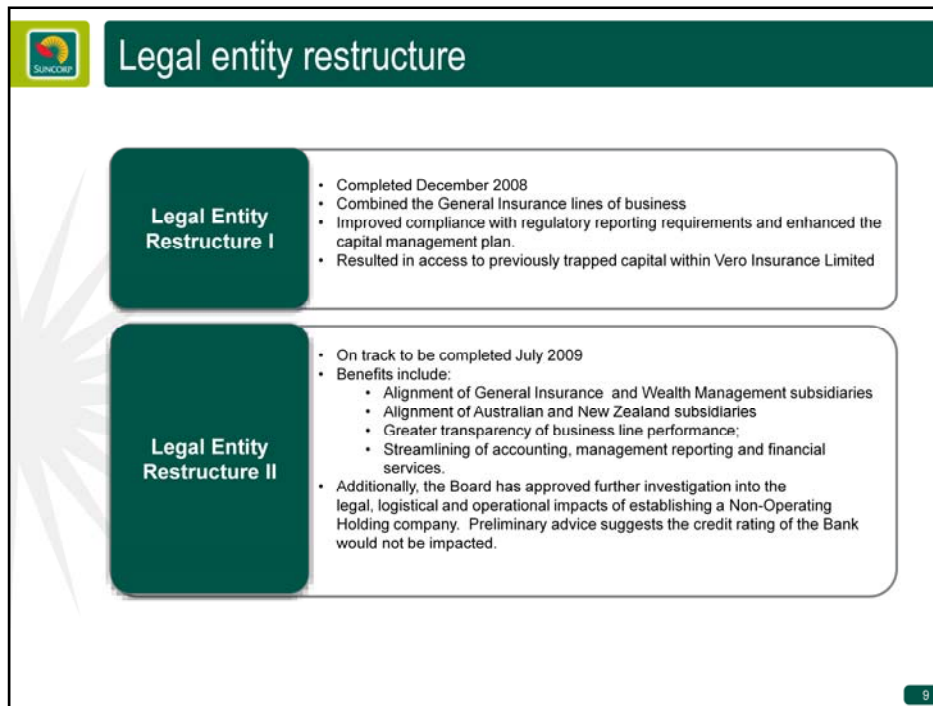
Finally, on the Bank, in the APS 330 disclosures we have updated our capital numbers for the March quarter.

As you'll be aware, the Board has recently increased our internal targets for capital adequacy from between 10 to 10.5% to between 11.5 to 12%. Following February's \$1 billion capital raising, our capital ratios have been well above the revised internal targets and our banking industry peers.

At 31 March 2009, our CAR is at 13.24% and our Tier 1 capital ratio is at 11.39% (well above other banks who are around 8 to 9%)

The ACE has also significantly increased to 6.29%, well above our long term target range of 4.5% to 5.0%.

Additionally, we will also benefit from the decision to run-off 'non-core' portfolios in the Bank. The assets involved in the run-off have a risk weighting of 100%, so when complete, the \$16.8 billion in non-core portfolios will further contribute to this strong capital story.



At this time I thought it might be useful to provide an update on the progress our legal entity restructure.

At the time of the merger between Suncorp and Promina, approximately 150 entities were brought together. The Legal Entity Restructure (LER) program commenced in 2008 to facilitate the simplification of the agreed optimal corporate structure. The guiding principles have been to restructure corporate entities to align according to the governing business unit management structure and reporting lines. Benefits are:

- Transparency of accounting and reporting
- Improved administrative efficiency
- Compliance with APRA and other regulatory requirements
- Capital management flexibility; and
- Rationalisation of licensing across the group

The first stage of a group legal entity restructure was completed in December 2008. It brought together the General Insurance lines of business and allowed capital that had previously been trapped within Vero Insurance Limited to be available to the Group.

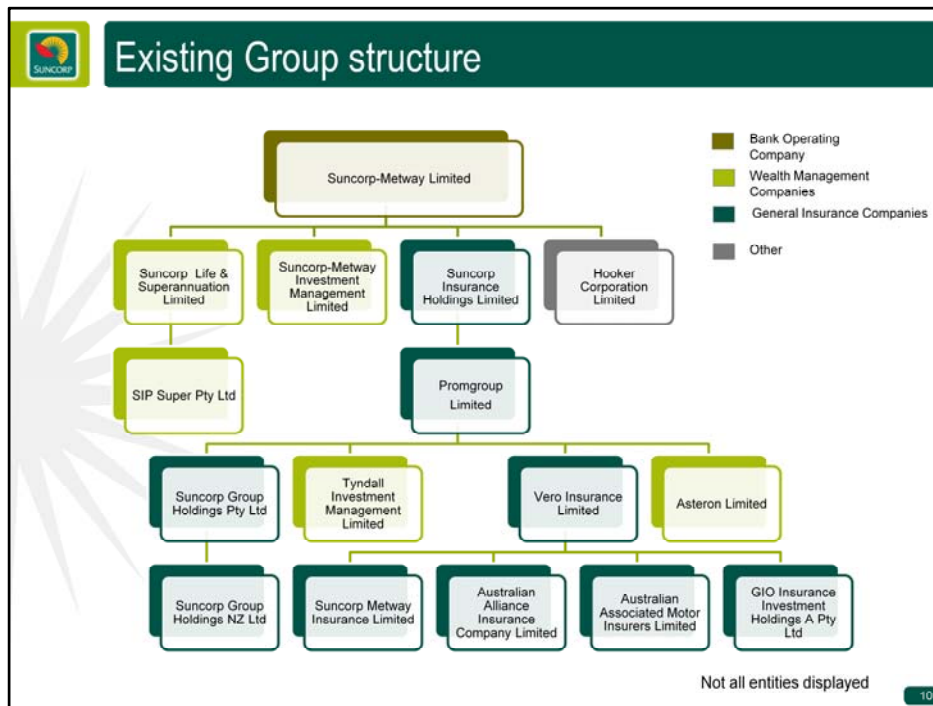
We're now into the second stage of the LER which involves aligning all general insurance and wealth management subsidiaries and this is on track to be completed by July 2009.

In addition, related activities to streamline accounting, management reporting and other financial systems across the Group are underway. This will further enhance management oversight of the businesses and statutory reporting.

As part of the final stage of the LER process, the Board has approved further investigation into the legal, logistical and operational impact of establishing a Non-Operating Holding Company (NOHC) as the listed entity owning the Banking, General Insurance and Wealth Management subsidiaries. While the Board believes a NOHC structure has the potential to deliver greater transparency of the operating businesses and allocation of capital I would point out that there are a number of structural issues that need to be considered before any decision to put a NOHC restructure proposal through a shareholder process can be made.

Ensuring the maintenance of the current credit ratings positions for each of the key operating entities in the Group in any NOHC structure is a critical factor in this investigation. Preliminary advice from Standard and Poor's indicates that the notional group operating rating would remain at 'A+/stable' and that the rating for both the Suncorp NOHC and Suncorp Metway Limited, the banking subsidiary, would be 'A/stable'.

A further update on the feasibility of this process is expected to be provided during the first quarter of the next financial year.



Looking briefly at the existing legal structure of the Group.

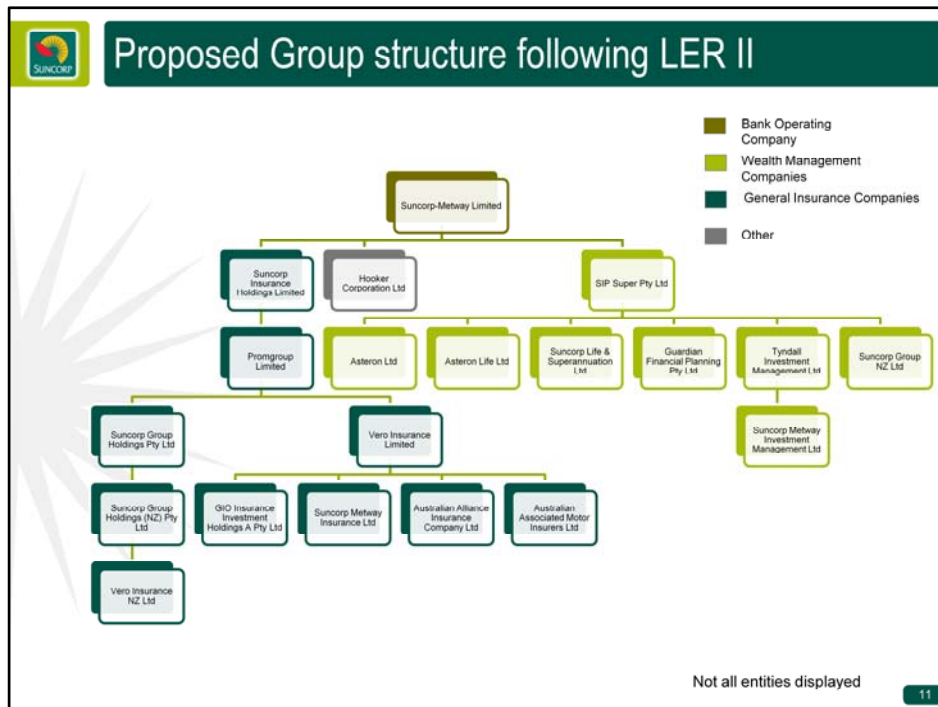
Suncorp Metway (the Bank) is the holding company for the Group.

The Australian General Insurance operations are conducted through Vero Insurance Ltd, and Suncorp Metway Insurance Ltd (SMIL), which includes the GIO business and a number of joint ventures.

Following the merger, Promina Group Ltd and it's related companies, sit under Suncorp Insurance Holdings Limited.

Vero Insurance Limited is one of those related companies and incorporates the various operating subsidiaries and joint ventures which operate the major brands AAMI and APIA.

The Group's Wealth Management business, which includes life insurance, superannuation and funds management is conducted by Suncorp Life and Superannuation, Tyndall Investments and Asteron.



This slide shows the proposed Group following the second stage of the Legal Entity Restructure.

The result will be a more logical structure, with the General Insurance subsidiaries aligned and the Wealth Management subsidiaries aligned.

This work is on track to be completed on 1 July 2009.

So at that point, let me hand over to questions...





APS 330 DISCLOSURE: TABLE 16 CAPITAL ADEQUACY

31 MARCH 2009

	Risk Weighted Balance \$m
On-Balance Sheet Risk Weighted Assets	
Cash items	16
Claims on Australian and foreign governments	3
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	637
Claims on securitisation exposures	17
Claims secured against eligible residential mortgages	9,888
Past due claims	2,217
Other retail assets	1,095
Corporate	21,815
Other assets and claims	482
Total Banking assets	36,171
Off balance sheet positions	
Guarantees entered into in the normal course of Business	207
Commitments to provide loans and advances	1,687
Capital commitments	18
Foreign exchange contracts	175
Interest rate contracts	151
Securitisation exposures	310
Total off balance sheet positions	2,548
Total Credit Risk capital charge	38,719
Market risk capital charge	827
Operational risk capital charge	2,678
Total risk weighted assets	42,224
Risk weighted capital ratios	%
Tier 1	11.394%
Total risk weighted capital ratios	13.235%



APS 330 DISCLOSURE: TABLE 17 CREDIT RISK

Table 17A: Credit Risk by Gross Credit Exposure

As at 31 March 2009

31-Mar-09	Receivables due from other banks \$m	Trading securities \$m	Investment securities \$m	Loans, advances and other receivables \$m	Credit commitments \$m	Derivative instruments \$m	Total Credit Risk \$m
Agribusiness	-	-	-	4,090	15	-	4,105
Construction and development	-	-	-	6,593	401	-	6,994
Financial services	93	8,168	3,165	2,057	180	1,168	14,831
Hospitality	-	-	-	1,724	-	-	1,724
Manufacturing	-	-	-	952	-	-	952
Professional services	-	-	-	722	-	-	722
Property investment	-	-	-	7,533	-	-	7,533
Real estate - Mortgage	-	-	-	23,047	1,308	-	24,355
Personal	-	-	-	670	-	-	670
Government and public authorities	-	-	-	8	-	-	8
Other commercial and industrial	-	-	-	3,214	980	-	4,194
Total gross credit risk	93	8,168	3,165	50,610	2,884	1,168	66,088
Eligible securitised loans	-	-	-	5,250	-	-	5,250
Total including eligible securitised loans	93	8,168	3,165	55,860	2,884	1,168	71,338
Collective Impairment provision							(286)
TOTAL							71,052



APS 330 DISCLOSURE: TABLE 17 CREDIT RISK

Table 17A: Credit Risk by Gross Credit Exposure

As at 31 March 2009 cont

	Impaired assets \$m	Past Due not Impaired > 90days \$m	Total not past due or impaired \$m	Specific Provisions \$m
Agribusiness	44	46	3,988	5
Construction and development	650	126	6,085	125
Financial services	-	-	14,829	-
Hospitality	50	48	1,613	6
Manufacturing	31	1	914	9
Professional services	144	3	568	84
Property investment	255	26	7,245	47
Real estate - Mortgage	24	177	23,082	12
Personal	-	7	641	-
Government and public authorities	-	-	8	-
Other commercial and industrial	43	48	4,020	14
Total gross credit risk	1,241	482	62,993	301
Eligible securitised loans			5,250	
	1,241	482	68,243	301
Total including eligible securitised loans				
Collective Impairment provision	-	-	(286)	
TOTAL	1,241	482	67,957	301



APS 330 DISCLOSURE: TABLE 17 CREDIT RISK

Table 17A: Credit Risk by Gross Credit Exposure

Average gross exposure from 1 Jan 2009 to 31 Mar 2009

	Receivables due from other banks	Trading securities	Investment securities	Loans, advances and other receivables	Credit commitments	Derivative instruments	Total Credit Risk
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Agribusiness	-	-	-	3,849	15	-	3,864
Construction and development	-	-	-	6,550	391	-	6,941
Financial services	81	8,252	3,074	1,867	175	1,205	14,653
Hospitality	-	-	-	1,748	-	-	1,748
Manufacturing	-	-	-	959	-	-	959
Professional services	-	-	-	744	-	-	744
Property investment	-	-	-	7,624	-	-	7,624
Real estate - Mortgage	-	-	-	22,942	1,170	-	24,112
Personal	-	-	-	682	-	-	682
Government and public authorities	-	-	-	9	-	-	9
Other commercial and industrial	-	-	-	3,425	1,023	-	4,448
Total gross credit risk	81	8,252	3,074	50,396	2,774	1,205	65,781
Eligible securitised loans	-	-	-	5,442	-	-	5,442
Total including eligible securitised loans	81	8,252	3,074	55,839	2,774	1,205	71,224
Collective Impairment provision							(269)
TOTAL							70,955



APS 330 DISCLOSURE: TABLE 17 CREDIT RISK

Table 17A: Credit Risk by Gross Credit Exposure

Average gross exposure from 1 Jan 2009 to 31 Mar 2009 cont

	Impaired assets \$m	Past Due not Impaired > 90days \$m	Total not past due or Impaired \$m	Specific Provisions \$m
Agribusiness	47	35	3,764	7
Construction and development	555	133	6,133	102
Financial services	-	2	14,650	-
Hospitality	44	32	1,657	3
Manufacturing	18	10	926	6
Professional services	74	4	662	42
Property investment	246	22	7,315	36
Real estate - Mortgage	24	179	22,838	8
Personal	-	6	655	-
Government and public authorities	-	-	9	-
Other commercial and industrial	108	42	4,215	61
Total gross credit risk	1,114	462	62,820	265
Eligible securitised loans	-	-	5,442	-
	1,114	462	68,263	265
Total including eligible securitised loans				
Collective Impairment provision	-	-	(269)	-
TOTAL	1,114	462	67,994	265



APS 330 DISCLOSURE: TABLE 17 CREDIT RISK

Table 17B: Credit Risk by Portfolio

	Gross Credit Risk Exposure \$m	Average Gross Exposure \$m	Impaired assets \$m	Past Due not Impaired > 90days \$m	Specific Provisions \$m	Charges for Specific Provisions & Write-offs \$m
Claims secured against eligible residential mortgages	24,355	24,112	24	177	12	2
Other retail	670	682	-	7	-	2
Financial services	14,831	14,653	-	-	-	-
Government and public authorities	8	9	-	-	-	-
Corporate and other claims	26,224	26,327	1,217	298	289	99
Total	66,088	65,781	1,241	482	301	102

Table 17C: General Reserve for Credit Losses

	\$m
General Reserve for Credit losses	194